

STATEMENT OF WORK

Strengthening the Competitiveness of Private Enterprise (SCOPE)

I. BACKGROUND

A. The Economic Setting in Uganda

The present economic setting will not permit Uganda to achieve the growth rates set forth in the PEAP. While economic growth in Uganda averaged about 6.6% over the nine years from 1992/93 through 2000/01, this growth represented basically the reconstruction of the economy that was destroyed during the years of Idi Amin's rule and its aftermath. The rate of economic growth has been slowing down over the past five years, only averaging 5.4%, reflecting a decline in the high prices for coffee and other Ugandan commodity exports. Moreover, looking at the growth figures on a per capita basis, a 5.4% GDP growth rate actually translates into a growth rate well below 3%, since population growth is still close to 3% per year. It is not at all clear that Uganda can sustain even its current rate of economic growth, much less achieve the Government of Uganda's (GOU's) target growth rate of 7%, the level deemed necessary to meet the poverty reduction goals in the PEAP.

The trend in Uganda's current account, that is the amount of money Uganda receives from the outside world for exports, tourism, and other private transfers, relative to the amount it spends on imports and interest payments, is also of concern. The current account deficit, excluding donor transfers to the GOU, declined from over 16% in 1992/93 to less than 10% in 1996/97. Since then, however, it has steadily increased, to approximately 17% of GDP in 2002. The most recent data available from the World Development Report places Uganda among the worst countries in terms of current account deficit as a percentage of GDP. Uganda's peers in this respect are Sierra Leone, Nigeria, and Mozambique.

A troubling aspect of the trade deficit is that exports of goods, the vast majority being agricultural exports, have performed relatively poorly in recent years. After growing steadily for four years in the early 1990s, commodity exports have declined sharply, down by nearly half in 2000 from a peak of over \$600 million in 1996/97 during the tail end of the coffee boom. Including fish, over 80% of Uganda's exports are unprocessed agricultural commodities, and most are based on goods that rely exclusively on natural resource endowments. The open trade and exchange rate policies pursued by the GOU should work in favor of an export led growth strategy, but only if Uganda increases what it has to offer a competitive world market.

Other areas of concern for Uganda's economic situation include the need to improve revenue collection and resource allocation, commercialize agriculture, address issues of human capacity for the economic sector, and reduce corruption.

(Note: More information on the economic situation in Uganda can be found in the documents listed in Appendix A.)

B. GOU's Commitment and Donor Support to Building a Competitive Economy

Despite the current declining state of the economy, the GOU has put into place a policy framework conducive for economic growth. Central to that framework, and to Uganda's reforms during the 1990s, was the determination to promote a macro-economic environment that allows the private sector to thrive. The design of the Poverty Eradication Action Plan (PEAP) in 1997 (and its revision in 2000) combined the national growth framework with a development approach to eradicate poverty by raising the incomes of the poor and boosting economic growth. The PEAP provides the higher level, long-term goal and policy framework for building a competitive economy. The GOU has expanded

upon the PEAP by laying out a blueprint for economic growth, which emphasizes the development of export competitiveness. This is articulated in the Medium-Term Competitive Strategy (MTCS), the establishment of the Special Task Force on Export Competitiveness by the President of the Republic of Uganda, and the Economic Growth and Transformation Strategy, a joint document prepared by the GOU, development partners, and the private sector for the most recent Consultative Group meetings. In addition, the GOU put into place the Plan to Modernize Agriculture (PMA) as a framework to address bottlenecks to agricultural development. The PMA provides a structure for a series of multi-sectoral interventions aimed at improving agricultural productivity in order to boost output and increase the incomes of the poor. These documents, and the collaborative national policy discourse already underway with donors, including USAID, represent an evolving attempt to underscore and focus attention on the importance of export-led growth as a means to reduce poverty.

USAID/Uganda supports Uganda's focus on poverty alleviation, as articulated in the PEAP, MTCS, and PMA. The Mission's efforts, particularly with Investment in the Developing Export Agriculture Project (IDEA) activity, the Uganda Trade Policy Capacity Building Project (UTPCBP), the Competitive Private Enterprise and Trade Expansion Project (COMPETE), and the Support for Private Enterprise Expansion and Development Project (SPEED) activity, have gained high-level attention from both the Government and private sector. Successes in export expansion of non-traditional agricultural exports promoted by IDEA, as well as initial efforts with coffee, cotton, and fisheries by COMPETE, were highlighted as priority efforts by the President at the 2001 Consultative Group meetings in Kampala. The national task force on export development was initiated through the COMPETE activity and represents a focused effort by the GOU to develop a public/private sector partnership, with a focus on improving export competitiveness. The SPEED activity has added to the mix of USAID successes the development of strong financial linkages with commercial banks and key export sectors. Also, the Trade Policy activity helped to focus GOU attention on key trade policy issues in both regional and international markets. In addition, REDSO, USAID's East Africa Regional Program, has two activities that promote trade and competitiveness and will involve Uganda and the Mission's trade and competitiveness programs. These are the Regional Agriculture Trade Expansion Support Program (RATES) and the East and Central African Global Competitiveness Hub (HUBS).

(Note: See Appendices B and C for a detailed description of these activities.)

Other development partners are providing similar support to the GOU. For example, the European Union's (EU) Uganda Program for Trade Opportunities and Policy (UPTOP) is providing assistance to the GOU Ministry of Tourism, Trade, and Industry (MTTI) on trade policy development. DFID (UK) works in private sector development, focusing primarily on policy and public sector support interventions with a strategic focus on strengthening the enabling environment and macroeconomic policy. The Netherlands Embassy, DFID (UK), World Bank, and the European Union support various environmental and natural resources management activities, including support to the forestry sector, district environmental planning, biodiversity conservation, rural energy, and wetlands management. In addition, a number of donors, including the African Development Bank, UNDP, and EU, support microenterprise interventions. Several other donors are also active in areas that contribute to improved agricultural production, natural resource management, and private sector development.

II. PROGRAM OBJECTIVE

The Objective of the SCOPE activity is to strengthen the ability of selected industries to organize and function as competitive clusters to overcome barriers for their industry in order to better compete in both regional and world markets. Increased cluster competitiveness should result in increased volumes and higher values for selected Ugandan exports. The resulting growth in exports should help Uganda achieve the economic growth rates proposed in Uganda's Poverty Eradication Action Plan (PEAP).

III. PROGRAM DESCRIPTION

SCOPE will focus on, but is not limited to, three areas: (1) Assistance to strengthen private sector competitiveness; (2) Assistance to facilitate public-private dialogue on trade barriers and constraints; and (3) Assistance to increase

awareness and build consensus about competitiveness. The principal focus industries for the activity include, but are not limited to, Coffee, Cotton, Fisheries, Horticulture, Maize/Beans, Dairy, Oilseeds, and Tourism. The Mission's Economic Growth Strategic Objective (SO7) team has identified a number of key constraints and implementation areas. Under each component, minimum objectives and expected outputs are described.

IV. STATEMENT OF WORK (SOW)

The contractor shall propose a specific set of activities and outputs that accomplish the expected results under each component. This is a 'level of effort' contract, and the term of this activity will be approximately 36 months.¹

A. Assistance to the Private Sector

For Uganda's export sectors, assistance to the private sector is integral to achieving global standards of competitiveness. There are many constraints and barriers in each industry, and in the economic sector as a whole. As it stands now, many industries are unorganized and firms are not working together to achieve common goals, such as raising their quality standards to international levels. Similarly, industry associations (such as the Cotton Development Organization) and apex associations (such as the Private Sector Foundation Uganda) need to build up their capacity to represent their industries or firms to the Government and the international market. Too often such organizations are responding to external priorities, such as the availability of donor programs, instead of priorities determined by their members. There are also a number of cross-industry issues (such as workforce development, HIV/AIDS, gender, environment and ICT) that hamper the ability of industries to raise their industry performance levels to those of international markets.

Objective: The objective of the contractor's effort under this component will be to assist the private sector in targeted industries to raise industry standards to global norms of competitiveness.

At a minimum, expected results should include:

- New or revised industry strategy for targeted industries which incorporate a SWOT² assessments, sets benchmarks for various competitiveness areas of the industries, and recommendations for actions to achieve global norms for competitiveness.
- 'Cluster working groups' for targeted industries are created and/or strengthened. The genesis for the cluster working group might be the review and discussion of the industry strategies. The cluster working groups should set forth a regular schedule for meeting, an agenda, and a structure for receiving input from members, reviewing and responding to the input.
- Assistance provided to targeted industries to respond to member issues as well as constraints identified for the industry by the cluster working groups themselves.
- Institutional support provided to key apex groups to continue to expand the cluster working groups coverage of membership, ability to receive and respond to input, as well as developing internal capacity to mobilize resources to respond to focus need areas.

B. Assistance to Facilitate Public-Private Dialogue

An important approach to addressing constraints to the growth of the private sector and global competitiveness is in the area of public-private dialogue. In many countries that are now focusing on competitiveness, they are developing Competitiveness Councils. Uganda may or may not be ready for such a step. But there are still a number of cases of

¹ Since the SEGIR I Indefinite Quantity Contract is ending, this activity cannot be extended.

² SWOT. Strength, Weakness, Opportunities and Threats

policy, regulation, infrastructure, or even collaboration of efforts where the public and private sectors could benefit from improved dialogue. A further concern for dialogue often raised by the private sector is in regard to the inefficiency, and oftentimes the ineffectiveness, of the GOU's trade and investment promotion organs.

The World Bank has just completed an updating of their investors roadmap, and identified a number of areas where public-private dialogue is paramount to prioritizing and advancing the resolution of key constraints.

Objective: The objective of the contractor's effort under this component will be to 1) clarify the respective roles of the GOU, private sector, and civil society, 2) identify key competitiveness issues from each of the above players, and 3) facilitate public-private dialogue on these issues and possible ways forward.

At a minimum, expected results should include:

- Feasibility studies on competitiveness and trade issues are carried out in cooperation with the public and private sectors, and the results presented for public review and discussion.
- And assessment is made of the existing GOU organs for supporting trade and competitiveness, and recommendations made for institutionalizing public-private dialogue.

C. Assistance to Increase Awareness and Consensus about Competitiveness

This area brings to bear the findings from the literature based on Fairbanks, Porter, and others, which suggests that there is the 'invisible side' of competitiveness. The way business, people, and even countries think the world works forms the way they frame their problems and relationships, and affects the way they act. The literature suggests that this is where the point of leverage for creating lasting change lies, and makes the case that both the private sector and Government have roles to play in achieving competitiveness. In the case of Uganda it has become increasingly important that Government and the private sector understand how 'competitiveness' and 'globalization' are related to their lives and their livelihoods. An illustration of this lack of understanding was the negative reaction by the press and by farmer organizations to Monsanto's investments in hybrid corn seed³. The press misconstrued this investment as involving genetically modified varieties and attacked the GOU for permitting it in the absence of a biotech regulatory framework. Since hybrids are not GMOs, this concern was unfounded and demonstrated a poor understanding of one effort by the private sector and GOU to improve Uganda's competitiveness in agriculture through improved seeds and inputs.

Another example was the declaration of the trade unions at their national meeting (May 2003) that trade liberalization policies have resulted in increased unemployment. This negative attitude to trade liberalization, and failure to see its benefits to Uganda, creates a negative business environment and does not encourage foreign investment. Just as important, it does not assist Ugandan entrepreneurs in attempting to meet internationally competitive standards and raise levels of production.

Objective: The objective of the contractor's effort under this component will be to contribute, in partnership with the private sector and GOU, to raising the general understanding of competitiveness issues and their importance to the Ugandan economy.

At a minimum, expected results should include:

- Improved understanding by producers and processors within a given industry/cluster for international market considerations, demonstrated through industry literature, presentations and promotional activities.

³ A 'hybrid' crop is one produced by cross-pollination. A GMO crop is one that has artificially had genetic characteristics added or removed.

- The public and private sector informed through some kind of promotion/media campaign of the implications of policies, opportunities, procedures, and processes related to the World Trade Organization (WTO) and the Common Market for Eastern and Southern Africa (COMESA).
- Mission assisted to meet requirements for the Global Competitiveness Report (*see description of this program in Appendix D*).
- Workshops, meetings, and conferences held to raise the level of understanding of Ugandan leaders about competitiveness.
- High-profile events, such as speeches, articles, and press conferences emphasizing the importance of competitiveness and exports supported.

D: Approach

The Offeror shall propose a program describing how its technical approach to strengthening competitiveness addresses, at a minimum, the suggested implementation areas (see SOW):

- I: Assistance to the Private Sector
- II: Assistance to Facilitate Public-Private Dialogue
- III: Assistance to Increase Awareness and Consensus about Competitiveness

The proposal shall also demonstrate how the activity would be linked to USAID's Expected Program Results (see Results section). In regards to indicators, the Offeror should propose benchmarks for the activity, as well as targets that might be achieved through the proposals use of LOE and technical approach. (*Note: The Mission has an M&E contractor who will work with the contractor after the award*)

The principal industries the Offeror shall consider as focus industries for the above implementation areas include, but are not limited to: Coffee, Cotton, Fisheries, Horticulture, Maize/Beans, Dairy, Oilseeds, and Tourism. Key to defining the implementation areas and focus industries shall be the Offeror's presentation on how Uganda, and distinct industry clusters, move towards achieving the status of being 'competitive.' In addition, the Offeror's proposal shall demonstrate: 1) how they have prioritized their selected industries, and conversely, prioritized other industries with lower emphasis; 2) what are the constraints and targets of opportunity for each industry, 3) what degree of intervention is needed in each industry, and 4) how the Offeror's design will strengthen the competitiveness of selected industries.

This is a 'level of effort' contract, so in addition to laying out the structure of the implementation plan, the Offeror shall provide a justification for the mix of short-term and long-term, local and expatriate assistance proposed. The Offeror shall also show clearly how the organization of LOE will further its implementation plans. In addition, the Offeror shall submit a detailed draft work plan for Year 1 of the activity.

In designing the SCOPE activity, the Offeror shall build upon current and past USAID/Uganda activities. The Offeror shall also consider REDSO activities, and show where coordination will be possible. In addition, the Offeror shall thoroughly review what other donor programs are doing and identify areas of coordination and collaboration, in order to ensure that the new SCOPE activity does not duplicate ongoing efforts.

The Offeror shall also take into account in its proposal, USAID's policies and regulations with respect to the environment, gender, and other crosscutting themes (such as HIV/AIDS and ICT, for example). Consideration of these issues will also be viewed as important to a well-conceived and designed proposal.

E: Trade Promotion Restrictions

USAID's ADS 225.3.1.4 permits activities such as: (1) Technical assistance to promote the privatization of state-controlled businesses and to improve the competitive and regulatory climate for their operations; (2) Technical assistance for trade capacity building to speed the integration of developing countries into the global economy, which may include accession to the World Trade Organization and compliance with preferential and international trade agreements; and (3) Technical assistance for trade facilitation (including customs reform) to reduce transactions costs and to remove regulatory and physical barriers to trade. Activities of this nature would be permissible under the new ADS section.

There are certain activities that are considered gray-area activities. These include activities such as: (1) establishing investment promotion offices, (2) financing trade fairs, exhibitions, and investment seminars in the host country; and (3) activities involving export processing zones. If an Offeror is proposing an activity of this nature, the following provisions regarding investment promotion are pertinent:

- Except as specifically set forth in the Task Order or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.
- In the event the Contractor is requested or wishes to provide assistance in the above area, or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Contractor must notify the Contracting Officer and provide a detailed description of the proposed activity. The Contractor must not proceed with the activity until advised by USAID that it may do so.
- The Contractor must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.”

F: Environmental Impact and Reviews

The SCOPE activity should be in close contact with the business community and will receive many proposals and requests for business support. At this point in time, the Mission's Environmental Officer is recommending a **Deferral** for any business support tasks under the activity.

Offerors need to be aware that, for any tasks they propose, an environmental review will be needed to screen each activity for potential impacts and to help development mitigation and monitoring measures. The USAID “Environmental Screening Form”⁴ will be used to highlight the activities that may have an impact on the environment, and that will require additional environmental review and mitigation. The USAID/Mission's Environmental Advisor will collaborate with the Contractor and the CTO for any activity that might have an environmental impact. All SCOPE activities will go through the environmental screening process prior to the approval of an activity.

G. Overall SO-7 Results

The SCOPE activity will broadly contribute to the achievement of SO7's Intermediate Results (IRs) 7.3 and 7.4 and to select related sub-IRs in the Mission's Integrated Strategic Plan (ISP). (*NOTE: The IRs of the approved SO7 Results Framework (RF) may be revised as the Mission's new procurements come on stream.*⁵) The current intermediate results are:

⁴ See Zipped References for Form

⁵ This effort will be done in coordination with the Mission's Monitoring and Evaluation Management Services (MEMS) Contractor

IR 7.3 Increased Competitiveness of Enterprises in Selected Sectors

Sub-IR 7.3.1 Increased capacity of local producer and community-based organizations to manage and market productive assets

Sub-IR 7.3.2 Increased business capacity and competitiveness in selected export sectors

Sub-IR 7.3.3 Increased use of financial services by rural producers, micro, small, and medium-sized enterprises, and microfinance institutions

IR 7.4 Improved Enabling Environment for Broad-based Growth

Sub-IR 7.4.1 Increased capacity of commercial justice institutions to service private sector transactions

Sub-IR 7.4.2 Increased capacity of Ugandans to participate in the benefits of trade agreements and impacts of globalization

Sub-IR 7.4.3 Effective advocacy for environmental and natural resource policies

To put the above RF excerpts into context, the complete SO7 RF is presented in *Appendix E*, and includes draft, illustrative indicators at the SO, IR and sub-IR levels.

V. KEY PERSONNEL

The following are suggested key long-term expatriate, long-term local hire, and short-term expatriate personnel positions that would be considered appropriate for this Task Order.

Long-Term Expatriate

Chief of Party/Trade Specialist. (Level 1) This individual must have, at a minimum, an MBA, MA, MS or its equivalent and 10 years of relevant work experience, of which no less than five years must have been spent working in a developing country context. Preference would be given to individuals who have (1) prior experience as team leader for competitiveness activities, (2) substantive background in at least one of the relevant industry cluster areas, (3) excellent skills in intercultural communication and (4) proven experience in facilitating dialogue among high level leaders. The primary focus of this individual will be in promoting trade competitiveness by assisting the private sector to analyze the competitiveness of exports, and thus this advisor should have expertise in that area. Further, as COP, this individual should also have extensive management skills and experience in senior management positions prior to being nominated as Chief of Party under this Task Order. This person should also have several years of experience in Africa and, ideally, have an understanding of Uganda's situation, political systems, and business customs.

Investment Promotion Specialist. (Level 1) This individual must have, at a minimum, an MBA, MA, MS or its equivalent and 10 years of relevant work experience, of which no less than five years must have been spent working in a developing country context. This experience should include having assisted the private sector in investment mobilization, including both private investment and the quality of public investment in infrastructure and other areas related to competitiveness. This person should also have expertise and experience with agricultural commodities, which are Uganda's principal export opportunity. Finally, this individual should have experience relevant to the Ugandan business climate.

The *Institution Development Specialist*. (Level 1) This individual must have, at a minimum, an MBA, MA, MS or its equivalent and 10 years of relevant work experience, of which no less than five years must have been spent working in a developing country context. He or she should have extensive experience in developing the abilities of both public and private sector institutions, in such areas as good governance, business plan development, membership drives, and competitiveness. This individual should also have relevant experience in institutional development in Africa.

Long-Term Local Staff

The Offeror should identify a local counterpart for each of the above key long-term expatriates.

Short-Term Expatriate Assistance

The Offeror should provide illustrative suggestions as to where short-term expatriate assistance could be used to implement tasks identified in the Offeror's implementation plan.

VI. REPORTING REQUIREMENTS⁶

The successful Offeror (Contractor) shall organize and submit a series of reports to USAID/Uganda to facilitate planning, monitoring, and the reporting of achievements and impact under this activity. For each report, the Contractor shall propose a clear format that will be reviewed and approved by the Mission. The Contractor is encouraged to develop and review with the Mission annotated outlines, in order to facilitate the timely development of, and feedback on, the more substantive (long) reports.

Note that recommended implementation schedules will be provided for each report in the following descriptions. The Mission must agree to any proposed changes by the Contractor.

A. Work Plans

The work plan for Year 1 of the activity will be due within 30 days of signing the contract to implement the SCOPE activity. In addition, the successful Offeror shall, in consultation with SO7, submit to USAID/Uganda within 90 days of signing the contract a written, overview life-of-activity work plan. This work plan will include a final activity-level Results Framework (RF), complete with baselines, targets, and indicators pertinent to activity-level management and monitoring, that clearly supports achievement of USAID/Uganda's Intermediate Results for 7.3 (Increased Competitiveness of Enterprises in Selected Sectors) and 7.4 (Improved Enabling Environment for Broad-based Growth).⁷ Within two-weeks of the submission of this report, USAID/Uganda will confirm, in writing, approval of the RF and the overview life-of-activity work plan.

Within one month prior to the close of each activity year (i.e., at the beginning of the eleventh month of each activity year), the Contractor shall submit to USAID/Uganda a draft annual work plan for the following year. This work plan shall be reviewed and Mission written comments forwarded to the Contractor within three (3) weeks of submission. The annual work plan for the following year shall be finalized within two (2) weeks of receipt of written Mission comments on the draft work plan.

(Note: The Mission will conduct a mid-term evaluation. On the basis of the evaluator's review and findings, the Contractor may propose to the Mission adjustments to the activity work plan for the remaining part of the activity.)

⁶ The Contractor will work in cooperation with the Mission's MEMS contractor on reporting requirements, formats and schedules. As well, the Contractor shall comply with all FAR reporting requirements regarding reporting.

⁷ Should the specification of above SO7 results statements be modified by the Mission, the revised results would be those to which the project was targeted.

B. Quarterly and Annual Status Reports

On a quarterly basis following submission of the first work plan, and within 3 weeks following the close of each quarter, the Contractor shall prepare and submit to USAID/Uganda written status reports (QR), of approximately 10 pages, not including tables and annexes, which shall:

- Identify and relate the benchmarks and achievements of the ending quarter to the approved work plan;
- Confirm planned benchmarks and targeted achievements for the subsequent quarter;
- Identify key problems or issues encountered, how they were or will be resolved, and, if/as required, recommended Mission-level intervention to facilitate their timely resolution;
- Present a current financial status report on activity implementation, including actual and accrued expenditures for the concluding quarter and planned expenditures for the subsequent quarter;
- Include a brief summary of achievements during the concluding quarter towards planned RF targets; and
- Present success stories that the Mission might use in reports to either the GOU or USAID.

The fourth quarterly status report will also comprise the annual status report for the concluding year, and shall be submitted within 4 weeks following the close of the fourth quarter. The annual report shall be approximately 35 pages, including attachments. In addition to meeting the above requirements, the annual report shall include:

- A more elaborate description of correlations between outputs achieved during the concluding year and the approved activity-level RF; and
- A discussion, supported with quantitative and qualitative evidence (which evidence shall remain auditable under the terms of the contract and USAID program implementation procedures), of impacts achieved to-date on SO7 IR 7.3 and 7.4. This shall include clear identification of which impacts achieved were within the manageable interests of the Contractor and which were likely catalyzed by Contractor-supported initiatives, leading to substantial, sustained achievement of SO7 results. This discussion will be instrumental in helping the Mission to complete Annual Reports to USAID/Washington on overall program impacts.

C. Ad Hoc Reporting

The Contractor may be requested, from time-to-time, to report separately on specific issues or in greater detail on particular areas in regular reports.

D. End of Activity Report

At the end of the activity the Contractor shall submit to USAID/Uganda:

- An end-of-activity report of not more than 60 pages, which fully summarizes the major achievements, issues, and outputs generated in this activity;
- A discussion of remaining opportunities for continued Mission engagement in improving the Uganda competitiveness environment in support of private sector-led export growth

The contractor shall also comply with any other end of activity reporting requirements as stated in the FAR.