



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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**PROGRAMME COORDINATION AND FIELD OPERATIONS DIVISION  
SPECIAL PROGRAMMES GROUP**

Report on the

**IMPLEMENTATION OF THE BRUSSELS PROGRAMME OF ACTION  
FOR THE  
LEAST DEVELOPED COUNTRIES WITHIN THE MANDATE RELEVANT TO  
UNIDO**

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**This document has not been formally edited.**

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## 1. INTRODUCTION

Support to the least developed countries (LDCs) continues to be an important priority focus of UNIDO in line with the Brussels Programme of Action and the Millennium Development Goals (MDGs). UNIDO concentrates its technical assistance programmes in LDCs on building industrial capabilities, overcoming constraints in specific industrial areas serving as dynamic forces in achieving rapid economic transformation of LDCs and providing for an enabling environment for sustainable industrial development.

In its quest for improving the overall relevance and impact of its services UNIDO has consistently acknowledged the importance of programmes for LDCs as the priority target of its technical assistance services. In line with the Brussels Programme of Action for LDCs, the Organization has been expanding its cooperation with this group of countries with a special focus on capacity-building, trade facilitation, international market access, private sector development, energy development and environmental livelihood concerns, with a view to achieving the MDGs.

The development of integrated programmes (IPs) is the main vehicle of UNIDO's technical cooperation activities. UNIDO has presently 71 ongoing integrated programmes of which 21 are currently under implementation in the LDCs: Afghanistan, Bangladesh, Burkina Faso, Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lao People's Democratic Republic, Madagascar, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Sudan, Uganda, United Republic of Tanzania and Yemen. The combined budgets for ongoing IPs totaled more than \$174 million as of December 2005. Moreover, projects in Angola, Haiti (post-conflict), Timor-Leste (post-conflict) and Togo are under preparation.

UNIDO's core approach to the growing concerns of the LDCs is to provide a strong impetus to meet global challenges as an effective response to the growing industrial divide and new industrial realities. In the context of LDCs, UNIDO focuses on thematic priorities that are in line with the LDC III Programme of Action 2001-2010 particularly in relation to Commitment 4 – building productive capacities to make globalization work and Commitment 5 – enhancing the role of trade in development, which are related to the following UNIDO programmes:

- Poverty reduction through productive activities.
- Trade Capacity Building.
- Energy and environment.

UNIDO's intervention in LDCs make provision for technical cooperation activities and global forum functions that will ensure the development of dynamic comparative advantages in industrial sector-based activities essentially SMEs: generating employment and income generation through SME development; building capacity to trade; raising productivity; strengthening agro-industrial linkages; building competitive structure to enable supply side capacity respond to export market opportunities; strengthening industrial capabilities and institutional structures, especially manufacturing with higher value added and technology content; reducing environmental degradation; promoting renewable rural energy, and; improving industrial governance towards an efficient and transparent

regulatory system with a view to fostering foreign direct investment (FDI), technology and innovation, Information and Communication Technologies (ICT), training and skills.

UNIDO's approach to and action for industrial development in LDCs essentially entail bringing the latecomers into the mainstream of globalization by making them think globally and act locally. LDCs comparative advantages endowed in their huge reservoir of natural and human resources will need to be converted into dynamic competitiveness for the cause of wealth creation as an effective means of poverty reduction. This paper attempts to articulate the role of UNIDO in creating the sustainable business links for SME development, fostering agro-based industrial development, developing food industry supply chains, promoting rural energy for productive use (Commitment 4 of the LDC III Programme of Action) and building trade capacity for sustainable growth (Commitment 5 of the LDC III Programme of Action). The paper outlines UNIDO's approach and strategy to these initiatives and provides for selected examples of technical cooperation during the period 2001-2005.

## **2. COMMITMENT 4: BUILDING PRODUCTIVE CAPACITIES TO MAKE GLOBALIZATION WORK FOR LDCs**

The constraints on productivity growth and industrial development in LDCs can be summarized as follows:

- Lack of sharply targeted industrial strategy.
- Weak infrastructure base adversely affecting the efficiency of the industrial production system.
- Inadequate human resource and entrepreneurial development, absence of institutional support and private sector involvement.
- Malfunctioning of the industrial financial system – drying up of investment funds for both formal and informal enterprises.
- Marginalization within international trade, investment and technology transfer regimes.

The UNIDO contribution to commitment 4 is reflected in the following key initiatives:

1. Agro-based industries;
2. Food industry and supply chain;
3. Sustainable business links (SMEs);
4. Rural energy for productive use.

### **2.1 Agro-based industries**

#### **a. Objectives**

- To use agro-based industrial development as an effective means to create sustainable sources of livelihoods and to alleviate poverty.
- Emphasis is also based on enhancing productive capacities and competitiveness in related product areas for surviving competitive pressures for efficiency gains.
- Explore the possibilities for adding more value in food, leather, textile, wood and equipment related support services and converting comparative advantages into competitiveness
- Reduce post harvest losses and natural resources depletion through approaches such as preservation, storage, processing, and packaging.
- Increase market accessibility to agro-products and establish linkages with market outlets amongst others through product development and innovation.

#### **b. Conceptual approach**

In line with the Millennium Development Goals and its Corporate Strategy, UNIDO is advocating balanced interventions to stimulate the development of agro-based industries. The main objective of these interventions is to strengthen forward and backward agro-industrial linkages that enhance value added opportunities and also serve as effective means of achieving economic transformation and sustainable livelihoods, especially in rural areas.

The focus is on assisting developing countries to introduce strategies, policies and programmes which are directly re-orienting industrial development towards the strengthening of agro-industrial linkages and targeting promising product areas – the development of which can have a decisive impact on ensuring food security, enhancing agricultural productivity, increasing competitiveness and attracting investment flows. This includes both food and non-food products, specific community areas and vulnerable segments of the population.

### **c. Technical services**

- Sector analysis and advice on development policies and strategies to create an enabling environment for the development of agro industries.
- Assistance aimed at strengthening the regulatory framework of agro-industrial sector to foster sustainable integration of small-scale agro enterprises into market oriented agro-production systems.
- Support to the institutions involved in the agro-industrial sector through capacity building including training, direct technical support, improved information access and networking.
- Direct assistance to pilot enterprises to serve for demonstration and training purposes: Creating/upgrading processing units; transfer of technology; process optimization; product design and innovation; dissemination of GMP, HACCP/safety and quality systems; waste minimization and by-products utilization, etc.
- Global forum functions through the promotion of research on priority/novel commodities, publications and participation in the work of international organizations and normative bodies (EGMs, conferences, etc.):
  - Food systems: Food safety and traceability.
  - Mechanization strategies and testing and evaluation of agricultural machinery.
  - Leather panel: To assess world-wide trends and forecast development of leather based industry technology and trade, and to orient UNIDO technical assistance.
  - Sector-specific information tools and services.

### **d. Relationship with UNIDO services**

#### **2.1.d.1 Investment promotion and technology transfer**

The combination of both transfer and innovative application of technology will make the assistance of UNIDO relevant for a wider range of cases, and with a more profound impact.

#### **Box 1: Restructuring and rehabilitation of rural technology centers (ETH, ERI) in Ethiopia and Eritrea**

In Ethiopia, a project funded by the Danish Government has been implemented to formulate a programme to restructure and rehabilitate nine rural technology promotion centers and the Government has already taken measures to implement the programme. In Eritrea, a project funded by the Danish Government is currently being implemented and among other activities, the project will contribute to upgrade the workshop facilities of the Agricultural Engineering Research Centre.

### **2.1.d.2 Strategic research**

The focus on adequate policy advice is most relevant for policy at a city/region scale, and in close coordination with the SME and cluster development services. Research work like the DANIDA funded COMPID programme on technology development in marginalized countries, or the project on the impact of Intellectual Property Rights (IPRs) have practical consequences on how the initiative can be implemented.

### **2.1.d.3 SMEs and cluster development**

SMEs in clusters are often linked through the supply of products whereby services are an integral part of the product specification, although linkages can also be formed in other ways through operating in the same markets. Changes in the product specification can therefore affect the whole cluster and the way it operates. Mostly, changes in product specification are a prerequisite to catch up in global value chains, or even to maintain market position. A well-developed innovation capability serves both the potential of the whole cluster to respond to external competitive forces through systemic learning as well as the potential of each enterprise to fully leverage its current and potential position in the cluster and in the value chains.

#### **Box 2: Developing the production and marketing capacity in the informal textile sector (BKF) in Burkina Faso**

In Burkina Faso, the Austrian Government financed a textile/SME project for a period of 3 years that commenced in January 2002. The objective of this component is to reduce poverty by developing the production and marketing capacity in the informal textile sector, in order to create more employment. The intervention of the project currently covers three provinces, namely, Kadiogo, Houet and Bulkiemdé, concentrated in the cities of Ouagadougou, Bobo Dioulasso and Koudougou. The activities of the project involve weaving, dyeing and dressmaking. The direct beneficiaries of the project are the textile artisans.

### **2.1.d.4 Product focus of agro industries**

All units of Agro industries (Food, Textiles, Leather, Wood, and Machinery) are expected to support industries in developing new products for new markets or to simply better serve existing markets. For instance, with food processing, innovation in packaging is an important fact or to reduce post harvest losses, keep food products safe and maintain its nutritive value. In leather projects there is already ample evidence of the relevance of product innovation. Concerning wood, activities are focused on developing applications of bamboo, like for flooring and load bearing construction. For textiles, rapid changes in the garment market continuously necessitate product adaptations, and agro machinery uses product innovation for adaptations to the available technology levels, the shifting needs of crops, local customs, or use of equipment by women.

### **Box 3: Selected agro industry projects in LDCs: Wood and NTFP**

The need to reduce poverty through employment and income generation in a post-crisis situation led to the UNIDO bamboo and rattan project in Timor-Leste. Bamboo grows widely in **Timor-Leste** and can be used for a multitude of purposes. The project aims at disseminating technologies for the economic enhancement of the SME sector, and strengthen the capacity of existing institutions through networking and linking them to specialized partners in China and India. A Skill Development Center for Bamboo and Rattan will be established with the intent to manufacture laminated bamboo boards for the production of furniture for the local market.

UNIDO was recently named the Project Executing Agency for the “Market-based development with bamboo in **Eastern Africa**: Employment and Income Generation for Poverty Alleviation” project funded by the Common Fund for Commodities (CFC). The project will be implemented in **Ethiopia** and **Kenya**. Sustainable production and use of bamboo products in East African is the long-term objective. The project will focus on markets as the driving force behind development of the bamboo sector. Bamboo will be used for wood substitution and food processing, creating rural and urban employment and value-addition to ultimately improve the economy. Project activities will include technology transfer, new product development for sustainable markets, policies and training to improve market accessibility, which then enables more equitable sharing of benefits among stakeholders. It is envisioned that the project will develop models for replication outside the direct project areas. The International Network for Bamboo and Rattan (INBAR) will be the Supervisory Body for the project.

### **Selected agro industry projects in LDCs: Agro machinery**

**Ethiopia:** *Integrated project to develop the agricultural machinery industry and promote rural technology* Assistance to develop a program to strengthen the nine Rural Technology Promotion Centers (RTPCs) through a process of restructuring and rehabilitation and also formulation of an integrated program to develop the Agricultural Machinery Industry System (AMIS).

**Djibouti:** *Development of the productive sector- Support of activities generating revenues and employment creation* The project aims to fight poverty by improving the living and working conditions of low income and marginalized populations involved in small-scale fishing activities. UNIDO in partnership with the Ministry of Agriculture, Livestock, and Sea, began a programme for the rehabilitation of maintenance workshops for the repair of small fishing boats in the fishing sites around Boulaous, Tadjourah, and Obock. This project will allow improvements to be made on the tools for production used by small-scale fishing populations. In addition, this project will affect 600 fishermen of the 3600 community members scattered throughout 5 locations around the capital and 2 districts.

**Sudan:** *Promotion of community-based agro related micro processing and manufacturing activities.* The main strategy of the project is to act as a stimulus and play a catalytic role in the development of agro processing and manufacturing in rural areas. The project will emphasize the development of effective and well-coordinated supply chains, where the agro processing and manufacturing enterprise are key elements.

**Eritrea:** *An integrated project to develop the agricultural machinery industry.* Following activities will be carried out through the project: Appropriate agricultural tools, machinery and equipment are introduced and promoted among the farming community. Training of trainers in operation and maintenance, metal fabrication and foundry technology. Enhance human resource capacities and capabilities of the agricultural engineering research center. Strengthening linkages of the agricultural machinery industry system.

### **2.1.c.6 Environment**

UNIDO is linking its agro-industrial activities with environmental programmes and have conducted exploratory research in this regard in Kenya, Zimbabwe, and Tanzania. The results underline the urgency to support product innovation as an

additional tool for cleaner production centers to advise their client enterprises both for the environmental performance as well as their competitive and trade potential.

**Box 4: Lao People's Democratic Republic** is the focus of a unique program that focuses on two diverse issues: environmental sustainability and alternative livelihood development. Illegal logging and raw material exports have been long-standing issues, which the government sought to stem. The challenge is how to promote the production and export of secondary wood products in parallel to pursuing other objectives related to the sustainable management of forests, while ensuring the economic benefits from the forests accrue to the rural poor. Similarly, the government seeks to eliminate opium production and a reduction of opium abuse through the propagation of alternative livelihood development as a means of reducing poverty among former addicts and opium farmers. UNIDO's program has focused on vocational training and technical support as means of capacity building within the secondary wood-processing sector. In parallel, trade capacity building is supported through product design and marketing training activities.

#### **Arab region 2005**

In the Arab LDCs, considerable progress was made in Sudan and Yemen where UNIDO's programmatic accent is on creating economically viable communities by promoting community-based sources of sustainable livelihoods. Priority was given to improving the productive capacities of selected agro-industries in rural communities and utilizing renewable energy sources for productive use. In Sudan, through a project funded by the United Nations Trust Fund for Human Security, UNIDO succeeded in eradicating extreme poverty in terms of food security in 110 villages, including clusters of villages, in the Nuba Mountain region. Another significant outcome was the establishment of a vocational training centre in Malakal. In Djibouti, a mechanical workshop was established for repairing the boats of poor fishermen.

#### **e. Outcomes/Impacts**

The outcomes/ impacts are expected to be:

- Economic development for job creation and income generation
- General requirements with regard to quality and safe products
- Enhancing industrial productivity
- Sustainable natural resources management
- Improved image for products from developing countries,
- Increased income of rural poor through diversification into new products, and application of improved tools,
- Enhanced export capacity of SME's with a systemic effect on other sectors of industry,
- Increased flexibility and creativity of the industry sectors addressed, and increase their potential for dealing with upcoming changes.

At the policy level, participating countries will absorb the capacities to better assess the consequences of globalization and industrial sustainability for their own economies, and be better positioned to devise and implement appropriate policies to support their industry.

## **Box 5: Pacific Islands: Promoting entrepreneurship to create income and employment opportunities**

### **Issue**

In some countries, entrepreneurial spirit and initiatives are very weakly developed due to the lack of relevant skills and knowledge, little exposure to the outside as well as for historic and cultural reasons. In several Pacific island countries, this is particularly true in the context of economies, which are characterized by agricultural subsistence activities or a preponderant public sector. Furthermore, traditional values emphasize communal approaches rather than individualistic entrepreneurship. Policy and institutional settings are not conducive to entrepreneurial initiatives. The result of all these factors is a weakly developed private sector and acute shortages of income and employment opportunities.

### **Strategy**

UNIDO advised and managed projects in the Federated States of Micronesia (SIDS) and in Solomon Islands, having as a common element the aim to promote a stronger private entrepreneurial base. The focus was on developing entrepreneurship through a more favorable policy and administrative framework, strengthening support service capacities and fostering collective self-help initiatives of groups of entrepreneurs and communities. With the establishment of Micronesian Entrepreneur Development Centers (MEDC) in four states (Pohnpei, Chuuk, Kosrae and Yap), the project built a network of institutions offering training programmes, business and technical advisory services and business information to the island entrepreneurs. It also contributed to improve legislation to be more conducive for enterprises to start, grow and diversify. UNIDO prepared entrepreneurship development methodologies and training manuals, which were later also successfully adapted in other countries, and trained about 80 trainers, business advisors and other staff of the cooperating institutions. More than 1,600 potential and existing entrepreneurs benefited from MEDC assistance.

In the Solomon Islands, the project contributed to address the acute shortage of job opportunities in rural areas where people derive their income mostly from a mix of subsistence and commercial activities and subsequent migration from the provinces to the capital. It promoted the development of small-scale and cottage industries in rural communities in Malaita, Makira, Isabel and the Western Provinces as well as in Guadalcanal and Honiara. For training activities, the project staff adapted and developed UNIDO training materials for entrepreneurship development and technical skills training. Ninety staff members of various institutions were trained to carry out the services for the entrepreneurs. More than 1,200 entrepreneurs received training or other assistance. Issues such as traditional land tenure practice and administrative barriers, weak access to credit and information were also addressed. A web site and online-business information service are operating. In view of prevailing communal approaches and land tenure, the project also advised communities in the establishment of cooperative business projects for resource-based processing. For better coordination and implementation of measures to promote small-scale entrepreneurship, consultative committees were established in the provinces, consisting of the local authorities and private sector representatives.

### **Results**

- In five provinces of Solomon Islands, more than 1,000 new employment opportunities were created during three years through the start-up of almost 200 new businesses and the expansion of about 185 existing businesses.
- In the Federated States of Micronesia, more than 650 enterprises started or expanded with the MEDC assistance, creating almost 1,500 new jobs and an estimated investment of US\$ 13.5 million.

**Box 6: Madagascar - Integrated Programme (IP) – 2003: Priority accent on agro-industry development**

The IP is working on capacity building in Fruit and Vegetables Processing, Building Materials and Essential Oils. In textiles, a study of the Malagasy textile sector in 2001 recommended the restructuring of FORMACO – the national textile training center – and set up a national action plan. A further study evaluated the needs of companies operating in the informal sector and micro enterprises, especially with regard to training and the improvement of the production methods. The sector needs control standards, effective management in the use and maintenance of machines and, broadly speaking, more rational use of the potentials of the sector. In the silk subsector, a programme has been developed to improve reeling and twisting, dyeing, degumming and weaving. UNIDO is working with several Malagasy institutions to upgrading technology, improve documentation and the dissemination of information. The focus of this capacity building is the hill district in the center of the country.

In fruit and vegetable processing, industry associations have benefited from training in the processing of local fruits into jams and juice such as cactus, tamarind and pok-pok (a type of gooseberry). Marketing skills have also improved. UNIDO has provided laboratory materials for the control of quality and organized training session on quality improvement. This programme is executed in the provinces of Fianarantsoa, Tuléar and Antananarivo.

Technical assistance has been delivered to building materials associations in the provinces of Fianarantsoa, Antananarivo and Tuléar with training in fibrocement tile production and the general diversification of their products. The project also worked on reducing the impact of the sector on the environment by identifying fuels other than wood, such as rice balls. Employment has been created through the HIMO (haute intensité de main-d'oeuvre, high intensity of manpower public works) approach to the collection of gravel for the fabrication of self-blocking pavements in Tuléar. A national programme has been developed for standardization of building materials.

Essential Oil Associations in Fianarantsoa, Antananarivo and Tuléar have been able to benefit from distilling units provided by UNIDO that meet international standards. With the introduction of these distilling units, there has been an increase in employment and the generation of additional income for farmers. Several training sessions were organized to improve the quality of production. Some association members have participated in the international fair IFEAT to promote their products. Special attention in this project has been paid to rational use of resources, and protection of environment: plucking and plantation of aromatic and medicinal plants. The intervention zones are Following a feasibility study and business plan financed by the UNDP on the setting up of a Business Incubator in Fianarantsoa, UNIDO has decided to elaborate an action plan. The Business Incubator is a mixed incubator type, which will be constructed in an existing building at the Fianarantsoa centre. One of the steps in promoting investment in Madagascar was the organization of a Regional Subcontracting and Partnership (SUBEX) Fair in 2003. Sixty- four enterprises were introduced in the Outsourcing database and UNIDO has approached the government to designate an institute in which the SUBEX can be settled and established.

## **2.2 Food industry and supply chain**

A special focus is given to this topic although it is part of the agro-industry development in order to stress its importance in line with the objective for the MDGs and its overall relation to poverty reduction strategies.

### **a. Objectives**

The ultimate objective of this initiative is to assist developing countries to gradually move from subsistence to commercial food production through an improved functioning of food industry supply chains.<sup>1</sup>

The immediate objective is to strengthen the competitiveness of selected food industries relying entirely or partly on local raw materials and to establish business partnerships and linkages with a network of commercial post-harvest operations yet to be established or-strengthened that have actual or potential market niches. Value added will be increased and post-harvest losses reduced, making more quality food available and creating jobs and generating income.

### **b. Conceptual approach**

To attain the indicated objectives, the above-mentioned objectives will be addressed through the combination of the following activities:

#### ***(i) Defining strategic food industrial development options based on a sector wide approach***

A strategic sector analysis is a prerequisite for any industrial development option. In particular, the appropriate sub-sectors and/or products to be covered will be based on their actual or potential scope for establishing linkages with post harvest operations and markets. More specifically, the following detailed criteria will be considered: (i) ability to access national and regional markets and/or export market niches; (ii) potential for value addition and job creation/income generation for the poorest; (iii) nutritional value; (iv) level of post harvest losses and (v) potential to attract domestic and/or foreign investment. These sectors will then be prioritized according to their short- and long-term impact on food security, the host country's priorities, potential demand/markets, available resources and donor activities. Special attention will be given to the regional dimension, mainly market integration and its driving forces.

Assistance will be provided to the government and the private sector to define precise strategic development options for each sub-sector/product, and to the government to take related and consistent policy decisions to create an enabling environment and to support the implementation of the above options (incentives, investment policy, market policy and various facilitating services).

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<sup>1</sup> The key element of the approach is that sustainable development of the supply chain can only be achieved when there is value added by every function for each sub-component of the system. The value-added provides the incentive for participation of all beneficiaries.

**Box 7: Practical policy advice in Uganda: Capacity building in food safety and quality assurance**

**At national level**

A “*National Food Safety Bill*” was submitted to the 1st Parliamentary Council for approval: The responsibility for food control in Uganda, shared between different ministries and institutions, was leading to duplication and ineffectiveness of the regulatory activity, fragmented surveillance and lack of coordination. The Food Safety Bill is aimed at ensuring effective collaboration between all sectors involved in the management and control of food safety and quality. The Food Safety Strategic Action Plan is under preparation for the implementation of the Food Safety Bill.

*The Food and Nutrition Policy* which has a provision for the Food Safety Law was completed and adopted on 20th December 2001 by the Food and Nutrition Council chaired by the Minister of Agriculture, Animal Industry and Fisheries.

As a result of impact and high awareness raised by UNIDO activities, the Ministries of Health, Agriculture/animal Industry/Fisheries and Trade/Tourism/Industry, Uganda National Bureau of Standards and the Uganda Consumer Protection association decide to organize an Annual Food Safety Week. The first one of was held 10-22 November 2002 with UNIDO's assistance.

**At sector level**

The assistance to improve fish handling on board of fishing and fish transportation boats as well as at the fish landing sites, the strengthening of the capacity of the Competent Authority for fish exports (Department of Fishery Resources) in terms of inspection system and laboratories, and of the private companies through GMP and HACCP has permitted to establish in Uganda one of the best fish inspection and quality control systems in Africa.

As a result the EU ban on Uganda fish exports was lifted and Uganda was put on List 1 of countries exporting fish and fishery products to the EU since 15<sup>th</sup> October 2001. UNIDO has contributed to saving jobs for around 200,000 people (Fisher folk and industry personal) and income for around 700,000 benefiting from fish related activities. Fish has been the biggest export earner in 2001/2002 with exports amounting to US\$ 87 millions while Coffee usually the first went down with US\$ 84 millions. The capacity established in fish safety and quality assurance is being used in other food sub-sectors.

***(ii) Strengthening the industrial food sector as a strong market outlet for agricultural products***

Activities comprising upgrading of food technology and food safety/quality combined with global plant performance improvement, supported by mobilization of domestic and foreign investment resources, will be implemented to assist the industrial food sector to meet the demands and requirements of the market. Following the business partnership development approach, assistance will also be provided to establish practical mechanisms to link with commercial post-harvest operations. The selection of the appropriate food processing industries to be supported will be based on the following criteria: (i) sector/products covered to be among the selected one; (ii) capacity to process local raw materials and add value to them; (iii) ability to network with local farmers and rural post harvest entrepreneurs; an (iv) existing or potential linkages with domestic, regional and/or international market niches.