

EAST AFRICAN COMMUNITY

INDUSTRIAL UPGRADING AND MODERNIZATION PROGRAMME FOR THE EAST AFRICA REGION

TAKING YOU AND YOUR
INDUSTRY TO THE
NEXT LEVEL



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



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UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

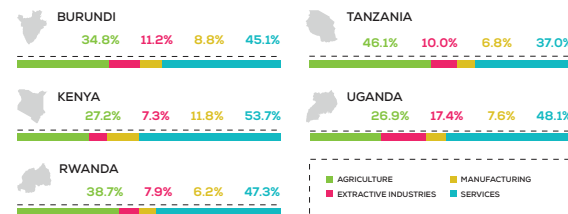
EAST AFRICA's LONG TERM GOAL

Manufacturing SMEs as viable business entities creating employment, sustainable value addition, income generation and export growth in the region

CONTEXT

The East Africa region is endowed with an abundance of resources –natural, human and economic. Despite a wide range of initiatives to improve competitiveness and promote sustainable development, the region's economy has not yet transformed from a resource dependent to a dynamic diversified industrial economy. The manufacturing sector still represents a small share of East Africa's economy.

The main focus at the East African Community (EAC) level is how to stimulate economic growth beyond natural resource sectors through diversification, generation of higher value added by moving up the value chains in productive activities, and enhancement of linkages between sectors in the economy. The role of growth-oriented small and medium enterprises (SMEs), which account for over 60 percent of employment creation in the region, is an important component of EAC growth and industrial diversification strategy.



Large share of the region's real economy is still concentrated around primary sectors with little contribution from manufacturing.

Data source: World Bank 2011

The long term goal is to transform SMEs into viable business entities that not only create employment but contribute sustainably to value addition, income generation and export growth in the region. The challenges impacting upon the EAC industrial sector in general and SMEs, in particular, are well documented, including on business environments, technologies and enterprise level productivity.

STRATEGY

Faced with these challenges, the region has underscored in various policy and strategy documents the need to introduce new technologies, promote innovation, and adopt better business practices to accelerate the pace of SME transformation.

To help realise these goals, EAC has formulated a regional programme proposal on Industrial Upgrading and Modernization (IUMP) for SMEs in the East Africa Region, through technical support from the United Nations Industrial Development Organization (UNIDO). The Programme aims to improve the competitiveness of manufacturing SMEs in five East African States to maintain and improve their market share in domestic markets and to take advantage of opportunities provided by intra-regional and inter-regional trade.

The Programme builds on UNIDO's successful experiences in boosting the performance of private sector producers through value addition, promotion of industrial linkages and the creation of conducive environments for technology upgrading and innovations.

The Programme fosters a regional approach to industrial development within priority sectors with high potential for employment, food security, income and export generation by providing common solutions to similar challenges facing the industrial sector in the region. This in turn ensures evenly spread development across the region and enhancement of productive capacities to integrate at the regional and global level.

Deepening Regional Integration

*The Programme will
contribute to the
region's effective
integration thus
improving international
positioning in
manufactured value
addition (MVA),
manufactured
exports, and global
competitiveness.*

OBJECTIVE

The Programme aims at improving productivity and competitiveness of selected groups of enterprises through strengthening their productive and trade capacities. It also builds capacities of supporting institutions to deliver related support services

APPROACH

Definition

Upgrading in the Programme context is defined as a process of continuous improvement designed to "prepare and adapt enterprises and their business environment to the requirements of the free trade setting and introduce an approach for progress driven actions, strengthening enterprises' strong points while eliminating their weaknesses".

Benefits

Upgrading aims at improving productivity and competitiveness of selected groups of enterprises through strengthening their productive and trade capacities. It also builds capacities of supporting institutions to deliver related support services. For industries and enterprises, upgrading involves two goals:

- Enhancing competitiveness in terms of price, quality and innovation;
- Adopting and adapting technologies and accessing markets.

The approach allows existing manufacturing SMEs and their networks to build interlinked capacities necessary to reliably produce larger volumes of manufactured goods in compliance with the requirements of open markets.

Success Stories

In recent years, UNIDO has successfully implemented and is currently implementing similar programmes in the following African regions and countries:

- North Africa (Tunisia, Algeria, Morocco and Egypt)
- West Africa (Senegal and UEMOA)
- Central Africa (Cameroon and CEMAC)
- EAC Region (Pilot IUMP in Tanzania).

The Programme has incorporated lessons learnt from these experiences.

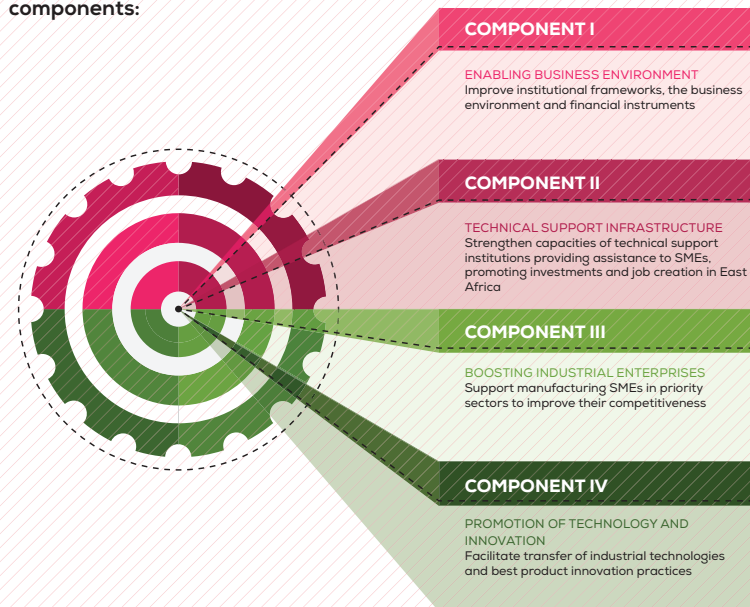
Focus

The proposed technical assistance focuses on:

- Improving regulatory frameworks and the business environment
- Reinforcing capacities of technical and business support institutions
- Enabling manufacturing enterprises to upgrade their managerial, technological and innovative capabilities.

COMPONENTS

The programme aims to intervene through the following components:



PROGRAMME BENEFICIARIES & PRIORITY SECTORS

Programme Beneficiaries

Private sector SMEs	Ministries of industry and trade	Technical support and financial institutions dealing with SMEs and industries, including employment promotion and vocational training institutions, institutions financing SMEs, investment, technology and export promotion agencies, incubators, technoparks, academia
Regional and local business membership	East Africa Community Secretariat	

Priority Sectors

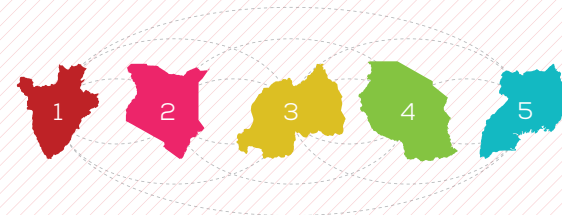
Priority sectors have been chosen to build on comparative advantages of the region. In the East Africa context this translates into:

Aiming at existing and most promising manufacturing sectors (dynamic, tradable industries) for all EAC countries.	Covering a wide spectrum of agro-based manufacturing industries and also going beyond agro-food value chains.	Achieving higher level of impact from comparative advantages in similar sectors.
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The following sectors have been identified in the region as priority for the pilot phase of the proposed Programme:

 AGRO-FOOD INDUSTRIES	 LEATHER AND LEATHER PRODUCTS	 PHARMACEUTICALS
The agro-food sector is the biggest direct employer of all manufacturing industries in the region. Agro food value chains, particularly processed fruits and vegetables, have the highest job creation potential, especially for women. In addition, the agro-food sector value chains have a significant multiplier effect to boost EAC economies and enhance food security.	The leather and leather products sector is part of the agro-industry, and is a strategic sector for the EAC nations. Due to the fact that it is labour-intensive, it has the potential to be an important source of employment along its supply chain.	The pharmaceutical industry is a sector that has been identified as crucial for structural transformation and diversification of the EAC industrial base under the EAC Industrialization Policy for the period 2012-2032. Moreover, the sector has the important contribution to offer for improving the health of its people in the region and on the entire African Continent.

POTENTIAL FOR INTRA-REGIONAL VALUE CHAINS



	BURUNDI	KENYA	RWANDA	TANZANIA	UGANDA
Food, Beverages & Tobacco	●	●	●	●	●
Textile & Apparels	●	●	●	●	●
Leather	●	●	●	●	
Footwear		●		●	
Building Materials	●	●			●
Refined Petroleum		●			
Chemicals, Rubber & Plastic		●	●	●	●
Mechanical Industry		●	●	●	
Wood, Paper & Printing			●	●	●
Steel & Steel Products				●	●

IMPACT

Increased industrial output and strengthened competitiveness of manufacturing SMEs facilitate income generation, new jobs creation and socio-economic integration of the East-African region

EXPECTED RESULTS AND BUDGET

EXPECTED RESULTS		
	Recommendations on new financial mechanisms and products for SMEs' development and upgrading	Increase in domestic market share and enhanced export capacities, and stronger linkages across the priority value chains
Contribution to socio-economic integration within the East-African region	Strengthened capacities of the existing SMEs and emergence of new small and medium manufacturing units operating in the priority sectors	Increased value-added by 10-15% per year and 10%-increase in cash flows from export operations in beneficiary SMEs
Harmonized policies, strategies and business frameworks regarding SME activities in the region	Annual increase in employment by 10% at the beneficiary companies and new job opportunities created indirectly in agriculture and services	10% of non-exporting SMEs are expected to start to commercialize abroad
Strengthened institutional and policy management capacities of the major regional and national stakeholders	Growth of industrial output and increase in turnover of the beneficiary SMEs by minimum 10-20% per year	Regional and local expertise strengthened to extend its services to other sectors not directly addressed by the Programme
Reinforced capacities of technical support institutions, business advice and consultancy centres	Improved productivity, reactivity and flexibility, strengthened managerial capacities and marketing skills with production costs mastered and cut down	

	BUDGET
COMPONENT 1 ————— Enabling Business Environment —————	1,285,000
COMPONENT 2 ————— Technical Support Infrastructure —————	4,775,000
COMPONENT 3 ————— Boosting Industrial Enterprises —————	5,675,000
COMPONENT 4 ————— Promotion of Technology and Innovation —————	1,505,000

ACTIVITIES FOR REGIONAL AND NATIONAL INSTITUTIONAL AND TECHNICAL CAPACITY BUILDING:

Regional Technical and Coordination Unit —————	1,500,000
National Project Management Units —————	800,000
Technical Support to RTCU and the Regional Steering Committee —————	400,000
Programme Communication and Visibility —————	100,000
Programme Monitoring and Evaluation —————	200,000

*Excluding UNIDO support costs

TOTAL* €16,240,000

MAIN DELIVERABLES / Components

COMPONENT I ENABLING BUSINESS ENVIRONMENT

The component aims to provide assistance to EAC countries in improving and harmonizing institutional and regulatory frameworks, the business environment, and financial instruments related to the development of manufacturing SMEs in the selected sectors.

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- Action plans for improving the existing institutional, regulatory, business and financial frameworks
 - Strengthened capacity to implement comprehensive packages of policy actions and incentives for the youth and women in SMEs
 - Improved access of SMEs to finance at their different stages of development
 - Strengthened human and technical capacities of national and regional governing institutions

COMPONENT II TECHNICAL SUPPORT INFRASTRUCTURE

This component aims to strengthen the national capacity of public and private technical support institutions with focus on manufacturing SMEs active in the Programme priority sectors. It also intends to accumulate regional technical expertise on various aspects of SME development, investment promotion, employment creation, and for an enhanced offer of vocational training.

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- Upgrading of two to three technical support, advisory and/or employment support institutions in each country
 - Capacity building for 8 vocational training centers operating in the priority manufacturing sectors
 - 150 national experts, trainers, engineers and technicians trained on approaches and methodologies in project formulation and appraisal, development and creation of SMEs, entrepreneurship promotion, ICT and e-learning, HP LIFE trainings with focus on women and youth employment in the priority manufacturing sectors
 - National technical support institutions networked and their activities harmonized across the regional business support network

COMPONENT III BOOSTING INDUSTRIAL ENTERPRISES

This component covers activities for improving the competitiveness of selected private sector manufacturing enterprises operating within the priority value chains.

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- Strategic positioning of selected 8 niches in the selected priority value chains
 - 10 pilot SMEs per country diagnosed and upgraded based on cluster and value chain approaches
 - Investment project portfolio and scouting of investment opportunities for at least 10 SMEs
 - Entrepreneurial capacity building combined with IT, technical, quality and market related training for at least 100 potential and/or existing entrepreneurs
 - Facilitation of improved access to financial mechanisms for selected beneficiary companies
 - Enhanced cleaner production practices for selected SME groups and further expansion of cleaner production knowledge within the region
 - Investment and export promotion in international markets through the UNIDO Investment and Technology Promotion Office network, participation to specialized fairs, B2B, round-tables, etc.

COMPONENT IV PROMOTION OF TECHNOLOGY AND INNOVATION

The fourth component aims to strengthen the access of industrial SMEs to relatively advanced technology and innovation techniques in order to improve their productivity and competitiveness and to increase the potential for the creation of new manufacturing SMEs.

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- Benchmarking of policies/strategies for promoting innovation and suitable technologies in the EAC States with those of developed countries and emerging economies
 - Coherent and harmonized regional action-plan for promoting innovations including innovation policies, legislative framework, incentives, information campaigns and trainings
 - Reinforced capacities of R&D and technical support institutions in promoting technologies and innovation, and facilitating technology transfer
 - Promotion of product and process innovations among SMEs of priority value chains

KEY MILESTONES

Key Milestones of the Programme Development and Approval

2010

The EAC Secretariat submitted to UNIDO a technical assistance request for the formulation of a regional programme aimed at upgrading manufacturing SMEs in the EAC.

7-8 December 2010 / Dar Es Salaam

An EAC IUMP concept note developed by UNIDO was discussed at the Regional Consultative Kick-Off Workshop, during which representatives from five EAC Partner States and development partners identified and prioritized three sectors for intervention during the pilot phase of the Programme.

23-25 May 2011 / Arusha

The revised Programme concept was presented at the meeting of the Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI). The SCTIFI requested Partner States to submit additional inputs to facilitate preparation of a detailed draft Programme Proposal.

30 August - 1 September 2011 / Kigali

A detailed draft EAC IUMP Programme Proposal prepared jointly by the EAC Secretariat and UNIDO was discussed at a regional meeting of experts drawn from all EAC Partner States.

31 October - 3 November 2011 / Arusha

Subsequent to the Expert Meeting, the draft Programme Proposal was presented at the SCTIFI meeting where the Sectoral Council directed the Secretariat to convene a Regional Stakeholder Workshop to validate the updated draft EAC IUMP.

14-15 March 2012 / Arusha

During the Regional Validation Workshop, around 40 delegates of the private sector, government ministries and industry support institutions from all EAC Partner States validated the revised Programme Proposal. The country delegates also agreed on both the funds mobilization strategy and the general roadmap for the IUMP implementation.

4-6 July 2012 / Vienna

Official visit of the EAC Delegation led by the EAC Secretary General, to UNIDO Headquarters, where the two parties agreed on the follow-up activities including the set-up of the Regional Steering Committee (RSC) for the EAC IUMP implementation.

August-October 2012

An EAC IUMP Provisional Regional Steering Committee was set up and necessary capacity building activities for RSC members were initiated.

9-15 December 2012 / Tunis

UNIDO Expert Meetings in Tunisia for the members of the EAC IUMP Regional Steering Committee.

18-22 February 2013 / New Delhi

UNIDO Expert Meetings to India for the members of the EAC IUMP Regional Steering Committee.

2013

EAC Secretariat held national sensitization workshops on the EAC IUMP in all Partner States. UNIDO provided information support to these workshops with UNIDO field staff participating as key speakers.

On-going

Joint EAC-UNIDO efforts to raise donor support for the EAC IUMP implementation including the organization of an International Donor Round-Table in Dar Es Salaam.





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