

PRIVATE SECTOR FOUNDATION OF UGANDA (PSFU)

ENTERPRISE SKILLS AND LINKAGES (ESL)

1.0. INTRODUCTION:

Uganda's revised Poverty Eradication Action Plan (PEAP) sets out Uganda's agenda, which focuses on five main pillars:

- Economic management;
- Production competitiveness and incomes;
- Security conflict resolution and disaster management;
- Governance; and
- Human development.

The ESL program has contributed to PEAP through the linking of MSMEs to skills training and development for more employment – oriented skills and improved productivity.

The Government's poverty strategy emphasizes the need to transform the economy through private investment, industrialization, and exports. The PEAP focuses on two key areas to enhance incomes: Micro, Small, and Medium Enterprises (MSMEs). In order to achieve the PEAP objectives, which includes a targeted growth of 7 percent per year, Uganda will have to increase exports by 10 percent per year, while keeping imports as a percentage of GDP fairly stable.

The private sector is the major source of employment of an estimated 12-million strong workforce. Non-farm enterprises in the formal sector, estimated at 160,000 firms, employ over 444,000 workers, with the majority of workers employed in MSMEs. There are no accurate employment figures in Uganda, but it is widely acknowledged that an estimated 300,000 new job seekers per year are absorbed by the informal sector, which together with MSMEs account for an estimated 1.5 million workers. The accelerated growth of MSMEs, together with greater mobility from informal to formal status, has the potential to reduce poverty, in particular income poverty, through expanded and more productive employment.

2.0. PRIVATE SECTOR FOUNDATION OF UGANDA (PSFU)

PSFU is Uganda's apex body for the private sector. It is made up of 140 business associations, corporate bodies and major public sector agencies that support private sector growth. Right from its inception PSFU has been government's implementation partner for several projects and programmes aimed at strengthening the private sector.

The PSFU services amongst other include:

- Policy advocacy;
- Representation of private sector concerns on regional and local forums;
- Undertaking capacity building for the private sector;
- Business Development Services (BDS)

The PSFU also implements various programmes with donor support and in partnership with Government of Uganda. Amongst these programmes are:

- Business Uganda Development Scheme – Enterprise Development Support;
- Business Uganda Development Scheme – Energy for Rural Transformation;
- Second Private Sector Competitiveness Project (PSCP II).

Enterprise Skills and Linkages is a component of the Second Private Sector Competitiveness Project (PSCP II).

2.1. SECOND PRIVATE SECTOR COMPETITIVENESS PROJECT (PSCP II).

PSCP II is a 5 year project funded under a US dollar 70 million credit arrangement from the World Bank to the Government of Uganda towards;

1. Increasing the competitiveness of Uganda's private sector in local, regional and international markets,
2. Creation of sustainable conditions conducive for enterprise development and growth,
3. Encouraging investment in Uganda,
4. Facilitating private sector development and growth of MSME, and
5. Employment creation.

The project consists of three mutually reinforcing components:

Component 1—Developing Infrastructure and Financial Services: The objective is to provide priority infrastructure and related facilities to support the growth of the industrial and business sector.

Component 2—Enhancing Enterprise Competitiveness: This aims to improve enterprise creation and growth, particularly in MSMEs, by changing enterprise behavior toward investment in skills, including investment in skills for women, raising productivity and improving the quality, standards, and reliability of MSME producers participating in export value chains. This will be achieved by scaling up the ongoing matching grant scheme implemented successfully under the first Private Sector Competitiveness Project. In addition new schemes were developed to target:

- Improving technology;
- Improving skills;
- Supporting creation innovative products and new lines of business by providing grants through a business plan competition scheme;
- Improving financial management of MSMEs to help increase their access to finance.

The *Development of the Enterprise Skills Linkage Programme* is part of this second component.

Component 3—Improving the Business Environment: This addresses critical issues in the business environment, including:

- Improvements in the land registry and survey training school;
- Improvements to the business registration service;
- Support to the Uganda Law Reform Commission and revision of key legislation, in particular, legislation relating to exports.
- In addition, it had supported and strengthens the public-private sector partnership and dialogue initiated under the first Private Sector Competitiveness Project.

2.2. ENTERPRISE SKILLS LINKAGES PROGRAMME (ESL)

Low labor productivity has been identified as an important source of low competitiveness of Ugandan enterprises relative to its neighbors, as well as internationally. The ICA finds that labor productivity is lower in the smaller enterprise and that the gap is most pronounced for micro, small and medium enterprises (MSMEs) with fewer than 100 workers, where value added per worker is about a third of that in Kenya and Tanzania, where it is comparable to firms above 100 workers. Sources of low productivity include low worker skills, poor management, and low capital intensity – especially in micro and small enterprises.

Under-investment in training (by employees as well as employers) results in a low skilled workforce that is accelerated by the absence of appropriate training modules oriented towards the needs of MSMEs. Competence-based skills training is therefore required to upgrade existing employees and job-seekers need some hands-on practical training from the Enterprises. Formal BTVET institutions presently offer only 2-3 year courses with no significant practical experience.

Many primary school leavers who do not go on to higher education undertake apprenticeship in hope of getting a job or starting their own business. However, the traditional informal apprenticeship provides only rudimentary skills in under equipped enterprises, and trainees cannot readily move to better jobs because they lack proof of their qualified skills, nor are they well prepared for success in their own micro enterprises. The ESL identified small and medium enterprises in which good

technical skills are being developed and strengthen these firms to provide more certified training in collaboration with BTVET institutions.

2.3. OBJECTIVES OF ENTERPRISE SKILLS LINKAGES PROGRAMME

The objective of the Enterprise Skills and Linkages (ESL) Subcomponent of PSCP II is to raise the productivity of labor, particularly in MSMEs. This is to be achieved by:

- Establishing closer linkages between BTVET institutions and enterprises
- upgrading the quality of training in traditional apprenticeship system
- Greater orientation of these systems towards Trade Qualification.

Expected Results

- 60% of course EST participants are self-employed or are employed in enterprises
- The skills acquired increased enterprise productivity and income by 20%
- Labor productivity increased by 20%
- 20 large enterprises train at least 100 additional apprentices, graduates and interns
- 10 training providers train at least 500 additional MSMEs
- 100 SMEs train at least 100 apprentice

3.0. KATWE SMALL SCALE INDUSTRIES DEVELOPMENT ASSOCIATION (KASSIDA)

Katwe Small Scale Industries Development Association (KASSIDA) is the umbrella organization for the Local Engineering Artisans who supply a range of technological products to both the local and regional markets of Uganda.

KASSIDA started as a Community Based Organization (CBO), registered in 2006 and was later incorporated as an association by the Registrar of companies in 2008. Among association objectives include uniting efforts for improving production activities, access to both common facilities and national resources.

Membership in KASSIDA is over 290 people, operating in different trades in production workshops. Over 300 workshops are operational and have between five and ten workers. Therefore, KASSIDA has a total of over 1500 employees.

The association has a patron to advise and guide it in its operations. There is a 13 person's executive, headed by the Chairman. The Secretary General doubles as the Administrator, a Director for Finance, another Director for Projects and representatives from the different trades / specialties

3.1. LAND FOR WORKSHOPS CONSTRUCTION

The Government of Uganda through the ministry of tourism, trade and industry purchased 5.16 acres of land to settle scattered KASSIDA members from the road sides. The clearing/ leveling of the site has been made and construction is beginning July 2010.

The National Environmental Management Authority (NEMA) carried out an environmental impact Assessment and recommended the development of the area into an industry park can commence.

3.2. TRADING

Katwe Small Scale Industries Development Association receives some customers for their finished products from our neighboring counties of Southern Sudan, Kenya, Rwanda, Democratic Republic of Congo, and Tanzania. This has boosted trade in this area and employed a considerable number of people as an effort of reducing poverty.

KASSIDA participated in the East African Juakali/Nguvu Kazi exhibition at Gikondo show ground Kigali Rwanda, Nairobi Kenya, Minazi Moja Dar-es-salaam Tanzania, and Soroti Boma ground

Uganda. These exhibitions have significantly attracted a lot of clients to their workshops and increased on their sale volume of the products tremendously.

3.3. TRAINING

The Private Sector Foundation of Uganda (PSFU) signed an agreement with Katwe Small Scale Industrial Development Association (KASSIDA) on 30th/11/2009 to enable KASSIDA undertake apprenticeship training.

The Agreement was formulated under the Enterprise Skills Linkage (ESL) Programme which has been established with the aim of raising the productivity of labour, particularly in the Micro small and medium Enterprises (MSMEs) in Uganda. The scheme is carried out as a component of the Second Private Sector Competitiveness Project, a World Bank and Government of Uganda funded project, implemented by the Private Sector Foundation Uganda.

A total of 288 KASSIDA beneficiaries are still undertaking a tailor made (hands on) training in various trades/skills area of Carpentry, Metal fabrication, Fitter mechanics Foundry, Tailoring, Electrical works and Shoe/leather production.

The purpose of the KASSIDA training aims at;

- An improvement in production and productivity
- Improved quality of products
- Upward adjustment in the income of members and association
- Increment in the sales volume for the individual workshops
- Expansion to the regional market for KASSIDA's products
- Increase KASSIDA membership tremendously.
- Improve KASSIDA linkages to related organizations
- Satisfying the competencies for an individual by issuance works pass

The apprenticeship training will impart modern production techniques, jobs creation; build confidence in individuals to take on big tasks of production, access to wider market for products and financial management to beneficiaries which will increase on their income. This fits well in ESL objective of raise the productivity of labor, particularly in Micro-Small and Medium Enterprises (MSMEs). At the same time meet the PSCPII objective of creating sustainable conditions for enterprise creation and growth, increase private sector growth, increased employment in the private sector, increased export growth and market access, improve on financial services and increased performance of MSMEs.

However, there are other similar trainings in various skills area of sub components of Tourism, Fish and fish farming, Horticulture, Construction, Textiles and Motor Vehicle Servicing and repair going on in Northern and Eastern Uganda. A total of 1,035 people have been trained from the two regions.

The ESL program has attracted a lot of demand from the Ugandans and this call for more funding to address skills thirstiness in the Ugandan population. ESL is the only way we can quickly eradicate poverty and make citizens become self supporting.

KASSIDA produce a range of products in a variety of different fashions. These include both steel and wooden doors and windows, door frames, window frames and beds, building welding machines, battery charging machines, voltage regulators, rewinding of motors, construction of coffins, production tools like brick making machines, baking ovens, energy saving stoves, a variety of ladies and men's designs / fashions, school uniforms, overall and over coats to mention but a few.

3.5. TOOLS AND EQUIPMNET

KASSIDA has submitted a list of sizable number of tools and equipment to Private Sector Foundation of Uganda under the PSCPII/ESL program for support but consultations are going on with the concern ministries to forge away for appropriate placement of tools and equipment when purchased.