



## Information for Development Program

### Request for Expression of Interest

#### **Improving Competitiveness and Increasing Economic Growth in Uganda: *The Role of ICT***

**Country:** Uganda

**Notice/Contract Number:** 1265

**Publication Date:** October 18, 2005

**Deadline:** November 6, 2005

**Funding Agency:** *infoDev*

**Implementing Organization:** *infoDev*

**Contact Person:** Kerry McNamara, *infoDev* ([kmcnamara1@worldbank.org](mailto:kmcnamara1@worldbank.org))

#### **Eligibility of Bidders:**

The Consultants are expected to be a team of experts with the ability to complete a multifaceted assignment within a short timeframe and with a minimum of 8 years of experience in private sector development, in performing country analysis and benchmarking, particularly in the ICT-enabled service sectors, and in designing concrete recommendations and implementation strategies for development projects.

#### **Expression of Interest (EOI):**

*infoDev* invites eligible consultants to indicate their interest in providing expert services to perform a study on **Improving Competitiveness and Increasing Economic Growth in Uganda: *The Role of ICT*** as detailed in the attached Terms of Reference.

The work involved in this assignment is scheduled to be completed within approximately 5 months from the date of signing the contract agreement within an available lump-sum budget of \$100,000, which includes all fees, travel, and additional related expenses, including an independent audit performed at the conclusion of the assignment.

Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Consultants may associate to enhance their qualifications.

For this assignment, we specifically request the submission of a 5 page note that provides in greater detail how the consultants would conduct this assignment if selected. The note should include the following: (i) an analytical framework and a process by which the research will be conducted; (ii) a timeline that demonstrates the consultants ability to meet the deadlines as noted in the Terms of

Reference below; (iii) a brief narrative on resource allocation; and (iv) brief summaries of key personnel to be involved in the work, particularly their experience that directly relates to needs of this study. In order to prepare the note, interested consultants should review the Terms of Reference, which is provided below. **We suggest that the Expression of Interest, including the 5 page note and other supporting materials, should not exceed 25 pages in length and should be submitted as a single file (Microsoft Word or PDF file).**

Selection will be based on the “Consultants Qualifications” (CQ) method of procurement and Consultants will be selected in accordance with the procedures set out in the World Bank's Guidelines: Selection and Employment of Consultants by World Bank Borrowers May 2004 (current edition). Electronic submission of the Expression of Interest, including the note, is preferred. The EOI should be submitted as a single file and as either a Microsoft Word or PDF file. **Please send your email submission to [kmcnamara1@worldbank.org](mailto:kmcnamara1@worldbank.org) copying [msantiago2@worldbank.org](mailto:msantiago2@worldbank.org) by November 6, 2005 before 23.30h Eastern Daylight Time (EDT).**

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Note: More information about World Bank procurement processes and guidelines can be found on its eProcurement web site at <http://www.worldbank.org/eprocurement>.

**Terms of Reference**  
**Improving Competitiveness and Increasing Economic  
Growth in Uganda: The Role of ICT**

**Country Context**

During the decade of the 1990s, Uganda experienced one of the highest rates of per capita income growth in the world, with per capita income growth averaging 3.2% and being positive for the entire decade. This was at least in part a supply response to post-conflict rehabilitation and to the implementation of sound macro and structural policies which have achieved and sustained macroeconomic stability and a market-friendly business environment.

These policies have attracted considerable inflows of foreign aid, reverse capital flight, and more recently have attracted substantial flows in workers' remittances. Private investment has responded positively to the reforms, and is estimated to have risen to over 16% of gross national expenditures in 2003/04, although much of the recent increase seems to have come in the form of investments in land and buildings, perhaps suggesting an urban property boom<sup>1</sup>. Recently as the price of coffee, Uganda's traditional export, continued to fall on world markets, Uganda has diversified into more market information-demanding non-traditional exports (for example fresh fish, flowers and tourism) which now dominate export earnings. Furthermore, Government has used the relatively high per capita aid inflows received to invest in human capital, particularly through the Universal Primary Education Initiative (UPE).

Since 1999, Uganda's average annual rate of economic growth has started to slow down, averaging around 2% in per capita terms. Much of this slowdown is explained by sharply deteriorating terms of trade. Nevertheless, the task of maintaining Uganda's still respectable per capita growth rates is getting steeper, and it is becoming uncertain whether Uganda can maintain high growth:

- Firstly, Uganda is probably over the rebound phase of post-conflict rehabilitation, has reaped most of the initial efficiency gains from structural policy reform and liberalization, and is facing what look like long-term terms of trade decline. A renewed effort is needed to raise productivity in the economy and to improve external competitiveness. But with so much already achieved in terms of structural reforms, and with Uganda being a landlocked country with limited mineral wealth and a low level of exports, the growth agenda facing Uganda will be more challenging to implement than before. The future agenda is less about withdrawing Government from doing the wrong things, and more about getting Government to do more of the right things in terms of the investment climate; making productive infrastructure and social investments, improving regulatory institutions, facilitating markets, promoting trade, and stimulating technology adoption.
- Second, signs on the policy front suggest Government is not yet meeting this steeper challenge; there has been a marked slowdown in public sector reform, non-productive public spending has been rising and is reducing fiscal space, firm-specific investment incentives are skewing the level playing field faced by private investors, and the agenda for proactive policies and investments aimed at improving productivity and competitiveness is insufficiently prioritized and so seems too broad to get implemented<sup>2</sup>.

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<sup>1</sup> The underlying trends in private investment in Uganda are being addressed in a parallel study.

<sup>2</sup> Government of Uganda, Medium Term Competitiveness Strategy, 2000

- Third, despite strong private sector investment in recent years, public investment in Uganda is relatively low, at around 4 percent of GDP. Total investment is therefore below the levels seen in most low-middle income countries, and in most countries that made the transition from low to low-middle, and investments in physical capital in the public sector seem to be trailing public investments in human capital. Meanwhile, gross domestic savings (excluding grants) at just 10 percent of GDP is less than half the level of investment in Uganda. If public infrastructure is to increase, this may require savings elsewhere in the public budget.

### **Opportunities for Future Growth**

The conclusion that future growth may require renewed effort to improve infrastructure and utilize new technologies seems to be supported by growth accounting work. Two recent studies by the IMF and Ugandan researchers arrive at different results for the drivers of growth, but with similar conclusions. The IMF econometric study concludes that Total Factor Productivity (TFP) growth has been negligible in Uganda<sup>3</sup>. The Ugandan study concludes that during the reform period of the 1990s, the TFP residual accounted for 90 per cent of growth in output per worker, but suggests that this entailed employment of idle factors and temporary business cycle effects<sup>4</sup>.

Looking to future growth prospects, Uganda's already limited domestic manufacturing (which is mostly limited to serving the domestic market) will face greater import competition from trade liberalization with Kenya and Tanzania under the East African Community's common market. Unlocking Uganda's full potential in service exports, particularly IT-enabled services (ITES), (including to the sub-region), and stimulating high value and low bulk agro-processing to traditional and new markets, would seem to offer the greatest opportunities for success in terms of exports and growth. Both will involve tapping knowledge-rich markets, which will require a solid ICT network to underpin growth.

Government can play an important role in creating the environment for ICT-enabled innovation, not only by appropriate policy, regulation and investment, but also by its own intelligent and widespread use of ICT as a tool of efficiency and transparency. Government awareness of, and effective use of, ICT is, therefore, an important element of any strategy to maximize the positive impact of ICT. By understanding the role of ICT in improving private sector competitiveness and economic growth in Uganda, the Government can take the necessary steps to create the appropriate enabling environment. In addition, the Government has a role in assessing ICT skills needs and skills gaps in the economy. This study will assess the availability and need for ICT skills, as well as the infrastructure requirements for meeting the potential productivity gains from ICT technology.

### **National Study**

*infoDev*, in close cooperation with the World Bank Group, proposes to conduct an in-depth review of the potential for, and constraints to, the further development of a competitive ITES sector, and the broader prospects for ICT-enabled growth, competitiveness in traditional and emerging sectors in Uganda. This study will both be a stand-alone product and an input into potential World Bank Group and other donor projects in the country. The study will include four main components:

- (i) A review of the position of Uganda's economy within the international business environment and the opportunities/challenges for increasing exports in ITES sector (e.g.

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<sup>3</sup> IMF Selected Issues, and Statistical Appendix, "Sources of Growth and Sustainability", January 2005.

<sup>4</sup> Kasekende, Atingi-Ego and Sebudde (2005), AERC Working Paper.

- Business Process Outsourcing - BPO), banking and agri-processing, as well as growth opportunities in tourism and other emerging sectors;
- (ii) A review of international best practice and Uganda's experience to date with harnessing ICT for building competitiveness and increasing growth in traditional and emerging sectors, particularly the ITES sector;
  - (iii) An assessment of the needs with respect to regulatory and institutional environment, ICT infrastructure, and other constraints facing entrepreneurs and firms in Uganda (*refer to the Annex for key issues to be considered as part of the business environment analysis*);
  - (iv) An in-depth firm-level survey and analysis of ICT use and its impact on productivity. The survey should include a reasonably representative sample of firms from key sectors and across the country.
  - (v) Recommendations for appropriate actions to address constraints and to support the realization of Uganda's growth potential in these emerging sectors, particularly in the ITES sector, and in harnessing ICT for sustainable development.

*infoDev* will work closely with the World Bank Group, as well as other donors active in Uganda, in preparing this study to ensure synergies and avoid duplication with ongoing studies, and to coordinate stakeholder consultations.

### **Scope of Work**

A team of consultants, under the general supervision of *infoDev*, will perform and produce a national study on Improving Competitiveness and Increasing Economic Growth in Uganda: *The Role of ICT*.

The consultants will:

1. Design and implement a process of wide consultation, by face-to-face and electronic means, with key policymakers and stakeholders in Uganda, representatives of development agencies, potential and past foreign investors and others actively involved in ICT-for-development and economic development programs in the country. *infoDev*, the World Bank Group and other donors will establish a committee of key policymakers and private sector leaders to provide input and to facilitate access to needed information.
2. Evaluate the broader international economic environment in which Uganda operates and competes (with particular attention given to the dynamics of the regional market in East Africa). Assess the role for ICT in enabling Uganda to improve competitiveness, increase economic diversification and ensure sustainable economic development within East Africa and the broader international context. Draw upon recent research sponsored by *infoDev* on growth, competitiveness and ICT in Tanzania, Ghana and the Caribbean.
3. Review and assess:
  - a. Existing growth and competitiveness studies and ICT reports/initiatives supported by donors, including the World Bank Group and the broader international community, which focus on private sector development and innovation in Uganda.
  - b. Policy reforms undertaken in the ICT sector, review the institutional and regulatory environment for telecommunications in Uganda, and the range and depth of service coverage in ICT. Identify strengths, weaknesses and gaps.
  - c. ICT skills availability and skills requirements with reference to the Uganda investment climate, other firm surveys, and through interviews with IT training

- providers, and through labor market studies. Establish the extent of an IT skills gap, and what could be done by Government to correct this.
- i. The assessment should take into account the education and technology work that is underway as part of the Millennium Science Initiative.
- d. Existing and past ICT initiatives, including call centers, cyberparks and more broadly FTZs and ETZs (both in Uganda and internationally), in order to generate lessons learned and best practices from these efforts. It is important that the views of potential and past foreign investors involved in these initiatives are taken into account to gauge the market's perception of Uganda as a viable market for BPO services.
    - i. This assessment should take into account:
      1. The work by DTIS and leverage the expertise and experience of the Investors Round Table.
      2. Recent developments regarding the Rural and Industrial Development strategies and MTTT's Export Zoning and Industrial Policy, as well as similar strategies and initiatives.
4. Identify the primary constraints facing entrepreneurs and innovators in Uganda, and the opportunities and challenges facing firms and industries as they confront outside competition both regionally and globally, this will cover high investment and operating costs, human capital and skills. The particular challenges facing rural entrepreneurs should also be addressed, including access to banking and telecommunication services, and how new technologies such as mobile-enabled banking may provide feasible solutions.
- a. Determine whether business incubation initiatives aimed at fostering entrepreneurship and private sector development at the local level based on local expertise and comparative advantage would address some of the constraints facing new business development and innovation as identified by the needs assessment. Reference infoDev's regional network of business incubators in Africa, including an incubator in Uganda managed by the Uganda Industrial Research Institute (UIRI).
5. Evaluate the potential role of ICT as tools of productivity, competitiveness and innovation both broadly across the Ugandan economy and at the enterprise level in key sectors such as agro-processing, agricultural trading, manufacturing, transportation logistics, and tourism, as well as potential new export sectors such as services (banking, insurance, freight, health services)<sup>5</sup>;
- a. Include illustrative case studies of enterprises that have successfully deployed ICT as tools of competitiveness and of lessons learned from strategies and programs in Uganda and elsewhere in recent years designed to promote ICT as tools of economic development.
  - b. Discuss the potential impact that ICT can have with Ugandan firms and innovators who address these challenges, as well as its broader impact on growth and competitiveness for Uganda, including its impact on rural entrepreneurs and those offering products and services to poor populations;
  - c. Determine the key enablers of ICT take-up, and ICT-driven innovation in specific sectors and in the economy as a whole.
    - i. Within this context, determine whether an ICT support mechanism aimed at helping existing businesses intelligently adopt and utilize appropriate ICT

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<sup>5</sup> Refer to DTIS (forthcoming)

would address some of the challenges that hamper private sector development and international competitiveness as identified by the needs assessment and would be feasible.

6. Conduct a firm-level survey and analysis of ICT utilization. The survey will assess the diffusion and impact of ICT at the firm level and the related policy implications, as well as inform key stakeholders on what Uganda could be doing to better promote/support ICT usage to improve competitiveness and new business creation. (i.e. What could/should firms in traditional and emerging sectors be doing to better utilize ICT to improve their competitiveness? How have firms improved competitiveness and/or tapped into new market opportunities by utilizing ICT? What positive/negative role have government regulations or initiatives had on supporting ICT use at the firm level? Which ICT have the greatest impact on firm competitiveness?)
  - a. The consultants, to the maximum extent feasible, should utilize existing survey methodologies on firm-level ICT use, particularly those developed by *infoDev*, the World Bank, and the OECD, for purposes of comparability.
7. Evaluate the ITES sector within Uganda. Assess whether or not the ITES sector is a viable sector in Uganda's economic development efforts (e.g. Can Uganda compete internationally in BPO and if so, in which BPO activities based on their competitive advantages?) Determine which sectors would be viable (i.e. sectors in which Uganda could have a comparative advantage) if Uganda improved its ICT infrastructure, capacity and penetration. Identify the primary constraints (and the necessary actions to remove these constraints) to supporting new, and expanding existing viable sectors within Uganda.
  - a. Within this context, assess the contribution of TFP growth in both ICT-enabled service sector and the ICT manufacturing sector, and constraints faced by these sectors including: (i) *Need for capital deepening to enhance productivity*: improve information flows and reduce transaction costs for business and government agencies that support businesses; ie to improve productivity; and; (ii) *Need to enhance human capital / skills*: ie to improve the quality and relevance of education in Uganda to match skills required in the knowledge economy.
8. Assess the actual and potential role of government in Uganda as both a consumer and user of ICT and as a key partner in creating the policy, regulatory and institutional conditions for ICT-enabled growth and competitiveness.
9. Recommend concrete actions for Uganda that the Government in partnership with the private sector and donors can take to: (i) address and remove constraints to ICT utilization by the private sector in the country, particularly in the ITES sector; (ii) support the adoption and utilization of ICT by the private sector to improve competitiveness and stimulate economic growth in emerging sectors, as well as in traditional sectors; (iii) encourage innovative uses of ICT and entrepreneurship at the local-level and based on local needs; and (iv) enhance economic development.
10. Lead a workshop, organized by *infoDev*, the World Bank Group and other donors in Uganda to discuss the findings of this study with key policymakers and stakeholders.

### **Preferred Timeline**

The consultants will be required to deliver the following:

October 18, 2005	Request for Expression of Interests (EOIs) published.
November 6, 2005	Closing date for submission of EOIs.
November 30, 2005	Target date for <i>infoDev</i> and the World Bank Group project team to have selected and hired consultant team.
December 7, 2005	Draft work plan detailing how the study will be conducted including the extensive field work in-country and desk research.
January 9, 2006	Initial findings and progress report, along with the questionnaire for the firm-level survey and the list of firms by sector.
January 30, 2006	First draft of the study, including case studies.
February 13, 2006	Initial results and analysis from the firm-level survey.
February 27, 2006	Second draft of the study, including an executive summary and complete analysis of the survey results.
March 6, 2006	Presentation materials for a workshop in Uganda and in Washington, DC.
March/April 2006	Tentative timeframe for the workshop in Uganda.
March/April 2006	Tentative timeframe for the workshop in Washington, DC.
April 2006	Final version of the study.

### **Available Lump-Sum Budget**

Consulting fees and related expenses	\$100,000
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### **About *infoDev***

*infoDev* is a consortium of international development agencies, working in close cooperation with partners from civil society and the private sector, and assisted by an expert secretariat housed at the World Bank. Its mission is to help developing countries and their international partners use information and communication technologies (ICT) broadly and effectively as tools of poverty reduction, sustainable economic growth, and empowerment of individuals and communities. Its work is rooted in the conviction that information and communication are indispensable elements of effective and responsive institutions (including governments), markets and societies. <http://www.infodev.org/>



**- Annex -**

The Consultants will evaluate the position of Uganda with regard to the following major factors for competitiveness in the ICT and IT-enabled service (ITES) industries, drawing comparisons where possible to other countries in the region (especially Tanzania, Kenya, Mauritius, Ghana, and South Africa) and the world (such as India, China, Philippines, and Mexico). Some of the key issues to be considered and addressed include the following:

**Infrastructure**

**1. ICT**

- Options for broadband connection, e.g. fiber, microwave, satellite
  - For each option:
    - Technical specifications, including capacity
    - Cost (initial set-up plus monthly charges), current and projected
    - Quality of service delivery, e.g. time required to order to set up, maintenance support, reliability
- Options for voice connection, e.g. landline, mobile, fixed wireless and also conventional versus VoIP
  - For each option:
    - Cost (initial set-up plus monthly charges)
    - Quality of service delivery, e.g. time required to order to set up, maintenance support, reliability
- Potential impact of EASSy

**2. Power**

- Adequacy of electricity (e.g. from alternative feeders), water, roads, traffic conditions, etc.

**3. Transport**

- Accessibility of location via roads from airport, availability of international flight connectivity

**ICT/ITES Opportunities**

**1. Availability and suitability of potential locations for ICT/ITES companies**

- Issues
  - Backhaul costs for telecom in the case of alternative locations
  - Real Estate
    - office rental rates (both shell rates and rates for fitted office space)
    - availability and cost of leasing / buying facilities
  - Supply of Workers
    - Wages for ICT/ITES skilled workers at various levels
    - Presence of labor unions
    - Number of national holidays / legislation for overtime
    - English language proficiency
    - PC proficiency (e.g keyboarding)
    - Potential cultural issues in performing IT transcription

- Similarity or familiarity with business practices and/or customer expectations in the U.S. and Europe
  - Note that the status, capacity and potential of ICT education in Uganda and the potential pool of skilled ICT employees could be complemented in a section of a separate study on youth and employment in Uganda.
- Business Environment Conducive to International Customers
  - Tax incentives for local suppliers of IT and ITES
  - Customs procedures; taxes and duties on importation of machinery and equipment
  - Intellectual property rights protection; anti-piracy laws and enforcement
  - Presence of successful foreign enterprises and business partnerships
  - Transparency, low level of corruption
  - Minimal “red tape” and bureaucracy
  - Open market policies by the government, visibly practiced
  - Favorable living conditions for ex-pats; hospitality for visiting business partners
  - Legal and regulatory framework with processes that do not pose undue risk for foreign investors
    - The Consultant should as much as possible avoid duplication of previous studies by reviewing existing reports on the business environment and investment climate in Uganda (e.g. Doing Business 2005, World Bank/IFC; Administrative Barriers to Investment Update, June 2003), highlighting particular areas of concern to IT and ITES companies.
- Experience of Existing ICT/ITES Companies in Uganda
  - Describe the existing ICT/ITES industry in Uganda in terms of numbers of companies, numbers of employees, services provided, revenues (domestic and export) etc.
  - Describe the experience of existing ICT/ITES companies in Uganda and their views on the critical competitive factors above.
  - In the opinion of representatives of the ICT/ITES industry, what should be the appropriate role of government in promoting the ICT/ITES industry?
- Other Issues
  - Identify any existing industry associations in the ICT sector in Uganda.
  - Identify and describe the quality of technical research institutions in Uganda.

### **Conclusions and Recommendations**

1. Identify the major sources of Uganda’s competitiveness, define obstacles to such competitiveness, and identify issues, which if addressed, will increase the competitiveness of Uganda in the ICT/ITES industry.

- Compare competitiveness with countries like India, Philippines, Mexico, South Africa and China and also identify potential for co-location of investments.
  - Given the apparent competitive strengths of Uganda, identify which ITES industries Uganda should concentrate on attracting.
2. Identify set of necessary activities for the promotion to international investors of selected ITES in Uganda