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**THE INDUSTRIAL SECTOR PROGRAMME**  
**OF**  
**UNDP'S FOURTH COUNTRY PROGRAMME**  
**FOR UGANDA, 1992-1996**

Based on the Work of Mr. B.U.N. IGWE

UNIDO Consultant - *M. L. Linschaen de Brackeleire*

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*Backsigning Officer. de Linschaen*

## P R E F A C E

In July 1991, the UNDP Resident Representative in Uganda, Mr. Tedla Teshome, had submitted to UNIDO the UNDP Advisory Note on the Fourth Country Programme of Uganda (1992-1996). Attention was specifically drawn to the following guiding principles that must be integrated into the new Programme:

1. The Programming Approach, focusing on a limited range of areas of concentration with clearly defined activities and sectoral themes. All projects/activities in the Fourth Programme must fit within the framework of these defined areas of concentration or programmes.
2. The Government of Uganda's proposal that Capacity Building should constitute the main thrust of UNDP's intervention during the Programme, with specific focus on the following Priority Themes:
  - \* Policy and Management Capacity Building
  - \* Poverty Alleviation and Rural Development
  - \* Environmental Preservation and Natural Resources Management
  - \* AIDS and Human Survival
3. The modalities for Project/Programme implementation, involving an increasing proportion of National Execution, supported as necessary by the UN System Agencies.

To enable UNIDO prepare the Industrial Sector component of the Fourth Country Programme, Mr. Basil U.N. Igwe was commissioned to undertake a preparatory mission and to prepare a report to serve as a basis for UNIDO's input. Such a report would be based on a careful perusal of the Resident Representative's Advisory Note, a review of all on-going UNIDO- executed projects in Uganda, an examination of various pipeline projects and project concepts within UNIDO, and discussions and consultations with relevant Government officials and institutions in Uganda.

To this end, Mr. Igwe carried out a mission to Uganda from 31 November to 22 December, 1991, during which information was obtained for the preparation of this report.

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## GENERAL COUNTRY INFORMATION

AREA: 241,038 sq. Km  
 POPULATION: 16.58 million (1991)  
 POPULATION GROWTH RATE: 2.5 % p.a

### MAIN CITIES (1991 Census):

Kampala	773,463	Masaka	49,070
Jinja	60,979	Gulu	42,841
Mbale	53,634	Soroti	40,602

GDP (1989) AT CURRENT PRICES: Total - 995,579 million Shs.  
 Monetary - 561,106 million Shs.

GDP PER CAPITA (1989): Shs. 60,711 at Current Prices  
 Shs. 12,150 at Constant (1987)

### Prices

### PERCENTAGE DISTRIBUTION OF 1990 MONETARY GDP BY SECTOR:

Agriculture, Livestock, Forestry, Fishing	46.5
Mining and Quarrying	0.0
Manufacturing	7.3
Electricity/Water	0.3
Construction	4.9
Retail/Wholesale	21.9
Transport/Communication	7.1
Community Services	12.0
Total	100.0

### EXCHANGE RATE (April 1991):

Official US \$ 1 = 640 Shs.  
 Exchange Bureau US \$1 = 847.5 Shs.

EXTERNAL DEBT (June 1991): \$1,966 million

EXPORTS, 1990 (f.o.b.): \$177.8 million  
 IMPORTS, 1990 (c.i.f.): \$617.6 million

### PRINCIPAL EXPORT CROPS, 1990:

Coffee	\$141.587 million
Tea	\$ 3.566 million
Cotton	\$ 5.795 million
Tobacco	\$ 2.191 million

INFANT MORTALITY RATE (1990): 101 per 1,000 live births  
 LIFE EXPECTANCY (1990) 52.0 years

OFFICIAL LANGUAGE English

## LIST OF ABBREVIATIONS

AIDS	- Acquired Immune-Deficiency Syndrome
CP	- Country Programme
CTA	- Chief Technical Adviser
EACD	- External Aid Coordination Department
EEC	- European Economic Community
ERP	- Economic Recovery Programme
GDP	- Gross Domestic Product
GNP	- Gross National Product
GoU	- Government of Uganda
HIV	- Human Immune Virus
IMF	- International Monetary Fund
IPF	- Indicative Planning Figure
MOIT	- Ministry of Industry and Technology
MPED	- Ministry of Planning and Economic Development
MTR	- Mid-Term Review
NEAP	- National Environmental Action Plan
NGO	- Non-Governmental Organisation
NRC	- National Resistance Council
NRM	- National Resistance Movement
OECD	- Organisation for Economic Cooperation and Development
PIES	- Public Industrial Enterprises Secretariat
R&D	- Research and Development
RDP	- Rehabilitation and Development Plan
SAIMCO	- Soroti Agricultural Implements and Machinery Mfg Company
SSI	- Small Scale Industry
TA	- Technical Assistance
TCDC	- Technical Cooperation among Developing Countries
UIA	- Uganda Investment Authority
UMA	- Uganda Manufacturers' Association
UNBS	- Uganda National Bureau of Standards
UNCCI	- Uganda National Chamber of Commerce and Industry
UNCDF	- United Nations Capital Development Fund
UNDP	- United Nations Development Programme
UNIDO	- United Nations Industrial Development Organisation
UNSO	- United Nations Sudano-Sahelian Office
UNV	- United Nations Volunteer
USSIA	- Uganda Small-Scale Industries Association
WID	- Women In Development

## INTRODUCTION

For optimal developmental impact, it is essential that technical assistance from UNDP/UNIDO and other donor organisations should be situated within and complement Uganda's own socio-economic development goals and strategies, as articulated in the Rehabilitation and Development Plan and other relevant policy documents.

After a thorough assessment of its development needs, and bearing in mind the priority global development themes recommended by UNDP's Governing Council for the Fifth Cycle, 1992-1996, the Government of Uganda, in consultation with UNDP and other donor-executing agencies, has requested that all programmes and projects to be executed during the Fourth Country Programme, 1992-1996, should address the national need for human and institutional capacity building, with priority emphasis on the following areas of national development:

- \* Policy and Management Capacity Building
- \* Poverty Alleviation and Rural Development
- \* Environmental Preservation and Natural Resource Management
- \* AIDS and Human Survival

These principles are further elaborated in the UNDP Resident Representative's Advisory Note to all UN-System executing and funding agencies, with guidelines regarding the criteria for programme/project admission into the Fourth Country Programme. In general, greater emphasis would be placed on the Programme Approach to technical assistance delivery. Similarly, a higher level of National Execution would be encouraged.

These criteria have informed the present report which, following a brief review of Uganda's political and socio-economic environment, as well as the climate for delivery and management of international development cooperation, assesses all on-going projects being executed by UNIDO in the industrial sector, as well as all pipeline projects and project concepts from several sources. In all, thirty-two projects have been assessed with reference to their direct responsiveness to the four priority development themes. Each of the projects is found to be relevant to at least one of the themes.

Furthermore, in compliance with the Programme Approach criterion, they have been clustered into ten programmes. In order to expedite decision-making and programme selection, given the limited resources available under the Country Programme, and based on a judgement, albeit subjective, as to the potential developmental impact expected from each Programme, they are further ranked in the following order of priority:

1. Industrial Policy Planning
2. Industrial Institution Building and Strengthening
3. Development of the Engineering Industries
4. Development of Small-Scale and Cottage Industries
5. Development of the Food Processing Industry
6. Rural Transportation
7. Natural Resources Management
8. Environmental Management
9. Energy Development
10. AIDS Management

**THE INDUSTRIAL SECTOR PROGRAMME OF UNDP'S FOURTH COUNTRY PROGRAMME  
FOR UGANDA, 1992 - 1996**

**I. HISTORICAL AND POLITICAL PERSPECTIVES**

1. Uganda, a land-locked least-developed country, has had a checkered political and economic history since its attainment of independence from Britain in October, 1962. The first President, Sir Edward Mutesa II, the Kabaka of Buganda, was superseded in 1966 by Milton Obote who, until then, had been the Prime Minister and who, on accession to the Presidency, declared Uganda a Republic.
2. The first Obote regime lasted until January 1971 when it was overthrown in a military coup led by Major-General Idi Amin. Following a repressive tenure that was distinguished by national socio-economic retrogression and insecurity, the Amin regime was expelled in April 1979. The second Obote regime emerged in 1980 and lasted till 1985. It was characterised by internal dissension, national disunity, corruption and general insecurity. Its successor, led by Tito Okello, proved equally inept in restoring order and was replaced by the government of the National Resistance Movement (NRM), led by Mr. Yoweri Museveni, in 1986.
3. The NRM government has since then spearheaded national political readjustment and socio-economic rehabilitation. Governance has been carried to the grassroots and the National Resistance Council (NRC) is the apex legislative body. Its membership of 278 is partly elected and partly nominated in order to reflect a fair cross-section of the population and national viewpoints, including those of women. A new democratic Constitution is in the drafting stages and is expected to be ready for public debate by June 30, 1992. Elections are now scheduled for 1995.
4. It is to the credit of the Museveni administration that most of the country can now be regarded as reasonably safe and secure. There is, however, some residual rebel activity in the North and East and vigorous efforts are being made to pacify these regions.

## II. THE SOCIO-ECONOMIC ENVIRONMENT

### ECONOMIC INDICATORS

5. UNDP's Human Development Index (HDI) is now regarded by a significant body of development economists as a more meaningful statistical measure of human development than mere per capita Gross National Product (GNP). In a ranking of 160 countries based on data up to 1990, Uganda ranked 134th with an index of 0.204, and is in the group of 63 countries classified as having "low human development".
  
6. Uganda's Gross Domestic Product (GDP) grew, on the average, at a healthy annual rate of 6.7% between 1986 and 1989. Provisional indications are that there was a decline to 3.4% from 1989 to 1990, due to several factors including the collapse of international coffee prices, lower levels of domestic industrial processing, and prolonged drought in some regions. A higher growth rate of about 4.7% is projected for 1990/1991. On a per capita basis, the GDP growth rates for 1986, 1987, 1988, 1989 and 1990 were, respectively, -2.4%, 3.5%, 4.3%, 3.6% and 0.5%.
  
7. Agriculture traditionally contributes about 70% of Uganda's GDP, over 95% of export earnings, over 80% of government's internal revenue and provides a livelihood for 80% of the population. The increase in agricultural production between 1989 and 1990 was only 2.8%, compared to an overall GDP growth rate of 3.4%. The decline in coffee production of 23% in 1990 could not be fully made up by the impressive growth rates of 34%, 47% and 81% for cotton, tea and sugar respectively. Food crop production (mainly maize, plantains, millet, sorghum, rice, sweet potatoes and cassava) has recovered from the subsistence levels of the 1970s and early 1980s and registered a modest increase of 3% in 1990. Livestock (cattle, goats, sheep and pigs) provide a livelihood for about 3% of households. The fisheries industry (mostly from Lakes Victoria and Kyoga) is an important source of food and employment and enjoys considerable forward and backward linkages into such activities as the manufacture and maintenance of boats and nets, fish processing, marketing and transportation.
  
8. The manufacturing sector which contributes less than 5% of GDP, was severely impacted by the socio-political turbulence of the 1970s and early 1980s. Most public enterprises are now either non-operational or are operating

at very low levels of capacity utilisation, high operating losses and low productivity. Incomplete records show that manufacturing output increased by 16.1% in 1987, 23.7% in 1988, 17.4% in 1989 and only 6.3% in 1990. Over the 1986 to 1989 period, the average annual rate of growth of manufacturing value-added was about 18%. The sharp decline in 1990 is largely attributable to the poor performance of the textile/clothing subsector. The manufacturing sector is seen by the Government as one of the critical growth poles for the economy. In fact, a more conducive investment climate, articulated in the new Investment Code, is aimed at spurring new industrial investment.

9. The mining and energy sectors, although important in the context of industrial and general economic development, are minor contributions to the GDP. In the early 1960s, the mining sector had contributed as much as 2% to GDP and up to 9% of export earnings. Since then, the sector has declined steadily. Nevertheless, small-scale mining of tin ore, wolframite, bismuth, tantalite, beryl and gold could become important sources of revenue and foreign exchange if rationally developed. As for the energy sector, it is expected that its performance would be greatly enhanced when the on-going rehabilitation of the Owen Falls power station and the transmission and distribution systems is completed. There are also plans to construct a number of mini-hydro power stations and to stimulate the development and utilisation of biogas and biomass, particularly in the rural areas which have hitherto been largely dependent on fuelwood, with the consequent adverse fallouts in terms of deforestation and desertification.
  
10. Uganda's external debt burden is a factor that could impede rapid development. As of June 1991, it stood at \$1,966 million, of which \$1.343 million (68%) was owed to multilateral creditors, \$289 million (15%) to Paris Club (OECD) members, and \$334 million to others. The stock of arrears was then \$300 million. In 1990/91, the total debt service obligation is estimated to be \$189 million, equivalent to 106% of the value of exports. Such a debt overhang would certainly impede development; hence the urgency of increased donor disbursements and/or debt rescheduling or cancellation.

SOCIAL INDICATORS

11. The enumerated population of Uganda stood at 16.58 million in January 1991, up from 12.64 million in 1980 and 9.54 million in 1959. The average annual growth rate was 2.8% between 1948 and 1980, and 2.5% between 1980 and 1991. About 90% of the population is rural, down from 95% in 1960, with the largest urban centers being Kampala (774,000), Jinja (61,000) and Mbale (54,000). It is projected that the urban population would reach 14% of the total by the year 2000.
  
12. The following indicators illustrate the trends in a number of important indices of social development:
  - i) Life expectancy at birth in 1990 was 52 years, vis-a-vis 43.0 years in 1960;
  - ii) Infant mortality rate is currently 101 per 1000 live births, compared to 200 in 1948, 92 between 1973 and 1977 and 115 between 1978 and 1982. Even the current figure is substantially higher than the average of 76 for all low-income countries.
  - iii) The adult literacy rate in 1985 was about 43%, a shade higher than the figure of 41% in 1970, although the rate for males (57%) was nearly double that for females (29%).
  - iv) During the 1985-1987 period, the proportion of the population with access to health services was 60%. At present, only 30% have access to clean water, sewerage and sanitation, although there is a substantial discrepancy between the urban (65%) and rural (18%) areas.
  - v) In 1988/89, 44.6% of the population was in the labour force, with women constituting 41.4% of this figure. Only about 5% of the labour force was in industry, with about 10% in the services sector, and the balance mostly in agriculture.
  
13. AIDS/HIV infection has reached epidemic proportions in Uganda, as illustrated by the following statistics:
  - \* Over 1.3 million persons have tested HIV-positive and more than 12,000 cases of the AIDS have been recorded;
  - \* 17% of the population of Kampala aged between 14 and 40 years are infected;

- \* 40% of hospital admissions are for HIV/AIDS illnesses, and 25% of pregnant women seen in antenatal clinics in Kampala are HIV-positive;
- \* Preliminary projections are that by 1996, the infection rate could reach 58% of men and 73% of women; and in 20 years Uganda's population which ordinarily would have been approaching about 37 million, would stand at only 20 million, largely due to the impact of AIDS.

To combat this epidemic and to ameliorate its impact on human resources availability for development, as well as overall socio-economic well-being, an AIDS Commission has recently been constituted with a mandate to plan and implement programmes for combatting the disease through, among other things, awareness promotion, education and counselling, and improved care for carriers and patients.

DEVELOPMENT PRIORITIES, OBJECTIVES, STRATEGIES AND CONSTRAINTS

14. Development in the short and medium term is anchored on the Economic Recovery Programme as articulated in the Rehabilitation and Development Plan launched in 1987. The Plan aims to lay a solid foundation for the evolution of an integrated and self-sustaining economy. It places priority attention on:
  - restoration and preservation of security and stability;
  - rehabilitation of the economic and social infrastructure devastated by the political and economic mismanagement of the 1970s and early 1980s;
  - Resuscitation of production in the key economic sectors, particularly agriculture and industry;
  - elimination of waste in the management of public resources, including the imposition of financial discipline; and
  - enhancement of the efficiency of parastatal organisations while reducing their dependence on government subsidies
15. For the macro-economy, some of the more important specific objectives are (i) a GDP growth rate of at least 5% per annum over the 1988 to 1992 period (ii) an annual inflation

rate of 7.5% by 1992, as opposed to over 55% in 1989 and (iii) a significant reduction in the balance-of-payments deficit.

16. An important plank in the development strategy involves the progressive surrender, by the government, of the "commanding heights" of the productive economy in favour of private enterprise. To this end, not only would the size of the public sector be reduced, but also the government would desist from promoting and participating in unproductive economic activities. Private initiative would be encouraged through attractive incentives and relaxation of many constraining regulatory controls. The recent promulgation of an Investment Code is an important step in this direction. Other elements of the proposed strategy are rehabilitation of the economic infrastructure, strengthening of economic management, improved revenue generation, an enhanced role for women through a more intensive exploitation of their erstwhile marginalised productive capacity, and achievement of development goals within a framework of environmental consciousness and sustainability.
  
17. In the development process, Uganda is constrained by a shortage of policy formulation and implementation capacity both at the macro and micro-levels. Accordingly human and institutional capacity building should be considered a priority in the context of development cooperation. Resource limitations, particularly finance, pose yet another problem. It is thus imperative to mobilize all resources from both internal and external sources if the desired tempo of development is to be achieved. Finally, the AIDS/HIV epidemic must be considered an important constraining factor in that it poses a grave threat to the labour force (particularly the professional/managerial and skilled cadres), as well as to national economic output.

### III THE INDUSTRIAL SECTOR

#### CURRENT STRUCTURE AND PAST PERFORMANCE

18. In the 1960s, the manufacturing sector, propelled by an import substitution strategy of industrialisation characterised by a heavy dependence on imported inputs, had contributed as much as 7% to GDP and had registered annual growth rates of about 6%. There was, in fact, a significant

export of some manufactured products such as sugar and textiles. This performance record was halted during the 1970s and early 1980s, a period of decline in the number of manufacturing enterprises, capacity utilisation and output.

19. Between 1987 and 1990, the sector grew at an average annual rate of about 16%. In 1990, even though the overall growth rate was only 6.3% (due, in large measure, to a 12.4% decline in the textile and clothing subsector), a number of other key subsectors registered impressive gains, including bricks and cement (41.7%), the food groups (10.7%) and the chemicals/paints/soap group (12.9%).
20. Manufacturing is dominated by about 60 large and medium-scale public sector enterprises which account for 50% of the output. Most of the remaining 1,700 enterprises are small-scale and private sector-owned.

Capacity utilisation varies among the various subgroups, although the sector-wide average was between 30 and 45% in 1990. The values ranged from 5.3% for cement to 94.3% for soft drinks.

#### FUTURE DIRECTION, PRIORITIES AND CONSTRAINTS

21. The policies guiding the current and future direction of the industrial sector have been articulated in the Rehabilitation and Development Plan. These call for a reduced role for the government, with a corresponding increase in the role of the private sector. The government would concentrate on fostering the enabling environment (through incentives, infrastructures and supporting services) for vigorous development of the private sector.

Other policy initiatives call for enhanced self-reliance through greater utilisation of indigenous raw materials and other resources, as well as local technology development and the acquisition/transfer of appropriate imported technology.

22. In pursuit of these policies, priority attention would be given to:
  - rehabilitation of essential industries, particularly those contributing to self-sufficiency in essential foods and basic consumer goods;
  - sectoral restructuring for the purpose of achieving self-reliance, including the promotion of

inter-sectoral linkages, particularly between agriculture and industry, and the establishment of industries utilising local raw materials;

- development of indigenous technological capability at all levels, - professionals, technicians and artisans;
- rationalisation of the industrial parastatals, including partial or total divestiture of government interests or outright winding up where necessary;
- greater management efficiency and accountability in public sector enterprises; and
- promotion of exports of manufactured products.

23. The major constraints that have hitherto militated against a faster development of the manufacturing sector are:

- \* a relative shortage of manpower, - professional, managerial and skilled - as well as a weakness of entrepreneurial capacity;
- \* an inefficient regulatory and administrative apparatus and lack of attractive incentives and a conducive environment for industrial investment;
- \* non-availability of some critical raw materials such as steel and other inputs for the metallurgical, engineering and other basic industries, as well as spare parts for maintenance of machinery and equipment;
- \* a weak technological base, manifested by the lack of an indigenous capacity to tap and adapt foreign technologies, a lack of interest in Research and Development (R&D), failure to spur a maintenance culture, and a laxity towards quality and standardization with respect to locally manufactured products;
- \* inadequate and inefficient infrastructures, particularly electricity, transportation and communication facilities;
- \* weak linkages among the various industrial subsectors and to other sectors of the economy.

IV. DEVELOPMENT COOPERATION (OR AID)

AID MANAGEMENT

24. External assistance (or aid) in 1989 amounted to \$652 million, equivalent to \$40.3 per capita, and an increase of 36.6% over the level received in 1988 (\$413 million). A decline of 6.7% to \$608.8 million had been projected for 1990, - a trend that was expected to continue downwards to \$549.6 million in 1991, \$301.7 million in 1992, \$207.15 million in 1993 and \$179.85 million in 1994.

25. \$258 million of the 1989 aid was in the form of grants while \$394 million came as concessional loans. The largest donors were the World Bank (loans of \$124.7), the IMF, the UK, the EEC and Libyan Arab Jamahariya. Only 13% (\$87.5 million) of the total represented technical assistance, of which the UN system contributed \$35 million. The sectoral disbursements of the technical assistance were as follows:

Health	-	\$30.6 million
Human resources development	-	\$14.6 million
Agriculture, forestry & fisheries	-	\$14.0 million
Development administration	-	\$ 8.2 million
Transportation	-	\$ 4.9 million
Social development	-	\$ 3.3 million
Others	-	\$11.9 million

26. It is generally agreed in donor and government circles that the development cooperation activities since 1987 have contributed significantly towards achieving the government's economic rehabilitation objectives. Basic infrastructures and social services are being progressively restored, thanks to a number of on-going development cooperation projects; industrial output and capacity utilisation are improving; there is a greater efficiency in economic management, an acknowledged increase in the productive capacities of the agricultural, health and human resources development sectors, as well as a general improvement in the welfare of the people.

27. Because of the large number of aid donors (76) and executing agencies (153), and in order to optimize the utilisation of aid resources, an effective coordination machinery is essential. The External Aid Coordination Department (EACD) of the Ministry of Planning and Economic Development is charged with this responsibility. Emergency relief and rehabilitation are, however, coordinated by the Office of the Prime Minister.

The signature of international loan agreements is the responsibility of the Ministry of Finance, while the Bank of Uganda monitors the foreign debt situation.

#### THE ROLE OF UNDP IN TECHNICAL ASSISTANCE

##### The Third Country Programme, 1988-1991

28. The Third Country Programme (CP) was prepared following the launching of the Rehabilitation and Development Plan (RDP), and was therefore in harmony with the objectives of the latter. Its objectives were:

- i) to enhance planning, financial and human resource capacities; and
- ii) to provide integrated support to rural development and agricultural productivity.

The Indicative Planning Figure (IPF) for the Programme was \$59.855 million, comprised as follows:

Original allocation	- \$46.2 million
Carry-over from previous Programme	- \$ 9.5 million
Additional funds approved in 1988	- <u>\$ 4.2 million</u>
	\$59.9 million

As of October 1991, UNIDO's actual share of the IPF was put at about 7% of the total (ie \$4.2 million), although this was expected to rise to about 10% by the end of the cycle.

The Mid-Term Review (MIR) of November 1990 drew attention to certain constraints inhibiting programme delivery. Among these were the weak institutional and administrative capabilities of the national implementing agencies, a factor which tends to inhibit the absorption of technical assistance. Also highlighted were delays in the release or total absence of national counterpart resources, as well as the unduly protracted and cumbersome procedures for equipment procurement by the executing agencies.

The MIR also noted the important role of the National Execution modality that, in 1989, accounted for 10 of the 66 active projects. While recognizing the problems associated with this modality, including those of procurement, personnel recruitment and management, budget management and financial reporting, the MIR stressed

the importance of an enhanced level of National Execution as an intrinsic element of national self-reliance, particularly in development cooperation programme delivery.

The Fourth Country Programme, 1992 - 1996

29. In formulating the Fourth Country Programme, due recognition must be given to the six global development themes recommended by the UNDP Governing Council to guide technical assistance programming during the 5th UNDP Cycle, 1992 - 1996. These are:
- \* Poverty eradication and grassroots participation in development;
  - \* Management for development
  - \* Technology for development
  - \* Environmental problems and natural resources management
  - \* Women in development (WID)
  - \* Technical Cooperation among Developing Countries (TCDC)
30. In fact, these global themes are generally consistent with Uganda's own development priorities. Against this background, the Government, in close consultation with UNDP and the donor community, and with due regard to the country's peculiar circumstances, has requested that technical assistance priority during the 4th CP period should be given to establishing and strengthening human and institutional capacities to enable the country implement its development agenda. Other priority areas are the building up of the national capacity to plan, execute, monitor and evaluate development projects; the development of indigenous technology and transfer of appropriate technology; and the development of domestic capacity to undertake agricultural research and extension.

The specific priority areas of concentration are:

- i) Policy and management capacity (involving capacity building in policy formulation, implementation and management);
- ii) Poverty alleviation and rural development

iii) Environmental preservation and natural resources management

iv) AIDS and human survival

These themes will constitute the critical litmus test against which all programmes and projects to be executed during the Fourth CP period should be assessed.

31. The total IPF resources available for the Fourth Country Programme are estimated to be about \$77.277 million. These are expected to be supplemented by other UNDP-administered funds from such UN-system agencies as UNCDF, UNSO, Special Programme Resources, as well as resources from trust funds, parallel financing and Government cost-sharing.

**V. THE INDUSTRIAL SECTOR COMPONENT OF THE FOURTH COUNTRY PROGRAMME**

32. It is important to reiterate that, in assessing the admissibility of industrial programmes/projects into the Fourth Country Programme (CP), substantial weight ought to be given to their responsiveness to the priority development themes of the Government of Uganda which, incidentally, are informed by the global development themes of UNDP's Fifth Cycle (1992 -1996), and are discussed in paragraph 30.
33. The order of priorities shown in paragraph 30 is deliberate and perhaps accurately reflects the themes' relative degrees of importance. It can be rightly argued that Policy and Management Capacity Building should occupy the highest priority since the policy environment constitutes the umbrella under which all other developmental activities must operate. The efficacy of even the best projects and programmes for poverty alleviation, rural development, AIDS prevention and environmental management could be compromised in a mismanaged or misguided policy environment. As for management, particularly at the enterprise level, it is the bedrock on which the efficiency and profitability of any industrial venture are founded.

OPERATIONAL AND POTENTIAL SPILL-OVER PROJECTS FROM THE THIRD CP (see Annex 1 for a Summary of the objectives of these projects)

34. As of December 1991, seven UNIDO-executed projects were under active implementation as shown in Table 1. Their aggregate budget is \$7.14 million. Unless subsequently extended, three of these projects are scheduled for completion in 1992:

- (i) DP/UGA/90/016: UMA/UNCCI (\$266,500)
- (ii) DP/UGA/90/012: IIP (\$659,700)
- (iii) BR/UGA/89/001: PIES (\$2.469 million)

During the December 1991 mission to Uganda, it was gathered that the Uganda Investment Authority (UIA) and Uganda Small-Scale Industries Association (USSIA) had petitioned for extension of DP/UGA/90/016 to include these organisations in its coverage. It was also gathered that the World Bank-funded PIES project (BR/UGA/89/001), would be extended until 1994 under UNIDO execution. As for DP/UGA/90/012 (IIP), work had hardly commenced and there was a high probability that it would also spill-over into the 4th CP.

In summary, therefore, all the projects shown in Table 1 will most likely be carried into the Fourth Country Programme.

Table 1: Operational Projects as of December 1991\*

<u>Project No.</u>	<u>Project Title</u>	<u>Budget</u>	<u>Backstopping Responsibility</u>
1.DP/UGA/86/015	Mfr. of Agric. Tools (SAIMCO)	\$1.402m - UNDP-IPF \$3.011m - UNCDF	Y. Gladilov IO/T/ENG
2.TF/GLO/88/905	Small and Cottage Enterprises (Mbale)	\$265,400	K. Zerezghi IO/IIS/INFR
3.BR/UGA/89/001	Public Ind. Ent. Secr. (PIES)	\$2.469m	M. Farah IO/IIS/IMR

4.DP/UGA/90/002	Uganda National Bureau of Standards	\$681,000	K. Stephens IO/IIS/INFR
5.DP/UGA/90/012	Indicative Ind. Plan (IIP)	\$659,700	J. Paschke IO/IIS/PLAN
6.DP/UGA/90/016	Strengthening UMA and UNCCI	\$266,500	Y. Okello IPCT/II/IPAFR
7.DP/UGA/90/017	Rural Small- Scale Ind. (Mbarara)	\$608,900	K. Zerezghi IO/IIS/INFR

\* The following projects may be regarded as essentially completed:

- i) DP/UGA/84/018: Assistance to East African Steel Corporation (EASCO)
- ii) SI/UGA/90/802: Study on Establishment of a Plant to Manufacture Tiles and Sanitaryware
- iii) TF/UGA/90/902: Rehabilitation of Cement Plants

35. In order to prioritize these on-going projects, it is useful to assess their responsiveness to the priority development themes set out in paragraph 30. This is shown in the following matrix:

PRIORITY THEMES  PROJECTS	POLICY & MANAGEMENT CAPACITY	POVERTY ALLEVIATION & RURAL DEVELOPMENT	AIDS AND HUMAN SURVIVAL	ENVIRONMENTAL PRESERVATION & NATURAL RESOURCE MGT.
DP/UGA/86/015: Manufacture of Agricultural Tools/ Implements		X		
TF/GLO/88/905: Small and Cottage Enterprises (Mbale)		X		
BR/UGA/89/001: Public Industrial Enterprise Secretariat (PIES)	X			
DP/UGA/90/002: Uganda National Bureau of Standards	X			
DP/UGA/90/012: Indicative Industrial Plan	X			
DP/UGA/90/016: Strengthening IMA and UNCCI	X			
DP/UGA/90/017: Rural Small-Scale Industries (Mbarara)		X		

It is evident from the above matrix that all the seven operational projects fit squarely into the two highest priority themes of the Government.

36. The Mid-Term Review of the Third Country Programme had also recommended the use of the programme approach, as opposed to the agency-driven project-by-project approach of the past. This is in the interest of achieving a sharper focus of UNDP/UNIDO technical assistance on a smaller range

of development themes. In line with this recommendation, the seven on-going projects could have conveniently been executed as activities under four broad programmes as follows:

Programme 1:            Industrial Policy Planning

- Projects:
- i) Public Industrial Enterprises Secretariat (PIES)
  - ii) Indicative Industrial Plan

Programme 2:            Industrial Institution Building and Strengthening

- Projects:
- i) Assistance to the Uganda National Bureau of Standards
  - ii) Strengthening UMA and UNCCI

Programme 3:            Development of Small-Scale and Cottage Industries

- Projects:
- i) Small and Cottage Enterprises Project (Mbale)
  - ii) Rural Small-Scale Industries Project (Mbarara)

Programme 4:            Development of the Engineering Industries

- Project:                Manufacture of Agricultural Tools and Implements (SAIMCO)

PIPELINE PROJECTS    (see Annex 2 for a Summary of the Objectives of these projects)

37. On the basis of the assessed needs of the industrial sector as articulated by Government officials, industrialists, relevant NGOs and sectoral development experts from UNIDO and other organisations, six specific projects have been formulated aimed at addressing these needs. They are listed in Table 2A and are regarded as pipeline in the sense that the Project Documents have been written but formal approvals for implementation have not yet been conveyed to UNIDO.

Table 2A: Pipeline Projects as of December 1991

<u>Project Title</u>	<u>Est. Budget</u>	<u>Backstopping Responsibility</u>
1. DP/UGA/89/007 Strengthening the Food Processing Industry	\$ 3,230,000	IO/T/AGRO
2. TF/UGA/90/X05 Pre-Feasibility of Mini- Hydropower Stations	\$ 132,000	IO/OS/FEAS IO/T/ENG IPCT/TB/BT
3. TF/UGA/92/XXX Feasibility Study of a Bicycle Manufacturing Plant	\$ 134,000	IO/OS/FEAS
4. DP/UGA/91/XXX Feasibility Analysis Unit for Pre-Investment Studies at UMA	\$ 536,000	IO/OS/FEAS
5. DP/UGA/91/XXX Establishing Dept. of Industrial Design at Makerere Univ.	\$ 38,000 (Prep.Asst.) \$ 2,362,000	IO/T/ENG
6. DP/UGA/89/013 Strengthening Tech. Dept. of Min.Ind. & Tech.	Not available	IO/IIS/TMR
38. The relationship between the objectives of the pipeline projects and the national development/technical assistance priorities is depicted in the following matrix:		

PRIORITY THEMES  PROJECTS	POLICY & MANAGEMENT CAPACITY	POVERTY ALLEVIATION & RURAL DEVELOPMENT	AIDS AND HUMAN SURVIVAL	ENVIRONMENTAL PRESERVATION & NATURAL RESOURCE MGT.
DP/UGA/89/007: Strengthening the Food Processing Industry		X		
Pre-feasibility of Mini-HydroPower Stations		X		X
Feasibility of a Bicycle manufacturing Plant		X		
Feasibility Analysis Unit at UMA	X			
Dept. of Industrial Design at Makerere University	X			
Strengthening the Technology Dept. of Min. of Ind. & Tech.	X			

39. As can be seen from the above, all the pipeline projects are responsive to one or the other of the two highest ranking development priorities, - policy and management capacity development and poverty alleviation/rural development.

40. As per the programme-approach, these six projects could be executed under the following broad programmes:

Programme 1: Development of the Food Processing Industries

Project: Strengthening the food processing industry

Programme 2: Energy Development

Project: Pre-feasibility of Mini-Hydropower Stations

Programme 3: Rural Transportation

Project: Feasibility of a Bicycle Manufacturing Plant

Programme 4: Industrial Institution Building and Strengthening

- Project:
- i) Feasibility Analysis Unit at UMA
  - ii) Department of Industrial Design at Makerere University
  - iii) Strengthening the Technology Department of MOIT

Programme 5: Natural Resources Management

Project: Pre-feasibility of Mini-Hydropower Stations

NEW PROJECT CONCEPTS (see Annex 3 for a Summary of the objectives of these projects)

41. On the basis of extensive consultations as stated in paragraph 37, the 19 new project concepts shown in Table 2B were articulated.

Table 2B      New Project Concepts

1. Assistance for Strengthening Uganda Investment Authority
2. Feasibility Study on the Manufacture of Condoms and Gloves
3. Development of the Gold Mining and Beneficiation Industry
4. Techno-economic study of a Sponge Iron Plant
5. Strengthening the Registration and the Industrial Technology Information Units of the Ministry of Industry and Technology
6. Pre-feasibility Study on Bio-diesel Manufacturing Project
7. Formulation of a National Policy and Plan on Industrial Manpower Development and Training
8. Human Resources Development for Industry
9. Development of a Modular Training/Education Programme In Industrial Pollution Management
10. Assistance to Uganda Industrial Research Institute In Food Technology and Ceramics (UIRIFTC)
11. Establishment of Industrial Estates and Common Facility Centers for Small-Scale Industries
12. Strengthening the National Environment Action Plan (NEAP) Office
13. Assistance in Establishing an Engineering Design and Service Center
14. Establishment of a Precision Machining Workshop
15. Assistance to Uganda Polytechnic, Kyambogo
16. Assistance to Vocational Training Institutes
17. Establishment of a Common Facility-cum-Training Workshop at Katwe
18. Pre-Investment Study for Manufacture of Disposable Hypodermic Syringes
19. Strengthening the Planning Unit of the Ministry of Women in Development for Entrepreneurship Development in Small-Scale and Cottage Industries

The corresponding matrix relating the objectives of these project concepts to Uganda's four priority development themes is shown below.

Responsiveness of New Project Concepts to Priority Development Themes

PRIORITY THEMES PROJECTS	POLICY & MANAGEMENT CAPACITY	POVERTY ALLEVIATION & RURAL DEVELOPMENT	AIDS AND HUMAN SURVIVAL	ENVIRONMENTAL PRESERVATION & NATURAL RESOURCE MGT.
1. Uganda Investment Authority	X			
2. Mfr. of Condoms and Gloves			X	
3. Gold Mining and Beneficiation		X		X
4. Sponge Iron Plant				X
5. Registr. & Ind. Tech. Info. Units of MOIT	X			
6. Bio-diesel Mfg. Project		X		
7. Policy on Ind. Manpower/Training	X			
8. Human Res. Dev for Industry	X			
9. Training in Ind. Pollution Mgt.	X			X
10. Uganda Ind. Res. Inst. In Food Tech. & Ceramics	X	X		
11. Ind. Estates for SSIs		X		
12. NEAP Office	X			X
13. Eng. Design and Service Center	X			

PRIORITY THEMES  PROJECTS	POLICY & MANAGEM. CAPACITY	POVERTY ALLEVIA- TION & RURAL DEVELOP- MENT	AIDS AND HUMAN SURVIVAL	ENVIRON- MENTAL PRESERVA- TION & NATURAL RESOURCE MGT
14. Precision Machining Workshop	x			
15. Uganda Polytechnic Kyambogo	x			
16. Vocational Training Insts.	x			
17. Common Facility Wkshop, Katwe	x			
18. Manufacture of Disposable Hypo- dermic Syringes			x	
19. Strengthening Ministry of Women in Development	x	x		

The rankings in order of the number of projects addressing the respective themes are as follows:

- Policy and Management Capacity - 13 projects
- Poverty Alleviation/Rural Development- 5 projects
- Environmental Preservation and Natural Resources Management - 4 projects
- AIDS and Human Survival - 2 project

To a large extent therefore, each of the identified project concepts is responsive to at least one of the specified themes. The following programmes can be formulated on the strength of these projects:

Programme 1:            Industrial Institution Building and Strengthening

- Projects:
- i) Strengthening Uganda Investment Authority
  - ii) Strengthening Registration & Information Units of MOIT
  - iii) Human Resources Development for Industry
  - iv) Assistance to Uganda Industrial Research Institute In Food Technology and Ceramics
  - v) Strengthening the National Environmental Action Plan Office
  - vi) Strengthening the Ministry of Women in Development for Entrepreneurship Development in Small-Scale and Cottage Industries

Programme 2:            Development of the Engineering Industries

- Projects:
- i) Engineering Design and Service Center
  - ii) Precision Machining Workshop
  - iii) Assistance to Uganda Polytechnic Kyamboogo
  - iv) Assistance to Vocational Training Institutes
  - v) Techno-economic Study of Sponge Iron Plant

- Programme 3:            Industrial Policy and Planning
- Project:            National Policy and Plan on Industrial  
                                 Manpower Development and Training
- Programme 4:            Development of Small-Scale and Cottage  
                                 Industries
- Projects:            i)    Industrial Estates and Common  
                                 Facilities for Small-Scale  
                                 Industries
- ii)   Common Facilities-cum-training  
                                 Workshops at Katwe
- iii) Strengthening the Ministry of  
                                 Women in Development for  
                                 Entrepreneurship Development in  
                                 Small-Scale and Cottage Industries
- Programme 5:            Environmental Management
- Projects:            i)    Development of the Gold Mining and  
                                 Beneficiation Industry
- ii)   Modular Training Programme in  
                                 Industrial Pollution Management
- iii) Strengthening the National  
                                 Environmental Action Plan Office
- Programme 6:            Natural Resources Management
- Projects:            i)    Techno-economic Study of Sponge  
                                 Iron Plant
- ii)   Development of the Gold Mining and  
                                 Beneficiation Industry
- Programme 7:            AIDS Management
- Projects :            i)    Feasibility of Manufacture of  
                                 Condoms and Gloves
- ii)   Pre-Investment Study for  
                                 Manufacture of Disposable  
                                 Hypodermic Syringes

Programme 8:

Energy Development

Project:

Study of Bio-diesel Manufacturing  
Project

VI CONCLUSION

42. 32 projects, - 7 operational and likely to spill-over into the Fourth Country Programme, 6 pipeline and 19 project concepts, - have been identified and evaluated in terms of the responsiveness of their respective objectives to the four critical development/technical assistance priority themes stipulated by the Government of Uganda. These themes are:

- i) Policy and Management Capacity
- ii) Poverty Alleviation and Rural Development
- iii) AIDS and Human Survival
- iv) Environmental Preservation and Natural Resources Management

Against this yardstick, all the identified projects were adjudged to be responsive to at least one of the critical themes and, as such, could qualify for admission into the Fourth Country Programme. Furthermore, these projects have been clustered into ten programmes, each addressing a common broad need. Keeping in view the development needs of Uganda, as well as the expected quantum of developmental impact that could be made by the respective programmes, they have been arranged in the following order of priority as a guide to decision-making:

Priority PROGRAMMES  
Ranking  
of Programmes

PROJECTS \*

1. INDUSTRIAL POLICY  
PLANNING

1.Public Industrial  
Enterprises Secretariat  
(PIES)\*\*

2.Indicative Industrial Plan\*\*

3.National Policy and Plan on  
Industrial Manpower  
Development and Training

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\* - Projects are not listed in order of priority  
\*\* - On-going Projects

2.           **INDUSTRIAL INSTITUTION  
BUILDING AND STRENGTH-  
ENING**
1. Assistance to Uganda National Bureau of Standards\*\*
  2. Strengthening UMA and UNOCI\*\*
  3. Feasibility Analysis Unit at UMA
  4. Dept. of Industrial Design at Makerere University
  5. Strengthening Dept. of Technology at MOIT
  6. Strengthening Uganda Investment Authority
  7. Strengthening Registration & Information Technology Units at MOIT
  8. Human Resources Development for Industry
  9. Uganda Industrial Research Institute in Food Technology & Ceramics
  10. Strengthening National Environmental Action Plan Office
  11. Strengthening the Ministry of Women in Development for Entrepreneurship Development in Small-Scale and Cottage Industries
- 
3.           **DEVELOPMENT OF THE  
ENGINEERING INDUSTRIES**
1. Manufacture of Agricultural Tools and Implements (SAIMMO)\*\*
  2. Techno-economic Study of Sponge Iron Plant
  3. Engineering Design and Service Center
  4. Precision Machining Workshop
  5. Assistance to Uganda Polytechnic Kyambogo

6. Assistance to Vocational  
Training Institutes

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- |    |  |   |
|----|--|---|
| 4. | DEVELOPMENT OF SMALL-<br>SCALE AND COTTAGE<br>INDUSTRIES | 1. Small and Cottage Enterprises<br>Project (Mbale)**<br><br>2. Rural Small-Scale Industries<br>Project (Mbarara)**<br><br>3. Industrial Estates and Common<br>Facilities for Small-Scale<br>Industries<br><br>4. Common Facilities-cum-<br>Workshops at Katwe<br><br>5. Strengthening the Ministry of<br>Women in Development for<br>Entrepreneurship Development in<br>Small-Scale and Cottage Industries |
| 5. | DEVELOPMENT OF THE<br>FOOD PROCESSING<br>INDUSTRY        | 1. Strengthening the Food<br>Processing Industry<br><br>2. Assistance to Uganda<br>Industrial Research Institute<br>In Food Technology and<br>Ceramics  |
| 6. | RURAL TRANSPORTATION                                     | Feasibility of Bicycle<br>Manufacturing Plant   |
| 7. | NATURAL RESOURCES<br>MANAGEMENT                          | 1. Pre-feasibility of Mini-<br>Hydropower Stations<br><br>2. Development of Gold<br>Mining/Beneficiation Industry<br><br>3. Techno-economic Study of<br>Sponge Iron Plant   |
| 8. | ENVIRONMENTAL<br>MANAGEMENT                              | 1. Development of Gold<br>Mining/Beneficiation Industry<br><br>2. Modular Training Programme In<br>Industrial Pollution<br>Management   |

3.Strengthening the National  
Environmental Action Plan  
Office

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9. ENERGY DEVELOPMENT

1.Pre-feasibility of Mini-  
Hydropower Stations

2.Study of Bio-diesel  
Manufacturing Project

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10. AIDS MANAGEMENT

1. Feasibility of Manufacture  
of Condoms and Gloves

2. Pre-Investment Study for  
Manufacture of Disposable  
Hypodermic Syringes

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**ANNEX 1: SUMMARY OF OPERATIONAL (ON-GOING) PROJECTS**

1.1DP/UGA/86/015: Manufacture of Agricultural Tools, Implements and Farm Machinery (at Soroti Agricultural Implements and Machinery Manufacturing Company)(SAIMCO)

The implementation of this project, which has the enthusiastic support of the Government of Uganda (GoU), had been planned to commence by the end of 1991 or very early in 1992. All outstanding issues that had inhibited project start-up had apparently been laid to rest by the reports of the UNIDO mission (Gladilov/Rao of May-June 1991) and the UNCDF mission (Shotton of May-June 1991).

1.2 DP/UGA/90/012: Indicative Industrial Plan

This project aims to fill the gap created by the lack of clear-cut sectoral and subsectoral policies and strategies for the future development of the industrial sector. It stands to benefit from the World Bank-financed UNIDO -executed technical assistance project, ER/UGA/84/003:- Strengthening the Planning Unit of the Ministry of Industry and Technology. By aggregating individual enterprise and subsectoral projections up to 1997, along with their corresponding development strategies, it would be possible to map out a Masterplan for the development of the entire industrial sector over the period.

1.3 TF/GLO/88/905: Development of Small and Cottage Enterprises at Grass-roots Level (In the Mbale Area)

The purpose of the project is to further promote the flourishing small-scale industries in the Mbale region. After an initial take-off with a UNV who, notwithstanding impressive paper qualifications, apparently lacked the ability to understand and react to local conditions and sensitivities, and who apparently did not understand the purpose and objectives of the project, the project went into a temporary standstill and has only been reactivated with the arrival of a new UNV.

1.4 DP/UGA/90/017: Promotion of Rural Small-Scale Industries  
(In the Mbarara Area)

The project aims to provide a framework of policies and incentives, as well as a modality for provision of financing, training and extension services to small-scale rural enterprises in the Mbarara region. Use would be made, as necessary, of existing NGOs and financial institutions. To facilitate the delivery of credit to entrepreneurs who often are unable to muster the necessary collateral to enable them receive loans from conventional financial institutions, a revolving fund or "seed money" (of US\$ 150,000) has been established, under a management committee comprised of representatives of UNDP, the Ministry of Industry and Technology, the bank that is the custodian of the revolving fund, UNIDO and the local association of entrepreneurs.

The services of three UNVs are foreseen, as well as a National Project Director who is not an appointee of the Government. The Project Director, Extension Worker and a counterpart from the Ministry of Industry and Technology have already attended short training courses at Kenya Industrial Estates, Kisumu.

1.5 DP/UGA/84/018: Assistance in Rehabilitation of East African  
Steel Corporation (EASCO)

The rehabilitation of EASCO's Jinja complex has already cost US\$17 million. All the necessary plant and equipment are on site, thanks to Italian financing, and the major civil engineering and construction works have now been completed after a 4-year delay. A UNIDO consultant (Mr G.J. Polson) had visited EASCO in mid-1991 and had estimated the cost of equipment erection and commissioning, as well as supervision of start-up, at US\$4.934 million. In addition, there is the cost of UNIDO Technical Assistance put at US\$1.2 million, yielding a grand total of US\$ 6.054 million. The Italian suppliers of the equipment are not apparently keen on further involvement under the old agreement. Since IPF resources cannot be used for this purpose, the GoU must therefore make alternative installation/commissioning arrangements. Among the suggested options are:

- to negotiate a new contract with Danieli, the equipment suppliers;
- to seek open tenders for erection/commissioning;
- to lease the Plant for an initial ten-year period to Taiwanese interests;

1.6 BR/UGA/89/001: Public Industrial Enterprises Secretariat (PIES)

This is a UNIDO- executed World Bank-financed project whose immediate objectives are (i) to assist the GoU in implementing public industrial enterprises reform (ii) to assist in settling ownership questions, divesting enterprises considered unviable, and helping to improve the efficiency and performance of those to be retained in the public domain (iii) to strengthen financial discipline, control and accountability and (iv) to enhance the GoU's absorptive capacity for financial and technical assistance.

In general, the present phase of the project which is due to expire in May/June 1992 is considered to have been very successful in terms of achieving its objectives.

A follow-on project under PIES has received World Bank commitment until 1994. Whereas an area of primary emphasis of the current phase of PIES and its sister-project PES (Public Enterprises Secretariat) was on assisting government to determine which enterprises should be privatised, divested or retained, the emphasis of the next phase of PIES would be on strengthening and optimising the performance of those enterprises to be retained by the Government. There is reasonably reliable information to the effect that the Ministry of Planning and Economic Development has approved the participation of UNIDO in the next phase of PIES as its executing agency.

1.7 DP/UGA/90/002 : Assistance to Strengthen the Uganda National Bureau of Standards (UNBS).

The objective of this project is to strengthen the UNBS by increasing its capacity to put in place an effective standardization and quality assurance system. It involves the inputs of a CTA whose contract calls for four split missions, as well as Consultants in Food and Chemical Testing, Building Materials Testing and Documentation and Standards Information. The CTA completed his first mission in April-June 1991. The second eight-month tenure runs from November 1991 to July 1992. The focus has been on training, follow-up on equipment procurement, and rehabilitation of buildings. The equipment are now expected to arrive by January 1992, after which the Consultants would commence their second missions aimed at assisting in training the staff on the use of the new equipment. The contracts for the Building Materials and Documentation Experts will be for six weeks duration each to accommodate briefing/debriefing in Vienna and travel time, while that of the Food and Chemical Testing Expert would be for 2 months.

To date, all relevant staff have been sent for some training, including the Executive Director. The Bureau is operating from essentially temporary quarters that are far from satisfactory and it is hoped that the construction of permanent buildings (for which a site has been recommended to GoU for acquisition) would commence in the not-too-distant future.

1.8 TF/UGA/90/902: Rehabilitation of Cement Plants

This is a regional project that has yet to take off in earnest in Uganda. A mission was completed in July 1991 aimed at assessing the rehabilitation potential of the Tororo and Hima Cement Works. Both the GoU and the mission agreed that priority attention should be given to Hima as Tororo is at a virtual standstill with only minimal production at present. The formal mission report is expected, including suggestions as to the exact role of UNIDO in the project. In the meantime, the Government plans to enter into negotiations with two European firms, potential candidates as joint-venture partners.

1.9 SI/UGA/90/802: Study on the Establishment of a Plant to Manufacture Tiles and Sanitaryware

The purpose of the project is to provide an input into government's decision-making regarding the viability (or otherwise) of a tiles/sanitaryware manufacturing factory consuming local clays and other materials.

The feasibility study has been completed and the next phase should involve scouting for potential joint-venture partners, investors and markets for the product.

1.10 DP/UGA/90/016: Strengthening of Uganda Manufacturers Association (UMA) and the Uganda National Chamber of Commerce and Industry (UNCCI)

It is the aim of the project, which started in March 1991 and is due for completion in May 1992, to assist UMA and UNCCI to enhance their investment promotion and information dissemination activities through the establishment and operation of an information system and center. A complementary activity involves the preparation of an Investors' Guide to Uganda.

A tripartite review meeting scheduled for early 1992 has now been cancelled. The suggestion has recently been advanced for including the Uganda Small-Scale Industries Association within the scope of coverage of the project.

## **ANNEX 2: SUMMARY OF PIPELINE PROJECTS**

### **2.1 DP/UGA/89/007: Strengthening the Food Processing Industry.**

The central thrust of the project is the promotion of agro-based industries through establishment of new processing enterprises, optimization of the processes of existing plants, establishment of a national food pilot plant and quality control laboratory, adoption of improved processing technologies, and provision of training facilities in food processing. By attracting investors in five existing plants, it is hoped that their production could be boosted by up to 50%.

A problem is foreseen regarding the coordination of this project in the line Ministry, - Industry and Technology. The responsible Department is the Department of Technology whose Commissioner is now the Project Coordinator for another project on Indigenous Capacity Development. This leaves only one professional in the Department which may not, as such, be able to offer the required strong institutional machinery.

An idea has recently been floated to the effect that two institutions should be involved in the project implementation, ie investment promotion and rehabilitation aspects to be assigned to Uganda Manufacturers' Association, while the pilot plant and other technical dimensions are left with the Ministry.

### **2.2 TF/UGA/90/X05: Pre-feasibility Study for Establishment of Small Hydropower Stations on Ishasha and Paidha Rivers.**

The objective of the project is to prepare feasibility studies on two mini-hydropower sites (0.5-5.4 MW) on the Ishasha and Paidha Rivers. The Project Document had been approved by UNIDO's PRC and submitted to DANIDA for funding. However the application was turned down.

It is the view of the Ministry of Water, Energy, Minerals and Environment Protection that instead of feasibility studies, the pressing need at present is for financial resources with which to implement already studied projects. To this end, an agreement has been reached with North Korea on the development of five Mini- Hydropower Stations, including Paidha.

2.3 TF/UGA/92/XXX: Feasibility Study for the Establishment of a Bicycle Manufacturing Plant.

This is a project to which the Ministry of Planning and Economic Development attaches substantial priority. The role of bicycles in rural transportation and development cannot be over-emphasized. To proceed, however, the Ministry needs technically, financially and economically sound advice regarding the feasibility of the project.

2.4 DP/UGA/91/XXX: Feasibility Analysis Unit for Pre-Investment Studies.

To assist in improving decision-making by entrepreneurs regarding new industrial projects, a Feasibility Analysis Unit would be set up within the Uganda Manufacturers Association. The Unit would, among other things, assist in identifying investment opportunities, preparing techno-economic feasibility studies, and appraising the rehabilitation, modernization, diversification and expansion of existing industrial projects.

There are recent indications that the MOIT would prefer to have the unit domiciled within the Ministry in order to ensure that its services are not restricted to members of UMA only.

2.5 DP/UGA/91/XXX: Establishing a Department of Industrial Design (Engineering), Textiles and Audio-visuals at Makerere University, Kampala.

UNIDO has been requested to provide technical assistance towards establishment of an industrial design programme in the Margaret Trowell School of Fine and Industrial Arts at Makerere University. Courses would be offered in industrial design, applied design in fashions and textiles, audio-visual studies in TV and film design, and in photography. The project has the advantage of directly linking academia with industry. It would also assist the export of manufactured products, particularly textiles.

2.6 UGA/89/013: Industrial Technology Development

The purpose is to strengthen the Technology Department of the Ministry of Industry and Technology. An expert has been commissioned to review and evaluate the current status of industrial technology, with a particular focus on policy formulation, indigenous technologies, technology imports, the feasibility of a technology information bank, and control and coordination of Research and Development (R&D) activities in industries and other institutions. He is also expected to redraft and submit a responsive project document on Industrial Technology Development, with emphasis on technology transfer and the capacity to absorb foreign industrial technology.

### ANNEX 3: SUMMARY OF NEW PROJECT CONCEPTS

#### 3.1 Assistance for Strengthening Uganda Investment Authority

The Uganda Investment Authority (UIA), which came into full operation in July 1991, is responsible for administering the new Investment Code and, among other functions, has the mandate to contribute to national economic development by supporting the private sector through the promotion and facilitation of investment. It is the first contact point for investors and offers a one-stop window where investors can obtain all the approvals, licenses and certificates for new ventures.

Important areas of possible UNIDO technical assistance include:

- organisation of foreign and local investment fora;
- establishment of a reliable investment information bank;
- training, short courses, seminars and conferences for local investors;
- techno-economic studies on export-oriented industries.

For the time being, UIA is laying emphasis on mineral and forest-based industries, as well as non-traditional processed/manufactured goods for export.

#### 3.2 Manufacture of Condoms and Gloves.

The HIV/AIDS epidemic, at the present rate of spread, threatens very severe impacts on Uganda's economic production structure, availability of skilled workers and professionals and overall socio-economic welfare at the family and national levels. Manufacturing could assist in combatting this scourge through the production of condoms and gloves. It is reported by MOIT that some foreign investors had made inquiries in that regard and had been referred to the Uganda Manufacturers' Association. No serious action appears to have ensued.

#### 3.3 Development of the Gold Mining and Beneficiation Industry.

Artisanal and medium-scale gold mining and beneficiation are known to result in serious environmental degradation and pollution in Uganda, due to mercury and cyanide discharges. As old mines are rehabilitated and new ones opened in the attempt to diversify the nation's revenue and export base, the environmental problem is apt to increase. On the other hand, there are other beneficiation technologies that are more environment-friendly, one of which involves the use of coal and/or oil. Assistance would be necessary for sponsoring study tours of experts to the R & D facilities of

the prospective know-how vendors, execution of feasibility studies based on the new coal-gold-agglomeration technology and other processes, and assistance in negotiating and executing the contract for the implementation of a pilot demonstration unit.

#### 3.4 Techno-economic Study for Establishing a Sponge Iron Plant.

This project has been under consideration by UNIDO and the Government since 1989. Its justification derives from the limited availability of ferrous scrap in Uganda and the urgency of finding a viable substitute, preferably based on local resources, in order to ensure the long-term sustainability of the domestic steel industry. Exploitable iron ore deposits are known to occur in the areas around Kigezi (Kashenyi) and Tororo. The Minerals Department of the Ministry of Lands and Natural Resources is currently conducting a survey of the size and quality of the reserves. Preparatory assistance would be necessary for establishment of a pilot and demonstration 20,000 ton/year sponge iron plant, preferably based on direct reduction of local iron ores using coal as a reductant.

#### 3.5 Strengthening the Registration and the Industrial Technology Information Units of the Ministry of Industry and Technology.

Notwithstanding the coming into being of the Uganda Investment Authority, the Registration Unit of the Ministry of Industry and Technology is still charged with responsibility for issuing industry licenses to new industrial enterprises approved by UIA. Both this Unit and the Industrial Technology Information Unit are ill-equipped to carry out their respective mandates.

There is a need for assistance, involving in the first instance the deployment of a short-term Consultant to draft the project document for a subsequent technical assistance package. This package would include such elements as the provision of computer facilities, streamlining the system of industry licensing, manpower training, provision of documents, journals, books, etc, and implementing a system for information analysis and dissemination.

#### 3.6 Pre-feasibility Study of Bio-Diesel Manufacture.

A process has been developed and proven at the laboratory and pilot scales for the manufacture, from vegetable oil, of methyl-ester, a diesel substitute for motor vehicles. Preliminary cost estimates and road tests in Belgium suggest its potential feasibility in an energy-starved but agriculturally rich country such as Uganda. Such oil seeds as cotton, groundnuts, simsim, sunflower and soyabean are potential candidates for raw materials.

Technical assistance would be required, in the first instance, to prepare a pre-feasibility study to establish, among other things, the availabilities and local consumption patterns of the various oil seeds, the prospects and strategies for expanding production of these oilseeds without jeopardising the availability of edible oil for domestic use, the prospects for regional implementation, etc.

The Ministry of Water, Energy, Minerals and Environment Protection has expressed enthusiasm for the project.

### 3.7 National Policy and Plan on Industrial Manpower Development and Training.

The ultimate objective of this project is to reduce Uganda's reliance on foreign sources for technical and management expertise. One approach for achieving this is through the building-up and/or strengthening of the national capacity in policy formulation and implementation, and in human resources planning for development. This is of vital importance in the context of industrial development since technical and managerial manpower is a sine qua non for self-reliant industrial development.

Against this background, the project (to be preferably domiciled in the Ministry of Planning and Economic Development) will review and upgrade the mandate of the Manpower Development Unit which will, in turn, formulate a National Policy for Manpower Development and Training. Technical assistance would also be provided to enable the Unit establish a Government Execution (GEX) sub-unit responsible for strengthening the local capacity for planning, executing, monitoring and evaluating TA projects.

Assistance would be delivered through the medium of high-level international expertise, short-term consultants and specialists, training/fellowships/study tours, and training equipment and materials.

### 3.8 Human Resources Development for Industry.

The objective is to strengthen existing training institutions and facilities to enable them provide relevant training programmes to technical and managerial personnel in industries. In addition to training centers, such industry-supporting institutions as the Uganda National Bureau of Standards, industrial Research and Development (R & D) institutions, information centers, and industry-based research units, would also benefit.

The project would aim to improve institutional infrastructures through targeted training of trainers, development of pertinent curricula, introduction of appropriate training methods and techniques, installation of modern training equipment, and enhancement of management capacity.

Particular emphasis would be given to the training of women industrialists and entrepreneurs. In this regard, collaboration would be necessary with the Ministry of Women in Development (WID), Youth and Culture in developing modular training schemes for imparting entrepreneurial, managerial and technical skills.

### 3.9 Development of a Modular Training/Education Programme in Industrial Pollution Management.

This project aims to contribute to the Ministry of Water, Energy, Minerals and Environment Protection's efforts to evolve a strategy for environmental preservation and sustainable natural resource management. Its objectives would be to raise public awareness through short-term training workshops, and to enhance local environmental management capacity through the production of a corps of trained trainers in industrial pollution management. This would ensure the project's sustainability after the technical assistance might have terminated.

The specific activities involved in the project are comprised of three phases:

- Phase 1: Industrial pollution awareness creation, involving on-site surveys of training needs (for high-polluting industries such as leather, wood, textiles, food processing, and heavy metallurgical industries), formulation of strategies and policies for pollution control, and organisation of training workshops/seminars in close cooperation with existing training institutions.
- Phase 2: Training of local trainers and the production of relevant training supports and packages.
- Phase 3: In-depth evaluation of the programme and the preparation of a detailed report.

3.10 Assistance to Uganda Industrial Research Institute In Food Technology and Ceramics

This is a project whose history dates back to the 1970s when it was commenced under the auspices of the East African Community. Government now considers its revitalisation of high priority, given the need to add value to Ugandan food exports, reduce farm-to-consumer losses and improve the quality of rural life.

The Government has recently received assistance from China to resuscitate and complete the abandoned civil and building works of the Institute, and a team of local experts has been commissioned to prepare a list of equipment for the Institute's laboratories and pilot plants.

It is hoped that following the construction works, UNIDO and other donor agencies would assist through supply of equipment and provision of experts in various aspects of food processing and ceramics technology.

3.11 Establishment of Industrial Estates and Common Facility Centers for Small-Scale Industries

Small-scale industries are desirable in that they generally utilize, to a higher degree, local raw materials, create employment, assist in redistributing income and accelerate technology diffusion. To this end, it is the desire of Government to establish a number of estates, provided with essential infrastructures and utilities, where small-scale entrepreneurs could construct their own buildings for workshops, etc. Common services such as telephones, secretarial services etc would be provided to small-scale users at cost. Already, Jinja Municipal Council has allocated 67 acres of land for such a project. Technical assistance would be required for planning and implementation of the project, entrepreneurship training, staffing and equipping the common facilities center, and short-term advisory services during the initial years of operation.

3.12 Strengthening the National Environmental Action Plan Office

The National Environmental Action Plan Office is a multisectoral body established by Government (but with membership drawn from academia, the private sector, relevant government Ministries and parastatals) to assess the environmental problems of Uganda and evolve policies and strategies for solving them. Task forces have been set up to work on various aspects of environmental management,

one of which is responsible for industrial and mining wastes of all types, toxic wastes and other hazardous materials. Assistance is required to strengthen the Office to enable it address the air, water and solid waste aspects of its mandate and to build-up its capacity to conduct Environmental Impact Assessments relevant to industrial projects.

3.13 Assistance in establishing an Engineering Design and Service Center

There is a clearly recognised shortage of engineering design capacity in Uganda. Whatever capacity exists is nothing more than what has been acquired by engineering graduates of Universities and Polytechnics. This is inadequate in the purposes of designing and manufacturing engineering equipment and parts. The project aims to establish and equip a Center for training graduates in machine design and manufacturing and would include a foundry, machine shop, fabrication shop, heat treatment facilities, etc. A production unit could also be annexed to the Center for commercial production of spare parts and components. Technical assistance would be required for planning, implementing and equipping the Center and for staffing it with relevant experts and trainers in the initial years.

3.14 Establishment of a Precision Machining Workshop

The proposed workshop could be established under the physical and management umbrella of the Management Training and Advisory Center (MTAC), the training institute of the Ministry of Industry and Technology. It is intended to fill the recognised gap in precision machining capability in Uganda, and would incorporate such basic facilities for production of precision spares as heat treatment, electroplating, precision grinding and gear cutting. Facilities would also be provided for the production of jigs and fixtures, press tools and gauges.

3.15 Assistance to Uganda Polytechnic, Kyambogo

Although there may be, in numerical terms at least, adequate institutional back-up for industry, closer examination reveals that students graduating from these institutions often lack practical knowledge. This is due to the lack or inadequacy of facilities in the workshops for training in such areas as foundry technology, metalworking and quality control. Modern practices such as Computer-numerical-controlled (CNC) technology are not

available. The project would provide the Polytechnic with facilities for training students in these trades.

3.16 Assistance to Vocational Training Institutes

Discussions with managers in industry reveal a gap in the quality and range of education and training received by students of Vocational Training Institutes (VTIs). Certain trades are not effectively covered, including gear cutting, heat treatment, pattern making, foundry and the use of quality control and testing equipment. The objective of this project is to provide retraining to the teaching staff in these and other trades.

3.17 Establishment of a Common Facility-cum-Training Workshop in Katwe

Notwithstanding their lack of adequate formal education, many of the artisans and craftsmen in Katwe have acquired considerable skills. Because they often lack the proper tools, the quality of their products is low. To assist them in gaining new skills while improving the quality of their products, the project would provide a common facility equipped with basic machine tools such as lathes, milling machines, drilling machines, grinding machines and heat treatment facilities.

3.18 Pre-Investment Study for Manufacture of Disposable Hypodermic Syringes

The multiple use of syringes and needles without proper sterilization is one of the major avenues for the spread of the HIV virus, particularly in the rural areas. It is the view of the Ministries of Industry and Health that local production of syringes and needles would make them more readily available and perhaps also cheaper. A pre-investment study would assist in "selling" the project idea to interested private sector investors.

3.19 Strengthening the Ministry of Women in Development for Entrepreneurship Development in Small-Scale and Cottage Industries

Although women are actively engaged in such cottage industries as ghee processing, oil extraction, grain milling, fruit canning and fruit concentrate production, these activities are largely inefficient and pay little attention to product quality. The Planning Unit of the Ministry of Women in Development, if properly equipped, could be an important catalyst for development of additional enterprises as well as increased efficiency of those already in existence.

**ANNEX 4: LIST OF PERSONS CONTACTED IN UGANDA**

UNDP/UNIDO, Kampala

- Mr. Tedla Teshome, UNDP Resident Representative
- Mr. Koernraad Goekint, UNIDO JPO
- Ms. Christina Gagyinya, Programme Officer
- Mr. Wilson Kwanya, Programme Officer

Ministry of Industry and Technology

- Mr. T.Langoye - Commissioner for Industry
- Dr. P.Kagoda - Commissioner for Technology
- Mr. Kakama Kapasi - Chief Industrial Officer
- Ms. Jane Mambule - Principal Industrial Officer
- Ms. Elizabeth Mukiibi - Principal Economist
- Mr. Martin Onyach-Olaa - Senior Industrial Officer

Ministry of Planning and Economic Development

- Ms. F.J. Bwanga-Bugonzi

Ministry of Water, Energy, Minerals and Environment Protection

- Mr. G.E. Kayondo - Commissioner for Power
- Dr. Henry Aryamanya - Coordinator, National Environmental Action Plan Office

Ministry of Women In Development, Youth and Culture

- Ms. Elizabeth Kyasiimire - Senior Economist
- Mr. Mbulamuko Laban - Economist
- Mr. Edward Mugyimba - Economist

Uganda National Bureau of Standards

- Dr. Eve Kasirye-Alemu - Executive Director
- Dr. Lawrence Twum-Danso - Chief Technical Adviser

Uganda Manufacturers' Association

- Mr. H.C. Pant - Chief Technical Adviser

Uganda Investment Authority

- Mr. Patrick Nyaika - Client Services Manager
- Mr. Ramesh Adhikari - Consultant