

THE 4TH COMPETITIVENESS
FORUM
16TH OCTOBER 2009
SERENA HOTEL

CONCEPT NOTE

Theme	Repositioning Uganda for Global Competitiveness
Background	<p>The Ministry of Finance Planning and Economic Development (MoFPED) through the Competitiveness and Investment Climate (CICS), Secretariat has, since 2006 hosted annual National Competitiveness Fora (NCF) s, to discuss measures aimed at improving the competitiveness of the sectors, which offer promise for generating growth. Sectors of interest, in the past, have included agriculture, industry, services and tourism. The annual forum also examines actions required to improve the investment environment and enhance market access.</p> <p>This year's forum, with the theme, "<i>Repositioning Uganda for Global Competitiveness</i>", takes place at a time when the World is pre occupied with the impact of the global recession and the need to proactively take measures to mitigate its effects. Given the relative insulation of Uganda's financial sector from the global economy, the impact on this sector, has been limited to capital outflows, related to liquidation of treasury bill investments by foreign investors. The more significant effects of the global downturn have been observed in respect of falling international demand for export commodities, depressed imports, reduction in tax revenues and falling aid in-flow projections. Indications are that in some regions of the world, the worst of the recession may have ended in the next two years, but the pace of recovery will vary. In addition, the increasing global demand for food, energy,</p>

finance and the negative effects of climate change, shape yet another dimension of the global agenda. Uganda must position itself to sustainably compete within this global environment.

As we assess Uganda's competitive positioning, in comparison with similar economies, business environment indices highlight priority actions required to reduce the cost of doing business. The newly released *Doing Business* report 2010 ranks Uganda 112th out of the 183 economies. Although Uganda's performance is relatively strong in the areas of tax payment processes and employing workers, it has been following a declining trend in other key areas. It is important to note that all countries in the region and globally, recognize the need to reduce the cost of doing business; are working aggressively to address their respective reform priorities; and in some cases concerted efforts are being rewarded (e.g. Rwanda, Namibia and Botswana) with positive results. This realization lends urgency to the need for Uganda to more energetically pursue implementation of its reform programmes. Furthermore, to attain a competitive edge within the region, Uganda should quickly move on to consider and implement other innovative competitiveness drivers, such as service delivery, productivity, and transparency.

In addition to taking into account the backdrop provided by the changed global environment, the forum, invites the audience to reflect on the National Development Plan (NDP) process, which is nearing completion. The process has recognized the need for stock-taking and visionary planning, to guide national development strategies. The Competitiveness Forum provides an opportunity to consider the NDP as an instrument for economic transformation and growth and raise the audience's awareness of its objectives. The discussion may also consider the robustness of the NDP's monitoring and evaluation arrangements, as well as the capability of existing planning systems and structures, to anticipate changes in the global and regional environment and prepare the economy to respond to them, in a timely manner.

When considering Uganda's agricultural production and regional trade potential, rising trends in global and regional food prices, should present a good opportunity for Uganda, since it is a net exporter of food crops and has the natural endowment which suits it for extensive agricultural production. Yet experience has shown that, realization of this potential cannot be taken for granted, given challenges associated with low productivity and in-efficient production methods, among other things. Apart from lagging productivity, Uganda's agriculture sector is also threatened by climate change, scarce water supplies, and competition from energy consumption requirements.

Related to the above, the regional integration process is a centre piece of Uganda's trade policy development and implementation. Therefore in assessing the appropriate measures to help Uganda reposition itself regionally and internationally, the issues being

	<p>tackled by the on-going trade negotiations are of relevance to the forum theme. The significant background issues, where there is need to strike a careful balance, include</p> <ul style="list-style-type: none"> i) the need for an adjustment process to smoothen out changing competitive positions of firms, arising from their location within the region ii) the need to ensure that expenditures required to meet priority growth objectives are not overly compromised by the fiscal constraints, placed on partner\ states by regional trade agreements. <p>Overall the forum discussion will consider questions such as:-</p> <ul style="list-style-type: none"> • To what extent will the exploitation of Uganda’s mineral and agricultural potential, together with the much needed investment in infrastructure, be jeopardized by the global recession and what mitigating measures need to be considered? • As and when the recovery process begins, how will Uganda’s future and potential markets shares change? • What are the appropriate strategic responses to these changing market shares, particularly at with respect to regional and international trade policy? • Which are the “low hanging fruits,” (in terms of fast implementation of agreed reforms), which should be pursued aggressively to reduce the cost of doing business? • Given past experience of lukewarm implementation of reforms and streamlining of procedures, what should be done to improve implementation in order to ensure attainment of agreed objectives? • What should Uganda do in order to attract (<i>the right</i>) investors, given the more conservative global investment environment?
<p>Sub Themes framework</p>	<p>i) Leveraging Uganda’s agricultural potential within the context of the global and regional food security concerns, as well as the impact of climate change.</p>

	<p>ii) Repositioning Uganda by reducing the Cost of Doing Business.</p> <p>iii) The regional and international trading arena and regimes- what are the challenges and opportunities for improving Uganda's competitiveness.</p> <p>iv) The role of Uganda's Financial Sector in strengthening the competitiveness of Uganda's leading service and export sectors.</p>
<p>Expected Outcomes</p>	<ul style="list-style-type: none"> • Identify priority measures for mitigating the downturn and positioning Uganda for global competitiveness. • Recommend policy actions to enhance the Competitiveness Agenda within the National Development Plan. • Recommend Priority intervention areas for the 2010/2011 budget.

SESSION 1: WEATHERING THE STORM

Mitigating the Recession and Preparing for Recovery,
 By **Professor Paul Collier; Oxford University**

The keynote presentation addresses itself to the need to safeguard and further reinforce Uganda growth potential in the face of the global downturn. In 2008, the start of the global financial crash and subsequent recession, found Uganda trying to grapple with key obstacles to sustained growth, as well as map out a strategy for exploitation of its oil wealth to ensure maximum national benefit. The priorities which had been singled out for attention as part of Uganda's growth strategy were (i) infrastructure (mainly the road network) and (ii) financial sector. Other issues of concern, considering Uganda's economic transformation process continue to include - population growth and youth unemployment, increasing urbanization and the need for strategies to commercialize agriculture. With regard to infrastructure, significant allocations have been made to improve quality and reliability, however, the main constraint is the road sectors capacity to absorb and utilize resources. The need to appropriately invest in managing and deploying Uganda's human capital, as more people move from the rural agricultural sector to urban centers, continues to be a policy challenge. Financial sector services,(to be discussed in more detail in session 2), are yet to meet the business operation and growth needs of the business sector.

There is continuing interest in the strategy for exploiting utilizing and investing the proceeds of Uganda's new found oil resource. Discussion on the appropriate use of these resources to help develop, rather than stifle other sectors, is an important consideration in the formulation of future development strategy.

The session is also expected to raise attention for various measures required to ensure success in exploiting the regional export potential possibly, (if *this is regarded as an interesting option for Uganda*), with respect to increasing regional food demand. This may inter-alia, include initiatives to improve productivity; access economies of scale resulting from greater commercialization and prepare agro-processing firms to exploit opportunities presented by development of product value chains. With the economic transformation process underway, there is also need to re-consider Uganda's current energy production and utilization patterns to in terms of their impact on competitiveness of the export and industrial sectors.

Within the context of the above policy concerns and taking stock of the impact of the global recession on Uganda's growth and competitiveness prospects; the first keynote presentation will make recommendations for adjustment of Uganda's growth strategy, so as to reposition Uganda within the region and maintain steady growth.

Discussion 1- *Prospects for Recovery and Growth* :

Professor Tumusiime Mutebile, Governor Bank of Uganda

The discussant will respond to Dr Collier's discussion on impact of the global recession and actions required to manage threats associated with it. Given in depth understanding of the economy's s current performance, the discussion may focus on analyzing the prospects and competitiveness of Uganda's potential as a regional breadbasket, together with the energy needs required for economic transformation. Among the key issues of relevance are; the agricultural sector's productivity, as impacted by climate change, quality of human capital, availability of inputs and access to technology and knowledge. Climate change is increasingly becoming an urgent issue, there is therefore need to assess how it is likely to impact on Uganda's competitive advantage, while taking stock of the opportunities presented under Kyoto Protocol. The forum might also be a useful opportunity considers the views Uganda may wish to take forward to the December Copenhagen Conference. In determining whether Uganda's policy and strategic thinking should aim for limited adjustments or should radically shift resources and prioritization of strategic objectives, the regional trading opportunities and challenges facing the agricultural and services sector are of relevance.

SESSION 2: CUTTING COSTS TO COMPETE

Presentation 2: Reducing Cost of Doing Business

Dr. David Bridgman, *Head of Private Enterprise Partnership (PEP) Africa, IFC Nairobi*

Comparison of business environments within the region, indicates Uganda is not favorably positioned with regard to important direct business costs e.g. finance, and transport/ logistical and ICT costs. Uganda's, competitive ranking has continued to deteriorate in the recent past from 103 in 2007 to 128 in 2009. Other factors seen as contributing significantly to our unfavorable competitive position include bureaucratic delays and red tape; corruption and/ or poor governance of public institutions; together with regulatory inefficiency.

Over the last decade, a number of surveys of regulatory arrangements and the investment climate, have made detailed recommendations on measures required to improve the business environment – However there has been long delays in instituting the reforms required to reduce these business costs. This slow implementation of agreed reforms is attributable to institutional capacities, limited commitment, together with poor inter and intra- institutional coordination. The forum is an opportunity to take stock of the status quo and consider best practice in countries that have seemingly recorded continuous improvement in strengthening their institutional framework for efficient public service delivery. One of the session's main objectives will be to identify and make recommendations on measures required to address implementation shortcomings.

Discussant 2: Enforcing Business Cost cutting

Dr. William Samson Kalema, *Managing Director UMACIS*

The discussion of this presentation will assess Uganda's regional and global competitiveness and particularly focus on the areas, which significantly impact the firms' "bottom line". These are transport and logistics on the northern corridor, ICT access, regulatory and registry services, impediments to cross border trade and corruption. It is worth noting in as this discussion develops that, action programmes which aimed at addressing the factors ,which could lead to an improvement in Uganda's Doing Business ranking are under implementation

Such initiatives include, TEAM Uganda under UIA, and establishment of the Doing Business Task force, coordinated by the CICS Secretariat. This will focus attention on improving procedures in the Land Registry, the Commercial Court, trading across borders and enforcement of contracts. Assessment of existing and past institutional limitations, will inform the discussion on measures required to speed up practical implementation of reforms.

SESSION 3: FINANCE, INVESTMENT & TRADE

Presentation 3: Maintaining the Momentum

African Development Bank

The third presentation will take stock of the global recession and its impact on African economies and how ADB and similar multinational bodies are refocusing their programs to support member countries to attract finance and investment. The presentation will highlight ADB's priority areas in respect to development financing available for member states. It will go further and explore the options Uganda should consider in repositioning itself to benefit from regional trade while also taking advantage of any early signs of global recovery.

The subject matter, which may be considered, includes; examining prospects for attracting investible capital and surveying the pros and cons of existing and future trading arrangements, as instruments for pursuing recovery. The business and international finance innovations required to compensate for reducing private and official capital inflows, are therefore an interesting area of focus. In this regard, there is need to first recognize that, in an increasingly conservative environment, there is need to influence risk perceptions of international investors. Secondly, preparation for recovery should recognize that different markets and regions would experience different rates of resurgence. Uganda should therefore position itself to trade with, and attract finance from those regions and markets which are seen as leading the global economy in terms of revived growth. *(This might suggest greater attention to the Chinese and Indian economies among others).*

Managing Uganda 's overall trading agreements and negotiations, so as to minimize the negative impact of the recession and prepare for the recovery, is another important issue to consider when thinking strategic re-focusing. Options to be considered in the discussion could include extension and/or negotiation of existing arrangements. From the above perspective, negotiations/agreements of relevance are the EAC Common Market, the EPA and AGOA.

Presenter: *The Contribution of Uganda's Financial Sector to Competitiveness in a Changing Global Economic Environment*

Mr. Lamin Manjang, *Managing Director Standard Chartered*

The Presenter will focus on the financial sectors contribution to competitiveness in a changing global environment. Considerable reforms have also been undertaken with the aim of improving access to finance and reducing the cost of finance in Uganda. However, the financial sector's capacity to generate competitiveness and business sector growth remains limited, as evidenced by slow growth in private sector lending. Taking into account

issues raised in the preceding sessions on Uganda's repositioning strategy, discussion should cover the development of new products to particularly encourage investment in agriculture; reduce the cost of finance; improve access to long-term of finance; together with introduction of innovative products for the promotion of regional trade. In addition to the above, success in repositioning Ugandan economy will depend on the ability of Ugandan firms to hold their own in the changing competitive climate. This will in particular require addressing supply-side constraints, which compromise the business community's ability to benefit from market access opportunities.

Panel Discussion: Planning for *Future Competitiveness and Growth*

As indicated above, development of the National Development Plan is at an advanced stage. Once approved, implementation of the NDP will see Government shifting from a 3-year expenditure planning, under the Poverty Eradication and Alleviation Program (PEAP), to a 5-year planning cycle. The forum's deliberations will seek to raise for consideration within the NDP, key competitiveness objectives. The panel discussion will both review content of the plan and extract issues from preceding sessions which are relevant to the draft plan. Discussion of the NDP's content will seek to ensure that private sector development concerns and competitiveness targets, as they relate to key business costs are taken into account. The discussion could also deliberate on the performance monitoring, evaluation and accountability framework, required to ensure that the plan is implemented in a timely manner. Efforts have been made to assure broad ownership of the plan. Evidence of strong Government commitment in terms of policy action and expenditure decisions, will also will go a long way in persuading investors and financiers (both public and private),to assume the risk inherent in investing in sectors such as agriculture and infrastructure (,among others) which are key driver of growth.

By Dr Kisamba Mugerwa, *Chairman National Planning Authority and Panel of Discussants*

The chair NPA will be invited to present an overview of the NDP process, so far and provide summarized outlines of its strategic objectives and implementation framework. He will further discuss the expectations and policy proposals in the NDP, which aim at ensuring that sectoral targets and objectives are informed both by the changing global environment and the need to strengthen Uganda's ability to take advantage of emerging sectoral opportunities, including but not limited to the agriculture, energy and service sectors. The discussion may also propose strategies aimed at attaining efficiency improvements, these could help better harness sectoral resources including physical resources, productive resources, finance and human talent.

Panelist : Kundhavi Kadiresan Country Manager, World Bank,

Taking an economy- wide perspective the panelist will discuss content of the NDP together with the systems and institutional frameworks which will

assure its implementation . Particular areas of interest given the conference theme and sub-themes are the growth and transformation strategies relating to the agriculture and infrastructural sectors and how these may help exploit Uganda 's regional trade potential .

The growth strategy, contained in Uganda's Country Economic Memorandum (CEM) published in 2006 offered some useful insights into the sectors, which offer the greatest potential for growth. Discussion of the NDP objectives, could offer a useful opportunity to revisit some of the analysis which supported the CEM and consider its future applicability.

Panelist : Mr. Saliya Kanathigoda, GTZ, FSD Advisor, Bank of Uganda

After infrastructure, the absence of affordable finance is recognized as binding constraint to growth of the Ugandan economy. After a review of reform measures aimed at improving access to finance, an assessment will be made of the priorities required to improve the competitiveness of Uganda' s financial services, sector, vis a vis those of economies at similar levels of development. From the point of view of financial sector development priorities as seen by the panelist and as expressed by presenters and discussants in previous sessions, the discussion will review NDP objectives and strategies relating to the financial sector and where appropriate, high –light additional interventions.