REPORT

ON THE

SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH

Held November 8th, 9th and 10th, 1994
Lake Victoria Hotel, Entebbe

Sponsored by :
The Presidential Economic Council and the Uganda Manufacturers Association

Funded by :
The U. S. Agency for International Development (USAID)

With technical assistance provided by :
The USAID Implementing Policy Change (IPC) Project

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LIST OF ACRONYMS

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THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE

LIST OF ACRONYMS

1.	ASU	Anti Smuggling Unit
2.	BOU	Bank of Uganda
3.	CAA	Civil Aviation Authority
4.	CMA	Capital Markets Authority
5.	CPC	Central Purchasing Corporation
6.	CTL	Commercial Transaction Levy
7.	DFCU	Development Finance Company of Uganda
8.	EADB	East African Development Bank
9.	EPRC	Economic Policy Research Centre
10.	GOVT/GOU	Government/Government of Uganda
11.	ICEG	International Centre for Economic Growth
12.	IGG	Inspector General of Government
13.	IMF	International Monetary Fund
14.	IOB	Institute of Bankers
15.	IPC	Implementing Policy Change
16.	ITC	International Trade Centre
17.	KRC	Kenya Railways Corporation
18.	MAAI&F	Ministry of Agriculture, Animal Industry & Fisheries
19.	MFEP or MOFEP	Ministry of Finance & Economic Planning
20.	MOE	Ministry of Education and Sports
21.	MOFA	Ministry of Foreign & Regional Affairs
22.	MOJ	Ministry of Justice
23.	MOL	Ministry of Lands and Housing
24.	MOLG	Ministry of Local Government
25.	MOPS	Ministry of Public Service & Cabinet Affairs
26.	MOTC	Ministry of Transport and Communication
27.	MOTI	Ministry of Trade & Industry
28.	MSI	Management Systems International
29.	MUK	Makerere University
30.	NARO	National Agricultural Research Organisation
31.	NHCC or NH&CC	National Housing and Construction Corporation
32.	NRC	National Resistance Council
33.	NRM Secretariat	National Resistance Movement Secretariat
34.	NSSF	National Social Security Fund
35.	NUMA	Northern Uganda Manufacturers Association
36.	NURP	Northern Uganda Rehabilitation Programme
37.	NWSC or NW&SC	National Water & Sewerage Corporation

38.	PEC	Presidential Economic Council
39.	PERD/S	Public Enterprises Reform & Divestiture/Secretariat
40.	PTA	Preferential Trade Area
41.	TIN	Tax Identification Number
42.	TRC	Tanzania Railways Corporation
43.	UBA	Uganda Bankers Association
44.	UCB	Uganda Commercial Bank
45.	UCDO	Uganda Cotton Development Organisation
46.	UDB	Uganda Development Bank
47.	UDC	Uganda Development Corporation
48.	UEB	Uganda Electricity Board
49.	UEPC	Uganda Export Promotion Council
50.	UGEA	Uganda Grain Exporters Association
51.	UGMC	Uganda Grain Milling Company Ltd.
52.	UHEA	Uganda Horticultural Exporters Association
53.	UIA	Uganda Investment Authority
54.	UMA	Uganda Manufacturers Association
55.	UMACIS	UMA Consultancy & Info. Services
56.	UNBS	Uganda National Bureau of Standards
57.	UNCCI	Uganda National Chamber of Commerce & Industry
58.	UNDP	United Nations Development Programme
59.	UNFA	Uganda National Farmers Association
60.	UNIDO	UN Industrial Development Organisation
61.	UPTC or UP&TC	Uganda Posts & Telecommunications
62.	URA	Uganda Revenue Authority
63.	URC	Uganda Railways Corporation
64.	USAID	US Agency for International Development
65.	USSIA	Uganda Small Scale Industries Association
66.	UWFCT or UWF&CT	Uganda Women Finance & Credit Trust
67.	WB	World Bank

REPORT OF THE PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH

Held on 8 - 10 November 1994, at Lake Victoria Hotel, Entebbe

This is the report on the second Presidential National Forum on Strategic Management for Invest Promotion and Export Growth held at the Lake Victoria Hotel, Entebbe, on November 8-10, 1994, and jointly organised by Uganda Manufacturers Association (UMA) and the Presidential Economic Council (PEC), and sponsored by USAID through its Implementing Policy Change (IPC) Project.

1.0 BACKGROUND

The Uganda Government has undertaken economic reforms under the Structural Adjustment Program (SAP) aimed at macroeconomic stabilisation, improvement of the efficiency of the public sector and revitalisation of the private sector. As a result, inflation has been below 10% since the middle of 1992 and interest rates have started to fall. Competitiveness of the private sector has been promoted by policies liberalising the trade regime, allowing currency exchange rates to be determined by market forces, and ending state monopolies in agricultural marketing. Properties previously confiscated have been returned to their Asian legal owners and a number of state-owned companies have been privatised. The government has declared its intention to leave business to the private sector. An Investment Code was enacted and a promotional agency, the UIA, established in 1991. But in order for private sector growth to respond effectively to the reforms, remaining constraints must be removed. There are continuing policy and regulatory constraints as well as infrastructural issues; physical, social or legal. Most importantly, further progress in eliminating those constraints will require close co-operation and concerted action between government and the private sector.

To focus and enhance this process the first Presidential Forum, sponsored by the Presidential Economic Council and the Uganda Manufacturers, was held at Entebbe in October 1992. It was called The National Forum on Strategic Management for Investment Promotion and Export Growth. Financial support for the Forum and all follow-up activities was provided by the United States Agency for International Development (USAID). It was a highly successful event which brought together key individuals from the public and private sectors to consider how best to implement agreed strategies for private sector growth by removing remaining constraints to, and improving the quality and effectiveness of, the interaction between the public and private sectors.

As a result of the first Presidential Forum, Working Groups were formed in four arenas: Investment Promotion, Export Promotion, Financial Sector Development and Tax Policy and Administration. His Excellency the President received reports of the four Groups' deliberations and gave his blessing to the continued process of dialogue. Since the first Forum event, the four Working Groups have held meetings to follow-up on the implementation of recommendations of the October 1992 Forum meeting, and to take up new issues identified.

As part of the preparation of the National Forum, a one-day meeting of the four working groups and Monitoring Group was organised by UMA in conjunction with USAID at Colline Hotel, Mukono in August 22nd, 1994. The meeting was to review progress made by four working groups which have been several meetings source the Presidential National Forum of 1992. The meeting also provided the members of the Working Groups, the Monitoring Group and those invited an opportunity to:

- Discuss and summarise progress to date of Action Plans of each Working Group as set out in 1992, and prioritise recommendations of each Working Group and devise strategies of resolving the policy issues.

- Prepare guidelines and planning for the second Presidential National Forum.

While the meeting was part of the strategic management process initiated in 1992 as a centrepiece of broader process of dialogue and problem solving, the deliberations during the Mukono meeting demonstrated the commitment of Working Groups in deliberating their respective policy issues. The Working Groups had met a number of times since 1992 to deliberate their Action Plans and also to identify new policy issues that deserved priority attention.

The Mukono meeting discussed modalities for holding the second Presidential Forum, and the Monitoring Group was mandated to work out its details. The involvement of the IPC Consultants during the Mukono meeting was a continuation of efforts by USAID to providing technical assistance to the process.

The second Presidential Forum was held at the Lake Victoria Hotel in Entebbe on 8 - 10 November 1994. Like the first, it was attended by policy makers from Government, leaders of the private sector and representatives of the donor community.

The meeting was opened by the Minister of State for Finance and Economic Planning, Hon. Matthew Rukikaire and was closed by the Vice-President on behalf of His Excellency, the President of Uganda. Opening remarks were made by the Chairman, Uganda Manufacturers' Association, Mr. James Mulwana and the Chairman of

National Forum Monitoring Group, Mr. Sam Rutega. The participants in the second Presidential Forum were carefully selected to include individuals who have direct responsibility in implementation of policy issues under discussion, major stake in the outcome of the policies and a specialised knowledge that can add to the analysis of policy to be implemented. The participants were drawn from the following:

- Government Departments
- Political Leaders
- Government Corporations and Agencies.
- Private Companies.
- Private Sector Associations.
- Donor Community.

The list of participants is appended to this report.

The Forum focused on implementation of agreed national strategies for private sector development, and on sustaining cooperation between Government and the private sector. Participants at this years Presidential Forum also reviewed progress made since the first Forum, identified new priorities, and developed new strategies to further stimulate growth in private investments and exports.

The second Presidential Forum was organised along the same themes as that of 1992. Each of the Working Groups prepared a paper for presentation to the Forum providing a summary of progress made on their respective mandated Action Plans, highlighting successes and failures registered and new policy areas for priority attention. The papers presented by the four Working Groups were on:

- Investment Promotion;
- Export Growth;
- Financial Sector Development; and
- Tax Policy and Administration.

After the plenary presentation of the four Working Group papers and subsequent discussion of each of the papers, the participants were divided into four groups for more focused discussion of the papers as well as prioritising policy issues and developing Action Plans. The small group discussions and summaries were presented to the plenary for further discussion and consensus building. Finally, the papers were revised and presented to His Excellency, the President of Uganda in a form of Action Plans.

The Presidential Forum also considered the future of the Forum and the following was recommended:

- Presidential Forum be continued for one year.

- After one year, the Presidential Forum be constituted into a legal entity. It was proposed that activities be accommodated into the National Planning Commission.

- Funding for the one year of the Presidential Forum be sought from the donors.

- The Working Groups of Investment Promotion and Export Growth to be consolidated.

- Introduction of a new Working Group on Capacity Building.

- Review of mandates of the Working group through clear definition of their scope and mode of work as well as their membership.

2.0 HIGHLIGHTS OF WORKING GROUP RECOMMENDATIONS

2.1 Investment Promotion

The overall investment environment was noted to have significantly changed from what it was in 1992. Successes had been registered in the return of Asian properties under the Custodian Board and continued improvement in the general performance of utility companies. However, further improvements were required in the following areas to improve investment environment:

- Improvement of the Utility (UEB, UPTC and NWSC) companies in delivery of their products/services. More specifically the operations of the companies in the following areas were found deserving more attention.

    - Billing;
    - Pricing;
    - Response to clients;
    - Payment of bills;
    - Maintenance of facilities;
    - Management and their oversight; and
    - Legislation affecting their operations.

- It was recommended that PERD introduce speedy and transparent privatization procedures with minimal interference. The legislation under which PERD operated deserved further scrutiny.

- Further improvement of the investment environment through increased investment information, availability of serviced land, tax relief for utility investment, removal of anomalies in the investment code, speedy disposal of unclaimed Custodian Board Properties;

- Improved services from police through proper training and increased equipment for the police force as well as use of local RCs to support the police force on maintenance of security;

- Streamlining of administration of justice through reorganisation of Ministry of Justice; and

- Focused attention on the activities of small scale enterprises to facilitate their development and growth.

After the plenary and focused working group discussion of issues presented, the priority issues recommended for subsequent attention by relevant organisations within the next twelve months included the following:

- Increase the pace of public enterprise reform and divestiture through PERD, paying attention to transparency, facilitation of new entrants and wider participation, with a Minister specifically charged with responsibility for the overall implementation of the privatisation programme;

- Speed up the formation of the proposed Kampala Stock Exchange;

- Complete sale of unclaimed Custodian Board properties through open bidding without use of reserve prices;

- Restructure and liberalize utility companies to improve product delivery and management;

- Improve institutional framework through accelerated civil service reform, strengthening of judiciary and police, Auditor General and Inspector General of Government;

- Increase investment in human resources; and

- Restructure and strengthen UIA.

2.2 Export Growth

The plenary presentation paper highlighted the following areas which had been identified during the 1992 National Forum.

- Export Strategy

  Government export strategy was in place and contained in three papers entitled "Export Strategy, EPADU Paper 4; Export Promotion Plan, by Ministry of Trade and Industry; and Export Diversification Strategy, by World Bank. Consolidation of the papers into an Export Strategy is what is required.

- Financial Support

Availability of short-term and long-term finance through various credit facilities was acknowledged. However, absorption of these credit was lacking because of bureaucratic delays, stringent qualification criteria, etc. Moreover, the design of these credit facilities was considered poor as they addressed only limited problems faced by exporters.

- Institutional Issues

While efforts had been made for the creation of effective export promotion organisations to spearhead provision of information and advice to potential and existing exporter, there was need for their restructuring and strengthening. In that regard, the following organisations were recommended for restructuring and reorganisation:

  - Uganda National Bureau of Standards;
  - Uganda Investment Authority;
  - Directorate of External Trade; and
  - Uganda Export Promotion Council.

- Enterprise Support

The enterprise support entails support given to the exporters to facilitate entry into international markets through market research, trade fairs, product preparation and presentation. The following successes were noted:

  - Provision of trade and market information.
    Uganda Export Promotion Council (UEPC) partially provides information and it further requires strengthening and support in this regard.

  - Financial Support.
    USAID through UMA and APDF is providing financial support for feasibility studies and EPADU (now EPAU) has undertaken several

studies of various exports to ascertain their supplies for export market; and

- ▷ The industrial development programme.
  The programme spearheaded by UDC is aimed at identifying investors in areas of minerals, iron and steel, textiles, meat and meat products, furniture, jute, phosphate and cobalt.

► Export Marketing/Infrastructure Support

In addition to improvement of utilities, other infrastructural support for exporters include:

- ▷ Cold storage at Entebbe Airport. Funds now available and tenders invited.

- ▷ Packaging industry. Not yet in place.

► Tourism

The concern in this area was to strengthen Uganda Tourist Board to accomplish its objectives as well as putting in place programmes to increase public awareness in tourism. Related activities to tourism such as handicrafts, development of historical sites and other cultural entertainment centres should be supported and developed.

The working group discussion of the Export Development paper and the subsequent plenary session recommended the following priority issues for consideration and further action by relevant organisations.

► Market Information

Accelerate the establishment of an effective export promotion organisation to collect and disseminate export/import information as well as spearheading export promotion effort.

► Production

Increase supply of exports by facilitating availability of cheap inputs, improved seeds, research and extension services for existing and potential exporters.

- Financial Support

  Avail financial support specifically for export development. This entails streamlining administration of existing credit in UDB and BOU to improve their utilisation and increase public awareness as well as introducing new credit facilities.

- Export Strategy

  Review and publicize export strategy.

- Infrastructure

  The following infrastructure items were considered critical in the support of export growth:

  - Cold storage for floriculture;
  - Grain storage for cereals;
  - An efficient seaport facility to cater for Uganda exports;
  - Dry port facility at appropriate exit point;
  - Air transport improved and increased, by changing tax basis from CIF to FOB as well as liberalizing cargo handling services at Entebbe Airport;
  - Reduced railway charges; and
  - Improved roads, especially feeder roads.

2.3 Financial Sector Development

The presentation of the Working Group on Financial Sector Development was based on the following key areas recommended in 1992.

- Liquidity and liquidity management

  The following successes were noted to have been registered:

  - introduction of foreign exchange inter bank market;

- **reduction of vault cash as a reserve asset;**

- **cash reserve requirement reduced for time and savings deposits;**

- **restructuring of BOU aimed its capitalization to provide liquidity to banks whenever situation arises; and**

- **introduction by BOU of reserve accounts and clearing accounts to facilitate monitoring and management of liquidity by banks.**

However, outstanding issues included:

- High level of mandatory reserve requirements resulting in a large proportion of funds of banks locked up in BOU as statutory reserve with no interest paid by BOU while banks pay interest on customer deposits.

- Non-payment of tax on earnings from Treasury Bills while earnings on bank deposit attract interest. This situation makes investment in Treasury Bill market more attractive than bank deposits.

► Monetary Depth

Successes registered in this area included:

- improved clearing system reduced to three days for local, and between seven to fifteen days for country clearing;

- penal code amended introducing penalties for bad cheques;

- new financial institutions registered and licensed; and

- efforts underway to develop secondary markets and capital markets to increase long-term savings.

Outstanding issues included:

- Establishment of branches upcountry through concerted provision of incentives such as reduced corporate tax, writing off capital expenditure, reduction of reserve requirements against deposits collected upcountry;

- ▷ Revival of Post Office Savings Bank to improve deposit mobilisation upcountry;

- ▷ Increased inter bank cooperation to reduce frauds in banks;

- ▷ Introduction of more financial instruments and specialized institutions such as mortgage finance, mobile banking, building societies, etc.; and

- ▷ Accelerate introduction of legislation for introduction of capital and money markets.

- Credit and Interest Rates

  - ▷ Liberalization of interest rates was a remarkable achievement in this area. However, lending rates may not come down due to infrastructural difficulties in the banking subsections such as high provisioning under new statute and high operational costs in rural branches.

  Shortcomings in this area included:

  - ▷ Tax charges imposed on bad debts which in effect is a tax on capital and thus aggravates the problem of under-capitalisation; and

  - ▷ Slow progress in creation of capital and money markets.

- Foreign Exchange

  Dramatic improvement in availability of foreign exchange was recognised. However, threatening appreciation of the Uganda shilling was pausing a threat to exporters.

  Taxation of overseas forex balances discourages repatriation of such balances.

While positive developments were noted in the financial sector, a number of new issues since 1992 have emerged and these included:

- Review of Financial Institutions Statute 1993 to address the following areas:

  - ▷ The three year duration within which capitalization of the banks are expected to be complete.

- criteria for loan classification (substandard - 6 months doubtful - 12 months, bad - 24 months), based on the standard period of time for which loans are not operating be reviewed to reflect the land-locked and agriculture oriented situation of Uganda.

- Bank of Uganda Statute 1993

  - Inadequate own funds for BOU to assert its independence and play leading role in financial sector.

- The increasing contraction of the financial sector resulting from the withdrawal of services from rural areas coupled with reduced financial savings as a percentage of GDP.

- Financial sector dominated by traditional institutions offering conventional banking services with only one instrument - the Treasury Bill intended to mobilize funds for Government. Need for new instruments to be introduced.

- Absence of inter bank market and Discount House raises the cost of operations to the banks.

In view of the outstanding and new issues, the following recommendations were made:

- Liquidity

  - BOU requirement and UBA to regularly review monetary reserve mobilisation and BOU to pay some interest on reserves, against savings and time accounts.

  - BOU to develop investment plans to ensure sustainability of its operations and play its independent role.

  - BOU to introduce inter bank market for Uganda shilling.

- Monetary Depth

  - Provision of incentives to banks to establish branches upcountry coupled with improvement of road infrastructure and security upcountry.

- Develop pension schemes.
- Initiate a plan for savings mobilisation.
- Encourage and facilitate private players to provide extension services for a fee.
- Speed up legislation to strengthen insurance industry.
- Develop unit trust tied to development of capital markets.

- Credit and Interest Rate Reform
    - Increase consultation between BOU and private financial institutions in credit lines negotiations.
    - BOU to effectively play its development role in the financial sector.
    - Avail long-term funding for small-scale operators.
    - Monetary policies and programmes to take account of vulnerable groups.
    - Facilitate and expand participation of financial institutions in all facilities of BOU.

- Capitalisation
    - Restructure and recapitalise UDB.
    - UDB to include vital sectors i.e. women in its scope of lending.

- Asset Quality
    - Review classification criteria.

- Foreign Exchange
    - Encourage market-determined exchange rate with intervention from BOU where necessary.

- ▷ Encourage tax free repatriation of overseas balances to the domestic banking system.
- ▷ BOU to introduce more instruments to mop excess liquidity.
- ▷ Commercial banks be allowed to lend foreign currency to importers and exporters.
- ▷ Amend and update Exchange Control Regulations to take account of liberalization.

Other new areas recommended included:

- ▷ Introduction of pension schemes to attract savings.
- ▷ Speed up legislation for insurance industry.
- ▷ Introduce unit trusts linked to capital markets.
- ▷ Intensify efforts to establish currency convertibility within East Africa.

2.4 Taxation

An overview of achievements since 1992 was given to the plenary and these included:

- Formation of Anti-Smuggling Unit.
- Redefinition of industrial raw materials to include packaging materials and industrial spare parts.
- Rationalization of procurement and pricing of fuel products.
- Improved efficiency in URA as well as increased public awareness and education on its activities.
- Threshold for personal income reviewed.
- Increased revenue collection.

- **Dialogue between Government and private sector on taxation prior to budget speech initiated.**

  This problem to be addressed through:

  - **Increasing revenue collection effort by strengthening URA and involving local authorities in revenue collection.**
  - **Devise ways to tax agricultural income.**
  - **Increase sanctions for tax evasion.**
  - Reduce tax exemptions and lower tax rates.
  - Incentives to formalise businesses.

- Accountability in Public Finance to be achieved through:

  - Payment of living way.
  - Strengthening NRC Sectoral Committees.
  - Improve record keeping and quality of accounting staff.

- The following recommendations on Tax Policy and Administration emerged from the National Forum discussions:

- Narrow Tax Base

- Unstable Tax Regime

  - Long-term planning to be introduced in taxation aiming at lower and stable rates to encourage compliance

- Harmonisation of Taxation within PTA

- Smuggling

  - Increase tax education and subsequently phase out Anti-Smuggling Unit by replacing it with revenue police adequately trained and equipped.

- Multiplicity of Taxes
  - Speed up introduction of VAT and consolidate current taxes.
- Tax Appeals Tribunal
  - Speed up setting of Tax Tribunal.
- Strengthen dialogue between Government and Tax payer to increase compliance.

3.0 ACTION PLANS AND RECOMMENDATIONS

3.1 WORKING GROUP 1, INVESTMENT PROMOTION ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
1. **Public Enterprise Reform and Divestiture**	► Increase the pace of liberalization to encourage new entrants. Continue pace of privatization. High and low value agro-programmes. ► Appoint a Minister of state to report to DRIC. Improve method of divestiture to allow wider participation. ► Speed up process of Stock Exchange formation.	PERD, MFEP
2. **Expropriated Properties**	► All unclaimed properties should be auctioned off with no reserve prices and any arbitration should be in courts of law settled.	MFEP, MOJ
3. **Private Investment**	► Govt. should service the industrial sites which have been acquired by Uganda Investment Authority (UIA).	MFEP, UIA
4. **Infrastructure**	► The utilities should be restructured and liberalized to allow private entrepreneurs to participate.	NRC, MFEP, UIA.
5. **Institutional Framework**	► Accelerate the Civil Service reform with the view of paying a living wage. ► Strengthen the delivery of Justice (Police, Judiciary, Attorney General). ► Strengthen accountability in government (IGG, Auditor General). ► Invest in Human Capital to improve technology, management and entrepreneurial skills. ► Strengthen capacity of UIA.	MOPS, MOJ, IGG, MFEP.

3.2 WORKING GROUP II, EXPORT GROWTH ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
1. Market Information	► Strengthen and equip UNBS to collect and disseminate information on standards. ► Accelerate establishment of an effective export promotion organisation which will collect and disseminate trade (Export/Import) information.	MOTI, MOJ, MFEP
2. Production	► Facilitate availability of cheap inputs. ► Facilitate production of improved seeds. ► Publicize and avail production finance. ► Facilitate and widen scope of production research. ► Facilitate availability of extension staff.	Banks, Research Institutions, MAAIF & MFEP
3. Institutional Support for Export Promotion Organisation, UNBS and Umbrella Exporters Association	► Speed up establishment of Export Promotion Organisation. ► Equip and strengthen UNBS and widen its scope of operation to include quality assurance now undertaken by SGS. ► Encourage formation of umbrella exporters association which should work closely with UNCCI.	MOTI, MOJ, NRC, Various commodity specific associations.
4. Financial Support	► Facilitate provision of short and long term credit for export development. ► Publicize available funds clearly indicating terms of such credits. ► Improve utilisation and evaluate impact of donors funds. ► Streamline administration and disbursement of existing credit in BOU and UDB. ► Mobilize agri-business tailored credits internally to ensure sustainability. ► Avail project funds through banking system. Avoid extending assistance to agri- businesses in kind and importing wrong implements. ► Encourage expenditure of donor funds in country on purposes for which they are meant.	Export Promotion Body, BOU, MOTI, MFEP, Financial institutions, Donors.
5. Export Strategy	► Review and publicize export strategy	MOTI and its various agencies.

WORKING GROUP II, EXPORT GROWTH
ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
6.0 Infrastructure		
6.1 Cold Storage	► Speed up construction of cold storage facility at Entebbe Air Port to cater for perishable exports.	CAA, Exporters Associations.
	► Avail funds to finance farm & transit cold facilities.	BOU, devt. banks
6.2 Grain storage	► Set up storage facilities in growing areas.	Grain Exporters.
6.3 Seaport facility	► Purchase seaport facility.	MOTI, MOFA, Clearing and Forwarding Associations.
6.4 Dry Port	► Set up inland port at appropriate exit points.	URA, MOTC, MOTI.
6.5 Air transport	► Change tax basis from CIF to FOB to encourage imports by air and thus increase cargo space for exports on return.	URA, MFEP
	► Relieve congestion at Airport.	CAA
	► Liberalize handling services at airport.	Uganda Airlines
6.6 Railway transport	► Reduce handling charges. ► Cooperate to improve efficiency and facilities.	URC, TRC & KRC
6.7 Road transport	► Improve roads, especially feeder roads.	MOTC and local authorities.
6.8 Utilities	► Improve services.	UPTC, UEB, NW&SC
6.9 Packaging	► Provide technical assistance to improve quality of packaging materials.	MOTI, UMA, Exporters Association
7. Quality and Standards	► Establish independent and stable funding for UNBS. Make it autonomous by law.	MOTI, MFEP

3.3 WORKING GROUP III, FINANCIAL SECTOR DEVELOPMENT ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
1. **Liquidity Management**	► BOU should be capitalised and strengthened to be able to intervene in the market and to keep a balance between management of capital inflows and inflationary pressures. ► BOU should strengthen the inter-bank market operations for Uganda shillings. ► BOU and UBA should regularly review monetary reserve requirements to ensure adequate funds to lend to the private sector and its demand for credit.	BOU, MFEP
2. **Greater Monetisation**	► Develop Pension Schemes. ► Study tour to learn from Malaysia, Indonesia, Thailand, Bangladesh.	
	► Increase variety of financial institutions. ► BOU Development Finance Department should be strengthened to consolidate existing uncoordinated small scale lending programmes through national policy and coordinated activities up-country, in informal financial institutions and women in development.	BOU, MFEP
	► Make a plan for savings mobilisation in rural areas. ► Facilitate private players to provide extension services for a fee. ► Extend currency centres within 100 kms of each major towns to reduce operating costs. ► Strengthen Post Office Savings Bank to assist in deposit mobilisation. ► Provide enabling environment for banks to operate up-country.	IOB/UBA
3. **Credit and Interest rates**	► Rationalise interest rates on development loans to increase participation by banks. ► Eliminate tax on provisions for loans.	BOU, MFEP
4. **Capitalisation of banks**	► Restructure and recapitalise financial institutions to include in their scope other vital sectors and groups, e.g., women and youth. ► Obtain expertise to help financial institutions to value, list and to offer shares to the public.	MFEP, BOU, Financial institutions
5. **Foreign exchange management**	► The exchange rate should be determined by the market with intervention by the BOU where necessary.	BOU, MFEP

WORKING GROUP III, FINANCIAL SECTOR DEVELOPMENT
ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
Foreign exchange management ... *Cont'd.*	► BOU should create new monetary instruments to mop up excess liquidity, e.g. BOU Bill, Repurchase agreements, etc. ► Commercial banks should be allowed to lend foreign currency to both importers and exporters, subject to appropriate reserve rates. ► Amend and update Exchange Control Regulations to account for all changes under liberalization. ► BOU should make remittance by Ugandans living abroad free of tax.	BOU, MFEP
6. Asset quality	► Improve quality of bank loans and advances based on reasonable criteria.	Commercial Banks, BOU, MFEP

NEW ISSUES

ISSUES	ACTION	AGENCY
1. Mobilisation of domestic savings	► BOU develop policy to increase effective interest rates by facilitating commercial banks to increase profitability.	BOU, MFEP
	► Pension schemes should be developed to attract savings to the financial sector.	NSSF
	► Unit trusts should be developed, tied to the development of capital markets.	CMA,
	► Speed up the law to strengthen the insurance industry.	NRC
	► Develop capital markets	
2. Regional Cooperation	► Governors of central banks should be encouraged in their efforts to establish currency convertibility and capital markets within East Africa.	BOU, MFEP
3. Gender	► Monetary policies and programmes should take into consideration the special interests of vulnerable groups (women and youth) with particular reference to their effects on these groups.	BOU, MFEP, Financial institutions
4. Long-term funding	► Make efforts to make available long-term funding for small scale operators.	BOU, MFEP, Financial institutions

WORKING GROUP III, FINANCIAL SECTOR DEVELOPMENT

ACTION PLANS AND RECOMMENDATIONS

NEW ISSUES

ISSUES	ACTION	AGENCY
5. **Micro Enterprise lending**	► Establish and strengthen micro enterprise lending institutions, including rural banks, financial institutions and NGOs. ► Encourage financial institutions and NGOs to participate in micro enterprise lending. ► Gov't. should develop infrastructure, particularly roads and telecommunications.	BOU, MFEP, NGOs, Financial institutions
6. **Development of professionalism**	► Strengthen professional bodies for Bankers, Lawyers, Valuers, Accountants, etc. ► Use Capital Markets Authority to upgrade these standards	IOB, UBA, CMA, MFEP, Professional bodies
7. **Prudential requirements**	► Study Financial Institutions Statute 1993 and make recommendations on prudential requirements.	MFEP, NRC, BOU, IOB, UBA

3.4 WORKING GROUP IV, TAX POLICY AND ADMINISTRATION
ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
1. **Narrow Tax Base**	► Strengthen capacity of URA ► Introduce revenue sharing with local authorities. ► Set realistic targets. ► Devise realistic ways of taxing agricultural income. ► Lower rates to encourage compliance. ► Give incentives and encourage formalisation of businesses. ► Sanctions for tax evasion be increased. ► Reduce tax exemptions and instead lower rates.	MFEP, Local Govt., URA
2. **Accountability in Public Finance**	► Different levels of expenditure must have different authorising levels. ► Improve record keeping and quality of accounting staff in Ministries. ► Pay living wage to government officers to reduce corruption and increase efficiency. ► Strengthen NRC Sectoral Committees.	NRC, MFEP, Min of Public Service.
3. **Unstable Tax Regime**	► Increase longer term tax policy planning (on a multi year basis). ► Strengthen system in Ministry of Finance to enhance long term planning. ► Aim for lower and stable rates to encourage compliance and increase earnings.	MFEP, URA
4. **Harmonisation of taxes within PTA region**	► Speed up harmonisation of taxes within PTA region.	MFEP, MOTI, MOFA
5. **Smuggling**	► Enforce standards and curb dumping. ► Strengthen ASU and improve conduct of its personnel (to reduce brutality). ► Reduce incentives to smuggle through tax policy. ► Develop tax culture through education. ► Gradually replace ASU with a revenue police, properly trained and equipped.	UNBS, URA, MOTI, MFEP
6. **Multiplicity of taxes**	► Speed up introduction of VAT ► Charge withholding tax only if accounts of tax payer not up-to-date for a year. ► URA should permit tax payers to make provisional payment upon submission of provisional returns without imposing a withholding tax.	MFEP, URA

WORKING GROUP IV, TAX POLICY AND ADMINISTRATION
ACTION PLANS AND RECOMMENDATIONS

ISSUES	ACTION	AGENCY
Multiplicity of taxes ... *Cont'd.*	► URA should issue a certificate to those who file provisional returns. ► Consolidate import duty and import commission. ► Replace CTL and Sales Tax with VAT.	MFEP, URA
7. VAT	► Speed up TIN programme. ► Enlist private sector participation in VAT implementing committees. ► Retain duty-draw back system even after introduction of VAT.	URA, MFEP
8. Tax Appeals Tribunal	► Appoint independent appeals commission immediately. ► Speed up setting up of Tax Tribunal.	URA, IGG, MOJ, MFEP
9. Dialogue between Govt. and tax payers.	► Set up strengthen institutional framework for govt./private sector dialogue.	Govt., Private Sector Groups.
10. Conduct of Tax Administration	► Set realistic targets to reduce pressure on URA to collect more and more taxes. ► Intensify tax education. ► Set up tax appeals tribunal to penalize offenders. ► Provide identification tags (numbers) to tax collectors.	MFEP, URA
11. Income tax threshold	► Threshold for income tax should be tied with realistic living wage. ► Abolish tax on savings in 1995/6 Budget to encourage savings.	MFEP
12. Donations	► Welfare donations should be tax deductible.	MFEP
13. Tax Education, Information and Laws	► Publish and circulate tax manuals and laws. ► Publicize rate through visual aids, newspapers, etc. ► Establish tax information points in city centres. ► Penalize tax evasion to increase incentive to learn and pay taxes.	MFEP, MOJ, MOE, URA, Private Sector Groups
14. Consolidate Tax Records	► Consolidate tax records to eliminate double taxation, uncertainty and inconvenience to tax payers.	URA, Local Authorities.
15. National Social Security Fund (NSSF)	► Remove monopoly of NSSF by allowing private companies to operate open pension schemes.	NRC, MOL, MFEP

4.0 FUTURE STRATEGY FOR THE NATIONAL FORUM

During the National Forum and the subsequent meeting of the Monitoring Group, post Forum strategy was given consideration and the following recommendations were made:

- The National Forum is to continue for one year with the support of USAID and other donor agencies that may show interest in its activities.

- After one year, there is necessity to turn the National Forum into a formal organisation to ensure sustainability of its activities. A possible organisation that could cater for the activities of the National Forum is the National Planning Commission with strong private sector participation. The major role of the organisation should be strategy oriented and oversee implementation of its strategies.

- An independent Consultant was to be engaged as soon as possible to define functions and responsibilities of the formal organisation.

- The Working Groups of the National Forum will be restructured as follows:

    - Investment Promotion and Export Development;

    - Human Resources Development and Capacity Building;

    - Financial Sector Development (to include Insurance); and

    - Tax Policy and Administration.

  The composition of the Committees to be reviewed by the Monitoring Group.

- The Monitoring Group to define the programme of work of each Working Group during the one year.

5.0 LIST OF PARTICIPANTS

	Participant Name	Organisation
1.	Mrs. Mary Adriko	West Nile Distillers
2.	Mr. Iradj Alikhani	The World Bank
3.	Mr. Thomas A. Babatunde	United Nations Development Programme
4.	Mr. Majid Bagalaaliwo	Century Bottling Co. Ltd.
5.	Mr. Mark Baird	The World Bank
6.	Mr. David Read Barker	MSI Inc./IPC Project
7.	Mr. Azarias Baryaruha	International Trade Centre
8.	Mr. Chris Besigye	Institute of Bankers
9.	Mr. Badru Bunkeddeko	Uganda National Chamber of Commerce & Ind.
10.	Mr. Justus M. Byagagaire	Development Consultants
11.	Mr. Timothy Byara	Uganda National Chamber of Commerce & Ind.
12.	Mr. Donald Clark	US Agency for International Development
13.	Ms. Letitia Diaz	US Agency for International Development
14.	Dr. Mark Ellyne	International Monetary Fund
15.	Mr. Joseph Enyonu-Enyabu	Uganda Revenue Authority
16.	Mr. Piro Santos Eruwaga	Northern Uganda Manufacturers Association
17.	Mr. Brian H. Falconer	The World Bank
18.	Mr. Gabriel Hatega	Uganda Associated Industries
19.	Mr. Daudi Kabateraine	Presidential Economic Commission
20.	Dr. Steven P. Kagoda	Ministry of Trade & Industry
21.	Dr. Simon Kagugube	Uganda Revenue Authority
22.	Dr. William S. Kalema	UMA Consultancy & Information Services
23.	Mr. James Kalibbala	Uganda Small Scale Industries Association
24.	Mr. Henry Kalule	Maganjo Grain Millers Ltd.
25.	Prof. Ephraim Kamuntu	Nile Bank Ltd.
26.	Hon. Yonasani Kanyomozi	National Resistance Council
27.	Dr. Louis Kasekende	Bank of Uganda
28.	Dr. Eve Kasirye-Alemu	Uganda National Bureau of Standards
29.	Mr. Francis Kasirye	Ministry of Trade & Industry
30.	Mr. Zakare Kataryeba	Uganda Posts & Telecommunications
31.	Mr. Frank Katusiime	Rank Consult Ltd.
32.	Mr. Leo Kibirango	Sembule Investment Bank
33.	Mr. Damon Kitabire	Ministry of Finance & Economic Planning
34.	Ms. Sarah Kitakule	UMA Consultancy & Information Services
35.	Mr. Michael Klesh	USAID Regional Office, Nairobi
36.	Mr. Bruno Komakech	US Agency for International Development

Participant Name	Organisation
37. Mr. Tim Lamont	Ministry of Finance & Economic Planning
38. Mr. Arnold F. Lessard	Uganda Investment Authority
39. Mr. Kanagasabai Loganathan	The World Bank
40. Hon. Manzi-Tumubweinee	National Resistance Council
41. Mr. Willy Mayanja	Uganda Batteries Ltd.
42. Mr. Peter Miovic	The World Bank
43. Mr. Abdul Musoke Mubiru	Uganda Posts & Telecommunications
44. Mrs. Mary C. Muduuli	Ministry of Finance & Economic Planning
45. Mr. George Mugerwa	Ministry of Finance & Economic Planning
46. Dr. Evarist Mugisa	Institute of Bankers
47. Ms. Jennifer Muguma	Central Purchasing Corporation
48. Mr. Keith Muhakanizi	Ministry of Finance & Economic Planning
49. Ms. Assey L. N. Mukasa	Uganda Grain Milling Company Ltd.
50. Dr. Andrew K. Mullei	International Centre for Economic Growth
51. Mr. James Musinguzi	Garuga Properties Ltd.
52. Dr. Polycarp Musinguzi	Bank of Uganda
53. Mrs. Edith Nsajja Mwanje	Uganda Manufacturers Association
54. Dr. Sam Nahamya	National Resistance Movement Secretariat
55. Ms Julie Nenon	MSI Inc./IPC Project
56. Dr. Tuan Nguyen	Ministry of Finance & Economic Planning
57. Mr. G. L. Nkini	East African Development Bank
58. Mr. Enoch Nkuruho	Madhvani Group of Companies
59. Dr. S. L. Nsamba	Farmers Association
60. Mr. Godfrey I. L. Nsubuga	Co-operative Bank Ltd.
61. Mr. Patrick N. Nyaika	Uganda Investment Authority
62. Mr. Henry G. K. Nyakoojo	Uganda Export Promotion Council
63. Prof. Erisa O. Ochieng	Ministry of Finance & Economic Planning
64. Mr. Abel Ojoo	MSE Consultants
65. Mr. Justin B. Okeny	Vitafoam (U) Ltd.
66. Hon. Levi Macpio Okodi	Uganda Cotton Development Organisation
67. Prof. Fred Opio	Economic Policy Research Centre
68. Mr. George Rubagumya	Uganda Investment Authority
69. Mr. Robert K. Rutaagi	Public Enterprises Reform & Divestiture
70. Mr. Sam B. Rutega	Uganda Development Corporation
71. Mr. A. R. Rutta	Uganda Electricity Board
72. Hon. Elly K. Rwakakooko	National Resistance Council
73. Mr. Haruna Semyano	Ministry of Trade & Industry
74. Mr. Gordon Sentiba	Pan World Insurance Company Ltd.
75. Mr. E. O. Larbi Siaw	Uganda Revenue Authority

Participant Name	Organisation
76. Mr. Michael Sseguya	UMA Consultancy & Information Services
77. Dr. Germina Ssemogerere	Makerere University
78. Mr. Vincent B. Ssenyonjo	Nile Roses Ltd.
79. Mr. Andrew Stone	The World Bank
80. Dr. Ezra Suruma	Uganda Commercial Bank
81. Mr. Sajjabi Tezikuba	Uganda National Chamber of Commerce & Ind.
82. Prof. Sam Tulya-Muhika	Uganda Revenue Authority
83. Mr. Enos Tumusiime	Uganda Railways Corporation
84. Mr. J. Twino-Musinguzi	Uganda Development Corporation
85. Dr. Charles Wana-Etyem	National Water & Sewerage Corporation
86. Mrs. Ida Wanendeya	Uganda Women Finance & Credit Trust
87. Mr. Nimrod Waniala	Ministry of Trade & Industry
88. Mr. Waswa Balunywa	Makerere University
89. Mr. Gordon Wavamunno	Spear Group of Companies
90. Ms. Holly Wise	US Agency for International Development
91. Mr. Albert Yeboah	US Agency for International Development
92. Mr. Fred K. Zake	UMA Consultancy & Information Services

6.0 ACTUAL AGENDA

Tuesday Evening, November 8, 1994

3:00 pm	Registration
6:30 pm	Reception
7:45 pm	Working Dinner
	Session Chairman:
	Mr. Sam Rutega
	Chairman, Uganda Development Corporation (UDC)
	Guest Speaker:
	Dr. Andrew K. Mullei
	Director, Africa Programme, International Centre for Economic Growth (ICEG), Nairobi-Kenya

Wednesday Morning, November 9, 1994

8:00 am	Late Registration
8:30 am	Plenary Session Begins
8:30 - 8:45 am	Opening Remarks by Session Chairman:
	Mr. Sam Rutega
8:45 - 9:00 am	Welcome:
	Mr. James Mulwana
	Chairman, Uganda Manufacturers Association (UMA)
9:00 - 9:20 am	Official Opening:
	Honourable Matthew Rukikaire
	Minister of State for Finance and Economic Planning
9:20 - 9:50 am	Presentation: **"Strategic Management of Public Policy"**
	Mr. David Barker
	Management Systems International (MSI), IPC Project
9:50 - 10:10 am	Presentation: **"Objectives and Agenda for Presidential Workshop"**
	Dr. William Kalema,
	Director, UMA Consultancy & Information Services
10:10 - 10:35 am	Presentation by Working Group 1, **"Investment Promotion"**
10:35 - 10:55 am	Questions
10:55 - 11:15 am	Coffee/Tea Break
11:15 - 11:40 noon	Presentation by Working Group 2, **"Export Promotion"**
11:40 - 12:00 noon	Questions

Wednesday Afternoon, November 9, 1994

12:00 - 12:25 pm	Presentation by Working Group 3, **"Financial Sector Development"**
12:25 - 12:45 pm	Questions
12:45 - 2:00 pm	Luncheon
2:00 - 2:25 pm	Presentation by Working Group 4, **"Tax Policy and Administration"**
2:25 - 2:45 pm	Questions
2:45 - 3:15 pm	Introduction to Working Group Discussions
3:15 - 6:00 pm	Working Group Discussions * Tea served in committee rooms
7:00 pm onwards	Dinner for Participants at own convenience

Thursday Morning, November 10, 1994

8:15 am	Plenary Session Begins
8:15 - 8:30 am	Chairman's Remarks
8:30 - 9:15 am	Presentation by Working Group 1 Followed by Discussion
9:15 - 10:00 am	Presentation by Working Group 2 Followed by Discussion
10:00 - 10:30 am	Coffee/Tea Break
10:30 - 11:15 am	Presentation by Working Group 3 Followed by Discussion
11:15 - 12:00 noon	Presentation by Working Group 4 Followed by Discussion

Thursday Afternoon, November 10, 1994

12:00 - 1:00 pm	Presentation: **"Proposal for Post Forum Strategy and Activities"** *Mr. Abel Ojoo* Director, Management Systems and Economic (MSE) Consultants Discussion
1:00 - pm	Luncheon
2:15 - 5:30 pm	Presentation of Forum Report and Recommendations to H. E. The Vice President
2:15 pm	Participants and Invited Guests are seated

2:30 pm	Arrival of H. E. The Vice President * Singing of the National Anthem
2:45 - 2:55 pm	Welcome by: *Mr. James Mulwana* Chairman, UMA
2:55 - 4:20 pm	Presentation of Working Group Reports and Recommendations
4:20 - 4:30 pm	*Hon. James Makumbi* Minister of Health Invites His Excellency the Vice President to address Participants and Invited Guests
4:30 - 5:30 pm	Speech by the Vice President *His Excellency Dr. Samson B. M. Kisekka*
6:00 - 7:00 pm	Closing Reception

APPENDICES

SPEECH BY H. E. YOWERI KAGUTA MUSEVENI, PRESIDENT OF THE REPUBLIC OF UGANDA AT THE CLOSING OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

Presented by His Excellency the Vice President, Dr. Samson Kisekka

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7.0 APPENDICES

SPEECH BY H. E. YOWERI KAGUTA MUSEVENI, PRESIDENT OF THE REPUBLIC OF UGANDA AT THE CLOSING OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

Presented by His Excellency the Vice President, Dr. Samson Kisekka

Your Excellencies,

Forum Participants,

Ladies and Gentlemen,

Let me begin by congratulating all the actors - the private sector, the public sector, the facilitating agency, USAID and individuals and organisations that have played a role in the National Forum on strategic management for private investment and export growth. I have been following the progress you have made since the first Presidential Forum was held in October, 1992 and I am impressed by the strides you have made from the holding of a mere workshop two years ago to the near institutionalization of the Forum process now.

It is the policy of the NRM government to reduce government participation in business. The public sector has been visibly shrinking over the last few years through the divestiture exercise that is going on. In a few years time, the private sector will be the dominant sector in our economy and that is just as well for government has been extremely inept in the conduct of business. The problem has been that most of those who were entrusted with the management of the public sector did not have a public spirit. Consequently, most of the public enterprises became a big burden to the taxpayers who were called upon, from time to time, to prop up loss-making and non-performing parastatals. Government, therefore, took a firm decision to get rid of most of its enterprises with the exception of a few so called class 1 enterprises considered to be in the public interest in which government will retain 100% share holding. Even with these class 1 enterprises, it is very likely that in future some reclassification will take place so that government either moves out completely or merely retains a majority interest.

As far as the NRM government is concerned, we shall largely remain mere facilitators of the private sector, providing the proper environment for their profitable activities. The pursuit of the objective is on course. We have painstakingly established peace and stability without, which business, private or public, is impossible; we have re-established confidence that the rights to property are to be respected. In this connection, most people who cared, whose prosperity was expropriated by the Amin regime in the early 70s have already re-entered those properties.

Government has revamped the infrastructure - roads, rail, energy, water and telecommunications. We are aware that some of these utilities are not yet satisfactory and I am happy that in your status report of august 1994, you have pointed out some of the flaws and how improvements in some of these areas can be made.

The enactment of the investment code in 1991 and the establishment of the Uganda investment authority was a bold initiative and a clear signal to private investors, local and foreign, that government recognizes the vital role that private investment plays in economic development.

The authority has greatly reduced the red-tape involvement in setting up shop and they have done a commendable job in the provision of well researched information, on which potential investors can base their decisions in various sectors of our economy including manufacturing, food, wood, dairy, building and construction, agriculture, tourism, beverages and mining. The data desert for investors is receding as a result of these efforts.

The people of Uganda are indeed grateful for the donations and loans we have received for so long from many quarters. We have, unfortunately, come to the conclusion that aid cannot be a substitute for investment and production and that it is not sustainable in the long-run. Our country is overflowing with resources awaiting investors to turn them into usable and, therefore, salable things and that is why this Forum is so valuable since it focuses on investment and export growth. It is a shame that a country that is so generously endowed as ours, can be counted amongst the poorest countries of the world. I am optimistic that with men and women like you, who have got the capacity to quote your famous claim, "to make things happen" our condition will change for the better.

In the recent past, coffee receipts contributed 97% of our export earnings. Given the fickle coffee market, this was very dangerous to our economy. In the last few years, all of us have worked very hard to diversify production and therefore, to increase the range of our exports. Presently, coffee contributes around 65% to our export earnings even taking into account the favourable market coffee is now enjoying, not a satisfactory situation but one that is a significant improvement on the past. However, the diversification and export earnings is largely in the agricultural sector I would like to see the manufacturing, mining and services sectors contributing more to our export earnings. This, of course, will necessitate more investment in these sectors and thanks to your efforts we are beginning to get some direct foreign investment and we have made a breakthrough with phosphates, recently.

Government and the private sector are partners in economic development and our roles are complementary. It is, therefore, crucial that the private sector should have an input in the formulation of policies affecting the economy. This can be done through fora like this one.

The NRM government knows that the private sector is the hen that lays the golden eggs. How, therefore, can government kill this hen? It is true that we must tax the private sector to run the business of government but we have always tried to create a balance between the vital interests of the private sector and the basic revenue requirements of government. And wherever complaints have arisen, especially in the area of taxation, we have come together to appraise decisions and to find amicable solutions. As the private sector eventually overtakes the public sector, you will assume a higher profile in policy formulation. Indeed, the growing strength of this Forum is indicative of the importance of the dialogue between government and the private sector.

I have taken personal interest in the invest-in-Uganda campaign. I have been with you on the investment campaign trail in Asia, Europe and America these last two years. I have urged some of you to look for partners abroad and to form joint ventures with foreign investors. I have urged you to look for markets for our produce. I am, therefore, a good example of the link between government and the private sector and as long as I am in charge, you can be assured of a reliable ally in our common struggle for development.

I am happy that the Forum is becoming more dependent on local consultants than previously. I urge you to involve our tertiary institutions in the work of the Forum.

Let me warn you that you face the great challenge of sustainability as you seek institutionalization. USAID, much as they have generously support and are supporting the Forum, cannot be indefinitely expected to pick up your bills. This is the time to plan ahead so that you do not wind up when the donors withdraw.

Lastly, I hope that the resolutions made at this Forum will not remain mere declarations of intent. You should endeavour to implement your resolutions. Government will do everything in its power to facilitate this Forum.

I now declare the workshop closed.

SPEECH BY HON. MATTHEW RUKIKAIRE, MINISTER OF STATE FOR FINANCE AND ECONOMIC PLANNING AT THE OPENING DINNER/RECEPTION OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

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SPEECH BY HON. MATTHEW RUKIKAIRE, MINISTER OF STATE FOR FINANCE AND ECONOMIC PLANNING AT THE OPENING DINNER/RECEPTION OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

Honourable Ministers,

Your Excellencies,

Distinguished Forum Participants,

Ladies and Gentlemen.

The Second Presidential Forum on Strategic Management for Private Investment and Export Growth has gathered key actors in Uganda's economic development campaign; private sector, the donor community, and government, to take stock of the current state of our economy in as much as it relates to private investment and export growth. I can see distinguished Ladies and Gentlemen here who, in one way or the other, have a crucial role to play in making or implementing policies on one hand, and those who are at the receiving end of these policies regarding private investment and export growth.

This is a unique forum for you to participate in strategic planing for the good of our country. Since the advent of the NRM administration, government has sought to create an enabling environment which is conducive to private investment and export growth. Peace and stability have replaced war and anarchy in all corners of this country. Investors are free to invest money in the economy without fear of government interference. My Ministry has championed campaigns aimed at attracting local and foreign investors to commence business in Uganda. Government, in conjunction with the World Bank and the International Monetary Fund, has embarked on a comprehensive Financial Sector Adjustment Programme aimed at rejuvenating the financial sector. You may already know developments at Bank of Uganda and Uganda Commercial Bank; two key players in the financial sector that are already undergoing fundamental structural changes.

Government has put in place a tax structure that aims at increasing government revenue (for further investment in the economy) and promoting economic growth. Over the years, the Uganda Revenue Authority has improved its effectiveness and we hope thereby to reduce our country's dependence on donor hand-outs.

All of you are aware of on-going efforts by the government, with donor assistance, to increase Uganda's export earnings through diversification of our export base. I am happy to see amongst us today distinguished representatives from USAID, the World Bank, DANIDA, the IMF and other donor agencies with whom we have been active partners in promoting non-traditional exports.

No doubt not all our programmes have been successful, as your coming to Entebbe today shows. There still remain problem areas which are impending private investment and export growth. By frankly sharing your experiences with one another and developing concrete proposals for policy change will you make this Forum a success. We in government are looking forward to your recommendations and, we shall continue to work together to enhance private investment and economic growth.

I can do not intend to make a long speech (which might pre-empt your deliberations). In conclusion, Ladies and Gentlemen, export promotion and domestic investment are not policy options that can be delayed; they are developmental imperatives that are central to the government's strategy for the growth of our economy. I hope the Forum will highlight what further initiatives are required for Uganda to achieve its development potential as we approach the next century and beyond.

Finally, I will ask all of you to join me in applauding the Uganda Manufacturers Association (UMA), the Presidential Economic Commission (PEC) and the United States Agency for International Development (USAID) whose insight, foresight, and hard work has enabled the National Forum to grow into a strategic system it is now. I assure all of you that government will give your recommendations the seriousness and attention they deserve. *I believe that, together we shall ensure that the "Pearl of Africa" rises and shines again.*

I wish you fruitful deliberations.

KEYNOTE SPEECH BY DR. ANDREW K. MULLEI, DIRECTOR AFRICA PROGRAMME, INTERNATIONAL CENTRE FOR ECONOMIC GROWTH (ICEG), NAIROBI, KENYA AT THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

KEYNOTE SPEECH BY DR. ANDREW K. MULLEI, DIRECTOR AFRICA PROGRAMME, INTERNATIONAL CENTRE FOR ECONOMIC GROWTH (ICEG), NAIROBI, KENYA AT THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

Mr. Chairman,

Members of the Presidential Forum,

Chief Executives of Public and Private Sector Organisations,

Distinguished Guests,

Ladies and Gentlemen,

I want to thank the organisers for the invitation to join this gathering and for the opportunity to discuss strategic management of private investment and export growth in Uganda. The topic is both appealing and timely and I shall address the subject in three separate sections: first, the East Asian policy framework for private investment and export growth; second, the African economic performance under the inward-looking development strategy of the 1970's and 1980's; and thirdly, the strategy for investment and export growth in Uganda. For reasons of brevity, I will only outline the issues in general terms while highlighting the important areas of emphasis and nuance.

Soon after the publication by the World Bank on Accelerated Development in Sub-Saharan Africa in 1981, it became fashionable to look to East Asia for broad explanations of why the Asian economies were growth faster than the African ones. Earlier in 1950's and 1960's, it was generally thought that Asia's economies, with large and growing populations, unstable governments, weak natural resource base etc., would remain destined for prolonged poverty. In contrast, as African countries gained independence in the 1950's and 1960's, it was generally thought that Africa held great promise with relatively generous land and resource endowments including Africa's friendly weather conditions.

Looking back to Africa's thirty or so years of independence, its promise has failed to materialize. During the past twenty years, the dominant story in economics has been the rapid growth of the economies of East and Southeast Asia with the city states of Hong Kong and Singapore being classified as high income economies. If current growth rates persist, per capita income levels in Taiwan will by estimation overtake those in Belgium, Italy and elsewhere in Europe in six year's time. Korea, Malaysia, Thailand and Indonesia, although considerably poorer, are also growing very rapidly and are not very far behind. China, which has sustained double digit growth rates in recent years, could very well be the locus of World abundance and place of plenty by the end of this century.

As evidence mounted in the past 20 years that economic growth in East Asia was rapid and sustainable, development practitioners began to study the East Asian model of development to draw lessons for the slowly growing regions of the developing world. The early consensus among economists was that Korea, Hong

Kong, Taiwan and Singapore had pursued a market-based, outward oriented development strategy supported by relatively low and uniform protection of imports, a stable real exchange rate, liberal pricing and active private enterprise. Subsequent research produced in a book published by the World Bank in 1993 and called the East Asian Miracle the governments of Korea and Taiwan are described as having intervened in a market friendly way to protect imports and to force firms to establish export targets and compete effectively in world markets.

More recently, scholars have been focusing on the developmental strategies of Malaysia, Thailand and Indonesia believing that their experience is more relevant in explaining why Asia is growing faster than Africa. The three are similar to African countries in the sense that they were once colonial territories, and like African countries, they started from a base of low level of literacy with limited experiences in managing complex government and economic organisations. The three are also similar to African countries in that land and agriculture were their dominant sources of economic activity.

Why have Thailand, Malaysia and Indonesia, facing similar internal resource endowments as Africa and similar reliance on primary export commodities managed to achieve rapid economic growth and industrialization when Africa has not? How did these three countries manage to expand their exports and investment? What useful lessons can African countries draw from the experiences of these three countries?

Several factors singled out as key to the rapid growth of the three East Asian countries include the adoption of outward-looking, market-based policies, flexible factor markets, inducement of foreign direct investments, reduction of direct government involvement in production activity, building up manpower, technological capabilities and necessary infrastructure for industrial development, promotion of private sector and small scale industries and commitment to export promotion strategy by governments.

How did the governments become committed? They had to be convinced of the advantages of trade promotion strategy. They had to be convinced that promotion of exports yields both static and dynamic gains to the economy. The static gains deriving from expanded opportunities for specialization and increased efficiency which permits a country to produce more goods and services using the same amount of resources. Dynamic gains deriving from exposure of domestic firms to outside competition that not only improves the quality of domestic production but also adds meaning to technological inventions and innovation.

The Governments of the East Asian countries were from the outset thoroughly convinced of the importance of export-led strategy of development. As early as 1960, they started a method of setting up export targets. The targets were, at the end of every period, reviewed, Facilitation problems, such as customs procedures, export marketing strategies and ways of improving quality were reviewed at the end of every period. In some instances, special monitoring units were set up under the Head of State to address problems of exporters and to review export targets. Export and investment incentives were provided and reviewed from time to time. Loans were advanced to exporters at subsidized interest rates and investors could consult regularly with government which was itself committed to export promotion. General trading companies were established in countries such as Thailand to provide market information to small exporters who would otherwise find it difficult or expensive to obtain such information.

In every country of East Asia, governments were quick in setting up export service and investment processing centres. These centres would provide both investors and exporters with market information, quality improvement services, target markets, training courses to educate exporters on procedures and on how to acquire credit. These centres provided a forum where information is exchanged and small/medium size enterprises are educated on export procedures. Committees were also set up by government to deal with specific sectoral problems and in some instances the committees would recommend for adoption by government new policies to encourage export-oriented investments in particular sectors of the economy.

Governments in Malaysia, Thailand and Indonesia were keen to invest in research, irrigation, fertiliser subsidies, infrastructure, education and health with a view to improving productivity in agriculture - an approach which was consistent with their comparative advantage as countries endowed with high productive agricultural land. In effect for the three countries, the principal thrust of government policy in the initial stages was to encourage exploitation of the factor endowments based on the dictates of comparative advantage. Employing such policy strategies, Indonesia, Malaysia and Thailand exploited their highly productive agricultural land, while emphasizing labour-intensive manufacturers. In all these three countries, investments were made first to ensure that cost advantages would be maintained in traditional exports and secondly to move into manufacturing, for import replacement and for export of non-traditional products, from a solid base of primary export earnings.

Each of the three countries followed the dictates of prudent macroeconomic management. Government fiscal deficits were kept generally low. Over the 1980's Thailand's deficit did not exceed 2.3% of GDP. Malaysia, which in the early 1980's ran deficits approaching 20% of GDP was the exception and was able to do so as the country saved over a third of its GDP. For Malaysia it was possible to use the sizable public savings to finance the huge deficits without unbalancing the economy. Savings in Malaysia were sufficient to provide non-inflationary finance without crowding out private investors.

The three East Asian countries also followed conservative fiscal and monetary policies which kept inflation under control and thus reducing substantially the uncertainties faced by investors during periods of higher than customary inflation. During the 1980's the three countries had inflation rates averaging less than 8.5% a year, and in all cases the rate of growth of prices was lower than over the preceding decades.

Effective management of private investment and export growth was underscored by proper management of the exchange rate. It was understood that monetary managers would not be serving developmental aims of their countries if they did not establish an exchange rate that was sufficiently rewarding to producers of exportable goods. For most of the period since 1965, the three economies maintained non-overvalued official exchange rates which assured convertible currencies and totally or nearly unrestricted capital flows for many years. On the whole, governments understood that without an encouraging macroeconomic environment, export promotion would not succeed. Each of the three countries took steps to insulate exporters from the disincentives of an overvalued exchange rate while offering them easy access to imported inputs at world prices. With regards to factor markets, Malaysia, Thailand and Indonesia allowed wages to be set by the market rather than by government regulation. Equally important and despite initially pervasive government intervention, in all three countries financial markets remained flexible offering sufficient credit for the needs of small and medium size exporters.

An important factor in East Asian development strategy was the political commitment of the Asian leadership to economic development. Suharto's 28 year rule in Indonesia, Thailand's popularly revered monarch, and the long-tenured prime ministers of Malaysia are all credited and associated with policies of encouraging rapid economic development in their respective countries. These leaders are known to value economic development over short term political and personal gain. With the notable exception of Marcos in the Philippines, political leaders in East Asia understand that rent-seeking activities require growing economies. When rent seeking activities reach levels that threaten or undermine sound economic management, the rents are curbed. When rent seeking is inherent in the clientelistic style of governance, governments undertake self denying decisions to entrust economic management to clean technocrats.

As we all know, in East Asia, ethnic Chinese play very dominant roles in commerce, industry and investment. Their accommodation by governments, despite strong, sometimes violent, popular pressure for their suppression in a strong manifestation of government choice of development over politics. Protecting and defending the political and economic rights of entrepreneurial ethnic minorities is, in East Asia, considered good economic policy and good politics. Where political aims of government conflict with developmental objectives of the country, political leaders elevate economic goals above politics... thereby demonstrating their willingness to risk political capital to achieve economic growth.

Contrary to the experiences of East Asian countries, in Africa country after country suffered serious macroeconomic instability, high inflation, huge fiscal and balance of payments deficits. The common experience for them was the poor export performance, declining agricultural and industrial output, climbing internal and external debt, constraining foreign exchange shortages and a falling share of exports in world trade. In a recent book on Asia and Africa published by ICEG in 1994, David Lindauer and Michael Roemer compare the current situation in Africa with the historical experiences of Indonesia, Malaysia and Thailand in order to identify factors that underlie the poor economic performance of African countries. One factor identified as contributing to Africa's declining economic performance is the inward-looking development strategy pursued by African countries since independence. This strategy of development entailed considerable government intervention in the production activities of the economy, the erection of quantitative restrictions accompanied by over-valuation of domestic currency. The over extension of government involvement, the consequent protection of the economy and the over-valuation of domestic currency begot a number of compounding effects which complicated macroeconomic stability while rendering the task of export promotion very difficult. Indeed, by distorting relative prices internally and in relation to the outside world, the inward-oriented strategy, brought dependence of the economies on domestic demand, while encouraging imports with adverse consequences for the balance of payments.

A second factor, namely the persistent lack of fiscal and monetary discipline is identified as a major root cause of African countries exports inability to compete internationally. With the exception of few countries such as Botswana, African government budget deficits crowd-out domestic private investment. Magnetisation of the deficits through monetary creation has brought serious inflation, instability in the value of domestic currency and the consequent worsening of export competitiveness in international markets.

In many African countries, one finds quite a few but very vocal export pessimists who argue that export promotion is a waste of time given the protectionist policy measures put in place in the global economy and the consequences of the declining terms of trade for primary exports. The export promotion pessimism ignores the fact that exports of African countries constitute a very small share of world trade in exports (less than 1%) in 1992) implying little chance for protectionist backlash in export markets. The pessimism also ignores the fact that non-traditional exports are differentiated products exhibiting considerable diversity in terms of both variety and quality. The export pessimism hypothesis has been proven wrong in East Asia where countries have been able to penetrate the global markets taking other countries shares of export in world trade.

The common belief in Africa that markets are inefficient and structurally defective is another factor explaining the export promotion distress experienced in Africa. For decades, countries in Latin America and Africa have been the victims of this belief. The typical approach in these countries has been to bypass the market through allocation of resources by planners. The absence of the market mechanisms and the lack of discipline imposed by competition meant that Africa's internal price structures are by-passed as the rest of the world continued to adjust - thus limiting the African capacity to penetrate the world export markets as East Asia has done.

It is perhaps unnecessary to belabor the point. However, it must be emphasized that in many African countries, the inward-looking development strategy involving over-valuations of domestic currency, encouragement of non-essential imports, discouragement of exports, has had socially damaging and economically disruptive effects. Furthermore, blanket protection which for ears defended heavily subsidized inefficient industries from competition has had similar debilitating effects on the African economy.

Fortunately, starting early in 1980's, Africa countries became disillusioned with the inward-looking development strategy. They, therefore, begun to adopt new policies under structural adjustment programmes. Under these programmes policies are being pursued to promote exports through removal of quantitative trade restrictions, lowering of protective tariffs, retrenchment of government over extension in the economy and floatation of domestic currencies. In addition to embracing trade and financial liberalization policies, several African countries are putting in place export promotion schemes of various types including export processing zones, export compensation, special capital re-valuation, manufacturing under bond, provision of strategic marketing services, favourable credit facilities for export producers, export insurance and guarantee schemes, trade facilitation (i.e. rationalization, harmonization and simplification of export documents), and preferential foreign exchange access facilities such as export earnings retention accounts.

In the African countries where these "outward-oriented" policies were implemented early, such as Mauritius, the results have been very impressive. However in a majority of the other countries, the situation remains far from favourable reflecting the lack of adequate political will to implement the "right" policies. In some cases where outward-looking policies reforms have been agreed, these have been put in place piecemeal and, at times, with reversal or back-sliding of government decisions. The piecemeal approach and back-sliding in the implementation of the "right" policies have tended to severely erode both the creditability and sustainability of policies for export promotion.

In recent years Uganda has made tremendous progress in strengthening the macroeconomic and trade policy reforms necessary to achieve profitability of exports. The government has recognised that government involvement in production activities, if extended too far can ruin the economy. To raise productivity, the government has shown clear commitment to enhancing the role of the private sector. The deep mistrust of the private sector which had been fueled by the earlier foreign domination of the economy has given way to less concern over the economic roles Ugandans Asians and the multinationals. Positive steps have also been taken to restore macroeconomic stability although improvements are not yet far reaching in a number of areas in this field.

Uganda government has put in place a series of policy measures to create an enabling and hospitable climate for investment and export growth. These include the new investment code of 1991, which provides ample scope for encouragement of private sector investment in export sector activities, the abolition of export monopolies which allows greater private sector involvement in the export of traditional export commodities, the simplification of procedures for exporting, in particular, the new export certification and border trade permit system. Direct export taxes have also been eliminated.

Indeed, under the export Diversification Programme adopted by the government for the period 1994-1999, the export financing scheme first introduced in 1991, the drawback system for duties and other taxes and the strengthening of institutions to provide services such as market information are all geared to receive the vital support that is necessary to achieve the intended objectives. The most highly commendable government policy has been the support given to diversification of Uganda's exports by promotion of non-traditional high value exports including horticulture, hides and skins and silk.

Ugandan people are well known for their strong traditions of private initiative and resourcefulness. These are the attributes which can enhance the chances of Uganda's successful implementation of its economic growth and export development strategy. The need for Uganda to establish a neutral trade policy that enables Uganda's producers of exports to be on equal footing with competitors in the world market cannot be overemphasized. Policies on exports need to be worked out in a way that guarantees a realistic exchange rate for the exporters even if the official exchange rate is over-valued. It is important that policies provide free trade status for export activities even if imports for domestic consumption are subject to restrictive tariffs. Access to export financing must be guaranteed at reasonable cost even if other sectors are subjected to credit rationing. Specific institutional mechanisms that give support for export growth must be provided - such as the organisation of exporters along activity line, effective organisation of the agricultural marketing systems, more creative crop production and financing arrangements, establishment of enabling infrastructural facilities, including banks with a variety of financial services, roads and trucking fleets, seaport and airport and railways with adequate cargo handling and storage facilities, market news information services, efficient methods to inspect, grade and certify commodities and adequate legal framework to enforce property rights and commercial contracts.

Countries in Africa today are characterized by a high degree of political instability, incidence of insecurity of life and property. The need for industrial harmony and a peaceful political climate to ensure that productive activities are not disrupted are crucial to export growth and economic development of Uganda. I have strong faith in the commitment of Ugandans to see their country move forward on this front.

I wish you every success and God's blessing in your deliberations.

Thank you.

SPEECH BY DR. DAVID READ BARKER, IMPLEMENTING POLICY CHANGE (IPC) PROJECT, AT THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

STRATEGIC MANAGEMENT OF PUBLIC POLICY

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SPEECH BY DR. DAVID READ BARKER, IMPLEMENTING POLICY CHANGE (IPC) PROJECT, AT THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

STRATEGIC MANAGEMENT OF PUBLIC POLICY

Mr. Chairman,

Honorable Ministers,

Distinguished Participants,

It is a great pleasure for me to participate in this second National Forum on Strategic Management for Investment Promotion and Export Growth. Together with my colleague Julie Nenon, I represent the Implementing Policy Change, or IPC, project, sponsored by the US Agency for International Development.

The IPC project is a worldwide USAID effort to support developing country leaders in both the private and the public sectors to use strategic management tools to carry through policy changes to the point that they make obvious and measurable improvements in people's economic and social welfare and in the quality and accountability of their governments. Much of our work in Sub-Saharan Africa and other regions of the world has focused on precisely those issues which you are discussing in this Forum: stimulating private investment, expanding exports, strengthening the financial sector, and creating an equitable tax regime.

This is the end of the fifth year in which consultants from the IPC project have visited Uganda to assist in your massive effort to restructure your economy and civil relations. We are indeed proud to have been associated with your work since late 1989, when the Director of the IPC project, Lawrence S. Cooley began exploration talks here to identify the policy issues that are most important to you. David F. Gordon, Michael Bess and Bruce Mazzie participated in the first National Forum two years ago, and Dr. Gordon addressed you much as I am doing now. Earlier this year, Eric R. Nelson assisted the Working Group on Tax Policy with some technical analyses and strategic management counsel, and in August Bruce Mazzie met in Mukono with the members of the Monitoring Group to review progress since the first National Forum and Plan this one.

Throughout this process, we have greatly appreciated our rapport with leaders in government and the UMA, particularly with Mr. Sam Rutega, Dr. William Kalema, and Mr. Abel Ojoo, with whom we have worked most closely.

I would ask you now to turn your attention to the three-ring notebooks which constitute the major written input to this National Forum. You will note that it contains the programme and a list of the participants in the front, followed by nine tabs. The first four tabs are by far the most important, since they contain the status reports of the four Working Groups. I will not steal any thunder from the distinguished representatives of these Working Groups who will present their reports to you shortly. Rather, I will attempt to highlight the five papers from the IPC project that are contained behind Tabs 5 through 9.

The first two papers, those behind tabs 5 and 6, are called Technical Notes because they describe key technical aspects of the Strategic Management process. The final three papers, behind tabs 7, 8 and 9 are called Working Papers and are representative of the IPC project's research effort to gain a broad perspective on the transformative policy changes that occurring throughout the world. We have included these three because they make extensive reference to Sub-Saharan Africa and are concerned with critical issues under discussion today: investment promotion, export expansion, privatization, entrepreneurship, and the role of government. Those of you who participated in the first National Forum will note that the author of the last paper in the notebook is Dr. David Gordon.

Strategic Management

This National Forum is concerned with "strategic management". But what is strategic management, and what relevance does it have for Uganda today?

From a historical perspective, it is apparent that strategic management has been developed from the background of strategic planning. Strategic planning became popular in the 1960s and 1970s, a time when -- at least compared to 1994-- the external environment surrounding public and private institutions was relatively stable. Strategic planners could therefore concentrate almost exclusively on the internal dimensions of their organisations and assume a fair degree of constancy in the external environment.

Today, however, every facet of human experience is marked not only by change but by an accelerating rate of change. The degree of change between yesterday and today is less than it will be between today and tomorrow. Plans are doomed to failure if they do not take into account the accelerating pace of change in the external environment. This fact conditions the four main elements of strategic management:

First, the strategic management approach is oriented toward the future. It recognizes that the environment will change with increasing rapidity. It is a long range orientation that anticipates events rather than simply reacts as they occur.

Second, the strategic management approach has an external emphasis. It takes into account many factors in the outside environment, including politics, economics, technology, society, natural resources and the environment, and the whole complex of intelligence, aspiration, and moral values that make up human psychology.

Third, strategic management concentrates on assuring a good fit between the external environment and the organisation, including its mission and objectives, strategies, structures, and resources, and attempts to anticipate what will be required to assure continued fit in the changed conditions of the future.

Finally, strategic management is a continuous process that recognizes the need to be open to changing goals and activities in the light of changing circumstances. It is a process that requires monitoring and review mechanisms capable of feeding information to managers continuously. Strategic management is not a one-short approach, it is ongoing.

The distinction between strategic planning and strategic management rests primarily on where one ends the process or the emphasis one puts on particular parts of the process. Strategic planning places emphasis on the development of the strategic plan and often "assumes" implementation of the plan. Strategic management, on the other hand, includes and emphasizes implementation.

Although there are a number of ways to describe the strategic management process, we have found a 9-step approach to be a useful guide. The 9 steps are:

- ▷ Agreement on and initiation of the strategic management process.
- ▷ Identification and clarification of the organisation's mission, objectives and current strategies.
- ▷ Identification of the organisation's internal strengths and weaknesses.
- ▷ Assessment of the threats and opportunities from the external environment.
- ▷ Identification of key constituents or stakeholders and their expectations.
- ▷ Identification of the key strategic issues confronting the organisation.
- ▷ Design, analysis and selection of strategic alternatives and options to manage the issues identified in step 6.
- ▷ Implementation of the strategy.
- ▷ Monitoring and review of the strategy's performance.

Although each one of these steps is required for successful strategic management, it has been our experience that involving key constituents and stakeholders is absolutely essential. Again and again we have found that implementation falters because the needs and concerns of key individuals or groups were not sufficiently recognized or because they actively opposed or impended action. In short, strategic management is fundamentally a participatory, rather than a dictatorial process, and it is closely linked with openness, transparency and accountability in both government and civil society.

Having sketched for you the main elements of the strategic management process, I would lime to turn for a few minutes to noting some of the external environmental factors that condition strategic management for private investment and export growth in Uganda.

Beyond Policy Reform

The implementation of reform has proven to be significantly more difficult than was foreseen by the multilateral and bilateral donors who have promoted them so vigorously.

Both macro-economic and sectoral reform targets have been adjusted downward and the timing of their implementation has lagged.

A major component of the emerging consensus concerning the sources of the economic crisis in many African countries is that bad governance – leadership behaviour, policies and the performance of public institutions – is at the core of the problem. There is among many donors a growing conviction that addressing development issues only through government can never succeed.

Governments in Africa generally see their roles in terms of control over society and direct influence over the distribution of resources. In such a context, the commercial private sector sees its relationships with government, rather than efficiency or productivity, as the key to profitability.

A transition to a society based on participation, free markets, and competition will be both difficult for government and pose great challenges for society as a whole.

A major lesson of global economic development is that it is the private entrepreneur who is the most efficient generator of employment and wealth. Indeed, it is not possible to find a single example of a sustained, expanding economic base that is not associated with dynamic private entrepreneurship.

Africans both in and out of government, have often equated entrepreneurship with exploitation.

In virtually no African government is there an understanding of the need for a dramatically changed role for government in a private sector - lead economic strategy, nor in the nature of the international marketplace. Governments seem to feel that once a few regulatory, legal and administrative reforms are announced, both domestic and international investors will rush in. Nothing could be further from the truth.

In addition, in most African countries, almost nothing has been done to sensitize the general public about the implications of development led by the private sector, or to overcome the generation of hostile rhetoric towards the private sector.

The model of economic reform that has been pursued by the IMF and the World Bank is supposed to have three steps. First, basic macro-economic stability is restored through appropriate exchange rate management and effective fiscal and monetary policies. Second, structural changes are put into place so that prices reveal true market scarcities. Third, on the basis of the first two steps, entrepreneurship is enhanced and new private investment takes place.

In much of Africa now, there is more or less intense disappointment that the third step does not seem to be taking place. Several African countries are doing less well than expected under structural adjustment, largely due to disappointing investment responses. But why, these governments are asking. Several recent studies have concluded that the policy environments in African countries have undergone so much reform that they are now comparable to those in Latin America and Asia. But the level of private investment in Africa, both domestic and foreign, continues to lag far behind these two other regions with which African countries are now in intense competition.

Measures of structural reform and the apparent effectiveness of conditionalities have become disconnected from actual investors confidence. International investors see continuing capital flight from Africa, estimated to remain as high as US$ 5 thousand million annually. Significant increases in local investment and return of flight capital are not occurring in most African countries.

Why is there such a discrepancy between compliance with policy reform and structural adjustment on the one hand and disappointing investor response on the other?

Our studies and conversations with entrepreneurs and investors in many African countries reveal that they believe that many changes in formal procedures and policy reform measures have been more apparent than real and have been undertaken out of a compulsion to please the donors rather than a heartfelt belief in private sector-led growth. Most African countries continue to lack a clear and equitable code of property rights, meaningful contract law, and a fair and speedy judicial process. Moreover, officials in many national and international organisations remain hostile to the private sector, at least until just the past few years. The Economic Commission for Africa, for example, is still far from warm toward private sector growth, and only recently have the African Development Bank and the African Project Development Facility established initiatives to support the private sector.

Let us turn for a minute to the issue of the specific application of private investment, the old debate over export expansion versus import substitution. There is no good reason to continue this debate because empirical evidence from around the world demonstrates a link between export expansion and increased prosperity, and between import substitution and low or negative growth.

For most countries in Sub-Saharan Africa, including Uganda, there are few meaningful distinctions between policies designed to encourage direct investment and those aimed at expanding exports.

It is not sufficient mere to create an enabling environment for investment and export expansion to occur.
World Bank studies and our own anecdotal evidence suggests that there are eight key elements that are most important in attracting investment and expanding exports. These are:

- ▷ unrestricted access to inputs at world market prices
- ▷ access to financing at appropriate costs
- ▷ ease of investment licensing
- ▷ realistic exchange rates
- ▷ a stable, fair and transparent legal system
- ▷ the absence of excessive exchange controls and the ability to repatriate earnings
- ▷ a rational and not excessively burdensome tax regime, and

- the absence of government interference in, or restrictions on, hiring and firing of workers or other operational aspects.

Uganda is functioning within an extremely competitive global environment which is characterized by

- very weak ties of sentimental attachment based on former colonial relationships or ethnicity

- extreme liquidity of capital

- an information revolution which greatly facilities the identification of opportunities for greater return

- trade based on reciprocity rather than preferential or concessionary access to markets

- increasingly regional markets, such as the EC, NAFTA and ASEAN.

Investor psychology: strong preference to uniform and stable policies and codes, and a clear awareness that special exemptions, arbitrarily granted, can also be arbitrarily revoked. This means that there is a strong underlying resistance to measure such as tax holidays and "special incentives".

As long as investment incentives remain a privilege accorded to certain investors having met certain criteria and applied for various benefits, there exists the risk that the benefits, having been granted, can be rescinded. There is a natural suspicion on the part of investors that a government, having made promises and attracted the desired investment, will fail to live up to its obligations. Prospective investors tend to be much more wary of special deals than they are of rules that are applied uniformly throughout the economy.

Heavy tax burden prevents companies from moving from the informal into the formal sector and thus contributes to a shrinking tax base, to which governments respond by increasing the fiscal burden on those companies in the formal sector.

Many African countries, faced with the unpleasant consequences of their fiscal policies, yet recognizing the need for foreign investment, respond not with an overall reform of fiscal policies but with a set of exemptions and incentives designed to circumvent the policy obstacles to investment. Many countries seem to favour restricting benefits to certain classes of investors, or investment in certain sectors, rather than economy-wide reforms applicable to all companies.

Few countries are prepared to offer incentives that continue indefinitely and so develop a package of incentives meant to help companies to achieve levels of productivity and efficiency that will allow them to compete without subsidies within a specified period.

The National Forum in Uganda

There is no question that the external environment you face is brutally competitive and challenging one, but his should not be a cause for despair among you. Quite the opposite! As an outside observer of the extraordinary strategic management process you launched here two years ago, I wish to extend to you all the heartfelt congratulations from all of us who work with the Implementing Policy Change Project. As the presentations from the four Working Groups will shortly document, you have accomplished a great deal in a very short amount of time. You deserve to be very proud of your accomplishments thus far. With a spirit of optimism and conciliation, and a vision of a prosperous future, this and future National Forums will surely sustain your initial success. Your work is rapidly gaining recognition throughout Africa as a model approach.

Again, congratulations and best wishes.

SPEECH BY MR. JAMES MULWANA, CHAIRMAN, UGANDA MANUFACTURERS ASSOCIATION (UMA), AT THE OPENING OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH,

8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

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SPEECH BY MR. JAMES MULWANA, CHAIRMAN, UGANDA MANUFACTURERS ASSOCIATION (UMA), AT THE OPENING OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE.

Honourable Ministers,

Your Excellencies,

Distinguished Forum Participants,

Ladies and Gentlemen.

On behalf of the Uganda Manufacturers Association, UMA, and on my own behalf, I welcome you all to the Second Presidential Forum on Strategic Management for Private Investment and Export Growth.

Ladies and gentlemen, during the next couple of days, we shall be discussing issues relating to *investment promotion, export growth, financial sector development, as well as tax policy and administration.* These four broad issues affect the ability of the private sector to play its role in production and economic growth. We in the UMA believe that the economic future of our country depends on a rejuvenated and dynamic private sector, capable of utilising the available resources and opportunities to produce, create jobs and increase export earnings.

Those of you who were here when we held the first Presidential Forum in October 1992 will share my feelings of joy and appreciation for the remarkable progress we have all made since then. Four Working Groups, comprising both private sector and government representatives, have been meeting periodically since October, 1992 to monitor and follow-up the implementation of the National Forum recommendations. Workshops have been organised, and consultations between government and private sector representatives have been held under this Forum framework - a clear demonstration of the fact that government and the private sector want to work together to remove constraints to investment and export growth. This is a rare development in the developing world - to have a strategic policy dialogue involving key actors in the economy. We must all do our level best to use this Forum as a vehicle for more constructive policy dialogue, policy formulation and implementation.

We feel proud as the private sector to be able to contribute to the development of policies affecting the conduct of our business operations. In the following discussions, you will hear from the private sector and government what has been achieved since Entebbe '92, the new and outstanding issues requiring action and the recommendations for future policy action. We in the UMA are proud to be participants in this landmark endeavour.

Ladies and gentlemen, the fact that the private sector can engage in meaningful policy discussion with government is indeed a remarkable achievement, considering where we are coming from as a country. Let us avail ourselves of this chance to identify constraints to our progress and then devise solutions together. Above all, let us all commit ourselves to unreservedly implementing the recommendations of this Forum in our respective capacities, for the betterment of our people.

There is still much more to be done. Our competitors abroad and overseas are making the very reforms we are undertaking today. Indeed, unless we continually adjust our economies, we cannot keep up with the pace of reforms internationally. Most governments now recognise the importance of competitiveness and the role of the private sector in economic development. Most are putting in place policies 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 implementing those strategies and policies.

Thus we must make this Forum different from ordinary workshops. Before us is a unique opportunity to make significant progress in identifying those policies that *can be implemented* quickly to enhance our national competitiveness. We must find ways of improving our financial sector to improve the delivery of financial services to the productive sectors; we must rationalise the tax structure to promote, rather than penalise, production; we must enhance investment and export growth.

We are not gathered here simply to discuss issues. We are more interested in *achieving results*. So we should devote our time to identifying constraints and then recommending actions that can be truly implemented. Above all, we should ensure that this process is sustained to ensure continuity. Actions speak louder than words, and we must be firm and consistent in our actions.

Once again, I thank you for having accepted our invitation to participate in this important endeavour. I thank the Presidential Economic Commission, PEC, with whom we have been partners in organising this Forum. I thank the United States Agency for International Development, USAID, for financing the National Forum and for its overall strategy for the development of the private sector in this country. I thank all of you who will in this Forum help to chart a new path for our country and people.

I look forward to a stimulating and productive time together as we seek effective ways of stimulating private investment and export growth.

I thank you all.

SPEECH BY MR. SAM B. RUTEGA, CHAIRMAN, UGANDA DEVELOPMENT CORPORATION (UDC), AND CHAIRMAN OF THE NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH - ENTEBBE 8TH – 10TH NOVEMBER, 1994.

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SPEECH BY MR. SAM B. RUTEGA, CHAIRMAN, UGANDA DEVELOPMENT CORPORATION (UDC), AND CHAIRMAN OF THE NATIONAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH - ENTEBBE 8TH – 10TH NOVEMBER, 1994:

Ladies and Gentlemen,

When we met here two years ago, we had a very ambitious programme to identify and implement actions to promote private investments and export growth.

During the period under review, the private sector has made modest improvement in most of the sectors of the national economy. There is no doubt that privatisation of public enterprises is no longer a point of controversy we all agree that it is the best policy for this country. What we have been looking at during our stay here is to evaluate what progress has been made since October, 1992, what has been achieved and what still needs to be achieved by the private sector in promoting investments and export growth.

In the last two years members of the 4 committees we set up have worked very hard to accomplish their missions. These committees, namely, investment promotion, export growth, financial sector development and taxation policy and administration have done a commendable job as the chairmen of these committees will be reporting to you. I should like to take this opportunity to thank each member of the committee for his or her input.

The Forum has worked out priorities for which there was a broad national consensus. On 22nd August, 1994 the National Forum had a special meeting of the monitoring group at Colline Hotel, Mukono. The group engaged itself in the following activities:

- To review progress made so far.
- To promote team work and communication among the four working groups.
- To engage the monitoring group in setting priorities and building consensus on the next line of action.
- To work out modalities for creating and sustaining momentum for the process already started.
- To agree on strategies for solving the remaining key issues.
- To propose guidelines for the future as indicated above. Each chairman of the four committees will make his/her presentation outlining our achievements, our failures and what needs to be done in future so as to attain our goal of making Uganda a prosperous country through increased production, increased savings, increased investments and increased exports.

During the last two years, one of our major achievements has been a recognition and acceptance that both the public and private sectors have to work very closely together to make our motherland, Uganda, a developed and rich country which can be a pride to all of us. In the last two years we now know that we shall all arise or sink together. We have seen more collaboration and more interaction with ministers and government officials and there is less secretiveness. We have seen liberalisation of imports and exports and the creation of an incentive structure for domestic savings has been enhanced. In brief, there is now better understanding of our problems and there is an apparent effort to find solutions to our problems working together as a team.

As we more ahead, the National Forum should now attempt to focus more specifically on programme elements which we can implement more effectively. As I indicated above, we have no major problems with the broad policies formulated by the NRM government or its objectives. The main problems are internal and mainly higher on policy implementation. For instance, it is clear that in most of the public enterprises and government ministries, there is lack of effective internal budgetary planning and control systems. There issues will have to be addressed.

While the chairmen of the four committees will be presenting their reports, there are some important general issues which have been identified by the National Forum and which should be discussed so that solutions can be found. This is extremely important if we have to create a positive and self-sustaining enabling environment or conducive investment climate that will encourage, facilitate and promote private sector investment and exports. Some of these issues are the following:

Privatisation

On privatisation, the PERD Secretariat has had to lay more emphasis on changing ownership of these public enterprises. We consider that other forms of privatisation should also be given some serious attention. These are changes in organizational and operational structures. There is need to encourage management contracts and liberalisation of some of these public enterprises by abolishing monopolies and exposing these public enterprises to competition. The PERD Secretariat seems to have ignored reforming some of these public enterprises.

Human Resource Development and Capacity Building

We need to intensify our national efforts to improve and develop our human resources and enhance our capacity building. This can be achieved through intensive training and through well focused capacity building methods. We recommend that the private and public sectors should intensify their efforts to attend to this important area. For instance, under the industrial training decree No. 2 of 1972 there is a provision for an industrial training levy. This levy is used solely for industrial training. An industrial organisation which trains is supposed to claim the money it has used for training from the training level fund so that this is, in fact, a revolving fund. For reasons which are not clear, this fund is not used for the purposes it was set up for. We recommend that this training levy fund should be re-activated so that some of this money can be used to develop our human resources in selected specific areas which call for urgent attention.

Closely connected with the issue of human resources development is the question of improving the management capabilities of our managers in the private and public sectors. We need to vigorously work on improving the efficiency and effectiveness of our policy implementors if we have to develop.

The issue of giving adequate incentives to our workers and producers of wealth both in the private and public sectors does not need more emphasis. We cannot expect increased productivity if we ignore this important issue.

During our deliberations in all the 4 committees the question of corruption continued surfacing. We feel that this cancer should be addressed squarely at this point in time. For corruption to survive and thrive there must be two major players. There are the persons to corrupt and the persons willing to be corrupted. The private sector is prepared to go to any length to fight this disease before it disrupts our national fabric. We request the government and the public sector generally to play their part so that we can jointly eradicate or at least reduce this disease before it assumes gigantic proportions and destroys our nation.

The other issue which has featured in the four working committees is the urgent need for land reform. We are aware of the steps the government is taking to have one consolidated law that will bring improvements to our land policies and encourage investments in the agricultural and other sectors of our economy. We request that attempts being made should be speeded up so as to encourage rapid economic development.

Ladies and gentlemen, let me take this opportunity to thank H. E. The President for the interest he has continued to show in the activities of the National Forum. I should also like to express our appreciation for the support we have received from the NRM Government, all the ministers and public officers. All these people have contributed greatly to whatever little we have been able to achieve in the last two years. I should like to record our thanks to the USAID and our government for the financial and moral support we have continued to receive to sustain the National Forum. I need to make special mention of our facilitators, Mr. David Read Barker, Director, Management Systems International and Ms Julia V. Nenon, Programme Associate, Management Systems International who have guided us since last week. We are very grateful for their positive contribution.

In conclusion, I wish to assure you that we are all at your service until all our objectives are met in full.

Ladies and gentlemen, I thank you for your attention.

SPEECH BY MR. JAMES MULWANA, CHAIRMAN, UGANDA MANUFACTURERS ASSOCIATION AT THE CLOSING OF THE SECOND PRESIDENTIAL FORUM ON STRATEGIC MANAGEMENT FOR INVESTMENT PROMOTION AND EXPORT GROWTH, 8 – 10 NOVEMBER 1994, LAKE VICTORIA HOTEL, ENTEBBE

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Your Excellency the Vice President,

Honourable Ministers,

Your Excellencies the Ambassadors and High Commissioners,

Distinguished Forum participants, Ladies and Gentlemen,

On behalf of the Uganda Manufacturers Association, the National Forum Organizing Committee and on my own behalf, I would like to welcome you to this Second Presidential Forum.

Your Excellency, during the last two days our distinguished participants from government, the private sector and the donor community have been discussing critical issues relating to *investment promotion, export growth, financial sector development*, and *tax policy and administration* which they felt have a great bearing on the level of private investment and export growth in this country. These four areas of policy concentration were agreed upon during the 1992 National Forum and are still felt to be important areas for our attention in this Forum.

Participants have taken stock of progress since the 1992 Entebbe Forum, identified new and outstanding issues and have made recommendations, developed and refined in the group discussions and in the plenary sessions which they want to present to you this afternoon. We urge you to listen to our recommendations, and to help ensure that they are implemented effectively so as to stimulate and sustain investment.

Those of you who were here during the first National Forum in October 1992 will recall and appreciate the hard work which went into the planning of the policy change process and the achievements made since. The fact that we have reconvened here this year demonstrates our shared commitment to this process of continuous dialogue and consultations

Your Excellency, as you may be aware, since the last Presidential Forum, four working groups with both the private sector and public sector membership have been meeting regularly to follow-up the implementation of the National Forum recommendations. Workshops have been organized, consultations between the public and the private sector have been carried out at various forums and levels - with the objective of reducing constraints to, and increasing opportunities for, investment and exports. We are firmly convinced that we need this process to continue. We all agree that we need the overall guidance, blessing and clear support of Your Excellency and the government, if we are to truly achieve our objectives.

We have learnt, Your Excellency, through our Guest Speaker, Dr. Andrew Mullei, Director of the International Centre for Economic Growth, ICEG, that collaboration between government and the private sector was a key factor for the rapid development of the South-East Asian "tigers". We have also learnt that the absence of this collaboration in many African countries is a key reason for economic stagnation. We want to use this Forum as a vehicle to develop this spirit of collaboration so that Uganda can lead the way in this direction. What we are attempting to put in place through the Forum is a unique mechanism in the developing countries of Sub-Saharan Africa, and that many people, including donor agencies, are watching this exercise with a keen eye. I would like us to take this advantage further. I wish to urge all of us to use this opportunity to further develop this relationship in order to attract investment, create jobs, produce wealth and uplift the standard of living of our people,

Your Excellency, we in the private sector are grateful for the government's continuing efforts to create an enabling environment which is conducive to economic activity and growth. I will not enumerate the many positive reforms introduced by government in the financial sector, tax policy and administration, investment promotion and export growth. We believe, however, that more should be done if we are to be competitive as a nation. In my opinion the task of economic development is not a domain of one group or another, but a responsibility which we must all share. We should all speak the same language of business; it is the language of collective responsibility to this nation and the only way forward for this country.

Our competitors abroad and overseas are making the some reforms as we are undertaking today. Indeed, unless we continually improve our economy, we will not keep up with the pace of reforms internationally. Most governments now recognise the importance of competitiveness and the role of the private sector in economic development. Most are putting in place policies 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 implementing those strategies and policies.

It is in this spirit that we have used this unique opportunity to make significant progress in identifying those policies that *can be implemented* quickly to enhance our national competitiveness. We have recommended ways of improving our financial sector to improve the delivery of financial services to the productive sectors; we have recommendations for the rationalisation of the tax structure to promote, rather than penalise, production; we have recommended measures to enhance investment and export growth. We hope they meet the full support of government and we look forward to working together in further distilling and implementing these recommendations.

Lastly, Your Excellency, permit me to thank you for having accepted our invitation to participate in this important endeavour. I thank the Presidential Economic Council, PEC, with whom we have been partners in organising this Forum. I thank the United States Agency for International Development, USAID, for financing the National Forum and for its overall strategy for the development of the private sector in this country. I thank all the Forum participants who have worked long hours in order to resolve these critical issues and to identify new issues and recommendations which need our continuous attention in order to improve the competitiveness of our nation. I thank all who have, through this Forum, helped to chart a new path for our country and people.

I thank you all.