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Teaching in a Developing Country: Mistakes Made and Lessons Learned in Uganda

Stuart R. Cohn

The growing use of English as the lingua franca is matched by the use of United States laws as models to emulate in both developed and less developed countries. The result is an increasing flow of information and technology transfer from legal, financial, and technical experts in the U.S. to their counterparts abroad. I have been privileged to be part of that process in recent years, and I have learned that a here's-how-it's-done approach is the antithesis of an effective foreign training or teaching program. A recent experience in East Africa brought that point home with particular emphasis.

In July 1997 I traveled to Kampala, Uganda, to teach a securities regulation course—Development and Regulation of Capital Markets—to a group of government officials, private-sector attorneys, bankers, and broker representatives. The course was scheduled to meet five days a week, five hours a day, for three weeks. The prospect of seventy-five hours of instruction in a compressed period was daunting, and my anxieties were heightened by the fact that I had never been to a sub-Saharan country, knew very little about Uganda's culture and history, and had no idea how much skill, experience, and patience I would find among my course participants.

My actual experience proved so different from what I had imagined that a review of my concerns, mistakes, and lessons learned may be useful to others journeying into uncharted academic waters. First, some background.

Background to the Invitation

When I was invited to present a course in Uganda on securities regulation, my initial reaction was disbelief. What I knew about Uganda was primarily the havoc wrought by years of ruthless dictators and, more recently, rampant disease. A stock exchange developing amidst such conditions seemed a far-fetched dream. And yet, I was told, a stock exchange indeed was being formed, and a viable economy seemed to be in the making.

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Uganda's socioeconomic environment has had a roller coaster history. During its colonial period the country was called the Pearl of Africa.[1] The title was fitting when Kampala was the leading city of East Africa, Uganda's fertile fields produced coffees and teas for export throughout the world, and the rich mineral resources offered promises of substantial productivity and wealth. Unfortunately, the Pearl of Africa has had a disastrous postcolonial history. Idi Amin's reign of terror was responsible for much of the downfall, but two-time and twice-deposed President Milton Obote shares considerable culpability.[2] From 1971 through 1986, the reigns of Amin and Obote resulted in the destruction of most of Uganda's roads and rail lines, the debasement of education at all levels, the flight of foreign capital,[3] the imprisonment and killing of suspected opponents,[4] and the nationalization and eventual financial ruin of most agricultural and natural resource companies.

The Amin-Obote period of terror and destruction set Uganda back more than the fifteen years that it lasted.[5] But despite all the country's travails, Ugandans are buoyantly optimistic. President Yoweri Museveni is responsible for most of this optimism. A leader of the guerrilla movements against both Amin and Obote, Museveni moved from the military field to government leadership with exceptional skill. He has made economic reform a pillar of

1. The Berlin Conference of 1890 divided the African continent among the colonial powers, granting Uganda to Germany. Uganda became a British colony several years later when traded to England in exchange for the Heligoland Bight. England controlled the three East African colonies of Uganda, Kenya, and Tanzania, setting their borders in somewhat arbitrary fashion. The Pearl of Africa appellation is attributed to Winston Churchill.

2. Obote became president of Uganda when England granted independence in 1962. He fomented tribal and religious divisions in order to maintain his rule. He suspended the constitution and instituted detentions without trial. The army and police terrorized and massacred political and tribal opponents. In January 1971 troops led by Idi Amin seized the government while Obote was out of the country. Amin's presidency was initially viewed as a relief from Obote's harsh regime, but Amin shortly dispelled that sentiment; he engaged in even more extensive terrorism and destruction of existing political, economic, and social institutions. An ill-advised attack against Tanzania in October 1978 led to a counterattack by Tanzanian forces, the capture of Kampala, and Amin's fleeing the country (he is in exile in Saudi Arabia). After several unsuccessful short-term governments, in May 1980 the Tanzanians invited Obote to return as president. He remained in office until overthrown by civil war in 1986. Continuing guerrilla battles in northern and western Uganda are due in part to tribal and regional antagonisms fomented in earlier periods.

3. Much of the economy in East Africa is controlled by Asians, principally Indians. The British brought the Indians to East Africa to build the railroads, and they stayed to become merchants and property owners. East African natives have never taken well to the Indians or their economic dominance. When Amin ordered the mass exile of Uganda's Asian community, the result was the further destruction of Uganda's economy. Many companies were nationalized by Amin's government and became wastelands for overemployment and inefficiency. President Museveni's government has invited the Asians to return to Uganda to be restored to their prior businesses, but many have declined the offer.

4. I was both appalled and fascinated to learn that the peaceful four-star hotel where I stayed in Kampala—the Nile Centre Hotel—was built by Amin and used by his military and police as their principal torture chambers and killing fields.

5. Uganda has an annual per capita income of $240, a nearly nonexistent public education system, agriculture and mining sectors still reeling from the ruinous effects of nationalization, quasi-civil wars on its northern and western borders, and gruesomely high death tolls from AIDS, malaria, and cholera.

national policy and has heeded much of the advice (and pressure) from the World Bank and other monetary institutions. Despite misgivings among many Ugandans, the country is midway through an ambitious privatization program.[6] These policies are bearing fruit, and Uganda's economy has grown at an impressive rate (7 to 10 percent) in each of the past several years. With all of its problems, Uganda is regarded as one of Africa's brightest prospects for development. It is not ready to reclaim its Pearl of Africa status, but there is considerable cause for optimism.

Planning the Course: The Pitfalls of Assumptions

The course I was initially asked to develop involved legal aspects of securities regulations. Uganda already had laws and regulations in place, I was told; a group of broker-dealers were forming a stock exchange, and there were plans for development of merchant banks and clearing houses. Course participants, principally from Uganda's Ministry of Justice, would be the lawyers responsible for enforcing Uganda's securities laws. The well-developed securities markets in the United States would serve as a useful study, I was advised, for comparison and policy purposes.

The proposed course seemed to fit within my experience. I had been teaching securities law for nearly twenty years and had recently taught a comparative securities course in Germany. What I needed to do, of course, was to review Ugandan laws and regulations and other materials relevant to its putative securities market.[7] Armed with such materials, a smattering of proposed exchange and licensing regulations, and some information on Uganda's privatization program, I set about to develop a rather traditional course analyzing such materials from both internal and comparative perspectives. The proposal eventually submitted to the World Bank through the International Law Institute resembled a standard securities law course, with interweaving among U.S. policies and Uganda's special concerns.[8] The World Bank approved the proposed course in January 1997. A summer date was set to accommodate my teaching schedule and I began preparing detailed class outlines. By that time I had seen additional documents detailing sophisticated proposals for financial institutions in Uganda, including a clearing house for exchange transactions, a discount house for trading financial instruments, and legislation to permit establishment of merchant banks to facilitate securi-

6. The privatization of nationalized companies is the principal impetus for creation of a stock exchange. To attract investors in the privatized companies, a secondary market is necessary to assure the liquidity of the investments. The Uganda Stock Exchange was formed in May 1997 in anticipation of public offerings of nationalized companies.

7. The principal statutes are the Companies Act of 1948 and the Capital Markets Statute of 1996, both of which contain registration and prospectus requirements. Much work is yet to be done to coordinate the two statutes.

8. I had learned, for example, that recent privatizations had resulted in questionably fraudulent tactics by the private buyers of government assets, and thus in considerable public skepticism about the bona fides of privatized companies. If privatization was to form the basis of a securities market, was there an investing public ready to buy such securities? What was needed to instill confidence in the investing public? These were among the major local issues that I prepared to raise.

ties underwritings and equity investments. The combination of statutes, regulations, and proposals, along with the commencement of the Uganda Stock Exchange, led me to assume that I was going to a country where development was well under way and an active legal and broker-dealer community was well along in mastering the technicalities of market development.

My assumptions were self-delusion extraordinaire. That there might be a gulf between appearance and reality began to dawn on me when my co-instructor assigned by the International Law Institute[9] warned me, on the basis of his experience in India, that laws and regulations often substitute for progress when little else exists. Indeed, if (as my colleague suspected) there was far less than met the eye, the impressive statutes, regulations, and proposals meant little compared to the much more significant political, financial, social, and economic issues that would spell success or failure for the inchoate securities market.

Some long-distance calls and pointed questions into market realities confirmed my colleague's predictions. Nothing existed except the laws, a Capital Markets Authority that had no capital markets to regulate, and a stock exchange devoid of stock. Broker-dealers existed in name only, with nothing to trade and no experience in creating public issues. There were no private companies that had engaged in a public offering, and privatization offerings to the public were still in the planning stages. There were few, if any, trained and knowledgeable lawyers and accountants prepared for the demands of a securities market. Indeed, few lawyers had seen the Capital Markets Statute (which was adopted wholesale from elsewhere) or any of the Capital Markets Authority's regulations.[10] I had assumed that the statutes, regulations, and organizational structure reflected market realities and developments—an assumption based on U.S. experience, where securities laws came well after the development of primary and secondary securities markets. I had never seen a different model and did not appreciate that sophisticated rules and institutions could be—and indeed had been—promulgated in an experiential vacuum.

It was now obvious that my proposed (and accepted) course to analyze Ugandan securities laws was much less important to Ugandans than the question of how that country would create a viable capital market. The focus thereupon shifted from regulation to development, from a traditional academic approach to an innovative hands-on project. My co-instructor and I changed the course title from Securities Regulation of Capital Markets to

9. The International Law Institute appointed Promodh Malhotra as my co-instructor. This was a fortunate choice: Mr. Malhotra had substantial experience in developing countries working with the World Bank and other international financial institutions.

10. In Uganda, as I learned is true in many less developed countries, it is extremely difficult to get hold of statutes and regulations. There is a government printing office available for public purchase of documents, but that office is often unable to produce requested material. I asked on numerous occasions whether the problem was financial. The usual reply was that finances were not the problem, that the unavailability of statutes and regulations is simply a way of life. One of the most appreciated byproducts of our course was a notebook that included all relevant statutes and regulations.

Development and Regulation of Capital Markets, with planned emphasis on the "development" element. To assist our efforts, we arranged for Ugandan speakers to discuss the practical problems faced in creating Uganda's capital market and for guest lecturers from neighboring Kenya who could share their experiences in a more developed market economy.[11] Despite our advance planning, it was not until we arrived in Uganda that we gained a full understanding of Ugandan realities. We were materially helped by early meetings with government officials, bankers, accountants, and Capital Markets and stock exchange officials.

The Course as Presented: Addressing Realities

The course attracted more than sixty participants. When its focus changed, we requested that the course organizers seek a cross-section of participants relevant to the development issues. As a result, Ministry of Justice lawyers were joined by officials from the Ministry of Finance, members of the Law Reform Commission, bank and broker-dealer representatives, private attorneys, academics, and others from assorted government and private-sector positions.

We devoted the first several days to examining the potential securities market in Uganda. A combination of local speakers and hypothetical case studies permitted us to gather a fairly complete picture of where matters actually stood and what were the principal issues facing future development. We soon learned that, despite the participants' senior public and private positions, most of them had little knowledge of financial and capital market subjects. Basic issues raised during these opening days included the difference between debt and equity, the definition of a capital market and a securities exchange, the difference between primary and secondary offerings, and the importance of a securities market for privatization efforts. Rudimentary questions persisted throughout the entire course, which we came to expect in a country embarking on a new and totally foreign venture. Only one person in the group had ever owned an equity interest in a business. The rest had never seen a stock certificate, had never made a securities investment, and had never dealt with a broker-dealer.

The cliché that teachers learn as much from their students as they impart was well evidenced from day one. Particularly enlightening were the small-group discussions that centered on case studies I had prepared in advance. I had used Ugandan names and places in scenarios that were as realistic as I could imagine and draft from 6,000 miles away. I was lucky: the scenarios were close enough to actual Ugandan conditions to motivate energetic discussions. The first case study involved a private company needing capital to sustain its growth. The second involved a parastatal privatization. The course participants struggled with the more technical marketing and financing questions, but their knowledge of Ugandan realities and their practical street sense opened avenues for fruitful discussions that ranged beyond stock-issuance

11. The Nairobi Stock Exchange, founded during the colonial period, is over 40 years old. A major recent offering was the privatization of government shares in Kenya Airways. We were fortunate to have guest speakers from both the Nairobi Exchange and Kenya Airways.

questions. It was quickly apparent that this capital markets course needed to fit into the larger context of Uganda's financial development, existing markets, and growth potential.

The daily class syllabus I had developed in my Florida office gave way to late-evening and early-morning planning sessions to consider how to build on Ugandan realities and classroom discussions. The original syllabus was a useful reminder of topics to be covered, but we needed to be flexible and adaptive every day. The course had a life of its own, for we were constantly moved by questions, comments, and unanticipated events. Particularly helpful were the daily evaluation forms handed in by the class participants. Academics are used to being evaluated at the end of the term, not daily, and at first I was intimidated by the prospect. One bad class could result in a torrent of negative comments. I soon realized that the constructive comments received each day far outweighed self-esteem concerns. The evaluations were taken seriously by the participants and often resulted in reconsideration of direction and process.

Interestingly, the daily newspapers also provided classroom material and spontaneity. An article describing the government's nondisclosure of major tax liabilities when it sold a parastatal milling company prompted discussion of disclosure concerns, accountants' roles and responsibilities, and the culture of tax evasion that pervades Ugandan business.[12] A newspaper article detailing a syndicated private investment in a mineral plant located in a "politically insecure area" (the euphemism for guerrilla warfare territory) was the impetus for discussion of varying institutional and private investor interests and the disclosures necessary in high-risk areas. The local press was a major ally in helping us tailor a course to local concerns. We even were treated to a full-page advertisement of an unregistered offering of units in a unit investment trust (their term for a mutual fund), which prompted a host of disclosure and enforcement issues.

The emphasis on development and problem-solving led to concluding sessions devoted to a list of recommendations for government and private-sector consideration. This turned out to be an excellent method to review, synthesize, and invest the participants in the creative process. My colleague and I had our own potential recommendations, but they remained hidden as the class was prodded to develop its own set. The two sets wound up substantially consistent. This was not a moot exercise. We arranged in advance for principals from the Capital Markets Authority, the Uganda Stock Exchange, and the Ministry of Finance to attend a special session to hear and comment upon each of the proposals. For the two instructors, it was especially rewarding to witness the group's confidence in discussing financial market issues that only three weeks earlier had been so foreign.

12. The prospect of auditors' discovering and reporting major past tax liabilities is a substantial deterrent to a public offering for many privately held companies. The culture of tax evasion, with multiple sets of books commonly kept, is inconsistent with the disclosure demands of a securities market.

In short, my anxiety about filling seventy-five hours of classroom discussion proved unfounded. The on-the-ground approach applied to the learning process provided lively daily discussions from participants eager to delve into the arcane yet fascinating world of market finance. The quality and interest of the participants was clearly important, as was a determined effort to put Uganda's realities and concerns at the forefront of every issue.

Lessons Learned

My Uganda adventure provided lessons in course preparation and teaching that may be applicable to a broad array of nontraditional course offerings. The demand from developing countries for training and courses is likely to remain high. Subjects ranging from intellectual property to tax reform to corporate finance are of rising interest in countries anxious to update their legal and economic systems. For those fortunate to take part in a foreign program, whether through academic, government, or private institutions, I offer the following suggestions.

Thoroughly study the country and culture. As obvious as this recommendation appears, I have been told in more than one country of visiting "experts" who arrive knowing practically nothing about where they are, and who deliver set lectures that barely, if at all, touch local concerns. It does not matter how technical the subject matter: an instructor's failure to know local laws, history, and culture undermines the effectiveness of the presentation and the rapport within the classroom.

Get early classroom feedback on local concerns and conditions. Advance study of domestic issues is necessary but must be supplemented by early and direct classroom discussion. Even if a course is devoted exclusively to U.S. laws or policies, the teaching and discussion will be enhanced by comparison to the laws or policies that the class participants must deal with in their professional capacities. My experience suggests that participants eagerly respond to inquiries regarding local matters, especially where questions reflect a degree of preexisting knowledge or research. In both Germany and Uganda, discussions in early sessions provided information and perspectives that altered the syllabus in terms of material, timing, and emphasis. In Uganda the feedback was accomplished by hypothetical case studies that drew out many concerns, policy issues, and perceptions that became incorporated into our discussions and instruction.

Use local materials as much as possible. Because we are often asked to engage in teaching and training based on our American experience and expertise, there is a great temptation to focus on U.S. statutes and give cursory attention to local laws. I suggest the converse, which complicates preparation but in the long run means that course participants can contribute significantly. Even in courses designed to teach U.S. laws and policies, frequent comparative reference to local laws will enhance students' understanding and enrich the discussion. If local materials do not exist, materials from neighboring countries or from similar legal or economic systems may be preferable to U.S.-oriented materials.

Avoid the temptation to preach U.S. laws and policies. This is more than a subtle temptation. In many subject areas, U.S. laws and policies are models for lawmakers throughout the world. The invitation to teach in a foreign country reflects the fact that our knowledge of U.S. laws is a valuable asset. Indeed it is, but the asset is misused if not tailored to local conditions. An example from the Uganda course reinforces this point. During our discussion of securities sales, the participants had little problem with newspaper advertisements and personal solicitations that are prohibited in our country by SEC rules. Concerns such as gun-jumping and abusive sales tactics may be important to the SEC and to U.S. investors, but they are less important in a market where communication processes provide no effective marketing means other than broad-scale advertisements and cold-call solicitations. Laws and policies are so much the product of local circumstances that we must be wary of their wholesale application to other lands.

Make use of local events and issues. Chances are good that during a course there will be news items or events relevant to the subject matter. If not, or if you don't understand the language of the local media, discussions with students and others are likely to provide appropriate live examples. Not only will discussion of local issues enliven the subject: student response will give further insight into political, legal, and economic problems that may not have been apparent to us. The Ugandan newspapers were a great source for classroom discussion, but had there been no relevant articles we would have (as we did anyway) poked around for useful local facts and issues.

Don't assume knowledge of local laws. I learned this lesson initially in Germany, where the teaching of law emphasizes much more the principle than the practice; to my surprise, I found that basic capitalization concepts had not been part of the students' training. Uganda presented the point in even starker terms. Ugandan law school training focuses with difficulty on Ugandan statutes and cases, because those are not available in sufficient quantities to use for teaching purposes. As noted earlier, practicing lawyers also do not have ready access to these materials. Even when we provided the materials to the course participants, their lack of training and experience led to many elementary discussions on meanings and interpretations. I had been misled initially by my assumption that the sophisticated-looking statutes and regulations represented a fair degree of knowledge about securities matters in Uganda. That assumption was simply wrong. Although the degree of knowledge and experience varied among course participants, our most satisfactory approach was to start at a basic level.

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Teaching in a developing country can be among the most rewarding experiences of an academic career. There is an enormous sense that one is part of a larger process of development, and that what goes on in the classroom can actually make a difference in policy and reform. Instructors from the United States are in high demand, yet we make a serious mistake if we assume that we are helpful simply by transferring information and technical know-how to a new environment. The starting point for any course or seminar should be the local conditions, regulations, and goals. They preexist our courses and remain after we have gone. The growing number of emissaries of U.S. laws and technology can make enormous contributions to growth and development in foreign countries. But without an understanding of—and focus upon—local aspects, our efforts may too often be abstract and unsatisfactory excursions.