10

ISN 87939

REPORT

on the

NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR PRIVATE INVESTMENT AND EXPORT GROWTH

October 28th, 29th and 30th, 1992

Lake Victoria Hotel, Entebbe

Sponsored by:

The Presidential Economic Council and the Uganda Manufacturers Association

Funded by:

The U.S. Agency for International Development

With technical assistance provided by:

The USAID Implementing Policy Change Project

NATIONAL FORUM ON STRATEGIC MANAGEMENT
FOR PRIVATE INVESTMENT AND EXPORT GROWTH
October 28th, 29th and 30th, 1992
Lake Victoria Hotel, Entebbe

Table of Contents

REPORT OF THE NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR PRIVATE INVESTMENT AND EXPORT GROWTH HELD AT LAKE VICTORIA HOTEL ENTEBBE ON OCTOBER 28-30, 1992

1. Background

Nearly one year ago, discussion were initiated between the PEC and UMA to explore ideas on what could be done to energize and focus the various government policies and programs, and the private sector initiatives, that were already under way in the area of private investment and export development. The goal was to seek more effective implementation of those policies and initiatives which enjoy broad national support, and not to debate their correctness. In other words, the emphasis was to be on action. The PEC and UMA officials were of the view that a strategic approach was needed, involving the participation of the private as well as the public sector. USAID agreed to provide the necessary funding and technical support.

The Forum was designed to be the centerpiece of a broader process of continuing dialogue and problem solving. The initial working group was broadened to form a Task Force composed of key individuals from government and the private sector. This Task Force undertook the detailed planning of the Forum, developed and refined the key issues and decided on a final format for the meeting.

The Task Force designed the Forum so that, as a product of the plenary Working Group sessions, a series of Action Plans would be developed for moving forward in discrete policy areas with specific time tables and assigned responsibilities. In addition, it was strongly felt that a mechanism should be established for monitoring the implementation and achievement of the Action Plans developed by the Forum.

The National Forum sought to bring together key individuals from the public and private sectors. The participants were a highly targeted group of individuals who have the capacity and the potential to make things happen in Uganda. The sense of commitment of Forum participants was extremely high, with working group sessions lasting deep into the night. Virtually everyone who attended the Forum actively participated int he working groups. The tone of the discussions was practical and serious and relatively free of parochialism. The interaction between Government and private sector was cordial and fruitful.

Following the first Plenary Session, each Forum participant was assigned to one of the following four Working Groups:

- Investment Promotion
- Export Growth
- Enabling Environment: Financial Sector Development
- Enabling Environment: Tax Policy and Administration

The issues of investment promotion and export development are inextricably linked. With the collapse of the world price for coffee, the need for export diversification and expansion is more critical than ever. Uganda must never again be placed in the vulnerable position of being dependent on one commodity for 98% of its foreign exchange earnings. While the support of bilateral and multilateral donors is appreciated, that support inevitably compromises ability to set priorities ourselves and to chart our unique path towards political and economic development. Besides, the flow of aid can never be guaranteed. Therefore, export growth is a national imperative for sustainable economic growth. Undoubtedly, import substitution will remain part of our policy mix: we must save as well as earn foreign exchange. In the long run, however, the high volume, low-cost, export oriented producer will increasingly dominate the investment opportunities of the future.

At the same time experience has shown that it is difficult for any government to undertake productive enterprises successfully. As a nation we have resolved that, for sustainable development the private sector must be the engine for growth and job creation, while Government provides guidance, infrastructure, and the necessary conducive environment to stimulate the investments needed and to facilitate the profitability of those investments. Hence, we must encourage private investment to the greatest extent possible.

A strong linkage exists between private investment and export growth. Given that the domestic market is relatively small, both existing enterprises and any new investments must be increasingly export-oriented in order to achieve economies of scale and thereby favorably compete with and beat their worldwide competitors. These international competitors, facilitated by greater financial strength and equipped with the latest technology, are generally large-scale and low cost producers. Because our own domestic capital and human resources are still limited, the large investments needed to shift our export base will have to be financed by loans or venture capital from outside. These loans and investments will, in turn, have to be serviced by export earnings. Thus, exports and investments are, to a great extent, two sides of the same coin.

The shortage of long term finance is a major constraint to both existing enterprises and potential new investments. Accordingly, Working Group 3 of the Forum focussed its discussions and recommendations on financial sector issues.

Tax policy has a critical role to play in creating the right conditions for businesses to prosper and thrive, and the way tax policies are administered can make the difference between the business success and failure. Government needs tax revenue in order to provide services to the people and clearly there is a need for a tax regime which ensures both the long term health of business and provides adequately for the revenue needs of Government. Working Group 4 therefore concentrated on the issues of Tax Policy and Administration.

2. Forum Report

The Forum brought together key individuals from the public and private sectors to work on issues regarding investment and export promotion. Participants reviewed progress made in implementing investment and export promotion policies, identified constraints to further progress, and developed actions to be undertaken by identified organizations within a specific time, to assist in managing the implementation of the policies.

The Action Plans produced by the Forum are presented in matrix form. In addition, a process for monitoring and ensuring effective implementation of those Action Plans is described.

2.1 Investment Promotion

Most recommendations for export promotion made by the Forum were intended to improve the investment environment, increase investor confidence and address organizational in infrastructural issues now inhibiting information, organizational and coordination issues, infrastructure and legal and administrative issues.

Lack of comprehensive investment information including Uganda's competitive advantages limits investors knowledge of available opportunities in the country. It was thus recommended that UIA (as part of its current two year plan) undertakes a survey of agencies, organizations and institutions to collect and disseminate vital promotional materials. It should also solicit funds to carry out a study to identify investment areas in which Uganda has comparative advantage. The ultimate objective of improving investment data is to create an investment information center containing organized, current and accurate information on priority sectors for use by local and foreign investors.

In view of the steps taken by Government to promote investment activities, there is need to review these activities with a view to identifying constraints that may still be limiting response to these current investment promotional efforts.

Lack of cohesion and effective coordination among institutions promoting investment was identified as a serious constraint to investment promotion. There is need to strengthen the links between the UIA and relevant government ministries and agencies involved in investment promotion on one hand, and between the private sector and these agencies on the other hand. Establishment of the Investment Advisory Council with membership form key ministries, financial institutions and other relevant organizations would enhance coordination among them to forge ahead in the are of investment promotion.

Lack of industrial parks is a constraint to investment in Uganda. It was recommended that UIA in conjunction with key ministries commission feasibility studies on demand and availability of industrial parks and Export Processing Zones with a view to developing a strategy for parks and EPZ that cater to large, medium and small enterprises. It was also recommended that resources be allocated for the development of these parks.

Discussion on issues connected with improving the legal and administrative environment to promote investment and focussed on the following needs: to publicize privatization policies and procedures to promote transparency and broader participation: to expedite studies on the proposed Land Tenure Control Bill debate for NRC; and to debate the NRC Report on the Custodian Board with a view to facilitating speedy and transparent completion of the repossession exercise as well as adopting legal mechanism to dispose of unclaimed properties.

2.2 Export Growth

While there has been encouraging growth in the volume of non-traditional exports, there has been slow response by the local private sector and foreign investors to Government's call to increase exports. Policy action should aim to attract foreign investors into export-related investments and mobilizing key constituencies in the local export-oriented private sector.

Lack of an effective institutional framework for export promotion was seen as a major constraint, with the perception that visible leadership was absent, and that several institutions had overlapping roles, while the key export operational issues (i.e., production and supply, quality, credit, storage, data, taxation) remained unattended.

Considering the importance of export growth and of the diversification for the export base, the forum considered it a priority to clarity the roles of various public actions (MCIC, EPC, EPADU, UIA), and to forge a strong link between these actors and other Government ministries involved in export promotion, as well as the private sector which has a very high stake in the outcome. It was proposed that PEC organize a working party to streamline the institutional framework for export promotion, drawing its membership from MCIC, MFEP, EPC, EPADU, UIA and the private sector, and make its recommendations within three months. The proposed institutional framework for export promotion should include any needed revisions to existing legislation, the appropriate relationship between the export agencies and parent Ministries, and measures to provide adequate financial resources.

Other areas of concern related to the institutional framework to be addressed by the working group is the need to develop ways to encourage and strengthen the potential and existing private sector groups to address export issues: to determine causes for past failure in implementing Cabinet recommendations to merge EPC and the wing of EPADU involved in export promotion, and the decision to allocate 1 percent of CIF value for import to license commission finance EPC activities.

The Forum learnt of a Cabinet Paper on Export Strategy. It was felt that for effective implementation of national export strategy, there is a need for the Paper to be more widely discussed, especially with the private sector and exporters. Accordingly, it was recommended that EPADU, in conjunction with MCIC, PEC and private sector institutions convene a high level workshop on national export strategy specifically to:

i) review its adequacy and workability;
ii) prioritize products, sub-sectors for intensive support and to target these to markets

and investors;

iii) formulate appropriate start-up incentives to encourage entry into the production of non-traditional exports (which now appears to lag behind demand);

iv) generate a broad consensus on a consistent and well coordinated Action Plan among government agencies, and between Government and the private sector.

Lack of information was also seen as a major constraint to export promotion. Information is especially required on what Uganda can supply, the quantities and quality produced, by who and when available for export. Information on demand form world market and required quantities, qualities, price and delivery is equally essential. Other related information includes trade regulations and restrictions. All this information, it was recommended, should ideally be disseminated thorough a "one stop shop". In view of this enormous need for information, it was recommended that EPC should set up Export Information Centre and work closely with Bank of Uganda/Agricultural Secretariat, UCDA, UIA and exports to gather and disseminate export information.

Another area considered critical to enhance and sustain export promotion was the need for export financing to cater for production and marketing of the right products of high quality and in sufficient quantities for export. It was recommended that Bank of Uganda should within three months, seek seed money to finance Export Revolving Fund, which would provide at international interest rates, foreign exchange to bonafide exporters. Operational details of such programme should be set up by Bank of Uganda and commercial banks. In the meantime, Bank of Uganda should review existing Export Refinancing Scheme to broaden access to it and increase transparency of requirements of the scheme. Specifically, an institution or scheme to finance the production of exports should be explored.

In addition, provision of export-oriented agricultural services to facilitate growth of the non-traditional exports was considered important. Government efforts to set up Agricultural Research extension under National Agricultural Research Organization (NARO) should be explicitly linked to exports.

Despite significant progress in recent years, inadequate facilities and cumbersome procedures were seen as a continuing constraint to exports. Accordingly, Workshop Group 2 recommended that priority be given to up-grading the facilities and streamlining the procedures at Entebbe Airport as well as streamlining exit procedures at border points. It was recommended that EPADU set up and coordinate a working committee of relevant agencies and private sector to simplify export procedures at Entebbe and other exit points in order to create a "one stop export shop". The same committee would also examine the issue of cold storage facilities at Entebbe and determine requirements to encourage private investment to develop such facilities.

It is anticipated that much of the export growth is likely to be in the agricultural sector where Uganda has a comparative advantage. Many export-oriented enterprises in the public sector are in the form of estate and parastatal organizations. To enhance export growth, it was recommended that the process of facilitating privatization or divestiture of agricultural entities now under public management be speeded up.

Finally, tourism was seen as offering a great opportunity to make a relatively rapid impact on our foreign exchange earnings and balance of payment. Enterprises and activities in this sector have been severely affected by the past strife in the country. Increased public awareness and sensitization are important initial steps to reviving this sector. These activities should be undertaken by Ministry of Tourism and Wild Life together in conjunction with UTA (Uganda Tourist Association) and UIA. To help increase the availability of quality hotel accommodation, it was recommended that the privatization of hotels be expedited. Many of the issues related to improvement of the nation's tourist attractions have been addressed in the National Environmental Action Plan (NEAP). The Forum recommended speedy implementation of the NEAP, to help create a sustainable and profitable tourist industry.

2.3 Financial Sector Development

The growth and development of the financial sector is crucial for investment and export growth. A number of policy issues were identified as critical.

There is a lack of liquidity in the banks to finance all viable applications for credit. The combined problem of liquidity and under-capitalization of banks now drives these institutions to lend short-term, and to prefer to finance trade and extend only limited medium term credit to their well known customers. Small investors have few, if any, sources of any form of credit. Even if globally the banking system is liquid, absence of inter-bank market means that surplus banks may not utilize their surpluses to fund deficit banks who could in turn finance viable loans. To address the liquidity problem, establishment and operation of interbank market was recommended, and given the low confidence within the banking institutions, Bank of Uganda would spearhead the exercise and guarantee inter-bank instruments. Integration of Bank of Uganda into forex market and reduction of commercial bank reserve requirements to increase deposit mobilization would also contribute to an improvement of liquidity.

Bank of Uganda does not enjoy sufficient independence in its operations and as a guardian of monetary issues and is thus unable to address certain strategies necessary for financial sector development. The Bank also has limited resources and is under-capitalized. It should be allowed to create options to make money. The capitalization of both the Bank of Uganda and commercial banks should be given priority as part of the efforts to improve liquidity. Expertise should be sought to assist financial institutions to value, list and offer shares to the public as part of the effort to improve liquidity.

Low Monetary Depth (ratio of broad money supply to GDP) and rather a high ratio currency to broad money supply are both serious constraints to expansion of business in the country. One of the reasons for this situation is the high level of inflation which forces people to save in the form of real and non-monetized assets instead of monetary assets. Holding currency outside banks, and other financial intermediaries limits the availability of money for lending and investment. While macro-economic policies have been put in place to contain inflation, supplementary actions such as encouraging establishment of financial institutions (banks and saving institutions, e.g., Unit Trusts) and extensions of their operations upcountry, facilitation of upcountry cheque clearing, reducing bank fraud through enforcement of current laws, introduction of monetary penalties for bad cheques, enhancing consumer confidence by respecting confidentiality and general improvement of customer service by removing any obstacles to people's access to banks and operation of accounts were felt would improve monetary depth if implemented.

It was recommended that, to enhance its efficiency and coverage in tax collection and simultaneously improve monetary depth, the Uganda Revenue Authority should allow all registered commercial banks to collect taxes on behalf of the URA.

Sources of long term funds, which are essential for investment, are limited. The absence of a Stock Exchange itself inhibits mobilization of long-term funds. Efforts made to introduce Stock Exchange should be treated with urgency as initial step towards the introduction of secondary markets. It was recommended that Government should pay interest for its domestic debt.

Credit and interest rate inform play crucial role in influencing investment. At the moment there are no institutionalized arrangements to finance loans to small businesses. UgaDev used to finance such loans but collapsed causing severe loss to this neglected sector. The Rehabilitation of Productive Enterprise (RPE) from USAID is exhausted and its replenishment is not clear. A new Scheme called Enterprise Development Project (EDP) has been launched by Bank of Uganda to finance foreign exchange costs of business enterprise. The terms need to be published. Foreign exchange risk (now severely affecting many enterprise loaned foreign exchange) should be fully addressed.

Recommendations made to address the problems of credit and interest rate included the liberalisation of interest rates (already in progress) to realise optimum allocation of resources. It was recommended that banks be given more freedom to set interest rates. Other recommendations include establishment of debt collection agency (to buy debt at discount); elimination of tax on interest due to nonperforming assets and establishing equitable relations between earnings on treasury bills and bank deposits. It was also recommended that Commercial Banks not be required by Government to perform tasks, such as procurement of agricultural inputs, for which they are not institutionally suited.

Foreign exchange management is crucial in influencing investment and business environment. In particular, it was recommended that persons holding accounts abroad should be given incentives to open external accounts in local banks to facilitate repriation of forex balances without any taxation on such funds and with market interest possible being paid on the accounts. There is also need to reduce forex costs to importers. Commercial banks should pay interest on local cover used for buying forex through the auction. To facilitate trade and imports of essential items, there is urgent need to explore ways of reactivating supplier credit guaranteed officially and by commercial banks and official expert government guarantees. Further liberalisation in the use of forex accounts was also recommended. The use of forex accounts should be relaxed to permit more inflows of foreign exchange should be permitted while greater access to these funds for personal use should be allowed.

2.4 Tax Policy and Administration

The focus on the actions and recommendations in the area of tax policy and administration is to promote an enabling environment for investment, export growth and production by local industries by discouraging punitive tax arrangements.

Uganda Revenue Authority (URA) now a key institution in the area of efficiency and effectiveness. This entails incentives, logistics and less bureaucratic access to operational funds (no obtainable by request from MFEP).

URA should play a more active role in strengthening and widening Taxpayer Education beyond the current regular TV and Radio programmes. Public education should cover specific areas of taxation, their rationale and how they are levied. Preparation of Tax Collectors' Manual would immensely contribute to the training of those responsible for tax collection and subsequently it would increase transparency in tax collection.

In regard to taxation of imports, discount on imports currently allowed for tax purposes should be abolished and actual CIF prices be applied. Import discount, in effect, is a subsidy to foreign products, making locally produced goods less competitive. A review of the Commissioners Valuation list for taxation is needed as the current on make imported goods cheaper than locally produced ones.

Re-exportation of products to other countries should be encouraged and its procedures streamlined and widely publicized. Re-exports help to stimulate trade and increase government revenue.

For general improvement of tax policy and administration, strengthening machinery to monitor and control smuggling is particularly crucial to ensure that Government receives the tax revenue needed to provide services and to safeguard domestic producers from unfair competition from 'cheap' imported goods.

Other recommendations were:

i) Procurement and pricing of petrol products should be liberalised to encourage competition and ensure quality service and adequate supplies to consumers around the country. This reform would help improve the performance of other sector that rely on those products.

ii) Protection of local industries using fiscal and administrative instruments to promote production and some degree of competitiveness.

In particular taxes on locally produced goods (especially foods and beverages) should be rationalised. The tax exemption on industrial raw materials, which was announced in the 1992 Finance Bill, should be broadened to include industrial spare parts and packaging materials. Enforcement of anti-dumping law and combating smuggling would particularly benefit local industrialists now facing severe competition from dumped and smuggled goods.

iii) The tax structure is considered biased against local producers and some borrowers of foreign denominated loans in that foreign exchange losses are currently not considered expenses deductible for taxation. Biases also exist in taxing income of individuals depending on the level of cash and in-kind component being taxed less that those with significant cash component. The present rates and structure of personal income tax discourages employers from improving the pay packages of employees through increasing cash payments.

iv) A revival of Tax Appeal Tribunal was considered necessary to resolve any complaints related to tax. Further transparency and avoidance of any possible manipulation of taxpayer by tax collectors through interpretation of tax law could be enhanced through consolidation of all tax laws. The current practice of amending the 1970's tax laws lacks transparency and is confusing to taxpayers. These tax laws include among others the following:

- Custom Tariff Act 1970

- Sales Tax Act 1970

- Income Tax Decree 1974 (now Traffic and Road Safety Act 1970 under consolidation)

- Excise Tariff Act 1970

Yearly amendments for fiscal bills are now being made on the basis of these laws. The fact that several amendments have been made since 1970 has generated more confusion among tax payers providing fertile ground for tax manipulation and even corruption.

3. Plan of Action

It is recommended that implementation of the Forum's recommendations be ensured through the following system:

Overall implementation should be assured by a core **Monitoring Group** of about seven key individuals from the public and private sectors. Members of the Monitoring Group will provide the guidance, counsel, and pressure where needed, to keep the implementation of the Action Plans on course. The Monitoring Group should report to His Excellency the President, either directly or through the PEC.

Four **Working Teams** will monitor progress in each of the four arenas of the Forum's recommendations, namely:

- Investment Promotion
- Export Growth
- Enabling Environment: Financial Sector Development
- Enabling Environment: Tax Policy and Administration.

Those Working Teams will be closely co-ordinated with the **Monitoring Group.** Ideally, each Working Team will be chaired by a member of the Monitoring Group.

Considering that the action to be implemented by various organization span over a one year period, it is expected that meetings of the proposed **Monitoring Group** will be help at least quarterly. At the end of each meeting the Core Group will prepare a report on the implementation progress made to date on various actions and distribute to all participants.

If funding can be secured, it is recommended that a second National Forum be held in November, 1993, to review progress to day and to develop the policy implementation agenda.

WORKING GROUP NUMBER 1
INVESTMENT PROMOTION
ACTION PLAN RECOMMENDATIONS

Policy Issue	Agencies Concerned	Action Required	Deadline for Action
1. Investment Information	MPEP	1.1 Allocate resources to UIA to carry out sector studies to establish Uganda's competitive advantage.	Dec '92
	UIA	1.2 Conduct survey of agencies, organizations & institutions to collect vital infomation & prepare promotional material.	Dec '92
2. Organisation	UIA	2.1 Establish Investment Advisory Council made up of members of organizations with an interest in investment promotion.	Nov '92
	All Ministris	2.2 Ministries appoint 1 contact officer for UIA coordination.	Dec '92
	UIA	2.3 Coordinate investment activities with other agencies.	Nov '92
3. Infrastructure	All Ministris	3.1 Allocate resources to UIA or KCC to provide utilitiy services to Industrial Parks.	Jun '93
	All Ministries	3.2 Complete feasibility studies on demand & availability of Industrial Parks & EPZs.	Jul '93
	URA	3.3 Provide investor tax relief for utility investsments.	Jul '93
	MWT&C	3.4 Harmonise transport regimes with neighbouring states.	Nov '93

	NRC	3.5 Expedite studies on proposed Land Tenure Control Bill.	Mar '93
4. Privatisation & DAPCB	DIC	4.1 Make policies & procedures public.	Nov '92
	NRC	4.2 Debate Committeo Report on DAPCB.	Next Session
5. Small-Scale Enterprise	MFEP	5.1 Establish industrial areas at reasonable rates.	Jun '93
	MFEP	5.2 Develop credit systems.	Oct '93
6. Government	GOU	6.1 Recognise responsibility of GOU to provide annual budget allocations.	Nov '92

WORKING GROUP 2
EXPORT GROWTH
ACTION PLAN RECOMMENDATIONS

Policy Issue	Agencies Concerned	Actions Required	Deadline for Actions
1. Export Strategy	EPADU, MCIC, UEPC, Private Sector Export Instits	1.1 Convene high level workshop on nat'l export strategy * Review Strategy Paper recently presented to Cabinet * Prioritise products & sub-sectors for intensive support * Forumulate start-up incentives * Generate consensus amongst GOU & priv sector on Export Action Plan	Jan '93
2. Institutional Issues	EPADU, UEPC	2.1 Encourage private sector effectively organise to address export issues	Nov '92
	PEC (Coord), MCIC, MFEP, EPADU, UEPC, UIA, Private Sector Exporters	2.2 Organise Working Party on Insitutional Framework for Export Promotion * Recommend to GOU * Provide appropriate budgetary resources	Jan '93
3. Export Information	EPC & Ag Secret, UCDA, & media	3.1 Set up an Export Info Centre * Collect Info * Disseminate Infor	Jan '93
4. Export-Oriented Ag Services	PEC, MoA, Priv Sector Institutions	4.1 Set Up National Seed Committee to Facilitate Privatisation	Nov '92
	MoA	4.2 Upgrade Ag-Research & Extension Directly Targetted to Exports	Nov '92

5. Export Marketing	EPADU, Customs, URA, Private Sector	5.1 Set Up Committee to Simplify Export Procedures at Entebbe & All Exit Points	Jan '93
	EPADU, Customs, URA, Private Sector	5.2 Examine How to Encourage Private Invest to Develop Cold Storage Facilities at Entebbe	Mar '93
6. Export Finance	BoU, Commercial Banks	6.1 Seek Seed Money to Finance Export Revolving Fund	Nov '92
	BoU	6.2 Expand Existing Export Financing Scheme * Requirements for Scheme more Transparent * Broaden Access to Scheme	Nov '92
7. Tourism	MTWA, UTA, UIA	7.1 Develop Training Programme for Sensitising Public Officials	Jan '93
	UTA	7.2 More Dynamic Public Awareness Programme	Nov '92
	PERD, UHC	7.3 Speed Up Privatisation of Uganda Hotels * Leasing/Management Contracts * Divestiture	Nov '92
	MoEP	7.4 Speed Up Implementation of NEAP	Nov '92

WORKING GROUP NUMBER 3
ENABLING ENVIRONMENT: FINANCIAL SECTOR DEVELOPMENT
ACTION PLAN RECOMMENDATIONS

Policy Issue	Agencies Concerned	Action Required	Deadline for Action
1. Liquidity	BoU	1.1 BoU facilitate the estab. & operation of interbank market	Mar '93
	BoU,MFEP	1.2 To improve the liquidity management in the economy, BoU should be integrated into the forex market	Jan '93
	BoU	1.3 Reduce the cost to the commercial banks of the Reserve requirements with a view to increasing deposit mobilisation	Nov '92
	BoU	1.4 BoU should have options to make money to enhance BoU independence.	Dec '92
2. Monetary Depth	BoU,MFEP, UBA	2.1 Increase competition, add more financial instruments/institutions (eg, leasing), consumer education, mobile banking, building societies & insurance co's.	Jul '93
	MFEP, BoU	2.2 Develop Secondary Market (eg, money & capital markets) to increase long-term savings	Jul '93
	UBA	2.3 Improve Customer Services. Reduce Impediments to Access for People to Use Banks (eg, open accounts, transfers, etc.)	Nov '92
	BoU	2.4 Improve Consumer Confidence by Respecting Confidentiality	Dec '92

	BoU,UBA	2.5 Reduce and counter fraud at banks by inter-bank cooperation	Dec '92
	UBA	2.6 Facilitate Up-Country cheque clearing	Mar '93
	MFEP	2.7 Encourage Financial Institutions to Estab. Operations Up-Country	Jun '93
	BoU,MFEP	2.8 Government should pay interest its domestic debt, purchase through LCs, if they do not, then pay interest on arrears	Mar '92
	URA	2.9 Allow URA tax collection at all registered commercial banks to speed up tax collection	Dec '92
	MFEP, AG	2.10 Introduce Monetary Penalties for Bad Cheques; Enforce Criminal Prosecution for Bank Fraud	Mar '93
3. Credit & Interest Rate Reform	BoU,URA,UBA	3.1 Eliminate tax on interest due on non-performing assets - to be confirmed by external auditors.	Dec '92
	MFEP,BoU, UBA	3.2 Establish Debt Collection Agency - buy bad debt at discount	Mar '93
	BoU,MFEP	3.3 Establish an equitable relationship between earnings on T-Bills & bank deposits	Nov '92
	MFEP	3.4 Assist priority sectors (eg, agri-production) with feasibility studies, better extension & other services, infrastructure, training, etc.	New Budget
	BoU	3.5 Liberalise Interest Rates & Decontrol Charges/Fees	Dec '92

	MFEP	3.6 Government Should Eliminate Involvement of Banks to Procure Inputs	Jul '93
4. Foreign Exchange	BoU, MFEP, URA	4.1 Encourage repatriation of overseas forex balances to domestic banking system with no taxation	Nov '92
	UBA	4.2 Reduce forex costs to importers	Dec '92
	BoU	4.3 Liberalise Use of Forex Accounts	Mar '93
	MFEP, BoU, UBA	4.4 Explore reactivation of suppliers' credits guaranteed by commercial banks, official export gov't guarantees, official supplier credits	Jun '93
	UBA	4.5 Commercial banks should pay interest prepaid for forex imports	Dec '92
5. Bank Capitalisation	BoU, Commercial Banks	5.1 Expertise to help financial institutions value, list & offer shares to public.	Dec '92

WORKING GROUP NUMBER 4
ENABLING ENVIRONMENT: TAX POLICY & ADMINISTRATION
ACTION PLAN RECOMMENDATIONS

Tax Policy & Administration	Agencies Concerned	Actions Required	Deadline for Actions
1. Tax Structure & Admin	MEMMEP, BoU, MFEP	1.1 Rationalise Procure & Pricing of Petrol Products	Dec '92
	URA, MFEP, MCIC	1.2 Enforce Anti-Dumping Law	Nov '92
	MFEP, MCIC	1.3 Protect Local Industries through Use of Fiscal & Admin Instruments (where necessary)	Nov '92
	MFEP, MCIC	1.4 Redefine Industrial Raw Mats to Include Packaging Mats & Industrial Spare Parts	Nov '92
	MFEP, MCIC, URA	1.5 Rationalise Taxes on Locally Produced Goods, esp. Foods & Beverages	Jun '92
	MFEP, URA	1.6 Analyse Foreign Exchange Losses with a View to Making Them Tax Deductible Expense	Apr '93
	MFEP, URA	1.7 Strengthen Institutional Framework of URA to Enhance Efficiency	Nov '92
	MFEP, URA	1.8 Review the Threshold Personal Income Tax in Line with GOU Monetarisation Exercise of Employees' Benefits	Jun '93
2. Tax Collection	MFEP	2.1 Revive Tax Appeal Tribunal	Nov '92
	MFEP, MJCA/AG	2.2 Consolidate All Tax Laws	Nov '92

3. Training	MFEP, URA	3.1 Prepare Tax Collectors' Manual	Jun '93
	URA, MFEP	3.2 Strengthen & Widen Taxpayers' Education Programmes (through RCs, radio & TV programmes)	Nov '92
4. CIF Prices & Taxation	URA, MFEP, MCIC	4.1 Abolish Discounts on Imports Currently Allowed for Tax Purposes	Nov '92
	URA	4.2 Review Commissioners' Valuation List	Nov '92
	MFEP, MCIC	4.3 Strengthen GOU Machinery to Monitor & Control Smuggling	Nov '92
5. Export-Import Taxation	MCIC, MFEP	5.1 Encourage & Streamline Reexport Trade	Nov '92

NATIONAL FORUM ON STRATEGIC MANAGEMENT
FOR PRIVATE INVESTMENT AND EXPORT GROWTH
OCTOBER 28 - 30TH 1992
LIST OF PARTICIPANTS

1.	Adriko, Hon.	MLS	Chairman
2.	Alam, Mr. Manzur	Casements	MD
3.	Baan, Mr. R.	Shell	MD
4.	Bagaine, Hon. Shem	NRC	Ndorwa County
5.	Bagalaliwo, Mrs. S.	Century Bottling	
6.	Bakashabaruhanga, Mr. P.	MLS	P/S
7.	Baryaruha, Mr. A.	UMA	Exec. Dir.
8.	Bisamaza, Mr. Noel	Office of the President	
9.	Bulinda, Mr. J.	Serefaco	
10.	Bunkedeko, Mr. Badru	UNCCI	Chairman
11.	Buwolya, Mr. Bugeni	HEA	Chairman
12.	Chapaa, Mr. K.K	Serefaco	Chairman
13.	Erongot, Mr. P.	UCB	Acting MD
14.	Eswar, Mr. K. P.	Kakira Sugar Works	Co. Secretary
15.	Hatega, Mr. G.	Associated Industries	
16.	Jain, Mr.	Bank of Baroda	MD
17.	Kabatsi, Mr. Peter	Justice	Solicitor General
18.	Kaberuka, Dr. W.	Office of the President	
19.	Kaijuka, Hon. R.	MCIC	Minister
20.	Kalema, Dr. W.	UMACIS	Director
21.	Kalibala, Mr. James	USSIA	Chairman
22.	Kamugisha, Mr.	MFEP	DG/Taxation
23.	Kamuntu, Prof. E.	Nile Bank	MD
24.	Kasedende, Dr. Louis	BoU	Dep. Research Dir.
25.	Kasirye, Mr. Francis	MCIC	PS
26.	Kavuma, Mr. G.	Rayner Coffee	MD
27.	Kibirango, Mr. Leo	Sembule IB	MD
28.	Kibirige, Dr.	UCDA	Chairman
29.	Kibuuka, Mr. Sam	General Machinery	Fin. Director
30.	Kikonyogo, Mr. Charles	BoU	Governor
31	Kinyatta, Dr.	UDC	Director
32	Kitabire, Mr. Damon	MFEP	Senior Economist
33.	Lessard, Mr. Arnold	UIA	Dep. Exec. Dir.
34.	Mayanja-Nkangi, Hon. J.	MFEP	Minister
35.	Mukasa, Mrs. Assey	UGMC	MD
36.	Mulira, Mr. Peter	Mulira & Co.	Advocate
37.	Musinguzi, Mr. James	Garuga Properties	MD
38.	Mwandha, Mr.	EADB	Manager
39.	Nahamya, Dr. Sam	NRM Secr.	Economic Affairs
40.	Nyakoojo, Mr.	EPC	Acting Exec. Dir.
~~41.~~	~~Obidegwu, Mr. Chukwuma~~	~~World Bank~~	~~Country Economist~~
42.	Ochieng, Prof. Erisa	EPADU	Director
43.	Okeny, Mr. Justine	Vitafoam	MD
44.	Rubagumya, Mr. George	UIA	Exec. Dir.
45.	Rukikaire, Hon. M	MFEP	Min. of State
46.	Rutaagi, Mr. Robert	PERD	Coordinator
47.	Rutega, Mr. Sam	UDC	Director
48.	Rutta, Mr.	UEB	MD
49.	Rwakakoko, Hon.	NRC	Ruhama County

52.	Siaw, Mr. E. Larbi	URA	
53.	Ssemwogyerere, Dr. G.	Makerere	
54.	Suruma, Dr. E.	BoU	Dep. Governor
55.	Tibekyinga, Mr. James	MCIC	Commissioner
56.	Tumubweine, Hon. Manzi	UNCCI	
57.	Tumusiime-Mutebire, Mr. E	MFEP	PS
58.	Twino-Musinguzi, Mr. John	UDB	
59.	Walusimbi, Eng. John	AEC	
60.	Wanendeya, Mrs.	UWEA	
61.	Wanialia, Mr. Nimrod	EPADU	Dep. Director
62.	Wavamunno, Mr. G.	Spear Group	Chairman
63.	Zake, Mr. Justine	URA	
64.	Mrs. Muduuli	MFEP	
65.	Dunn, James	USAID	
66.	Komakech, Bruno	USAID	
67.	Phillips, Robin	USAID	
68.	Wise, Holly	USAID	
69.	Bess, Michael	IPC Team	
70	Gordon, David	IPC Team	
71.	Mazzie, Bruce	IPC Team	
72.	Bhadain, Chand (Mauritius)	MEDIA	
73.	Kitakule, Sarah	UMACIS	
74.	Mark Mr. Ellyne	IMF	
75.	Mr. Kalyango	President's Office	
76.	Mr. Mungati	E.S.	

NATIONAL FORUM ON STRATEGIC MANAGEMENT
FOR PRIVATE INVESTMENT AND EXPORT GROWTH
October 28 - 30, 1992, Lake Victoria Hotel

Actual Agenda

Wednesday Evening, October 28, 1992

15:00 Registration

18:30 Reception

19:45 Dinner

Chairman: Mr. Sam Rutega, Chairman, UDC

Welcome: Hon. J.S. Mayanja-Nkangi, Minister of Finance and Economic Planning

Guest Speaker: Chand Bhadain, Director, Mauritius Export Development and Investment Authority (MEDIA)

Thursday Morning, October 29, 1992

08:00 Late Registration

08:30 Plenary Session

Chairman: Mr. Sam Rutega, Chairman, UDC

Welcome: Mr: Aga Sekalala, Vice Chairman, UMA

09:00 "Competetiveness & Strategic Management"
Dr. David Gordon, Abt Associates, IPC Team Leader

09:30 "Action Plan for Policy Implementation"
Dr. William Kalema, UMA Consulting Services

10:00 Official Opening: Hon. J.S. Mayanja-Nkangi, Minister of Finance and Economic Planning

10:30 Introduction of Issues

11:00 Task Force Presentations

1. Mr. George Rubagumya, Executive Director, UIA
2. Prof. Erisa Ochieng, Director, EPADU
3. Mr. Leo Kibirango, Managing Director, Sembule Investment Bank
4. Hon. Manzi Tumubweine, NRC

12:30 Luncheon

2

Thursday Afternoon

14:00	Working Group Sessions	
	Group 1:	Investment Promotion
	Group 2:	Export Promotion
	Group 3:	Financial Sector Development
	Group 4:	Tax Policy and Administration

Thursday Evening

19:00	Buffet Dinner

Friday Morning, October 30, 1992

08:00	Working Group Report Preparation	
11:00	Plenary Session Chairman: Mr. Sam Rutega, Chairman UDC Working Group Report Presentations	
	Group 1:	Investment Promotion, Dr. Sam Nahamya, NRM Secretariate
	Group 2:	Export Promotion, Dr. Germina Ssemwogyerere, Makerere
12:30	Lunch	
14:00	Plenary Session Continued	
	Group 3:	Financial Sector Development, Prof. Ephraim Kamuntu, Nile Bank
15:00	Arrival of Vice President Dr. Samson M.S. Kisekka	
	Group 4:	Tax Policy and Administration, Hon. Manzi Tumubweine, UNCCI
16:00	Inroduction of the President: Hon. Richard Kaijuka, Minister of Commerce, Industry & Cooperatives	
	Arrival of His Excellency President Yoweri Museveni, Guest of Honour	
16:30	Summary Presentations of Strategic Action Plans by Five Working Groups	
18:00	Keynote Address: His Excellency President Yoweri Museveni	
19:00	Closing Remarks: Hon. Richard Kaijuka, Minister of Commerce, Industry & Cooperatives	
19:10	Closing: Mr. Aga Sekalala, Vice Chariman, UMA	

EXCERPTS FROM DR. CHAND BHADAIN'S SPEECH

AT

THE NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR PRIVATE INVESTMENT AND EXPORT GROWTH HELD AT LAKE VICTORIA HOTEL, ENTEBBE 28th Oct - 30th Oct 1992.

The National Forum on Strategic Management for Private Sector INVESTMENT and Export Growth has been held at the Lake Victoria Hotel from the evening of Wednesday, October 28th through the afternoon of Friday October 30th. The Forum has been jointly organised by the Presidential Economic Commission (P.E.C) and the Uganda Manufacturers' Association (UMA) with funding by the United States Agency for International Development (USAID).

The Guest speaker on the opening day was the Director of the Mauritius Export Development and Investment Authority (MEDIA), Dr. Chand Bhadain who related the Mauritius experience on the path to industrialization and development.

Mauritius has moved from a one export commodity economy to an economy characterized by a diversity of export products. Once an agro-based economy, today the manufacturing sector is the largest contributer to the Gross Domestic Product. From an unemployment level of 25% during the period 1970 - 1976, Mauritius is now importing labour. Dr. Bhadain assured the participants that there was no magic in this rather it took strategic planning, clear rational thinking and well planned actions to achieve the results so far attained.

The process of industrialising Mauritius started in the 1960's with the setting up of import substitution industries. After achieving reasonable growth export-led growth strategies were developed to promote exports. Mauritius became one of the first African countries to set up Export Processing Zones.

WELCOME SPEECH

Hon. J.S. Mayanja-Nkangi
Minister of Finance and Economic Planning

NATIONAL FORUM ON STRATEGIC MANAGEMENT

FOR PRIVATE INVESTMENT AND EXPORT GROWTH

Lake Victoria Hotel, Entebbe

October 28, 29, 30, 1992

Honourable Ministers,

You Excellencies,,

Distinguished Forum Participants,

Ladies and Gentlemen

Mr. Chairman,

I have closely followed the preparatory work of this National Forum which addresses two of the most important and linked elements in achieving Uganda's economic development objectives; stimulating the sustained growth of local and foreign investments and promoting exports. Aware of the strenuous efforts of the public and private sector members of the task force charged with the responsibility of organizing this Forum, it is with great pleasure that I welcome you all to this Forum.

The task of this forum is to bring together all those who can make a practical contribution to the promotion of domestic and foreign investment in Uganda as well as exports. It is not an occasion to engage in a lengthy discussions of economic theory, but an important meeting of men and women who are aware of or can identify problems which are hindering progress in these fields and propose practical strategies and solutions. Much of the discussion will focus on the Government's role in investment and export promotion and what remains to be done, before Uganda can become a major economic force in Africa for the benefit of her people. Key areas to be addressed include Tax policy and administration, the mobilization of investible funds, the development of the domestic financial sector, the acquisition and retention of footholds in foreign markets, the promotion of the inflow of technology and the improvement of domestic skills.

I would like to stress the importance of our work over these two days. The forum is not here to debate whether or not Uganda should be actively promoting investments or seeking to expand exports. We are here, rather, to make specific and workable recommendations to Government on a number of issues which may have been identified as standing in the way or retarding the achievement of our investment and export objectives. I am here to re-iterate the Government's unwavering commitment to the promotion of private investment and exports as well as its resolve to implement this forum's recommendation. I am also here to call upon every player or operator in these sectors to commit him or herself anew to these tasks and to the ideas of national economic development through sustained individual and corporate effort. For this reason we must all resolve to implement the recommendations of this forum. But you must be sure that they are rational, practical and efficacious, whose achievement can only be limited by the size of our resources and not by our resolve and effort.

Most of you ought to know that the NRM Government is committed to policies whose objective focus on creating an economic environment that encourages exports and offers attractive investment opportunities. This involves allowing the market to determine exchange rates, supported by the current budget which seeks to remove the burden of taxation on exporters and to ensure price stability by controlling the monetary factors that cause inflation; as well as to reduce the size of the fiscal deficit. At the same time the volume and availability of domestic financing for exports should be increasing as a result of financial sector reforms. The Government has also ear-marked 1% of imports duty for the promotion of exports and tourism. These policies have involved making a great number of changes. Many of us will need to be vigilant in ensuring that these benefits are not undermined by any negative forces.

Good progress has been made in the liberalisation of the export procedure and the creation of an incentive structure for domestic investment. Tax collection has been radically reorganized. For example whereas taxes on coffee accounted for over 60% of tax revenue in FY85/86 by 1992 they accounted for less than 2% of revenue. The lengthy and bureaucratic customs procedures that characterised the old system have been reduced, although there is still considerable room for improvement and Government is moving in that direction. Many financial sector reforms are in the pipeline. You may wish to review these and offer constructive suggestions on how to improve on them. Until the domestic financial instruments are available that offer sufficiently attractive terms to savers, local investable funds will be limited and this will reduce the ability of Ugandan firms to take advantage of the trade opportunities which liberal trade regime offers.

In this Forum, distinguished participants, you will all be participating in one of four Working Groups discussing topics which the organizing task force has identified as deserving careful attention. Two are directly concerned with how we improve the planning, coordination and execution of our investment and export promotion programmes. This, on the part of the private sector will certainly call for less secretiveness on their intended business operations and greater collaboration between Government and the private sector.

The other two Working Groups will be concerned with the enabling environment. They will consider how best we can plan and administer our tax policies, and how we can improve the functioning of our financial institutions in such a way as to support private sector investment in general and the export of traditional and non traditional products in particular.

For such vital deliberations and in formulating its recommendations, the Forum must consider how far we have come, and whether existing plans and programs will promote ~~natural~~ national effort and achievement. Let us recognize what has already been done - which is considerable - and move on from there.

- Government has initiated a series of fundamental and difficult liberalizing reforms and we are delivering on our commitments.
- Forex bureaux and the Bank of Uganda auction systems are providing a liberal and market-driven foreign exchange system, a critical step forward which has highly encouraged private investors.
- Import and export procedures have been greatly simplified and cross-border trade has been facilitated - [except, alas, that some business men have intensified their smuggling activities and the evasion of taxes. I hope that the Forum will recommend measures on how this cancer can be eradicated]
- Exporters may now retain 100% of their export earnings.
- Pre-export inspection formalities have been relaxed or eliminated.

- Major marketing boards have lost their monopolies, and a number of debt-equity and debt-asset swaps have been negotiated to facilitate the recapitalisation of some companies.
- Most, if not all Asian private properties for which formal applications have been made have been returned to their owners. Policies and transparent processes have been designed to sell the remaining unclaimed properties, and provide credit mechanisms for their rehabilitation.
- Selected parastatals have been listed for privatization and efforts are underway to speed the process along.
- The Investment Code of 1991 and modification to the Code now under study will continue to provide a competitive range of facilities and incentives including tax holidays, import duty and sales tax waivers, repatriation of funds, and residence incentives which are, in fact, attracting a significant number of local, regional and international investors. Incentives to small local investors are also being actively reviewed.

I hope that in the next couple of days we can clearly identify what obstacles remain in each of these areas and attempt to develop strategies to overcome them. And overcome them we must. Six years after the victory of the NRM, Uganda remains critically dependant on donor support. It is an opportunity but not really a blessing; and is neither desirable nor sustainable. Our exports account for less than a third of our imports, the difference is currently made up by foreign aid. Of course foreign aid is justifiable on the basis of need, and in the last six years Uganda has been desperately in need of external support and thanks to the Government's good sense, the aid has visibly been put to good use. But Uganda has tremendous potential, it is imperative that we exploit it, the welfare of our people demands it.

Although Uganda has a demonstrated natural advantage in the production of tropical agricultural products, there is also considerable scope for manufacturing. A brief look at current export information shows that in the last couple of years non-traditional exports have increased faster than traditional exports and that more and more of these exports involve some degree of processing, and many of them are destined for non-traditional markets. In the sixties, Uganda used to export textiles, sugar, hides and skins and some minerals. There is no reason why she cannot do so now.

In considering its export and investment promotion strategy Uganda obviously has to look around and scrutinise in great detail the experience of other developing countries that face similar constraints and opportunities. We had opportunity last evening, to hear about Mauritius from Mr Chand Bhadain, the Director and Chief Executive of the Mauritius Export Development and Investment Authority. Mauritius provides us with an example of just what is possible in a developing country, which having formerly been dependant on a single export crop (sugar) now has a highly diversified export base, dominated by manufactured goods, which has supported a rapid growth in per capita GDP. There is no magic in economics; only clear and rational thinking, decision and action. Let it suffice for me to say that whereas Uganda is isolated by its landlocked status, Mauritius was isolated by its position in the Indian Ocean. However by an appropriate mix of Government policies that created a stable environment for inward investment, Mauritius has broken into what appears to be a virtuous cycle. Internal investment provides jobs; exports provide foreign currency; Both support growth, the liberal trade regime reduces the bureaucracy to a minimum, and the cost to the tax payers of supporting a large and cumbersome government. Twenty years ago few people would have believed that a country as dependent on aid and sugar as Mauritius was, could become an African success story. Equally few people could foresee the problems that lay ahead for Uganda, given its prosperity at the time. The past demonstrates the potential wealth of Uganda. The Mauritian example shows what can be achieved against the odds even in a poor developing country. Let us resolve here and now that at end of the next two days we shall come up with workable recommendations that we shall make to Government as a way for achieving for Uganda what Mauritius has done for her people. We must seize the opportunity while marketing outlets remain open.

Export and investment promotion are not a new planning janus wasting government funds in a hostile trading environment, but are indivisible and complementary instruments of economic development. Without a rapid increase in investment and exports, the standard of living of many Ugandans will not improve significantly in the next ten years. If during those ten years foreign aid is reduced and no significant economic growth, the standard of living could fall dramatically. In conclusion, Ladies and Gentlemen, export promotion and domestic investment are not policy options that can be delayed, they are developmental imperatives which are central to the governments strategy for growth and the rehabilitation of our national economy. I hope the Forum will highlight what further initiatives are required for Uganda to achieve its development potential in the 1990's and beyond. Through this Forum Government has turned to your wisdom, experience , insights, guidance and your commitment in recommending the "what" and the "how" of doing more, better and faster for Uganda. We must put the shine on the Pearl once again. So let us get with the job. I wish all of you fruitful deliberations.

Thank you

COMPETITIVENESS AND STRATEGIC PLANNING

Dr. David F. Gordon
IPC Team

Thank you, Mr. Chairman. Honorable Ministers, distinguished participants; it is a great pleasure for me to participate in this "National Forum on Strategic Management for Private Investment and Export Growth." Along with my colleagues Michael Bess and Bruce Mazzie, I represent USAID's Implementing Policy Change Project. We have been working over the last several months very closely with Mr. Rutega, Dr. Kalema and the other members of the Task Force in the preparation of this Forum. The Implementing Policy Change Project is a worldwide AID activity intended to support developing country managers in their use of strategic management tools to convert policy changes into effective actions. Much of our work has been on the policy issue-area that is the focus of your deliberations these few days -- promoting investments and exports. This morning I want to speak to you about some competitiveness issues that are relevant to Uganda; and about why and how strategic management is crucial for attaining your goals.

National competitiveness is central in influencing economic success and failure for all countries. Economic prosperity depends on the productivity with which national resources are employed. The level and growth of productivity are a function of the array of sectors and industries in which a nation's firms can successfully compete in the international marketplace. A rising standard of living depends on the capacity of a nation's firms to increase productivity over time. Sustained productivity growth, furthermore, requires that an economy continually upgrade itself. Your heard last evening the powerful story of how one country, Mauritius, has upgraded itself. Upgrading an economy involves the movement towards more sophisticated sources of competitive advantage and toward establishing competitive positions in higher productivity segments and industries. For example, Mauritius began as a plantation-based economy, moved into simple textiles, then into more sophisticated textiles, and is now entering into the production of informatics and the provision of financial services. Jobs have been created, productivity has improved, and income levels and the overall public welfare has been greatly enhanced.

One of the major lessons from Mauritius is that expanding trade, in which exports from productive industries allows imports of goods that could be produced only at lower productivity, is essential to the upgrading process. So is direct foreign investment, that brings new technology allowing high productivity industries to penetrate foreign markets. The ability to upgrade an economy depends heavily on the position of a nation's firms in that portion of the economy exposed to international competition. Without the ability to attract foreign direct investment and to export (and sustain position against imports) in a range of such industries, dynamic national productivity growth can not be achieved.

Some national economies have shown a remarkable rate of upgrading. Among developing countries, the most successful have been the so-called Asian NICs, or newly-industrialized countries. They have successfully transformed themselves into diversified industrial economies that are increasingly able to compete in high productivity segments with the advanced industrial economies of Western Europe, North America and Japan. Other nations in the developing world have experienced much greater difficulty in sustaining the upgrading process, and their productivity growth has languished and in some cases even deteriorated. Much of Sub-Saharan Africa falls into this group. I will return shortly to why these differences occur.

Government policies and actions can improve upon or detract from national competitiveness. The central aim of government in the economy should be to ensure that a nation's resources (labor and capital) are deployed with rising levels of productivity. Government policy should seek to stimulate industrial dynamism and upgrading by creating an environment in which firms can upgrade competitive advantages in established industries by introducing more sophisticated methods in order to penetrate more advanced segments. But government cannot create competitive industries, private firms must do so. Thus, government's role in the quest for enhanced competitiveness is inherently partial. What government can do is shape the context and institutional structure within which the private sector operates, as well as the inputs firms draw upon.

Why have some countries not been able to achieve and maintain competitive economic structures that facilitate productivity growth and enhanced welfare for their citizens. There are five main sources of lack of competitiveness. The first is an inappropriate policy environment, where macro-economic stability is lost and incentives for investors are lacking. The second is ineffective policy implementation. In some countries, even when an appropriate set of policies is announced, there is a lack of effective implementation. Third is limited human capital and physical infrastructure that constrain the investment response to even the best policies. Fourth is small market size, that discourages economies of scale and exacerbates the costs of inward-looking policies. Finally, as mentioned earlier by Mr. Sekalala, is the importance of public sector - private sector cooperation. Even in the context of effective macro-economic management, if the public and private sectors are not working effectively together, the results will be disappointing.

In recent years, many if not most developing countries have developed national competitiveness agendas. These are generally composed of three elements. The first is ensuring effective macro-economic management. Here in Uganda, in recent years, officials in the Finance Ministry and the Bank of Uganda have worked very hard to restore this basic economic stability. The second is to upgrade human, physical, financial and institutional resources. Foreign assistance programs from institutions such as the World Bank and USAID provide much support for these activities. Finally, there are efforts to directly promote investments and exports. Mr. Bahdain's organization - the Mauritius Export Development and Investment Agency - is one of the most successful efforts at such direct support.

It is our experience that two other elements are especially important in a competitiveness agenda for countries such as Uganda. The first is domestic rivalry. Many in the developing world have argued that domestic competition is wasteful because it leads to duplication of effort and, given the small size of many developing country's domestic markets, will limit the ability of firms to gain economies of scale. A look at successful industries in a range of countries, including very small countries such as Switzerland, casts doubts on this viewpoint. Nations with leading world positions in a specific industry generally have a number of strong local rivals. Nowhere is the extent of rivalry stronger than in Japan.

Why is domestic rivalry so important for developing countries? Domestic competition, in a context in which there is some level of protection against international rivals, is needed for generating pressures on firms to improve and innovate. Local rivals push each other to lower costs, improve quality and service, and create new products and processes. One domestic rival's success signals or proves to others that success is possible. At the same time, active pressure from rivals stimulates innovation as well from the fear of falling behind.

Vigorous local competition not only sharpens advantages at home but pressures domestic firms to sell abroad in order to grow. Toughened by domestic rivalry, the stronger local firms are equipped to succeed abroad. It is rare that a company will be able to face foreign rivals when it has faced no significant competition at home. Particularly when there are economies of scale, local competitors force each other to look outward in the pursuit of greater efficiency and higher profitability. In many developing countries, the pressures on firms work in the other direction. Government efforts to limit domestic competition, along with a range of other policy and institutional features, have created incentives for firms to remain oriented to the domestic market and unwilling to take risks in seeking markets abroad.

Domestic rivalry not only creates pressures to innovate, but innovate in ways that upgrade the competitive advantages of a nation's firms. The presence of domestic rivalry negates the advantages that come simply from being in a nation, such as low labor costs, a protected home market, and cheap local supplies.

This forces firms to seek higher-order and ultimately more sustainable sources of competitive advantage by finding new technologies, higher economies of scale, or more advantageous international marketing channels.

The second additional element to a competitiveness agenda is good governance. Effective governance does not presuppose a particular form of government but rather connotes "good government", in the sense of greater efficiency and rationality in resource allocation, a generally open political environment in which public debate of issues and the free flow of information is encouraged, and a lack of corruption. Effective governance emphasizes as its key features transparency, accountability, and the rule of law. Upholding these themes should be a major component of developing country public policy in support of enhancing national competitiveness.

Transparency is absolutely essential for any form of accountability, and for understanding the factors that underpin public decisions. A wide range of information should be available to the public in general and especially to the private sector in a sufficiently transparent fashion so that both the costs of particular decisions, and their benefits and to whom such benefits accrue, are known.

For transparency to be truly useful, it must be linked with accountability. Accountability requires appropriate political processes to enable the sanctions for failure to take place. Accountability is more than laws and procedures; more importantly, it is a state of mind that should permeate all facets of economic life. Performance needs to be measured against some agreed targets subject to some contextual assumptions. At the macro-economic level, developing countries that partake in IMF programs subject themselves to these criteria. But external accountability on macro-economic performance is a peripheral element that is not self-sustaining. The key to real progress is accountability that is internal, and is both systemic and systematic.

The rule of law is essential for order and predictability, and requires an independent and effective judiciary. Neither transparency nor accountability can be fully meaningful without an independent judiciary to enforce the rule of law. The systematic enhancement of an independent and effective judiciary is as important as having a clear set of laws and regulations and an open and accessible litigation procedure. These are all essential part of effective economic management.

The concern with effective governance is not as a good in its own right (although I believe that it is), but as a key component for enhancing competitiveness. Good investment codes, by themselves, are virtually meaningless. Creating the enabling environment for investment goes well beyond drafting statutes. Indeed, it is inconceivable that sound investment can be forthcoming, that innovation can be maintained, and that economic dynamism can flourish without effective governance.

As I mentioned earlier, most governments now recognize the importance of competitiveness. Most are putting into place policies and programs to promote exports and new investments, both domestic and foreign. What differentiates countries today is less their choice of strategies and policies and more their ability and success in effectively implementing those strategies and policies.

Management problems (such as lack of access to information, diffuse and poorly coordinated institutional actors, and ineffective delegation of authority) have in many countries constrained the effectiveness of strategies to promote national competitiveness. But, unfortunately, these management and implementation issues are rarely considered when such programs and policies are being designed.

Strategic Management offers a set of tools that can help convert policies into effective actions. Strategic management begins with a mindset, a set of themes that makes up what is called the strategic perspective. First, the strategic approach is oriented toward the future. It recognizes that the environment will change, and that one must try to anticipate events rather than simply react to them. While the future cannot be controlled, by anticipating the future individuals and organizations can help to shape and modify the impact of change.

Second, the strategic perspective focuses as much on external organizational factors as on internal ones. In particular, the strategic perspective recognizes and takes into account politics and the exercise of external political authority. Organizational managers must remain sensitive to the needs of and respond to demands of constituents, among whom political leaders are especially important.

Third, the strategic perspective is sensitive to changing environments. Under conditions of rapid political, economic, and social change, strategies can quickly become outmoded; or resources traditionally required by organizations to achieve their aims may suddenly become unavailable. The strategic perspective recognizes the need to maintain a close fit with the environment and modify organizations as the environment evolves.

Finally, the strategic perspective is process-oriented. It recognizes the need to be open to changing goals; it is a process that requires monitoring and review mechanisms capable of providing information to managers.

Taken together, these attitudes and behaviors are really a way of thinking about and approaching the issue of managing policy change. While the strategic perspective can be utilized for all policy issue-areas, it is particularly relevant for issues of competitiveness. A competitiveness agenda must be able to anticipate trends in the international market-place; it must be able to effectively coordinate a range of institutional actors; it must be responsive to an ever-changing environment; and it must recognize that achieving and maintaining competitiveness and upgrading an economy is an on-going process.

Working from the strategic perspective, we can develop the strategic management approach to problem-solving. This approach has nine phases, each of which I will briefly describe.

The first step is to determine who is to be included in the process. Three types of individuals should be considered for inclusion: 1/ top decision-makers and those who will have direct responsibility in implementation of policy; 2/ those who have a major stake in the outcome of the policy; and 3/ those with specialized knowledge and skill that can add to the analysis of the policy to be implemented. While relatively broad participation is to be encouraged, after a point there is a trade-off between expanding participation and maintaining the ability to take agile decisions.

The second step is to clarify the mission and the objectives of the endeavor. What are the objectives and how well do they mesh with the needs and demands of clients and stakeholders? What strategies can be employed to achieve the objectives? Are organizations being asked to make fundamental changes in what they do?

Phase three is to identify strengths and weaknesses. Is there the wherewithal to achieve the stated objectives or to put into motion its strategies? What are the levels of internal resources possessed by various organizations? How available are they? What tasks can be done well, which cannot?

The fourth step is to identify constituents, and their expectations and resources. The expectations and demands of constituents are key ingredients for decisions about how issues should be addressed. What do particular groups want? Are there interests shifting? In which direction?

Step five is to identify key strategic issues. The preceding steps of the process all lead up to this, which is the beginning of the heart of the strategic management process. Strategic issues are the principle problems that must be dealt with effectively to achieve the desired results. In identifying strategic issues and problems, it is crucial to specify exactly what the problem or issue is, why it is a problem, and the consequences of failure to adequately address it. It is also important to determine if anything can be done about the problem -- if not, it should not be addressed as a strategic issue. It must be recognized that it is impossible to tackle too many issues at once. Tackling a few issues comprehensively and effectively is far preferable to addressing many issues half-heartedly. "Focus, focus, focus" is the battle-cry of the strategic manager.

The sixth phase is to design strategies to resolve the problems that have been identified. Generally, more than one option for dealing with the problem should be identified; then the various options can be compared for viability, feasibility, and desirability. Effective strategies are practical rather than theoretical; they have the capability to be accomplished and are acceptable to those involved in carrying them out. Effective strategies take into account resource constraints, both human and financial; they pay attention to appropriate organizational mechanisms; and they are made sustainable through flexibility and adaptability.

Commitment to the action plan is the seventh step of the strategic management process. The action plan is a statement of what, who, when, and how the actions necessary to carry out the strategy will be done. Performance goals and objectives will also be specified. The information needed to develop the action plan will have been provided in previous steps, especially step six.

Phase eight is implementation of the action plan. Implementation, quite simply, consists of actions aimed at marshalling and applying resources to the specifics of the action plan.

Finally, step nine is the monitoring and review of performance, and any follow-up needed to achieve the goals of the process. As mentioned before, strategic management assumes continual change. Therefore specific mechanisms must be developed for monitoring and analyzing performance with respect to achieving the goals and objectives set out in the action plan. The monitoring process should be continuous, regular, and capable of feeding into the decision-making process. It is vital that the monitoring process be timely and useful.

This then is the strategic management process for the implementation of policy change. In the next presentation, Dr. William Kalema will discuss how he and his colleagues on the Task Force have utilized these strategic management tools to prepare for this Forum. He will explain how the Forum itself is part of a strategic management process for achieving a greater level of private investment and for attaining more rapid export growth.

NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR PRIVATE INVESTMENT AND EXPORT GROWTH.

A Speech By Mr. Aga Sekalaala, Vice-Chairman

Honorable Ministers, Distinguished Participants, Ladies and G entlemen,

On behalf of the Uganda Manufacturers Association, I have great pleasure in welcoming you to this first:

National Forum on Strategic Management for Private Investment and Export Growth

We, in the UMA are convinced that the economic future of our country can only be assured by the development of a strong and profitable private sector. Moreover, we believe that co-operation and partnership between Government and the private sector is a pre-requisite for private sector-led growth.

Official government policy also appears to re-enforce the view that, as a nation, we have turned away from the mistakes of the past. No longer will Government monopolize the marketing of agricultural products or remain the dominant player in our industrial sector. Foreign exchange can now be purchased freely by both individuals and companies. A new Investment Code has been introduced. The President himself is now our leading investment promoter.

Foreign investors are being actively courted, and those Ugandans of Asian origin who were wrongfully deprived of their legal properties have been invited back to re-possess them.

Yet, much remains to be done. Other countries have undertaken similar reforms to ours and there is intense competition for investment capital. We cannot afford to sit still or to wallow in self-congratulation. Our good intentions and encouraging statements must be followed by concrete actions. We must convince entrepreneurs, at home and aborad, that Uganda is indeed a place where money is safe and where profit-making is not considered a sin. We must actively promote entrepreneurship among our people. Entrepreneurs are, by their very nature, risk-takers, and profit is the reward for successful risk taking. We should do all we can to make Uganda a more profitable place in which to do business. We should be proud of our successful entrepreneurs whose activities create wealth, jobs, and government revenue.

Our domestic market is small and our foreign exchange earnings are meager at present. Therefore, export growth is a necessary strategy for business success as well as natural survival.

When we first discussed the idea of holding this Forum, about ten months ago, it was clear to us that the Forum must be different from other meetings held in the past. This Forum has been designed, above all, to achieve results. The participants representing both the public and the private sector, have been chosen for their role as stakeholders in the promotion of investment and exports. Our Consultants will help us to interact effectively and to develop the action plans needed to move our economy forward. The goodwill which exists between the Government and the Uganda Manufacturers Association is a good foundation on which to build the needed national consensus. This Forum could not have taken place without the sponsorship and active involvement of the Presidential Economic Council.

This Forum is not just an event, but the beginning of a process. The Action Plans developed here will be the basis for solving problems and enabling the private sector to be fully successful. The momentum from this meeting will help accelerate the process of change and reform in our country.

The relationship between Government and the private sector will be further improved and strengthened. The intention is to make the Forum an annual event, where we review progress made in implementing the Action Plans adopted at earlier meetings and develop new strategies for the following year. Above all, we must commit ourselves to the implementation of the objectives we set.

Actions speak louder than words, and we must be firm and consistent in our actions.

Most of all, I wish to thank the USAID for their continued moral and material support for both the public and the private sector in Uganda. Mr. Keith Sherper and his team have committed their time and their money to our effort and their assistance has made this National Forum a reality. Please join me in thanking USAID for their generous sponsorship of this unique and ambitious project.

Once again, I welcome you all and I look forward to a stimulating and productive time together as we seek effective ways to stimulate private investment and promote exports.

PARTICIPANT INVITATION PACKAGE

UGANDA
MANUFACTURERS
ASSOCIATION

Spear House Jinja Road. P. O. Box 6966 Tel. 245460 Kampala Telex

22 October 92

Dear Forum Participant,

RE: NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR PRIVATE SECTOR INVESTMENT AND EXPORT GROWTH

We hope that you have recently received the Honourable Minister of Finance's invitation to participate in the National Forum on Strategic Management for Private Sector Investment and Export Growth, which is being sponsored by His Excellency President Yoweri Museveni. The Forum is being jointly organised by the Presidential Economic Commission (PEC) and the Uganda Manufacturers Association.

The Forum will be held at the Lake Victoria Hotel from the evening of Wednesday October 28th through the afternoon of Friday October 30th. Enclosed please find a description and agenda for the National Forum. Registration and materials distribution for the Forum will begin at 3.00 pm on Wednesday October 28th at the Lake Victoria Hotel. The opening reception will begin at 6.30 pm followed by the opening ceremony and dinner from 7.30 pm onwards. Please see the attached agenda for the complete schedule.

Meals and overnight accommodation will be provided for invited participants. Participants are expected to provide their own transportation to and from the Lake Victoria Hotel.

This invitation is extended to you personally. Participants have been selected for their ability to implement or to influence the implementation of key policies relating to private investment and export growth.

Please comfirm your attendance by returning the enclosed registration form to the UMA Secretariat, Spear House, Kampala by 5.00 pm Tuesday October 27th. We look forward to your presence and active participation at the National Forum.

Sincerely yours,

James Mulwana
Chairman, Uganda Manufactuers Association

46

NATIONAL FORUM ON STRATEGIC MANAGEMENT
for Private Investment and Export Growth
October 28th, 29th and 30th, 1992
Lake Victoria Hotel, Entebbe

AGENDA

Wednesday: October 28, 1992

3.00 pm - onward	Registration
6.30 - 7.30 pm	Reception
7.30 - 8.00 pm	Guest Speaker: Mr Chand Bhadain, Director, Mauritius Export Development and Investment Authority (MEDIA)
8.00 pm	Dinner
	Opening Keynote Address: His Excellency, President Yoweri Museveni, Guest of Honour

Thursday: October 29th, 1992

Morning

08:00	Registration
8.30 am	Welcoming Remarks: Mr James Mulwana, Chairman, UMA
9.00 - 9.30 am	Opening Address: The Honourable J.S. Mayanja-Nkangi, Minister of Finance and Economic Planning
9.30 - 10.00 am	Mr Kwesi Ahwoi, Executive Director, Ghana Export Promotion Council
10.00 - 10.30 am	Coffee
10.30 - 11.00 am	"Strategic Management" Dr David Gordon, Abt Associates, IPC Project Team Leader
11.00 - 11.15 am	"Action Plan for Policy Implementation", W.S. Kalema
11.15 - 12.30 am	Task Force Presentations

- Mr Keith Muhakanizi
- Prof Erissa Ochieng
- Hon Manzi Tumubweine
- Mr Leo Kibirango

12:30 Lunch

Afternoon

2.00 pm onwards	Working Groups Sessions

- Export Promotion
- Investment Promotion
- Enabling Environment: Tax Policy and Administration
- Enabling Environment: Financial Sector Development

3.30 pm	Coffee

DINNER WILL BE AVAILABLE FROM 7.00 PM TO 9.00 PM

Friday October 30th, 1992

Morning

8.00 - 10.30 am	Working Group Report Preparation
10.30 - 11.00 am	Coffee
11.00 - 11.45 am	Working Group 1: Report and Discussion
11.45 - 12.30 am	Working Group 2: Report and Discussion
12.30 - 1.30 pm	LUNCH

Afternoon

1.30 - 2.15 pm	Working Group 3: Report and Discussion
2.15 - 3.00 pm	Working Group 4: Report and Discussion
3.00 - 3.30 pm	Coffee
3.30 - 5.00 pm	Overall Action Plan and Commitments

His Excellency President Yoweri Museveni

NATIONAL FORUM ON STRATEGIC MANAGEMENT
for Private Investment and Export Growth
October 28th, 29th and 30th, 1992, Lake Victoria Hotel

The Presidential Economic Council (PEC) and the Uganda Manufacturers Association (UMA), with financial support from USAID, are organising a National Forum designed to identify and implement actions to promote private investment and export growth. His Excellency President Yoweri Museveni is sponsoring the Forum. He will give the keynote and concluding addresses.

The government has articulated the goal of private sector development and has established a broad policy framework for facilitating this. But, these efforts are but the first step in the actual transition. Putting the various pieces of different policies and programs effectively into place necessitates a process of strategic management involving the political leadership, government policy-makers and technocrats, and the private sector. The National Forum is an effort to generate and sustain such a process.

The Forum is designed to be the centerpiece event of a broader on-going process of issue identification, analysis, response/action and follow-up. The Forum will focus on the practical tasks of stimulating private investment and promoting exports. Forum participants are a highly-targeted group of individuals from key ministries, agencies, and the private sector who have the capacity, or the potential, to make things move and ensure that policy changes are truly implemented.

The Forum is distinctive in that it focuses on the practical tasks of stimulating private investments and promoting exports, rather than on debating whether or not these goals are appropriate for Uganda. The Forum has been organized to move ahead in effectively implementing priorities for which a broad national consensus has been achieved. The Forum will bring together key elements of the political leadership, senior government policy-makers, key technocrats responsible for the implementation of policy, and a range of individuals from the private sector. It is designed to be an action-oriented event, with participants carefully chosen by the Task Force for their ability to implement, or influence the implementation of, key policy decisions.

Participants in the Forum will be expected to be actively involved in generating solutions and developing action plans that they will then be committed to help implement. The approach of the National Forum revolves around the following themes:

- there must be reality in policy making; i.e. that policies should not reflect theoretical ideals but should be geared to what makes sense for Uganda and what is possible to succeed.

- there must be broad participation in policy making; i.e. that input from those affected by policies and those responsible for implementing policies is crucial for appropriate policy development.

- there must be effective interaction and cooperation among key players to ensure progress towards achieving objectives, and

- clear accountability and responsibility are necessary for achieving results; i.e. that individuals are responsible for ensuring that specific tasks are undertaken.

A Task Force, comprised of key individuals representing the private and public sectors, has held numerous sessions over the past several months to identify issues crucial to investment and export promotion. In order to ensure focus and practicality, the Task Force decided that the National Forum should focus on four central themes:

- Export Promotion;

- Tax Policy and Administration;

- Investment Promotion; and,

- Financial Sector Development.

Each participant in the Forum will be assigned to a working group that focuses on one of these four issues.

A working paper has been prepared by a member of the Task Force for each theme. The working papers provide guidelines for the discussions at the Forum and a framework within which each working group can examine the issues and develop practical approaches to implementation and problem-solving. Each working group at the Forum will be charged with drawing up its own action plan for the next year, with clearly defined government, private sector, and other agency action. By the conclusion of the Forum on Friday afternoon, a set of concrete recommendations, with a timetable for specific actions, should be agreed upon.

NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR PRIVATE SECTOR INVESTMENT AND EXPORT GROWTH

REGISTRATION FORM

Please comfirm your attendance by returning the enclosed registration form to the UMA Secretariat, Spear House, Kampala by 5.00 pm Tuesday October 27th.

FROM: Name ______________________________

Organization ______________________________

Yes, I plan to attend the **National Forum on Strategic Management for Private Investment and Export Growth** to be held on **October 28th, 29th and 30th, 1992** at the **Lake Victoria Hotel, Entebbe.**

Thank you.