



UNITED NATIONS CAPITAL DEVELOPMENT FUND

Evaluations

Project Evaluation Summaries

Prepared by the Policy, Planning and Evaluation Unit (PPEU)

Uganda

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List by Country

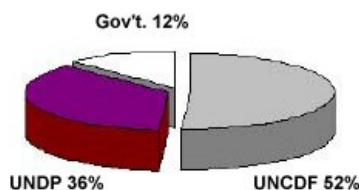
List by Year

About Evaluations at UNCDF



I. Basic Project Data

Project Number:	UGA/80/C06, UGA/86/015
Project Title:	Manufacture of Agricultural Tools, Implements, and Farm Machinery
UN Cooperating Agency:	UNIDO
Government Executing Agency:	Ministries of Agriculture and of Finance
National Implementor:	Hassel & Assoc. Ltd.
Sector:	Industry
Sub-Sector:	N/A
UNCDF Budget:	US\$ 2,415,000
UNDP Budget:	1,716,000
Gov't. Budget:	585,000
Total Budget:	4,716,000
UNCDF Expenditures at Evaluation:	2,222,441
Date Project Approved:	14 Aug 1987
Date Project Began:	Feb 1993
Date Project Completed:	Jan 1997
Date Project Evaluated:	Oct 1996
Type of Evaluation:	Final



II. Background

The agricultural sector accounts for most of Uganda's export earnings, with production characterized by small-holders' mixed farming. Mechanized agriculture employing draft oxen was introduced into northeastern Uganda in the early 20th century. Widespread disturbances from 1979 through the early 90's led to severe cattle loss throughout the region. The Government of Uganda's (GOU) Revised Recovery Programme of the late 1980's emphasized agricultural sector rehabilitation.

A privately owned farm equipment manufacturing and repair workshop had been established in Soroti in 1967, was taken over by a cooperative in 1972, and nationalized under the Ministry of Agriculture (MOA) in 1976. Local unrest led to deterioration of the facility, and in 1987, after long interruptions caused by local strife, a Project Agreement for rehabilitation of the plant was signed by UNCDF and GOU. Instability postponed the project, and the facility's deterioration continued. In 1990, the agricultural tool factory became a registered

company with shares jointly held by the Finance and Agriculture ministries. By this time, 80% of farming families in the area possessed only hand tools for tilling. At the time of project startup in 1993, the GOU had begun restoring the cattle population in the region, emphasizing the need to supply and repair ploughs and other farm tools.

III. The Project

This UNCDF project provided funds to rehabilitate and equip the factory, expand its manufacturing capacity, enhance its management, manufacturing, and service capabilities, and market its products (ox ploughs, carts, hammermills, etc.). A UNDP project with the same objectives allocated funds for technical assistance inputs, along with supplementary cost coverage. Project execution was subcontracted to Hassal & Associates in association with Agrisystems (Overseas) Ltd. and Kagga and Partners (Uganda).

The development objectives were 1) to increase agricultural productivity of farmers and agro-based industries and 2) create an indigenous capability in the designing and manufacturing of agricultural implements and machinery.

The immediate objectives evolved along with the project. For purposes of the evaluation, the mission interpreted the objectives as follows:

- To regenerate the factory's capacity to manufacture agricultural implements, machinery, and spare parts, and to develop an engineering service capacity to cover regional demand for agro-industrial repair and maintenance;
- To establish improved capabilities in design, manufacturing, repair, maintenance, and quality control;
- To establish a framework for the coordination of improved and integrated development of agricultural machinery, implements, and spare parts; and
- To establish a marketing mechanism linked to the workshop's manufacturing programme.

Project beneficiaries were defined as approximately 28,000 rural inhabitants of northeastern Uganda during the first five years and 18,600 per year thereafter. The beneficiaries were defined as the end users of factory-produced farm tools. The workshop had projected direct employment for 91 workers and managers. It was estimated in the original project agreement that additional income accrued to the rural population would be more than \$3 million per year based on productivity increases, and that foreign exchange savings resulting from domestic farm tool production would amount to about \$230,000 per year at full production.

IV. Purpose of the Evaluation

The mission was asked to assess and evaluate the design, implementation, and results of the project, including an assessment of its impact on the livelihoods of the end users of the implements as well as on the plant's workers and their households. The mission was also asked to provide an assessment of the plans for privatization of the facility along with an evaluation of the overall approach and performance of the project.

V. Findings of the Evaluation Mission

A. Summary of the Results Achieved

The project produced the major outputs specified in the project agreement. The facility was fully reconstructed, and an appropriate range of machine tools and equipment was selected or rehabilitated, installed, tested, and put into operation by July 1995. Some progress has been made with the privatization process, but important issues remain to be resolved. Project partners performed satisfactorily, but GOU participation was not as high as anticipated. Following are the key points from the evaluation:

- SAIMMCO (U) Ltd., the plant's manager, was incorporated in 1990, and the factory was reconstructed, although hand-over was delayed for ten months until February 1995. A functional administrative system has been established, and a marketing strategy was adopted that continues to need further elaboration. The first full year of production and service work from July 1995 through June 1996 generated an income of US\$ 83.6 million, falling short of the estimated US\$ 200 million projected by the UNCDF technical review mission in 1994.
- Factory revenue currently falls below costs, as it is difficult to get farmers to buy its expensive products, indicating that the facility is not yet a viable private venture regardless of the eventual structure of liability for UNCDF-generated loans to the facility by GOU.
- Intensive on-the-job training has been provided by the project specialists, but due to the hand-over delays the training period will reach only 21 months at the project's termination, compared to the 36 months provided in the project agreement.
- Building costs were over budget, but equipment costs were low due to careful implementation by the

subcontractor. Raw materials investments were also below budget.

- The product range and quality are high, demonstrate design flexibility, and are positively received by end users, though some of the animal-drawn equipment was thought to be too heavy, and too expensive. However, sales to farmers are low, and future demand may be strongly influenced by the requirements of aid organizations (as marketers and users through agricultural project extension work).
- The project had a positive impact on plant employees, but it was too early to note more than a very limited impact on farmer land use and livelihood. The SAIMMCO staff should be encouraged to develop a workshop structure to represent the laborers' interests.

B. Assessment of Project Design

- Project design was realistic in terms of the social justification for reestablishing the workshop in Soroti and alleviating root poverty conditions, but did not take into account the conflict between this social objective and plans to receive the highest commercial price obtainable for the facility through privatization. This conflict arose, but was inadequately addressed, when the privatization objective was introduced after the project agreement had been signed, and has yet to be resolved.
- The project design was confusing in considering the original "grant" by UNCDF to the GOU as a "loan by the GOU" to the facility operators. This is not reflected in the book price estimates of the facility; there was no prior agreement on the GOU/SAIMMCO loan modality; nor is the factory yet viable even if the GOU loans are regarded as grants.
- SAIMMCO's performance rate was optimistically projected without alternative scenarios. Initial production projection were revised downward, requiring a temporary halt to investment funds, and there remains an underestimate of the importance of repair and maintenance services to the facility's long-term viability.

VI. Recommendations

- The workshop cannot be considered sustainable unless its real profitability is ensured. This implies an adjustment of its net present value to reflect real, higher-than-anticipated costs. A clear and successful marketing strategy will also have a fundamental impact on the plant's viability.
- In light of present privatization plans, the assumption that the plant comprises a loan to the GOU is no longer relevant, and measures should be taken to ensure that the proceeds from privatization are reinvested in development projects within the country, based on consultation with the original investment donors, UNDP and UNCDF.

Two further, specific groups of recommendations were presented by the mission:

Concerning the consolidation of SAIMMCO as a profitable concern and its preparation for privatization:

- The full 36 months of shop-floor technical assistance agreed to in the project agreement should be provided, and the present General Manager retained until April 1998. This (and additional) technical assistance should be arranged through a management contract and possibly funded by an interested donor.
- The privatization process should be postponed until termination of the recommended management contract. Privatization of the factory should be studied as a "special case" to enable consideration of the socio-economic impact of potential sale plans.

Concerning SAIMMCO marketing activities:

- A more aggressive approach is required, with improved links to GOU extension services, particularly those of the Ministry of Agriculture, Animal Industries, and Fisheries.
- Strong links should be established with the national distributor selected by SAIMMCO.
- Continued reinforcement of links should be made with the agro-processing industry.
- A subsequent mission should be planned for follow-up marketing consultancy.

It was further recommended that the factory should be maintained in its current location in Soroti. The privatization process does not, as yet, preclude the possibility that the plant could be disassembled and relocated by a purchaser.

While the above considerations were outlined as factors in the development of a rational privatisation strategy, no specific strategy was recommended.

VII. Policy Implications and Lessons Learned

Replicability of the project, as currently constituted, is not recommended due to the unresolved conflict between

the goals of poverty alleviation and profitable privatization. Future combination of these objectives should be very carefully considered beginning at the stage of initial project planning. The prospect of actually losing the project's socio-economic benefits is still high because this conflict was not foreseen at project formulation and requires remedial measures. Similar inconsistencies, and threats to project social and economic impacts on beneficiary populations, should absolutely be avoided in future projects.

During the formulation stage, performance projections, economic calculations, and the basic logic behind project proposals should be more closely scrutinized prior to actual implementation.

Project formulation should have considered involving all stakeholders, and design should have addressed organizing SAIMMCO staff and encouraging them to develop their own representational structures. In addition, no consideration was given at the design or implementation stages concerning the possible needs of rural artisans in the project area.

VIII. Evaluation Team

The mission team consisted of John E. Ashburner, team leader and agro-engineer; Peter Mallow, industries analyst; and Wilfred R. Odogola, agro-economist/technologist. The team was accompanied throughout its field visits by Henry Mbaguta, Senior Economist, Ministry of Finance; and Frank Akena, Senior Agricultural Officer, Ministry of Agriculture, Animal Industry, and Fisheries.

