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**On behalf of PEVOT  
Programme for the Promotion of Employment Oriented Vocational and  
Technical Training  
- Development of the BTVET System -  
In cooperation with CIM, DED, InWEnt, KfW and SES**



## **Capabilities for catching-up**

Economic development and competitiveness in Uganda:  
Implications for Human Resource Development with particular focus on  
Technical and Vocational Education and Training in Uganda

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**Edited by Eva Castañer and Matthias Giersche**

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## Table of Contents

Foreword.....	iii
Overview.....	1
Working definitions.....	1
A. Economic development trends and related human resource (HR) aspects .....	3
Growth .....	3
Transformation.....	3
Trade imbalance .....	3
Productivity .....	4
Technical efficiency and capital intensity .....	5
Labour market, entrepreneurship, and MSMEs.....	5
HR for Value chain development .....	7
B. Competitiveness in a liberalised global economy requires innovation and learning.....	9
Catching up - a particular challenge to Least Developed Countries.....	9
Human resource management (HRM) affects human resource development (HRD) .....	10
C. Government strategies for private sector development and poverty reduction .....	12
D. PEVOT's contribution to HRM for economic development and poverty reduction .....	14
Relevance of TVET for economic transformation and growth .....	15
The importance of the informal sector .....	15
Immediate impact on poverty reduction and PSD.....	16
Systemic approach at three levels .....	17
Working with others .....	17
Tangible results.....	18
Challenges .....	18
E. Views from other donors.....	20
F. Conclusions .....	21
G. Recommendations: Towards a strengthened support mix for HRD in Uganda.....	22
Reform of the TVET system.....	22
Support to HRD for PSD beyond the TVET sector .....	23
Acronyms .....	25
Selected References:.....	27
Overview of contents of background report .....	30



## Foreword

Over the last decade, the international development community has consolidated its commitment for poverty reduction, expressed in the United Nations Millennium Development Goals (MDGs) of 2000 and the resulting poverty reduction strategies.

During the same period of time, the analysis of poverty has shifted from a purely incomes-based definition to an understanding of poverty as a multi-dimensional challenge affecting distinct aspects of human lives. This has shaped approaches to poverty reduction, which often combine a series of responses to address aspects as diverse as income and employment, health, education, empowerment, autonomy, participation, dignity, security, or risk vulnerability. This is also the case in Uganda, which was the first country to draw up a poverty reduction strategy paper, the Poverty Eradication Action Plan (PEAP), in 1997.

Two of the areas of major improvements in Uganda's development have been education and macroeconomic stability. These are both important first steps in order to compete and catch up in an increasingly liberalised and globalised economy. However, current trends in Uganda show that, despite positive economic growth rates, income poverty and inequality are on the rise.

This raises questions as: Where does Uganda's economic growth come from and why do the poor not appear to benefit accordingly from it? Is there a linkage to human resource development? And if so, what are the necessary skills and support needed in order to enable the poor to participate in economic growth through (self-) employment? What is the role of the public sector to foster such processes? And how can international development partners assist Uganda in addressing these issues?

It was with these questions in mind that the Programme for the Promotion of Employment Oriented Vocational and Technical Training (PEVOT) commissioned the present report. PEVOT is a German cooperation programme, coordinated by GTZ, that has been supporting Uganda's efforts to develop the business, technical and vocational education and training (BTVET) system under the education sector-wide approach (SWAp) for the past four years. The aim of this study is to explore the links between the development of human resources and sustainable development, with a particular focus on the role of the BTVET sector to address some of the issues raised above and to enhance synergies between education and economic development.

Given Uganda's recent commitment to universal post-primary education and training (UPPET) as part of its strategy to improve the participation of the poor in the country's development, it is now more important than ever to understand these synergies and how they can be best used to achieve long-term poverty reduction.

Matthias Giersche

GTZ PEVOT *Programme for the Promotion of Employment Oriented Vocational and Technical Training* – Kampala, October 2006



## **Overview**

The present paper explores salient issues of Uganda's current economic development process, linking the analysis to human resource development (HRD). It shows why HRD is crucial for Uganda to meet its targets for poverty reduction and accelerated economic growth and transformation. This study focuses on aspects of HRD which are related to the building and deepening of capabilities, skills and knowledge, relevant for private sector development (PSD). The paper discusses implications and develops recommendations to enhance the contribution that the technical and vocational education and training (TVET) sector can make to addressing major HR deficits in Uganda.

In doing so, the present paper summarises the main arguments, findings, conclusions, and recommendations of an extensive research and in-depth analysis process carried out in 2006. The paper is composed of six parts. Part A offers an overview of economic development trends and related human resource (HR) aspects, Part B illustrates the close links between HRD and competitiveness, Part C summarises current strategies and programmes of the Government of Uganda (GoU) relevant for HRD and PSD, Part D describes PEVOT's contributions to the reform of the Ugandan TVET sector, Part E gives a short summary of the view of international development partners on HRD in Uganda, Part F presents the conclusions of the study and Part G contains recommendations for further action of HRD for PSD.

A 'background report' containing detailed analysis and results, together with illustrative data and further references is available on request from PEVOT (Programme for the Promotion of Employment Oriented Vocational and Technical Training<sup>1</sup>). At the end of this report, we have included a list of selected references and an overview of the content of the background report. A CD containing this study and another study commissioned by PEVOT, as well as extensive reference material gathered in the course of compiling them will soon be available on request from PEVOT.

The author is grateful for the immense inputs and comments provided by interviewees and colleagues.

## **Working definitions**

*Capability:* We refer to capability as the ability to make capacity operate competitively, improve quality, introduce new products, undertake joint actions, and diversify into higher value-added activities. 'Capacity' can be understood as hardware (production plants, equipment, etc.) or software (information, knowledge, skills). Different authors use different terms to classify capabilities, such as management, investment, production, learning, industrial, technological, etc. In any case, we use the term capabilities to refer

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<sup>1</sup> PEVOT can be contacted via [pevot@pevot.infocom.co.ug](mailto:pevot@pevot.infocom.co.ug).

to an evolving set of institutional knowledge, information, and skills specific to the processes undertaken by a particular firm, sector, and/or value chain. This comes very close to the term competences (commonly used in the context of labour market and technical and vocational education and training) in its broadest sense.

*Firm:* In the paper we usually mention the term firm understanding it as 'enterprise', including firms and farms.

*Technical and vocational education and training:* In the Ugandan context this is referred to as BTVET (Business, Technical and Vocational Education and Training). In the following sections of this paper we use the internationally more frequent term of technical and vocational education and training (TVET).

## **A. Economic development trends and related human resource (HR) aspects**

### ***Growth***

The period of political turmoil and widespread armed conflicts in Uganda prior to 1986 caused severe losses in economic and human resources and led to structural deterioration of all sectors. Since, the recovery and growth of the Ugandan economy has been significant. The Ugandan post-1986 growth episode started from a low base after the years of civil war and was made possible by the combined effects of the economic recovery process inherent to the end of the long conflict period, the economic reform and rehabilitation policies, a period of favourable world market prices (coffee), and remarkable inflows of Official Development Assistance (ODA). The role of ODA in the recovery and growth process has been substantial and is so up to now, making Uganda a strongly aid-dependent country.

In recent years, there has been a slowdown in the growth process, although figures are still positive and above the Sub-Saharan Africa (SSA) average. With the effects of the stabilisation and economic policies of the 1990s considerably captured, there is need to realize new impetus for private sector development (PSD) and sources of growth. Otherwise, Uganda's objectives of transformation, growth, and poverty reduction might not be achieved satisfactorily or suffer significant delays.

### ***Transformation***

The economy undergoes structural transformation towards services and industry; yet the process has slowed down in recent years. At present, both sectors have a share of approximately 65% of the Gross Domestic Product (GDP) and almost entirely (90%) drive GDP growth. The services sector contributed most to the growth episode of the last decade. There is a decreasing average input to GDP growth of the industrial sector, in particular manufacturing. This fact is worrying for two reasons: one, the country's ambition to industrialize, and two, the anticipated relative advantage of this sector to quickly realize productivity gains by utilising technology and skills. The agricultural sector mainly consists of subsistence and small holder farmers and employs the vast majority of the labour force (LF). Its decreasing share of GDP and weak growth performance keep its contribution to GDP growth low. Notably, all three sectors (services, industry, and agriculture) experienced a growth slowdown in recent years compared to the 1990s.

### ***Trade imbalance***

Despite an overall increase of exports - partly due to the expansion of non-traditional goods exports (such as fish and flowers) and services (tourism) - their share of GDP has only risen to a small degree. The structure of exports reflects a predominant role of

resource-based products (primary products and processed food which tend to suffer from price fluctuations) rather than products with higher technology content. Overall, the current export composition is not sufficiently geared to generate growth by means of dynamic products, added value, use of technology, or learning opportunities. With imports sharply on the rise, the trade imbalance is significant and increasing. This is further exacerbated by a recent increase in certain production and transport costs. The rise of China and India in the global economy (a) puts additional competition pressure on Uganda's firms, both in the domestic and export markets, and (b) will have implications on the future diversification options of the Ugandan economy.

Efforts are needed to enhance the competitiveness, product range, value, and employment outcome of the country's regional and international exports. This will require increasing and strengthening the local base of HR.

### ***Productivity***

There is an increasing divergence in productivity performance between Uganda and the strong and dynamic productivity performers in the world. In the period 1960-2000, Uganda has lost ground relative to the USA both in terms of labour productivity and total factor productivity (TFP) (falling behind trend). More relevantly, the country has experienced a widening gap to top TFP catching-up countries such as Singapore, Thailand, Indonesia, Malaysia, Korea, Taiwan, China, Hong Kong, India, Mauritius, Botswana, or Chile. Although many other countries have performed worse than Uganda, low productivity adversely affects Uganda's prospects for sustainable development, growth, and poverty reduction. This applies to TFP and labour productivity.

The low TFP performance is worrying: Overall TFP growth appears to have contributed relatively little to post-1986 GDP growth in Uganda, its impact declining in more recent years. The high dependence of the country's GDP growth on capital accumulation (with significant support from external finance) questions long-term potential and sustainability of growth, especially in terms of per capita income given the high population growth. TFP growth needs to be enhanced: this can be done through (i) incorporating new technology in production and learning how to use it efficiently, and (ii) the diversification of the economy into high-productivity sectors. This illustrates the close relationship between TFP and HRD.

Labour productivity is low, for instance in the manufacturing sector when compared to Kenya, Tanzania or Asian economies. Data indicate that the performance of manufacturing firms in Uganda depends on their human resource base. The education, knowledge, capabilities, and experience of the entrepreneurs or company managers directly impact on their firms' growth and the number of jobs created in a certain period of time. In this regard, indigenous Ugandan manufacturing entrepreneurs and managers are comparatively less well prepared than their local competitors of Asian or Ugandan-Asian origin and their firms perform less well.

In average, labour productivity in the overall economy has grown since 1986 – mainly due to ODA, economic policies, return of exiles etc. However, this positive trend has yet to develop a continued upward movement. Notably, the magnitude of episodes of rapid productivity growth has continuously decreased since the mid-1980s. Public spending in the health and education sector is a long-term oriented HRD investment beginning to show an emerging but still weak contribution to labour productivity growth. This points to the challenge of ensuring a significant productivity effect of HRD related investments.

### ***Technical efficiency and capital intensity***

Positively, statistics imply that the technical efficiency level in the economy has improved: The country seems now one of the most efficient countries in the LDC (Least Developed Countries) group in terms of use of resources at a given level of capital intensity (or technological development). However, the point for Uganda, as for other LDCs, is that - in international comparison - the economy operates with very low capital intensity (level of capital per worker) and relatively stagnant technology. This limits Uganda's potential to benefit from world technological progress, since this mainly takes place in the more advanced technologies and remains in few top countries. This, in turn, might increase the risk of global marginalisation for Uganda in terms of technology, know-how, productivity, and real income.

To increase output per worker to a level closer to that of the advanced countries, firms will have to significantly increase the level of capital intensity. One of the challenges associated with this is that firms have to continuously adopt new technologies and learn how to master them competitively. Indeed, local firms seem to have considerable problems in efficiently mastering newly acquired technology and the production processes associated to it. This causes severe drops in efficiency levels in the initial period of using a new technology and relatively long periods of time before the efficiency level has been recovered and improved. There needs to be increased support for firms' technological efforts as well as for learning and training processes - in particular on-the-job learning and in-house training. This would contribute to reducing the degree and duration of the drop of efficiency levels associated to the adoption of new technologies and production processes.

### ***Labour market, entrepreneurship, and MSMEs***

Productivity and growth prospects are also affected by the structure of the labour market which comprises a small and slowly growing formal sector and a large informal sector. The employment outcome of the post-1986 period in the formal sector has been rather weak, indicating difficulties in job creation probably due to the combined effects of competition, capital-intensive technology, and an insufficient level of high-potential entrepreneurial activities (especially in new and more complex activities) that would boost diversification and formal sector growth.

A very small section (15%) of the employed labour force (9.5 million) are in wage or salary jobs, while large shares of the labour force (LF) are self-employed (57%) or work as unpaid family workers (27%). Formal sector employment is characterized by a high level of casual labour. In the manufacturing sector, for instance, casual labour accounts for almost 50% of employment - a rate that is considerably higher than in other countries and has not changed much in the last decade. There appear to be a series of causes for this: demand-side market fluctuations lead to a low level of capacity utilization in some firms; general competitiveness shortfalls and deficient management practices also contribute to the casualisation of the labour market; finally, the predominance of resource-based products seems to allow firms to operate with such a high level of mostly low-skilled casual labour.

Apart from this casualisation and informalisation of the world-of-work, the labour market is also characterised by un-employment and under-employment<sup>2</sup>, the 'working poor'<sup>3</sup>, gender inequality, the dominance of the agricultural sector in terms of LF occupation, the low level of educational attainment and lack of TVET provision for the LF, and the pressures due to new generations of young people wishing to enter the labour market<sup>4</sup>.

One notable current trend is that households are diversifying their income generating activities into non-farm activities. This may be driven by a combination of poverty as well as business opportunities. In most cases, these new entrepreneurs operate on a small-scale, focus on local markets and employ very few people. Even more qualified entrepreneurs rarely seem to enter industrial or other processing activities with relatively high requirements in terms of technology investment, competition, networking, institutional support, or skills formation. They seem to prefer operating in low(er)-requirements sectors, such as the local services industry.

The diversification out of poverty laden agriculture into (often informal) non-farm activities has probably helped to limit the recent rise in poverty (from 35% to 38% in the 2000-2003 period). This has led to a situation where many people are 'new-comers' in the very non-agro area they are now trying to make their living in. Many of them lack the knowledge and skills to master their new roles as employees or entrepreneurs. At the same time, HR deficits in the agricultural sector remain high. The level of education, know-how, and capabilities of the rural poor is particularly low. This applies to agricultural and off-farm activities. Knowledge and skills deficits include agricultural practices as well as technological, managerial, commercial, social, and health issues.

In the same vein, surveys among MSMEs (Micro, Small, and Medium Enterprises) indicate that many of their key constraints are closely related to a low HR base. In particular, MSMEs are barely innovative ('copy-cat business') and relatively unproductive. They lack technological as well as business and managerial capabilities. This has adverse effects for the entire economy in terms of enterprise upgrading,

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<sup>2</sup> Figures for the total level of un-employment and under-employment from different government sources range from about 20% (3.5% un-employment and 17% visible under-employment) to over 60% of the LF.

<sup>3</sup> Currently around 3.3 million people.

<sup>4</sup> An estimated 52% of the population are under 14 years of age, and Uganda's population is expected to double to 50 million people within 20 years.

productivity and growth. Moreover, the majority of people have never participated in any form of training and training efforts within firms are weak.

In contrast, outcomes of training programmes in Uganda reveal that tackling skills deficits in MSMEs can result in significant improvements of firm performance. For instance, with the injection of production technology and undergoing of related skills training, subsistence operators have transformed into small enterprises that grow and create jobs and incomes. Other examples show that training covering a mix of productive, managerial, innovative, and social skills has led to better cooperation, performance, and continued learning efforts of entrepreneurs and workers. In other words, training is relevant and works. According to surveys, small scale entrepreneurs recognise that training can result in higher productivity and profits through more competent application of better technologies and management practices as well as product diversification. Communities have expressed their interest in TVET.

Against this background, a realistic and effective HRD response requires to expand the TVET provision for skills needed across all sectors, with particular attention paid to the needs of the MSMEs.

Certainly, there are also firms (e.g., the flower growers, fish processors, firms in modern services) that need capabilities closer to international level, or to best practice of firms from leading developing countries. Support for their training efforts is recommended as these firms (i) are often prime forces in the transformation (information and learning spillovers, demonstration effects) and growth episode, (ii) operate in demanding markets and (iii) may face competition from firms elsewhere who are able to utilize a better local HR base.

### ***HR for Value chain development<sup>5</sup>***

A number of exporting and other key firms also face the challenge that their partners in the upstream parts of the domestic value chains (VCs) need urgent upgrading of skills to keep and increase the competitiveness of VC operations for domestic and export markets. Especially primary producers, - but also resource providers and traders - need upgrading from an often informal and semi-subsistence level towards basic commercial production and trade practices, including a higher degree of organisation and collective action.

The development of long-term oriented VCs in the agro-business sector suffers from the low use of contracts and trust-based relationships, as well as inadequacies in

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<sup>5</sup> A value chain (VC) describes the full range or sequence of discrete value-added activities needed to bring a specific product/service from its conception through the different stages of production to its use and final disposal after use. This includes activities such as market research, input sourcing, product development, design, production, quality control, marketing, distribution, customer support and recycling; with production being only one of several value-added links in the chain. Importantly, value addition takes place at every stage of the chain. The activities that comprise a VC can be contained in a single firm or strategically divided among several firms. In Global Value Chains for instance, activities are divided among multiple firms and spread across wide geographic spaces. In many product categories, it is different VCs (the efficiency of an entire chain, not individual chain actors only) that compete against each other.

cooperation and business ethics (opportunistic behaviour). Moreover, social and technical skills deficits at the level of smallholder farmers make their systematic incorporation into export oriented VCs a risky and costly venture, e.g., regarding training and supervision by the exporting firm.

Deficits in social capital, trust, and business ethics adversely affect many sections of the economy, including crucial elements of VC operations, such as inter-firm transactions, networking, clustering, and overall business practices and behaviour. This hampers PSD and economic growth by reducing the opportunities for and/or the degree of actual knowledge transfer, collective learning, collective action, business organisation, specialisation, economies of scale, productivity, and supply for export markets.

A world-of-work characterised by opportunistic and short term business behaviour erodes long term business perspectives and undermines (a) the application of the knowledge and skills obtained in the formal or informal education and training system and (b) processes of on-the-job training, joint learning, or mentoring. This hampers the development and appropriate use of social and productive skills of entrepreneurs and staff - which in turn stands in the way of further PSD.

The issue of HRD within VCs is one of the various 'new terrains' in HRD in Uganda. The knowledge, experience, and know-how available in-country for the design and implementation of appropriate support interventions seems limited. This applies both to national and international development agencies and consultants working on their behalf. So far, there are only a small number of appropriate skills development offers to address the TVET needs associated to particular VC structures and dynamics, e.g. by (a) considering the organisational, managerial, and behavioural beyond purely 'technical' aspects of VC development, and (b) by addressing the development or strengthening of entire VC systems through involving the different VC players in the training (embedded training).

More efforts are needed to upgrade the skills and practices along VCs in those sectors likely to contribute to Uganda's aims of improving the livelihood of the poor by achieving export-led, agro-industry based, economic growth, and transformation. The explicit political aim of linking economic growth and transformation to the nation's poverty reduction strategy has implications for HRD in these sectors. Pro-poor growth will require that the poor sections of producers participate in and benefit from export-led growth and transformation dynamics. In order to do so, it is necessary to take their specific skill development needs and learning situation into account, too.

## **B. Competitiveness in a liberalised global economy requires innovation and learning**

Under the new conditions of globalization, intensified competition, liberalizing markets and persistent technological change, local firms need to increase their competitiveness and productivity. This requires effective innovation and learning, i.e. learning to continuously improve products, processes, and organisations and over time enter into high value-added activities with a more skill- and/or technology-intensive production profile and stronger productivity growth.

In the case of LDCs, effective innovation and learning of firms usually means undertaking incremental improvements, e.g. in existing production processes, or in adopting, adapting and mastering an imported technology. It is more about improvements that are new to the local firm or local economy than inventing products and processes that are new to the world. A sufficiently strong skills base and a robust incentive and support system are needed to allow such local improvements to be made in a competitive manner.

Processes of innovation and learning are driven by a cumulative effort to *develop*, *deepen*, and apply a range of relevant entrepreneurial, technological, managerial, organisational, and social capabilities. Capability formation requires (a) appropriate incentives, (b) effective support institutions - the bodies in charge of education, training, learning, technology support, R&D, linkage building, clustering, export promotion - and (c) functioning factor markets that provide firms with knowledge, advice, information, skills, and other services.

### ***Catching up - a particular challenge to Least Developed Countries***

Uganda has a latecomer status in the global economy. Local firms in Uganda, like in other Least Developed Countries (LDCs), need to catch-up and handle rising entry requirements (e.g. minimum threshold skills, technical standards) and competitiveness dynamics in markets. Ugandan firms need to catch-up with the established competitors (first-movers) from elsewhere in the world in terms of technology, productivity, skills, learning systems, and business networks. These first-movers benefit from accumulated advantages - especially accumulated capabilities - due to their earlier entry into the global economy. Also, they often find a comparatively high level of education and strong support systems in their host economies. This allows them to improve their operations and capabilities relatively fast: latecomer firms then have to catch up against a moving target.

While the process of capability formation can generally be considered a long-term, risky, costly, path-dependent, and cumulative venture, in the particular case of LDCs it also faces market and institutional failures - such as technological, information, and coordination externalities, and uncertainty - which lower impetus for firms to invest in

capabilities. Currently in Uganda, besides the existence of such failures, the support system is overall weak - though some of the existing institutions do function relatively well - and there are gaps in the incentive regimes. These features hamper capability formation and learning especially in the new, more complex activities that might require acquisition and mastering of a new technology. Under these circumstances, firms will undertake insufficient investment and long term efforts in capability building and technological upgrading, especially in the absence of appropriate policies, incentives, and other support. Such deficits lower firms' abilities to take advantage of the latecomer status in order to accelerate their upgrading and learning through tapping into the global pool of resources, knowledge, good practices and technology; for instance via harnessing the linkages with foreign buyers from advanced economies and fully utilizing the leveraging (knowledge etc.) and learning opportunities in these business arrangements.

In many cases, capability formation in Uganda takes place outside the formal education system - for instance in firms and farms, and in the course of the day-to-day operations between economic agents. It also involves different training and learning institutions. This element of HRD - i.e. the building and deepening of capabilities for increased competitiveness as a means to pursue sustainable economic growth - has so far received too little attention from GoU, donors, and other stakeholders in Uganda.

### ***Human resource management (HRM) affects human resource development (HRD)***

Many organisations in the formal sector in Uganda reveal significant shortcomings in their HRM awareness, skills, and practices. These include a number of issues such as recruitment systems and practices, induction and appraisal systems, staff development, staff retainment, team leadership, communication and knowledge management, organisational culture, salaries and benefits structures, etc. For instance, HRM tools for performance management including the setting and implementing of incentive schemes to reward better on-the-job performance of individual employees, teams or the whole organisation are significantly underutilized. These deficits contribute to lowering overall work attitudes, efforts, and productivity at different levels - worker, team, and whole organisation. This, in consequence, makes firms less able to:

- handle competition in today's globalised world,
- take advantage of the benefits of the country's latecomer status, and
- successfully undertake catching-up strategies.

In brief, Ugandan firms will loose ground if - due to HRM deficits - they learn and improve relatively slower than their competitors.

From a public investment perspective, it is important to consider that poor HRM in the private and public sector undermines important education and training efforts that are currently being undertaken by individuals, households, the state, and international

development partners. Not only does poor HRM lessen the rate of return to education, it also contributes to the considerable brain drain that the country experiences.

Firms, GoU, support institutions, and donors need to:

- give greater recognition to the HRM dimension in the strive for HRD, productivity, competitiveness, PSD, growth, and poverty reduction, and
- tackle the HRM deficits, e.g. by helping to:
  - spread HRM know-how, instruments and good practices to more firms (managers, head of departments, SMEs etc.), and
  - translate the HRM commitment of firms into actually improved practices that impact on performance of staff, teams etc.

On a positive note, information on HRM practices in organisations reveals that there is an increased recognition of the importance of people management resulting in encouraging efforts in sections of both the private and public sector to improve HRM. This is a good starting point for tackling the complex issues with prospects of a lasting impact.

### **C. Government strategies for private sector development and poverty reduction**

Uganda's vision is to become a middle-income country with enhanced ability to compete in international markets over the next 20 years. Key strategies to achieve this goal include accelerated and competitive industrialisation, enhanced exports, and improved participation of the poor in the growth process.

Uganda's economic development agenda in the post-1986 period focused on macroeconomic policies primarily aimed at stability, recovery, and liberalisation. In terms of PSD, Uganda has so far mainly relied on conventional policies at the macro level seeking to create an 'enabling environment'. This approach focuses on certain aspects of the investment climate and business environment, such as business regulations, contract enforcement, and production costs in terms of utilities and access to financing, etc.

To date, the challenges and opportunities in terms of PSD differ to a certain extent from those identified during the 1990s. In fact, rather than being entirely new, there is increasing recognition for a series of aspects that had so far been insufficiently explored and acknowledged in the past.

It is in this new vein that GoU has expressed its commitment to support enterprises in improving their competitiveness. The importance of HRD for PSD, economic growth, and poverty reduction is increasingly acknowledged by the Ugandan authorities. This is reflected in the pillars and priorities of Uganda's PEAP (Poverty Eradication Action Plan) and other documents. The considerable efforts put into making general education widely accessible are one expression of this. Recent plans to improve access to and quality of post primary education and training (PPET) are a further step along the same line. Further, all major economic development strategies launched in the last years outline issues of skills development as an area of concern and an area for intervention. They typically point to the importance of the reforms in the TVET system, or the skills needs of MSMEs and farmers.

However, the support for increasing firms' efficiency, productivity, innovation, and adoption of new technologies was rather weak and fragmented in the past. There have been considerable problems in the implementation, effectiveness, efficiency, coordination, and monitoring of GoU's PSD programmes - including their respective HRD pillars. Although the importance of HRD in boosting competitiveness - reflected in the previous sections of this paper - is generally accepted, the nature and the considerable amount of support needed to adequately develop HR for PSD appears to have been underestimated.

Given Uganda's particular characteristics as a LDC, there is too little emphasis - beyond the 'enabling environment' agenda - on developing policies, incentives, and institutional support that would help entrepreneurs and firms to (a) become and remain competitive, and (b) overcome market and institutional imperfections and failures in the process of (i)

capability formation, (ii) technology accumulation, and (iii) economic diversification. Due to the cumulative and path-dependent character of capability formation, inconsistencies and breaks in the process can be costly. Some recent initiatives by GoU and donor partners - for instance in the areas of technological capability formation and technology acquisition - indicate an acknowledgement of some of past deficits. Such efforts need to be significantly scaled up and broadened.

Notably, there is only limited knowledge and experience available regarding practical aspects of generating and improving relevant capabilities in firms, developing VCs, or enhancing productivity, technological upgrading, social capital, cooperation, and collective action. This applies to state institutions but also other stakeholders. Current structures and staff capacities in relevant public sector branches are insufficiently prepared to track relevant dynamics in the private sector, capture implications, and translate the insights into effective support.

Significantly, there are a range of HRD matters in Uganda - including implications for HRD strategies, policies, and programmes - which are rather unexplored by the research community. Research gaps exist e.g. regarding productivity, learning processes (firms, teams, workers, women, youth), upgrading, capability formation (including in post-conflict areas), HRM, TVET in VCs, support institutions, collective action, social capital or impact of state incentives for TVET.

There is still scope for analysis and debate on important aspects of Uganda's economic development agenda, such as commercialisation of agriculture and industrial development, and related aspects of HRD. Further clarification of these matters would allow making more informed decisions on the country's possible pathways for economic development. Some of the official plans outlined so far do not appear to sufficiently address implications of HRD for PSD.

Uganda's general commitment to supporting skills development for competitiveness - e.g. as expressed in the second pillar of the PEAP - is a good starting point for linking the public and political debate on PSD with that on HRD. This could provide a platform for developing sound policies and programmes to jointly tackle these two interrelated topics which are so important for Uganda's development.

One of the challenges ahead is not only to develop adequate policies and support measures but – equally importantly – to find out how they can be effectively implemented at relevant levels, including employees, entrepreneurs, firms, farms, VCs, clusters, and support institutions.

In this context, the expansion and transformation of the Education and Training System (ETS) remains an area for interventions and investments by both the public and private sector. The ETS reforms take place in a complex and experimental context - regarding dynamics and changes in both the economic and education system.

#### **D. PEVOT's contribution to HRM for economic development and poverty reduction**

The purpose of PEVOT (Programme for the Promotion of Employment Oriented Vocational and Technical Training – 'Development of the BTJET System') is to support the Ugandan Ministry of Education and Sports (MoES) in its fundamental restructuring of the technical and vocational education and training system. The objective is a demand driven and employment oriented system that is closer to actual skills gaps and training demands, and presents a realistic and flexible response to dynamics in the labour market. A further characteristic of the reform envisaged by PEVOT is to ensure the sustainability of the TVET sector, by connecting the TVET sector closer with the private sector and redefining responsibilities of public and private stakeholders. Increasing the level and quality of interaction among the different stakeholders is a major goal in this regard.

The programme is implemented by MoES in cooperation with six different German development agencies (GTZ, KfW, DED, CIM, InWent, and SES) which are coordinated by GTZ.

From an operational point of view, PEVOT works at three levels of intervention; macro, meso, and micro. The different German development agencies perform advisory functions in relation to the operationalisation and implementation of the ESSP (Education Sector Strategic Plan, Uganda's Education Sector-Wide Approach) by the MoES (macro level). This centres on the MoES BTJET department and the Advisory Board BTJET (formerly permanent steering committee for BTJET). Through EFAG (Education Funding Agency Group), German Development Cooperation is also actively involved in coordination between development partners in the education sector.

At the meso level, PEVOT contributes to institutional capacity building at the Uganda Vocational Qualifications Framework (UVQF) secretariat and the Uganda Association of Private Vocational Institutions (UGAPRIVI)<sup>6</sup>.

At the micro level, the programme supports private and selected state-run TVET providers by supplying equipment and staff-training, and by developing new, broad-impact training approaches, especially for rural areas and crisis regions.

Observations and experiences from work on micro and meso level are fed back into the higher intervention levels and vice-versa. Special attention is given to best practices as

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<sup>6</sup> The scope of activities of the recently established UVQF Secretariat comprises the development of competency-based occupational profiles and standards; the development of Assessment Instruments (Test Item Development, TID); and the development of modularised curricula (encouraging shorter, more flexible and relevant training). UGAPRIVI is a both a cooperation network of PVTIs (private vocational training institutions) as well as their platform for awareness raising, policy dialogue and establishment of strategic alliances and partnerships. Their range of activities include the development, provision, and commercialisation of customer-oriented services, such as demand-driven and employment-oriented vocational training; training for the management and staff of private vocational institutions; and support to the development of shared quality standards and monitoring.

inputs for ongoing strategy and policy consultations within the MoES and with other stakeholders.

This report does not attempt to assess PEVOT's work in detail. In the following section we highlight some of what we consider PEVOT's main strengths in the context of supporting Ugandan efforts of HRD for PSD.

### ***Relevance of TVET for economic transformation and growth***

In focussing on TVET sector reform, PEVOT contributes to strengthening the formation of local (non-farm) capabilities and skills through better training and support institutions, thus contributing to improving productivity and competitiveness of firms. These areas are crucial for Uganda's economic transformation and growth but are quite neglected by the majority of national and international development partners engaged in Uganda's Education Sector-Wide Approach.

Although the ESSP 2005 – 2015 includes increased commitment of resources for TVET, the standing of technical and vocational education and training within the ESSP is underestimated in comparison with for instance primary education. The view of the Ugandan government and of most development partners in the education sector on TVET is strongly influenced by an educational and social development perspective. In fact, TVET does not only contribute to social development but is also of great significance for the economy and employment. The need to network the reforms across sectors are underestimated. There also seems to be a general tendency to pay little attention to aspects of lifelong learning processes which help to improve performance and secure employability.

It is obvious that some aspects of capability formation lie outside the formal education and training system, and are the responsibility of firms, private sector associations, economic policy makers, and other stakeholders. Unfortunately, this area of capability formation and the development of appropriate support institutions have received too little attention from GoU and the donor community in the recent past, which has very likely slowed down the economic catching-up, competitiveness improvement, and diversification process.

We argue that there need to be (i) increased focus on HRD for PSD not only but especially within the education sector, particularly as part of PPET, and (ii) more efforts to synergise and network reform efforts across the education and economic sectors.

### ***The importance of the informal sector***

PEVOT's focus on competences relevant for the informal sector is of strategic importance. As we have shown earlier in this report, the informal sector represents the vast majority in the labour market. Therefore, it is a crucial target group for improving the performance of Uganda's economy by means of improved productivity, the development

of employment and income opportunities beyond farming activities, and participation in economic growth processes. The significant loss of productive skills and the degradation of education and training structures during the pre-1986 period of political insecurity and economic mismanagement are also strong arguments for investing in manual worker skills in the informal sector.

Here, again, PEVOT - together with others - is working in an area largely neglected by most other development agencies and GoU. This includes the experiences under the LearnNet approach, piloted in Uganda as Local Skills Development (LSD).

### ***Immediate impact on poverty reduction and PSD***

The aspired diversification and export driven economic development will not be tackled successfully with an over-reliance on formal general education which is likely to result in an educated but relatively untrained work force. Furthermore, investment in formal general education and health status of the population has a rather mid to long-term impact on productivity and entrepreneurship, rather than helping to fill current skill and performance gaps across the economy.

According to the Uganda Participatory Poverty Assessment Process (UPPAP) report, a significant share of community members in Uganda has expressed preference for technical and vocational education and training - as opposed to secondary academic education. The rationale is that technical and vocational education and training is perceived to be (i) more affordable, (ii) a vital choice for more practical oriented children and youth, and (iii) useful in the context of (self-) employment.

PEVOT's focus on HRD in form of flexible, affordable, and market oriented technical and vocational education and training can help particularly vulnerable population groups (rural and urban poor, women, school drop-outs, etc.) with relatively low skills profiles to improve their (self-)employment prospects in the short and medium term and often in a relatively direct and immediate manner.

This includes those students who wish to obtain recognized TVET qualifications (e.g., in modular form) in a shorter period of time compared to the longer completion of the comprehensive academic secondary and tertiary education path - which is no 'job guarantee' in itself. They prefer the less-resources-less-risk option which is more immediately marketable and seems more realistic given the volatile situation of the labour market.

It also includes: those who are self-employed and wish to become more competent entrepreneurs and increase productivity, whether in agricultural or off-farm activities; the unemployed or underemployed who hope that mastering a new skill can increase their employment chances or ability to undertake self-employment (become entrepreneurs); and also those who leave the formal school system without a degree and yet wish to get acquire qualifications for an economic activity or a technical profession.

These arguments are supported by findings that smaller firms and entrepreneurs (i) value practical skills and experience more than sole paper qualifications, and (ii) expressed need for training which leads to higher productivity levels as a result of employing improved production techniques, managing business operations more competently, and undertaking business diversification.

### ***Systemic approach at three levels***

PEVOT's approach to support systematic and systemic change at three interconnected levels is probably one of the most complex and ambitious intervention in the TVET area to date in Uganda. The approach aims at achieving a series of interconnected changes at system and actor's level which should take place in a relatively homogenous reform tempo at all levels. It is based on correct problem identifications and apparently equally correct assumptions on the required changes.

The advantage of this approach is that positive and negative experience and lessons learned at the lower levels of the system can inform policy decisions made at the higher levels. In turn, these policies contribute to scaling up positive examples of good practice developed and identified at the lower levels.

Through its combination of Technical, Financial and Human Resource Cooperation and the involvement of private and public TVET providers, the German contribution to the system's reform plays a significant role.

### ***Working with others***

German Development Cooperation is actively involved in donor coordination in the education sector through EFAG. Apart from Germany, the ADB (African Development Bank), Japan, EU (European Union), WFP (World Food Programme), and UNHCR (United Nations High Commissioner for Refugees) are involved in the field of technical and vocational education and training.

Although at present the financial commitment of the main development partners to the education sector programme is focused on the free universal primary education programme (UPE), technical and vocational education and training is becoming increasingly important within the donor group and cooperation between respective agencies is being expanded<sup>7</sup>. Several development partners currently providing support to the area of technical and vocational education and training are discussing the issue of 'loose pooling' of technical development cooperation funds. The aim would be to increase harmonisation of aid by joint programme planning, missions, reports, etc.

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<sup>7</sup> From 2006, for example, ADB and JICA (Japanese International Cooperation Agency) are committing themselves with new projects, e.g. in the secondary education sector, among other aspects through teacher/instructor training, UVQF and curriculum development. Within the formal BTVET sector, cooperation between GTZ, JICA, and ADB is being expanded. UNHCR/ILO, French development aid, WFP and the Belgium Technical Co-operation (BTC), too, have indicated interest in enhanced cooperation and/or have translated this concern already into co-operation agreements.

### ***Tangible results***

Given the complexity of the issues addressed and the range of actors and systems involved in the reform agenda, a one-to-one attribution of impact to single interventions undertaken by PEVOT would exceed the scope of this study.

We can state however, that the overall project design is well suited to support the Ugandan economic reform process. PEVOT's inputs into the TVET sector reform towards a more modular, flexible, and demand driven (instead of supply driven) TVET system seem appropriate.

PEVOT has contributed to the introduction of new concepts and approaches for the Ugandan education and training (ET) market. The following points illustrate core aspects of the progress and positive changes within the process of TVET sector reform:

- The increased awareness and acknowledgement in GoU, the public and among development partners on TVET issues and their importance for economic and social development aspirations of the country, e.g. TVET recognition in the new PPET development plan.
- Legal strengthening of the UVQF and the increased awareness and acceptance of this framework. The ongoing development of TVET standards (related occupational profiles, assessment instruments, and modular curricula) based on the UVQF.
- More than 80 TVET institutions offer employment-oriented vocational orientation programmes for school leavers.
- UGAPRIVI: increase in members (in total now more than 250), higher training and consultancy demand from members, increased training of trainers efforts, and improved regional outreach.
- The testing of new informal TVET approaches (e.g., 'LearnNet Uganda': self-organized and self-financed learning groups) has experienced a high share of female participants, some income improvement of trainees, and significant increase in social capital (self confidence, self-articulation, team spirit, capability for working, planning and problem solving in groups, interest for further training). Trainees have expressed their interest to receive training in group dynamics and group work (collective action).
- Establishment of new strategic partnerships with other development partners in the TVET area.

### ***Challenges***

Despite its significant contributions to TVET sector reform at the interface between the mainly socially-oriented education sector and the needs of the different economic players

in the economy and labour market, PEVOT still faces challenges, some of which are mentioned below:

- Work undertaken to develop the UVQF stands on solid conceptual ground and has developed relatively high standards (in close co-operation with the participating industries). However, most TVET providers in Uganda are still a long way from being able to deliver the kind of skills development required to fulfil these standards. The pilot experiences supported so far are promising, but scaling up and multiplying out these pilots exceed the scope of the current cooperation agreement between GoU and the German and other development partners.
- The private sector is actively involved in the development of standards under the UVQF but does not yet act as a driving force of the wider TVET sector reform process. This may partly be due to the limited scope of participation in governance issues granted to the private sector in the past.
- In most cases, private sector associations tend to represent the formal economic sector. Due to the structure of the labour market as described in part A of this paper, this only represents a very small part of the Ugandan population. The representativity of advisory bodies and committees to better reflect the interests of those (self) employed in the informal sector could be improved.

## **E. Views from other donors**

The different international development agents consulted during the course of this study welcomed this research on HRD for PSD and highlighted its relevance. There seems to be widespread understanding among these representatives of the international development community regarding (i) the vital role of HRD (education, training, and health) for the country's development, and (ii) the difficulty and complexity of the tasks ahead.

International development partners acknowledged that significant achievements have been made, particularly in terms of access to primary education. Recent policy initiatives to improve access to and quality of PPET are generally welcomed. The relevance of PPET - including on-the-job training and workforce development beyond general education - for poverty reduction based on economic development is increasingly recognised.

The following are seen as challenges to be tackled in the near future:

- Improve access, retention, content, relevance, adequacy, and quality of formal and non-formal education and training.
- Provide adequate formal and non-formal education and training as well as enhance chances for informal learning in conflict and post-conflict areas.
- Find appropriate roles for the state and the private sector to engage in TVET and HRD.
- Make efforts in education, training, and health more effective so as to lead to better results, e.g. better trained and more productive workforce, better ability for the poor to earn an income, more inclusive interventions, etc.

With a view to achieving tangible improvements in terms of poverty reduction, there is a great interest in tapping into existing experience and lessons learnt derived from the implementation of HRD related initiatives in Uganda and elsewhere.

Realising that better outcomes along the entire HRD spectrum requires a set of interconnected changes, the development partners expressed the need to discuss priorities, sequencing and approaches of interventions.

## **F. Conclusions**

Despite improved macro-economic indicators and significant ODA, Uganda's economy continues to face significant challenges. Deficits in capabilities, business practices, and business ethics are among the main causes limiting the impact of the private sector on job creation, pro-poor growth, and poverty reduction. This applies both to the formal and informal sector.

Given Uganda's characteristics as a LDC and newcomer on the global economic scene, Uganda's private sector needs support in order to become competitive in liberalising local, regional, and global markets. Macro-economic stability, a favourable investment climate, and improved physical infrastructure alone will not do. In terms of support, PSD development needs to go hand in hand with HRD.

An appropriately trained workforce and higher quality entrepreneurship with a more long-term business perspective are vital to achieve a critical mass of firms and entrepreneurs capable of generating sustainable employment and economic growth. Failing to achieve this jeopardises Uganda's poverty reduction and development goals.

Important aspects of HRD for PSD development include not only technical skills but also entrepreneurial, managerial, organisational, and social skills to allow competitive firms and value chains to emerge, keep going and grow in the different markets.

Supporting HRD for PSD should comprise appropriate policies, incentives, and institutional support. This will require different stakeholders in the education and economic development sectors to be prepared to invest in appropriate HRD and HRM.

The HR base in Uganda has improved in the last two decades. There is evidence that the different stakeholders in Uganda acknowledge that appropriate training and learning would help improve economic performance and the livelihoods of the Ugandan people. Together with PEVOT's experience in the reform of the TVET sector, the contributions of other proponents of HRD, and the enhanced political weight now given to PPET and other salient matters of HRD, this is a good starting point for what is likely to be a long term process. The following section presents a series of recommendations on how this could be undertaken.

## **G. Recommendations: Towards a strengthened support mix for HRD in Uganda**

Against the background of the arguments presented in this report, we argue for a set of concerted efforts to enhance HRD for PSD in Uganda. While the efforts of GoU and other development partners have so far been mainly directed towards education and health, it is timely and crucial to scale up initiatives directed at assisting entrepreneurs, firms and farms operating in the informal and formal sector to develop the necessary HR to become competitive players in local, regional, and international markets. Only thus can the private sector realistically become the motor to achieve pro-poor growth and poverty reduction.

Therefore, our overall recommendation is to significantly enhance efforts to develop, deepen, and apply relevant local capabilities and skills for economic transformation, productivity, innovation, and competitiveness. These include entrepreneurial, industrial, technological, managerial, organizational, social, interactive, attitudinal, and institutional capabilities. Improvements in the respective support institutions, incentives regimes, and factor markets are vital. On the following pages we present a series of more specific recommendations.

### ***Reform of the TVET system***

This is a crucial sector, since it is particularly suited to bridge the efforts undertaken in the sectors of education and economic development. In the education sector, TVET can make significant contributions to ensure that PPET students acquire knowledge and skills that are well matched with the needs of the labour market. In the economic sector, TVET can assist entrepreneurs, managers, and employees to continuously upgrade their skills, either as part of their personal career plans or in order to respond to new demands on the market.

- Continue strengthening the competency-based and modular approach and increasing the relevance and openness of the TVET system. Increase responsiveness to changing economic realities and related skills needs in both the informal and formal sector, including the exporting sector.
- Keep track of PSD dynamics and make use of existing good practice in skills development in the private sector (in-house training etc.) to continuously improve the TVET system. An appropriate approach is required to ensure timely skills development in new skills areas. In this context, regional cooperation with partner institutions in neighbouring countries could be advanced with view to pooling of training resources and competencies.
- Ensure that the mix of skills and capabilities that trainees can acquire through the TVET system includes aspects of entrepreneurship, productivity, business ethics,

communication, social skills (cooperation, networking, behaviour, attitude), and also capabilities for innovation and self-guided life-long learning.

- Adapt the services and modes of delivery of the TVET sector to the needs and situation of its different user groups, with special attention to the rural poor and the informal sector.
- Improve links with the private sector to track impact of improved TVET programmes and to support spill over effects of HRD relevant experiences, knowledge, skills, etc. Use feed back gathering as a method to improve (i) interaction with stakeholders and (ii) effectiveness of TVET. Undertake sector skills audits and analyze how graduates of improved TVET programmes perform in firms etc.
- Strengthen the linkages with other support programmes and establishments, including technology and business support institutions, business associations or training initiatives of development agencies to enhance synergies, mutual learning, and support.
- Continue and strengthen efforts for promotion of the image of technical and vocational education and training. Raise awareness among population and stakeholders about working opportunities for TVET graduates, the graduates' experience with their obtained skills set in 'real life' including related changes in income, attitudes, confidence, social skills etc.

### ***Support to HRD for PSD beyond the TVET sector***

The web of support institutions that can help firms in their day-to-day upgrading and learning efforts needs a significant boost so as to accelerate their advancements in technology use and productivity.

- Support firms' and farms' innovation and learning efforts for enhanced upgrading of products, processes, and organization. This requires a more adequate local training, learning, and technology support system. Particular attention - incentives and support for training - should be paid to entrepreneurial efforts that (i) try to increase productivity, and (ii) target non-traditional activities which are new to the economy and have potential to kick off new areas of specialization and create spill over and demonstration effects.
- Accelerate the development of HRD for PSD through North-South and particularly South-South cooperation in areas of HRD, know-how, technology transfer, inter-firm cooperation etc. This could involve foreign firms working in Uganda, local firms using foreign experts, skilled Ugandans working abroad, exchange programmes, or the use of so-called 'integrated experts' hired from abroad with the explicit mandate of know-how transfer and capacity building.

- Put stronger emphasis on entrepreneurship and management topics in education and TVET. Topics could include organizational issues, productivity, efficiency, social capital, team work, effective interaction, communication, trust building etc.
- Provide more adequate TVET for both farmers and those economic actors that have moved out of the poverty laden agricultural sector and face risk of low performance and poverty in non-agro activity.
- Target specific TVET and BDS needs for the areas of VC development (VC embedded training), clustering, collective action, productivity, social capital, etc. Develop or improve respective training tools, manuals, and services.
- Adapt system and instruments of training and BDS provision to the real living, working, and learning situation of people working in the informal sector.
- Improve HRM capabilities and practices in firms including MSMEs, e.g. in matters of recruitment, personnel development, performance management, learning environment, organizational development and organizational culture. Improve tools for aspects of HRM training and HRM application. Increase spill over and demonstration effect on good practice in HRM.
- Develop measures to respond to the casualisation and informalisation of employment. Reward private sector investment in employment, HRD, and HRM.
- Raise public and expert awareness about the crucial role of HRD for PSD and the risks involved in neglecting it, i.e. the need for public and private investment in HRD for PSD in order to achieve Uganda's development goals.
- Raise public and expert awareness about market and institutional failures as particular challenges for HRD and technology acquisition in a LDC and catch-up context and the kind of support required. Point to the link between current policies and incentives regimes and firm level efforts in terms of technology use and skills upgrading.
- Foster pro-poor multi-stakeholder partnerships for policy dialogue and action on HRD for PSD and competitiveness.
- Enhance research efforts in HRD matters in the country and improve take up of national and international research results into policy making for TVET sector reform and HRD for PSD. This could involve improved cooperation in and coordination of research efforts, improved access to research findings and regular production of relevant policy inputs based on national and international lessons learnt, best practice case studies, etc. HRD experts need to engage with GoU on how to translate general commitment for HRD for PSD into practice.

## Acronyms

ADB	African Development Bank
BTC	Belgium Technical Cooperation
BTVET	Business, Technical and Vocational Education and Training
CIM	Centrum für Internationale Migration und Entwicklung
DED	Deutscher Entwicklungsdienst (German Development Service)
EFAG	Education Funding Agencies Group
ESSP	Education Sector Strategic Plan
ET	Education and Training
ETS	Education and Training System
EU	European Union
GDP	Gross Domestic Product
GoU	Government of Uganda
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit GmbH - German Technical Cooperation
HR	Human Resource(s)
HRD	Human Resource Development
HRM	Human Resource Management
ILO	International Labour Organization
InWEnt	Internationale Weiterbildung und Entwicklung GmbH (Capacity Building International, Germany)
IS	Informal Sector
JICA	Japanese International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau, the German Development Bank
LDC, LDCs	Least Developed Country, Countries
LF	Labour Force
LSD	Local Skills Development
MDGs	Millennium Development Goals
MoES	Ministry of Education and Sports
MSMEs	Micro, Small and Medium Enterprises
ODA	Overseas Development Assistance
PEAP	Poverty Eradication Action Plan
PEVOT	Programme for the Promotion of Employment Oriented Vocational and Technical Training - Development of the BTVET System - GTZ in cooperation with CIM, DED, InWEnt, KfW and SES

PPET	Post Primary Education and Training
PSD	Private Sector Development
PVTI	Private Vocational Training Institutions
R&D	Research and Development
SES	Senior Expert Service
SSA	Sub-Saharan Africa
TID	Test Item Development
TFP	Total Factor Productivity
TVET	Technical and Vocational Education and Training
UGAPRIVI	Uganda Association of Private Vocational Institutions
UNHCR	United Nations High Commissioner for Refugees
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Process
UVQF	Uganda Vocational Qualifications Framework
VC, VCs	Value Chain, Value Chains
WFP	World Food Programme

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## **Overview of contents of background report**

“An analysis of selected aspects of economic development and competitiveness in Uganda: Implications for Human Resource Development”

by Joerg Wiegatz, on behalf of PEVOT, June 2006 (Draft)

The background report is composed of Part A and B. Part A offers an account of economic development trends and related HR aspects, including implications for HRD efforts. Part B looks at relevant strategies and programmes of the GoU, considers activities of development agencies/donors, and reviews HRM practices in the formal sector. It offers a range of concluding recommendations and points for considerations for proponents of HRD for PSD.

In Part A, the background report first examines available data and reports on aspects of the post 1986- growth episode, structural transformation, external trade, and other macroeconomic indicators (Chapter 1). This is followed by an analysis of indicators of productivity and related factors (Chapter 2), the labour force (LF) and labour market (Chapter 3), and household poverty and related income-diversification trends (Chapter 4). Characteristics of entrepreneurship in the country (Chapter 5) and skills needs in the SME sector (Chapter 6) are discussed and further scrutinized regarding their implications for HRD (Chapter 7). This is followed by a presentation of a range of different training interventions in the SME sector (Chapter 8).

A series of justifications for a stronger focus on HRD for accelerated PSD are examined in the context of the structural conditions of economic development in a LDC which is also a latecomer country in the global economy and needs to catch-up with the more established and thus advanced countries that enjoy their first-mover advantage in terms of accumulated capabilities (Chapter 9). Thereafter, the background report examines relevant firm characteristics (Chapter 10), matters of social capital and business ethics and practices (Chapter 11), as well as VCs and clusters in Uganda (Chapter 12). Each chapter provides an analysis of the respective findings' implications for HRD. Part A closes with a summary of main arguments (Chapter 13).

In Part B, the background report first reviews and analyzes key government strategies for economic development and poverty eradication: their account of matters of growth, competitiveness and PSD including their articulation of HRD related objectives, challenges and interventions. The implementation experience of some of the strategies is highlighted (Chapter 14). This is followed by a discussion of features of HRM in the formal sector (Chapter 15), and HRD related views and activities of development agencies/donors (Chapter 16). The background report then offers an analysis of limitations in the current mix of interventions for HRD in the context of PSD (Chapter 17). Based on the various findings, the background report provides concluding recommendations and points for consideration that can strengthen HRD and PSD oriented measures (Chapter 18). This is hoped to inform both HRD and PSD proponents and the respective debates in general, and the reforms of the (training, learning, and

technology) support system in particular. Lastly, main points of Part B are summarized (Chapter 19). Evidently, the issues discussed throughout the background report should be of concern not only for HRD experts and stakeholders but also those involved in PSD and thus economic and social development. The background report provides a substantive amount of information and knowledge: There are 62 Tables, 20 Figures and 59 Boxes on the different subject matters.



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