Institutional and Support Environment to Cluster Based Development Approach in Uganda.

Mutambi, J. (2009).

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Abstract

Similar to other developing countries, Uganda recognizes the ability of Micro, Small and Medium scale enterprises to generate socio-economic benefits, value addition to local raw materials, and employment generation. To enhance competitiveness, innovation and networking within producer firms, clustering concept needs to be promoted and strengthened. Clusters drive productivity and innovation. Clusters are geographical concentrations of firms, suppliers, support services providers, infrastructure, producers of related products, and specialized institutions that arise in particular fields in particular locations.

Clusters can be initiated or emerge spontaneously based on market forces and the process of cluster formation will occur naturally as new firms form, suppliers develop, infrastructure investments respond to local needs, and specialized institutions and firms locate their operations in the growing cluster area and grow. This therefore calls for policy and public attention.

The key actors in the cluster development are referred to as "triple helix": Government for policies and support institutions; Private sector -business enterprises, large and SMEs, NGOs' and Foundations; and Academia - Universities, and R& D institutions

This paper highlights a number of measures that government has done aimed at stimulating economic growth with a demonstration of facilitating the cluster based development concept in Uganda

Keywords: Clusters; Institutional Support; Small-Medium Enterprises; Triple-Helix; Uganda

1. Introduction

Clusters commonly known as geographical concentrations of interconnected enterprises and associated support institutions are fertile environments for the development of inter-firm linkages, as spatial proximity and shared business interest facilitate collaboration.

The Government of Uganda (GOU) emphasizes on enhancing the performance of the local business community while also promoting the transfer of skills and knowhow to the entire value-chain actors through the Public-Private Partnership. In its pursuit to achieve high and sustainable economic growth and prosperity for All Ugandans, the GOU has the responsibility to create conducive environment for investment and growth (PEAP)

In recognition of the importance of small scale firms that require initial support to enter far-reaching business networks, the government has initiated various appropriate policies and programs. As a member of the EAC, it's stipulated in the EAC Treaty as well. Article 80(1)(c) of

the Treaty for the Establishment of the East African Community provides that one of the strategy and priority areas for regional cooperation in investment and industrial development in the EAC region shall be facilitating the development of small and medium scale industries including sub-contracting and other relations between larger and smaller firms. To me that is the cluster based concept, which should be taken advantage of.

There is a political will to promote clusters; the government highly supports researchers and scientists in areas that are relevant to transforming the economy. GOU recognizes that Science and technology are key in the improvement of health, agriculture, industrial development, economic competitiveness and environmental sustainability." For instance, every year a national science week is held to raise awareness on the essential role of science and technology in Uganda's socio-economic development and to award prizes to the best innovative role models including medical doctors, teachers, technologists, researchers, engineers, nutritionists and science and technology-related entrepreneurs.

2. Related Support Initiatives to Cluster-Based Development Approach

Based on the above policy strategies, the government wishes to strengthen the SMEs or firms with the capacity to a collective vision of the opportunities available to them, and seize these opportunities through coordinated collective initiatives. The following programs and institutions are in place explicitly intended to promote capacity building in formal or informal income-generating activities at the national as well as at the local levels of government. The areas of support include; access to finance, access to knowledge and skills, and others like marketing access.

The identified existing programs and institutions supporting the operations of cluster - based firms and individual firms including associations to improve their effectiveness among others are;

a] The Competitiveness and Investment Climate Strategy (CICS)

The Competitiveness and Investment Climate Strategy (CICS), 2006-2010 Under Ministry of Finance, Planning and Economic Development. The CICS whose theme is 'Enhancing competitiveness through Public-Private Partnership' 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. It also emphasizes the development and facilitation of clusters as a strategy. CICS has organized the cluster forum group meetings, the fourth one was held recently in august to discuss the popularizing of clusters development concept.

b. Presidential Science awards (2004)

In 2004, H.E the President of Uganda Yoweri Museveni introduced the Presidential science awards to promote the development and application of science and technology for economic transformation. The first Presidential Science and Technology Excellence Awards were presented to winning scientists in 2006. The second set of awards was announced in 2007 and presented to the winners at the closing ceremony of the National Science Week in 2008.

Achievements in scientific and technological innovation and application in the fields of agricultural sciences, veterinary sciences, military sciences, natural sciences, engineering, biotechnology, earth sciences, medical sciences, space sciences and information and

communication sciences are also recognized. There is a potential of having these researchers attached or assisting clusters in all these fields.

c. Prosperity for All Programme

In order to improvise finances and capacity building for a number of people in rural areas the President of Uganda initiated the ***Prosperity for All Programme*** being his 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. It is prosperity for all through production, value addition, agro-processing, improved marketing, savings and accessibility to affordable credit.

This programme today has enabled the creation and development of a number of SMEs in both the Urban and Rural areas as it has enhanced resource accessibility both financially and socially.

d. **Microfinance Outreach Plan- Ministry of Finance, Planning and Economic Development**

Microfinance Outreach Plan is a major initiative of Government of Uganda and Stakeholders in microfinance industry. 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 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.

e. **One Village One Product (OVOP) program - Ministry of Tourism, Trade and Industry (MTTI)**

Ministry of Tourism, Trade and Industry (MTTI), through its Department of Industry and Technology, mandated to promote, expand and diversify an environmentally sustainable industrial base in collaboration with its statutory institutions, such as UNBS, UIRI, MTAC, has launched and established an institutional mechanism to promote and coordinate One Village One Product (OVOP) program this year which will include the cluster -based approach activities.
Cluster -based development approach to promote SMEs was approved in the National Industrial Policy (2008). The modalities of coordination will soon be finalized between Makerere and Ministry.

The (OVOP) programme (2009) is being implemented through improving the production, value addition and marketing of Value added products that can compete locally, regionally and internationally by utilizing primary agro-products and natural resources in which communities have comparative advantages. This program will strengthen the development of clusters in the country.

It is built on three principles, namely (i) self-reliance and creativity (ii) human resources development, and (iii) thinking locally but acting globally. Local people take the lead, independent of external prompting and largely on their own creativity and self-reliance, to make unique products from local resources for their own good and to capture markets external to their locality. In the process they develop their expertise through production of competitive products,

their livelihoods improve due to enhanced incomes, and their communities develop closer bonds at the same time.

With reference to value addition and job creation the Government has promised to support where possible all small and medium industries/enterprises in terms of technology acquisition, skills development and market linkages. The clusters will again benefit out of this initiative.

Additionally, as a sign to improve agricultural productivity and agro-processing, Government has allocated Ush60b to agricultural enterprises through the commercial banks.

f. **Private Sector Foundation of Uganda (PSFU)**

PSFU is Uganda's apex body for 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.

PSFU runs various programmes that benefit SMEs including clusters such as; the implementation of the Business Uganda Development Scheme (BUDS), Enterprise Skills linkage program, etc.

g. **Enterprise Uganda**

Enterprise Uganda offers a comprehensive range of integrated and tailor-made business support services which begin with diagnostic Studies on the businesses promoted by the participants including rural outreach. 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.

h. **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 SMEs and other 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 to SMEs. UEPB has mostly been helping SMEs and the clusters in the handicraft and honey sectors.

i. 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. They have hosted international forums to create market linkages, give business development grants, and capacity building support to business community.

j. National Agriculture Advisory Service (NAADS)

Realizing 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, as well as Gender Mainstreaming. Through Commercialization, 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 participation involves all categories of farmers identifying agricultural advisory needs, setting priorities, formulating plans, and monitoring and evaluating outputs and outcomes.

k. Uganda Investment Authority

UIA is a One-Stop facilitator for investors of various levels of investment foreign and domestic, mandated by an Act of Parliament (1991) to attract, promote and facilitate investment. UIA assists investors at various levels to expediently implement their business plans. As such, UIA markets Uganda's investment opportunities to targeted investors all over the world, coordinates the national investment marketing program, monitors international investment trends and serves as the first and most comprehensive point of contact for investors in Uganda.

Among the services rendered to SMEs by UIA include but not limited to,

i. Helping SMEs to implement their project ideas through professional training and advice and assistance in locating relevant project support services;
ii. Assisting SMEs in seeking joint venture partners and funding;
iii. Ensuring protection for intellectual property and trade secrets where technology transfer is involved;

The following clusters have benefited in one way or another from the above initiatives; Katwe metal Fabricators, Jinja maize-millers, Luwero Basketry and handicrafts, Textile and garments, Lira bee keepers, etc.

3. Discussion and specific areas of focus

(i) There is need to create strong institutional linkages at various levels. Networking is one of the most important infrastructures in cluster development. The academic institutions should seriously support the beneficiaries of the above programs in technology evaluation, management support and consulting services.

(ii) Marketing assistance for exportable products are being extended by the Ministry through holding trade fairs and exhibitions or supporting potential firms to attend the major exhibitions locally and internationally.

(iii) . The Ministry is developing the Standards and Quality Policy that will give strategic guidance in product standardization and certification. However, the UNBS and UEPB are there to facilitate and do the necessary measures in respect to Standards and quality control, and marketing of the products internationally respectively.

(iv) Need to support for infrastructure development, (i.e. energy, transport, water, etc) and the Public Private Partnership policy

(v) Strengthening of the Standards and testing laboratories infrastructure for industrial competitiveness

4. Conclusions

- A Cluster initiative is an organizing mechanism, focusing on collaborative activities to upgrade the cluster's competitiveness
- Cluster initiatives are complementary to industry associations, and not competitors
- For transformation, all problems are well known what is required is to focus and address them
- Emphasis should shift from strategic planning to strategic doing
- As the government and other support organizations are implementing the cluster development in different programs and approaches, the role of the academia in development of the cluster concept needs to be scaled up more to support research and innovation.

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