

A  
**Global Country Study Report**

ON

**“BUSINESS OPPORTUNITIES OF SPICES INDUSTRY UGANDA COUNTRY”**

**Submitted to:**

Noble Group of Institutions, Junagadh

***IN PARTIAL FULFILLMENT OF THE  
REQUIREMENT OF THE AWARD FOR THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION***

In

**Gujarat Technological University**

**UNDER THE GUIDANCE OF**

Prof. Riddhi Sanghvi

**Submitted by**

ENROLLMENT NUMBER	NAME OF STUDENT
117380592001	Bhoomi Parmar
117380592002	Hemangi Pandya
117380592003	Makwana Rinkal
117380592004	Sohil Hirpara
117380592006	Karkar Ram
117380592007	Chintan Raval
117380592008	Gohil Ravindrasingh
117380592009	Pooja Nimavat
117380592010	Rashmita Patoliya
117380592012	Purti Daftary

Batch: 2011-13, MBA SEMESTER III/IV

**Noble Group of Institutions, Junagadh**

**MBA PROGRAMME**

Affiliated to Gujarat Technological University, Ahmedabad

### **Declaration**

We, the undersigned Bhoomi Parmar, Hemangi Pandya, Pooja Nimavat, Rashmita Patoliya, Rinkal Patel, Purti Daftary, Chintan Raval, Sohel Hirpara, Ravindrasigh Gohel & Ram Karkar students of M.B.A. at Noble Group of Institutions, Junagadh, hereby declare that the report entitled —**Global Country Study Report** for the MBA Degree is us original work and has been carried out under supervision & guidance of Prof. Riddhi Sanghvi.

Place: Junagadh

Date: 12/.4/2013

## Preface

India is growing fast as an industrial nation with the help of new technology, advance management, and advance knowledge of people. Now, people's thoughts are changed and they turn to the management course. It is said, —Without effective management and proper planning, not a single firm can run smoothly, effectively and efficiently .

Education is something which is not given in class rather; it is a process which can take place anytime and at any place. When any subject is taught theoretically in class it is known as Academic but when it is studied with the subject applicability in real life it is known as "Professional Education".

M.B.A. has also attempted the blend of theoretical and practical approaches towards management area. As we know that M.B.A. has included theoretical as well as practical knowledge with the help of industrial training and summer internship report.

In the present era of globalization and liberalization, it is very necessary to be well aware of practical functioning of any of the aspect, whether it is an industry, trade, commerce or information technology. This knowledge helps students to understand corporate thoroughly.

## **Acknowledgement**

It is really a matter of pleasure for us to get an opportunity to thank all the persons who contributed directly or indirectly for the successful completion of the project – **Global Country Study Report On Uganda Country**

First of all we are extremely thankful to our college at Noble Group of Institutions for providing us with this opportunity and for all its cooperation and contribution. We also express our gratitude to our honorable director Prof. M.D. Amipara and are highly thankful to our project guide Prof. Riddhi Sanghvi for giving us the encouragement and freedom to conduct project.

Last but not least we are thankful to all the friends and all other persons who directly or indirectly help us for this project.

## Introduction



- Uganda is a landlocked country in East Africa, sharing borders with Kenya, Sudan, Rwanda, Tanzania and the Democratic Republic of Congo (formerly Zaire).
- Uganda lies astride the Equator covering an area of about 240,000 square kilometers, between the two East African Great Rift Valleys.
- **Capital:** Kampala
- **Population:** In 2007, the estimated population of Uganda is 28 million.
- **Languages:** Although English is the official language, it is a second language for most Ugandans. Over 33 native languages are spoken in different parts of the country. The most common is Luganda (spoken in Tekera).
- **Currency:** The local currency is the Ugandan shilling.
- **Daylight:** Being on the equator, Uganda has an almost constant 12 hours of daylight, sunrise at 06:30 and sunset at 18:45.
- **Time Zone:** Greenwich Mean Time (GMT) plus 2 hours.
- **International dialing code:** +256

## **Political Analysis of Uganda**

- **1500** - Bito dynasties of Buganda, Bunyoro and Ankole founded by Nilotic-speaking immigrants from present-day southeastern Sudan.
- **1700** - Buganda begins to expand at the expense of Bunyoro.
- **1800** - Buganda controls territory bordering Lake Victoria from the Victoria Nile to the Kagera river.
- **1840s** - Muslim traders from the Indian Ocean coast exchange firearms, cloth and beads for the ivory and slaves of Buganda
- **1862** - British explorer John Hanning Speke becomes the first European to visit Buganda.
- **1875** - Bugandan King Mutesa I allows Christian missionaries to enter his realm.
  
- **British influence**
- **1877** - Members of the British Missionary Society arrive in Buganda.
- **1879** - Members of the French Roman Catholic White Fathers arrive
- **1890** - Britain and Germany sign treaty giving Britain rights to what was to become Uganda.
- **1892** - Imperial British East Africa Company agent Frederick Lugard extends the company's control to southern Uganda and helps the Protestant missionaries to prevail over their Catholic counterparts in Buganda
- **1894** - Uganda becomes a British protectorate.
- **1900** - Britain signs agreement with Buganda giving it autonomy and turning it into a constitutional monarchy controlled mainly by Protestant chiefs.
- **1902** - The Eastern province of Uganda transferred to the Kenya.
- **1904** - Commercial cultivation of cotton begins.
- **1921** - Uganda given a legislative council, but its first African member not admitted till 1945.
- **1958** - Uganda given internal self-government.
- **1962** - Uganda becomes independent with Milton Obote as prime minister and with Buganda enjoying considerable autonomy.
- **1963** - Uganda becomes a republic with Buganda's King Mutesa as president.

- **1966** - Milton Obote ends Buganda's autonomy and promotes himself to the presidency.
- **1967** - New constitution vests considerable power in the president.
- **Idi Amin years**
- **1971** - Milton Obote toppled in coup led by Army chief Idi Amin.
- **1972** - Amin orders Asians who were not Ugandan citizens - around 60,000 people - to leave the country.
- **1972-73** - Uganda engages in border clashes with Tanzania.
- **1976** - Idi Amin declares himself president for life and claims parts of Kenya.
- **1978** - Uganda invades Tanzania with a view to annexing Kagera region.
- **1979** - Tanzania invades Uganda, unifying the various anti-Amin forces under the Uganda National Liberation Front and forcing Amin to flee the country; Yusufu Lule installed as president, but is quickly replaced by Godfrey Binaisa.
- **1980** - Binaisa overthrown by the army.
- Milton Obote becomes president after elections.
- **1985** - Obote deposed in military coup and is replaced by Tito Okello.
- **1986** - National Resistance Army rebels take Kampala and install Yoweri Museveni as president.
- **Beginnings of recovery**
- **1993** - Museveni restores the traditional kings, including the king of Buganda, but without political power.
- **1995** - New constitution legalises political parties but maintains the ban on political activity.
- **1996** - Museveni returned to office in Uganda's first direct presidential election.
- **1997** - Ugandan troops help depose Mobutu Sese Seko of Zaire, who is replaced by Laurent Kabila.
- **1998** - Ugandan troops intervene in the Democratic Republic of Congo on the side of rebels seeking to overthrow Kabila.
- **2000** - Ugandans vote to reject multi-party politics in favour of continuing Museveni's "no-party" system.
- **2001** January - East African Community (EAC) inaugurated in Arusha, Tanzania, laying groundwork for common East African passport, flag,



economic and monetary integration. Members are Tanzania, Uganda and Kenya.

- **2001** March - Uganda classifies Rwanda, its former ally in the civil war in DR Congo, as a hostile nation because of fighting in 2000 between the two countries' armies in DR Congo.
- Museveni wins another term in office, beating his rival Kizza Besigye by 69% to 28%.

- **Campaign against rebels**

- 2002 March - Sudan, Uganda sign agreement aimed at containing Ugandan rebel group the Lord's Resistance Army (LRA), active along common border.
- **2002** October - Army evacuates more than 400,000 civilians caught up in fight against cult-like LRA which continues its brutal attacks on villages.
- **2002** December - Peace deal signed with Uganda National Rescue Front (UNRF) rebels after more than five years of negotiations.
- **2003** May - Uganda pulls out last of its troops from eastern DR Congo. Tens of thousands of DR Congo civilians seek asylum in Uganda.
- **2004** February - LRA rebels slaughter more than 200 people at a camp for displaced people in the north.
- **2004** December - Government and LRA rebels hold their first face-to-face talks, but there is no breakthrough in ending the insurgency.
- **2005** April - Uganda rejects accusations made by DR Congo at the International Court in The Hague. DR Congo says Uganda invaded its territory in 1999, killing citizens and looting.

- **Multi-party politics**

- **2005** July - Parliament approves a constitutional amendment which scraps presidential term limits.
- Voters in a referendum overwhelmingly back a return to multi-party politics.
- **2005** October - International Criminal Court issues arrest warrants for five LRA commanders, including leader Joseph Kony.
- **2005** November - Main opposition leader Kizza Besigye is imprisoned shortly after returning from exile after a trial in a military court on various charges including treason and illegal possession of firearms. Supporters say the trial

was politically motivated, and take to the streets. Mr Besigye is released on bail in January 2006, just ahead of presidential elections.

- **2005** December - International Court in The Hague rules that Uganda must compensate DR Congo for rights abuses and the plundering of resources in the five years leading to 2003.
- **2006** February - President Museveni wins multi-party elections, taking 59% of the vote against the 37% share of his rival, Kizza Besigye. EU observers highlight intimidation of Mr Besigye and official media bias as problems.
- **2006** August - The government and the LRA sign a truce aimed at ending their long-running conflict. Subsequent peace talks are marred by regular walk-outs.
- **2006** November - Government rejects a United Nations report accusing the army of using indiscriminate and excessive force in its campaign to disarm tribal warriors in the lawless northeastern region of Karamoja.
- **Somalia role**
- **2007** March - Ugandan peacekeepers deploy in Somalia as part of an African Union mission to help stabilise the country.
- The UN World Food Programme says it will have to halve food handouts to more than 1 million people displaced by war in the north.
- **2007** April - Protests over a rain forest explode into racial violence in Kampala, forcing police to protect Asian businesses and a Hindu temple. An Asian man and two other people are killed.
- **2007** July - Lord's Resistance Army says lack of funds for foreign travel and to reach commanders in remote hideouts will delay peace talks.
- **2007** August - Uganda and DR Congo agree to try defuse a border dispute.
- **2007** September - State of emergency imposed after severe floods cause widespread devastation.
- **2008** February - Government and the Lord's Resistance Army sign what is meant to be a permanent ceasefire at talks in Juba, Sudan.
- **2008** November - The leader of the Lord's Resistance Army, Joseph Kony, again fails to turn up for the signing of a peace agreement. Ugandan, South Sudanese and DR Congo armies launch offensive against LRA bases.

- **2009** January - Lord's Resistance Army appeals for ceasefire in face of continuing offensive by regional countries.
- The UK oil explorer Heritage Oil says it has made a major oil find in Uganda.
- **2009** March - Ugandan army begins to withdraw from DR Congo, where it had pursued Lord's Resistance Army rebels.
- **2009** October - Somali Islamists threaten to target Uganda and Burundi after action by African peacekeepers in Somalia kills several civilians.
- **2009** December - Parliament votes to ban female circumcision. Anyone convicted of the practice will face 10 years in jail or a life sentence if a victim dies.
- **2010** January - President Museveni distances himself from the anti-homosexuality Bill, saying the ruling party MP who proposed the bill did so as an individual. The European Union and United States had condemned the bill.
- The Ugandan army says it killed Bok Abudema, a senior commander of the Lord's Resistance Army armed group, in the Central African Republic.
- **2010** February - Heritage Oil sells its assets in Uganda to the UK firm Tullow Oil after Italian energy company Eni dropped out of the bidding.
- **2010** June - Public prosecutor opens corruption investigation against Vice-President Gilbert Bukenya, Foreign Minister Sam Kutesa and several other ministers and officials over the alleged theft of \$25m.
- **2010** June-August - Operation Rwenzori against ADF-NALU rebels striving for an Islamic state in Uganda prompts 90,000 to flee in North Kivu province of neighbouring DR Congo.
- **Blasts**
- **2010** July - Two bomb attacks on people watching World Cup final at a restaurant and a rugby club in Kampala kill at least 74 people. The Somali Islamist group Al-Shabab says it was behind the blasts.
- **2010** August - National Resistance Movement primary elections for parliamentary and local candidates suspended amid irregularities, violence.
- **2010** October - UN report into killing of Hutus in DR Congo between 1993 and 2003 says they may constitute "crimes of genocide". It implicates Rwanda, Uganda, Burundi, Zimbabwe and Angola.

- **2010** October - Constitutional Court quashes treason charges against opposition leader Kizza Besigye.
- **2011** February - Museveni wins his fourth presidential election. Challenger Kizza Besigye alleges vote-rigging and dismisses the result as a sham.
- **2011** April - Kizza Besigye arrested several times over "walk-to-work" protests against rising prices.
- **2011** July - US deploys Special Forces personnel to help Uganda combat LRA rebels.
- **2011** September - Court orders release of LRA commander Thomas Kwoyelo, saying he should be given the amnesty on offer from the government.
- **2012** May - Ugandan Army captures senior LRA commander Caesar Achellam in a clash in the Central African Republic, one of the nearby states in which the remaining band of LRA troops operates. Uganda says this is a major breakthrough, billing Achellam as a top LRA strategist.
- Tens of thousands of refugees cross into Uganda, fleeing fighting in DR Congo.
- **2012** July - Ugandan troops allegedly enter DR Congo to fight alongside M23 rebel movement, a charge denied by Kampala.
- Outbreak of the deadly Ebola virus.

### **Political Life**

**Government.** Under the constitution of 1995, legislative power is in the hands of a unicameral parliament (the National Resistance Council) with 276 members (214 elected directly and 62 appointed). Executive powers are held by the president, who is directly elected for a five-year term. On coming to power in 1986, the government introduced "no-party" democracy known as the "movement system" with a national network extending from the capital to the rural areas. Only one political organization, formerly the National Resistance Movement (or NRM) and now known as the "Movement," is recognized; it is the party of President Museveni. Among the parties that exist but are not allowed to sponsor candidates, the most important are the Ugandan People's Congress (UPC), the Democratic Party (DP), and the Conservative Party (CP).

**Leadership and Political Officials.** It is alleged that one of the main criteria for advancement in the current government is whether an individual fought in President Museveni's guerrilla army, which was instrumental in bringing the regime to power in 1986. Those people are said to have achieved their positions through a combination of hard work, influence peddling, and corruption.

**Social Problems and Control.** After the victory of the National Resistance Army (NRA) in 1986, the NRA assumed responsibility for internal security. The police force was reorganized and, together with other internal security organs, began to enforce law and order in all districts except those experiencing rebel activity. There are two continuing civil wars against the "Lord's Resistance Army" and against guerrillas based in the Sudan. In 1995, the government established a legal system based on English common law and customary law. There is a court of appeal and a high court, both with judges appointed by the president. The most common crimes are theft and, in some parts of the country, banditry.

**Military Activity.** Uganda has an army, a navy, and an air force. The NRA has about seventy thousand troops. Recruitment is voluntary; there is no fixed term of service, and both men and women serve. In 1999, Ugandan military forces supported the rebel forces in the civil war in the Democratic Republic of Congo.

### **Local Government System in Uganda**

The system of Local Government in Uganda is based on the District as a Unit under which there are lower Local Governments and Administrative Unit Councils. Elected Local Government Councils which are accountable to the people are made up of persons directly elected to represent electoral areas, persons with disabilities, the youth and women councilors forming one third of the council. The Local Government Council is the highest political authority in its area of jurisdiction. The councils are corporate bodies having both legislative and executive powers. They have powers to make local laws and enforce implementation. On the other hand Administrative Unit Councils serve as political units to advise on planning and implementation of services. They assist in the resolution of disputes, monitor the delivery of services and assist in the maintenance of law, order and security.

The Local Governments in a District rural area are:

- The District
- The Sub-county

The Local Governments in a city are:

- The City Council
- The City Division Council

The Local Governments in a Municipality are:

- The Municipal Council
- The Municipal Division Council

The Town Council is also Local Government

The Administrative Units in the rural areas are:

- County
- Parish
- Village

The Administrative Units in the urban areas are:

- Parish or Ward
- Village

## Economic analysis

- Annual inflation continued to decline for the seventh consecutive month. The rate of annual **headline inflation** fell to 18.0% during the month from 18.6% in May, as both core and EFU inflation declined. On the other hand, food crop inflation rose from 8% in May to 12.2% in June 2012.
- Total **URA revenue collections** in June 2012 amounted to Shs 752.79bn, representing a performance rate of 116% against the target for the month. Cumulative collections for the fiscal year amounted to Shs 6,135.94bn representing a performance rate of 99.5% against the target for the period. Collections on stamp duty from farm out oil transactions in 2011/12 amounted to Shs.72.3 bn.
- During the month, **non-tax-revenue (NTR)** collections amounted to Shs 11.8 billion, representing performance rate of 125% against the month's target. Cumulatively, NTR collections amounted to Shs 105.8 billion against a target of Shs 106.3 billion estimated for the FY 2011/12.
- Total **Government expenditure** excluding arrears amounted to Shs. 924.7 billion in June. The fiscal operations recorded a deficit of Shs. 126.7 billion as revenues and grants underperformed.
- **Coffee exports** in June decreased to 275,057 60-kg bags, worth US\$ 36.62 million, representing a decline by 25.85% and 37.1% in volume and value respectively, as compared to June 2011.
- In the **foreign exchange market**, the Shilling depreciated by 0.2% in June to an average of Shs 2,484.36 against the US dollar for the month.
- In the **money markets**, interest rates on Government securities decreased across all maturities as Shilling liquidity conditions eased in June relative to May.

## **Macro Economic Indicators**

### **Inflation**

- Between May and October 2011, headline inflation hovered at 30.5%, the highest since 1993. Food inflation reached a record 50.4% while the highest core inflation rate recorded in the same period was 27.4%. By the end of May 2012, the headline inflation rate had been tamed to 18.6% with the food and core inflation also dropping to 8% and 21.2% respectively.
- Tightening of monetary and fiscal policy as well as the improved food production curbed the soaring inflation. The Government attributed the main causes of this double digit inflation to the recent drought, increased regional demand for food products, increasing global food prices and imported inflation. The target inflation rate for the medium term is 5%. Taming inflation remains Government's overriding macroeconomic objective for medium term stability.

### **Interest rates**

- During FY2011/12, Bank of Uganda pursued a tight monetary policy using the Central Bank Rate (CBR). By doing so, transparency and effectiveness of the monetary policy was enhanced due to policy communication and inflation anchoring. The CBR rose by 10% between July and November 2011 in an effort to dampen demand for credit. As desired, it resulted in increased commercial bank lending rates and a decreased aggregate demand keeping prices in check.
- 2011/12 average commercial bank lending rates were in the range of 21.3% to 27.6%. Interest rates on 91 days, 182 days and 364 days treasury bills stood at 13.3%, 13.7% and 13.6% respectively while Saving rates averaged between 2.3% and 3.3%.

### **Exchange rates**

- The Government operates a flexible exchange regime determined by supply and demand conditions in the market. FY2011/12 was characterized by a high volatility of the exchange rate against major international currencies.

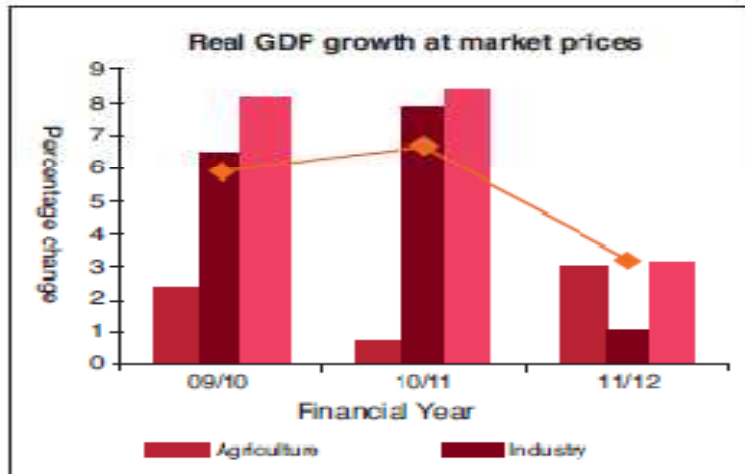


- Bank of Uganda continued to deal with the high volatility through intervention in the foreign exchange market.
- This resulted in a net purchase of USD 187.64 million compared to USD 62.4 million in the previous year. The interbank foreign exchange mid-rate in May 2012 was Shs 2,479 per USD compared to Shs 2,461 in June 2011.
- The sharp fluctuations in the exchange were on account of: the global strengthening of the dollar due to an improved US economic outlook; crude oil driven by the supply side due to geographical instability in the OPEC region; the persistent trade excess of imports; and, in some instances, speculation. Most of the major sources of foreign exchange - exports, workers' remittances and Foreign Direct Investment – grew at a slow rate due to stagnation of industrialized economies especially in the troubled Euro zone.

### **GDP**

- Uganda continues to face both external and internal shocks. Some of the external shocks include: the increasing global oil and commodity prices; the down turn in the Euro zone; which has resulted in weaker demand for our exports. The internal shocks were as a result of prolonged drought, power shortages, compounded by inefficiencies in implementation of Government programmes. As a result Uganda's real GDP growth for the fiscal year 2011/12 is estimated at 3.2 % compared to 6.7% in 2010/11 with the expected GDP growth rate being 7%p.a over the medium term.
- The slow down can be mainly attributed to sluggish growth in the services and industry sectors. Overall, the services sector grew at 3.1% compared to 8.4% in FY 2010/11 while the industry sector grew at 1.1% compared to 7.9 % in FY 2010/11. The agriculture sector grew by 3.0% up from 0.7 % the previous year. The hardest hit was the manufacturing sector that contracted by 4.4%.

Chart No. 1



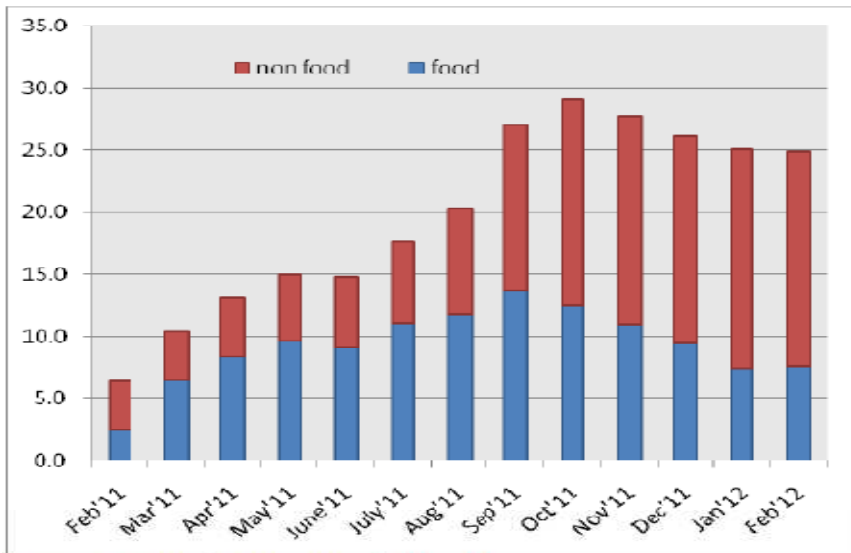
***Food versus Non Food Inflation***

Both food and non-food inflation reduced in June 2012. Food inflation reduced to 12.7% from 13.7% recorded in May 2012 and was still lower than headline inflation. Meanwhile non-food inflation reduced to 20.4% from 21% reported for May. Non food inflation remained higher than headline inflation implying that the inflationary pressures have persistently resulted from the non-food component of inflation since March 2012.

**Fig 1: Movements in the Food and Non food Components of Inflation for June 2011 - 2012:**

**Chart No 2**

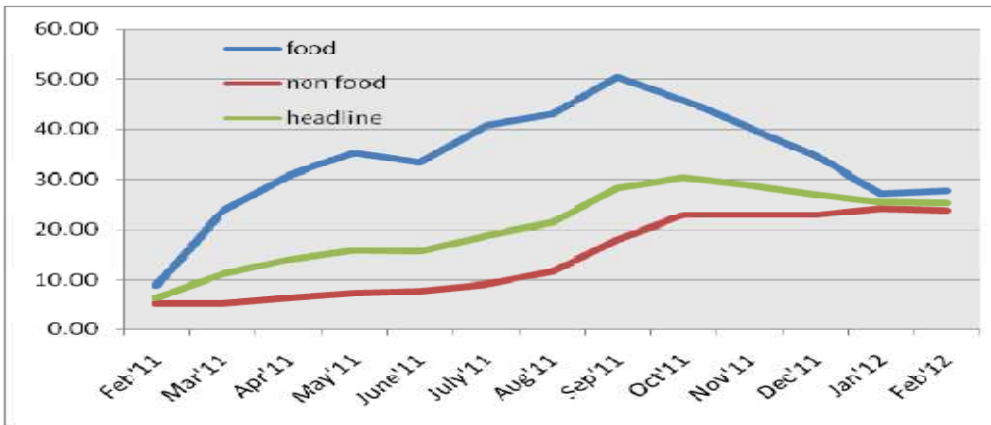
**Contribution to Headline Inflation**



Source: Uganda Bureau of Statistics

**Chart No. 3**

**Food and Non Food Inflation**



**Inflation across CPI centers**

June Annual headline inflation remained highest in Arua just as in May 2012. Arua recorded headline inflation of 24.1% compared to 21.3% in May 2012 followed by Kampala high and Gulu at 20.45 and 19.4% respectively. Headline inflation remained lowest in Jinja and Mbarara at 13.5% and 15.5% respectively. Arua continues to experience the highest inflation in the country due its location-bordering South Sudan. The demand for the limited goods and services in Arua is exacerbated

by the fact that South Sudan competes with Arua for the same goods produced within Arua and those imported.

## **MONETARY AND FINANCIAL SECTOR**

### **Government Securities and Interest Rates**

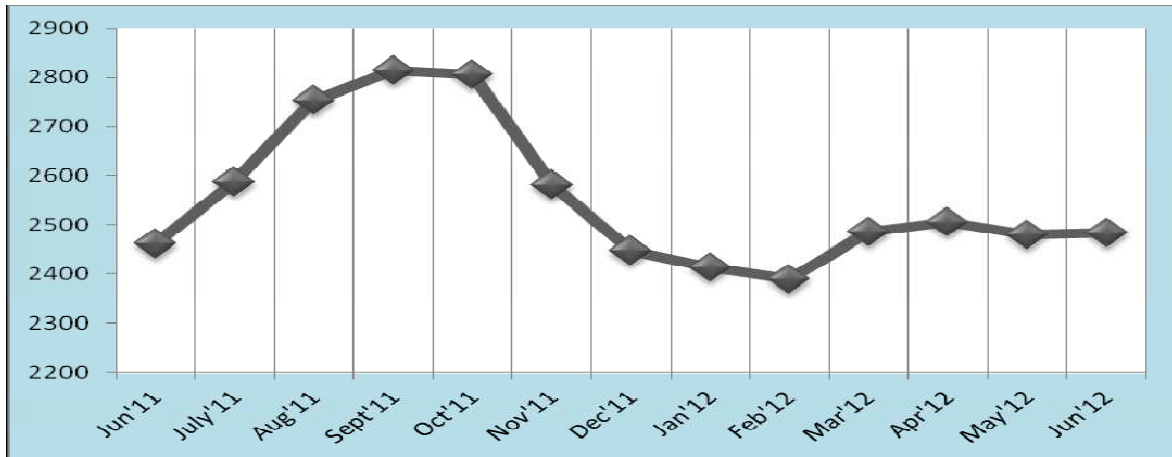
There were five auctions of government securities - 2 T-Bills, 2 T-bond and a T-bond re-opening during the month of June 2012 and on net basis Shs 280.78 billion worth of securities were issued. In line with market developments, the average monthly interest rate on the shortest dated security – the 91-day TB rose marginally to 18.6% in June, while the rate on the 364-day TB dropped substantially by 1% to 19.23%. The weighted average monthly interest rate across all TB maturities also dropped substantially by 1% to 19.24% between May 2012 and June 2012. The interest rates on the 3, 5 and 10-year bonds (whose face values were Shs 100, 50 and 100 billion respectively) were at 15.2%, 15.4% and 15.3% respectively.

Since the start of this calendar year, interest rates on Government securities have experienced a steady decline. The decline partly reflects the easing in monetary policy stance (as reflected by the decline in the CBR) in response to easing inflationary pressures.

### **Foreign Exchange Market**

The foreign exchange market was characterized by subdued demand. In the absence of corporate sector demand, developments in the market were driven by inter-bank activities. Having opened the month at Shs 2,502/US\$, the Shilling fluctuated but the rate remained fairly stable in the first two weeks, as demand was met by available supply from exports, NGO and private flows. However, the second half of the month was characterized by gradual appreciation pressures with the exchange rate ending the month at Shs 2,472/US\$. On a monthly average basis, there was marginal depreciation of the exchange rate from Shs 2,479/US\$ in May to Shs 2,484/US\$ in June 2012

**Chart No 4**



On an annual basis, the average exchange rate amounted to Shs 2,557/US\$, representing a 9.1% depreciation over the FY2010/11 average level.

## **II. EXTERNAL SECTOR**

### **Coffee Exports**

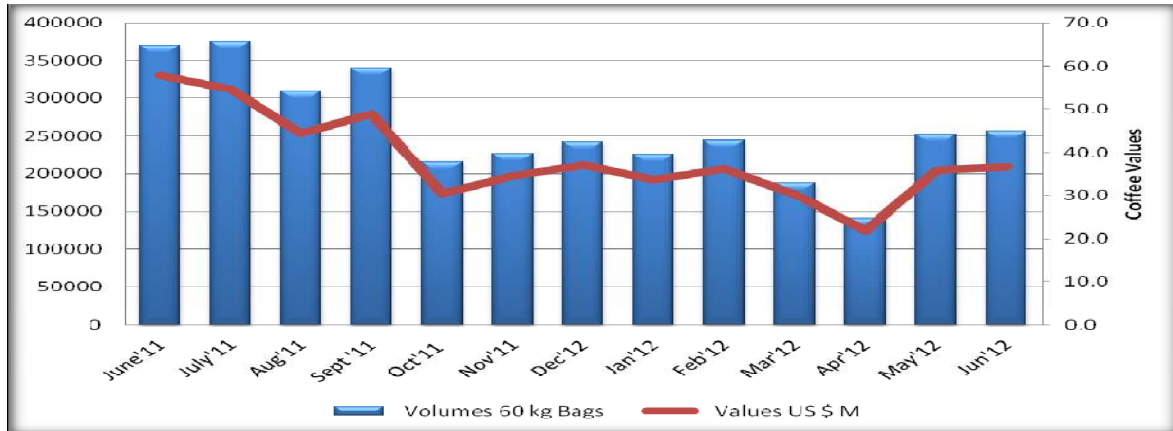
Coffee exports were hit by the weak international demand in June 2012, as both volume and values were below the corresponding levels last year. Exports totalled 275,057 60-kg bags worth US\$ 36.6 million, which was a decline by 25.8% and 36.8% in volume and value respectively, as compared to June 2011.

In addition to reduced demand, export volumes were significantly affected by reduced harvests on account of heavy rains in the South and South Western regions that hampered the drying of the coffee beans.

Cumulative coffee exports still fell short of last year's production. Total coffee production in 2011/12 amounted to 2.01 million 60-kg bags worth US\$ 293.6 million compared to 2.12

Million 60-kg bags worth US\$ 300.6 million in 2010/11. The weaker global growth and expected bumper harvest from Brazil explains the slowdown in the coffee exports.

**Chart No. 5**



**External Debt**

During the month, a total US\$ 3.343 million was paid out in debt service against the month's projection of US\$ 3.258, which was attributed to higher than projected interest payments to IDA and the AfDB.

The highest amount of debt service both in percentage and total was paid to IDA and accounted for 65% or US\$ 2.2 million. This was followed by IFAD and Austria which were paid US\$ 0.8 million and US \$ 0.15million respectively as indicated in the figure below

## **Social analysis**

Poverty and disease are linked problems in Uganda that are compounded by poor sanitation, unclean water, and inadequate housing.

Only 52 percent of the population has access to clean water. Although food is easily grown in Uganda, sporadic droughts cause severe famines.

Uganda suffers from a very high infection rate of the human immunodeficiency virus (HIV) that causes acquired immunodeficiency syndrome (AIDS).

The International Bank for Reconstruction and Development (World Bank) estimated 820,000 Ugandans were infected with AIDS in 1999.

The other most common ailments include prenatal and maternal conditions, malaria, pneumonia, and diarrhea.

Infectious diseases, such as meningitis, cholera, dysentery, plague, and human sleeping sickness, have occurred more frequently as a result of the breakdown of the health system during the Idi Amin regime in the 1970s.

## **Social Stratification**

***Classes and Castes.*** Although there are no castes, there is a relatively high degree of social inequality. In the mid-1990s, 55 percent of the population lived below the poverty line. The top 10 percent owned about one-third of the available wealth, while the bottom 10 percent owned 3 percent. Wealth distribution is governed by class position. The richest people live mostly in the capital, Kampala.

***Symbols of Social Stratification.*** Social stratification is governed primarily by level of education and status derived primarily from employment. Among the elites, English is the language of communication, and these people dress in a modern Western fashion. Others tend to wear traditional dress.

## **Social Welfare and Change Programs**

In 1987, the government launched a four-year Rehabilitation and Development Plan to restore the nation's productive capacity, especially in industry and agriculture, and

rehabilitate the social and economic infrastructure. The plan targeted industrial and agricultural production, transportation, and electricity and water services, envisioning an annual 5 percent growth rate. Transportation would receive the major share of funding, followed by agriculture, industry and tourism, social infrastructure, and mining and energy. Although the international financial community provided debt rescheduling and new loans, the level of economic recovery was modest. Improved security and private sector development contributed to economic growth and the rehabilitation of the social infrastructure in the 1990s, but external shocks, an overvalued currency, and high government spending limited economic progress.

### **Nongovernmental Organizations and Other Associations**

Political conflict and the near disintegration of the state under Milton Obote and Idi Amin in the 1970s and early 1980s, led to the incorporation of autonomous self-help organizations and nongovernmental organizations (NGOs). Foreign and indigenous NGOs concerned with developmental, social, and political goals have flooded Uganda since the mid-1980s. In general, NGOs have been effective in addressing the needs of service provision and alleviating poverty. For groups of traditionally disadvantaged people such as physically disabled persons and women, NGOs have provided guaranteed political representation at every level of the society.

### **Gender Roles and Statuses**

***Division of Labor by Gender.*** Traditionally, women's roles were subordinate to those of men despite the substantial economic and social responsibilities of women in traditional Ugandan societies. Women were taught to accede to the wishes of their fathers, brothers, husbands, and other men and to demonstrate their subordination to men in public life. Into the 1990s, women in rural areas of Buganda were expected to kneel when speaking to a man. However, women had the primary responsibility for child care and subsistence agriculture while contributing to cash crop agriculture. Many Ugandans recognized women as important religious leaders who sometimes had led revolts that overthrew the political order dominated by men. In some areas, women could own land, influence crucial political decisions made by men, and cultivate cash crops.



***The Relative Status of Women and Men.*** In the 1970s and 1980s, political violence had a heavy toll on women. Economic hardship was felt in the home, where women and children lacked the economic opportunities available to most men. Women's work became more time-consuming, and the erosion of public services and infrastructure reduced access to schools, hospitals, and markets. However, some Ugandan women believed that the war years strengthened their position in society, and the Museveni government has pledged to eliminate discrimination against women. During the civil war, women were active in the NRA. The government decreed that one woman would represent each district on the National Resistance Council, and the government owned Uganda Commercial Bank established a rural credit plan to make farm loans available to women.

### **Marriage, Family, and Kinship**

***Marriage.*** Family prosperity in rural areas involves the acquisition of wives, which is accomplished through the exchange of bride wealth. Since the 1950s a ceiling on bride wealth has been set at five cows and a similar number of goats. The payment of bride wealth is connected to the fact that men "rule" women. Polygynous marriages have reinforced some aspects of male dominance but also have given women an arena for cooperating to oppose male dominance. A man may grant his senior wife "male" status, allowing her to behave as an equal toward men and as a superior toward his other wives. However, polygynous marriages have left some wives without legal rights to inheritance after divorce or widowhood.

***Domestic Unit.*** The extended family is augmented by a kin group. Men have authority in the family; household tasks are divided among women and older girls. Women are economically dependent on the male next of kin (husband, father, or brother). Dependence on men deprives women of influence in family and community matters, and ties them to male relationships for sustenance and the survival of their children.

***Inheritance.*** Land reform is a continuing aspect of constitutional debate. Suggestions for a new land policy were part of the draft constitution submitted to the president of the Constitutional Commission in late 1992, though little consideration had been given to the issue of women's right to own and inherit land. Although

women make a significant contribution in agriculture, their tenure rights are fragile. The determination and protection of property rights have become important issues as a result of civil war and the impact of AIDS. However, the state's legal stand on inheritance recognizes the devolution of property through statutory as well as customary law.

According to the law, a wife equally with a husband is entitled to 15 percent of the spouse's estate after death. The practice, though, is that in the majority of cases a man inherits all of his wife's property, while culture dictates that a woman does not inherit from her husband at all. In other words, regarding inheritance, where there is conflict between cultural unwritten law and the written modern law, the cultural laws tend to take precedence.

***Kin Groups.*** For many people, clan, lineage, and marriage provide the framework of daily life and access to the most significant resources. Farming is largely a family enterprise, and land and labor are available primarily through kin.

## **Socialization**

***Infant Care.*** Virtually all infant care is undertaken by women and older girls at home.

***Child Rearing and Education.*** Mothers bore an average of over seven children in the late 1990s, and the use of family planning is low. The death of children is commonplace, with an estimated ninety deaths per one thousand live births. Boys are more likely to be educated to the primary and secondary levels than are girls. Among the 62 percent of the population that is literate, nearly three-quarters are men.

***Higher Education.*** Established in 1922, Makerere University in Kampala was the first college in East Africa. Its primary aim was to train people for government employment. In the 1980s, it expanded to include colleges of liberal arts and medicine serving more than five thousand students. In the early 1990s, there were about nine thousand students. The Islamic University at Mbale, financed by the Organization of the Islamic Conference, opened in 1988. This college provides Islamic educational services primarily to English-speaking students from African

countries. In 1989, a second national university campus opened in Mbarara, with a curriculum designed to serve rural development needs. Development plans for higher education rely largely on international and private donors. Most residents value higher education, perceiving it as an essential aspect of national development.

### **Etiquette**

Shaking hands is the normal form of greeting. Casual dress is considered appropriate in the daytime and evening. It is customary to give waiters and taxi drivers a 10 percent tip. Etiquette is important at family meals. When a meal is ready, all the members of the household wash their hands and sit on floor mats. Visitors and neighbors who drop in are expected to join the family at a meal. Normally a short prayer is said before the family starts eating. During the meal, children talk only when asked a question. It is considered impolite to leave the room while others are eating. Leaning on the left hand or stretching one's legs at a meal is a sign of disrespect. When the meal is finished, everyone in turn gives a compliment to the mother.

### **Religion**

**Religious Beliefs.** One-third of the population is Roman Catholic, one-third is Protestant, and 16 percent is Muslim; 18 percent believe in local religions, including various millenarian religions. World religions and local religions have coexisted for more than a century, and many people have established a set of beliefs about the nature of the universe by combining elements of both types. There is a proliferation of religious discourses centering on spirits, spirit possession, and witchcraft.

**Religious Practitioners.** Religious identity has economic and political implications: church membership has influenced opportunities for education, employment, and social advancement. Religious practitioners thus are expected to provide a range of benefits for their followers. Leaders of indigenous religions reinforce group solidarity by providing elements necessary for societal survival: remembrance of ancestors, means of settling disputes, and recognition of individual achievement. Another social function of religious practitioners is helping people cope with pain, suffering, and defeat by providing an explanation of their causes. Religious beliefs and practices

serve political aims by bolstering the authority of temporal rulers and allowing new leaders to mobilize political power and implement political change.

***Rituals and Holy Places.*** In Bantu-speaking societies, many local religions include a belief in a creator God. Most local religions involve beliefs in ancestral and other spirits, and people offer prayers and sacrifices to symbolize respect for the dead and maintain proper relationships among the living. Mbandwa mediators act on behalf of other believers, using trance or hypnosis and offering sacrifice and prayer to beseech the spirit world on behalf of the living.

Uganda has followers of Christianity, Islam, and African traditional religions. Ugandan Muslims make pilgrimages to Mecca when they can. Followers of African religions tend to establish shrines to various local gods and spirits in a variety of locations.

***Death and the Afterlife.*** Death is sometimes interpreted in the idiom of witchcraft. A disease or other cause of death may not be considered the true cause. At a burial, if the relatives suspect someone of having caused the deceased person's death, a spirit medium may call up the spirit of the deceased and ask who really killed him or her.

### **Medicine and Health Care**

Health services deteriorated in the 1970s and 1980s, as a result of government neglect, violence, and civil war. In the 1990s, measles, respiratory tract infections, and gastro enteritis caused one-half of all deaths attributed to illness, and malaria, AIDS, anemia, tetanus, whooping cough, and respiratory tract infections also claimed many lives. Infant mortality was often caused by low birth weight, premature birth, or neonatal tetanus. The entire health care system was served by less than a thousand doctors in the 1990s. Care facilities included community health centers, maternity clinics, dispensaries, leprosy centers, and aid posts. Today there is at least one hospital in each district except the southern district of Rakai. In the sparsely populated northern districts, people sometimes travel long distances to receive medical care, and facilities are inferior to those in the south. Those who live far from

or cannot afford modern health care depend on traditional care. Women are prominent among traditional healers.

### **Secular Celebrations**

The major holidays are New Year's Day, 1 January; Liberation Day, 26 January; International Women's Day, 8 March; Labor Day, 1 May; National Heroes Day, 9 June; and Independence Day, 9 October.

### **The Arts and Humanities**

**Support for the Arts.** Most artists are self-supporting as there is virtually no state support. Small-scale, local initiatives take place, but it has been difficult to establish viable sectors because of the disruptions caused by long-term political conflict and economic decline.

**Literature.** The development of literature is at an early stage. It has been held back by the years of civil war.

**Graphic and Performance Arts.** Performing arts often are associated with different ethnic groups throughout the country.

### **The State of the Physical and Social Sciences**

The physical and social sciences are generally under-developed as a result of civil instability and conflict and the development of other priorities centered on national reconstruction. Makerere University is still in operation but virtually all expatriate staff, once the backbone of the teaching staff, have been long gone. Little research is currently undertaken because of a lack of up-to-date books, journals, or computers.

1. Gender inequality In Uganda, women's rights have been violated, for example in some communities women are not given the chance to participate in political issues, most are denied education and some have been sexually abused even in their own homes etc. It was recommended that; Women should become activists and stand up to fight for their rights. They should have a representative in the UN body so that

their ideas are dealt with directly. They should be encouraged to get involved in all levels of decision making so that they can push government to implement their activities. NGOS such as UWONET should be set up to fight for women rights.

2. Information gap As the saying goes “where there is no information there are rumours and therefore suspension” The right to information is important because it creates a democratic society. Without information, one can’t process what he wants and can’t go beyond what he/she sees. It determines purchasing power and one’s worth. If information is the currency to one’s destiny then everyone has the right to information. Confidential documents in Africa exist which is not the case in the library of congress. Recommendation We should know that the right to know is a requirement for freedom of thought and expression therefore information should be accessed freely. Access to information is a basic human right. Librarians should be activists to see that information is accessible to the general public at the time when they need it. Librarians should ensure that information is disseminated to all levels of the community.

3. Food Sovereignty and Land in Uganda Most of the struggles are similar country wide. Agriculture is a way of life and land is the only inheritance that we own and if commercialized, then the rights of the peasants to feed themselves are denied. People pushing for commercialization are in the business and have no concern for the poor who have no money. The argument that commercialization will lead to economic development is not true because many examples of those countries who have undertaken those reforms such as South Korea and Taiwan have developed much faster, are not valid generally.

4. Poverty is growing fast and the situation of the poor people is deteriorating. Peasants should have their land to become self-reliant. If the farmers have access to good framework conditions, like affordable credits, good seeds, agricultural research and other agricultural inputs, access to marketing facilities and if not overtaxed by the government their yield per hectare can be higher Recommendations. Let’s unite and fight together to stop commercialization of the land Let’s participate in the information network exchange information and invite people to participate Let’s disseminate information and publications on the struggle for food sovereignty and

land Assist peasant movements in Uganda Let's internationalize our movement so as to achieve the goal for the fight for land and food production in order to turn women and men peasants into real subjects of the economic, social and political development of society.

## **Delivering Social Protection**

### **1. Financing**

Uganda's GDP per capita was just \$350 in the year 2000, and 22 million Ugandans depend on just 150,000 income taxpayers, which is why Uganda is still among the world's poorest countries. With such a small revenue base, and such a large poverty problem, the fiscal resources available for redistribution to the poor are extremely limited, while the need for redistribution is extremely high. Clearly, a high proportion of spending on social protection programmes will need to be externally financed, rather than funded out of direct contributions (self-financed insurance and pensions) or government revenues.

### **2. Political commitment**

There are strong competing demands on government spending allocations, and social protection programmes inevitably receive lower priority than spending on 'development' programmes for economic growth. This is partly because social protection is regarded everywhere as 'welfare handouts' or 'charity' that consumes scarce public resources and generates no real economic returns, and partly because economic growth is seen as a prerequisite for generating income that will either accrue directly to the poor ('pro-poor growth') or can be redistributed to the poor afterwards (a 'growth first, then redistribution' strategy). On the other hand, Uganda is committed to 'growth with equity', and the

Government has steadily increased its allocation of public expenditure towards the social sectors in recent years.

### **3. Sustainability**

In reality, a significant proportion of social protection activities in Uganda will be financed by the donors, at least for the foreseeable future. The danger is that effective social protection requires constant refinancing, whereas donors operate on

project cycles that are time-bound and subject to changes in fashion (trends in development thinking mean that ‘pet projects’ can rapidly become unfashionable) or personnel (staff rotation to other countries leaves no ‘champion’ promoting the project in the local office).

#### **4. Administrative Capacity**

Uganda already faces shortages of trained personnel in key social sectors such as education and health, and these constraints appear to be even more acute in terms of social workers and managers of facilities that provide institutionalized care to people such as orphans and abandoned children. More training and more personnel are urgently needed in these areas.

A related issue is the role of local government in delivering or coordinating social protection programmes at district or sub-county level. In theory, decentralization offers the prospect of a better match between locally articulated needs and centrally provided services. In practice, implementation has been patchy and some districts are achieving more success than others. In Wakiso District, the study team discovered that the LC3 level is monitoring and attempting to coordinate the dozens of NGO and CBO activities in the sub-county, but it has little authority over these activities and almost no authority over spending of centrally allocated funds in the local communities.

#### **5. Targeting the Vulnerable**

There are two dangers in classifying entire groups of people (e.g. ‘orphans’) as needing social protection. The first is *targeting error*. Any group-based classification provides a proxy for need that will inevitably misclassify some individuals as being ‘at risk’ or ‘in need’ when in fact they are neither. For example, not all female-headed households are poor, not all orphans need special care, not all people with disabilities are unable to work and maintain themselves. The cost-effectiveness of any intervention targeted at broad groups depends largely on how robust those groups are as proxies for need.

A related danger is *homogenization* of vulnerable groups. It is important not to assume that all orphans, or IDPs, or PLWA, have the same needs. For example, the category of ‘orphans’ should be disaggregated or ‘segmented’ into several sub-categories – orphans with one parent and those with none; orphans in foster homes,



in institutions, and on the street; orphans in urban areas, rural areas, and conflict zones; orphans in different agesex cohorts. Ideally, distinct programmes should be designed to meet the specific needs of each sub-category, though in practice this is very difficult to achieve.

### **Technological Analysis**

Uganda is a progressive and developing country known for its rich heritage, culture, resources and people. It has immense growth prospects for developing world-class Information Technology (IT) industry and services so as to contribute substantially to the economic growth of Uganda. Its purpose is to ensure that Uganda is strategically positioned to attract international IT companies through the development of a suitable IT infrastructure.

Government recognizes IT as the enabling tool for development of the country and this policy will support, the promotion of IT in various sectors including Natural Resource Management (Petroleum, Minerals, water bodies, etc). it will above all facilitate widespread roll-out of e-government services so as to actualize good governance and bring in efficiency and effectiveness in service delivery.

In the transformation of the rural economy into an information society, knowledge economy and the Information age, a combination of sociological, political, economical and technological factors are important to bring about changes to the social system. The scope of this transformation is global. This indicates that the regional and global competitiveness will depend on intensity of information technology adoption.

This policy has been developed to foster the development of IT as an industry as well as spearhead development of IT Enabled Services (ITES). It has the following objectives:

1. To develop a harmonized national IT infrastructure that provides equitable access to foreign and local markets.
2. To provide leadership direction and vision to guide IT industry development.
3. To develop a critical mass of educated IT human resource at all levels to meet the local and export requirements.
4. To stimulate and support research and development in IT.
5. To promote widespread use of IT applications in both public and private sectors to enhance efficiency and effectiveness in service delivery.
6. To develop national and adopt international standards and guidelines to support growth of IT industry in Uganda.
7. To develop an enabling legal and regulatory framework.
8. To establish incentives for both local and foreign investors to foster the development of the IT sector (hardware, software and service industry).
9. Promote use of IT systems in all government MDAs and LGs and businesses to usher in efficiency and effectiveness in-service delivery.
10. To mobilize and sensitize the communities on availability of IT services.

The IT policy will provide guidance to all stakeholders in the IT sector and create a necessary environment that will attract IT investments from all over the world. This will bring Uganda to the forefront of IT.

I urge all of you stakeholders, in both public and private sectors to embrace and implement the IT Policy for the good of our country.

**Information Technology Policy for Uganda**

It is the intention of the Government of Uganda to consolidate its efforts and focus its energies to leverage the potential of IT for the benefit of its people. Therefore, this comprehensive „National IT Policy“ will guide and direct IT development.

**Vision**

A knowledge-based economy where national development and governance are effectively enhanced by harnessing and adoption of IT-led economic transformation.

**Mission**

To promote the efficient utilization of Information Technology in transforming Uganda’s economy

**Policy Goal**

To guide the optimal development and utilization of IT in the country

**Policy Objectives**

The National IT policy shall have the following objectives:

1. To develop a harmonized national IT infrastructure that provides equitable access to foreign and local markets.
2. To provide leadership direction and vision to guide IT industry development.
3. To develop a critical mass of educated IT human resource at all levels to meet the local and export requirements.
4. To stimulate and support research and design in IT.
5. To promote widespread use of IT applications in both public and private sectors to enhance efficiency and effectiveness in service delivery.
6. To develop national and adopt international standards and guidelines to support growth of IT industry in Uganda.
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9. Promote use of IT systems in all government MDAs and LGs and businesses to usher I efficiency and effectiveness in-service delivery.

10. To mobilize and sensitize the communities on availability of IT services.

## **POLICY PRIORITY AREAS**

### ***Legal Framework***

Given the globalization drive and increased use of IT services; electronic Commerce/Business is on the increase and offers great new opportunities for economic growth. On the negative side, IT related crime is also on the increase. The existing legal framework is inadequate to address emerging complexities and where available enforcement is low. To this end government shall:

### **Policy Strategies**

Review and amend the relevant Laws and Acts to address the gaps in the existing legal framework for e-Commerce and cyber crime.

2. Advocate for curriculum review at Law Development Centre (LDC) to include basic IT, contemporary IT issues, law and IT, during professional legal training

3. Advocate for training and re-training of all personnel in the Justice, Law and Order Sector (JLOS) in applying and using IT to improve the delivery of justice.

4. Review and ensure enforcement of cyber laws (Electronic Signature, Electronic Transactions and Computer Misuse).

### ***IT Infrastructure***

The national infrastructure network still has a low coverage to enable universal access and hence bandwidth is extremely slow and costly. There is heavy reliance on satellite connection to connect to the Internet. This has hampered the usage of IT in the country.

To this end government shall:

### **Policy Strategies**

1. Scale up the National Backbone Infrastructure (NBI) to cover the whole country to simplify the mode and speed of service delivery to the public. This will help to reduce duplication of effort by various arms of Government.
2. Expedite the process of connecting to the submarine cables.
3. Encourage participation of the private sector in IT infrastructure development.
4. Put in place mechanisms for quality assurance in infrastructure development
5. Encourage Internet Service Providers (ISPs) to provide access to the network based services from even the most remote locations in the country.
6. Automate Government processes and procedures to bring about transparency, reduce constraining controls, increase efficiency and productivity and reduce cost of service delivery.
7. Establish a national web-portal through which all MDA services and citizen charters will be available to citizens over the Internet.
8. Safeguard the effective use of the dot UG (.ug) domain name for Uganda.
9. Ensure that the country is ready for the transition to the next generation global Internet delivery mechanisms like Internet Protocol Version 6 (IPv6) address space

### ***IT Human Resource Development***

Manpower development is imperative for the local IT industry to take root on a large scale in Uganda. For the country to achieve and maintain the position of an important player in the international IT market. A large pool of skilled manpower is required for all components of the IT industry and it has to be geared to meet both local and export needs. However, currently the professional IT human resource in both public and private sectors is inadequate lacks relevant professional skills. There is a high rate of IT illiteracy in both public and private sectors which is characterized by a digital divide between urban and rural areas, as well as between men and women.

To this end government shall:

## **Policy Strategies**

1. Develop a comprehensive plan for human resource development in IT to meet present and future manpower needs.
2. Devise and implement a scheme for distributing affordable computers and Internet access to all academic institutions.
3. Encourage educational institutions to automate their management systems
4. Establish a national educational network to enable sharing among educational institutions of e-libraries, teaching and tutorial systems.
5. Strengthen existing IT training institutions and setup new IT centers of excellence in all districts in Uganda to develop the requisite skills in various IT aspects including software and hardware development, network management and security through in-service training.
6. Encourage academic institutions to embrace e-learning so as to enable equitable regional access to IT training in all parts of the country
7. Ensure inclusion of a comprehensive and regularly updated computer literacy module in the curriculum at all levels of education using international benchmarks as reference.
8. Establish an accreditation council to ensure quality IT education and training
9. Promote “Training of Trainers” scheme to boost capacity building in IT.
10. Encourage IT companies to play a significant role in IT education through internship and industrial training schemes
11. Ensure equal opportunity in basic IT training at all levels taking into consideration special interest groups namely; Women, Youth and PWDs.

## ***Research and Development***

Research and development in the IT industry is currently almost non-existent. Activity in this area is mainly in institutions of higher learning which are doing it at small scale with limited funds.. Government policy in this area will be to prioritize IT research. Content development including translation of digital content to local languages is hardly done, yet quite essential. To this end government shall:

## **Policy Strategies**

1. Setup a high level institutional framework to coordinate and focus R&D efforts in the country
2. Mobilize funds for R & D in identified Universities and encourage joint R&D efforts between the private sector and the universities.
3. Encourage industries to set up R & D centres at university level through matching grants and focused joint projects.
4. Set up electronic libraries with on-line linkages to reputed scientific information repositories, accessible to all major towns in the country to ensure economical and equitable access to world class information and publications
5. Establish IT parks and incubators equipped with modern facilities to provide one stop shops for researchers and investors in the IT industry.
6. Introduce “Innovative ideas” competitions countrywide covering all levels (from primary schools to tertiary institutions) and R & D centres to instill the spirit of innovation and excellence in young professionals.
7. Encourage operational research within organizations.
8. Promote self reliance in planning, implementation usage and maintenance of IT systems and equipment.

9. Stimulate growth of local IT industries through provision of government incentives.
10. Build close links between academia, R&D organizations and Ugandan IT industry, to encourage collaborative activities.
11. Keep watch on global IT trends vis-a-vis Uganda's competitiveness in the field

### ***IT Promotion and Awareness***

IT promotion and awareness creation has mainly been done in the public sector but to a limited capacity. As far as the private sector is concerned both promotion and awareness creation is still lacking. To this end the Government of Uganda shall:

### **Policy Strategies**

1. Put in place mechanisms to promote IT awareness and reduce the digital divide between urban and rural, urban and urban, men and women.
2. Promote IT usage in government by ensuring that all top leaders in government make transform the institutions under their control by automating their work as a priority.
3. Encourage production of local content in local languages over the Internet
4. Establishing interactive for a for all government offices to share information on new technologies and their benefits.
5. Encourage utilization and expansion of start-up activities set up by the government.
6. Mobilize and sensitise communities about the importance of usage of IT in their day-to-day economic activities



7. Facilitate and encourage the use of IT by special interest groups to make them more productive in the society and utilize this largely untapped human resource. (Special interest groups include: women, youth and PWDs).
8. Encourage use of open source software and low cost commercial versions of software for normal operations
9. Encourage the setting up of a “content industry”, comprising of local content and translation to local languages.
10. Organize annual special events to show case the development, application and benefits of embracing and using IT.
11. Encourage the use of Internet and Intranet for inter-office communication within government.

### ***Hardware and Software Industry***

Software development is a high growth industry and forms a major segment of the vast IT market. It will continue to do so in the future. The software development industry is still on a very low scale and majorly consumed by only the local market. There is hardly any assembling and development of hardware in the country; only hardware refurbishment is done on a very small scale and is private sector led. The hardware assembly and software development industries are still lacking in capacity. To this end government shall:

### **Policy Strategies**

1. Promote “Made in Uganda” brand of software and hardware
2. Initiate Public Private sector Partnerships in the hardware and software development industry with a view to accessing the export market
3. Encourage investment in the software and hardware development industry through incentives such as setting up a Hardware Development Fund.

4. Encourage local businesses to consume locally developed hardware and software
5. Encourage developing market-oriented software for local market and export.
6. Encourage manufacturers to indicate bar codes on all items sold in the country

### ***IT Security***

In an increasingly knowledge-driven and networked world where a considerable degree of anonymity is associated with activities, systems are prone to external interceptions that are in breach of lawful online conduct, misuse and abuse of IT systems; such activities can lead to an erosion of trust and confidence-this will affect the growth of e-Government and e-Commerce. It is important therefore, that measures are undertaken towards creating an awareness of IT security and building capacities for the same. To this effect Government shall:

### **Policy Strategies**

1. Develop a National Information security Strategy
2. Setup a National Information Security Working Group which will serve as a forum for setting, monitoring and sharing information security best practices.
3. Build capacity for technical officers to enable them acquire IT security skills
4. Establish a National Computer Emergency Response Team to handle reported cases and carry out research on the various trends
5. Build a culture of security in enterprises, public sector and the civil society through creating awareness within its populace on how to avoid and handle security risks.

### **Information Technology (IT)**

- Information Technology has emerged as the single most important enabler for improving efficiency and effectiveness of organizations. Recognizing the enormous potential of IT, major initiatives are being planned by the GoU and its relevant Ministries and departments
- The IT sub-sector has existed for the last three decades as a basic computing function concentrated on data processing and stand alone systems.

With the onset of networking technologies in the last two decades, IT has evolved and its application embedded in the day to day operations of most organizations including GoU Institutions.

- These institutions have embraced the use of IT by taking on computerization projects that include the Integrated Financial Management System (IFMS), Uganda Revenue Authority countrywide Network (URANET), Electronic Funds Transfer System and the Land Information Management System.
- To promote the utilization and adoption of IT, the Government waived taxes related to acquisition of computers and related peripherals and established the National Information Technology Authority-Uganda (NITA-U) to act as a coordination body for all IT related activities in the country.

### **Key challenges**

- The increase of electronic communication channels has led to an increase in cyber crime. However, there is an insufficient legal and regulatory framework for ICT utilization to address issues of Cyber crime, technology convergence, electronic transactions, amongst others. This will require crucial ICT security implementation measures to create a safe atmosphere for digital communication and storage of critical national information;
- The rapid growth for and demand for broadband and wireless technologies cannot be effectively supported due to infrastructure gaps in the delivery of broadband services;

- Significant dependence on satellite bandwidth for the provision of internet services is resulting into high costs of Internet services;
- Limited access and unreliable supply of electricity in some parts of the country coupled with low income levels especially in the rural areas are limiting the improved access and utilization of quality and affordable ICT resources and services in the country;
- Inadequate ICT integration into government business processes is resulting in its low utilization during the delivery of various public services;

## **Environmental Analysis**

### ***Environment and Development***

The link between the environment, economy and social development is well established. This is particularly true for Uganda where the majority of the population directly thrives on agriculture and the natural resource base. The environment and natural resource base therefore drives development, while development activities also impact on the environment.

Uganda's current development pathway has not adequately integrated or balanced the environment, social and economic pillars of sustainable development. The country faces severe environmental problems including soil erosion and declining soil fertility, deforestation, pollution of land, water and air resources, loss of biodiversity and over-harvesting of forests, fisheries and water resources. This continued liquidation of the country's natural capital undermines long-term economic progress. To spur the contribution of environmental resources to national economic development therefore, the national development plan included in its objectives and principles key tenets of environmental management. It also emphasized the need to improve environmental governance with specific focus on information provision, compliance and enforcement, restoration of degraded ecosystems as well as the participation of all stakeholders.

### ***Land Resources***

Uganda's land resources are critical to national development and human well-being. Land supports agriculture, human settlements, industrialization and important infrastructure. Rapid population growth and environmental degradation however

pose a growing challenge to the continued productivity of the land resource. The key recommendations of the chapter focus on developing and implementing policies that promote soil and water management and ensure the sustainable management of critical ecosystems particularly wetlands.

### ***Atmospheric Resources***

Uganda's atmospheric resources refer to the state and interactions among the key elements of the climate system and its component parts, the state of air, sunshine, atmospheric gases including ozone and the now evident frequent and intense climatic extremes.

The key challenge to the state of atmospheric resources is climate change. The impacts of climate change are already being felt in Uganda; especially in sectors that are critical to the economy and people's livelihoods. These include agriculture, water supply, health, transport, housing and personal safety and security. Various measures to climate proof Uganda's economy are proposed particularly regarding research and forecasting, water storage and disaster risk reduction.

### ***Water and Aquatic Ecosystems***

The regular supply of clean and safe water for domestic, agricultural and industrial use remains a key development challenge in Uganda. Uganda is well endowed with water resources. However many of the challenges faced in supply and quality are due to degradation of the water catchment areas.

For instance, the degradation of wetlands has exacerbated the water supply problem, first by undermining the water filtering function of wetlands, but also by reducing their water storage capacity. Degradation of the aquatic ecosystem also affects the resources therein such as fish.

The recommended actions in the aquatic resources, freshwater, fish and wetlands sub-sectors include effective management of water catchment areas by harmonizing land use, forestry, agriculture, industry and environment policies in addition to investing in research and development in the water sector.

### ***Biodiversity***

Uganda's rich biodiversity provides a unique opportunity to support poverty eradication as part of a sustainable management and conservation strategy. The multiple roles performed by biodiversity encompass food security, agriculture (including the fishing, livestock and crop industry), tourism, wealth creation, serving cultural purposes and the supply of ecosystem services. Ecotourism based on forest biodiversity is fast becoming a niche market product for Uganda. The continued loss and degradation of Uganda's biodiversity therefore presents a serious challenge to livelihoods, economic growth and human well being.

The key recommendations include increased protection of forest habitats to reduce deforestation induced biodiversity loss; further implementation of the National Land Use Policy to address issues of encroachment on forests, wetlands and other fragile but biodiversity rich ecosystems; and better management of invasive alien species.

### ***Energy Resources***

Uganda is an energy poor country. Less than 5 percent of Ugandans have access to electricity, making Uganda's per capita energy consumption one of the lowest worldwide. While it is critical to further invest in the modern energy sector, specific investment focus should be given to the new and renewable energy sub-sector. Renewable energy sources have the potential to lift the burden off Uganda's forests. They could also provide the much needed power for irrigation and support coping mechanisms for communities faced with the dire impacts of climate change and extreme weather conditions.

### ***Environmental Vulnerability***

Vulnerability is directly linked to the extent to which populations in a region are vulnerable to the impacts of the disaster. The key vulnerabilities in Uganda include environmental, economic, social and physical vulnerabilities. All of these have to do with reduced ability of the respective systems to withstand shock. The key strategies to increase resilience therefore include strict adherence to land use plans, conservation and sustainable use of the natural resource base, development and implementation of the requisite policy and legal framework on disaster risk reduction and management. Capacity development for vulnerability assessment and an early warning system are important ingredients of a good strategy for increased resilience.

### ***Scenarios***

Uganda's overarching policy goal as guided by Vision 2040 is to transform the country into an industrialized middle income nation by year 2040. The aim is to ensure that all Ugandans have a high quality life in a clean and healthy environment. In order to achieve this target the government needs to actively choose to follow a sustainable development pathway.

This *Best Case Scenario* will ensure implementation of appropriate policies, legal and institutional frameworks necessary; and be based on traditional knowledge and sound scientific evidence. An emerging lesson from this discussion is the need to take a long-term view of trends in the environmental arena.

### **Policy Options for Action**

#### ***Environment and Development***

- Further integrate the MDGs in the national Development Plan and medium term expenditure framework to ensure inclusion of both income and human poverty issues in national development
- Enhance the synergies and harness inter-sectoral linkages between the three components of sustainable development
- Ensure sound economic and public financial management, corporate governance and accountability
- Strengthen the policy and institutional frameworks on science, technology and innovation for sustainable development.

#### ***Land, Agriculture and Forests***

- Improve the management of water and soil resources and promote the use of improved technologies including high yielding seeds.
- Develop and implement food security strategies in the context of poverty eradication and net exportation of agricultural products
- Increase the national budget allocation to agriculture and forestry with the aim of increasing productivity and promoting value addition
- Further strengthen the position of forestry in the National Development Plan by undertaking regular forest valuation and forest-environment accounting studies.



### ***Climate Change***

- Development robust policies and regulatory responses on climate change adaptation and mitigation and the use of biofuels.
- Identify and implement measures that have both mitigation/adaptation and poverty reduction co-benefits.
- Improve disaster risk management and response to extreme weather events including floods, landslides, droughts and thunderstorms and their associated health implications.
- Further strengthen national capacity to systematically collect, analyse, model and forecast the impacts of weather variability and climate change on agriculture, water resources management, health, fisheries, transport and communication and national development.

### ***Aquatic Resources: Fresh Water, Fish and Wetlands***

- Promote integrated watershed management programmes aimed at reducing depletion and pollution of water resources in light of the anticipated impacts of climate change.

Establish river and lake catchment and basin organisations and lake monitoring systems.

- Develop and implement long-term strategies and plans for investment in and the development of urban and rural water and sanitation infrastructure.
- Strongly enforce local bye-laws, ordinances and regulations on sanitation and hygiene.
- Strengthen management, monitoring, control and surveillance capacity of the Fisheries Department with particular focus on the Albertine Graben.

### ***Biodiversity Resources***

- Further integrate the National Biodiversity Strategy and Action Plan (NBSAP) into the National Development Plan (NDP).
- Implement national programmes and networks for information sharing and collaboration in order to scale up conservation activities and address cross-border biodiversity issues.

- Ensure the effective participation of civil society, local communities and indigenous peoples' in national programmes/processes on biodiversity conservation so that they are afforded the opportunities to influence decisions that impact on their livelihoods.
- Review and update the NBSAP and promote a synergistic approach to the implementation of the plan with respect to other Rio conventions (National Forests Programmes, NAPAs for climate change, and National Adaptation Plans for Drought and Desertification).

### ***Energy Resources***

- Increase access to modern energy resources particularly using off-grid systems with the aim of supporting the development of productive and income generating activities and entrepreneurship.
- Commit commensurate financial resources to the development of biomass energy which supports the energy needs of up to 91 percent of the population – charcoal, biogas and fuel wood.
- Provide an attractive national investment climate for both domestic and foreign investors in the energy sector.
- Promote use of energy efficient and low-carbon energy access technologies.

### ***Vulnerability***

- Mainstream vulnerability issues into the development agenda so as to improve budgetary allocations to the sector.
- Develop and implement adaptation strategies to climate change which is seen as a main trigger to the main natural disasters.
- Build capacity for vulnerability risk assessment and hazard mapping at all levels and across sectors to encourage a more integrated approach to vulnerability and disaster management.

### ***Scenarios***

- Implement the flagship projects that have been identified in the National Development Plan to help the country achieved the desired *best case* development in a sustainable manner.

- Enhance integration of sustainable indicators into the National Development Plan through green accounting, valuation of natural resources and strategic environmental assessment.

### **Poverty and Environment Linkages**

Poverty is widespread and remains a critical development challenge in Uganda. National poverty levels are currently estimated at 24.4 per cent. The number of people living in poverty constitutes nearly a third of Uganda's population which currently stands at 32.9 million (UBOS 2011). Poverty is largely concentrated in the rural areas where an estimated 80 per cent of the population lives (UBOS 2011). Many poor people derive their livelihood from subsistence agriculture and therefore thrive directly on land and other natural resources. Uganda's fast growing population therefore exerts considerable pressure on fragile ecosystems.

The task of fighting poverty with long-lasting results is unavoidably linked to improved management of natural resources. The national economy and the livelihoods of the people rely on the environment. Natural resources provide food and a wide range of other goods (medicines, fuel, fodder, building materials and inputs to industry, among others). In addition, natural resources provide services on which human activity depends (including carbon sequestration, soil fertility and watersheds). Consequently, the protection of the environment and of natural resources is an essential part of development. In fact, growth that is accompanied by degradation of the natural capital that supports the livelihoods of many poor people only serves to aggravate poverty. Without adequate environment and natural resource capital, development is undermined and this in turn may reduce the resources available for investing in combating environment and natural resource damage. Thus poverty alleviation is not only a moral imperative but also a pre-requisite for environmental sustainability and sustainable development.

## Legal Analysis

- **Domestic Law**
- **The Constitution of the Republic of Uganda**
- The 1995 Constitution of the Republic of Uganda makes effective disaster management one of the key “social and economic” objectives of the state. It provides that: “the State shall institute an effective machinery for dealing with any hazard or disaster arising out of natural calamities or any situation resulting in general displacement of people or serious disruption of their normal life” 33
- The Constitution also makes provision for the declaration of a state of emergency by the President in consultation with the Cabinet, if, inter alia, the President is satisfied that the security or economic life of the country or part of it is threatened by man-made or natural disasters. It further provides for parliament to make laws that may be necessary for enabling effective measures to be taken for dealing with any state of emergency that may be declared.<sup>34</sup>
- The Constitution also provides for the establishment of a Disaster Preparedness and Management Commission to deal with natural and man-made disasters.<sup>35</sup> It mandates parliament to enact laws to provide for the composition and functioning of this Commission but at the time of this study this is yet to be done.

The provisions of the Constitution are wide enough to allow parliament to adopt enabling laws for the regulation of international assistance in case of major disasters. However, as of the date of this study, it had been fifteen years since the Constitution's promulgation and the relevant provisions of the Constitution on disaster management had yet to be operationalised through legislation

### **The Uganda Red Cross Act**

The Uganda Red Cross Act incorporates the Uganda Red Cross Society and recognizes it as the sole National Red Cross Society in the territory of Uganda. It specifies the special status of the Society as auxiliary to the public authorities in the humanitarian field. As a result, it is expected that the Uganda Red Cross Society will play a key role in disaster preparedness and response. However, the Draft Disaster Policy does not currently incorporate that role in its discussion of the national disaster management institutional framework.

### **The Non Governmental Organisations Registration Act**

The international relief organisations can only legally operate in Uganda after duly registering with the National Board of Non -Governmental Organisations. The procedures and the costs involved could significantly impact any prospects of international disaster relief operations.

### **The East African Customs Management Act**

As discussed further below, the East African Customs Management Act has some general provisions related to customs procedures, inspections and charges that would also be relevant to the import of disaster relief items.

### **The Uganda Citizenship and Immigration Control Act**

This law provides, inter alia, for the regulation and control of aliens in Uganda. An "alien" is defined to mean any person who is not a citizen of Uganda. This law is therefore directly relevant to the regulation and control of international responders coming into Uganda.

### **The National Drug Policy and Authority Statute**

The importation and distribution of all drugs in the country is regulated and controlled by this statute. It sets up the regulatory body, the National Drug Authority, which

licences and approves any drugs that may be imported and used in the country. The Authority also carries out inspections of all drugs coming into the country to monitor compliance with quality standards and to ensure that measures are in place to guarantee the appropriate use of drugs in the country. This law is therefore relevant to the importation and use of medications in the aftermath of a disaster.

### **The Diplomatic Privileges Act**

The Diplomatic Privileges Act guarantees “privileges and immunities” for diplomatic missions, diplomatic officers and some international organizations, which might well play a role in an international disaster operation. **The Civil Aviation Authority Act**

Major relief operations often require especially speedy air transport of relief personnel, goods and equipment. Those flights would be governed by the Civil Aviation Authority pursuant to this Act. The law requires the Civil Aviation Authority to carry out its functions in a manner consistent with the Chicago Convention of Civil Aviation relating to international standards and recommended practices. As noted below, Annex 9 of that Convention includes specific procedures for disaster situations.

### **The Traffic and Road Safety Act**

- The movement of international relief vehicles or any foreign vehicle in Uganda would be regulated by the Traffic and Road Safety Act.

### **The Motor Vehicle Insurance (Third Party Risks) Act**

It is a legal requirement that for any vehicle to be used on the road it must have a third party insurance policy. The only exceptions are for government owned vehicles. This means that even the foreign relief vehicles must take out this policy and therefore has a cost and other implications for international disaster relief operations.

### **3.2.11 Income Tax Act**

Foreign relief providers are generally remunerated for their services. Accordingly, they may be subject to income tax under the Income Tax Act as described further below.

### **3.2.12 Value Added Tax Act**

Since disaster response operations involve the supply of goods and services, it is also important to examine how the VAT law affects the importation of relief goods and services and its overall impact on the international disaster relief operations.

### **3.2.13 The Food and Drugs Act**

- Any food or medications imported to handle humanitarian needs would also be subject to the safeguards contained in the Food and Drugs Act.

### **3.2.14 The Medical and Dental Practitioners Act**

- In the event that foreign medical practitioners were needed in the case of an emergency, they would be required to comply with the provisions of the Medical and Dental Practitioners Act, in particular with respect to procedures for the recognition of their foreign qualifications.

## **SECTORS ANALYSIS**

### **Agriculture**

#### **An analysis of the agricultural sector performance and budget**

#### **Allocation FY2012/13**

#### **Introduction and background**

The agriculture sector is one of the primary growth sectors Of Ugandan economy, contributing about 19.7% (excluding forestry) of the GDP at current prices in 2011/12, and employing about 66% of the population. The agricultural sector is mainly constituted by the crop, livestock and fisheries subsectors.

The Agricultural sector Development and Strategic Investment Plan envisions a competitive, profit table and sustainable agricultural sector and has thus developed a mission statement – “Transform subsistence farming to commercial agriculture”. This vision is in line with the National

Development Plan objectives for the agricultural sector,

Namely:

1. Enhance agricultural production and productivity;
2. Improve access to and sustainability of markets;
3. Create an enabling environment for competitive Investment in agriculture; and
4. Enhance institutional development in the agricultural



To a large extent, the FY2012/13 agriculture sector interventions and budget, complemented by interventions planned and budgeted in other sectors such as roads, water, electricity, finance, health and education, address the key challenges and constraints faced by the agriculture sector.

However, at 3.8% of the national budget, the government is still short of fulfilling the Maputo Declaration on Agriculture and Food Security where African Heads of states and government committed to increase their agriculture budgets to at least 10% of their national budgets within 5 years. It is apparent that in order to boost and sustain agricultural production and productivity, a lot still remains to be done in the areas of agriculture mechanization, technology, research and financing; meteorological awareness; reach of extension workers and services; water for production; and formation of cooperative and marketing associations and ensuring their cohesion and profitability.

This has been evident in countries such as Kenya, Rwanda, Malawi and Mali that have managed to secure agricultural investment levels up to and beyond the 10% level as per the Maputo Declaration. It is also worth noting that however small or big the planned agriculture sector budget is, the main challenge lies in ensuring that the resources allocated are effectively and efficiently spent to achieve the sector goals and objectives.

This may easily be achieved if all stakeholders such as the Technical officers in the government ministries, departments, agencies and local governments, politicians, civil society, farmers associations and farmers commit to fulfill their roles and responsibilities in the planning, implementation, monitoring and evaluation of the FY2012/13 interventions and budget.

## **Electricity**

### **Background**

Access to electricity is critical for any country's development as it provides opportunities for increased industrial processing and production, social welfare, education, environmental protection and income generating activities.

Indeed access to electricity has been cited by the IMF as the second most important consideration to an investment decision by new investors in a country – with market potential being the most important.

The current installed electricity generation is estimated at 680MW – and is largely from hydro power 86%, with thermal and biomass accounting for 10% and 4% respectively. The country has seen escalating demand for electricity on account of a high population growth (260% in 50 years to 2011). This increased demand has been sustained by the effect of high Electricity losses (estimated at 30% – 40%) and inefficient investment in the sector.

### **The current position**

During the 2010 – 2011 periods, the country’s electricity supply continued to struggle to meet the demand. By May 2011, peak demand was estimated at 450MW against actual generation of 310MW.

This resulted in prolonged load shedding (up to 24 hours) as electricity supply was actively rationed. Both domestic and industrial consumption was affected by this rationing.

The Government’s response to this situation has focused on increasing output (thermal generation, new hydro power projects), further extension of electricity supply and focus on rural electrification through the Rural Electrification Programme (“REP”).

Bujagali hydro power dam is expected to add 250MW to the grid and has had another positive effect – Kira and Mutundwe diesel thermal power plants have been decommissioned. Even with diesel thermal plants having the lowest initial / set-up costs, running costs for diesel thermal power are higher than any other electricity source due to high diesel prices.

### **Financial Services**

## **Sector overview**

The Uganda financial services sector comprises commercial banks, insurance and pension institutions, credit institutions (Tier II), Microfinance deposit taking institutions (MDIs), development finance institutions, investment banks and no other unregulated microfinance institutions (Tier IV). There are indicators that suggest that there is room for growth in this sector with recent statistics showing that only 20.5% of Ugandans aged 15 and above have an account with a formal financial institution and insurance gross premiums written continue to be less than 1% of GDP.

Developments in new technology particularly mobile banking have provided a notable platform for improving financial inclusion and a move towards branchless banking. During FY11/12 BoU licensed 4 Mobile Money network operators and by February 2012 these operators had registered 2 million mobile money clients and 13.2 million transactions worth over Shs 550 billion processed during the quarter January to March 2012 alone.

## **Commercial banking**

The commercial banking sector has continued to grow in nominal terms despite macro-economic challenges including high inflation, high interest rates, exchange rate volatility and slowdown in economic growth. Total assets of commercial banks increased by about 16%, with loans and advances to customers increasing by 26% and total deposits by 11%. However in real terms, the financial services sector as a whole contracted by 11.8% as nominal growth was outstripped by Increase in inflation.

In pursuing their growth and profitability targets, banks that were able to source low cost funding especially through deposit mobilization were able to take advantage of the high interest rates through customer lending, investment in government securities and money market placements.

The sector has continued to see increased competition with BoU licensing 2 more banks, NC Bank and Bank of India during the year, bringing the total of licensed

commercial banks to 25. The sector has also seen increased competition for the local SME market niche with banks targeting local traders as an area for potential growth. However, in move to mitigate credit risk, some banks have reduced disbursement of loans to high risk sectors such as real estate, construction and unsecured lending while others have frozen new credit altogether and are only slowly getting back to disbursing new Facilities in recent weeks.

The regulatory environment has been relatively quiet during the year with the proposed amendments to the FIA 2004 still under review by the Cabinet.

The amendments to this Act are intended to harmonise the banking regulations within the East African region and to facilitate introduction of Islamic banking products and services in Uganda.

## **Insurance**

The insurance sector has also experienced high levels of transformation with 23 licensed insurance companies, 29 insurance brokerage firms, 1 re-insurance broker and a number of loss assessors and agents.

Over the last ten years, we have equally witnessed the entry of new players, particularly from Kenya and South Africa, many of whom provide/ specialize in products that were previously available in restricted supply. These include life insurance and various forms of medical insurance.

The establishment of large infrastructure projects in the country, currently in electricity and oil & gas, has also added impetus to growth of the industry.

The market is still dominated by non-life insurance services accounting for over 90 percent of the insurance business in Uganda. Insurance penetration is still low in Uganda compared to Kenya and Tanzania.

There are, however, positive trends with more life insurance policies being underwritten.

The past year has also seen increased mass media campaigns promoting the insurance sector in Uganda. However, insurance companies will need to further increase awareness campaigns considering the low sensitization in the market.

There has also been increased focus by the Insurance Regulatory Authority of Uganda (IRAU) to ensure compliance by all regulated players in order to enhance market confidence and insurance development in Uganda

.  
With increased focus by the Regulator, we have seen amendments to the Insurance Act. The amendments remove ambiguities in the Insurance Act and ensure clarity by defining a number of technical terms among others.

Looking forward, the Regulator is seeking to increase the minimum paid up capital for insurance companies to improve on their competitiveness in the region and settlement of claims.

### **Development banking**

There are two development banks operating in the Ugandan financial services sector i.e. UDB and EADB and this area remains largely untapped.

However developments in the Oil & Gas and infrastructure sectors present opportunities for these banks. Investments in Oil & Gas infrastructure require considerable financing over long periods which present development banks with opportunities for providing financing solutions

.  
The huge amounts of funding required make syndication a must as no individual bank is likely to have the capital base to support individual projects on their own.

These projects also provide an opportunity for commercial banks to participate in such lending. However, their participation is subject to raising adequate long-term

finance thereby creating a strong possibility of infrastructure or similar bonds being raised in Uganda in the not so distant future.

The Government also seeks to implement positive interventions to increase agriculture lending through the banking system using financial institutions such as UDB.

Such interventions if properly executed and monitored should provide UDB with a much needed platform for growth.

### **Taxation**

In her budget speech for the financial year 2012/13, the main proposal affecting financial institutions made by the Hon. Minister of Finance is to increase withholding tax (WHT) on interest on Government treasury bills and bonds from 15% to 20% as a final tax.

Although this measure is intended to increase tax revenue it carries the risk of reducing the overall attractiveness of government paper to financial institutions, both local and foreign.

The financial services sector has also been faced with various tax issues in recent years some of which have remained unresolved by current government policies.

Trends to establish shared service centers by regional and international banks in areas like IT have been hindered by the current tax regime.

Introduction of the New Transfer Pricing regulations have also required non-indigenous banks to improve on their documentation to ensure compliance which is a key risk in the short to medium term.

### **Health and Education Sectors**

## **Introduction**

Productivity is partly a function of the health condition of the human resource. The Health Sector contributes to all National Development Plan (NDP) Strategic objectives but is particularly focused on objective 4 -"increasing access to quality social services".

This is through provision and utilization of promotive, preventive, curative and rehabilitative services and involves Strengthening Health Systems and ensuring universal access to the Uganda National Minimum health care package (UNMHCP).

## ***Sector Budget allocations***

The table below summarises the medium term budget allocations for the health sector (2010/11 is based on approved budget while 2011/12 and 2012/13 is based on mbudget projections).

## ***Sector Improvements***

Notable among the improvements in health outcomes over the period 2006 to 2011 are:

1. The accelerated improvement in infant mortality (from 76 to 54 per 1,000 births);
2. Under-five mortality (from 137 to 90 per 1,000 live births)
3. Maternal mortality (435 to 352 per 100,000 births);
4. Significant improvements in contraceptive prevalence rates (24 to 30 percent);
5. An increase in the proportion of births attended to by skilled personnel (42 to 59 percent. The total fertility rate also declined from 6.7 in 2006 to 6.2 to 2011);
6. In FY2011/12, the proportion of health facilities not reporting stock outs of any one of the six tracer medicines averaged 90 percent (excluding ACTs);

7. About 400 graduate health workers and interns were directly posted to regional referral hospitals and other Government Health Units. Government is now in the process of ensuring that they are absorbed onto the payroll of Local Governments.
8. In order to ensure improvements in monitoring and quality assurance, the Government disseminated 5,000 copies of the Uganda Clinical Guidelines and the monitoring and Evaluation Plan for the Health Sector Strategic and Investment Plan to 112 districts.

### **Challenges**

- The health care delivery system still requires major improvements to ensure access to quality basic health care for all.
- There are human resource gaps for midwives, doctors and anaesthetists within the sector.
- Inadequate human resources are affecting health service delivery, especially in hard-to-reach/ hard-to-stay districts. In some districts, less than 30 percent of the approved positions are filled by qualified health workers.
- In addition, the proportion of children under one year protected against life threatening diseases remains wanting, at 78 percent. This performance can be improved by increasing health worker staffing levels in lower level health facilities.

### **Education Sector**

#### **Introduction**

Access to quality education and training is a critical human resource ingredient to socioeconomic development, productivity, and general transformation.



## **Improvements**

To this end, the government has registered several in-roads. Some of the key sector achievements include:

- Improved access to education in the recent past due to Government's universal primary and secondary education programmes. This is reflected by the improvement of the Net Attendance Ratio (NAR) for all levels in education. For instance, the national primary school NAR now stands at 81 percent. The NAR is slightly higher in urban areas (85 percent) than in rural areas (81 percent);
- From a gender perspective, girls stay longer in schools empowering them to make choices about family size and child spacing;
- To improve the quality of all public schools, Government has trained more teachers in essential skills. In FY2010/11 for example, the pupil-teacher ratio in Government aided primary schools improved by 3 points from 57:1 in FY2009/10 to 54:1 in FY2010/11.
- The above has already yielded some improvements in learning outcomes. With regards to literacy, the percentage of pupils rated proficient at both P3 and P6 improved by 3 and 4.4 percent in FY2010/11 respectively;

## **Challenges**

However, the education system continues to be dogged by a number of endemic challenges, some of which are highlighted below;

- The system seems not to be equipping school leavers with appropriate skills for the job market and employment creation;
- High dropout rates, coupled with high rates of teacher absenteeism which have undermined the quality of education for children in terms of sub standard levels of reading and writing;

- Government has also suffered resource wastage through ghost schools, teachers, and pupils and low completion

## **Manufacturing**

### **Background**

Uganda's manufacturing sector is comprised of several industries in the agro-processing, pharmaceuticals, plastics, beverages, construction sub-sectors and serves both the local and the wider export markets in the East African trade block – Kenya, Tanzania, Southern Sudan, Rwanda and Democratic Republic of Congo.

In the past seven years, the overall trend of growth in the Industrial sector has been generally modest for example, the construction sector grew by 1.7%, mining and quarrying grew by 8.2%, while electricity supply and water supply grew by 3.7% and 4.3% respectively in 2011/12.

The manufacturing industry has on average grown by 6.5% per annum during the period 2004-2011 but it experienced a sharp deceleration in the second half of financial year 2012 closing at a negative growth of 1.8%. This is in comparison to the growth of 8% which was witnessed in 2010/2011.

The decline in the financial year 2011/2012 is in part attributed to the constrained economic environment which was characterized by:

- A volatile exchange rate of the USD/UGX;
- High interest rates which were a result of a restrictive monetary and fiscal policy;
- Inadequate power supply coupled with continuous power outages; and
- High inflation which had an adverse effect on disposable income.

### **Key developments in the Sector**

During the financial year 2011/12, the sector experienced a number of development namely:

- Policy formulation: a number of policies and regulations were drafted for example, the Anti-Counterfeit Bill, an Intellectual Property Rights Policy and a National Standards Policy;
- Processing plants: A number of processing plants were commissioned under the Uganda Industrial Research Institute (“UIRI”) across the country;
- Development of technical expertise: Training in various production processes was conducted by the UIRI’s Business Development Centre; and
- Regulation: The Uganda National Bureau of Standards developed 192 new standards, 137 of which were approved by the Council.

## **Oil & Gas Sector**

In the FY 2012/2013 the government aims to focus on sustainable development of the Oil and Gas sector with special emphasis on the legal, regulatory and institutional framework, capacity building, communications strategy and the construction of the oil refinery and pipeline extension.

### ***The legal, regulatory and Institutional Framework***

Government is in the process of establishing a legal, regulatory and institutional framework for prudent management of the oil resource and revenue.

Currently government has tabled for discussion in Parliament three Bills to regulate the oil and gas sector. These are the Petroleum (Exploration, Development and

Production) Bill 2012, the Petroleum (Refining, Gas Processing, Conversion, Transportation and Storage) Bill 2012 and the Public Finance

Bill 2012. The Petroleum (Exploration, Development and Production) law 2012 will regulate exploration, development and production; establish the Petroleum Authority and National Oil Company, regulate the licensing and participation of commercial entities in petroleum activities and cessation of petroleum activities.

The Petroleum Authority on the other hand will monitor and regulate exploration, development and production of petroleum in Uganda while the National Oil Company will manage Uganda's commercial aspects of petroleum activities and the participating interests of the State in the petroleum agreements.

The Petroleum (Refining, Gas Processing, Conversion, Transportation and Storage) Act 2012 on the other hand will regulate petroleum refining, gas processing and conversion, transportation and storage and promote policy formulation, coordination and management of refining, gas

Processing, conversion, transportation and storage as well as decommissioning of refinery facilities

The Public Finance Bill, 2012 provides for collection, deposit, management, investment and expenditure of petroleum revenue which accrues to Government from the exploitation of petroleum reserves in Uganda. The Finance Bill also introduces measures to ensure budget transparency and predictability. The Bill also contains provisions for prudent Management of oil revenues.

### **Conclusion**

The oil sector will play a major role in supporting Uganda's economy. Based on the initiatives that Government is currently undertaking, it is clear that the Government is aware of the importance of transparency, good governance and proper revenue management in order to protect the country from the oil resource curse.

Government has tabled before Parliament legislations for Resource and Revenue Management and is in the process of drafting legislation on Environmental Management.

Government is also implementing a communications strategy to bridge the information gap between the sector and general public, developing the national content to ensure optimal participation in the sector, among others.

Appropriate institutional framework is also being developed with a view to create institutions responsible for Policy setting, regulation and State business interests.

## **SWOT Analysis**

### **Strength:**

- Mainstreamed in national development frameworks (e.g. Constitution, NDP, sectoral policies)
- Developed in a consultative and participatory manner- Ownership
- Policy, legal and institutional frameworks in place

### **Weakness:**

- Not aligned to national vision (2040), Rio+20, MDGs
- Limited awareness of true biodiversity values

### **Opportunities:**

- Value addition to biodiversity products
- Improved market access for biodiversity products
- Employment opportunities
- Use of biodiversity resources to alleviate poverty

Valuation of biodiversity and ecosystem services and their linkage to national development

- On-going discussion on REDD and development of REDD Strategy for Uganda
- Development of a Clearing House Mechanism – coordination and info sharing
- Growth of eco-tourism

**Threats:**

- Widespread Poverty
- High Population growth
- Limited/inadequate financing
- Limited infrastructure and human capacity
- Lack of data/information to guide decision
- Weak institutional collaboration
- Discovery of Oil and Gas in biodiversity rich area

## **Introduction to Spice Industry**

Spices are most important constituents of Indian food and cuisines, and are used not only for household purpose, but also in hotels, restaurants, eateries and food processing industries. In the regions where spicy food is consumed, Cumin is an important part of most recipes. Cumin is used in whole, grounded form-pure and also forms part of various blended special purpose spices, which are used to add flavors to various dishes throughout India and Asia.

Turmeric is another important spice largely used in Indian cuisines and it also has several medicinal uses. Turmeric finds application in oleoresin production also. Like Cumin, Turmeric is also used in pure and as a component in blended spices for various Indian dishes.

Chilly is a globally popular spice that finds usage in variety of cuisines and dishes. Chili powder, obtained by the crushing process of dried chilies, finds wider applications in food processing industries as well as a medicinal ingredient. Like Cumin and Turmeric, Chilly is also used in pure or blended form for various dishes in India and Asia.



### **Feasibility**

- ✓ According to the survey of ugandian people, we conclude that the Gujaratis of Uganda prefer Indian as well as Guajarati food in their life style
- ✓ Gujarati people did not adopt the Ugandans culture in their food and beverages.
- ✓ They used to include the Guajarati food in their life style
- ✓ As well we found many companies like Ramdev that deliver Guajarati spices in to cater the need of Guajarati people
- ✓ We also found that the Ugandans people are not found of spicy food because of the hot weather of Uganda
- ✓ So, we cannot include Ugandans people in our targeted market.
- ✓ Concluding, targeting Guajarati people in our future Endeavors of Business.

## **PROJECT AT GLANCE**

NAME OF THE UNIT : HOT AND SPICE PRIVATE LIMITED

CONSTITUTION : private Limited Company

COMPANY REGISTRATION : A) registration No. : xxxxxxxx  
B) Date of Incorporation:  
C) Registered by: Asst. R.O.C. Gujarat

ADDRESSES: Plot No. 11  
Near, Tinvla Farm,  
Kothdi,  
Manavadar,  
Junagadh - 362001

Registered Offices: Punit Shopping Centre,  
M. G. Road,  
Junagadh - 362001

Factory Location: Plot No. 11  
Near, Tinvla Farm,  
Kothdi,  
Manavadar,  
Junagadh - 362001

TELEPHONE NUMBER : XXXXXXXXXX

PROMOTERS OF THE UNIT : 1 Bhumi Parmar  
2 Hemangi pandya  
3 Rinkal Makwana  
4 Sohil Hirpara  
5 Chintan Raval  
6 Ram Karkar  
7 Ravi Gohil  
8 Pooja Nimavat  
9 Rashmita Patolia  
10 Purti Daftary

WHETHER NEW OR

EXISTING UNIT : New unit

CATEGORY OF INDUSTRY : S.S.I. UNIT

LINE OF ACTIVITIES : processing of Agricultural Produces Chilly

GOVERNMENT FORMALITIES:

REGISTRATION / CONSENTS: A) S.S.I. Registration

Issued by D.I.C. Rajkot

B) Electric Connection: Applied for

C) N.O.C. from G.P.C.B.: Applied for

## I. Project at Glance

### 11. Other Details:

[A] Process technology: Indigenous

[B] Location: Industrial Development Area

[C] Technical Services: By the suppliers of main plant and machinery services

[D] Suppliers of Main Plant: M/s Tulsi Agro Food Industries,  
Shapar, ( Veraval)

### 12. Important Project parameters:

#### [A] PRODUCTION DETAILS:

- a) Products : Chilly Powder
- b) Annual Installed Capacity : 300 MT
- c) No of Working Days : 300 days
- d) Employment Potential : 20 Persons

#### [B] COST OF PRODUCTION AND MEANS OF FINANCE:

Table No.: 1

<u>Particulars</u>	<u>Amount Rs.</u> <u>(Lakhs)</u>	<u>Particulars</u>	<u>Amount Rs.</u> <u>(Lakhs)</u>
<b>Cost of Project</b>		<b>Means of Finance</b>	
Land & Site Development	10	Share Capital	40
Building	80	Term Loan	75
Plant & Machinery	15	Unsecured Loan	65
Electrification	5		
Miscellaneous Fixed Assets	5		
Preliminary & Pre-operating Expense	5		
Working Capital Margin	30		

## II. Introduction and Brief History of Project

### [A] Introduction

In the current Industrial Map of the nation, Gujarat holds second position after Maharashtra, but looking to the :

1. The steps taken in the direction of Industrial development
2. Concessions, benefits and incentives-monetary as well as non-monetary as well as non monetary granted to attract industries and
3. Schemes and industrial policy implemented by the government of Gujarat, there are very bright chances that Gujarat will secure top position in near future and as per recent study made by Industrial Development Bank of India Gujarat has secured top position in industrial investment in India.

Moreover in recent years the state government has put its best efforts to secure the first place of Gujarat in Industrial front of the country and to achieve balanced industrial development of Gujarat and now State Government has become active and is taking keen interest for industrial development to Saurashtra, Kutch and North Gujarat region.

Liberalization of Indian Economy since July, 1991 has given boost to the industrial development all over the nation. Particularly, processing of agricultural produces has recorded phenomenal growth during last couple of years. The market prospects of AGRICULTURAL PRODUCES PROCESSING INDUSTRY, is bright and positive.

Considering the bright market prospects of AGRICULTURAL PRODUCES PROCESSING INDUSTRY, synchronizing with the ideas of Government of Gujarat and keeping in view the importance of rapid growth and development of small scale industries for achieving the objects like development of skill ,

severance of poverty , provision for gainful employment and balanced industrial development, the promoter of the project have decided to set up an **S.M.E. Unit to launch Company's project at Kothdi Village in Taluka Manavadar of District Junagadh.**

The promoters have taken into consideration following important factors while selecting the proposed project:

- a) Sustainability of Geographical and Locational factors
- b) Economic and Manufacturing feasibility of the project
- c) Bright marketing prospects of the products proposed to be manufactured – Spices
- d) Availability of requisite skilled, semi-skilled and unskilled labor room local area
- e) Ready Infra structural facilities

The promoters of the proposed project have formed a Private Limited Company in the name and style of “”.The Company has registered in the state of Gujarat and company Registration Number is “xxxxxxxxxxx”. The certificate of Incorporation was issued by Assistant Registrar of companies, Gujarat dated on “ “.

The company has been promoted by following efficient and enthusiastic persons, who are directors of the company:

1. “”
2. “”

The company proposes to launch a project for processing of spices after giving the consideration to sustainability of geographical and locational factors and availability of infrastructural facilities; the promoters have selected Kothdi Village for factory location. The promoters have purchased plot of land bearing No.1 Revenue Survey No. 346 Paiki of Village Kothdi in Taluka KotdaSangani of District Junagadh admeasuring aggregate 2737-86sq. mts. in the name of the company.

The company has already obtained for S.M.E. Registration Certificate from District Industries Centre, Junagadh. Processing of Agricultural Produces is exempt from obtaining NOC from Gujarat Pollution Control Board since it is considered as non polluting industries having no pollution potential. An application for power connection for Industrial and general lighting has been made to Pashchim Gujarat Vij Company Limited, Manavadar and has paid prescribed fees for the same.

The annual installed capacity of the project will be 300 MT of Agricultural produces namely spice- chilly on the basis of working three shifts a day and 300 days a year. It is estimated that the unit will utilize 50% of the installed capacity in the first year.

To cope up with the schedule of delivery of the plant and machinery, the Company has already commenced the construction of factory building in accordance with approved building plan and at present, the construction work is under progress.

### **III. Industrial location And Its Advantage**

#### **[A] Geographical Location:**

The proposed unit will be having its factory location at Kothdi Village in Manavadar Taluka of District Junagadh. The state highway joining Junagadh and Manavadar is very near from factory location. Both the viz Manavadar and Junagadh are at a distance of 9 kms and 35 kms respectively. The Junagadh city is well connected with almost all the parts of the country by rail and road. The other words, the road and rail transportation, direct labour and other infra-structural facilities are available from local area and at reasonable cost. Studying the geographical location, it can be concluded that the proposed unit will be benefited by nearness of market, availability of direct labor and transport facilities and incentives of backward area.

#### **[B] Advantages:**

##### **1. Nearness of market :**

The products proposed to be manufactured i.e. spices having nation wide market and the unit is going to sell its product all over India as well as export to countries like Uganda and as Manavadar is well connected with all the

parts of the country by all modes of transportation the unit will enjoy all the benefits of nearness of market.

**2. Raw Materials Availability:**

The raw materials required in the proposed project are unfinished spice seeds i.e. chilly. These raw materials are available from Manavadar as well as from Junagadh, which is near to the factory location. Moreover, these raw materials are freely available throughout the year. Hence, there would not be any difficulty in acquiring the raw materials for the proposed project

**3. Transportation:**

The factory location of the unit is situated almost on the state highway where from Manavadar is at a distance of 9 kms only and transportation facilities are available round the clock in Manavadar. Hence, requisite transportation facilities required for carrying finished goods and raw materials of the proposed unit will be available at a short distance and lower cost.

**4. Direct Labour:**

In the proposed unit 20 persons will be employed viz 7 skilled labour, 6 semiskilled labor, 5 unskilled labor and 2 office staff. The skilled and semiskilled labour will be available from Manavadar or Junagadh and unskilled labour and office staff would be easily available from local area itself.

**5. Other Infra-structural Facilities:**

**a) Electricity:**

At present, the company is having temporary electric connection at the factory site and for the requirement of the power for the manufacturing process; the promoters have already applied for the requisite power connection to Pashchim Gujarat Vij Company Limited.

**b) Water:**

Total requirement of water for sanitation purposes and manufacturing process is 10000 per day. The company is having its own borewell. Hence, there would nor be difficulty in getting requisite supply of water.

**c) Communication facilities :**



The Kothdi village is having STD facility. The unit has already applied for telephone connection and it is quickly made available by Telephone Exchange. Hence, all types of communication facilities are easily available at the factory location.

**d) Banking facilities :**

The registered office of the company is situated in Rajkot, where ample banking services are available. One of the promoters is residing at Rajkot. Another promoter is residing at Kothdi and Manavadar is near to Kothdi. Hence, it would be convenient for the unit to have its banking account in Rajkot as well as in Manavadar.

#### **IV. Market Feasibility**

##### **[B] MARKET PROSPECTS AND POTENTIALS:**

Following points definitely highlight and justify the market potentials of processed spices:

1. Due to economic growth and increase in purchasing power of the people, India is a highly potential market for these products because of over one billion population and more than 250 million strong middle class base.
2. Rapid urbanization, increased literacy and rising per capita income has caused growth in demand for quality food products and an average Indian spends about 50% of household expenditure on food items.
3. Demand for processed/convenience good is constantly on the rise.
4. India's comparatively cheaper workforce can be effectively utilized to set up low cost production base for domestic and export market.

5. Liberalized overall policy regime, with specific incentives for high priority food processing sector, provide very conducive environment to meet the demands of domestic and export markets.

The Food Processing Industry sector in India is one of the largest in production, consumption, export and growth prospects. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialization and value addition to agricultural produce, for minimizing pre/post harvest wastage, generating employment and export growth.

#### **[C] COMPETITION. MARKET PRICE & QUALITY CONTROL:**

In the studies made regarding competition in the domestic and export market made by promoters, it has been observed that there is very low level of competition prevailing in the market and there are only few factories manufacturing these products in whole of Saurashtra region and there are always pending orders with them.

The company has decided to capture the market and achieves its sales target with the use of two aspects:

1. Reasonable market price
2. Strict quality control

The company has taken the sales price of the products quite lower than prevailing market price. Hence, the company's products would be more accepted by the market in comparison to other manufacturers' products. Secondly the company shall be able produce products of standard quality as it is installing standard machineries.

In nut shell, the company shall easily endure progress and makes a mark in the prevalent competition in the market.

#### **[D] MARKETING AND SELLING ARRANGEMENTS:**

The promoters have also contacted many traders, dealers and customer industries of the products in Uganda. And they have shown keen interest in purchasing and promoting the product from the proposed project. Following two foreign buyers have given their market inquiry letters to purchase finished products from the company:

Name of Prospective Customers

Place:

1. Mr. David Kigozi

Uganda

2. Mr. Douglas kigozi

Uganda

Conclusion:

From the detailed information given above under the heads :

- [A] PRODUCT AND ITS USES AND APPLICATION
- [B] MARKET PROSPECTS AND POTENTIAL
- [C] COMPETITION, MARKET PRICE & QUALITY CONTROL
- [D] MARKETING AND SELLING ARRANGEMENTS

It can be concluded that the products of the proposed unit is having cent percent Market Feasibility.

## **AGMARK GRADE SPECIFICATIONS FOR SPICES**

### **Introduction**

Quality has been a tradition in the spice trade of India and to maintain this tradition and to be in keeping with modern developments in the field of standardization of agricultural produce. The Government of India has prescribed standards for almost all spices pepper. Dry ginger. Cardamom. Dry chillies. Turmeric. Garlic. Coriander. Fennel. Fenugreek. Cumin and celery seeds and curry powder are graded compulsorily under law before export. The grades adopted for various spices are those prescribed under the Agricultural Produce (Grading and Marking Act 1937); and these Grades are popularly known as Agmark Grades. The scheme of compulsory Quality Control and Preshipment Inspection on certain spices was introduced by the Government of India in 1963 and from then on. The scheme is being introduced to cover all the spices in a phased programme. The reshipment inspection scheme is operated by the Directorate of Marketing Inspection. Ministry of Agriculture. Government of India.

The grade specifications have been drawn up on the basis of age-old and familiar trade names such as Malabar Pepper. Alleppey Green Cardamom. Snnam Chillies. Alleppey Finger Turmeric. Cochin Dry Ginger etc. so as not to disturb the traditional terms. Detailed specifications have been prescribed in the rules taking into account the individual characteristics of the spices concerned and broadly based on physical characteristic. Color. Size. Density. Moisture content. Presence of extraneous matter. damaged produce etc.

Importers of spices from India would be well advised to place orders on the basis of agmark grades or ascertain from the exporters the specific agmark

grades of the spices proposed to be exported. In orders being placed on the basis of samples also. The specific grade under which such goods will be graded could be ascertained so to porter is assured of the quality characteristics of the spices for which orders are placed.

## **CHILLIES**

### **Chillies Grading and Marketing Rules**

1. Short title and application - (1) These rules may be called the "Chillies Grading and Marketing Rules, 1987."  
(2) They shall apply to chillies (*Capsicum annum*) produced in India with the descriptions set out in the schedules to these rules and which are intended for export.
2. Definitions - In these rules: (a) "Agricultural Marketing Adviser" means the adviser to the Government of India (b) "Schedule" means a schedule to these rules.
3. Grade designations - Grade designations to indicate the quality of chillies shall be as set out in Schedules I to V-B.
4. Definition of quality - The quality indicated by the grade designation shall be as set out in Schedules I to V-B.
5. Grade designation marks - The grade designation mark shall consist of a label bearing the grade designation and bearing a design (consisting of an outline map of India with the figure of the rising sun with the words (Produce of India) resembling that set out in Schedules I to V-B.

6. Method of marking - The grade designation mark shall be securely affixed to, or printed on, each container in a manner approved by the Agricultural Marketing Adviser. The following particulars shall also be clearly marked on the label.

1. Serial Number.
2. Trade description.
3. Date of packing.
4. Season of harvest.

In addition, Each container shall be marked with such particulars and in such manner as may be specified by the Agricultural Marketing Adviser from time to time.

(2) An authorized packer may, after obtaining the previous approval of the Agricultural Marketing Adviser, mark his private trade mark on a container in a manner approved by the said officer provided that the private trade mark does not represent a quality or grade of chillies different from that indicated by the grade designation mark affixed on the container in accordance with these rules.

7. Method of packing - Only clean and sound gunny bags shall be used for packing chillies which shall be securely closed and sealed in a manner approved by the Agricultural Marketing Adviser from time to time.

8. Special conditions of certificate of authorisation - In addition to the conditions specified in rule 4 of the General Grading and Marking Rules, 1937, clause (c) of the said rule 4, the conditions set out in schedule VII shall be the conditions of every certificate of authorisation issued for the purpose of these rules.

### **The Chilli Powder grading and Marking Rules**

1. Short title and application - (1) These rules may be called the Chilli Powder Grading and Marking Rules, 1964.

(2) They shall apply to chilli (Lal Mirchi) powder produced in India.

2. Definitions - In these rules:

(a) "Agricultural Marketing Adviser" means the Agricultural Marketing Adviser to the Government of India.

(b) "Schedule" means a Schedule appended to these rules.

3. Grade designations - The grade designations to indicate the quality of Chilli Powder shall be as set out in column 1 of Schedule II.

4. Definition of quality - The quality indicated by the respective grade designations shall be as set out against each designation in columns 2 to 7 in schedule II.

5. Grade designation marks - (1) The grade designation marks in the case of chilli powder packed in polythene or paper bags shall consist of a designation incorporating the number of the Certificate of Authorisation, the word "Agmark" and the grade as approved by the Agricultural Marketing Adviser. The grade designation mark in the case of Chilli Powder packed in tins or glass containers shall consist of a paste-on label specifying the grade designation and bearing the design of a map of India with the word "Agmark". (2) The grade designation mark in the case of chilli powder packed in containers of jute cloth or containers in which sealed polythene bags or graded chilli powder are packed shall consist of a label specifying the grade designation and bearing the design consisting of an outline map of India with the word "Agmark" and the figure of the rising sun with the words "Produce of India" and resembling the one as set out in Schedule I.

6. Method of marking

(1) The grade designation mark shall be securely affixed to, or printed on, each container in a manner approved by the Agricultural Marketing Adviser.

(2) In addition to the above, the following particulars shall also be clearly and indelibly marked on each container:

(a) Date of packing in code or plain letters;

(b) Lot number; and

(c) Net weight.

(3) An authorized packer may, after obtaining the prior approval of the Agricultural Marketing Adviser, mark a private trade mark on a container in a manner approved by the said officer, provided that such trade mark does not represent a quality or a grade different than that indicated by the grade designation mark affixed to the container in accordance with these rules.

7. Method of packing

(1) Only clean, sound and dry containers of jute, cloth, paper or paper cartons with polythene lining of 150 gauge or glass containers or aluminium foil packs or cellophane bags used for packing. Tin containers may be lined with 150 gauge polythene sheet. They shall be free from any insect infestation or fungal contamination and also be free from any undesirable smell.

(2) The container shall be securely closed and sealed in a manner approved by the Agricultural Marketing Adviser.

(3) Each package shall contain chilli powder of one trade description of one grade designation.

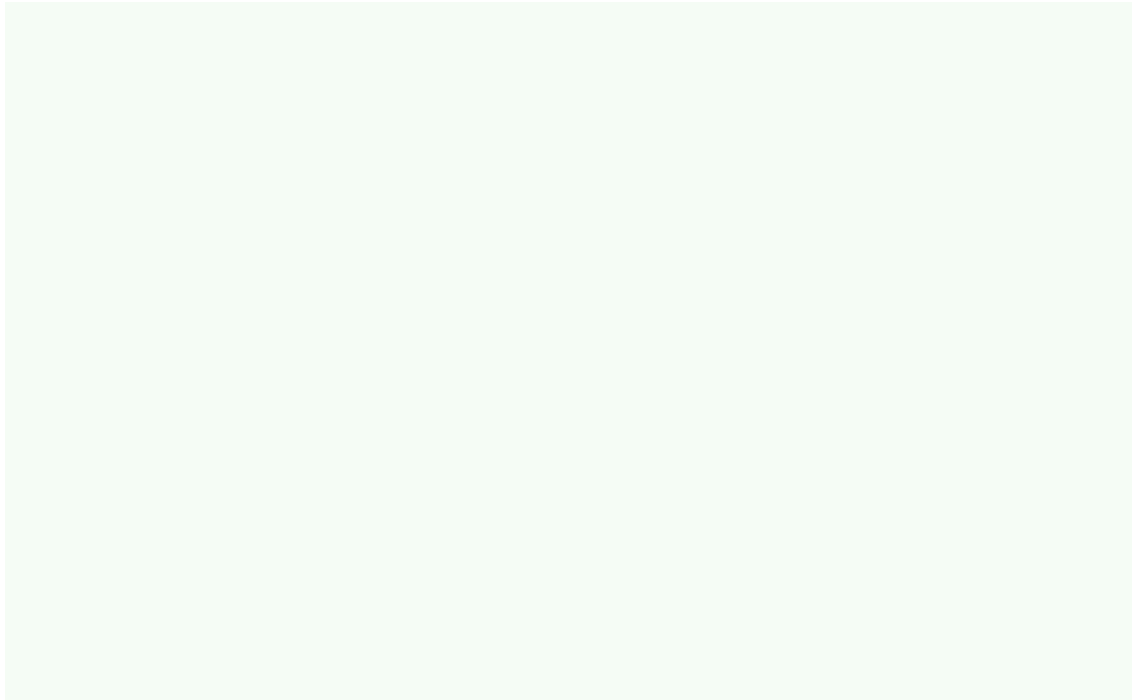
(4) A suitable number of small containers containing chilli powder of the same grade designation and from the same lot, may be packed in or on cardboard cases.



8. Special conditions of certificate of authorization. -In addition to the conditions specified in rule 4 of the General Grading and Marking Rules, 1937, the following special conditions shall be observed by packers to the satisfaction of the Agricultural Marketing Adviser

(1) An authorised packer shall make such arrangements for testing chilli powder as may be prescribed by the Agricultural Marketing Adviser and samples thereof shall be forwarded to such control laboratories as may be specified by him from time to time.

(2) An authorised packer shall provide all facilities, as may be necessary for sampling, testing etc. to the inspecting officers, duly authorised by the Agricultural Marketing Adviser in this behalf.



Ref. No. APEDA/REGN

DATED:

**Subject: Registration Procedure with APEDA**

Dear Sir,

Please refer to your letter/E-mail/personal visit dated.....  
regarding registration with APEDA.

Kindly arrange to submit the following documents:-

1. Application form duly filled and signed by authorized signatory.
2. Self certified copy of Import-Export code issued by D.G.F.T.
3. List of Directors/Partners/Proprietor on company's letterhead in triplicate.
4. Pvt. Ltd./Public Ltd. Co.'s/societies should forward a copy of their Memorandum and Article of Association and Partnership firms should forward a copy of partnership deed attested by notary.
5. Self certified copy of PAN issued by Income Tax Department.
6. The company should compulsorily mention their e-mail ID, phone and fax number etc. in their application.

7. In case the exporter desires to register as Manufacturer Exporter, he should furnish the copy of company's registration with FFO, Directorate of Industries, State Dept. of Horticulture/Agmark/EIA etc.
8. Bank certificate duly signed by the Authorities.
9. In case of Registration of Merchant Exporter for Meat and Meat Products please indicate the arrangement made with manufacturers whose products are to be exported.
10. Cash or DD/Pay Order of Rs. 5000/- towards registration may be made in favor of APEDA payable to Specific APEDA office where the request has been made for Seeking RCMC.

Yours faithfully

Registration Officer

## **LIST OF APEDA OFFICES**

### ***HEAD OFFICE***

**Mr. Man Prakash Vijay**

Assistant General Manager

Agricultural and Processed Food Products Export Development Authority

NCUI Building, 3, Siri Institutional Area, August Kranti Marg,

New Delhi – 110 016

Phone: 011-26513204, 26514572, 26534186, 26513219, 26534191

Fax: 011-26526187,

E-mail: [regn@apeda.gov.in](mailto:regn@apeda.gov.in)

### **Regional Office MUMBAI**

**Mr. Sudhanshu**

Regional Incharge

Agricultural and Processed Food Products Export Development Authority

4<sup>th</sup> Floor, Unit No. 3 & 4, Banking Complex

Bldg. No. II, Sector 19/A, Vashi

New Bombay-400 705

Telephone: 022-27840949/27845442/27840350/27842094

Fax: 022-27842273

E-mail: [apedamum@apeda.gov.in](mailto:apedamum@apeda.gov.in)

***Regional Office KOLKATA***

**Mr. Umesh Kumar**

*Regional Incharge*

Agricultural and Processed Food Products Export Development Authority

Mayukh Bhavan, Bidhan Nagar, Salt Lake City

Kolkata-700 091

Telephone: 033-23378363

Fax: 033-40669291

E-mail: [apedakol@apeda.gov.in](mailto:apedakol@apeda.gov.in)

***Regional Office GUWAHATI***

**Mr. Bidyut Baruah**

*Regional Incharge*

Agricultural and Processed Food Products Export Development Authority

g.s. road, Opp. Old Post Office, Jain Complex, 3<sup>rd</sup> Floor

Guwahati – 781 005

Tel/Fax: 0361-2599010

Mobile: 98640-28908

Residence: 0391-2633390

E-mail: [apedagwh@apeda.gov.in](mailto:apedagwh@apeda.gov.in)

***Regional Office HYDERABAD***

*Mr. R. K. Mondal*

*Regional Incharge*

Agricultural and Processed Food Products Export Development Authority

8<sup>th</sup> Floor, Chandra Vihar Building, M.J. Road,

Hyderabad – 500 001

Telephone: 040-24745940

Fax: 040-24745947

E-mail: [apedahyd@apeda.gov.in](mailto:apedahyd@apeda.gov.in)

***Regional Office BANGLORE***

*Mr. R. K. Mondal*

*Regional Incharge*

Agricultural and Processed Food Products Export Development Authority

12/1/1, Palace Cross Road,

Bangalore – 560 020

Telephone: 080-23343425/23368272

Fax: 080-23364560

E-mail: [apedablr@apeda.gov.in](mailto:apedablr@apeda.gov.in)

*AGRICULTURAL AND PROCESSED FOOD PRODUCTS*  
EXPORT DEVELOPMENT AUTHORITY

(Ministry of Commerce & Industry, Govt. of India)

**FORM-I**

**FORM OF APPLICATION FOR REGISTRATION CUM MEMBERSHIP**

To,

Registration Officer

APEDA,

Dear Sir,

Kindly register us Merchant/Manufacturer Exporter of the Export Product(s) mentioned in form II at serial No. 5.

1. Name of the Company :

---

2. Address of the Company (Registered office in case) :

---

---

3. Name & Address of the Branch, if any :

---

---

4. Name & Address of the Factory :

---

---

5. IEC No. \_\_\_\_\_ Date of issue \_\_\_\_\_ Issuing

Authority \_\_\_\_\_

6. PANNo \_\_\_\_\_

Date \_\_\_\_\_

6. If the registration is required: No. \_\_\_\_\_

Date \_\_\_\_\_

7. EH/TH/STH/SSTH/ (Export House/Trading House/Star Trading  
House/Super Star Trading House) Golden Certificate No. -  
\_\_\_\_\_ Valid up to  
\_\_\_\_\_



9. (a) SEH/ISEH/ISSEH/ISSSEH (Service Export House/International Service Export House/ International Star Service Export House/ International Super Star Service Export House) Certificate No. \_\_\_\_\_ Valid up to \_\_\_\_\_

10. Details of Directors/Partners/Proprietor/Karta to be given in the following manner:

(1) (a) Name :

\_\_\_\_\_

(b) Father's Name :

\_\_\_\_\_

(C) Resi. Address :

\_\_\_\_\_

(d) Telephone :

\_\_\_\_\_

(2) (a) Name :

\_\_\_\_\_

(b) Father's Name :

\_\_\_\_\_

(C) Resi. Address :

\_\_\_\_\_

(d) Telephone :

\_\_\_\_\_

(3) (a) Name :

\_\_\_\_\_

(b) Father's Name :

---

(C) Resi. Address :

---

(d) Telephone :

---

(4) (a) Name :

---

(b) Father's Name :

---

(C) Resi. Address :

---

(d) Telephone :

---

(5) (a) Name :

---

(b) Father's Name :

---

(C) Resi. Address :

---

(d) Telephone :

---

11. Name of Export Product(s) for

which registration is required :

---

12. I/We hereby solemnly declare that the above stated information is true and correct, I/We undertake, without any reservation, to :

- (a) Abide by the terms of the registration certificate granted to us on all our exports;
- (b) Agree to abide by any code of conduct that may be prescribed;
- (c) Agree to abide by export floor price condition that may be stipulated by the Registering Authority;
- (d) Furnish Online Export performance without fail quarterly i.e. April, July, October and January.

11. We further understand that our registration is liable to be cancelled in the event of breach of any of the undertaking mentioned above.

Yours faithfully

(Signature with Stamp)

Name : .....

Designation : .....

Address : .....

Tele No. : .....

Fax No. : .....

E-mail Address : .....

Res. Address : .....

Place :

Date:

AGRICULTURAL AND PROCESSED FOOD PRODUCTS

EXPORT DEVELOPMENT AUTHORITY

(Ministry of Commerce & Industry, Govt. of India)

**FORM-II**

**(See Rule 10)**

**REGISTRATION-CUM-MEMBERSHIP CERTIFICATE**

(To be filled in by the applicant)

1. Name of the applicant :  
(Company's name)
2. Address of the applicant :
  - (i) Postal Address :
  - (ii) Telegraphic Address :
  - (iii) Address of factory if any :
3. Indicate whether registration is required in respect of :
  - (a) Head Office :
  - (b) Registered Office :
  - (c) Branch Office :

4. Description of the Products manufactured out of the following
5. Description of the product(s) for which Registration is required from out of the following:

(tick off whichever applicable)

6. Are you seeking registration as  
(a) Manufacturer Exporter :  
(b) Merchant Exporter :
7. Year, Month & Date of  
establishment of the Applicant :
8. Name of Partners/Directors/  
Managing Directors/Proprietor :

I/We hereby declare that the above information is correct to the best of my/our knowledge and belief. I/We also undertake to abide by the conditions subject to which registration/membership is granted.

Signature with Stamp : .....

Name in block letters : .....

Designation : .....

Residential Address : .....

Date .....

**BANK CERTIFICATE**

**STRICTLY PRIVATE & CONFIDENTIAL**

Bank .....

Branch.....

Ref.No. A/CNo. .... Date.....

1. Name of the  
Company.....

.....

2. Addres:  
.....

.....

.....

.....

3. Constitution [Please indicate (√)]

Individual  Proprietorship

Joint Hindu Family  Partnership

Others  Private Ltd. Co.

4. Name of Proprietor/Partners/Directors/Karta & Co. owners of Joint Hindu  
Family.

1. .... 2.....

3.. ..... 4. ....

5. .... 6.....

5. Nature of accounts in [Please (V)]

Saving

Cash Cred

Current

Others

6. Banking Since Years.....No.  
years.....

7. Business/Company Established/Incorporation on (Date to be indicated)

8. Nature of Business activity (Main activity of the Firm)

.....  
.....  
.....

9. Other Allied Activities (if known to the Bank)



.....  
.....  
.....

10. If Limited Company.....  
Authorized Capital Paid up Capital  
Rs. ....

11 Means of Proprietor/ Partners/Directors

.....  
.....

12. Name & Address of Associate concern of the firm (if known to the Bank)

.....  
.....1

13.Experience as to their dealings: Brief Write Up.

.....  
.....

The Branch Manager with

Official Stamp

## PRICING STRATEGY

There are three basic methods to price your product:

- cost-based pricing
- competition-based pricing
- customer-based pricing

Cost-based pricing is where the price includes the cost of ingredients and cost of operating the business.

- include a profit percentage with product cost
- add a percentage to product cost
- blend of total profit and product cost

Competition-based pricing is where the price covers costs (cost of raw materials and the cost of operating the business) and is comparable to the competitor's price.

- price is the same as the competition
- set price to increase customer base
- seek larger market share through price

Customer-based pricing, also known as value-based pricing, is a system where the price is based on the customer 'demand' or need for the product. If the product is unique or innovative, a value-based price may help create a demand for the product or service.

- use price to support product image
- set price to increase product sales
- design a price range to attract many consumer groups
- set price to increase volume sales
- price a bundle of products to reduce inventory or to excite customers

Here, we have selected **Cost-based pricing** method for this project.

**Actual Product Pricing**

Raw Material (Per 1 kg.): 180 Rs,

+ Process cost: 12.60 Rs.

+ Profit (30%): 57.78 Rs.

+ VAT: Nil

**Actual Price = 250.38 (India)**

Price in dollar (locked dollar price on May 1, 2013 that is 53.66 Rs Per dollar): 4.66  
\$

+ shipping charge and insurance: 1.2 \$

**Actual Price (selling price) = 5.86 \$ (Uganda)**

## **MARINE INSURANCE**

### **Coverage / scope**

**TR**= transit risk. This insurance covers the risk of physical loss or damage to the insured goods caused by fire. Lightning, breakage of the bridges, collision with or by the carrying vehicle, over turning of the carrying vehicle, derailment or accidents of like nature of the carrying railway wagon/ vehicle

**TRAND** = transit & non delivery of entire consignment/ packets

**TRTPND**= above plus theft & pilferage risk,

**AR**= all risk. Sub. To following exclusions:

### **DURATION**

Insurance attaches from the time the goods leave the premises for the commencement of the transit, and continues during the ordinary course of transit, including customary transshipment, if any.

- (1) Until to final warehouse at destination, named in the policy
- (2) In respect of transits by rail only or by rail and road, until expiry of 7 days after arrival of vehicle at the destination town, whichever shall first occur.

**INLAND TRANSIT CLAUSE (ITC) A-B-C (coverage)**

<b><u>ITC 'A' (ALL RISK)</u></b>	<b><u>ITC 'B'</u></b>	<b><u>ITC 'C'</u></b>
Fire	fire	fire
Lightning	lightning	lightning
Breakage of bridges	breakage of bridge	
Collision with or	collusion with or by the	
By the vehicle	vehicle	
Derailment or	overturning of carrying	
Accident of like to	vehicle	
The carrying	derailment or accidents	
Non delivery of entire	of like to the carrying	
Consignment or packets	railway wagon/vehicle	
Theft, pilferage		
Fresh &/or rain water		
Damages		
Damages by hooks,		

Nails, oil, mud, acids

Other extraneous substances

& other perils like jettison,

Vessel being sunk etc

**For export/import:** institute cargo clause wider cover – **ICC-A** (all risk sub. To exclusion) **ICC-B, ICC-C** can be given by charging additional premium.

**LOADING & UNLOADING:-**

Unloading from vehicle/wagon is automatically covered under transit policy.

The loading risk can only be covered if it is mention on the face of policty.

**COURIER:**

For covering goods sent through courier following conditions to be fulfilled.

- 1) Dispatch by courier/owner's vehicle –co's liability 75%
- 2) Courier should have professional legal liability (public lia.) policy
- 3) The cargo owner should not make any contract with courier restricting/ reducing/limiting their liability.
- 4) Carrier numbered receipt to be issued giving full detail like LR

**OPEN POLICY**

Clients having substantial turnover and a large number of dispatches require continuous insurance cover. An open policy is issued for an amount representing the insured's estimated annual turnover in respect of a series of consignments which may be declared against the open policy with the result that sum insured will gradually diminish by the amount of each declaration until it is finally exhausted.

It is customary to issue an open policy for insurance of goods dispatched within the country by rail/road/air-freight/registered post. The cover under an open policy ceases on expiry of one year from the date of its issue or exhaustion of sum insured whichever occurs first. If sum insured is likely to be exhausted prior to expiry of the policy, it may be increased by issuing an extra endorsement by charging additional premium. Open policy is issued on standard policy form subject to applicable tariff rates and clauses. All open polices should contain the following standard conditions:

### **LIMIT PER CONSIGNMENT:**

The limit to be decided at the inception of the policy generally it is around 20% of the estimated annual turnover. That limit is maximum liability of the company per event / L.R / R.R. the same can be increased by way of endorsement.

(1) **Period: 1 year**

(2) **Sum insured:-**

Generally sum insured should not be less than value of dispatches anticipated in one month estimated dispatches, full premium of this sum insured will be paid in advance & when sum insured is nearly exhausted same can be insured further by paying extra premium.

(3) **Declaration:**

It is a condition of this insurance that assured is bound and will declare each and every dispatch coming under the scope of the open policy without any exception within **24 hours** or as may be agreed from the time of issue of the railway receipt /lorry receipt / postal receipt/ air waybill.

(4) **Basis of valuation:**

Invoice cost of goods,+ the freight for which the insured is liable and the cost of insurance+10% incidental charges

### **SPECIAL DECLARATION POLICY**

#### **ELIGIBILITY**

(a) Minimum sum insured should be rs.2 crores. & rs. 5000/- premium. The sum insured should represent the turnover of estimated despatches including inter depot movements if any during the policy period. FOB (export) shipments can be included in the sum insured. The expression 'annual turnover' shall mean total insured valued of the goods in transit and covered

under the policy which by agreement may including all incoming and outgoing consignments.

- (b) Such policies are to be issued to proposers who own goods themselves or have insurable interest in them as consignor or consignee. Or have insurable interest in them as consignor or consignee. Policy cannot be issued in joint names of one or more companies though they may be under the control of same management or owned by holding company. Interest or bands or financial institutions may be recorded on the policy.
- (c) The policy hereunder is not assignable or transferable. However, where the interest in respect of goods in transit has passed on to the consignee, claims if any may be settled with such consignee, if so requested by the assured.
- (d) Issue of SDP policy to transport operators, contractors, clearing and forwarding agents, commission agents or freight forwarders individually or jointly with owner of goods prohibited.
- (e) Duly completed proposal form in the prescribed format will be the basis of policy.
- (f) Full premium chargeable under the policy shall be paid by the insured at the inception of cover.

**CLAIM EXPERIENCE:**

Loading in premium rate where loss ratio exceeds 70%

If the incurred claim ratio for the three years excluding immediately preceding year or for any shorter period for which experience is available is more than 70% the premium rate (basic plus wider cover) has to be appropriately loaded in such a way that after the loading the loss ratio does not exceed 70% at the loaded rate & slab wise discount are to be granted to special declaration policies thereafter.

$$\text{Claim Ratio} = \frac{\text{incurred claim}}{\text{Premium}} * 100$$



If the claim ratio for the three years excluding immediately preceding year is less than 60% then the discount is applied on the total rate.

<u>LOSS RATIO</u>	<u>DISCOUNT ON TOTAL RATE</u>
Less than 60% up to 40%	20%
Less than 40% up to 20%	30%
Less than 20%	50%

The turnover discount has to be applied first and thereafter discount for favorable claim experience as given above has to be applied.

Further, it is clarified that NO DISCOUNT shall be given where experience available is for less than 3 years immediately preceding the expiring year. The total discount should not exceed 60% of the applicable rate either basic rate or all risk rates as per cover granted.

**RULES FOR SANCTION OF TURNOVER DISCOUNT:-**

Turnover discount can be allowed after expiry of the policies retrospectively provided the total turnover under the policy exceeds 2 crores and the claims ratio does not exceed 70%.

Special declaration policy can be issued to an absolutely new risk during its very first policy subject to

- I. The total sum insured at the inception of policy without taking into account any anticipated one time increase be two crores or more.
- II. The insured will have to take a special declaration policy at the very outset and not an open policy. If the insured takes an open policy the same cannot be converted into a special declaration policy retrospectively.
- III. Turnover discount will be granted on expiry of the policy retrospectively provided claim ratio does not exceed 60%

## **DECLARATION**

Total value of the goods shall be declared at periodical intervals but at least once on completion of each quarter, from the date of inception of the policy in the form of certified statement and the final premium will be adjusted (down adjustment only) on receipt of the final declaration which must be submitted within sixty days from the expiry of the policy.

**Name of the company:**

“Jesalma enterprises ltd.”

**Address :**

“Jesalma enterprises ltd.”

Nsanmizi5a8,

Entebbe, kampala,

Uganda

**Name of the agent:**

1) Mr. David Kigozi,

Plot 16,

Uganda Road,

Kampala,

Uganda

Pobox no.- 26279

Ph no.- 256 677 500010

2) Mr. Douglas kigozi,

Makerere,

Kampala,

Uganda

Phno.-256 77 2885731

### **Partnership among promoters:**

Apart from the fact that all the promoters belong to hard working farming community.

They are related to one another as under.

- 1) "Mr. David" - key dealer
- 2) "Mr. Douglas" - Brother of key dealer

### **MANUFACTURING PROCESS :-**

#### **Cleaning Process:-**

First of all the raw materials are lifted with the help of elevator to the main box of the round separator, where raw materials are separated from dust or other unwanted elements.

Then after, distoner removes small pieces of stones which are mixed in the raw materials. The flat sieve segregates the raw materials in accordance with the size.

Cleaner and blower extracts small dust particles attached on the seeds. And finally waste or spoiled grains are removed with the help of gravity separator.

#### **Packaging Process:-**

Before Packing on automatic packing machines, the cleaned raw materials are graded in accordance with the quality and size then after, they are packed in respective bags or pouches per the requirements of the customers.

## **ASSUMPTION FOR PROFITABILITY PROJECTIONS :-**

### **1) GENERAL ASSUMPTIONS :-**

In carrying out financial analysis, it is assumed that the unit price of raw materials, utilities, finished goods etc. Shall remain constant throughout the period of projection of commercial operation. Although this assumption may not prove proper due to the fact that the price of these elements of cost would be showing escalatory trend. However, it can be adjusted on the ground that reciprocal changes in the sales price would take place. The same thing applied in case of taxation & other cost.

### **2) No. of DAYS AND SHIFTS :-**

It has been assumed that number of working days per year would be 300 days and factory would work 3 shifts a day.

### **3) INSTALLED CAPACITY :-**

Installed capacity is based on the capacity of the machineries used for processing raw materials. Considering the capacity of the machineries, per day manufacturing of finished products would be 1 M.T. of Chilly. Product wise total installed capacity is calculated as under:

**Masala = 1 M.T./day x 300 days = 300M.T.**

**Total Installed Capacity = 300 M.T.**

### **4) CAPACITY UTILIZATION :-**

On the basis of general industrial experience, the capacity utilization in terms of percentage of the installed capacity and production in M.T. is estimated as under.

**Table No. 2**

<b>PARTICULARS</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4 &amp; ONWARDS</b>
<b>CAPACITY UTILIZATION</b>	50%	60%	70%	80%
<b>PRODUCTION (IN MT)</b>	450	540	630	720

**5) SALES VALUE:-**

The market prices of finished products proposed to be manufactured i.e. Masala: varies between Rs. 200000 to Rs. 140000 per M.T. for masala for job work rate. For the financial projection to absorb any reduction in the prevailing price, for the ease in financial projection, the average price as calculated below is considering 100% capacity.

**Table No. 3**

<b>Sr.No</b>	<b>Name Of Product</b>	<b>Production M.T.</b>	<b>Sales Price</b>	<b>Total Value (In Lack)</b>
1	Masala	300	200000	600
Total	-	300		600

Average Selling Price = Rs 60000000/300

Average Selling Price = Rs **200000**

**COMPUTATION OF SALES VALUE:**

**Table No. 4**

<b>PARTICULARS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
CAPACITY UTILIZATION	50	60	70	80	80	80	80	80
PRODUCTION (IN M.T.)	450	540	630	720	720	720	720	720
ADD: OP. STOCK OF WIP	0	1.88	2.25	2.63	3	3	3	3
LESS: CL.STOCK OF WIP	1.88	2.25	2.63	3	3	3	3	3
TOTAL	448.12	539.63	622.62	719.63	720	720	720	720
AOL.:OP. STOCK OF FG	0	28.13	33.75	39.38	45	45	45	45
LESS : CL.STOCK OF FG	28.13	33.75	39.38	45	45	45	45	45
SALES IN (M.T.)	419.99	534.01	623.99	714.01	720	720	720	720
RATE PER MT(R.S.)	145000	145000	145000	145000	145000	145000	145000	145000

TOTAL SALES VALUE	608.9	774.3	904.7	1035.3	1044	1044	1044	1044
	9	1	9	1				

## 6) RAW MATERIALS COST:-

The raw materials required for manufacturing of finished products are agricultural products viz. spices seeds. The calculation of quantity of the raw materials, cost at prevailing market price is given below:

RAW MATERIALS	PER REQ.	MT	TOTAL REQ IN MT	RATE PER MT	TOTAL COST
MASALA(SPICE SEEDS)	1.250		375.00	125000	468.75

## 7) Stores & Spares :-

Annual requirement of stores and spares in the processed project is estimated at Rs. 5.00 lacks in the first year. And from next year is estimated to increase in the proportion of capacity utilization.

## 8) UTILITIES : POWER COST:-

Electric connection of 39 HP is required in the project. Power cost for the same is calculated on the basis of two factors viz. 1. Utilization of connected HP load. And 2. Power tariff per unit.

The connected HP load in the project is of 32 HP on an average 80% of the connected HP load can be used. Hence, consumption of power in units for three shifts is calculated as under:



**= 39 HP X 0.746 (Conversion Factor) X 24 Hours X 0.80 (Load Factor) X 300 Days.**

**= 167581 Units**

Power cost at 100% capacity utilization on the basis of prevalent power tariff of Rs. 5.00 per unit is calculated as under:

**= 167581 Units X Rs. 5.00 Per Units**

**= Rs. 837905.**

**Say = Rs. 8.38 Lacks**

### **9) DIRECT LABOUR COST:-**

The proposed project shall provide gainful employment to 59 persons in the factory and cost of wages & salaries at 100% capacity utilization is calculated as under:

#### **COMPUTATION OF SALARY & WAGES**

**Table No. 5**

<b>Sr. No</b>	<b>PARTICULARS</b>	<b>NO. OF PERSONS</b>	<b>SALARY PER MTH RS.</b>	<b>AMOUNT PER ANNUM RS. IN LACKS</b>
1	Supervisor	1	7500	0.90
2	Skilled Workers	6	5000	3.60
3	Semi skilled workers	6	4000	2.88
4	Unskilled workers	5	3000	1.80
<b>Total Staff</b>	<b>-</b>	<b>18</b>		<b>9.18</b>

Therefore, direct labor cost in the first year would be Rs. 9.18 Lacks and From the next year it is estimated to increase by 10% of the previous years cost.

**Table No. 6**

<b>PARTICULARS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Dir. LABOUR COST	9.18	10.10	11.11	12.22	13.44	14.78	16.26	17.89
BENEFITS	1.84	2.02	2.22	2.44	2.69	2.96	3.25	3.58
GRAND TOTAL	11.07	12.12	13.33	14.66	16.13	17.74	19.51	21.47

**10) PACKAGING COST:-**

**Table No. 7**

<b>PACKING MATERIALS</b>	<b>TOTAL PRODUCTION IN M.T</b>	<b>PER UNIT COST</b>	<b>TOTAL COST</b>
Masala	300	2500	7.50

**11) REPAIRS & MAINTANANCE:-**

Repairs & maintenance of building & machineries is essential of required to be incurred to maintain and improve efficiency of respective assets. Initially, in the first year cost of repairs & maintenance is estimated at Rs. 1.00 Lac and is expected to increases by 10% of the preceding years repairs & maintenance cost.

**12) OTHER MANUFACTURING EXPENCES :**

Other manufacturing expenses include cost of lubricating oil, kerosene, consumable machinery spares, tools & jigs and other misc, factory expenses. It is increased in proportion of capacity utilization.

**13) TAXES AND INSURANCE :**

Under the head cost relating to local authority rent, rates and taxes are covered. It is estimated that rent, rates and taxes would be Rs. 0.50 lacks in each year.

**14) PRELIMINARY EXPENCES WRITTEN OFF :**

**Preliminary** Expenses is to be written off in equal amount over a period of 10 years i.e. 1/10 the total preliminary exp. Is to be written off every year which comes to Rs. 0.20 Lacks.

**15) SELLING EXPENSES :**

Selling expenses covers those expenses which are directly related with marketing and selling activities of the project. They are sales commission, cash & trade discount, advertisement, expenses, agency expenses, cost of literatures & pamphlet regarding finished products etc. It is estimated that selling expenses would be 4% of total gross sales value.

**WORKING CAPITAL REQUIREMENT**

**Table No. 8**

<b>PARTICULARS</b>	<b>PERIOD</b>	<b>STOCK VALUE</b>	<b>MARGIN %</b>	<b>OWN FUNDED</b>	<b>BANK ADVANCE</b>
<b>A. CURRENT ASSETS</b>					
RAW MATERIAL P.M. & FUELS	1	43.59	25	10.59	33
STORES & SPARES	2	0.83	100	0.83	0
WORK IN PROCESS	0.05	2.31	25	0.31	2

FINISHED GOODS	0.75	34.69	25	0.69	26
DEBTORS	0.25	12.69	50	7.69	5
EXPENCES	2	9.18	100	9.18	0.00
<b>TOTAL CURRENT ASSETS</b>		<b>103.29</b>		<b>37.29</b>	<b>66.00</b>
<b>B. CURRENT LIABILITIES</b>					
CREDITORS	0.50	21.80	25	5.80	16
STATITORY LIAB.	ESTI.	1.49	100	1.49	0.00
<b>Total CURRENT LIABILITIES</b>		<b>23.29</b>		<b>7.29</b>	<b>16.00</b>
<b>NET WORKING CAPITAL</b>		<b>80.00</b>		<b>30.00</b>	<b>50.00</b>

**Table No. 9**

<b>PARTICULARS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
CURRENT ASSETS	103.29	125.92	146.56	167.23	160.06	168.69	169.38	170.14
CURRENT LIB.	23.29	27.95	32.61	37.27	37.27	37.27	37.27	37.27
NET W.CAPITAL	80.00	97.97	113.95	129.96	130.79	131.42	132.11	132.87
MARGINE VALUE	30.00	36.00	42.00	48.00	48.00	48.00	48.00	48.00
NET ADVANCE	50	50	50	50	50	50	50	50
INTEREST	6	6	6	6	6	6	6	6

## PROJECTED BALANCE SHEET

Table No. 10

PARTICULARES	1	2	3	4	5	6	7	8
<b>SOURCES OF FUNDS</b>								
EQ. SHARE CAPITAL	40	40	40	40	40	40	40	40
RESERVES & SURPLUS-P&L A/C	27.26	63.24	109.90	167.24	212.79	251.81	285.06	310.77
SECURED LOANS	66.66	49.98	33.30	16.62	-0.00	-0.00	-0.00	-0.00
BANK BORROWING FOR W.CAPITAL	50	50	50	50	50	50	50	50
UNSECURED LOANS	35	35	35	35	15	0	0	0
<b>Other Current Liabilities</b>								
SUNDRY CREDITORS	21.80	26.16	30.52	34.88	34.88	34.88	34.88	34.88
STATUTORY LIABILITIES	1.49	1.79	2.09	2.39	2.39	2.39	2.39	2.39
<b>TOTAL</b>	<b>242.21</b>	<b>266.14</b>	<b>300.81</b>	<b>346.13</b>	<b>355.06</b>	<b>379.08</b>	<b>417.33</b>	<b>438.04</b>
<b>APPLICATION OF FUNDS</b>								
<b>1) FIXED ASSETS</b>								
GROSS BLOCK	118	118	118	118	118	118	118	118
Depreciation	5.05	10.10	15.15	20.20	25.25	30.30	35.35	40.40

NET BLOCK	117.75	107.9	107.85	97.80	99.75	87.70	87.65	77.60
INVESTMENTS	20	25	40	65	75	100	135	165
<b>2) CURRENT ASSETS</b>								
INVENTORIES	81.47	97.54	113.70	122.84	127.25	130.07	130.12	130.33
DEBTORES	12.69	16.13	18.85	21.57	21.75	21.75	21.75	21.75
EXPENCES	9.18	12.23	14.01	15.82	14.36	16.87	17.44	18.04
CASH/BANK BALANCE	4.17	5.72	10	14.20	18.25	190.58	194.08	195.04
<b>TOTAL CURR. ASSETS</b>	<b>107.46</b>	<b>131.64</b>	<b>156.56</b>	<b>182.13</b>	<b>186.31</b>	<b>190.58</b>	<b>194.08</b>	<b>195.04</b>
PRELIMINARY EXPENCES	1.80	1.60	1.40	1.20	1	0.80	0.60	0.40
	<b>242.21</b>	<b>266.14</b>	<b>300.81</b>	<b>346.13</b>	<b>355.06</b>	<b>379.08</b>	<b>412.33</b>	<b>438.04</b>

## CASH FLOW STATEMENT

Table No. 11

PARTICULARS	CONS T. PERIO D	1	2	3	4	5	6	7	8
<b>(A) SOURCES OF FUNDS :</b>									
SHARE ISSUE INCREASE IN CAPITAL	40	0	0	0	0	0	0	0	0
NET PROFIT BEFORE TAX & T.L. INTEREST	0	45.29	56.8 4	70.9 1	84.8 0	82.9 8	82.7 7	81.4 8	77.5 9
DEPRECIATION PROVISION FOR YEAR	0	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05
PRELIMINARY EXP.M/O	0	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
INCREASE IN TERM LOAN	75	0	0	0	0	0	0	0	0
INCREASE IN UNSECURED LOANES	35	0	0	0	0	0	00	0	0
INCREASE IN CURRENT LIABILITIES	0	23.29	4.66	4.66	4.66	0	0	0	0
INCREASE IN W.C. LOAN	0	50	0	0	0	0	0	0	0
<b>Total</b>	<b>150</b>	<b>123.8</b>	<b>66.7</b>	<b>80.8</b>	<b>94.7</b>	<b>88.2</b>	<b>88.0</b>	<b>86.7</b>	<b>82.8</b>

		3	5	2	1	3	2	3	4
<b>(B) DISPOSITION OF FUNDS:</b>									
CAPITAL EXPENDITURE FOR THE PROJECT	118.00	0	0	0	0	0	0	0	0
INCREASE IN FIXED ASSETS/INVESTMENTS	0	20	5	15	25	10	25	35	30
INCREASE IN CURRENT ASSETS	0	103.29	22.6	20.64	20.67	0.83	0.63	0.69	0.76
DECREASE IN TERM LOANS	0	8.34	16.68	16.68	16.68	16.62	0	0	0.00
DECREASE IN UNSECURED LOANS	0	0	0	0	0	20.00	15.00	0	0
INCREASE IN TERM LOANS	0	8.87	7.25	5.25	3.25	1.24	0	0	0
Taxation	0	9.16	13.64	18.97	24.21	26.19	27.75	28.23	27.88
DIVIDEND	0	0	0	0	0	10	16	20	24
<b>OTHER EXPENDITURE</b>									
PRELIMINARY EXP.	2	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>120.00</b>	<b>149.66</b>	<b>65.20</b>	<b>76.54</b>	<b>89.81</b>	<b>84.88</b>	<b>84.30</b>	<b>83.92</b>	<b>82.64</b>
<b>(C) OPENING CASH BALANCE</b>	0	30	4.17	5.72	10	14.90	18.25	21.89	24.70



<b>(D) SURPLUS</b>	30	-	1.55	4.28	4.90	3.33	3.64	2.81	0.20
<b>DEFICIT</b>		25.83							
<b>(E) Closing cash</b>	30	4.17	5.72	10	14.9	18.2	21.8	24.7	24.9
<b>balance</b>					0	5	9	0	0