Journal of Business and Economics, ISSN 2155-7950, USA
November 2016, Volume 7, No. 11, pp. 1784-1803
DOI: 10.15341/jbe(2155-7950)/11.07.2016/007

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Analysis of Business and Government Relations in Uganda

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Abstract: This paper investigates the nature of business and government relations in Uganda. It also explores the extent to which the public sector uses public policy and other means to influence the private sector's decision making and practices for the purpose of achieving economic development. The paper uses qualitative and quantitative data to provide detailed analysis of the important role of both sides of this relationship with respect to corporate social responsibility and government regulations in Uganda. It argues that the government of Uganda and its policies are crucial for the appropriate attainment of an effective business and government relationship in the country. The conceptual framework of this study is based on the new growth theory. The findings indicate that while there have been past weaknesses in the relationship between business and government in some industrial sectors due to inadequate enforcement of policies, the relationship in both sectors has improved over the past decade. In addition, government policies have not been able to effectively galvanize the private sector and NGOs to create a national system of technological innovation and economic transformation. The national government and the leaders of Uganda are still very reluctant to leave economic outcomes in the country entirely up to market forces. The paper recommends that national and appropriate collaboration between business and government could effectively impact technological development and economic growth in Uganda in the future.

Key words: business and government relations; economic growth; sustainable development; public interest; industrial strategies; capacity building

JEL code: O

1. Introduction

Uganda is a landlocked country located in Eastern Africa. It shares a boundary with Kenya, Tanzania, the Democratic Republic of the Congo, Rwanda, and South Sudan. Uganda has a population of 37.8 million people (World Bank, 2015). The Gross Domestic Product (GDP) of the country in 2015 was US$ 1,766 (World Bank, 2015). The terrain of the country is mostly plateau with a rim of mountains and a southeastern border on Lake Victoria (GlbalEdge, 2016).

The country has transformed from a nation with a troubled past to one of relative stability and prosperity. It used to be a British colony, but achieved independence in 1962. Since its independence from Britain in 1962,

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Uganda has endured a military coup, followed by a brutal military dictatorship which ended in 1979, disputed elections in 1980 and a five-year war which brought current President Yoweri Museveni to power in 1986 (British Broadcasting Corporation, 2016). President Museveni has been the Commander-in -Chief and head of government since 1986. Museveni was reported to have won the country's 2011 presidential elections after his administration orchestrated a 2005 constitutional amendment that lifted presidential term limits. President Museveni, the former rebel leader won his fifth term in the February 20, 2016 Ugandan presidential elections with over 60% of the ballot (British Broadcasting Corporation, 2016). Museveni has been credited for restoring relative stability and economic prosperity to Uganda following years of civil war and repression under former leaders Milton Obote and Idi Amin.

The country has experienced some economic growth, open markets, and abundant natural resources which include at least 2.5 billion barrels of recoverable oil. These natural resources provide good opportunities for knowledgeable investors in Uganda (US Department of State, 2012). According to GlobalEdge (2016), Uganda maintains a liberal trade and foreign exchange regime, and largely adheres to IMF/World Bank programs to fight poverty, maintain macroeconomic stability and restructure the economy. The Government of Uganda is also reported to be revising a range of laws and regulations to improve government accountability, open markets, develop infrastructure, and build a more attractive environment for foreign investment (World Bank, 2015). Despite these positive government initiatives the country has a sluggish bureaucracy, poor infrastructure, insufficient power supply, high energy and production costs, non-tariff barriers, and severe corruption problems. The government has been reported to often interfere in the affairs of the private sector, and this practice constitutes a major challenge to investment in the country (US Department of State 2012). In addition, as a result of the multiple levels of government in Uganda, numerous government agencies and an entrenched bureaucracy, dispute and tensions between these political institutions sometimes lead to conflicting and confusing policies and their implementation (U.S. & Foreign Commercial Service and U.S. Department of State, 2013).

Although the country has a mixed economic system in which there is a variety of private freedom, combined with centralized economic planning and government regulation, the supply of electricity remains one of the largest obstacles to investment in the country (British Broadcasting Corporation 2016; GlobalEdge, 2014). According to the US Department of State (2012) the demand for electricity in Uganda far exceeds supply. Only 5% of Uganda's rural population has access to electricity, and most people still rely on wood and charcoal for fuel. Consequently, the country's electricity network urgently needs renovation and expansion (U.S. & Foreign Commercial Service and U.S. Department of State, 2013).

Business and government relations in Uganda is somewhat mixed. On one hand, some businesses are impacted by government policies while others strive not only to understand those government policies that affect their existence, but to devise strategies to successfully influence government decision making. Despite these shortcomings in 2012, the total trade was $9.3 billion, with $2.86 billion worth of exports, and $6.42 billion worth of imports. Trade contributed 42 percent of GDP. The trade balance improved from a deficit of $2.6 billion to $1.8 billion as a result of increased exports (U.S. & Foreign Commercial Service and U.S. Department of State, 2013).

This paper investigates the nature of business and government relations in Uganda. It also explores the extent to which the public sector uses public policy and other means to influence the private sector's decision making and practices for the purpose of achieving economic development. The paper provides a detailed description of the important role of both sides of this relationship with respect to corporate social responsibility and government regulation in Uganda. It argues that the government of Uganda and its policies are crucial for the appropriate attainment of an effective business and government relationship in the country. It uses data derived from primary and secondary sources to analyze the current relationship between business and government in Uganda. The conceptual framework of this study is based on the new growth theory. The findings indicate that while there have been past weaknesses in the relationship between government and business in some industrial sectors due to inadequate enforcement of policies, the relationship in both sectors has improved over three decades. In addition, government policies have not been able to effectively galvanize the private sector and NGOs to create a national system of technological innovation and economic transformation. The national government and the leaders of Uganda are still very reluctant to leave economic outcomes in the country entirely up to market forces. The paper recommends that appropriate collaboration between business and government be established so as to enhance efficient technological development and economic growth in Uganda in the future.

2. Business and Government Partnership Framework

An effective relationship between government and business hinges on the capacity of both entities to develop a framework that would spur economic growth within an economy. According to Te-Velde (2010, p. 3) in order for governments and businesses to benefit from such a mutual relationship, they must interact effectively so as to foster a more efficient allocation of scarce resources, conduct a more appropriate industrial policy, remove the biggest obstacles to growth and create wealth more efficiently. Ferrell (2014) and Te-Velde (2010) contend that, when both entities fail to work collaboratively or engage in destructive adversarial practices, economic activities that are designed to create wealth benefit the few at the expense of the many. Consequently, effective interactions between business and government are absolutely necessary for wealth creation and economic development.

The goal of economic freedom is not simply an absence of government coercion or constraint, but the creation and maintenance of a mutual sense of liberty for all including the business sector (Porter, 2002). In any nation, as individuals enjoy the blessings of economic freedom, they in turn have a responsibility to respect the economic rights and freedoms of others within the rule of law. This is why governments are instituted to ensure basic protections against the ravages of nature or the predations of one citizen against another (Cammett, 2007; Schepers, 2000). As a result positive economic rights such as property and contracts are given to society as well as individuals to defend against the destructive tendencies of others

Cortright (2001) contends that societies that generate and tolerate new ideas and continuously adapt to changing economic and technological approaches, establish a precondition for sustained economic growth. Cortright (2001) further maintains that a new growth theory and the increasing returns associated with knowledge have several implications for economic development policy. New growth theory underscores the importance of investing in new knowledge creation to sustain growth. He believes that policy makers will have to pay attention to all the factors that provide incentives for knowledge creation such as research and development, the educational system, entrepreneurship, tolerance for diversity and openness to trade (Cortright, 2001, p. 11). Lin (2010) contends that the emergence of new growth theory, new trade theory and new institutional economics have inspired a significant shift towards comparing the market and governments and that has spurred the consensus that government and markets play vital roles in transforming economies especially developing ones. Lin (2010) also acknowledges that even developed economies need constant and strategic state action to support and regulate private businesses and help generate and disseminate on a large scale the technological progress that sustains economic growth (Lin, 2010, p. 5).

A brief review of some of the contemporary perspectives that have been used to articulate government and business relations is helpful in providing some understanding of the nature of such relations. Over the past several decades, students and observers of government and business relations have used three perspectives to assess the nature of such relations. One perspective considers government and business as two actors, opposed to each other (Cammett, 2007). Business and government as institutions that opposed to each other is widely seen as the prevailing dominant mainstream view following the great recession. This "antiregulatory" or limited "government" view has been attributed to advocates of the notion that free markets with limited government intervention are ideal for the efficient functioning of nations' economies (Podolny, 2009; Schneider, 1998). The main thrust of this perspective is its emphasis on the belief that business relations with government should be predicated on the need to reduce government's role as well as the costs and burdens on private business and the general economy with respect to government taxes, regulations and policies.

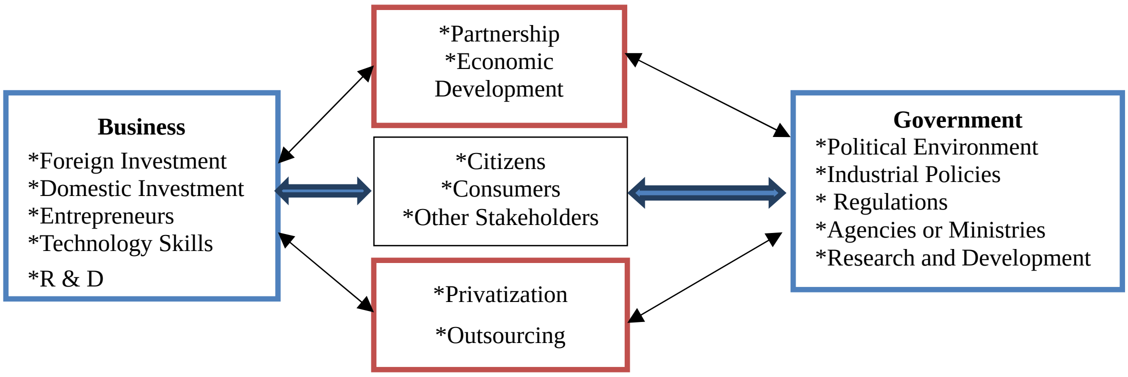

Figure 1 Business and Government Partnership Framework

Source: Designed by Authors

Figure 1 shows that government is a social control mechanism that provides incentives either positively or negatively for business to respond to economic growth and social values that may not be adequately addressed through the market system. On the other hand, government's role involves establishing transparent rules of ownership and contract, creating an independent judiciary to settle disputes and provide due process, enacting favorable tax laws, ensuring public policies that are consistent over time, treating foreign corporations on the same basis as domestic companies (Dibie et al., 2015). Business freedom is about an individual's right to establish and run an enterprise without undue interference from the state. Burdensome and redundant regulations are the most common barriers to the free conduct of entrepreneurial activity. By increasing the costs of production, regulations can make it difficult for entrepreneurs to succeed in the marketplace. Although many regulations hinder business productivity and profitability, the most inhibiting to entrepreneurship are those that are associated with licensing new businesses. State intervention generates the same problems in the labor market that it produces in any other market. Government regulations take a variety of forms, including wage controls, restrictions on hiring and firing, and other constraints (Dibie et al., 2015).

By contrast, the other perspective on business and government relations is undergirded by the belief that government should support businesses and provide them with business performance and investment incentives because businesses are the principal sources of jobs, innovation and sustenance of the economic wellbeing of society (Ferrell et al., 2014). As a result, advocates of this view argue that governments should therefore support businesses with grants, tax credits and subsidies (Podolny, 2009; Meznar & Johnson, 2005).

The third perspective on business and government relations maintains that businesses should forge productive partnerships with governments in addressing key societal problems. This view clearly contrasts with the notion that government should be the regulator to ensure that governments act in a socially responsible manner (Meznar & Johnson, 2005). As a result of finding a new mechanism for constructive engagement between government, business and other civic society organizations that is designed to help solve the serious economic and financial crisis that may arise in any country, businesses must take a pragmatic step and invest in research and development (R&D) (Isaksson & Celik, 2013; Schepers, 2000). This is essential in providing a more constructive instrument for enhancing operations in the political environment where market regulations are enacted and implemented.

At first glance, these views may appear to be separate or independent from each other. However, a careful assessment indicates that they are, indeed, inextricably interrelated. For example, a given business can use some aspects of its relations with government to extract benefits for itself such as the tax credits that it receives from government while at the same time it can partner with government to accomplish a social purpose and in the end attempt to minimize its tax obligations (Meznar & Johnson, 2005; Sanyal & Guvenli, 2000). It is therefore important for businesses to understand how their efforts to operate profitably and to serve a social purpose are greatly impacted by government policies. In that regard, it is also important for businesses to endeavor to manage their relationships with all levels of governments effectively to ensure their own sustainability.

The new growth theory, according to Barros (1993), argues that the development of new knowledge is generally seen as an important deriver of economic growth. It stipulates that for economies to develop or grow they must espouse nonphysical resources which are aimed at increasing the knowledge base (rather than land, labor and capital which were the central tenets of classical growth theory) and sustain the institutions that help develop and share knowledge. Furthermore, because this variant of new growth theory holds that knowledge can generate increasing returns and drive economic growth, government should invest in human capital and the development of educational institutions and skills. The nature of government and business relations in Uganda is one that is projected to spur economic growth in the future. The country is reported to have a developing economy that stands to benefit from new knowledge and innovative economic development approaches (UNECA, 2004). Therefore, it could be argued that the new growth theory offers a theoretical foundation, which if properly explored and implemented, can shape the basis of government and business relations in Uganda. The new growth concept could also help a country to usher in the type of economic growth and development that the country needs at this point in its political and economic advancement. Seen in the context of government and business relations in Uganda, government should support private sector research and development and encourage inward or endogenous investment which will bring new knowledge with it.

When businesses determine the extent to which government policy impacts their operations and profitability, they usually devise strategies for interacting with government. Typically, businesses respond reactively, interactively and proactively to government policy. Reactive responses entail responding to government policy after it is implemented (Podolnny, 2009). An interactive response, by contrast, involves engaging with government policy makers and actors (including the media) to try to influence public policy to serve the interests of the businesses. A proactive response approach entails acting to influence policies, and anticipating changes in public policy. Admittedly, for most businesses a combination of the interactive and proactive approaches is the best strategy (Farrell et al., 2015; Dibie et al., 2015).

According to Putman (1993) and Fukuyama (1995) cited in Goldsmith (2002, p. 40), “social capital reflects the capability of people to form organizations and take on group tasks, which they argue is important for social and economic progress.” Lehne (2013) contends that unlike the other factors of production, social capital is intangible because it is based on a combination, of personal connections, mutual obligations and a shared sense of purpose. Public choice advocates by contrast, present a less optimistic view of business and government relations. Inspired by economic or rational actor models as a means of explaining political decision making, public choice has been favored by economists and has shaped the development agendas or strategies of development agencies such as the World Bank. Goldsmith (2002) and Lehne (2013) argued that from the perspective of public choice, politics is essentially an issue of rent seeking behavior by influential but nonetheless obstructive interest groups. Economic rents are policy induced gains that would be absent in a competitive market and they include additional income derived from licenses, tariffs, tax incentives, public contracts and direct subsidies.

Kalema argues that following independence in African countries, “the most successful local entrepreneurs, were of non-indigenous communities that included the Indians in East Africa, and the Lebanese in West Africa, while European owned firms dominated banking, manufacturing and large scale trade in both regions (Kalema, 2008, p. 4). Kalema also contends that political independence from colonial rule was viewed largely as a right toward economic independence that would end the economic dominance perpetuated by immigrant groups and usher in meaningful changes in the economic fabric of Africa’s countries and their relations with developed economies. According to Kalema (2008) and Dicklitch & Howard-Hassmann (2007) systematic public-private sector dialogue is a relatively recent development in Africa, even as the experience of newly industrialized nations indicates that effective government and business relations are essential for private sector driven economic development. In essence, whereas government and business relations in Uganda and most of sub-Saharan Africa have improved over the past several decades, they remain essentially weak.

3. Research Method

This paper examines the nature of business and government relations in Ugandan. It adopts a cross sectional study design and employs both quantitative and qualitative methods of data collection in Uganda. Secondary data was obtained through an in-depth desk review and content analysis of relevant published and grey material (unpublished studies), policy and programs documents, regulations and laws of Uganda. The main areas of business and government relations are considered as key in the economic growth of Uganda. While the poor are susceptible to diverse risks–political, environmental, social and economic-the effects of these risks have significant differential impacts on citizens with higher risks and vulnerability to poverty among people in Uganda. Relations between business and government are crucial in explaining patterns of development in Uganda. Appropriate industrial policy is also seen as a key strategy for tackling the “poverty trap” delivery of citizens which includes decision making through representation on the governance structures, policies, laws and regulations. In addition, the key dimensions of accountability including transparency and participation in decision making, planning, implementation and evaluation of initiatives are also very important to development in Uganda. Government led development is not market led but rather business led development.

4. Analysis of Business and Government Partnership

Although governments attempted to deliver on the promises of a successful post- independence African environment, the results were mixed. Nations such as Tanzania attempted to re-orient their economies towards socialism while Kenya attempted to promote indigenous capitalists and attract foreign investment. The vast majority of post-independent African nations created state owned enterprises (parastatals) or expanded those that were created during the colonial period as mechanisms for economic modernization and African economic empowerment (Dicklitch & Howard-Hassmann, 2007). The performance of these "parastatals" subsequently declined as they were plagued by political interference and inexperienced management. In Uganda, the problem was exacerbated by the collapse of political institutions and the loss of professional civil servants (NSS, 2007). The subsequent privatization of state owned enterprises in the 1990s and concerted efforts to foster domestic and foreign private investment resulted in the emergence of new business ventures including commercial banks, telecommunications firms and manufacturing enterprises (World Bank, 2004).

The nation of Uganda had not always been a violent and anarchic place to do business or live (British Broadcasting Corporation, 2016). At independence in 1962, the economy was flourishing. This success, however, was short-lived. Unlike most African nations, Uganda was one of the few African countries that had a viable industrial sector before independence. The literature maintains that there were small and medium industries as well as large scale industries. Following the creation of the Uganda Development Corporation (UDC) in 1952, priority was given to industrial advancement as an important component of the nation's development strategy. The UDC was responsible for promoting the establishment of industries, including joint ventures, negotiating finance and attracting direct foreign investment and fostering the establishment of industrial research institutions and related support services (UNCTAD, 2007). Next, is the Ugandan Manufacturing Association that was created in the 1960s and revived in 1988, the association, was supported by the United States Agency for International Development in the 1990s to create the Uganda National Forum as a voice for economic policy recommendations. Following the demise of the National Forum, the World Bank supported yet the creation of another group of business promotion organizations known as the Private Sector Foundation (World Bank, 2014). Uganda's manufacturing sector was developed through import substitution with a focus on the production of consumer goods. Such industries relied heavily on imported factor inputs and were heavily protected and subsidized (UNCTAD, 2007, p. 4). In 1986, when Museveni and his guerilla army, the National Resistance Movement (NRM) — took over Uganda, they inherited not only an overdeveloped state but a collapsed state and economy (World Bank, 2004; British Broadcasting Corporation, 2016).

According to Dicklitch & Howard-Hassmann (2007) the National Resistance Movement (NRM) regime has been credited with turning the Ugandan economy around and stabilizing the political arena. Uganda had the sixth fastest-growing economy in sub-Saharan Africa by 1996, and enjoyed an economic growth rate of 7.1% per annum from 1990 to 1998 (UNDP, 2000, p. 205). According to the World Bank (2004), Uganda's economic success can be attributed to several factors. These include strong and single-minded political leadership; capable, committed, and trusted officials in key ministries; and pragmatic external donors prepared to engage with the government at the working level (World Bank, 2004). Good public policy is essential to successful economic growth and political stability.

In the process of rejuvenating Uganda's economic growth and sustainable development, the National Resistance Movement instituted its Ten Point Program for economic recovery in 1986. The economic growth program included state-led development; decentralization of power; corruption reform, and grassroots democracy via a newly implemented five-tier Resistance Council (RC) system, renamed the Local Council (LC) system in 1995 ((Dicklitch & Howard-Hassmann, 2007). It is interesting to note that the economic growth program fostered greater government intervention in the economy, government control over foreign exchange rates, and government control over the prices of essential imports (Harvey & Robinson, 1995, pp. 3-4). The political interference of the Government of Uganda included pushing the public owned joint venture partner to make new and expensive demands on foreign investors. The regulatory agencies of the government were also engaged in interpreting rules in a way that adversely affected business operations, suddenly enforcing certain laws and regulations vigorously or throwing roadblocks to inhibit the smooth operations of business ventures. These actions reveal that the Government of Uganda can play a major role in either creating or inhibiting appropriate conditions for conducting business. As a result of these interventionist policies of the Government of Uganda inflation escalated to over 300% by May 1987, and a further deterioration in most economic indicators followed (Dicklitch & Howard-Hassmann, 2007).

Goldsmith (2000) maintains that the nature of business associations in Uganda, and to some extent in most of Africa, can be explained using two perspectives: pluralism and public choice. Drawing from Pluralist interest groups theory, Goldsmith posits that interest groups such as the Uganda Manufacturing Association are “potential sources of socio-political diversity in developing countries” (Goldsmith, 2002, p. 40). In his view, pluralists view development as a decline of natural relationships followed by an emergence of voluntary and formal organizations, shaped by a new status (such as labor unions, professional bodies or business associations). He observes further that these groups look for common ground as they negotiate and bargain over public policy matters and in the process, win on some issues and lose on some. Goldsmith believes that these processes contribute to social stability and enhance changes in the legal and regulatory environment that favors business expansion.

As impressive as the beginnings of Uganda’s industrial development policy and strategy was, little attention was paid to human resources management development especially the need to create a functional labor force that was consistent with its model of industrialization and economic development. Local entrepreneurial capabilities and expertise were not fostered and nurtured and despite joint ventures which were tightly controlled by the government, private sector industries were mainly owned by the Asian community. Asian owned businesses were subsequently transformed into government owned enterprises after the expulsion of the Asian business community beginning in 1972. According to the United Nations Industrial Development Organization (UNIDO), the industrialization process did not incorporate the use of technology and like most African countries Uganda did not embrace technology as an essential component of its industrial development policy (UNIDO, 2007, p. 4). As a result of these shortcomings, the prosperity and productivity that had been generated in the industrial sector was short lived. By 1975 manufacturing output in Uganda had plummeted precipitously and average growth was less than 5.0% and by 1984 it was less than 3.0%. Clearly, private industry was in a difficult situation and to address the problem several economic recovery programs, rehabilitation and development plans were introduced. The programs and development plans were specifically designed to reduce government control of industrial development and its control of the economy and improve the efficiency and performance of industrial enterprises and businesses through the privatization of public enterprises and the strengthening of industrial support institutions (UNCTAD, 2007, p. 5).

From the mid1970s through the early 80s, Uganda witnessed a period of slow economic growth and it was obvious that the country needed an economic development strategy that would spur growth in most sectors of the economy and energize a vibrant private sector. In order to foster the recovery that began in the mid1980s and sustain greater growth, several policies and programs were implemented in the 1990s and beyond. These included the industrialization Policy and Framework 1994-1999, the Structural Adjustment Programs (SAPs), Economic Recovery Program (ERP), and the Poverty Eradication Action Plan(PEAP). While the industrialization policy and framework was established to promote investments that would increase exports, ensure the effective transfer of technology and optimize the utilization of the countries natural resources, its primary objective was to usher in a swift transition from a public sector driven industrial development orientation to a private sector led industrial development approach. In this transitional process the government facilitated the creation of appropriate environment for establishing industry and for supporting sustainable industrial development (UNIDO, 2007, p. 5).

Prior to the formulation and implementation of the industrial policy and framework, a number of industrial studies were conducted and funded by the World Bank to provide policymakers and the nation’s development partners with reliable information for policy decisions as well as possible opportunities for investment and development. The Ministry of Industry collaborated with external partners to organize round table discussions that brought together key stakeholders to review the process of industrial development, identify problems and constraints, opportunities and challenges and deliberate on possible policy options to facilitate and accelerate industrial development. Furthermore, strategic consultative groups were established to facilitate increased dialogue between the government and the private sector on critical economic and policy issues. The initial consultative efforts between the Government and private sector were nurtured and the Government devoted its efforts towards creating an enabling environment. Physical infrastructure such as roads, electricity and water supply were greatly enhanced and emphasis was given to investment that was aimed at attracting foreign investment (Uganda Integrated Industrial Policy, 2007).

Other reform initiatives that were aimed at improving Government and private sector business practices in the 1990s included the establishment of simplified, appropriate and contemporary legal and regulatory frameworks for small and medium size industries (that were better than the old structures), to ensure more effective management of these industries. Industrial institutions and industry support entities such as the Uganda National Bureau of Standards, the Ugandan Industrial Research Institute, the Ugandan Council for Science and Technology, the Ugandan Investment Authority, the Ugandan Coffee Development Authority and the Ugandan Revenue Authority, were also established and supported in the 1990s. Furthermore, the 1991 Investment Code provided tariff and non-tariff incentives for various private investments in the industrial sector. The UNIDO Report (2007, p. 6), indicated that the policy and institutional capacity building measures discussed above, resulted in impressive industrial growth of 11.8% in 1992, to 17% in 1998. Industrial contribution to the Gross Domestic Product (GDP), increased from 10% in the 1980s to approximately 20% in between 1997 and 1998. The share of manufacturing to GDP increased from 6.2% in 1992 to approximately 10% in 1995 (Uganda Government, 2008). The Ugandan Ministry of Tourism, Trade and Industry reported that the number of industrial establishments in the country increased from 1,320 in 1989 to approximately 11,968 by 2005 (Uganda National Commission, 2007).

Although Uganda offers a good example of the current regional shift towards establishing business associations in Africa as an attempt to demonstrate the relevance of effective government and business relations in economic development, it is important to begin by examining the extent to which the Government of Uganda and the nation’s business policy development evolved before and after independence. One of the major predicaments facing the country all along is that the cost of transportation of goods and services has made the cost of doing business very expensive in Uganda. The Ugandan government has not invested much in the construction of good roads. Thus, high transportation costs are another constraint on Uganda’s economy. The nation’s dilapidated roads and bridges infrastructure needs considerable investment, its railway system is in disrepair, and air freight charges are among the highest in the region (World Bank Group, 2016). It is unfortunate to observe that a two-lane highway from Kenya remains the primary route for 80% of Uganda’s trade, making transportation slow, costly and susceptible to disruption (United States Department of State, 2012). Dependence on Kenya's road network has often caused obstruction to smooth business operation in Uganda. For instance, in 2007, election-related violence in Kenya virtually halted imports into Uganda for over two months, causing a spike in commodity and fuel prices. Also a problem is landlocked Uganda's reliance on Kenya's Mombasa port, where chronic congestion increasingly results in costly delays. Uganda also relies on the refinery at Mombasa for all of Uganda's fuel, and the cost of transport to Uganda keeps fuel prices high (United States Department of State, 2012). In 2011, passenger traffic through Uganda's Entebbe International Airport was up 6.1% from 2010, with nearly 1.1 million people flowing through. In 2010, four new international carriers commenced flights to Entebbe, bringing the total number to 22 (World Bank Group, 2016).

The Ugandan economy has benefited from macroeconomic, export-led reform. It is reported that inflation rates dropped, growth rates increased, trade as a percentage of GDP increased from 27% in 1990 to 41% in 2004 (World Bank, 2005), and the overall economy stabilized. In spite of these positive results economic growth is not necessarily sufficient to promote economic human rights. What was the impact of macroeconomic reform on Ugandan society? The percentage of people who were undernourished declined from 33 in 1980 to 19.1 in 2001 (UNCDB 2005). The infant mortality rate declined from107 per thousand live births in 1980 to 81 in 2003 (Dicklitch & Howard-Hassmann, 2007), and the under-five mortality rate from 185 per thousand in 1980 to 140 in 2003 (Dicklitch & Howard-Hassmann, 2007). The literacy rate improved from 60.1% in 1980 to 70.1% in 1990 (ibid.). In 1997, Uganda introduced Universal Primary Education (UPE) (World Bank Group, 2016). Primary school enrolment figures subsequently increased from 3.4 million in 1996 to 7.3 million in 2002 (UNDP, 2005, p. 20). Fifty-six percent of the population had sustainable access to an improved water source in 2002, as compared to 44% in 1990 (World Bank, 2015). The estimated gross domestic product per capita in constant 2000 international dollars, calculated as purchasing power per person, rose from $876 in 1982 to $1440 in 2004. Despite all these improvements, however, life expectancy decreased from 50.4 in 1980 to 42.7 in 2000 (Dicklitch & Howard-Hassmann, 2007; World Bank Group, 2016; World Bank, 2015).

Table 1 Current Economic Indicator

Indicator	Percentage & US$	Year
Inflation, consumer prices (annual %)	4.288%	2014
External debt stocks, total (DOD, current US$)	$4,361,282,000	2013
Total tax rate (% of commercial profits)	36.5%	2014
Real Interest Rate (5 year average %)	18.649%	2014
Manufacturing, value added (% of GDP)	8.786%	2013
Current Account Balance (BoP, current US$)	$1,999,186,807	2013

Source: World Bank Group (2016), Ease of Doing Business in Uganda, http://www.doingbusiness.org /data/exploreeconomies/uganda.

In 2012, total trade was $9.3 billion, with $2.86 billion worth of exports, and $6.42 billion worth of imports. Trade contributed 42 percent of GDP. Trade balance improved from a deficit of $2.6 billion to $1.8 billion as a result of increased exports (United States Department of State, 2012). In addition, foreign Direct Investment (FDI) declined from $1.7 billion in 2012 to $1.2 billion in 2013, although the UNCTAD World Investment Report shows that Uganda remains the leading recipient of Foreign Direct Investment in the East African region (World Bank Group, 2016).

The country benefited immensely from foreign donor aid, which was undoubtedly crucial to its reform efforts.

Uganda became the first country to qualify for the World Bank and IMF-sponsored Heavily Indebted Poor Country (HIPC) debt relief initiative in 1998 (original) and 2000 (enhanced). In 2005, loans and grants from foreign donors accounted for 17% and 28% of the Ugandan budget respectively. Thus, 45% of the Ugandan budget was composed of Official Development Assistance (ODA) (Republic of Uganda 2004-2005, p. 5). In June 2005, Uganda was granted 100% debt relief by the G8, relieving it of the burden of paying back loans from the IMF, World Bank, and African Development Bank (Republic of Uganda 2004-2005, p. 5). Despite this support, it could be argued that foreign aid alone cannot account for Uganda's economic successes (World Bank Group, 2016; Dicklitch & Howard-Hassmann, 2007).

Table 2 Current Business Trade Indicators

Trade Indicators	Percentage & US$	Year
Imports of goods and services (current US$)	$7,688,317,723	2014
Export of goods and services	$5,219,655,368	2014
Total Merchandise Trade (% of GDP)	30.932%	2014
FDI, net inflows (BoP, current US$)	$1,194,398,346	2013
Commercial Service Exports (current US$)	$2,169,622,885	2013
Total Exports (2014)	$2,261,964,441	2014
Total Imports (2014)	$6,073,527,801	2014
Trade Balance (2014)	-$3,811,563,360	
Exports of goods and services (% of GDP)	19.84%	2014
Imports of goods and services (% of GDP)	29.22%	2014
Employment in Agriculture (% of total employment)	65.6%	2009
Employment in Industry (% of total employment)	6%	2009
Employment in Services (% of total employment)	28.4%	2009

Source: GlobalEdge (2016), Uganda. http://globaledge.msu.edu/countries/uganda/memo
World Bank (2015), *World Development Report*, New York: Oxford University Press, Washington D.C

Given the uncertainty and the inadequacy that characterize the political and legal environment in Uganda, the issue of managing business and government relations has assumed considerable importance for the Government of Uganda. The country's traditional export crops have fluctuated substantially in quantity and dollar value over the past several years. Most industries in Uganda depend heavily on agriculture for raw material inputs (World Bank Group, 2016). President Museveni actively promotes value-added exports, such as roasted coffee, palm oil processing, and cotton yarn. Uganda hopes to expand its agricultural exports under the East African Customs Union. Agricultural processing is starting to develop and there are investment opportunities in processing and packaging coffee, edible oils, tropical fruits, fruit juices, and nontraditional crops such as vanilla (World Bank Group (2016). The nation's top industries are in Sugar; Brewing; Tobacco; Cotton Textiles (GlobalEdge, 2016). Food processing equipment, including drying, storage, and treatment facilities; chemicals and additives used to preserve or process foods; canning, bottling, and other packaging equipment and related materials; repair and maintenance services; consulting services on set up and operation of food processing equipment and system, constitute the other industries (United States Foreign Commercial Service and U.S. Department of State, 2014)

The country's economy grew by 5.7 percent in fiscal year (FY) 2013/14, up from 5.1 percent the previous year. Economic growth is expected to accelerate six percent in FY 2014/15. The country however still is highly dependent on foreign aid (GlobalEdge, 2016). Uganda's gross domestic product (GDP) was $25.3 billion in FY 2013/14 and the World Bank reports that GDP per capita is $551. The service sector was the largest contributor to

GDP in 2012 at 44.7 percent and industry contributed about 26.6 percent. The agriculture and fishing sectors have stagnated at about 22 percent over the past years. Nonetheless, the sector provides approximately 66 percent of employment in Uganda. Of the 37 million people living in Uganda, 24.5 percent of the population lives on less than $1 per day (World Bank Group, 2016).

The nation's strong tradition of government led development has performed relatively well compared to the situation in which it was three decades ago. The protectionist trade policies and their effects on business have improved considerably. However, institutions needed to effectively coordinate collective private sector participation and inter collaboration have not quite emerged in Uganda. Despite this predicament the Ugandan government continues to emphasize strengthening the country's road, rail, water, energy, and communications infrastructure. In FY 2013/14, the Ugandan Government invested nearly $1 billion in road construction and improvement and this remained a priority in fiscal year 2014/15 (GlobalEdge, 2016).

Table 3 Ten Major Traded Goods in Uganda

Trade Indicators	Percentage & US$	Year
09 (Coffee & Spices)	$498,665,616	2014
27 (Oil & Mineral Fuels)	$184,032,783	2014
03 (Seafood)	$134,790,626	2014
15 (Fats & Oils)	$102,471,339	2013
25 (Natural Minerals & Stone)	$93,785,525	2013
72 (Iron & Steel)	$93,129,434	2014
41 (Hides & Leather)	$73,757,585	2014
24 (Tobacco)	$66,017,739	2014
17 (Sugar & Confectionery)	$65,906,417	2014
10 (Cereals)	$63,715,407	2014

Source: GlobalEdge (2016), Doing business in Uganda, http://globaledge.msu.edu/countries/uganda/memo.
World Bank (2015), *World Development Report*, New York: Oxford University Press, Washington D.C

The nation exported coffee, tea, tobacco and cotton, Uganda's largest exports by value, and these have generally increased in quantity and dollar value, with some year-to-year fluctuations. Uganda is Africa's largest exporter of coffee, producing about 3.8 million bags of coffee in 2013 and the country benefited from a drought in Brazil that drove coffee prices higher (World Bank Group, 2016). Tea exports increased to $73.9 million in 2012 from 72.1 million in 2013. Cotton exports decreased from $105 million in 2010 to $76 million in 2012. Other important exports include fish, flowers, and cement. Tourism is a growing industry. In 2011, Uganda earned $805 million from 1.15 million visitors, up from $662 million earned in 2010 from 946,000 visitors. Tourism earned the country $834 million in 2012 (GlobalEdge; 2016; World Bank Group, 2016).

The barriers to doing business in Uganda include high levels of corruption, poor infrastructure, a lack of access to affordable loan financing, low levels of human capacity, inefficient government services, complicated land laws and frequent land disputes (United States Department of State, 2012). The World Bank 2014 Doing Business survey ranked Uganda 132nd out of 185 countries for ease of doing business. The country is also open to foreign investment and provides tax incentives for medium and long-term foreign investors (World Bank, 2014). The Heritage Foundation's 2011 Index of Economic Freedom ranked Uganda's economy 80th of 179 countries, based on ease of doing business, trade freedom, property rights, and fiscal and monetary policy (World Bank Group, 2016). Among the 46 sub-Saharan African countries on the index, Uganda's economy ranked as 7th freest overall, and as 3rd best on measures of responsible government spending and fiscal policies. However, due to perceptions that widespread corruption, even at the highest levels of government, makes it difficult for foreign businesses to compete effectively. Uganda ranked low at 31st of 46 sub-Saharan African countries on measures of corruption. Uganda also dropped from 2nd to 22nd of 46 on the Index's measure of monetary freedom, due to perceptions that government interference in the economy through state-owned enterprises leads to domestic price distortions (GlobalEdge, 2016).

Table 4 Ten Imported Goods in Uganda

Trade Indicators	Amount in US$	Year
27 (Oil & Mineral Fuels)	$1,444,391,091	2014
87 (Motor Vehicles & Parts)	$543,671,648	2014
84 (Industrial Machinery)	$490,885,381	2014
85 (Electrical Machinery)	$373,963,024	2013
30 (Pharmaceuticals)	$358,081,442	2013
15 (Fats & Oils)	$268,130,962	2014
39 (Plastics)	$266,972,540	2014
72 (Iron & Steel)	$251,052,695	
10 (Cereals)	$245,841,138	2014
25 (Natural Minerals & Stone)	$137,803,925	2014

Source: World Bank Group (2016), Ease of doing business in Uganda, http://www.doingbusiness.org /data/exploreeconomies/uganda

According to the United States Department of State (2012) the country enjoys a unique location at the heart of Africa thus giving it an advantage for regional trade and investment. Uganda has seen its regional trade grow steadily with its neighbors South Sudan, the Democratic Republic of Congo, Kenya, Tanzania and Rwanda. However, trade flows can be suddenly disrupted when conflict breaks out, as it happened in South Sudan at the end of 2013 (World Bank, 2014). In addition, the United States exports to Uganda totaled $125 million in 2013. Major American exports to Uganda include machinery and machinery parts, electronics, transportation equipment, and optic and medical instruments. Prospects for U.S. exports to Uganda include construction equipment, renewable energy technologies, oil production technologies, power generation, hydropower technologies, manufacturing and mining equipment, information and communication technology products, medical equipment and pharmaceuticals, supplies for food processing, agricultural inputs, cosmetics, and consumer goods (United States Department of State, 2015).

The World Bank (2014) Human Development report revealed that the main areas of foreign investment in the country were manufacturing, financial services and real estate, and agriculture, forestry and fish. Other areas of significant investment were in power, oil, construction and mining. In 2011, Uganda Investment Authority began to more closely scrutinize foreign investment license applicants, rejecting a greater number of those lacking solid business plans and capital. In response to growing perceptions that foreign workers without work permits were taking local jobs, the Government also began more strictly enforcing its foreign labor laws. Foreign investors in Uganda should be aware that projects that could impact the environment require an Environmental Impact Assessment (EIA) carried out by the National Environment Management Authority (NEMA). The requirement for EIAs applies to both local and foreign investors (World Bank Group, 2016).

The nation's inadequate electricity supply and poor road infrastructure are major impediments for investors and other businesses. Uganda's current energy supply of 340 megawatts falls far short of the 460 megawatts of current demand (United States Department of State, 2012). This power deficit, combined with the inability of the

Government to pay the bills for its overly subsidized power sector, resulted in chronic power blackouts in the second half of 2011. With demand for power increasing 10% per year, the Government hopes to expand capacity to 1,045 megawatts within the next five years. The 250 megawatt hydropower dam at Bujagali Falls on the Nile River is expected to be fully operating to full capacity by 2015. The Government is also fast-tracking the 600 megawatt Karuma Hydropower Project, but it will not go online until 2017, at the earliest (United States Department of State, 2012). In addition, full commissioning of the 250 megawatt Bujagali Hydropower Project in 2012 temporarily alleviated Uganda's power deficit, but demand is growing at 10 percent per year, and is gradually beginning to outstrip supply again. In 2013, the Government held a groundbreaking ceremony for the construction of the Karuma hydropower project that will add another 600 megawatts of power to Uganda's grid, when it comes online, possibly in 2018. The country is also constructing a number of micro-hydro projects along the Nile River, and is promoting development of renewable energy in Uganda (World Bank Group, 2016; GlobalEdge, 2016).

Table 5 Ten Export and Import Partners

Export Partners	Volume in US$	Import Partners	Volume in US$
Kenya	$297,435,925	India	$1,490,195,385
South Sudan	$280,294,992	China	$739,643,124
European Union	$464 million	United States	$125,000,000
Nigeria $1 million	$1 million		
Rwanda	$245,334,653	Kenya	$593,887,653
Democratic Republic of the Congo	$181,680,327	United Arab Emirates	$401,281,096
Sudan	$105,091,081	Japan	$354,635,239
Italy	$98,546,964	South Africa	$259,880,085
Belgium	$89,828,683	Indonesia	$224,120,832
Netherlands	$89,422,112	Saudi Arabia	$177,006,442
Germany	$75,081,850	Germany	$117,666,552
China	$65,995,222	Bahrain	$101,480,737
United States	$34 million		

Source: GlobalEdge (2016), Doing business in Uganda, http://globaledge.msu.edu/countries/uganda/memo
World Bank (2015), *World Development Report*, New York: Oxford University Press, Washington D.C

Globalization transformed international trade and developing nations opened up their economies to such trade which had become important to every country's prosperity. While global economic activities have expanded, African countries, including Uganda, have failed to take advantage of the opportunities provided by globalization (World Bank Group, 2016). They have not bridged the digital gap and their industries are faced with greater competition at home and in foreign markets. Capital mobility made possible by globalization means that government and businesses must compete for capital in the global market. Unfortunately, because of the complex and costly processes that such global transactions involve, it is unlikely that African countries are adequately equipped to compete for such resources. In essence, African nations do not only lack the capital resources but also the technological and advanced skills necessary to take advantage of globalization and become competitive across global markets (UNIDO, 2007, p. 47). The end of the 1990s called the Government's attention to the fact that the private sector was going to play a vital role in the economic and industrial transformation of Uganda. To that end, several economic reforms were initiated to create an enabling environment for the private sector. These reforms included the effective implementation of the 1991 investment code, the privatization of public enterprises, the reduction of import tariffs, elimination of licensing requirements, lifting of import bans, elimination of export taxes, harmonization of tariffs within the East African Community and trade liberalization in general (Uganda Government, 2010). While impressive strides were achieved following the implementation of the reform measures, a 1998 World Bank firm level survey indicated that the competitiveness of the Ugandan private sector was constrained by serious structural problems (UNIDO, 2007, p. 12; World Bank Group, 2016)

The National Planning Authority in consultation with other government institutions and other stakeholders developed a Uganda Vision 2040 to build on the progress that had been made in addressing the strategic issues that have constrained Uganda's socio-economic development since its independence in 1966, including; ideological disorientation, weak private sector, underdeveloped human resources, inadequate infrastructure, small market, lack of industrialization, underdeveloped services sector, under-development of agriculture, and poor democracy, among others. It is conceptualized around strengthening the fundamentals of the economy to harness the abundant opportunities around the country. The opportunities include; oil and gas, tour-ism, minerals, ICT business, abundant labor force, geographical location and trade, water resources, industrialization, and agriculture (Uganda Vision 2040, 2013). The proposed enabling environment stipulated in Vision 2040 is one in which the private sector could increase its capacity to produce, create employment opportunities and generate profit in a free and competitive business framework capable of attracting domestic and foreign investments. The government was expected to facilitate the process by adopting and implementing appropriate policies, as well as legal and regulatory frameworks aimed at promoting and developing micro and small enterprises (UNIDO, 2007, p. 13). The theme for the MTCS of 2000-2005 was "making institutions support private sector growth" with an emphasis on creating an enabling environment for private sector through various economic reforms, providing effective infrastructure and public entities, removing export impediments, and improving access to capital and credit for micro and small enterprises (World Bank Group, 2016) .

In addition to what businesses required from the government, a number of non-governmental and civil society organizations were established to foster the government-private sector dialogue and lay the foundation for an enabling environment within which businesses would thrive and grow. These included the Uganda and the Millennium Challenge Corporation which was a partnership designed to fight public corruption by enhancing the ability of four key anti-corruption agencies to investigate, prosecute and adjudicate corruption cases quickly and successfully (World Bank Group, 2016). This partnership also strengthened civil society organizations to use existing legal frameworks to better identify, monitor, expose and secure public redress against public corruption. Also established was the Businesses linkage program by Enterprise Uganda which sought to develop a new generation of dynamic Uganda entrepreneurs by actively providing support to small and medium scale enterprises (SMEs) to improve their productivity, growth and competitiveness. Enterprise Uganda accomplished this by structuring commercial business arrangements between successful global corporations and local SMEs through innovative and well organized business linkages. Created in 1992 as an initiative of the Uganda Manufacturer's Association and the Presidential Economic Council, and sponsored by the World Bank and the United States Agency for International Development (USAID), the Uganda National Forum played a critical role in articulating and promoting business friendly policies that contributed to economic growth with equity.

The National Forum enjoyed impressive success in its first five years and was instrumental in the establishment of the Private Sector Foundation of Uganda (PSFU). The Private Sector Foundation, formed in 1995, was aimed at addressing the challenges of a fragmented private voice in dialogue with the government. By 2001, the foundation had brought together 81 business associations and 24 corporations to lead the private sector in on policy and business environment issues with the government. The foundation also developed a reputable track record for managing private sector related projects which were supported by development partners working closely with government through the Ministries of Finance and Trade, Energy and Health (Uganda Government, 2010). Business licensing reforms were also initiated by the Entebbe Municipality in partnership with the Uganda Private Sector Foundation, to streamline the process of obtaining business licenses and increase revenue to the local government from licensing through increased compliance levels and lower administrative costs. Streamlining the licensing process and reducing the number of required approvals and assessments reduced the cost of registering a business by up to 75% (Kalema, 2009, pp. 16-22; GlobalEdge, 2016).

5. Promoting Effective Government and Business Relations

It is clear from the preceding discussion that in order to enhance more effective government and business relations in Uganda, the challenges that have been previously identified as inhibiting the creation of an enabling business environment will have to be addressed successfully. This can be accomplished by establishing a collaborative and integrative framework that incorporates the lessons learned from the literature that has examined various aspects of the nature of this relationship thus far (Ferrell et al., 2014). Such a framework must be driven by the existence of a mechanism for measuring, what Te-Velde (2010, p. 7), refers to as a measurement of the role of the private sector in business and government relations, based on the presence and length of existence of a central organization linking businesses and associations. In addition, a measurement of the role of the public sector in business and government relations should be based on the presence and length of existence of an investment promotion agency to promote business, as well as an assessment of the cooperation between the public and private sectors using several processes and procedures. The agency's operations must be independent from those of government in order for it to credibly establish the effectiveness of such collaboration, and evaluation of the existence and effectiveness of laws. Such laws which should protect business practices have to be transparent, and be devoid of collusive behavior. In addition to these measures, a credible framework for enhancing effective business and government relations must include demonstrated political support and commitment at the highest levels of government, especially in the early stages of policy dialogue. This is necessary to ensure follow up action on agreements reached by government and businesses in the country (Ferrell et al., 2014). Establishing the capacity and readiness for a robust public-private sector dialogue also requires both sides to be engaged in meaningful negotiation. This is vital because businesses perform well when government implements a clear development strategy shaped by a well-defined vision for the country's economic future. On the other hand, government should provide leadership for its attainment, and demonstrate its commitment through consistent investment in the necessary infrastructure, institutions, skills and capabilities (Dibie et al., 2015; Kalema, 2007, pp. 22-24).

In that regard, government must promote private sector governance by ensuring that the same attention and commitment that are given to the public sector are given to private sector institutions (Dibie et al 2015). Government must also include corporate governance principles in legislation, create awareness of policies, laws and regulations through information dissemination and consultation, encourage Small and Medium Enterprises (SMEs) to operate professionally and transparently, and ensure that government and business work together to incorporate the principles of corporate governance in corporations' operations. It is also crucial for government to provide an appropriate environment for informal enterprises to operate (Kalema, 2007, pp. 25-27; Ferrell et al., 2014). Therefore, a framework for effective business and government relations must afford businesses the opportunity to effectively contribute to the sustainable development of the nation's economy.

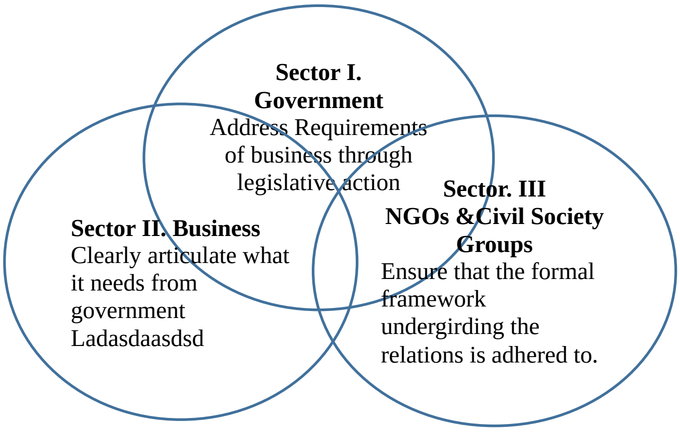

Figure 2 Framework for Effective Public and Private Sectors Dialogue

Authors own Conceptualization

Ultimately, the collaborative and integrative framework being proposed as a means of enhancing government and business relations in Uganda is one which must strive to bring all stakeholders together. Representatives of the public and private sectors and non-governmental organizations must identify the challenges that have prohibited the creation of an enabling environment for dialogue. They should also establish mechanisms that would allow them to work collaboratively and transparently and integrate key policy decisions aimed at promoting effective relations between government, business and civil society organizations into a credible framework that would promote businesses and advance economic growth (Dibie et al., 2015).

Government should address the requests of business through legislative action or other institutionalized mechanism that provides an enabling environment for supporting and enhancing business development. Business should clearly articulate what it needs from government. Non-governmental organizations and civil society entities should also strive for the creation of a legal mechanism for ensuring that the formal framework undergirding the partnership between government and business is enforced, and where necessary, identify instances of violations for prosecution.

Economic freedom impacts the critical relationship between individuals, businesses and the government (Miller & Kim, 2015). As a result, a free and open investment environment provides maximum entrepreneurial opportunities and incentives for expanded economic activity, greater productivity, and job creation. Furthermore, when business and economic processes are driven by supply and demand principles, markets provide real-time information on prices and the need immediate corrective action for those who have made bad decisions. It is very important to emphasize here that the Government of Uganda must allow the nation’s economic processes to be driven by transparency in the market and the integrity of the information being made available to consumers. This new dimension also requires a prudent and effective regulatory system, through disclosure requirements and independent auditing. Furthermore, there is a crucial need to expand the financial opportunities in the country as well as promote entrepreneurship. There is also the need to have an open banking environment that encourages competition in order to provide the most efficient financial intermediation between corporations, individuals and government as well as between investors and entrepreneurs (Dibie et al., 2015). Despite the fact that many regulatory activities in Uganda hinder business productivity and profitability; the most inhibiting to entrepreneurship are those that are associated with licensing new businesses. Consequently, in order for the government to solve this predicament it must ensure transparency in dealing effectively with corruption. It has been argued that openness in regulatory procedures and processes can promote equitable treatment and greater efficiency (Ferrell et al., 2015). In that regard, expertise in the interaction between public governance and the efficient functioning of the commercial market in Uganda must be a key requirement to acquire before entering senior management positions in either business or government in Uganda.

6. Conclusion

This paper has examined the nature of government and business relations in Uganda. It argues that a collaborative and integrative arrangement that brings together government, business, NGOs or civil society organizations to formulate and implement industrial policy would foster the creation of an enabling environment for business promotion and economic growth in Uganda. In addition to creating better business and government relations, there is a need to increase the capacity of domestic corporations and the technological skills of workers in the country. Major Ugandan corporations should be the focus of innovation and technological development. Technological development depends critically on establishing solid business and government relations on one hand. On the other hand, attracting appropriate foreign investment and integrating principles of globalization into the economy of the country must also be addressed. Furthermore, the right political and economic environment must be provided in order to enhance the assimilation of foreign technology.

Attracting foreign investment, to the country by the Government of Uganda could also galvanize the promotion and development of domestic entrepreneurs. The analysis of this paper reveals that a new industrial policy and dynamic regulation system can provide the underpinning rationale that will guide Uganda’s economic growth as long as an appropriate political environment is established to provide the framework in which both businesses and government agencies can operate as partners. However, the degree to which government hinders the free flow of foreign commerce has a direct bearing on the ability of corporations to pursue their economic goals and maximize their productivity and well-being.

The economic recovery program of the Government of Uganda has not been very effective in improving government and business relations. As a result, a more pragmatic government action is necessary for Ugandans to improve and defend themselves, promote a peaceful evolution of civil society, enjoy the fruits of their labor and become entrepreneurs. This is why businesses and citizens are taxed to provide revenue for public safety, the protection of property, and the common defense. In addition, an appropriate business and government partnership could enhance the supply of public goods more efficiently. Some public goods, such as education, social services, protection of property rights, and sustainable development require the input of all stakeholders in Uganda. The simple truth is that the government cannot do it alone. The Government of Uganda definitely needs the private sector to effectively achieve its economic growth and sustainable development program. When government action rises beyond the minimal necessary level, however, it leads inevitably and quickly to the loss of freedom and the support of the business sector. The first freedom affected is often the economic freedom of both the public and private sectors. It is expected that a new industrial policy could foster the Government of Uganda’s ability to attract multinational corporations to invest in the country as well as increase its levels of foreign direct investment and industrial growth. A question for future research is whether close relations between business and government have any impact on capital flight in Uganda and how government has responded to it.

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