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Delivering Industrialisation

The case for a President's Idustrialisation Delivery Unit to drive economic transformation

CENTRE FOR DEVELOPMENT ALTERNATIVES

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In Brief

- **Economic transformation** in Uganda has stalled and **must be revived** - the wellbeing of the population and the legitimacy of the leadership depend on it.
- **Industrial policy** which has been at the heart of virtually all economic transformation success stories - is coming into favour with Uganda's political elite.
- Industrial policy cannot succeed without highly **effective implementation mechanisms.**
- Effective industrial policy delivery requires significant **political, financial, and technical resources.**
- The Government of **Uganda faces serious scarcity** on all three fronts.
- This is manifested in **current implementation weaknesses** witnessed in the domain of industrialization.
- But **all countries start from a position of scarcity.** The experience of several economic transformation success stories shows that it is possible to create self-perpetuating momentum and positive feedback loops by kickstarting the economic transformation process in small pockets.
- Outside of the domain of industrialization, **Uganda has a track record of creating pockets of efficiency** to drive priority public sector progress.
- **Uganda's industrial policy pocket of efficiency** should take the form of a Delivery Unit. Other options – a super-ministry, a board or council, and sector development agencies – are either insufficient or premature.
- **Important lessons** can be learned from the experience of Delivery Units around the world, especially in the past 20 years. Central to the success of Delivery Units are **four Strategic Enablers** (political authority, capacity, accountability, institutionalising delivery) and **three Functions** (prioritisation, planning and resourcing, and performance management.
- In most cases, the Delivery Unit should **empower and support Ministries, Departments and Agencies** (MDAs) to deliver outcomes - communicating priorities, working with them to monitor progress, holding them accountable, helping them solve delivery problems, and ultimately **letting MDAs take the credit** for successes.
- For a very small set of top priority economic areas, the Delivery Unit could take **catalytic action** – being the full owner of activities - including brokering investment deals, overseeing State-Owned Enterprises, managing the design and delivery of targeted public goods and services, and drafting regulations.
- **Setting up and funding the Delivery Unit** are not easy tasks but there are many technical and financial resources available that can be tapped into.

Economic transformation in Uganda must be revived.

Economic transformation - the movement of labour and other resources from low- to high-productivity economic activities – is necessary for sustained growth in output, decent jobs, incomes, and social development. Economic transformation is driven by the acquisition of new productive capabilities in higher-value-added economic activities with spillovers and linkages that are able to absorb a large portion of an economy's labour.

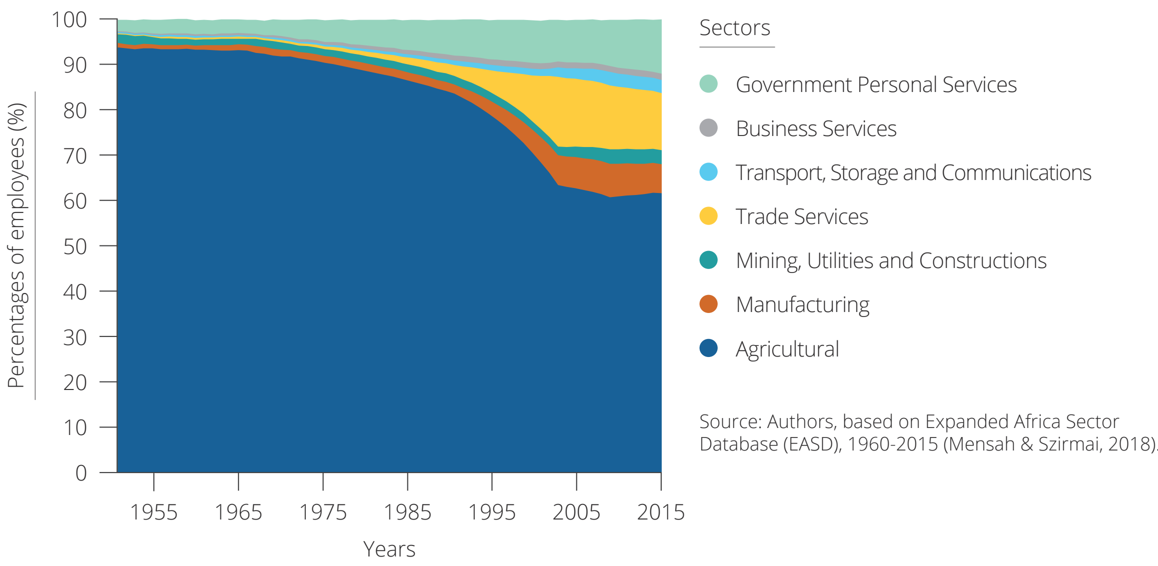
The national security and macroeconomic stability maintained over the last three decades unlocked an episode of moderate to high GDP growth coupled with promising signs of early economic transformation, including strong export growth and diversification[1].

However, progress against each economic transformation metric eventually stalled. The shift of labour from agriculture into manufacturing and services halted abruptly in the mid 2000s. Uganda's export basket diversified significantly from 1995 until stalling in the late 2000s. Manufacturing also seems to have stalled, both as a proportion of total output and in terms of absolute export growth. Moreover, the growth witnessed in this period was accompanied by increasing inequality and underemployment as well as stagnant agricultural productivity. In the 2010s, even GDP per capita growth has oscillated around a much lower average than that seen in the 1990s and 2000s.

Coupled with rapid population growth, this stalled economic transformation has translated into large-scale underemployment, stagnating incomes for most people, and rising poverty. Further, roughly 8 million working people are stuck in a poverty trap of low-productivity subsistence farming, and unemployment in Kampala is above 20% (and above 9% nationwide) (Kiranda et al., 2017; Walter, 2019). The absolute number of people living below the national poverty line has grown from 7.7 million in 2009 to 9.1 million in 2018 (The World Factbook, 2020).

Faced with a rapidly growing, urbanising, and increasingly educated and connected youth population, the political legitimacy of Uganda's leadership will increasingly depend not only on peace and stability, but also on the promise of decent work and incomes for all. The latter will require the creation of decent jobs at scale through

Figure 1: An Example of Uganda's Stalled Economic Transformation – Labour Composition by Sector
Source: CDA (2020)



Source: Authors, based on Expanded Africa Sector Database (EASD), 1960-2015 (Mensah & Szirmai, 2018).

[1] This growth was driven by post-conflict reconstruction, large donor funding inflows, investment by previously exiled industrialists encouraged to return by the NRM, and the global commodity boom of the 2000s.

growth in labour-intensive higher-value-added activities and continuous upgrading.

Despite the challenges of being a small, landlocked country, Uganda has the potential to become a production and logistics hub serving its own growing consumer population as well as neighbouring economies (AEC, 2019), while also producing higher-value goods and services for growing global consumer markets, especially across Africa and Asia. To realise this objective, the country needs a long-term economic transformation strategy that leverages its rich natural resources (including its agricultural potential), abundant labour force, imminent demographic dividend (a low dependency ratio driven by a youth bulge entering the workforce), and strategic regional location.

Industrial policy has been at the heart of virtually all economic success stories.

Industrial policy refers to a range of government interventions aimed at altering productive structures toward higher-productivity sectors and activities by changing the incentives, constraints, and resources available to economic actors (CDA, 2020). There are many well-documented cases of industrial policy success and failure. But there has been virtually no lasting economic transformation success without effective industrial policy. Positive cases exist on every continent, and many governments of the most advanced economies are still employing industrial policy in order to maintain their competitiveness.

Indeed, several stakeholders attribute Uganda's economic transformation shortfalls to an economic liberalisation agenda that went too far, effectively precluding any meaningful industrial policy (CDA, 2020). The policy rubric of the last three decades has largely followed the neoliberal Washington Consensus prescriptions, with deep liberalisation, privatisation, and deregulation occurring through several reform programmes financed by the World Bank and International Monetary Fund.

But active industrial policy is clearly coming into favour among Uganda's political elite. This is visible through recent policies, strategies, and actions. The National Development Plan 2020/21 – 2024/25, which focuses on industrialisation, productivity, and value addition and reasserts the proactive role of the state in driving economic transformation. The 2020/21 budget's theme is "Industrialisation for job creation and shared prosperity". The President has personally championed the industrial parks agenda, the provision of cheaper electricity to industries, the use of public procurement to spur domestic industries, the unblocking of industry bottlenecks through the Presidential Investors Round Table, and other industrial development actions. The revival and recapitalisation of Uganda Development Bank and Uganda Development Corporation and the increasing use of import tariffs to protect infant domestic industries are other signs that industry policy is coming into favour.

Industrial policy cannot succeed without highly effective implementation mechanisms.

What has separated industrial policy success cases from failures is the quality of the government coordination and delivery mechanisms that drive its formulation and implementation. Successful industrialisers around the world have done this through "agencies with the power and resources to steer the process, enforcing priorities and ensuring consistency in implementation" (Booth et al, 2018). Conversely, where implementation has been weak, industrial policy has failed to create economic transformation momentum (Studwell, 2013). Industrial policy entails a multitude of state functions that must be effectively coordinated, including trade, infrastructure, enterprise development, investment, export, customs, taxation, science and technology, education, and more policy areas.

Effective industrial policy delivery requires deep political, financial, and technical resources.

Successful industrialisers on every continent have overcome these coordination failures through dedicated government bodies endowed with uniquely high concentrations of "disposable political capital", discretionary financial resources, and technical competence. (Wade, 1990; Evans, 1995; Kohli, 2004; Booth et al, 2017).

"Disposable political capital" is understood here as the ability of the ruling coalition to do things that vested interests disagree with. Most fundamentally, economic transformation requires a transition away from short-term extractive activities in both the public and private sectors to developmental, productivity-building activities. This represents a deep shift of political power and interests. Industrial policy shifts the incentives, constraints, and resources available to economic actors away from protecting and enabling extractive activities and towards catalysing, inciting, and supporting developmental activities. This process requires progressive political leaders to "dispense" with political capital to push through reforms and actions that will face resistance from interest groups seeking to protect the status quo. One example is the shift of state benefits from importers to manufacturers via tariff protection, tax incentives, and concessional finance.

Political capital is derived from high levels of legitimacy (e.g. following a strong election win or high approval ratings following a popular decision or action), high concentrations of power (e.g. in the form of physical force or legal advantage), abundant financial resources, or information asymmetries. These factors allow the political agent to coerce other public and private actors into certain actions, ensure the tacit support of "losers" of certain policy decisions through compensation, and/or incentivize or influence actors to change their behaviour.

Giving any agency protection from powerful interests - especially one tasked with changing the productive structure of an economy - is politically costly (CDA, 2020). Effectively delivering industrial policy thus requires the bodies in charge to be able to "work in relative autonomy from particularistic demands within the ruling coalition" (Whitfield et al., 2015) and from rent-seeking private sector interests (Evans, 1995; Booth et al, 2017), and to be able to navigate and mediate competing political interests (Said et al, 2018; Wade, 2015; Roll, 2014). Further, Ansu et al (2016) argue that at the start of a country's industrialisation journey, policy is typically "distorted by the influence of formal or informal lobby groups on whose political support and campaign contributions politicians depend" such that "the lobby for special favours, including notably tax and tariff exemptions, is able to override declared government policy priorities and destabilises the expectations of other investors" (Ansu et al, 2016). A crucial role of industrial policy delivery bodies is thus to "interrupt the circuits of influence that produce these effects" (Ansu et al, 2016).

Aside from political capital, significant financial resources are also needed to properly empower and motivate both private and public entities. Industrial policy is expensive - from feasibility studies, policy analyses, and sector assessments carried out by/for government to the provision of concessional finance, infrastructure, and tax breaks for industrial firms (e.g. UNCTAD, 2014, 2019). Substantial financial resources are also required to attract, motivate, and retain a high-calibre team of both civil servants and external consultants to design and deliver effective industrial policy actions.

Finally, the government agencies delivering industrial policy must be competently staffed by people who have an intimate understanding of the capabilities, challenges, and opportunities of the private sector as well as the industrial policy instruments available to government; who are able to navigate a complex political environment and communicate effectively with would-be investors; who are able to design smart policy and manage complex programmes (CDA, 2020). The bureaucrats in charge of formulating and delivering industrial policy must have strong economic knowledge of, and embeddedness in, the priority economic sectors, equipping them to "select wisely both foreign and domestic firms that have potential to lead new manufacturing clusters" and "relate to the needs and concerns of private businesses and the dynamics of global value chains" (Booth et al, 2017). High levels of technical capacity are thus needed for "ensuring economic robustness and coherence" (Said et al, 2018). Aside from sector-specific and technical knowledge, industrial policy delivery also requires outstanding managerial capabilities to "manage processes… such as gathering feedback from the private sector and communicating problems and options for solutions to political leaders and monitoring and learning" (Booth et al, 2017).

These three dimensions - political, economic, and technical/managerial resources - are mutually reinforcing. For example, significant financial resources are required to attract, retain, and motivate a highly capable staff; political insulation is needed for meritocratic recruitment and personnel management[2].

The Government of Uganda faces acute scarcity in all three areas: political, financial, and technical/managerial resources.

Political capital. Political capital is scarce in an environment of strong and growing particularistic demands for patronage (Bukenya & Hickey, 2019; Whitfield et al., 2015). According to Barkan (2011), a weakening coherence of the ruling coalition has led to "inflationary patronage" - the ruling coalition's need for increasing amounts of financial resources to distribute to different social groups in return for the political support needed to sustain its hold on power. This fuels corruption and nepotism at all levels of the bureaucracy and heightens the temptation to use private sector relationships to extract and distribute funds as well the politicization of public institutions and programmes to distribute short-term rents to vested interests or lower level political factions – leaving few resources for building the economy's productive capabilities (Bukenya & Hickey, 2019; Barkan, 2011). In this context, the "disposable political capital" needed to shift private and public sector incentives from extractive to developmental are scarce.

Financial resources. State financial resources are also scarce given Uganda's low GDP, low tax-to-GDP ratio, and high debt servicing commitments, exacerbated by the demands of the increasingly fragile ruling coalition's patronage network (CDA, 2020).

Technical/managerial capacity. Finally, technical capacity in the key government bodies driving industrial policy is thin (CDA, 2020). For example, while MoFPED has strong political backing and financial resources, after three decades of implementing horizontal neoliberal policies, it lacks a cadre of technocrats well-versed with industrial policy instruments and deeply familiar with the technical details, market environment, and global knowledge frontier in priority economic sectors (Calabrese et al, 2020; Ggoobi, 2019). Similarly, UIA and MoTIC are under-resourced (Calabrese et al, 2020).

[2] To illustrate this, Cheng et al (1998) write that while the bureaucracies of Korea and Taiwan took on different forms, especially with regard to the level of centralisation, "in both systems, political leaderships saw merit in insulating some portions of the economic bureaucracy from other branches of government and from interest group pressures. An important component of this insulation centred on personnel policy and an expansion of the meritocratic portion of the bureaucracy. Both countries also shared a pattern of civil service organisation that recruits from top educational institutions, promotes from within, and limits lateral entry, thus encouraging strong loyalty to organisational goals [Evans, 1995]. The two countries undertook somewhat different strategies in achieving this goal; the military in Korea attempted an overall reform of the civil service, while Taiwan relied to a greater extent on special career tracks that fell outside of the normal civil service."

[3] MoTIC is the owner of the NIP 2008, the new draft NIP and its corresponding draft strategy, the National Industrial Development Strategy (NIDS) 2020-2025. The ministry is also responsible for other ancillary policies including the National Trade Policy (2007), the EAC Industrialisation Policy (2012-2032), the National Competition Policy (2020), and the Buy Uganda Build Uganda Policy 2014 (BUBU). A number of key agencies responsible for implementing different aspects of industrial policy - such as UDC, UEPB, and MTAC - report to MoTIC. MoFPED has a Minister of State for Investment and a Commissioner for Investment, and both are responsible for implementing the ongoing industrial parks projects, whose mandates overlap with MoTIC's underfunded Commissioner for Industry. In addition, both the draft NIP 2019 and strategy developed by MoTIC are yet to be finalised and published, but the Investment Law under MoFPED was passed in 2019. This has resulted in unmotivated leadership in the MoTIC and eroded the enthusiasm of its officials (Ggoobi, 2019). With regard to financial capacity, only about UGX 200 billion of total allocation for 2019/20 budget was for the entire trade and industry portfolio in MoTIC, while UGX 150 billion was just for the electrification of industrial parks allocated to MoFPED (Kasaija, 2019).

This is manifested in current implementation weaknesses witnessed in the domain of industrialisation.

The state apparatus behind Uganda's industrialisation currently lacks an effective mechanism to formulate, coordinate, and deliver industrial policy, creating conflicts of mandate, low coherence across MDAs, and weak follow-up on key actions. For instance, while MoTIC has the formal authority and mandate to oversee industrial policy, it lacks the political, financial, and technical resources needed to do so effectively (CDA, 2020; Ggoobi, 2019). More dominant bodies like MoFPED cover only parts of the industrialization agenda and lack a technical understanding of industrial sectors (Ggoobi, 2019; Calabrese et al., 2020). Instead, MoFPED ends up carrying out some of the projects that would be in an industrial policy package, such as development of industrial parks, but not others that would be synergistic with such initiatives, such as the provision of targeted financial capital to select industries in the parks[3]. UIA officials report to MoFPED for finance and budget but to MoTIC for policy coordination (Ggoobi, 2019).

Examples of the negative impacts of these weaknesses abound. Tax incentives given to investors in industrial parks are not applied in a standardised way but rather negotiated on a case-by-case basis between investors and government delegations or individuals at ministerial level or above (CDA, 2020). This demonstrates that Uganda Investment Authority (UIA) or Uganda Free Zones Authority (UFZA) have not been empowered to operate autonomously from the political elite (CDA, 2020). Similarly, Ggoobi (2019), through interviews with many heads of relevant MDAs, found that frequent and interfering presidential directives have left these bureaucrats disempowered in their duties of promoting manufacturing (see also Kjaer & Katusiimeh, 2012). Investors have also expressed the struggle they face when it comes to communicating challenges to the government, in large part because both MoFPED and MoTIC are incentivised to pass liability to each other (CDA, 2020). Further, according to several sources, many private sector actors currently encounter "commission agents" - government officials who offer to connect the private sector to the right people in government to deal with their enquiries for a fee (CDA, 2020). A lack of clarity around decision-making responsibilities and overlapping mandates also provide opportunities for corruption. Multiple reform attempts to remove these mandate duplications have failed (Bukenya & Muhumuza, 2017).

The current institutions are not yet well-placed to lead effective industrial policy delivery. The Industrial Council, which was meant to oversee the implementation of the National Industrial Policy (which has been in draft form since 2018), has not yet been created, and would only cover high-level oversight, not detailed follow-up and support on priority actions. The Presidential Investors Round Table (PIRT) is a mechanism for the private sector to bring policy issues to the government. Issues that cannot be resolved through direct interaction between industry representatives and MDAs are brought to the Office of the Prime Minister, which aggregates these about one month before a biannual meeting with the President and all Ministers. According to industry participants in PIRT, the mechanism has so far failed to push MDAs into action ahead of the presidential meetings, and decisions taken in those meetings are often not effectively implemented due to weak follow-up mechanisms (interviews). Further, PIRT listens to issues brought by the private sector and does not deal with proactive government initiatives such as those outlined in the National Development Plan (interviews). In 2020, there are indications that NPA's industrial policy formulation mandate is becoming stronger (interviews). NPA is set to begin drafting a new Industrialisation Masterplan (with EU funding) in consultation with a steering committee that includes members from key MDAs (interviews), but this remains high-level and NPA's ability and mandate do not extend into implementation. Further, the development of the masterplan will be a one-off exercise largely carried out by external consultants, whereas effective industrial policy must be highly iterative and flexible, as discussed below.

All countries start from a position of scarcity.

The experience of several economic transformation success stories shows that it is possible to create self-perpetuating momentum and positive feedback loops by kickstarting the economic transformation process in small pockets. This has usually been achieved by concentrating the thin political, financial, and technical resources into an industrial policy "pocket of efficiency" that focuses on delivering top priority industrial policy objectives. Pockets of efficiency "can exist in a sea of inefficient and corrupt bureaucracy" (Whitfield et al., 2015). Booth et al (2017) expand:

> "Experience in Asia does not suggest that it is necessary or possible to turn the civil service as a whole into an effective, well-coordinated machine as a prelude to industrial take-off. It is, however, possible, and may be essential, to empower a specialised agency or super-ministry to carry the main burden of supporting and signalling to the private investors in the emerging, dynamic sectors."

Once initial economic transformation momentum has been created, it can become self-perpetuating. Progress on a small number of important priorities can catalyse broader change, helping to mainstream government efficacy in the industrial policy domain and beyond. This can take place in several ways, for instance:

— Sector transformation can create new political forces interested in further transformation, tilting the balance of power away from the vested interests that prefer to extract short-term rents from a protected status quo;

— Progress has a demonstration effect, attracting new capital and ideas; and

— Government and the private sector both learn from experience: new capabilities enable further progress.

Box 1: Pockets of efficiency in industrial policy success stories
Source: Ansu et al (2016). Bold highlights added.

Beginning with the experience of the Japanese Ministry of International Trade and Industry (MITI) in the decades after World War II (Johnson, 1982), ambitious governments established **effective coordinating agencies that operated initially as islands in a sea of public inefficiency and corruption.**" They delegated **the authority to interact with capitalists** to the most **competent and professional agencies** of the national economic bureaucracy.

These agencies typically **reported to a high level in the central political leadership** and were **supported from the very top.** They were given an unusual level of protection for their bureaucratic integrity on the basis of the high strategic stakes attached to their role by the political leadership (Campos and Root, 1996: 5).

The **political protection** the leading agencies received gave them the **authority to coordinate** actions across government. The leading agencies were **empowered to override the barriers** that typically impede effective coordination across ministries, departments and agencies in developing countries. This muted the kind of coordination problems typically created by the use of ministerial appointments to reward the political loyalty of presidential allies. It was possible to control bureaucratic rivalries leading to non-cooperation – another typical problem.

Importantly, high-level authorisation gave the coordinating agencies the necessary **budgetary clout**. Where they were not themselves the budgetary authority, they **exercised strong influence over the effective allocation of resources** and were able to **monitor and regulate the efficiency of public spending."**

Outside the industrial policy domain, Uganda has a track record of creating pockets of efficiency to drive priority public sector progress.

We have seen above that any efforts to promote economic transformation in Uganda are constrained by the short-termist and extractive pressures of patronage politics and vested interests that have increasingly gained sway in a fragmenting political settlement. Given the scarcity of political, financial, and technical/managerial resources available for industrial policy in Uganda, its champions must find and protect narrow spaces for progress. Despite a generally weak and politicised state bureaucracy - and a political literature largely pessimistic about the country's industrialisation prospects (Booth et al., 2014; Ggoobi et al., 2017; Bukenya & Muhumuza, 2012; Golooba-Mutebi & Hickey, 2013) - Uganda's political elite has demonstrated its ability to use its precious "disposable" political capital to carve out pockets of efficiency in certain periods. Examples include the Ministry of Finance, Planning and Economic Development (MoFPED)[4], the Petroleum Directorate[5], the Dairy Development Authority (DDA), and the National Water and Sewerage Corporation (NWSC)[6], Bank of Uganda (BOU), Kampala City Council Authority (KCCA), and parts of Uganda Revenue Authority (URA) (Bukenya & Hickey, 2019; van den Berg & Danilenko, 2017; Bukenya & Nakaiza, 2020; Kjaer, 2015; Hickey et al, 2015). Their existence - albeit often flawed and temporary - is sufficient proof that it is possible for similar arrangements to emerge for industrial policy. Again, the intense pressure these bodies come under, which often crushes them, is further evidence that the creation and maintenance of pockets of efficiency carries high political costs.

These bodies, for certain periods, have been characterised by highly competent leaders, meritocratic and standardised recruitment, strong support from and relationships with the ruling elite, political protection from factional interests, and an unusual degree of autonomy to carry out their work. Several stakeholders have observed that the president has been able to create pockets of efficiency within GoU whenever he (i) considers it a top political priority, (ii) appoints a loyal and competent political insider to lead the MDA, (iii) gives them political protection (e.g. from Parliament, the Auditor General, lobby groups), and (iv) ensures the MDA is generously financed (interviews). Their existence - albeit often imperfect and temporary - proves that the emergence or creation of pockets of efficiency is possible in Uganda's political context.

[4] Bukenya & Hickey (2019) observe that MoFPED's strong performance from the early 1990s followed a firm presidential decision to grant the ministry's leadership (the finance minister and permanent secretary) political space and protection to operate. Convinced that bringing spiralling inflation under control required strong commitment akin to military discipline, the President tasked MoFPED to use all means possible to address the challenge and implement the broader Economic Reform Programme. There was mutual trust and a close working relationship between the President and his senior technocrats. The government and donors invested heavily into building MoFPED's human capacity and meritocratic structures for career growth during this period. This produced an esprit de corps among workers unrivalled in any other government ministry.

[5] Throughout the 1990s, the President sanctioned systematic capacity building in the form of specialised overseas oil-related training for key staff while gradually elevating the status of the petroleum body from a "desk" to a "department" and finally to the Petroleum Directorate (Bukenya & Nakaiza, 2020). Hickey et al. (2015) argue that the directorate's highly trained and knowledgeable staff, who operate with strong Presidential backing, enabled the government to negotiate deals considered favourable to Uganda with highly-experienced and powerful international oil companies.

[6] From its inception in 1972 to the mid-1990s, NWSC had a poor service delivery record characterised by decayed systems, sewer leakages, and intermittent water supply - so much so that GoU considered privatising it in 1998 - but NWSC reversed its fortunes to become one of the best performing public water utilities in Africa by the mid-2000s (van den Berg & Danilenko, 2017). The new CEO appointed in 2013 (via a process that involved the president's personal intervention), reportedly struck a deal with the president in which NWSC management promised rapid water extension to help the ruling party fulfil its manifesto pledge of "water for all" (Bukenya & Hickey, 2019). In return, the president promised prompt payments from government agencies and political protection for the utility. The deal has secured resources enabling NWSC to rapidly extend water coverage from serving 3.84 million people in 2013 to 16.8 million in 2019.

Uganda's industrial policy pocket of efficiency should take the form of a Delivery Unit.

Successful industrialisers have achieved effective industrial policy coordination and delivery through a variety of organisational forms - including units, "super"-ministries, commissions, agencies, councils, and boards.

The creation of a "super-ministry" (MoII - Ministry of Industry and Investment) for industrialisation would follow the example of Japan's MITI[7] and has been proposed in Uganda by Ramathan Ggoobi (2019). Ggoobi's (2019) rationale for creating MoII is that it would overcome the industrial policy coordination problem, and specifically the "mandate wars between MoTIC and MoFPED", by having all of the most important functions housed under one entity with a strong mandate to drive the industrialisation agenda. Apart from enabling the efficient delivery of industrial policy, he argues, it would give private companies a single point of engagement in government, reducing uncertainty, strengthening public-private dialogue, and reducing avenues for corruption through government gatekeepers (Ggoobi, 2019). The proposal suggests moving UIA and UDC from MoFPED, and the Department for Industry from MoTIC, into the new MOII (CDA, 2020). As a result, MoFPED's role would shift to focusing on budgeting and finance, and MoTIC would focus on trade and cooperatives.

We contend (CDA, 2020) that even MoII - as envisioned by Ggoobi (2019) - would miss crucial functions and thus curtail its ability to effectively oversee industrial policy delivery. These include standards, innovation, industrial extension, export promotion, and trade facilitation. Removing trade from the core industrial policy mandate is dangerous, as the importation of inputs and export of high-value-added products is paramount to successful industrialisation. MoTIC already includes several of these functions. Further, creating a new ministry risks further diluting the delivery mandates. A more strategic approach might therefore be to expand and empower MoTIC, adding the Investment element and thus making it the Ministry of Industry, Trade and Investment (MoITI) (incidentally, this would be closer to the Japanese example of MITI). The Cooperatives element may fit better into the Ministry of Agriculture. MoITI would therefore consolidate the Department for Industry, UNBS, UEPB, MTAC (already under MoTIC), UIA, UNCST, UDC, UFZA (from MoFPED), and UIRI (from MoSTI), under one roof.

However, while a super-ministry like MoITI would be the ideal driver of Uganda's industrialisation agenda, our view is that the conditions are premature for this option. The creation of a super-ministry would require more political manoeuvring (e.g. to move departments and agencies from other ministries), budgetary resources, and staff reallocations, than the political elite can currently afford to undertake. Further, a super-ministry would have to exist within the normal civil service, making it much more challenging - in the short term - to create the kind of performance culture, autonomy, and accountability mechanisms that effective industrial policy bodies need. The super-ministry would get bogged down before achieving meaningful results, thus discrediting the entire project. Instead, a super-ministry could be created further down, after substantial industrialisation momentum has been realised and the necessary capabilities built. This is analogous to the story of the Petroleum Directorate, which started as a desk, and became a department and later a directorate as it gradually built its capabilities over the course of three decades.

[7] **The Ministry of International Trade and Industry** (MITI) drove industrial policy in Japan in the post-World War II period (Johnson, 1982; Evans, 1995; Ohno, 2013; UNIDO, 2020). Until the early 1970s, MITI had authority over visions and strategic documents and on all spheres of industrial policy including policies for individual sectors and technologies, trade negotiations, quality standards, intellectual property rights, competition policy, SMEs development, energy and environment and so on (Ohno, 2013). In the 1950s, MITI was able to "combine export discipline with culling losers" precisely because it had "extraordinary controls over both industrial policy and trade policy" (Studwell, 2013). So central was its role that some observers at the time commented that Japanese "industrial policy is what MITI says it is" (Johnson, 1982)... Numerous specialised bureaus and organisations depended on MITI: the International Trade Policy Bureau, Industrial Policy Bureau, Machinery and Information Industries Bureau, the Patent Office, the SME Agency, and the Agency of Industrial Science and Technology, amongst others. In Taiwan, the Ministry of Economic Affairs (MoEA) was fully in charge of the formulation and implementation of industrial policy, though the exact division of responsibilities and power relations between different ministries, bureaus, commissions, and government-created think tanks was more complex (Wade, 1990).

The role of a council or board is usually to bring together powerful public and private sector figures and experts in order to champion an agenda, build buy-in around, and set the strategy's overall direction. But these bodies are less adept at day-to-day implementation, monitoring, problem-solving, and recursive policy iteration based on short feedback loops. They would also struggle to enact the close accountability mechanisms needed to ensure strategic actions are followed up on. As Booth et al (2017) note, "Inter-agency boards and committees are not a substitute for the kind of forceful coordination and concentrated professional capability that seem to have been associated with successful industrial policy elsewhere". A council or board - such as the one currently overseeing the National Planning Authority's efforts to develop an Industrialisation Masterplan 2020 - 2040 - could be used to build high-level consensus on, and interministerial support for, the big picture industrial development strategy. However, its role would not extend into implementation beyond being the recipient and approver of annual reports and plans.

Another option, one which has been attempted in Uganda, is the creation of sector development agencies for each of a number of priority sectors. Such bodies already exist for oil and gas, coffee, and cotton, for example. Sector agencies have often complemented the role of a centre-of-government delivery body. They can bring technical expertise and build close relationships with the relevant industrial players. But without an effective centre, sector agencies are likely to lack proximity to the Head of State and a clear overall direction. They are also at risk of competing with each other, and with other MDAs, for resources from the centre, without an effective central mechanism to mediate this competition and make effective resource allocations. Finally, the creation of several sector agencies would represent a dispersion of resources - political, financial, and technical/managerial - that would excessively dilute the capability of each agency.

We argue that Uganda's "industrial policy pocket of efficiency" should take the form of a delivery unit. The delivery unit could cover multiple sectors and crosscutting factors. In a resource-scarce environment, such efficiencies should be sought wherever possible. An industrial policy delivery unit should come before the attempt to create highly effective sector development agencies or an industrialisation super-ministry. Resources should initially be concentrated into a delivery unit whose mission is to generate economic transformation momentum and lay the groundwork for the emergence of other highly effective MDAs in the broader bureaucracy. Indeed, the delivery unit can later be subsumed into the broader bureaucracy, for example by being moved into a ministry (as happened in Taiwan and Malaysia) or by sub-teams being spun out into standalone sector transformation agencies.

Box 2: Where have delivery units achieved results?
Source: Institute for Government (2017)

The delivery unit model has been credited with driving striking improvements in programmes and services, including:

— After the introduction of the Special Monitoring Unit's childhood immunisation GPS (Global Positioning System) tracking programme in the Punjab province of Pakistan, the vaccinator attendance rate rose from 22% to over 90% between 2014 and 2015.

— In Malaysia, reported street crime fell by 35% between 2009 and 2010, after 'reducing crime' became a National Key Results Area. Malaysia's Performance Management and Delivery Unit (PEMANDU) worked with the Minister of Home Affairs and key stakeholders to develop and assign responsibility for a detailed implementation plan.

— Hospital waiting times fell in the UK between 2001 and 2003, after the Prime Minister's Delivery Unit (PMDU) began tracking and investigating delays in patients' 'journeys' through the system. The number of people waiting more than a year for surgical procedures fell from over 40,000 to below 10,000.

Important lessons can be learned from the experience of Delivery Units around the world, especially in the past 20 years.

Deloitte (2016) defines a delivery unit as "a small group of highly-skilled people working at the center of government who help line ministries achieve outcomes for a number of initiatives that leadership deems "mission critical," or top priority". Institute for Government (2017) defines them as small teams that "help political leaders to stay focused on the delivery of key policy priorities" by "tracking progress against a select number of top priorities" and "investigating and intervening to solve problems where progress appears to be slipping off track" (Institute for Government, 2018). The World Bank (2017) additionally stresses that a delivery unit is "a small, autonomous and highly capable team" "at the center of government" with "a mandate to use the authority of the chief executive" to realise objectives "in a limited number of priority areas" by "convening and connecting stakeholders, and, above all, responding to conflict or inaction".

The first delivery unit in recent times was created by UK Prime Minister Tony Blair in his second term, 2001 - 2005. Blair (2020) realised he needed a new way to deliver results as "even the sophisticated UK system was excellent at managing the status quo but poor at changing it". Michael Barber (2015), head of the first delivery unit in the UK, argues that a delivery unit can:

— "Ensure that small amounts of the leader's time can be applied systematically and routinely to the identified priorities;

— Ensure that implementation is taken as seriously as politics, strategy, and policy;

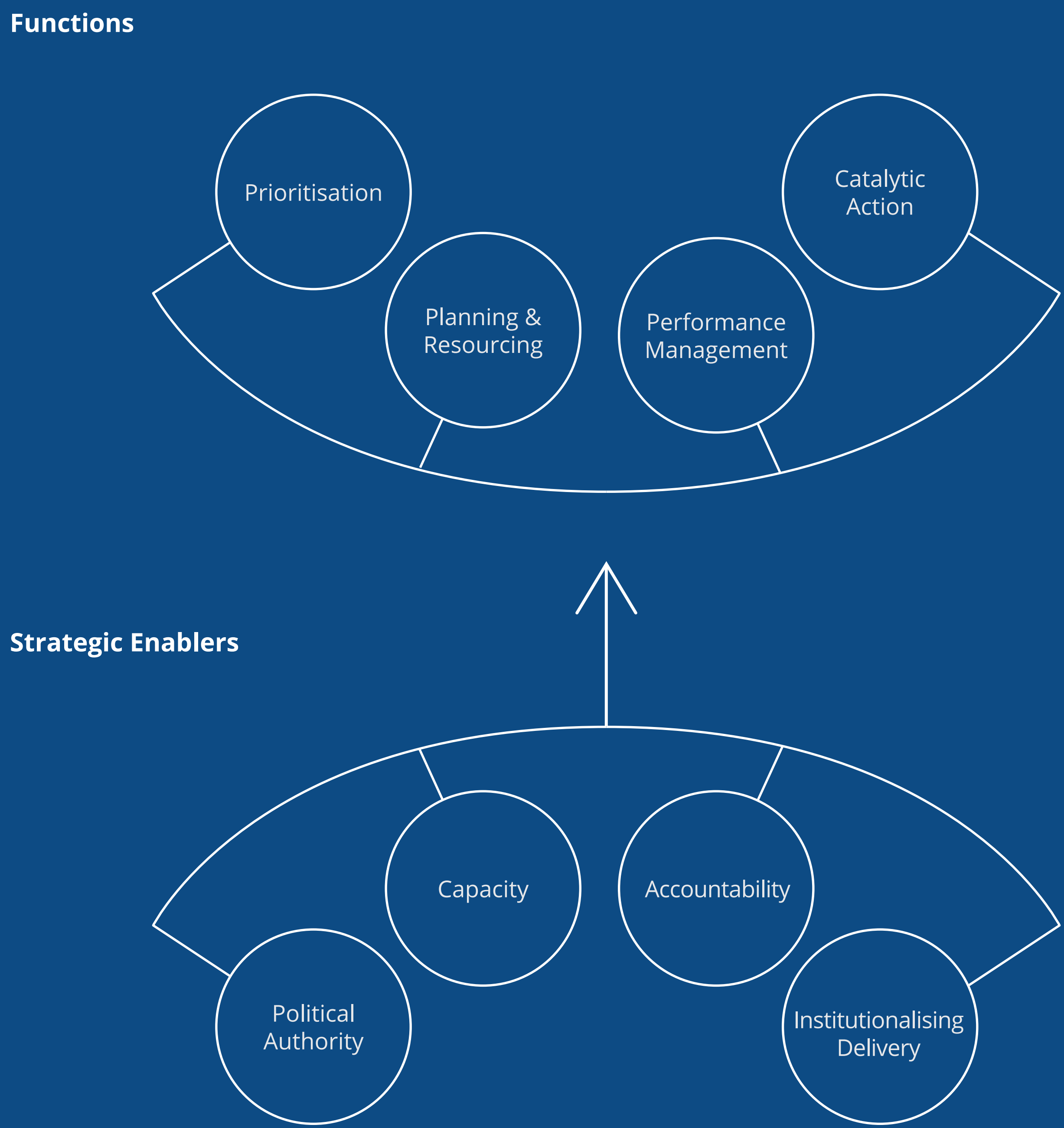
— Ensure that all relevant MDAs contribute to achieving a government goal, thus overcoming the lack of collaboration between MDAs (the silo effect) that is so strong in most democracies; and

— Become a centre for expertise on delivery and implementation; learn lessons which might apply to several MDAs or to the entire government machine".

Delivery Units represent the highest/narrowest concentration of political, financial, and technical/managerial resources. Given their small size in relation to the overall (often largely inefficient/ineffective) bureaucracy, they are only successful under certain conditions. They require unique characteristics and approaches to achieve progress. This section presents these success factors with reference to some of the best-documented delivery units around the world, drawing most heavily on Malaysia's Performance Management and Delivery Unit (PEMANDU)[8].

The Tony Blair Institute for Global Change (2019) uses a framework to describe the "key delivery building blocks necessary to drive sustainable outcomes from the Centre of Government". The framework comprises four "strategic enablers" and three "functions" of successful delivery bodies (TBIGC, 2019). This section follows that framework to describe what successful delivery units look like. The same framework is later applied to describe the desired characteristics of an Industrial Policy Delivery Unit in Uganda.

Figure 2: Strategic Enablers and Functions of a Successful Delivery Unit?



Adapted from TBIGC (2019)

Strategic Enablers

Political Authority

Successful industrial policy agencies are typically mandated by, accountable to, and supported by the Head of State (Ansu et al, 2016; Booth et al, 2017; Said et al, 2018). The most fundamental precondition for an industrialisation delivery unit's success is that the Executive branch of government is genuinely committed to industrialisation as a political priority. Delivery units leverage the power of the Executive to "override typical inter-departmental coordination problems, blockages in the bureaucracy or resistance from vested interests" and "bring disparate ministries and agencies… into line" (Said et al, 2018) as well as building consensus and ensuring MDAs feel that they "own" the policy (UNIDO, 2020). They also tend to be given "an unusual level of protection for their bureaucratic integrity" (Ansu et al, 2016). In Malaysia, if an important KPI is consistently missed due to a bottleneck requiring ministerial intervention, PEMANDU may escalate these problems via a meeting dubbed the "Putrajaya Inquisition" between relevant ministers and the Prime Minister. These meetings rarely occur more than once a year, and 60% of issues on the first draft agenda tend to be resolved just before the meeting "as a result of last-minute settlements between Ministries" (Sabel & Jordan, 2015). According to an in-depth independent study of PEMANDU, "it is the credible threat of this meeting that, rarely invoked in practice, that provides the crucial element in PEMANDU's ability to solve coordination failures (Sabel & Jordan, 2015). for the emergence of other highly effective MDAs in the broader bureaucracy. Indeed, the delivery unit can later be subsumed into the broader bureaucracy, for example by being moved into a ministry (as happened in Taiwan and Malaysia) or by sub-teams being spun out into standalone sector transformation agencies.

The Institute for Government (2017) stresses that the importance of physical proximity to the Head of State should not be underestimated. Many of the most effective centre-of-government delivery teams - such as those in the UK and Taiwan - have been based in the same building as the Executive (Barber, 2015; Cheng et al, 1998). This facilitates close collaboration (including ad-hoc meetings) as well as portraying a symbolic proximity that signals to the rest of government and other stakeholders that the delivery team has direct access to the Executive's political authority (Institute for Government, 2017).

Capacity

Leadership. The choice of delivery unit leader is perhaps the most important element. A strong Delivery Unit leader is needed in part to manage the risk presented by the "potential politicization of the technical implementation process" that comes with close involvement of the Executive (World Bank, 2017). The leader should have the following characteristics (Barber, 2015; World Bank, 2017; Institute for Government, 2017; Narasimhan & Pillai, 2018):

— Determined, hardworking, focused, optimistic, and confident;
— Excellent at building relationships and consensus to have sensitive conversations with powerful people, overcome opposition, and rise above party politics;
— Have a successful track record in improving the performance of businesses or government organisations (ideally both)[9];
— Willing and able to stay in the role for a long period: "high leadership turnover can completely destabilise a unit" (Institute for Government, 2017);
— Able to attract and inspire the best talent; and
— Willing to stay out of the limelight and give credit to others.

How the Delivery Unit leader is treated and perceived by the political elite is equally important. They should be (Barber, 2015; Ansu et al, 2016; Booth et al, 2017; Studwell, 2013; UNIDO & GIZ, 2017; Cheng et al, 1998; World Bank, 2017; Institute for Government, 2017; Sabel & Jordan, 2015):

— Entrusted by the Head of State to have autonomy in decision-making (which also enables an iterative, flexible approach), external stakeholder engagement, and able to have honest, open exchange with the Head of State;
— Respected and supported by senior political elites, including through receiving a high official rank; and
— Well paid.

[9] In Malaysia, "it was determined early on that a CEO for the Delivery Unit should have extensive project management and performance-management experience and should ideally be an expert in transformation and turnaround given the state of public sector delivery in Malaysia" (Narasimhan & Pillai, 2018). Idris Jala had exactly that strength - in his earlier career with Shell, he "had a reputation as a corporate troubleshooter, turning around problematic operations into success stories", and before joining PEMANDU he had been CEO of Malaysian Airlines Services, where he had turned the company around from making an annual loss of RM1.7 billion to delivering record profits within four years (Narasimhan & Pillai, 2018). He was thus "one of the very few leaders in the country who combined global perspective with the experience of executing a multi-billion-transformation program" (Narasimhan & Pillai, 2018). Jala "successfully introduced the innovative management techniques that he had pioneered in the private sector into government… it is evident that Jala's presence has shaped much of the organization's journey" (Narasimhan & Pillai, 2018).

Team. Most of a Delivery Unit's success depends on the capabilities of its people. A fit-for-purpose team of technically competent employees is needed. Also of critical importance is the way that team is organised and managed. The most common success factors for the delivery team are as follows (World Bank, 2017; Barber, 2015; Roll, 2014; Wade, 2015; Sabel & Jordan, 2015; Narasimhan & Pillai, 2018; Cheng et al, 1998; Wade, 1990; TBIGC, 2019; Institute for Government, 2017):

— Small size: the delivery team should be small in relation to the overall task - many are as small as 5 to 20 staff;
— Mission-driven and results-oriented team culture with a clear set of principles;
— Meritocratic processes of recruiting and rewarding staff;
— Competitive wages and benefits (being placed outside of the formal civil service enables this[10]);
— A mix of public and private sector skillsets, allowing a diversity of ideas and practices to be shared and applied[11];
— Technical expertise, including engineers and scientists with international exposure, to understand technical details of private enterprises;
— Soft skills, including stakeholder management, negotiation, creative problem solving, communications, collaboration, capacity to learn and react quickly, capacity to interact credibly with key stakeholders, relationship building, and positive attitudes;
— A team structure geared towards rapid inter-disciplinary problem-solving with sufficient junior personnel in areas such as monitoring, data analysis, and research;
— A strong ongoing recruitment function to manage inevitable staff turnover; and
— A strategy to internalise delivery, leveraging a high initial proportion of external consultants who build internal capacity to incorporate consulting approaches and presentation skills and are gradually phased out.

Accountability

Delivery Unit accountability includes two angles (TBIGC, 2019):

— "Implementation Performance: Evidence-based system to hold MDAs accountable for performance against targets, facilitated through e.g. performance contracts and positive/corrective incentives"
— Evaluation of the Delivery Unit[12]: Assessment of the delivery unit against its overarching mandate to support MDAs achieve sustainable outcome (conducted through independent evaluators)".

Institutionalising Delivery

Beyond achieving short-term results, delivery units can foster a culture of delivery throughout the government. In successful cases, they have done this in part through "regular communications to underscore delivery priorities, to incentivise sustained delivery at pace across government and keep the public informed and engaged..." and through "role-modelling and training of civil servants" to "institutionalise the principles, routines, and tools of delivery (TBIGC, 2019). Civil-service secondments, whereby MDA staff are pulled into the delivery unit for a specified period, were used successfully by PEMANDU to expose civil servants to a results-focused methodology and private-sector influenced culture, while also strengthening the unit's relationships with the various MDAs that the secondees represent (World Bank, 2017). Ultimately, delivery units can be subsumed into other MDAs[13].

[10] This is the case, for instance, with Uganda Revenue Authority, Kampala Capital City Authority, and Uganda National Roads Authority. Similarly, Taiwan's industrial policy agencies were exempted from regular civil service rules, enabling them to pay salaries as much as five times higher than normal civil service rates and allowing them to recruit, train, and retain high-calibre employees as well as maintain strong organisational pride and loyalty (Cheng et al, 1998).

[11] The range of non civil service backgrounds from which successful units have brought people in includes operations managers and senior executives from industrial firms including state-owned companies, auditors, management consultants, academics, student politicians, and subject-matter or industry experts focused on a particular priority area (Institute for Government, 2017; Sabel & Jordan, 2015).

[12] The Institute for Government (2017) stresses that "it is important to find ways of routinely reflecting on a unit's effectiveness and refreshing its activities where necessary. In Malaysia, PEMANDU's results are reviewed by external auditors on an annual basis and an international committee of senior experts meets once a year to review progress and offer suggestions for improvement... More informal approaches can also be effective... New South Wales... runs 'Outside In' sessions every two weeks where an official involved in the delivery of one of the Premier's priorities is invited to share their experiences.

Functions

Functions are the roles that effective delivery units typically play and the tasks they carry out in pursuit of the overarching objectives.

Prioritisation

The idea of focusing on a small number of top priorities is embedded in the most common definitions of a delivery unit (World Bank, 2017; Institute for Government, 2017; Barber, 2015; Deloitte, 2016). It is also at the core of our rationale for proposing an industrial policy delivery unit in Uganda. Prioritisation has been at the heart of success for delivery units from Malaysia (World Bank, 2017) to Senegal (World Bank, 2014). Conversely, the Institute for Government (2017) documents numerous cases of delivery units closing because they were overstretched, including in Jordan, Canada, Sierra Leone, and Tanzania.

Planning and resourcing

The planning function of Delivery Units is to "translate delivery priorities to concrete near-term plans and realistic trajectories that link projected impact with evidence" (TBIGC, 2019). This can be achieved in numerous ways. PEMANDU's planning workshops, dubbed "labs", had the additional positive effect of creating ownership among a wide range of stakeholders. Labs were consultative stakeholder workshops lasting six to nine weeks, each bringing together 10 or more representatives who are assigned full-time from MDAs (both leadership and rank-and-file), the Economic Planning Unit, the private sector, and civil society. Each lab unpacked one of the set priority areas into projects and provisional but detailed action plans including timelines, resources, KPIs, and targets. According to PEMANDU officials, "you are locked in a room, and you don't come out until everyone agrees on a plan with quantified targets" (Sabel & Jordan, 2015).

Chinese Premier Deng Xiaoping's famous saying that one must cross the river by feeling for one stone at a time rings true in the literature on industrial policy effectiveness and delivery success more broadly. Delivery effectiveness requires a strong monitoring and learning mechanism that enables "ongoing diagnosis" (Said et al, 2018) and timely course corrections and make policy adjustments (Booth et al, 2017). As we have noted in earlier work, "an industrial strategy must evolve dynamically so as to respond to success or failure, political, capacity, or contextual changes, as well as remaining appropriate to the different stages in a country's development trajectory" (CDA, 2020). In other words, "planning and doing must be intertwined" (Sabel & Jordan, 2015).

The related function of resourcing is to "align budgets and external resources with priorities" and "dovetail financial planning, budgeting and donor coordination with delivery planning and performance management". (TBIGC, 2019). For example, with the presence of Ministry of Finance officials, plans emerging form PEMANDU's labs were "stress-tested" against resource viability (World Bank, 2017). In the UK, the PMDU's resourcing was aligned with the 3-year budget cycle in the broader government (TBIGC, 2019).

Performance management

With priorities, plans, projects, timelines, assigned responsibilities, and KPIs in place, the difficult and ongoing work of performance management at the core of a Delivery Unit's day-to-day activities can begin. TBIGC (2019) identifies three core parts of a Delivery Unit's performance management function:

— **Monitoring**[14]: "Real-time performance tracking system that routinely and transparently monitors delivery against KPIs and allows leaders to gauge progress and make mid-course corrections" (TBIGC, 2019). Targets should be "SMART" – specific, measurable, ambitious (and assignable), realistic, and time-bound, and automated delivery dashboards can be used to aggregate real-time reporting data across the delivery chain (TBIGC, 2019; World Bank, 2017). Caution is warranted in setting up monitoring systems: the more experienced a Delivery Unit becomes in performance management and monitoring, the fewer priority areas and indicators they tend to focus on, "reflecting both the administrative burden of reporting and the limited time senior managers have to monitor performance" (World Bank, 2017).

— **Stocktakes**: "Performance review meetings, with implementing institutions, chaired by the Head of State to unlock delivery challenges and provide guidance" (TBIGC, 2019). Stocktakes, sometimes

[13] In Taiwan, elements of the Industrial Development Commission (which played a key role in the evolution of early industrial policy and establishing relations with the private sector) were later moved into the "superministry" CUSA (Cheng et al, 1998) while in Malaysia, PEMANDU gradually handed over its functions to the civil service over a 2-year period (World Bank, 2017). Meanwhile, PEMANDU has set up a private company, PEMANDU Associates, to focus on providing overseas public and private delivery consulting services as well as providing internal consulting services om complex problems to MDAs in the Malaysian government (World Bank, 2017).

called "briefings", serve as an accountability mechanism that leverages the authority of the Executive to motivate MDA action, a forum for the escalation of delivery challenges that require Executive intervention, and an opportunity for the Executive to provide guidance. PEMANDU's "bump up" escalation mechanism (through the threat of invoking the Prime Minister's authority) helped overcome cross-MDA coordination failures. It progressively escalates implementation blockages - in the form of a failure to reach consensus on a decision – one level up the chain until they are resolved, starting with weekly reporting on KPIs at the technical level and ending with a biannual "Problem Solving Meeting" with the Prime Minister (Sabel & Jordan, 2015; World Bank, 2017. [15]

— **Problem Solving**: A delivery routine anchored around research and analysis or technical expertise to identify and tackle key implementation challenges across the delivery-chain" (TBIGC, 2019). Where blockages cannot be resolved or MDAs lack the ability to effectively implement a key activity, Delivery Units intervene to solve problems. One example from PEMANDU is the brokering of settlements between displaced fishermen and urban land reclamation plans (including on payment terms, reclamation plan adjustments, tax rates, and customs procedures) (Sabel & Jordan, 2015).

Another is the brokering of agreements with district authorities to enable industrial investment projects to acquire land, where land ownership was under the purview of district authorities (World Bank, 2017).

In order to carry out these performance management functions effectively, successful delivery units tend to apply some key principles and tools. They:

— Empower and support MDAs to deliver (Mercer, 2016; World Bank, 2017);
— Let MDAs take the credit (Brown, 2016; Barber, 2015; Mercer, 2016; Sabel & Jordan, 2015);
— Build constructive relationships and trust with MDAs (Barber, 2015; Institute for Government, 2017); and
— Embed delivery and monitoring team members in MDAs[16] (World Bank, 2017; Institute for Government, 2017).

[14] Monitoring is particularly challenging in the industrial policy domain. Other areas of public service delivery, such as healthcare, education, and public safety, offer more straightforward metrics that can be used to continuously track progress. The impact of industrial policy on economic transformation is more complex: growth in a given sector contributes to broader economic transformation through direct jobs created, employment multipliers downstream and upstream the value chain, the availability of new locally produced inputs for other economic activities, workforce development, tax revenues, increased self-sufficiency, balance-of-payments improvements, opportunities for further diversification, infrastructure spillovers, and so on. But some basic metrics can and should be tracked to assess the immediate outcomes of industrial policy and hold both firms and bureaucrats accountable. These will be highly specific to the sector, project or activity in question, but will include data on the levels of completion of construction against agreed timelines, the production of minimum viable products (MVPs), production volumes, exports, profits, and productivity.

[15] Throughout this monitoring process, "if the deadlock continues, control of the situation passes to superior authorities, with results that may well make all of the participants worse off… This has two effects. First, since agreement at any one level of collaboration is by consensus, it is easy to demand more information simply by refusing to join the majority. But second, in case of deadlock, self-serving, or narrow-minded obstinacy will be revealed in a professionally damaging, even humiliating way" (Sabel & Jordan, 2015).

[16] Sierra Leone operates a "hub and spoke" model that posts one "coordinator" and one "facilitator" to relevant MDAs for each of the President's seven top priority sectors: "Coordinators are senior-level appointments (several are ex-ministers) tasked with building effective working partnerships with ministers and the leads for the key results areas in each sector… Facilitators help ministries understand what information the central team needs and help to build capacity" (Institute for Government, 2017). In Malaysia, PEMANDU set up institutional interfaces of varying natures with each relevant ministry. One variant was "Delivery Management Offices (DMOs)" comprising "MDA officials who work alongside PEMANDU staff to set, track, and adjust the KPIs" as well as helping PEMANDU "escalate, coordinate and facilitate the processes associated with the KPI reporting" (World Bank, 2017). Other forms included ministry-level Delivery Units or specialized M&E divisions (World Bank, 2017).


BUS STOP

Box 3: UK Prime Minister's Delivery Unit Guidelines on Interacting with MDAs
Source: Barber (2015)

Our working approach seeks to avoid:

- Micro-management
- Generating bureaucracy or unnecessary work
- Getting in the way
- Policy wheezes (or gimmicks)
- Being driven by headlines
- Short-termism
- Opinion without evidence
- Changing the goalposts

Our approach emphasises:

- Keeping the PM well informed about his key priorities
- Consistent pursuit of those priorities
- Data and evidence
- Plain speaking
- Early identification of problems
- Imaginative problem-solving
- Application of best practice
- Recognising differences as well as similarities between departments
- Urgency
- Building capacity
- Leaving responsibility and credit where they belong
- The expectation of success

Finally, we contend the effective Delivery Units sometimes perform a fourth function which we call "catalytic action". Especially where broader civil service effectiveness is low and resources highly constrained, a Delivery Unit may serve as the catalytic spark to build initial momentum in a priority area (such as an economic sector). One way in which PEMANDU did this was by acting as an intermediary between the private sector and the government (Sabel & Jordan, 2015). Beyond being a dialogue interface, a Delivery Unit for industrial policy can actively support the Head of State in making deals with investors to ensure that investors are attracted but also that their investments support the economic transformation agenda, for example through maximizing local content and positive spillovers. Delivery units, with their high capacity and political authority, are uniquely well-placed to design and enforce effective investment deals that both support and discipline the private sector – a key ingredient for successful industrial policy (see Box 4). Liberia's Presidential Delivery Unit has had considerable success making direct deals with infrastructure contractors; in Togo, the investment unit sits within the Presidency and has leveraged the authority of the President to broker investment deals in sectors such as business process outsourcing and agribusiness (interviews).

Box 4: The Support + Discipline equation

To catalyse productive capability development, industrial policy must effectively support and discipline the private sector, particularly pioneer firms (Studwell, 2013). There is a steep learning curve involved in entering the production of new, higher-value products or services, and pushing productivity to globally competitive levels (Chang, 2007). This necessitates **learning for productivity**, which has been discussed above in political terms. As a result, successful industrialisers have, almost without fail, protected and supported their pioneer industries - often referred to as infant industry protection - through a variety of measures (Chang, 2007). This first part of the industrial policy equation - support - can entail a vast range of policy instruments:

1. Directly provide **state-sponsored goods and services** that boost productivity in key sectors;
2. **Compensate pioneer firms** for the positive externalities they create through subsidies or other forms of support;
3. Enable pioneer firms to achieve **economies of scale**; or
4. **Maximise positive spillover effects** into the rest of the economy through **support to SMEs.**

Support to target firms and sectors, however, is only effective if it is tied to "discipline" in the form of performance standards and the credible threat of support being withdrawn in the case of non-performance[17]. Discipline – the second part of the industrial policy equation - can take various forms:

1. **Reserving industrial policy support** for a small set of **high priority** economic sectors or activities to push capitalists to invest in those areas;
2. **Making support conditional** upon beneficiary firms' fulfilment of production, investment, training, employment, local content, or export requirements;
3. Granting **conditional market or investment access** to foreign firms against local value addition investment or local content commitments;
4. Exposing supported pioneer firms to **managed levels of domestic competition** to drive innovation without crowding out profits;
5. Incentives and restrictions to ensure economic rents (including those created thanks to industrial policy incentives) are **reinvested in productive activities**;
6. The **credible threat** of withdrawal of support, forced merger or bankruptcy for non-performing pioneer firms.

Box 5: PEMANDU's Eight Steps of Transformation
Source: World Bank, 2017

PEMANDU acts as a convener, coordinator, and technical support to MDAs on performance management, monitoring and reporting. Although these are distinct roles, they are well-defined and structured in PEMANDU's "Eight Steps of Transformation" (Figure 6). PEMANDU acts as a convener at Step 1, when multiple cabinet retreats provided strategic direction and alignment at the highest leadership level. PEMANDU also convenes and coordinates Labs (Step 2) that break down the strategic priorities into concrete interventions and create ownership among stakeholders. PEMANDU continues in the same role by holding Open Days (Step 3) and publishing Roadmaps (Step 4), ensuring that the public is aware of the government plans and holds it accountable for delivery. In Step 5, PEMANDU switches gears and acts as technical support to MDAs in setting and monitoring KPI targets. If problems and bottlenecks occur during implementation (Step 6), PEMANDU becomes a convener and coordinator again, escalating the process through the Steering Committee and PSMs... In Steps 7 and 8, PEMANDU is again a technocratic agent overseeing that the reported KPI targets are validated by the third party and compiled into the Annual Report. Annex 2 describes the eight steps in more detail. (World Bank, 2017).

Figure 3: Eight Steps of Transformation
Source: Pemandu Associates

A President's Industrialisation Delivery Unit (PIDU) in Uganda

If successfully established, resourced, and empowered, a President's Industrialisation Delivery Unit (PIDU) would stand a reasonable chance of acting as a pocket of efficiency. Proximity to the Head of State would allow the latter to give the unit political insulation. In addition, a delivery unit of this sort could potentially deliver coordinated action by concentrating numerous functions in the same organisation and avoiding interference by having a direct line of command from the Head of State. Concentrating technical, political, and financial resources on a small number of priority sectors and activities would, in addition, be conducive to identifying and negotiating mutual interests, adequately compensating the losers of industrial policy, and maintaining the embedded autonomy to nurture learning for productivity. This would of course require the president to make the unit a top political priority. Some experts contend that such centralising initiatives in the current political environment are highly unlikely to succeed, given the patronage demands on the political elite and thus the shortage of disposable political capital available to the Head of State (interviews). It also has the greatest risk of being captured by the political elite for their personal and political interests, as has been seen with other agencies in the past. However, we argue that a narrow concentration of scarce political, financial, and technical/managerial resources is the only way to build positive momentum, which can later produce positive feedback loops that reinforce the availability of these resources.

Strategic Enablers

Political Authority

Uganda's PIDU would be located within the Office of the President and report directly to the president. Rather than attempting to reverse the proliferation of direct presidential involvement in the industrialisation agenda, this approach would institutionalise this political reality. It would make extensive use of the president's authority, but through a competent and informed organisational unit instead of ad-hoc informal channels.

In addition, the unit would report annually to an Industrial Council of top bureaucrats, political leaders, business, civil society, and technical experts.

Capacity

Personnel. The leader of the delivery unit should be carefully vetted and appointed by the president. They should meet the criteria described in the previous section. As a special-purpose vehicle or a state-owned company, it should sit outside of normal civil service rules, enabling it to flexibly hire and motivate a small team of the highest-calibre professionals. Capacity is crucial. At the start, a 50-50 mix of civil servants and non civil servants is acceptable, and up to 50% of the non civil servants (i.e. 25% of the total) may be expatriates. Over the course of 5 - 10 years, this should be gradually scaled back to 25% non civil servants, with no more than 10% expats. This should be clear from the start, and non civil servants' and expats' KPIs should be closely linked to capacity building objectives, such that they are fully incentivised to share their expertise with civil servant colleagues and build the latter's capacities. The delivery unit should be expected to have a relatively high staff turnover, especially among junior employees, necessitating a strong ongoing recruitment function reporting to the delivery unit leader, as well as efforts to maintain a strong culture of impact, commitment, and excellence to motivate people to stay longer. The delivery unit leader should be motivated and incentivized to remain on the job much longer than the average staff member.

[18] To illustrate this, for the example priority areas given, this list might include: UIA, UFZA, MoFPED, UNBS (MoTIC), DCIC (MAAIF), UCDA, Ministry of Works and Transport, Uganda Tourism Board

Structure. A single Director should be clearly responsible for each priority area, though the same person could lead on more than one area. The teams can then be structured either around priority areas or around crosscutting functions, or a mixture of both. One Delivery Manager should be embedded in each of the 5 - 10 MDAs most involved in the priority areas[18], whose responsibility it is to facilitate information flows between the delivery unit and the MDA.

Accountability

Implementation Performance. The performance of delivery unit staff should be evaluated based on the achievement of KPIs, including by relevant MDAs. As such, the staff should feel fully incentivised to support MDAs in the achievement of KPIs. KPIs should be cascaded down to each relevant MDA (having been co-designed with these MDAs in strategy labs). The ministers should be held accountable, for example through transparent 'Minister's Scorecards' and regular review meetings between ministers, the head of the delivery unit, and the president.

Evaluation of the Delivery Unit. An external independent evaluator should be brought in on an annual basis to audit the reported KPIs against targets. This should be complemented with informal feedback activities involving delivery unit staff, MDA staff, and potentially private sector representatives.

Institutionalising Delivery

Communications. The external Communications role could be minimised for the first 1-2 years while initial momentum is being built. A premature communications push may cause backlash. However, internal communications within government will be crucial to ensure that all relevant MDAs are fully aware of the president's top industrialisation priorities, and that they risk sanctioning at the highest level for failure to act on those priorities.

Institution Building. The delivery unit will build crucial capacity that should later be embedded in the civil service. 2-3 years down the line, medium- to long-term scenarios for the mainstreaming of each of the unit's teams or functions into the broader civil service should be considered and a vision crafted.

Functions

Prioritisation

Top 5 priorities. Drawing from NDP III (and later the Industrialisation Masterplan currently being drafted), the delivery unit should identify 2-3 top priority sectors and 2-3 top priority crosscutting functions, adding up to 5 overall priorities. These top 5 priorities should be the sole focus of the delivery unit. They should be reviewed periodically (e.g. annually) and may be adjusted if new information arises. Crucially, if a new priority is added, another one should be removed. Overstretching is likely to imperil the unit's effectiveness and existence by diluting its focus. As discussed above, this has been one of the most common pitfalls of delivery units around the world.

Picking priorities. The top priority areas should meet the following conditions:

— **Political economy:** a mutual interest in realizing a shared vision can be established between investors and the political elite, and vested interests that seek to protect the status quo can be overcome;

— **Opportunity:** successfully transforming the sector or crosscutting function in question would lead to large-scale job and income creation, positive spillovers into other parts of the economy, opportunities for further diversification, and/or foreign exchange earnings or savings; and

— **Feasibility:** there are some existing private and public sector capabilities to build upon, the factors of production are available and affordable, the economic ventures in question can become profitable, (for sectors...) Uganda stands a reasonable chance of achieving international competitiveness and accessing international markets.

For example, the top priorities for PIDU could be selected from the following:

— Sector #1: iron & steel
— Sector #2: tourism
— Sector #3: coffee
— Sector #4: wood value addition
— Crosscutting #1: industrial parks & free zones
— Crosscutting #2: transport & logistics for trade and tourism
— Crosscutting #3: export standards
— Crosscutting #4: electricity transmission & distribution for industrial parks & priority sectors

Planning and resourcing

Actionable plans. For each of the top 5 priority areas, a planning process (possibly borrowing from PEMANDU's lab methodology) should be facilitated to develop concrete actionable plans, activities/projects, impact trajectories and projections, responsible parties, 'SMART' KPIs, targets, and timelines. The Presidential Investors' Roundtable could be leveraged to feed into this process (again, with only key actors from top priority areas invited). This should be complemented with the presence of staff from key MDAs, technical experts, and civil society. As an ongoing dialogue and reporting mechanism, the Presidential Investors' Roundtable could follow up on top industrial policy delivery priorities and report regularly to the President's Industrialisation Delivery Unit. The dialogue process that leads to the concretization of plans under each priority area should be supported by rigorous evidence-based research carried out or commissioned by the delivery unit, including foresight analysis, constraint diagnostics, and feasibility studies on target sectors.

Iterative planning and delivering. The planning process should be highly iterative, as demonstrated successfully by PEMANDU. The delivery unit can achieve this by instituting, from the start, a structured mechanism for revisions to initial plans. On an annual or biannual basis, even the top 5 priority areas should be reviewed. New information and experience may lead to the conclusion that one priority should be dropped and/or a new one added. Again, it will be paramount to ensure that the total number of priority areas covered by PIDU does not grow.

Aligning budgets, resources, and delivery. The involvement of MoFPED's Treasury and Budget directorates will be crucial during the planning processes to ensure that plans are realistic from a resourcing perspective and that those resources can be allocated and released in a timely and accountable manner.

Performance Management

In most cases, the delivery unit should enable and support MDAs to carry out tasks.

Monitoring. Each priority area should have 'SMART' KPIs. A strong monitoring function is needed to track those KPIs, for actions carried out by the delivery unit itself and those carried out by MDAs under top priority areas. Only the most important KPIs should be tracked so as not to overburden the monitoring function and relevant MDAs. These KPIs may include data on the levels of completion of construction against agreed timelines, minimum viable products, production volumes, exports, profits, and productivity.

Stocktakes. A system of regular monitoring and problem-solving meetings should be implemented, starting with weekly or fortnightly meetings within MDAs coordinated by the embedded delivery unit staff within those MDAs. The meetings should escalate all the way up to regular (perhaps quarterly) meetings with the president. The Office of the Prime Minister currently holds a meeting with all relevant MDAs one month ahead of the biannual Presidential Investors Roundtable to collect draft agenda items and attempt to find solutions to as many items as possible before escalating the persistent issues to the President. This process can be leveraged and managed by the delivery unit. The key shift that needs to occur is that MDAs should be penalized for failure to solve issues before they get to the president's desk. PEMANDU achieved this through Minister's Scorecards and by 'naming and shaming' those who failed to resolve issues that did not genuinely require the involvement of the Executive.

Problem-solving. Some issues will genuinely require the involvement of the president. This typically involves breaking deadlocks between MDAs and other stakeholders by making an executive decision, brokering a compromise, or finding a new solution that addresses the needs of all conflicting parties. The loop back to monitoring is clear: PIDU should follow up closely on decisions taken by the president as a result of Problem Solving Meetings. This entails being in regular communications with MDAs to ensure that decisions are acted upon in a genuine, effective, and efficient manner.

Catalytic action

In some cases, PIDU should take catalytic action itself, being the full owner of those actions. Because the unit would focus on only a handful of priority industrial sectors and activities, it would not remove these functions entirely from other MDAs. Actions the delivery unit might take full ownership of include:

— Deal-making: identifying, attracting, and brokering investment deals with foreign and domestic industrialists in priority areas, including joint ventures;

— SOEs: overseeing the activities of state-owned enterprises in priority areas;

— Public goods: conceptualising and commissioning business support services, curriculum design, supply chain infrastructure, and other publicly delivered goods and services; and

— Regulations: drafting bills, acts, and regulations in priority areas.

Setting up and funding the President's Industrialisation Delivery Unit

Setting up and funding the delivery unit are not easy tasks but there are many technical and financial resources available that can be tapped into. In terms of technical support, many consultancy firms now offer services to support the design and setup of delivery units, but with varying degrees of quality. Two organisations that stand out based on their hands-on experience are Delivery Associates (run by Michael Barber, who set up and led the UK's PMDU) and PEMANDU Associates (run by Idris Jala, who set up and led Malaysia's PEMANDU). In terms of financial support, there has been increasing interest among aid agencies and multilateral organisations in supporting delivery units. Finally, the Tony Blair Institute for Global Change provides pro-bono embedded consultants to delivery units around the world. Table 1 provides several more potential sources of financial and/or technical support.

Table 1: Organisations that have provided support to at least one Delivery Unit
Source: Institute for Government, 2017

Development cooperation agencies	Consultancies	Nonprofits
— UK Foreign, Commonwealth & Development Office — Swedish International Development Cooperation Agency — U.S. Agency for International Development — United Nations Development Bank — World Bank — European Union	— PEMANDU Associates — Delivery Associates — Adam Smith International — Deloitte — Isos Partnership — McKinsey & Company — Boston Consulting Group — PwC	— Gatsby Africa — Tony Blair Institute for Global Change — Centre for Developments Alternatives — British Council

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