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D02505



United Nations Industrial Development Organization

Distribution  
LIMITED

ID/WG.9/Country 1\*  
27 June 1968

ENGLISH ONLY

Interregional Seminar on Industrial Location  
and Regional Development  
Minsk, August 1968

14 p. 26

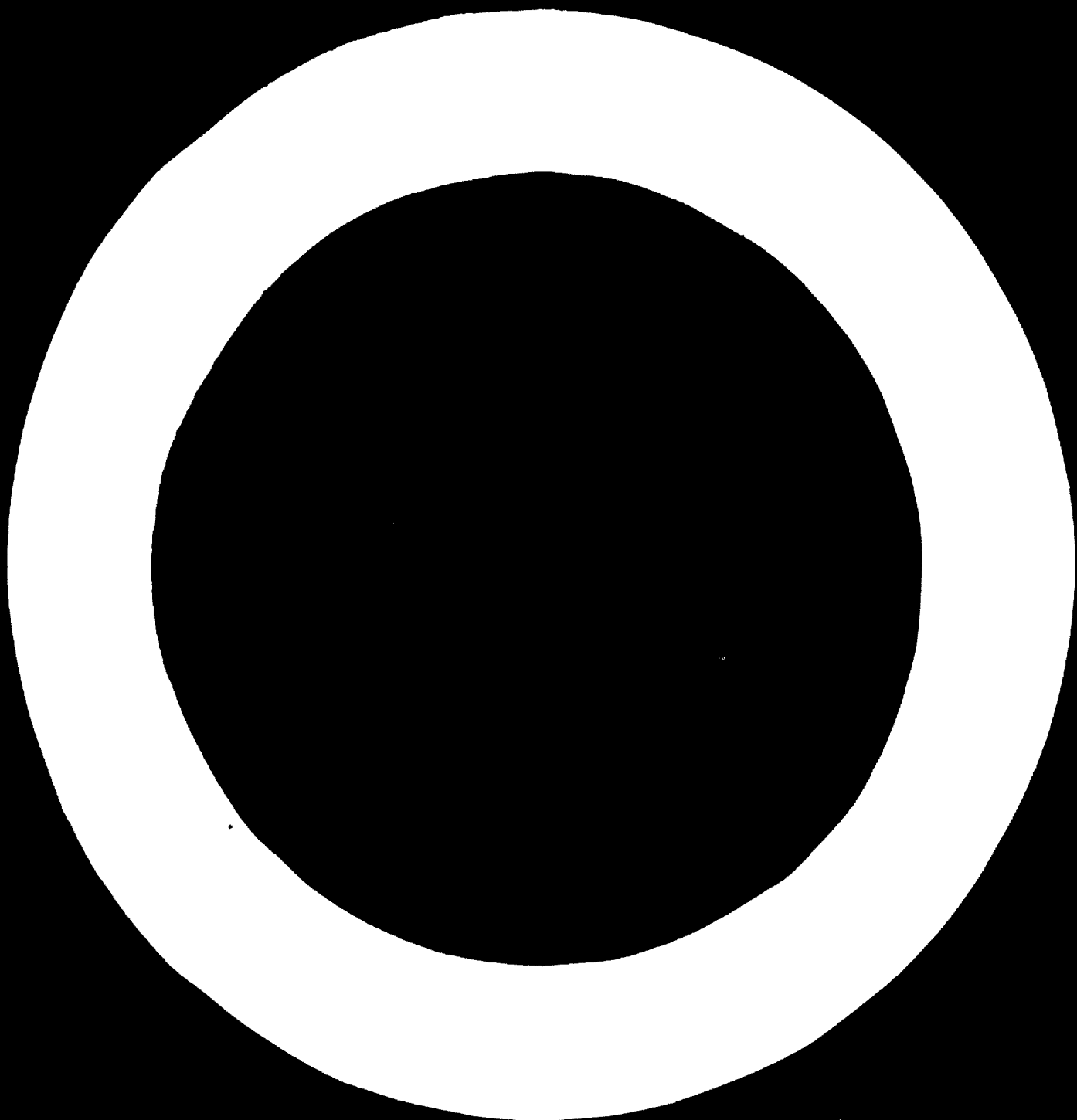
UGANDA - EXPERIENCE AS RELATED TO PROBLEMS OF  
INDUSTRIAL LOCATION AND REGIONAL DEVELOPMENT

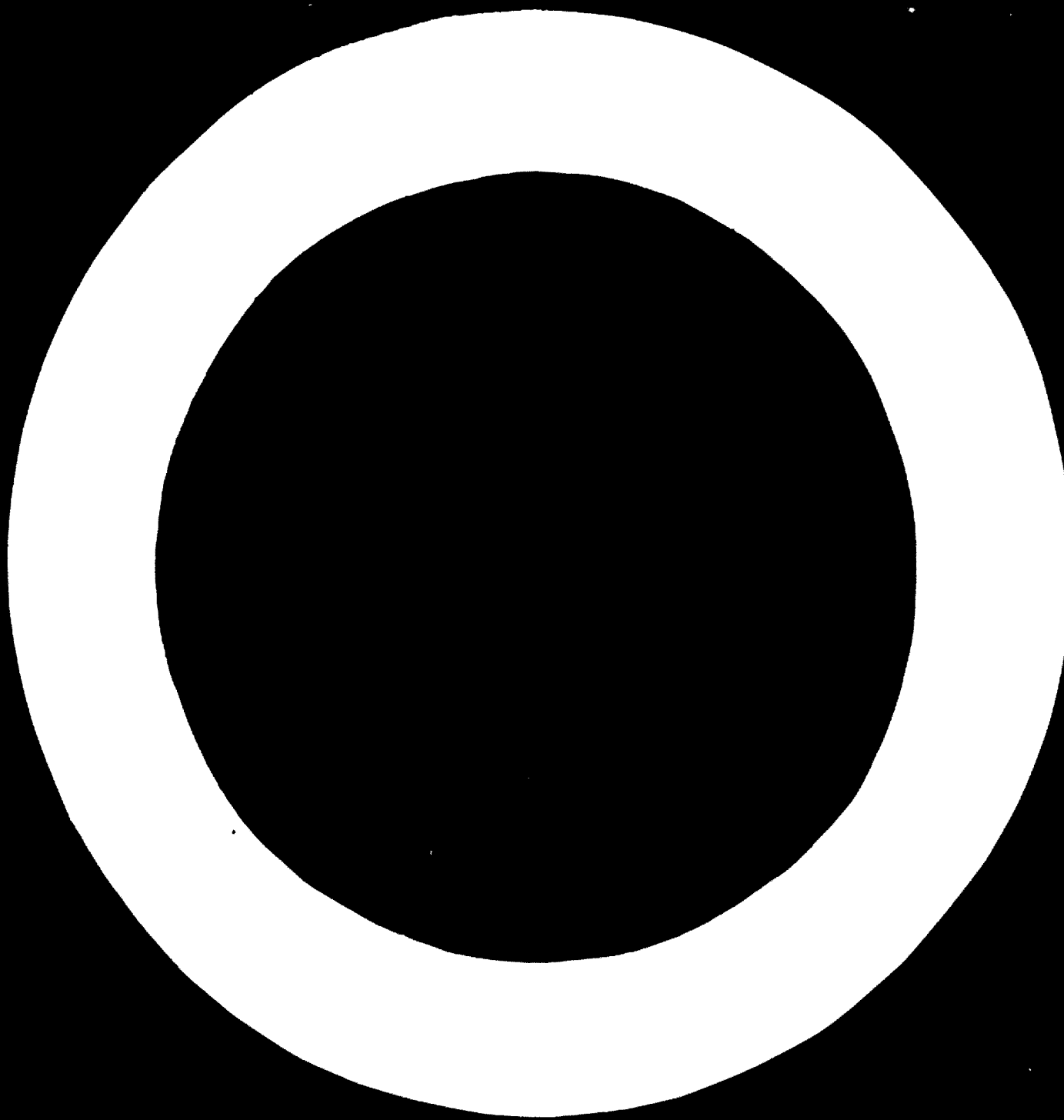
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\* The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO.

id.68-1739





1. In Uganda the Government has no definite policy on industrial location and no pressure has been exerted on private investors to influence them in this matter, however, the need for a reasonable distribution of industries has been pointed out to investors.
2. Industrial location is concentrated in three urban centres, Kampala, Jinja and Tororo. These areas combine an extensive resource base with the large and growing local market. They have a high degree of accessibility to the resources and markets of the rest of Uganda and parts of the neighbouring countries and they enjoy an advanced urban infrastructure and availability of labour, particularly of the semi-skilled and skilled classes. These areas have old established industries and are relatively more developed than the rest of the country, which makes them more attractive to new industries.
3. Industrial location will probably continue to be concentrated in these centres while the rest of the country remains relatively unindustrialized. Workers will drift to these centres and slum areas with their shortages of basic utilities will grow and become congested. To some extent this has already started in Uganda; the number of unemployed in the industrial centres is increasing. Efforts are being made to urge workers to return to the land and to concentrate on agricultural development in their local areas.
4. A shortage of capital is the main constraint to the spread of industrial location in response to equity considerations and political pressure. The best policy for the time being is to concentrate industrial location in those centres where economic factors make the return on any investment attractive so as to aid the pace of over-all development. The rest of the country should concentrate on agricultural development in order to raise the income of the rural population. This will attract the market-oriented industries, particularly food-processing, to more urban centres in Uganda. The difficult problem is to convince the rural population that this is the best course for the economy of the country.
5. The problem of industrial location in Uganda is directly related to the economic development of the country because the development of industry plays a major role in the over-all development of the nation. The problem is therefore one of deciding the pace of regional development by means of industrial location.

6. The unfortunate fact about industrial location in Uganda is that the Government has no stated policy on the subject. There has never been any statement on industrial location and its problems, although implicitly the need for a fair distribution of industries and general economic development in the country has been referred to. Indirectly, therefore, the Government does have some objectives regarding industrial location, although no pressure has been exerted on private firms to influence them.
7. In discussing the problems of industrial location and regional development in Uganda, it is best to examine first what has actually happened without the guidance of a definite stated policy.
8. Until very recently industries in Uganda were located in the urban centres of Kampala, Jinja, and to a lesser extent in Tororo. The main reason for industrial location in these centres is that they are relatively more developed than any other centres in the country, and other areas have been too undeveloped to attract industries. There are other factors which have favoured industrial location in these centres and they will be discussed in greater detail later in this paper.
9. The three industrial centres of Kampala, Jinja and Tororo have the oldest established industries in the country which make them attractive for new industrial investment. New investors want to establish industries in places which are already developed in order to enjoy "external economies".
10. Among the factors which have influenced the location of industries in Kampala and Jinja are: the existence of a large urban infrastructure, a large local market, and a high degree of accessibility to the resources and markets of the rest of Uganda and parts of the neighbouring countries. The large local population, with a relatively higher income than the average in the country, provide a substantial market for industrial products. There is also a readily available supply of labour, particularly of the semi-skilled and skilled classes, which are in short supply in the country as a whole and therefore extremely scarce in the other urban centres. Each of the three centres has some advantages peculiar to it which have influenced the location of particular industries.

11. Tororo in the Eastern region of Uganda has developed as a centre for heavy industry due to the existence of raw materials, an advanced infrastructure, good roads, a railway and electricity. Tororo has a cement factory and a fertilizer plant both of which use raw materials found in the area. In this instance transportation costs of raw materials outweighed all other factors bearing on the location of industry as it would have been extremely uneconomical to transport raw materials from Tororo to any other place.

12. Jinja at the source of the Nile enjoys many more advantages as an industrial centre than the other two places, the most important being availability of water and electricity. There is also a non-economic factor which has played a deciding role in the frequent choice of Jinja as a location for industries - it happens to be the home of one of the richest Asian entrepreneurs in the country. A number of industries including a textile mill and a steel mill have been set up by this entrepreneur who has his headquarters in Jinja. The location of other industries have also been determined by rich entrepreneurs. Some Asians settled in Uganda many years ago and after acquiring capital they set up manufacturing industries. In such cases the location factor was decided by the entrepreneur who also made the important decision concerning what to produce. Lugazi, a small trading centre between Jinja and Kampala has seen some industrial growth solely because it is the home of another rich Asian entrepreneur. Besides a sugar factory, a number of manufacturing industries have been set up there.

13. Kampala has grown up as a centre for light industry. The fact that this is the commercial centre and capital city of Uganda makes it attractive to industrial location because of the proximity to government offices and the availability of commercial and financial facilities. This is mainly a centre for market-oriented industries and the existence and expected continued growth of the local market play a very important part in attracting industries.

14. The outstanding feature of industrial location in Uganda is the concentration of industry in Kampala, Jinja and Tororo, with the rest of the country relatively unindustrialized. The Government has recognized that these three centres have so many advantages over the rest of the country that nothing much can be done to influence location elsewhere without incurring considerable expense. If left on its own, industrial location will continue to be concentrated in these three centres since it is here that it is possible to benefit from the economies of concentration and it is in these centres that the return on investment is most likely to reach a maximum.

15. The outcome of this will be the continued growth of these three centres while the rest of the country remains at a relatively low level of industrial growth and over-all development. Workers will continue to be attracted to these industrial centres with the result of a growth in slum areas, a shortage of basic utilities and general congestion. At the same time social problems will arise and families will be broken up in rural areas because of men going to the towns to seek employment and leaving their wives behind. The development of rural areas will further be inhibited by the drain on the local population. In Uganda this has already been true to some extent and efforts are being made to discourage people from moving to towns. Also those who are already in congested areas and unemployed are being urged to return to the land and help in the development of their rural areas instead of roaming about the cities looking for employment.

16. In recent years, however, the Government has also begun to encourage the setting up of industries in other urban centres of the country where the availability of local resources will permit industrial location. This change may be due to political pressure. The Uganda Development Corporation (U.D.C.) which is a Government-sponsored body whose aim is to further economic **development** especially in the industrial sector, has recently tried to diversify location of its industries. It has recently set up a meat-canning factory in Soroti in the eastern region, a starch factory in Lira in the northern region and also a spinning mill is to be set up there shortly. A new cement factory is planned for Kasese where raw materials are available and there is a railway link with Kampala for distribution of the cement. These new industries will undoubtedly be profitable for local areas in terms of providing employment, but whether they will become self-sustained and attract other industries remains to be seen. It should, however, be emphasized that U.D.C.'s policy of diversifying the location of industry is still chiefly governed by economic factors such as the presence of natural resources in the area and facilities such as power and transportation.

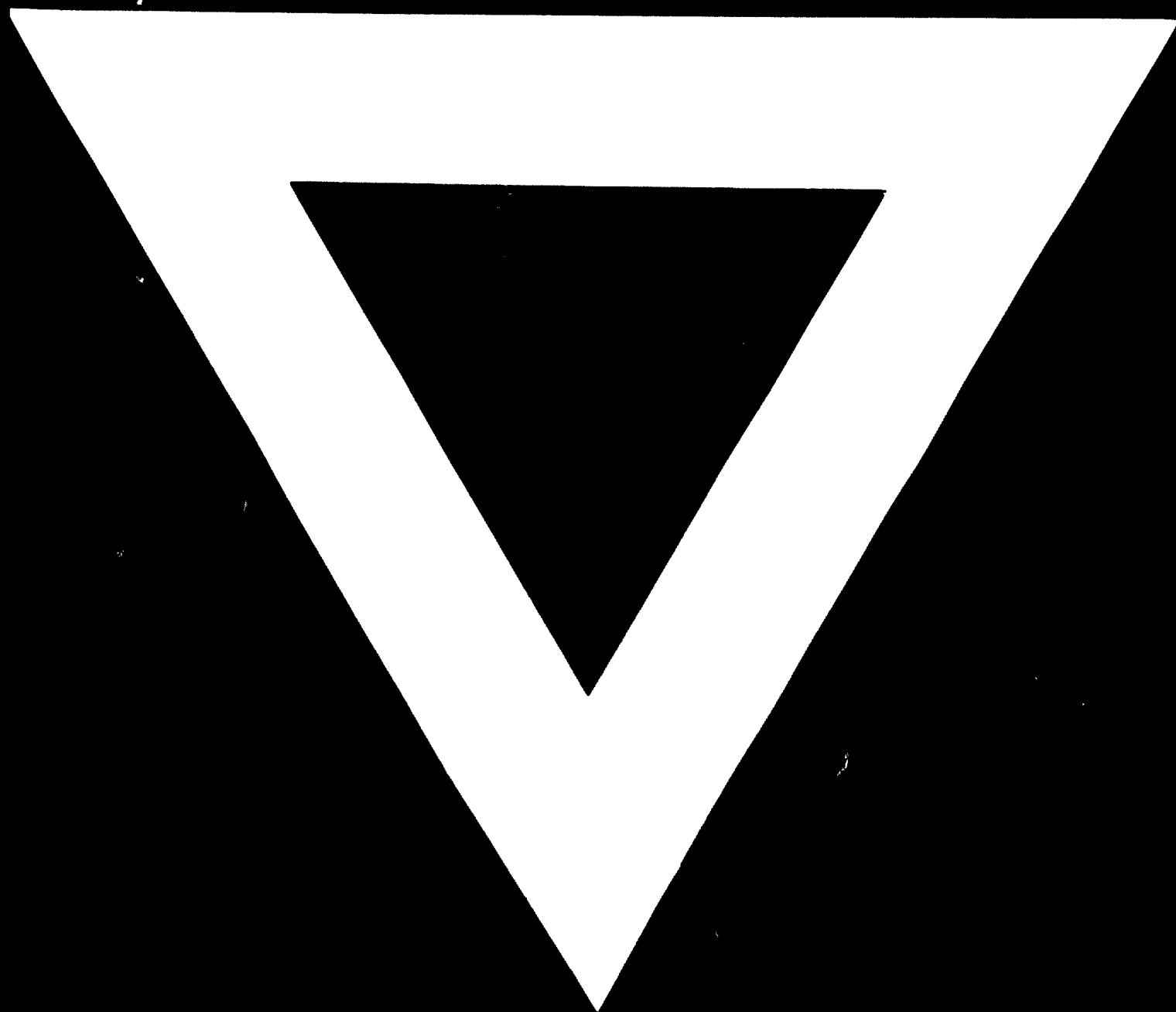
17. The problem is that Uganda like many other developing countries is extremely short of capital, so in order to achieve the maximum rate of development industries must be set up in places where they will contribute the most to the over-all development of the country.



18. Regional equality is limited because of the lack of capital and resources to implement the necessary measures. Since the Government must provide the basic infrastructure which is very costly and on which the return is long-term and uncertain, development in response to equity considerations and political pressure is still very limited. There is a definite clash between the need to achieve the maximum rate of development for the country as a whole, and equity considerations which call for balanced development among the various regions.

19. Besides lack of capital, there are also other constraints on regional industrial development. These include the limited size of the local market, limited raw material resources, and the lack of skills and managerial ability. The high initial cost of constructing electricity transmission lines over long distances also limits the wider dispersion of industries in Uganda. Industries with large power requirements must locate near to the source of power supply. All of these factors combine to limit the whole pace of development and a choice must be made to decide where development is to take place, since it is impossible to develop all areas to the same extent. In fact some places in Uganda, particularly in the northern and western regions are virtually unopened, and any development there is likely to cost so much in terms of investment that it would be unwise to try to do anything at this critical stage of the country's development. It is better to concentrate development efforts, particularly as far as industrial development is concerned, in a few centres which are already developed and which can become self-sustained in order to bring about a high rate of development for the country as a whole. Some regions therefore, will have to remain relatively undeveloped for some time to come. The problem is to convince the rural population that it is in the interest of the country to concentrate industrial location in a few urban centres.





**23. 6. 72**