Uganda Country Competitiveness Analysis

Final Report

U.S. Agency for International Development

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Office of Emerging Markets

Prepared by **J E Austin Associates, Inc**

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PRICEWATERHOUSECOOPERS

LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
BUDS	Business Uganda Development Scheme
EIU	Economist Intelligence Unit
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GNP	Gross National Product
GOU	Government of Uganda
HIID	Harvard Institute for International Development
HIV	Human Immune Deficiency Virus
ICOR	Incremental Capital-Output Ratio
IMF	International Monetary Fund
JAA	J E Austin Associates, Inc
LOE	Level of Effort
MIGA	Multilateral Investment Guarantee Agency
OECD	Organization for Economic Cooperation and Development
PRESTO	Private Enterprise Support, Training & Organization Development
PSF	Private Sector Foundation
UCB	Uganda Commercial Bank
UMA	Uganda Manufacturers Association
UNDP	United Nations Development Programme
USA	United States of America
USAID	U S Agency for International Development
USDA	U S Department of Agriculture
USDOC	U S Department of Commerce
VAT	Value Added Tax
WTO	World Trade Organization

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EXECUTIVE SUMMARY

At the request of the USAID Global Bureau, J E Austin Associates developed a prototype for a competitiveness exercise to help private and public sector leaders identify and implement effective steps to achieve rapid and sustained economic growth The USAID Africa Bureau then requested a pilot exercise in Uganda because of the commitment of the Ugandan leadership to creating an enabling environment for private sector-led growth The team reviewed existing competitiveness methodologies, analyzed economic data, traveled to Uganda to work with five industry clusters, briefed private and public sector leaders including President Museveni, and prepared this written report

A major challenge of the exercise was to reconcile conflicting definitions and approaches to competitiveness The team combined macro-level approaches dealing primarily with public policy and institutions, export competitiveness and industry and firm-level approaches The team focused much of its in-country efforts on the latter approaches utilizing the methodologies developed by Dr Michael Porter and with technical assistance from Monitor Company of Cambridge

At the macro level, Uganda combines some of the best economic and policy performance rankings in the world Its average growth rate for the 1990s has been above 6% Uganda's ratio of incremental aggregate investment to incremental aggregate output has been the best in the world over a 20-year period It has received very high marks in various ranking systems for policy reforms Foreign direct investment, historically low, recently rose to over 2% of GDP However, Uganda has also had very low absolute levels of savings and investment GDP per capita is only now returning to the levels of the 1970s and its life expectancy is the third lowest in the world To sustain growth, private investment must increase from its current level of about 10% to 15-20% of GDP

The national platform for competitiveness includes some of Africa's best policies but weak implementation, infrastructure and human capacity Uganda ranks 14th out of 23 countries in a recent "Africa Competitiveness Report" and 53rd of 140 countries in terms of "economic freedom " Business surveys document high levels of optimism and a positive evaluation of recent improvements Uganda ranks 100th of 180 countries in political risk, and there are still insurrections in the northern and southwestern sections of the country Fiscal and monetary stability has been restored under the leadership of President Museveni Uganda has a relatively open trade policy environment but there are also many practical obstacles including corruption, smuggling and availability of imported inputs Property rights have been strengthened, but judicial enforcement is weak The public-private dialogue, including the USAID-funded National Forum, is regarded as a model in Africa However, civil service capabilities are underdeveloped The financial sector has undergone substantial deregulation but structural problems are significant including poor risk management, high cost of non-performing loans and low capacity Lack of access by small business to credit is often cited as a barrier to growth The transport, communications, energy and public health

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infrastructure is weak Human resource capacity is also underdeveloped Some 38% of the population over 15 are illiterate, life expectancy is only 42 years, the AIDS infection rate is the fourth highest in Africa and the average employee loses 9 workdays a year because of malaria-related illness

In terms of export competitiveness, Uganda has a 0 014% share of world exports However, the value of exports has grown, averaging growth rates of 9 2% between 1985-95 and ranking Uganda 82nd out of 189 countries This rate of growth accelerated in the 1990s to 22% over the 1990-95 period, during which Uganda ranked 14th in the world In 1995, export values grew by almost 40% and Uganda ranked 8th worldwide This growth was helped by a vigorous recovery (and higher prices) in the coffee sector where Uganda is the world's 5th largest producer It was also helped by a rise in non-traditional exports Uganda has now, for example, penetrated European markets for fresh-chilled fish sent by air freight from Entebbe Tourism receipts have also increased substantially However, most of Ugandan exports are based on natural factor advantages and Uganda is competing mostly in commodity products on the basis of cost Over-reliance on such products for export is statistically correlated with low economic growth per capita

At the level of firms and industries, the team found a number of opportunities for and great interest in improving competitiveness Specific examples related to coffee, fish, cut flowers, tourism and manufacturing are provided in this report Most Ugandan firms defined competitiveness as the ability to produce and market more cheaply and efficiently than others There was much less focus on the potential to capture value through targeting specialized market segments, adding product and service features, moving closer to the end-user, identifying unique products or other non-cost elements of competitive strategy The team provided intensive workshops during both trips for the five key industry clusters

The team analyzed the findings from the micro-level work with industry groups and the macro-level analyses of the national platform to identify priorities for both the public and private leadership It was evident from this analysis that the country needs not only sound public policy but also sound business strategy The competitive response by businesses to policy reform is not automatic, in part because of historic isolation

As a result of this exercise, the Ministry of Finance and Ugandan private sector officials proposed a 3-day retreat to formulate a common vision for Ugandan competitiveness which could include in-depth exposure to competitiveness tools The team also recommends the formulation of a high-level inter-ministerial competitiveness committee to monitor and coordinate the design and implementation of Uganda's competitiveness initiatives GOU efforts should not try to pick "winners and losers," subsidize or protect companies Rather, it should strengthen its policy, institutions, infrastructure and human resource initiatives to promote Ugandan competitiveness The team recommends that the private sector, under the umbrella of the Private Sector Foundation, implement its own competitiveness initiative focused on the upgrading of Ugandan industries Donors have a role to play in both these efforts and in linking competitive clusters in their home countries with emerging Ugandan

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industries (i e , Danish in furniture, Dutch in flowers, Belgians in fish, United States in informatics) World Bank focus on the BUDS and PSF projects and USAID focus on the PRESTO and IDEA projects have sought to promote a strong enabling environment for private sector growth The national leadership now seems willing to come together around a common vision for setting its sights on a new and higher level of competitiveness In summary, this exercise has demonstrated a high level of interest in competitiveness and has also illustrated the specific macro-micro linkages required to contribute to it

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Exhibit X 1

Clarifying Competitiveness
What is Competitiveness?

- Competitiveness has emerged as the preeminent issue in every nation -- for companies and governments

- Upgrading a nation's export competitiveness requires a shared understanding of competitiveness within the nation

- Competitiveness is not simply

    - A favorable exchange rate
    - Positive balance of trade
    - Industrial subsidies
    - Low inflation rate

- Rather, competitiveness is the productivity with which resources are deployed

    - Human resources
    - Capital
    - Physical assets

- Since competitiveness relies on productive deployment of resources, industry sectors and their firms compete, not nations

    - Government has a partial but significant role in creating the platform from which firms compete

Source Monitor Company Inc

INTRODUCTION AND METHODOLOGY

The objective of this effort was to develop a USAID prototype for a competitiveness exercise to help public and private sector leaders identify and implement effective steps to achieve greater competitiveness The Scope of Work **(Annex III)** called for the application of methodologies developed by Michael Porter at the industry level and by the World Economic Forum at the national level It also mentioned analytical tools such as the Austin Policy Impact Framework that link these approaches It directed the contractor to identify and focus on industries likely to enjoy competitive advantage or which could make the largest impact on sustainable economic growth

Uganda was selected as the pilot because of its commitment to bold, private sector- oriented reforms The USAID Global Bureau requested J E Austin Associates to develop a competitiveness exercise The Africa Bureau then requested a pilot implementation in Uganda because the leadership of that country has already undertaken impressive economic reforms An excellent climate for private-public dialogue exists in Uganda, facilitated in part by the USAID-supported National Forum The private and public sector leadership are interested in achieving competitiveness by global standards

As part of the competitiveness exercise, the team carried out the following steps

- Reviewed existing competitiveness methodologies,
- Obtained the assistance of the industry leader in competitiveness strategy,[1]
- Provided a methodology for approval and comment by the USAID mission,
- Conducted an extensive review of existing data on Uganda,
- Selected 5 sectors on the basis of their growth and importance to the Ugandan economy (coffee, fish, flowers, manufacturing and tourism),
- Traveled to Uganda and conferred with the USAID mission,
- Conducted 5 intensive competitiveness exercises with selected industry clusters,
- Met with the Minister of Finance and other key government officials,
- Conferred with World Bank, donors and existing private sector development projects,
- Gathered additional information from company feedback,
- Returned to Uganda and provided 5 additional workshops to 5 industry clusters,
- Provided a competitiveness workshop to the faculty and students of Makerere University Business School,

[1] Monitor, founded in 1983 by Michael Porter and colleagues, is a recognized leader in competitiveness strategy for corporations and governments (see The Competitive Advantage of Nations, New York, 1990) J E Austin Associates expresses its appreciation to Monitor for providing two of its experts to contribute to this effort One of these, Michael Fairbanks, recently published a book describing the lessons learned from applying Michael Porter's competitiveness tools in developing countries (Plowing the Sea Nurturing the Hidden Sources of Growth in the Developing World, Boston Harvard Business School Press, 1998)

- At the request of the GOU, provided a briefing to President Museveni, 4 cabinet ministers, and 20 private and public sector leaders at the President's country home,
- Drafted this Final Report summarizing the results of the activities undertaken in the fulfillment of this task order

This pilot effort had, appropriately, a clear budget and LOE limitations. The effort was designed to be a pilot learning exercise However, it may also have launched a larger effort by private and public stakeholders to renew and strengthen the current dialogue It was designed to support existing efforts to strengthen micro-level performance of the private sector and supplement recent efforts to provide tools to facilitate constructive dialogue [2] It was also designed to provide local stakeholders with an intensive introduction to competitiveness theory, methodology and practical implementation Private firms demonstrated strong demand for competitiveness tools and strategies at the firm and industry levels They also provided very direct and open feedback for the benefit of the effort

A major challenge of this exercise has been to reconcile conflicting definitions and expectations associated with the term "competitiveness " The term has been used in different contexts and it is imperative to differentiate among these different concepts Some competitiveness approaches deal with micro-level issues faced by firms Others deal with macro-level issues that are often best addressed by public policy The concepts vary by unit of analysis (country, exports, industry and company) They also vary by objective (policy reform, investment promotion, export performance, sector productivity or company performance)

"Competitiveness" as used by macro-economists and policy advisors refers to the ability of a country to achieve economic growth, attract investment or increase exports The leading recent example of this macro approach is the Competitiveness Index and National Competitive Balance Sheets developed by the Harvard Institute for International Development (HIID) and the Geneva-based World Economic Forum According to Dr Jeffrey Sachs, "the competitiveness of 23 countries in Africa (is) based on estimates for their medium-term economic growth, controlling for initial levels of income "[3] The index is further buttressed by a "national competitiveness balance sheet," including factors related to openness, government, finance, infrastructure, labor and institutions

"Competitiveness" as used by strategic advisors to corporations and industries refers to real improvements in industrial and firm-level productivity, upon which sustainable growth in income ultimately depends They note that firms, not countries, compete The leading

[2] Notable initiatives underway include the IDEA project, PRESTO project and support of the National Forum by USAID They also include the innovative BUDS project and Private Sector Foundation supported by the World Bank These are but a few of the bilateral and multilateral initiatives which support the local stakeholders in their efforts to stimulate private sector development

[3] Harvard Institute for International Development (HIID) and the World Economic Forum "The Africa Competitiveness Report 1998," p 16

proponent of this approach, Dr Michael Porter, who also served on the President's Commission on Industrial Competitiveness, notes that "the only meaningful concept of competitiveness at the national level is *productivity,*" a phenomenon best understood by analyzing the dynamics of the firm and industry The determinants of national advantage presented in Porter's competitive diamond model include the interactions among government, factor conditions, demand conditions, related and supporting industries, firm strategy, structure and rivalry [4] **Exhibit X 1** further defines Dr Porter's definition of competitiveness and Section III provides a detailed illustration of the Porter competitiveness diamond model

The focus on business and industry-level competitiveness offers a number of implications for developing countries

- Coaches businesses and industries that have been sheltered, until recently, from competitive forces,
- Places equal or greater responsibility on the private sector leadership,
- Directs attention away from traditional focus on cost competition to more attractive ways of competing and adding value (product features and service, for example),
- Suggests that improved policy and institutions are a necessary but not sufficient cause for firm and industry-level competitiveness,
- Sheds light on the dynamic two-way effect that competitive businesses may have on improving the national platform for competitiveness,
- Responds to the concern regarding slow response levels and lag times between public policy reform and private sector action,
- Highlights opportunities for firms and industries in developing countries to boost sales, profits and productivity through better strategy and business practices (i e , adding desirable customer features such as design, quality, reliability, packaging, presentation, and better and more direct delivery channels)

Conceptual confusion and disagreement arise between those who focus on country performance and those who focus on firm and industry-level performance In fact, this exercise has demonstrated the mutually supporting elements between these two approaches They are interdependent and mutually reinforcing It is part of the purpose of this exercise to document the macro-micro linkages and illustrate the dynamic relationships between them [5] These macro-micro linkages generate insight and lessons for competitiveness at both the firm and the national level

[4] Michael Porter, "The Competitive Advantage of Nations," Harvard Business Review, March-April 1990

[5] Tools used for understanding macro-micro linkages can be found in James E Austin, Managing in Developing Countries, NY Free Press, 1990

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The team structured the exercise and this report around five major components

- **Overview of Economic Results**

  Section I highlights Ugandan economic performance over the last 20, 10 and 5-year periods It compares Ugandan achievement to the performance of the top 20 countries worldwide in key economic areas, including GDP growth, GNP per capita growth, savings and investment rates, and investment productivity It evaluates the sustainability of current high growth rates

- **Ugandan National Platform for Competitiveness**

  Section II assesses the Ugandan national platform for competitiveness and the extent to which Uganda has a favorable macro-level enabling environment for promoting firm-level productivity It analyzes Ugandan policy performance in 7 key areas, including political stability, macroeconomic policy, openness to trade and investment, legal and institutional environment, finance, infrastructure and human resources

- **Industry and Firm-Level Competitiveness**

  Section III analyzes the competitiveness of Ugandan firms in 5 major industry clusters coffee, flowers, fish, tourism and manufacturing It evaluates Ugandan exports, market share, firm-level strategies, knowledge of customer learning, forward integration, productivity and innovation utilizing Michael Porter's competitive diamond model

- **Macro-Micro Linkages**

  Section IV develops linkages between the macro-level policy environment and firm-level operations It utilizes the Austin Policy Impact Matrix to illustrate the impact of government policy and the enabling environment on firm-level productivity and competitiveness It outlines mechanisms by which government and business can work together to improve Ugandan competitiveness and, hence, sustainable growth

- **Conclusions and Recommendations**

  Section V provides recommendations for government, business and donors, and strategies for the public and private sectors to work together to improve Ugandan competitiveness It also presents potential follow-on activities for USAID

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I. OVERVIEW OF ECONOMIC RESULTS

The following section presents the key results of Ugandan economic performance over the last 20 years and particularly over the last decade It also compares Ugandan performance against the achievement of the top 20 benchmark countries worldwide for critical indicators such as GDP growth, GNP per capita growth, savings and investment rates, and investment productivity

Reflecting macroeconomic and policy reforms implemented under the Museveni government, Uganda's GDP has grown an average of 5 1% annually over the last decade and 6 7% annually since 1990 **(Exhibit I 1)** Uganda ranked 5th and 2nd, respectively, in Sub-Saharan Africa, in terms of GDP growth during these periods Growth in 1995 jumped to 11%, ranking the country 3rd in Africa This is up from an average of 4 6% over the last 20 years, ranking the country 38th out of 168 countries surveyed worldwide **(Exhibit I 2)** The top 20 countries over the last 20 years have achieved average GDP growth rates of 6-8% per year Ugandan growth in the 1990s is within this benchmark range

Uganda's GNP per capita has grown an average of 1 8% over the last 20 years, ranking the country 53rd out of 164 countries surveyed worldwide **(Exhibit I 3)** The highest performing countries since 1975 have experienced average GNP per capita growth rates of 4-6% per year Per capita growth provides a more direct measure of the extent of poverty alleviation and improved equity

Per capita income has grown over the last decade GNP per capita growth has averaged about 2 2% since 1985 and over 3 3% since 1990, according to the latest World Bank sources **(Exhibit I 4)** Per capita growth jumped to 8% in 1995 These results are significant considering much of Sub-Saharan Africa has witnessed negative real per capita growth rates over the same period

Uganda has among the lowest domestic savings rates in the world and they have been on a downward trend **(Exhibit I 5)** Since 1975, Uganda has saved an average of only 3 3% of GDP per year compared to 25-33% of GDP for the top 20 performing economies worldwide More recent savings rates are even lower, averaging 2 6% over the last decade (since 1985) and only 2 3% since 1990 [1]

Historically, Uganda has had among the lowest domestic investment levels in the world but they are growing and have been strong recently The country ranked last out of 107 countries surveyed, investing an average of only 10% of its GDP annually over the last 20 years **(Exhibit I 6)** Since 1975, the top 20 performing countries have sustained aggregate investment levels of 25-30% of GDP on average More recently, Uganda has witnessed

[1] World Development Indicators 1997, World Bank

considerable improvement in its overall investment rates Gross domestic investment (GDI) has averaged 14 3% since 1988 and 15 3% since 1990, testimony to the success of policy reforms under the Museveni government and increased business confidence in the domestic environment Investment jumped to almost 17% of GDP in 1996 (**Exhibit I 7**)[2] This is clearly a positive trend The importance of strong investment rates, particularly private sector investment, for long-term growth has been well-documented[3]

Private investment rates in Uganda are low but increasing (**Exhibit I 8**) Private investment in Uganda has averaged almost 9% of GDP since 1990 (up from only 5 4% between 1985-89) By comparison, private investment rates among the top 20 performing countries have averaged between 15-20% of GDP As domestic business confidence in the Ugandan economy grows, the World Bank predicts that Ugandan rates of private investment will reach the low end of this benchmark range by 1999 at an estimated 15 6% of GDP[4]

Foreign investment, quite low historically, has risen to over 2% of GDP in 1996 Foreign direct investment (FDI) has accounted for only 0 4% of Ugandan GDP since 1975 (**Exhibit I 9**) The top 20 countries over the last 20 years have experienced average FDI levels of 2-5% of GDP However, most of these countries have either been small island economies or resource-rich economies with large mining investments as a percentage of GDP Thus, for most other developing countries that are neither island states nor exceptionally well-endowed in mineral wealth, a more accurate range for foreign investment is about 2% of GDP The ability to attract higher rates of foreign investment signals a favorable business environment and encourages domestic firms to invest, creating a circle of investment and growth FDI in Uganda has grown in recent years largely in response to a more favorable environment It increased substantially from just $5 million in 1994 to roughly $135 million in 1996, representing about 2 1% of Ugandan GDP[5]

Uganda has the best 20-year incremental capital-output ratio in the world, although this is largely due to "snap-back" growth, previously low investment levels and high population growth (**Exhibit I 10**) Uganda has averaged just over 2 units of investment for every unit of GDP growth over the last decade (incremental capital-output ratio, or, ICOR)[6] After decades of instability and poor policies, market reforms and an improved macroeconomic environment under Museveni have led to high rates of "snap-back" growth as Ugandans have returned to their farms and previously confiscated factories Most of the lowest ranking

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[2] World Bank, Africa Live Database, 1998

[3] See The East Asian Miracle Economic Growth and Public Policy, World Bank Policy Research Report, 1993, Sachs, Jeffrey, "Growth in Africa It Can Be Done," The Economist, June 29, 1996

[4] Ibid

[5] United Nations, UN World Investment Report 1997

[6] ICOR is calculated by dividing GDP growth by gross domestic investment (GDI) as a percentage of GDP The authors stress that ICOR is a very crude indicator of investment quality as many factors influence GDP growth rates besides investment (i e , savings, exports, government spending, technology, labor) ICOR is one tool among many that can be used to assess investment productivity

countries in the ICOR analysis (e g , Afghanistan, Chad, Niger, Sierra Leone) suffer from poor policies, civil war, ethnic conflict or the legacy of socialist planning Thus, we would expect them to have weak/inefficient investment environments as the data seems to confirm Most of the East Asian "tiger" economies are included among the top 20 performing countries Numerous studies have confirmed the contribution of "total factor productivity" to the region's spectacular growth over the last three decades, the current financial crisis notwithstanding [7]

By combining overall investment levels with investment quality, the picture seems clearer Neither high investment levels nor strong ICOR scores alone are enough The challenge is to achieve both Uganda is attempting to do this **(Exhibit I 11)** Exhibit I 11 illustrates Uganda's ICOR performance over the last decade, the last five years and in 1995 While Uganda's strong ICOR scores place it in the bottom-right quadrant, its very low absolute levels of investment have prevented it from joining the ranks of high-growth countries in the top right such as Singapore, Hong Kong, Korea and Malaysia The goal for Uganda is to move upwards towards the performance of these high-growth countries

Uganda still faces several constraints to achieving this goal Uganda's GNP per capita has only now returned to early 1970 levels **(Exhibit I 12)** Uganda still has among the lowest per capita incomes in Sub-Saharan Africa Uganda has also achieved very poor results in other human development indicators such as literacy, education and health Numerous studies have demonstrated the positive correlation between improvement in human development indicators and strong growth **(Exhibit I 13)** In addition, there are only three countries in the world that have lower life expectancy rates than Uganda **(Exhibit I 14)**

To achieve the "breakout" from the lower right quadrant pictured in Exhibit I 11, Uganda must achieve sustained increases in savings and productivity This will depend significantly on both business and government and the linkages between them It will depend on the quality of the macro-level enabling environment in which businesses operate and human resources develop In this report, this is referred to as the national platform It will also depend on the strategies, learning and innovation at the micro level where firms compete Any analysis of competitiveness that fails to examine both levels, macro and micro, as well as the linkages between them, is inadequate as both arenas influence productivity and hence competitiveness, the engine of sustainable economic growth

[7] "The East Asian Miracle," UBS International Finance, Issue 29, Autumn 1996, "Growth and Productivity in ASEAN Economies," presented at an IMF conference in Jakarta, November 1996

Exhibit I-1

UGANDA KEY PERFORMANCE RESULTS (1991-96)

KEY INDICATOR	1991	1992	1993	1994	1995	1996
GDP Growth (%)	5 4	3 2	8 3	6 1	11 2	9 4
GNP per capita ($)	260	200	190	190	240	290
GDI as % GDP	15 2	15 9	15 2	14 7	16 4	16 7
Private Investment % GDP	7 8	8 5	8 5	9 2	10 1	11 2
Savings as % GDP	0 7	0 4	1 1	4 1	7 4	6 3
FDI as % GDP	0	0	2	2	2	2
Investment-Output Ratio	2 8	5 0	1 8	2 4	1 5	1 8

Sources World Development Indicators 1997, Economist Intelligence Unit 1998, African Development Indicators 1997, JAA calculations

Exhibit I 2

TOP 20 COUNTRIES: GDP GROWTH (%)

Country	75-95	Rank
China	9 25	1
Botswana	9 07	2
Maldives	8 55	3
South Korea	8 51	4
Oman	7 99	5
Thailand	7 88	6
Singapore	7 64	7
Hong Kong	7 35	8
Cyprus	7 31	9
Indonesia	7 08	10
Malaysia	7 01	11
Malta	6 90	12
Cape Verde	6 80	13
Solomon Islands	6 70	14
Bhutan	6 64	15
Macao	6 64	16
St Lucia	6 49	17
Vietnam	6 26	18
Cambodia	6 20	19
United Arab Emirates	5 89	20

UGANDA
GDP Growth 6 7% since 1990
GDP Growth 4 62% over last 20 years
World Rank: 38/168 countries

Sources World Development Indicators 1997, JAA calculations

Exhibit I 3

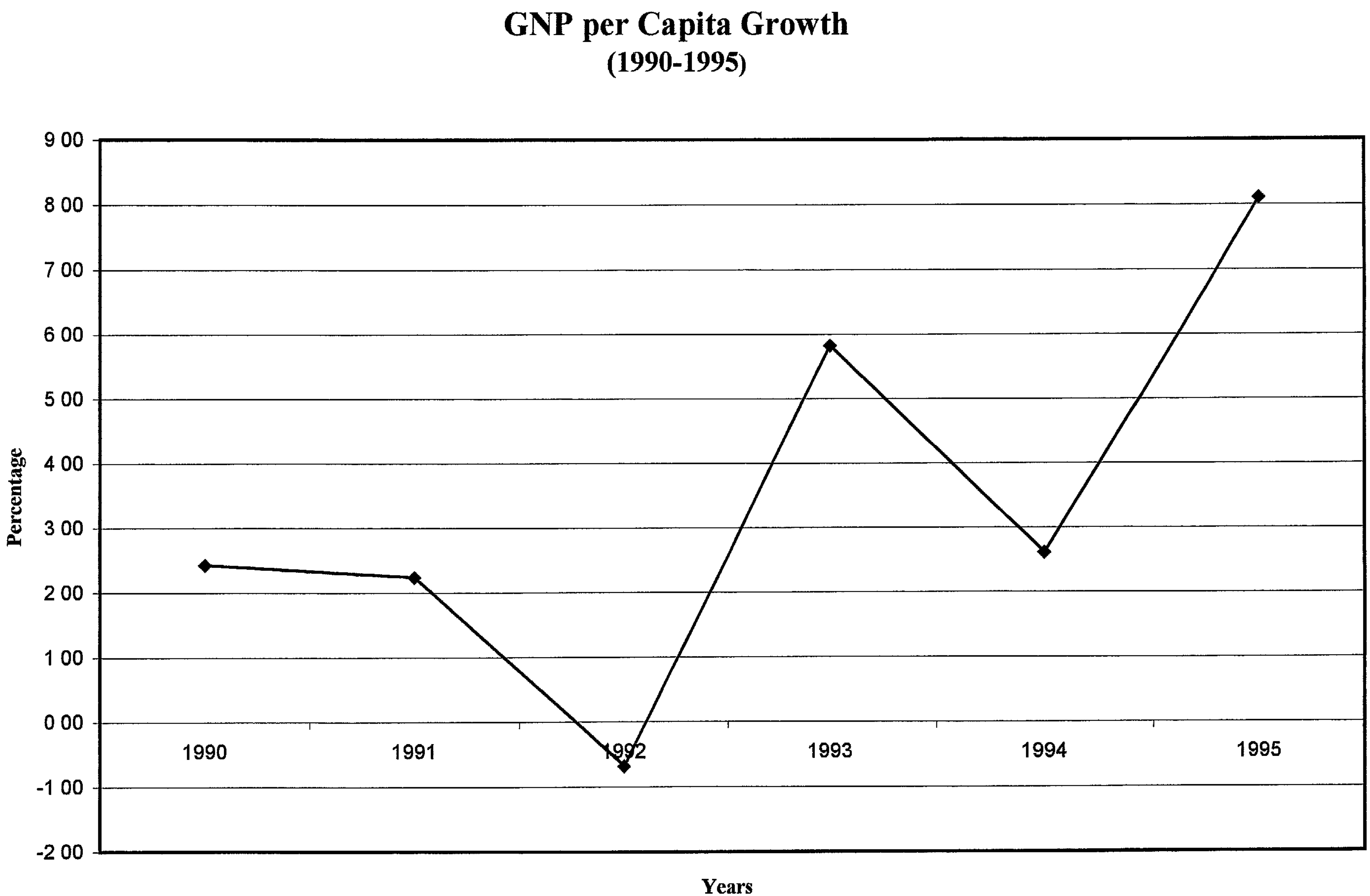
TOP 20 COUNTRIES: GNP PER CAPITA GROWTH (%)

Country	75-95	Rank
South Korea	9 92	1
China	7 73	2
Cyprus	6 36	3
Maldives	6 23	4
Malta	6 00	5
Cape Verde	5 95	6
Botswana	5 81	7
Singapore	5 78	8
Thailand	5 78	9
Antigua and Barbuda	5 47	10
Hong Kong	5 46	11
Bhutan	5 04	12
Indonesia	4 97	13
St Kitts and Nevis	4 91	14
Suriname	4 78	15
St Lucia	4 53	16
Oman	4 42	17
Malaysia	4 32	18
St Vincent Grenadines	3 89	19
Egypt, Arab Rep	3 53	20

UGANDA
GNP Per Capita Growth. 3.3% since 1990
GNP Per Capita Growth: 1.76% over last 20 years
World Rank 53/164 countries

Sources World Development Indicators 1997, JAA calculations

Exhıbıt I 4



Source World Bank Development Indıcators, 1997

Exhibit I 5

TOP 20 COUNTRIES: SAVINGS AS % GDP

Country	75-95	Rank
United Arab Emirates	52 37	1
Gabon	48 01	2
Bahrain	43 42	3
Singapore	40 32	4
Oman	38 69	5
China	35 59	6
Saudi Arabia	34 52	7
Algeria	34 42	8
Malaysia	33 72	9
Hong Kong	33 30	10
Japan	31 92	11
Romania	31 85	12
South Korea	31 17	13
Indonesia	30 63	14
Kuwait	30 00	15
Bulgaria	29 55	16
Botswana	28 96	17
Thailand	27 98	18
Trinidad and Tobago	27 78	19
Venezuela	27 22	20

UGANDA
Savings as % GDP: 2 3% since 1990
Savings as % GDP 3 25% over last 20 years
World Rank: 103/120 countries surveyed

Sources World Development Indicators 1997 JAA calculations

Exhibit I 6

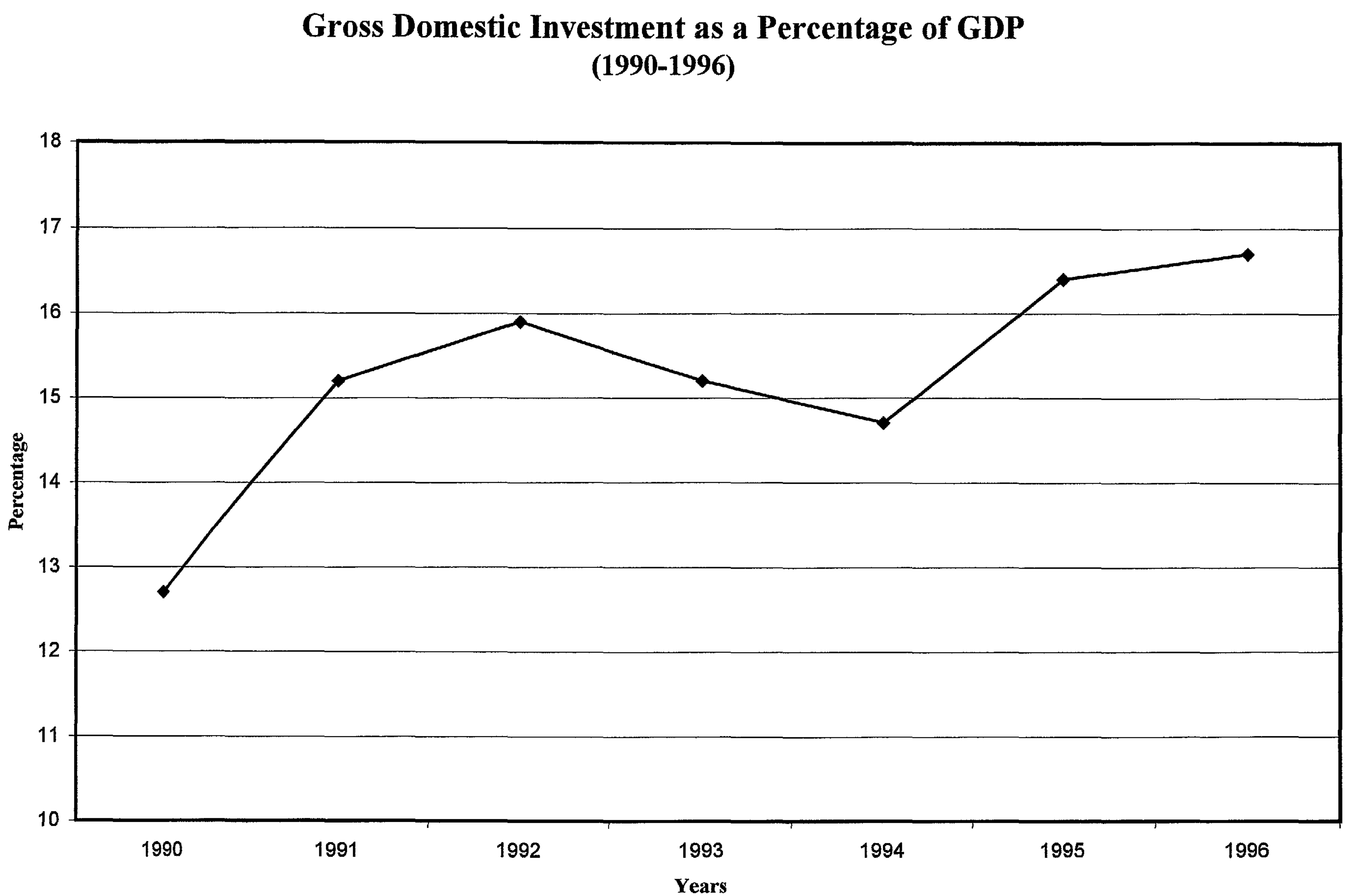
TOP 20 COUNTRIES: GDI as % GDP

Country	75-95	Rank
Lesotho	52 18	1
Kiribati	44 87	2
Cape Verde	44 21	3
Singapore	40 30	4
St Kitts and Nevis	38 36	5
Gabon	35 92	6
Algeria	35 79	7
China	35 49	8
Sao Tome Principe	33 70	9
Romania	33 60	10
Botswana	32 27	11
Thailand	32 19	12
South Korea	31 88	13
Malaysia	31 16	14
Congo	30 38	15
Japan	30 33	16
Cyprus	29 76	17
Tunisia	28 41	18
United Arab Emirates	28 39	19
Hong Kong	28 33	20

UGANDA:
GDI as % GDP: 15.3% since 1990
GDI as % GDP: 9 9% over last 20 years
World Rank· 107/107 countries surveyed

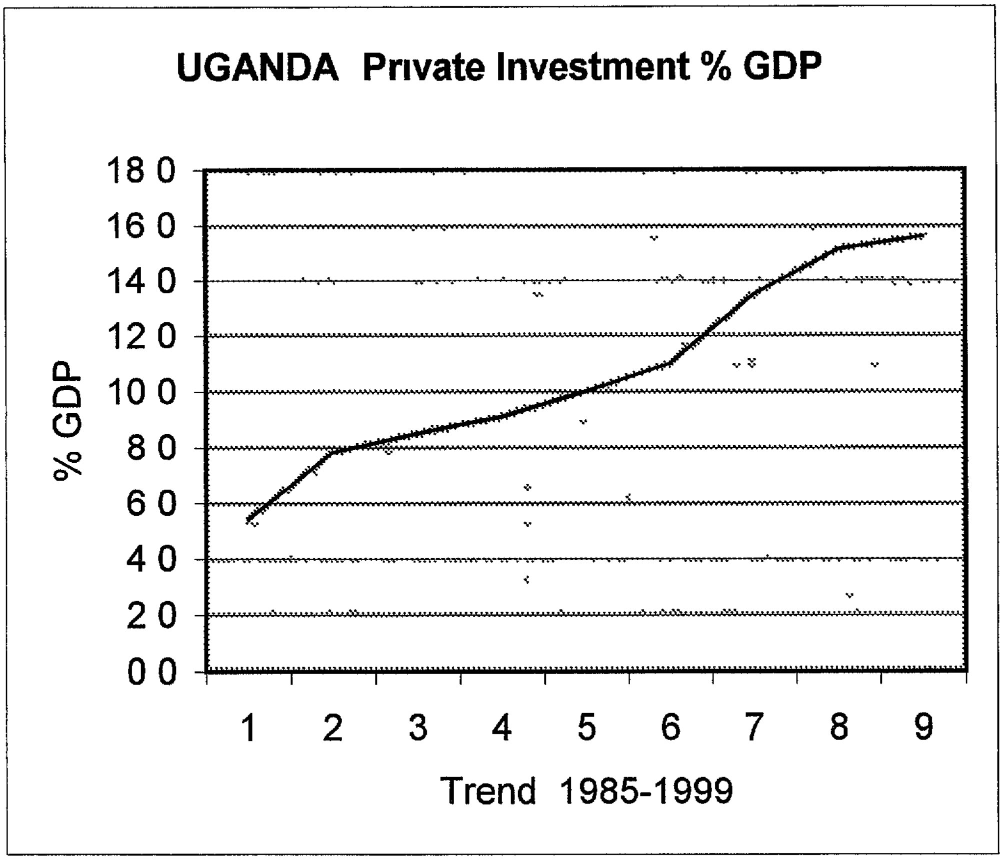
Sources World Development Indicators 1997 JAA calculations

Exhibit I 7



Source World Bank Development Indicators, 1997

Exhibit I 8



Year	%
1985-89	5 4
1991	7 8
1992	8 5
1994	9 1
1995	10 0
1996	11 0
1997	13 5
1998	15 1
1999	15 6

Sources Africa Live Database, World Bank, 1998, JAA calculations
NOTE 97-99 figures are World Bank estimates only

Exhıbıt I 9

TOP 20 COUNTRIES: FDI AS % GDP

Country	75-95	Rank
St Lucıa	11 18	1
St Kıtts and Nevıs	8 95	2
Antıgua and Barbuda	8 52	3
Yemen, Rep	7 78	4
Vanuatu	7 61	5
Seychelles	6 91	6
Equatorıal Guınea	6 27	7
Swazıland	5 74	8
Grenada	5 38	9
Angola	4 78	10
St Vıncent Grenadınes	4 43	11
Solomon Islands	4 40	12
Malaysıa	4 38	13
Domınıca	3 58	14
Papua New Guınea	3 46	15
Trınıdad and Tobago	3 22	16
Botswana	3 21	17
Malta	2 42	18
Costa Rıca	2 33	19
Maldıves	2 29	20

UGANDA.
FDI as % GDP· 2 1% ın 1996
FDI as % GDP 0 39% over last 20 years
World Rank: 87/142 countrıes

Sources World Development Indıcators 1997 JAA calculatıons

Exhibit I 10

TOP 20 COUNTRIES: INCREMENTAL CAPITAL-OUPUT "ICOR" Analysis (1975-1995)

Country	GDP	GDI	ICOR	Conv	Rank
UGANDA	**4.62**	**9.90**	**0.47**	**2.13**	**1**
Oman	7 99	23 90	0 33	3 03	2
Bangladesh	4 11	12 78	0 32	3 13	3
Pakistan	5 80	18 68	0 31	3 22	4
Macao*	6 64	22 27	0 30	3 33	5
Botswana	9 07	32 27	0 28	3 57	6
South Korea	8 51	31 88	0 27	3 70	7
Chad	2 83	10 81	0 26	3 85	8
China	9 25	35 49	0 26	3 85	9
Hong Kong	7 35	28 33	0 26	3 85	10
Indonesia	7 08	28 02	0 25	4 00	11
Malta	6 90	27 85	0 25	4 00	12
Cyprus	7 31	29 76	0 25	4 00	13
Thailand	7 88	32 19	0 24	4 12	14
Myanmar	3 54	15 08	0 23	4 35	15
Egypt	5 81	25 07	0 23	4 35	16
Puerto Rico	3 61	15 58	0 23	4 35	17
Chile	4 77	21 21	0 22	4 55	18
Malaysia	7 01	31 16	0 22	4 55	19
India	5 05	22 69	0 22	4 55	20

UGANDA·

1/127 countries (1975-1995)

Other Countries.	GDP	GDI	ICOR	Conv	Rank
Singapore	7 64	40 30	0 19	5 26	32
United States	2 55	18 94	0 13	7 69	61
Canada	2 82	21 61	0 13	7 69	65
Japan	3 39	30 33	0 11	9 09	74
United Kingdom	1 98	17 96	0 11	9 09	76
France	2 14	21 23	0 10	10 00	86
Switzerland	1 09	23 74	0 05	20 00	114
Haiti	-0 20	13 60	-0 01	n/a	124
Nicaragua	-1 09	19 20	-0 06	n/a	126
Georgia	-3 70	24 86	-0 15	n/a	127

Sources World Development Indicators 1997 World Bank, JAA calculations
*data for Macao is from 1980-1995

Exhibit I 11

Investment Quality Analysis : 1975-1995

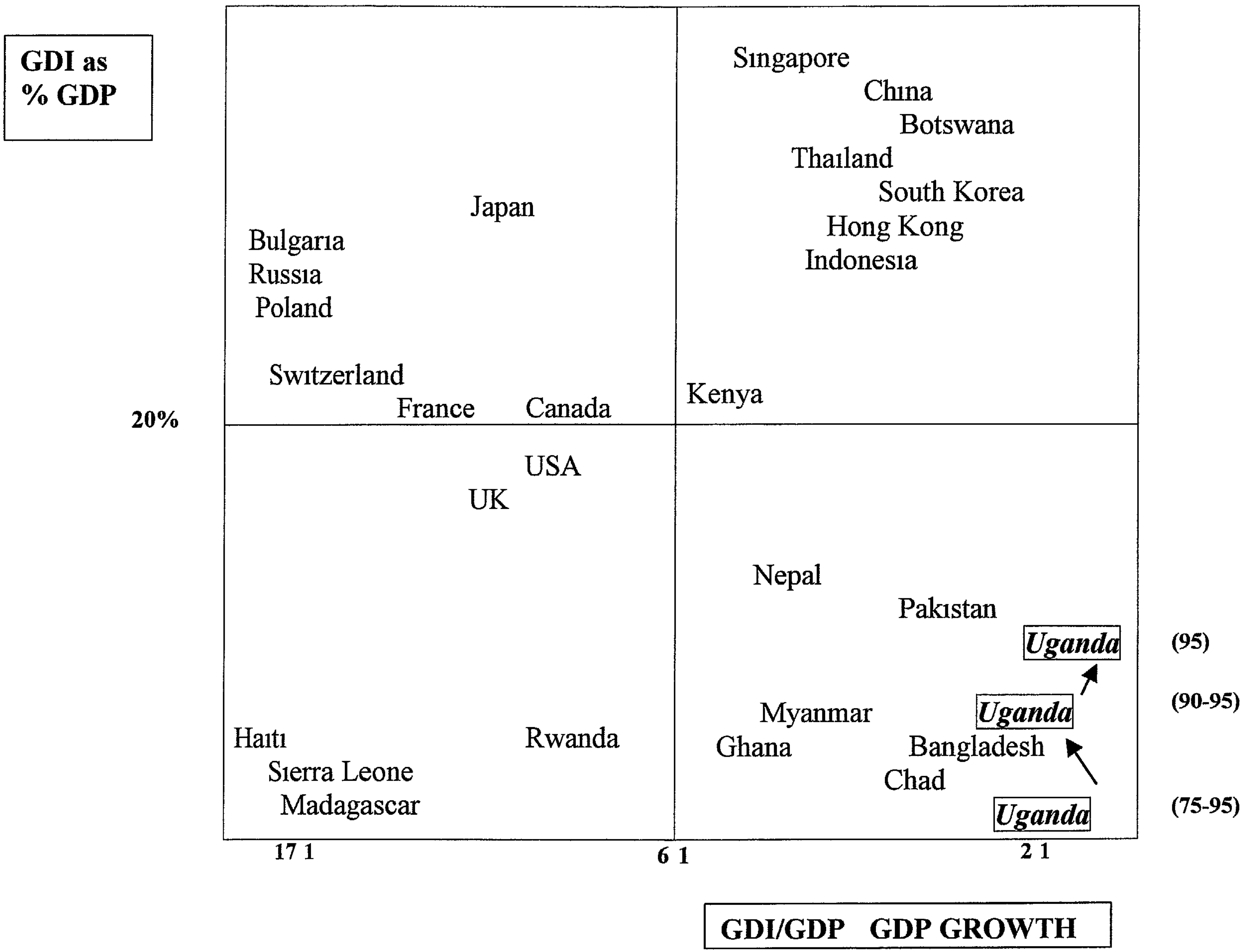


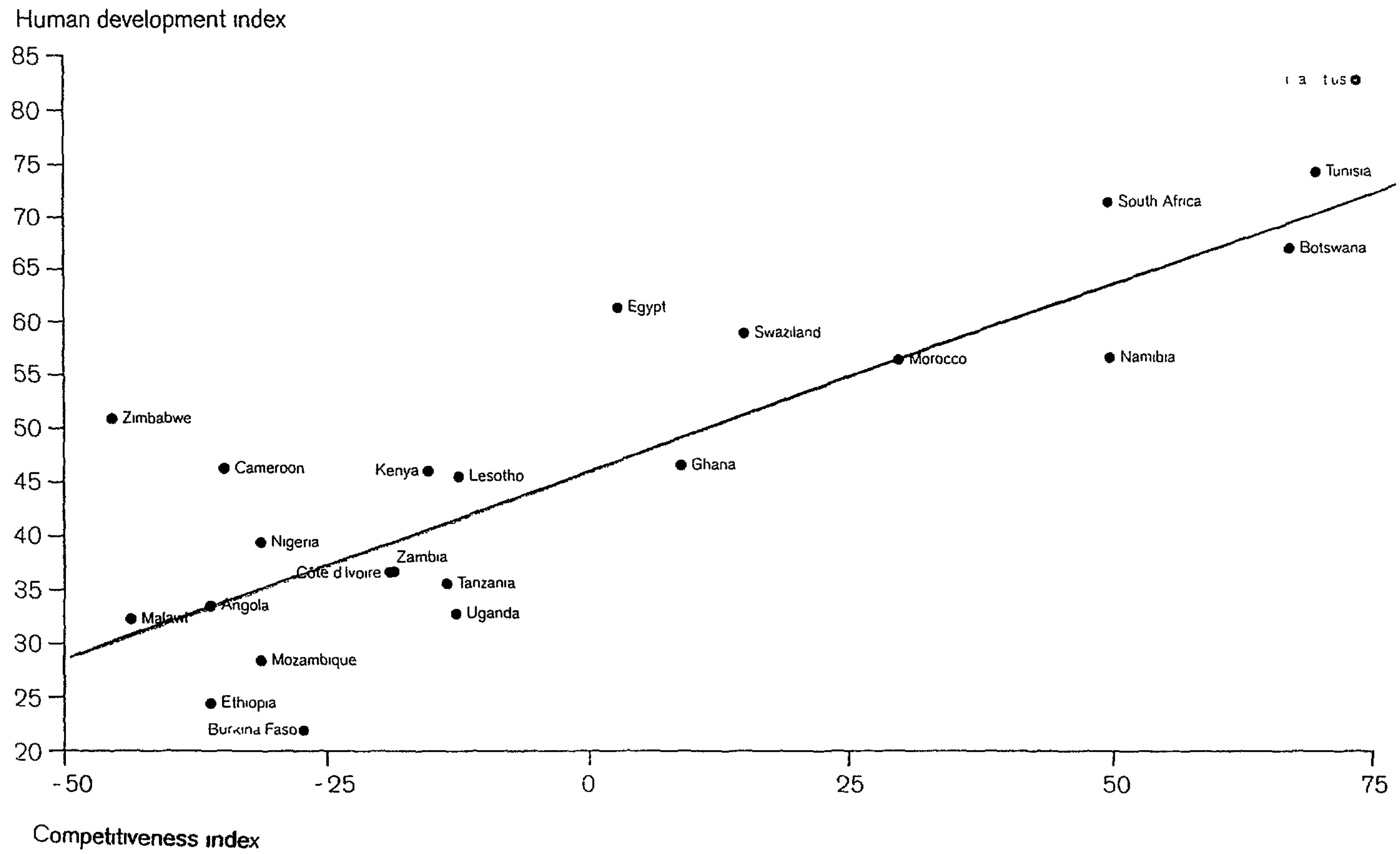
Exhibit I.12 **Comparative GNP Per Capita Incomes Sub-Saharan Africa (1995)**

Country	US$
Gabon	3490
Mauritius	3380
South Africa	3160
Botswana	3020
Namibia	2000
Swaziland	1170
Lesotho	770
Congo	680
Cote d'Ivoire	660
Cameroon	650
Guinea	550
Zimbabwe	540
Mauritania	460
Angola	410
Zambia	400
Ghana	390
Benin	370
CAR	340
Gambia	320
Togo	310
Kenya	280
Nigeria	260
Mali	250
Guinea-Bissau	250
UGANDA	**240**
Burkina Faso	230
Madagascar	230
Niger	220
Rwanda	180
Chad	180
Sierra Leone	180
Malawi	170
Burundi	160
Tanzania	120
Zaire	120
Ethiopia	100
Mozambique	80

Source World Development Indicators 1997
J E Austin Associates, April 1998

Exhibit I 13

Competitiveness Index and Human Development Matrix



Note

The Human Development Index, developed by the UN, ranks countries according to their life expectancy literacy, school enrollment rates and real per capita GDP

The Competitiveness Index was developed by the World Economic Forum and Harvard Institute for International Development. This index ranks African countries according to the weighted average of their performance in key macro-level indicators such as finance openness, government policy infrastructure labor and institutions

Source World Economic Forum and Harvard Institute for International Development, "The African Competitiveness Report" Geneva, 1988

Exhibit I 14

TOP 20 COUNTRIES: LIFE EXPECTANCY AT BIRTH (years, 1995)

Country	1995	Rank
Japan	79 65	1
Iceland	78 87	2
Hong Kong	78 52	3
Sweden	78 50	4
Canada	78 48	5
Switzerland	78 42	6
Channel Islands	78 00	7
Norway	77 86	8
Greece	77 84	9
France	77 82	10
Netherlands	77 82	11
Italy	77 80	12
Cyprus	77 69	13
United States	77 42	14
Netherlands Antilles	77 41	15
Spain	77 28	16
Macao	77 22	17
Australia	77 18	18
Austria	77 11	19
Israel	76 99	20

UGANDA

Life Expectancy 41 72 years
World Rank: 185/188 countries

Sources World Development Indicators 1997, JAA calculations

II. UGANDAN NATIONAL PLATFORM FOR COMPETITIVENESS

The analysis of the Ugandan "national platform" for competitiveness evaluates the macro-level policy environment in which firms operate An effective national platform is one that facilitates business trade and investment, access to finance and business services, and allows business to focus on competitive global strategies rather than domestically restricted strategies needed to overcome or bypass platform weaknesses The following analysis of the Ugandan national platform for competitiveness is based on multiple sources and methodologies These include findings from the World Bank, Africa Competitiveness Report, Economist Intelligence Unit, Heritage Foundation Index of Economic Freedom, USAID, U S Department of Commerce, United Nations Development Programme (UNDP), the Government of Uganda (GOU) and published Ugandan sources The analysis is complemented by extensive interviews and data gathered from recent field interviews with business and government leaders in Uganda in early 1998 The analysis examines Ugandan performance in seven major "platform" areas, including political stability, macroeconomic policy, openness to trade and investment, legal and institutional environment, finance, infrastructure and human resources

II.1 *Overall Ranking for Uganda*

Uganda has a favorable policy environment but a mediocre overall competitiveness ranking The Africa Competitiveness Report 1998 ranks Uganda below the average at 14th out of 23 countries surveyed in terms of the quality of its overall environment for competitiveness (**Exhibit II 1**) However, Uganda ranks 1st out of 20 countries surveyed in terms of the net positive improvement in its policy environment since 1992 vis-a-vis other African countries (**Exhibit II 2**) [1] According to the Heritage Foundation Index of Economic Freedom 1996 policy survey, Uganda scored an average of 2 83 (out of 5) in all policy categories, ranking Uganda 53rd out of 140 countries surveyed in terms of the quality of its overall policy environment (**Exhibit II 3**) [2] Uganda's better-than-average policy score reflects reforms implemented by the Museveni government since 1986 Private sector perceptions of the business environment also confirm that Uganda's policy environment has improved sharply in recent years Increased private investment in Uganda in recent years, both domestic and foreign, is a powerful indicator of a favorable policy environment Private investment rates grew to 9% of GDP from 1990-96 (up from only 5 4% between 1985-89) while foreign investment jumped to 2 6% of GDP in 1996 ($135 million)

II 2 *Political Stability*

Uganda was ranked 128th out of 180 countries worldwide according to its political risk rating based on an assessment of the country by risk analysts, risk insurance brokers and bank

[1] "African Competitiveness Report 1998," World Economic Forum, Geneva, Switzerland, 1998
[2] Countries in the Heritage Foundation survey are ranked from 1-5 (1=best, 5=worst)

credit officers The survey, conducted recently by Euromoney Magazine, defined political risk as the risk of non-payment of loans, dividends, goods and services, as well as the non-repatriation of capital due to potential political instability or future civil unrest

Rebel activity continues in the north and southwest of Uganda The latest Economist Intelligence Unit report for Uganda suggests that the Ugandan army's "failure to put an end to the rebel activities (and) the decision of the president to sack his army chief ushers in a period of uncertainty "[3] Also, civil war and ethnic conflict in neighboring countries (Rwanda, Burundi, Congo-Kinshasa, Sudan) could potentially spill over to Ugandan borders Internal and external pressure appears to be mounting for a negotiated settlement with the rebels There are powerful economic incentives, as improved perceptions of stability in Uganda would help improve the country's risk rating and boost private sector investment Business executives in Uganda did not report undue concern regarding political stability, believing that Uganda has a stable government for the foreseeable future Strong confidence was expressed in President Museveni, although the country is dependent on his personal leadership Nevertheless, some bombings occurred in Kampala during the consulting period, blamed on Sudanese-linked terrorists

II.3 *Macroeconomic Policy*

Uganda has restored fiscal and macroeconomic stability through a comprehensive economic recovery and structural adjustment program supported by the World Bank and IMF The government is stable and has the confidence and support of the international donor community Inflation rates have been reduced dramatically under the current government, from average rates of over 79% between 1985-93 to 9% in 1995 [4] Inflation (as measured by the percent change in consumer prices) averaged just over 7% in 1996 [5] Uganda also maintains no wage or price controls These were removed in January 1994 [6]

However, interest rates on lending remain high and appear to be discouraging stronger rates of investment While inflation rates are now low, nominal interest rates on commercial bank loans are high, averaging just over 20% in 1995 (double the average annual rate in 1980) According to the Heritage Foundation policy survey, Uganda has a monetary policy score of 5+, the area of worst performance, largely due to high interest rates **(Exhibit II 4)** High interest rates reflect the continued underdevelopment of the Ugandan financial sector, the high cost of financial transactions and lack of competition in the sector High interest rates particularly affect the ability of smaller businesses to access capital

Government consumption of economic output in Uganda is moderate and on a downward trend According to the Heritage Foundation survey, Uganda scored 3+ in the area of

[3] *EIU Country Report*, 1st quarter 1998, Economist Intelligence Unit Limited, pp 7
[4] World Development Indicators 1997, World Bank
[5] "African Competitiveness Report 1998," World Economic Forum, Geneva, Switzerland, 1998
[6] Heritage Foundation Index of Economic Freedom, Heritage Foundation, 1997

government consumption, which accounted for 10% of GDP in 1995 (**Exhibit II 5**) This was down from over 14% of GDP in 1985 (World Bank) This reduction in government consumption of economic output can, in part, be attributed to the privatization of numerous state-owned enterprises between 1990-1995 According to World Bank sources, 33 enterprises had been privatized between 1990-1995 for a total sales value of $84 million (World Bank), ranking Uganda 15th out of 46 African countries surveyed (**Exhibit II 6**) These included enterprises in agribusiness, trade, services, finance and industry The government plans to privatize the Uganda Commercial Bank, National Housing Corporation, National Insurance Corporation, a mining concern, sugar company, Produce Marketing Board, Uganda Airlines Corporation and Uganda Dairy Corporation, among others, between 1998-2000 [7]

Relatively high corporate and income tax rates in Uganda are cited as a constraint to business growth Uganda's maximum income and corporate tax rate is 30% (Heritage Foundation) Withholding tax on dividends is 20% for Ugandan residents and 15% for non-residents (U S Department of Commerce) Recently, generous depreciation provisions have been introduced to offset the high corporate tax rate (Economist Intelligence Unit 1997) Uganda scored 3 5 (out of 5) in the area of tax policy in the Heritage Foundation survey (**Exhibit II 7**) A 1994 World Bank survey of 265 private Ugandan businesses revealed that high tax rates were "a leading constraint to future (business) operation and growth "[8] Tax collection also remains a problem in Uganda and results in consistently low levels of tax revenue despite high tax rates Shortfalls in government revenue affect public investment, much of which is financed by major bilateral and multilateral donors [9] The recent establishment of the Uganda Revenue Authority and stricter penalties for VAT evasion have improved tax administration and collection, although much informal sector activity remains untaxed (Economist Intelligence Unit)

II.4 *Openness to Trade and Investment*

Uganda has made progress in reforming its overall trade policy environment There is a strong correlation between openness ("economic freedom") and growth, as illustrated in **Exhibit II.8** The current government has implemented numerous reforms in recent years to improve openness to trade These include the reduction of certain bans on imports, elimination of licensing requirements, the reduction of import tariffs and the elimination of export taxes on coffee 30% import duties on various products have recently been reduced to 20% (U S Department of Commerce) The government's 1997-1998 budget calls for the gradual phasing out of remaining import bans, including beer, soft drinks and batteries In addition, the government intends to introduce a common external tariff on imports by early 1999 (Africa Competitiveness Report 1998) Uganda is a member of GATT/WTO as a least-

[7] *IPAnet*, Multilateral Investment Guarantee Agency (MIGA), World Bank Group, 1998
[8] "The Private Sector in Uganda Summary of Results of the 1994 World Bank/UMACIS Survey," World Bank, 1994
[9] "Trends in Developing Economies," Volume 3, Sub-Saharan Africa, World Bank, 1995

developed country Continued trade liberalization and harmonization of tariff structures should help reduce smuggling and under-reporting of imports, further improving the environment for business growth

While reform of the trade policy environment has been significant in recent years, the practical application of reform has been slow and local businesses perceive continued obstacles Uganda's score for trade policy was 4+ (out of 5) in 1996 according to Heritage Foundation rankings, one of the country's worst areas of policy performance, largely reflecting weak implementation and enforcement of trade reforms **(Exhibit II 9)** The Harvard Institute for International Development (HIID) ranked Uganda 49th of 52 countries surveyed worldwide in terms of the perceived negative impact of import tariffs and quotas on the ability of local businesses to acquire necessary materials and equipment The 1998 Africa Competitiveness Report survey of Ugandan businesses cited the limited availability of reasonably priced export credits and export insurance in Uganda as a constraint to export competitiveness In interviews conducted by the team in Uganda in early 1998, private firms complained about the lengthy delay in receiving payment for duty drawbacks on imported inputs from the government, as well as the negative impact of quotas on the cost of some imported materials and equipment

Uganda is open to foreign investment and maintains no restrictions on foreign ownership Uganda scored 2+ in the Heritage survey for its openness to FDI, a higher score than many OECD countries **(Exhibit II 10)** Uganda has a comprehensive Investment Code (established in 1991) which provides for a competitive package of incentives to attract foreign investment These include exemption from import duties and sales taxes, duty drawbacks and the convenience of a "One-Stop-Centre" to obtain licenses and permits [10] In addition, Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) and has mechanisms for arbitration and dispute settlement [11]

FDI in Uganda increased substantially from just $5 million in 1994 to $121 million in 1995, representing 2 1% of Ugandan GDP during that year (World Bank) In 1996, FDI increased further to $135 million, or, about 2 6% of GDP

Uganda ranked 100th out of 180 countries in terms of its overall investment risk rating (including political risk, economic performance risk, level of indebtedness, credit risk and access to finance), according to a Euromoney country risk survey [12] Sovereign risk is often a key concern of foreign private investors in developing countries, particularly in sectors involving heavy up-front costs such as infrastructure

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[10] Uganda Investment Authority, Internet Homepage, 1998
[11] Ibid
[12] Euromoney Magazine, Supplement, September 1997

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II.5 *Legal and Institutional Enabling Environment*

Uganda has strengthened its protection of private property rights Its score for property protection in the Heritage survey was 2+ in 1996 (**Exhibit II 11**) The Government of Uganda has returned property confiscated under previous regimes, including more than 4,000 properties returned recently by the Departed Asians Property Custodian Board [13] Patents in Uganda are protected for 15 years with a possible 5-year extension Copyrights and trademarks are protected under Ugandan law although enforcement is generally weak Uganda has also reformed its land tenure systems through a 1995 clause in the new constitution allowing land ownership under customary, freehold and/or leasehold tenure [14] However, land reform was generating significant controversy between the government and particular ethnic groups during the team's visits to Uganda in early 1998

Uganda is reforming its commercial and business legislation but enforcement and judicial credibility are generally weak In a recent survey of private business opinion on the legal and institutional environment in Uganda conducted by the Africa Competitiveness Report, most businesses surveyed felt that the Ugandan legal system does not adequately enforce contracts and expressed doubts regarding the ability of Ugandan firms to file lawsuits against the government at independent courts [15] The same survey also revealed that most business respondents do not have much faith in the general public willingness to accept legal dispute settlement mechanisms over illegal ones

Lack of uniform standards and weak quality control supervision may affect Ugandan exports Two multinational companies recently complained about excess moisture in Ugandan coffee The maximum moisture allowance for Ugandan coffee beans is 13-14%, but recent samples revealed moisture contents of between 15-30% [16] Fish exporters recently cited the lack of adequate and uniform sanitary standards for fish and seafood products as a major issue for the industry [17]

Uganda has some "black market" activity but it is declining as business becomes more formalized and import restrictions are alleviated Uganda's Heritage score in this area was 2 (out of 5) in 1996 (**Exhibit II 12**) Smuggling is still an area of concern, however, as it resulted in a sharp reduction in government revenue collection in 1996 According to the Africa Competitiveness Report, a key challenge for the Museveni government will be to "continue the process of reintegrating the various informal and parallel activities into the 'mainstream' of officially measured and officially sanctioned economic activity "[18] Consultant interviews in the field confirmed that smuggling is still a major issue of concern

[13] Heritage Foundation Index of Economic Freedom 1997, Heritage Foundation
[14] Economist Intelligence Unit, *EIU Country Report*, 1997-98
[15] "Africa Competitiveness Report 1998," Annex, World Economic Forum Geneva, Switzerland, 1998
[16] Economist Intelligence Unit, *EIU Country Report*, 1st Quarter, 1998, pp 19
[17] JAA interviews with Ugandan businesses, Uganda, 1998
[18] "Africa Competitiveness Report 1998," World Economic Forum, Geneva, Switzerland, p 162

to businesses that find it difficult to pay import duties and VAT, and compete against smuggled goods

Public-private dialogue is seen as a model for Africa The National Forum coincided with a major shift in attitude towards building dialogue with the private sector The Forum is proving to be an important vehicle for improved public-private cooperation in strengthening the national environment for business growth It is setting into motion new policy directives and generating optimism Recently, the Private Sector Foundation, a World Bank initiative, was created to continue this process

Civil service capabilities are weak Once one of the better bureaucracies in Africa, the Ugandan civil service was devastated during the Amin and Obote periods Planning and enforcement of laws is particularly weak Significant irregularities, for example, are being reported at Uganda's privatization agency To improve civil service capabilities and the delivery of public services, the government has introduced a broad civil service reform package that aims to reduce overall staff, eliminate redundancy, and reorganize employees according to functional responsibilities [19]

II.6 *Finance*

Although the Ugandan financial sector has undergone considerable deregulation since 1993, structural problems remain and continue to affect business growth These include the high cost of non-performing loans, high administrative costs, poor risk management, the pervasive influence of personal relationships in lending decisions, weak capacity of banking sector officials, and limited local investment opportunities [20] The increased private sector investment necessary to sustain Ugandan growth will depend heavily, according to Economist Intelligence Unit sources, on the ability of the government to strengthen financial sector reforms and develop a broader-based capital market in which the public has confidence

Uganda has moderate financial sector restrictions and its banking sector remains relatively underdeveloped According to the Heritage Foundation survey, Uganda's score in banking policy was 3+ in 1996, reflecting a relatively small banking sector dominated by state-owned banks (Uganda Commercial Bank in particular) and concentrated in mostly urban areas **(Exhibit II 13)** The Uganda Commercial Bank (UCB), according to the latest estimates, accounts for roughly 40% of all deposits [21] In addition to UCB, there are 19 commercial banks (including, among others, Stanbic Bank, Barclays Bank and Standard Chartered Bank), 2 development banks, 27 insurance companies, a pension fund, leasing company and building society [22] Considerable progress has been made in liberalizing Uganda's financial

[19] "Trends in Developing Economies," Volume 3, Sub-Saharan Africa, World Bank, 1995
[20] "Africa Competitiveness Report 1998," World Economic Forum, Geneva, Switzerland, 1998
[21] "Trends in Developing Economies," Volume 3, Sub-Saharan Africa, World Bank, 1995
[22] *EIU Country Profile,* 1997-98, p 24

sector in recent years, especially in the context of the government's current Economic Recovery Programme Progress has included the development of the Kampala Stock Exchange (which began trading in January 1998) and the establishment of the Financial Institutions Act and Bank of Uganda Act, which have strengthened the central bank's autonomy and regulatory capabilities [23] In addition, UCB is being privatized

Lack of access to finance is a major constraint for smaller businesses In a recent survey by the Africa Competitiveness Report 1998, the majority of firms surveyed agreed that commercial banks and other financial institutions in Uganda do not adequately serve the needs of small business [24] Where small firms do have access, high interest rates on bank loans and strict collateral requirements are major barriers to borrowing, according to the same survey

II.7 *Infrastructure*

Only 5% of Uganda's population has access to electricity, according to a recent World Bank report Electricity production per capita was just 43 7 kWh in 1993 (the latest year for which data was available), ranking Uganda 134th out of 147 countries surveyed worldwide **(Exhibit II 14)** [25]

Uganda's telecommunications infrastructure is also weak The country has only 2 3 telephone mainlines per 1,000 people, according to the latest World Bank estimates **(Exhibit II 15)** The average price of a 3-minute telephone call to the USA was over $9 in 1995 compared to just $2-3 in the top 20 performing countries, ranking Uganda 104th out of 139 countries worldwide **(Exhibit II 16)** [26] High costs in part reflect a lack of competition in infrastructure provision, maintenance, management and services

Water supply, sewage and sanitation are also key problems A severe outbreak of cholera in December 1997 was largely due to contamination of the water supply [27] Between 1990-95, an average of only 42% of Ugandans had access to safe, uncontaminated water This is up from only 29% between 1985-95 **(Exhibit II 17)** [28] Uganda has made considerable progress over the last few years but clean water remains a serious health issue

Local firms cite the poor quality of roads and lack of access to industrial space as key obstacles to their future operation and growth, according to a World Bank survey of private

[23] Ibid
[24] Ibid, p 195
[25] World Development Indicators 1997, JAA calculations
[26] JAA analysis based on data from World Development Report 1997 and World Development Indicators 1997
[27] Economist Intelligence Unit, *EIU Country Report*, 1st Quarter, 1998, p 15
[28] Ibid

business opinion in Uganda[29] As a landlocked country, Uganda relies heavily on transport links through Kenya Efforts to reduce dependency on Kenyan networks include the potential development of transit routes through Tanzania[30] Ugandan farmers have reported difficulty transporting cotton to ginning plants due to poor road conditions, particularly in rural areas

Uganda has one of the lowest computer prevalence rates in the world with only 0 5 personal computers per 1,000 people, ranking Uganda 69th out of 72 countries surveyed worldwide **(Exhibit II 18)** Uganda ranks 7th out of 10 African countries for which data was available Uganda also has a very low (but growing) rate of Internet use with only 0 03 Internet users per 10,000 people **(Exhibit II 19)**

Uganda is making progress, however, in improving its infrastructure base A major road rehabilitation effort has recently improved the surface condition of key road networks, such as the northern corridor route, and most urban and regional roads[31] Projects to develop small-scale hydroelectric power plants are underway in several remote areas of the country Regular maintenance and repair, however, remain problematic The World Bank and other donors have played a large role in supporting private infrastructure development and maintenance in Uganda in recent years, particularly in roads and telecommunications

II.8 *Human Resources*

Average life expectancy in Uganda is just 42 years, ranking Uganda 185th out of 188 countries surveyed worldwide (see Exhibit I 14 in Section I)[32] Average life expectancy for Africa is 52 years Only three countries in the world have lower life expectancy rates than Uganda Sierra Leone, Rwanda and Guinea-Bissau

Uganda's infant mortality rate is roughly 1 out of every 10 infants, ranking the country 166th out of 190 countries surveyed **(Exhibit II 20)**[33] About 23% of all children under 5 years of age suffer from malnutrition[34] Malnutrition rates are higher in rural areas

Over 38% of Uganda's population over 15 years of age is illiterate, according to the latest World Bank estimates **(Exhibit II 21)** This is lower than average illiteracy rates in Africa (43%)

Indicators for educational enrollment are better, but still lag behind most countries 91% of Ugandan children are enrolled in primary school, for example, but Uganda still ranks only

[29] "The Private Sector in Uganda Summary of Results of the 1994 World Bank/UMACIS Survey," 1994
[30] *EIU Country Profile*, 1997-98, p 21
[31] Ibid
[32] JAA analysis based on data from World Development Indicators 1997, World Bank
[33] Ibid
[34] Ibid

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71st out of 107 countries surveyed worldwide in primary enrollment **(Exhibit II 22)** [35] Similarly, 83% of school-age girls in Uganda are enrolled in primary school but Uganda still ranks 70th out of 93 countries surveyed in terms of female enrollment **(Exhibit II 23)** According to the Economist Intelligence Unit, only 49% of boys and 29% of girls actually complete primary school The gender gap is also evident at the secondary school level Only 13% of all Ugandan children attend secondary school but the enrollment for girls is even less at 7% [36]

The AIDS epidemic and malaria-related diseases pose threats to sustainable human development The AIDS epidemic, tuberculosis and malaria are the three leading causes of death among Ugandan adults Roughly 15 out of every 1,000 people is infected with the HIV virus, according to the World Bank This is the fourth highest adult HIV prevalence rate in Africa The average employee is absent roughly 9 working days per year due to malaria-related illnesses, according to a recent survey of Ugandan businesses by the African Competitiveness Report Only businesses in Cameroon and Tanzania reported higher illness-related absentee rates Uganda also suffers from low immunization rates for other diseases Only 79% of Ugandan children under 12 months of age, for example, are immunized against major childhood diseases such as diphtheria, whooping cough and tetanus, ranking Uganda 106th out of 162 countries surveyed worldwide **(Exhibit II 24)**

Income in Uganda is unevenly distributed, raising questions of the equity of growth The richest 10% of Uganda's population controls over 33% of the country's income, ranking Uganda 59th out of 84 countries surveyed in terms of income distribution **(Exhibit II 25)**

II.9 *Summary*

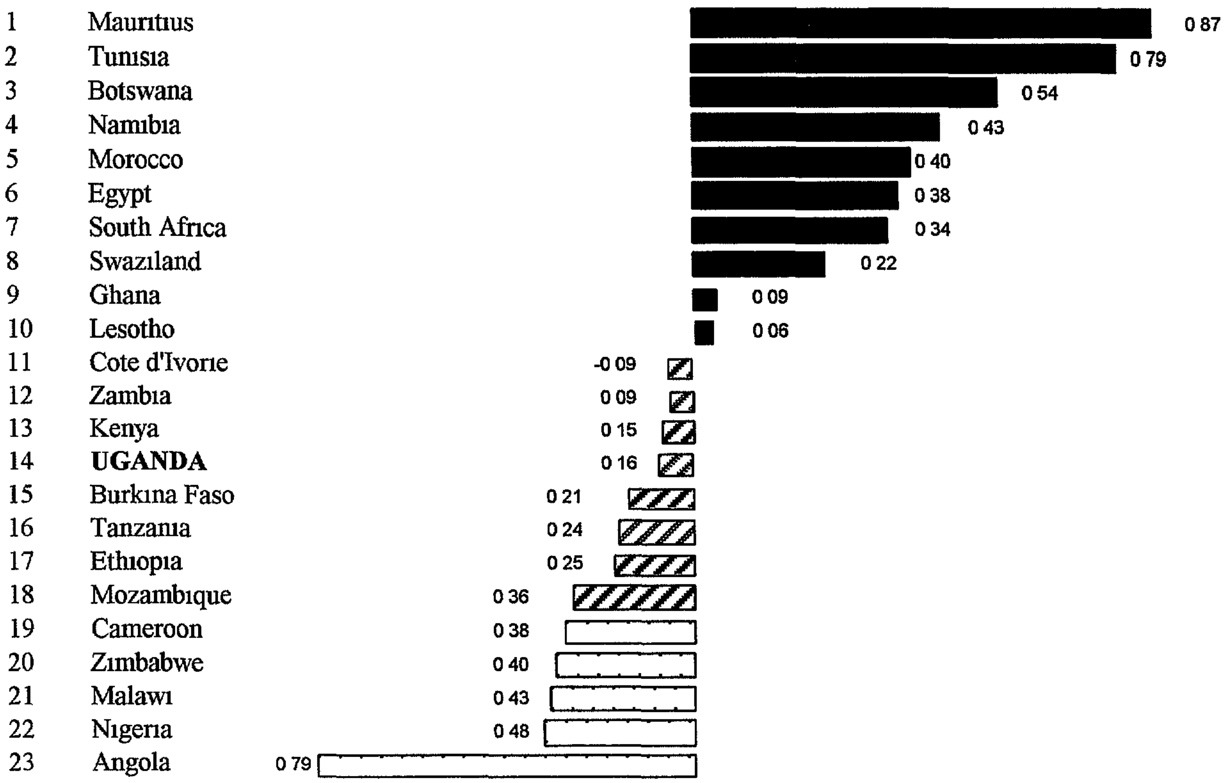
The foregoing analysis has presented an overview of the Ugandan national platform for competitiveness (also referred to by some as "country competitiveness") It has demonstrated that strong leadership has brought political stability and economic reform There is still much work to be done to create an effective financial, legal and institutional enabling environment Major issues focus on civil service capacity, corruption, and fair enforcement of taxes and import duties A strong judiciary is still lacking Infrastructure and human resource capacity need strengthening While the GOU, supported by donors, seeks to address these issues, the Ugandan private sector struggles to become competitive

[35] World Development Indicators 1997, World Bank

[36] *EIU Country Profile*, 1997-98, pp 19

Exhibit II 1

African Competitiveness Index

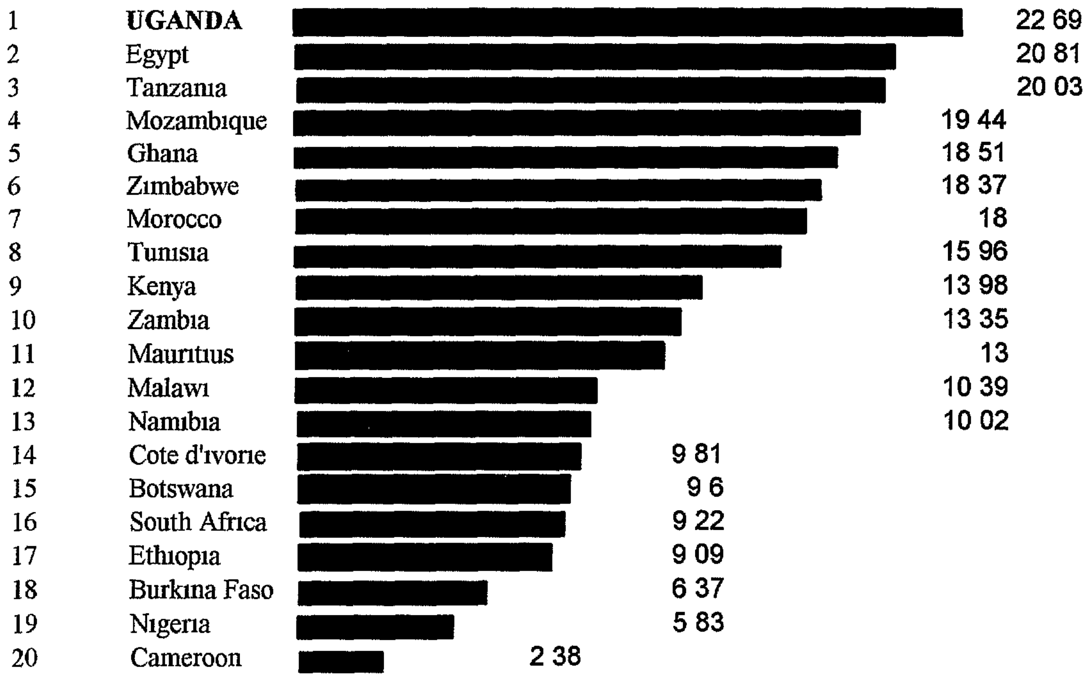


Key
■= High Ranking
▨= Middle Ranking
□= Low Ranking

Source World Economic Forum and Harvard Institute for International Development "The African Competitiveness Report 1998 " Geneva 1998

Exhibit II 2

Improvement Index



The Improvement Index is constructed from "direction of change" questions in the Executive Survey undertaken by the World Economic Forum Respondents were asked to rate factors affecting economic growth at present, five years ago and two years from now The Improvement Index compares answers relating to five years ago and those relating to the present The 20 countries shown above had sufficient survey replies to be included

Source World Economic Forum and Harvard Institute for International Development "The African Competitiveness Report 1998 " Geneva 1998

Exhibit II 3 Comparative Policy Analysis AVERAGES and RANKINGS

Country	Avg 95	Avg 96	Rank
Botswana	3 05	2 80	47
UGANDA	**2.94**	**2.83**	**53**
Swaziland	2 90	2 90	57
Zambia	3 05	2 95	62
Benin	N/A*	2 95	62
South Africa	3 00	3 00	66
Kenya	3 05	3 05	71
Gabon	3 06	3 06	76
Mali	3 50	3 10	77
Ghana	3 30	3 20	82
Namibia	N/A*	3 20	82
Nigeria	3 15	3 25	83
Cote d'Ivoire	3 25	3 25	83
Guinea	3 35	3 35	86
Madagascar	3 50	3 35	86
Malawi	3 40	3 40	90
Senegal	N/A*	3 40	90
Cape Verde	N/A*	3 44	93
Tanzania	3 50	3 45	94
Cameroon	3 60	3 60	107
Lesotho	N/A*	3 65	109
Zimbabwe	3 50	3 70	111
Ethiopia	3 80	3 70	111
Burkina Faso	N/A*	3 70	111
Niger	N/A*	3 70	111
Sierra Leone	3 75	3 75	117
Congo	3 90	3 80	121
Mauritania	N/A*	3 80	121
Mozambique	4 40	4 05	127
Sudan	4 22	4 10	128
Zaire	N/A*	4 20	129
Angola	4 35	4 35	133
Somalia	N/A*	4 70	134
8 Other Countries	N/A*	N/A	N/A

SSA Region	3 46	3 47	94 2
World Average	3 07	1 75	70 18

*N/A = data not available

Sources Heritage Foundation Index of Economic Freedom 1997, JAA calculations

Exhibit II 4 **Comparative Policy Analysis MONETARY POLICY**

Country	Monetary	Qualifier
Benin	1	-
Gabon	1	-
Mali	1	-
Cote d'Ivoire	1	-
Senegal	1	-
Cameroon	1	-
Burkina Faso	1	-
Niger	1	-
Congo	1	-
Botswana	2	+
Cape Verde	2	+
Mauritania	2	+
Swaziland	2	S
Kenya	2	-
Ethiopia	2	-
South Africa	3	+
Namibia	3	+
Guinea	3	+
Lesotho	3	S
Madagascar	3	-
Malawi	3	-
Ghana	4	+
Nigeria	4	-
Tanzania	4	-
Zimbabwe	4	-
UGANDA	**5**	**+**
Zambia	5	+
Sierra Leone	5	+
Sudan	5	S
Zaire	5	S
Angola	5	S
Somalia	5	S
Mozambique	5	-
8 Other Countries	N/A*	N/A

SSA Region	**2 81**	-
World Average	**2 85**	**S**

*N/A = data not available
Sources Heritage Foundation Index of Economic Freedom 1997 JAA calculations

Exhibit II 5 **Comparative Policy Analysis· GOVT. CONSUMPTION**

Country	Govt Consumption	Qualifier
Zambia	2	+
Madagascar	2	+
Swaziland	2	S
Guinea	2	S
Nigeria	2	-
UGANDA	**3**	**+**
Benin	3	+
Mali	3	+
Cote d'Ivoire	3	+
Cape Verde	3	+
Ethiopia	3	+
Zimbabwe	3	+
Congo	3	+
Mozambique	3	+
South Africa	3	S
Namibia	3	S
Malawi	3	S
Tanzania	3	S
Lesotho	3	S
Burkina Faso	3	S
Niger	3	S
Sierra Leone	3	S
Sudan	3	S
Zaire	3	S
Kenya	3	-
Gabon	3	-
Ghana	3	-
Cameroon	3	-
Botswana	4	S
Mauritania	4	S
Angola	4	S
Senegal	5	S
Somalia	5	S
8 Other Countries	N/A	N/A

SSA Region	**3 061**	**S**
World Average	**2 81**	**S**

*N/A = data not available
Sources Heritage Foundation Index of Economic Freedom 1997, JAA calculations

Exhibit II 6 **Number of Privatization Transactions 1990-1995**
Sub-Saharan Africa

Country	Transactions	Rank
Mozambique	510	1
Angola	269	2
Guinea	115	3
Kenya	109	4
Ghana	102	5
Tanzania	93	6
Nigeria	81	7
Zambia	75	8
Madagascar	58	9
Mali	48	10
Benin	46	11
Senegal	39	12
Cameroon	37	13
Malawi	35	14
UGANDA	**33**	**15**
Cote d'Ivoire	32	16
Guinea-Bissau	31	17
Mauritania	31	18
Niger	31	19
Gambia	30	20
Burundi	26	21
Sudan	26	22
Chad	25	23
CAR	24	24
Togo	24	25
Cape Verde	21	26
Gabon	19	27
Burkina Faso	16	28
Sao Tome P	10	29
Congo	9	30
Sierra Leone	9	31
Lesotho	8	32
Comoros	4	33
Eq Guinea	3	34
South Africa	3	35
Zaire	2	36
Zimbabwe	2	37
Botswana	1	38
Djibouti	1	39
Namibia	1	40
Seychelles	1	41
Ethiopia	0	42
Liberia	0	43
Mauritius	0	44
Somalia	0	45
Swaziland	0	46

*Source African Development Indicators 1997

Exhibit II 7

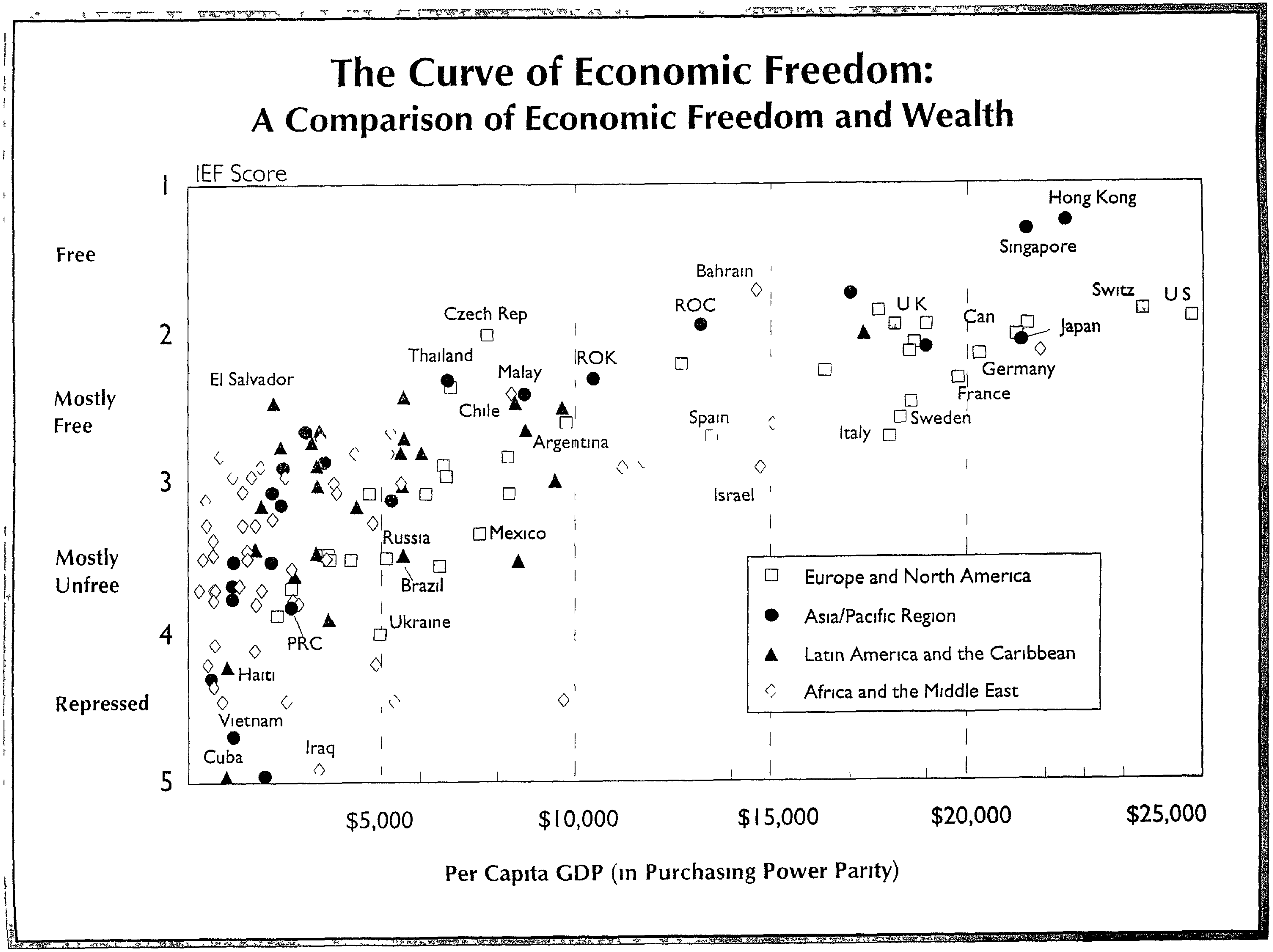
Comparative Policy Analysis. TAX

Country	Tax	Qualifier
Botswana	3	+
Swaziland	3	S
Ghana	3	S
Benin	3 5	+
Kenya	3 5	+
Mozambique	3 5	+
UGANDA	**3.5**	**S**
Zambia	3 5	S
Namibia	3 5	S
Cote d'Ivoire	3 5	S
Nigeria	3 5	S
Tanzania	3 5	S
Angola	3 5	S
Madagascar	3 5	-
Zimbabwe	4	+
South Africa	4	S
Malawi	4	S
Senegal	4	S
Cameroon	4	S
Burkina Faso	4	S
Ethiopia	4	S
Niger	4	S
Mauritania	4	S
Gabon	4 5	S
Guinea	4 5	S
Lesotho	4 5	S
Sierra Leone	4 5	S
Mali	5	S
Congo	5	S
Sudan	5	S
Zaire	5	S
Somalia	5	S
9 Other Countries	N/A*	N/A

SSA Region	**3 95**	**S**
World Average	**3 78**	**S**

*N/A = data not available
Sources Heritage Foundation Index of Economic Freedom 1997 JAA calculations

Exhibit II 8



Source Johnson, Bryan and Sheehy, Thomas *1996 Index of Economic Freedom* Washington DC The Heritage Foundation, 1996

Exhibit II 9 **Comparative Policy Analysis TRADE**

Country	Trade	Qualifier
Kenya	3	+
Mauritania	3	+
Zambia	3	S
Mali	3	S
Botswana	4	+
UGANDA	**4**	**+**
Swaziland	4	+
Benin	4	+
Namibia	4	+
Malawi	4	+
Niger	4	+
Sierra Leone	4	+
Zaire	4	+
Lesotho	4	S
Cape Verde	5	+
Cameroon	5	+
Congo	5	+
Angola	5	+
South Africa	5	S
Gabon	5	S
Ghana	5	S
Cote d'Ivoire	5	S
Nigeria	5	S
Guinea	5	S
Madagascar	5	S
Senegal	5	S
Tanzania	5	S
Burkina Faso	5	S
Ethiopia	5	S
Zimbabwe	5	S
Mozambique	5	S
Sudan	5	S
Somalia	5	S
8 Other Countries	N/A*	N/A

SSA Region	4 455
World Average	3 648

*N/A = data not available

Sources Heritage Foundation Index of Economic Freedom 1997 JAA calculations

Exhibit II 10 **Comparative Policy Analysis: INVESTMENT**

Country	Invest	Qualifier
UGANDA	**2**	**+**
Zambia	2	+
Gabon	2	+
Nigeria	2	+
South Africa	2	S
Mali	2	S
Cape Verde	2	S
Burkina Faso	2	S
Namibia	2 5	+
Botswana	3	+
Benin	3	+
Ghana	3	+
Cote d'Ivoire	3	+
Guinea	3	+
Swaziland	3	S
Malawi	3	S
Senegal	3	S
Tanzania	3	S
Cameroon	3	S
Lesotho	3	S
Sierra Leone	3	S
Kenya	3	-
Madagascar	4	+
Ethiopia	4	+
Zimbabwe	4	+
Mauritania	4	+
Mozambique	4	+
Niger	4	S
Congo	4	S
Sudan	4	S
Zaire	4	S
Angola	4	S
Somalia	4	S
8 Other Countries	N/A*	N/A

SSA Region	**3 08**	+
World Average	**2 75**	+

*N/A = data not available
Sources Heritage Foundation Index of Economic Freedom 1997 JAA calculations

Exhibit II 11 **Comparative Policy Analysis: PROPERTY RIGHTS**

Country	Property	Qualifier
UGANDA	**2**	**+**
Botswana	2	S
Swaziland	2	S
Senegal	2	S
Cape Verde	2	S
Zambia	3	+
Kenya	3	+
Mali	3	+
Madagascar	3	+
Malawi	3	+
Benin	3	S
Gabon	3	S
Ghana	3	S
Namibia	3	S
Cote d'Ivoire	3	S
Nigeria	3	S
Tanzania	3	S
Lesotho	3	S
Sierra Leone	3	S
South Africa	3	-
Guinea	3	-
Zimbabwe	3	-
Niger	4	+
Mozambique	4	+
Angola	4	+
Cameroon	4	S
Burkina Faso	4	S
Ethiopia	4	S
Mauritania	4	S
Sudan	4	S
Zaire	4	S
Congo	4	-
Somalia	5	S
8 Other Countries	N/A*	N/A

SSA Region	3 212	S
World Average	2 704	-

*N/A = data not available

Sources Heritage Foundation Index of Economic Freedom 1997 JAA calculations

Exhibit II 12 **Comparative Policy Analysis: PARALLEL MARKET**

Country	Parallel	Qualifier
Botswana	2	+
UGANDA	**2**	**S**
Ghana	2	S
Zambia	3	+
South Africa	3	S
Kenya	3	S
Gabon	3	S
Namibia	3	S
Nigeria	3	S
Senegal	3	S
Benin	3	-
Madagascar	4	+
Swaziland	4	S
Cote d'Ivoire	4	S
Malawi	4	S
Cape Verde	4	S
Tanzania	4	S
Lesotho	4	S
Ethiopia	4	S
Zimbabwe	4	S
Mauritania	4	S
Sudan	4	S
Guinea	5	+
Angola	5	+
Mali	5	S
Cameroon	5	S
Burkina Faso	5	S
Niger	5	S
Sierra Leone	5	S
Congo	5	S
Mozambique	5	S
Zaire	5	S
Somalia	5	S
8 Other Countries	N/A*	N/A

SSA Region	**3 91**	**S**
World Average	**3 36**	**S**

*N/A = data not available

Sources Heritage Foundation Index of Economic Freedom 1997, JAA calculations

Exhibit II 13

Comparative Policy Analysis BANKING

Country	Bank	Qualifier
Botswana	2	+
Zambia	2	+
Guinea	2	-
UGANDA	**3**	**+**
Benin	3	+
Kenya	3	+
Mali	3	+
Ghana	3	+
Malawi	3	+
Tanzania	3	+
Zimbabwe	3	+
Swaziland	3	S
South Africa	3	S
Namibia	3	S
Cote d'Ivoire	3	S
Senegal	3	S
Madagascar	4	+
Ethiopia	4	+
Sierra Leone	4	+
Mozambique	4	+
Lesotho	4	S
Burkina Faso	4	S
Niger	4	S
Congo	4	S
Zaire	4	S
Angola	4	S
Nigeria	4	-
Cameroon	4	-
Sudan	4	-
Mauritania	5	+
Cape Verde	5	S
Somalia	5	S
9 Other Countries	N/A*	N/A

SSA Region	**3 5**	+
World Average	**2 979**	+

*N/A = data not available
Sources Heritage Foundation Index of Economic Freedom 1997 JAA calculations

Exhibit II 14

TOP 20 COUNTRIES: ELECTRICITY PRODUCTION (kWh per capita, 1993)

Country	kwh	Rank
Norway	27729 59	1
Canada	18215 22	2
Iceland	17918 88	3
Sweden	16653 48	4
Macao	14014 20	5
Kuwait	13811 09	6
United States	13136 05	7
Finland	12075 01	8
New Zealand	9713 71	9
Qatar	9525 86	10
Australia	9250 87	11
Switzerland	8681 46	12
France	8112 47	13
Bahrain	8063 31	14
UAE	7882 51	15
Paraguay	7611 44	16
Japan	7219 17	17
Yugoslavia, FR	6951 36	18
Belgium	6949 18	19
Singapore	6597 77	20

UGANDA:

Electricity Production 43 7 kwh per capita
World Rank 134/147 countries

Sources World Development Indicators 1997 World Bank, JAA calculations

Exhibit II 15

TOP 20 COUNTRIES· TELECOMMUNICATIONS
(# Telephone Mainlines per 1,000 People, 1995)

Country	Lines	Rank
Bermuda	739 40	1
Sweden	681 05	2
United States	627 09	3
Switzerland	613 42	4
Denmark	612 57	5
Virgin Islands	589 08	6
Luxembourg	564 98	7
France	558 03	8
Norway	556 35	9
Iceland	554 76	10
Finland	550 12	11
Hong Kong	529 70	12
Netherlands	525 23	13
Faeroe Islands	512 57	14
Australia	509 58	15
United Kingdom	502 11	16
Germany	493 47	17
Greece	493 24	18
Japan	487 17	19
New Zealand	478 51	20

UGANDA

Telephone Lines 2 27 per 1,000 people
World Rank: 163/170 countries

Sources World Development Indicators 1997 JAA calculations

Exhibit II 16

TOP 20 COUNTRIES: INTERNATIONAL TELECOM AVERAGE PRICE CALL TO USA ($ PER 3 MINUTES)

Country	$	Rank
Canada	1 16	1
Angola	1 45	2
United Kingdom	1 86	3
Yugoslavia, FR	2 10	4
Norway	2 36	5
Hong Kong	2 65	6
Sweden	2 65	7
Chile	2 79	8
Kiribati	2 92	9
Australia	3 00	10
Mexico	3 01	11
France	3 03	12
Belgium	3 05	13
Netherlands	3 18	14
Switzerland	3 25	15
Ireland	3 32	16
Denmark	3 35	17
Italy	3 36	18
Nigeria	3 41	19
Israel	3 43	20

UGANDA:

Call to USA $9.29 for 3 minutes (1995)
World Rank 104/139 countries

Sources World Development Indicators 1997, JAA calculations

Exhibit II 17

TOP 20 COUNTRIES· ACCESS TO SAFE WATER (% POPULATION)

Country	85-95	Rank
Austria	100 00	1
Bahrain	100 00	2
Barbados	100 00	3
Belarus	100 00	4
Canada	100 00	5
Denmark	100 00	6
France	100 00	7
Iceland	100 00	8
Ireland	100 00	9
Italy	100 00	10
North Korea	100 00	11
Kuwait	100 00	12
Luxembourg	100 00	13
Malta	100 00	14
Monaco	100 00	15
Mongolia	100 00	16
Netherlands	100 00	17
Qatar	100 00	18
St Kitts & Nevis	100 00	19
Sweden	100 00	20

Country	90-95	Rank
Bahrain	100 00	1
Barbados	100 00	2
Canada	100 00	3
Costa Rica	100 00	4
Denmark	100 00	5
Finland	100 00	6
France	100 00	7
North Korea	100 00	8
Malta	100 00	9
Mauritius	100 00	10
Monaco	100 00	11
Netherlands	100 00	12
Norway	100 00	13
Qatar	100 00	14
Singapore	100 00	15
Switzerland	100 00	16
Tonga	100 00	17
United Kingdom	100 00	18
Cyprus	99 70	19
Israel	99 00	20

UGANDA·

Safe Water· 28.9% (85-95)
World Rank 151/159 countries

UGANDA

Safe Water: 41 8% (90-95)
World Rank· 106/126 countries

Sources World Development Indicators 1997 World Development Report 1997 JAA calculations

Exhibit II 18

TOP 20 COUNTRIES: COMPUTER UBIQUITY
PERSONAL COMPUTERS PER 1000 PEOPLE

Country	1995	Rank
Switzerland	348 0	1
United States	328 0	2
Australia	275 8	3
Norway	273 0	4
Denmark	270 5	5
New Zealand	222 7	6
Netherlands	200 5	7
Canada	192 5	8
Sweden	192 5	9
United Kingdom	186 2	10
Finland	182 1	11
Singapore	172 4	12
Germany	164 9	13
Japan	152 5	14
Ireland	145 0	15
Belgium	138 3	16
France	134 3	17
Austria	124 2	18
South Korea	120 8	19
Hong Kong	116 3	20
Uganda	0 5	69
Guinea	0 2	70
Chad	0 0	72

UGANDA:

0.5 computers per 1000 people
World Rank· 69/72 countries
Africa Rank 7/10 countries

Sources World Development Indicators 1997 World Bank
JAA calculations

Exhibit II 19

TOP 20 COUNTRIES: INTERNET USERS (per 10,000 people)

Country	1995	Rank
Finland	422 29	1
United States	230 12	2
Norway	192 89	3
Australia	171 46	4
Sweden	164 05	5
New Zealand	149 23	6
Canada	125 95	7
Switzerland	113 83	8
Netherlands	111 10	9
Denmark	96 70	10
Singapore	76 24	11
United Kingdom	75 13	12
Austria	66 23	13
Germany	57 94	14
Israel	52 60	15
Ireland	37 47	16
Belgium	30 24	17
Slovenia	29 48	18
Hong Kong	28 59	19
Estonia	27 77	20

UGANDA·

Internet Users. 0 03 per 10,000 people
World Rank: 78/147 countries

Sources World Development Indicators 1997 JAA calculations

Exhibit II 20

TOP 20 COUNTRIES: INFANT MORTALITY RATE (per 1000 births)

Country	Rate	Rank
Iceland	4	1
Singapore	4	2
Japan	4	3
Sweden	4	4
Hong Kong	5	5
Finland	5	6
Norway	5	7
Netherlands	6	8
Switzerland	6	9
Ireland	6	10
Denmark	6	11
Germany	6	12
Luxembourg	6	13
Austria	6	14
Australia	6	15
United Kingdom	6	16
Canada	6	17
France	6	18
Slovenia	7	19
New Zealand	7	20

UGANDA

Mortality Rate· 98 per 1000 births
World Rank 166/190 countries

Sources World Development Indicators 1997 JAA calculations

Exhıbıt II 21

TOP 20 COUNTRIES: ADULT ILLITERACY RATE (% populatıon 15+)

Country	1995	Rank
Bahamas, The	1 80	1
Guyana	1 90	2
South Korea	2 00	3
Trınıdad & Tobago	2 10	4
Barbados	2 60	5
Uruguay	2 70	6
Argentına	3 80	7
Cuba	4 30	8
Chıle	4 80	9
Costa Rıca	5 20	10
Phılıppınes	5 40	11
Thaıland	6 20	12
Vıetnam	6 30	13
Maldıves	6 80	14
Surıname	7 00	15
Lebanon	7 60	16
Hong Kong	7 80	17
Paraguay	7 90	18
Fıjı	8 40	19
Colombıa	8 70	20

UGANDA

Adult Illıteracy Rate 38.2%
World Rank: 65/98 countrıes

Sources World Development Indıcators 1997, JAA calculatıons

Exhibit II 22

TOP 20 COUNTRIES: PRIMARY SCHOOL ENROLLMENT (% total, 1993*)

Country	%	Rank
Maldives	134 00	1
Swaziland	120 00	2
Colombia	119 00	3
Peru	119 00	4
Zimbabwe	119 00	5
China	118 00	6
Tunisia	118 00	7
Cape Verde	114 00	8
Honduras	112 00	9
Mexico	112 00	10
Paraguay	112 00	11
Bahrain	111 00	12
Bangladesh	111 00	13
Philippines	111 00	14
South Africa	111 00	15
Vietnam	111 00	16
Libya	110 00	17
United Arab Emirates	110 00	18
Uruguay	109 00	19
Australia	108 00	20

UGANDA	
Primary Enrollment	91%
World Rank	71/107 Countries

*No later data available
Source World Development Indicators 1997, World Bank
J E Austin Associates, April 1998

Exhıbıt II 23

TOP 20 COUNTRIES: FEMALE SCHOOL ENROLLMENT (Prımary School, % Gross, 1993)

Country	%	Rank
Maldıves	133	1
Colombıa	120	2
Chına	116	3
Swazıland	116	4
Zımbabwe	114	5
Tunısıa	113	6
Bahraın	112	7
Honduras	112	8
Cape Verde	110	9
Lıbya	110	10
Mexıco	110	11
Paraguay	110	12
South Afrıca	110	13
UAE	108	14
Uruguay	108	15
Australıa	107	16
Russıan Federatıon	107	17
Mauntıus	106	18
Unıted States	106	19
Bangladesh	105	20

UGANDA:

Female Enrollment 83%
World Rank 70/93 countrıes

Source World Development Indıcators 1997 World Bank
J E Austın Associates, Aprıl 1998

Exhıbıt II 24

TOP 20 COUNTRIES: IMMUNIZATION RATE, DPT*
(% chıldren under 12 months)

Country	1995	Rank
Antıgua and Barbuda	100 00	1
Bruneı	100 00	2
Bulgarıa	100 00	3
Cuba	100 00	4
Domınıcan Republıc	100 00	5
El Salvador	100 00	6
Fınland	100 00	7
Hungary	100 00	8
Jordan	100 00	9
Kırıbatı	100 00	10
Kuwaıt	100 00	11
St Kıtts and Nevıs	100 00	12
St Vıncent Grenadınes	100 00	13
Syrıan Arab Republıc	100 00	14
Monaco	99 00	15
Oman	99 00	16
Sweden	99 00	17
Iceland	98 00	18
Malawı	98 00	19
Romanıa	98 00	20

UGANDA:

Immunızatıon Rate (DPT). 79%
World Rank 106/162 countrıes

*DPT=dıphtherıa pertussıs (whoopıng cough) tetanus
Sources World Development Indıcators 1997 World Development Report 1997
JAA calculatıons

Exhıbıt II 25

TOP 20 COUNTRIES: INCOME DISTRIBUTION
(Share of Income Held by Rıchest 10%, 1995)

Country	%	Rank
Slovak Republıc	18 20	1
Belarus	19 40	2
Romanıa	20 20	3
Ukraıne	20 80	4
Sweden	20 80	5
Norway	21 20	6
Belgıum	21 50	7
Fınland	21 70	8
Spaın	21 80	9
Netherlands	21 90	10
Latvıa	22 10	11
Poland	22 10	12
Denmark	22 30	13
Japan	22 40	14
Hungary	22 60	15
Czech Republıc	23 50	16
Israel	23 50	17
Bangladesh	23 70	18
Slovenıa	23 80	19
Canada	24 10	20

UGANDA

Income Dıstrıbutıon: 33 4% (by rıchest 10%)
World Rank 59/84 countrıes surveyed

Source World Development Indıcators 1997, World Bank
J E Austın Assocıates, Aprıl 1998

III. INDUSTRY AND FIRM-LEVEL COMPETITIVENESS

This section is divided into two parts 1) an overview analysis of Ugandan export competitiveness, and 2) an assessment of Ugandan industry and firm-level competitiveness in the coffee, cut flowers, fish, tourism and manufacturing clusters

III.1 *Export Analysis*

The following analysis of Ugandan export competitiveness is based on fieldwork, in-country research and interviews conducted by J E Austin Associates and Monitor Company in Uganda in April 1998 The analysis examines the current world export position of Uganda in selected sectors, including coffee, fish and manufactured products It also examines the structure of Ugandan exports and the relationship between export composition, economic growth and national wealth It also includes statistical analyses and export segmentation methodologies developed by Monitor Company previously but adapted for this competitiveness exercise

III 1 1 *Key Findings*

Uganda has a low world export market share of only 0 014%, according to the latest World Bank and IMF statistics **(Exhibit III 1)** Despite a low world market share, exports are important to the Ugandan economy, accounting for roughly 12% of Ugandan GDP [1]

However, export growth performance during the 1990s has put Uganda among the world's top performers Since 1984, Ugandan exports of goods and services have grown an average of 7.3% annually, ranking Uganda 26th out of 110 countries surveyed **(Exhibit III.2)** [2] Coinciding with more recent macroeconomic and policy reforms, Ugandan exports increased an average of almost 8% annually over the 1986-1995 period They grew over 31% in 1994 and 27% in 1995 **(Exhibit III 3)** The value of Ugandan exports has also grown significantly over the last decade and particularly within the last 5 years Export growth (by value) averaged about 9 2% annually between 1985-95 **(Exhibit III 4)**, ranking Uganda 82nd out of 189 countries worldwide Between 1990-95, Ugandan exports (by value) grew 22% and the country's position jumped to 14th worldwide In 1995, exports grew almost 40% by value, ranking Uganda 8th worldwide

Coffee and coffee-related products are Uganda's leading exports, comprising 66% of total exports in 1996 **(Exhibit III 5)** Uganda was the world's fifth largest producer of coffee in

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[1] World Development Indicators 1997, World Bank
[2] JAA calculations based on World Bank data on export growth since 1975
[3] U S Department of Agriculture, 1998

65

1994, after Brazil, Colombia, Indonesia and Mexico **(Exhibit III 6)**[3] Uganda has doubled its world market share for coffee since 1993[4] Coffee has been a major source of export income for Uganda, comprising over 70% of total export income generated in 1992[5]

<u>In 1996, 7 7% of Ugandan exports were "upstream industry" exports, or, products that are primarily used as inputs into other sectors and compete primarily on cost advantages</u> In addition, 4 3% of total Ugandan exports were industrial or industrial-related goods that typically compete on both cost and differentiation and are a major source of innovation During the 1993-1995 period, "upstream industry" exports and exports of industrial goods expanded by over 700% and 200%, respectively, as a share of total Ugandan exports While this implies that Ugandan exports are diversifying, "final consumption goods and services" (i e , coffee, fish) still dominate total exports In 1996, they represented 88% of total Ugandan exports, with food and beverage products accounting for 80 3% **(Exhibit III 7)**

<u>Numerous studies have demonstrated a high positive correlation between increases in a country's industrial exports and improvements in per capita GDP</u> Monitor Company, for example, has found that building competitiveness in advanced areas other than primary resources requires higher levels of innovation, human capital development, technological upgrading and rapid learning, and that these qualities are highly correlated with positive real changes in GDP per capita[6]

<u>As noted above, Ugandan exports are still heavily dominated by traditional resource products but there appears to be a trend towards greater diversification</u> Natural resource-based products accounted for almost 90% of total Ugandan exports in 1996 **(Exhibit III 8)** However, this represented a 6 7% decrease from the 1995 share and a 9% decrease from the 1994 share, perhaps indicating a gradual reduction in resource dependency This may also indicate an improved ability to export some manufactured products to the region (e g , footwear to Rwanda)

<u>Most Ugandan natural resource exports are either raw, unprocessed or semi-processed</u> Only a fraction of these exports (less than 1%) are processed goods **(Exhibit III 9)** Over-reliance on the export of primary commodities and generally unprocessed resource products subjects Uganda to declining real prices in world markets Since the mid-1980s, there has been a worldwide long-term trend towards declining commodity prices, particularly coffee, cotton,

[4] Ugandan Ministry of Planning and Economic Development statistics, 1998
[5] Monitor Company 1998
[6] Based on Trade Statistics Methodology correlating changes in export structure with changes in GDP per capita over a 13-year period in 17 countries worldwide
[7] During his address, President Museveni expressed his desire to "Encourage investors to support my constant struggle of ensuring that there is vertical integration in our products That is to say we (must) export not raw materials but finished goods "

cocoa and sugar Exporting more processed goods, therefore, is a key goal of President Museveni, reiterated during his New Year's Day Speech in January 1998 [7]

There is a strong positive correlation between the production and export of industrial and related goods and higher incomes In a study undertaken by Monitor Company in 1992 examining the link between export structure and income in 28 countries worldwide, the results demonstrated an almost perfect one-to-one correlation between the export of industrial and related products and high purchasing power per capita There was a negative correlation, however, between the export of final consumption and upstream products (most of Uganda' s exports) and wealth Countries with the lowest standards of living were also those most dependent on exporting mainly primary, resource-based products (e g , Venezuela, Colombia, Russia, India, Ecuador)

In other words, countries with competitive exports concentrated in industrial and related products have higher per capita incomes than those exporting mainly resource-based products In the countries analyzed by Monitor Company, industrial and related products included, among other items, transport equipment and parts, power generation equipment and parts, office products, telecommunications, defense, machinery, general business products and other manufactured goods

The evidence suggests that Ugandan growth will not be sustainable nor will it have a real measurable impact on standards of living unless Uganda reduces its dependency on the export of natural resource products There are signs that such a change is starting to take place The share of non-resource-based products in total Ugandan exports is growing, amounting to almost 11% in 1996, up from only 3 3% a few years earlier [8] There is also broad popular and leadership support for greater diversification of the Ugandan economy Nevertheless, Uganda's dependency on traditional, largely unprocessed products is still strong and private sector knowledge of and resulting ability to adopt competitive strategies is limited Consequently, Ugandan business people need to place a greater emphasis on strategy and customer learning A business leader recently acknowledged, "I don't think that business owners know what strategy is We produce what we can, and then sell it, that' s our strategy " [9]

This section has demonstrated that Uganda has a low world export market share but has recently become one of the world' s fastest export growth countries Some of this is due to recovery in the coffee sector, including better international prices Much of Ugandan export growth has been due to diversification within the natural resource sector (i e , fish, flowers) rather than the export of higher value-added, processed products

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[8] Ugandan Ministry of Planning and Economic Development, 1998

[9] Based on interviews conducted with Ugandan businesses in April 1998

III.2 *Industry and Firm-Level Analysis*

After examining Ugandan export competitiveness based on growth and market share data, the team then worked with industry clusters to examine competitiveness issues at the firm and industry levels Based on analytical tools developed by Michael Porter (including the Competitive Diamond Model), the team categorized seven opportunities that are essential for improving firm and industry-level competitiveness **(Exhibit III 10)** This framework was then used to analyze the five industry clusters The information for this analysis is based on interviews with businesses and ten intensive workshops/working sessions with industry clusters in Uganda in January and April 1998

The 7 Competitiveness Opportunities for Ugandan Firms

The team analyzed the following 7 competitiveness opportunities for Ugandan firms competitive position, customer learning, innovation, human capital investment, cluster cooperation, forward integration, and competitive strategies and attitudes It analyzed these for the 5 key industry clusters coffee, flowers, fish, tourism and manufacturing **Exhibits III 11** and **III 12** indicate that these 5 clusters represent Uganda's main economic drivers accounting for over 85% of 1996 exports A summary table illustrating competitive opportunities for each cluster is provided in **Exhibit III 13**

III 2 1 *Coffee The Case of BANCAFE*

During the 1992-1996 period, Uganda's coffee exports almost doubled in volume and more than quadrupled in revenue, a sign of the significant recovery of the industry For instance, in 1996, Uganda exported 0 27 million tons of coffee resulting in US$396 million in export revenue [10] However, Uganda competes on basic cost and natural advantage Ugandan costs and yields result in much lower returns for the average Ugandan coffee farmer relative to Kenyan farmers **(Exhibit III 14)** In addition, as illustrated by **Exhibit III 15**, global demand for coffee is changing with consumers increasingly purchasing specialized or gourmet coffee over commercial varieties

The Ugandan coffee industry has focused primarily on non-demanding, large commercial buyers and has not directed attention to demand, cluster, consumer preferences or strategic issues As an Ugandan coffee industry official noted, "we know the specialty market is growing, but we're not doing anything about it" A coffee association representative reported, "all we do is sell low quality coffee to multinationals" **(Exhibit III 16)** The team suggests that Ugandans focus not only on costs and operational efficiency, but also on the attractiveness of the segment where they choose to compete

The GOU is now promoting the idea of investing in instant coffee processing in Uganda, with the goal of adding value in Uganda Both the export of basic coffee beans and instant

[10] The Economist Intelligence Unit Limited, *Uganda Country Profile 1997-98,* pp 32

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coffee, however, are relatively unattractive segments because they are characterized by high competition and stagnant consumption trends in the USA and Europe [11] The focus on instant coffee is not based on competitive strategy, and instant coffee, while processed, is still a commodity product

This section will now present the case study of one Ugandan coffee company, BANCAFE, that illustrates excellent competitive behavior in taking advantage of the 7 competitive opportunities

Competitive Position
BANCAFE decided to position itself as the leading gourmet coffee supplier in Uganda, a nation of tea drinkers By choosing to compete where there was little existing competition, it has gained the advantage of the "first mover" and the company's coffee commands a premium price

Customer Learning
Stephen Banya, the company's founder, has moved close to customers to both learn from them and educate them He opened a cafe in Kampala, for example, to learn about customer tastes and preferences, as well as to educate customers in coffee quality

Innovation
BANCAFE has conducted international research on the best beans and has invested in a top quality roaster The innovation has paid off, says Mr Banya "I used to think instant coffee was the answer Now I'm making money in specialty coffee I may think about exporting directly some day, but I'm selling all that I can produce and buy right here " His innovation has extended from procurement to processing to retailing

Human Capital Investment
BANCAFE has a highly trained staff Mr Banya focuses on high quality production and processing His goals are "to serve the best coffee in Uganda, employ the highest paid workers and cultivate a desire for good coffee among Ugandans " He continually trains his employees, pays incentives for good service and provides opportunities for upward mobility

Cluster Cooperation
Mr Banya has developed relationships with producers and stimulated a cooperating cluster He has developed a network of relationships with high quality producers This emerging cluster is illustrated in **Exhibit III 17**

Forward Integration
By setting up retail operations, BANCAFE has decided to capture the value of the coffee literally "to the last drop " He has now opened other cafes and is also seeking to sell to the

[11] In 1989, world consumption of green coffee was approximately 5 5 million tons Since then, world consumption has remained stagnant, ranging between 5 0 -5 5 million tons

most demanding hotels in Kampala

Attitudes and Strategy
The team has no doubt that this kind of entrepreneurial behavior could lead to a gourmet coffee production industry in Uganda that could, if emulated, lead to significant scale More importantly, if gourmet coffee turns out not to be a great market in 5-10 years, entrepreneurs like Stephen Banya will already be making the necessary adjustments in strategy

III 2 2 *Cut Flowers*

Although cut flower exports are still low in terms of overall value, they are regarded as a success story for Uganda in penetrating new markets In 1996, Uganda exported $1 15 million, or 385, 915 kg of flowers [11]

Competitive Position
Ugandan flower growers export roses to the European market Their selection of market is based on air transport costs, their selection of rose variety is made with the assistance of technical experts and buyers Despite the attractiveness of the rose, it has become a commodity business Evidence of this came last Christmas when prices failed to rise at the Dutch flower auction because of ample supply

Customer Learning
Ugandan producers rely heavily on buyers for information on market trends The industry is heavily reliant on intermediaries, trade journals and trade fairs for advice on customer trends

Cluster Cooperation
The industry cluster includes 17 growers who began in 1993 or later, a relatively strong association and a growing network of contacts and experts Airport shipping facilities are somewhat restrictive with only a few daily flights to Europe and no cold storage facilities Uganda is dependent on technology and expertise from Europe, Israel and even neighboring Kenya Makerere University is initiating a program for training in technical and management areas relevant to the industry

Forward Integration
Several companies are seeking to go beyond the Dutch auction and develop closer links to the end-user One focus group participant reported making contracts with a leading supplier to Norwegian supermarkets, thereby guaranteeing his sales and prices in advance and capturing value for both parties by selling and shipping directly Another exporter sells directly to the consumer through a Dutch partnership

[11] From export statistics compiled by the Uganda Export Promotion Board

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An example of successful forward integration is illustrated by a former client of J E Austin Associates who generated significant profits by talking to supermarkets in the consuming country and then innovating to meet those needs Flower bouquets were prepared and assembled meeting the price point, color, seasonal and variety specifications of the client Cellophane wrap was added with the logo and name of the supermarket and with the bar coding stamped onto it The company also used "drypack" technology to ship the chilled flowers directly without water The supermarket saved on expensive local labor and logistics and was willing to pay a premium For the producer, this was not just a return to 'adding value " It was a return on his investment in customer learning and service As Ugandan exporters get closer to the end-user, such opportunities can be identified and exploited

Competitive Strategies and Attitudes
The Ugandan flower exporters, who have only recently penetrated European markets, show a strong desire to cooperate within the industry and a strong interest to capture additional value in the cut flower industry

The Porter Diamond for Cut Flowers
The team also provided the Ugandan cut flower industry with a Porter "diamond analysis" of the Ugandan and Dutch flower industries [12]

At the level of basic factors, Uganda seems to have a number of natural advantages It has a mild year-round temperature with long and relatively even days of sunlight It has extremely fertile soil It also has good sources of water, a factor critical to cut flowers In many ways, Uganda has ideal growing conditions for its products Wage rates are low Created factor conditions, however, are still weak in Uganda (**Exhibit III 18**) Transport costs are high and road infrastructure is poor Highly skilled workers are scarce and expensive New technology comes primarily from Europe and Israel Training networks are still in their infancy There is very limited capacity for research and breeding

Ugandan companies lack direct exposure to demanding consumers This exposure typically stimulates competitiveness In Uganda, the team estimated local consumption of flowers at less than $180,000 per year There is no tradition of local demand As one flower grower commented, "if a young man would give a young lady flowers, they would be looked on as if they were weeds as they grow everywhere " However, there is a growing market among the westernized segment of the population and in institutional markets such as restaurants, hotels and larger businesses

The lack of exposure to demanding consumers is not compensated by direct learning from demanding consumers abroad Most exporters at the focus group meeting reported selling their flowers at the Dutch auction There is little discernment of a particularly "Ugandan"

[12] The Porter Diamond illustrates the dynamic interaction among government policy, factor conditions, consumer demand, industry clusters, strategy, firm structure and inter-firm rivalry The Porter Diamond model is used to help firms understand the dynamism of the industry in which they compete

product abroad While growers ask their contacts in Europe to recommend the appropriate varieties and have contracted technical experts, the ability to anticipate and adapt to changes in style, demand or variety is limited

The Dutch competitive diamond offers an illustrative contrast (**Exhibit III 19**) Despite a poor climate and high costs of land, labor, materials and energy, the Netherlands has become the world leader in cut flowers There is high local demand as 61% of families buy flowers on a repeated basis There is also strong local demand for new products

The Dutch cut flower industry is characterized by heavy domestic rivalry among more than 9,000 cut flower nurseries and 1,900 exporters They are technology leaders and have a differentiated product strategy Logistics are coordinated through auction houses, and the two largest of these handle most of the production The high costs of production are somewhat offset by an extremely efficient logistical system including efficient transport and distribution channels Research and technology from related sectors (i e , vegetables) also support the industry cluster There is an extremely strong position in breeding, propagation and innovation with many research facilities Growers are intimately exposed to changes in buyer behavior in the European market Most growers have in-house research facilities, access to extensive training and adequate capital Advanced computer networks track auction transactions

Uganda cannot be compared to a country with a 400-year tradition in flowers The key point is that Uganda's current advantage in natural growing conditions will not be enough to ensure a profitable industry Other countries possess similar advantages Sustained success in the industry will require innovation, customer learning, better firm-level strategies, and an improved domestic environment, which fosters training, human capital investment, research and market development

III 2 3 *Fish*

The export of fresh chilled Nile Perch to Europe and frozen fish to Middle Eastern markets is a recent success story In 1996, Uganda's total fish catch was 0 22 million, and fish/fish product exports generated over US$39 million [13] Although the fish cluster is successful by Ugandan standards, there are a number of competitive challenges that must be overcome to sustain current growth

Competitive Position

The "Nile" and "African" origin of Ugandan fish is not viewed as a selling point, and Europe recently placed an embargo on fish exports from countries of the region, ostensibly because of the presence of cholera Ugandan exporters sell fish at about $6/kilo Lake Victoria is now an abundant source of Tilapia and Nile Perch However, there is nothing "written in

[13] The Economist Intelligence Unit Limited, *Uganda Country Profile 1997-98*, pp 32

stone" that confines the Ugandans to these two principle varieties An alternative approach to fish exporting is provided by one community, not in Uganda, which first conducted a market study to determine which fish could provide the highest value They found that in Japan there was a strong demand for a particular variety of tropical ornamental fish The Japanese pay $200 to $300 per fish The difference between $2-$3 and $200-$300 per fish is based on market learning It is a return on investment to studying and understanding consumer tastes and preferences Ugandans do not have to be limited to only Nile Perch and Tilapia, but could diversify into other varieties that the Nile ecosystem could also support

Customer Learning
The leading Ugandan fish exporter has a sophisticated knowledge of the European and Middle-Eastern markets Having lived abroad, he was extremely knowledgeable about demand characteristics Being able to serve both markets has provided some diversification of risk, although the fresh market in Europe is by far more attractive

Innovation
One Ugandan company introduced offshore platforms for buying fish catch directly from fishermen This eliminated the risk of contamination from purchasing on beaches where sanitary conditions are less subject to control

Cluster Cooperation
The fish industry has been largely unable to coordinate to unify sanitary standards or strengthen the industry in other ways During the team visits, one story in the local press revealed that some fishermen lower plastic bags filled with poison which escapes through small holes and kills the fish, causing them to rise to the surface where they are easily gathered The problem is that this poison is also harmful to humans and to the environment While this may be an extreme example, it reflects the lack of adequate standards for the industry The government has a lack of institutional capability to enforce minimum standards The private sector has not been able to define and enforce minimum standards either The fish processors do provide ice to fishermen, but not boats Some processing plants are in excellent condition with laboratories and trained quality control staff, others lack such facilities

III 2 4 *Tourism*

Competitive Position
In 1996, Uganda's tourism sector generated over US$396 million [14] However, business people in the tourism sector report having very little control over their competitive position They believe they are relegated to serving those who come to see special features that only Uganda has to offer These include half of Africa's remaining wild mountain gorillas, the mouth of the Nile, national parks, Bwindi Forest and other natural attractions They are passively receiving tourists rather than taking an active role in attracting people to Uganda

[14] From statistics compiled by the Uganda Export Promotion Board

and choosing which of the roughly 16 customer segments in the USA or Europe they should target

The reliance on basic natural advantages such as the gorillas, the lakes and the Nile is equivalent to the flower exporters' reliance on basic natural advantages in Uganda While gorillas may be unique, they compete with wildebeest migrations, Costa Rican forest, Namibian deserts and other innumerable natural adventures for the tourist dollar The industry is also overly reliant on traditional distribution channels

Customer Learning

The easiest method of customer learning is to capture information and impressions from those already coming to the country The industry could systematically capture feedback from tourists These would include opinions concerning

- impressions about Uganda prior to coming,
- reasons for choosing Uganda as a destination,
- sources of information,
- tourism agencies used,
- the quality of their experience in Uganda,
- what they look for in an ideal experience,
- other locations they have gone to or have considered,
- their major disappointments and surprises,
- whether they would recommend Uganda to others,
- demographic characteristics of the respondent, and
- (for business travelers) what could be done to extend their stay

However, those respondents would be people already self-selected and an effort must be made to go beyond the pool of people who already come to Uganda For example, there are at least 16 different potential tourism consumer segments in the US alone There is a world of difference between the tourist to Uganda who carries "Africa on $10 a Day" in his knapsack and the middle-aged, high-income explorer who may spend $300 per day for the right (often luxurious) experience

Ugandan tourism entrepreneurs need to focus on the four distinct phases that shape the tourism decision 1) planning travel, 2) deciding on a location, 3) experiencing, and 4) reflecting on the experience afterwards Consumers can be reached at all stages It is now becoming standard for high-end resorts to send "thank-you" notes, for example, to their guests *after* they return home, asking them to return again

Innovation

Crafting innovative specialized packages that appeal to high-income tourists would be one potential strategy for Ugandan and other East African companies One example from neighboring Tanzania is particularly illustrative In the May 1998 issue of the *Conde Nast Traveler*, a journal that appeals to high-income tourists, there is a feature article on the world's most exclusive resorts A description of Ngorongoro Crater Lodge in Tanzania is featured prominently and speaks of "sophistication and first world service " The African menu is said to be "as imaginative as the cleverest Californian bistro " The prices average US$*650 per night*, double occupancy If Tanzania can appeal to this market niche, so can Uganda One Kampala-based company has already begun offering white-water rafting trips on the Nile that appeal to tourists, expatriates and business visitors

Human Capital Investment

Industry participants expressed the need for a tourism training institute Serving sophisticated customers will require investment in human resources including hotel managers, chefs, waiters, tour guides, recreation facilitators, transport operators, wildlife experts and others

Cluster Cooperation

Participants also spoke of the need to develop a rating system for hotels and restaurants that would encourage upgrading and provide indications of quality Cooperation would also be helpful to implement the customer learning activities described above Regional cooperation and networks in East Africa can also be explored to offer a regional package of mixed experiences, similar to a successful strategy implemented in the southern Africa region where visits to South Africa are combined with a trip to Victoria Falls in Zimbabwe

Forward Integration

The opportunity for Uganda is to develop new marketing and distribution channels and not rely on the traditional means by which clients learn about and come to Uganda The upgrading and ownership of tourism sites can also be further explored

Competitive Strategies and Attitudes

Exposure to world class destinations would help Ugandan tourism entrepreneurs identify new possibilities At present, there are only two international tour operators in Uganda Abercrombie & Kent arranges excursions for tourists to see the mountain gorillas near the Rwandan border Much can be learned from the competitive strategies of these groups However, at present, there is some negative reaction towards these international firms by the local industry

In the short-term, much could be done to encourage business travelers to stay longer or spend more on the weekends This would require more extensive consumer research and interaction with those who come to Uganda on business to identify needs, tastes and preferences

III 2 5 *Manufacturing*

Manufacturing suffered greatly during the instability of the 1970s and 1980s The Uganda Manufacturers Association (UMA) has only just this month celebrated the 10th Anniversary of its reconstitution

Competitive Position
The Ugandan manufacturers are facing the difficult task of moving from a protected to a liberalized market environment One cannot generalize about positioning in an industry that includes many types of producers

Innovation
New strategic partnerships and new products can be introduced New manufacturing is coming from beverage companies who are seeking to expand sales in this market

Human Capital Investment
Ugandan manufacturers recently met with the President to oppose a minimum wage law However, most generally pay their workers more than the minimum wage

Cluster Cooperation
The UMA has been the leading business association in Uganda and has established a positive dialogue with the government

Forward Integration
Bata Shoes, which manufactures in Uganda, opened a retail shop at the Ugandan side of the Rwandan border It has become one of their most successful outlets These unregistered "exports" illustrate the potential for some regional market expansion in light manufacturing

Strategies and Attitudes
Ugandan manufacturers seem to be aware of opportunities to serve the regional markets of southern Sudan, eastern Congo, Rwanda, Burundi and parts of Tanzania and Kenya Processed food products, low cost textiles and construction-related products have high demand in the region

III.3 *Summary*

The above analysis of Ugandan industry clusters illustrates Uganda's current competitive situation at the firm and industry level Future gains in productivity and export growth will depend on strategic actions by the Ugandan private sector to exploit the opportunities mentioned above The industry clusters were chosen solely to provide illustrative examples The team's effort was primarily to communicate the key tools and techniques of competitiveness analysis, not to conduct a comprehensive diagnosis which would be a considerably lengthy and more in-depth exercise involving input from specific industry experts The competitiveness tools and techniques were unfamiliar to the majority of participants, who largely defined competitiveness as the ability to produce more cheaply or efficiently than others Consequently, a large percentage of the team's time was spent transferring the tools and technologies of competitiveness to local industries and business leaders

Exhibit III 1

Top 50 Uganda Industries by Export Value, 1996

Cluster	Industry	Export Value (US $000)	Import Value (US $000)	Trade Balance	Percent of Country Exports	World Market Share
Food / Beverages	Coffee tea cocoa spices and manufactures thereof	415 150	221	414 929	65 51	1 6284
Petroleum / Chemicals	Inorganic chemicals	32 047	4 818	27 229	5 06	0 1068
Food / Beverages	Fish crustaceans and mollusks and prep thereof	25 035	36	24 999	3 95	0 0678
Textiles / Apparel	Textile fibres (other than wool tops) wastes not manu	22 171	22 445	(274)	3 50	0 1112
Food / Beverages	Cereals and cereal preparations	19 189	31 696	(12 507)	3 03	0 0314
Food / Beverages	Fixed veg fats and oils crude refined or fractionated	17 102	21 899	(4 797)	2 70	0 1022
Food / Beverages	Vegetables and fruit	16 460	5 144	11 316	2 60	0 0261
Materials / Metals	Iron and steel	14 207	35 033	(20 826)	2 24	0 0107
Defense	Gold non monetary (excl gold ores and concentrates)	13 348	1	13 347	2 11	0 0525
Food / Beverages	Oil seeds and oleaginous fruits	10 467	3 911	6 556	1 65	0 0720
Textiles / Apparel	Hides skins and fur skins raw	7 843	9	7 834	1 24	0 1157
Personal	Tobacco and tobacco manufactures	7 391	69	7 322	1 17	0 0326
Transportation	Road vehicles (including air cushion vehicles)	6 647	115 525	(108 878)	1 05	0 0015
Power Gen & Dist	Electric current	4 164		4 164	0 66	0 0510
Textiles / Apparel	Textile yarn fabrics made up articles nes and rel prod	2 505	20 194	(17 689)	0 40	0 0024
Personal	Essential oils perfume materials toilet cleaning prep	1 380	6 607	(5 227)	0 22	0 0066
Food / Beverages	Miscellaneous edible products and preparations	1 293	5 539	(4 246)	0 20	0 0077
Materials / Metals	Manufactures of metals nes	1 175	12 171	(10 996)	0 19	0 0021
Food / Beverages	Crude animal and vegetable materials nes	1 042	394	648	0 16	0 0122
Housing / Household	Essential oils perfume materials toilet cleaning prep	1 041	4 985	(3 944)	0 16	0 0066
Health Care	Medical and pharmaceutical products	824	46 372	(45 548)	0 13	0 0011
Food / Beverages	Beverages	814	619	195	0 13	0 0026
Housing / Household	Crude animal and vegetable materials nes	667	252	414	0 11	0 0122
Food / Beverages	Anim or veget fats and oils proc animal or veg waxes	650	9 532	(8 882)	0 10	0 0187
Housing / Household	Textile yarn fabrics made up articles nes and rel prod	626	5 048	(4 422)	0 10	0 0024
Entertainment / Leisure	Miscellaneous manufactured articles nes	572	12 998	(12 427)	0 09	0 0008
Food / Beverages	Machinery specialized for particular industries	503	8 526	(8 023)	0 08	0 0012
Housing / Household	Manufactures of metals nes	474	4 911	(4 437)	0 07	0 0021
Textiles / Apparel	Machinery specialized for particular industries	431	7 308	(6 876)	0 07	0 0012
Textiles / Apparel	Leather leather manuf nes and dressed fur skins	418	23	395	0 07	0 0022
Multiple Businesses	Manufactures of metals nes	412	4 271	(3 858)	0 07	0 0021
Multiple Businesses	Prof scientific and controlling instr and apparatus nes	406	10 374	(9 968)	0 06	0 0005
Textiles / Apparel	Footwear	399	4 751	(4 352)	0 06	0 0012
Personal	Crude animal and vegetable materials nes	375	142	233	0 06	0 0122
Personal	Miscellaneous manufactured articles nes	367	8 356	(7 988)	0 06	0 0008
Transportation	Machinery specialized for particular industries	341	5 785	(5 444)	0 05	0 0012
Housing / Household	Non metallic mineral manufactures nes	310	19 960	(19 651)	0 05	0 0006
Office	Miscellaneous manufactured articles nes	299	6 809	(6 509)	0 05	0 0008
Housing / Household	Furn and parts bedding mattress matt supports etc	279	3 958	(3 679)	0 04	0 0006
Forest Products	Ppr pprbrd and articles of paper pulp paper or pprbrd	257	11 730	(11 473)	0 04	0 0004
Food / Beverages	Chemical materials and products nes	249	11 049	(10 801)	0 04	0 0010
Transportation	Other transport equipmen	246	3 519	(3 273)	0 04	0 0002
Food / Beverages	Dairy products and bird s eggs	244	2 075	(1 831)	0 04	0 0008
Materials / Metals	Metalliferous ores and metal scrap	234	22	212	0 04	0 0006
Defense	Plastics in primary forms	214	14 503	(14 289)	0 03	0 0178
Food / Beverages	Sugars sugar preparations and honey	208	7 540	(7 332)	0 03	0 0013
Office	Machinery specialized for particular industries	198	3 349	(3 152)	0 03	0 0012
Materials / Metals	Crude fert and miner (excl coal petrol prec stones)	172	6 935	(6 762)	0 03	0 0023
Petroleum / Chemicals	Chemical materials and products nes	159	7 053	(6 894)	0 03	0 0010
Power Gen & Dist	Electrical machinery apparatus and appliances nes	153	9 465	(9 312)	0 02	0 0001
	Total for Top 50 Ugandan Exports	631 158	527 932	103 126	99 60	

Note Total value for Uganda exports for 1996 US$ 633 673 000

Source Ugandan Ministry of Planning and Economic Development, UN SITC Revision 2 Monitor Company Analysis

Source Monitor Company Inc

Exhibit III 2

TOP 20 COUNTRIES: EXPORT GROWTH
(goods and services, 1975-1995)

Country	75-95	Rank
China	14 21	1
South Korea	13 63	2
Hong Kong	13 43	3
Turkey	13 17	4
Thailand	12 98	5
Paraguay	12 78	6
Cyprus	12 37	7
Singapore	11 95	8
Cape Verde	11 42	9
Bangladesh	11 07	10
Malaysia	10 99	11
Rwanda	10 56	12
Lesotho	10 21	13
Dominican Rep	9 48	14
Ireland	9 12	15
Chile	9 07	16
Pakistan	8 97	17
Philippines	8 14	18
Guinea-Bissau	8 03	19
Mexico	7 99	20

UGANDA·
Export Growth 27% in 1995
Export Growth 7.3% since 1984
World Rank. 26/110 countries

Sources World Development Indicators 1997 JAA calculations
* 1984-1995 averages no earlier data available

Exhibit III 3

TOP 20 COUNTRIES: EXPORT GROWTH (1995)

Country	%	Rank
Rwanda	70 83	1
Bangladesh	34 64	2
Nicaragua	33 21	3
UGANDA	**27.43**	**4**
Gambia, The	26 73	5
Argentina	26 37	6
Poland	25 85	7
Mauritania	25 69	8
Mexico	23 30	9
Mali	19 80	10
Congo	19 78	11
Malaysia	18 96	12
South Korea	18 28	13
Thailand	15 80	14
India	15 57	15
Hungary	15 00	16
Honduras	13 70	17
Italy	13 60	18
Ethiopia	13 40	19
Lesotho	12 63	20

UGANDA:

Export Growth: 27.4% in 1995
World Rank: 4/97 countries

Source World Development Indicators 1997, World Bank

Exhibit III 4

EXPORT GROWTH, VALUE (ANNUAL %)

Country Name	85-95	Rank
Lao PDR	52 71	1
Cambodia	51 40	2
Kuwait	43 84	3
Tajikistan	33 99	4
Benin	32 99	5
Armenia	31 96	6
Czech Republic	29 93	7
Uzbekistan	29 42	8
French Guiana	26 42	9
Slovak Republic	25 59	10
Equatorial Guinea	25 03	11
Slovenia	24 32	12
Comoros	22 85	13
Vietnam	22 49	14
French Polynesia	21 90	15
Cape Verde	21 15	16
Bermuda	21 03	17
Moldova	20 91	18
Thailand	20 75	19
Lesotho	20 73	20
Singapore	16 23	27
Guinea-Bissau	15 86	28
Malaysia	15 26	31
Chile	15 21	32
Swaziland	13 45	40
Botswana	13 41	41
Mali	12 08	48
Cameroon	11 53	52
CAR	10 68	68
United States	9 34	77
United Kingdom	9 32	78
Ghana	9 31	79
Tanzania	9 20	80
Japan	9 19	81
UGANDA	**9.19**	**82**
Angola	8 53	92
Somalia	7 74	102

Country Name	90-95	Rank
Benin	78 09	1
Kuwait	77 77	2
Cambodia	51 40	3
French Guiana	39 83	4
Lao PDR	37 54	5
Tajikistan	33 99	6
Armenia	31 96	7
Czech Republic	29 93	8
Uzbekistan	29 42	9
Guinea-Bissau	29 40	10
Myanmar	26 47	11
Slovak Republic	25 59	12
Slovenia	24 32	13
UGANDA	**22.09**	**14**
Equatorial Guinea	21 43	15
Moldova	20 91	16
Kyrgyz Republic	20 29	17
Malaysia	19 82	18
China	19 45	19
Lesotho	18 98	20
Thailand	18 88	21
Vietnam	18 25	22
Singapore	17 84	23

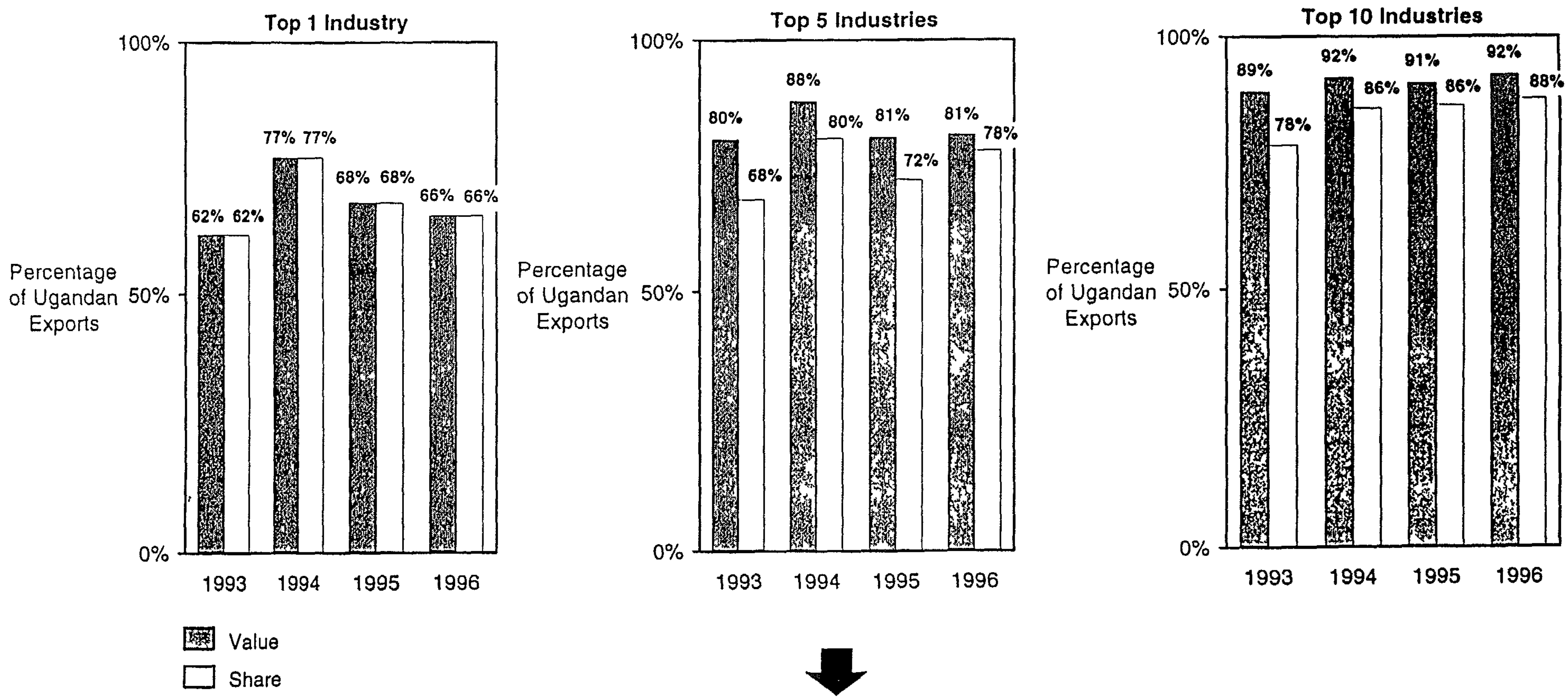
Country Name	1995	Rank
Dominican Republic	125 00	1
Uzbekistan	121 32	2
Kuwait	74 49	3
Armenia	51 94	4
Greece	47 73	5
Brunei	45 39	6
Cameroon	41 66	7
UGANDA	**39.53**	**8**
Malta	39 00	9
Western Samoa	38 02	10
Grenada	36 36	11
Bolivia	34 33	12
Paraguay	34 15	13
French Guiana	33 99	14
Tonga	33 90	15
Lithuania	33 42	16
Australia	33 24	17
Antigua and Barbuda	33 24	18
Macao	33 24	19
Hong Kong	31 82	20

UGANDA

Export Growth 9 2% over last decade
World Rank 82/189 countries
Africa Rank 12/43 countries surveyed

Exhibit III 5

Uganda Export Concentration Over Time
Percentage of Ugandan Exports Represented by Top Industry in Terms of Value and Share



Coffee and related goods, with a 66% share of exports, dominates the Ugandan economy

Note Top industries from a field of 104 industries
Source Ugandan Ministry of Planning and Economic Development, UN SITC, Revision 2 Monitor Company Analysis

Source Monitor Company, Inc

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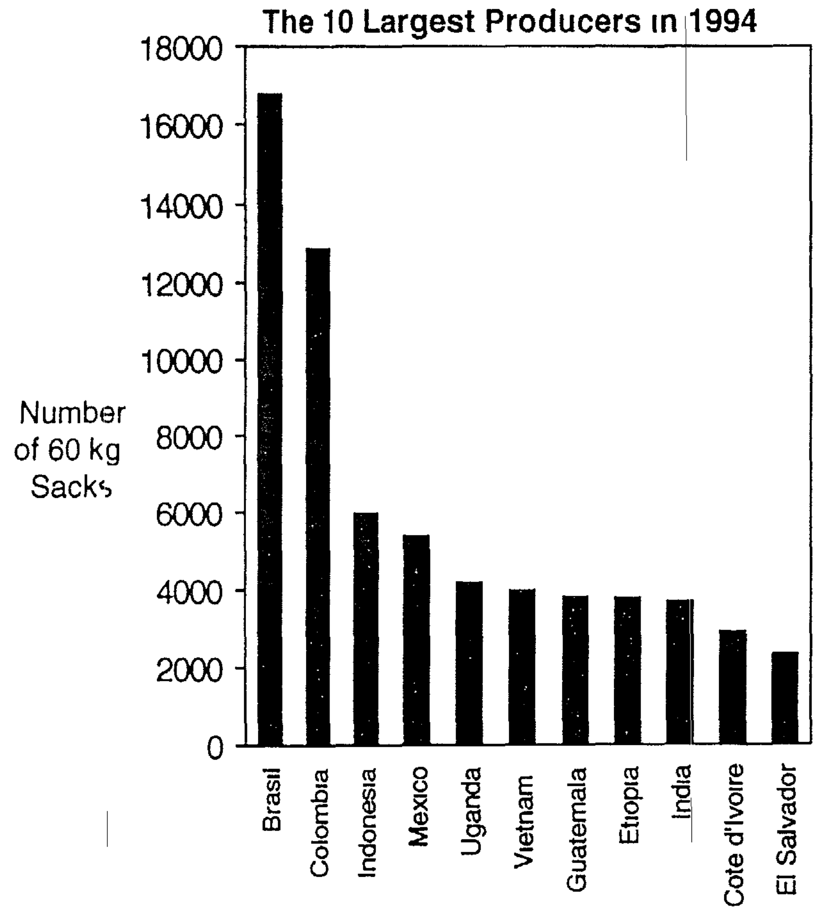
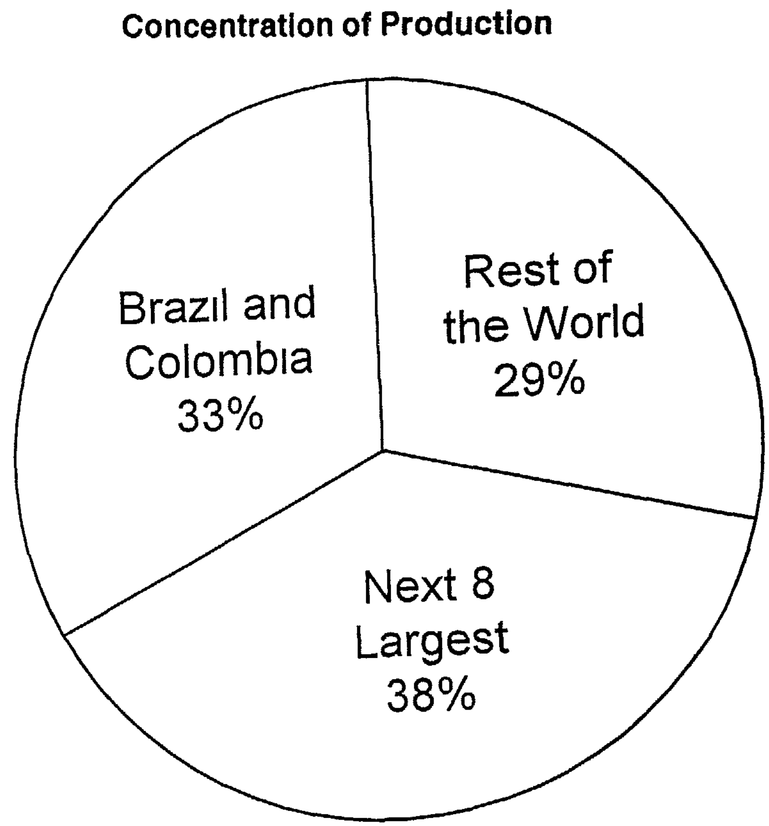
Exhibit III 6

Global Context
Principal Producers



SOURCE USDA "Tropical Products World Markets and Trade 1996 Monitor Analysis



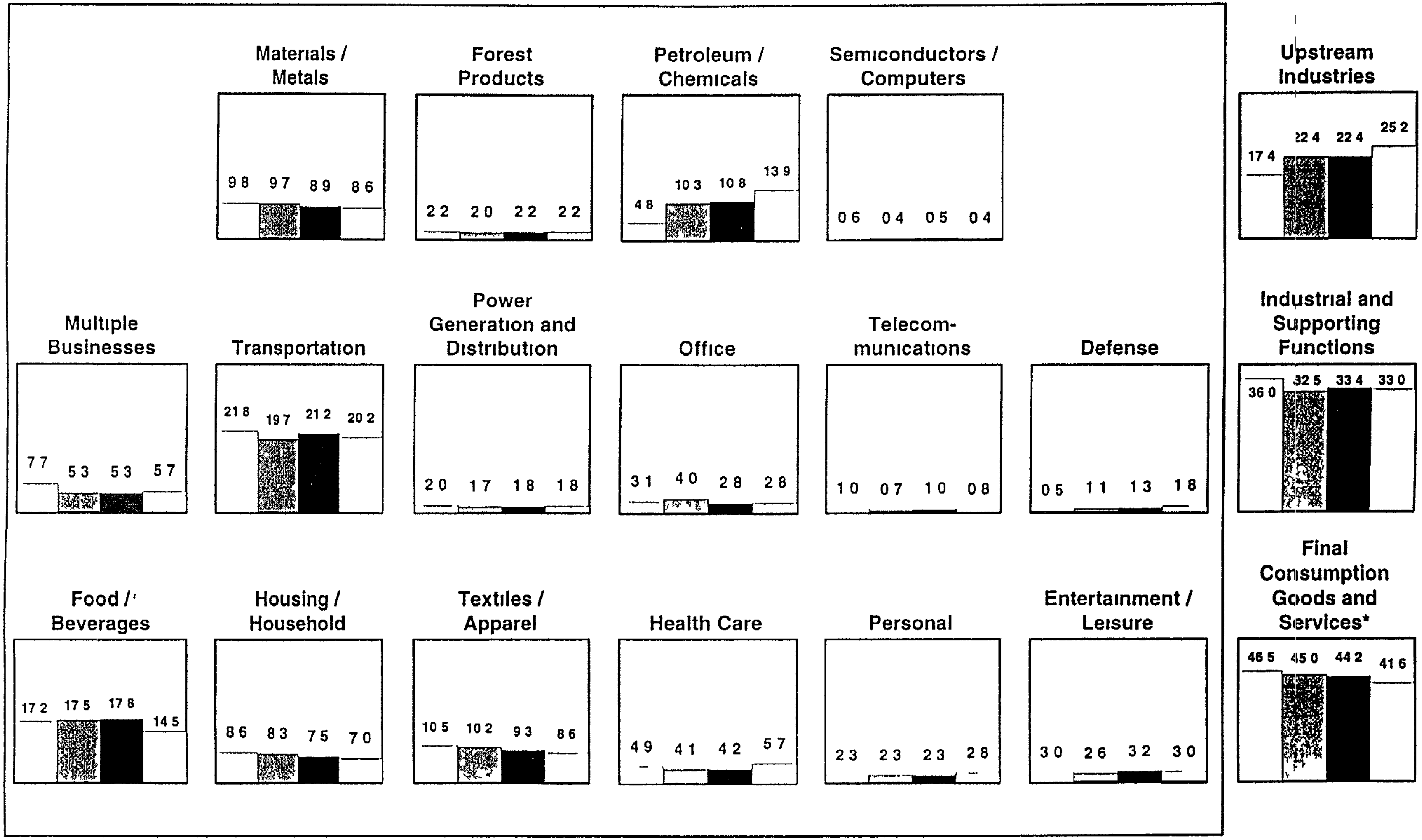
SOURCE USDA "Tropical Products World Markets and Trade 1996 Monitor Analysis

Source Monitor Company Inc

83

Exhibit III 7

Imports of Ugandan Goods by Broad Cluster



☐ 1993 ▨ 1994 ■ 1995 ☐ 1996

* Scale is 0 60%

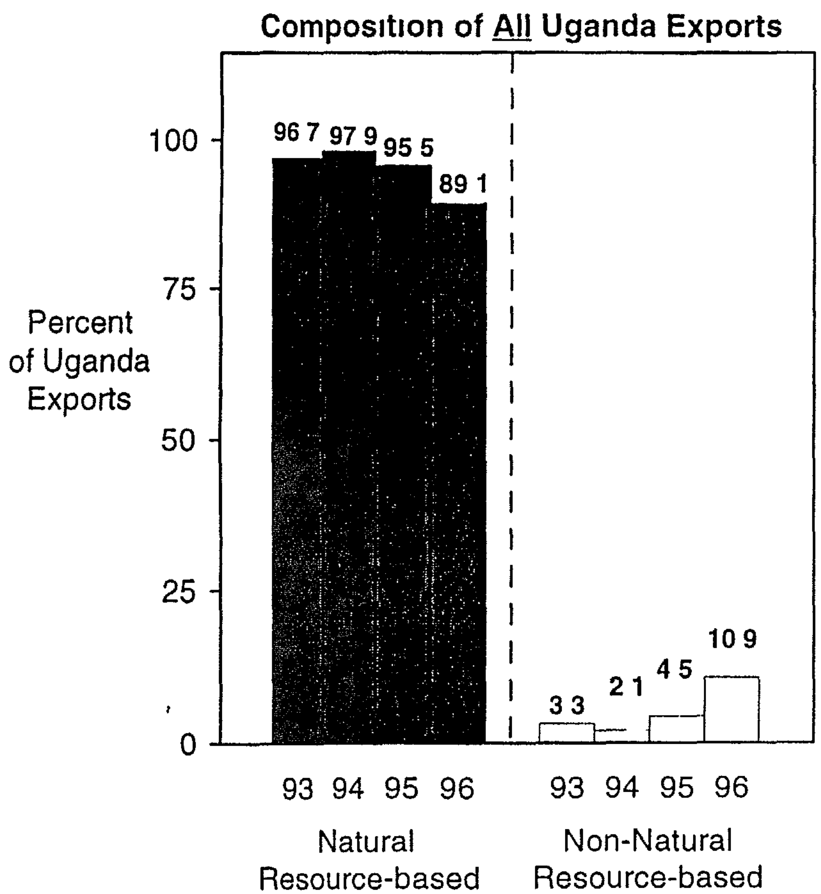
Note Figures may not add up to 100% due to rounding Scale for charts is 0 40% unless otherwise noted

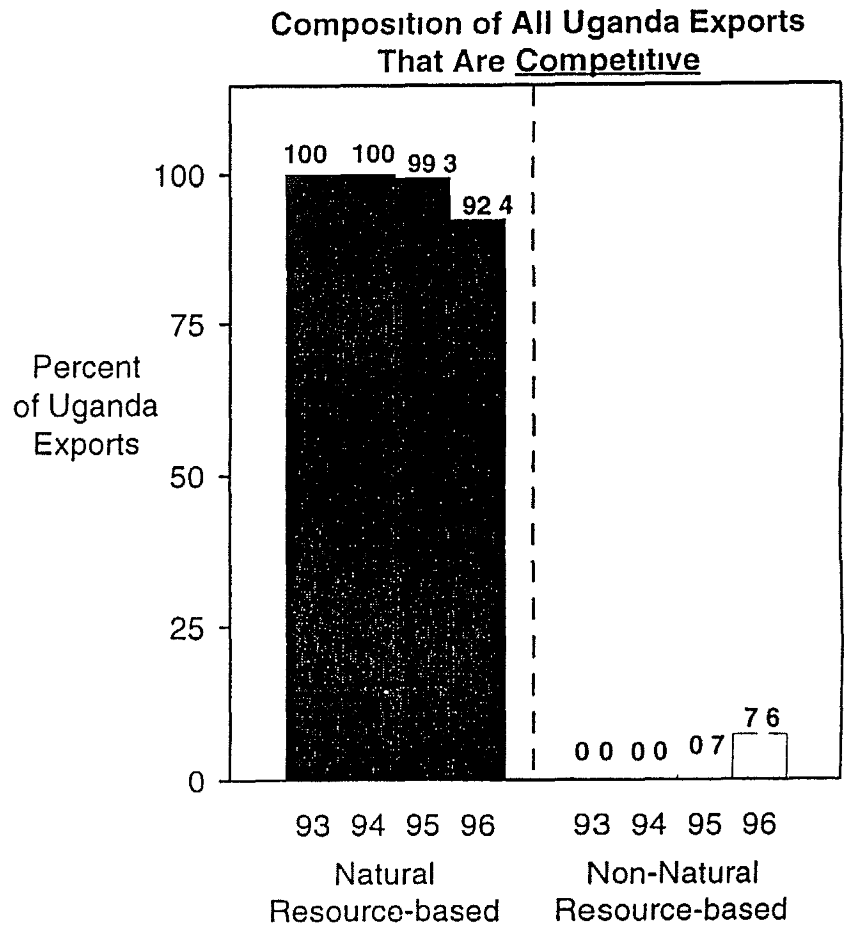
Source Ugandan Ministry of Planning and Economic Development UN SITC Revision 2 Monitor Company Analysis

Source Monitor Company, Inc

Exhibit III 8

Uganda Natural Resources





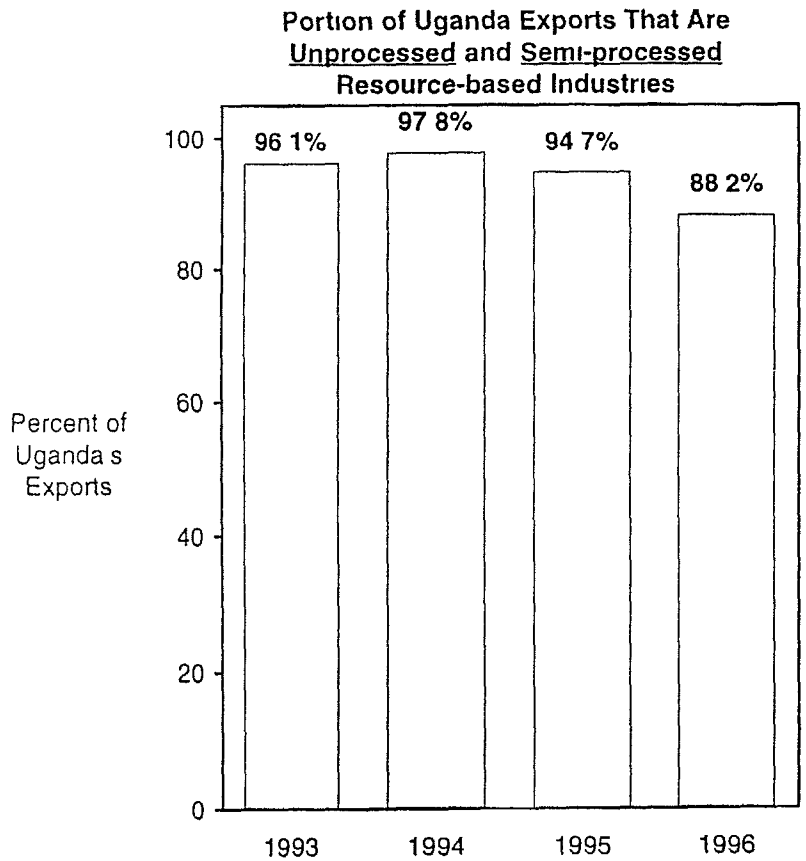
Non-natural resource-based exports are growing, but do not yet have the competitive market share of the traditional raw material exports

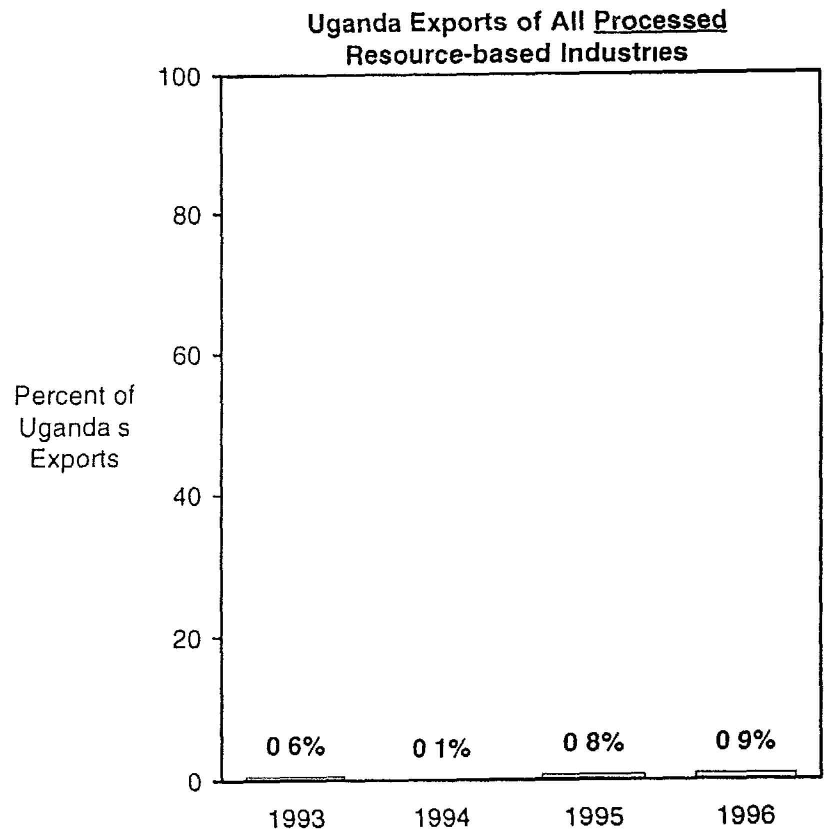
Source Ugandan Ministry of Planning and Economic Development, UN SITC Revision 2 Monitor Company Analysis

Source Monitor Company, Inc

Exhibit III 9

Uganda Natural Resource Exports



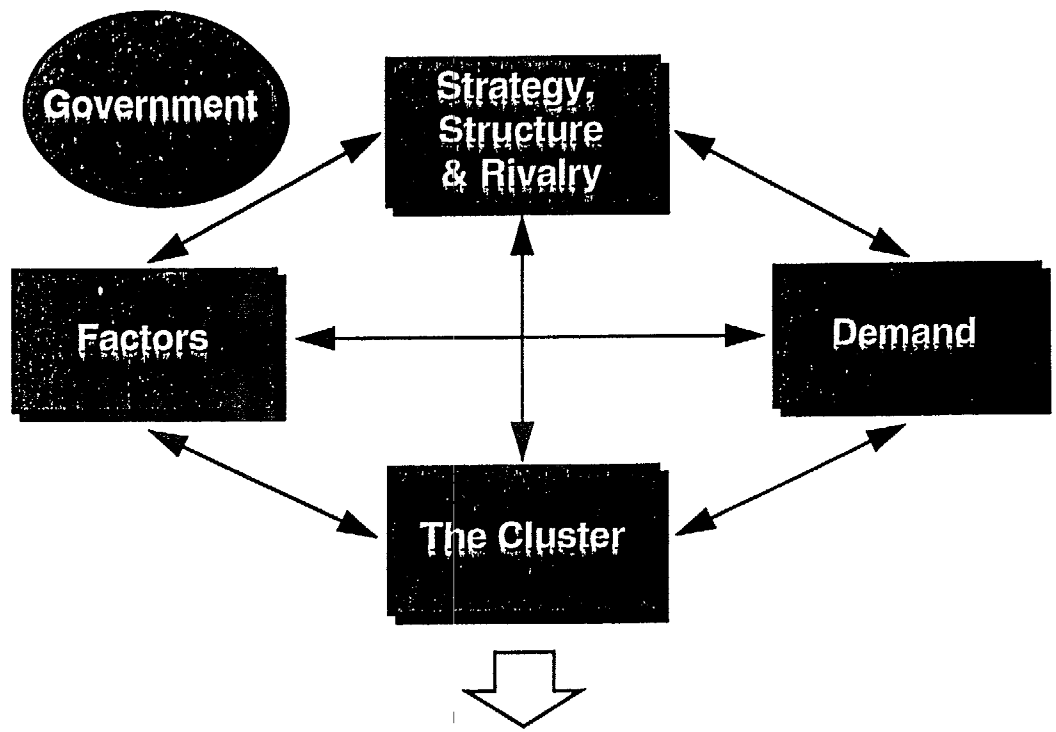


Source Ugandan Ministry of Planning and Economic Development, UN SITC Revision 2 Monitor Company Analysis

Source Monitor Company Inc

Exhibit III 10

Clarifying Competitiveness
Introduction to the Competitive Diamond



- Michael Porter's "diamond" paradigm represents the competitive environment in which a firm must compete
- Using this model, a firm can understand the dynamism of its industry that results from the interaction of the four determinants along with the influence of government and chance
- Sustained success results from innovation and improvement within this system
  - Improving one determinant can help to improve the entire system

Source Monitor Company, Inc

Exhibit III 11

Ugandan Cluster Exports 1992-1996

(US$ Million)

	1992	*1993*	*1994*	*1995*	*1996*
Coffee	$95 4	$106 8	$343 3	$384 1	$396 2
Fish and Fish Products	$6 5	$8 9	$19 4	$32 2	$39 1
Tourism [a]	$45 4	$54 6	$72 1	$94 6	$123 9
Flowers [a]	NA	$0 21	$0 76	$2 57	$1 15
Total Exports	**$146 8**	**$201 2**	**$459 9**	**$575 9**	**$665 3**

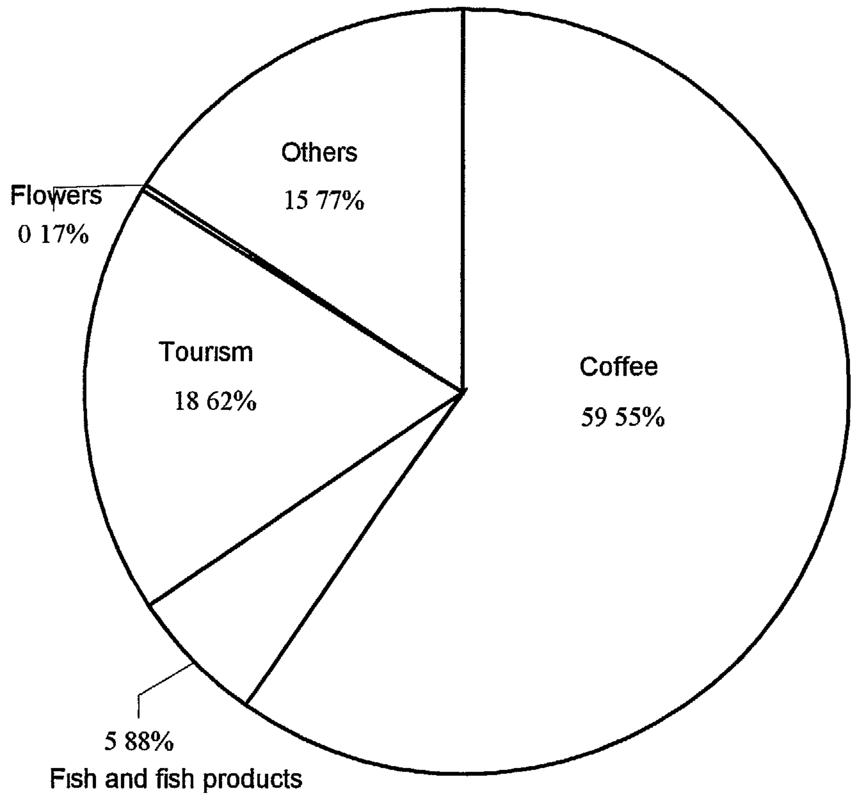
Source The Economist Intelligence Unit Limited, Uganda Country Profile 1997-8

[a] These statistics were compiled by Uganda Export Promotion Board

Note The Uganda Export Promotion Board's statistics for coffee, fish and fish products and total exports were higher than those from the Economist Intelligence Unit Consequently, tourism and flower exports may be over represented in this figure

Exhıbıt III 12

Percent Share of Uganda's Exports by Cluster
(1986)



Source Flower and tourısm statıstıcs were compıled by the Uganda Export Promotıon Board
Coffee, fish products and total exports are from The Economıst Intellıgence Unıt Lımıted Uganda Country Profile 1997-8

Note The Uganda Export Promotıon Board's statıstıcs for coffee fish and fish products and total exports were hıgher than those from the Economıst Intellıgence Unıt Consequently tourısm and flower exports may be over-represented ın thıs figure

Exhibit III 13

Seven Opportunities for Ugandan Competitiveness

	Coffee	*Fish*	*Flowers*	*Manufacturing*	*Tourism*
Competitive Positioning	Robusta vs Arabica Specialty vs Commodity	Fresh Frozen Other Varieties Quality Level	Roses now commodity business Seeds and other products	Import substitution to export penetration	Target attractive segments
Customer Learning	Micro Markets Niche Preferences	Europe vs Middle East	New Varieties Customer preferences	Identification of regional and global opportunities	Four stages of customer decision
Innovation	Bancafe	Offshore purchasing platforms New distribution partnerships	Bouquets, packaging, dry pack shipping	New strategic partnerships and new products	Design elite high-end packages (cf Tanzania)
Human Capital Investment	Bancafe	Sanitary and environmental requirements	Direct market exposure	Upgrading technical and managerial skills	Tourism training institute
Cluster Cooperation	Grading Systems	Improve industry sanitary standards	Joint market development Cold storage	Support regional integration Incorporate local design	Regional tourism network Standards
Forward Integration	Bancafe Packaging Retailing	Fresh chilled and frozen fillets Packaging directly for retail	Leap-frog Dutch auction (Norway example)	NA	Develop new marketing channels Invest in tourism sites
Strategies and Attitudes	Introduce gourmet coffee to a nation of tea drinkers	Industry collaboration	Beyond roses Develop local market for roses	Vision for Ugandan manufacturing competitiveness	Exposure to world class destinations Develop local market

Source J E Austin Associates, Inc

Exhibit III 14 Comparison of Various Coffee Production Costs In Uganda and Kenya

	Uganda	Kenya
COP Budgets for Arabica Coffee 1992/93		
(low inputs in $/ha & $/kg clean coffee)[1]		
Variable costs		
Fertilizer	96	14
Insecticides/Fungicides	46	15
Herbicides	46	0
Manure/Mulch	0	61
Transport	8	13
Depreciation/Capital Costs	37	7
Fixed Costs Annualized	73	137
Labor costs	184	232
Total costs ($/Ha)	490	478
Average yield clean coffee (KG/HA)	450	595
Costs per kg clean coffee ($/KG)	1 09	0 80
Processing Costs (1990 prices)[2]		
Costs of Milling, Grading, Bagging	$126/ton	$41/ton
Cost of Processing and Marketing	$488/ton[3]	$176/ton
Returns to Labor for Coffee and Competing Crops (1992-1993 prices)		
Arabica		
Producer Price($/Kg)	0 58	0 49
Value of Output ($/ha)	376	1371
Variable Costs ($/ha)	161	110
Gross Margin ($/ha)	216	1261
Family Labor (MD/ha)	154	270
Return to Family Labor ($/MD)	1 4	4 67
Robusta		
Producer Price($/Kg)	0 27	---
Value of Output ($/ha)	324	---
Variable Costs ($/ha)	242	---
Gross Margin ($/ha)	82	---
Family Labor (MD/ha)	130	---
Return to Family Labor ($/MD)	0 63	---

Notes

[1] Exchange rate assumptions (Oct Sept 1992/93 average) Uganda Uses/US 1036 Kenya KShs/$US 50 Tanzania TShs/$US 450

Kenya yields are actual yields from crop budgets yields for Uganda are national yield figures

[3] of which only $77 represents transportation costs to the Coast

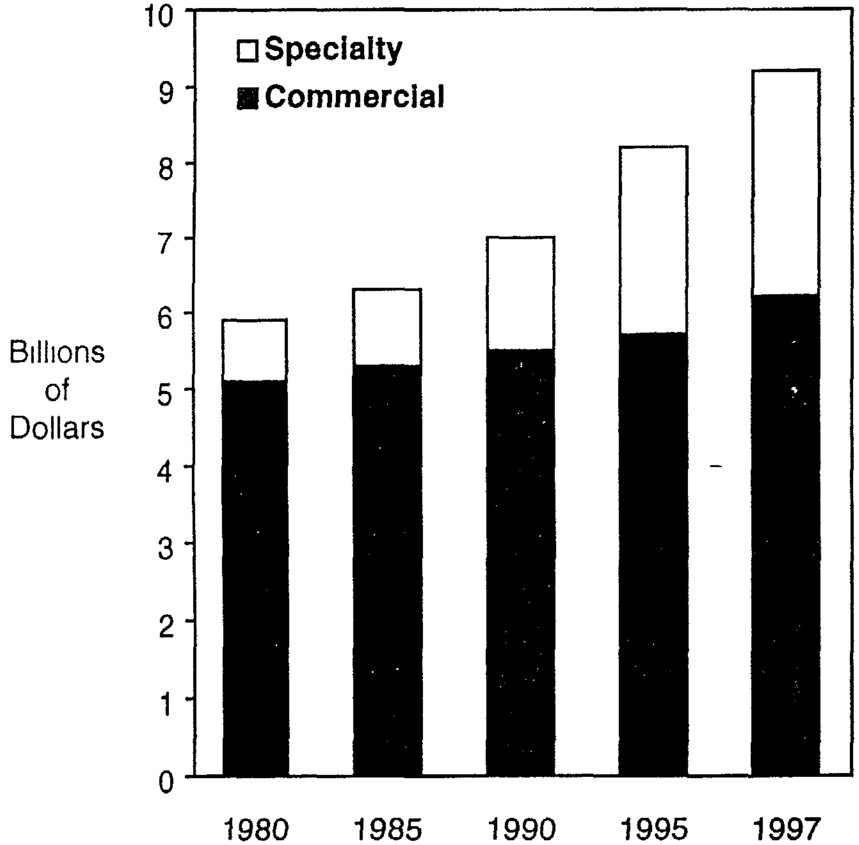
[2] These statistics only represent Arabica coffee in Kenya and Robusta coffee in Uganda

Source Odhiambo Mark Kristjanson, Patricia, Kashangaaki John Comparative Cost of Production Analysis in East Africa Implications for Competitiveness and Comparative Advantage October 1996

Exhibit III 15

Growth in Specialty Coffees
Example: The US Coffee Market

Commercial and Specialized Coffee Market Sizes in the US



SOURCE Specialty Coffee Association of America Merrill Lynch Interviews

- "We know that the specialty coffee market is growing, but we're not doing anything about it." (Ugandan Coffee association official)
- "The coffee farmers want fast money, they're not interested in adapting and producing specialty coffee " (Head of Ugandan coffee cooperative)
- "The only growth opportunities in coffee demand that we do new things, otherwise we'll get poorer and poorer " (Ugandan coffee grower)

The world coffee market is rapidly changing and presenting new opportunities to generate wealth Ugandans must study new emerging segments, such as specialty coffee, in order to identify potential market opportunities

Source Monitor Company Inc

Exhibit III 16

The Changing World of Coffee
Opportunities in Uganda's Business Environment

Principal focus on commercial customers → **Demand** | **The Cluster** | **Strategy**

- "All we do is sell low quality coffee to the multi-nationals We don't have good quality because they come in, put up quick cash, and don't care about quality " (Coffee association leader)

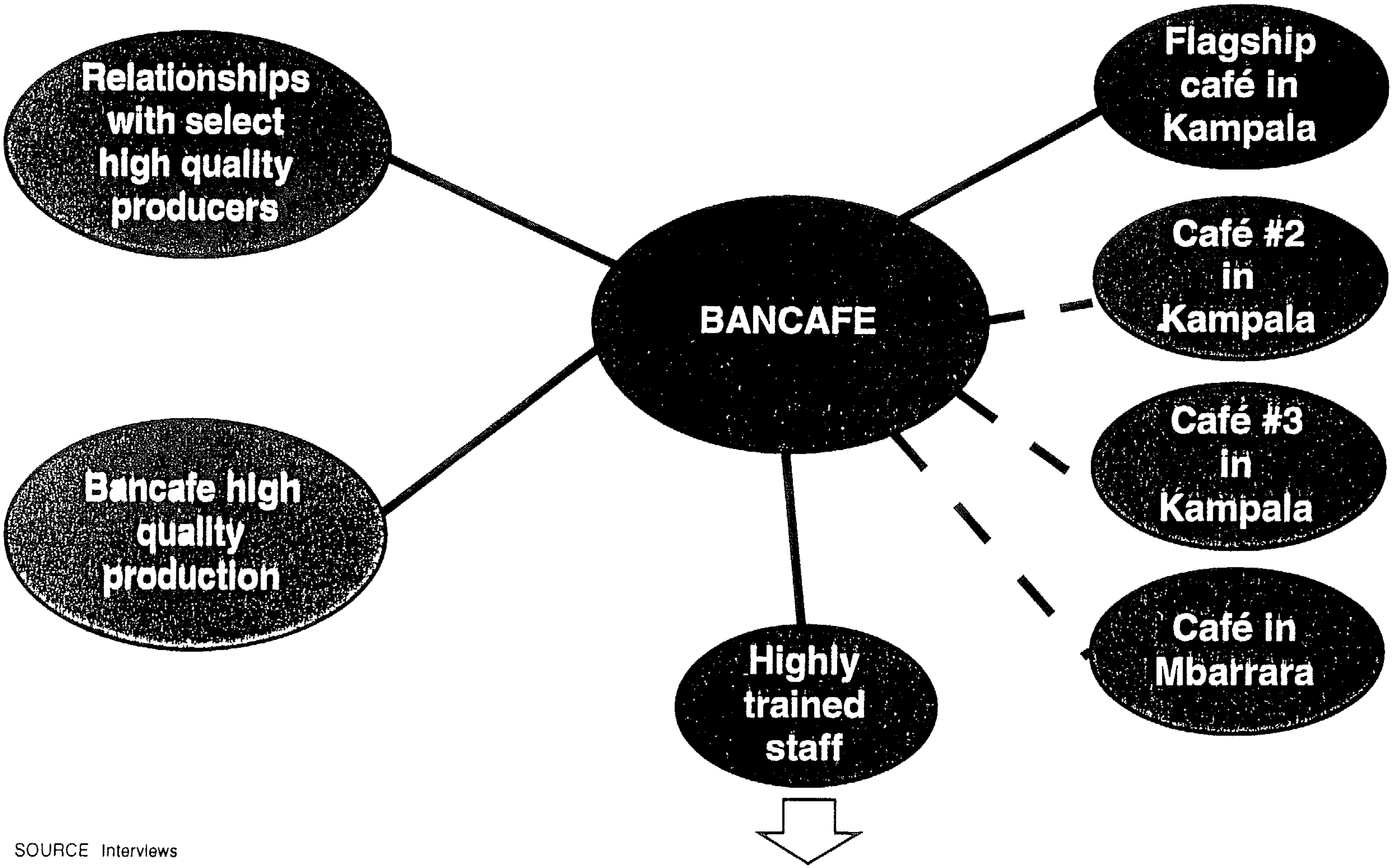
- "People are becoming more particular in their tastes and we're not responding" (Specialty coffee producer)
- "Experts know that Uganda has some of the best robusta but no one else knows about it " (Coffee producer)
- "We haven't gotten over our history of strict government controls " (Coffee machinery producer)
- "Local consumption is very low, people drink tea " (Businessman)
- "To be acceptable to the roaster, we need high quality--we have a very liberalized market, the growers don't take good care of their coffee " (Coffee producer)

The Ugandan coffee industry has focused primarily on non-demanding, large commercial buyers and has not directed attention to demand, cluster, and strategic issues

Source Monitor Company Inc

Exhibit III 17

A Success Story in Specialty Coffee
The Bancafe "Cluster"



SOURCE Interviews

Since opening its first cafe in 1997, Bancafe sales have risen dramatically "I used to think that instant coffee was the answer, but now, I'm making money in specialty coffee I may think about exporting directly some day, but I'm selling all that I can produce and buy right here " (Steven Banya, Bancafe)

Source Monitor Company, Inc

Exhibit III 18

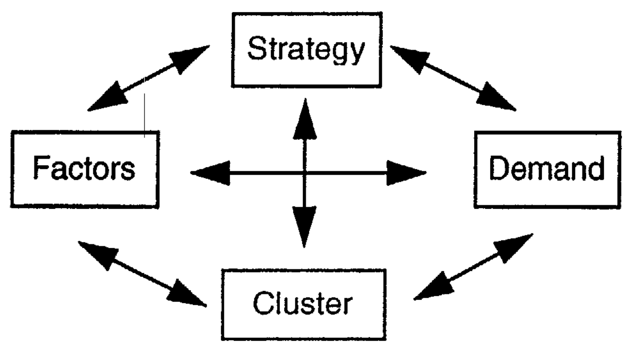
Clarifying Competitiveness
The Ugandan Flower Industry Competitive Diamond

+ Association considering innovative distribution channels (supermarket, mass-market, direct-to-wholesaler)
+ One company selling directly to consumer through Dutch partnership
+ 17 growers who began in 1993 or later
- Main export is basic rose which competes strictly on price
- All competitors producing virtually the same product
- Little consumer knowledge

LOW

+ Mild year round temperatures, long days of sunlight, fertile soil
+ Low, but rising wage rates
- High transport costs
- Highly-skilled workers expensive
- New technology primarily comes from Europe and Israel
- Poor road infrastructure
+ Initiating program for training in management, fertilization, and business activities at Makerere University

MEDIUM



+ Local consumption of flowers low but growing (est $180,000/year)
+ "Ugandans did not give flowers but today young Ugandans like them and give them as gifts "
- No discernment of Ugandan product in international market

LOW

+ Strong association support for business activities
- Restrictive shipping facilities through airport

MEDIUM

Ugandan flower producers sell basic, low-price undifferentiated flowers, the prices of which are volatile Producers are overdependent on basic factors such as low wages, sun, and soil and lack customer knowledge

SOURCE Interviews

Source Monitor Company, Inc

Exhibit III 19

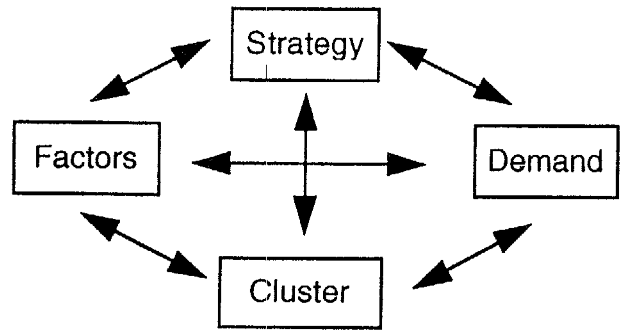
Clarifying Competitiveness
The Dutch Flower Industry Competitive Diamond

+ Heavy domestic rivalry (9,350 cut flower nurseries, 1900 exporters)
+ Technology leaders
+ Differentiated product strategy

HIGH

+ Favorable proximity to European markets
+ Low transport costs to European markets
+ Gas relatively inexpensive
+ High productivity of workers
- Heated greenhouse cultivation essential, government considering energy levy
- Expensive land
- Fertilizer and pesticide emissions to the soil, air, and water meet increasingly stringent environmental standards
- High labor costs
- Scarcity of labor
+ Excellent roadway and airport network
+ Advanced computer networks to track auction transactions (95% of production goes through auctions)
+ Extensive advanced training courses and research, adequate capital to fund research
+ Many growers have in-house research facilities

HIGH



+ High local demand-- 61% of families buy flowers at least once every 4 months
+ Strong local demand for new products

HIGH

+ Logistics coordinated through auction houses, two largest auction houses account for 81% of production
+ High proportion of costs incurred by grower offset by extremely efficient logistics system
+ Research and technology from related sectors, i e vegetables
+ Shared distribution channels with flower bulb and tree nursery sectors
+ Strong position in breeding and propagation
+ Information and innovation pass quickly through network of sectors

HIGH

Dutch compete on the basis of advanced factor conditions and an extremely efficient logistics system

SOURCE Rabobank, Flower Council of Holland

Source Monitor Company, Inc

IV. MACRO-MICRO LINKAGES

After analyzing Uganda's national competitiveness platform, export competitiveness and firm-level competitiveness, the team examined the inter-relations between the macro/policy and micro/strategy approaches The following observations were based on intensive hands-on coaching of Ugandan business owners and managers over a four-week period

Adapting the Austin Policy Impact Matrix **(Exhibit IV.1)**,[1] the team analyzed the impacts of policies, openness, institutions, infrastructure, finance and human resources on firm-level operations including marketing, production, organization and staffing

IV.1 *Macro-Micro Linkages as Triggers for Action*

Firm-level impacts can act as triggers for reform if there is a mechanism for identifying and communicating them It is not difficult for firms to identify where governmental action or inaction impinges on their operations It is less obvious that there are effective ways to build dialogue, establish priorities and take action The following are examples of some of the more critical impacts as they affect the competitiveness of selected key industries in Uganda

In the coffee industry **(Exhibit IV 2)**, the greatest impact in recent years has been the government decision to privatize most of the functions of the coffee board This has, in part, helped further the boom in coffee exports that was illustrated earlier By privatizing these functions, efficiencies were introduced in the system that have benefitted farmers This has helped to improve conditions for Uganda's rural poor as Uganda's coffee industry is largely based on small-holder production As farmers received more of the f o b price at the farm gate, they also had a stronger incentive to produce

In the cut flower industry **(Exhibit IV 3)**, weak infrastructure and underdeveloped human resource capacity affect the ability of flower exporters to compete in international markets Without adequate refrigeration and cold storage facilities, Ugandan exporters cannot guarantee the quality of their products This is especially important as cut flowers are now a highly competitive commodity business Transportation (limited flights to Europe, poor local road conditions) is also a major constraint Uganda is also highly dependent on European sources of technology and expertise Efforts are underway at Makerere University to improve technical training in areas relevant to the flower industry, but human resource capacity is still limited The ability of Ugandan cut flower exporters to capture additional value will depend heavily on improvements in supporting infrastructure and technical and managerial training

[1] The Austin Policy Impact Matrix examines the impact of critical government policy instruments such as monetary policy, fiscal policy, foreign investment, trade promotion and sectoral initiatives on important firm-level operations such as finance, control, production, marketing, human resources and management It is illustrated in Exhibit IV 1 at the end of this section

In the fish industry **(Exhibit IV 4)**, the key impact point is at the intersection of government health and sanitary institutions and company exports to Europe The current inability to guarantee the health and safety of exported fish to the satisfaction of European officials and/or to negotiate and defend access to that market has caused a cut-off in exports to the critical European market This has hurt company sales, profits and Ugandan export revenue The European market for Ugandan fish is likely to be reopened But the uneven quality of exported fish and the questions raised by those interviewed regarding inspections and enforcement could still threaten the future of this industry, particularly in light of new WTO guidelines on sanitary standards

For tourism operators, the policy impact points revolve around better communications and informatics capabilities, critical for market development More reliable energy supply is important to hotel operators Transport infrastructure and safe water are important for the tourism industry as well **(Exhibit IV 5)**

During their meeting with President Museveni, Ugandan manufacturers reported that one of their biggest difficulties was the inability to compete with smuggled goods while paying import duties and VAT Government trade policy itself was not the problem Rather, it was the government's lack of equal policy enforcement and ability to ensure a level playing field Manufacturers also noted the sudden appearance of new taxes on benefits, such as international air travel for family and dependents, that create difficulties for the hiring and retention of foreign experts and managers The manufacturers had few problems with the design of duty drawback incentives, but their financial operations were being hurt by the delayed payments of these drawbacks The ability of the GOU to secure and enforce more open trade agreements with East African countries would seem to be vital to the ability of manufacturers to achieve the scale necessary to compete **(Exhibit IV 6)** Competition policy has led the government to liberalize parts of the manufacturing sector that enjoyed some earlier protection If the costs of basic goods and services can be lowered through competition, the average Ugandan will benefit

IV.2 *Macro-Micro Linkages: Reinforcing Messages*

When multiple methodologies appear different but come to similar conclusions, the result is a message that can be quite compelling If this message can be shown to make sense at the national, industry and firm level, it may elicit broader and deeper acceptance by the private and public sector leadership and contribute to consensus for action and a common vision The examination of Uganda's "competitiveness" at a national level using a policy-oriented approach and at the firm level using the competitive diamond approach generated mutually reinforcing messages for Uganda While there are many such messages, the following are a few of the more salient ones

Openness--The diamond demonstrates the importance of exposing firms and industries to large and rigorous demand in the market HIID stresses the critical importance of "openness" for national competitiveness These two messages are mutually reinforcing Recent export growth results for Uganda provide statistical support and further impetus to resolve the remaining constraints to greater openness The emergence of a $40M/year fish export industry in the 1990s is one example

Liberalization--The competitive diamond shows that reducing barriers to entry and enhancing the internal rivalry of an industry will lead to greater pressures for efficiency, upgrading and overall competitiveness The exposure of the Ugandan economy to market forces and the elimination of state monopolies has spurred new investment in competing enterprises that are lowering the cost of goods for the average Ugandan This is also happening in certain manufacturing sectors

Privatization--The competitive diamond sheds light on why privatization is important by stressing the critical value of suppliers within a business cluster When privatization has not reached critical business service industries such as energy, transport and communications, most businesses are affected by higher costs and less efficiency

Communications Infrastructure--The critical importance of exposure to end markets, suppliers and sources of technology and innovation would indicate the key importance of providing greater access at lower cost to communications technologies This is moving forward in Uganda even though telecommunications and informatics costs are still high Lower rates and expansion of access to informatics and telecommunications not only make good economic sense, but could also contribute to downstream competitive advantage Improved communication with customers and suppliers is a first step to the design of more complex product-service combinations that earn Ugandan producers higher profits

Education--The use of both macro and micro perspectives sheds light on the two-way linkages between education/skills upgrading and competitive performance Macro-economic and policy studies have long pointed to education as an important driver of economic growth [2] Economic growth also supports stronger educational performance as countries dedicating the same percentage of their GDP to education have more and more resources each year As more good jobs become available in competitive industries, parents make additional sacrifices to ensure that their children receive the education they need to take advantage of these opportunities Micro-level analysis reinforces this message Those firms that pursue strategies based on the sustainable advantage of hard-to-replicate skills tend to have sustainable competitive advantages There is a virtuous cycle of positive impacts between competitive economic performance and the upgrading of human skills Firm-level analysis will reveal those skill sets that are in greatest demand and can thus help shape

[2] World Bank, The East Asian Miracle Economic Growth and Public Policy, Oxford Oxford University Press, 1993 See pages 193-203

educational curriculum accordingly In Uganda, the team found that those companies pursuing competitive (versus comparative) advantage were placing more emphasis on upgrading the skills and capabilities of their employees

Corruption--Anecdotal evidence from companies in Uganda regarding the prevalence of corruption is reinforced by the HIID ranking which placed the country 7th from the bottom among 22 countries surveyed in terms of corruption [3]

Export Strategies Based on Primary Products--the competitive diamond explains why business strategy based on natural factors such as raw material endowments is not very profitable Similarly, macro-economic studies have illustrated the correlation between low growth in GDP and over-reliance on primary and natural resource exports At the business level, export strategies based on primary products are easily replicated and, as a result, prices tend to fall over time as new entrants emerge The challenge for Uganda is to continue to diversify and upgrade its export base

IV.3 *Conflicting or Complementary Messages?*

The competitive diamond approach to competitiveness places greater responsibility on the private sector for conceiving and implementing competitive strategies that form the basis for increased productivity and income per-capita Pointing to firms such as Hilasal that became competitive even during El Salvador's civil war, the approach encourages business leaders to look more closely at their customers and competitors than at their government policies The team challenged the local private sector to do this during the intensive workshops in Kampala

The national platform approach to competitiveness, by contrast, places greater emphasis on the role of government in economic management, financial sector regulation, infrastructure development and education

The interaction of the two approaches leads the team to suggest the following

- Countries need not only sound policy but also sound business strategy,
- Competitive response by business to policy reform is not as automatic as assumed,
- The private sector in transitional situations may also need "reform" (or assistance in designing and implementing better strategies)

If this is correct, it would add support to initiatives such as the World Bank BUDS project, and the USAID PRESTO and IDEA projects that are closely involved with the private sector in making these difficult transitions

[3] "African Competitiveness Report 1998," World Economic Forum, Geneva, Switzerland, p 28

100

There may also be a sequencing issue During the early stages of economic stabilization and reform (or transition from a centrally planned economy), public policy and public institutions have greater impact on prospects for economic growth Over time, sustained growth in productivity comes to depend more on the quality of private sector leadership Private sector decisions regarding investment, human resources and competitive strategy then become crucial to continued rapid growth

Intensive interaction with the Ugandan private sector revealed lack of exposure to strategic tools and approaches In addition, it also revealed a confidence issue, many business people do not believe that they can be competitive, a factor which may further contribute to inaction While much attention is now being placed on upgrading the skills of policy makers, minimal attention has been directed towards the Ugandan private sector, which has also suffered over the last 20 years Consequently, this section ends with a question *Can intensive and prolonged exposure to competitiveness tools and techniques, as well as international sites of best practice, foster Ugandan competitiveness?*

Exhibit IV 2

Coffee Cluster: Policy Impact Points

Category	*Platform Element*	*Company Impact Points*			
		Finance	*Marketing*	*Prod'n*	*Organization & Staffing*
Macroeconomic Policies					
	Monetary	x			
	Fiscal	x		x	
	Trade	x	x		
	Labor minimum wage			x	x
	Labor expatriates				x
	Capital ownership	x			x
	Capital repatriation	x			x
Legal and Institutional Enabling Environment					
	Appropriate commercial legislation	x	x		x
	Functioning judiciary or arbitration mechanisms	x		x	x
	Productive civil service		x	x	x
	Tax collection	x			x
	Customs	x	x		
	Health and sanitary		x	x	
	Business licensing	x			x
	Investment promotion	x		x	
	Government procurements and contract awards				n/a
	Privatization		x		
→	Coffee Board	x	x	x	
Infrastructure - Cost and Service					
	Safe water			x	
	Telecommunications		x		
	Informatics		x		
	Energy			x	
→	Transport		x	x	
Human Resources					
	Literacy		x		x
	Education level		x	x	x
	Technical and Managerial Training		x	x	x
→	Productivity			x	x
	Health Initiatives				x

Note

→ Refers to areas that have a large impact on the competitiveness of Uganda's coffee sector

Source J E Austin Associates Inc assessment Based on concepts in Austin James E "Managing in Developing Countries Strategic Analysis and Operating Techniques New York The Free Press 1990

Exhibit IV 3

Flower Cluster. Policy Impact Points

Category	*Platform Element*	*Company Impact Points* *Finance*	*Marketing*	*Prod'n*	*Organization & Staffing*
Macroeconomic Policies					
	Monetary	x			
	Fiscal	x		x	
	Trade	x	x	x	
	Labor minimum wage			x	x
	Labor expatriates				x
	Capital ownership	x			x
	Capital repatriation	x			x
Legal and Institutional Enabling Environment					
	Appropriate commercial legislation	x	x		x
	Functioning judiciary or arbitration mechanisms	x		x	x
	Productive civil service		x	x	x
	Tax collection	x			x
	Customs	x	x	x	
	Health and sanitary		x	x	
	Business licensing	x			x
	Investment promotion	x	x	x	
	Government procurements and contract awards				n/a
	Privatization				n/a
Infrastructure - Cost and Service					
→	Water				n/a
	Telecommunications		x		x
	Informatics		x		
	Energy			x	
→	Transport		x	x	
Human Resources					
	Literacy				x
	Education level		x	x	x
→	Technical and Managerial Training		x	x	x
	Productivity			x	x
	Health Initiatives				x

Note

→ Refers to areas that have a large impact on the competitiveness of Uganda's flower sector

Source J E Austin Associates Inc assessment Based on concepts in Austin James E 'Managing in Developing Countries Strategic Analysis and Operating Techniques New York The Free Press 1990

Exibit IV 4

Fish Cluster Policy Impact Points

Category	*Platform Element*	*Company Impact Points*			
		Finance	*Marketing*	*Prod'n*	*Organization & Staffing*
Macroeconomic Policies					
	Monetary	x			
	Fiscal	x		x	
	Trade	x	x		
	Labor minimum wage			x	x
	Labor expatriates				x
	Capital ownership	x			x
	Capital repatriation	x			x
Legal and Institutional Enabling Environment					
	Appropriate commercial legislation	x		x	x
	Functioning judiciary or arbitration mechanisms	x		x	x
	Productive civil service		x	x	x
	Tax collection	x			x
	Customs	x	x	x	
→	Health and sanitary		x	x	x
	Business licensing	x			x
	Investment promotion	x	x		
	Government procurements and contract awards				n/a
	Privatization				n/a
Infrastructure - Cost and Service					
	Safe water		x	x	
	Telecommunications		x	x	x
	informatics		x		
	Energy			x	
	Transport		x	x	x
Human Resources					
	Literacy				x
	Education level		x	x	x
	Technical and Managerial Training		x	x	x
	Productivity			x	x
	Health Initiatives			x	x

Note

→ Refers to areas that have a large impact on the competitiveness of Uganda's fish sector

Source

J E Austin Associates Inc assessment Based on concepts in Austin James E Managing in Developing Countries Strategic Analysis and Operating Techniques New York The Free Press 1990

Exhibit IV 5

Tourism Cluster. Policy Impact Points

Category	*Platform Element*	*Company Impact Points*			
		Finance	*Marketing*	*Prod'n*	*Organization & Staffing*
Macroeconomic Policies					
	Monetary	x			
	Fiscal	x		x	
	Trade	x	x		
	Labor minimum wage	x		x	x
	Labor expatriates		x		x
	Capital ownership	x	x		x
	Capital repatriation	x	x		x
Legal and Institutional Enabling Environment					
	Appropriate commercial legislation	x			x
	Functioning judiciary or arbitration mechanisms	x			x
	Productive civil service		x	x	x
	Tax collection	x			x
	Customs	x	x	x	
	Health and sanitary		x	x	
	Business licensing	x			x
	Investment promotion	x	x		
	Government procurements and contract awards				n/a
	Privatization		x		
Infrastructure - Cost and Service					
	Safe water		x	x	
→	Telecommunications		x	x	x
→	Informatics		x		
→	Energy		x		
→	Transport	x	x	x	x
Human Resources					
	Literacy		x	x	x
	Education level		x	x	x
	Technical and Managerial Training		x	x	x
	Productivity	x		x	x
	Health Initiatives				x

Note

→ Refers to areas that have a large impact on the competitiveness of Uganda's tourism sector

Source

J E Austin Associates Inc assessment Based on concepts in Austin James E Managing in Developing Countries Strategic Analysis and Operating Techniques ' New York The Free Press 1990

Exhibit IV 6

Manufacturing Cluster: Policy Impact Points

Category	*Platform Element*	*Company Impact Points*			
		Finance	*Marketing*	*Prod'n*	*Organization & Staffing*
Macroeconomic Policies					
	Monetary	x			
	Fiscal Duty Drawbacks	x		x	
→	Trade	x			
	Labor minimum wage			x	x
	Labor expatriates			x	x
	Capital ownership	x			x
	Capital repatriation	x			x
→	Competition Policy				
Legal and Institutional Enabling Environment					
	Appropriate commercial legislation	x		x	x
	Functioning judiciary or arbitration mechanisms	x		x	x
	Productive civil service		x	x	x
→	Tax collection	x			x
→	Customs	x	x	x	
	Health and sanitary			x	x
	Business licensing	x			x
→	Investment promotion	x		x	
	Government procurements and contract awards	x	x	x	
	Privatization	x		x	
Infrastructure - Cost and Service					
	Safe water			x	n/a
	Telecommunications		x	x	x
	Informatics		x	x	x
	Energy			x	
	Transport	x	x	x	
Human Resources					
	Literacy			x	x
	Education level		x	x	x
	Technical and Managerial Training		x	x	x
	Productivity			x	x
	Health Initiatives			x	x

Note

→ Refers to areas that have a large impact on the competitiveness of Uganda's manufacturing sector

Source

J E Austin Associates Inc assessment Based on concepts in Austin, James E "Managing in Developing Countries Strategic Analysis and Operating Techniques ' New York The Free Press 1990

V CONCLUSIONS AND RECOMMENDATIONS

This exercise has demonstrated the importance of competitiveness for both national objectives and company-level goals It has shown the linkages between important national policies and the operations of private companies It has provided mutually reinforcing messages from different starting points using different methodologies On the basis of this, the team makes the following recommendations for next steps

Ministry of Finance and private sector officials have suggested conducting a 3-day retreat to formulate a common vision for Ugandan competitiveness. Monitor Company has offered to host such a retreat in Boston to facilitate this effort and to transfer the tools and technologies of competitiveness to Ugandan leaders Alternatively, such a retreat could be held in Uganda

The GOU should form a high-level inter-ministerial competitiveness committee, chaired by either the President of Uganda or the Ministry of Finance, to monitor the implementation and coordination of all policies and initiatives related to this The December 1997 report of the 5th Presidential Forum on Broadening Private Sector Growth noted that "government policies are not coordinated "[4] Competitiveness requires consistency in policies related to trade, investment, tax, labor, regulation, education, health and institutions, among others

The inter-ministerial committee should focus on creating a national platform for Ugandan competitiveness but should not try to pick "winners and losers" or subsidize, fund or protect them from vigorous competition While one understands the imperative of building a manufacturing base (manufactured exports are associated with high growth rates), the industries often mentioned for GOU attention may not be the most competitive Existing venture capital or equity funds that now exist in the region are better placed in making such investment decisions

The private sector, under the umbrella of the Private Sector Foundation, can implement its own competitiveness program As the new umbrella organization for private sector associations, the Private Sector Foundation (PSF) can undertake several initiatives It was beyond the scope of this exercise to conduct an in-depth competitiveness exercise in key industry clusters, but such assistance is needed Visits by key industry leaders and companies to countries where their industries are competitive would be helpful

Business associations can help members achieve competitiveness by focusing discussion on industry strategy. The availability of the Internet and World Wide Web in Uganda provides new opportunities for informing and advising membership The association should go beyond the common role of coordination, lobbying, information and training, and actively focus attention on the competitive challenges mentioned above

[4] "5th Presidential Forum on Broadening Private Sector Growth," Kampala, Uganda, p 7

Donor efforts can continue to assist the private and public sector in this endeavor Donors are engaged in industry-level operations using demand-driven mechanisms The World Bank BUDS project and the USAID IDEA and PRESTO projects are focusing on the role of the private sector and support the growth of private enterprise Competitiveness approaches can be built into such projects The co-financing mechanisms that require private companies to put up capital are particularly important

The team recommends that donors focus on strategic donor assistance, which would link competitive clusters in the home countries with emerging industry clusters in Uganda Perhaps Ugandan businesses could be linked to U S textile manufacturers now that President Museveni and President Clinton have agreed that better use should be made of the U S textile quota The U S could also explore informatics linkages, while the UK could focus on the tourism cluster Continental Europeans could provide critical assistance to the fish export industry, which would also help safeguard the quality of imported fish Europeans could also provide assistance to the coffee cluster in terms of technology and customer learning President Museveni has been urging local investors to become involved in coffee processing, vegetable oils and textiles Perhaps USAID and other donors should be engaging President Museveni on this and other issues that seem to be of vital importance to his own economic growth strategy Perhaps Cargill or other agribusiness groups could undertake a feasibility study of a vegetable oil processing facility in Uganda, or other projects which could add value to Uganda's natural resources

Uganda's competitiveness need not be limited to agriculture, manufacturing and tourism There are many other unexplored opportunities The team notes that each year services contribute a larger part of world GDP and comprise over 50% of GDP in a number of developed countries At some point, Uganda will become involved in the export of services Jobs based on information transfer could also help overcome Uganda's geographic isolation This is an industry that by definition invests in the skills of people Service exports are now generating foreign exchange They are not based on a fixed resource There is now a trend towards the export of service jobs in countries like India, Gabon, Zimbabwe and Sao Tome Exploitation of this opportunity will be up to the private sector The GOU can lay out the vision and create some of the pre-conditions, such as an information park on the campus of Makerere University

In conclusion, the macro and micro competitiveness approaches used in this exercise have highlighted the challenges facing both the GOU and the private sector The team believes that the leadership in Uganda is very receptive and poised to move beyond a reformed enabling environment to a competitive environment--the basis for sustaining the positive trends of the last 10 years

ANNEX I:

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ANNEX II:

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ANNEX III:

SCOPE OF WORK

ARTICLE I TITLE

Uganda Country Competitiveness Analysis

ARTICLE II BACKGROUND/OBJECTIVE

Now that many countries have implemented macro-economic reform programs, there are new possibilities for achieving rapid, sustained, and broad-based economic growth led by the private sector However, years of socialist policies, inward-looking trade barriers, and over-regulation have led to an isolation from markets, technologies, and business practices which are needed to compete internationally There is a need to help bridge the gap by providing a sober and objective assessment of the areas of opportunity Countries which have implemented difficult reforms are anxious to see tangible results in the short term so as to maintain political support for these often controversial reform policies If areas of comparative and competitive advantage can be identified quickly, this can help expedite the investment and economic growth which is desired

Meanwhile, a number of new tools now exist which can help policy makers and business leaders identify the areas of opportunity within their economy for generating new employment and exports and for achieving a sustainable competitive advantage Some of these tools are based on the experiences of high-growth East Asian countries Others are based on the work of noted economists Still others have been developed by groups such as IMD and the World Economic Forum in Switzerland Michael Porter at Harvard and the Boston-based Monitor Company

It would be helpful to provide business leaders, government officials and potential international investors with an objective analysis of the economic sectors in which the host country is likely to have a competitive advantage It is important to point out that countries do not "compete" with other countries as companies compete with other companies Trade among countries tends to generate significant benefits Countries at times compete for scarce donor resources and even for specific multinational direct investments but they do not go out of business when they fall behind As a result, a focus needs to be placed on helping local leaders identify the actions which create an environment conducive for the growth and success of competitive firms

The general objective of this Order is to assist in achieving rapid, broad-based and sustainable growth through the stimulation of private investment, employment, and trade through the provision of an analysis of sectors and industries in which the host country is likely to have a competitive advantage

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The specific objectives are

a For the Host Government To identify those economic sectors and industries which are likely to enjoy competitive advantage and potential for making the largest impact on employment, GDP growth, export generation, and private investment mobilization, and to ascertain those supportive actions (infrastructure, education, regulatory, etc) which can best bring this about The effort shall focus on identifying current obstacles which could be removed by government and which most affect the competitiveness of firms operating in the country

b For the Domestic Private Sector To identify those sectors and industries which may be particularly promising for local business in terms of achieving sustainable competitive advantage and those sectors which may provide the best opportunities for investment The effort shall focus on identifying those actions which the private sector must take, individually or through their representative associations to achieve greater competitiveness

c For International Investors To identify particularly attractive advantages in the host country for international investors and highlight those sectors which provide attractive opportunities

d For USAID and Other Donors To develop the prototype for an analytical framework which could be of use in other countries in the immediate stages following structural adjustment reform or even other contexts and in the case of the host country to create an agenda for action

ARTICLE III SCOPE OF WORK

The Contractor shall perform in accordance with the following

a The contractor shall first develop a detailed methodology/workplan and proposed outline of the final report for the Country Competitiveness Analysis based on the lessons learned and the analytical work done in recent years The contractor shall submit this workplan and outline to the USAID COTR and the local mission for review and comment

b Upon acceptance of the workplan and outline by USAID, the contractor's team leader shall travel to the host country and meet with the USAID Mission, government and private sector leaders and other donors to determine the specific interests of stakeholders in this study, set up dates and plans for subsequent presentation of the findings, and listen to guidance and feedback from the stakeholders who will be consulted about the local objectives, interests and points of view regarding the methodology and the final product

c The contractor shall gather data from the World Bank UN, Department of Commerce, Internet and other sources and then prepare a competitiveness analysis based on a number of analytical tools, such as Policy Impact Framework, Comparative Policy Analysis, Investment-Output Analysis, Private Sector Mapping the Michael Porter methodologies, and the IMD and World Economic Forum Competitiveness rankings The result shall be a Country Competitiveness Analysis illustrating particular strengths and weaknesses of the host country and highlighting those sectors and industries which offer attractive opportunities for investment and for achieving a sustainable competitive advantage Recommendations for the public and private sector and for donors shall also be made

d The contractor's team leader shall travel to Uganda and present this study to private and public sector leaders and to local donors, including USAID Feedback shall be received and dialogue generated The team leader shall facilitate sessions with stakeholders in which they shall develop an action agenda based on the findings of the studies This action agenda shall include measures that must be taken by the government, by the private sector, by non-governmental organizations and by donors to improve the competitiveness of firms operating in the country

e The contractor shall prepare the final report which shall include stakeholder feedback and input from those who attended the presentation sessions in the host country

The contractor shall provide the following deliverables

a A detailed methodology/workplan and proposed outline of the final report

b 2-4 presentations which shall focus on creating an action agenda in the host country utilizing approximately 50 slides

c A draft of the final report to be submitted to the USAID COTR and the local mission prior to leaving the host country

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d A final report of approximately 50 pages of text and 50 pages of exhibits and annexes The final report shall incorporate Mission feedback

Within 3 weeks of the effective date of the Order, the methodology/workplan and proposed outline of the report shall be developed and the team leader shall begin travel to the host country, a trip of approximately 10 days in-country

The study shall then be completed over the next two months Upon completion of the draft report, the team leader shall return to present the report at a series of presentations lasting approximately 10 days in the host country Feedback shall be obtained in the field and additional feedback from USAID shall also be obtained
The final report shall be provided within three weeks of receiving final feedback