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UGANDA: REVIEW OF THE INSTITUTIONAL STRUCTURE FOR INVESTMENT AND EXPORT PROMOTION

FINAL REPORT

Bureau for Private Enterprise
U.S. Agency for International Development

Prepared for:	*USAID/Uganda* *Bureau for Africa, Office of Operations & New Initiatives* *Ministry of Finance and Economic Planning, Republic of Uganda*
Prepared by:	*The Services Group*
Sponsored by:	*Private Enterprise Development Support Project II* *Project Number 940-2028.03* *Contract Number PDC-2028-Z-00-7186-00* *Prime Contractor: Coopers & Lybrand*

June 1993

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Prepared by:	*Torge Gerlach, The Services Group* *Robert Rauth, The Services Group*
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EXECUTIVE SUMMARY

Introduction. This report has been prepared by The Services Group, a subcontractor to Coopers & Lybrand, under the Private Enterprise Development Support (PEDS) project with the U.S. Agency for International Development (USAID). The purpose of the report is to review the institutional structure for investment and export promotion in Uganda, and to provide recommendations to the Government of Uganda (GOU) as to how the institutional framework for investment and export promotion in Uganda can be streamlined.

The report is based on a review of the three institutions currently involved in export and investment promotion in Uganda: the Uganda Investment Authority (UIA), the Uganda Export Promotion Council (UEPC), and the Export Policy Analysis and Development Unit (EPADU).

Prior to the next disbursement under USAID/Uganda's Agricultural Non-Traditional Export Promotion Program (ANEPP), the GOU will have to meet the Condition Precedent (CP) which states that the GOU shall provide "evidence that an institutional framework proposal, relating to export and investment development, has been presented to an appropriate level in Government." This report forms the analytical basis for this proposal and will allow the GOU to present it to the appropriate level in Government to meet the USAID CPs.

International Experience with Investment and Export Promotion. Investment and export promotion programs can make significant contributions to a country's economic development efforts if properly designed and managed. In order to increase the likelihood of success of a country's investment and export promotion efforts, a number of guidelines can be established:

-- Investment and export promotion organizations should be largely autonomous with substantial private sector involvement.

-- An adequate policy environment is a mandatory prerequisite to any successful investment and export promotion efforts.

-- Well trained, highly motivated staff with private sector background is a must for a well-run organization. The single most common factor in the failure of investment and export promotion organizations has been poor leadership and inadequate technical personnel.

-- Adequate funding needs to be provided to allow the agencies to carry out their activities and functions in a professional and consistent manner.

-- Investment and export promotion agencies have to have clear mandates and be well focused in their activities.

-- Investment and export promotion functions should be kept seperate as much as possible, since they cater to different client needs and markets, and require different skills and capabilities.

While there is no clear model of the perfect organization, the factors listed above have the largest impact on assuring an agency's success.

Institutional Review of Uganda's Investment and Export Promotion Organizations. Uganda's three institutions concerned with investment and export promotion are the Uganda Investment Authority, the

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Uganda Export Promotion Council, and the Export Policy Analysis and Development Unit. All three institutions have been reviewed for this report and the following is a summary of the findings:

> Uganda Investment Authority. Created under the Investment Code of 1991 to promote and regulate investment in Uganda, the UIA has been relatively effective in achieving its mandate. However, it is felt that the UIA could further improve its performance by developing a more focused promotional approach, and concentrating less on investor screeining and monitoring.
>
> Uganda Export Promotion Council. Created by law in 1983, the UEPC appears to be universally regarded as ineffective and the Acting Executive Secretary notes that Council has always been weak in terms of funds and personnel. Moreover, a lack of direction, particularly from the private sector, has made the UEPC nearly irrelevant in Uganda's push to increase non-traditional exports.
>
> Export Policy Analysis and Development Unit. The creation of EPADU in 1988 was largely a reaction to the UEPC's non-performance. Because of this vacuum, EPADU became the implementing agency for USAID's ANEPP project. Generally speaking, EPADU is considered to have been quite successful in achieving its mandate.

The level of duplication amongst the agencies varies between the organizations. It is evident that the amount of duplication between the UIA and either EPADU or the UEPC is relatively small. This is largely due to the fact that investment and export promotion activities are generally oriented to different countries, sectors, and target markets and thus the services and personnel necessary are somewhat dissimilar. However, the areas of duplication are much greater between EPADU and the UEPC. The primary areas of duplication include the following:

- market intelligence and research as it relates to agricultural export development;
- formation and recommendation of export policies;
- participation in trade shows;
- conducting seminars on various aspects of export development; and,
- provision of advisory services to potential and existing exporters.

To date, there has been very little coordination of efforts between the three organizations. In the case of the UIA, its different focus made the establishment of links to the UEPC and EPADU a relatively low priority. The lack of coordination between the UEPC and EPADU is to be expected, given the fact that EPADU was selected to replace UEPC functions by USAID.

Conclusions and Recommendations. The performance of the three investment and export development organizations has varied widely. The UIA and EPADU have the majority of elements required to perform their functions effectively. The UEPC, on the other hand, has had little foundation for it to undertake export development successfully. Consequently, only the UIA and EPADU have been relatively effective in carrying out their mandates.

Given the duplication of certain functions, especially between the UEPC ad EPADU, an organizational restructuring of the investment and export promotion functions in Uganda is necessary. It is recommended that the GOU strengthen its ability to undertake effective investment and export promotion programs by supporting the creation of a "new" UEPC, charged with export development and promotion, and by enhancing the UIA's investment promotion and regulatory efforts by modifying the current investment code.

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As such, the proposed approach is basically a modification and ratification of the present situation. For this scenario to work, however, a substantial restructuring of the UEPC must be undertaken. The elements of this restructuring include:

- Establish an autonomous, private sector dominated Board of Directors.

- Private sector Board members should be elected by relevant private sector organizations.

- The UEPC and the UIA should have two to four shared Board members.

- To improve upon the UEPC's present physical appearance, more attractive office space should be identified.

This new institutional structure will provide for two separate entities charged with export and investment promotion in Uganda. The UIA will continue its work in promoting and regulating investments in Uganda, while the UEPC will be responsible for export promotion. While there will be similarities in their functions, each organization will be targeting different markets, sectors, and clients. The UIA's primary goal, as an investment promotion agency, will be (1) to promote Uganda as an investment site, (2) to enhance the attractiveness of Uganda for new investments, and (3) to find investors who bring their own know-how and markets. The UEPC's primary goals will be to (1) promote exports of existing exporters, (2) enhance the competitiveness of exporters, and (3) find new markets for existing products and adapt existing products for new markets.

The GOU needs to undertake a number of steps to accomplish the institutional structure outlined above. In order to make the UEPC an effective export promotion organization, the following steps will have to be undertaken:

- Revise the UEPC Act of 1983;
- Appoint UEPC Board members;
- Secure funding and donor support;
- Identify new location;
- Staff the UEPC;
- Develop strategy document;
- Properly equip the institution; and,
- Establish clear links with the UIA.

Similarly, a number of steps should be taken to improve the effectiveness of the UIA:

- Revise the Investment Code;
- Develop focused promotional activities;
- Identify more financing; and,
- Establish clear links with UEPC.

Until the above-mentioned structures are fully operational, it is recommended to allow EPADU to continue its export development work to fill the vacuum until the UEPC is fully capable of undertaking these activities. Moreover, the GOU must work very closely with The World Bank and USAID to assure that their new export development programs in Uganda complement and support the new structures.

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Lastly, it is recommended that Uganda review its policy environment for investment and export promotion. A number of shortcomings in the legislation regulating investment and export promotion have been identified during the consultancy. Despite the huge improvements made to the investment environment in recent years, Uganda still remains unattractive in many ways. A comprehensive export policy regime is not in place, access to land is difficult, telecommunications costs are outrageously high, utility hook-ups continue to take far longer than they should, letters of credit are expensive, and import clearance is extremely bureaucratic and time-consuming.

I. INTRODUCTION

This report has been prepared by The Services Group, a subcontractor to Coopers & Lybrand, under the Private Enterprise Development Support (PEDS) project with the Agency for International Development. The purpose of the report is to review the institutional structure for investment and export promotion in Uganda, and to provide recommendations to the Government of Uganda (GOU) as to how the institutional framework for investment and export promotion in Uganda can be streamlined. As such, this report has been prepared for the Ministry of Finance and Economic Planning. (The Terms of Reference for this study are attached as Annex A of this report.)

The report is based on a review of the three institutions currently involved in export and investment promotion in Uganda: the Uganda Investment Authority (UIA), the Uganda Export Promotion Council (UEPC), and the Export Policy Analysis and Development Unit (EPADU). Moreover, the consultants held discussions with GOU officials, representatives of the donor community, and private sector members to obtain their views on the capabilities and impact of the three organizations.

Prior to the next disbursement under USAID/Uganda's Agricultural Non-Traditional Export Promotion Program (ANEPP), the GOU will have to meet the Condition Precedent (CP) which states that the GOU shall provide "evidence that an institutional framework proposal, relating to export and investment development, has been presented to an appropriate level in Government." This report forms the analytical basis for this proposal and will allow the GOU to present it to the appropriate level in Government to meet the USAID CPs.

Following this introductory section, this report is organized according to the following framework:

- Chapter II presents a review of the international experience in investment and export promotion programs. This chapter provides the analytical framework for the subsequent analysis of the existing investment and export promotion institutions in Uganda. The Chapter provides a separate review of both investment and export promotion, and concludes with a summary and an overview of the primary lessons learned through worldwide experience with these types of programs and institutions.

- Chapter III provides a review of the three primary investment and export promotion institutions in Uganda. The Chapter includes an analysis of the organizational set-up, legal structure, and functions and responsibilities of the UIA, the UEPC, and EPADU. Moreover, the Chapter reviews each organization's performance and accomplishments to-date.

- Chapter IV presents the conclusions and recommendations, highlighting the major findings, and providing a summary on how to improve the investment and export promotion structures in Uganda. The Chapter also provides a discussion on the major issues identified in the analysis, which need to be addressed to enhance the investment and export promotion activities of the Republic of Uganda. The Chapter provides a summary of the major shortcomings of the current institutional structures and makes recommendations on how to overcome those constraints.

This report has been prepared by Torge Gerlach, TSG's Manager of Operations, and Robert Rauth, Senior Consultant with TSG. Mr. Gerlach and Mr. Rauth spent the May, 26 - June 11, 1993 period in Uganda for first hand project discussions with USAID/Uganda staff, UIA, UEPC, and EPADU representatives, the GOU Ministries concerned with investment and export promotion, as well as a number of private sector representatives. Moreover, the consultants coordinated with the members of the Chemonics design team, which was in-country at the same time to develop USAID/Uganda's IDEA project. (A complete listing of the interviews conducted is presented in Annex B of this report.)

The findings and conclusions of the report are those of the TSG consultants and do not necessarily represent the point of view of USAID/Uganda, The Government of the Republic of Uganda, or other parties consulted during the course of the study.

II. REVIEW OF INTERNATIONAL EXPERIENCE

This Chapter presents a review of the international experience in investment and export promotion programs. The chapter provides the analytical framework for the subsequent analysis of the existing investment and export promotion institutions in Uganda. A separate review of both investment and export promotion is provided, and the Chapter concludes with a summary and an overview of the primary lessons learned through worldwide experience with these types of programs and institutions.

A. INVESTMENT PROMOTION[1]

1. Overview

Investment promotion is a set of activities which seek to encourage private entrepreneurs or businesses to invest in new or expanded ventures. The ultimate objective of investment promotion is to bring about increases in employment, income, foreign exchange earnings and other economic benefits such as the creation of backward linkages and the transfer of technology.

In functional terms, investment promotion is neither mysterious nor complex, it simply involves the employment of various techniques to attract the interest of potential investors and sustain that interest from the point of initial investor inquiry to the time at which new ventures are implemented. Promotion can be likened to any marketing effort which aims to achieve a specified market share. The market in this case refers not to customers for a particular good or service, but rather to the relatively limited pool of domestic and international capital.

Difficulties to successful investment promotion stem from many factors. First, investment promoters are often government officials with little experience in the private sector and hence, have limited understanding of business attitudes, needs, and demands. Second, promotion agencies often must operate within the context of byzantine bureaucratic and legal structures, which have the effect of complicating otherwise simple activities. Third, promotion is more of an art form than a science, with no fixed rules which assure that a program will be successful. Once these complicating factors are isolated, promotional activities can be easily understood.

Both the positive role and effective limits of investment promotion should be taken into consideration by host country governments. Most importantly, it must be emphasized that the impact of all promotional activities is relatively small compared to other factors involved in the investment decision process. Instead, investment decisions are based on a complex array of objective and subjective factors. One set of variables relates to the overall investment climate: the international and domestic business climates, local opportunities and operating conditions, and the nature of the incentive package offered. A second set of variables refers to the internal considerations of the investor: overall business plans and strategies, capital and managerial resources, commitment to the project, and even random events and corporate idiosyncracies.

Despite the breadth of these factors, one should not conclude that official promotion agencies can only play a minor role in bringing about new private business ventures. Experience shows that carefully

[1] This section is based on a TSG principal's experience in reviewing numerous investment promotion agencies throughout the world, primarily in collaboration with the Foreign Investment Advisory Services of The World Bank.

developed and properly managed promotion programs can effectively improve the investment climate, stimulate investor interest, and bring to fruition new business activities. Nations with effective promotion programs and competitive incentive packages often have excellent business environments; in this manner, promotional activities and the investment climate are mutually reinforcing. In addition, the impact of promotion can be relatively significant in countries where the domestic business climate is good, but not widely known.

2. Promotional Activities

Promotional activities can be divided into three categories: publicity, pre-investment assistance, and investment incentives. These three sets of activities are employed in roughly sequential order as they relate to the investment decision-making process.

Publicity activities consist of advertising, seminars, promotional missions, and direct contact with potential investors. These activities can be carried out through official agencies (embassies, consulates, government-sponsored promotion offices) or through the services of public relations firms, in order to attract the initial interest of potential investors, provide general information on the country's business climate, and reassure current investors of a continuation of political and economic stability.

Once potential investors have expressed interest in a country, the promotion center may provide a range of pre-investment services such as feasibility studies, investment missions, project counselling, or assistance in dealing with relevant government agencies. These services are intended to bring prospective investors closer to making positive investment decisions.

The final form of promotional activity includes the development of an investment incentives package provided by the host country to private sector investors. Host country governments can create --if they so desire -- an extensive battery of investment incentives. Typical inducements include tax holidays, exemptions from trade restrictions, guaranteed access to foreign exchange, and simplified regulatory procedures.

For analytical purposes, it is helpful to create an additional distinction between the three sets of promotional activities described above. Programs related to both publicity and pre-investment assistance can be characterized as information-based promotion activities. Together, they represent efforts to provide information and analysis to investors prior to the actual implementation of a new or expanded business venture. Incentive-based promotion activities, on the other hand, constitute various forms of assistance provided after the investment decision has been made, and can be defined as any policies, programs, or measures which have the effect of increasing the rate of return on investments.

3. Promotional Functions

The functions and requirements for effective promotion can be divided into three basic components:

1) Identify and attract potential business entities interested in investment opportunities. This was discussed previously as the "publicity" component. The requirements for carrying out this role successfully include the development of knowledge and developing efficient means for transmitting that knowledge to both potential investors and the host country government.

2) After contacts have been made and initial levels of interest have been determined, the investment promoter must then employ various methods to bring the potential investor closer to a positive decision. This "pre-investment assistance" component involves formal investment missions, data-swapping sessions, informal social functions, feasibility studies, etc., aimed at increasing the stake and interest of both the potential investor and the host country government. The requirements for this role include access to more detailed information (or knowledge of where to obtain it), sufficient financial and organizational resources to deal effectively with investors, and most importantly, adequate access to senior officials whose involvement is instrumental to the eventual approval and implementation of the investment.

3) Provide inducements for -- and facilitate consummation of -- negotiations. The promoting entity itself usually does not possess the means to approve investments (though this type of system has been found to accelerate the processing of applications and ease investors entanglements with unnecessary bureaucracy). Nevertheless, promotional agencies have played leading roles in the development of appropriate incentive packages and can serve an important intermediary role in gaining investment approvals in a quick fashion for foreign investors unfamiliar with local government processes.

A promotional agency should also remain prepared to involve itself actively at critical points during the investment decision process, both in the active sense of sustaining levels of interest, and in the defensive sense of being prepared to deal with any problems that may arise procedurally. In addition, many promotion agencies follow-up on the progress of projects after implementation to help solve infrastructural or bureaucratic problems encountered, with the knowledge that satisfied clients form the best advertisement for the country's hospitable business climate.

4. Elements of Promotion Strategy

Investment promotion activities vary considerably in size and cost, depending on the needs, goals; and previous promotional experience in the host country. However, a certain critical mass is necessary for a program to be effective. The functional activities to be carried out fall into the following categories:

1) Adoption of economic policies and legal investment provisions. While these responsibilities lie with the host country executive and legislative branches, a promotional authority should have a voice in the formulation of economic policies, particularly in the areas of investment statutes, since the promotion center can provide valuable feedback from the business community.

2) Research and development of promotional material. Perhaps the most important initial component of promotion, at least in efforts to secure investor confidence, is the development and dissemination of information which provides an accurate and up-to-date picture of business conditions in the country. Above all, promotional material should honestly portray the host country's performance and prospects in order to establish credibility. Most investors are sufficiently sophisticated to realize that promoters emphasize positive rather than negative factors, but investors tend to lose confidence in the promoter if basic information is misrepresented or if major problems are ignored in the material.

3) Direct public relations effort. This is one of the most crucial functions of the promotional agency, since it involves activities to attract initial investor interest in the country. The promotion agency can conduct its activities through direct contacts with the business community, or it can carry out its advertising campaign through the media. In addition, the agency can hire advertising agencies and/or public relations firms to provide assistance and guidance.

4) Investor assistance and advisory services. Once potential investors have expressed an interest in pursuing a given venture in more detail, the promotion agency can make itself available to provide assistance to both local and foreign firms. Investor assistance programs might also enlist the aid of international or local banks, law firms, or consulting organizations.

In addition to the activities described above that comprise the foundation of a promotion unit, there are also a wide range of options available depending on host country goals and financial considerations. They include the following:

1) Overseas branch offices. If the host country investment authority wishes to increase its contacts with foreign firms in order to attract new investments, the establishment of independent branch information/assistance offices could be considered. For example, in the mid-80s, more than 50 nations maintained investment offices of some kind in New York City alone. Many of these missions are tied to trade and tourism offices or to U.N. missions and/or foreign consulates. The basic annual budgetary cost for a relatively modest promotion office in New York City is estimated between $250,000-$300,000 per year.

2) Advertising. Although advertising is expensive and measuring its effectiveness is highly problematic, nearly all organizations, whether corporations, interest groups, political parties or governments, agree that advertising can produce results. The art is to design and undertake an advertising campaign which not only reaches the appropriate audience at the appropriate time, but also effectively induces the target audience to take the desired course of action. Officials at major public relations firms suggest that conceiving and implementing a moderately sized marketing campaign would entail an annual fee of approximately $100,000 for the services of public relations firms. Comparable fees for advertising firms might also be required.

Another avenue that some promotional agencies have found more cost-effective is targeted advertising in selected trade magazines. For example a promotional agency seeking to attract offshore apparel manufacturing might undertake an advertising campaign which specifically addresses apparel industry concerns in publications read by apparel executives such as <u>Bobbin</u>. Such highly-focused approaches are more likely to generate investor interest for substantially less cost than general mass media campaigns.

Direct mail advertising is another relatively inexpensive approach that can target a higher potential audience. The effectiveness of direct mail campaigns can be improved through the use of list brokers who can generate tailored mailing lists.

3) Solicitation of press. Business executives are often skeptical of the validity of advertisements placed by countries promoting investment, and hence tend to pass them by. They are more likely to be swayed instead by articles written by business or economic reporters. As a result, one effective method for drawing the business community's attention

is to promote press coverage and reporting. This can be accomplished by several means. First, business press tours in which a select number of reporters or editors are provided with transportation and living expenses and are briefed on business conditions and economic achievements in the host country. While the results are not guaranteed to be positive, tours can be produced to accentuate the positive. Irregardless, this method is an important path to creating a greater depth of understanding of the host country opportunities and problems. Second, is the media event which entails announcements of economic progress, new policy pronouncements, or major achievements of the host country. Alternatively, media and corporate attendance at one-day conferences on the investment climates of host countries normally assures both direct and indirect (word-of-mouth) advertising.

One important but sometimes neglected activity for any promotion agency is the development of close working relationships with the host country media. The generation of public support is often a crucial ingredient required for any investment program to be successful, particularly in countries where attitudes towards the private sector -- either foreign or domestic -- have been or are, generally negative.

5. Organizational Structure

It is safe to assume that all promotional agencies are unique to their host country, at least in certain respects. Variations in organizational structures are functions of differences in governmental systems, priorities placed on investment, ministerial orientations, and even the power and preferences of individuals in high-level positions.

Accepting the caveat that each situation should be approached on a case-by-case basis, a certain number of common organizational characteristics are desirable. First, the units charged with carrying out the various functional activities described above should be integrated organizationally as closely as possible. Second, the organizational structure -- like the activities carried out within it -- should aim to be uncomplicated and clearcut. This is true for any organization, but particularly for any organization interacting with the business community. Third, the general management and operations of the promotional agency should be overseen by an individual at a high level of government; too often, promotional agencies are not extended sufficient authority to carry out their mandated tasks.

Investment promotion units tend to follow one of four models. They include:

1) Ministry coordinated model. Under this structure, the responsibility for conducting investment-related ministries falls on a single line ministry. While this approach often has the benefit of focus due to its clear position in the government, its efficacy is often constrained by political jealousies in related ministries.

2) Inter-ministerial committee model. This structure is less tightly defined and typically includes representatives from the ministries of industry, foreign trade, commerce, economics, and finance. While this arrangement can limit jealousies, the promotional organizations reporting to an inter-ministerial committee often lack clear direction.

3) Uncoordinated model. Though defying simple description, this model is perhaps the most common. In this case, promotional activities are carried out concurrently by several ministries

or agencies, each of which vies for the same market. This structure lacks direction and often yields duplicative or contradictory efforts.

4) Independent investment authority. This model is not attached to any particular ministry or ministries and its sole purpose is to manage promotion-related activities. Its interaction with other government bodies is limited to the research and development of promotional material, legislation, and acting as an intermediary for investors during the approval process. This type of structure has the most focus and has often yielded the best results. In Costa Rica, the Dominican Republic, and El Salvador, independent investment authority performances have far exceeded those of the ministerial or inter-ministerial models.

6. Targeting

There is almost universal consensus on the point that promotional activities should be targeted, both in order to direct investment flows into priority sectors and to utilize scarce promotional resources efficiently. Scatter-shot public relations efforts are not only time-consuming and costly, but also relatively ineffective. From the host country perspective, targets can relate to regions, economic sectors, or individual industries. History has shown that governments have a poor record in choosing winners and losers among industries; however, if sectoral targets are chosen on the grounds of basic economic facts -- factor endowments of land, labor, capital, infrastructure and technology -- governments can more successfully utilize their countries' comparative advantages. Strategies of this kind have been effectively implemented in the newly industrializing countries of East Asia and more recently within the Caribbean Basin.

Those experienced in investment and export promotion claim that no country is unpromotable. Each nation has its own selling points which must be recognized and developed, whether it is low labor costs, geographic proximity to markets, preferential trade agreements, resource availability, technological capabilities, or an extremely competitive incentives package. It is the task of the promotional agency to recognize the basic strengths and weaknesses of the host country, and to direct its activities accordingly.

7. Promotion Program Options

Investment promotion is in almost every respect a marketing operation. The objective of the promoter is to sell a product (in this case, the host country as an investment site) and maintain or increase the host country's market share of total investments. The promotional activity employs the same fundamental sales techniques large manufacturers use to sell soap or haberdasheries employ to sell clothing. These methods include: advertising, to interest investors; pre-sales assistance, to give advice and personalized service; incentives, to make the product more attractive.

Several marketing principles hold for investment promotion. First, the quality of the product is the most important selling point. Simply put, promotional activities are no substitute for improving investment conditions as an inducement to new investment. Effective promotion programs advertise objectively good investment conditions; deceptive promotion can work only once. Second, in almost every case, promotional activities first generate increasing returns but eventually reach a point of diminishing returns. Third, marketing budgets and strategies are most effective when they are based on the seller's competitive position and comparative market strength. As a corollary, new market entrants have to work harder to garner a share of the market and those with tarnished reputations need to undertake special efforts to overcome negative market perceptions.

In addition, promotion agencies must be staffed by highly motivated, private sector oriented individuals who have business experience (directly or at least by academic training) and excellent communication skills. Past experience shows that next to the overall business climate, no single other factor is as critical to investment and export promotion success as qualified personnel.

8. Conclusion

The ultimate measure of the performance of promotion activities is the number and size of new investments, jobs created, and foreign exchange earnings generated. There is no practical method to determine the relative impact of promotional efforts on investment decisions as distinct from the general investment climate or other factors. However, several simple and inexpensive procedures have been successfully utilized to measure promotional progress. For example, many promotional offices keep logs on the numbers and types of firms that have initiated inquiries. Records should show whether the inquiry was the result of an advertisement, article, seminar, investment mission or other promotional activity.

Once potential investors have been identified, the log should record the progress of new ventures as they proceed through the investment process. This should continue, at minimum, until the company has received investment approval. Effectiveness of the promotional agency can best be gauged through quantifying the number of investment inquiries, site visits, application for investments completed, and investment approvals received. Mature investment programs consider a 10-15 percent rate of new ventures established compared to inquiries a successful program.

Immediate or dramatic results from promotion activities are unlikely, and should not be expected. In fact, promotion programs aimed at quick results will often fail, since prospective investors -- like all sophisticated customers -- react adversely to hard sales pitches. Promotion programs take time to yield discernible results because they are essentially educational exercises. The more obscure the host country, or the more negative its image, the longer the lead time that will be required for programs to bear tangible fruit. This payout period can only be shortened marginally by substantially more ambitious programs and expenditures.

B. EXPORT PROMOTION[2]

1. Overview

To-date more than sixty developing countries have set up export promotion organizations. As is the case with investment promotion structures, the organizational structures of these institutions varies greatly, but the majority are public sector institutions, often falling within a Ministry of Trade or Industry.

[2] This section draws heavily on the important work and research conducted on the subject by Donald B. Keesing and Andrew Singer of The World Bank, and Paul Hogan of the Trade Development Institute of Ireland.

Similarly, the range of successes achieved by these organizations is equally large, with the majority of the institutions falling short of expectations. Indeed, research has shown that, with the exception of the Hong Kong Trade Development Council (HKTDC), the China External Trade Development Council (CETDC) in Taiwan, the Singapore Trade Development Board (STDB), and the Korea Trade Promotion Corporation (KOTRA), most export promotion agencies have been ineffective in achieving satisfactory results.[3]

2. Key Success Factors

While a number of reasons contribute to the poor performance of export promotion programs, the most important factor is an inadequate policy environment. Export promotion institutions which receive the support of the business community, are adequately funded and staffed with qualified people, and are partly independent from government can be effective both in marketing-related tasks and in pressing for needed policy improvements. However, research has shown that export promotion organizations meeting these conditions are practically nonexistent in practice, except in countries with excellent policies and a strong commitment to expand non-traditional exports. Sustained business support depends on results and effectiveness, which are hard to achieve where policies are only partly satisfactory. Independence from government, adequate funding, and creation of a qualified staff compensated by suitable salaries all depend on discerning support by the government together with the business community. This is hard to achieve in a policy environment in which the needs of exporters do not receive dependable attention and support.

While an adequate policy environment is a must to assure the success of an export promotion agency, the following factors are also important in increasing the chances of successful export promotion:

Autonomy. A trade promotion agency must have sufficient autonomy to be able to take its own decisions based on commercial considerations. Autonomy, however does not mean independence, since the export promotion agency must operate within a framework of government policy. The most highly regarded export promotion agencies in Europe or the Far East are autonomous bodies responsible only to their boards of directors and with day-to-day programs directed by their chief executives without outside interference.

Confidence. To be effective, export promotion organizations must enjoy the confidence of government and exporters. Government must have confidence that the policies being pursued are likely to achieve the desired results and that the organization, if centrally funded, is good value for money. The confidence of exporters is also crucial to assure that the agency works closely with the private sector to attain its goals. Confidence also relates to confidentiality. Exporters must be sure that the details of their business operation are in no danger of being leaked to competitors or to government. In many cases, however, confidence is lost if the export promotion organization is fully within the public sector.

Relevant Services. The services offered by export promotion organizations in different countries vary greatly, but there are some activities which are common to most and which may be considered core services. These are:

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3 A detailed discussion of these four institutions is presented in The Four Successful Exceptions, Official Export Promotion and Support for Export Marketing in Korea, Hong Kong, Singapore, and Taiwan, China, Donald B. Keesing, UNDP-World Bank, Trade Expansion Program, Occasional Paper 2.

- Commercial intelligence;
- Market investigation and research;
- Services to foreign buyers;
- Group promotions (trade fairs, missions, exhibitions);
- Advice on transport and shipping.

The selection and scope offered by the institutions depends largely on the needs of the exporters. Thus, the well-run export promotion agency should closely follow the exporters changing needs and introduce new services accordingly, as well as eliminate those that have become irrelevant. (A more detailed description of the various functions the export promotion organization should carry out is presented below.)

Overseas Representation. Export promotion organizations should have access to professional trade representatives in the market which it services. Without them it is isolated and will be unable to offer the up-to-date information and guidance which is essential to exporters. Moreover, without overseas representation, it will be difficult to make contact with buyers or to prepare itineraries for exporters visiting the market. The nature of the overseas representation can range from access to commercial offices at the overseas embassies to direct representatives attached to the export promotion agency. Regardless of the location of the representative, they must be aggressive and experienced salesmen for their country capable of holding their own in the market-place, in order to be most effective.

Staff. Other than the policy environment in which the export promotion organization operates, the most important success factor is the caliber of the agency's staff. In many export promotion organizations in developing countries, the single most common weakness is the staff. The staff of an export promotion organization needs to be highly qualified with experience in international marketing and private sector backgrounds. The problem in many developing countries is that the few individuals with this kind of experience are working for subsidiaries of international companies and it is difficult for promotion organizations to offer high enough salaries to attract these people.

As such, a large burden falls on the institutions themselves in that they must provide training to their recruits. The training should combine academic study with practical on-the-job training and overseas experience if possible. Moreover, if the recruit does not have a commercial background, it would be most useful to spend an extended period with the export marketing department of a major company. Again, financial strength of the organization is crucial in that it must offer attractive enough salaries in order to keep its trained staff and minimize turnover.

Sufficient Finance. It is mandatory that an export promotion institution's funding is sufficient to maintain a high-calibre organization, reward staff at competitive rates, and fund a program of promotional events. Export promotion organizations are funded in various ways: by government grant, by levies on imports or exports, by membership subscriptions, through donor support, by charging for their services, or by a combination of all of these methods. The predominant funding source in developing countries is a government budgetary provision. The danger with this approach, other than close government intervention, is that the funding is subject to arbitrary curtailment and, being approved from year to year only, inhibits long-term planning.

A levy on exports or imports or both can generate a substantial amount of revenue, sufficient to fund the export promotion agency. While this method has proven to be more successful than 100 percent government funding, opponents to this kind of arrangement say that it is essentially counter productive by adding to the cost of exports and increasing export prices.

Financial support through membership fees and service fees are still quite uncommon in developing countries, and should only be instituted once the export promotion organization has clearly demonstrated its success in promoting exports and thus demonstrated its value to the potential customers, i.e. member companies or beneficiaries of paid services.In most cases where service fees are applied, they do not generate sufficient revenues to fund the export promotion agency in its entirety, but rather serve as a supplement to whatever other source of funding is in place.

3. Primary Functions and Activities

As discussed in the previous section, export promotion organizations offer a range of services, depending on the needs of the country's exporters. The following is a brief description of each of these services:

Commercial Intelligence. Printed information on general trade environment of the country, sector/product specific information, directories or referrals for professional services, etc. This information should also be available on line, through networks with international trade organizations and Chambers of Commerce, etc.

Market investigation and research. Market research conducted on an on-going basis for specific clients or on specific products and sectors.

Services to foreign buyers. Assistance to potential buyers during site visits, for example, setting itineraries, arranging transport and translators.

Group promotions (trade fairs, missions, exhibitions). Sponsorship, attendance, organization or a combination of local exporter's participation in local and foreign trade shows.

Advice on transport and shipping. Providing information on points of entry and exit into the country, best shipping routes, cost, availability, and reliability.

The provision of a consultancy service for exporters. Assistance in preparing business plans, feasibility studies, financing arrangements, and the like to increase the country's export potential and build the local exporter's capacity to enter world markets.

Design and product development. Assistance in product development and refinement, often in response to an inquiry from a potential buyer, as well as to enhance a local producers export potential.

Packaging Assistance. Technical assistance in packaging design and quality to assure highest standards for export market.

Administration of incentive schemes. Provision of special incentives for exporters. Liaison with government offices providing such incentives.

Licensing and certification. Assistance in obtaining licenses, export certificates, certificates of origin, etc.

Training of exporters. Training courses on issues directly related to export performance of a local company, such as quality control, packaging, joint venture agreements, and the like.

Direct marketing and trading. Active assistance and participation in putting together trade deals and keeping negotiations going.

As discussed in the previous section, the range of services offered ranges largely, and is often based on the exporter's needs, as well as the degree of funding and sophistication of the export promotion agency. It is crucial, however, that a minimum of services be provided, such as the provision of market intelligence, sector and product specific research, trade show attendance, and general exporter facilitation services.

4. Organizational Structures

The majority of export promotion organizations in developing countries are usually set up under the auspices of ministries of trade, which are in many countries the most ineffective ministries, low both in influence and in spending power. Even if it is not, the average ministry of trade is in a weak position as it achieves many of its objectives through coordination of a range of policy and administrative measures which are usually taken by other ministries. The most senior appointment rarely carries the weight needed to effect policy decisions or to secure the resources necessary for the organization to make an impact. This often means inadequate funding and an inability to undertake serious promotional efforts.

Furthermore, 100 percent government controlled export promotion agencies are hindered in two significant ways. First, their dependency on government funding often limits their ability to undertake long-term planning, due to the uncertainty of the level of funding available, and reduces their autonomy and ability to make decisions based on commercial criteria. Second, all government export promotion agencies are staffed by civil servants which are often unqualified to undertake the tasks of an export promotion agency. Moreover, the presence of civil service personnel often bring the practice of government bureaucracy to the institution and ensures that the exporting community would have little confidence in it.

Fully private export promotion organizations may be equally ineffective for a number of reasons. Purely private sector bodies, such as Chambers of Commerce or National Manufacturers Associations, may not be the most appropriate developmental institutions as they are almost bound to take a short-term view in the face of immediate demands from their members. Moreover, such bodies may suffer from the disadvantage of not having the wholehearted support of government which is essential to any national export promotion effort.

The "compromise approach" of an autonomous public sector institution with heavy private sector involvement is the recommended structure. Most successful export promotion organizations have boards with majority private sector participation, which are largely business-oriented with at their head as Chairman an outstanding business leader of distinction and acknowledged integrity. Moreover, the staff should have a private sector background to the largest extend possible. This type of organization will have the support of government since it reports to a ministry, as well as the private sector trust and confidence if it is largely represented within the organization.

C. SUMMARY AND LESSONS LEARNED

The following is a brief summary of the lessons learned to increase the effectiveness of investment and export promotion programs. This section draws on the analysis of worldwide experience in investment and export promotion presented above, and concludes with a discussion of the functional differences between the two.

1. Lessons Learned

a. Investment Promotion

Content of Promotional Programs. As detailed above, there are a number of functions an investment promotion agency can carry out. The following conclusions can be drawn from the international experience in carrying out these functions:

Information Services. Providing general information services can be one of the most important and productive functions of the investment promotion process. By providing accurate information on a country's economy, such as cost factors, legal framework for investment, and the bureaucratic process, it is possible to greatly reduce the perception of risk in the minds of potential investors. Some of the best host country promotional programs place great emphasis on providing potential investors with accurate and up-to-date information.

Investment Missions. Investment missions can differ greatly in their purpose and nature. Some bring potential investors from an industrialized country to a developing country, others lead businessmen from the developing country to make contact with potential investors in an industrial country. Moreover, investment missions can be highly targeted, focusing on one or two priority sectors, and others can be of a very general nature.

On the basis of their experience with investment missions, most agencies have concluded that the large, general-purpose missions are less useful than more targeted missions. Experience has also shown that reverse missions of business people from developing countries to industrial countries are generally thought not to be very productive. This is particularly true when, as is usually the case, there will be no systematic follow-up of the contacts made.

Feasibility Studies. Providing assistance in conducting project feasibility studies has generally been found quite useful. It has been found that one in ten feasibility studies will lead to an investment. However, in order to maintain this ratio, projects to be supported have to be selected carefully. One way to select the more serious investors is to require the potential investor to share in the feasibility study cost.

Organizational Structure of Investment Promotion Organizations. It is not only the content of the promotion programs, but also their organization that determines their chances of having a practical impact on the investment flow to a developing country. The following are two points which warrant highlighting:

Institutional Approaches. As discussed above, the precise promotional and administrative structure governing investment promotion differs widely between countries, with varying degrees of government and private sector participation. While there are a number of very successful public sector promotion institutions, the evidence is increasingly in favor of institutions which favor a private sector structure. In a general sense, it is recognized that government organizations are not known for their ability to promote investment, primarily due to their inability to recruit and retain the marketing skills so important to promotional programs.

Staffing the Investment Promotion Agency. Investment promotion structures must be staffed by highly motivated, private sector-oriented personnel with business experience. The quality of investment promotion personnel is the single most important factor in the success of an investment promotion strategy. Not only are private businessmen most aware of the interests and requirements of investors, but their participation in the promotion process will help demonstrate to potential investors that the government is capable of working closely with the private sector.

b. Export Promotion

The key success factors of an export promotion organization are discussed in detail above. This section provides a brief summary of the most important ones for extra emphasis.

Adequate Policy Environment. Without an outward looking policy environment towards export development, efforts of export promotion organizations are largely ineffective. Hong Kong and Taiwan already had fully satisfactory policies and had attained experience and success in manufactured exports for many years before their export promotion organizations were started, as had Singapore before it started its Trade Development Board in 1983.

Private Sector Involvement and Trust. The trust and confidence of the local private sector is crucial, since the agency's primary role is to represent private exporters and develop markets for them. The more successful export promotion agencies increasingly have private sector representation on their board of directors, as well as staff with private sector backgrounds.

Highly Qualified Staff. As mentioned above, the caliber of the staff of the export promotion agency is one of the most crucial factors to assure its success. Staff should have a private sector background and be familiar with international marketing principles. Government employees are less suited for these agencies, since they adapt badly to the tasks of supplying services to commercial enterprises and promoting business. They are generally not recruited or trained for such tasks. Their fundamental attitudes are geared toward administration, not commercial success, and their interests lie generally in regulatory tasks and policy design.

Targeting of Efforts. One last aspect which can heighten the success of an export promotion agency is to define promising sectors and product groups. Since no export promotion agency can effectively promote all potential exports form a country, it should determine the subsectors or product groups to be targeted.

Furthermore, some mechanism for selecting firms to be assisted directly needs to be devised. Scarce and expensive new services need to be directed at firms that will make the best use of them in expanding exports. As discussed, in the first selection round, services are targeted specifically on selected subsectors of groups. The next step is to select the firms most likely to benefit form the assistance provided. One way to select firms is on the basis of their previous export experience and capabilities, another is to require a small degree of cost sharing for the services provided. As such, willingness and ability to pay are another form of selection criteria. Moreover, charging for services also improves the motivation and attitude of firms being assisted. They take much more interest in the details of the assistance provided, to ensure that they get value for their money.

2. Different Processes: Investment and Export Promotion

A question which often arises in countries seeking to organize an investment promotion agency is the extent to which investment and export promotion functions should be combined in a single agency. While, at first glance, there appears to be a certain logic to combining investment and export promotion functions within a single organization, there are strong arguments for separation of the two functions.

Investment and export promotion each require different staff skills, market information, and promotional materials. Similarly, strategies and approaches, both in terms of targeting and marketing techniques are unique in each case. (Table 2.1 below highlights the major differences between investment and export promotion). For example, the countries that are targets for direct investment in a given country are not necessarily the same as those that are targets for purchase of that country's goods. Even within a specific company, the official responsible for purchasing (import) decisions is almost always different from the one responsible for decision regarding new investments. Furthermore, the resource commitments, both in terms of staff and financial resources, required for export and investment promotion activities are not equal. Nor is the likelihood of quick results. Purchase decisions are made much more quickly than investment decisions, but can also be reversed much more quickly.

As a result of these differences, countries that have tried to combine investment and export promotion functions have almost inevitably found that one or the other function suffers. This is particularly true in the case of newly established agencies, which face the additional burden of establishing themselves, institutionally. Indeed, countries such as Australia and Chile, which originally combined the two functions, have now decided to establish specialized agencies for each.

DIFFERENT PROCESSES: INVESTMENT & EXPORT PROMOTION

	Investment Promotion	Export Promotion
Primary Goals	• Promote location as investment site • Enhance attractiveness for greenfield investment • Find investors who bring their own know-how & market	• Promote exports of existing exporters • Enhance competitiveness of exporters • Find new markets for existing products; adapt existing products for new markets; enhance design of new export products
Basic Approach	• Image building to improve location's attractiveness as investment site • Investment incentives to lower transaction & production costs • Investment generation • Investor services to reduce red tape, retain existing investors	• Image building to promote confidence in local production capabilities • Export incentives to enhance per unit export cost competitiveness • Direct promotion to find buyers, promote joint ventures to transfer technology
Critical Factors	• Image and stability of investment location • Positive investment "product" • Comparative advantage-driven	• Per unit export price competitiveness • Local exporters' quality, capabilities • Technology-driven and supply/demand gap driven
Targetting Approach	• Comparative advantage as a means to target potential investors • Direct investment trends & market conditions used to identify potential investors	• Production know-how, capabilities & price competitiveness of local exporters • Strategic "gaps" between market demand and supply • Diversification from existing export products into closely related areas • Backward and forward integration

On the other hand, there is considerable scope for coordination of the activities of national investment and export promotion agencies. This is particularly true in countries where the focus of investment promotion efforts is on attracting export-oriented investment. Through its marketing efforts, the investment promotion agency is likely to generate leads from many companies that are interested in sourcing goods or subcontracting production, rather than undertaking direct investments. Systems should be developed for "hand-off" of such leads to the export promotion agency.

In a number of countries, coordination of investment and export promotion is facilitated via interlocking membership on boards of directors. It may be particularly useful to name the most senior manager (Executive Director, Managing Director, etc.) of each agency to the board of the other.

III. INSTITUTIONAL REVIEW OF INVESTMENT AND EXPORT PROMOTION

A. UGANDA INVESTMENT AUTHORITY (UIA)

1. Background and Legal Status

The UIA is a statutory body established under the 1991 Investment Code. The organization is led by a Board of Directors but is responsible to the Ministry of Finance and Economic Planning. The enactment of the code, as well as the creation of the UIA, marked a significant positive change in Uganda's investment environment. The UIA's objective is "to contribute to the economic development of Uganda by supporting the private sector through promotion of both local and foreign inward investment. The Authority strives to achieve this objective by promoting a liberal and competitive code, easing investment constraints, and encouraging inward investment through competitive incentives."[4]

2. Organizational Overview

a. Organizational Structure

While the UIA falls under the umbrella of the Ministry of Finance and Economic Planning, it has to date enjoyed a high level of autonomy. The UIA enjoys good access to the Minister who reportedly strongly represents the interests of the Authority to Government. The UIA has an active Board of Directors which is responsible for overseeing the overall operations of the Authority. The Board consists of 15 people which is somewhat more than optimal. More typically, organizations of this nature have five to nine memebrs on their Board. The Chairman of the Board is appointed by the Minister while the Executive Director is appointed by the Board. Six GOU organizations are automatically represented:

- Bank of Uganda;
- Commissioner for Economic Affairs, Ministry of Finance;
- Chief Government Development Economist, Ministry of Planning and Economic Development;
- Commissioner for Technology, Ministry of Industry;
- Commissioner for External Trade, Ministry of Commerce; and,
- Commissioner for Immigration, Ministry of Internal Affairs.

The private sector is guaranteed two positions on the Board; both the Uganda Chamber of Commerce and Industry and the Uganda Manufacturers' Association elect representatives. In addition, the Minister has the power to appoint five members "with sound knowledge or practical experience in investment" after consultation with "relevant bodies." Currently, these at-large representatives are all from the private sector.

The Board enjoys a good reputation among both the public and private sector persons interviewed. The Board meets regularly on a monthly basis and quorum is always met. Board members are divided into four working committees all of which are active. The four working committees are the Financial Committee, the Public Relations and Marketing Committee, the Staff and Administrative Committee,

[4] A Guide to Investing in Uganda, second edition, (published by UNIDO, Vienna), 1993, p. 123.

and the Technical Committee. All of the committees meet at least monthly. The Technical Committee, which is responsible for reviewing applications, meets every two weeks.

The UIA is currently in the process of being reorganized. Proposed amendments to the Investment Code include changes to the GOU representatives selected for the Board. These changes partly reflect recent ministry restructuring. Moreover, to better address the needs of investors, the Commissioner for Economic Affairs and the Chief Development Economist would be replaced by the Commissioner for Tax Policy and the Commissioner for Expenditure (both of whom are in the Ministry of Finance and Economic Planning).

In conjunction with the Board changes, the staff is also to be reorganized. Three divisions will be created to formalize the structure that is presently in place and each of the divisions will have an assistant executive director. These divisions are:

- operations and monitoring division;
- investment promotion division; and,
- corporate services division.

The Corporate Services Division includes nine people, of whom three are professionals. This division undertakes the administrative tasks of the Authority and is therefore responsible for the legal and financial control of the organization.

The Investment Promotion Division has four staff members, of whom three are professionals. The number of professionals is expected to increase to six in the near future. The Operations and Monitoring Division is primarily responsible for reviewing applications, ensuring that the promised investment takes place, and providing facilitative services to firms. This division is the largest within the organization and includes seven professionals.

In addition to the three divisions, the Information Services Unit and the Special Projects Unit report directly to the Executive Director. The Information Services Unit includes three people. They will be responsible for the production of the UIA's quarterly newsletter which will begin this month, as well as maintaining the databases and library.

b. Staffing

The UIA has a staff of more than 30 people, which includes 18 professionals. The hiring process has reportedly been very transparent and the quality and intelligence of the staff is well-evident. The staff includes four persons with MBAs, a number of other master's degrees and 40 years of banking experience. Staff salaries are strongly competitive with the private sector.

The staff is to be expanded by six investment officers over the next few months. After these hires are made, UIA does not expect to make further expansions for at least two years. As discussed below, the UIA is expected to run a budget deficit of $200,000 this year. Given this budget shortfall, it is surprising that the UIA is hiring additional staff, rather than trying to reduce its activities to free up some of the existing staff. As discussed in more detail below, the UIA should reduce its investment screening process and focus more on promotion, investor facilitation, and investment registration. If implemented, the current staff should be sufficient to meet the demands.

c. Funding

The UIA is heavily dependent on USAID for its funding. USAID's contribution last year was approximately US$700,000 and this amount is supposed to cover the organization's operating costs. However, the UIA is expected to exceed its budget by more than US$200,000 in this fiscal year. Part of the problem is due to a smaller than expected infusion of funds from USAID; nonetheless, a budget deficit of this size is troubling. UIA officials admit that they have "not done a good job selling the need for more money." The only money currently being received from the GOU was a one-time transfer of funds which enabled the UIA to purchase two large pieces of land from the Kampala City Council. The ODA has also provided training and money to undertake the recent trade mission to Europe, but these amounts are non-budgetary items.

The UIA has debated the issue of creating a system of user fees but has concluded that this approach conflicts with the "spirit of promotion." The only user fee at present is the sale of the investment guidebook.

3. Functions and Responsibilities

The UIA has a number of functions; its main responsibilities are as follows:

- promote and facilitate foreign and local investment in Uganda;
- appraise application forms and issue investment licenses;
- secure secondary licenses and other approvals for implementation of projects;
- grant investment incentives to applicable projects;
- recommend national policies and programs to promote investment in Uganda; and,
- supervise or monitor projects made under the investment code.

Promotion. The UIA has not undertaken as many promotional activities as it would like due to a shortage of resources. Promotional activities conducted to date include the following:

- The first international investment mission has just been conducted to London and The Hague. The UIA hopes to do similar missions to Asia and the United States by the end of the year but currently has no funding dedicated to this purpose.

- The UIA, with assistance from the Chamber of Commerce, has presented seminars in nearly every district in Uganda explaining the policies and services available from the Authority.

- Prospective investors trips to Uganda are also coordinated by the UIA when requested. This can include everything from making hotel reservations, and welcoming the guest at the airport, to setting up meetings. The UIA also tries to identify potential joint venture partners.

- The UIA places advertisements in publications such as Newsweek, Euromoney, Times of India, and Kenyan business publications. UIA also presents weekly radio and television programs in Uganda and has regular columns in local papers.

- The UIA has produced an investment guide with the assistance of UNIDO. This is a high quality publication which is sold for Ush12,000.

Regulatory. Investments processed through the UIA undergo a two-step process. First, to receive an investment license, a foreign investor must invest US$100,000 in fixed assets while a Ugandan investor needs to invest a minimum US$50,000. Second, to receive incentives (which most investors do request), the amount rises to US$500,000 for foreign investors while remaining at US$50,000 for local investors. To receive the incentives, the investor must first make the necessary capital investment. The relative transparency and fairness of the UIA is evidenced by the fact that investors are willing to assume this risk.

To qualify for incentives, projects must meet at least three out of six criteria. These include:

- generation or saving of foreign exchange;
- utilization of local raw materials, supplies, and services;
- introduction of advanced technology;
- creation of employment;
- contribution to locally or regionally balanced social economic development; and,
- any other activities that the Authority considers relevant.

It is unclear why this list exists. The final category is highly ambiguous and subject to interpretation. It appears as though an apparel operation oriented to external markets and utilizing imported textile might not qualify as it would only clearly fulfill two of the criteria (creation of jobs and foreign exchange earnings). The Investment Code includes a category of business activities which are not eligible for incentives. It would be preferable if the UIA established a negative list of activities which are not eligible for incentives and thus shift towards a more simple registration system.

The various steps of the application process must be done within specified time periods and the UIA commonly beats this benchmark. Like most organizations that claim to be a one-stop shop, the UIA does not have the power to unilaterally make all necessary decisions. An investor must first register the company with the Ministry of Justice and Constitutional Affairs, and land, work permits, and import certificates are still issued by other agencies. As such, the UIA tries to facilitate these secondary approvals and licenses. The head of the Operations and Monitoring Division notes that the facilitation of investments is the main function of the division. The main areas of concentration include accessing land, clearing imported goods, and the connection of necessary utilities. Approximately 70 percent of the division's time is spent on this area.

Office and Equipment. UIA is housed in attractive and professional work space. However, the growth of the Authority has meant that space is becoming constrained and the UIA would ideally like to construct its own building with additional space to sub-lease to other tenants. The Authority has recently increased its number of computers to a more adequate level but is seeking ODA funding to purchase a second xerox machine (the UIA currently has only one small photocopy machine). The UIA hopes to establish a computerized tracking system to follow investment leads which are currently done on paper. The Authority is interested in purchasing FIAS' computerized tracking system but there is no line item for the US$65,000 system.

4. Summary of Performance To-Date

Investor Interest. Since its establishment in June 1991, the UIA has issued over 1,500 application forms from which it has received over 500 applications. The value of these proposed investments totals approximately US$900 million. Through April 31, 1993, nearly 400 of these projects were approved.[5] UIA officials state that actual investment achieved to date is in the range of US$200-300 million. The discrepancy is partly due to the fact that many applications were approved recently and the projects thus remain in the planning stages. The investments planned should create up to 25,000 jobs. These numbers are extremely impressive and surpass original expectations according to UIA management.

The Authority typically receives 100-200 potential investors a month; average number of applications per month is 25 to 30. Much of the interest generated so far has been from within the region, particularly Kenya. It is worth noting that the peak level of applications received was in August 1992. This level has not been matched since that time and may have been due to a temporary surge in interest from Kenyan investors.

The UIA does not track exports of the proposed firms. The bulk of the projects, 59 percent, are in manufacturing. (The second most common sector at 11 percent is insurance and business services.) Because the Code promotes import-substitution activities, and given that many of the firms appear to be manufacturing goods oriented to the local market, it is possible that many of the approved investments are involved in import-substitution. While this is not necessarily negative, it is probable that these operations are less beneficial to the country than exporting enterprises.

Institutional Development. The UIA's technical advisors and Board have been diligent in formulating organizational institutional development plans. The UIA has a well-conceived "Organization Guide" which lists the functions and responsibilities of each division and unit. Similarly, the UIA has specific job descriptions for all professional staff members and salary levels have been kept competitive by undertaking a comparative survey of employee compensation and benefits. Extensive training has also been provided in relevant areas such as promotion, project appraisal, and computer usage.

Promotion. The Authority's promotional effort remains somewhat unfocused. This is partly understandable given that the organization is young and has only recently received a study delineating Uganda's comparative advantages. Nonetheless, the recent exposure tour to Europe demonstrates this lack of focus in that it concentrated on three broad sectors: import-substitution; agriculture, and tourism. Similarly, placing advertisements in publications such as Euromoney[6] and Newsweek is not likely to generate much investment. The UIA can save money and more carefully target firms through appropriate trade journals. The recently run ads oriented to businesses based in Kenya are likely to be more effective, given what is occurring in Kenya and better understanding there of Uganda's current investment environment.

Given international experience in this field, the UIA needs to develop a stronger focus as to its message, and the sectors most attractive to foreign investors in Uganda. A number of countries with

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5 Nearly 90 percent of the proposed projects are under US$10 million in investment; 41 percent of the applications are for projects under US$500,000.

6 UIA staff members stated that the ad had provoked a positive response.

successful promotion programs have invested in well researched and strategic image building campaigns: Taiwan's "Made well in Taiwan", the Netherlands' "Not just cheese, not just flowers", and Ireland's "Ireland: we're the young Europeans" are examples of effective themes.

While the current investment guide is attractive and informative, the UIA lacks adequate short and inexpensive promotional materials. For example, the Authority does not have a simple overleaf package of Ugandan business conditions which can be inexpensively produced should costs or conditions change. This is a relatively low cost promotional tool which is worth considering.

There is also concern that so many government officials were involved on the recent investment mission. While it is important to demonstrate GOU support for investment policies, caution should be exercised to preserve the private sector orientation of these missions. Overly large government delegations can be a turn-off to potential investors who may perceive these trips as mere government perks.

Policy Recommendations. Given the proposed changes to the Investment Code, the UIA is less aggressive than it could be in terms of policy reform. The restriction on foreign land ownership remains as a serious constraint. The three to five year tax holiday is not especially attractive given that few firms make profits in their first years of operation and the Code does not allow losses to be carried forward once the tax holiday has ended. Similarly, the import certification system remains in the draft revisions. The retention of this provision should be unnecessary given that equipment and raw material imports are allowed duty-free entry to approved firms.

Other remaining constraints include the provision that firms remain tied to loan limits as determined by the Bank of Uganda after consultation with the UIA. With the liberalization of foreign exchange, this clause should reflect that change. Additionally, the provisions on the transfer of technology remain onerous and will likely keep many foreign firms from establishing operations in Uganda. It is not clear why the UIA should be involved in this matter as it should be a private contract between local and foreign firms.

The dramatic growth of the offshore informatics (data processing, image scanning, software programming, etc.) industry in the Caribbean, India, and the Philippines should be of special interest to Uganda given the irrelevance of transportation and the country's landlocked position. However, Uganda's high telecommunications costs currently make this activity unfeasible. The Investment Code could include a provision on allowing for private tele-communications, at least for export-oriented firms. The informatics industry should also be added to the list of priority areas as it could be interpreted as a professional service -- which is currently ineligible for incentives.

The importance of the UIA's policy advocacy role can not be overstated. The policy advocacy function of an investment promotion agency seeks to ensure that the policies, regulations and procedures of state, regional and local authorities are conducive to the development of desired investment. Most agencies internationally have very active policy monitoring and improvement functions. The Singapore investment promotion agency has consistently developed new policies and incentives to attract new areas of business such as financial services, regional head offices. The Venezuelan agency (CONAPRI) has devoted major resources to tracking the procedures facing incoming investors and seeking changes. IDA-Ireland has had a powerful Planning & Development function which develops policy proposals for consideration by Government, based on detailed research.

Screening. The proposed changes also do not include significant modification to the application and screening process. Use of positive criteria in approving investments is being de-emphasized in many regulatory agencies today in favor of a simpler negative list of activities.

The minimum investment level seems to be in place more to ease the workload of the UIA than for any economic reason. The proposed reduction to US$300,000 (from US$500,000) would still make some attractive enterprises ineligible. For example, export apparel firms often employ 100 to 200 workers on investments of under US$200,000. These low investment levels occur because these companies often prefer to purchase used sewing machines and lease factory space. The experience of Mauritius demonstrates that many small investments (with as few as 10-15 employees) can grow into sizable companies. It is not clear why the GOU would not want to create these job opportunities in Uganda, particularly as apparel exporters typically comprise the first wave of industrial export activity in most developing countries. Similarly, minimum investment levels also require that the UIA becomes involved in monitoring activities to ensure that investment is made, thus creating an unnecessary function for the UIA.

The approval process has become less intensive over time as a result of President Museveni's July 1992 speech railing against red tape etc. One early investor interviewed noted that a UIA consultant spent approximately two weeks in his office verifying everything included in his application. However, even the improved existing screening process remains overly bureaucratic. There is a perception among some investors that rather than facilitating, the UIA sometimes becomes an additional bureaucratic step to pass through. Some firms complain that the UIA requires too many forms when assistance is requested. A move to a more simplified registration system is not likely to bring in a large number of "unacceptable" projects as the UIA has rejected few applications.

Other Activities. While the UIA should certainly be working to ease investor constraints, it is not clear that the decision to purchase land for the eventual development of an industrial estate is a sound decision. At approximately 300 hectares each, the sites may be larger than necessary. Second, it has not yet been decided who is to develop the sites. If the private sector is to develop the site, the existing incentives available under the Investment Code are less competitive than industrial estate development provisions available to developers in Kenya, Togo, and Cameroon. Alternatively, if the UIA is to develop the site, it should be aware of the fact that very few public sector industrial estates have been economically and financially viable, particularly outside of East Asia.

There is concern that the UIA is becoming too large and is growing too quickly. But this is partially due to the unnecessary functions of screening and monitoring that the UIA is mandated to undertake. By eliminating the need for these tasks, the UIA can avoid becoming another expanding bureaucracy.

Despite these shortfalls, the performance of the UIA at this stage of development must certainly be considered positive. Particularly in comparison to organizations of its type at similar stages of development. In general, the private sector views the UIA's services are considered helpful and the staff is perceived as being professional. The comments presented here are merely suggestions to further strengthen the institution.

B. UGANDA EXPORT PROMOTION COUNCIL (UEPC)

1. Background and Legal Status

The UEPC is a statutory body established by the Export Promotion Council Act of 1983. The Council however, did not become operational until 1985. While the UEPC is independent of a government organization, it is supervised by the Ministry responsible for Commerce (currently the Ministry of Commerce, Industry and Co-operatives).

The UEPC appears to be universally regarded as ineffective and the Acting Executive Secretary notes that Council has always been weak in terms of funds and personnel. The Ministry responsible for Commerce has suffered from the donor perception that it is less reform-minded and market-oriented than other Ministries.

The Cabinet decision last year to transfer EPADU's export development functions to the UEPC will bring about substantial changes to the Council. Along with the recognition that the UEPC has a significant role to play, Cabinet decided to split the one percent tariff on all imports between the UEPC, the National Bureau of Standards, and the Ministry responsible for the promotion of tourism.

2. Organizational Overview

a. Organizational Structure

The Act specifies that the UEPC shall have a Council [Board] consisting of a Chairman and seven to fourteen other members. Representatives of the following ministries are to be represented on the Council:

- Ministry of Commerce;
- Ministry of Industry;
- Ministry of Agriculture and Forestry;
- Ministry of Finance;
- Ministry of Co-operatives and Marketing;
- Ministry of Animal Industry and Fisheries;
- Ministry of Lands, Mineral and Water Resources; and,
- Ministry of Transport.

Not more than two persons are to be appointed by the Minister responsible for Commerce from each of the following three sectors: traders (after consultation with the Uganda National Chamber of Commerce and Industry); farmers (after consultation with the Uganda Co-operatives Central Union); and industrialists (after consultation with relevant institutions). The Chairman of the Council is also appointed by the Minister.

As evidenced by the procedures for determining members of the Council, the Minister responsible for Commerce has relatively broad discretionary power over the organization. The full-time Executive Secretary is appointed by the Minister; the Minister also has final approval on the appointment of all heads of departments. Lastly, all budgetary expenditures are to be approved by the Minister rather than by the Council.

The UEPC Act mandates that the Council meet "at least once in every three months" but it has not met since 1987. According to one source, a prominent private sector representative refused appointment to the Board because he felt that the UEPC had no future due to its structure and funding levels. In contrast, there is reportedly much competition to be appointed to the UIA Board of Directors.

b. Staffing

The UEPC has been headed for over a year by an Acting Executive Secretary seconded from the Ministry of Commerce. The Secretary of Commerce stated that an advertisement for a permanent head is possible in the near future, although the Ministry would prefer to have a new structure in place before this action is taken.

The staff numbers 17, of which nine are professionals. The majority of the employees are outside the civil service although there is little private sector experience among them. The professionals on the staff are not segmented according to any particular specialty or function as it is believed that it is preferable for everyone on the staff to carry out all UEPC functions. The Acting Executive Secretary states that the staff is not uniform in quality and that some staff members are not effective. Government, private sector, and donor officials, hold a more uniformly negative view of the current staff, though some positive remarks were made about the Acting Executive Secretary.

c. Funding

The UEPC has historically had a minimal budget. In 1992, for example, the UEPC typically received Ush7-9 million per month. Since January of this year, the Council has been receiving just under Ush40 million per month. This increase in funding has allowed the UEPC to significantly increase staff salaries. However, the Acting Executive Secretary, as a civil servant seconded to the organization, is not eligible for an increase and thus receives a less attractive salary than a number of his employees.

Donor support from the UNDP does not enter the UEPC budget. Nonetheless, UNDP support to the Council is estimated at US$350,000, much of which will pay for an expatriate technical advisor; additionally, money will also be devoted to purchasing needed equipment.

The UEPC reprotedly also owns the building in which it is housed and should be able to generate rent from the other tenants in the building. It was not possible during this mission to determine whether the UEPC actually collects rent from these tenants or whether the money goes straight to the Ministry of Commerce, Industry and Cooperatives.

3. Functions and Responsibilities

The UEPC Act lists a number of functions which can be segmented into the following broad categories:

- market intelligence and research;
- formulation and recommendation of export policies;
- export promotion (through trade fairs, training, disseminating information);

- provision of advisory services on topics such as production, design, quality control, pricing, packaging, and marketing techniques;
- development and management of databanks, trade directories; and,
- organization of publicity efforts.

Market Intelligence. In reality, the UEPC has focused on the collection and dissemination of information as well as the organization and participation in trade fairs. Since April of last year, "basic studies" have been conducted on hides, skins, and leather as well as on sesame (simsim). Studies are also planned for mining, hardwood furniture, and fish. Target markets are seen as the PTA region, Western Europe, and the Middle-East. Target sectors have not been selected but it is something that the organization is supposedly working to develop.

The UEPC has a documentation center which consists of a small library and data bases on PTA firms, products, regulatory measures, etc. This information is reportedly used relatively frequently by the private sector with an average of ten visitors per day. With UNDP assistance, the Council is also linked to the ITC network. It is hoped that this will be linked locally to the UMA, Chamber, and possibly the UIA.

Trade Shows. The only visible promotional tool traditionally used by the Council has been its participation in trade shows. The Acting head of the UEPC admits that this approach has a number of disadvantages including its high cost. As the UEPC has only been able to attend shows where donor funding has been provided, the Council has not had the flexibility to decide which shows to attend and which products should be promoted. Private sector participants are chosen based on their potential to export. Costs of these participants are fully covered by the donors which UEPC management notes is counterproductive.

Promotion. The Council uses Uganda's diplomatic forces for overseas promotion but -- as in other countries -- this has proven to be ineffective. The UNDP is funding the provision of a representative in London which the UEPC hopes will begin in July, and space has already been leased.

Office and Equipment. UEPC's physical facilities leave much room for improvement. The building is not in good condition and is unlikely to give a favorable and professional impression. The equipment situation is currently less than optimal although the UEPC does have three computers, a xerox machine, and vehicles.

4. Summary of Performance To-Date

The perception of everyone interviewed is that the UEPC has been an ineffective organization. The private sector notes that the UEPC staff is too cloistered in its offices and needs to have greater interaction with firms to successfully undertake their mandate to increase exports.

UEPC's most prominent activity has been involvement at international trade fairs. But the UEPC lacks expertise in this area, is weak on follow-up, and is unable to measure the impact of this activity. In spite of its mandate, the UEPC has done little hands-on enterprise assistance because of insufficient funding. The orientation towards the provision of market information and participation at trade shows are characteristics of failed export promotion organizations. That could be because these two activities are the easiest and most visible to undertake. Enterprise assistance is much more difficult as it requires a concentrated, on-going effort.

The Acting Executive Secretary admits that the UEPC has significantly less autonomy than the UIA but he argues that this is justified, given the fact that UEPC's funding comes from the Treasury while the UIA's funding is nearly entirely from donors. While this argument is reasonable, the UEPC's failure to have an independent Board has translated into a relatively weak and unfocused organization. This lack of direction, particularly from the private sector, has made the UEPC nearly irrelevant in Uganda's push to increase non-traditional exports.

A strategic plan for UEPC was drawn up before the Acting Executive Secretary assumed his present role but he said the document is lacking in that it was written without sufficient consultation with the private sector.[7] As such, UEPC does not have clearly defined targets to measure its performance. This lackadaisical approach has been systematic of the UEPC since its creation, and is reflected by the fact that the UEPC has never conducted a survey of the private sector to determine what services potential exporters actually need, and how the UEPC can improve its present service provision.

While it is too early to judge its impact, the UEPC has increased its level of activity since its funding was expanded. Apart from the salary increases for staff, the UEPC is presently purchasing additional equipment and vehicles, starting a media program, updating the trade directory, preparing seminars for exporters, attending an export awareness course (two staff members) in Nairobi, and organizing a series of trade fairs throughout the country. On the other hand, however, the UEPC has not demonstrated that it can effectively use the additional funding it now receives. The UEPC still has no functioning Board of Directors, nor have they conducted a review of their current personnel to address some of the shortcomings of the organization. It is highly doubtful that the UEPC will be effective under the current structure, regardless of the additional funds it receives.

C. EXPORT POLICY ANALYSIS AND DEVELOPMENT UNIT (EPADU)

1. Background and Legal Status

The Agricultural Non-traditional Export Programme (ANEPP) was agreed between the GOU and USAID in 1988 and was extended until the end of March 1994. EPADU was created under the program to act as the executing agency for the project. The creation of EPADU in 1988 was largely a reaction to the UEPC's non-performance. As the management of EPADU admit, the ideal organization to have performed their two functions were the UEPC (for export trade development and promotion) and the Research and Planning Department within the Ministry of Commerce (for export trade policy analysis). Because UEPC had become largely irrelevant due to weak personnel and a non-operational Board, it was decided that it would be more effective to create a new organization than to try and rehabilitate a non-functioning existing organization.

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7 The consultants were unable to obtain a copy of this dcoument and could therefore not review it for this report.

2. Organizational Overview

a. Organizational Structure

Unlike the UIA and the UEPC, EPADU is not a statutory organization. Instead, EPADU is the implementing agent of USAID's ANEPP (Agricultural Non-Traditional Export Program) project. As such, EPADU does not have a Board, although it does have an intra-ministerial/Industry Committee. Additionally, EPADU reports to the Ministry of Finance and Economic Planning. The ANEPP assistance was designed to increase the value of Uganda's non-traditional exports and to diversify the country's export base. This was to be accomplished through the identification of policy constraints and the provision of services to potential exporters.

The Operational Constraints Analysis (OCA) program is a discrete but parallel program operated by USAID with the assistance of the Africa Project Development Facility (APDF). This assistance was formulated after it became apparent that the sponsoring of trade fairs and missions were generating disappointing results and that EPADU could become more effective if it could provide specific assistance to individual enterprises. This program has been in operation since 1991.

b. Staffing

EPADU has 20 staff members, including the Director, five professionals, and 14 support staff. Of the five officers, two are policy oriented and three are involved more on the export development side. The background of the policy officers is in economics and banking while the three officers in export development have agricultural backgrounds. EPADU has a high level of autonomy and the unit is free to hire without outside interference. EPADU employees, though they ultimately report to the Ministry, are not part of the civil service and receive salaries similar to those paid to the private sector. Nonetheless, the Director noted that there is a provision for staff to return to the civil service upon completion of the project.

With the Cabinet decision to transfer export development functions to UEPC, one would imagine that EPADU would have a corresponding decrease in staff. However, EPADU management stated that it has no intention of reducing staff levels at this time. The Director of the Unit noted that only the functions had been transferred and not the staff, equipment, etc. Reportedly, the Minister of Commerce believes that not just the functions of the Unit were to be shifted.

c. Funding

USAID provided 90 percent of EPADU's funding last year, while the GOU provided approximately 10 percent. The annual operational budget is approximately US$500,000. The technical assistance is not passed through EPADU as it is paid directly by USAID. In addition to the U.S. assistance, the Norwegians gave US$38,000 to assist women vanilla producers.

The OCA pilot project represents approximately US$1 million in assistance. Of this amount, 70 percent is provided by USAID and 30 percent by APDF. Under the OCA program, participating firms are expected to pay one percent of the cost of the potential investment to the program in return for services rendered. EPADU allows for some flexibility on this matter; fees received have varied from US$3,000 to US$14,000. An additional user fee is the sale of documents to interested parties at the cost of printing.

3. Functions and Responsibilities

Export Policy Analysis. EPADU has two primary functions. The first function is to recommend policy, regulatory, and infrastructural changes to improve the environment for non-traditional exporters. EPADU's studies do appear to have had been important elements in the debate regarding the liberalization of the Ugandan economy. EPADU's influence reportedly played a role in the following policy reforms:

- liberalization of the foreign exchange regime;
- the shift from import licensing to the more simple import certification;
- deregulation of fixed prices and the abolition of monopolies; and,
- creation of the Investment Code.

EPADU management notes that there are still remaining policy constraints to address but that the organization should be phased out once the policy environment is further improved. At present, USAID's support to EPADU is scheduled to be completed by July 31, 1994.

Export Development. EPADU's second function is to promote export development by working with potential exporters. This function has been on-going for the past one and a half years. A number of baseline studies have been conducted to examine the agronomic and commercial potential for a number of potential exports. Consequently, specific viable flower, vegetable, fruit, cereal, and spice products have been identified as having good potential for future development.

EPADU has strived to feature both general and project-specific assistance. Apart from the studies discussed above, EPADU has also given a number of seminars. Full day, product-specific seminars have examined all aspects of production, handling, and marketing for the exportation of products such as fish, beans, and bananas.
Hands-on assistance through the OCA program has been given to a few projects with strong potential. Following extensive publicity, over 70 projects have applied for assistance under the OCA program. Six of these projects have currently been selected for assistance. These include a crocodile ranch, two cut flower farms, a grain exporter, and leather leaf fern and asparagus farm. Assistance has included the following activities:

- conducting feasibility studies;
- identification of management;
- identification of markets;
- training; and,
- financing.

Under the feasibility study, EPADU provides both general trends regarding the sub-sector as well as specific aspects relating to the project. As part of this process, EPADU also assists with trial shipments. EPADU does not, however, do deal-brokering or even provide potential exporters with likely customer contacts, but the feasibility study will identify potential buyers of the products.

However, for some specific sectors, such as floriculture, EPADU provides significant information marketing (in this case it detailled the workings of the Dutch flower auction system).

Under OCA, projects can receive up to US$100,000 in grants (which is mostly to be used for technical assistance). The assistance under OCA is limited to firms with a majority Ugandan ownership.[8] Assistance is also limited to projects with estimated total costs above US$500,000 although in special cases assistance can be offered to firms representing investments as small as US$250,000.

The unit does not exhibit at trade shows but EPADU does sponsor individuals' attendance at trade shows if it is believed that they are ready to begin exporting. These participants generally cover a small percentage of their own costs.

To further Ugandan horticultural exports, EPADU is planning to establish a Fresh Produce Inspectorate in London. Because these exports are made on consignment, Ugandan exporters have little recourse with the importing firms. This contract service will be utilized when price levels are significantly lower than expected to ensure that Ugandan exporters are being treated fairly. Also, this service may be utilized to accelerate payments to Ugandan exporters which sometimes take as long as six months at present.

4. Summary of Performance To-Date

There is a perception by some members in the private sector that EPADU is somewhat constrained in its recommendations in that it is within the government. Similar constraints have plagued policy units in other countries. However, EPADU is regarded as "intellectually honest" and its studies are clearly strongly argued, even on controversial topics. EPADU has played an important role in the liberalization of the Ugandan economy. While all three export and investment organizations claim to undertake policy-making roles, EPADU is the strongest of the three in this area.

EPADU's agricultural sector studies were well regarded by those in the industry. Some observers noted that it would be useful if the studies identified likely customers by sub-sector while others noted that this was unnecessary, particularly for projects with foreign participation. Agricultural firms reason that it would be useful if the reports could be more specific in terms of product specifications (required size and shape of vegetables for example).

The Chairman of the Horticultural Exporters of Uganda commended EPADU for coming to the private sector to ask what the Unit could do to help increase exports. He believes that EPADU's close collaboration with the private sector resulted in more specific, and therefore more useful, studies.

In terms of hands-on enterprise assistance, EPADU has been limited by high minimum investment levels. As stated in EPADU's report,[9] 42 percent of the firms requesting assistance have not been able to meet OCA's minimum size requirements. Of the firms that are being assisted, the results are positive. Nile Roses will begin exporting in two months and is expected to eventually generate US$1

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[8] APDF has a separate program which allows for assistance to non-Ugandan and non-export oriented firms.

[9] "An Appraisal of the OCA Programme and Proposed Policy Actions Necessary to Ameliorate Perceived Obstacles to Export Development and Promotion" (September 1992).

million in foreign exchange earnings annually and produce 100 permanent and 200 seasonal jobs. Uganda Crocs will export US$500,000 per year and is expected to have its first harvest this month. Ziwa Horticultural Exporters -- an asparagus growing firm -- is expected to create 180 jobs and US$2.5 million in foreign exchange earnings.

Partly as a result of EPADU's efforts, the vanilla market has grown considerably in Uganda. In a few years time, the country's vanilla production has gone from less than one to 30 tons. The McCormick Spice Company has offered to purchase Uganda's total production of vanilla for the next five years because of the very high quality of vanilla being produced.[10]

D. DUPLICATION AND COORDINATION OF EFFORTS

1. Duplication of Activities

The level of duplication varies between the organizations. It is evident that the amount of duplication between the UIA and either EPADU or the UEPC is relatively small. This is largely due to the fact that investment and export promotion activities are generally oriented to different countries, sectors, and target markets and thus the services and personnel necessary are somewhat dissimilar. For example, while both import and export development organizations collect market information the information required by the UIA is not the same that would be needed by the UEPC or EPADU. The main areas of overlap between the UIA and the two export development organizations are as follows:

- all three organizations make recommendations to the GOU in order to improve the legal and regulatory environment. There is bound to be a duplication of effort in this regard, particularly since many investors will also be exploring export opportunities.

- promotional efforts, although they will generally have a different focus could at times overlap. For example, both the UIA and the UEPC or EPADU could be interested in attending the same apparel show. UIA would likely concentrate on attracting foreign garment manufacturers while the export development side would be seeking out foreign shoe buyers who would be interested in sub-contracting to Ugandan shoe manufacturers. However, some shoe companies will be involved in both offshore contracting as well as direct foreign investment. The existence of two quasi-governmental organizations at the show could therefore cause some confusion.

The areas of duplication are much greater between EPADU and the UEPC, for reasons explored in the historical background of EPADU above. The primary areas of duplication include the following:

- market intelligence and research as it relates to agricultural export development;
- formation and recommendation of export policies;
- participation in trade shows;
- conducting seminars on various aspects of export development; and,
- provision of advisory services to potential and existing exporters.

[10] While vanilla producers in Madagascar have recently been burning vanilla in protest of low prices, the commodity price for Uganda's vanilla growers remains very attractive.

As stated above, the actual areas of duplication to date have been limited given the UEPC's low level of operations. But if EPADU continues to undertake these activities, there will certainly be increased overlap as the UEPC becomes more dynamic with its higher funding levels. Realistically, however, by the time the "new" UEPC becomes operational and functions properly, the ANEPP project will come to an end and EPADU will be phased out. As such, EPADU will continue to fill a vacuum while the UEPC develops its own capabilities to take over export development functions.

Table 3.1 on the following page highlights the functional overlap of the three institutions. This table is based on TSG interviews with the various organizations and shows the functions actually carried out by the organizations, rather than ones existing on paper.

2. Coordination of Efforts

To date, there has been very little coordination of efforts between the three organizations. In the case of the UIA, its different focus made the establishment of links to the UEPC and EPADU a relatively low priority. The lack of coordination between the UEPC and EPADU is to be expected, given the occasional differences between the two organizations and their line ministries.

Nonetheless, the development of links between the three organizations are slowly forming. The most concrete example is the participation of both the UEPC and the UIA on EPADU's intra-ministerial committee. Moreover, EPADU provides copies of its baseline studies to the UEPC and the two organizations have hosted joint seminars on a number of topics. In addition to these, discussions with the management of the three organizations revealed a few other potential linkages:

- the most critical potential linkage is the sharing of Board directors. Both the UIA and the UEPC are in favor of this concept.

Table 3.1

Services Provided by Ugandan Investment and Export Promotion Institutions

	UIA	UEPC	EPADU
Information:			
Printed Information	X	X	X
Overseas Representation			
Foreign Market Information		X	X
Information/Marketing Trips	X		
Seminars/Workshops	X	X	X
Private Contact Making/Referrals			
Directories		X	
Referrals	X	X	
Joint Venture Identification	X		
Trade Shows	X	X	
Buyer Contacts		X	X
Other Deal-Making (Trade)		X	X
Support Services			
Market Research	X	X	X
Site Visit Support	X		
Expatriate Facilitation	X		
Legal Assistance			
Accounting Assistance			
Credit Assistance			
Recruitment Services			
Feasibility Studies			X
Technical Assistance/Training			
Production/Processing			X
Marketing			X
Management			
Training			
Governmental Facilitation			
One-Stop-Shop	X		
Approval/Paperwork	X		
Governmental Contacts	X	X	X
Customs Assistance	X		
Lobbying/Policy Reform	X		X
Post-Investment Troubleshooting	X		

Source: Consultant Interviews with Institutions, May/June 1993.

- the UIA is very interested in having some access to the UEPC's future representative in London. The UIA feels that coordination on this matter would be beneficial, especially if the UIA is unable to access funding for its own overseas representatives.

- the UEPC mentioned that it would like to share its databases with other organizations. The UMA and Chamber of Commerce are slated to be placed on their network and the UEPC is also willing to allow the UIA access to these files.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. INSTITUTIONAL STRUCTURE RECOMMENDATIONS

As detailed in Chapter III, the performances of the three investment and export development organizations have varied widely. Table 4.1 below examines each of the organizations in terms of the necessary ingredients for success. Not surprisingly, the UIA and EPADU have had most of the elements required to perform their functions effectively. The UEPC, on the other hand, has had little foundation for it to undertake export development successfully. Consequently, only the UIA and EPADU have been relatively effective in carrying out their mandates. Given Cabinet's decision to transfer EPADU's export development functions to the UEPC, it is important to recognize the elements necessary to rehabilitate and dynamize the UEPC.

Table 4.1

Key Ingredients of Successful Investment and Export Promotion Institutions

	UIA	UEPC	EPADU
Support of Governmen	X	X	X
Support of Private Sector	X		X
Active Board of Director (BOD)	X		
Private Sector BOD Participation	X		
Adequate Funding	X		X
Strong Leadership	X		X
Specialized Staff	X		X
Clear Functions, Objectives	X		X
Sufficient Level of Autonomy	X		X
Oustanding Policy Environment			

Source: TSG Interviews with Institutions, May/June 1993.

The duplication of functions and lack of coordination between the UIA, UEPC, and EPADU has been a long-running topic of conversation among policy analysts in Uganda. The situation has now become more serious given the GOU's increased budgetary support to the UEPC. Reinforcing this importance is the fact that donors are expected to give US$70 million in assistance for the development of non-traditional exports over the next five years. Consequently, it becomes critical that the institutional structure for investment and export promotion finally be settled.

Ideal Structure for Investment and Export Promotion in Uganda. The consultants have interviewed numerous public, private, and donor officials to get a clearer picture of this issue. As a result of these discussions, the consultants believe that the GOU should strengthen its ability to undertake effective investment and export promotion programs by supporting the creation of a "new" UEPC, charged with export development and promotion, and by streamlining the UIA's investment promotion and regulatory efforts by modifying the current investment code.

As such, the proposed approach is basically a modification and ratification of the present situation. For this scenario to work, however, the consultants (as well as most observers) believe that a substantial restructuring of the UEPC must be undertaken. Experience demonstrates that it is nearly impossible to rehabilitate a failed organization and the GOU can break this pattern with the UEPC only through substantial structural changes. To this end, the UEPC should be recreated from the bottom up (a strong argument can also be made for renaming the UEPC). This is necessary as the institution has no legitimacy with the GOU, the private sector, or donor agencies. The elements of this restructuring include:

- Establish an autonomous, private sector dominated Board of Directors. The Chairman of the Board and the Executive Secretary should be appointed by the Board, rather than by the Minister responsible for Commerce. A strong Board should ensure that the organization truly responds to the needs and demands of existing and potential non-traditional exporters.

- Private sector Board members should be elected by relevant organizations rather than allowing the Minister sole authority to appoint private sector representatives. In other countries, ministerial appointments have often reflected political motivations and thus have not always led to the selection of the most appropriate Directors.

  In this light, it is recommended that one of the changes in the UEPC Act is that the Board of Directors appoints a Chairman and an Executive Director, rather than the Minister. The same should be done in regards to the UIA. Currently the Minister of Finance has the authority to choose the Chairman of the Board of the UIA. While the present Minister of Finance has reportedly given the UIA sufficient autonomy and done an admirable job in the selection of Board members etc., the GOU should consider giving greater power to the UIA's Board to strengthen the organization's autonomy, and ensure the transparent selection of the best possible Board members for the future.

- To ensure coordination and reduce duplication of activities to the smallest degree, it is recommended that the UEPC and the UIA have two to four shared Board members. This should include the Executive Directors of each organization as well as one private sector representative. In addition, it may be useful for the Ministry of Finance and Ministry of Commerce representatives to be placed on both Boards.

- While EPADU has transferred its export development "function," the transfer of appropriate personnel, information, and equipment should also be considered if the UEPC is to reach maximum effectiveness and the level of duplication is to be reduced to the minimum. This, however, should not be undertaken until the "new" UEPC is able to absorb these new functions and responsibilities.

- To improve upon the UEPC's present physical appearance, thought should be given to seeking out more attractive office space. Because the UIA is also discussing alternative office space, this may be a good cpportunity for the UIA and the UEPC to let or purchase adjoining office space. This geographic proximity would enhance cooperation and simplify matters for private sector users of the organizations.

Given this restructuring, EPADU would be placed within the Ministry of Finance with a sole focus on export policy. While it is regrettable that EPADU, a well-regarded organization, lose one of its two functions to a perennially ineffective body, it appears as though it may be the only possible solution to ensure a rational institutional structure.

This new institutional structure will provide for two separate entities charged with export and investment promotion in Uganda. The UIA will continue its work in promoting and regulating investments in Uganda, while the UEPC will be responsible for export promotion. While there will be similarities in their functions, each organization will be targeting different markets, sectors, and clients. The UIA's primary goal, as an investment promotion agency, will be (1) to promote Uganda as an investment site, (2) to enhance the attractiveness of Uganda for new investments, and (3) to find investors who bring their own know-how and markets. The UEPC's primary goals will be to (1) promote exports of existing exporters, (2) enhance the competitiveness of exporters, and (3) find new markets for existing products and adapt existing products for new markets.

While the primary goals of the two organizations differ and each will most likely be oriented towards different markets and clients, there is a need for close collaboration between the two agencies. The institutions should develop systems to share information and leads with each other. For example, UIA may generate leads from companies that are interested in sourcing goods or subcontracting production, rather than undertaking direct investments. Systems should be developed for the "hand-off" of such leads to the export promotion agency. To achieve a maximum of collaboration and a minimum of duplication of efforts, the institutions should share two to four board members, as well as be located within a very short distance from each other, preferably even in the same building. Moreover, the institutions should establish a committee, composed of members of each of the organization's technical staff, which meets regularly to discuss activities and programs being carried out.

Next Steps to be Taken. The GOU needs to undertake a number of steps to accomplish the institutional structure outlined above. In order to make the UEPC an effective export promotion organization, the following steps will have to be undertaken:

-- Revise UEPC Act of 1983. The first step to establish a more active UEPC is to revise the act of 1983 creating the Council. Recommended changes to the Act have been prepared and are circulating within the Ministry of Commerce, Industry and Cooperative. These changes should be adopted without further delay.

-- Appoint UEPC Board members. Once a new Act is passed, a private sector oriented Board of Directors should be appointed. Without an active Board the UEPC will neither be able to be reorganized properly, nor will it gain the support from the private sector it needs.

-- Secure funding and donor support. The GOU should continue to provide proper funding to the UEPC, and the GOU should also work to secure donor assistance to help in the revitalization of the Council. While the budgetary support to the UEPC has increased significantly since January 1993, additional funding may have to be secured. The funds currently provided to the UEPC, which are a portion of the one percent levy on imports, should be supplemented by donor funding to ensure an adequate level of export development activities.

-- Identify a new location. As previously stated, the building in which the UEPC is currently located is not an attractive location for an export promotion agency. A new building needs to be secured for the Council. Relocating the UEPC to a different building will also help in creating the perception that a new Council has been established, which should help overcome the poor image the UEPC currently has.

-- Staff the UEPC. A review of the current staff will have to be undertaken to identify the shortcomings of the existing management and technical personnel. This review should identify the staff members to be retained and clearly outline the future staffing needs of the agency. Immediately thereafter, motivated staff has to be engaged. It has been shown that the most important factor in determining institutional success is the effectiveness, drive, and dynamism of the management and staff.

-- Develop strategy document. One of the first activities of the UEPC will have to be to develop and institutional strategy document. This document should be an action plan for the UEPC's operations over the next twelve to eighteen months, setting targets and objectives for the agency, as well as identifying priority sectors and markets for Ugandan products. Moreover, a survey of existing exporters should be undertaken to identify their short- and medium-term needs.

-- Properly equip the institution. The above-mentioned strategy document will -also determine the equipment needs of the organization. These needs should be met as soon as possible to allow the UEPC to properly carry out its activities.

-- Establish clear links with UIA. Lastly, it should be ensured that clear links and channels of communication are established between the UEPC and the UIA. As discussed in more detail above, there is a need for the two organizations to work together in developing Uganda's non-traditional export sector through aggressive investment and export promotion. In this vein, shared Board members and a working committee should be set up.

Similarly, a number of steps should be taken to improve the effectiveness of the UIA:

-- Revise the Investment Code. The UIA has prepared a number of suggested revisions to the Investment Code. These revisions should be reviewed without further delay, additional changes proposed and the code should be amended accordingly. A number of additional modifications which will improve the investment climate in Uganda are proposed in Section B. below.

-- Develop focused promotional campaign. One of the UIA's weaknesses is that it lacks focus and direction for its promotional activities. It is recommended that the UIA develop clear target sectors and geographic areas in which to promote. A number of studies reviewing Uganda's competitive advantages have been undertaken. The UIA should use these studies as a basis for developing target sectors and markets for its promotional efforts.

-- Identify additional financing. While USAID covers the majority of the UIA's operational budget, there is no provision in the budget for program funds to be used for specific promotional activities, such as outbound missions and the like. The UIA needs to identify additional sources of funds to cover these expenses. Moreover, USAID's project to fund the UIA will end next year, and it is uncertain at this time who will provide continued support to the UIA.

-- Establish clear links with UEPC. The need for linkages and collaboration between the UIA and the UEPC is discussed above.

Interim Period. Until the ideal structure for investment and export promtion is established and fully operational, the UIA, EPADU, and the UEPC must continue their work. As such, it is particularly important that EPADU continue its activities in the area of export development until the UEPC is properly equiped to take over these functions. It is expected that it will take up to six months to undertake all the steps outlined above and until then, EPADU is well suited to continue its role in filling the vacuum in the area of export development.

The GOU needs to work closely with the World Bank and USAID throughout the interim period to assure that the World Bank's National Export Development Program and USAID's forthcoming IDEA project fit into, and complement, the proposed structures. Both donors should be consulted regarding their potential interest in providing financial and technical assistance to the UIA and the new UEPC in the coming years.

B. RECOMMENDATIONS TO IMPROVE INVESTMENT AND EXPORT PROMOTION

Investment Generation. As part of the terms of reference, the consultants were asked to examine the present balance between UIA's promotion and screening activities. Given the current Investment Code, it appears as though the UIA has some justification for its screening activities. The Code outlines the criteria and steps necessary to grant investment licenses and incentives and the UIA must follow these guidelines.

The problem with the focus on screening is therefore not with the UIA but with the Code. The UIA could abandon the present screening system if the Code was restructured to provide performance-based incentives (rather than minimum investment levels) with a negative list for ineligible activities. While the proposed code contains both elements, the overall structure of the code does not allow for simple registration. The GOU should consider automatic registration for projects below a specified figure (say US$20 million), provided the activities to be conducted are not on the negative list and will not cause environmental damage etc. This would not only reduce the burden on investors, but it would allow UIA to focus resources on more important activities such as investor facilitation and promotion. It would also reduce the need for UIA's further growth in staff. Moreover, removing the minimum investment level would also largely eliminate the need for UIA's monitoring function.

Apart from the screening aspect, the Investment Code could also be improved beyond what has been proposed. Elements which deserve further consideration are as follows:

- allowing foreign firms and individuals the right to purchase land without a joint venture partner or a special Ministerial decision. This legal constraint is surely a hindrance to the development of Uganda's nascent non-traditional agricultural exports.

- while the draft revised Investment Code does contain an attractive performance-based tax incentive for exporters linked to the level of exports (an enterprise would receive a tax credit against income tax or corporate tax equal to 1 percent of taxable profits for every 2 percent of total sales by value which are exported), Uganda's overall policy package could be further improved to match export-oriented regimes in other African nations.

- the current three to five year tax holiday offered is less attractive than it appears given that few companies make profits in their first years of operation. If the GOU wants to strengthen this incentive, a tax loss carry-forward provision should be included. This clause would be particularly important to a private sector developer of an industrial estate as these projects tend to have long payback periods.

- while the import certification system has eased import clearance to some degree, this remains one of the most difficult obstacles for firms in Uganda. However, there is little justification for this process for firms that are allowed duty-free access to imports. If for some reason the certification is needed, it should be an annual license.

- allow for the private provision of telecommunications. It is important to point out that the reason for creating investment and export promotion organizations is an assumption of market failure. As such, the creation of these institutions reflects the belief that information is not diffusing as it should. One of the easiest ways the GOU can encourage the flow of information is to allow private competition in telecommunications. This action would instantly differentiate Uganda from other African nations, eliminate one of the country's comparative disadvantages (high cost of telecommunications), and allow for the development of industries that are less impacted by Uganda's landlocked position.

Despite the huge improvements made to the investment environment in recent years, Uganda still remains unattractive in many ways. As stated above, a comprehensive export policy regime is not in place, access to land is difficult, telecommunications costs are outrageously high, utility hook-ups continue to take far longer than they should, letters of credit are expensive, and import clearance is extremely bureaucratic and time-consuming. These constraints are strong justification for the amount of human resources the UIA devotes to investment facilitation.

Consequently, the consultants believe that Uganda should further improve the investment environment before undertaking extensive, active overseas promotion. Most European and North American investors will require further investment climate improvements before establishing operations in Uganda. Overseas promotional efforts can be very expensive; experience demonstrates that a country can do long-term damage to its image if promotional efforts are begun prematurely. In addition, it is worth pointing out that one of the most successful investment promotion organizations in the world --

the Dominican Republic's Investment Promotion Council -- was able to attract 100,000 jobs in six years without any overseas offices.

Because of the current investment environment, it is believed that the lack of promotional funds has actually been a blessing in disguise. In the meantime, the UIA has been right to focus on attracting Kenyan-based investors who will be better able to face the levels of bureaucracy still existing in Uganda. For the moment, Uganda can best attract those with prior experience in Africa.

Once ready to begin more active promotion, it is critical that the UIA further hone its message. The Authority will need to become more focused in terms of its target sectors and countries. Eventually, the UIA can shift from its present image-building activities to more targeted approaches such as advertising in specialized trade journals and smaller, more personalized investment missions.

Although the UIA has decided in the past to forego the use of user fees, the current budget deficit requires the UIA take some necessary actions. While the consultants are in full agreement that user fees often conflict with "the spirit of promotion," a one-time application fee is fairly standard internationally and is generally well accepted by investors. Establishing a graduated or flat application fee (depending on size of the investment) of US$500 or less for those requesting incentives would likely have little decrease on the number of applications and could provide a significant new source of revenue.

A final comment should be made on the absence of trust that seems to exist between the public and private sectors in Uganda. As a result, firms encounter long delays and are forced to hire one or two people who deal exclusively with pushing papers through the bureaucracy. Examples of this lack of trust include the SGS clearance required for any import with a value above US$2,500, the import certification required on each shipment from the Department of Taxation, and Customs practice of inspecting 100 percent of all import shipments.

At some point, every government that has successfully encouraged non-traditional exports has made a leap of faith. The leap of faith is this: businesses are innocent until proven guilty of wrongdoing. Until the GOU makes this transformation, businesses will be stymied by excess bureaucracy that will limit Uganda's ability to achieve its maximum potential.

Export Development. The types of services provided by export development organizations are fairly standard around the world. Potential agricultural exporters are generally satisfied with the services that have been offered by EPADU. To increase the efficiency of export development services, the consultants are in agreement with EPADU that the minimum investment requirements for assistance be lowered, so long as the enterprise does some form of matching.

While firms are happy with the quality of the EPADU sector (as well as policy) studies, the introduction to potential external buyers would be a great service. This has shown to be one of the most important aspects behind the success of export development organizations in Taiwan, Korea, and Singapore. Incentivizing export development organization personnel to facilitate these introductions has proven very effective.

ANNEX A: TERMS OF REFERENCE

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SCOPE OF WORK

OBJECTIVES

The objective of this assistance to the GOU (Government of Uganda) is to help both the GOU and USAID/Uganda clarify their understanding of how the institutional structure for the promotion, development, and policy analysis relating to exports and investment can work most efficiently to Uganda's advantage, and to help the GOU prepare a position paper that reflects this understanding. The focus of the review will be on the functions of and linkages between the various instititions.

BACKGROUND

USAID/Uganda and the GOU have been collaborating on the design and implementation of investment promotion, export development, and export policy analysis activities over the past several years. The Uganda Investment Authority (UIA) was established on the basis of the 1991 Investment Code, and the successful legislating of that Code was supported by conditionality under the Mission's Agricultural Nontraditional Export Promotion Program (ANEPP). USAID also has been associated with the bulk of the operational expense funding for the UIA, through local currency deposits under ANEPP. In 1989, through ANEPP project assistance activities, the Export Policy Analysis and Development Unit (EPADU) was founded to assist the GOU to not only carry out the policy analysis needed for its nontraditional export drive, but also provide some resources for export promotion and development. These efforts have borne fruit, and USAID and the GOU are interested in moving beyond this initial stage.

Under the most recent amendment of ANEPP, the GOU and USAID has agreed on conditionality that requires the GOU to coherently articulate the roles of the various institutions supporting investment promotion, export development and export policy analysis. The relevant ANEPP conditionality is that the GOU should:

> "provide evidence that an institutional framework proposal, relating to export and investment development and meeting criteria set forth in the Amplified Program Description...has been presented at appropriate levels in Government."

The relevant section in the Amplified Program Description reads:

> "USAID and the GOU agree on some key criteria for the sound institutional framework alluded to in the preceding paragraph. There are three primary functions in such a framework, including export policy analysis and development, export promotion and support, and a broader investment promotion and support function. First, each element of the framework that emerges should have clearly

defined responsibilities. Second, each element should also have clearly defined linkages, reporting and otherwise, with other elements. Third, the institutional elements should be outside the civil service, and not under the wing of individual government ministries. Finally, there should be clear provision for interaction, at both policy and implementation levels, between this framework and various truly private sector exporter or producer associations."

TERMS OF REFERENCE

Specifically, the Contractor shall:

a. Review the GOU institutions that deal with export development, investment promotion, and export policy analysis, including the UEPC (Uganda Export Promotion Council), EPADU (Export Policy Analysis and Development Unit), and the UIA (Uganda Investment Authority). The review shall include a detailed functional analysis, in view of the ongoing evolution of these functions in Uganda, and make recommendations regarding the functions of these agencies. The review shall also include a detailed discussion of the linkages among the institutions, and provide recommendations on how these might be made more efficient.

b. Provide a draft of this review to the GOU for its internal discussion and for the GOU to discuss with USAID, make revisions required, and present the final review to the GOU for its internal distribution and distribution to USAID.

c. Taking into account the various decisions taken by Government to date on this institutional structure, including Cabinet decisions, assist the GOU to prepare a position paper that reflects the options and recommendations of the report (in Task b). The position paper is to be presented at a supra-ministerial level. The report (in Task b) and other relevant supporting documentation are to be included as annexes to the position paper.

d. Of special interest to USAID are the UIA and EPADU, both of which are receiving substantial financial support from USAID. The Contractor will prepare for USAID a qualitative evaluation of the operations and performance of the two institutions to date. A key area of interest to USAID with respect to the UIA is the extent to which UIA has effectively interpreted and handled the trade-off between regulatory and promotional elements of its mandate. USAID is especially interested in the Contractor's views on how the Investment Code review and revision process, currently underway, can be used to enhance the effectiveness of the UIA's promotional role. With respect to EPADU, how effectively has the relationship between policy analysis and export promotion been handled? USAID is looking for recommendations for improving the performance of both these institutions. It is important to understand that the evaluations of these two institutions are (1) additional, if complementary, to the review discussed above in Task (a), and (2) not intended to be in-depth evaluations, but to suggest issues which a future evaluation might pursue.

REPORTS

The Contractor shall prepare three separate final outputs by the conclusion of this effort. The first shall be a report on the review of the institutional framework. The second shall be the position paper for Government. The third shall be the report commenting on the operations of the UIA and EPADU. Final versions of the first two outputs shall be provided to the GOU, in hard copy and diskette, prior to the departure of the Contractor. Similarly, a final version of the third output shall be provided to USAID, in hard copy and diskette, prior to the departure of the Contractor.

TIMING

The Contractor shall commence work on 17 May 1993, with a completion date of 4 June 1993. The Contractor's time shall be spent within Uganda.

ANNEX B: LIST OF INTERVIEWS CONDUCTED

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LIST OF INTERVIEWS CONDUCTED

USAID/Uganda:

Keith W. Sherper, Director

Holly Wise, General Development Officer

James F. Dunn, Agricultural Development Officer

Robin Phillips, Program Economist

Ministry of Finance and Economic Planning:

Keith J. Muhakanizi, Economic Advisor to the Minister

Sam Semanda, Office of Aid Coordination

Charles Ogol, Office of Aid Coordination

Ministry of Commerce, Industry, and Cooperatives:

J. N. Busulwa, Secretary for Commerce

James Wamala, Project Facilitator

Hugh Doyle, Advisor, Export Development Specialist

Uganda Investment Authority:

Arnold Lessard, Deputy Executive Director

Freddie Ruhindi, Manager, Corporate Services

Hilary Obonyo, Manager, Investment Policy

Elizabeth N. Ssemwanga, Manager, Client Services

Rogers Baguma, Information Programme Manager

Uganda Export Promotion Council:

Henry Nyakoojo, Acting Executive Secretary

Mr. Olok, Technical Officer, UEPC

LIST OF INTERVIEWS CONDUCTED
(Continued)

Export Policy Analysis and Development Unit:

Erisa O. Ochieng, Director

Nimrod Wanlala, Deputy Director

James Cartwright, Advisor, Non-Traditional Agricultural Exports

Uganda National Chamber of Commerce and Industry:

Chris K. Kabenge, Chairman, UNCCI
Managing Director, Rapid Enterprises

Timothy Byara, Second Vice-Chairman, UNCCI

George Rujojo, Secretary General

Uganda Manufacturers Association:

Azarias Baryaruha, Executive Director

Horticultural Exporters Association of Uganda:

Kibalama Katumba, Chairman

Other Private Sector:

S. R. Gopalan, Managing Partner, Gopalan and Associates

Gordon W. Jones, Commercial Director, Magric Developments (U) Ltd.

Jens Lilholm, Production Manager, Victoria Pumps Limited

Patrick Buhenga, General Manager, Victoria Pumps Limited

The World Bank:

Chukwuma F. Obidegwu, Resident Economist

Subhash C. Dhingra, Senior Industry Specialits, East Africa Department, The World Bank, Washington

LIST OF INTERVIEWS CONDUCTED
(Continued)

USAID IDEA Project Design Team (Chemonics):

Kimball M. Kennedy III, Agribusiness Specialist, Chemonics

Perry L. Walker, President, Perry Walker International Incorporated

Barton Senseng, President, GAIA International

David Neubert, Principal Associate, DCN Associates