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UNIDO PROGRAMS FUNDED BY AUSTRIA TO STRENGTHEN THE LEATHER SECTOR IN UGANDA

US/UGA/92/200, US/UGA/96/300



Joint In-Depth Evaluation Mission **Mission Report***

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and

Mr. Emmanuel Mwebe, General Manager of ULAIA

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EXPLANATORY NOTES

The official currency in Uganda is the Uganda Shilling (UGX).

At the time of the evaluation the official UN rate of exchange was:

1 US \$ (USD) 1,795 Uganda Shilling (UGX)

GLOSSARY

ADC	Austrian Development Cooperation
AGOA	African Growth and Opportunities Act (US)
ASCIM	Adaptation and Strengthening of Current Implementation Mechanisms
BMAA	Bundesministerium für Auswärtige Angelegenheiten (Austrian Ministry of Foreign Affairs)
BOD	Biological Oxygen Demand
BOKU	Universität für Bodenkultur (Agricultural University in Vienna)
CDE	Centre for the Development of Enterprises
COD	Chemical Oxygen Demand
DANIDA	Danish International Development Agency
DOE	Department of Environment
EBA	Everything But Arms (EU Program)
EDP	Entrepreneurship Development Program
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ESALIA	East and South African Leather Industry Association
EU	European Union
EUR or €	Euro (EU Currency)
GDP	Gross Domestic Product
GDP, ppp	Gross Domestic Product at Purchasing Power Parity
GOU	Government of Uganda
GTZ	Gesellschaft für Technische Zusammenarbeit (German Society for Technical Cooperation)
HQ	Headquarters
H & S	Hides and Skins
IP	Integrated Program
ISO	International Organization for Standardization
JPO	Junior Professional Officer
LIU	Leather Industries Uganda
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries of Uganda
MCP	Master Crafts Program
MOE	Ministry of Water, Lands and Environment of Uganda
MOF	Ministry of Finance of Uganda
MOH	Ministry of Health of Uganda
MSE	Micro- and Small Enterprises
MTTI	Ministry of Tourism, Trade and Industry of Uganda
NALFIS	National Leather and Footwear Industry Scheme
NEMA	National Environment Management Authority
NGO	Non-governmental Organization
NPC	National Program Coordinator
NWSC	National Water and Sewerage Corporation
OOPP	Object Oriented Project Planning
RALFIS	Regional Leather and Footwear Industry Scheme
SEDCO	Small Enterprise Development Company
SME	Small and Medium Enterprises
SPEED	Support for Private Enterprises Expansion and Development
Sqft	Square foot
TALIU	Tannery and Leather Improvement (Uganda) Ltd.
TCFC	Training & Common Facility Center
TNC	Transnational Corporation
TOR	Terms of Reference
TPCSI	Training and Production Center for the Shoe Industry (Kenya)
TCR	Total Chromium Liquor Recycling
TR	Tannery Run
UBOS	Uganda Bureau of Statistics
UGX or USH	Uganda Shilling
ULAIA	Uganda Leather and Allied Industries Association
UMA	Uganda Manufacturers Association
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNIDO	United Nations Industrial Development Organization
UPM	UNIDO Project Manager
USAID	United States Agency for International Development
USD or \$	United States Dollar
USSIA	Uganda Small Scale Industries Association
VIC	Vienna International Centre

0. EXECUTIVE SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

0.1. Background

This ex-post evaluation was undertaken in Uganda during the period 17 – 27 September 26, 2002.

The purpose of this independent joint in-depth evaluation is to enable the Government of Austria (Donor), UNIDO (executing agency) and the main stakeholders in Uganda (Ministry of Tourism, Trade and Industry; ULAIA) to arrive at a common understanding concerning the results and the impact of the leather program in Uganda, learning lessons for the development of the international assistance and technical cooperation in this sector in the future.

The program for the development of the leather sector in the Eastern and Southern African region, called RALFIS (Regional Africa Leather and Footwear Industry Scheme) has been conceived following the recommendation of the UNIDO consultation on leather and leather products industry held in Innsbruck in 1984.

Subsequently the first regional meeting on this sector was held with the participation of the interested countries, in Alexandria, Egypt, in January 1987. The purpose was to examine the main difficulties and shortcomings of the sector. The first phase of the program started in 1988 and covered seven countries. Uganda was not included in this phase. The second phase (US/RAF/92/200) started in 1992 and included also Uganda. While the first phase focused on the early stages of leather industry operations for raw materials and semi-processed products, the second phase focused mainly on:

- Improving leather finishing and products manufacture
- Training for the improvement of the raw materials
- Leather processing, tannery pollution control, production of footwear and other leather products
- Establishment of a regional Leather association (ESALIA)
- Development and marketing of the products

The aim was to concentrate on quality production (livestock, slaughtering, treatment of H&S) and, since it is known that the leather industry has a considerable negative impact on the environment, to focus on cleaner production methods, assisting the tanneries in improving their effluent treatment plants. In order to reinforce the capabilities of the sector in Uganda as part of the Regional Program, the project US/UGA/92/200 was specifically designed for the improvement of these activities in the districts of Jinja and Masaka to assist the local tanneries in better finishing capabilities for the domestic market. This project was financed by Austria and provided training in footwear and leather goods manufacturing, particularly helping enterprises owned by women. The assistance in capital equipment was also considered through pay-back arrangements to a revolving fund, later called repayment fund. This fund was established by the Project and administered by ULAIA in order to increase the industry's influence on the respective government authorities in the sector specific policy making. This project started in February 1994.

A particularly encouraging development during the implementation of the Project was the establishment of the TCFC (Training and Common Facilities Center) in Kampala, owned by ULAIA at the time. The purpose of the center has been meeting the training needs of the small entrepreneurs (mainly running one person firms) and also in granting use of the TCFC's tools and machines for a low fee.

ULAIA was constituted in January 1996. To foster the results obtained and continue the sectoral leather development, the tripartite project review meeting recommended a further extension of two years. Thanks to another special purpose contribution of Austria the implementation of this new project US/UGA/96/300 started at the beginning of 1997. A workshop on Object Oriented Project Planning (OOPP), held in Kampala in March 1997, aimed at adjusting the objectives and outputs of the Project. This workshop was attended by more than 50 participants, including the donor, UNIDO, ULAIA and Ugandan stakeholders. The workshop refined some formulations and outputs of the project, but without changing the spirit and the objectives. The major focus areas of this last project were:

- Improving the institutional capacity of the newly established ULAIA in implementing a collection and grading scheme for H&S in two selected areas
- Developing environmental standards and regulations for the tanning industry
- Supporting the increased capacity of the leather industry, slaughtering and tanning
- Assisting the small scale footwear and leather goods enterprises

This project US/UGA/96/300 was operationally completed at the beginning of 2000 and, nearly three years after its completion, this ex-post evaluation has taken place.

0.2. Conclusions

The Program was structured in five components.

0.2.1. Institutional Component ULAIA

ULAIA was founded to support the enterprises of the Ugandan leather industry in multiple ways and to promote their collective interests with regard to the GOU and its agencies, as well as suppliers and markets. The constituents of ULAIA are cattle traders, butchers, H&S collectors, H&S traders, tanneries, and manufacturers of footwear and leather goods. The interests of the constituent groups diverge in some important aspects. Traders are interested in levy free exports of raw H&S, while tanneries benefit from export restriction of those, since they are competing with the traders for this raw material. This ambiguity weakens ULAIA's facility as a powerful representative of any constituent group and is reflected by the reluctance of many constituents to pay the already very low membership fees. Some major enterprises even chose not to become members of ULAIA. On the other hand, some ULAIA members are also members of UMA or USSIA and have to pay membership fees to these organizations as well. ULAIA's main source of income, a revolving fund introduced by the Program, presently covers the expenses of the association. Lacking other major sources of income, ULAIA is gradually depleting this fund and is therefore financially not sustainable. ULAIA was not able to present any document to the Evaluation Mission that regulates the management of the fund. Research at UNIDO HQ did not produce any evidence about the existence of a fund utilization agreement. The UNIDO Project Manager does not know if there ever was such an agreement. Therefore, the Evaluation Team could not verify whether the fund has been used as originally intended.

0.2.2. Hides and Skins Component

The Program has made efforts on several levels to improve the quality of the raw material: earmarking the cattle rather than branding it, training in flaying and hide pulling, and salting the hides rather than drying them. The salting has had the most significant and lasting impact. Now over 80% of hides are preserved by salting, as compared to less than 5% before the implementation of the program. As confirmed by all parties interviewed,

this has significantly improved the quality of the raw material. However, traders and one tannery still buy in bulk for a flat rate regardless of the grade quality.

0.2.3. Tannery Component

Currently only three tanneries are working in Uganda. The tannery in Masaka has started manufacturing in June 2002 and is producing only wet blue H&S. LIU in Jinja has resumed its production a few months ago after having stopped manufacturing in June 2001. It manufactures wet blue H&S for export, amounting to 90% of total sales, as well as some crust and finished leather for the domestic market. Gomba Fishing Industries in Jinja tans about 1,000 fish skins per day but cannot sell its products. It must be considered separately because of the different raw material. The H&S tanners complain that they cannot get enough raw material because of the competition of the traders, who export the raw material to tanneries abroad. GOU has introduced in July 2002 a 15% export duty on raw H&S. Several East African countries have banned during the last decade the export of raw H&S.

0.2.4. Environmental Component

NEMA has cooperated with ULAIA to improve the environmental management of tanneries and slaughterhouses. As a result, the three working tanneries have effluent treatment plants and apparently comply with the national standards. The chromium is precipitated and stored or buried in plastic bags. The tannery in Mbarara did not install a treatment plant and was closed in 1998. Most abattoirs are old and do not have any effluent treatment. The mission interviewed NEMA and tannery operators and finds that there should not be different effluent standards for tanneries.

0.2.5. Leather Products Component

All persons interviewed confirmed that the TCFC has been very effective in training small entrepreneurs in manufacturing footwear and leather goods. ULAIA has established TCFC in 1997 under UNIDO Project US/UGA/200. Since then not only 163 men and 42 women have received specialized training, but the TCFC's workshop and its machinery have been used ever since by the trained entrepreneurs for manufacturing their products. Most entrepreneurs do not have the resources for buying their own machines and tools at start-up.

Till the end of 2001 the Austrian firm Ecotec provided technical support and machinery under a separate bilateral Austrian funded cooperation project. This contribution was very helpful and enhanced the impact of TCFC's activities significantly.

The TCFC has reached the limit of its training and production capacity and cannot satisfy the increased production need of the entrepreneurs and the demand for more training. The good results of the Program have created high expectation and demand throughout the country. Some entrepreneurs and trainees have traveled regularly hundreds of kilometers from their home towns to use the TCFC's facilities.

0.3. Recommendations

0.3.1. Recommendations to ULAIA/TCFC

- a) ULAIA should reconsider its membership policy and exclude export traders of raw material from its constituency.
- b) ULAIA should expand the services to its members, such as training programs and equipment leasing in cooperation with TCFC and introduce or enhance other services, such as cluster purchasing and marketing, organization of trade shows and participation

in international fairs, technical and business consulting, training in sales and marketing. The association should prepare a sufficient number of brochures that lists these services and explains their benefits and also post this information on a ULAIA website. Some of these services should be offered for a charge in order to keep membership fees affordable. ULAIA should also consider cooperating with other organizations, e.g., USSIA and UMA, in providing such services.

- c) ULAIA, together with GOU and donor organizations, should explore opportunities to make micro-credits up to USD 3,000 for tools and machinery available to footwear and leather goods manufacturers.
- d) ULAIA should improve its financial management and record keeping.
- e) ULAIA should publish a directory of leather products manufacturers in the country.
- f) Because of the high appeal of the training and equipment leasing programs to potential entrepreneurs in other parts of Uganda, regional TCFCs should be installed in Lira for the north, in Masaka for the south, in Mbarara for the west and in Mbale for the east of the country. This will bring this successful program component to more target beneficiaries.
- g) TCFC should hold also training courses on half-day basis for women, who need more time with their families.
- h) As recommended by former Ecotec consultant, TCFC should buy molds for soles of children's, safety and uniform shoes. These items would improve the competitiveness of the shoemakers in a market segment, which depends less on fashion changes. TCFC should also purchase a stamping machine for putting their Crane trademark on the shoes.

0.3.2. Recommendations to GOU

- a) The recommendations of the Evaluation Mission to GOU are founded on the information received from MTTI that GOU wants to eradicate poverty and create employment by supporting MSEs and developing manufacturing based on value addition to domestic resources.
- b) The UNIDO Program has considerably impacted the manufacturing capacities of micro-entrepreneurs in the leather sector. To consolidate this impact, the Evaluation Mission recommends that GOU should pursue a medium term strategy to create a level playing field for shoemakers by appropriately raising import levies on second-hand shoes and cheap synthetic shoes.
- c) GOU should follow the strategy of other leather producing countries and phase out the export of raw H&S over a period of 3 - 5 years. This would encourage augmenting tannery capacities as a result of increased availability of raw material.
- d) GOU should consider the establishment of a state fund for SME support in order to provide collateral guarantees for investment loans.
- e) GOU should take steps to harmonize its trade and taxation policies with the other countries in the region in order to avoid market distortion between neighboring countries.
- f) GOU should take efforts to enforce its laws and regulations and control that exported and imported merchandise is declared correctly. For example, GOU should make sure that raw hides are not being exported as wet blue hides or that Ugandan raw hides are not being declared as Rwandan hides, e.g., thus evading the export levy.

0.3.3. Recommendations to UNIDO

a) When a fund in cash or kind is established in the framework of a project UNIDO should sign a fund utilization agreement with the beneficiaries or trustee of the fund. This agreement should specify the

- Legitimate scope for usage of the fund
- Persons entitled to make disbursements
- Selection criteria for third party beneficiaries
- Selection and cost assessment criteria for goods and services paid with the fund
- Auditing requirements
- Supervisors of the fund and reporting requirements

b) By putting cattle traders/butchers, tanners and leather product manufacturers as immediate target beneficiaries in one group, the Project design overlooked the conflicting interests among them. Analyzing the financial disparity among the beneficiaries would have helped the Project in directing the support to those who need it most. The improvement of H&S quality benefited most the wealthy exporters of raw H&S, who are still purchasing the material in bulk for a low price, but can sell the better grades abroad for a higher price. It also serves the two tanneries, which can produce wet blue H&S for export in a better quality. However, the major stakeholders of these tanneries are TNCs and local politicians. The micro-entrepreneurs, who manufacture leather products, have the least benefit of the improvement, because they are using smaller pieces and often lower leather qualities.

c) The design of future projects should identify the target beneficiaries and their needs based on more detailed economic analysis of the industry and its stakeholders in a country.

d) The Project Document should stipulate more precise indicators for measuring the performance and results of a project.

0.3.4. Recommendations to ADC

a) According to the opinion of all persons interviewed, including target beneficiaries, representatives of GOU, ADC, UNIDO, ULAIA, USSIA, and even traders and tanners, the TCFC and its activities have been very successful in professional training and building capacities in the leather sector. Moreover, the function of the center in clustering some services is very important for the entrepreneurs and helpful for the sustainability of the center itself. The Evaluation Team concludes that the TCFC has been the most successful component of the leather program and also the component with the highest degree of sustainability. Besides, the investment in TCFC training activities, tools and machinery has directly reached the target beneficiaries, among which are many female entrepreneurs. Most of the trainees have built their own businesses, in Kampala and in other parts of Uganda, and some have employed and trained their own staff. The sustainability of these businesses is a very important positive impact of the donor's investment – even more important than the sustainability of the organizations, which have helped accomplish this target (ULAIA, TCFC). It is a promising contribution to employment creation and poverty eradication.

Therefore, the Evaluation Team recommends not only continuing to support the TCFC, but expanding its scope of activities, its facilities and extending the TCFC scheme to other parts of the country. More machines should be purchased to enable more entrepreneurs to lease them. The establishment of a separate TCFC for leather goods should be considered. Regional TCFCs should be installed in Lira for the north, in

Masaka for the south, in Mbarara for the west and in Mbale for the east of the country. Additional training courses for sales & marketing, business planning, accounting and related skills should be introduced.

- b) The Evaluation Team recommends limiting any support to wealthy entrepreneurs and transnational corporations, which operate tanneries, trading houses or other large enterprises, to certain types of technical assistance, which is in the broader interest of the society, such as environmental management consulting or vocational training.
- c) The Evaluation Team suggests that the donor, together with the executing agency, carefully stipulate the usage conditions for any type of project funds that are transferred to a trustee organization, such as a revolving fund.
- d) Any project assessment should be done by at least two independent evaluators and not by persons involved in the design or implementation of the project. This excludes explicitly from an evaluation assignment staff members or consultants of the donor organization, the executing agency, or the government of the beneficiary country, if these persons participated in any capacity in the project.
- e) As discussed on 24 October, 2002, after the presentation of the results of the evaluation mission, it is recommended that for the case of a new project phase a mid term joint and independent in-depth evaluation be stipulated in the Project Document.

1. PURPOSE AND SCOPE OF THE EX-POST EVALUATION

1.1. Purpose of the Evaluation

The tasks of this joint in-depth evaluation mission are outlined in the Terms of Reference of the mission (Annex I). The terms of reference direct the mission to “enable the Government of Austria (as donor), UNIDO (as executing agency) and the key stakeholders in Uganda (MTTI, ULAIA) to arrive at a common understanding regarding performance and success of the program and to learn lessons for future development cooperation in this sector.”

Further “the evaluation will determine as systematically and objectively as possible, the relevance, efficiency, effectiveness, impact and sustainability of the support program to the leather sector.”

1.2. Methodology

The report is based on:

- The documents of the programs funded directly by Austria (the two national Uganda projects UGA/92/200 and UGA/96/300, and the regional program US/RAF/92/200)
- The project progress reports, the minutes of the Steering Committee and all the other documentation provided by the project authorities in Vienna and in Uganda (Annex V. List of main documentation reviewed).
- In depth discussions with the project manager in Vienna, as well as with the former Chief Technical Adviser of the project, Austrian authorities in Vienna and Kampala and the personnel of ULAIA and TCFC.
- Meetings with the state counterparts and high-ranking officials of several Ministries, as well as with representatives of several national associations.
- Interviews with numerous state and private entities.
- Visits to several industries (target beneficiaries) and meetings with their managers to discuss the issues concerning the activities of the program.

To establish the report the evaluation team has followed the format proposed by the Austrian Development Cooperation Department and the UNIDO’s instructions for preparing an independent in-depth evaluation report.

The team has attempted to give a comprehensive image of the situation of the program nearly three years after its operational completion.

The issues have been discussed in a way, which may be helpful for the parties of the program to improve and adjust their performance, also considering the impact obtained so far and the needs of the final beneficiaries.

The issues have been openly discussed and both parties, the evaluation team and the program authorities involved, have agreed on most of the conclusions.

The data obtained locally and at UNIDO Headquarters, the interviews and the evaluators’ own observations, supported by the valuable contribution given by the local national resource person, nominated by the Ministry of Tourism, Trade and Industry, have enabled the evaluation team to get precise insights into the achievements of the leather program in Uganda.

1.3. Composition and Timetable of the Evaluation Mission

The persons nominated to conduct this evaluation have not been involved in the design, appraisal or implementation of the program.

To be completely independent and objective an evaluator should not have been involved in any phase of the program. The observations and findings of the evaluation team are the result of this in-depth evaluation carried out in their own capacity. The views and opinions of the team do not necessarily reflect the views of the government of Austria, the Uganda authorities or of UNIDO.

The mission was composed of the following members:

- Mr. Richard Temsch, independent consultant, President of the Mission Link International Consulting Corporation, San Francisco, California, USA. Representative of the Donor and nominated by the Austrian Development Cooperation, Federal Ministry for Foreign Affairs.
- Mr. Mario Marchich, Senior Evaluation Officer, Evaluation Services Branch. Representative of UNIDO.

The Permanent Secretary of the Ministry of Tourism, Trade and Industry of the Republic of Uganda nominated Ms. Robinah Sabano-Mutimba, Assistant Commissioner for Industry and Technology.

Reading the documents the members of the team have noticed that Ms. Sabano-Mutimba had been involved in the monitoring and implementation of the program, as Chairperson of the Steering Committee, which was directing and implementing the project activities. Therefore she was disqualified as member of the evaluation team, in line with the Terms of Reference of the evaluation mission, which state in paragraph 2.2 “The members of the evaluation team must not have been directly or indirectly involved in the design or implementation of the projects.”

After email consultations with the Federal Ministry in Vienna and locally with Ms. Sabano-Mutimba herself it was concluded that her participation as a team member would constitute a conflict of interest.

Therefore, also following the principle of the ownership of the program by the recipient country, it was agreed that Ms. Sabano will participate in this evaluation exercise as a national assistant and resource person, however, without any responsibility for the mission report.

The mission assembled in Vienna on 10th and 11th September 2002 to start its work.

These days were spent reviewing at UNIDO Headquarters the documents and interviewing the project manager and the previous Chief Technical Advisor.

An interview session was also held at the Ministry for Foreign Affairs in Vienna.

From 16 to 27 September 2002 the mission accomplished its work in Uganda.

The list of the persons met and interviewed in Austria and Uganda is contained in Annex II.

The timetable of the evaluation mission is contained in Annex III.

At the end of its work, the evaluation mission has presented its findings and related recommendations at MTTI in Kampala on 27 September and at the Ministry of Foreign Affairs in Vienna on 24 October 2002, to the staff directly responsible for the program and to those involved in issues of technical cooperation and assistance in this sector.

These presentations have been followed by interesting, lively and fruitful discussions with the participants. The results of these discussions and the comments made by the participants have been taken into account in this report. The list of participants is in Annex III.

2. OBJECTIVES AND BACKGROUND OF THE ASSISTANCE

2.1. Background

UNIDO involvement with the leather sector in Uganda has been a part of a Regional Program to support leather and footwear industry in Eastern and Southern Africa. In Uganda, the industry benefited from two national projects, funded primarily by the Government of Austria under projects:

- UG/92/200 – National Africa Leather and Footwear Industry Scheme in 1993 – 1996, and
- US/UGA96/300 – Integrated Program Assistance to Strengthen the Leather Products Industry in Uganda in 1997 – 1999.

The projects were executed by UNIDO and implemented in close collaboration with the Ministries of Agriculture, Animal Industry and Fisheries (MAAIF) and the Tourism, Trade and industry (MTTI) and the Uganda Leather and Allied Industries Association (ULAIA) which was established in 1994.

Under a bilateral agreement, the Austrian Government funded a supplementary training program, which was executed and implemented by the Austrian consulting firm ECOTEC.

2.2. Socio-economic context



Capital	Kampala
Area	236,040 sq km (land 199,710 sq km, water 36,330 sq km)
Coastline	landlocked
Population	23,985,712 (July 2001 est.)
Population growth	2.93 (2001 est.)
Ethnic groups	Baganda 17%, Karamojong 12%, Basogo 8%, Iteso 8%, Langi 6%, Rwanda 6%, Bagisu 5%, Acholi 4%, Lugbara 4%, Bunyoro 3%, Batoro 3%, non-African (European, Asian, Arab) 1%, other 23%
Religions	Roman Catholic 33%, Protestant 33%, Muslim 16%, indigenous beliefs 18%
Languages	English (official), Luganda, other Niger-Congo languages, Nilo-Saharan languages, Swahili, Arabic
Economy	Uganda has substantial natural resources, including fertile soils, regular rainfall, and sizable mineral deposits of copper and cobalt. Agriculture is the most important sector of the economy, employing over 80% of the work force. Coffee is the major export crop and accounts for the bulk of export revenues. Since 1986, the government - with the support of foreign countries and international agencies - has acted to rehabilitate and stabilize the economy by undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages. The policy changes are especially aimed at dampening inflation and boosting production and export earnings. In 1990-2000, the economy turned in a solid performance based on continued investment in the rehabilitation of infrastructure, improved incentives for production and exports, reduced inflation, gradually improved domestic security, and the return of exiled Indian-Ugandan entrepreneurs. In 2000, Uganda qualified for enhanced HIPC debt relief worth \$1.3 billion and Paris Club debt relief worth \$145 million. These amounts combined with the original Highly Indebted Poor Countries HIPC debt relief add up to about \$2 billion. Growth for 2001 should be somewhat lower than in 2000, because of a decline in the price of coffee, Uganda's principal export.
GDP, ppp	\$26.2 billion (2000 est.)
GDP real growth rate	6% (2000 est.)
GDP per capita, ppp	\$1,100 (2000 est.)
Inflation rate (CPI)	6.5% (2000 est.)
Labor force	8.361 million (1993 est.)
Unemployment rate	NA
Industries	sugar, brewing, tobacco, cotton textiles, cement
Industrial production growth rate	7% (1999 est.)
Electricity production	1.326 billion kWh (1999), <i>fossil fuel</i> : 0.98%, hydro 99.02%
Exports	\$500.1 million (f.o.b., 1999) coffee, fish and fish products, tea; electrical products, iron and steel
Imports	\$1.1 billion (f.o.b., 1999)
Currency	Ugandan shilling (UGX) approximate exchange rate USD 1 = UGX 1,750

Source: CIA Fact book 2001

Uganda is an agrarian country and more than 85% of the population live in rural areas

Agriculture is by far the dominant sector in the economy and accounts for the livelihood of over 80% of Ugandans. It contributes about 70% of GDP while manufacturing contributes only 7%. Uganda's comparative advantage lies in agriculture given its good climate and fertile soils. Agro-related

industries dominate the manufacturing sector accounting for about 39% of total establishments (estimated at 1,646 - UBOS 2000) *

Although its contribution to GDP is relatively small compared to agriculture, manufacturing has a steady growth rate of 10- 12% per annum. Food processing, leather and textiles sub sectors have the greatest potential for growth and strong backward and forward linkages in the economy.

The current growth in the economy has been a result of sustained sound macro-economic reforms over the past decade, however, the poverty levels are still high (44%). The long term national development objective of the government is to reduce the level of absolute poverty to below 10% by 2017. It is within the framework of the Poverty Eradication Action Plan that various development programs are designed with a view to increased household incomes. Most of these programs are geared towards stimulating supply response by removing constraints at the micro/sectoral levels of the economy.

2.3. Objectives of the assistance

In the context of these constraints, the development objective of UNIDO Support Programs was to: “Develop the agro-based indigenous, renewable raw material source – hides and skins – to a high value added stage, and to increase the contribution of the leather industry in the economy” The immediate objectives were:

1. Improved institutional support and policy framework
2. Improved of quality and increased quantity of hides and skins
3. Increased quantity and improved quality of semi-processed and finished leathers
4. Mitigation of tannery pollution
5. Improved quality and quantity of footwear and other leather products

2.4. Institutional framework

The leather sector stakeholders include government institutions, non-governmental organizations, farmers, traders/exporters, processors and manufacturers.

With the assistance of the leather program, the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) in collaboration with Uganda Leather and Allied Industries Association (ULAIA) is spearheading the review of the legislative and regulatory framework that will create a conducive business environment. This is being implemented under the auspices of the *Government Strategic Intervention for Promotion of Exports* program. Other players in the leather sector are the Ministry of Tourism, Trade and Industry (MTTI), the Training and Common Facility Center (TCFC) established by the Project, and the associations of micro- and small entrepreneurs.

2.5. Organization of the leather sector

Uganda livestock population stands at 5.78 million cattle, 1.14 million sheep, and 8.36 million goats. In 2000 11,025 tons of raw hides and skins were exported with a value of US \$17.9 million. In 2001 16,967 tons of raw hides and skins were exported worth US \$36.5 million. Uganda exports wet salted hides account for 10% of the world exports.

In comparison, processed hides and skins fetched only US \$18,000 in 2000 and US \$82,000 in 2001.

* UBOS – Uganda Bureau of Statistics.

The footwear industry has an estimated 168 small and medium scale enterprises employing about 1,600 people. Most of the enterprises operate at about 30% capacity. In 1999 and 2000, production was 120,000 pairs and 300,000 pairs respectively. Yet the demand for footwear is about 3-4 million pairs per annum. At full capacity, footwear producers will require 1 million sqft of finished leather. The current consumption is estimated at 400,000 sqft. This could be supplied from the local tanneries, but current production is only 10% of installed capacity.

Despite its great potential, the growth and development of the leather sector is hampered by a number of constraints such as:

- Lack of sectoral policy
- Weak institutional support
- High investment costs especially in activities like tannery and manufacture of leather goods
- Inadequate infrastructure
- Limited skilled human resources
- Inconsistent and insufficient supply of good quality of raw materials (hides and skins)

2.5.1. Improvement of quality and increase of quantity of hides and skins; Extension services

The purpose of the component hides and skins was to improve quality and quantity of collection.

This objective was pursued through:

1. A campaign of sensitization of the farmers, the good conditions for pasture in the country, explaining how to make smaller marks and taking more care of the animals.
2. Training of flayers, awareness raising activities, providing, through ULAIA, tools for hides, skins flaying knives and organizing study tours of four flayers and butchers in some neighboring countries (Tanzania/Arusha), which are more advanced in the sector.

One hide puller was given, through the revolving fund of the project, to the Uganda Meat Industry. Although it was demonstrated that the utilization of the hide puller was assuring a better quality of the hide, in some cases there is a certain reluctance of the owners of the animals to use it because it takes around half an hour more than the manual process.

The interest of the butchers is to take the meat as soon as possible to the market in order to sell it. For the farmers, the hide is a by-product of the animal and some of them told to the evaluation team that anyway the hides are paid in bulk, without consideration for their quality grade.

Moreover, the price of the hide represents around 8% of the total value of the animal. Approximately UGX 20.000 are paid for a raw hide (around 20 kg.), while ca. UGX 225.000 are paid for the meat (around 125kg.) and ca. UGX 30.000 for the offal.

2.5.2. Grading by quality

The grading method principle of hides and skins, developed under the first project implemented by UNIDO, is generally recognized. As already observed in past evaluations, the application of grading for pricing purpose by traders and tanneries, is very limited when they are buying.

In fact, everybody confirmed to the Evaluation Team that the hides are bought by the traders in bulk and without paying attention to the quality. However, it has to be noted that when selling at the export, the traders fix the price according to the grade quality.

The project has introduced a quality scale for the hides.

Grade I: at least 90% of the hide is without defect (cuts, holes, lacerations)

Grade II: between 75% and 90% of the hide is without defect.

Grade III: between 75% and 65% is without defect.

Grade IV: between 50% and 65% is without defect.

Grade V: less than 50% of the hide is without defect. This last grade is considered as reject and is used and tanned for the local market. The ground dried hides and skins are considered in the group of rejects.

According to the information received from the traders, a container of hides for export from Uganda is composed of around 1500 hides, of which:

30% are tannery run (TR), grades I, II and III.

70% are grade IV.

It is unanimously recognized that thanks the effort of the program, there has been an increase of the I and II grades and, at the same time, a decrease of rejects.

The Ministry of Agriculture, Department of Animal Production, has supported this grading policy and has funded hides and skins improvement extension officers at the Ministry and in some districts. However, the evaluation team could not ascertain how many officers were presently utilized. According to the information received at the beginning of the last project, 14 officers and 75 assistants were working under the authority of the districts.

2.5.3. Slaughterhouses

The evaluation team was informed that in the country there are ten major abattoirs, apart some small slaughtering facilities in the country side, but with a capacity of around five animals per day. Out of these ten abattoirs, eight are owned by the same person, including the two big abattoirs in Kampala, which have together an average capacity of 300 cattle and 70 sheep and goats per day. (Annex IV article on "The New Vision", Kampala, September 27, 2002).

The same person is also buying all the hides and skins of the slaughtered animals and, due to this situation; he is operating in a monopolistic way on the hides market in Uganda.

The leather program helped to build two slaughter houses in the country side, far from the capital Kampala.

The evaluation team did not have the possibility to see the situation of these two abattoirs, but it was reported that these abattoirs had been transferred to the respective municipalities, that they are not in the best shape and that, anyway, their capacity is limited to a maximum of ten animals per day, consequently without any influence on the Uganda market.

The butchers are also members of ULAIA, but it is not clear to the evaluation team whether the owner of the major abattoirs is also member of ULAIA. His name was written among the 27 members of the Memorandum of Association, but he was the only one who did not sign the constitution of the Association, certified by a lawyer on the 7th June 1999 in Kampala.

In view of this situation the ownership of the slaughterhouses is not in the hands of the major target beneficiaries of the program.

As previously outlined by the evaluation report of the regional program in 1996, this situation diminishes the motivation and responsibility for the use, the operation and the maintenance of the facilities and, as a consequence, for the proper sustainability of the leather sector.

2.6. Sector potential and development problems

Generally, the program has been successful in improving and developing the leather sector in Uganda.

The technical assistance provided has been generally appreciated by all the parties involved.

The target beneficiaries initially foreseen have to be reconsidered and the assistance should be mainly focused on the micro and small entrepreneurs, who are the end users who mainly need support.

Also the institutional level and the tanneries should continue to have technical support, but with less emphasis.

The monopolistic situation of the abattoirs in the country is a major drawback.

One possibility to correct this situation could be the construction of a big abattoir owned by the Municipality (at least 100 animals per day), but under the present circumstances it is difficult to indicate how this can be realized. The support, the firm commitment and the assistance of the Government of Uganda in implementing this measure is imperative, in case this way is chosen.

The improvement of the raw material in quality and quantity is one of the main results of the program. Most (over 90%) of the hides and skins collected in Uganda are now salted and this was not the case at the beginning of the project.

The main problem is that the traders are benefiting the most of this main achievement of the project. The traders export for a better price (due to the improved grading) the totality of the raw material.

The capacity of the two tanneries presently working in the country is low, but they have also a serious problem in getting locally hides and skins.

The fish skin tannery has a potential, but so far the evaluation team has ascertained that the possible market has not been effectively investigated and that the price of these skins is probably too high compared to reptile skins.

The tanneries actually existing in the country should be improved and they could receive technical assistance, but only limited to consultancy and training.

The effluent treatment plant is established at each tannery and the standards are in line with the country regulation. However, the chrome should be recycled in the process instead of being buried or stored in plastic bags.

The technical support services offered to the sub-sector, leather goods and footwear, through the TCFC are good and deserve to be enlarged, establishing some small workshops in four different towns located in the north, south, west and east parts of Uganda.

The TCFC has made a positive evolution, moving from being just a training center to a center for manufacturing, where the small entrepreneurs can use the facility and machines against a small fee, charged per item produced.

Under the guidance of the technical supervisor of the center the entrepreneurs have also the opportunity to upgrade their manufacturing skills.

The further development of the leather sector products has generated additional demand for finished leather produced by the local tanneries.

The TCFC has also generated employment for women. In fact 42 women have been trained in the field of leather goods and footwear during the last five years. Their origin is from three parts of the country: 12 from Kampala area, 15 from the north region and 15 from the south region.

In view of these good results it is advisable to consider the establishment of small training centers in other areas of Uganda.

Several entrepreneurs, among them a lot of women, have personal and technical problems in moving to Kampala for the training and later for manufacturing their goods.

Out of the total of 205 persons trained at TCFC during the last five years, 115 were from Kampala area.

3. ANALYSIS OF PROJECT STATUS THREE YEARS AFTER COMPLETION

3.1. Achievement of project objectives

3.1.1. General development objective

The development objective of the project was to develop the agro-based indigenous, raw material source of hides and skins, to a higher value added stage, to increase the contribution of the leather industry sector at country level and strengthen the national economy of Uganda.

3.1.2. Immediate objectives planned and outputs foreseen

The project in its final version, after the modifications introduced following the Objectives Oriented Project Planning Workshop (OOPP), held in Kampala in April 1997, had five immediate objectives linked to 21 foreseen outputs.

Immediate objective 1: Institutional component

Improved institutional support policy framework for ULAIA

This objective had to produce five outputs:

1. Define ULAIA strategy and structure
2. A proposal for a policy paper addressing the constraints of the sector, in order to amend the "Raw hides & skins leather Act"
3. Strengthening of ULAIA
4. Establishment of a database
5. Promotion of the leather program
6. Draft proposal on hides and skins improvement for submission to EU/ASCIM (Adaptation and Strengthening of Current Implementation Mechanism)

Immediate Objective 2: Hides and skins component

Improvement of the quality and increase of the quantity collection of raw hides & skins.

This objective was expected to produce five outputs:

1. A proposal for hides and skins collection
2. Training requirements for flayers and butchers
3. Increased quantity and quality of hides at a slaughter facility, through installation of additional mechanical equipment, other than the Uganda Meat Industry
4. Familiarization of selected butchers and flayers to Tanzania
5. Establish cooperation between butchers/traders and tanners to increase the production of machine pulled hides

Immediate Objective 3: Leather and Tannery component

Increase the quantity and improve quality of semi-processed and finished leather

Originally this objective was foreseeing four outputs, but since an immediate objective regarding environment was added later, this objective had to produce only one output:

1. Production of high quality sport balls leather for local manufacturing

Immediate Objective 4: Environmental component

Mitigation of tannery pollution and other environmental improvements

This objective was the one added later and was foreseeing two outputs:

1. A study on technology options on existing treatment effluent plants in at least two tanneries (Mbarara tannery and LIU tannery in Jinja)
2. A study to reduce consumption of furnace oil and electricity at LIU / Jinja

Immediate Objective 5: Leather products component

Improved quality and quantity of footwear and other leather products.

This objective in the original project document was foreseeing four outputs, but finally included seven outputs, which are:

1. Establishment of a basic common center for training, production, maintenance of tools and procurement of raw material and equipment for footwear and leather goods manufacturers
2. At least 20 footwear and leather goods operators, designers and supervisors trained per year
3. Improvement of the TCFC (Training and Common Facilities Center) set up for its future requirements
4. Creation of public awareness for the Crane Trademark and for the activities of the TCFC
5. Cooperation between TCFC and the Cheshire home for disabled persons
6. At least 8 leather goods manufacturers trained
7. Improving competitiveness of the Uganda shoes producers through a better balanced custom duties regime

All these 21 outputs were forecasting 92 activities to achieve the five immediate objectives programmed.

3.2. Objectives achieved, constraints and impact

Immediate objective 1

Regarding the first objective the evaluation mission has noticed a discrepancy between the final report and the terminal report, concerning the outputs produced.

The final report is indicating four outputs produced, while the terminal report indicates the accomplishment of six outputs, through 28 activities developed.

The terminal report has no date, but probably was prepared at the end of 1999.

Globally it can be said that the outputs foreseen were produced.

The evaluation team is of the opinion that more leaflets on ULAIA' activities could have been produced and more promotion for the improvement of the leather sector in other regions of Uganda (outside Kampala area) could have been done through radio and television. The evaluation mission has noticed that among the entrepreneurs, some have problems in writing and reading, therefore the promotion through the press has a minor impact on the targeted audience.

A policy paper addressing the problems of the sector was prepared and discussed with the stakeholders.

The role of ULAIA has been strengthened and ULAIA has undertaken a lobbying role with the Government counterparts to discuss issues affecting the leather sector.

The data on livestock, H&S production, export of raw hides and production of wet blue have been collected. However, all the international counterparts reported to the evaluation mission that the Uganda statistics have big discrepancies.

The EU regional office in Kampala operates more at level of livestock, mainly in the field of veterinary.

Immediate objective 2

The improvement of the quality of hides & skins has been achieved.

No additional hide puller has been bought, apart from the one installed at UMI. The grading standard model has been developed and divulged.

Presently, the information on Uganda leather sector is not provided on the Internet, although indicated as a completed activity in the terminal report. ULAIA does not appear in the website among the members of UMA (Uganda Manufacturers Association) and is not mentioned in the directory under leather and shoes.

A study tour in February 1999 has been organized for 25 selected butchers and flayers to visit the mechanized slaughterhouse in Sakina LTD in Arusha/Tanzania.

Output 5 foresaw to establish a mechanism of cooperation between butchers, traders and tanners. The evaluation mission has not notice that such mechanism is in place. The traders are interested in exporting the raw hides, they buy in bulk (irrespective of the grading) and the tanneries have shortage of raw material.

Immediate Objective 3

The quantity and the quality of semi-processed and finished leather has been increased, however there is a lack of precise indicators to allow a measurement of the results achieved.

Technical Assistance has been given to a local enterprise, producing sport balls, to enhance the market share of this company, which is the only one in the country and has only around 10% of the total Uganda market.

Also the tannery in Jinja has been assisted by the project to provide a better quality of the leather of the sport balls in order to meet the standards of FIFA (Federation of International Football Associations).

During the visit of the evaluation team the factory was not in operation, because they were short of raw material and were expecting from Kenya a special tanned soft cow leather, which is needed to get a product of good quality.

Immediate Objective 4

The focus was on the environment and mitigation of the tannery pollution. Two outputs were produced.

A report on the technology options of the existing effluent treatment plants of the tanneries of Mbarara and Jinja, was prepared and submitted to NEMA, suggesting modifications and standards for the discharge of tannery effluents.

The tannery in Mbarara was closed afterwards.

Some officials of NEMA and ULAIA participated in a study tour financed by the project to gather information on tannery waste treatment standards in Zimbabwe and South Africa.

As a result of the study an awareness creation workshop (55 participants) between stakeholders and Government institutions was organized to discuss the standards and decide the policies.

NEMA elaborated the planned standards and gave the industries 30 days to comment.

The other output was a study on energy saving through the installation of a solar powered hot water supply to reduce the consumption of furnace oil and electricity by the tannery in Jinja.

The report was presented to the tannery but the proposal was considered not interesting regarding cost/benefit.

Apparently the tannery has never given officially its comments.

The evaluation mission was not able to ascertain who and why commissioned this study and whether the tannery was initially contacted.

Immediate Objective 5

This objective aimed at the leather products component. All the outputs of this objective have been successfully completed. The cooperation and support of ECOTEC, under a bilateral Austrian technical assistance project, has been fundamental for the success of this objective.

The footwear manufacturers in the Kampala area were the main target beneficiaries.

The TCFC was established in 1997. All the machinery was purchased through the project.

TCFC is the only footwear/leather goods training and production facility operational in Uganda. The center provides extension services, centralizes for its members the purchase of production inputs and raw materials at convenient prices.

The equipment of the TCFC is utilized against a small fee by the entrepreneurs for their own production. The TCFC with the support of the project, who funded two senior technicians, trained in five years 205 persons in foot wear and leather goods production.

The TCFC has gained reputation and created a trademark for shoes, creating public awareness for the quality of their production. Together with ULAIA, TCFC has lobbied with the Government (Customs Department) for the introduction of duties on low quality plastic shoes from East Asia. Moreover, it has promoted the production of orthopedic footwear and the training of a shoemaker of the Cheshire home for disabled.

The results obtained in the achievement of this last objective can be rated as more than planned.

3.3. Interviews on project relevance and impact for stakeholders and beneficiaries

3.3.1. Austrian Development Cooperation

Dr. Konstantin Huber, Regional Representative East Africa

The Evaluation Team discussed the agenda and the project related issues with Mr. Huber at several meetings at the beginning of and during the mission. Mr. Huber shared his

experience regarding the projects with the evaluators and explained to them other programs, which are supported by the Austrian Government, including the Master Crafts Program (MPC), a component of the UNIDO Integrated Program in cooperation with USSIA.

Mr. Huber said that by far most raw hides are being exported to Pakistan and other countries in South East Asia. Uganda has 10 major slaughter houses, 8 of which would belong to BHS, the largest exporter of raw hides. However, 80% of all hides would be bought from small farmers and not from slaughterhouses. The exporters would buy in bulk, but export by grades. The large demand for raw hides for export would deplete the supplies for the Ugandan tanneries. In July 2002 a levy was introduced on exportation of live cattle, H&S and some other cattle products.

According to Mr. Huber, the H&S share of Uganda's total exports went down from 7% in value in 1997 to only about 1% in 2002. Coffee is the most important export commodity. Although the prices fell, coffee represents 60 – 70% in value of total exports, due to increased quantities. Tea with 20% in value and cotton with about 15% are other important export commodities. Uganda also exports food fish, flowers and vegetables. In neighboring Rwanda, H&S used to be the 3rd largest export commodity, but decreased as well.

After the civil war charity organizations shipped second-hand clothes and shoes to Uganda and created at some point a surplus. In the mid 1990-ies the economic situation stabilized. By then, importing second-hand shoes and textiles had turned into a big business. Besides, cheap plastic shoes were being imported from China. In 1997 some 17 million pairs of shoes were imported to Uganda, now the official number is around 2 million pairs. Mr. Huber expressed the opinion that the official imports went probably down because of increased smuggling after the introduction of a 25% import tax.

Mr. Huber stressed that local shoemakers were still complaining about lack of locally tanned leather and are even buying finished leather from Kenya. Kenya has about 13 tanneries, most of which are owned by ethnic Indians, who are traditionally very entrepreneurial. However, the majority owner of Kenya's largest tannery is BHS. Mr. Huber concludes that second-hand shoes may not be that much of a competition to the more expensive locally made shoes, since they would compete for different market segments. The Evaluation Team investigated this issue later in some detail and found that these market segments were yet overlapping significantly.

Mr. Werner Pilz, Consultant to ADC

The Evaluation Team interviewed Mr. Pilz after the mission to Uganda at his Vienna office. He was consulting to ADC during the implementation of the leather program and helped confirm some findings of the Evaluation Team.

Mr. Pilz also commented on various aspects of the leather program and its implementation. In particular, he advocates supporting small entrepreneurs in vegetable tanning. He also expressed the opinion that the former UNIDO CTA, Mr. Felsner, was a good leather expert, but that he was not following the directions of the project documents of the two UNIDO projects. Mr. Pilz said that there were frictions between the CTA, the UNIDO Project Manager and Mr. Wong, who represented ADC at the time in the meetings of the Steering Committee.

Mr. Andreas Daxbacher, Former ECOTEC Consultant

The Evaluation Team interviewed Mr. Daxbacher after its mission to Uganda. Mr. Daxbacher confirmed the impressions of the Team, in particular with regard to the

benefits of the TCFCs to small entrepreneurs. He agrees that the TCFC's activities should be extended to other parts of the country. He also submitted by email after the meeting the following recommendations to the Evaluation Team:

- The TCFC should acquire molds for soles of school, safety and uniform shoes.
- The TCFC should purchase a stamping machine to imprint the Crane trademark on shoes.
- A marketing consultant should help the TCFC in marketing the Crane trademark and the shoes and leather goods. He should also train a local marketing manager.

3.3.2. UNIDO

Ms. Aurelia Calabró, Industrial Development Officer, UNIDO HQ, Vienna

The Evaluation Team spoke with Ms. Calabró several times before and after the mission to Uganda. She provided the team with much documentation about the projects. Ms. Calabró mentioned that the project relevance was assessed by her former supervisor Mr. Berg together with the CTA, Mr. Felsner, at the time of the project identification in 1991.

She explained that the concept for giving ULAIA a starting capital before it would reach financial sustainability was the creation of a revolving fund, later also called "repayment fund". This fund was established by transferring the ownership of manufacturing and environment related equipment, purchased with project funds, to ULAIA. Leather entrepreneurs would then buy the equipment from ULAIA and pay for it over time in periodical installments. For manufacturing equipment, a low interest rate and for environment related equipment no interest should be charged. The fund would be audited by an external auditor in Kampala once a year.

Ms. Calabró said that the repayment was still on-going, but the fund would be eventually depleted, because it was used to cover ULAIA's running expenses and ULAIA could not achieve self-sustainability by charging membership and service fees.

The Evaluation Team took every effort to verify the function of the fund. However, it was not possible to find a fund utilization agreement between ULAIA and UNIDO in Kampala or Vienna. Indeed, nobody at UNIDO or ULAIA would tell for sure whether such agreement has even existed. Therefore, it remains completely unclear, for what purposes the fund should have been used, who was authorized to use the fund and what interest rates should have been charged. From the existing papers it was apparent that Mr. Mwebe and Mr. Felsner were signatures holders for the fund and that ULAIA's expenses, including salaries for ULAIA staff and vehicle costs, have been covered utilizing money of the fund.

Mr. Samuel Balagadde and Mr. Albert Semukutu, UNIDO Uganda Integrated Program, Kampala

Mr. Samuel Balagadde is the Food Component Coordinator and Mr. Albert Semukutu is the National Expert Micro & Small Scale Enterprises Component. Ms. Jane Mambule, National Program Coordinator, was in the UK during the time of the mission and could therefore not be interviewed.

The Integrated Program has 5 components in different industrial fields:

1. Support for agro-related industries (financed by Norway)
 - Textile
 - Leather
 - Food

2. Micro- and small enterprises support (financed by Japan)
Master Craftsman Program (MCP)
Entrepreneurship Development Program (EDP)
3. Investment promotion and information network (financed by Italy)
Support to the Uganda Coffee Development Authority
Support to the private sector business information
Support to the Uganda Investment Authority
4. Support to Uganda's National Bureau of Standards (financed by Denmark and UNDP)
5. Uganda Cleaner Production Center (financed by Austria)

For the leather sector, the Integrated Program is working with ULAIA and the TCFC training program and also supports the leather related MSEs. TCFC is training trainers, who in turn provide training to MSEs in the country. MCP is a technical and managerial training program with activities in six districts. The technical component for the leather sector is provided by TCFC. Mr. Semukutu was involved with both projects in organizing the TCFC training.

In 1993 Uganda had about 240 small shoemakers. Then second-hand shoes and cheap synthetic shoes came to the market and drove many shoemakers out of business. In the end of 2000 only 120 were left. Now, with the training program, the number is up again at 160 for two reasons: improved skills and higher taxes for imports. In 1998 the import tax for 1 kg of second-hand shoes was increased from US \$0.70 to \$1.90. 1 kg corresponds to 2 pairs of men's or 4 pairs of women's shoes in average. The consumer price for second-hand shoes starts at \$2.50 per pair, but can be over \$20 depending on quality, brand and condition. The Evaluation Team visited some second-hand shoe shops and could directly verify this information.

Mr. Paul Tremmel, Former UNIDO JPO in Kampala

Mr. Tremmel was stationed in Uganda from June 1995 to June 1999. During the first three years he worked as UNIDO Junior Professional Officer (JPO) from the UNDP Office in Kampala and was UNIDO's only resident staff member in Uganda. In the last year of his stay he worked as a privatization expert for UNIDO on the successful privatization of the Ugandan government-owned company SAIMMCO, which manufactured oxen driven plows and other agricultural equipment. His successor as UNIDO JPO was Mr. Wessel Schulte, who filled this function from 1998 to 2001 in Kampala.

During his assignment as JPO, Mr. Tremmel was closely involved with the UNIDO leather program. He sees the founding of ULAIA as an association for all stakeholders in the leather sector as major accomplishment, because ULAIA served as the basis for an complex effort to raise the quality of the entire leather sector by improving the farming of the animals, the slaughtering and flaying, the tanning of the hides and skins, and the skills of the finishing industry.

Mr. Tremmel stressed the leading role of the late Mr. Becheter, former Director General of Bata Shoe Co. and Chairman of ULAIA, in this effort. He also confirmed that Mr. Michael Wong, who was ADC's representative in the Steering Committee, was very ambitious and innovative in trying to make the program a success. According to Mr. Tremmel, Mr. Wong was especially focusing on supporting and developing the leather products industry, while the UNIDO CTA Mr. Felsner was more interested in improving

the tanneries. In particular, Mr. Felsner would have supported TALIU, which was established in Masaka at the time, and the Gomba Fish Skin Tannery in Jinja.

Mr. Tremmel commended Mr. Wong for initiating the purchase of used equipment for the TCFC, in the framework of the bilateral ADC project with the Austrian consulting firm Ecotec. He added that at the time UNIDO was reluctant to purchase used equipment for the project, although he had suggested it for economical reasons.

Mr. Tremmel confirmed that the Revolving Fund was established before ULAIA, but he cannot remember the date of the establishment of the fund, or whether any relevant document, such as a founding act or a fund utilization agreement, existed.

Mr. Gerhard Felsner, Former UNIDO CTA of the Project in Kampala

The Evaluation Team interviewed Mr. Felsner in presence of Ms. Calabró at her office before the evaluation mission to Uganda. Mr. Felsner told the mission that in 1987 only one tannery existed in Uganda. The tannery had a contract with a Yugoslav firm for delivery of 3,500 tons of hides in the framework of a barter agreement for construction works at the Sheraton hotel in Kampala, performed by a Yugoslav construction company.

In the end of the 1980-ies another tannery was to be founded and equipped with Italian machinery. However, this project was never realized and the machinery was eventually acquired by a new tannery, which was established in Masaka in the late 1990-ies.

After the privatization campaign in 1994 a Hong Kong Trade built a tannery in Mbarara with Chinese machines and technology. Later, this tannery was acquired by BHS. It produced 5,000 – 6,000 H&S per day. However, the tannery did not have any effluent treatment and closed, when the BHS was ordered by NEMA to either build a waste water treatment plant or stop operations.

The Fish Skin Tannery in Jinja is still working, but their production is marketed for the same price as reptile skin and therefore too expensive. Therefore, a planned cooperation with an Italian company could not be realized.

When the first project started the quality of the raw material was a key problem for the Uganda leather industry. The reasons were flaying cuts in the H&S and preservation problems due to primitive drying. The UNIDO project established two new slaughterhouses in Kamuli and Iganga. According to Mr. Felsner, some equipment of the slaughterhouses was eventually stolen and the slaughterhouses were transferred to the municipalities.

Mr. Felsner mentioned that Mr. Basajja (BHS) was the largest trader in Uganda, but he paid the lowest price for the H&S. However, BHS would pay the money in advance to the butchers, so that they could purchase the cattle. Mr. Siraji is another trader, who would deal with better quality. He exports parts of his H&S to Italy.

With regard to the Ugandan leather products industry, Mr. Felsner stated that the biggest competition for shoes made in Uganda were imported second-hand shoes. He added that this business is to a part carried out by families of members of the government, and that private involvement of government members in the industry caused a major distortion of the market because of legislation catering to special interests.

3.3.3. ULAIA

The Evaluation Team spoke repeatedly with Mr. Emmanuel Mwebe, General Manager, and interviewed also Ms. Susan Achillo, Administrative Assistant. At TCFC the team met

also Mr. Charles Naguyo, Chairman of TCFC and ULAIA, and Ms. Victoria Byoma, Secretary of TCFC and Board Member of ULAIA.

ULAIA was established in January 1996 with Mr. Mwebe as the only employee. He was at the time the national expert of the first project. There were 15 founding members. In late 1996 the revolving fund was introduced. Mr. Mwebe does not recall if a utilization agreement for the revolving fund was signed and he certainly could not present such agreement to the Evaluation Team. According to Mr. Mwebe, ULAIA's salaries were paid from project money till June 2001, when the project was already closed. Later they were paid from income of the revolving fund. The rent for the office had to be paid a year ahead and was covered till mid 2001 from project money. Then ULAIA moved to a building on the Kampala fairgrounds, which belongs to MTTI, and does not have to pay rent any more.

Mr. Mwebe thinks that ULAIA is not self-sustainable because the project ended too early. He hopes that ULAIA will become the Secretariat for the Leather Sector, meaning that it would remain a private organization, but receive money from MTTI for monitoring and statistical work. ULAIA is also hoping to work with SPEED (Support for Private Enterprises Expansion and Development), a USAID program. SPEED is considering a training of trainers for flayers program, proposed by ULAIA. ULAIA has proposed the same program also to CDE and is still awaiting an answer. Other efforts to generate income include a cooperation proposal to EDP and to the Uganda Polytechnic Kyambogo.

Mr. Mwebe avers that ULAIA has tried to mediate between tanneries and exporters, who are competing for raw hides and skins. He said that the exporters were buying in bulk but exporting in grades since 1995. Before 1995 they had to export in bulk because of the low quality. When the second project started in 1997, some traders started buying in grades in areas where the project operated.

Prior to the projects, H&S were only dried, often on the ground. Now, according to Mr. Mwebe, 98% are preserved with salt from Lake Katwe (Uganda) and Lake Magadi (Kenya).

Ethiopia, Sudan and Zimbabwe do not allow the export of raw hides. Zimbabwe exports only finished leather products and leather for car seats. Kenya imposes a 20% export levy on wet blue and raw hides. Ethiopia exports wet blue, crust and finished leather. South Africa's hides are larger than Uganda's. As a general rule, one hide yields 20 pairs of men's or 40 pairs of women's shoes.

Raw hides go usually to the Far East and wet blue hides to Europe. Europe imports wet blue hides because of environmental restrictions for tanning. Far East countries can tan less expensively than Uganda, because they produce the chemical and machinery for tanning, have better economy of scale and even lower wages. BHS used to produce wet blue hides, but closed its tannery in Mbarara when NEMA demanded the installation of an effluent treatment plant. Now BHS is only exporting raw hides and controls the larger part of this business in Uganda. However, now that a 15% export levy has been introduced, BHS is considering to install the effluent treatment plant and reopen the Mbarara tannery.

Mr. Mwebe is writing an MBA thesis on the impact of second-hand shoes imports on the Ugandan shoe industry. He said that in the late 1980-ies charity organization shipped shoes to Uganda and distributed them free of charge. Later the scheme turned into a business. Today the total market size in Uganda for leather shoes is 10 million pairs per

year and for synthetic shoes another 9 million pairs. Only about 240,000 pairs of shoes are produced in Uganda. About 7 million pairs of second-hand shoes are imported or smuggled into the country. New leather shoes are also being imported from Kenya, Europe and other countries, but constitute probably less than 5% of the market.

3.3.4. TCFC



TCFC Building in Kampala

The Evaluation Team held two meetings at the TCFC with the managers of the center and with entrepreneurs, who were either being trained or used the machines and facilities for manufacturing shoes and leather good at the time of the mission. Detailed interviews were conducted with Mr. John Byabashaija, Executive Director, Mr. Geoffrey Musinguzi, Administrative Manager, Mr. Gordon Arinaitwe, Training and Production Manager, and Victoria Byoma, Secretary.

The TCFC was founded by the second UNIDO project in 1997 as part of ULAIA.



TCFC show room



The project purchased part of the machinery. In the frame of a separate bilateral project, funded also by ADC, the Austrian consulting firm Ecotec was hired for providing technical training. Mr. Daxbacher, the Ecotec consultant, stayed in Kampala 1997 - 2001

and worked full-time as a trainer. He taught the TCFC managers technical and managerial skills. He established contacts with governmental and non-governmental organizations all over Uganda, brought their constituents as trainees to the TCFC and supplied textbooks to the TCFC and other training institutions. The bilateral project funded also machines and office equipment for the TCFC, as well as some renovation work in the building. The bilateral project ended in 2001. The building of the TCFC is made available by GOU free of charge.



TCFC Manufacturing hall



Trainee at work

On February 5, 2001, the TCFC was registered as an independent company. 8 members of the board of the TCFC are also ULAIA board members. The TCFC is not fully self-sustainable at this time, but can currently cover 70% of its operating cost. Mr. Daxbacher said in a separate interview in Vienna that a few years ago, when the market was better, the cost coverage was up to over 90%.

The TCFC's income comes from selling raw material and renting out machines to shoemakers, from selling some shoes that it buys from the shoemakers, from membership fees, and from fees charged for training. 10% of the revenues come from Ugandan NGOs which have their constituents trained at the TCFC. The rest of the income is generated by selling material in stock, which is left from the projects. Although the initial project money was channeled through ULAIA to the TCFC, the TCFC management emphasizes that it has never received money from the revolving fund.

At this time the TCFC claims to sell 120 pairs of shoes and 50 pairs of sandals per month. These are manufactured by the entrepreneurs, who receive UGX 9,000 – 12,000 per pair for their labor. The management would like to open a shop in central Kampala and hopes that it could sell there more shoes.

3.3.5. TCFC Entrepreneurs

Since it started the TCFC has trained 205 people in manufacturing shoes and leather goods. The apprenticeship takes 3 months. It is followed by an advanced course of 1 month and, optionally, by a professional course of 5 weeks. While there is no charge for the apprenticeship, the TCFC charges UGX 3,000 per day from its members and UGX 3,500 from non-members. The membership fee is UGX 10,000 per year. Currently, the TCFC has 78 members.



Team with TCFC entrepreneurs, managers and colleagues

Out of the 205 trainees 162 became self-employed entrepreneurs. 2 of them were employed by Bata as factory supervisors, which proves the high quality of the training. 31 trainees joined efforts and formed 11 companies. Some former trainees have trained their own employees.

42 of the 205 trainees were women: 12 from Kampala, 15 from the west and 15 from the north of Uganda. In total, 115 of the 205 trainees came from the capital.

The entrepreneurs, who are using the TCFC facilities, pay UGX 2,500 in machine leasing costs per pair of shoes they make and usually buy the raw material and accessories from the TCFC for UGX 15,000 – 20,000 per pair. The sales price for the shoes is by UGX 8,000 – 12,000 higher than the total production costs.

The former trainees confirmed that they benefited profoundly from the program. One lady said that she learned her skills from scratch and has since improved her income considerably. She added that more machines at the TCFC would help more Ugandan entrepreneurs exercise their trade at a better level. Presently users have to wait for their turn when a machine is occupied.

A gentleman from West Uganda came to Kampala a few years ago and worked in different jobs in the leather sector. In 1997 he became the first trainee of the TCFC. Now he can produce up to 400 pairs of shoes per year. He sells through the TCFC and also directly to customers in his village. The shoes are expensive for the people, but they are buying them, because they look nice and are long-lasting, due to the good quality of manufacturing.

The entrepreneurs suggest establishing TCFCs in Mbarara (W-Uganda), Mbale (E-Uganda), Lira (N-Uganda) and Masaka (S-Uganda). Some suggested to set up a separate TCFC for manufacturing leather goods (as opposed to shoes). The entrepreneurs would like to have access to affordable long-term loans for buying tools and machines. The

basic equipment consists of a sewing machine, a scoring machine, a sole press and a tool set and costs about UGX 5 million.

Some entrepreneurs said that they could sell three times more and that the market is not nearly saturated. One estimated that the average adult customer would buy one pair of shoes per year. The entrepreneur's profit is about 25% for shoes and 10% for leather goods. One shoemaker manufactures typically 2 pairs of shoes per day.

Approximate sales prices for shoes and leather goods

Type	UGX
Men's shoes	35,000 – 60,000
Women's shoes	30,000 – 40,000
Children's shoes	20,000 – 35,000
Sandals	20,000
Bags	50,000 – 100,000
Purses	30,000
Belts	12,000
Balls	20,000 - 25,000

3.3.6. UGANDA MANUFACTURERS ASSOCIATION (UMA)

ULAIA is a member of UMA and pays annually UGX 250,000 membership fee. Mr. Patrick T. Banya, Director Information Services, UMA, emphasized that UMA is in favor of adding value to domestic raw materials. He thinks that GOU has not gone far enough in policy changes. The big players in the leather sector export raw H&S instead of adding value. Bata is a major exemption.

Mr. Banya suggested that government incentives and a better infrastructure for the private sector were needed. He mentioned as an example for foreign incentives that the US initiative AGOA was supporting the textile sector, which included also leather. UMA advocates policy harmonization between countries in the region. An open regional market would benefit the enterprises.

UMA offers about 15 different services to its members: policies, training, trade fairs, lobbying, etc. These services are advertised in a brochure. Mr. Banya said that ULAIA should also better inform its own members about ULAIA services. UMA has 700 members, out of which 450 are paying their membership fee (UGX 100,000 – 2,000,000 per year). This makes up 15% of UMA's income. The objective is to increase this share to 30%. UMA is financially self-sustainable. It draws its main income from trade fairs. GOU pays only for special projects to UMA. Mr. Banya proposed that ULAIA should become a subchapter of UMA and referred to Denmark, where such arrangement is in place.

3.3.7. UGANDA SMALL SCALE INDUSTRIES ASSOCIATION (USSIA)

The Evaluation Team met Mr. Vincent Ssenyondo, Executive Secretary. He told that USSIA was founded in 1979. In the mid 1980-ies UMA was created from a part of USSIA as a representative association for large enterprises. In 1989 USSIA was restructured with the objective to professionalize and depoliticize its management. USSIA is represented in the south-western 22 of Uganda's 55 districts. In the north of Uganda the Northern Uganda Manufacturers Association represents the enterprises. The

north is ethnically different and the people speak a different language. USSIA cooperates with NUMA on national issues. USSIA's membership is fluctuating, but has reached up to 5,000 members. The annual membership fee is UGX 25,000 – 35,000. USSIA cooperates with UNIDO in implementing MCP in 6 districts. It provides training programs in technical skills. USSIA has many members in the sectors of carpentry, metal work and food processing. The association performs market research for its members. It also helps its members participate in international exhibitions, e.g., in Europe and in the US. USSIA charges fees for some of its services. It runs all its sections as cost centers. The membership fee covers only 10% of the expenses. USSIA has a newsletter, which is self-sustainable and supports itself from commercials. USSIA itself is not self-sustainable and covers only 30% of its expenses, The rest comes from donors, but not from GOU. In order to generate more revenues, USSIA and NUMA are now establishing a joint venture called SEDCO (Small Enterprise Development Company). This joint venture shall provide services, such as business consulting, to NUMA and USSIA members. SEDCO will link up with donors and government programs and try to get money from them. It could also do market and feasibility studies, organize trade shows, etc.

USSIA's employs full-time the Secretary General, his assistant, the women's coordinator, the program coordinator, the data and information manager, the secretary, the driver and the cleaner. The National Chairman, the Vice Chairman and the Treasurer are volunteers, as well as the representatives in the districts.

Sometimes conflicts occur between UMA and USSIA. UMA represents also importers and therefore favors tax free imports, which can be to the detriment of local manufacturers. At times, USSIA and UMA are competing for donor programs.

ULAIA is not a member of USSIA, but many shoemakers and manufacturers of leather goods are. The Chairman of ULAIA is a member of USSIA's Executive Committee. Since USSIA represents only manufacturers of finished products, it does not have any tanners or traders as members.

3.3.8. BASAJJABALABA HIDES & SKINS CO.LTD. (BHS) - HABA GROUP OF COMPANIES

Mr. Hassan Basajja, Chairman/Managing Director, told the Evaluation Team that his company had 2,500 employees in Uganda, Kenya, Tanzania, Rwanda and Burundi. Currently his brother is expanding the business to Angola. BHS is also the majority shareholder of Kenya's largest tannery.

BHS exports 3,000 hides and 40,000 skins per day, a total value of \$49 million in the year 2001. The company intends to reconstruct the Mbarara tannery for a capacity for 2,500 hides and 30,000 skins per day. The projected investment is \$11 million.

Mr. Basajja mentioned that the tannery in Masaka would partly belong to the Minister of Finance and LIU's tannery in Jinja to the Aga Khan group (since 1996). These statements could be confirmed by the Evaluation Team upon visiting these plants.



Raw hides

Mr. Basajja said that at this time he was not exporting Ugandan H&S because of the 15% export levy. He claims that all the H&S currently in stock were in transit from Rwanda and Burundi.

Mr. Basajja believes that UNIDO's project helped improve the quality of the raw material because of the training of the flayers.

3.3.9. BATA SHOE CO. UGANDA LTD.

The Evaluation Team interviewed Mr. Andrew Spyrou, Managing Director and Mr. Peter Birimbo Tinka, Supplies Manager. Bata is a large transnational shoe manufacturer. It was founded in Czechoslovakia, but moved its headquarters to Toronto after World War II. It has around 50 manufacturing sites in many parts of the world, in particular in South East Asia.

Bata Uganda has 250 employees and is ISO 9000 certified. It manufactures exclusively for the domestic market. Bata produces 50,000 pairs of shoes per week, out of which only 1,500 are made from leather. The rest are rubber boots and sandals. It plans to increase the production of leather shoes to 2,500 per week and will buy additional stitching machines to that end.

Bata's leather shoes cost UGX 25,000 – 40,000. The rubber boots sell for UGX 10,000. The market for quality shoes is about 10% of the total shoe market. Most quality shoes are sold in Kampala. Bata has its own shops in all major cities.

Bata has conquered the market of "back to school" shoes. These sell also for UGX 25,000 – 40,000 and are recommended by the schools to parents because of their good quality.

Currently, Bata buys leather from LIU in Jinja. The quality is sufficiently good. When the production at LIU was halted, Bata imported leather from Kenya. The leather finishing in Kenya is better than in Uganda.

Mr. Spyrou said that there should be no import tax on the finishing chemical for shoes and also not on chemicals for tanneries. He confirmed that ULAIA was importing supplies for a good price.

Mr. Spyrou, who is a Greek Cypriot, has worked in other Bata factories in Africa and other countries for many years and knows the international shoe market well. He finds that basically Uganda would have better preconditions for manufacturing shoes for export than other countries in the region, because of its raw material base. Ugandan hides are superior to hides from Kenya and Zimbabwe. One reason is that Uganda has more pastures and the cattle is not being driven for long distances through the bush, which causes scratches in the hides. However, there should be a much higher tanning capacity in Uganda and a far better supply infrastructure for other materials and services. Mr. Spyrou mentioned as an example that when a computer controlled machine breaks down in Uganda or even Zimbabwe, a service technician has to be flown in from South Africa. When the same incident happens in an Asian country, the technician would come within hours on his motor scooter.

3.3.10. EAST HIDES UGANDA LIMITED

Mr. Onorato Garavaglia, General Manager, is an Italian from Lombardy, whose family has been for generations in the leather and tannery business. He has lived many years in Tanzania and Uganda and used to be the General Manager of LIU before he moved over to East Hides. According to him, there are only three independent exporters in Uganda:

BHS, SW Tannery and East Hides. All others, including Siraji, would somehow work for BHS.

A slaughterhouse charges UGX 12,000 for slaughtering one cow. BHS owes most major slaughterhouses in Uganda. It pays for the meat in advance, but insists on keeping the hides. Therefore, BHS has a major advantage in getting raw hides. East Hides intends to build a new slaughterhouse in order to improve its own supply situation.

East Hides is not a member of ULAIA and does not see a benefit in joining this association. However, he mentioned the usefulness of the TCFC for the small entrepreneurs and commended the good work of Mr. Daxbacher.

Mr. Garavaglia agrees that the UNIDO projects have improved the quality of raw hides in Uganda. He said that this was mainly due to preservation by salting, and not so much because of the training of flayers. He is skeptical in regard to improvements in flaying and said that many flaying knives were stolen after a few days from the slaughterhouses, and that the flayers were getting paid by the number of animals flayed and are therefore trying to work as fast as possible.

3.3.11. EQUATOR SPORTS CO. LTD.

The proprietor of the company, Ms. Victoria Muhairwe, was in Germany at the time of the mission. The Evaluation Team spoke with Mr. Enos Katungi, Store Keeper, Mr. Gabriel Kansime, Production Manager and Ms. Jolly Twinamasiko Specialized Worker. Equator Sports was established in 1995. It manufactures footballs and balls for other sports. The enterprise employs 14 stitchers, each of who can make 3 balls per day. Every football consists of 32 pieces (white hexagons and black pentagons). The pieces are cut by an Italian machine.



Footballs at Equator Sports

The material used is split cow leather. The leather comes from a special tannery in Sagana, East Kenya. There is an import duty of 15 – 17% for imported leather. The finishing of the leather is special, because the material should not stretch.

The average annual production is 6,000 balls. Last year Equator produced 300 volleyballs. The rest were 50% footballs and 50% netballs. All balls are sold on the domestic market. 60% of the

production is purchased by schools. The wholesale price is UGX 20,000 and the retail price UGX 25,000. Equator Sports is Uganda's only ball manufacturer. However, about 90% of the balls sold in Uganda are imported.

Many plastic balls come from Pakistan. They cost only UGX 7,000. Imported leather balls cost UGX 10,000 – 15,000, but their quality is inferior to Equator Sports' balls, according to Mr. Katungi. He said they would burst easily. Mr. Mwebe of ULAIA added that there was no import tax on sports goods.



Stitcher making a football

3.3.12. GOMBA FISHING INDUSTRIES LTD.



Gomba's Logo



Nile perch leather

Mr. Yusuf Karmali is the Director of the tannery and of the fish factory in Jinja. The fish

factory existed before the tannery. It has 500 employees, while only 14 people work at the tannery. The fish factory processes Nile perch, a fish that was introduced to Lake Victoria by the British. Most of the fish is exported to Europe. When Mr. Karmali heard that UNIDO wanted to carry out a trial project for fish skin tanning in Kenya, he suggested in 1990 to do the trial at LIU and got encouraging results. In 1994 the Gomba tannery was founded. UNIDO provided assistance with several international experts.



Nile perch leather and products

The tanning capacity is 4,000 Nile perch skins per day. One Nile perch has two skins (one on each side). The actual production is now 1,000 skins per day, but Gomba is hardly selling anything, except small quantities to the TCFC. In the past, there were some trial orders from Italy and the Far East. Two years ago, an Italian company has produced trial quantities shoes and leather goods from the Nile perch leather and advertised it in leather magazines. In the end, there was no follow-up business.

Nile perch skin costs \$9.20 per sqft, as compared to \$14 for crocodile skin. The relatively high price may be the reason for the lacking interest from customers. Mr. Karmali said he would not know the production cost for the skin. Also, he does not know the potential markets for his product and has to rely on agents.

3.3.13. LEATHER INDUSTRIES UGANDA (LIU) - INDUSTRIAL PROMOTION SERVICES UGANDA (IPS)

Mr. Niazali J.Hirani, General Manager, Mr. S. Rais Khan, Procurement Manager, and Mr. Amzad H. Ali, Operations Manager, received the Evaluation Team at the tannery in Jinja. The tannery was founded in the late 1970-ies by GOU. In 1996 the Aga Khan Group (IPS) acquired the enterprise. At that time 120 people worked full-time at the tannery. The tanning capacity is 750 hides per day. In December 2001 the production was stopped for lack of raw material, since all raw hides were exported. After the introduction of the 15% export levy on raw hides in July 2002, the tannery resumed the production. The levy has improved the supply situation, but LIU can still not buy enough hides in order to work at full capacity, although the demand for wet blue and finished leather would be high enough.

The total production capacity for wet blue hides for export is 200 containers per year. One container holds about 1,500 wet blue hides. Most exports go to two agents in Italy, who distribute them to Italian tanneries. A small quantity is exported to India. In 1997 55 containers were exported. In 2000 only 32 containers were exported and in 2001 only 8

containers, which is less than 5% of the capacity. The current sales price for wet blue hides is US \$0.72 per sqft.

Skins have also been exported, but in much smaller quantities. The market for skins is quite unstable. LIU buys the raw hides from traders. All raw material is of Ugandan origin.



Splitting machine

Grades 1 – 3 are internationally also called TR (tannery run). Grades 4 – 5 can be exported at a lower price. Grade 6 is not suitable for export and has to be used locally. In 1996 the quality of the hides was poor, because they were preserved by drying. About 40% of the hides were even ground dried. Since Ugandan hides are thick, they take a long time to dry. As a result, 35% of the hides were only grade 6. Only 2% of the hides were preserved by

salting.

The UNIDO projects were very successful in changing the preservation method from drying to salting. For one hide 5 kg of salt is needed. Now only 3 – 6% of the hides are grade 6. One kilogram of salted hides costs currently UGX 1,300. In average, a hide weighs 16 kg and has 29 sqft.

However, the improved quality combined with the thickness, which compares to the thickness of hides from Brazil and Rwanda, yielded higher prices for exported raw hides. About 15 – 20% of Ugandan hides can be used for upholstery. Uganda is the only country in East Africa with larger quantities of hides that are suitable for upholstery. This has also contributed to the price hike.



Liming and tanning drums

Most raw hides are shipped to China and India. Mr. Hirani

said that India and China supported the leather industry with subsidies, which amount to about 12% of the value of the finished products or 35% as calculated for the value of the raw hides. Mr. Hirani said that India has gradually banned the export of raw hides, wet blue hides, crust and finished leather and allows now only the export of finished leather products. Russia has introduced an export levy of 60% on raw hides.

Nigeria, Zimbabwe, Ethiopia and Sudan have a flourishing tanning industry, since these countries banned the export of raw hides. Kenya recently imposed a 20% export levy on raw hides. Tanzania has only a 2% export tax on raw hides. Therefore, after the

introduction of the 15% export levy in Uganda raw hides are sometimes smuggled to Tanzania and exported from there.

As the production of wet blue hides became too expensive with the high cost of raw material, IPS closed also its tanneries in Kenya and Tanzania.



Wet blue hides

The LIU managers stated that the tannery had to buy hides in bulk and could not select grades. Currently, LIU ships in each container 20% TR, 40% grade 4 and 40% grade 5. To achieve this selection, the tannery has to buy 1,550 raw hides to make 1,500 wet blue. In 1996, for the same selection 1,800 hides would have been needed, however, the price of the hides was lower then.

The poorer quality is used for army shoes in Uganda and also for school shoes. On the local market LIU sells only finished leather. Domestically, Bata is LIU's largest customer and accounts for 70% of domestic sales. Domestic sales are only 8 – 10% of LIU's total sales volume.

The Evaluation Team toured the production facilities of the tannery. The hides stay 18 hours in the liming drum then 24 hours in the tanning drum, where the chrome process converts them to wet blue. For the production of crust, the hides are split and then treated for another full day with dyes, oil and chemicals in a third drum. The production of finished leather involves treatment of the crust with pigments. This application can be done manually or by a machine.

The tannery has an effluent treatment plant, which was designed by a British consulting firm and the effluents meet the national standards of NEMA. Mr. Hirani said that effluent treatment added to the production cost, but he would not believe that tanneries should have a separate effluent standard. This would create also problems with exports to the EU, which demands compliance with certain standards.

According to LIU's former manager Mr. Garavaglia, who is now with East Hides and was interviewed by the Evaluation Team in his new capacity, LIU considered the installation of solar panels for power generation but dropped the idea when it realized that the amortization period would be too long. The mental time horizons for investments in the young African republics are shorter than in Western industrialized nations, which have lived in decades of political stability.



Flaying cuts in wet blue hides

3.3.14. PEOPLE'S FOOTWEAR & GENERAL ENTERPRISES

Ms. Jolly Batarirana Rwanguha, Proprietor and Manager

Ms. Rwanguha was trained for 3 months (January – March 1995) at TPCSI (Training and Production Center for the Shoe Industry) in Thika, Kenya. Now she is running a workshop with a sales outlet in Jinja. Her enterprise produces and repairs shoes, including second-hand shoes. It also manufactures small leather goods, such as belts, bags, purses, wallets and key holders.

People's Footwear employs currently 8 workers and manufactures about 3,000 pairs of shoes per year. The average price for new men's shoes is UGX 30,000 and for women's



Mrs. Jolly Rwanguha in her shop

shoes UGX 20,000. School shoes cost about UGX 15,000. For school shoes, Ms. Rwanguha uses good, but not top quality leather, since the children grow out within a year anyway.

Her shop repairs also about 3,000 pairs of shoes per year at an average cost of UGX 10,000. These are mostly second-hand shoes. Ms. Rwanguha told the Evaluation Team that she charges a little more for the repair of second-hand shoes to promote her own production and discourage people to buy used shoes. In the end, the price of repaired second-hand shoes is not much lower than the price of new locally produced shoes. Ms.

Rwanguha mentioned that she was very pleased with the recent increase of import duty on second-hand shoes.

3.3.15. SIRAJI ENTERPRISES LIMITED

The Evaluation Team spoke with Mr. Abdul Razak, Managing Director,



and Mr. Omar Siraji, Financial Director. The company exports H&S. ULAIA trained its employees in grading and pricing the raw material. Siraji Enterprises used to export hides Italy and to Bata Kenya, but not any longer. Between 1990 and 2001 an Italian tannery bought 4,500 raw hides for a good price. Currently Siraji Enterprises is exporting wet blue skins to Italy and Spain, which are tanned in Kenya. The principal client for hides is a Dutch trader, who sells the hides to the Far East.

Siraji Enterprises expressed its intention to acquire a tannery for 2,000 goat skins per day. Because of the low capacity of the tannery in Masaka, the suppliers of raw material are selling cheaper. This compensates the exporters for the 15% export levy. Siraji Enterprises is mainly buying from rural suppliers.

3.3.16. TANNERY AND LEATHER IMPROVEMENT UGANDA LTD. (TALIU)

The Evaluation Team met Mr. Methodius Kasujja, Co-proprietor and Managing Director, and Mr. Drake Mutesesira, Production Manager, at the tannery in Masaka. At a later occasion in Kampala, the team spoke also to Mr. Abdul Hakim Sekandi, General Manager.



Worker in a soaking pit at TALIU

Mr. Kasujja told the team that the tannery was built 1997 – 2000 and was owned by 4 proprietors, each of which was holding 25% of the shares, and that one of the owners was the current Minister of Finance of Uganda.

The production started only in June 2002. Currently, the enterprise tans 250 hides or 2,000 skins per day. Its capacity is 500 hides or 4,000 skins per day. The tannery has 4 drums – 2 for liming and 2 for tanning. It employs 20



Tanning drums at TALIU

people. Since the finishing line is not yet complete and installed, the plant produces only wet blue hides and skins. So far TALIU has sold 5 containers of wet blue hides to Italy.

TALIU buys its raw material from farmers and hide collection centers. When it will expand its production, it may have to buy hides from Tanzania. Uganda does not have an import tax on raw hides, but Tanzania charges a 2% export tax. Since the introduction of the 15% export tax in Uganda, prices for raw hides went down by 10 – 15%. During the harvest seasons for coffee and bananas in April to August and November and December, the farmers have more money and can afford to eat more meat. Therefore, more animals are slaughtered during these periods. Normally, the slaughterhouse in Masaka kills only 15 pieces of cattle per day.

According to Mr. Kasujja, TALIU buys hides in grades. It pays one price for TR (grades 1 – 3) and a lower price for grades 4 – 5.



Effluent treatment plant at TALIU

TALIU has an effluent treatment plant, which was financed with a loan from the East African Development Bank.

UNIDO's regional project financed the feasibility study and the architectural planning for TALIU. UNIDO also provided technical assistance from the resources of the regional project by helping select the

machines for the tannery. Mr. Kasujja stated that UNIDO would have pledged to pay also US \$75,000 for the effluent treatment plant, but never followed through. He also said that TALIU has not received any funds from the two national UNIDO projects in Uganda. Mr. Kasujja confirmed that UNIDO has considerably improved the quality of Uganda hides by changing the preservation method from drying to salting.

TALIU's total investment in the tannery was US \$1.2 million. This included the price for the land and the effluent treatment plant. The enterprise took a bank loan of \$600,000. The rest of the investment was taken from personal savings. Now the owners want to complete the finishing line and produce finished leather for the domestic market.

3.3.17. TOP CUTS – DIVISION OF UGANDA MEAT INDUSTRIES

Top Cuts was acquired by BHS a few months ago. Dr. Francis Mwesigye, General Manager and Mr. Fred Lugemwe, Chief Accountant, spoke with the Evaluation Team and guided them on a tour through the premises. Dr. Mwesigye had been in his position for one month only. Top Cuts has 83 employees.



Top Cuts is member of ULAIA. The UNIDO project trained the flayers and provided quality flaying knives from Brazil. Some flayers even participated in a study tour to Arusha. The quality of the hides improved dramatically as a result of the training. Mr. Mwesigye stated that, on a scale of 100, the improvement could be quantified as a rise from 40 to 70. In average, it takes two months to train a flayer. In manual flaying, there are always five flayers

working on the same animal at one time. The flayers, who were trained by ULAIA in the framework of the project, are still working at Top Cuts.

Top Cuts has 7 flayers. The neighboring City Abattoir, which also belongs to BHS, has 30 flayers. In total, City abattoir employs 200 people. Top Cuts has a conveyor chain, while City Abattoir has to flay the animals on the ground. This is why it needs more flayers. Top Cuts has also an electric hide puller, which avoids flaying cuts into the hides. However, using the hide puller takes much more time (about 1 hour) than manual flaying, which takes 20 minutes only. Therefore, most of the butchers prefer manual flaying, so that they can get the meat faster to the market.

Top Cuts slaughters 100 cattle and 25 goats and sheep (mixed) per day. City Abattoir kills 200 cattle and 40 – 50 goats/sheep per day. On peak days (before Christmas) the number of cattle may go up to 1,000.

The meat of a cow is sold for about UGX 225,000. A carcass without head and intestines but with bones weighs in average 125 kg. The hide weighs about 16 kg and is sold for UGX 20,000. Most of the value is added at Top Cuts' meat processing plant. In a cooperation project with the EU, Mr. Kalb, a German meat expert, is consulting to the meat processing plant.

3.3.18. UGANDA SHOE CO. LTD.

Mr. Joseph R. Katerregga Kayondo, Managing Director, told the Evaluation Team that his company was a beneficiary of the UNIDO projects. Originally, the TCFC was located on the company's premises. The project provided machinery on a loan basis, as well as training in manufacturing.



Showcase at Uganda Shoe Co.Ltd.

Currently, Uganda Shoe Co.Ltd. manufactures shoes for the Government (mainly uniform shoes) and for industrial enterprises. The sales price of these shoes is around UGX 35,000 – 45,000. The company's 10 employees produce 50 pairs per day. Uganda Shoe Co.Ltd. pays UGX 100,000 per year membership fee to ULAIA. It benefits from

ULAIA's importing soles and other supplies for a low price, as a result of clustering.

Mr. Kayondo considers second-hand shoes as a competition, because they are often being resoled and then sold for UGX 15,000 – 20,000. He also see imported plastic shoes as a serious competition. Although their quality is lower than the quality of leather shoes and they do not last as long, they look nice and most buyers cannot distinguish between leather and plastic.

Mr. Kayondo finds that brand names (Crane, Bata) are an advantage in marketing. He complains that his company does not have good access to retail shops and he would welcome some training in marketing and distribution skills.

Uganda hardly exports any shoes, but Kenya exports shoes to Uganda. Sometimes Rwandans would buy shoes in Kampala. Kenya, Tanzania and Uganda are planning to form a customs union.

Bank loans can be obtained from commercial banks, but the interest rate is about 20% per year.

3.3.19. MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

Dr. M. Fabius Byaruhanga, Minister of State for Fisheries, said that during the duration of the UNIDO projects drastic changes in government policy took place, such as the decentralization of the administration. When the districts were charged with new responsibilities, they had many other concerns and paid less attention to the leather sector. The liberalization of markets and the fact that the traders do not reward better grades affected the cooperatives in the villages and finally destroyed most of them. For that reason H&S would not be graded any more. On the other hand, the liberalization of imports for second-hand shoes created competition for local shoemakers.

The Minister said that the ADC/UNIDO program had an impact on the Ugandan leather sector and that it had resulted in an improvement of the quantity and quality of hides, because fewer hides are being damaged due to unprofessional treatment after slaughtering. The Minister added that there was still a need for training at the farm level.

Some years ago the Uganda Development Bank had a program for supplying investment loans to MSEs. This program was stopped when too many clients went into default. GOU does not have any fund for MSE/SME support.

The Minister stressed that now GOU had realized the importance of the leather industry for Uganda. A new tax has been introduced on imported second-hand shoes and clothes. He mentioned also the new 15% export levy on raw H&S, but said he had no information to what extent this levy had impacted the quantities exported since. The statistics are done only once a year.

3.3.20. MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Mr. L.K. Kiiza, Commissioner Tax Policy, received the Evaluation Team and explained that the current tax policy would be sustained. He confirmed efforts to harmonize fiscal policies between Uganda, Kenya and Tanzania. For the most items, he said, the import tax on raw materials has been abolished. MOF is also willing to discuss the removal of import tax on accessories and certain tanning chemicals. UMA will give a list of these substances to MOF.

3.3.21. MINISTRY OF TOURISM, TRADE AND INDUSTRY

Dr. Richard B. Nduhuura, Minister of State for Industry and Technology, thanked the Austrian Government and UNIDO for the two projects. He feels that the quality of the

products has improved due to better processing technology. He also thinks that the TCFC is a big achievement, enhanced by the bilateral project with Ecotec.

The Minister mentioned the recently introduced export levy on raw H&S and added that this should encourage value adding in the country. However, he finds that not enough modern machines and technology were available in Uganda. He said that the bicycle factory was importing leather for the seats from India, where Uganda is exporting H&S, because the local supply of finished leather in Uganda would not suffice.

Dr. Nduhuura asked Ms. Robinah Sabano, who is MTTI's Assistant Commissioner for Industry & Technology, to comment on the shortcomings of the projects. She mentioned that the TCFC was in the capital, but many entrepreneurs were far from Kampala and had no access to the training program. The TCFC has a van for going to places in the country side, but this is not sufficient. She sees as a problem that ULAIA is not sustainable, although it has now 75 members. The reason may be that ULAIA could not build its capacity long enough, since the project ended too early.

3.3.22. MINISTRY OF WATER, LANDS AND ENVIRONMENT

The Evaluation Team visited the Directorate of Water Development of the Water Resources Management Department and spoke with Ms. Florence G. Adongo Assistant Commissioner Water Quality and Mr. Mohammed Badaza, Water Regulation Officer.

When asked about the different roles of NWSC and the Directorate of Water Development, Ms. Adongo replied that the Directorate regulates NWSC and considers it as one of the polluters. NWSC treats sewerage in its waste water treatment plants, but would not be able to eliminate chrome, if it were in the sewerage. The Directorate of Water Development does not have any treatment plants, but it has a laboratory that is equipped with an atomic absorption spectrophotometer (AAS). Therefore it is able to detect chromium in waste water. Ms. Adongo did not have an opinion on whether the tannery industry should have separate effluent standards.

3.3.23. NATIONAL ENVIRONMENTAL MANAGEMENT AUTHORITY (NEMA)

The Evaluation Team talked with Mr. Arnold Ayazika Waiswa, Environmental Audits and Monitoring Officer, Mr. Patrick Kamanda, Environmental Inspector, Ms. Lynda Biribonwa, Environmental Inspector and Monitoring Officer.



NEMA Headquarters in Kampala

NEMA was established in 1995 and is the lead agency for the development of environmental, including effluent, standards. It belongs to the Ministry of Water, Lands and Environment. NEMA has the authority to examine factories without prior notice and to shut down polluting productions. NEMA has 108 inspectors in the whole country. It does not have its own laboratory and uses the Uganda Government Chemist and Analytical Laboratories,

which belong to the Ministry of Internal Affairs, the laboratory of NWSC and the

laboratory of the Directorate of Water Development of the Ministry of Water, Lands and Environment. The closure of the BHS tannery in Mbarara was discussed. Since there was no effluent treatment plant and the river Rwizi got heavily polluted, resulting in high values for BOD, COD and chromium, NEMA closed the tannery in 1998. Before, the UNIDO project had even offered money for building a treatment plant. However, the total estimated investment would have been \$100,000. After the closure, there was great concern about the environmental standards for the tannery industry. UNIDO funded an environmental study, which was carried out by Markus Lechner of the Agricultural University in Vienna (BOKU). The study should determine whether to establish separate effluent standards for the tanneries. In the end it turned out that NEMA's waste water standards were not too stringent, but that bad housekeeping and old technology caused the problems in the tanneries in Uganda. NEMA decided to maintain its national effluent standards of 1999 also for the tanning sector. In July 1999 a study tour to Zimbabwe and South Africa was organized by the project. Participants were Mr. Waiswa with two colleagues from NEMA, Mr. Mwebe and one person from NWSC. They visited 2 tanneries in Zimbabwe and 2 tanneries in South Africa. These tanneries were much more advanced than those in Uganda. After the study tour UNIDO and ULAIA organized with NEMA a workshop in Kampala. About 20 participants from the leather industry attended.

The purpose of this workshop was to report about the findings of the study tour and to convince the tannery operators that they were able to comply with the standards.

The tannery in Masaka has large deposits of chrome waste in plastic bags and dumps the cuttings in a pit at the tannery site, creating bad odor. There is, however, a mechanical and biological effluent treatment plant.

The Gomba fish skin tannery precipitates chrome and reuses it. The waste water is neutralized and then conducted to the municipal waste water treatment plant.

Most slaughterhouses are old and do not have any effluent treatment plants. NEMA inspects them regularly and instructs them to improve housekeeping, install lagoons, etc., within a timeframe. After the time has expired, NEMA checks again. However, this procedure is not very effective, since Ugandan law does not provide for economic sanctions. The only sanction allowed is the closure of the plant. This severe measure is only being taken in worst cases, therefore the water management remains poor in general.

3.3.24. NATIONAL WATER & SEWERAGE CORPORATION (NWSC)

Mr. Christofer Kanyesigye, Quality Control Manager, explained to the Evaluation Team that NWSC was in charge of effluents that go into the public sewerage system. NWSC is not obligated to accept waste water from a factory if the pretreatment is not adequate. If the effluents are rejected by NWSC, the factory has to comply with the national effluent standards as defined by NEMA.

NWSC is autonomous and has its own budget separate from the Ministry, although it is affiliated with the Government. NWSC is responsible for water treatment and distribution, as well as for municipal effluent management. In Uganda, the consumption of water is metered and not free of charge. In non-municipal areas the Directorate of Water Development takes care of water supply and sewerage. Most water supply in Uganda is surface water.

NWSC has its a central laboratory and 15 other laboratories in Uganda. The central laboratory analyzes 12 – 15 parameters of 3,000 samples per month. The central

laboratory employs 6 technicians and 4 chemists. NWSC has about 1,000 employees in total.

In contrast to NEMA's opinion, Mr. Kanyesigye thinks that tanneries should have separate effluent standards. He finds the national standards too stringent for them.

Solid waste is also a problem in slaughterhouses. It is usually dumped close to the slaughterhouse instead on a designated dump site. For the management of solid waste the municipalities are in charge.

3.3.25. UGANDA EXPORT PROMOTION BOARD

According to Ms. Florence Kata, Executive Director, and Mr. George Mpanga, Export Officer, Uganda's trade imbalance with Kenya is 1:30. The situation between Uganda and South Africa is similar. Uganda is a leader in exporting raw hides. This is unfortunate, because the profit margin is much lower than for finished or semi-finished products. Therefore, the Export Promotion Board prepared a study, based on which it recommends that after a grace period of 2 years the exportation of raw hides be prohibited.

The leading exporters have been BHS and Kishita Young Farmers, which is much smaller. The latter would need capital to reactivate its tannery in Kampala. Kishita has stopped its own exports and is now only supplying to BHS. Kishita operates one small slaughterhouse in Kampala. BHS is controlling more than 70% of all exports of raw hides from Uganda. His biggest customers are in Hong Kong.

3.3.26. EUROPEAN UNION – DELEGATION OF THE EUROPEAN COMMISSION

Mr. Alain Joaris, Economic Counsellor, received the Evaluation Team. He told the team that the European Union will support the private sector in Uganda with several tens of millions of Euros over the next five years. The European Investment Bank (EIB) is providing credit lines for the private sector through Ugandan banks. The currently available total volume is EUR 40 million.

The EU used to import a lot of higher quality leather from Uganda, but not any more. The discrepancy between Ugandan export statistics and EU import statistics is enormous, according to Mr. Joaris.

He confirms that UNIDO's Uganda Integrated Program has benefited entrepreneurs in the leather and textile sectors by teaching them new skills. Mr. Joaris also suggested that BHS was representing foreign investors in Uganda, meaning that BHS is financing its business with money from abroad, possibly from key customers in the Far East.

Mr. Joaris explained that in Uganda the average salary for skilled workers was about \$300 per month in the cities. Soldiers would earn \$100 per month, police about \$50. Referring to the official estimate of a \$330 a year per capita GDP, he pointed to the low income of rural farmers.

12.3% of Uganda's GDP (\$600 – 700 million) is being received from exile Ugandans, who reside in South Africa, Canada, USA and UK.

The largest donors are the World Bank (with loans), DFID (UK) and the European Commission (about EUR 100 million per year, grants only), EIB, DANIDA, the Netherlands, and Ireland. The US had pledged \$250 million, but this is currently being revised and may become much lower. Nevertheless, Uganda is USAID's largest program in Africa after Nigeria.

3.3.27. ITALIAN EMBASSY

Mr. Gabriele Di Muzio
Deputy Head of Mission

The Evaluation Team had a courtesy meeting with Mr. Di Muzio, because he participated on 15 January 1997 in Vienna at the presentation of main findings and conclusions of the in-depth evaluation of the Regional Africa Leather and Footwear Industry Program.

Mr. Di Muzio is personally known to one of the evaluators, who knew that he had been transferred to the Italian Embassy in Kampala. The Team had heard about that the UNIDO CTA had contacts with the Italian Embassy several years ago and wanted to have more information on these meetings. Mr. Di Muzio confirmed that some embassy staff remembered contacts with Mr. Felsner 3- 4 years ago, but he could not provide more details, because the meetings took place prior to Mr. Di Muzio's arrival in Kampala, and most of the embassy staff had changed since.

4. THE PROGRAM CONCEPT AND DESIGN IN RETROSPECT

The program was developed in several phases from the end of the 80ies. First, two regional programs, encompassing several countries in East Africa, and then two national programs, specific for Uganda, were designed and implemented.

All the programs had the financial support of the Government of Austria. The last one was completed at the beginning of 2000. All the programs have been very relevant for the leather sector, for the region and for Uganda.

In their design the projects have addressed the problems facing the sector, but some economic and associative particularities were not properly considered. This created some conflicts of interest among the stakeholders and diverted the focus of the project from the primary target beneficiaries: the micro and small entrepreneurs.

The Revolving Fund established by the first national project has helped some entrepreneurs to get some equipment and repay the fund at a convenient interest rate.

However, the evaluation team was not able to obtain, although requested several times at UNIDO HQ and in Uganda, the constitution document and utilization agreement for the Revolving Fund and the present status of the fund. Therefore, it was not possible to ascertain:

- The persons entitled to manage the Fund and to authorize expenditures
- The legitimate usage purposes for the Fund
- The selection criteria for the beneficiaries (end-users of equipment)
- The selection criteria for equipment
- The current assets of the Fund,

ULAIA is not self-sustainable and is using the money of the Fund for its own activities. Since ULAIA does not generate any significant new income, it is depleting the Fund.

The TCFC is not completely sustainable either. Presently it can cover about 70% of its expenses.

The project was declared operationally completed before it proved to be sustainable.

Institution building projects require a long-term follow up commitment by the donor and the national institutions/government to achieve sustainability and permanence in accomplishing their objectives.

5. IMPACT OBTAINED AND NEEDS FOR FURTHER ASSISTANCE

5.1. Local priorities and needs

The Government of Uganda pursues an industrial policy aimed at adding value to domestic resources. Uganda has a good raw material base for the leather industry, because of its large number of cattle, sheep and goats. However, the quality of the raw material should be improved.

Currently, Uganda's tanning capacity is very limited in both quality and quantity. Therefore, the leather products industry, which is labor intensive and could employ many people, cannot buy enough domestic leather. Most of the raw material – in particular cattle hides – is exported in a raw state without any domestic value addition.

On the other hand, the import of second-hand shoes competes with the locally manufactured footwear. This aggravates the difficulties of local leather entrepreneurs.

The challenge for developing the leather sector in Uganda is to create a value adding chain in the country, from raw material all the way to finished leather products.

5.2. Impact on target groups

The quality of the raw material can be improved by spraying more animals against ticks and not driving through thorn brush, by flaying them properly and by preserving the raw hides and skins better. The UNIDO leather program has in part achieved improvement by educating farmers and flayers, building slaughter houses, buying hide pullers and other measures. In particular, it has changed the preservation method of raw hides very successfully from drying to salting. Another remarkable success was the training program for manufacturers of leather products.

However, this promising approach reached its limits for different reasons. The better quality of raw hides has benefited primarily the wealthy export traders, who sell the raw hides to the Far East. The traders do not pay more for the better raw material, but they get a better price from their customers. Since there is a worldwide deficit of raw hides and many countries restrict or prohibit the export, most of Uganda's production is being purchased by foreign buyers. The local tanneries cannot get as much raw material as they would want. Over the years, this situation has led to the closure of most tanneries in the country and now only two are left, plus a third tannery for fish skins. These two tanneries produce wet blue hides and skins and sell them mainly to Italy. European tanneries prefer buying the wet blue material, because they do not like the first tanning stage, which involves chromium chemistry and is environmentally difficult. However, they prefer to do the other tanning and finishing steps in Europe to ensure better quality of the leather.

In both instances – export of raw and wet blue hides – most of the value is being added outside of Uganda. This situation would change if Uganda would further restrict and ultimately phase out the export of raw and, at a later stage, of wet blue hides. Many of the competitor countries have done this already with good results for the tanning and leather products industries.

It is important to understand that such progress can only be achieved by the GOU and not by donor programs. The traders and tanners are financially well established and do not need support from donors. They need a different set of incentives. Even the training of flayers in the big slaughterhouses does not need donor support: 8 of Uganda's largest slaughterhouses belong to the country's biggest trader, who also owns tanneries in Uganda and neighboring countries. If he feels that it is more profitable to add the value in Uganda rather than abroad, he will do so.

However, it has to be said that the majority of animals are not slaughtered in big slaughterhouses and that the training of flayers in the countryside has had a positive impact on the sector.

5.3. Impact on capacity building

The TCFC's training and equipment leasing program has had a real impact on the over 200 entrepreneurs, who have participated. They have built their businesses and, in some cases, employed and trained others. These businesses are sustainable, which is more important than the degree of sustainability of the TCFC itself.

An extension of this program to more parts of the country would reach the right target beneficiaries (micro- and small entrepreneurs) directly and significantly contribute to promotion of entrepreneurial spirit and poverty eradication.

The GOU should support such program by maintaining balanced import taxes on second-hand shoes and eliminating import levies for accessories required for manufacturing of leather and leather products, which are not available in Uganda.

6. SUSTAINABILITY

Sustainability is defined by UNDP¹ as “the durability of positive program or project results after the termination of the technical cooperation channeled through that program or project.”

DAC (Development Assistance Committee)² defines sustainability as “the continuation of benefits from a development intervention after major development assistance has been completed” or as “the probability of continued long-term benefits.”

UNIDO’s³ definition for sustainability is “the capability of the client to maintain and further develop the outputs and the outcomes produced with the support of the program and/or to adjust them in order to ensure continued benefit to the target beneficiaries.”

Though express in different words, the concept is the same: the continuation of the achievements of the assistance with own resources.

6.1. Sustainability of institutions

The complete sustainability of institutions like ULAIA and TCFC cannot easily be reached during the development stage of a sector. The reason is that the target beneficiaries, who are supposed to support the institutions, have no spare money in the initial phase. Nevertheless, partial sustainability can and should be achieved. TCFC has managed to become to 70% sustainable and reached, at times when the leather business was booming, even 90%. The main revenue sources have been manufacturing training, equipment leasing and sales of raw material and accessories to the shoemakers and producers of leather goods. A smaller part of income has come also from selling finished leather products.

An industrial association such as ULAIA has to sell a variety of services to its constituents and to donors, which can include training courses, trade promotion and lobbying. The latter is difficult to do if the association is representing enterprises with conflicting interests, such as tanners, traders and small manufacturers. It is better to cater to only one group of enterprises and win their trust and support.

6.2. Sustainability of developed capabilities in industrial leather sector

The developed capabilities of trained leather products manufacturers are being sustained by their very own business interests. The financial success of these entrepreneurs has already incited others to follow their example.

The better preservation of hides is another sustainable impact of the UNIDO projects. Now over 90% of hides are being salted, as compared to less than 5% before the program. The reason is that improperly preserved hides and skins have no value at all.

The developed capabilities of flayers will be sustainable if the flayers can earn more money by being more careful and slower than by being faster and less careful. Currently, this is not always the case: the main product of a slaughterhouse is the meat, and the butchers want to get their meat as early morning as possible to the market. In the villages, where not so many animals are slaughtered, time is not such a priority. If policy measures can bring about that tanneries will pay more for better hides, better flaying will pay off. In the slaughterhouses, which are owned by traders, this issue is self-regulating by the interest of the owner.

¹ Result-oriented Monitoring and Evaluation, UNDP, New York, 1997

² Glossary of Key Terms in Evaluation and Results Based Management, DAC Working Party on Evaluation, OECD 2002

³ Guidelines for the Evaluation of Projects and Programs, UNIDO, Vienna 2002

7. CONCLUSIONS

7.1. Institutional Component ULAIA

ULAIA was founded to support the enterprises of the Ugandan leather industry in multiple ways and to promote their collective interests with regard to the GOU and its agencies, as well as suppliers and markets.

The original idea was to raise the quality level for the whole leather sector, starting with the farming of cattle (by spraying the animals against ticks not driving them through thorn bushes, earmarking rather than branding them), continuing with improved slaughtering (using special knives and hide pullers for flaying without cutting into the H&S), going further to better preservation (salting instead of drying the H&S), better tanning and finishing of the leather and ending with better manufacturing leather products by training shoemakers and leather goods producers.

The late Mr. Becheter, former Managing Director of Bata Shoes Uganda and Chairman of ULAIA, who was very well respected by all parties and unfortunately died in a plane accident in West Africa, had tried to balance the interests of the different stakeholders in the sector and to mediate between traders, tanners and leather products manufacturers.

However, the leather market is subject to fluctuations and the situation in Uganda has changed over the last years. When the international demand for raw material grew it became more profitable to export unprocessed H&S. Many other countries had prohibited such exports and Uganda became a major supplier with a market share of 10% in the year 2000. This situation led to the closure of some tanneries in the country and to a concentration among the traders, the largest of which became nearly a monopolist and also acquired most of Uganda's larger slaughterhouses.

The constituents of ULAIA are cattle traders, butchers, H&S collectors, H&S traders, tanneries, and manufacturers of footwear and leather goods. The interests of the constituent groups diverge in some important aspects. Traders are interested in levy free exports of raw H&S, while tanneries benefit from export restriction of those, since they are competing with the traders for this raw material. This ambiguity weakens ULAIA's facility as a powerful representative of any constituent group and is reflected by the reluctance of many constituents to pay the already very low membership fees. Some major enterprises even chose not to become members of ULAIA. On the other hand, some ULAIA members are also members of UMA or USSIA and have to pay membership fees to these organizations as well. ULAIA's main source of income, a revolving fund introduced by the Program, presently covers the expenses of the association. Lacking other major sources of income, ULAIA is gradually depleting this fund and is therefore financially not sustainable. ULAIA was not able to present any document to the Evaluation Mission that regulates the management of the fund. Research at UNIDO HQ did not produce any evidence about the existence of a fund utilization agreement. The UNIDO Project Manager does not know if there ever was such an agreement. Therefore, the Evaluation Team could not verify whether the fund has been used as originally intended.

7.2. Hides and Skins Component

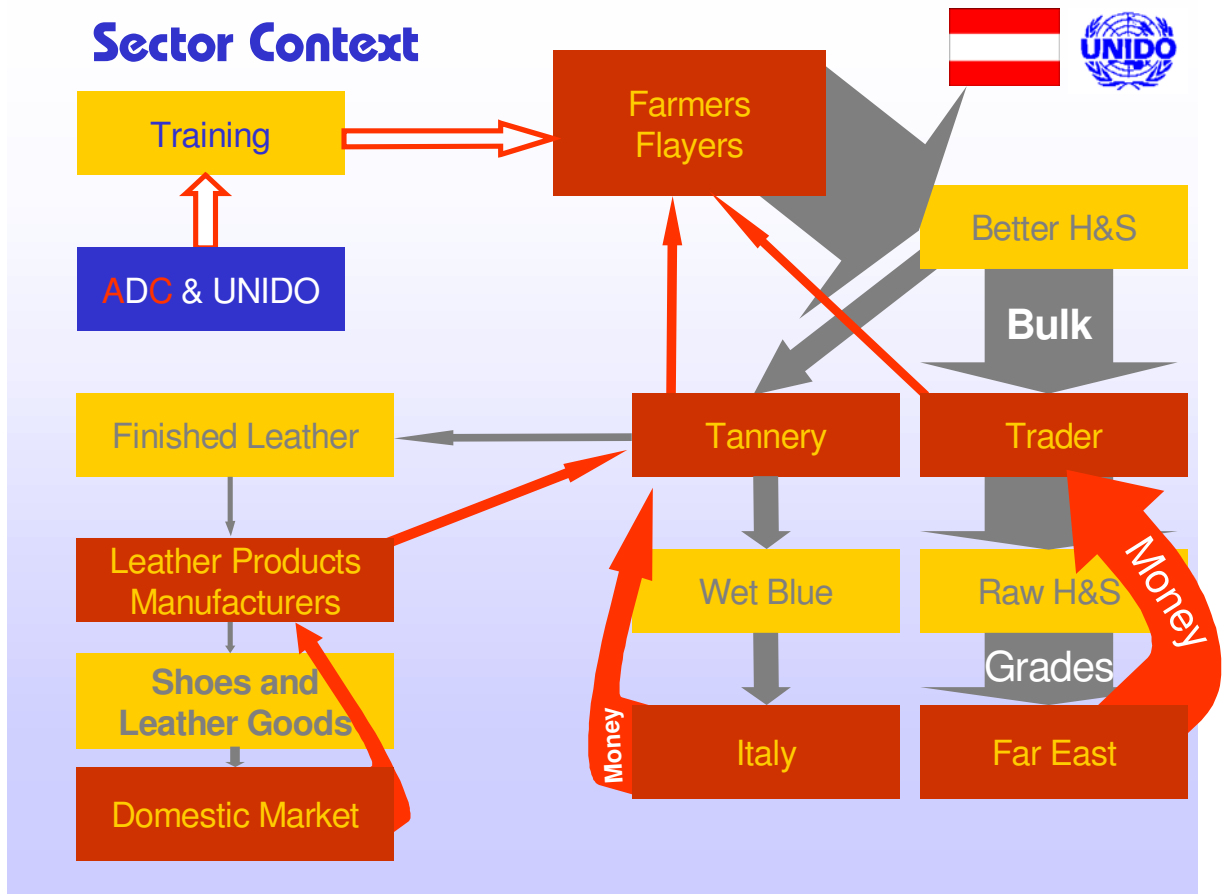
The Program has made efforts on several levels to improve the quality of the raw material: earmarking the cattle rather than branding it, training in flaying and hide pulling, and salting the hides rather than drying them. The salting has had the most significant and

lasting impact. Now over 90% of hides are preserved by salting, as compared to less than 5% before the implementation of the program. As confirmed by all parties interviewed, this has significantly improved the quality of the raw material. However, traders and one tannery still buy in bulk for a flat rate regardless of the grade quality.

Therefore, the already wealthy exporters of raw hides benefit most of these improvements, because they get now larger quantities of hides in better qualities. This increases both their sales volume and profit, because the hides are usually exported in grades (at least sorted in TR and grade 4).

The tanneries compete with the traders for the raw material and also benefit from the better quality, albeit they can purchase only much smaller quantities. Most of the tanneries' production is wet blue hides and skins, which are sold mainly to Italy. The owners of the tanneries are also wealthy individuals and transnational corporations.

The smallest part of the benefit of the leather program's achievements goes to the micro- and small entrepreneurs, who manufacture leather products. They buy lesser qualities and smaller pieces, since they are not making furniture or upholstery for cars. Currently, their only leather source in Uganda is LIU in Jinja, since TALIU in Masaka has no working finishing line and makes only wet blue H&S for export.



The gray arrows in the flowchart above symbolize the flow of goods. The red arrows show the streams of money. It is evident that the traders make most of the money and pay much less to the producers of the raw material. Certain traders own also slaughterhouses, which puts them in a very powerful purchasing position.

Would GOU follow the example of other countries in the region and restrict the export of raw H&S, more raw material would flow to the tanneries. This would encourage the tanneries to increase their production. Naturally, they would predominantly manufacture more wet blue H&S for export. If GOU would later also restrict the export of wet blue H&S, the tanneries would produce more finished leather, and the supply to the leather products manufacturers would grow. Eventually, with further improvement of their skills and an improving infrastructure of suppliers of accessories, they could even start manufacturing leather products for export. This would mean that the addition of value to the raw material would occur in Uganda, which is almost not the case today.

7.3. Tannery Component

The few industrial tanneries in Uganda use chrome tanning. However, some micro- and small entrepreneurs are doing vegetable tanning on a small scale. In general, the markets for chrome tanned leather and vegetable tanned leather are different.

Vegetable tanning produces relatively dense leather, one that is firm and solid and yields a high weight of leather per unit of raw stock. It also produces a leather that is pale brown in color, and which tends to darken upon exposure to natural light. Depending upon the finishing treatment employed, the tanning material washes out of the leather very slowly.

Vegetable tannages are used to produce bookbinding leather not only because of tradition, but because they produce leathers having a soft drape and handle (in addition to their firmness), which retain applied grain patterns particularly well. In Uganda, vegetable tanned leather is also used for manufacturing bicycle saddles.

Unless specifically treated vegetable tanned leathers have but little water resistance.

Chrome tanning was invented in 1858. The leather is produced by treating skins with basic chromium sulfate ($\text{Cr}(\text{OH})\text{SO}_4$). The most widely used chemical in chrome tanning is sodium dichromate ($\text{Na}_2\text{Cr}_2\text{O}_7$), from which chromium sulfate is produced.

Chrome-tanned leather is blue-green and tends to be softer and more elastic than vegetable-tanned leather, and it is very stable in water. Unlike vegetable-tanned H&S, chrome-tanned leather can withstand boiling water and has a shrinkage temperature higher at times than 100°C . It does not resist perspiration or organic acids well, but is otherwise very durable.

Currently only three tanneries are working in Uganda:

Leather Industries Uganda (LIU) in Jinja

This tannery belongs to the Aga Kjan Group (Industrial Promotion Services). LIU has resumed its production a few months ago after having stopped manufacturing in June 2001. It manufactures wet blue H&S for export, amounting to 90% of total sales, as well as some crust and finished leather for the domestic market.

Tannery and Leather Improvement Ltd. (TALIU) in Masaka

Mr. Felsner, former UNIDO CTA, was very actively helping the owners to establish this enterprise already in the late 1990-ies. However, the tannery in Masaka has started manufacturing only in June 2002 and is producing only wet blue H&S for export. Most of the equipment is over 15 years old Italian machinery, which had never been used before. It was taken over from another tannery, which went into bankruptcy prior to installing the machines. TALIU has no complete finishing line for leather and therefore does not make any crust or finished leather at this time.

Gomba Fishing Industries in Jinja

This tannery must be considered separately because of the different raw material. It was founded in the context of the leather program to a great part by initiative of the former UNIDO CTA. The concept was to sell fish leather as a substitute for the more expensive leather of reptiles. Gomba tans about 1,000 fish skins per day but cannot sell its products, due to incompetent marketing and too high prices.

BHS Tannery in Masaka

This tannery is not operating at this time, because it was shut down under pressure of NEMA. It did not have an effluent treatment plant and discharged chromium containing waste water into the river. Confronted with the alternative either to invest about \$100,000 into effluent treatment or closing the tannery, BHS decided for the latter option. BHS is the largest export trader of raw H&S in Uganda and also the majority owner of Kenya's largest tannery. Therefore, it did not find it profitable to make this investment in Masaka.

Uganda's H&S tanners complain that they cannot get enough raw material because of the competition of the traders, who export the raw material to tanneries abroad. GOU has introduced in July 2002 a 15% export duty on raw H&S, which incited LIU to resume the production. Several East African countries have banned during the last decade the export of raw H&S and some countries also restrict the export of wet blue hides.

7.4. Environmental Component

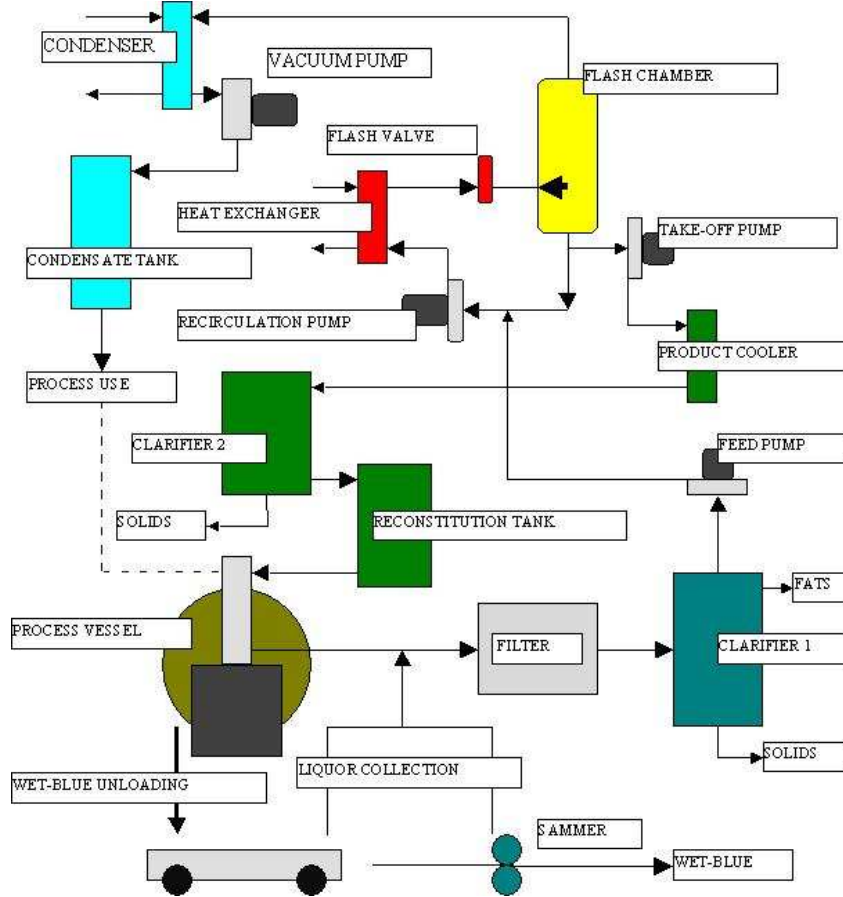
NEMA has cooperated with ULAIA to improve the environmental management of tanneries and slaughterhouses. This effort was supported by UNIDO in the framework of the leather program. Mr. Markus Lechner, who worked then at the Agricultural University in Vienna, was hired as a consultant for studying the environmental standards and helping design effluent treatment plants for tanneries.

UNIDO also organized a study tour for NEMA and ULAIA members to study standards and methods for effluent treatment in South Africa and Zimbabwe. As a result, the three working tanneries have effluent treatment plants and apparently comply with the national standards. The chromium is precipitated and stored or buried in plastic bags. The tannery in Mbarara did not install a treatment plant and was closed in 1998. Most abattoirs are old and do not have any effluent treatment. The mission interviewed NEMA and tannery operators and finds that there should not be different effluent standards for tanneries than for other industries.

The potential for energy saving through the installation of a solar powered hot water supply to reduce the consumption of furnace oil and electricity was studied at the tannery in Jinja. The report was presented to the tannery but the proposal was considered not favorable in terms of the cost/benefit ratio.

For the future, the tanneries should consider recycling the chromium and reusing it fully or at least partially. Chromium recycling in tanneries has been a common practice at least since the 1980-ies. Newer research has resulted in methods for total chromium recycling (TCR).

Total Chromium Liquor Recycling: Single Stage Flash Evaporator



*R W Cranston, R W Gleisner, R G Macoun, C M Simpson, S G Cowey and C A Money.
CSIRO Leather Research Centre, Private Bag 10, Clayton South MDC, Clayton 3169 Australia.
IULTCS Congress, London, 11-14 September 1997*

In practice all chromium containing liquors are first collected to Clarifier 1 to remove fats, greases and solids. The liquor is then directly fed to the input of the Flash Evaporator. Concentrated liquor is collected in Clarifier 2 to allow removal of precipitated salts. The condensate from the evaporator is also collected for use elsewhere in the process. The concentrated chromium liquor is then reconstituted for use in pickling and tanning in the same manner as the direct liquor recycling process of Davis and Scroggie. The TCR process is however a substantially closed system with only fats, greases and particulate solids requiring disposal. Virtually all chromium and other salts are conserved thereby reducing the demand on treatment plant and reducing the total tannery effluent loading.

The method recommended by Davis and Scroggie involves use of the spent chrome liquor as a basis for preparation of the pickle liquor for the following pack of hides. Before presentation to the delimed/bated hide, the spent liquor is reconstituted by addition of the full amount of acid normally used in pickling together with a reduced amount (normally ca. 75 per cent) of the normal masking agent and a low level of salt if necessary. After the first cycle (i.e. a normal tanning run), it is not necessary to add neutral salt to the liquor provided certain conditions are observed.

The delimed/bated hide is pickled with the reconstituted liquor for the desired time, after which the calculated decreased amount (normally ca. 75 per cent) or the chrome reagent is added directly to the pickle float to give the usual total chrome offer. For basification (where necessary), the amount of base is again decreased in proportion to the decrease in the amount of chrome reagent added. It is an important principle of this method that, by addition of the pickle acid before presentation of the recycled chrome liquor to the delimed/bated hide, the low pH (ca. 1) prevents excessive chrome binding to the outer layers of the hide as the acid penetrates ahead of the chromium complexes; the faster penetration of acid is illustrated in this system by the slight temporary swelling of the hide which can occur early in the pickling stage.

7.5. Leather Products Component

All persons interviewed confirmed that the TCFC has been very effective in training small entrepreneurs in manufacturing footwear and leather goods. ULAIA has established TCFC in 1997 under UNIDO Project US/UGA/200. Since then not only 163 men and 42 women have received specialized training, but the TCFC's workshop and its machinery have been used ever since by the trained entrepreneurs for manufacturing their products. Most entrepreneurs do not have the resources for buying their own machines and tools at start-up.

Till the end of 2001 the Austrian firm Ecotec provided technical support and machinery under a separate bilateral Austrian funded cooperation project. This contribution was very helpful and enhanced the impact of TCFC's activities significantly. The very active engagement of Mr. Daxbacher, who was the resident Ecotec consultant for several years, was instrumental for the success of this effort.

The TCFC has reached the limit of its training and production capacity and cannot satisfy the increased production need of the entrepreneurs and the demand for more training. The good results of the Program have created high expectation and demand throughout the country. Some entrepreneurs and trainees have traveled regularly hundreds of kilometers from their home towns to use the TCFC's facilities.

If there were more TCFC facilities in the country, the capacity building impact of the program could be multiplied. Also, if the TCFC would offer part-time training courses, many women, who need more time with their families and cannot attend a full-time training course, could participate and become entrepreneurs.

Some entrepreneurs, who are manufacturing leather products other than shoes, have suggested to build a separate TCFC for leather goods or to expand the existing facility.

8. RECOMMENDATIONS

8.1. Recommendations to ULAIA/TCFC

- a) ULAIA should reconsider its membership policy and exclude export traders of raw material from its constituency. It is hard to see, how the exporters of H&S, who earn their income by selling the raw material to the leather industries of other countries, could also represent the interests of the Ugandan leather industry, which is competing for the same raw material.
- b) ULAIA should expand the services to its members, such as training programs and equipment leasing in cooperation with TCFC and introduce or enhance other services, such as cluster purchasing and marketing, organization of trade shows and participation in international fairs, technical and business consulting, training in sales and marketing. The association should prepare a sufficient number of brochures that lists these services and explains their benefits and also post this information on a ULAIA website. Some of these services should be offered for a charge in order to keep membership fees affordable. ULAIA should also consider cooperating with other organizations, e.g., USSIA and UMA, in providing such services.
- c) ULAIA, together with GOU and donor organizations, should explore opportunities to make micro-credits up to USD 3,000 for tools and machinery available to footwear and leather goods manufacturers. Currently, there are loans available in Uganda, but most of them are short-term high interest loans. They are suited for financing goods purchasing for trading, but not for capital investment in machinery. The banking infrastructure in Uganda is still not adequate, and GTZ is running a program to improve it. Even for entrepreneurs, who can offer a collateral, it is not always easy to get a loan.
- d) ULAIA should improve its financial management and record keeping. The Evaluation Mission noticed that the last audit report was not signed by the auditors. The Team had also difficulties to analyze the current status of the fund. Since a fund utilization agreement was not found and the ULAIA management could not remember if one existed, it was not possible to verify the legitimacy and appropriateness of expenses.
- e) ULAIA should publish a directory of leather products manufacturers in the country. Such a directory does not exist now. Many ULAIA members, along with others, who have an interest in the Ugandan leather products industry, are potential buyers of a manufacturers' directory.
- f) Enlarging the premises of TCFC, acquiring more machines, and establishing some subsidiaries would allow the entrepreneurs to expand their production and reduce the waiting time when others are using the same machine. At this time, the TCFC has reached its capacity, since the same machines are used in training and, at increasing frequency, for regular production.
- g) Because of the high appeal of the training and equipment leasing programs to potential entrepreneurs in other parts of Uganda, regional TCFCs should be installed in Lira for the north, in Masaka for the south, in Mbarare for the west and in Mbale for the east of the country. This will bring this successful program component to more target beneficiaries. Currently, many entrepreneurs have to travel once a week several hundred kilometers to Kampala.
- h) TCFC should hold also training courses on half-day basis for women, who need more time with their families. This would help more women to become entrepreneurs.

i) As recommended by former Ecotec consultant, TCFC should buy molds for soles of children's, safety and uniform shoes. These items would improve the competitiveness of the shoemakers in a market segment, which depends less on fashion changes. TCFC should also purchase a stamping machine for putting their Crane trademark on the shoes.

8.2. Recommendations to GOU

- a) The recommendations of the Evaluation Mission to GOU are founded on the information received from MTTI that GOU wants to eradicate poverty and create employment by supporting MSEs and developing manufacturing based on value addition to domestic resources.
- b) The UNIDO Program has considerably impacted the manufacturing capacities of micro-entrepreneurs in the leather sector. To consolidate this impact, the Evaluation Mission recommends that GOU should pursue a medium term strategy to create a level playing field for shoemakers by appropriately raising import levies on second-hand shoes and cheap synthetic shoes.
- c) GOU should follow the strategy of other leather producing countries and phase out the export of raw H&S over a period of 3 - 5 years. This would encourage augmenting tannery capacities as a result of increased availability of raw material. While in general the removal of trade barriers has helped the development of many countries, it is important to create equal opportunities in the context of existing trade regulations in the region. An immediate prohibition of exports of raw H&S is not advisable, because it takes some time to build adequate tannery capacities.
- d) GOU should consider the establishment of a state fund for SME support in order to provide collateral guarantees for investment loans. In some transition countries governments have successfully installed such a fund and accelerated SME development, which helped to create employment and a broader middle class. Other governments have cooperated with donors and NGOs to establish an SME support fund for investments.
- e) GOU should take steps to harmonize its trade and taxation policies with the other countries in the region in order to avoid market distortion between neighboring countries.
- f) GOU should take efforts to enforce its laws and regulations and control that exported and imported merchandise is declared correctly. For example, GOU should make sure that raw hides are not being exported as wet blue hides or that Ugandan raw hides are not being declared as Rwandan hides, e.g., thus evading the export levy.
- g) GOU should modernize its environmental legislation. In particular, it should introduce financial penalties for polluters. At this time, NEMA can only shut down polluting productions altogether. It is not possible to impose fines. Since a complete closure is often too harsh a measure or would have severe consequences for the economy and the employment situation of a community, polluters remain unpunished in most cases.
- GOU should also strongly encourage chromium recycling in tanneries.

8.3. Recommendations to UNIDO

- a) When a fund in cash or kind is established in the framework of a project UNIDO should sign a fund utilization agreement with the beneficiaries or trustee of the fund. This agreement should specify the
- Legitimate scope for usage of the fund
 - Persons entitled to make disbursements

- Selection criteria for third party beneficiaries
- Selection and cost assessment criteria for goods and services paid with the fund
- Auditing requirements
- Supervisors of the fund and reporting requirements

A revolving fund is a good instrument for supporting micro-, small and medium enterprises in transition economies. It can also financially support the administrating organization. However, if so defined, the fund should really revolve, which means that the cash flow from repayments should be used for new loan disbursements. The administrating organization (ULAIA, in the subject case) should not end up as the main beneficiary of the fund. This does not mean that it cannot derive any income from the fund. It could charge a percentage of each loan or additional interest on repayment installments for the fund administration.

b) By putting cattle traders/butchers, tanners and leather product manufacturers as immediate target beneficiaries in one group, the Project design overlooked the conflicting interests among them. The improvement of H&S quality benefited most the wealthy exporters of raw H&S, who are still purchasing the material in bulk for a low price, but can sell the better grades abroad for a higher price. It also serves the two tanneries, which can produce wet blue H&S for export in a better quality. However, the major stakeholders of these tanneries are TNCs and local politicians. The micro-entrepreneurs, who manufacture leather products, have the least benefit of the improvement, because they are using smaller pieces and often lower leather qualities.

Therefore, should the donor decide to give further support to the leather program, the assistance should be oriented mainly to the micro and small entrepreneurs. This could be done by strengthening and reorienting the activities of TCFC in other towns of the country. Particularly, the focus should be on the training of micro and small entrepreneurs and specifically for women in the leather goods sector.

It should be further studied, if MSEs, doing certain types of vegetable tanning, deserve the program's support, even though vegetable tanning is clearly not a large-scale alternative to chrome tanning.

The objective should be to produce added value to the goods locally manufactured, utilizing the hides and skins collected in the country and which are not in the top grade quality.

c) The design of future projects should identify the target beneficiaries and their needs based on more detailed economic analysis of the industry and its stakeholders in a country. If policy changes are required to ensure success, UNIDO should insist that these changes be made prior to the project.

d) The Project Document should stipulate more precise indicators for measuring the performance and results of a project.

e) Finally, it should be remembered that all reports and other documents ought to be dated. The Evaluation Team came across some Terminal and Final Reports prepared for the Program, in which no date was indicated.

8.4. Recommendations to ADC

a) According to the opinion of all persons interviewed, including target beneficiaries, representatives of GOU, ADC, UNIDO, ULAIA, USSIA, and even traders and tanners, the TCFC and its activities have been very successful in professional training and building capacities in the leather sector. Moreover, the function of the center in clustering some

services is very important for the entrepreneurs and helpful for the sustainability of the center itself. The Evaluation Team concludes that the TCFC has been the most successful component of the leather program and also the component with the highest degree of sustainability. Besides, the investment in TCFC training activities, tools and machinery has directly reached the target beneficiaries, among which are many female entrepreneurs. Most of the trainees have built their own businesses, in Kampala and in other parts of Uganda, and some have employed and trained their own staff. The sustainability of these businesses is a very important positive impact of the donor's investment – even more important than the sustainability of the organizations, which have helped accomplish this target (ULAIA, TCFC). It is a promising contribution to employment creation and poverty eradication.

Therefore, the Evaluation Team recommends not only continuing to support the TCFC, but expanding its scope of activities, its facilities and extending the TCFC scheme to other parts of the country. More machines should be purchased to enable more entrepreneurs to lease them. The establishment of a separate TCFC for leather goods should be considered. Regional TCFCs should be installed in Lira for the north, in Masaka for the south, in Mbarare for the west and in Mbale for the east of the country. Additional training courses for sales & marketing, business planning, accounting and related skills should be introduced.

The positive impact of the assistance provided by Ecotec and Mr. Daxbacher to TCFC has been acknowledged and commended by every person interviewed. Therefore, it is recommended to consider further involvement of this company and/or Mr. Daxbacher, if a new phase of assistance should be approved.

- b) The Evaluation Team recommends limiting any support to wealthy entrepreneurs and transnational corporations, which operate tanneries, trading houses or other large enterprises, to certain types of technical assistance, which is in the broader interest of the society, such as environmental management consulting or vocational training.
- c) The Evaluation Team suggests that the donor, together with the executing agency, carefully stipulate the usage conditions for any type of project funds that are transferred to a trustee organization, such as a revolving fund.
- d) Any project assessment should be done by at least two independent evaluators and not by persons involved in the design or implementation of the project. This excludes explicitly from an evaluation assignment staff members or consultants of the donor organization, the executing agency, or the government of the beneficiary country, if these persons participated in any capacity in the project.
- e) As discussed on 24 October, 2002, after the presentation of the results of the evaluation mission, it is recommended that for the case of a new project phase a mid term joint and independent in-depth evaluation be stipulated in the Project Document.

9. LESSONS LEARNED

Lessons learned are generalizations, positive or negative, based on evaluation experiences with projects and programs. The lessons are derived from the evaluation and abstract from specific circumstances to broader situations.

Frequently the lessons highlight strengths or weaknesses in formulation, design and implementation that can affect performance and results. Therefore, the lessons can be retained for improving the quality and effectiveness of the assistance in the future.

The Evaluation Team derived the following lessons from its mission:

- The designers of a project should take into account the complex socioeconomic and political ramifications for all stakeholders in a sector, and not only consider the technical component. Based on such analysis, they should assess if the target beneficiaries need financial assistance, and if the donor's investment would really reach the target beneficiaries. If collateral measures are required to ensure this, such as changes in fiscal or other policies, the donor or the executing agency should discuss with the beneficiary government, whether such measures can be taken, before finalizing the project document.
- A training center for small entrepreneurs should offer, along with the training in technical skills, some training in marketing, business development and cost analysis.
- Institution building projects require long term commitment by the government of the recipient country and by the aid donor to achieve sustainability and permanence in accomplishing their objectives.
- Extensions services for training of micro and small scale manufacturers need continuing support from the Government, from sectoral institutions or from a donor. Full financial self-sustainability can normally not be reached at the stage of sector development.
- When a donor or the implementing agency of a project transfers a fund in cash or kind to a beneficiary organization, it should sign with this organization a fund utilization agreement. This agreement should specify the
 - Legitimate scope for usage of the fund
 - Persons entitled to make disbursements
 - Selection criteria for third party beneficiaries
 - Selection and cost assessment criteria for goods and services paid with the fund
 - Auditing requirements
 - Supervisors of the fund and reporting requirements
- Private financial involvement of government officials and trade monopolies of wealthy influential entrepreneurs in the target sector can severely impair the impact of a project and its reach to intended beneficiaries.
- Fiscal measures, such as import and export levies, should be harmonized with policies of the main competitor countries and adapted to the development stage of the sector in the country. While free trade has clearly benefited most developing countries, the phasing out of trade barriers has to be timed sensibly and in accordance with other countries. In the case of market distortion by dumping or unfair competition, introducing levies or trading restrictions for certain goods may help to create a level playing field. On the other hand, abolishing taxes on the importation of raw materials and accessories will help the local industry compete with imports of finished good.

- It is a standard rule that persons involved in the formulation, design or monitoring of a project should not be evaluators of the same project they conducted. This directive is not always being strictly followed, which then leads to a conflict of interest and loss of objectivity. Therefore, it is imperative that the stakeholders select a team of at least two independent evaluators, who have no prior involvement whatsoever with the project.

provided with payback arrangements to the revolving trust fund operated under ULAIA.

Immediate objectives and outputs for the two national projects are specified in the relevant project documents. As regards US/UGA/96/300, it should be noted that preparatory activities for the new project consisted of a mission of UNIDO consultants who prepared a Position Paper which was used as input for the subsequent Objectives-Oriented Project Planning Workshop (OOPP) held in Kampala 21-23 April 1997. On the basis of the workshop, the project document for UGA/96/300 (prepared already in 1996) was amended and objectives and outputs were formulated (see Annex to the ToR).

Reports on the projects include Project Progress Reports, Terminal Reports and Final Reports. The first project (UGA/92/200) as well as the regional project RAF/92/200 were covered by the in-depth evaluation of the whole regional program carried out in 1996 (report issued in February 1997).

2. THE IN-DEPTH EVALUATION

2.1 Purpose, scope and method

2.1.1 Purpose

An evaluation was first considered in 1999. After a partial assessment of Austria's support to the leather sector in Uganda in spring 2001 it was decided at a meeting at the Austrian Ministry for Foreign Affairs on 28 May, 2001, to conduct a joint in-depth evaluation of the program for which the funds were made available only now.

The purpose of this in-depth evaluation is to enable the Government of Austria (as donor), UNIDO (as executing agency) and the key stakeholders in Uganda (MTTI, ULAIA) to arrive at a common understanding regarding performance and success of the program and to learn lessons for future development cooperation in this sector. The donor will use the evaluation also when deciding on future financial contributions to technical cooperation in the leather sector.

2.1.2 Scope

The evaluation should include the entire efforts made by UNIDO and financed by Austria to support the leather industry in Uganda since their inception in 1992. These efforts are also to be assessed within the context of other donor interventions (if any) or sector activities. The evaluation will determine as systematically and objectively as possible the relevance, efficiency, effectiveness, impact and sustainability of the support program to the leather sector (including the two national projects which were directly funded by Austria with more than USD 1,5 million and, as far as identifiable, support provided to Uganda under US/RAF/92/200).

In particular, the evaluation will address the following areas and ask the following key questions:

Relevance

Re-examine the relevance of original objectives and program design vis-a-vis the official Ugandan policy in the sector. How was the relevance of the proposed projects assessed at the time of project identification? Were the appropriate intervention points, partners and approaches chosen? Were established consultation and steering mechanisms appropriate? What was the level of participation and empowerment of Ugandan partners during the design and implementation phases of the projects? Did project experience confirm the relevance of the objectives and outputs of the first project phase as well as those identified by the OOPP workshop and the Steering Committee at the inception of the second phase? Have any important assumptions/risks remained unidentified? Is the leather sector still a priority for Ugandan partners and have they developed a concept of ownership that would justify a continuation of the program? Did the overall aims, target groups and activities of the program comply with Austrian Development Cooperation priorities like poverty eradication, gender equality or the applicable environmental standards?

Effectiveness

To what degree have planned outputs and objectives of the program been achieved and what are the reasons for not achieving (any of) them? Are project-related results used by target groups and beneficiaries as planned? Do they feel that the real issues of the sector have been tackled in the right way?

Efficiency

Were inputs provided as planned? Was the structure of inputs (foreign and national expertise, training, equipment) and their prices adequate for efficient production of outputs? Cost/benefit ratio – where identifiable - should be looked into, as well as the economically sound use of inputs. Were the implementation structures chosen strong enough and are their costs in line with results? Was the project adequately managed and monitored by UNIDO and the Steering Committee? Was allocation of resources to project components adequate to maximise impact? Is there any evidence of synergies among project components? Based on the analysis of the minutes of its meetings, the function of the Steering Committee and the actual implementation of its decisions should be looked into, just as the planning process should be analysed that took place in 1996 and 1997 and led to the final document for US/UGA/96/300.

Impact

What impact at industry level was achieved in terms of job creation/preservation, volume and value of H&S, leather and leather products output, introduction of new technologies, pollution reduction, reduced consumption of furnace oil, etc.? What indirect long-term impact of capacity building and changes in policy environment can be expected?

What was/is the impact of the project on the various groups involved (farmers, breeders, butchers, traders, women, young people...)? Were there any negative or unintended impacts created by it? What kinds of improvements have been achieved for the target groups and women in particular?

Sustainability

Has ULAIA been put into a position to sustain its intended functions? Have other capacity building outputs like hides and skins (H&S) grading and preservation facilities, mechanisms between butchers, traders and tanners; TCFC, etc. been sustained? Have traditional or outdated methods been replaced by new technologies and are these sustainable? Do they have any lasting impact on environmentally sound production methods?

Which concrete institutional changes (e.g. favourable legislation, tax regime, monitoring mechanisms to ensure quality of hides and skins) have been brought about by the project? Will ULAIA and other institutions in the sector survive without financial support through UNIDO? What are the concrete sources of income of ULAIA (member fees, provision of professional services to the industry etc.)? What has been achieved in terms of capacity building within these institutions and has it been a constant aspect of all activities?

How can factors like government commitment, entrepreneur commitment, policy environment, economic, technical, financial and environmental viability, or incentives for project participants to sustain the project be judged? What strategies do former beneficiaries of the project have to sustain their future as entrepreneurs? Do entrepreneurs and companies repay their loans to the Revolving Fund as planned? Is the Fund still operational today?

In US/UGA/92/200, the gender component was explicitly mentioned: have these aspects been addressed, how many women have been trained or are amongst footwear operators and designers? How many of them are still in business? Has the project fostered the integration of women into a male-dominated sub-sector or has it reinforced imbalances in gender relations?

2.1.3 Method

Whenever feasible, the evaluation will base conclusions and ratings on quantitative data and analysis. Such data should refer to, e.g. the increase in employment, sales, etc. Where no baseline was available prior to the start of the project, the evaluation will quantify the difference in trend achieved by the project.

The evaluation will consist of a desk study of project-related documents and of interviews of stakeholders both in Vienna (UNIDO, Federal Ministry for Foreign Affairs-BMaA, Ecotec) and in the field. Besides meeting beneficiaries and stakeholders of the project, visits to UNDP/UNIDO offices in Kampala, ULAIA headquarters, relevant Ugandan ministries (for documents on legal statutes, development strategies, sector policies etc.), and to the Austrian Regional Bureau in Kampala will be part of the evaluation process. In order to review to what extent recommendations were followed, the team will pay special attention to the Uganda-relevant sections of the 1997 evaluation report on the UNIDO Africa Leather Program (available at UNIDO), and to the Assessment Report prepared by Mr. M. Wong in May 2001 (available at the Austrian Foreign Ministry).

The team leader will decide on the kind of interviews to be conducted. He will design the required questionnaires or sets of questions to be asked. These could include standardised questions for interviews with individual beneficiaries, specialised questions for experts, and questions for group interviews and/or discussions.

In view of the fact that the second project was completed nearly two years ago and no project management structures operate in the field any more, it is necessary for the evaluation team to make full use of information available in Vienna prior to visiting stakeholders and target beneficiaries in the field. Therefore, the following allocation of time to evaluation activities is envisaged (changes possible):

- Preparation and briefing at UNIDO HQs, interviews with UNIDO Project Manager and other staff (e.g. CTA), studying documentation, meeting at the Austrian Ministry for Foreign Affairs and briefing by the Department of Development Cooperation 3 days
- Field trip Uganda, interviews of stakeholders and target beneficiaries in the field 10 days
- Drafting of the report and presentation of main findings and conclusions in Uganda 3 days
- Presentation of draft report in Vienna 1 day
- Travel 2 days

A comprehensive list of people to be met and interviewed in the field will be proposed by UNIDO and cross-checked with Ugandan partners, the Austrian Regional Bureau in Kampala and BMaA before the beginning of the evaluation.

Although the mission should feel free to discuss with the authorities and stakeholders concerned all matters relevant to its assignment, it is not authorized to make any commitment on behalf of UNIDO or the donor.

2.2 Composition of the evaluation team

The evaluation team will be composed of the following members:

One nominee of the donor (team leader), with experience and a broad background in technical cooperation, industrial and organisational development and evaluation. Experience in the leather

sector would be of advantage.

One nominee of the Ministry of Industry of Uganda, who is an expert with experience and knowledge of the leather sector of the country and the region.

One nominee of UNIDO with knowledge of technical cooperation in the sector and/or a good evaluation background.

At least one member of the team should be female. The members of the evaluation team must not have been directly or indirectly involved in the design or implementation of the projects.

2.3 Report

The evaluation report should follow the standard format for evaluation reports used by the Austrian Development Cooperation. In order to ensure that the report considers the views of the stakeholders and is properly understood and followed up by them it is required that its draft version including the main conclusions and recommendations is:

- presented to and discussed with the development partners in the field before departure of the team from the field;
- presented to and discussed with the Project Manager, representatives of the donor and other UNIDO staff concerned with the project at a meeting to be organized at the Austrian Ministry of Foreign Affairs after the mission.

As the report is the product of an independent team acting in their personal capacities, it is up to that team to make use of comments either made in writing or during these presentations by the concerned parties and to reflect them in the final report. However, the evaluation team is responsible for reflecting any factual corrections brought to their attention prior to the finalization of the report.

The final report is to be submitted in 5 hard copies and on a diskette (in Word) to UNIDO for printing and distribution to stakeholders.

2.4 Logistics and timetable

Whenever possible, logistical support will be provided in Uganda by the Austrian Regional Bureau for Development Cooperation. ULAIA will be requested to assist in identification, planning and making arrangements for visits.

Timetable to be agreed upon with the evaluation team.

2.5 Budget in US\$

see separate sheet.

Annex to TOR

Objectives and Outputs of US/UGA/96/300 as stated in the Project Document:

(The additional questions listed under each of the following objectives could be used by the evaluation team when preparing and conducting interviews with selected beneficiaries and stakeholders).

Development objective:

To develop the agro-based indigenous, renewable raw material source - hides and skins - to a higher value-added stage, and to increase the contribution of the leather industry sector on the country level.

Immediate objective 1 - Institutional Component

Improved institutional support policy framework of the Uganda Leather and Allied Industries Association (ULAIA).

- Output 1 Proposal of a strategy and policy to be applied by ULAIA for the development of the sub-sector prepared
- Output 2 Amendment of the Raw Hides and Skins Act
- Output 3 ULAIA strengthened
- Output 4 Proposal for a statistical monitoring mechanism on hides and skins collection and quality assessment to be operated and supported by ULAIA.

Additional questions:

- Has the project properly assessed and analysed conditions for the leather sector in Uganda and prepared a future strategy and policy to be applied by ULAIA?
- What were the concrete steps taken by UNIDO to strengthen ULAIA institutionally and its understanding of ownership?
- How has the project addressed the fact that the shoe and leather goods industry in Uganda has to compete with strong competition from cheap imports into the market?
- Which initiatives have been set to achieve fair taxation of small firms (shoe production) vis-a-vis large firms (tanneries)?

Immediate Objective 2- Hides and Skins Component

Improved quality and increased quantity of hides and skins

- Output 1 A proposal for the hides and skins collection system prepared
- Output 2 Hides and skins grading and preservation facility established
- Output 3 Quantity of high-grade hides and skins at a slaughter facility increased, through installation of additional mechanical equipment (one/two hide pullers) at slaughter houses (other than Uganda Meat Industry UMI)
- Output 4 Familiarization tour organized
- Output 5 Mechanism between cooperating butchers/traders/tanners established in order to increase their production of machine pulled hides.

Additional questions:

- Which quantities of hides and skins have been exported annually? Were exports based on grades and quality, or simply made in bulk between 1995 and today?
- Has a system of regular quality checks and controls been put in place for the abattoirs that were financed under the project (hygiene, proper handling of equipment, etc.)?
- Has the quality of hides and skins been improved in general, and how can this improvement be assessed?

Immediate objective 3 - Leather Component

Increased quantity and improved quality of semi-processed leathers and finished leather.

- Output 1 High quality sport-ball leather for local manufacture produced
- Output 2 Promotion of the sector and program
- Output 3 Draft project document on hides and skins improvement for submission to EC/ASCIM, Kampala for possible funding prepared.

Additional question:

- What was the impact of interest free loans provided to small entrepreneurs? Have these loans been properly used and repaid?

Immediate objective 4 - Environment Component

Mitigation of tannery pollution and other environmental improvement

Output 1 Study on clean technology options on existing effluent treatment plants in at least two tanneries (Mbarara and Leather Industries of Uganda)

Output 2 Reduced consumption of furnace oil and electricity by LIU.

Additional questions:

- What environmental standards are in place for tanneries, but also for the other productive parts of the sector?
- Does such an environmental framework –if existing- take into account the needs of the sector? Are standards too high (danger of corruption) or too low (danger of neglect)?
- Have regular contacts been established between representatives of the leather sector and Ugandan authorities, e.g. the parliamentary committee on environment, in order to create a legal framework for the introduction of environmental standards for the industry?

Immediate objective 5 - Footwear and Leather Goods Component

Improved quality and increased quantity of footwear and other leather products:

Output 1 Basic common production, training, and maintenance and procurement facility for footwear and leather goods manufacturers

Output 2 At least 20 footwear operators, designers and 7 supervisors trained per year

Output 3 Training and Common Facility Centre (TCFC) improved

Output 4 Public awareness for “Crane” trademark and TCFC activities created

Output 5 Cooperation between TCFC and Cheshire Home for Disabled established

Output 6 At least 8 leather goods manufacturers trained

Output 7 Competitiveness of shoe producers through balanced tax regime improved.

Additional questions:

- Have experts deployed by UNIDO supported both small entrepreneurs (production of shoes, balls and other articles) and medium and big enterprises?
- To what extent has the footwear expert deployed by ECOTEC been integrated into the project and to what extent were opportunities of synergies established and maximised?
- Have any viable links been established between Ugandan and Austrian (or European) firms?
- What is the value added with regard to locally produced leather goods?
- Has it been possible to develop any networks/clusters in support of small entrepreneurs?
- Which efforts have been made to support small entrepreneurs in procuring (raw) materials (e.g. leather) or in marketing (finished) products on a joint basis?

ANNEX II – CONTACT LIST

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Mr. Hillary Byamukama	Bushenyi and Co., Kampala
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Ms. Mnamakula M. Garreth	Nkokonieru
Ms. Edna Bakara	Kampala
Mr. Isidore Omiat	Kampala
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Mr. Isaac Mukuya	Mathew Shoe.Co., Kamuli
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ANNEX III - TIMETABLE OF THE EVALUATION MISSION

Date	Activities
Sep 11	Meeting with Mr. Anton Mair at BMAA, Vienna
	Meeting with Ms. Aurelia Calabró and Mr. Gerhard Felsner at UNIDO, Vienna
Sep 16	Travel from Vienna to Kampala
Sep 17	Meetings in Kampala
Morning	Meeting with Dr. Konstantin Huber, Ms. Irene Novotny, Ms. Anna Pia Papaccioli, Mr. Emmanuel Mwebe, Ms. Robinah Sabano at the Regional Bureau for Development Cooperation of the Austrian Embassy
	Meeting with Dr. Richard Nduhuura, Minister of State for Industry and Technology at MTTI
	Meeting with Mr. Albert Semukutu and Mr. Samuel Balagadde at UNIDO IP Office
Afternoon	Meeting with Mr. Emmanuel Mwebe and Ms. Susan Achillo at ULAIA
Sep 18	Meetings in Kampala
Morning	Meeting with Ms. Florence Kara and Mr. George Mpanga, Uganda Export Promotion Board
	Meeting with Mr. Arnold Waiswa, Mr. Patrick Kamanda and Ms. Lynda Biribonwa at NEMA
	Meeting with Mr. Christopher Kanyesigye at NWSC
Afternoon	Meeting with Mr. Alain Joaris at the office of the EU Delegation
	Meeting with Mr. Hassan Basajja at Basajjabalaba Hides & Skins Co. Ltd.
Sep 19	Meetings in Kampala
Morning	Meeting with Dr. Francis Mwesigye and Mr. Fred Lugemwe at TopCuts
	Meeting with Mr. Omar Siraji and Mr. Abdul Razak at Siraji Enterprises Ltd.
	Meeting with Mr. Joseph Kayondo at Uganda Shoe Company Ltd.
	Meeting with Mr. Andrew Spyrou and Mr. Peter Tinka at Bata Shoe Co. Uganda Ltd.
Afternoon	Meeting with Mr. Charles Nagayo, Mr. Julius Byabashaija, Mr. Geoffrey Musinguzi, Ms. Victoria Byoma at TCFC
	Meeting with Entrepreneurs at TCFC
	Meeting with Dr. Konstantin Huber and Mag. Franziska Walter at the Regional Bureau for Development Cooperation of the Austrian Embassy
Sep 20	Meetings in Entebbe and Kampala
Morning	Meeting with Dr. Fabius Byaruhanga, Minister of State for Fisheries, Dr. Benon Kyokwijuka, Dr. Frances Kanya and Dr. Imelda Kagoro Tumwesigye at MAAIF, Entebbe
	Meeting with Ms. Florence Adongo and Mr. Mohammed Badaza at the Directorate of Water Development, Entebbe
Afternoon	Meeting with more Entrepreneurs at TCFC
Sep 21	Document Review and Meeting in Kampala
	Meeting with Mr. Emmanuel Mwebe and Ms. Robinah Sabano at the Sheraton Hotel
Sep 22	Meeting, Document Review and Report Preparation in Kampala
	Meeting with Mr. Andrew Spyrou, Bata Shoe Co. Uganda Ltd. at the Sheraton Hotel
Sep 23	Meetings in Jinja
Morning	Meeting with Mr. Niazali Hirani, Mr. Rais Khan and Mr. Amzad Ali, LIU
Afternoon	Meeting with Mr. Yusuf Karmali, Gomba Fish Tannery
	Meeting with Ms. Jolly Batarirana Rwanguha, People's Footwear & General Enterprises

Sep 24	Meetings in Masaka and Kampala																								
Morning	Meeting with Mr. Methodius Kasujja and Mr. Drake Mutesasira, TALIU																								
Afternoon	Meeting at TALIU continued Meeting with Mr. Markus Lechner at the dinner reception at Mr. Huber's residence in Kampala																								
Sep 25	Meetings and Report Preparation in Kampala																								
Morning	Meeting with Mr. Enos Katungi, Mr. Gabriel Kansiime and Ms. Jolly Twinimasiko, Equator Sports Co.Ltd.																								
Afternoon	Meeting with Mr. Onorato Garavaglia, East Hides Uganda Ltd.																								
Sep 26	Meetings and Debriefing in Kampala																								
Morning	Meeting with Mr. Patrick Banya, UMA Meeting with Mr. L.K. Kiiza, Commissioner Tax Policy, MOF																								
Afternoon	Meeting with Mr. Abdul Hakim Sekandi, TALIU Meeting with Mr. Vincent Ssenyondo, USSIA Debriefing with Dr. Konstantin Huber, at the Regional Bureau for Development Cooperation of the Austrian Embassy																								
Sep 27	Debriefing in Kampala and Travel to Vienna																								
Morning	Debriefing at MTTI																								
Sep 28	Travel to Vienna																								
Morning	Departure from Kampala																								
Afternoon	Arrival in Vienna																								
Oct 1	Meeting in Vienna																								
Afternoon	Meeting with Ms. Aurelia Calabró, UNIDO																								
Oct 2	Meeting in Vienna																								
Morning	Meeting with Mr. Anton Mair, BMAA																								
Oct 3	Meeting in Vienna																								
Afternoon	Meeting with Mr. Andreas Daxbacher at the VIC																								
Oct 4	Meeting in Vienna																								
Afternoon	Meeting with Mr. Werner Pilz at his office																								
Oct 22	Meeting in Vienna																								
Afternoon	Meeting with Mr. Paul Tremmel at his office																								
Oct 24	Meeting in Vienna																								
Morning	<p>Presentation of the Findings and Recommendations of the Evaluation Team to ADC and UNIDO at BMAA</p> <p>Participants:</p> <p>Mr. Richard Temsch and Mr. Mario Marchich (Presenters)</p> <table border="0"> <tr> <td>Mr. Anton Mair</td> <td>Director of Evaluation and Control, BMAA VII.6</td> </tr> <tr> <td>Mr. Herbert Kroell</td> <td>Director of the Multilateral Cooperation Division BMAA</td> </tr> <tr> <td>Ms. Edda Weiss</td> <td>Head of Coordination and Information Unit BMAA</td> </tr> <tr> <td>Ms. Franziska Walter</td> <td>Desk Officer for Development Cooperation BMAA</td> </tr> <tr> <td>Ms. Sigrid Kodym</td> <td>Desk Officer, Multilateral Cooperation Division</td> </tr> <tr> <td>Mr. Werner Pilz</td> <td>Consultant, Development Cooperation Branch BMAA</td> </tr> <tr> <td>Mr. Peter Kuthan</td> <td>Consultant, Evaluation Unit BMAA</td> </tr> <tr> <td>Ms. Gertrud Palaki</td> <td>Consultant, Evaluation Unit BMAA</td> </tr> <tr> <td>Ms. Margit Scherb</td> <td>Consultant, Evaluation Unit BMAA</td> </tr> <tr> <td>Ms. Christine Jantscher</td> <td>Consultant, Coordination and Information Unit BMAA</td> </tr> <tr> <td>Mr. Hans Stoisser</td> <td>Director, Austrian Consulting Company Ecotec</td> </tr> <tr> <td>Mr. Ferenc Schmel</td> <td>Industrial Development Officer for the Leather Sector, UNIDO</td> </tr> </table>	Mr. Anton Mair	Director of Evaluation and Control, BMAA VII.6	Mr. Herbert Kroell	Director of the Multilateral Cooperation Division BMAA	Ms. Edda Weiss	Head of Coordination and Information Unit BMAA	Ms. Franziska Walter	Desk Officer for Development Cooperation BMAA	Ms. Sigrid Kodym	Desk Officer, Multilateral Cooperation Division	Mr. Werner Pilz	Consultant, Development Cooperation Branch BMAA	Mr. Peter Kuthan	Consultant, Evaluation Unit BMAA	Ms. Gertrud Palaki	Consultant, Evaluation Unit BMAA	Ms. Margit Scherb	Consultant, Evaluation Unit BMAA	Ms. Christine Jantscher	Consultant, Coordination and Information Unit BMAA	Mr. Hans Stoisser	Director, Austrian Consulting Company Ecotec	Mr. Ferenc Schmel	Industrial Development Officer for the Leather Sector, UNIDO
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ANNEX IV – ARTICLE ON BHS IN THE NEW VISION

The New Vision, Friday, September 27, 2002

BUSINESS 51

Baroda listing in November

By Stephen Ilungole

THE Bank of Baroda (Uganda) Limited shares will be allocated on October 17, before trading begins on the Uganda Securities Exchange on November 14 at the East African Development Building. Share certificates will be issued on November 7.

Over 15,000 application forms under the initial

public offer (IPO) have been distributed country-wide, the managing director, P L Kagalwala said on Wednesday.

Kagalwala said the shares were likely to be oversubscribed, following the overwhelming response from all their branches countrywide.

"The public response for the last three weeks the IPO has run has been very encouraging. It has been

beyond our expectations and we expect the shares to be oversubscribed."

"We are happy that we will not only achieve what we had targeted but surpass it," he said. He said they will be able to tell how many application forms were returned on Monday after the IPO that is ending on today, September 27.

Kagalwala said the response from their

uncountry branches of

Mbarara, Jinja and Mbale was even more encouraging, an indication that the public was now coming to terms with the share issue

"and more importantly, show the confidence they have in Bank of Baroda." Bank of Baroda Uganda Limited, is one of the nine foreign banks operating in Uganda. The bank has been here for the last 49 years but this is the first

is giving the locals opportunity to have ownership.

The bank is now 100% owned by Bank of Baroda India, after the government divested its 49% shareholding in 1999.

This will make Baroda the first financial institution to list on USE and the fifth firm after Uganda Clays, British American Tobacco Uganda, East African Breweries Limited and Kenya Airways.

IN BRIEF

Tax queried

NSARARA-Government should establish a deposit refund scheme to be applied to polythene bags (buveta) instead of the 20% tax increase, which government recently imposed on them. This was suggested by Dr. Nicholas Rudaheranwa, a lecturer at Makerere University, Institute of Economics early this week.

Centre wins

ENTERFER-President Yoweri Museveni has directed the ministry of finance to release US\$100,000 (over just sh180m) to Uganda Wildlife Education Centre (UWEC), Beth Kanyo the centre's executive has said. The money was a pledge the President made on June 18th when he visited the centre to launch its Trust Fund. "On June 18, 2002 we hosted the President who in appreciation of the work being done here pledged \$100,000 as seed money for the Trust Fund," she said.



Spot promo gets vendors excited

Basajjalalaba buys Packers

By Vision Reporter

HASSAN Basajjalalaba has added the neighbouring Uganda Meat Packers (Uganda) Limited to his meat processing chain. Meat Packers is next to the City Abattoir on Old Port Road in which Basajjalalaba already has a major interest.

The move makes Basajjalalaba the leading provider of meat in the city. Meat Packers is the preferred choice for the top end customers including hotels.

This purchase from Karim Hirji also gives Basajjalalaba who is a major dealer in hides greater control over the quality of the hides from the slaughtered animals.

Earlier in a meeting with officials of the Ministry of Agriculture and Animal Industry and Fisheries, and Kampala City Council, Basajjalalaba had called for greater care in the treatment of cattle for slaughter to keep up the quality of the hides.

Basajjalalaba has become a major player in the local property market for the past year and half.



Uganda National Bureau of Standards

Basajjalalaba buys Packers

By Vision Reporter

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Basajjalalaba has become a major player in the local property market for the past year and half.

ANNEX V – MAIN DOCUMENTATION REVIEWED

Terminal report US/RAF/92/200 “Regional Africa Leather and Footwear Industries Scheme (RALFIS)”	
Project Document US/UGA/92/200 “National Leather and Footwear Industry Scheme (NALFIS)”	October 1992
Status Report on outputs/activities US/UGA/92/200	January 1997
Terminal Report US/UGA/92/200	
Final report US/UGA/92/200	
Evaluation Report of US/RAF/92/200	February 1997
Position Paper on US/UGA/96/300 – Mission to Uganda	April 1997
Project Document US/UGA/96/300 “Integrated Programme Assistance to Strengthen the leather and the leather products industry in Uganda”	April 1997
Report of the OOPP Workshop in Kampala, 21 – 23 April 1997	May 1997
Minutes of seven meetings of the Steering Committee of project US/UGA/96/300	October 1997 - May 1999
ULAIA Business Plan	April 1998
Leather Profile in Uganda prepared by ULAIA	July 1998
Project Progress Report US/UGA/96/300	October 1998
Constitution Act of ULAIA	June 1999
Guide for Hides and Skins Improvement in Uganda, prepared by ULAIA	
ULAIA Project Proposal for EU/ASCIM to Strengthen the Capabilities of the Export Oriented Leather Industry Sector in Uganda	June 1999
Proposal for the extension of the Leather project US/UGA/96/300	October 1999
Final report project US/UGA/96/300	April 2000
Terminal report US/UGA/96/300	5 November 1999
Integrated Program document “Enhanced competitiveness and sustainability of industrial development in Uganda”	September 2000
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