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UGANDA

Integrated industrial Policy for Sustainable Industrial Development and Competitiveness

Part III - Policy for Micro and Small Industries Development



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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Part III - Policy for Micro and Small Industries Development

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

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1. INTRODUCTION

The Poverty Eradication Action Plan 2004/5-2007/8 recognises the important role of micro and small enterprises in economic development and poverty eradication. The Medium-Term Competitiveness Strategy also aims at improving the business environment for micro and small enterprises. Throughout the world, micro and small enterprises have contributed quite substantially to employment creation, income generation, towards an equitable distribution of wealth, improved social conditions and the creation of stable societies.

Micro and small-scale enterprises, in particular, small-scale industries have encouraged the growth of an integrated and interlinked industrial sector, as such industries usually produce complementary goods, ancillaries, spare parts and components for large and medium-scale industries. In Africa and in Uganda, this is not necessarily the case as existing large and medium-scale industrial enterprises tend to import such goods. Subcontracting arrangements between large-scale industrial firms and micro, small and medium industries are extremely rare.

In Uganda, micro enterprises are enterprises employing one to five workers with fixed assets of less than 2.5 million Uganda Shilling excluding lands and buildings.¹ They are usually family-owned businesses established purely for income generation. Operating mainly in the informal sector, most of them are not officially registered with the Government, district or local authorities and, therefore, have limited access to business and financial services provided by public authorities. As a result, they hardly pay taxes and there are no accurate and reliable data of their numbers or contribution in terms of employment and output. Any data prescribed in this policy document should be regarded as indicative of features and trends in the micro enterprise sub-sector. Small enterprises, on the other hand, have between 5-10 employees. They are formally registered and have an annual income turn over of 10-50 million Uganda Shillings.²

In general, micro and small enterprises evolve and gravitate around a single individual who is usually the owner and manager of the enterprise. As the sole decision-maker, business decisions are made on his/her perception about the environment, trends and personal aspirations. The management structure is weak, with poor bookkeeping and, in the case of micro enterprises, the whole structure of the operations prohibits such enterprises from growing in size, accessing new markets and graduating into the formal business sector. There are over 170,000 micro and small enterprises in Uganda of which about 12,000 are in actual manufacturing. Micro industrial operations employing less than 5 people account for approximately 9,550 enterprises employing over 18,780 workers. The small-scale industries with more than 5 employees per industry are estimated at around 2,430 industrial enterprises and employing some 68,500 workers.

Part III of the Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness will, therefore, focus on micro and small industries and not micro and small enterprises which usually cover agriculture, wholesale and retail, hotels, bars and restaurants, real estates, transport and communications etc.

¹ Ministry of Finance, Planning and Economic Development – Micro and Small Enterprise Policy Unit

² Ibid. Ministry of Finance, Planning and Economic Development.

Micro and small industries are part of the industrial structure of Uganda. Therefore, policy actions proposed in Part II of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness are also applicable to the micro and small industrial sub-sector. However, micro and small industries (MSIs) have certain features, problems and constraints which require special attention if such industries should, indeed, become vibrant, more productive and competitive.

The Ministry of Finance, Planning and Economic Development has conducted a number of studies on micro, small and medium enterprises and defined policies for the development of micro and small enterprises. This Policy for Micro- and Small Industries Development, therefore, draws heavily from the analysis and policy papers prepared by the Ministry of Finance, Planning and Economic Development, as well as from information available in the Ministry of Finance, Planning and Economic Development and the Uganda Bureau of Statistics.

The Policy for Micro and Small Industries Development should not run counter to the Integrated Industrial Policy as described in Part II. Given the level of development and the country's capacities and capabilities, the policy should also be one that pursues resource-driven industrialisation focussing on agro-industries, which will invariably increase rural and urban incomes and stimulate demand for domestic industrial products.

The continuing process of macro-economic stability and reform augurs well for micro and small industries development in Uganda. However, special policy initiatives for micro and small industries are highly desirable. For example, tax policy could be reviewed in favour of micro and small industries; existing regulations impeding their development and cumbersome administrative procedures should be streamlined. In addition, strategic intervention to foster the development of micro and small industries, to improve product quality, to utilise more labour intensive technology etc. are needed, if indeed, such industries should make a significant contribution to the transformation of the economy and create employment.

The main thrusts of the policy for micro and small industries development are therefore as follows:

- Creation of a level playing field that would ensure stability, flexibility and an enabling environment for micro and small industries.
- Development and internationalisation of micro and small industries
- Creation of support systems for sustainable micro and small industries development.

2. VISION, OBJECTIVES, STRENGTHS AND WEAKNESSES

2.1 Vision and Objectives

Uganda Vision 2025, with emphasis on poverty alleviation, a vibrant and competitive economy, is of relevance to the development of micro and small industries. Policies in support of micro and small industries development should be viewed within the context of vision 2025 and the long-term vision for industry. In addition, the Government, in accordance with the Election Manifesto of the National Resistance Movement, is determined “to transform Uganda from a poor peasant society into a modern industrial, united and prosperous skilled working and middle class society.” Micro and small industries should therefore be fully integrated into the economy and the industrial landscape. They should contribute at least 25-30 per cent to industrial production. A vibrant micro and small industrial sub-sector will improve linkages between industry and other sectors of the economy and will link the rural/agricultural producers to industry supply chains and markets in the urban areas. Other elements of the micro and small industries vision include creating more employment at relatively low capital cost, strengthening managerial and entrepreneurial capabilities, providing an equitable distribution of incomes and creating opportunities for sustainable livelihood for disadvantaged groups.

2.2 Major Strengths

i. Macro-economic stability and transparent macro-economic policies

Micro and small industries also benefit from government’s incentives to promote economic growth and development and by its continuing desire to improve macro-economic policies, achieve and sustain macro-economic stability and to improve physical and social infrastructure.

2.3 Major Weaknesses

The constraints to micro and small industries development range from macro-economic and regulatory issues to specific constraints such as the following

i. Institutional support services

The micro and small industrial sub-sector is not well organised partly because most of the enterprises gravitate around a specific individual. Support institutions are extremely weak at the national and district levels. Although the Ministry of Finance, Planning and Economic Development has taken the initial step to prepare a “Policy Paper on the Development of Micro and Small Enterprises,” no micro and small industries policy has been defined to create an enabling environment for micro and small industries development. The legal and regulating environment for micro and small industries is also not conducive for sustainable development of micro and small industries. However, the Medium-Term Competitiveness Strategy (MTCS) aims at improving the business environment of micro, small and medium enterprises.

The formation of an MSE Forum has emerged to serve as an umbrella organisation for micro and small enterprises. It should be observed, however, that the Informal Micro and Small Enterprise National Coordination Committee (IMSENCC) was established in 1996 primarily to influence the MSME policy formulation process. The Committee's mission, objectives, goals and services were not quite clear. In addition, the Committee lacked financial resources and managerial capabilities. There are also other institutional, functional and financial problems, contributing to the Committees' inability of rendering value added services to MSEs.

ii. Lack of managerial and entrepreneurial skills

In most cases, the educational profiles of MSE managers and entrepreneurs are not impressive. They often have no vision or strategy for enterprise development; unable to see and appreciate MSEs role in the big picture; hardly creative or innovative with poor interpersonal skills.

iii. Inappropriate and inefficient technologies

As the majority of managers and entrepreneurs lack the requisite technical know-how, they often opt for inappropriate and inefficient technologies. This in turn has contributed to the low levels of productivity. Micro and small industries are not closely linked to science and technology institutions and, because they have limited financial resources, are unable to make use of prototypes that have been developed by such institutions.

iv. Limited access to information and business support services

Micro and small industries are hardly ever aware of state of the art technologies and lack information on technological options. In cases where they manage to procure technologies that have been successful elsewhere, they find it extremely difficult to adapt such technologies to suit local conditions and the lack of the requisite resources to operate and maintain such technologies. Their inability to establish strategic alliances with research institutions, where the requisite knowledge resources and information on technologies could be obtained, is also a major problem.

v. Lack of capital, limited savings and access to credit facilities

Many of the micro and small industries do not have adequate working capital. Aspiring entrepreneurs very often do not have adequate investment funds. Investment finance is scarce in Uganda. The promotion and implementation of industrial projects are usually carried out with foreign investors or with donor support.

The financial sector in Uganda is continually being improved. New commercial banks have been established and the banking sector has undergone some fundamental changes. However, micro and small industries do not benefit from these improvements, as interest rates charged are extremely high. In addition, most of these industries do not have the requisite collateral to secure credits from the banks.

Micro finance has been the best option for micro and small industries. Several non-governmental organisations (NGOs) are engaged in micro finance. However, many do not have the capacity or corresponding capabilities to sustain micro-finance services. In common with the commercial banks, they tend to discriminate against certain types of micro

and small industries. They concentrate their support in agriculture, trade and other micro and small enterprises. As a result, micro finance for micro and small industrial activities are limited. The loan ceiling of micro finance institutions is sometimes too low to have any meaningful effect on the growth of industrial enterprises.

vi. Limited cooperation and networking among micro and small industries

The individual or family approach to micro and small industries development prohibits inter-micro and small industries cooperation. Ideally, micro and small industries in the same industrial sub-sector could pool resources together to secure raw materials, secure subcontracting arrangements with large and medium industries and to market their products.

vii. Poor product quality and standards

There are no quality control centres for micro and small industries activities and no specific facility in support of product standardisation.

viii. Unfavourable legal and regulatory frameworks

It is now generally accepted by Government and business that there are too many laws, rules and regulations, which are not easily understood by micro and small industries. The business registration procedures are also quite cumbersome.

ix. Other constraints

Other constraints relate to business licensing, poor infrastructure, high cost of using electrical energy, inadequate water supply in some areas, inadequate and unreliable telecommunications services, shortage of skilled labour etc.

3. POLICY ACTIONS FOR MICRO AND SMALL INDUSTRIES DEVELOPMENT

The development of the micro and small industrial sub-sector will depend on the continuing existence of a business environment that is favourable to development. The Poverty Eradication Action Plan 2004/5 – 2007/8 has, as one of its priorities for micro, small and medium enterprise development, “*the creation of an enabling environment for MSMEs to develop*”. Other priorities include improving the investment climate for MSMEs; enhancing linkages and information flows between the public and private sectors and MSMEs, especially with regards to new trading regulations, quality and international standard.¹

The diversification of industrial production to meet domestic demand and for export is also applicable to micro and small industries. As already described in Part II of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, there are serious structural problems to be addressed if this objective of diversification of industrial products and exports should be achieved. Macro-economic policies also impact positively or negatively on the development of micro and small industries. Therefore, policy actions aimed at increasing productivity and sustaining growth in the micro and small industries sub-sector and creating employment and generating incomes should be viewed within the country’s broader industrial vision of a vibrant and competitive industrial sector and contributing approximately 20-25 per cent to the gross domestic product, as well as being fully integrated in the global economy.

3.1. Institutional framework for micro and small industries development

Micro and small enterprise development is the responsibility of a wide range of government, ministries and institutions, private sector associations and agencies. A large number of non-governmental organisations are also included in MSE development. However, the promotion and development of micro and small industries (MSIs) is the responsibility of the Ministry of Tourism, Trade and Industry with the full support of the Uganda Micro Small Enterprise Forum, the Uganda Manufacturers Associations and the Uganda National Chamber of Commerce, and Industry. There are other ministries whose policies and programmes are of relevance to micro and small industries development. The Ministry of Finance, Planning and Economic Development, for example, has a Micro and Small Enterprise Policy Unit which has been mainly responsible for a number of studies on MSE development and has prepared a policy paper on the development of micro and small enterprise.

3.1.1. Ministry of Tourism, Trade and Industry

The existing unit responsible for micro and small industries development in the Ministry of Tourism, Trade and Industry should be strengthened in terms of its organisational and staff structure. The unit should work closely with the Micro and Small Enterprise Policy Unit in the

¹ Ministry of Finance, Planning and Economic Development – *Poverty Eradication Action Plan 2004/5 – 2007/8* December 2004, page 72

Ministry of Finance, Planning and Economic Development and should be responsible for micro and small industries policy development, implementation and monitoring. It should provide guidance on investment possibilities and export promotion, as well as provide information and advise on existing policies of relevance to micro and small industries development, legal and regulatory framework and business support services.

3.1.2. The Uganda Industrial Research Institute

The Institute has limited capacity and resources to effectively provide much needed technical support to micro and small industries in terms of developing and promoting the commercialisation of appropriate technologies for micro and small industries development. The Institute should also be in a position to train trainers and employees in various aspects of micro and small industries technology development, operations and maintenance. The Institute should, therefore, be strengthened to fulfil its role in industrial development, especially in terms of the development, acquisition, adaptation and utilisation of technologies for micro and small industries.

3.1.3. Uganda Export Promotion Board

A major objective of the National Export Strategy is to increase, on a sustainable basis, the country's employment creation, poverty reduction and export earnings. This objective could be achieved by focusing also on the promotion of non-traditional exports, the products of which are from the micro and small industrial sub-sector. The Uganda Export Promotion Board should therefore step up activities aimed at export promotion of goods and services from the micro and small industrial sub-sector.

3.1.4. The organised private sector (PSFU, UMA, UNCCIA, USSIA)

The organised private sector, in particular, the Private Sector Foundation Uganda (PSFU), the Uganda Manufacturers Association (UMA), the Uganda Small-Scale Industries Association (USSIA) and the Uganda National Chamber for Commerce and Industry (UNCCI) should assist the micro and small industries in establishing sub-sectoral associations that will pursue their interests, participate in policy debates, influence policy actions and legislative measures of relevance to micro and small industries development. The emergence of micro and small business associations capable of providing a wide range of business services to their members will contribute immensely to the creation of a favourable business climate for micro and small industries development.

3.1.5. Policy actions

- Strengthen the organisational structure of the Ministry of Tourism, Trade and Industry for micro and small industries development and provide adequate resources for research including industrial clusters analysis, policy development, implementation and monitoring, as well as to provide information and advice to the government and the private sector.
- The Government and the organised private sector should promote and support the development of micro and small industries association, provide adequate resources

for the operations and sustainability of the Micro Small Enterprises, National Coordination Committee.

- The Ministry of Tourism, Trade and Industry, in cooperation with the Private Sector Foundation of Uganda, the Uganda Manufacturers Association, the Uganda National Chambers of Commerce and Industry and other micro and small industries associations should facilitate the organisation of trade fairs and participation of micro and small industries in technology fairs export promotion missions, and marketing outlets.
- The capacity and capabilities of the Uganda Industrial Research Institute should be strengthened to provide effective industrial services and technology support to micro and small industries, aimed at improving production techniques and encouraging product innovation to meet domestic demand and for export.
- Given the existing structure of the micro and small industrial sub-sector and the scope of its development, the Government and the organised private sector should promote and develop competent and coherent business services network for micro and small industries.
- The capacity of the Uganda Export Promotion Board to provide should be further strengthened to provide much needed services and initiate measures aimed at promoting goods and services produced by micro and small industries for export.

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

3.2. Business environment for micro and small industries

The Government of Uganda has introduced macro-economic policies and reform measures to facilitate private sector development. These policies and measures do have direct or indirect impact on micro and small industries. The Ministry of Finance, Planning and Economic Development has acknowledged that the existing legal and regulatory framework in which micro and small industries operate are not conducive to the sustained development of micro and small enterprises including micro and small industries.¹ The rules and regulations, as well as business registration and licensing arrangements are cumbersome and the majority of micro and small industries are unaware of the nature, scope and implications of such rules, regulations and procedures. It should be noted, however, that the Government has introduced measures to simplify and decentralised business registration and licensing.

3.2.1 Policy actions

- The Government should ensure that enabling macro-economic policies, laws and regulations are in place to enhance the development of micro and small industries and to improve the business environment for such industries.

¹ Micro and Small Enterprise Policy Unit (MFPED) – *Policy Paper on the Development of Micro and Small Enterprises*

- The on-going programme on deregulation to remove policies, laws, byelaws, rules and regulation constraining the development of micro and small industries should be sustained with the full support of the Government, the organised private sector and Uganda's cooperating partners, in particular, the British Authorities, who already have an interest in this programme.
- The Government and the organised private sector should identify and assign clearly defined regulatory roles and create greater awareness of regulatory issues, monitor implementation and periodically assess the impact of regulatory measures on micro and small industries.
- The taxation system for micro and small industries should be revisited with a view to establishing a more effective and transparent tax system, as well as reducing the chances of double taxation of micro and small industries.
- Strengthen the capacities of district and local authorities to facilitate the dissemination of information on policies, taxes, rules and regulations to micro and small industries, as well as the implementation of such policies, rules and regulations.

Time frame: Short to medium-term (one to four years). However, improving the business environment is a dynamic process. Therefore, the time frame is continuous.

3.3. Infrastructure for micro and small industries development

Micro and small industries will also benefit from the government rehabilitation of the railways, improvement in the inland water transport systems, landing infrastructure, and the ongoing development of road networks throughout the country. In addition, measures are in place to improve the supply of electrical energy throughout the country. For micro and small industries, the costs of these infrastructural services could be relatively too high. In fact, micro industries very often tend to use energy from wood and charcoal and other forms of biomass energy. However, during the last five years, it is estimated that as many as 232 rural electrification schemes have been executed by the Government. Solar energy is also emerging as a viable source of energy for micro and small industries. Another infrastructural limitation for such industries are lack of access to suitable land, inadequate building for industrial activities and telecommunications services.

3.3.1 Policy actions

- The Government of Uganda, local government authorities and the organised private sector should, with the support of the donor community, where feasible, make adequate provisions for the development of infrastructure for micro and small industries, in particular, for the construction of feeder roads, the improvement in water supply and sanitation, especially in the rural areas and increasing the electricity distribution network.
- The electrical energy producers/suppliers should introduce special tariff for energy consumption by micro small industries.

- The Government in cooperation with the private sector should promote the development of other sources of energy such as rural small hydroelectric schemes, solar energy and biomass. The district authorities, in particular, should be encouraged to use funds at their disposal for energy development.
- Given that industrial estates and export processing zones provide basic infrastructure including land, building, water and electricity for enterprises located in the estates or processing zones, the Government, the private sector and local authorities should promote and support the development of industrial estates and export processing zones.
- The Ministry of Tourism, Trade and Industry with the full involvement of the Uganda Institute of Industrial Research, other technology institutions and the organised private sector, in particular, the Private Sector Foundation of Uganda and the Uganda Manufacturers Association should promote and establish common production/service facilities for micro and small industries in specific industrial sub-sectors e.g. food processing and other agro-industries such as textiles, wood and leather industries.
- The government and the organised private sector should promote and support the development and use of information and communications technologies (ICT) in micro and small industries development.

Time frame: Medium to long-term, (three to ten years). However, infrastructural development is a continuous process. The time frame could, therefore, be seen as continuous.

3.4. Technology development for micro and small industries

Technology for micro and small industries is a critical factor that could influence not only production but the sustainability of such industries. Uganda is a developing country whose population is mainly engaged in agriculture and related services. If the objective of creating additional employment outside agriculture is to be realised, micro and small industries should opt for labour intensive technologies. However, rapid changes in technology and the increasing shortage of skilled labour, not to mention the continuing demand for higher wages, could force micro and small industries to move away from labour intensive technologies to capital intensive technologies. The problem, however, is that entrepreneurs are unfamiliar with the growing trend of new technologies and may not have the requisite resources to acquire such technologies.

The existing science and technology institutions are also starved of funds to undertake research and development and to coordinate their research programmes with the existing realities in the micro and small industrial sub-sector with a view to designing, developing and marketing appropriate prototypes/technology that could enable micro and small industries to improve production and become increasingly competitive.

In addition, micro and small industries are unaware of technological options for production in their particular area of operation. There are hardly any technological information services available to such industries. Very few of the existing micro and small industries seek advice and assistance for quality improvement and standards.

Technology development for micro and small industries is the joint responsibility of the Government, the private sector, academia, more specifically the universities, technical colleges and science and technology institutions.

3.4.1. Policy actions

- Existing capacities of science and technology institutions should be upgraded to focus on technology development for micro and small industries.
- The private sector, in cooperation with the Government should establish a research and development fund for product and process technologies for micro and small industries.
- Technology extension services should be established and strengthened where they do exist to provide value added services to enterprises wishing to modernise process technologies, acquiring technologies, improving the quality of products, packaging technologies, etc.
- Vocational training institutions should introduce skills training programmes that are related to the technology needs of micro and small industries. Emphasis should be given to testing, quality control and improving the shelf life of products.
- The universities/technology colleges, as well research institutions should establish effective alliances with promising micro and small industries to raise greater awareness of state of the art technologies, in the design and production of new products and in the utilisation of new materials.
- The Government and the private sector should promote technological innovation for micro and small industries through appropriate technology programmes and exhibitions that will popularise local technologies.
- Large industrial enterprises should offer micro and small industries in plant training to improve technical and production skills and for possible subcontracting arrangements between large industries and micro and small industries.

Time frame: Short to medium-term (one to five years). The technology development process is a continuous process. Therefore, the policy elements above will be continuous

3.5. Product development and marketing

For most micro and small industries, product quality is not an issue as long as they continue to make profit. Market constraints, however, are taken seriously especially if they are unable to sell their products either because of the limited size of the domestic market or because of stiff competition from similar goods produced locally or imported. In addition, the inadequacy of transport facilities and the high cost of transporting raw materials and finished products limit industries ability to penetrate new markets. There are hardly any wholesalers or marketing companies between producers and retail outlets. The individual approach of

production makes it impossible for many micro and small industries to pool resources together for market research and product development.

The Government has introduced a number of initiatives to encourage export promotion of products from micro and small industrial subsector. In recent years, some of the industries have managed to improve product quality and the volume of goods exported. However, the bulk of these industries hardly make use of existing institutions that could assist them in product development and marketing.

3.5.1. Policy actions

- Existing industrial research and technology related institutions should assist micro and small industries in effective raw materials testing, product development and provide extension services for continuous product improvement, packaging etc. Such services could be provided free, where appropriate, or for a fee for service basis.
- Large and medium enterprises could extend their supply chain to existing and promising micro and small industries with a view to establishing long-term subcontracting arrangements.
- Industrial research institutions should organise specific training programmes and workshops programmes for product improvement, including upgrading skills and processes for the extension of shelf life of products.
- Micro and small industries producing similar products should be assisted by the organised private sector e.g. the Private Sector Foundation Uganda or the Uganda Manufacturers Association to participate in technology fairs, trade fairs, export promotion missions, exhibitions, workshops, etc.
- Micro and small industries should be encouraged to establish marketing companies that will assist them in market research, procurement of raw materials and export promotion.
- The Ministry of Tourism, Trade and Industry, in cooperation with the Uganda Manufacturers Association and the Private Sector Foundation Uganda should establish a mechanism for market information of relevance to micro and small industries.
- Quality control and standards authorities, including the Uganda National Bureau of Standards (UNBS) should provide and enhance their services to micro and small industries for better and effective quality control and standardisation of products.
- The Government, district authorities and the private sector should take joint action in ensuring that adequate storage including cold storage facilities are made available to micro and small industries especially to industries producing for exports.

Time frame: Short to medium-term (one to five years). Some policy elements are continuous.

3.6. Cluster development and networking

Clustering of micro and small industries is essential for cost sharing in the procurement of raw materials and the utilisation of infrastructural services, marketing and distribution, especially if industries in the cluster are producing for the export market – sub-regional, regional or global markets. Micro and small industries do not have the capabilities to widen networks of consumers and clients.

Cluster initiatives in Uganda are, in general, too broad for participants to realise clear benefits. There is a dearth of institutional and support systems for cluster development and of specific relevance to the cluster activities.

3.6.1. Policy actions

- The Government, in particular, the Micro and Small Enterprise Policy Unit, Ministry of Finance, Planning and Economic Development and the Ministry of Tourism, Trade and Industry in cooperation with the Uganda Manufacturers Association and the Private Sector Foundation Uganda should launch a campaign to promote cluster development and to increase awareness of the benefits, implications and other specific attributes for the economy.
- The Ministry of Tourism, Trade and Industry in consultation with the private sector should promote the establishment of a public-private mechanism for cluster development and for coordination of cluster activities that could enhance competitiveness. Local champions should be identified to drive the process forward and to sustain cluster activities.
- The Uganda Manufacturers Association and other relevant business associations should support clusters efforts to cultivate contacts and widen networks for suppliers, for technology, skills and marketing.
- The capacity of district authorities should be strengthened to enable them to provide effective services for cluster development and enhanced networking.

Time frame: Short to medium-term (two to six years).

3.7. Human resource development

In Part II of this Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, comprehensive policy actions are highlighted for industrial human resource development. Micro and small industries being an integral part of the industrial sector could also benefit from such policy decisions if effectively implemented. However, given the nature and scope of micro and small industries, specific human resource policy actions are highly desirable.

3.7.1. Policy actions

- Institutions providing vocational education and training should introduce tailor-made training and skills development programme for micro and small industries.
- Informal skills development through apprenticeship and placement offered by the informal sector should be officially recognised and supported with technical and financial resources (preferably through donor funding).
- Vocational training institutions should offer training of trainers' courses to trainers in the informal sector to upgrade their competencies and skills, thereby, ensuring state of the art manpower training in the micro and small industrial sub-sector.
- Mobile training facilities should be established with the full support of the Government, the organised private sector and the district authorities.
- Vocational education should be introduced in the curriculum of primary, secondary and technical schools as most employees in micro and small industries are recruited at those levels.

Time frame: Medium to long-term (three to eight years).

3.8. **Entrepreneurship, in particular, women entrepreneurship**

Women entrepreneurs are mainly in the informal sector in which governance and management structures, as well as accountability are extremely weak or non-existence in most cases. However, women entrepreneurs in micro and small industries in the formal sector are gradually emerging in food processing, textiles and clothing manufacturing and handicrafts.

In general, women enterprises rely heavily on family workers and production often takes place within the home or a nearby market place. Management functions are not separated from other functions such as production, marketing, distribution or networking. Womens enterprises are faced with the following constraints:

- Limited access to finance and credit
- Limited access to information, including information technology
- Limited knowledge of appropriate technologies for production and Packaging
- Land ownership

Women entrepreneurs are also faced with gender specific constraints such as the following:

- Limited access to vocational training

- Limited support from large and medium industrial enterprises to enable them to secure subcontracts and become an integral part of the value chain
- Limited access to finance and credit because of gender-based discriminations.
- An inappropriate educational system that is not designed to promote technical and scientific capabilities for girls from an early age.
- Social and cultural barriers, including negative attitudes towards women in business and lack of support from family members.
- Limited access to market research, data and other economic, industrial and technological information.
- Limited opportunities to pursue training programmes in critical areas for industrial development and to participate in-service training, study tours and placement training programmes in other developing countries.

3.8.1. Policy actions

- The Government, with the full support of the organised private sector and the district authorities, should introduce innovative measures to promote the establishment of women-owned and women-operated industrial units throughout the country.
- The Ministry of Tourism, Trade and Industry in cooperation with the Private Sector Foundation Uganda, the Uganda Manufacturers Association and other business associations should promote and support the establishment of sub-sectoral industrial associations with a gender focus for effective governance, management and networking.
- The Government, with the full support of the organised private sector, should assist women associations and entrepreneurs to establish mechanisms for bulk purchasing of raw materials, securing technology, skills and for effective marketing and distribution.
- The Uganda Industrial Research Institute should coordinate its activities with the university and other technology institutions to develop state of the art, efficient, effective and affordable gender-friendly technologies for women-owned and women-operated industries.

Time frame: Short to medium-term (one to four years). Some policy elements are continuous.

3.9. Finance and credit for micro and small industries

Financial products and financial intermediaries for micro and small industries are very limited. Credit for such industries are usually short-term credit obtained through organisations offering micro-finance. There are several non-governmental organisations and

private sector schemes involved in micro-finance. Real investment finance for micro and small industries are scarce. The EU/EDF Micro Project Programme is one of the best-known investment finance scheme for micro and small enterprises. The commercial banking sector is reluctant to provide investment financing to micro and small industries because of their high risk profiles and lack of collateral. In addition, the existing financial services do not have the capacity to effectively deliver investment financing to such industries throughout the country. Policy measures should be introduced to address the problems of financing for micro and small industries.

3.9.1 Policy actions

- The Government should introduce measures to regularise the operations of all micro finance institutions and schemes and for the diversification of financial products, taking into consideration geographical location and gender dimensions.
- Informal financial sector operators should be encouraged to establish strategic linkages with banks so that they can serve as financial intermediaries in the lending process to micro and small industries.
- The Bank of Uganda and the Ministry of Finance, Planning and Economic Development should offer incentives to commercial banks to enable them to provide medium to long-term loans to micro and small industries.
- The Ministry of Finance, Planning and Economic Development in cooperation with the Bank of Uganda and with the support multilateral financing institutions should promote the establishment of special development finance institutions for micro and small industries.
- The key stakeholders in the financial sector should promote the development of credit guarantee schemes and other lending schemes for the development of micro and small industries.

Time frame: Medium to long-term (three to eight years).

3.10. Policy implementation and monitoring

The Micro Small Enterprise Policy Unit of the Ministry of Finance, Planning and Economic Development has the capacity to monitor the implementation of micro and small industries policy. However, the Ministry of Tourism, Trade and Industry, other line ministries, the organised private sector and Uganda's cooperating partners have critical roles in micro and small industries development. All these stakeholders should be given the opportunity to monitor the implementation of the Policy for Micro and Small Industries Development and, when appropriate, make policy adjustments. Their collective involvement in policy implementation and monitoring, preferably through an interactive consultative process, would ensure the successful implementation of the Policy and sustainable development of micro and small industries.

3.10.1 Policy actions

- The strategy for the implementation and monitoring of the Policy for Micro and Small Industries Development should be defined with the full participation of the key stakeholders

Time frame Short – term (within six months)