



**UPTOP**

**Uganda Programme for Trade Opportunities and Policy**

**Competing and Learning in Global Value Chains:  
Firms' experiences in the case of Uganda**

**A study of five sub-sectors with reference to trade between  
Uganda and Europe**

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**EXECUTIVE SUMMARY**

## **About the researchers**

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## **Executive summary**

### ***1. Background to the study***

The evolution and sophistication of cross-border, value-adding networks of global production and trade in both goods and services is one of the key characteristics of global markets. The analysis of the underlying structures and processes of this global fragmentation, relocation, and coordination of economic activities becomes vital for developing country' entrepreneurs and policy makers who face respective challenges and opportunities in their efforts to integrate firms into the global economy in a competitive and beneficial manner. In this context, the study of *Global Value Chains (GVCs)* becomes relevant. A value chain (VC) describes the full sequence of discrete value-added activities needed to bring a specific product/service from its conception through the different stages of production to its use and final disposal after use. The activities that comprise a VC can be contained in a single firm or strategically divided among several firms. In GVCs, activities are divided among multiple firms and spread across wide geographic spaces. The analysis of GVCs focuses on (1) the global dispersion of different value-added activities in product specific VCs and (2) on the related upgrading possibilities - in terms of products, processes, functions and sectors - for local firms. A main concern of research is (3) the analysis of inter-firm relationships and interactions in GVCs; in particular, the way in which the lead (or key) firm of a GVC governs (organizes, coordinates, and controls) the activities and inputs of the firms participating at different functional positions in the upstream GVC part (e.g. up to farmers).

The GVC approach brings the discussion on trade competitiveness and prospects from the macro/meso level (tariffs, trade laws and negotiations etc.) to the meso/micro level of industry and VC evolution and related firm strategies, interactions and cooperation. It reveals insights into local firms' concrete efforts to catch up and improve their performance in VCs, to enhance coordination, communication and trust with buyers and other VC actors, switch to more promising VC partners and so on.

Against this background, the *core objective of this study* was to explore the nature and dynamics of the involvement of Uganda's exporting firms (producers, traders, and service

providers) in respective GVCs, and the firms' experiences and prospects of advancement therein. The study describes and analyses: (a) business relations between exporting firms in Uganda (hereafter: UFs for Ugandan firms) and their European buyers (EBs)<sup>1</sup>, and (b) UFs' strategies to upgrade within these arrangements. More specifically, *key areas for research and analysis* included: (i) rationale of the relationship between UFs and EBs, (ii) linking strategies of UFs (access to buyers), (iii) discussions and activities in early phase of the UF-EB relation, (iv) GVC entry requirements and respective challenges, (v) forms and dynamics of GVC governance, (vi) UFs' upgrading strategies, (vii) assistance from support institutions and programmes, and (viii) prospects of UF-EB relations. Using the results of in-depth interviews, related aspects for five export sub-sectors are examined (coffee, fish, flowers, fruits and vegetables/FV and tourism). The study incorporates the views of 34 exporters in Uganda and 19 importers in Europe.<sup>2</sup>

## ***2. Selected findings***

### ***Integrating into a suitable GVC arrangement***

There are numerous and complex *challenges* UFs had to tackle (often in partnership with their buyers) to enter into and compete in GVCs: for instance, it took time to establish a set of relationships with both domestic and foreign partners in the chain, to understand market processes and standard requirements, to master a new technology and new processes, or to attain an adequate level of product quality. Notably, the persistent challenge of developing appropriate *human resources* (capabilities, skills, attitudes, and mind-set) is significant across all sub-sectors. Government of Uganda (GoU) needs to have in place enhanced incentive and institutional support for skills development *and* deepening in the export sector.

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<sup>1</sup> We shall refer to UF irrespective of *concrete* ownership (national, foreign etc.) of the firm. In the same vein, we refer to EB meaning buyers/firms based in Europe irrespective of the actual nationality of the buyers, e.g. European/non-European, dual citizenship and so on.

<sup>2</sup> The team held interviews with seven UFs in each sub-sector except one (coffee: six UFs). The views of 19 EBs were gathered in the: UK: 4, Netherlands: 10, Belgium: 1 and Germany: 4. These EBs were operating in the following sub-sectors: coffee: 2, fish: 3, flowers: 5, FV: 3 and tourism: 6.

The study further points out: UFs have to pro-actively search for the GVC arrangement(s) that suits them best, according to their level of development and stimulus' needs<sup>3</sup>. They can work in different GVC systems (with different buyers) at the same time and/or switch entirely from one to the other over time. The crucial insight of the findings of this study is that the organizational set up of GVCs - and thus forms of relationships between GVC actors - matter for UFs' export undertakings and thus for local economic development.

In this context, support institutions and other trade proponents need to be aware of the particular division of labour in GVCs, its coordination and strategic re-organization and the subsequent implications for actors in Uganda; to better complement and support UFs' operations and moves in GVCs. Where appropriate, they need to help firms develop a pro-active and informed mode of dealing with the numerous challenges of linking up with buyers and developing a beneficial and long-term oriented relationship with them. This could help young sub-sectors/firms to quickly strengthen the organizational set-up, the day-to-day operations and overall competitiveness of newly established GVCs. The accounts of UFs and EBs regarding salient issues at the beginning of the relationship and the way they were handled reveal critical insights about the development of young export sub-sectors. Besides policy makers, firms that have just started or are on the verge of exporting can learn a great deal from the firms' reflections presented in the report.

### ***Matters of GVC governance: Roles/activities and competencies of the UFs and EBs***

The study reveals the variations in *governance forms* in the GVCs examined: there are (market based) arm's-length as well as (explicitly coordinated) network and hierarchical governance patterns which are an attempt to integrate the internationally dispersed activities in a GVC and establish forms of competitive advantage. Explicit GVC governance can be seen as a method used by many firms of coordinating their activities rather than leaving them to the fortunes of pure arm's length market relations. Further, the GVC enables different firms to agree on and define individual roles in the value chain including specifying activities to be conducted by each of them. Specialization can offer

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<sup>3</sup> In terms of: leveraging knowledge, skills, learning, technology etc. from the relations with foreign buyers.

the GVC members an opportunity to attain a lower cost curve and perform activities and deliver the products/services to the target markets in a unique way relative to other competitors. This was observed across the sub-sectors.

More specifically, the common GVC set up is that while the UFs' *roles/activities* are linked to domestic matters of production, quality control, sorting, packaging, logistics, training and product development, the EBs handle matters of marketing, sales, re-packing, quality control, product development, logistics (e.g. from airport to marketing outlet/ storage facility, further to the EBs' clients etc.), networking and customer relations management in Europe, and engage in information management, knowledge transfer and feedback provision to UFs. Consequently, both partners need various *competencies* to fulfil their roles. In the case of the UFs they need knowledge and competencies in: production, technology, organization, human resources, markets, marketing, logistics, business management, and VC operations (understanding of issues on the domestic but increasingly also on the foreign side of the GVC). A number of UFs pointed out that the competency requirements of their business have broadened.

### ***Main driving forces for the GVC arrangements and changes in the GVC set up***

*Main driving forces for the GVC arrangements* include: quality requirements, contractual obligations and related threats of penalties for deficits (from EBs or final clients), technology, standards, regulations, investment, increase in global supply and competition (from firms in Uganda and abroad), market dynamics, air freight availability and costs, volume requirements (size, economies of scale), innovative cooperation forms, as well as mutual trust and enhanced local expertise (or local skills deficits respectively). Another major driving force is high labour costs in Europe which motivates (i) the setting up of EB-UF VCs in the first place (e.g. in the flower industry), and (ii) the outsourcing of particular activities from the EB to the UF once the GVC is running (examples exist in almost all sub-sectors examined). Notably, a number of EBs said they welcome and encourage enhanced local value addition.

There are further a range of *changes in the respective GVC set up* (division of labour) and the related governance forms, including enhanced local value addition activities or more direct relations between UFs and EBs in certain sub-sectors. Such changes - which are driven by various forces - can imply new benefits but also challenges (due to new rules and requirements) for the UFs. Further VC restructuring (e.g., to reduce VC costs and improve the VC efficiency) is anticipated in some sub-sectors.

### ***Matters of inter-firm relationships and cooperation***

Moreover, there are significant differences within and between sub-sectors in the level and form of *cooperation between UFs and EBs* which has consequences for the speed and depth of advancement of the particular UFs and the competitiveness of the GVC as a whole. Strong cooperation forms which assist UFs to upgrade products and processes and perform better are particularly important in the kick-off phase of a new export sub-sector. Notably, not all UFs reported well-built cooperation forms with the EBs. And, there are indeed a number of challenges and conflicts in some EB-UF arrangements. Many UFs however gave a positive assessment ('good' or 'very good') of the current level of cooperation with EBs. This is remarkable and could indicate that these UFs have over time been able to sort out the set of EBs they prefer to work with (and stop trading with problematic EBs) and have subsequently stabilized and improved the relationships and cooperation patterns with the these EBs. Many EBs also assessed the cooperation level to be good or very good. Relationship related (learning/improvement) efforts of UFs and EBs seem to bear fruit and have facilitated cooperation to date.

Also relevant in this context is the finding that cooperation is typically based on some form of *relationship* (and thus some level of trust, social capital etc.). Consequently, UFs need social and interactive capabilities and respective know-how to initiate, manage and enhance both relations and respective cooperation forms and increase the benefits for the parties involved. Business ethics and practices play an increasing role in such a network setting with its often close interactions and cooperation forms. UFs and respective stakeholders need to be aware of the potential of both formal and informal supplier-buyer

cooperation within GVC arrangements and their impact on local firms. Cooperation can be a vital part of a successful division of labour in the GVC: it can feed information, knowledge and know-how into the operations of the UF on a regular basis (even day-to-day). Those UFs that cannot sufficiently reap cooperation benefits might find it more difficult than ‘cooperation champions’ to advance competitively.

Moreover relevant, *deficient local production and logistics conditions* (including related political and societal factors) which lower volume, increase cost and uncertainty etc. in export business not only lower the competitiveness of the actors (especially UFs) and the GVC at large; but can *undermine exporter-importer relations* and therefore (a) delay or suspend the materialization of cooperation benefits (the deepening of cooperation) and even (b) lower existing cooperation levels (up to exit of EB). The benefits lost due to a souring or discontinued relationship with EBs go beyond export revenues - to involve aspects such as sharing of information, knowledge, ideas, technology, product development and provision of advice and other cooperation as well as learning via repeated interaction with EBs - and might thus be particularly harmful for the advancement and growth aspiration of firms in the export sector, especially young ones.

The UF might find itself in a situation of disconnection from (a) the pool of resources and advice that the EB used to stand for or provide and, more generally, (b) from the opportunity to learn and catch up fast via repeated interaction with EBs. In this sense, aspects of volume (economy of scale), quality, cost, continuation, condition for production, transport and communication, perception of political stability etc. are all relevant to maintaining and improving prospects of relations and cooperation with buyers. For instance, in some cases high volume was a precondition for cooperation. Or, FV UFs emphasized the link between an increase in volume and quality of the traded product and prospects of enhancement of the UF-EB relationship.

It is the task of both private and public support institutions as well as policy makers to make sure their services, programmes, funds etc. complement and enhance UF-EB cooperation systems to optimize the benefits for the local firms and the GVC as a whole.

Support institutions need to reflect more strongly on their (current and potential) role, services and impact vis-à-vis the specific cooperation areas between local firms and their international buyers in the *different* GVCs. Further, the response time by GoU regarding upcoming problems (e.g., in energy sector) can have great relevance for decision making of GVC actors which in turn has mid-long term consequences - up to (threat of) EB exit.

Notably, *strategic efforts of the EBs to enhance governance and relations* in the VC with UFs chiefly focussed on increasing three issues: (i) trust, (ii) coordination, and (iii) flexibility. Other major efforts also targeted enhanced (iv) monitoring of the UF and (v) provision of assistance to the UF. The immense importance of the trust dimension is noteworthy. *Efforts of the UFs to strengthen relationships with EBs* include enhancing performance, reliability, volume, communication, information sharing, responsiveness, pro-active problem solving, honesty, trust, flexibility, eagerness (to do business and adjust to changes), and training of local staff. Many EBs commended their partner(s) in Uganda for the efforts in the past to strengthen the relations and the performance of the GVC. A related finding: The main reasons for UFs to *accept the coordination/leadership role of the EB* are trust, the strategic competence of the EB as well as the EB's role as a gatekeeper to markets and source of information and knowledge.

The study revealed that *trust building and deepening* is a core issue in GVCs for both UFs and EBs. It can be seen as part of a competitiveness strategy (individually and as a GVC) that is built on stronger inter-firm networks and strategic alliances to favourably compete (networks as a source of competitive advantages) on factors of quality, flexibility, speed of delivery, innovation etc. GoU and other stakeholders should consider how they can help UFs to translate this insight into pro-active and informed measures that target trust building and improvement in GVCs. How can reliable UFs be helped to demonstrate trustworthiness to buyers (and 'earn' trust over time via good performance etc.), so that the buyer engages in the relationship, first, and enhances cooperation efforts, second? How can the reputation of trustworthy UFs be shielded against the negative effects of the actions of the untrustworthy UFs? Or, how can UF-EB trust be enhanced by regulatory measures, inspection services etc. in the European part of the GVCs?

### ***The relevance of ‘soft’ competitiveness factors in GVCs***

The study highlights the relevance of *‘soft’ competitiveness factors* for performance and growth of UFs in GVCs: Such factors include trust, honesty, coordination, reliability, consistency, loyalty, responsiveness, communication, relationship management, mutual understanding (including better working and social relations between UFs and EBs), proactive behaviour, flexibility, entrepreneurial spirit, learning, experience, social skills as well as business behaviour and ethics. Deficiencies in the above categories can have damaging effects for UFs; and vice-versa: there are a range of significant successes in case of UFs that have a strong set of such ‘soft’ factors, e.g. strong interactive capabilities, responsiveness etc. Significantly, these ‘soft’ competitiveness factors can help the respective UF to succeed over competitors (who are less responsive etc.); by integrating and upgrading in GVC through better performance in ‘soft’ factors and thus good supplier-buyer relationships that allow for long term oriented cooperation including joint targeting of business opportunities. In fact, interview results across sub-sectors reveal that business relations can grow over time into a close social relationship with a considerable level of mutual trust, understanding and commitment which in turn strengthens *both* the GVC and the UF. Relations can even ‘lock’ in buyers thereby limiting their search for suppliers in other countries.

This report recommends that trade related training and capacity building puts more emphasis on the ‘soft’ side of export business. It would be helpful to seek assistance from respective role models (firms) in the country for training at all appropriate levels (private sector, education). Good practices have to spread across sub-sectors. Courses are needed in active relationship and trust building/deepening, in negotiations, in dealing with conflicts between VC actors, in pro-active behaviour and communication in a VC setting.

Important to note as well: comments from EBs in different sub-sectors indicate that frustrated buyers (due to UFs’ cheating, feedback deficits etc.) ‘talk about’ their negative experience among industry colleagues in their home country (or Europe generally). Discussions with FV EBs for instance revealed negative reputation effects for Uganda as a sourcing country due to certain action patterns of some UFs (dishonesty, misuse of

advanced money, or low responsiveness). In this sense, an actual or perceived negative performance of one UF can have damaging image effects for the whole sub-sector. These behavioural issues highlight a particular kind of challenge that is often overseen in the debate about exports: the challenge regarding local business ethics, values, behaviours and practices, including honesty and reliability. Of course, the theme of business practices and behaviour including trust in a transforming economy such as Uganda is linked to the larger context of the state of the macro-, meso- and micro-level foundations or mechanisms (sanctions etc.) that for instance facilitate trust between economic actors in a country. Trade proponents have to analyze and address related issues.

Further vital, given the accounts of some FV UFs regarding problematic behaviour of certain EBs, it might be appropriate in certain industries to look into better protection of interest of Ugandan exporters in the EU market, especially vis-à-vis importers who try to cheat (breach contract, disappear, run away with money, claim they have never received produce or 'invent' quality defects). The issue needs industry initiative, e.g. (a) advocacy towards buyer traceability (registration system) in Europe, and (b) establishing a desk of representative (Ugandan/East African) or quality inspector system at the most important points of entry of FV cargo into Europe to take care of interest of exporters. This could help in reducing the export risk for UFs and stabilizing relations with buyers.

### ***Dependency, bargaining power and switching in GVCs***

There were many incidences where UFs and EBs indicated that they operate in a situation of *mutual dependency*: Mainly because of the need of: (i) the respective EBs in terms of a constant supply of a quality product/service from Uganda and (ii) the respective UFs in terms of market access, expertise in marketing and sales, information, knowledge and finance that EBs possess. There were also cases of perceived one-side dependency of the UF or the EB respectively. In addition, while some UFs noted a worsening *negotiation position* (bargaining power), mainly due to over supply in the market and significant increase in production and transport costs, many UFs reported an improvement in their negotiation position with the EBs. A main reason for this improvement was strengthened

human resources (HR) - or, the knowledge, information, capabilities, skills, and experience that local firms accumulate over time while they operate and learn in GVCs.

Improved local HR in UFs - via better performance and reduced risk of supplier failure - also tended to result in more *network forms of VC governance*<sup>4</sup> which was characterized by advanced relationship and more interactive and intense coordination. This often had a positive impact on UFs' business outcomes and growth. The finding suggests a prime role for the HR factor with respect to UFs' advancements in GVCs towards a type of relation with buyers that is more smooth and interactive and more characterized by relational and beneficial forms of partnership and dialogue.

Importantly, network types of supplier-buyer relations require not only technical capabilities but also entrepreneurial, organizational, social and interactive capabilities. Local firms that possess the HR needed to enhance trust, responsiveness, reliability, communication and flexibility vis-à-vis the foreign buyer can establish the pre-condition for advanced relations in GVCs. This in turn seems to improve the likelihood that UFs reap increased benefits out of GVC integration. Markedly, interviews revealed that getting it right in GVCs (and actually making good business) can take several years. Against this background, Uganda thus has a vital interest that (appropriate) firms - and the local VC systems they manage - stay in export business over a longer time because (i) HR factors (or, the underlying processes of HR accumulation) tend to have a considerable time dimension (experience, learning etc.) so has (ii) setting up and improving GVC relations. It is therefore important that UFs 'survive' the early years and keep a commitment, where appropriate, to their product VC.

Respective trade related support measures could target enhancing: (i) relationships, mutual understanding and cooperation between exporters and buyers, (ii) exposure of UFs and their domestic partners to different market situations (including 'chain visits'), (iii) the process of formation of relevant knowledge, capabilities/skills, experience etc. in

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<sup>4</sup> Instead of arm's-length governance which is characterized by mere transactions with little exchange of information and know-how.

UFs, and (iv) networking and cooperative learning among domestic VC actors. Certainly, (v) improving the volume and quality of the UFs' products and services (and related production and trade processes) remains a vital task to set and strengthen the very foundation for enhanced trade relations.

Firms further highlighted salient issues related to *switching to another business partner* (UF or EB respectively): in some cases switching is easy and related to low costs. However, there are other cases that point to considerable switching *difficulties* and *costs*. These are related to various relationship dimensions, specifically aspects of: (a) loyalty, mutual understanding, reputation, contractual obligations and the VC set-up (organization, relationships, capacity building) on one hand, and (b) finding a new partner and starting from scratch (building the VC and the related trust and mutual understanding between actors, adjusting to new requirements of the buyer etc.) on the other. In the context of such switching costs and difficulties, there are views expressed that reveal the high interest of a number of UFs and EBs in the continuity of the current production and trade arrangements (and the relations) that are already in place.

### ***Rewards and sanctions for (non-)performance***

There were few examples of advanced and balanced **systems of rewards and sanctions** in the GVCs, e.g. related to UF's (non-)performance. Yet, there were cases where the EBs' rewards (e.g., increase in orders, price, information flow, innovation sharing, pre-finance offers) are deliberately linked to performance parameters. In one case, financial rewards were bound to be used for local upgrading projects at the UF's flower farm. There are accounts that financial penalties foster upgrading efforts of UFs. So do industry **standards** which have a double-edged sword character for UFs: compliance to them result in costs but also in product/process improvements for the UF (VC) which can allow UFs to better perform in current markets or 'graduate' to more attractive markets.

### ***Assessment of EBs' requirements and UFs' performance***

Relevant as well is to take note of the assessment of both UFs and EBs regarding *UFs' performance vs. EBs' requirements* with reference to nine performance parameters. This assessment revealed areas where UFs meet, exceed, or don't fulfil the buyers' expectations. It also showed perceptual differences between the VC partners regarding actual performance and requirements respectively. Stakeholders should study the detailed views of the UFs and EBs. In the FV industry for instance, some UFs stated that they considerably under-perform in packaging and deliver reliability; some UFs also reported that they over-perform (performance higher than requirement) in flexibility, but also in responsiveness/communication and price. FV EBs identified quality as one of the parameters where UFs under-perform notably. Perceptual differences are significant in almost all parameters. In tourism, UFs on average assessed their own price competitiveness as 'very high', while EBs rated the UFs only 'moderate' in this regard. Other perceptual differences regarding tourism UFs' performance are reported in relation to delivery reliability, conformance to specifications, and responsiveness/communication. VC partners should address such perceptual gaps via dialogue and mutual assessments.

### ***Areas, effects and feasibility of UF's upgrading efforts in GVCs***

Finally, *upgrading efforts* of the UFs interviewed focussed on products/services and respective process aspects. There are notable cases of technology acquisition and new quality management systems/practices that UFs have put in place. Main *driving forces for upgrading* were identified as follows: market entry/VC participation requirements, competition, market dynamics, demand changes, and industry standards/regulations. Further driving forces that were highlighted are: EB demands, UF performance problems, UF strategy and enhanced local capabilities. For some UFs, considerable *upgrading effects* include improvements in: VC position, bargaining power, product quality, cost, profitability (e.g. via constant delivery, fewer losses, or fewer buyers' claims), reputation, skills and prices. Thus, upgrading can be seen to contribute to business and market consolidation, productivity, customer satisfaction and loyalty, as well as profitability, and thus progress towards enhanced sustainability of local businesses. Yet, not every UF

reaps benefits from upgrading. Overall, undertaking appropriate upgrading efforts in a continuous manner remains fundamental for UFs if they are to continue operating and catching up in the global economy.

Most EBs noted that in the past UFs' upgrading of products, processes, and practices (including communication, reliability) was at a moderate to high level of improvement and often had a high impact on business outcomes. EBs highlighted that upgrading can benefit UFs especially in terms of staying in business, thus gradually improving and deepening the relation with the buyer and developing and exploiting market opportunities over time. More consistent business (demand stability), better sales, contracts, prices and cost reductions are also among the benefits identified. Accordingly, upgrading benefits to UFs could be limited (or non-existent) due to competition, over supply, demand changes, and price pressures.

The study further found *differences in terms of buyer support* (cooperation) for upgrading within and across the sub-sectors; for instance there seems limited scope of support for concrete upgrading of UFs in the tourism sub-sector; support for upgrading was acknowledged more in some other sub-sectors (e.g. in the fish, flowers or FV industry). Overall, it is however evident that supplier-buyer cooperation which targets upgrading is vital for UFs establishment and advancement in GVCs.

Regarding the *feasibility of upgrading*, UFs mainly stated that upgrading is costly but necessary, especially in order to improve their competitiveness, comply with standards and stay in business. There are incidences where UFs said that advantages related to successful upgrading eroded after a relatively short period of time which made it necessary to undertake new upgrading initiatives.

For many exporting firms, upgrading is vital to stabilize and consolidate the business operations, including the links with VC partners. It helps in: (i) operating closer to requirement levels, (ii) carrying out more efficient production and trade activities, and (iii) achieving more consistent quality supply, fewer losses, better margins, enhanced

learning processes, and a reputation as a good supplier. These are vital steps in building and maintaining export competitiveness. However, upgrading is costly and requires expertise; GoU needs to consider improving related incentives, regulations, policies, funding, programmes and support institutions to make upgrading more feasible and successful for UFs. Donors need to consider their role in this context, where appropriate.

### ***3. Final issues and remarks***

Based on interview accounts from all sub-sector, this report recommends that *development programmes* (of GoU, support institutions, donors, NGOs) need to address particular upgrading needs of UFs and the GVC as a whole. The contribution of support institutions - and the public sector in general - to the enhanced performance of UFs in GVCs needs to be improved. Crucially, foreign buyers (GVC' lead firms) need to be involved, where appropriate, much more than to date in the design and implementation of such programmes. Programmes and policies that foster meaningful and sustainable connection and importantly interaction (mentoring, advice, know how transfer etc.) between suppliers and buyers are needed, e.g. support for 'chain visits' and cooperation efforts of EBs and UFs in the wider context of upgrading.

Export proponents need to discuss more intensively how to support development of *systems* of trade and productions and related relations between actors (also in the domestic part of the GVC), and how to *complement* cooperation and support measures that are embedded in the GVC relations between local firms and their foreign buyers. Further, support remains particularly relevant in an area where *existing* buyers might not offer (substantial) support: this is with respect to local firms' efforts to diversify customers and markets (e.g. operate in several GVCs simultaneously, or reposition firm in global industry etc.). It is evident that (national/international) support institutions and development agencies - and the people who run them - need to build better relationships with the international and the local VC actor and get their views and ideas on how to improve support programmes. A proper feedback system between international buyers and Ugandan institutions would probably help in tracing relevant GVC dynamics in time.

The sub-sector chapters in *volume two* provide views from UFs and EBs regarding vital issues of: (a) future opportunities and challenges, (b) prospects of and avenues for advanced GVCs operations including enhanced relationships in GVCs, and (c) support needed by GoU and its European partners (EU etc.). These reflections are presented in the section ‘final issues and outlook’ in each sub-sector specific chapter (for both UFs and EBs). There is a list of major opportunities and challenges regarding advanced business and performance of UFs in GVCs. Equally, suggestions for support measures by the state and donors are considerable and range from short to long term in nature. Appendix 14 in *volume one* offers an overview of firms’ comments regarding support needed by GoU to enhance the operations of the UFs in particular and the GVC in general (see *volume two* for more details). The presentation and discussion of main findings of the report at the end of *volume one* and especially the detailed chapters in *volume two* provide insights and examples that can contribute to respective deliberations.

To sum up, matters of governance and upgrading have gained momentum in Uganda’s export sector; there are remarkable examples discussed in the study. A number of firms in Uganda (not all) are aware and active in responding to and/or even shaping the governance dynamics (or actual outcomes thereof) in their respective GVCs. Upgrading efforts are in many cases significant; though not equally in all sub-sectors and across all firms interviewed. GVC participation has allowed UFs to acquire a range of new skills and capabilities, gain experience and improve their products and processes which has in many cases strengthened their competitiveness in ever more competitive markets. EBs have learned how to set-up, coordinate and improve business with UFs. A number of EBs have invested time, knowledge and money in VC operations in Uganda and have plans to do so in future. Policies and programmes need to complement these dynamics and efforts and respond to identified gaps in this context. Focus should be on efforts towards (1) building better VC linkages - between firms in Uganda and their buyers abroad but also between firms in the domestic VC - as well as (2) making better use of these linkages with buyers to enhance leveraging (skills, know-how etc.) and learning of local firms.

Our suggestion regarding *GVC research* is (i) to broaden its analytical focus to better understand aspects that are currently neglected by conventional GVCs research and thus, hopefully, improve the scope of its policy recipe. Further, GVC research needs to (ii) incorporate useful tools and concepts of branches of social and other sciences that have potential to enrich the framework and thus put it on a more solid theoretical base where necessary. Indeed, ‘mixing efforts’ - what we call GVC+ - need to be enhanced to improve the coverage and explanatory power and thus policy relevance of the GVC approach. It is striking that there is relatively little theoretical and empirical work existing on mechanisms of communication and trust in GVCs, or psychological, emotional etc. aspects of (formal and informal) inter-firm cooperation and learning. There is a deficient (especially micro) theoretical foundation regarding the behaviour and social relations of GVC actors, particularly those operating in the African context.

We therefore recommend enhanced analysis of non-economic aspects of embeddedness of GVCs at their local nodes: e.g. the social, cultural, political, institutional and cognitive pre-conditions that enable or disable local actors to integrate and perform in GVCs or carry out governance of the domestic VC in a certain way. In this sense, GVC analysis needs to show greater concern for what is happening at the very end of GVCs, in respective domestic and regional VCs in developing countries. The problems regarding organization, cooperation, and trust in domestic VCs in Uganda calls for such an agenda.

Final note: The report has been disseminated to stakeholders in Kampala March 16 2007. It is presented in *volume one* (executive summary, study background, literature review, and main findings, 135pp.) and *volume two* (sub-sector specific findings, 335 pp.). The authors have submitted the report to publishers for consideration of a book publication later in the year 2007.