

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



52880

Distr.
LIMITED



E/CN.14/CAP.2/INF.19
30 November 1967

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA
Conference of African Planners
Second session
Addis Ababa, 4-15 December 1967

PROPOSALS TO ESTABLISH A PROJECT PREPARATION UNIT IN UGANDA

M67-1683

This study was prepared by Dr. Ivan Friscic, Chief Planning Economist, UNTA Expert, Ministry of Planning and Economic Development, Entebbe, Uganda.

The views expressed are those of the author and do not necessarily reflect those of the Government of Uganda, the Office of Technical Co-operation of the United Nations or of the secretariat of the Economic Commission for Africa.

TABLE OF CONTENTS

	<u>Page</u>
A. OUTLINE OF THE PROPOSALS	1
B. THE BACKGROUND	2
I. Need for a project preparation unit	2
II. Existing facilities for project preparation	3
(a) Government Ministries	3
(b) Uganda Development Corporation Limited	4
(c) Development Finance Company of Uganda Limited	5
(d) Management Training and Advisory Centre	5
(e) Industrial estates and small industry service	5
(f) Private sector	6
III. National project preparation unit	6
IV. Role of consultants	7
V. Finance for the project	8
VI. Preliminary survey	9

PROPOSALS TO ESTABLISH A PROJECT PREPARATION UNIT IN UGANDA

A. OUTLINE OF THE PROPOSALS

1. The first year of the Second Five-Year Plan period has shown that the biggest problem in Uganda's utilization of foreign financial resources is contained in a nearly alarming lack of written-up and assessed projects ready for "sale" to the international source of finance. Since the existing facilities for project appraisal and preparation cannot remove this serious bottleneck in the Plan implementation efforts, it is vital that the Government undertake whatever is possible to avoid this drawback in the Plan execution.
2. In order to overcome this shortcoming, it is suggested to set up a national project preparation unit to serve the Government's requirements, either as an adjunct to the Ministry of Planning and Economic Development or as a separate Government unit operating independently of any one Ministry.
3. The primary objectives of this unit would be to:
 - (a) Undertake objective appraisals of feasibility studies and development proposals submitted by Ministries, the private sector, prospective plant suppliers and other outside interests;
 - (b) In conjunction with the staff of the Ministries concerned, develop and write up projects which have been proved viable to a standard acceptable to international sources of finance;
 - (c) Identify development opportunities and conduct feasibility studies;
 - (d) Train Ugandan staff to enable them to undertake the above functions to an acceptable standard.
4. The effective implementation of this project would be greatly assisted if participation were secured from a professional consulting firm with experience in all aspects of management and of conditions in developing countries since it is vital that this unit is operating according to the

international standards. The participation of a reputed consulting firm taking responsibility for the project and the standard of work may be essential until such time when the Ugandan staff acquires the necessary knowledge and experience.

5. Since many aspects of this proposal have to be thoroughly considered, it is suggested that a preliminary survey be undertaken to provide information which would assist the Government to decide whether the establishment of a project preparation unit is desirable, and to define its scope and the best means of implementation.

6. Maybe some foreign agencies and foundations would be willing to finance the preliminary survey referred to in the preceding paragraph.

B. THE BACKGROUND

I. Need for a project preparation unit

7. The Uganda Government is committed to ensure the implementation of a great number of projects in all sectors of the economy during the Second Five-Year Plan period and thereafter. Many of these projects will be financed, in whole or in part, by loans which are made available to the Uganda Government by multilateral or bilateral sources. Both the Uganda Government and external sources of loan finance insist that projects must be economically viable. It is therefore necessary to ensure that all projects proposed for implementation are thoroughly appraised and, if external finance is sought, are written up and presented in a form which is acceptable to international sources of finance. The Government's present facilities for project appraisal and preparation are limited and are not considered adequate to deal with the growing volume of work. The main consequences of this are:

- (a) Undue reliance is placed on feasibility studies carried out by prospective plant suppliers or others whose assessments cannot be considered to be truly objective.

- (b) The Government must frequently seek assistance from outside experts or consultants, often with financial assistance from aid agencies.
- (c) A backlog of projects develops in Government Ministries and elsewhere which, although their basic viability may have been established, need objective processing and preparation before they are suitable for submission to sources of finance or even to the Planning Commission.
- (d) The amount of external loan finance available to the Government on reasonable terms exceeds the requirements of projects which have been written up. It is unsatisfactory, in a country with limited capital resources, that project preparation should become the limiting factor rather than availability of capital. As the African Development Bank has become operational, and as plans for the formation of the East African Development Bank (to be located in Kampala) are far advanced, the pressure to define and write up projects for external financing is likely to increase.
- (e) Little or no 'on-the-job' training of Ugandans in project appraisal and preparation takes place. Consequently the country remains heavily dependent on outside expertise.

II. Existing facilities for project preparation.

8. Existing and planned facilities within Uganda are described below:

(a) Government Ministries

The various executive Ministries, such as Agriculture, Animal Industry and Commerce and Industry have a few overseas expatriates seconded to them. These Ministries can examine the basic viability of new projects and assemble many of the necessary details. However, the volume of proposals and ideas for new projects is so great that only a few of these can be written

up to the standard required without recourse to outside assistance; and the pressure of work does not allow for the training of Ugandan staff specifically in the techniques of project appraisal and preparation. The Ministry of Planning and Economic Development, which is the co-ordinating Ministry for the implementation of the Five-Year Plan and is responsible for making recommendations to the Planning Commission, has seconded to it a few experienced overseas economists and also recruits Ugandan graduate economists. The overseas experts deal with the overall co-ordination and implementation of the national Plan and with projects of dominant importance in it; they do not have time to give detailed attention, at project level, to every proposal in the Plan nor to the proper training of the Ministries' Ugandan staff.

(b) Uganda Development Corporation Limited

UDC's Development Division undertakes feasibility studies or appraises proposals relating to development projects. There is within this Division a Section staffed by Ugandans which undertakes market surveys and other investigations on which development assessments can be based. UDC now plans to appoint two overseas advisers to train Ugandan staff in the appraisal and preparation of projects in the industrial and agricultural sectors. However, UDC was set up by the Government to operate with commercial autonomy and its facilities for project preparation are fully deployed on UDC development projects.

Although UDC plays a dominant role in economic development in Uganda, it is responsible for implementing only a minority of the projects outlined in the Five-Year Plan and plays no part in the assessment of many projects proposed by the Government or the private sector.

(c) Development Finance Company of Uganda Limited

This Company is owned jointly by UDC, the Commonwealth Development Corporation and DEG, the West German Development Agency.

An expatriate manager and accountant undertake project appraisal and preparation, and Ugandan executives are undergoing training.

However, as in the case of UDC, DFCU's assessments are confined to projects in which it is contemplating investment, and these play a relatively small part in the national development programme.

(d) Management Training and Advisory Centre

This is a joint United Nations Special Fund/Uganda Government project. A number of overseas experts are seconded to it from ILO. Its activities are directed primarily at the training and the provision of advisory services to Ugandan entrepreneurs, both artisans and traders; to training supervisors for industry; and to giving technological guidance at the machinists and

skilled workers level. The Centre does not undertake feasibility studies or project preparation for national development projects and does not plan to.

(e) Industrial estates and small industry service

It is planned to establish, with assistance from the United Nations, industrial estates and a small industry advisory service. This project will be co-ordinated with the Management Training and Advisory Centre, which will probably provide part

of the required advisory service. A request is being formulated to the United Nations for a number of other experts to assist in setting up the industrial estates. It is envisaged that the experts will undertake feasibility studies required for the establishment of these estates, in order to determine which small industrial projects are viable. The exact terms of reference for these experts have not yet been determined.

but their activities will be centred on development of small industries and it is unlikely that they will be free to contribute materially to national requirements for project appraisal and preparation. Both the Management Training and Advisory Centre and the industrial estates project are the responsibility of the Ministry of Commerce and Industry.

(f) Private sector

The private sector undertakes its own development assessments, which vary from the thorough to the totally inadequate. The only concerns which employ specialists in project appraisal are the Madhvani and Mehta groups, and Industrial Promotion Services, the development agency of the Ismaili community. There are no private consultancy services available in Uganda capable of investigating, appraising and preparing development projects.

III. National project preparation unit

9. None of the facilities described above fulfils adequately the national requirements for project appraisal and preparation. There is no programme for the training of Ugandans in this field and, although the Government can send Ugandans on a variety of overseas courses, these must be complemented by effective practical training under Ugandan conditions if the country's present reliance on outside expertise is to be reduced. The preparation of a project in a way which is acceptable to international sources of finance demands the highest professional standards of economic, technological and financial investigation and analysis. It would be unrealistic to predict that Uganda can become self-sufficient in these areas in the immediate future. However, a start must be made if Uganda is to become successively less reliant on outside expertise and, in view of the need to write up a great many current projects for external financing, there is a degree of urgency in the situation in relation to the implementation of the Five-Year Plan.

10. One way in which these problems may be overcome may be to set up a project preparation unit to serve the Government's requirements, either as an adjunct to the Ministry of Planning and Economic Development or as a separate Government unit operating independently of any one Ministry. The primary objectives of this unit would be to:

(a) Undertake objective appraisals of feasibility studies and development proposals submitted by Government Ministries, the private sector, prospective plant suppliers and other outside interests.

(b) In conjunction with the staff of the Ministries concerned, develop and write up projects which have been proved viable to a standard acceptable to international sources of finance.

(c) Identify development opportunities and conduct feasibility studies.

(d) Train Ugandan staff to enable them to undertake the above functions to an acceptable standard.

11. It is likely that the area of operation of the proposed unit should extend to the fields of industry, agriculture, tourism, mining and capital projects generally, but initially should exclude health, educational, cultural and social development schemes.

IV. Role of consultants

12. It is likely that the effective implementation of this project would be greatly assisted if participation were secured from a professional consulting firm with experience in all aspects of management and of conditions in developing countries. The advantages of retaining consultants to manage this project during its early years would include:

(a) Assurance that the overseas staff required would be of the highest professional standard.

(b) Implementation of the training aspects by ensuring that this becomes a central term of reference for the consulting assignment.

(c) Provision of supporting services and specialized expertise as and when required and with the shortest possible delays.

(d) Rapid implementation. A consulting firm could undertake the project as soon as it is retained to do so. Recruitment of experts on an individual basis is a far lengthier process.

13. Use of a consulting firm to manage the project would not preclude the hiring of individual experts as appropriate, and of course it would be necessary to hire Ugandan counterpart staff. But the consulting firm would take full responsibility for the project and the standard of work achieved, and would be concerned to ensure that this standard was in keeping with its international reputation.

V. Finance for the project

14. A unit of the type outlined above is likely to be most effective and economic if it is kept relatively small and compact, avoiding the permanent retention of specialized experts whose services cannot be used on a full-time basis. Nevertheless, it is likely that three or four overseas experts would be required in the early years of the unit, together with Ugandan counterpart staff and supporting administrative services. The cost of this type of unit would therefore be significant. As the project would result in a more effective and expeditious use of external aid and loan finance its implementation would be in the interests of aid and finance agencies and would be welcomed by such concerns. It is considered likely that one or more aid agency would participate in the financing of the project, if its basic viability and utility can be established. The Uganda Government would inevitably have to bear some counterpart costs, and would have to compare these with the present cost of retaining outside services, and the more significant cost of not appraising development projects thoroughly or of not having projects prepared in time to take advantage of the availability of external finance.

VI. Preliminary survey

15. Many aspects of these proposals are inevitably not yet defined in depth at present and further investigations are required before firm recommendations can be made. It is therefore suggested that a preliminary survey be undertaken to provide information which would assist the Government to decide whether the establishment of a project preparation unit is desirable, and to define its scope and the best means of implementation. The aspects to be investigated in a preliminary survey would include:

- (a) The use of outside consultants made by Government Ministries for project preparation.
- (b) The use of assistance from aid agencies.
- (c) The backlog of projects awaiting either assessment or writing up.
- (d) The existing system of project identification and its adequacy.
- (e) Existing facilities in Government and elsewhere for project preparation.

Consideration on these aspects should help to confirm whether or not there is a need for a unit of the type proposed, and should allow realistic estimates to be made of its likely workload. This would also enable an assessment to be made, as part of the preliminary survey, of the following aspects:

- (f) Most suitable location for the unit - i.e. as part of an existing Ministry or as a separate unit.
- (g) Scope of the work to be undertaken.
- (h) Definition of personnel requirements, overseas and counterpart.
- (i) Estimate of costs: overseas personnel, counterpart personnel, establishment costs.

(j) Outline training programme for Ugandan counterparts and target timings.

(k) Organization of the unit and scope and cost of a consulting assignment to establish and manage it.

(l) Communications with Government Ministries, parastatal organizations and the private sector.

16. On completion of the preliminary survey it will be possible to make firm recommendations to the Uganda Government on the project preparation unit and, if approved, to submit an application for external financial assistance for its implementation.