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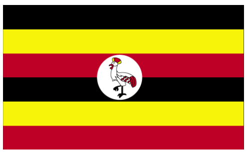
UGANDA

Integrated industrial Policy for Sustainable Industrial Development and Competitiveness

Part II - Integrated Industrial Policy



Ministry of Tourism, Trade and Industry

United Nations Industrial Development Organization

in consultations with

Ministry of Finance, Planning and Economic Development
Uganda Manufacturers Association
Uganda National Chamber of Commerce and Industry
Private Sector Foundation Uganda

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Integrated industrial Policy for Sustainable Industrial Development and Competitiveness

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Ministry of Tourism, Trade and Industry
United Nations Industrial Development Organization
Vienna, 2007

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1. INTRODUCTION

Part I of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness critically examines the evolution of industrial policies in Africa and elsewhere, as well as the historical perspective of policy development in Uganda. A number of policy instruments, strategies and the policy environment are examined as succinctly as possible to determine the impact of such policy instruments, strategies and policy environment on industrial growth and economic development. The policies adopted were also expected to promote accelerated industrial development, create employment, generate additional incomes, raise standards of living and alleviate widespread poverty.

At the very initial stages of industrialisation in Uganda, the contribution of industry to GDP and development was quite significant. In the 1960s right up to the early 1970s, Uganda achieved a rapid and sustained industrial expansion and manufacture value added also increased significantly in real terms.[1] Policies adopted aimed at producing basic consumer goods to replace imports. However, several attempts were made to implement an export-oriented strategy with emphasis on the processing of the country's agricultural and mineral resources for exports, as well as to satisfy domestic demand. An export-oriented strategy encouraged the ploughing back of export revenue into downstream processing activities. Regrettably, industries established maximised the importation of factor inputs and discouraged the utilisation of domestic factor inputs, thereby, frustrating the domestic production of basic factor inputs, as well as the development of technological capabilities and indigenous enterprises.

Both import substitution industries and export-oriented industries were heavily protected. The unprecedented industrial growth and development was short lived. Industrialisation failed to create a sustained impact on growth, development and the structural transformation of the Ugandan economy.

In the 1990s, a new wave of policy development emerged with emphasis on economic recovery and poverty eradication and with the private sector as a lead agent for development and the structural transformation of the economy. Whereas prior to the 1990s an industrial policy was formulated by the Government as a framework for industrial development, highlighting macro-economic features, fiscal and infrastructural elements that would assist industry to develop, policies developed in the 1990s were more interactive with both the public and private sectors acknowledging the need for some form of partnership for policy development, implementation and monitoring.

With the rise to prominence of the private sector in Uganda, the increasing level of globalisation of the world economy and trade liberalisation with emphasis on competitiveness and knowledge resources, both the Government of Uganda and the key stakeholders in the private sector have come to recognise the challenges for export promotion in a competitive global economy. By the end of the 1990s, a number of initiatives were in place to promote research and development (R&D), restructure production patterns, attract foreign investments and diversify the export base.

The Medium-Term Competitiveness Strategy (MTCS 2000-2005) whose primary objectives was to improve the business environment for the private sector to compete effectively in regional and global markets, could be seen as the very first policy instrument in response to the challenges of globalisation. The Medium-Term Competitiveness Strategy (MTCS 2000-

[1] *Survey of Economic Conditions in Africa 1960*-1964; 1972-1974, United Nations Economic Commission for Africa (ECA Secretariat)

2005) recognised the serious structural problems and macro-economic deficiencies inhibiting economic growth and development and advanced measures to improve economic performance and to increase production and exports. However, the Medium-Term Competitiveness Strategy (MTCS 2000-2005) was not industry specific.

The Medium-Term Competitiveness Strategy for 2005-2009, while adhering to some of the key elements of the MTCS 2000-2005, focused on certain drivers of competitiveness, in particular, factor conditions, if inadequate, that could delay the successful economic transformation of Uganda, for example, infrastructure, capital resources, knowledge resources, as well as social and institutional infrastructures. The strategy also addresses sector specific issues, value addition, investments and export promotion. Foreign direct investments are considered highly desirable. However, domestic investments should be encouraged through, inter alia, the development of export processing zones and business parks.

The starting points of this Integrated Industrial Policy, therefore, are the Uganda Vision 2025, the Poverty Eradication Action Plan and the Medium-Term Competitiveness Strategy whose ultimate objectives could be summarised as *wealth creation, sustainable economic development, the effective integration of Uganda in the global economy and poverty eradication through a dynamic private sector-led market economy with selective government facilitating interventions*.

As already illustrated in Chapter 1 of Part I of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, there is no single universal definition of an industrial policy. It is also quite difficult to put forward a convincing argument solely for an import substitution policy or an export-oriented policy. Both policies have proved successful under different circumstances in different countries. In Uganda, both policy approaches could be merged and tried with success, provided, certain essential elements are taken into consideration when advancing policy recommendations.

- This Integrated Industrial Policy takes into consideration the existing capacities and capabilities of Uganda, other existing policies, the country's strengths and weaknesses, as well as the challenges and opportunities offered by globalisation, the East Africa Community and the African Economic Union.

- This Integrated Industrial Policy aims at creating an enabling environment for private sector-led industrial development and a business environment capable of attracting foreign investments for industry and industry related productive activities and services.

- This Integrated Industrial Policy recognises the importance of promoting resource-based industries, in particular, export-oriented industries for increased productivity and growth in all the industrial sub-sectors, bearing in mind the impact of forward and backward linkages in the economy.

- If industry is to be the driving force for economic growth, industrial activities should be sustained through creativity and innovation to continually improve production process and the quality of products.

- This Integrated Industrial Policy also acknowledges that industrial human resource is critical for competitiveness and that the development of specific skills for industry should be the responsibility of the Government and the private sector with the full support of the universities and other technical and vocational colleges.

- Technology and knowledge resources are factors of production and are crucial for competitiveness. The capacity and capabilities to acquire, diffuse and adapt technology, as well as the corresponding capacity and capabilities to develop technology should be promoted jointly by the Government and the private sector with the full involvement of academia.

- Recognising that there is a dearth of competencies for governance, including industrial governance and economic management, joint initiatives between the public and private sectors should be in place to strengthen competitiveness for governance and economic management.

The industrial policy development process has been transparent. From the very initial stages right through its finalisation, the key stakeholders in government, the private sector and academia have been involved. The policy implementation and monitoring process should also be transparent, involving, to the extent possible, all the key stakeholders.

Most of the factors that should influence an industrial policy are outside the domain of the Ministry of Tourism, Trade and Industry. For the industrial policy to be functional and sustainable it should complement other sectoral policies and other sector policies should complement the industrial policy. Government ministries should therefore be able to buy into the policy recommendations entrenched in the integrated industrial policy.

2. INDUSTRIAL DEVELOPMENT: VISION, OBJECTIVES, STRENGTHS AND WEAKNESSES

In the global market place and certainly in Africa, as consumers become better educated and more sophisticated, the demand for innovative and high quality products will increase. Countries in other developing regions are constantly striving to create high value products, improve competitiveness, identify new markets and be fully integrated in the global economy. Many of these countries have a clear vision of industrial development – a desirable structure and performance of industry in the distant future, preferably 10-15 years or 15-20 years. A vision provides coherence and direction for policies and strategies and should be revisited for periodic evaluation and adjustments in line with the existing realities in the country, the region and globally.

Uganda's Vision 2025 has identified poverty eradication as the country's biggest challenge. The major challenge of the Government is human resource development and sustainable livelihood. *Vision 2025* calls for the development of a vibrant and competitive economy in which industry has a significant role in diversifying production patterns and in producing high quality goods for exports. The long-term vision for industry is therefore based on the country's *Vision 2025*. This vision is also reiterated in the 2006 Manifesto of the National Resistance Movement (NRM)

2.1 Industrial vision

The long-term vision for industry in Uganda is that of a vibrant and competitive industrial sector, contributing 20 per cent to the gross domestic product and fully integrated in the global economy.

This industrial vision calls for the development, rational exploitation, processing and effective utilisation of Uganda's enormous agricultural and mineral resources, including the production of final goods for more value addition for the domestic and export markets. It recognises that there is an urgent need to restructure existing industries and other industry related sectors by a corresponding reorganisation of production facilities with a view to improving product quality, efficiency and installed capacity utilisation level.

Foreign direct investments are crucial for the diversification and expansion of manufactured exports. With increase in foreign direct investments, Uganda firms could become an integral part of international supply chains through supply linkages with domestic export-oriented foreign investment ventures or through export positioning directly.

The long-term vision for industry also foresees industrial enterprises taking advantage of the global production system and related supply chains, as well as the development of two types of industries, namely,

- Resource-based industries
- Engineering-based industries.

Resource-based industries are those industries, which depend primarily on the exploitation and processing of the country's natural resources. Examples of resource-based industries include those processing food crops, livestock, fisheries, forest resources, cotton, ferrous and non-ferrous ores, as well as organic and inorganic raw materials. These industries have tremendous potentials for forward and backward linkages within the industrial sector and between industry and other sectors.

The engineering-based industries are the minimum engineering support facilities that would enable Uganda to meet parts of its basic engineering requirements in terms of producing machinery and equipment, spare parts and components and the provision of repair and maintenance facilities.

The rapid growth of industry would necessitate a rapid growth of industrial education and skills development with emphasis on science and technology, engineering and a wide range of crafts. The country should have the capabilities and requisite capacities to master production and process technologies and develop a few selected product technologies. In addition, managerial competencies and professional excellence should be continually nurtured.

Public-private sector consultations and partnerships have emerged as the most effective means of addressing the challenges of globalisation and critical issues of development, including policy development, implementation and monitoring in a country. There are mechanisms for public-private sector consultations in Uganda. The organised private sector, at the apex of which is the Private Sector Foundation Uganda, works closely with the Government, in particular, the Ministry of Finance, Planning and Economic Development. However, there is no sustainable institutionalised public-private sector organ with the right mix of public and private sector stakeholders, including academia and selected civil society organisations to address critical socio-economic issues, monitor the implementation of existing policies and contribute effectively to policy development and policy adjustments.

2.2 Objectives

The objectives of this Integrated Industrial Policy are as follows:

- *To create a business friendly environment for private sector-led industrialisation in which industries could develop, raise productivity and the quality of products through, inter alia, creativity and innovation and become more competitive in the global economy.*

- *To create a framework that supports the joint participation of the public and private sectors in the development of scientific and technological competencies for the production of more value added goods and services for exports and for domestic consumption*.

- *To increase foreign direct investment in industry and in industry related services and manufacturing exports*.

The policy elements and actions in this Integrated Industrial Policy represent not only the interest of the state (Government) but also the interests and concerns of the real agents of industrial development in the private sector. They also reflect the concerns and needs of the population at large, especially in terms of the quality of products and the environment.

2.3 Major strengths

2.3.1 Political leadership

The political leadership in Uganda is passionate about industrialisation and the diversification of the country's production patterns. The ruling party has been instrumental in promoting industrial development and actually attracting foreign investments in direct productive activities. The President of Uganda has challenged the Ministry of Tourism, Trade and Industry to develop an integrated industrial policy that would transform the economy, improve the competitiveness of industry, crate employment, generate incomes and integrate the rural countryside into the modern economy.

2.3.2 Locational advantage

Uganda, though landlocked, has some locational advantages. It shares borders with five countries namely, the Democratic Republic of Congo, Kenya, Rwanda, Sudan and Tanzania. Uganda has established trade links with all of these countries formally and informally. It is a member of the East African Community consisting of Kenya, Tanzania and Uganda, as well as a member of the Common Market for Eastern and Southern Africa (COMESA). Both sub-regions are potential markets for manufactured exports.

Although some parts of the country, the semi arid Northeastern part, for example, are prone to drought, the climate, which is tropical, with cool temperatures in the highlands, is very conducive to agriculture. The diversity of climatic conditions has influenced agricultural production, including horticulture and floriculture.

The country is well served with a number of lakes, all of which have the potential for further fisheries development.

2.3.3 Transparent and effective macro-economic policies

Uganda has adopted macro-economic policies and measures that augurs well for macro-economic stability. The effective implementation of economic reforms and progress in trade liberalisation are also commendable. However, there is still room for improvement.

2.3.4 Public-private partnership

A clear recognition that neither the public sector nor the private sector, per se, can take on the industrialisation challenge and that public-private sector cooperation is the best approach for sustainable industrial development.

2.3.5 Institutional strengths

- The Ministry of Finance, Planning and Economic Development
- The Uganda Bureau of Statistics

- The Uganda Investment Authority

All these institutions have conducted and will continue to conduct analysis of economic conditions, problems and constraints that are of relevance to policy development.

2.4 Major weaknesses

The major weaknesses are indeed consistent with the problems of industrialisation. The Ministry of Finance, Economic Planning and Development, as well as the Ministry of Tourism, Trade and Industry have identified and examined these problems which have also been succinctly analysed in Part I of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness. The following are some of the major weaknesses.

2.4.1 Low agricultural productivity

The development of the industrial sector, more specifically, the manufacturing sector is closely linked to the rate of growth of other sectors in the economy, in particular, the agricultural and mining sectors. In Uganda, agricultural productivity, in an era when the country's population is increasing at an average rate of 3.0 per cent per annum, has reduced the country's food sufficiency ratio, as well as the volume of agricultural raw material inputs for industry. The low volume of production has also reduced the country's ability to supply the requisite quantities of agricultural raw materials at the appropriate time to exports markets and for domestic processing.

2.4.2 Large numbers of industry with considerable unutilised installed manufacturing capacity

There are a number of reasons for this frustrating trend in the industrialisation process, the most notable of which is the wrong selection of production process and the scale of production. In some industries, the installation and running costs of plants and machinery are high. As already mentioned above, the lack of raw materials and the inadequacy of foreign exchange to purchase critical inputs are all contributing factors.

2.4.3 Excessive dependence on external sources for managerial and engineering skills, as well as for other factor inputs

Expatriate salaries, allowances and other charges e.g. cost of repair and maintenance services could represent as much as 30-50 per cent of imported inputs for some industries. Regrettably, these costs are borne in foreign exchange and many of the industries are not foreign exchange earners.

2.4.4 Proliferation of industries that are incapable of generating additional employment and output

At the initial stages of industrialisation, it is quite justified for industries to produce mainly for the domestic market. However, some 40 years on, it is essential for industries to have some potential for export, especially if the Government has adopted a national export strategy.

2.4.5 Lack of an engineering industrial base

The country has limited capacity for the production of intermediate inputs, spare parts and components. This inadequacy has consequently perpetuated the country's reliance on imported intermediate goods, spare parts and components.

2.4.6 Inadequate and incomplete transfer of technology and lack of technological capabilities

Uganda relies excessively on external sources for its technological requirements. Technology is important for sustainable industrial development. There is a lack of capital goods industries, including corresponding engineering facilities. As a result, industries are limited in their choice of technology, production process, product design and maintenance technological know-how. Many manufacturers of industrial plants and machinery have failed to provide the full range of knowledge required for the efficient operation and maintenance of plants and machinery. Uganda lacks the capacity and capabilities to successfully master technology, unpack technology and adapt technology on the basis of the country's resources and needs.

2.4.7 Limited knowledge resources, including market information

Knowledge of process technology is usually protected by patents, trade marks, brand names etc, However, the globalisation of the world economy and the revolutionary development of the internet have made some inroads, to the extent that knowledge of process technology, design etc. need not be the sole property of the manufacturers in the developed or newly industrialised countries. In Uganda, Internet connectivity is limited.

2.4.8 Inadequate infrastructure

As explained in Part I of this Integrated Industrial Policy, the existing physical infrastructure is inadequate. The high cost of infrastructural services has, in a way, fuelled the concentration of industries and industry related services in the Kampala area, Jinja and Masindi. These issues are, however, being addressed by the Government with the support of its cooperating partners to facilitate the establishment of industries throughout the country, especially near the source of agricultural raw materials, thereby integrating the rural areas into the modern economic sector.

2.4.9 Lack of skilled industrial human resource

The shortage of professional and skilled human resource for industry is a major factor limiting not only industrial development but also the rate of economic growth. Industrial managers are in short supply. There is also a dearth of planners, designers, engineers and technologists. Marketing skills, negotiating and communication skills are also lacking.

2.4.10 Shortage of industrial financing

Limited financial resources, in particular, foreign exchange could have far reaching implications on industrial development in Uganda. The flow of foreign capital into the industrial sector in recent years has been encouraging. However, the financial resources for industry are limited. Industrial financing can be obtained from commercial banks at very high cost and in the short-term. The Bank of Uganda has introduced a number of initiatives to help domestic enterprises especially those with export potentials. However, the inability to provide viable and bankable projects, high interest rates and time consuming bureaucracy are all constraining factors to the Bank's efforts.

3. POLICY ACTIONS FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT AND COMPETITIVENESS

The diversification of an economy, economic growth, sustainable development and poverty eradication are dependent on industrialisation. In Africa, however, governments and donors very often tend to neglect industrial development.

The Government of Uganda has accorded high priority to industrial development, including rural industrial development. Policy actions for industrial development are not always in the mandate of the ministry responsible for industry. For example, monetary and fiscal policies, which could have positive or negative impact on industrial development, are under the direct influence of the Ministry of Finance, Planning and Economic Development. Agricultural raw materials development, related R&D, as well as technological services to increase and improve the quantity and quality of agricultural products are traditionally the concerns of the Ministry of Agriculture. Human resource development, involving much more than education, per se, is addressed by several ministries and institutions. It is likely that policy objectives of industrial development may not be in line with fiscal objectives; education and human resource development may not be functional to industry and the industrialisation drive may not take into consideration the productive capacity of the agricultural sector. It is therefore absolutely necessary that industrial development should be addressed at the national level with the involvement of all the key stakeholders and industrial policy actions should be addressed on a wider front. However, and more significantly, other ministries should align their policies to the overall industrial vision and objectives.

Given that Industrial development has been accorded high priority in Uganda Vision 2025 and the 2006 Manifesto of the NRM, a balance between conflicting policy objectives would be required if Uganda is to realise its vision of a vibrant and competitive industrial sector that is capable of contributing approximately 20 per cent to the country's GDP and be fully integrated in the global economy.

3.1 Interactive policy development

Uganda has opted for a policy development process that is interactive, involving the full participation of the Government, the private sector and academia, (the custodians of governance and economic management) in consultation with other key stakeholders, including the country's international cooperating partners.

Recognising that the ineffectiveness of policy design, implementation and monitoring could be the result of insufficient consultations between the key stakeholders, it is proposed to enhance the capacity and capabilities of the public sector to formulate, implement and monitor industrial policies, as well as its capabilities in dealing with the private sector - the direct beneficiary of a realistic industrial policy.

By involving the private sector in policy development and implementation, greater policy transparency and effective policy delivery could be assured.

Other line ministries should identify with the policy actions being forwarded and interactive structures should be in place to facilitate inter-ministerial consultations and public-private sector consultations. The full and constructive involvement of other ministries and the private sector would ensure a more optimal execution of the industrial policy.

3.1.1 Policy actions

- To this end, an industrial consultative committee should be established as an integral part of an institutionalised national consultative mechanism. The industrial consultative committee should consist of equal number of representatives drawn from the public sector and the private sector, including academia and civil society. The industrial consultative committee would review critical issues for industrial development and competitiveness, provide policy advice, monitor the implementation of the industrial policy, and make recommendations for future policy adjustments.

- All line ministries, in particular, ministries responsible for finance, economic development, agriculture, mineral resources, energy, transport and communications, education, etc. should realign their policies in support of the integrated industrial policy.

Time frame: Short-term (within one to two years).

3.2 Institutional arrangement for policy development, implementation and monitoring

3.2.1 The Ministry of Tourism, Trade and Industry

The Ministry of Tourism, Trade and Industry is the result of mergers, in 1998, of the Ministry of Tourism, Wild life and Antiques and the Ministry of Trade and Industry, Cooperatives and Marketing. The mission of the Ministry of Tourism, Trade and Industry is as follows:

> *"To formulate and support strategies, plans and programmes that promote and ensure expansion and diversification of tourism, trade, cooperatives, environmentally sustainable industrialisation, appropriate technology, conservation and preservation of tradable national products to generate wealth for poverty reduction and benefit the country socially and environmentally."*

The key functions of the Ministry have been described in a policy statement for 2004/2005 as follows:

- Formulation and review of appropriate policies, legislation, regulations and standards for the sustainable development of tourism, trade, industrialisation and technology, the cooperative movement and other tradable national products for increased wealth and benefit to the country;

- Initiation, coordination, support, overseeing and, where applicable, facilitation of the implementation of strategies and programmes aimed at enhancing the development and promotion of tourism, trade, the cooperatives, industry and technology, conservation and preservation of other tradable national products and ensuring their maximum benefit to the country;

- Inspection, monitoring and evaluation of the progress, standards and efficiency of the various sectors, under its mission for quality assurance, policy direction and guidance;

- Conducting studies and evaluation of the impact of the sectoral, fiscal and other policies on the advancement of the diversified sector so as to advise stakeholders appropriately;

- Promotion and coordination of the research activities and initiatives of the sector, with a view to ensuring, that results are utilised and are beneficial to the country and all stakeholders;

- Assessment of the need and, where necessary, mobilisation of resources to support balanced industrial, cooperatives, tourism, and entrepreneurial development for the eradication of poverty in the country;

- Collection, processing, analysis, and dissemination of the national and international information on the respective sectors hence providing vital input necessary for the improvement of rational decision-making;

- Participation in negotiations and implementation of bilateral and multilateral negotiations.

The mission and functions of the Ministry has been reviewed and assessed thoroughly within the framework of the Medium-Term Competitiveness Strategy. In 2004, the Ministry of Finance, Planning and Economic Development, commissioned Price Water House Coopers Ltd to conduct a functional analysis of the Ministry of Tourism, Trade and Industry. The report including the recommendations is being addressed by the concerned parties in Uganda. However, within the framework of the institutional arrangements for policy analysis, development, implementation and monitoring, a few concrete policy recommendations are highlighted in this Integrated Industrial Policy.

The Ministry of Tourism, Trade and Industry, in particular, the section responsible for industry and technology does not have the capacity and capabilities to perform its functions effectively. Regrettably, industrial services, which should ensure the production of quality goods for exports and tourism, safeguard the health of consumers and tourists, as well as protect the environment in which tourism could thrive, have been, inadvertently, given the lowest status in the hierarchy of the Ministry. The very name of the Ministry – Ministry of Tourism, Trade and Industry should be the starting point of redefining industry's role in the Uganda economy. Some thought should be given to renaming the Ministry as follows:

"Ministry of Industry, Trade and Tourism"

The capacity and corresponding capabilities for policy research, policy analysis, policy development, implementation and monitoring are weak. There is a need to strengthen the Ministry in terms of the organisational structure for industry and skills development; collecting and analysing industrial and technological information; sharing information with the private sector and utilising the information for policy development, policy adjustment and investment decisions.

3.2.1.1 Policy actions

- Strengthen professional excellence by establishing a continuous learning system and process to improve research and analytical skills, as well as capabilities in conducting competitiveness analysis and sub-sectoral studies for policy development and policy adjustments.

- Intensive in-house training programmes and external placement training programmes should be introduced, as an integral element of the Ministry's human resource development strategy.

- Establish a private sector liaison and facilitation unit with responsibility of establishing meaningful strategic alliances with the private sector.

- Upgrading the research and policy analysis unit of the Ministry to a full department or commission, as appropriate, This unit would be the think tank of the Ministry with responsibility for providing assessed industrial, technological and related trade information for policy and investment decisions. In particular, the new department or commission will focus on industrial sector research and trade sector research. It will be responsible for collecting, analysing and processing industrial and trade statistics and data, as well as conducting industrial sector surveys.

Time frame: Short to medium-term (one to four years).

3.2.2 Public-private sector consultative mechanism

The Government of Uganda recognises that it cannot on its own promote economic development and sustainable industrial development. In this regard, the Government has challenged the private sector to act as an equal partner in the development process. At a time when the private sector was extremely weak, the Government endorsed the creation of the Private Sector Foundation Uganda (PSFU) and has since worked closely with the PSFU to address critical issues for private sector development and other economic issues.

Public-private sector consultation in Uganda is gradually being nurtured. It is increasingly being used to reach broad consensus on many issues. In countries where there are sustainable national public-private consultative mechanisms, such mechanisms have proved extremely useful in reaching consensus on policy decisions, in particular, in improving the efficacy of public policy and investment decisions. In Uganda, the Presidential Investors Roundtable could be integrated in the proposed public-private sector consultative mechanism under the chairmanship of the President.

3.2.2.1 Policy actions

- A national public-private consultative council should be established, consisting of high-level decision-makers in government, business, academia, labour organisations and selected non-governmental organisations, thus ensuring that the interests, aspirations and priorities of the various stakeholders are adequately addressed in the national economic development and industrialisation process. The structure, objectives and functions of the consultative council should be defined after careful analysis of the dynamics, implications and benefits of establishing such a body in Uganda. The national public-private sector consultative council should be more structured and should be established by statutory instruments to ensure sustainability in the consultative process.

- Strengthen the capacities and capabilities of the public sector and the organised private sector to collect, analyse and share information of relevance to the policy decision- making process.
- The Government and the PSFU should assist the private sector in strengthening or establishing credible sub-sectoral associations and business associations for more effective advocacy with key stakeholders, for collecting, analysing and sharing information, to improve networking and cooperation at the national and international levels, as well as for effective participation in the consultative process.

- Establish public-private consultative mechanisms at the district-level to integrate key stakeholders in the districts into the national consultative process and ensure that the interests, aspirations and priorities of the districts are properly and adequately addressed at the macro-level.

Time frame: Short to medium-term (one to three years)

3.3 Deepening and widening the industrial base and strengthening linkages

This implies the diversification of industrial production, the establishment of new production structures, as well as the restructuring and rehabilitation of existing industries. The industrial base of Uganda is relatively narrow. Total manufacturing accounts for about 10 per cent of GDP, with the food processing and other agro-industries accounting for the bulk of manufactured products. Some of these industries are still heavily dependent on imported raw materials. These raw materials could easily be produced locally if appropriate policies are in place, the infrastructure is significantly improved and financial and human resources are readily available for agriculture.

The widening of the raw material base is a *sine qua non* for the development of resource base industries. Strategies aimed at mineral resources development could also contribute to the development of the metallic and non-metallic mineral industries and the promotion of downstream industries with increased value added for manufactured exports.

The restructuring and rehabilitation of industries, currently in a precarious state, could increase the level of performance in manufacturing activities, as well as improve capacity utilisation. It also implies the revitalisation of industry through new investments and technology and improvement in quality and standards.

3.3.1 Policy actions

- Promote the diversification of goods and services for the tourism industry with particular emphasis on rural enterprise development.

- The Government in cooperation with the private sector and Uganda's cooperating partners should conduct comprehensive integrated mineral resource surveys to determine the country's mineral resources and volume of existing reserves.

- Concrete programmes and effective implementation strategies should be in place for the continuous modernisation of agriculture to improve the quality of agricultural raw materials for industry.

- Foreign investors and industrial operators in the country should be encouraged to establish industries in different regions and districts (especially in areas where the raw materials are located and infrastructure and other support services are available) with a view to integrating these areas into the modern industrial economy, creating employment and generating incomes, thereby reducing the increasing trend of migration from the rural areas to the towns and city.

- Provide technical and financial assistance to existing industries whose rehabilitation needs have been thoroughly assessed. This policy element could be implemented with the full support of multilateral partners and potential investors.

- Private sector industrial firms and entrepreneurs should investigate the feasibility of mergers between enterprises producing similar products in the country and in the East African Community.

- Strengthen the Uganda Industrial Research Institute to provide R&D services to industry and to contribute substantively to product selection and production process.

Time frame: Short, medium and long term-term (depending on the policy element.).

3.4 Macro-economic environment and policy

The Government of Uganda has been successful in containing the rate of inflation, which is currently below the 5 per cent target. Various policy measures are in place to achieve macro-economic stability and promote private sector-led industrialisation. However, interest rates are still high and unpredictable. The exchange rate is also volatile and the continuing decline of the Uganda Shilling against the major international currencies threatens, not only the performance of industries, but more so, the ability of existing enterprises to compete.

A sound macro-economic policy is the first step towards creating a business environment that is conducive to private sector development. With policy measures in place for macro-economic stability, investors' confidence in the economy has been restored. However, development is a dynamic process and so is policy development. Therefore, monetary policy, financial sector policy, fiscal policy investment and trade policies should be periodically assessed to ensure that they are in line with the country's industrial aspirations.

3.4.1 Monetary policy

The Government's decision to keep inflation at a maximum of 5 per cent is commendable. Low inflation has positive effects on GDP growth. The country's monetary policy ensures that inflation is kept below the maximum rate of 5 per cent.

3.4.1.1 Exchange rate policy

In the Poverty Eradication Action Plan 2004/5 – 2007/8, it is stated that, according to a recent study, the Uganda Shilling could be overvalued.[1] The country's reliance on foreign aid inflows is believed to be partly responsible. An overvalued currency frustrates the competitiveness of Uganda industries because of its detrimental effects on the ability of domestic manufacturers to penetrate the global market or to compete with cheap products being imported into the country. The existing exchange rate policy therefore, induces a bias against exports. The exchange rate should be seen as an instrument to encourage export promotion, as well as restraining inflationary expansion of money supply.

3.4.1.2 Policy action

- The Bank of Uganda should allow the real exchange rate to depreciate slightly but ensure that the exchange rate remains at a competitive level.

  Time frame: Short-term as appropriate

3.4.2 Interest rate

The increases in the stocks of Treasury bills and the Treasury bill interest rates have subsequently increased Government's interest costs and interest rate in Uganda. It is estimated that Government's interest costs have increased by 1000 per cent during the period 1998/99 to 2003/2004[2] from 21 billion Uganda Shilling to 190 billion Uganda Shilling. It is believed that "a reduction in the fiscal deficit will lead to a gradual decline in the burden of interest payment and the Government's budget.[3] However, interest rates should not be based on fiscal targets. Monetary conditions and other trends in the economy should be taken into consideration.

3.4.2.1 Policy action

- The Bank of Uganda should pursue an effective and realistic interest rate policy based on monetary conditions, in particular, the money supply, inflation rate, credit extension and risks involved in pursuing certain economic activities

  Time frame: Continuous intervention as appropriate.

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[1] Ministry of Finance, Planning and Economic Development - *Poverty Eradication Action Plan 2004/5 – 2007/8, page 41.*

[2] Ministry of Finance, Planning and Economic Development — 2007/8, *Poverty Eradication Action Plan 2004/5* page 40

[3] Ibid.

3.4.3 Financial sector policy

Finance is a major constraint on industrial development. It limits industry's ability to expand, to acquire new technologies, to restructure and modify production processes and to compete. The major sources of financial resources are taxation and export earnings from the sale of primary and manufactured goods. Uganda also relies on donor contribution to its development efforts. The revenue collection machinery is not without drawbacks making it sometimes impossible to collect revenue in some places. The decline in agricultural production and low incomes has reduced the propensity to save. Government expenditure and its high borrowing activities in the domestic market also have negative effects on the viability of the domestic credit market.

The financial market in Uganda is weak. Commercial Banks play a critical role and support private sector funding, as there are limited options in mobilising financial resources for industrial development. Uganda is one of the few African countries with a Stock Exchange. Large companies, as well as credible medium enterprises can raise funds in the Stock Exchange by issuing securities.

The flow of foreign exchange, mainly by donor aid and earnings from exports, creates opportunities for loans to the private sector to be in foreign exchange. The private sector's main competitor for commercial bank's credit is the Government. The onerous terms and conditions of commercial borrowings, especially commercial borrowing in the international finance markets inevitably increases production costs and industry's ability to compete. Several initiatives are in place to raise domestic savings, increase deposits of commercial banks, thereby strengthening the banks' ability to create credit and provide long-term finance for industrial development.

3.4.3.1 Policy actions

- Industries capable of earning foreign exchange should be allowed to operate foreign exchange accounts. To minimise the indiscriminate use of foreign exchange, a ceiling should be established.

- Strengthen the capacity and financial capabilities of the Uganda Development Bank with a view to providing concessionary credit and equity investments for industry, in particular, for export processing industries.

- Establish an Industrial Development Fund or Corporation with a combination of grant funding, government equity and soft loans and equity provided by multilateral development finance institutions. The Fund or Corporation should be mandated to identify, develop and finance viable industrial projects

- Create a national industrial finance scheme to provide financial support for the purchase of capital equipment; provide credit guarantee to commercial banks to minimise the risk element of industrial loans, medium and long-term loans, in particular; provide funds for international marketing, skills development; technology acquisition, transfer, adaptation and development.

- Commercial banks and other financial institutions should be encouraged to grant soft loans to small and medium enterprises, especially those involved in the production of intermediate goods, spare parts and components.

- Introduce realistic financial products to support industrial expansion and sustainable industrial development.

- Introduce measures to strengthen existing facilities in preparing bankable investment projects for domestic and foreign financing.

Time frame: Open-ended but certain policy elements are definitely for the short to medium-term (one to five years)

3.4.4 Fiscal policy and related issues

Transparency and consistency in fiscal policy provides an environment in which industries can organise production, plan future expansion without substantial loses in profits as a result of high levels of taxation.

In common with other African countries, tariff protection in Uganda has been utilised as a protective measure for domestic industries. In addition, a number of incentives are offered to foreign investments. All such measures could decrease the revenue collection potential of the Government. In addition, the tax administration structure is weak. Major initiatives have been introduced to improve the tax administration structure. The Government has been pursuing *"an aggressive policy of reducing taxes to remove distortion, to reduce protection, to improve competitiveness, to improve incentives for export"*.[1]

The Government is definitely in need of additional revenue. However, measures to maximise revenue collection should not inflict undue hardship on the private sector and industry. During the enterprise competitiveness survey, industrial firms expressed concerns about taxation, especially tariffs on plants and machinery, raw materials etc.

The Treaty establishing the East African Community calls for the establishment of a Customs Union and subsequently a full Monetary Union. The main objective of the Customs Union is to liberalise inter-regional trade, promote efficiency in production, ensure domestic, cross border and foreign investments. In this context, certain fiscal and tax related measures will be applicable including the following;

- A common set of import duty rates applied on goods from other country

- Duty-free and quota-free management of tradable goods among constituent's customs territories.

- Harmonisation of customs rules, documents and procedures.

- A common trade policy and common coding and description of goods.

The tax policy should therefore recognise that broadening the tax base would ensure sustainability in tax revenue. However, a balance should be established between maximising tax revenue and industrial development.

[1] Ministry of Finance, Planning and Economic Development – *Poverty Eradication Action Plan 2004/5-2007/8, Page 44*

3.4.4.1 Policy actions

- To ensure transparency and credibility in the tax administration/system, a legal framework that supports a case law system should be established

- Review and improve taxation policies, in particular policies relating to tariffs on raw materials, capital goods, spare parts and components, corporate taxes etc. to ensure a proper balance between revenue collection and sustainable industrial development.

- Revitalise the duty draw back scheme with a view to ensuring more benefits to the manufacturing sector.

Time frame: Short-term (one to three years)

3.4.5 Investment policy

As indicated in Section 1 of this policy document, the integrated industrial policy aims at creating an enabling environment that will attract foreign investments and create a business environment for private sector-led industrial development. A major element of industrial development and growth is increased investment in productive activities.

The existing investment policy/strategy and plan for 2004-2009 aims at improving the investment climate and attracting high quality investment with a view to creating employment, promote balanced regional development in Uganda and generating incomes, in particular, export earnings.

The Uganda Investment Authority (UIA) is at the apex of investment promotion in Uganda. Its mission is *"to market Uganda's investment opportunities and to ensure that Uganda becomes the best investment destination through provision of quick and quality facilitation services to all prospective investor to the country"*. In recent years, UIA has advocated for a number of fiscal incentives and non-tariff incentives that have contributed to the increase inflow of foreign investments to Uganda. However, there are internal factors impeding industrialisation in Uganda. These have been addressed in Part I of the Integrated Industrial Policy. A sustained improvement in the enabling environment is, therefore, a pre-requisite for more quality investment, especially in manufacturing and related services.

3.4.5.1 Policy actions

- Harmonise conflicting laws and regulations that are outside the scope of UIA)'s mandate but applicable for investments.

- Encourage the involvement of the private sector in infrastructure development by offering special investment incentives.

- Introduce mechanism and measures that will facilitate the completion of investment projects within the shortest possible time.

- The UIA has been given a significant role in the development of export processing zones. It should, therefore ensure that the activities in the export processing zones are matched with resource endowment, as well as market and distribution opportunities and outlets.

- Introduce measures to strengthen existing facilities in preparing bankable investment projects for domestic investment and for joint ventures with foreign investors. In particular, strengthen the capacity and capabilities of the Uganda Investment Authority for effective investment project completion.

Time frame: Short to medium-term (one to five years)

3.4.6 Trade policy[1]

Export opportunities and access to market are identified by over two-thirds of the industrial enterprises surveyed as critical for sustainable industrial development. The existing policy supports export promotion through the alleviation of major barriers to trade. The enterprises also express concern over illegal imports and the country's limited capacity to honour international agreements and meet international standards. It should be noted that the Government has introduced and is currently implementing several measures to facilitate regional and international trade. Some of these measures have already been reviewed in this policy document. A National Trade Policy has been formulated and once adopted by Parliament, the Policy will be implemented.

3.5 Industrial Human Resource

Higher education and improving skills are critical for development and productivity enhancement. The Government of Uganda recognises the importance of a well-educated population and has in place a *Universal Primary Education Programme (UPE)* launched in 1997.The programme supports and promotes secondary education not only in the urban and semi-urban areas but also in the rural areas with a view to widening access to secondary education. The Government also plans to increase the number of students enrolled in universities, technical colleges and vocational institutions, thereby increasing the percentage of qualified and well-trained labour in the working population. In spite of all the efforts of the Government, the private sector, the donor community and non-governmental organisations to develop the country's most important asset – human resources – there are still shortages of critical skills for industry including management and entrepreneurial skills.

There is a dearth of planners, engineers, designers, technologists, and technicians. The inadequacy of skills, in particular industry specific skills, is due to the shortage of industry-specific training facilities and the weak university-industry linkage. In addition, the education system is not functional to production. Both primary and secondary schools should offer courses to develop basic skills required for a wide range of industrial activities.

3.5.1 Policy actions

- A public-private multi-disciplinary expert group should be established to identify, analyse/assess training needs for industry. The focus should be on future needs for each of the industrial sub-sectors, but more specifically for industries with the ability to compete in the global market. The group should also assist the Government in

[1] Trade policy has been dealt with and will continue to be addressed by the Ministry of Tourism, Trade and Industry in collaboration with other line ministries.

defining a comprehensive industrial human resource policy for sustainable industrial development.

- Business education should be provided at all levels within the education system (primary, secondary and tertiary levels) with a view to nurturing business culture and business thinking in all levels of society.

- The Government should strengthen and establish vocational and technical training institutions with the full involvement of the private sector.

- The Government and the private sector should promote and develop university industry linkage for skills development, research and development, innovation and other value added services. In particular, the Government should invest more on science and technology including ICT and digital technologies to increase resources for business, industrial development and improved competitiveness.

- Promote the development of engineering facilities and apprenticeship schemes to create a cadre of professional and highly skilled human resource.

- Industrial enterprises should have comprehensive in-plant training programmes as integral elements of their human resource development programmes.

- Industrial enterprises should encourage their employees to further develop their skills and strengthen competencies for better management and sustainable industrial operations.

- Foreign investors should incorporate training and skills development as integral elements of foreign investments.

- The Government with the support of multilateral organisations such as UNIDO should establish a continuous learning system and introduce effective measures to strengthen competencies for governance, including corporate governance and economic management.

Time frame: Short to medium-term (two to five years). There are certain policy recommendations that are open-ended.

3.6 Developing infrastructure for competitiveness

The enterprise/competitiveness survey reveals that industries in all the sub-sectors covered are concerned about the inadequacy and high cost of infrastructure, in particular, the high cost of electricity. The Government of Uganda recognises the importance of infrastructure for industry. The development and sustainability of road networks throughout the country is a priority and the Government has invited the private sector to join forces with the public sector in the construction and maintenance of roads.

Although the railway is in a deplorable state, its contribution to the transport of raw materials and other bulky goods should not be underestimated. Rail transport accounts for about 40 per cent of bulk goods to the ports of Mombassa and Dar-es-Salaam and from Mombassa and Dar-es-Salaam to Uganda. The Medium-Term Competitiveness Strategy 2005-2009 provides for the rehabilitation of the railways. There are also plans to improve the inland water transport system and landing infrastructure.

Electric energy supply is inadequate for industry and the cost of electricity is also relatively high. Both the supply and cost of energy are critical for competitiveness. The Government is also promoting public-private partnership for energy development.

The establishment of export processing zones is also a major infrastructural development being promoted by the Government.

3.6.1 Policy actions

- The Government in consultation with the private sector should develop specific strategies and programmes for public-private partnership for the development of infrastructure with clearly defined responsibilities for both parties.

- Effective energy management, and conservation measures should be introduced to ensure continuous electric energy supply at lower cost.

- The Government and the private sector should promote the development and effective utilisation of hydroelectric power and solar energy for industrial use.

- Concrete strategies and measures should be introduced to strengthen urban and rural water management and distribution including effective measures to integrate water supply for industrial use and industrial waste water recycling.

- Investment resources should be mobilised for the development of infrastructure, especially for the provision of electric energy, water and the development of export processing zones with shared infrastructural facilities for water supply, effluent treatment, cleaner production centres and other business services.

Time frame: Short, medium to long-term (two to ten or more years)

3.7 Science, technology and knowledge resources

As Uganda implements its National Export Strategy and pursues a programme of rapid industrialisation, science and technology must receive a new stimulus. The Government fully supports the development of science and technology and has in place the Uganda Council of Science and Technology and other science and technology institutions, including institutional facilities in the universities. The Poverty Eradication Action Plan 2004/5-2007/8 recognises the need for *"institutional reforms and strengthening in the area of assessment and importation of technologies and their modification to suit the Uganda situation"*.[1] However, it is highly desirable also to have in place a science and technology plan whose main objectives should include the development of national technological capabilities for sustainable industrial development and competitiveness. A climate for scientific research and technology development should be created with the improvement of scientific and

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[1] Ministry of Finance, Planning and Economic Development – *Poverty Eradication Action Plan 2004/5-2007/8, page 68*

technical education at the primary and secondary school levels and the build up of technological infrastructure to support the acquisition, absorption and development of technology.

In common with other African countries, Uganda has relied heavily on the importation of technology. Technologies developed nationally are, in general, used in agriculture and other traditional productive activities. Very little or no efforts have been made to incorporate imported technology to production patterns that are suitable to Uganda. Technologies imported from the developed countries or from other developing regions are not adapted to suit prevailing conditions in Uganda. Most of the newly industrialised countries in South East Asia were able to acquire technology with adequate information that enabled them to modify or improve the technology for more efficient production. They were also able to innovate and develop their own production and process technologies by involving nationals in industrial project planning and project design technology.

Closely related to science and technology development is the country's stock of knowledge resources which, as indicated in Part I of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, could be found in the universities, research institutions, business services, financial services, consultancy services, skills and know-how embodied in an experienced work force. Knowledge resources are inadequate in Uganda and concrete measures should be taken to increase knowledge resources for better economic performance, in general, and industrialisation, in particular.

3.7.1 Policy actions

- Improve and establish technological centres and research institutions to assist in the identification of technology needs for industry, advise on the selection of technology, analyse technological information of imported technology, as well as assist in the installation of technology.

- Exiting industries and new investments should be encouraged to utilise the services of local technological institutions and consultants as a means of developing national technological capabilities.

- The Private Sector Foundation Uganda, the Uganda Manufacturers Association and the Uganda National Chamber of Commerce and Industry, with the assistance of the Government should establish a mechanism to collect and disseminate scientific, technological and industrial information on production processes, product designs, plants, machinery and equipment.

- Technology and licensing agreements between industrial enterprises and foreign partners/licensors should be reviewed by appropriate technology centres, the Ministry of Tourism, Trade and Industry and the Uganda Investment Authority with a view to ensuring that foreign partners take full responsibility for the easy supply of relevant intermediate goods, spare parts and components.

- The Government and the organised private sector should actively promote the commercialisation of R&D results. The Government, in particular, should establish a fund to support industrial research and technological improvements.

- Highly skilled employees and employees with specialised skills and knowledge in the various industrial sub-sectors should be encourage to innovate and pursue specialised training programmes to enhance their skills and competencies for innovation.

- Existing engineering facilities and workshops should be strengthened to increase the scope of their productive capacities, including engineering design and the manufacturing of spare parts and components.

- Large and medium-scale industrial firms should be encouraged to subcontract some activities to small enterprises, including reconditioning and rebuilding of spare parts and components.

- The Government and the private sector should promote joint marketing and market research activities with a view to improving product quality and standards, as well as widening market access.

- Inter- firm cooperation /collaboration for technology development should be promoted

- Technological training should be an integral element of all industrial projects, in particular large-scale and highly technological industrial projects as foreseen in the investment strategy and national export strategy.

- A national award scheme should be introduced for industrial operators, employees and institutions that excel in science and technology for sustainable industrial development and competitiveness.

- Effective public-private partnership should be established for the provision of adequate stock of knowledge resources and support services for industry.

- The Government and the private sector, with the full involvement of the university and research institutions should establish strategic alliances with knowledge research institutions and increase networking within Uganda and elsewhere in Europe, Asia, America and Africa with a view to ensuring the continuous acquisition and provision of knowledge resources for industrial development and competitiveness.

- Industrial enterprises, as well as research and technological institutions should also establish strategic alliances with sub-regional and regional technology centres and institutions and make extensive use of the services being offered by such institutions.

Time frame: *Short, medium and long-term. (one to seven years, some elements are however open-ended*)

3.8 Rehabilitation, upgrading of plant and equipment; technology improvement, quality and standards

Technology improvement, rehabilitation, restructuring, product quality and standards are indeed firm level responsibilities. Industrial firms should adopt firm level policies and strategies with a view to improving production processes, product quality and competitiveness at the national level and in the global market.

Rehabilitation and restructuring imply increased level of performance, quality and utilisation of raw materials and other factor inputs, the upgrading of production processes, application of improved techniques, training and retraining of employees to upgrade skills and core competencies of relevance to production, marketing and distribution, new investment in modern technologies, better corporate governance, improved quality of management and organisation of production structures. Restructuring also implies, where possible, mergers to take advantage of economies of scale.

To be competitive, industries should also improve the quality and standards of their products. The Uganda National Bureau of Standards (UNBS) is expected to promote standardisation, quality assurance, laboratory testing and metrology. As the country pursues a national strategy for export promotion, the UNBS should be in a position to issue credible certificates on export standards. The Uganda National Bureau of Standards has to be strengthened to carry out its mandate effectively and provide the requisite industrial support services to industry. There are other agencies providing services in quality and in monitoring standards. Similarly the capacities of these agencies should be strengthened and more effective strategic work relationships should be established between the Bureau and the agencies.

Technological improvement and upgrading of plants and machinery are intended to build capacity for the assimilation of new technologies, product adaptation, the diversification and development of new products, improvement in product quality and international standards.

3.8.1 Policy actions

- The Ministry of Tourism, Trade and Industry in cooperation with the Private Sector Foundation Uganda, the Uganda Manufacturers Association, the Uganda National Chamber for Commerce and Industry, the Uganda Investment Authority and the Uganda Bureau of Statistics should conduct a nation-wide survey of industrial enterprises producing essential consumer items and goods for exports, as well as utilising domestic raw materials with a view to determining, their rehabilitation or restructuring needs. The survey should be conducted with financial and technical support of the donor community, multilateral and bilateral organisation such as, the United Nations Industrial Development Organization (UNIDO) and the African Development Bank (ADB).

- The Government, in particular, the Uganda Investment Authority should assist industries in mobilising investment and technology for rehabilitation, restructuring, upgrading of production processes, product improvement and diversification of production.

- Industrial enterprises producing identical or similar goods and complimentary products in a particular subsector should investigate the feasibility of mergers to exploit economies of large-scale production, improve industry-level cooperation and strengthen capacities to access international markets.

- Mechanism should be established to ensure that adequate resources are made available to industrial enterprises utilising local raw materials and labour-intensive technologies for the production of competitive export goods.

- The existing standards, quality, accreditation and metrology infrastructure should be strengthened to improve the quality of products, testing and calibration.

- In particular, the existing metrology laboratories should be strengthened and where appropriate, new ones established with adequate measures introduced to improve certification and accreditation.

- The Government and its cooperating partners and agencies should persistently promote the development of standards in line with international standards for the manufacture of industrial products for export and domestic consumption.

Time frame: Short to medium-term (two to five years; some policy elements are, however, open-ended)

3.9 Environmentally sustained industrial development

Experiences elsewhere in the developed and developing world have shown that rapid industrialisation, which involves increased energy consumption and intense use of raw materials (natural resources) could easily be accompanied by the degradation of a country's natural resources, including forest resources. In addition, intense industrial activities could increase pollution levels, in particular, air and water pollution.

The Government and people of Uganda are concerned about the environment. There are existing strategies and programmes for pollution control, biodiversity, energy conservation soil and water conservation. The institutional infrastructure and capabilities for the effective implementation and coordination of these strategies and programmes are inadequate. The National Environment Statute of 1995 provides policy guidelines on various aspects of environmental management conservation and protection. There are also clearly defined regulations on environmental standards and the consequences of non-compliance to the environmental regulations and standards. However, given the limited institutional capacity and corresponding capabilities, the enforcement of legal requirements is not always possible.

3.9.1 Policy actions

- The enforcement of existing laws and regulations on pollution and other environmental issues should be strengthened through the introduction of effective pollution control mechanisms and environmental audits to minimise pollutions and health hazards from industrial waste water, solid waste and dangerous toxic emissions.

- Environmental quality planning should be an integral element of all infrastructure development and industrial projects.

- Measures should be taken to strengthen environmental monitoring systems to minimise the discharge of solid waste, improve wastewater management and pollution control.

- The Government and the organised private sector should promote the acquisition of environmentally sound technologies and introduce cleaner production techniques in industrial production.

- The Government and the private sector should promote the development of recycling industries and facilitate the collection and recovery of waste materials.

Time frame: Short to medium- term (one to five years)

3.10 Trade diversification and market access opportunities

The collective decision of the Government and the private sector to diversify industrial production to produce high quality value added goods for export should be matched by the political will of the Government to assist industrial enterprises in the marketing and distribution of their products, in expanding into new markets and in offering and sustaining certain incentives to achieve the desired export performance. The domestic market in Uganda is relatively small for a number of industrial products. The demand is influenced primarily by private consumption expenditure of which a substantial amount is for processed food, fuel, water, electricity, clothing and health.

The decline in agricultural production and the prices of some agricultural products have drastically reduced farmers' incomes and increased poverty in rural farming communities. However, there are a number of policies and programmes (selective interventions) to modernise and commercialise agriculture, thus ensuring increased level of incomes for the rural farming communities and the demand for non-farm products.

The small domestic market, however, should not be a problem for trade diversification and market access, as Uganda is a member of the East African Community (EAC) and the Common Market for East and Southern African States (COMESA). These two sub-regional groupings have adopted preferential market access agreements that are favourable to market expansion of industrial products originating from member states.

There are also opportunities for trade diversification within the framework of the Lomé Convention, the Cotonou Agreement and the US Africa Growth and Opportunities Act (AGOA). The major constraints to industrialisation, which have been comprehensively assessed in Part I of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, have frustrated Uganda's efforts to fully exploit the opportunities and benefits offered by these agreements.

3.10.1 Policy actions

- The Government and the organised private sector should introduce measures to increase awareness of the opportunities and benefits of existing preferential market access agreements.

- The Government and the organised private sector should provide support to industrial sub-sectors with the potential to produce high quality value added products for export by assisting them in the mobilisation of financial and technological resources, in strengthening capacities for the provision of business services, market information and trade expansion.

- The Government, in cooperation with the organised private sector, should organise trade missions, preferably incorporated in state and official visits of the President to other countries in Europe, the USA, Asia, Latin America and Africa.

- The Government and the organised private sector should initiate and promote programmes to strengthen business networks, firm collaboration, including mergers where appropriate, as well as organise training programmes to increase capabilities in investment and trade negotiations and marketing.

- Mechanisms and measures should be in place to ensure the effective implementation and continuous improvement of the national export strategy to create better and more export opportunities and to increase the value of products for exports.

Time frame: Short to medium-term (one to five years)

3.11 Gender in industrial development

Although women represent about 57 per cent of the country's population and about 35 per cent of the workforce, their involvement in industrial production is mainly at the lowest levels. Gender based discrimination and cultural stereotypes continue to restrict women's role in industrial development and policy decision-making. Women are concentrated in low skilled production activities with very little chances of skills upgrading. The gender division of labour is visible in some industries, for example, in the textile industry. Men tend to work in areas that are more dependent on technology, in the technical fields, in sales/marketing and in management. Women on the other hand are in spinning, finishing, cutting, hemming, packing and in clerical and cleaning jobs, all of which are routine with very little incentives on offer for creativity and innovation.

There are also inadequate support services for women in industry. Culturally determined norms also influence women's access to productive resources and services. Sexual discrimination and sexual harassment are also obstacle to effective participation of women in industrial development.

3.11.1 Policy actions

- Existing gender policies in government and industry should be reviewed, assessed and harmonised to remove inconsistencies and strengthen capacity for gender mainstreaming in industry.

- The Government and the private sector should strengthen gender-mainstreaming efforts through training in gender analysis, gender planning and realistic application of gender strategies and measures for effective mainstreaming of gender in industrial operations.

- Gender focal points should be established in industry and industrial support institutions to ensure that gender is addressed in employment policies, investments and technology and in skills development.

- The Government and the private sector should intensify measures to promote and develop vocational and technical education for women and girls, including taking affirmative action in terms of increasing the percentage of women and girls in technical and vocational institutions.

- The Government and the organised private sector should establish women specific industrial development funds to facilitate access to credit for women in industry, for production, technology upgrading, skills development, marketing and export promotion.

Time frame: Short to medium-term (one to five years)

3.12 HIV/AIDS, industrial production and sustainable livelihood

There is evidence that HIV/AIDS is having a negative impact on industrial production. There are about 530,000 people living with HIV/AIDS in Uganda. It is estimated that about 30-40 per cent of absentees is related to HIV/AIDS. This means that in the long run HIV/AIDS could cut the supply of labour for industry, reduce incomes for many households and thereby decreasing the demand for non-farm products with the exception of medicine and health products. HIV/AIDS could therefore impact negatively on the sale of industrial goods. The shift in consumption patterns could seriously affect the structure of industry and industrial production.

3.12.1 Policy action

- A comprehensive assessment of the impact of HIV/AIDS on industrial production and consumption patterns should be conducted with a view to introducing strategies, code of practices in industry and programmes to sustain production, as well as urban and rural livelihoods

Time frame; Short-term (within one year)

3.13 Policy implementation and monitoring

As discussed in Part I of this Integrated Industrial Policy, it is no longer quite acceptable for governments per se to define policies. The new approach to policy development involves public-private consultations and partnership. To the extent possible, the concerns and aspirations of the private sector have been adequately addressed in the policy actions.

The key factors that inhibit industrial development and competitiveness are outside the direct influence of the Ministry of Tourism, Trade and Industry. Likewise, some of the policies that influence industrial development and competitiveness are outside the domain of the Ministry of Tourism, Trade and Industry. In the circumstances, other ministries and key stakeholders in the public sector and in the private sector should be able to buy into the industrial policy elements and policy instruments to ensure effective implementation. The proposed industrial consultative committee (ref. 3.1 above) should also be responsible for monitoring the implementation of the Integrated Industrial Policy and make recommendations to the Ministry of Tourism, Trade and Industry for policy adjustment if and when appropriate.

3.13.1 Policy actions

- The strategy for the implementation of the all the policy actions in this Integrated Industrial Policy should be defined within six months after the adoption of the Policy by Parliament.

- An interdisciplinary team drawn from the public and the private sector should be established to prepare the implementation strategy and plan of action with clearly defined time frame.

- The Government with the support of UNIDO should establish a policy implementation and monitoring mechanism/system with appropriate tools in the Ministry of Tourism, Trade and Industry or in the proposed public private consultative council.

Time frame: Short-term (within one year)