

**RESTRICTED**

# **UGANDA**

---

---

## **Development of a National Micro, Small and Medium Enterprises (MSMEs) Policy and Strategy**

---

---

Draft Report

July 2007



**Commonwealth Secretariat**

Trade, Enterprise & Agricultural Department  
Special Advisory Services Division  
Commonwealth Secretariat  
Marlborough House, Pall Mall  
London SW1Y 5HX

SASD/EAS/UGA/41

**This report has been prepared under a technical assistance arrangement exclusively for the information of the Government of Uganda and not for any other person or organisation. While every care has been taken in the preparation of the report, no liability can be accepted by the Commonwealth Secretariat for any use to which it may be put.**

# CONTENTS

<b>LIST OF ABBREVIATIONS .....</b>	<b>5</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>7</b>
<b>1. OPERATING ENVIRONMENT FOR MSMEs</b>	<b>10</b>
1.1. Role of Micro, Small and Medium Enterprises (MSMEs)	10
1.2. Status of MSMEs	11
1.3. Macro-economic Scenario	12
1.4. Developmental Efforts	13
1.4.1. Initiatives	13
1.4.1.1. The Competitiveness and Investment Climate Strategy (CICS)	13
1.4.1.2. Plan for Modernisation of Agriculture (PMA)	14
1.4.1.3. Poverty Eradication Action Plan (PEAP)	15
1.4.1.4. <i>Bonna Bagaggawale (Prosperity for All)</i>	16
1.4.1.5. Presidential Innovation Fund	16
1.4.1.6. Business Uganda Development Scheme (BUDS–SSE)	16
1.4.1.7. UNIDO Master Craftsman Programme (MCP)	17
1.4.1.8. Uganda Cleaner Production Centre Project (UCPC)	17
1.4.1.9. Energy for Rural Transformation Project (ERT)	18
1.4.1.10. Microfinance Outreach Plan(MOP)	18
1.4.2. Institutions	19
1.4.2.1. Ministry Of Finance, Planning and Economic Development	19
1.4.2.2. Ministry of Tourism, Trade and Industry (MTTI)	19
1.4.2.3. Uganda National Bureau of Standards (UNBS)	20
1.4.2.4. Uganda Industrial Research Institute (UIRI)	20
1.4.2.5. Private Sector Foundation of Uganda (PSFU)	21
1.4.2.6. Enterprise Uganda (EUG)	22
1.4.2.7. Uganda Export Promotion Board (UEPB)	22
1.4.2.8. Uganda Gatsby Trust (UGT)	23
1.4.2.9. Uganda Small Scale Industries Association (USSIA)	23
1.4.2.10. Uganda National Chamber of Commerce and Industry (UNCCI)	23
1.4.2.11. Association of Microfinance Institutions of Uganda (AMFIU)	24
1.4.2.12. The Uganda MSME Forum	24
1.4.2.13. National Agriculture Advisory Service (NAADS)	24
1.4.2.14. National Agricultural Research Organisation(NARO)	25
<b>2. POLICY AND STRATEGY RECOMMENDATIONS</b>	<b>27</b>
2.1. Definition	27
2.2. Institutional Framework for MSME Development	28
2.3. Legal and Regulatory Framework	29
2.4. Technology Up-gradation and Development	31
2.5. Standards and Product Certification	32
2.6. Business Development Services (BDS)	32
2.7. Infrastructural Support	33
2.8. Access to Credit/Financial Services	34

2.9.	Cross-cutting Issues	36
<b>3.</b>	<b>MONITORING AND EVALUATION</b>	<b>38</b>
<b>4.</b>	<b>MSME STRATEGIC PLAN: 2007 - 20012</b>	<b>39</b>
4.1.	MSME Development and Vision 2035	39
4.2.	Mission	39
4.3.	Objective	39
4.4.	Ownership and Coordination	39
4.5.	Work Programme and Action Plans	39
4.5.1.	Action Plan 1: Institutional Reorganisation	40
4.5.1.1.	Opportunity/Need	40
4.5.1.2.	Strategic objective	40
4.5.1.3.	Lead Institution	40
4.5.1.4.	Actions	40
4.5.1.5.	Implementation plan and budget	41
4.5.2.	Action Plan 2: Strategic Alignment of the existing MSME Programme:	42
4.5.2.1.	Opportunity/Need	42
4.5.2.2.	Strategic objective	42
4.5.2.3.	Lead Institution	42
4.5.2.4.	Actions	42
4.5.2.5.	Implementation plan and budget	43
4.5.3.	Action Plan 3: Delivering a Coordinated National MSME Programme	43
4.5.3.1.	Opportunity/Need	43
4.5.3.2.	Strategic objectives	43
4.5.3.3.	Lead Institutions	43
4.5.3.4.	Actions, Implementation Plan and Budget	44
4.6.	Summary of estimated resource allocation	49
4.7.	Monitoring and Evaluation	49
	<b>REFERENCES</b>	<b>50</b>
	<b>ANNEX A INSTITUTIONAL FRAMEWORK MODELS .....</b>	<b>52</b>
	<b>ANNEX B POLICY RECOMMENDATIONS MATRIX.....</b>	<b>56</b>
	<b>ANNEX C STRATEGIES MATRIX .....</b>	<b>60</b>
	<b>ANNEX D MSME PROGRAMMES MATRIX.....</b>	<b>70</b>

## LIST OF ABBREVIATIONS

AMFIU	Association of Microfinance Institutions of Uganda
AUPWAE	Association of Uganda Professional Women in Agriculture and Environment
BDS	Business Development Services
BOU	Bank of Uganda
BTVET	Business, Technical and Vocational Education Training
CERUDEB	Centenary Rural Development Bank
CFTC	Commonwealth Fund for Technical Assistance
CICS	The Competitiveness and Investment Climate Strategy
ComSec	Commonwealth Secretariat
CSO	Civil Society Organisation
DDA	Dairy Development Authority
DFCU	Development Finance Company of Uganda
EADB	East African Development Bank
EPZ	Export Processing Zone
ERT-MAAIF	Energy for Rural Transformation Project – Ministry of Agriculture, Animal Industry and Fisheries
EUG	Enterprise Uganda
FASERT	Foundation of Advancement of Small Enterprises and Rural Technology
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoU	Government of Uganda
GTZ	German Technical Cooperation
ILO	International Labour Organisation
IMSENCC	Informal, Micro and Small Enterprise National Coordination Committee
IPRs	International Property Rights
MAAIF	Ministry of Agriculture, Animal Industry & Fisheries
MCP	Master Craftsman Programme
MDG	Millennium Development Goals
MDI	Microfinance Deposit-taking Institution
MFI	Micro Finance Institutions
MPED	Ministry of Finance, Planning & Economic Development
MOES	Ministry of Education and Sports
MOGLCD	Ministry of Gender, Labour and Social Development
MOJCA	Ministry of Justice & Constitutional Affairs
MOP	Micro-Finance Outreach Plan
MSEF	Uganda MSE Forum
MSMEs	Micro, Small & Medium Enterprises
MTAC	Management Training and Advisory Centre
MTCS	Medium Term Competitiveness Strategy
MTTI	Ministry of Tourism, Trade & Industry
MUBS	Makerere University Business School
NAADS	National Agricultural Advisory Services
NAGRC&DB	National Animal Genetic Resources Centre & Data Bank
NARO	National Agricultural Research Organization

NCUSBO	National Council of Small Business Organisations
NGO	Non Governmental Organisation
PEAP	Poverty Eradication Action Plan
PFA	Prosperity for All
PMA	Plan for Modernization of Agriculture
PPDA	Public Procurement & Disposal of Public Assets Authority
PPP	Public Private Partnership
PSFU	Private Sector Foundation of Uganda
SAACO	Savings and Credit Cooperative
SME	Small & Medium Enterprise
SPEED	Support for Private Enterprise Expansion and Development
TVET	Technical, Vocational Education and Training
UBOS	Uganda Bureau of Statistics
UCFA	Uganda Commercial Farmers Association
UDBL	Uganda Development Bank Limited
UEPB	Uganda Export Promotion Board
UGT	Uganda Gatsby Trust
UIRI	Uganda Industrial Research Institute
UIA	Uganda Investment Authority
ULAIA	Uganda Leather & Allied Industries Association
ULRC	Uganda Law Reform Commission
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNCCI	Uganda National Chamber of Commerce and Industry
UNCST	Uganda National Council for Science & Technology
UNIDO	United Nations Industrial Development Organisations
USE	Uganda Securities Exchange
USSIA	Uganda Small Scale Industries Association
UWEAL	Uganda Women Entrepreneurs Association Limited

## **EXECUTIVE SUMMARY**

This is the draft report of a project delivered by the Commonwealth Secretariat on behalf of the Government of Uganda. The aim of the project is to develop a National Micro, Small and Medium Enterprises (MSME) Policy and Strategy to support the birth and growth of viable and competitive MSMEs.

The report comprises of two parts. Part 1 is a review of the existing environment and concludes with new policy and strategy recommendations. Part 2 is the strategic plan outlining an action plan for the implementation of a 5 year programme.

### **Key Deliverables**

The key deliverables of the project are as follows:

- Recommendations for policy reforms that support national interventions to improve MSME performance;
- Recommendations for institutional reforms to enhance and upgrade the current institutional arrangements for supporting MSME development;
- A national MSME programme focusing on programmes with a realistic chance of enhancing the establishment and viability of MSMEs;
- A Monitoring and evaluation programme with indicative targets and guidelines; and
- A 5 year Strategic Plan for MSME development.

The project was headed by a CFTC appointed Consultant with active participation of all main MSME stakeholders'. Two workshops and 24 work group meetings were held over a 5 month period.

### **Outcomes for Project**

MSME demands should determine the GoU policy response. Based on this, the most critical policy objective emerging is to focus on creating an enabling environment targeting the regulatory environment, financial support to MSMEs and fostering public-private partnerships to deliver MSME support. The key deliverables are described below;

- The GoU needs to give urgent attention to introducing and enforcing policies that support MSME start-up and growth. The openness of the economy provides many opportunities for MSMEs but numerous risks, many which cannot be mitigated other than to rely on the GoU to ensure MSMEs have a fair chance to defend local markets and pursue export opportunities. Company/Business Law, the regulations accompanying these, and the enforcement thereof – needs to be modernised. Continued efforts should be made to reduce and simplify the administrative burden on MSMEs and the formalisation of the sector needs to be at the heart of the GoU's MSME agenda. Due to the prominent role accorded MSMEs as engines of innovation, growth and prosperity it is recommended that the GoU drafts a MSME Act to underpin its intent.

- The GoU needs to move boldly to shape new institutional arrangements for MSME development. Current efforts are fragmented and ineffective. Throughout the consultation it was evident that the division of responsibility over two different government departments undermines the ability of the GoU to give guidance and provide leadership to the MSME national programme. While acknowledging the multi-faceted nature of MSME development there is strong evidence to support a solution that comprises a single cross-cutting government department, with its own Minister, to deal exclusively with MSMEs. It is furthermore recommended that a National MSME Authority be established by the new GoU MSME Department to execute the mandate on its behalf, thereby separating the supervisory role from programme delivery activities. The involvement of all stakeholders – public and private sector alike – should be a feature of this new arrangement. Accordingly, the establishment of a National Coordination Council (NCC) for MSMEs to advise the MSME Department, oversee planned programme delivery and support linkages between stakeholders is proposed.
- Uganda has benefited from many innovative donor/international organisation driven MSME programmes and projects. Professionally run, well resourced, Business NGOs complemented by Business Representative Organisations offer a range of good quality MSME products and services. Government departments also source and expend donor or own funds on MSMEs as part of their remit. The main drivers of this project are successful Ugandan NGOs, Government Agencies and Business Associations, which bodes well for a strategy that draws on the strengths of all stakeholders to meet the MSME development challenge. The content of the recommended MSME programme reflects the rich harvest of demonstrated successes in areas of business development services and other non-financial support. Extensive MSME infrastructure investment, technology upgradation and training are the main MSME programmes proposed. In addition to non financial services access to finance is also addressed. With the exception of micro-finance, this remains a perennial problem, and the establishment of a MSME Finance Facility is recommended.
- A detailed Monitoring and Evaluation (M&E) programme is not proposed in the context of this technical assistance assignment. Detailed M&E requires detailed programme design and, although well crafted programmes are a feature of the outcome, it is not at a level that can we can confidently present an M&E plan. Further refinement is necessary.
- In Part 2 the ‘MSME Strategic Plan: 2007 – 2012’ based on ‘Vision 2035’ is presented. It envisages formalised MSMEs contributing to jobs, exports, manufacturing and gender equity. The Plan highlights, in three Action Plans, how the GoU can go a long way to achieving the objectives for MSMEs of ‘Vision 2035’. The Action Plans can be summed up as follows:
  - Action Plan 1: Institutional Reorganisation. This is considered a prerequisite for addressing the overall MSME development challenge. It is not easy to estimate the time or cost of this component and there are also few alternatives should the GoU reject the recommendation. A National MSME Authority with the gravitas to provide expertise and leadership reporting to a dedicated GoU MSME Department is the outcome of this

Action Plan.

- Action Plan 2: Strategic Realignment of existing MSME Programmes.  
The abundance of demonstrated MSME project/programme successes makes it imperative that GoU first review how these can be realigned and brought into harmony with the emerging national picture, before sculpting a new set of programmes. Business NGOs and other independent providers will be challenged to incorporate elements of the broader national strategy into their own operational strategies and actions. It is expected that a new MSME Authority, with the active support of the new National Coordinating Council for MSMEs, would need 6 months to assist service providers with these actions. It will also be enough time for a thorough review of the proposed programmes recommended by this assignment and refining these for implementation.
- Action Plan 3: Delivering a Coordinated National MSME Programme.  
The MSME Authority is expected to prepare and resource, in conjunction with the GoU MSME Department, a 4 year MSME programme. The MSME Bank, extensive MSME infrastructure investment, technology upgradation and training are the main MSME programmes for the period. Financial Resources to execute the Strategic Plan is estimated to be £2,235,000 for technical assistance and limited programme costs; mainly for pilot projects and further research. It does not include the cost of the new institutions or the capitalisation of the MSME Finance Facility.

## **Next Steps**

The GoU is at a cross roads regarding support for MSME development. It simply cannot achieve the MSME ideals of plans such as ‘Vision 2035’ – the one selected as the basis for the strategic plan – without substantial changes to the current programme.

The existing efforts of all stakeholders display remarkable depth but, even ramping up these efforts will only add to further unbalancing the uncoordinated environment. There is a willingness and appetite for change which needs to be capitalised on by GoU. The window for action is open but won’t remain so for much longer.

Accordingly, the following actions are considered necessary:

- As this restricted draft document is another opportunity to engage stakeholders, the project team will seek specific and detailed comments mainly on the proposed programme.
- The GoU will be engaged by the project team on the feasibility, timing and any other alternative options regarding the ‘institutional reorganisation’ to incorporate this into a more detailed Action Plan.
- Consider a national marketing campaign for the new policy and strategy document when finalised.

## **1. OPERATING ENVIRONMENT FOR MSMEs**

---

### **1.1. Role of Micro, Small and Medium Enterprises (MSMEs)**

The historical experience of economic development in the developed countries is replete with success stories of the role of Small and Medium Enterprises (SMEs) in industrial development, technological innovation and export promotion. The Industrial Revolution (1760-1850) is a testimony of the innovative spirit of SMEs which is increasingly being challenged in the *present* century. Particularly after winds of economic change and liberalization have swept various economies of the world.

SMEs are as much an important catalyst of development in industrialized countries as they are in the developing world. In many developed countries, more than 98 per cent of all enterprises belong to the SME sector. About 80 per cent of the industrial labour force in Japan is employed in the SME sector while in Germany 50 per cent are employed in the smaller firms. In USA, small business contributes nearly 39 per cent to national income.

Exports of the SME sector range from 30 to 50 per cent in developed and developing countries. In tune with the latest developments in the global economy, their role in future is likely to be even greater and more pervasive with a demonstrable impact on the emerging world trading order.

The potential advantages of the SMEs are many. Firstly, they tend to use less capital per worker than large firms do, not only because of differences in the types of products made but also because of differences in the technology used to make the same products. Secondly, they use resources that otherwise might not be drawn into the development process, e.g. workers with little formal training who learn skills on the job, or the small savings of the entrepreneurs who may not use the banking system but who may invest in their own firms, etc. Thirdly, in addition to serving as a seedbed of entrepreneurship, small enterprises occupy a highly useful niche in industrial structure, sub-contracting with large firms and engaging in small batch production, made –to-order work, or finishing operations complimentary to large scale industry.

Regardless of where they are, the micro and small business sector is highly diversified by ownership, type of industry and stage of development. Small business covers all sectors from resource-based industries to manufacturing and services. They may be start-ups, stable and established business enterprises or rapidly growing enterprises. They include self-employed people operating their businesses from their homes or from very small premises

In the absence of a universal definition of SMEs, it is rather difficult to have comparable figures on SMEs for various countries. Nevertheless, the role of SMEs is equally important in developing and developed economies. In developing countries, SMEs have more significant role in economic growth and development by contributing in the

creation of employment and income-generation opportunities and wealth. These enterprises by and large represent a stage in economic transition from traditional segments to modern segments.

## **1.2. Status of MSMEs**

There are an estimated 800,000 MSMEs in urban and rural areas. These enterprises provide employment to approximately 1.5 million people – 90% of total non-farm private sector workers. Employment growth is 20% per annum in the MSME sector and it contributes to 20 % to GDP.

A large number of women are profitably engaged in MSMEs activities, which in many ways is typified by subsistence agriculture. The share of female's employment is generally much higher in similar economies. Many of these women work in jobs of rather poor quality, but an increasing number are establishing their own successful enterprises. 96% of Ugandan poor are still from rural areas. However, there is phenomenal potential for women-owned enterprises to address poverty eradication, improvement in the quality of life and social development.

Vendors selling merchandise on the roadside, craftsmen repairing electronic and mechanical gadgets in small shops and artisans equipped with simple tools producing basic consumer goods are familiar sights in Uganda. Commonly, such business ventures are referred to as informal sector. This sector nonetheless forms an important part of the small business community. The informal sector – 'Jua Kali' – is engaged in the production and distribution of goods and services and generates employment and income in spite of numerous constraints.

The relevance of informal sector needs to be viewed in relation to poverty and unemployment. Poor people cannot afford to be unemployed. Nor can the young be unemployed over long periods without being a burden on their families. Jobs become not only necessity, but a matter of survival. Small Enterprises, in informal sector, in handicrafts, manufacturing, construction, trade and service industries are increasing. While some businesses are one-person units, others work on a family basis and some hire labor or train apprentices. Most Jua Kali acquire their talents through on-the-job training or apprenticeship before establishing their enterprises.

Micro and small business sector in Uganda, like other developing economies, is highly diversified by ownership, type of enterprise and stage of development. Small businesses cover all sectors from resource-based enterprises to manufacturing and services. They may be start-ups, stable, established or fast growing enterprises. These include subsistence entrepreneurs, self-employed people – some of them even operating their businesses from their homes or very small premises and established enterprises

Initiatives have been made to promote and develop MSMEs sector, but the efforts have been largely scattered, uncoordinated – if not conflicting- and isolated. The enterprises continue to face many constraints which inhibit their development and growth. One of the

main factors contributing to this situation is the absence of a coherent general policy framework for MSMEs development in Uganda which is adopted by the government.

### **1.3. Macro-economic Scenario**

Uganda, during mid 80's, embarked on comprehensive economic reforms that sought to reduce government intervention in the economy. The reforms, which were often implemented in the form of structural adjustment programmes, contributed to the liberalization of productive sectors such as agriculture, the opening up of financial markets to foreign competition, foreign exchange liberalization, and generally enhanced private sector involvement in the economy.

Uganda has achieved significant economic growth over the past decade. The economy has grown at an average rate of 6.8% per annum. The agriculture sector, which grew by 5.2% in 2003/4 compared to 2.3% in 2002/3, contributed significantly to the Ugandan economy. Other sectors of the economy also registered strong growth, notably electricity (8.1%), houses and restaurants (7.9%), posts and telecommunication (33.1%). The private sector credit grew by 28% in 2002/3 and 17 % in 2003/4 as against 4 % in 2001/2. In 2003/4, Uganda enjoyed its strongest year of export growth since the mid 1990s. In Universal Primary Education, the enrolment has risen from 3 to 7.6 million. HIV zero-prevalence has stabilized at around 6.2 per cent.

Uganda is predominantly an agricultural economy with agriculture contributing over 40 per cent to the GDP and employing 80 per cent of the working population. The country is gradually moving away from a predominantly agricultural economy, towards one emphasizing construction, manufacturing and services, including trade, tourism, transport and mining. In recent years, manufacturing, electric generation, water supply and transport and communication recorded substantial rates of growth. Within the manufacturing sector, the best performing industries in 1998-2001 were food processing, beverages, chemicals and soap, bricks, cement, leather and footwear.

The government has launched a ten-year road development programme to rehabilitate the main trunk roads and to build and maintain feeder roads to open up rural areas. Power generation, in Uganda, is largely hydro-based, with an installed capacity of 300 MW. The telecommunication sector has been liberalised thereby opening the market to both local and foreign investors. This bold step, coupled with the advent of mobile telephony, has greatly improved telecommunications in the country. In 2003, the mobile telephony subscription accounted for 92.7 per cent of all telephone subscribers. Internet usage is also growing rapidly, and the number of computers per capita is also experiencing a rise.

Beginning with the 1980's, the Government introduced various policy initiatives to reduce its involvement in economic activities, to encourage export diversification and growth and restore the credibility of the country's fiscal and monetary policies. These included trade and foreign exchange liberalisation, which were instrumental in dismantling the market monopolies of various parastatals. The Ugandan economy is one of the most open in sub-Saharan Africa..

Historically Uganda's exports are mainly traditional crops of coffee, tea, tobacco and cotton, accounting for over 64% prior to 1997. This trend has been changing since then with non-traditional exports contributing more than 61% in 2001. Coffee has been the main export, which accounted for 20.7% of the total exports in 2002 when the trade in goods amounted to 37% of GDP.

The Ugandan Investment Authority (UIA), a statutory agency responsible for promoting and facilitating investments, both local and foreign, licensed a total 2,510 projects with planned investments of \$5.9 billion during 1991-2002. The projects promoted by Ugandans account for 38% of this. The leading investor countries are United Kingdom, Kenya, India, Canada and the United States, which together account for more than half of the foreign-owned projects.

The manufacturing sector has attracted the largest share of planned investment, with investment being concentrated in beverages, sugar, textiles, cement, footwear, packaging, plastics and food processing for the local market. In agriculture, the investments have been mainly in coffee, tea and cotton plantation.

Uganda has attracted increasing amount of foreign direct investment (FDI) since the beginning of 1990s. In 1991-95, Uganda attracted an annual average of \$54.3 million of FDI which have increased steadily since 1994 and peaked at \$254 million in 2000, but declined slightly to \$229 million in 2001.

#### **1.4. Developmental Efforts**

For years, Ugandan MSMEs were targeted for assistance and service delivery by many stakeholders. Those include government and non-government organizations, donors and assistance projects.

While there have been some successful initiatives, these efforts have largely been scattered, uncoordinated – if not conflicting – and isolated. One of the main factors contributing to this situation is the absence of a coherent general policy framework for MSMEs development in Uganda which is adopted by the government.

The major Initiatives and the Institutions, even though not exclusively related to MSME in all cases is outlined below.

##### **1.4.1. Initiatives**

###### **1.4.1.1. The Competitiveness and Investment Climate Strategy (CICS)**

The Competitiveness and Investment Climate Strategy (CICS), 2006-2010, is the follow-on to the Medium Term Competitiveness Strategy (MTCS), 2000-2005. The Medium Term Competitiveness Strategy for the Private Sector was developed in recognition of the fact that poor delivery of public services, constrained the public sectors ability to act as

the engine for growth. The theme of the MTCS, ‘making institutions support private sector growth’ highlighted the importance of better institutional coordination and Government support through policy actions and institutional reforms that would strengthen the private sector.

The CICS whose theme is ‘Enhancing competitiveness through Public-Private Partnership’ being a continuation of the MTCS, seeks to position Uganda to deal with the next generation of competitiveness challenges, by building on earlier efforts to improve the business environment, boost domestic activity and increase participation in the global marketplace. The CICS will place particular emphasis on recognising and addressing competitiveness at both sector and sub-sector levels.

The CICS aims to provide a holistic framework for achieving the Prosperity For All (PFA) vision. It recognises the significance of linking the PFA with the competitiveness of Uganda’s productive sectors; provides a criterion for intervening in strategic areas and embraces the concept of Zoning as laid down in the Agricultural Zoning Program of 2004 for the operationalization of the PFA at sub-country level.

The CICS addresses three key output areas, namely enhancing the competitiveness of the key productive sectors, the investment climate and promoting regional and international competitiveness. It recognizes the importance of improving the business environment for MSMEs with access to finance and better infrastructure as cornerstones. It also emphasises the development and facilitation of clusters as a strategy.

#### **1.4.1.2. Plan for Modernisation of Agriculture (PMA)**

The Plan for Modernization of Agriculture (PMA) is a framework for eradicating poverty through multi-sectoral interventions enabling the people to improve their livelihood in a sustained manner. It is part of the Government of Uganda’s broader strategy of poverty eradication contained in the Poverty Eradication Action Plan (PEAP) of 1997. The poverty focus of the PMA is based on poor people’s perspective that are contained in various studies in Uganda, especially the Uganda Participatory Poverty Assessment Project (UPPAP) which was carried out in 67 communities in 9 districts of Uganda.

The vision of PMA is ‘poverty eradication through a profitable, competitive, sustainable and dynamic agricultural and agro-industrial sector’. The objectives of the PMA are to increase incomes and improve the quality of life of poor subsistence farmers, improve household food security, provide gainful employment and promote sustainable use and management of natural resources.

The broad strategies for achieving the PMA objectives include deepening decentralization for efficient service delivery; reducing public sector activities and promoting the role of the private sector; supporting the dissemination and adoption of productivity-enhancing technologies; addressing food security through the market rather than emphasizing self-sufficiency; enhancing and strengthening stakeholders consultation participation in planning; and designing and implementing gender-balanced programs.

A National Agricultural Advisory Service (NAADS) was created to coordinate extension service provision to subsistence farmers.

#### **1.4.1.3. Poverty Eradication Action Plan (PEAP)**

The PEAP is Uganda's national planning framework that guides public action to promote economic growth and eradicate absolute poverty. It aims at reducing the proportion of the population living below the poverty line, from the current level of 31% (2006) to less than 10% by 2017. It establishes the overall national development goals and the guiding principles for managing the economy to promote economic growth and equity. The ultimate goal is to contribute to the transformation of the economy from being largely a rural population dependent almost entirely on subsistence agriculture into a middle-income one. The process of transformation will involve agricultural development and industrialisation based on private investment in competitive industries.

The PEAP comprises of five pillars reflecting specific outcomes related to economic management; enhancing production, competitiveness and incomes; security, conflict resolution and disaster management; good governance; and human development. The priorities under each pillar are derived from the current challenges for poverty eradication in Uganda.

The Pillar I relates to Economic Management whose thrust is boosting economic growth by creating environment that is conducive for private investment, export diversification and competitiveness. This will be achieved through maintaining macro-economic stability and promoting private sector led growth. Over the PEAP period, the GoU aims to deepen the financial market so as to support private sector-led growth. Micro-Finance Institutions (MFIs), which are well managed, will be allowed to intermediate financial resources (mobilize savings and provide credit) in the rural areas.

The Pillar II plans to enhance production, competitiveness and incomes by improving the quantity and quality of infrastructure (roads, rail, electricity, etc), adopting regulatory best practices, providing a stable macroeconomic environment, strengthening commercial justice, developing a robust financial sector, pursuing regional integration, strengthening trade negotiation capacity, improving labour productivity through skills training and development and strengthening public-private partnership. The Plan for Modernisation of Agriculture and the Medium Term Competitiveness Strategy (MTCS), which has since been linked to Competitiveness and Investment Climate Strategy (CICS), are the two main policy frameworks for delivering on this pillar. Improving the business environment for MSMEs is one of interventions under these frameworks.

The Pillar III outlines measures to enhance security, conflict resolution and disaster management. Pillar IV relates to Good Governance whereas Pillar V relates to the vital aspects of Human Development.

#### **1.4.1.4. *Bonna Bagaggawale* (Prosperity for All)**

*Bonna Bagaggawale* is President Museveni's vision to try and put in place varied but integrated socio-economic programmes that mainly target the rural poor in order to transform them into productive and prosperous communities.

In a nutshell, *Bonna Bagaggawale* is *Bonna Bakole* (prosperity for all through production). It is prosperity for all through production, value addition, agro-processing, improved marketing, savings and accessibility to affordable credit.

*Bonna Bagaggawale* is a multi-faceted policy - a combination of grants and loans, a public-private partnership and responsibility of individuals, homes, communities, public and private leaders, organizations and government at all levels.

It is based on several principle pillars, which have been a consistent foundation for the "Presidential Initiative Against Hunger and Poverty" as envisioned way back in 2002. The pillars relate to Food Security, Home Improvement, Income generation and Affordable Micro-Credit.

#### **1.4.1.5. Presidential Innovation Fund**

Presidential Innovation Fund is a major initiative for encouraging and funding scientists and innovators to produce prototypes of their innovations; providing assistance to patent operational innovations; commercialisation of innovations and linking innovators to private business sector.

#### **1.4.1.6. Business Uganda Development Scheme (BUDS–SSE)**

BUDS-SSE is a cost-share grants project, co-funded by the European Union. It is implemented by the Private Sector Foundation (PSF) through the Business Uganda Development Scheme. The project supports the acquisition of know-how through training programs to increase the capacity and performance of small-scale enterprises in the private sector.

The aim of this project is to provide support to small enterprises in order to increase the pool of technical and business qualified personnel, improve the supply and quality of teaching personnel in technical and business subjects, encourage the entry of women in technical, business and managerial activities and improve business performance

The eligible activities for support include training and others business development services which lead to improvement in firm performance

The largest sectoral utilization of the schemes services was accounted for by the services sector accounting for 30% of the schemes assistance.. The Agriculture sector, on the other hand had among the lowest utilisation levels. In terms of geographical location,

over half the value of money allocated was accounted for by Kampala based beneficiaries. Apart from the larger districts towns such as Wakiso, Jinja and Masaka, the remainder of the assistance allocated was fairly evenly distributed throughout the country. Almost all the assistance was used for training and there was very little interest in assistance with business diagnostics.

#### **1.4.1.7. UNIDO Master Craftsman Programme (MCP)**

The Master Craftsman Programme (MCP) aims to put in place a self-sustaining, demand driven system of assistance whereby, business advisors who are skilled technicians provide practical advice to the small-scale entrepreneurs that can be translated to immediate impact on upgrading skills, improved productivity, designs and management practices in order to increase profit to the enterprise. Uganda Small Scale Industries Association (USSIA), Northern Uganda Manufacturers (NUMA), Uganda Gatsby Trust (UGT) are partner organisations in the programme as are institutions like Nakawa Vocational training Institution (NVTI), Lugogo, Uganda Leather Allied Industries Association (ULAIA), and Texda.

The pilot programme covers seven towns namely Kabarole, Mubende, Mityana, Mbarara, Masaka, Mbale and Lira. The programmes have assisted seven hundred entrepreneurs in skills upgrading, advisory services and self-help group formation. Beneficiaries have increased their turnover, changed business location, improved quality and quantity, and acquired good markets.

#### **1.4.1.8. Uganda Cleaner Production Centre Project (UCPC)**

Uganda Cleaner Production Centre (UCPC), hosted by Uganda Industrial Research Institute (UIRI) at Nakawa, is a joint project of the Government of Uganda and the United Nations Industrial Development Organisation (UNIDO). The main objective of UCPC is to introduce Cleaner Production practices to enterprises in Uganda in order to help companies reduce operating costs through increased overall efficiency, especially in the use of materials and energy.

Through cleaner production, enterprises are assisted to improve their environmental performance, while at the same time, fostering improved competitiveness and profitability. The major programmes at the Centre include the Eco-Benefits Programme, CP financing, eco-design and product innovation and ISO 14001 certification.

*The Eco-Benefits Programme*, combines comprehensive Cleaner Production (CP) assessments with training for company staff and consultants. UCPC experts provide technical assistance and supervision. Companies and consultants, who successfully complete the full programme, receive a Cleaner Production certificate. The sectors assisted are fish processing, fruit and vegetable processing, sugar production, tea processing, oxygen production, foam mattress, tannery and leather goods, packaging, steel rolling and metal works and dairy products. Consequently, the enterprises have

made substantial savings by efficient use of resources, such as materials, water and energy.

*Cleaner Production (CP) Financing* programme facilitates communication between industry and financial institutions in order to promote investments in Cleaner Production

*Eco-Design and Product Innovation* programme provides training and awareness workshops whereas under *ISO14001 Programme* UCPC assisted enterprises that successfully completed the first and second Eco-Benefits Programme to achieve ISO 14001 certification.

#### **1.4.1.9. Energy for Rural Transformation Project (ERT)**

Energy for Rural Transformation Program (ERT) is a government programme whose aim is to increase rural access to electricity, hydro, geo-thermal, solar, wind and other forms of power/energy from 1% to 10% by 2015. The ICT component includes rural community broadcasting, rural telephony and telephone help lines and in some cases community tele-centres.

A key aspect of the ERT programme is across – sectoral approach in the expansion of rural access to energy and ICT. The agricultural sector is one of the major energy and ICT end users. ERT Project – Agriculture Component will provide the most needed forms of energy, which have hitherto largely depended on human power for most of the activities, e.g. tillage, weeding, sanitation, processing, marketing, etc.

ERT project is more or less a farmer's programme since more than 80% of the Ugandan population depends on agriculture and for more than 85% of the rural population for which this project is intended, agriculture is the main stay. It will complement the wider government programme of poverty eradication and support the goals and objectives of the Plan for Modernisation of Agriculture (PMA) in particular. The ERT agriculture component will focus on guidance and promotion of the opportunities with the ERT programme for investing in energy and/or ICT with the technical support and subsidies from rural electrification fund to lower the investment cost for agriculture related activities.

#### **1.4.1.10. Microfinance Outreach Plan**

Microfinance Outreach Plan is a major initiative of Government of Uganda and Stakeholders in microfinance industry. It is supported by the government, donors and private sector.

The Matching Grant Facility Capacity (MCAP), an important component, is intended to facilitate accelerated growth of a sustainable and working microfinance capacity building market with well-informed consumers and better equipped suppliers of the services. This should help the MFIs increase their efficiency and to eventually reduce their dependence on donors.

The goal of MCAP is to assist MFIs through capacity grants, and to significantly enhance institutional sustainability, rural outreach and product diversity.

The Capacity Building component provides a framework, and operational and financial support to expand operational capacity amongst MFIs, develop and strengthen a network of operationally and financially independent providers of rural finance, business development services and local advisors as well as develop a more knowledgeable clientele for MFIs.

It aims at developing systems, structures and services that strengthen the microfinance industry and raise well-performing MFIs to higher tiers, capable of providing more and improved services. This would be achieved by improving the ability of the MFI apex/ umbrella organizations to promote the establishment of new branches, developing systems for measuring performance and avoiding losses, as well as strengthening the capital base of larger MFIs aspiring to become deposit-taking institutions.

This component is intended to expand the outreach of financial services to rural areas. The interventions would involve the penetration of rural areas to increase the presence and accessibility, of MFIs and financial services, as well as developing, testing and promotion of new products to meet the needs of small holders and rural communities.

## **1.4.2. Institutions**

### **1.4.2.1. Ministry of Finance, Planning and Economic Development**

Private Sector Development & Microfinance Section, Economic Development, Policy & Research Department, Ministry of Finance, Planning and Economic Development (MFPED) , which was established in 1996, is one of the main drivers for development and promotion of micro, small & medium enterprises development and promotion.

Its main objectives are to provide facilitation for policy formulation, reform and coordination; to create a strong advocacy for MSMEs to stimulate co-operation and coordination at all levels; to promote appropriate financial services, access to training and modern technology, trade and investment and rural development; to create and maintain a data base for monitoring progress and the impact of policies and to create awareness on private sector development in general and that of the MSME sector in particular.

### **1.4.2.2. Ministry of Tourism, Trade and Industry (MTTI)**

Ministry of Tourism, Trade and Industry (MTTI), through its Department of Industry and Technology Sector, is mandated to promote, expand and diversify an environmentally sustainable industrial base. The mandate is executed in collaboration with its statutory institutions, such as UNBS, UIRI, MTAC, Uganda Integrated Programme of UNIDO and Uganda Cleaner Production Centre.

The Department is involved in MSMEs initiatives and interventions in Uganda as a part of its overall mandate for industrialization. The Department has undertaken industrial sector survey and competitiveness analysis. Six food processing enterprises have upgraded their technologies through introduction of Cleaner Production Technology principles.

#### **1.4.2.3. Uganda National Bureau of Standards (UNBS)**

The Uganda Bureau of Standards (UNBS), a semi-autonomous body, under the Ministry of Tourism, Trade and Industry was established to develop and promote standardisation; quality assurance; laboratory testing and metrology to enhance the competitiveness of local industry as well as to strengthen Uganda's economy and promote quality, safety and fair trade.

UNBS's role is becoming more important especially in providing technical expertise in mainstreaming quality standards in GoU economic programmes such as Poverty Eradication Action Plan (PEAP), Plan for Modernisation of Agriculture (PMA), Medium Term Competitive Strategy (MTCS). Moreover, UNBS has a significant role in the government's drive to promote exports through industrialisation and modernisation of agriculture.

UNBS's services to the public are both regulatory and supportive to trade in nature. The services are provided to ensure the fairness in trade and protection of the consumers against substandard and hazardous products as well as provide support to the trade through the development and implementation of standards for the various sectors of the economy and carrying out conformity assessments of products to standards. UNBS thus facilitates the environment wherein the manufacturers produce quality goods which are competitive both locally and internationally while domestic consumers get value for money.

UNBS assists the exporters by providing various services including information on standards and quality requirements; conformity assessment; training and technical advisory services and establishing ISO Certifications. For imports, it assists the private sector, procurement agents, government and the general public in assessing conformity of purchases to specifications through testing, measuring and inspection of the consignments.

#### **1.4.2.4. Uganda Industrial Research Institute (UIRI)**

Uganda Industrial Research Institute is a Parastatal institution under the Ministry of Tourism, Trade and Industry (MTTI). The main objectives of UIRI are to undertake applied research, and to develop and acquire appropriate technology in order to create a strong, effective and competitive industrial sector for the rapid industrialization of Uganda.

Consequently, UIRI is engaged in developing and testing prototype processes, with inbuilt quality control mechanisms to ensure production of acceptable and competitive end products, while not damaging the environment. To attain the above objectives, the Institute engages in activities aimed at rapid industrialization of Uganda in conformity with the Government's operational paradigm of export led growth strategy. Through promotion of industrialization, UIRI makes a major contribution to assure poverty eradication. It also contributes towards achievement of the country's aspirations for high and sustained economic growth, in a competitive global environment with export diversification and competitiveness.

UIRI's mandate is to engage in activities that will lead to rapid industrialization of Uganda by identifying appropriate and affordable technologies that will enhance adding value to local products so that they can be processed for national, regional and international markets. It is accomplished by researching, designing and implementing industrial processes that add value to the products and raw materials. The resultant pilot plants are used as models for training entrepreneurs and helping them to set up similar plants. It thus acts as 'the incubator of indigenous industry' by working closely with entrepreneurs to ensure maintenance of process integrity and homogenous product quality. The Institute provides services to the incubating industries in the form of technical training, business advisory and extension services and basic marketing. It envisages that ICT driven services would aid these incubating enterprises to become modern processing industries.

#### **1.4.2.5. Private Sector Foundation of Uganda (PSFU)**

PSFU is Uganda's apex body for the private sector. It is made up of 81 business associations, corporate bodies and the major public sector agencies that support private sector growth.

Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to sustain a positive dialogue with Government on behalf of the private sector.

Right from its inception, PSFU has been Government's implementation partner for several projects and programmes aimed at strengthening the private sector as an engine of economic growth. Such programmes include; the implementation of the Business Uganda Development Scheme (BUDS), the BUDS-Energy for Rural Transformation (ERT) programme and advising government on positive policy reforms.

PSFU also manages a \$71 million World Bank funded project (the PSCP II) on behalf of government to support improvement of competitiveness within the Ugandan private sector.

PSFU vision is to be a leading partner with Government in the development of a globally competitive Ugandan Private Sector. It strengthens private sector capacity for effective policy advocacy and market competitiveness

Membership of PSFU is open to business associations and organisations registered in Uganda.

#### **1.4.2.6. Enterprise Uganda**

Enterprise Uganda started as a project funded by UNDP Uganda, Enterprise Africa region and UNCTAD and is established under the Enterprise Africa regional initiative. Its approach is based on the EMPRETEC Programmer model originally championed in South America and promoted in a number of African and Latin American countries. The full range of EMPRETEC services includes entrepreneurial and management training, assistance with business plan preparation; management advisory and extension services together with sourcing of credit. Enterprise Uganda also offers a comprehensive range of other integrated and tailor-made business support services which begin with diagnostic studies on the businesses promoted by the participants. The 'Business Health Check' is a complementary service to the participants to establish constraints that may be holding back the realisation of their business potential. The post-entrepreneurship services include general management training; export market development and sourcing of credit and other business advisory services.

The target group for Enterprise Uganda consists of four basic types of SMEs and/or individuals:

- Existing companies in the manufacturing, agribusiness and service sectors, with good business track records
- Individuals with successful general retail operations and wishing to diversify into new value-added activities
- Companies that have benefited from specific grants or credit facilities and are seeking assistance to make effective use of such facilities and
- Start-up companies with good bankable project proposals.

Rural outreach is through eleven (11) regional Private Sector Development Companies (PSDCs) spread throughout Uganda. These are mainly used for delivery of training courses. Enterprise Uganda does offer project management services under its consultancy component.

#### **1.4.2.7. Uganda Export Promotion Board (UEPB)**

Uganda Export Promotion Board coordinates all activities that lead to export growth on a sustainable basis. To accomplish this, the Board carries out market studies, develop products to suit market place requirements, undertake promotional programs in target export markets, conducts exporter training for international trade, engages in various export policy formulation and development activities and generates critical market information for the country's business community.

The Board facilitates Ugandan Companies participation in trade fairs, arranges trade support missions, and conducts market studies and training for exporters amongst various activities to promote exports. It manages an Information Centre for generation and dissemination of market information. It also develops relationships with international trade support institutions including UNCTAD, ITC, World Bank, Commonwealth Secretariat and the International Food Policy Research Institute.

#### **1.4.2.8. Uganda Gatsby Trust**

Uganda Gatsby Trust (UGT) is Non-government Organization based at the Faculty of Technology, Makerere University, whose purpose is to support manufacturing and value adding business with potential to grow. UGT was established in 1994 with seed funding from the Gatsby Charitable Foundation (GCF) in U.K.

Uganda Gatsby Trust operates under the Faculty of Technology, Makerere University that provides a responsive institutional framework for exchange of skills and knowledge between the University and small scale enterprises in Uganda.

The key functions are to develop a network of micro-enterprise linked to the Faculty of Technology Makerere University in order to increase the quality and value of their output; to introduce students of higher education institutions to opportunities and potential of the small-scale sector and to assist them develop and transfer technologies appropriate to it; to assist small-scale enterprises to access, acquire credit and technology as well as overcome their problems through extension services and business development services. The Trust also implements activities aimed at informing engineering students of the potential of MSMEs for job creation and self-employment

#### **1.4.2.9. Uganda Small Scale Industries Association (USSIA)**

USSIA is a registered voluntary business organization open to all registered firms operating Small Scale Industries. It is a premier trade association related to small & medium enterprises development and promotion in Uganda. Its objectives include advocacy for this sector, lobbying for training opportunities, providing business development services, networking and publishing literature related to SMEs.

It has about 1200 members in various industrial sub-sectors, such as metal fabrications, foods and beverages, textiles and garments, leather products, handicrafts, building materials, etc.

#### **1.4.2.10. Uganda National Chamber of Commerce and Industry (UNCCI)**

Uganda National Chamber of Commerce and Industry (UNCCI) is the umbrella organization of the business private sector in Uganda. It draws its members from several economic and social sectors including Industry, Trade, Agriculture, Tourism and Services and Agricultural Processing.

The objectives of UNCCI are to promote the private sector in Uganda through effective business representation and advocacy by lobbying government and other development partners for a favourable business climate. UNCCI protects the business of its members from exploitation and unfair business practices by upholding and implementing a code of conduct. It lobbies for favourable policies and initiatives within and outside the country that foster economic development and greater involvement of the private sector in national, regional and international affairs.

UNCCI helps its members to acquire business information and training. It has a role to arbitrate in the settlement of business disputes among its members arising out of business transactions carried out within and outside the country.

#### **1.4.2.11. Association of Microfinance Institutions of Uganda (AMFIU)**

The Association of Microfinance Institutions of Uganda (AMFIU) is the national umbrella organization of MFIs and other stakeholders in Uganda. AMFIU is the custodian of Microfinance Support practices. Its activities cover three focal areas, namely lobby, networking and advocacy, information sharing and capacity building.

AMFIU is a member-based and member-driven organization. Its membership covers all tiers and categories, ranging from microfinance-oriented commercial banks and credit institutions (Tier 1 and 2, licensed by Bank of Uganda), newly licensed Microfinance Deposit-taking Institutions in Tier 3 and the wide variety characterized as Tier 4, including savings and credit cooperative societies, NGOs, companies limited by guarantee, and companies limited by shares.

#### **1.4.2.12. The Uganda MSME Forum**

The Uganda MSE Forum is an independent, private sector driven national organization for the MSE sector providing value-adding services to its members, recognized and respected by government

The objectives include bringing together various key stakeholders in Micro, Small Enterprises (MSE) sector with the view to enhance dialogues, sharing of experiences, encouraging synergy, streamlining efforts and consequently influence the development of the sector in a coordinated manner; to have a strong common voice to dialogue and lobby government as well as to act as a link between private the private sector organizations, development partners and government in order to ensure that MSMEs national development programs and resource allocation are done in an optimal manner in the best interest of the sector.

The membership includes the institutions related to delivery of non-financial business development services and MSMEs promotion and development

#### **1.4.2.13. National Agriculture Advisory Service (NAADS)**

Realising the importance of agriculture to the economy and to place greater emphasis on extension delivery, NAADS was established. NAADS mission is to increase farmer's access to information, knowledge and technology for profitable agricultural production.

The NAADS programme operations are guided by Commercialization, Farmers Empowerment, Fostering Farmers Participation, Increasing Institutional Efficiency, Privatization, Poverty Targeting as well as Gender and HIV/AIDS Mainstreaming.

Through Commercialisation, the farmers are expected to shift from subsistence through market-oriented production in the medium term and ultimately to commercial production in the long term.

Farmer empowerment is achieved by enabling farmers to have access to and control over structures and processes that transform their natural resource assets into outcomes that they desire. Farmer participation involves all categories of farmers identifying agricultural advisory needs, setting priorities, formulating plans, and monitoring and evaluating outputs and outcomes.

NAADS aims to increase institutional efficiency by defining new roles and functions for existing institutions to make them more responsive to the agricultural advisory service needs of the farmers, and where necessary, creating new organs to increase the effectiveness of farmer participation in the NAADS decision-making processes. It would contract the agricultural advisory services to the private sector.

NAADS also aims to respond to gender and HIV/AIDS mainstreaming with suitable interventions.

#### **1.4.2.14. National Agricultural Research Organisation**

The National Agricultural Research Organization (NARO) is the apex body for guidance and coordination of all agricultural research activities in the national agricultural research system in Uganda. NARO is a Public Institution established by an act of Parliament.

The Vision, the Mission and the Goal that guide the National Agricultural Research Organization are derived from the Plan for Modernization of Agriculture (PMA), NARO's goal is to enhance the contribution of agricultural research to sustainable agricultural productivity, economic growth, food security and poverty eradication through generation and dissemination of appropriate technologies, knowledge and information.

The objective of NARO is for the coordination and oversight of all aspects of agricultural research in Uganda. It provides strategic direction for publicly funded agricultural research in Uganda and act as a forum for agricultural researchers in Uganda. NARO is therefore mandated to convene a meeting at least once a year of representatives of agricultural research service providers, farmers, private sector and civil society and other

stakeholders for the purpose of discussing issues relevant to agricultural research and setting agricultural research priorities.

**In spite of the investment in MSME projects and programmes by these stakeholders, MSMEs continue to face many challenges in their pursuance of profit. These challenges have informed the project team and guided the development of new policies and strategies.**

## **2. POLICY AND STRATEGY RECOMMENDATIONS**

---

Government MSME Policy objectives are driven by the demands of MSMEs and their need to survive and grow in specific markets. In many developed countries MSMEs are seeking support to respond to rapid internationalisation, with the result that technology, intellectual property and standards issues dominate the MSME development agenda.

This project looked carefully at MSME demands. The GoU policy objectives emerging are to focus on the creation of an enabling environment targeting the regulatory environment, financial support to MSMEs and fostering public-private partnerships to deliver MSME support.

Below are the details of policies and recommended strategies that collectively address this objective.

### **2.1. Definition**

There is great diversity in the definition and classification of SMEs among countries. This is a reflection of the significant differences in aggregate income and distribution, in production structures and capabilities, and in industrial and technological characteristics among economies. As such, there is no sufficient reason to expect that SME definitions be uniform or even comparable across countries and through time.

Several criteria are used to define small businesses. The most widely used include labour, capital, and annual receipts. Definitions vary from using a single criterion or more than one.

In most of the countries, providing a definition for MSMEs has proven problematic. In developing a definition, there is no such thing as a correct definition. A definition's adequacy however is a result of several factors, including the availability and reliability of data, the size structure of enterprises (or within business sectors), and the government's purpose (access to certain services or privileges) among others.

The absence of clear definitions and criteria poses difficult problems in the design, implementation, coordination and evaluation of SMEs-related initiatives and interventions. Moreover, it can lead to inefficiencies in service delivery. If the government intends to extend focused policy interventions, initiatives and provide certain incentives or services to this sector.

The Ministry of Finance, Planning and Economic Development had made an attempt to define MSMEs sometime back. However, there is no established framework for definition of MSMEs which is adopted by the government.

### ***Recommended Definition***

A Micro enterprise is defined as an enterprise employing maximum 4 people; annual sales/revenue turnover of maximum Ugandan Shillings 12 million and total assets of maximum Ugandan Shillings 12 million.

A Small Enterprise is defined as an enterprise employing maximum 50 people; annual sales/revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million.

A Medium Enterprise is defined as an enterprise employing more than 50 people; annual Sales/revenue turnover of more than Ugandan Shillings 360 million and total assets of more than Ugandan Shillings 360 million.

## **2.2. Institutional Framework for MSME Development**

There are an estimated 800,000 MSMEs in urban and rural areas. These enterprises provide employment to approximately 1.5 million people – 90% of total non-farm private sector workers. Employment growth is 20% per annum in the MSME sector and it contributes to 20 % to GDP. A large number of women are profitably engaged in MSMEs activities, mainly subsistence agriculture. Many of these women work in poor quality jobs, but an increasing number are establishing their own successful enterprises

MSMEs are an important engine for economic expansion and poverty alleviation. The sector has significant potential to spur overall economic development and take a leading role in poverty eradication, jobs and wealth creation as well as improving quality of life.

In the previous chapter the main MSME development initiatives were reviewed. Many good quality interventions are noted but efforts have been largely scattered, uncoordinated and isolated. There are neither significant specific policy measures nor specific institutional support to establish an enabling framework at a policy level, resulting in inefficient implementation of MSME development initiatives. Consequently, enterprises continue to face many constraints which inhibit their development and growth. MSMEs are typically in a disadvantaged position to benefit from neutral business-friendly business policies compared with large enterprises. Targeted policy interventions are necessary to improve access of MSMEs to market opportunities, financing, technology, expertise and information.

A well coordinated institutional framework and mechanism to support MSME development is lacking. At GoU's level, its efforts are driven by the Department of Industry and Technology Sector, Ministry of Tourism, Trade and Industry (MTTI) and Private Sector Development & Microfinance Section, Economic Development, Policy & Research Department, Ministry of Finance, Planning and Economic Development (MFPED) and role clarification is lacking. In fact, one really does not know who is responsible for the ultimate development and promotion of MSMEs sector in Uganda.

### **2.2.1. Policy Recommendations**

The GoU to strengthen its ability to use its policy, regulatory and supervisory role to create an enabling environment that benefits the MSME sector by reorganising the institutional arrangements at government level to include a new Minister (and Department), new MSME Authority, new MSME Finance Facility, and new National Coordinating Council for MSMEs.

### **2.2.2. Strategies**

- Introduce a new Minister/Minister of State (Minister/Minister of State of Micro, Small & Medium Enterprises) with an independent and exclusive Department for MSMEs development (Department of Micro, Small and Medium Enterprises).
- Establish a National Micro, Small & Medium Enterprises Development Authority, under the administrative control of Ministry of MSMEs, who would be responsible for implementing the national MSME programme
- Establish a National Coordinating Council for MSMEs comprising of key stakeholders including Line Ministries, Bank of Uganda, State House, National Planning Authority, Uganda Chamber of Commerce and Industry, Uganda Small Scale Industries Association, NAADS, Enterprise Uganda, PSFU, Private Sector, Academia to support, oversee and guide the national MSME programme
- In conjunction with the Bank of Uganda put in place a MSME Finance Facility to address the financial needs of small enterprises

### **2.3. Legal and Regulatory Framework**

Laws and regulations define social structures and many have strong economic impacts. Adequate legal and regulatory framework is therefore important pre-requisites for economic growth and social development.

Regulatory and legal constraints are common for all private businesses in Uganda. However, they are particularly detrimental to SMEs. This is because of they are less equipped to deal with problems arising from regulations since they have weaker capacities than larger firms to deal with the complex regulatory and bureaucratic networks. Additionally, SMEs find the cost of compliance to regulations higher and prohibitive in comparison to large enterprises. If the SMEs could manage to avoid regulatory requirements while remaining small, graduation into larger size and more formal entities can be relatively expensive. The complexity of the regulatory system is aggravated by several other problems such as overlapping jurisdictions, poor coordination amongst government entities, low quality of information available to officials and inadequate filing and record keeping.

The bulk of Uganda's laws were direct transplants from the laws of England and since Independence there has been a slow pace of updating and refinement. Britain has since amended and modified these laws in their jurisdiction but Uganda has, by and large,

continued to use them in their historical state. This, in spite of the rapid changes in the socio-economic conditions of the country.

A Law Reform Commission has been set up, as has been a Deregulation Project (Regulatory Best Practice Unit), and these have led the way in preparing amendments to existing legislation, and in consulting stakeholders on the impact of given pieces of legislation. There are currently over 25 draft commercial laws that were “fast tracked” for enactment, but which have to this day stagnated at different points within the law making machinery. These laws had been identified as critical for private sector development and the World Bank paid consultants to amend them en-masse, but more than 3 years down the line, they remain in draft form.

The processes to meet current business registration requirements usually involve unnecessary delays and harassment. The lack of information adds further problems to the entrepreneurs. Awareness and understanding of documentation requirements, steps to be followed, and fees to be paid, is low. The manual systems at many of these public institutions, duplication of procedures and multiplicity of forms result in further delay. Regulations in Uganda tend to be ubiquitous, and inefficiently and inconsistently applied.

Although subjected to some initiatives, the legal and regulatory system affecting MSMEs is still far away from creating a conducive business enabling environment for MSMEs.

### ***2.3.1. Policy Recommendations***

The GoU to contribute to creating an enabling legal framework with transparency and public access to information of policies and actions of government; and introduce an institutional mechanism to ensure continuous monitoring, reform and implementation of the business regulatory framework.

### ***2.3.2. Strategies***

- Establish inter-agency Task Force on Enterprise Law to undertake regulatory reviews on existing as well as proposed new laws/regulations from time to time
- Publication of all effective business licenses/regulations
- Development and implementation of simplified standardised business registration process including simplified and consolidated application forms; and implementation of unified business registration procedures for all districts
- Establish a ‘Single Window’ for all requirements, including payments of fees, etc, for business registration and other compliance requirements
- Establishment of a system for allotment of a ‘National Identity’ to individual entrepreneurs

- Improve mechanisms for delivery of easy and quick redress of commercial disputes
- Effective protection of IPRs

#### **2.4. Technology Up-gradation and Development**

The increasing complexity of technology makes it difficult for the individual enterprises, especially small and medium enterprises, to engage themselves in competitive R&D and technological development efforts due to high financial risks. In the emerging competitive environment, co-operation and coordination between Ugandan enterprises and R&D institutions like Uganda Industrial Research Institute and National Agricultural Research Organization (NARO) is not a matter of choice but rather of compulsion derived from liberalisation and international competitive pressures. Co-operation can bring value addition to products through endogenous resources/skills, environmentally clean and economically viable processes and technologies. However, such co-operation and coordination is weak at present.

The technological needs of MSMEs are extremely diverse, reflecting the wide range of products and services that are provided and the comparative level of sophistication of the business operation. At one end, there are micro and small enterprises which are labor-intensive whereas on the other end there are manufacturing enterprises which need sophisticated technologies to keep them competitive in markets. However, MSMEs access to such technological needs is very limited, firstly, due to lack of information, even about existing technologies and, secondly, due to the inadequate availability of suitable technologies including appropriate technologies suitable for local environment. The linkages between MSMEs and large companies including MNCs for technology transfer are weak. Existing Business Incubation Centres are limited and needs to be strengthened and expanded.

##### ***2.4.1. Policy Recommendations***

The GoU to actively promote the adoption, transfer and mastery of process and product technologies that will improve the productivity and competitiveness of MSMEs by strengthening the institutional framework for Technology Development, including Appropriate Technology, Technology Up-gradation & Technology Transfer, and the linkages between public and private sector stakeholders.

##### ***2.4.2. Strategies***

- Build effective linkages between Technological & Research Institutions, Private Sector other service providers for encouraging research and innovation.
- Strengthen initiatives for Technology Development including Appropriate Technology, Technology Up-gradation & Technology Transfer.

- Establish a national mechanism to reward citizens for Technology Development, Up-gradation, and Innovation & Research
- Set up a Technology Resource Centre
- Set up/expanding network of Business Incubation Centre's
- Establish and promote a 'Technology Transfer Forum' for all services including assessment and advisory services
- Encourage e-commerce for marketing, procurement and other services

## **2.5. Standards and Product Certification**

Uganda National Bureau of Standards (UNBS), a semi-autonomous body under the Ministry of Trade, Tourism and Industry, is responsible for setting national standards, quality assurance, and product testing and product certification. It is the only organisation in its field of activity – there is no other private sector accreditation body. UNBS's capacity and outreach to MSMEs is limited. UNBS's monopoly, limited capacity and lengthy procedures act as inhibiting factors for MSMEs access to their facilities. This puts MSMEs in disadvantageous positions in local and export markets. Many MSMEs do not comply with product certification requirements due to their ignorance and weak enforcement capacity of UNBS.

### **2.5.1. Policy Recommendations**

The GoU to support efforts aimed at MSME adoption of standards and strengthen the UNBS capacity to enforce and promote Standards, Quality Assurance and Product Certification specifically for MSMEs.

### **2.5.2. Strategies**

- Develop linkages between UNBS and other Stakeholders for developing, establishing and expanding adoption and application of Standards & Certification
- Improve the mechanism for monitoring and enforcement of Standards & Products Certification.
- Continue to support specific MSME programmes that promote the adoption and use of standards and raise the awareness of the benefits of this.

## **2.6. Business Development Services (BDS)**

Business Development Services (BDS) are non-financial services used by MSMEs to solve specific business related problems and help them to grow profitably. In Uganda these are mainly confined to urban areas. MSMEs operating outside the urban areas do

not have ready access to business development services (BDS) providers. For many small enterprises, BDS are generally regarded as unaffordable even if those costs are subsidised. The BDS market is still fragmented in Uganda. Some of the providers started as projects funded by development agencies. Many of the training and capacity building programs are neither demand-driven nor specifically targeted at certain groups of MSMEs that are disadvantaged, such as those in rural areas and those headed by women entrepreneurs.

MSMEs need information so that the decision making is not based on beliefs but hard facts. The information generally relates to a wide variety of issues including investment, marketing and export opportunities, selection and sources of technology, plant and machinery, sources of finance, training and advisory services including preparation of business plans, project reports. Such support, however, is inadequate in spite of initiatives by development partners.

Business management training can help turn latent entrepreneurship talent into profitable businesses and a strategy to deliver this would be in the interest of the sector.

Vocational and technical training institutions prepare people with technical skills to seek employment, but since inadequate exposure is currently provided, graduates of these institutions do not have the background, experience or maturity and confidence to take advantage of self-employment opportunities.

### ***2.6.1. Policy Recommendation***

The GoU to work with service providers to develop markets for BDS dealing with information, training and other business services in order to increase the range of services available to MSMEs and the outreach to all parts of Uganda.

### ***2.6.2. Strategies***

- Strengthen and expand entrepreneurship and small business management programs and their outreach, especially to the women in rural areas
- Encourage integration of entrepreneurship development and small business management in vocational and technical institutions
- Expand network of vocational and technical institutes
- Encourage Curriculum of Vocational and Technical Institutes to respond to the practical needs of the enterprises
- Provide opportunities to ‘*Jua Kali*’(informal) sector to supplement their expertise by formal education

## **2.7. Infrastructural Support**

Infrastructure contributes to economic development by increasing productivity. Infrastructure services are intermediate inputs to production and any reduction in these inputs costs raises the profitability of production, thus permitting higher levels of output, income and/or employment. Infrastructure is often described as an unpaid factor of production since its availability leads to higher returns obtainable from other capital and labor.

The availability of adequate infrastructural facilities is necessary for the promotion of MSMEs; however infrastructural facilities such as, Clusters, Industrial Parks/Estates, Common Testing Facilities Centre's, are limited in Uganda. The existing infrastructural facilities related to transportation (roads, railways), power generation, transmission and distribution, water supply, telecommunication are also not adequate.

### ***2.7.1. Policy Recommendations***

The GoU to ensure provision of adequate infrastructural facilities for the promotion and development of MSMEs utilising a public-private partnership approach where feasible

### ***2.7.2. Strategies***

- Undertake 'Cluster Development Initiatives'.
- Establish/expand Industrial Parks/Estates/Nurseries.
- Strengthen and expand existing ERT (Energy for Rural Transformation) initiatives of MAAIF for improved delivery of energy.
- Encourage alternative methods of generation and provision of reliable and cost effective electricity to agro-industrial sector.
- Encourage pooling of fragmented/small land holdings to improve productivity by use of better technology and equipment.
- Promote and encourage the development and use of improved agro-inputs, such as seeds, fertilizers, etc. for higher productivity.
- Establish an integrated mechanism for dissemination of technical, marketing, business development and promotion information to agri-business sub sector.
- Develop linkages amongst various stakeholders for stronger and effective advocacy.
- Strengthen the implementation of 'Production Zoning' Concept.

## **2.8. Access to Credit/Financial Services**

Lack of MSMEs access to credit was cited as a major constraint. MSMEs have limited access to the capital and financial services needed to meet their working and fixed capital needs.

Small enterprises are generally proprietorship or partnership business entities while medium-sized enterprises are incorporated firms, equity of which is subscribed by the family and friends. Therefore, by and large, MSMEs not only face problems for development and growth but also for start-up and operations. Problems are more pronounced for small enterprises in the informal sector.

Banks perceive MSMEs as relatively higher credit risks with high cost of lending due to higher administrative and servicing costs of small loans. MSMEs are normally required to assign immovable property as collateral to secure their obligation, a condition that most MSMEs find difficult to comply with. Moreover, lack of suitable lending modalities, and limited capability of MSME credit staff to appraise MSMEs cash-flow-generating capacity is another reason for the predominance of collateral-based lending.

Lack of ownership of land or immovable property as collateral for bank financing poses additional problem especially to the women entrepreneurs.

There is also a communication gap between the MSMEs and the institutional lenders. MSMEs find their procedures and formalities time-consuming and cumbersome. MSMEs usually have poor capabilities in maintaining proper financial records for submission to the banks. The prevailing lending interest rates are considered high by MSMEs and there are limited financial products available in the market. The options for medium and long term financing are highly inadequate.

### ***2.8.1. Policy Recommendations***

The GoU to accelerate the pace of financial reforms to improve the range and availability of loans and other financial services for MSMEs; and initiate the establishment of a specialist MSME financial vehicle to create additional market incentives for the provision of loans and other financial products and services for MSMEs.

### ***2.8.2. Strategies***

- A key activity of the National Coordinating Council (of which the relevant GoU line Ministries are part of) is to establish a MSME Finance Task Force to coordinate, review and improve delivery of credit to MSMEs including agro-business enterprises. The actions are to:
  - Encourage development of improved financial products, especially for long term financing;
  - Strengthen the banks/financial institutions capacity for credit appraisal including based on cash flows;

- Encourage banks/financial institutions to apply credit appraisal techniques based on the economic viability of the project rather than availability of collateral;
  - Enhance capacity of SMEs in understanding and applying formal accounting and financial management systems; and
  - Review and ensure that the credit is made available at the lowest sustainable interest rate from time to time.
- Create a specialised apex-level Bank/Fund for promotion, financing and development of MSMEs. It should also focus on deepening the range of financial products especially for long term financing including Leasing and Venture Capital. In keeping with its Apex role, the institution needs to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.
  - Set credit targets for the MSMEs sector to be identified in national /annual credit plans
  - Establish Credit Guarantee and Credit Insurance Agencies, and an effective and accessible Credit Reference Bureau
  - Establishment of effective and speedier bankruptcy laws
  - Promote continuous interest rates reforms to ensure that the credit is made available at the best possible sustainable interest rate.
  - Establish Banking Ombudsman for redressing MSMEs credit problems/complaints.

## **2.9. Cross-cutting Issues**

### **2.9.1. HIV/AIDS**

HIV/AIDS is one of the most severe diseases which can become a serious impediment to a country's economic growth. In order to deal with it the government needs to take the necessary steps to ensure that there is awareness in the population regarding its affect.

MSMEs are vulnerable, both owner-managers themselves and the people that work for them. Government policies and interventions should include outreach to MSMEs and these should be mainstreamed in all programmes.

### **2.9.2. Gender**

Women entrepreneurs are at a great disadvantage in most of the developing economies. In Uganda the majority of micro enterprises are owned by women and they face many and more severe constraints than men.

Banks and financial institutions perceive women applicants as higher risk due mainly to property ownership rights which limits their ability to access finance. Often women engaged in businesses other than trade/retail are perceived to have limited ability to bear economic, social and technical risks.

### **2.9.3. The Environment**

Current MSME technologies are often energy inefficient and generate huge amounts of wastage leading to environmental degradation. Short of insisting on technology upgrading – which may not be possible for many MSMEs – strategies to foster more environmentally / cleaner business operations must be incorporated into all business support efforts under this new programme.

### **2.9.4. Policy Recommendations**

The GoU to promote targeted MSME development initiatives that specifically address the holistic development of women, those with HIV/AIDS and protection of the environment

### **2.9.5. Strategies**

- Conduct awareness campaigns to highlight the cross-cutting concerns and help institutions craft strategies and actions that deal with the specific challenges; including the use of targets for GoU MSME interventions
- Introduce incentives for service providers to develop innovative products and services targeting cross cutting issues

### **3. MONITORING AND EVALUATION**

---

It is imperative that areas related to MSME development and promotion are monitored and evaluated from time to time. It is needed to assess the status of implementation as against expected targets, evaluate the outcome and impact of policies and intervention as well as undertake remedial measures whenever and wherever required.

To undertake the task of monitoring and evaluation, it is recommended that the GoU MSME Department establish a Monitoring Unit.

The Monitoring Unit will develop parameters and the methods and process for monitoring and evaluation, based on the agreed national MSME programme. It will also review these from time to time. The unit will be responsible for producing MSME statistics and publish publicly available reports at various timeframes (quarterly, annually, etc) on the implementation, progress, issues encountered and measures taken to resolve them, and the status of compliance.

In addition to formal reporting to the line Ministry, the National Coordination will be a major stakeholder in assisting the Monitoring Unit to execute its functions.

## **4. MSME STRATEGIC PLAN: 2007 - 2012**

---

### **4.1. MSME Development and Vision 2035**

MSME development is a key component of Uganda's economic development agenda. Vision 2035 – a national plan for the long term economic development of Uganda – accords MSME development a high priority. The MSME sector is required to not only contribute significantly to the national economy but also to become the primary foundation of the country's industrialisation and poverty alleviation programmes.

'Vision 2035' envisages achieving the following by the year, 2035:-

- 4 million SMEs to be operational.
- SMEs to contribute 40% towards GDP
- SMEs provide employment to 5 million people
- SMEs contribute 40% to the export earnings.
- 40% of the SMEs involved in manufacturing activities.
- 50% of SMEs are owned by men.
- 5% of SMEs are involved in Agriculture and related services.
- Survival rate of SMEs is at least five years.

### **4.2. Mission**

The mission is to develop a competitive MSMEs sector and to enable it to maximise its contribution to sustainable economic growth, job creation and poverty alleviation.

### **4.3. Objective**

The objective is to support government's efforts to foster MSME development by strengthening the policy environment and institutional framework for creating a conducive business enabling environment coupled with the provision and improvement in MSME access to credit and other related services.

### **4.4. Ownership and Coordination**

Strategy is always associated with risk, and this framework is no exception. This risk is exacerbated by the high level of uncertainty regarding the GoU decision on the major recommendation of this report, namely, to rethink the current institutional arrangements for MSME development. Many public and private sector organisations need to play their part in supporting the MSME development effort but leadership by the GoU is critical.

### **4.5. Work Programme and Action Plans**

This technical assistance support has reviewed the current environment and consulted extensively to recommend interventions which could help the GoU maximise the contribution that MSME development can make to economic development. It has

recommended that a substantial ‘push’ is needed to get the sector moving in the right direction.

As a result of this, how (strategy) we do this is a key part of the eventual success of the programme. The process is outlined below.

#### **4.5.1. Action Plan 1: Institutional Reorganisation**

##### **4.5.1.1. Opportunity/Need**

The current institutional arrangements for developing, supervising and delivering support to assist the establishment and viability of MSMEs do not work. The two government departments are delivering their individual mandates adequately but the opportunity to coordinate the MSME effort across government and to articulate a unified strategic position to the public, private, donor and international organisation sectors is negatively impacted by this arrangement. A move towards a single department is recommended.

There is also evidence that the departments engage in programme delivery directly with MSMEs. The need for this is understandable but the separation of these roles is preferred. The Plan proposes the establishment of an accountable authority to do the programme delivery.

Primarily, the GoU effort is driven by the legitimate demands of Ugandan MSMEs. The MSME ‘voice’ as represented by business associations, chambers and specialist groups is loud and gets attention. This project is the direct result of the efforts of the agri-input MSME lobby. Formalising the manner in which the ‘voice’ can not only be heard but add value in the design, delivery and evaluation of the MSME effort is outlined.

##### **4.5.1.2. Strategic objective**

Reorganise the institutional arrangements at government level to include a new Ministry, new MSME Authority, new MSME Finance Facility and new National Coordinating Council for MSMEs.

##### **4.5.1.3. Lead Institution**

The lead organisation is the GoU and its line ministries involved in MSME development.

##### **4.5.1.4. Actions**

- Introduce a new Minister/Minister of State (Minister/Minister of State of Micro, Small & Medium Enterprises) with an independent and exclusive Department for MSMEs development (Department of Micro, Small and Medium Enterprises). Within the new Department establish a MSME Monitoring Unit to design and implement a MSME Management Information System.

- Establish a National Micro, Small & Medium Enterprises Development Authority, under the administrative control of GoU MSME Department, who would be responsible for implementing the national MSME programme. Activities include:
  - Implement the policy of the national government.
  - Provide coordination about policies and programmes of Local Governments.
  - Maintain liaison with line ministries, government departments, Bank of Uganda, financial institutions and other relevant organisations.
  - Collect and disseminate economic information concerned with MSMEs.
  - Identify and implement MSMEs support programmes in the fields of:-
    - Business enabling environment
    - Creation of sustainable and competitive enterprises
    - Promotion of entrepreneurship
    - Facilitate access and provision of non-financial resources and capacity building services
  - Develop physical infra-structural facilities including:
    - industrial estates/parks, Common Testing Facilities Centres, Production and Prototypes
    - Training Centres, Cold Storage, Warehouses
    - Information and Extension Services
    - Marketing and Marketing Support Services
    - Technology Development, Up-gradation, Transfer and Appropriate Technology.
    - Linkages with various stakeholders.
    - Technical and Managerial Consultancy services.
  
- Establish a National Coordinating Council for MSMEs comprising of key stakeholders including Line Ministries, Bank of Uganda, State House, National Planning Authority, Uganda Chamber of Commerce and Industry, Uganda Small Scale Industries Association, NAADS, Enterprise Uganda, PSFU, Private Sector, Academia. The activities include:
  - Develop an Action Plan to support MSMEs Development Policy and Strategy.
  - Review the implementation of National MSMEs Policy.
  - Decide corrective measures wherever and whenever required.
  - Act as coordinating mechanism between various stakeholders.
  
- Establish a MSME Finance Facility under the administrative control of Ministry of Finance and Bank of Uganda. The facility should be set up as an apex organisation to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.

#### **4.5.1.5. Implementation plan and budget**

Without an in-depth understanding of the political and technocratic actions that are needed to realise this objective it is difficult to present an accurate estimation of the time and cost for Action Plan 1.

We do anticipate that if the GoU acts on these recommendation efforts will be made to use the existing human resource available within MFPED, Private Sector Development & Microfinance Section, Economic Development, Policy & Research Department and MTTI in any new arrangement.

#### **4.5.2. Action Plan 2: Strategic Alignment of the existing MSME Programme:**

##### **4.5.2.1. Opportunity/Need**

Uganda has an active MSME development programme. There are many best practices noted and it would be unwise to ignore the opportunities to use these in a coordinated national programme.

The main drivers of this project are successful Ugandan NGOs, Government Agencies and Business Associations. A strategy that draws on the strengths of all stakeholders to meet the MSME development challenge is a realistic option in Uganda.

During the delivery of this Action Plan, Business NGOs and other independent providers will be challenged to incorporate elements of the broader national strategy into their own operational strategies and actions.

It is foreseen that a new MSME Authority, with the active support of the new National Coordinating Council for MSMEs, will assist service providers with these actions. It will also have to do a thorough review of the proposed programmes recommended by this assignment and refining these for implementation.

##### **4.5.2.2. Strategic objective**

Review and leverage, where feasible, existing MSME projects/programmes and build public-private partnerships for the large scale delivery of a national coordinated MSME development programme.

##### **4.5.2.3. Lead Institution**

The lead institution is the new MSME Authority in collaboration with the new National Coordinating Council for MSMEs.

##### **4.5.2.4. Actions**

- Use formal performance appraisals to select existing programmes and projects for inclusion in a national MSME development programme. The aim is to minimise the R&D into for programmes, find those that have demonstrated impact already

and determine how it can be leveraged – preferably using the same delivery organisations and methods.

- Pioneer the development of, and institutional models for creating ‘markets for business development services’ using public-private partnerships for service delivery. There are no fewer than 25 major projects/programme proposed in this assignment and it is not possible to one authority, no matter how well resourced, to deliver this. Even coordinating this will stretch the capacity of such an institution.
- Develop specific project/programme related financial strategies for resource mobilisation to capitalise the national MSME programme.

#### **4.5.2.5. Implementation plan and budget**

This action is predicated on a functioning MSME Authority. It is anticipated that 6 months are needed for the action. The main costs other than the operational cost of the new Authority will be for further technical assistance to undertake professional investigations. An indicative figure of £10,000 per month is provided mainly to outsource programme appraisals, develop working PPP models and host meetings.

### **4.5.3. Action Plan 3: Delivering a Coordinated National MSME Programme**

#### **4.5.3.1. Opportunity/Need**

The period leading up to this – reflection, planning and resource mobilisation – will largely determine the quality of the national coordinated effort. We urge caution in trying to move too quickly without a solid foundation in place.

What we consider priorities today may change within 12 months time and flexibility, entrepreneurial response and ongoing research needs to be built into the fabric of the new deal for MSMEs.

#### **4.5.3.2. Strategic objectives**

Deliver an agreed MSME development programme.

#### **4.5.3.3. Lead Institutions**

The GoU owns the programme which is executed by the MSME Authority, MSME Financial Facility, National Coordinating Council for MSMEs and contractors engaged in public-private partnership agreements.

#### 4.5.3.4. Actions, Implementation Plan and Budget

S.N	Recommended Programmes	Lead Institution (s)	Coordinating Institutions	Time-line	Cost estimate
1	<p><b>Access to Credit/Financial Services</b></p> <p>Develop and strengthen linkages between banks/financial institutions for extending credit to MSMEs in Kampala and other 5 priority Districts as a Pilot Programme.</p> <p>Develop and implement a simplified and standardised system, including design of forms, formats, for SMEs while seeking financial assistance from banks/financial institutions.</p> <p>Develop a simplified system of financial accounting and reporting which includes user's guidelines on the use of:-</p> <ul style="list-style-type: none"> <li>• simplified Performa of accounting system of maintaining books of accounts</li> <li>• formats for financial reporting requirements.</li> </ul> <p>Training programmes for SMEs entrepreneurs and associations about the formal accounting systems and their relevance.</p>	MFPED/MTTI/**/	<p>NAADS/UNCCI</p> <p>USSIA/PSFU</p> <p>EUg/MAAIF</p> <p>MOLG/BOU</p> <p>Private Sector</p> <p>FASERT/MFIs</p> <p>Banks</p> <p>State House</p>	<p>MT</p> <p>MT</p> <p>MT</p> <p>MT</p>	<p>50,000</p> <p>25,000</p> <p>50,000</p> <p>50,000</p>
2.	<p><b>Technology Development, Up-gradation and Appropriate Technology including ICT</b></p> <p>Set up and/or expand Business &amp; Technology Incubation</p>	MFPED/MTTI/**/	UIRI	MT	100,000

	Centres using a PPP Model.		NAADS MAAIF State House UNBS UNCST UNCCI USSIA FASART NARO NAGRC&DB	MT	200,000
	Develop prototypes for use by mining sub-sector to improve quality, productivity and safety; training artisans on the use of such developed technology/prototypes and providing BDS as well as eventual commercialization of such prototypes.				
	Credit linked incentive schemes for Technology Upgradation			MT	
	Strengthen/Create Innovation and Research Fund			MT	25,000
3.	<b>Standards and Product Certification</b>				
	Strengthen UNBS capability to conduct product testing and certification.	MFPEP/MTTI/**/	UNBS NAADS/MAAIF UNCST/UNCCI USSIA/FASART NARO/NAGRC&DB State House	MT	75,000
	Develop other Accredited Certification Bodies in partnership with private sector.			MT	50,000
	Develop standards in industrial and agro-business sub-sectors, e.g. leather products, small oil processing.			MT	50,000
4.	<b>Infra-structural Support</b>				
	Establish Cluster(s) programme on a pilot project where a proper cost-benefit analysis justifies the intervention	MFPEP/MTTI/**/	UNCCI/USSIA NAADS/MAAIF FASERT MOLG/State House Line Ministries PSFU/EUg Private Sector	MT	200,000
	Establish a 'Knowledge and Business Service Centre' in Kampala to serve as 'One Stop Resource Shop' for provision of all information and other BDS needs of SMEs including:-			ST	300,000

5.	<ul style="list-style-type: none"> <li>• Project Profiles, Preparation of Project Reports, Market Surveys, Sales Promotion, Trade Fairs, Inter-regional Trade Promotion.</li> <li>• Selection of Technology, Plant &amp; Machinery, raw materials and other inputs.</li> <li>• Establishment of Joint Ventures.</li> <li>• Bidding for Public Contracts</li> </ul> <p>Knowledge and Business Service Centre to establish a suitable Web Portal.</p> <p>Establish an Industrial Estate at Kampala.</p> <p>Develop an effective Agro-inputs Value Chain Management programme including:</p> <ul style="list-style-type: none"> <li>• linkages with TNCs</li> <li>• Capacity Building for Agro-business Associations.</li> </ul> <p>Pilot programme to encourage the development and use of Improved agro-inputs, say seeds, etc. for higher productivity.</p> <p>Set up East Africa regional infrastructural facilities (exhibition, trade shows, marketing, training, export promotion, etc.) to assist intra regional trade by MSMEs</p> <p><b>Business Development Services</b></p> <p>Develop appropriate training programmes, particularly for:-</p> <ul style="list-style-type: none"> <li>• high growth oriented enterprises</li> <li>• export oriented enterprises</li> <li>• deeper partnership linkages with TNCs</li> </ul>	MFPEP/MTTI/**/	UNCCI/USSIA NAADS/MAAIF FASART MOLG/State House Line Ministries	MT  ST  ST  MT  MT	100,000  125,000  50,000  50,000  150,000
----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------	-----------------------------------------------------------------------------	--------------------------------------------	-------------------------------------------------------------------

6.	<ul style="list-style-type: none"> <li>enterprises with potential for having Joint Ventures.</li> <li>SMEs in rural areas</li> <li>Women Entrepreneurs</li> <li>fresh/recent graduates including in particular from technical institutes.</li> </ul>	MFPED/MTTI/**/	PSFU/EUg Private Sector Academia	ST	25,000
	<p>Training programmes for high growth/export oriented enterprises in the fields of Marketing including Brand Building, Strategic Planning including Succession Planning.</p> <p>Strengthen delivery of entrepreneurship development programmes for agri-business including value chain management programmes.</p>		UNCCI/USSIA NAADS/MAAIF FASART MOJ/State House PSFU/EUg Private Sector Academia	ST	100,000
	<p><b>Legal and Regulatory Framework</b></p> <p>Review and design a unified system which includes:-</p> <ul style="list-style-type: none"> <li>simplified and consolidated application forms and procedures.</li> <li>relevant Check-lists, for the use of entrepreneurs, which caters to the all the requirements.</li> <li>To sensitize the concerned officials/staff for speedy implementation and general awareness initiatives for the entrepreneurs.</li> </ul> <p>Implement new system for unified business registration procedures in at least 10 districts; and based on results, do the necessary regulatory adjustments for a national roll-out of the system.</p>			MT	100,000

7.	<b>Cross Cutting Issues</b>	MFPED/MTTI/**/	MOGLSD	ST	100,000
	Conduct specialised entrepreneurship and small business management programs at no loss no profit basis.		UWEAL/State House EUg PSFU/MTAC NCUSBO		
	Implement specialised technical programmes for rural women entrepreneurs in agro & industrial sub-sectors.			ST	100,000

- Short-term – 0 – 1 years
- Medium term – 1 – 3 years

#### 4.6. Summary of estimated resource allocation

Action Plan	Description	Lead institutions	Timeframe	Cost
1	<b>Institutional reorganisation</b>	GoU	6 months	£
2	<b>Strategic Alignment</b> Excludes the operational cost of the authority. Based on additional professional fees of £10,000 per month.	MSME Authority, MSME Financial Facility, NCC for MSMEs	6 months	£60,000
3	<b>Programme delivery</b> Technical assistance and limited programme costs; mainly for pilot projects and further research to accurately price and resource the national programme	MSME Authority under 'contract' of GoU	4 years	£2,175,000
		<b>TOTAL</b>		<b>£2,235,000</b>

#### 4.7. Monitoring and Evaluation

A major output of the GoU MSME Department will be the compilation of accurate and timely statistics on MSME activity. In this regard, the adoption of a MSME definition is a key requirement for the construction of a management information system for MSMEs.

To undertake the task of monitoring and evaluation, it is recommended that the GoU MSME Department establish a Monitoring Unit. The Monitoring Unit will develop parameters and the methods and process for monitoring and evaluation, based on the agreed national MSME programme. It will also review these from time to time. The unit will be responsible for producing MSME statistics and publish publicly available reports at various timeframes (quarterly, annually, etc) on the implementation, progress, issues encountered and measures taken to resolve them, and the status of compliance.

The main parameters for the overall programme will reflect the targets of Vision 2035. These will include:

- Numbers of MSMEs benefiting from programme and aggregations for gender, industrial sectors, client satisfaction, etc.; and
- Impact measures such as value addition (GDP) and contributions to employment, export earnings, tax receipts, etc.

## REFERENCES

Cornelius Kazoora, James Acworth, Charles Tondo and Bob Kazungu, *Discussion Paper – Forest based associations as drivers for sustainable development in Uganda*

GOU/UNDP, *Final Report on Good Governance for Poverty Eradication Programme, Kampala, Sept 2005*

Ministry of Agriculture, Animal Industry and Fisheries, *Energy for Rural Transformation (ERT) Project, Sept 2005*

Ministry of Agriculture, Animal Industry and Fisheries and Ministry of Finance, Planning and Economic Development, *Plan for Modernisation of Agriculture: Eradicating Poverty in Uganda, Final Draft, 2000*

Ministry of Finance, Planning and Economic Development, *Competitiveness and Investment Climate Strategy (CICS), 2006-10, December 2006*

Ministry of Finance, Planning and Economic Development, *Draft Policy Paper on Micro & Small Enterprise Development, 1999*

Ministry of Finance, Planning and Economic Development, *Poverty Eradication Action Plan (PEAP) 2004/5-2007/8, December 2004*

Ministry of Tourism, Trade and Industry, *Ministerial Policy Statement 2005/6*

Ministry of Tourism, Trade and Industry, *National Trade Policy, September 2006*

Ministry of Tourism, Trade and Industry, *The Marketing and Agro-Processing Strategy (MAPS), August 2005*

National Planning Authority, *Vision 2035 – Towards a modern, industrialized and knowledge based Society, Working Draft, June 2005*

Private Sector Foundation, Uganda, *Private Sector Competitiveness Project II Document, April 2005*

Richard L.Meyer, Richard Roberts, Adam Mugume, *Agricultural Finance in Uganda-The Way Forward, June 2004*

State House – Poverty Alleviation Department, *Bonna Bagaggawale (Wealth Creation for all through Market-led Production), 2002*

Uganda National Council for Science and Technology, *Uganda SMEs and their Support Systems, September 2001*

UNCTAD, *Improving the Competitiveness of SMEs in Developing Countries, September 2002*

UNCTAD, *Deepening Development through Business Linkages, 2006*

UNCTAD, *Proceedings of the Symposium on Modalities for Financing SMEs in Uganda, 2003*

UNIDO, *Integrated Industrial Policy for Sustainable industrial Development and Competitiveness – Uganda, 2006*

## ANNEX A INSTITUTIONAL FRAMEWORK MODELS

Below is a summary of the deliberations on an appropriate institutional arrangement for MSME development. At the National Stakeholder Workshop these were extensively considered and a decision was made to adopt Model II.

### Model I

A Minister/Minister of State holds an independent exclusive charge (say, Minister/Minister of State of Micro, Small & Medium Enterprises) for MSMEs.

Ministry of MSMEs to be responsible for all aspects related to the development and promotion of MSMEs.

A National Coordination Committee on MSMEs to:

- develop an Action Plan to support MSMEs Development Policy and Strategy
- review the implementation of National MSMEs Policy.
- decide corrective measures wherever and whenever required.
- act as coordinating mechanism between various stakeholders.

National Coordination Committee to be represented by key stakeholders including Line Ministries, Bank of Uganda, State House, National Planning Authority, Uganda Chamber of Commerce and Industry, Uganda Small Scale Industries Association, NAADS, Enterprise Uganda, PSFU, Private Sector, Academia.

The Ministry would have the administrative control on following three organisations:-

Organisation I (say, MSME Development Authority) whose main objectives would be:

- To review and assist the government in formulation of national policy and programmes from time to time.
- To provide coordination about policies and programmes of Local Governments.
- To maintain liaison with line ministries, government departments, Bank of Uganda, financial institutions and other relevant organizations
- To collect and disseminate economic information concerned with MSMEs
- To provide wide range of extension services through allied institutions.
- To promote facilities for technology up-gradation, modernisation, quality improvement
- To offer consultancy services in the area of technical and managerial field.

The Organisation would be engaged in the provision of following support services:-

- Entrepreneurship Development and Management Training through existing and/or new national level institutions.
- Preparation of Feasibility Reports.
- Provision of Testing Services.

- Provision of Common Production Facilities including Tool Room.
- Establishment of Prototype Production and Training Centre.

Organisation II whose main functions would be:-

- Supply of Machinery and Equipment on easy terms.
- Assistance in arrangement for raw materials.
- Establishment of Technology Transfer Centres
- Facilitating arrangements of Marketing Assistance.

Organisation III whose main functions would be:-

To establish and provide all supporting infra-structural facilities, such as industrial estates/parks, developed industrial plots/sheds, Clusters, District Industries Centres, Supply Chain Management infrastructure including Cold Storages, Warehousing.

SMEs Bank which would be under the administrative control of Ministry of Finance and Bank of Uganda.

Given the apex role, the institution need to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.

**Note:** A Study would be needed to undertake detailed diagnostic analysis of the selected agencies' activities in terms of need, coverage and scale, impact, cost-effectiveness and sustainability identification of restructuring alternatives and preparation of a restructuring plan or a phase-out plan.

Efforts should be made to use the existing human resource available with MFPED, Private Sector Development & Microfinance Section, Economic Development, Policy & Research Department and MTTI for the proposed Institutional Framework so that their valuable expertise could be utilized.)

## **Model II**

A Minister/Minister of State holds an independent exclusive charge (say, Minister/Minister of State of Micro, Small & Medium Enterprises) for MSMEs. Ministry of MSMEs to be responsible for all aspects related to the development and promotion of MSMEs.

A National Coordination Committee on MSMEs to:

- Develop an Action Plan to support MSMEs Development Policy and Strategy.
- Review the implementation of National MSMEs Policy.
- Decide corrective measures wherever and whenever required.
- Act as coordinating mechanism between various stakeholders.

National Coordination Committee to be represented by key stakeholders including Line Ministries, Bank of Uganda, State House, National Planning Authority, Uganda Chamber of Commerce and Industry, Uganda Small Scale Industries Association, NAADS, Enterprise Uganda, PSFU, Private Sector, Academia.

A National Small & Medium Enterprises Development Authority, under the administrative control of Ministry of MSMEs, who would be responsible for implementation of national policy including the following:

To provide assistance to the Ministry in formulation of national policy and programmes from time to time.

- To implement the policy of the national government.
- To provide coordination about policies and programmes of Local Governments.
- To maintain liaison with line ministries, government departments, Bank of Uganda, financial institutions and other relevant organisations.
- To collect and disseminate economic information concerned with MSMEs.
  
- To identify and implement SMEs support programmes in the fields of:-
  - Business enabling environment.
  - Creation of sustainable and competitive enterprises.
  - Promotion of entrepreneurship
  - Facilitate access and provision of non-financial resources and capacity building services.
  
- To develop physical infra-structural facilities including:
  - industrial estates/parks, Common Testing Facilities Centres, Production and Prototype
  - Training Centres, Cold Storage, Warehouses
  - Information and Extension Services
  - Marketing and Marketing Support Services
  - Technology Development, Up-gradation, Transfer and Appropriate Technology.
  - Linkages with various stakeholders.
  - Technical and Managerial Consultancy services.

SMEs Bank which would be under the administrative control of Ministry of Finance and Bank of Uganda.

Given the apex role, the institution need to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.

**Note:** A Study would be needed to undertake detailed diagnostic analysis of the selected agencies' activities in terms of need, coverage and scale, impact, cost-effectiveness and sustainability identification of restructuring alternatives and preparation of a restructuring plan or a phase-out plan.

Efforts should be made to use the existing human resource available with MFPED, Private Sector Development & Microfinance Section, Economic Development, Policy & Research Department and MTTI for the proposed Institutional Framework so that their valuable expertise could be utilized.)

## ANNEX B POLICY RECOMMENDATION MATRIX

S.N	Recommended Policy & Strategy	Lead Institution (s)	Coordinating Institutions	Time line Short Term(ST): 0-1 yr. Medium Term MT): 1-3 yrs Long Term (LT): 3-5 yrs.
1	<p><b>Policy and Institutional Framework Environment</b></p> <p>To establish definition framework for Micro, Small &amp; Medium Enterprises.</p> <p>To accord national priority to MSMEs sector.</p> <p>To establish an independent Ministry exclusively responsible for the promotion and development of MSMEs sector.</p> <p>To integrate local government’s development plans, budgets for MSMEs development and promotion in the national development plans and budgets.</p>	MFPED/MTTI/**/	UNCCI/USSIA NAADS/MAAIF Line Ministries NPA/State House PSFU/EUg MOLG/BOU Private Sector FASART/MFIs	ST
2.	<p><b>Access to Credit/Financial Services</b></p> <p>A policy aimed to ensure availability and outreach of credit to all needy micro, small &amp; medium enterprises.</p> <p>To ensure that the financial institutions extend the credit on the basis of techno-economic viability of the project rather than on the basis of enterprise’s capacity to provide collaterals.</p>	MFPED/MTTI/**/	NAADS/UNCCI USSIA/PSFU EUg/MAAIF MOLG/BOU/NPA State House Private Sector FASART/MFIs	ST

3.	<p>Creation of a specialised apex-level Bank/Fund for promotion, financing and development of SMEs. Given the apex role, the institution need to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.</p> <p>SMEs financing to be exclusively identified in national annual credit plans.</p> <p>To stimulate an environment for improved financial products especially for long tem financing including Leasing, Venture Capital</p> <p>Establishment of Credit Guarantee &amp; Credit Insurance Agencies.</p> <p>Establishment of effective and speedier bankruptcy laws.</p> <p>To strengthen the banks/financial institutions capacity for credit appraisal including based on cash flows.</p> <p>To promote continuous interest rates reforms.</p> <p>To encourage capacity building programs for improving skills in accounting, financial management.</p> <p>To establish Banking Ombudsman for redressing SMEs credit problems/complaints.</p> <p><b>Technology Development, Up-gradation and Appropriate Technology including ICT</b></p> <p>To encourage Technology Development and Up-gradation with the main objectives of:-</p>	MFPED/MTTI/**/	<p>Banks</p> <p>UIRI NAADS/MAAIF NPA/State House UNBS UNCST</p>	ST
----	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------	---------------------------------------------------------------------------------	----

	<ul style="list-style-type: none"> <li>attaining technological competence and self-reliance.</li> <li>identifying obsolescence of technology in use and arrange for modernisation of both equipment and technology.</li> <li>Develop technologies which are internationally competitive, particularly those with export potentials.</li> <li>Recycle waste material and make full utilization of by-products.</li> <li>Provide maximum gainful and satisfying employment through technology and ensuring utilization of capabilities and making them commercially competitive.</li> </ul>		UNCCI/USSIA FASART NARO NAG RC&DB	
4.	<p><b>Standards and Product Certification</b></p> <p>Policy to encourage establishment, adoption and enforcement of standards and product certification.</p> <p>Policy to strengthen local capability in the field of Standards, Quality Assurance and Product Certification.</p>	MFPED/MTTI/**/	UNBS NAADS/MAAIF UNCST/UNCCI USSIA/FASART NARO/NAGRC&DB	ST
5.	<p><b>Infra-structural Support</b></p> <p>To provide adequate infrastructural facilities for the promotion of MSMEs.</p> <p>To encourage an institutional mechanism for strong and effective umbrella organisations for development and promotion of MSMEs</p>	MFPED/MTTI/**/	UNCCI/USSIA NAADS/MAAIF FASART MOLG/State House Line Ministries PSFU/EUg Private Sector	ST
6.	<p><b>Business Development Services</b></p> <p>To stimulate and develop entrepreneurial activity based on an integrated framework consisting of culture, choice of occupation</p>	MFPED/MTTI/**/	UNCCI/USSIA NAADS/MAAIF	ST

	irrespective of social stratification, resource availability and the extent of opportunities available to the entrepreneurs		FASART MOLG/State House Line Ministries PSFU/EUg Private Sector Academia	
7.	<b>Legal and Regulatory Framework</b>  To develop and implement a friendly and business enabling Regulatory framework for the development of MSMEs in Uganda.  To place an institutional mechanism to ensure continuous monitoring, reform and implementation of the business regulatory framework.	MFPEP/MTTI/**/	UNCCI/USSIA NAADS/MAAIF FASART MOJ/State House PSFU/EUg Private Sector Academia	ST
8.	<b>_Cross Cutting Issues</b>  A policy in place which has a strategy for the holistic development of women which would help develop their personality and at the same time improve their economic and social conditions. The policy needs to put special emphasis on providing specialized training programs for nurturing and supporting women entrepreneurship.  Policy to encourage mainstreaming of women, marginalised groups.	MFPEP/MTTI/**/	MOGLSD UWEAL EUg PSFU/MTAC NCUSBO State House	ST

## ANNEX C STRATEGIES MATRIX

S.N	Recommended Institutional Framework	Lead Institution (s)	Coordinating Institutions	Time line Short Term(ST): 0-1 yr. Medium Term MT): 1-3 yrs Long Term (LT): 3-5 yrs
1	<p><b>Policy and Institutional Framework Environment</b></p> <p><b><u>Model I</u></b></p> <p>A Minister/Minister of State holds an independent exclusive charge (say, Minister/Minister of State of Micro, Small &amp; Medium Enterprises) for MSMEs.</p> <p>Ministry of MSMEs to be responsible for all aspects related to the development and promotion of MSMEs.</p> <p>A National Coordination Committee on MSMEs to:- to develop an Action Plan to support MSMEs Development Policy and Strategy</p> <ul style="list-style-type: none"> <li>• to review the implementation of National MSMEs Policy.</li> <li>• to decide corrective measures wherever and whenever required.</li> <li>• to act as coordinating mechanism between various stakeholders.</li> </ul> <p>National Coordination Committee to be represented by key stakeholders including Line Ministries, Bank of Uganda, National Planning Authority, Uganda Chamber of Commerce and Industry, Uganda Small Scale Industries Association, State House, NAADS,</p>	MFPED/MTTI/**/	UNCCI/USSIA NAADS/MAAIF PSFU/EUg MOLG/BOU NPA/State House Private Sector FASART/MFIs	ST

<p>Enterprise Uganda, PSFU, Private Sector, Academia.</p> <p>The Ministry would have the administrative control on following organisations:-</p> <p><u>Organisation I</u> (say, MSME Development Authority) whose main objectives would be:-</p> <ul style="list-style-type: none"> <li>• To review and assist the government in formulation of national policy and programmes from time to time.</li> <li>• To provide coordination about policies and programmes of Local Governments.</li> <li>• To maintain liaison with line ministries, government departments, Bank of Uganda, financial institutions and other relevant organisations.</li> <li>• To collect and disseminate economic information concerned with MSMEs.</li> <li>• To provide wide range of extension services through allied institutions.</li> <li>• To promote facilities for technology upgradation, modernisation, quality improvement.</li> <li>• To offer consultancy services in the area of technical and managerial field.</li> </ul> <p>The Organisation would be engaged in the provision of following support services:-</p> <ol style="list-style-type: none"> <li>a) Entrepreneurship Development and Management Training through existing and/or new national level institutions.</li> <li>b) Preparation of Feasibility Reports.</li> <li>c) Provision of Testing Services.</li> <li>d) Provision of Common Production Facilities including Tool Room.</li> </ol>			
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

<p>e) Establishment of Prototype Production and Training Centre.</p> <p><u>Organisation II</u> whose main functions would be:-</p> <ul style="list-style-type: none"> <li>• Supply of Machinery and Equipment on easy terms.</li> <li>• assistance in arrangement for raw materials.</li> <li>• establishment of Technology Transfer Centres</li> <li>• Facilitating arrangements of Marketing Assistance.</li> </ul> <p><u>Organisation III</u> whose main functions would be:-</p> <p>To establish and provide all supporting infra-structural facilities, such as industrial estates/parks, developed industrial plots/sheds, Clusters, District Industries Centres, Supply Chain Management infrastructure including Cold Storages, Warehousing.</p> <p>SMEs Bank which would be under the administrative control of Ministry of Finance and Bank of Uganda.</p> <p>Given the apex role, the institution need to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.</p> <p><b><u>Model II</u></b></p> <p>A Minister/Minister of State holds an independent exclusive charge (say, Minister/Minister of State of Micro, Small &amp; Medium Enterprises) for MSMEs.</p> <p>Ministry of MSMEs to be responsible for all aspects related to the development and promotion of MSMEs.</p>			
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

	<p>A National Coordination Committee on MSMEs to:-</p> <ul style="list-style-type: none"> <li>• To develop an Action Plan to support MSMEs Development Policy and Strategy</li> <li>• To review the implementation of National MSMEs Policy.</li> <li>• To decide corrective measures wherever and whenever required.</li> <li>• To act as coordinating mechanism between various stakeholders.</li> </ul> <p>National Coordination Committee to be represented by key stakeholders including Line Ministries, Bank of Uganda, National Planning Authority, State House, Uganda Chamber of Commerce and Industry, Uganda Small Scale Industries Association, NAADS, Enterprise Uganda, PSFU, Private Sector, Academia.</p> <p>A National Small &amp; Medium Enterprises Development Authority, under the administrative control of Ministry of MSMEs, who would be responsible for implementation of national policy including the following:-</p> <ul style="list-style-type: none"> <li>• To provide assistance to the Ministry in formulation of national policy and programmes from time to time.</li> <li>• To implement the policy of the national government.</li> <li>• To provide coordination about policies and programmes of Local Governments.</li> <li>• To maintain liaison with line ministries, government departments, Bank of Uganda, financial institutions and other relevant organisations.</li> <li>• To collect and disseminate economic information concerned with MSMEs.</li> </ul> <p>To identify and implement SMEs support programmes in the fields</p>			
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

<p>of:-</p> <ul style="list-style-type: none"> <li>• Business enabling environment.</li> <li>• Creation of sustainable and competitive enterprises.</li> <li>• Promotion of entrepreneurship</li> <li>• Facilitate access and provision of non-financial resources and capacity building services.</li> <li>• To develop physical infra-structural facilities including industrial estates/parks, Common Testing</li> <li>• Facilities Centres, Production and Prototype</li> <li>• Training Centres, Cold Storage, Warehouses</li> <li>• Information and Extension Services</li> <li>• Marketing and Marketing Support Services</li> <li>• Technology Development, Up-gradation, Transfer and Appropriate Technology.</li> <li>• Linkages with various stakeholders.</li> <li>• Conductive Regulatory Framework.</li> <li>• Technical and Managerial Consultancy services.</li> </ul> <p>SMEs Bank which would be under the administrative control of Ministry of Finance and Bank of Uganda.</p> <p>Given the apex role, the institution need to supplement the efforts of existing institutions, strengthening their capabilities through financial and support services and instituting coordination mechanisms.</p> <p><b>(Note:</b> A Study would be needed to undertake detailed diagnostic analysis of the selected agencies' activities in terms of need, coverage and scale, impact, cost-effectiveness and sustainability identification of restructuring alternatives and preparation of a restructuring plan or a phase-out plan.</p>			
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--



3.	<p>Capital.</p> <p>Establishment of Credit Guarantee &amp; Credit Insurance Agencies.</p> <p>Establishment/expansion of 'Credit Reference Bureau'</p> <p><b>Technology Development, Up-gradation and Appropriate Technology including ICT</b></p> <p>To have an effective institutional framework for Technology Development including Appropriate Technology, Technology Upgradation &amp; Technology Transfer</p> <p>To have an effective linkages mechanism between Technological &amp; Research Institutions, Private Sector Other service providers for encouraging research and innovation.</p> <p>Capacity Building to strengthen initiatives for Technology Development including Appropriate Technology, Technology Up-gradation &amp; Technology Transfer.</p> <p>To establish a national mechanism to reward citizens for Technology Development, Up-gradation, Innovation &amp; Research.</p> <p>Setting up Technology Resource Centre</p> <p>Setting up/expanding network of Business Incubation Centres</p> <p>Establish 'Technology Transfer Forum' for all services including assessment and advisory services.</p> <p>To encourage e-commerce for marketing, procurement and other</p>	MFPED/MTTI/**/	<p>UIRI</p> <p>NAADS/MAAIF</p> <p>UNBS</p> <p>UNCST</p> <p>UNCCI</p> <p>USSIA</p> <p>FASART</p> <p>NARO</p> <p>NAG</p> <p>RC&amp;DB</p> <p>State House</p>	<p>MT</p> <p>MT</p> <p>MT</p>
----	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------	------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------

<p>4.</p>	<p>services.</p> <p><b>Standards and Product Certification</b></p> <p>To encourage linkages between UNBS and other Stakeholders for developing, establishing and expanding adoption and application of Standards &amp; Certification</p> <p>To have an effective mechanism for monitoring and enforcement of Standards &amp; Products Certification.</p> <p>To develop linkages amongst stakeholders including Private sector for strengthening human resource development for accredited product certification.</p>	<p>MFPED/MTTI/**/</p>	<p>UNBS NAADS/MAAIF UNCST/UNCCI USSIA/FASART NARO/NAGRC&amp;DB State House</p>	<p>MT</p>
<p>5.</p>	<p><b>Infra-structural Support</b></p> <p>To establish/expand/improve infrastructural support facilities, preferably as PPP Model with private sector</p> <p>To undertake Cluster Development Initiatives.</p> <p>To establish/expand Industrial Parks/Estates/Nurseries.</p> <p>To strengthen, expand existing ERT (Energy for Rural Transformation) initiatives of MAAIF for improved delivery of energy.</p> <p>To encourage alternative methods of generation and Provision of reliable and cost effective electricity to agro-industrial sector.</p> <p>To encourage pooling of fragmented/small land holdings to</p>	<p>MFPED/MTTI/**/</p>	<p>UNCCI/USSIA NAADS/MAAIF FASART MOLG/State House Line Ministries PSFU/EUg Private Sector</p>	<p>MT</p>

6.	<p>improve productivity by use of better technology and equipment.</p> <p>To promote and encourage the development and use of improved agro-inputs, such as seeds, fertilisers, etc. for higher productivity.</p> <p>To establish an integrated mechanism for dissemination of technical, marketing, business development and promotion information to agri-business sub sector.</p> <p>To develop linkages amongst various stakeholders for stronger and effective advocacy.</p> <p>To strengthen the implementation of 'Production Zoning' Concept.</p> <p><b>Business Development Services</b></p> <p>To establish linkages amongst stakeholders :-</p> <ul style="list-style-type: none"> <li>• to strengthen and expand entrepreneurship and small business management programmes and their outreach, especially to the women in rural areas.</li> <li>• to encourage integration of entrepreneurship Development and small business management in vocational and technical institutions.</li> <li>• to expand network of vocational and technical institutes.</li> <li>• to encourage Curriculum of Vocational and Technical Institutes to respond to the practical needs of the enterprises.</li> <li>• to provide opportunities to 'Jua Kali' sector to supplement their expertise by formal education.</li> </ul>	MFPED/MTTI/**/	NAADS/MAAIF UNCCI/USSIA FASART MOLG/State House Line Ministries PSFU/EUg Private Sector Academia	ST
7.	<p><b>Legal and Regulatory Framework</b></p>			





2.	<p><b>Technology Development, Up-gradation and Appropriate Technology including ICT</b></p> <p>To set up/expand Business &amp; Technology Incubation Centres with PPP Model.</p> <p>To have a pilot programme to develop prototypes for use by mining sub-sector to improve quality, productivity and safety; training artisans on the use of such developed technology/prototypes and providing BDS as well as eventual commercialization of such prototypes.</p> <p>Credit linked incentive schemes for Technology Upgradation</p> <p>Strengthen/Create Innovation and Research Fund</p> <p>Carry out baseline surveys on local technologies.</p>	MFPED/MTTI/**/	<p>UIRI NAADS MAAIF State House UNBS UNCST UNCCI USSIA FASART NARO NAG RC&amp;DB</p>	<p>MT</p> <p>MT</p> <p>MT</p> <p>MT</p> <p>MT</p>
3.	<p><b>Standards and Product Certification</b></p> <p>To strengthen UNBS in conducting product testing and certification.</p> <p>To develop other Accredited Certification Bodies in partnership with private sector.</p> <p>To develop standards in industrial and agro-business sub-sectors, e.g. leather products, small oil processing.</p>	MFPED/MTTI/**/	<p>UNBS NAADS/MAAIF UNCST/UNCCI USSIA/FASART NARO/NAGRC&amp;DB State House</p>	<p>MT</p> <p>MT</p> <p>MT</p>
4.	<p><b>Infra-structural Support</b></p> <p>To establish Cluster(s) on a pilot project basis after prioritization</p>	MFPED/MTTI/**/	UNCCI/USSIA	MT

	<p>on the basis of cost-benefit analysis.</p> <p>To establish 'Knowledge and Service Centre' in Kampala to serve as 'One Stop Resource Shop' for provision of all information, BDS needs of SMEs including:-</p> <ul style="list-style-type: none"> <li>• Project Profiles, Preparation of Project Reports, Market Surveys, Sales Promotion, Trade Fairs, Inter-regional Trade Promotion.</li> <li>• Selection of Technology, Plant &amp; Machinery, raw materials and other inputs.</li> <li>• Establishment of Joint Ventures.</li> <li>• Bidding for Public Contracts</li> </ul> <p>Knowledge and Service Centre to establish suitable Web Portal.</p> <p>To provide support in the establishment of Industrial Estate at Kampala.</p> <p>To review and develop effective Agro-inputs Value Chain Management including:</p> <ul style="list-style-type: none"> <li>• linkages with TNCs</li> <li>• Capacity Building for Agro-business Associations.</li> </ul> <p>A pilot programme to encourage the development and use of Improved agro-inputs, say seeds, etc. for higher productivity.</p> <p>To set up East Africa regional infrastructural facilities (exhibition, trade shows, marketing, training, export promotion, etc.)</p>		<p>NAADS/MAAIF FASART MOLG/State House Line Ministries PSFU/EUg Private Sector</p>	<p>ST</p> <p>MT</p> <p>ST</p> <p>ST</p> <p>MT</p> <p>ST</p>
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------------------------------------------------------------------------------------------------------	-------------------------------------------------------------

5.	<p><b>Business Development Services</b></p> <p>Training needs assessment and to develop appropriate training programmes, particularly for:-</p> <ul style="list-style-type: none"> <li>• high growth oriented enterprises.</li> <li>• export oriented enterprises</li> <li>• deeper partnership linkages with TNCs</li> <li>• enterprises with potential for having Joint Ventures.</li> <li>• SMEs in rural areas</li> <li>• Women Entrepreneurs</li> </ul> <p>Training needs assessment and to develop training programmes for fresh/recent graduates including in particular from technical institutes.</p> <p>Training programmes for high growth/export oriented enterprises in the fields of Marketing including Brand Building, Strategic Planning including Succession Planning.</p> <p>To strengthen delivery of entrepreneurship development, agri-business including value chain management programmes.</p>	MFPED/MTTI/**/	UNCCI/USSIA NAADS/MAAIF FASART MOLG/State House Line Ministries PSFU/EUg Private Sector Academia	   ST   ST   ST   MT
6.	<p><b>Legal and Regulatory Framework</b></p> <p>A programme to review and design a unified system which includes:-</p> <ul style="list-style-type: none"> <li>• simplified and consolidated application forms and procedures.</li> <li>• relevant Check-lists, for the use of entrepreneurs, which caters to the all the requirements.</li> <li>• To sensitize the concerned officials/staff for speedy</li> </ul>	MFPED/MTTI/**/	UNCCI/USSIA NAADS/MAAIF FASART MOJ/State House PSFU/EUg Private Sector Academia	MT

7.	<p>implementation and general awareness initiatives for the entrepreneurs.</p> <p>A pilot programme to implement new system for unified business registration procedures in at least 10 districts.</p> <p>Based on the results of the pilot programme, necessary regulatory adjustments to be made for national roll-out system.</p> <p><b>Cross Cutting Issues</b></p> <p>To conduct specialized entrepreneurship and small business management programs at no loss no profit basis.</p> <p>To conduct specialized technical programmes for rural women entrepreneurs in agro &amp; industrial sub-sectors.</p>	MFPED/MTTI/**/	MOGLSD UWEAL/State House EUg PSFU/MTAC NCUSBO	ST  ST
----	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------	-----------------------------------------------------------	--------------