IS CAPITAL THE MISSING LINK IN TRADE AMBITION?



DANIEL KARIBWIJE
EXPORT SPECIALIST
dankarib@gmail.com

Capital is the oxygen of any business. Without it, even the best ideas struggle to grow. In Uganda today, the real question is not whether financing exists, but when, how, and at what cost businesses can access it.

The Government is encouraging value addition, manufacturing, and new market entry. Getting there is more than issuing an order. It must be accompanied by the oil and grease that makes the journey possible. Access to finance remains one of the biggest barriers facing Uganda's exporters and the wider business community. Small and medium enterprises are the most affected in their efforts to scale production and penetrate new markets. Export ambition without financing is like building a ship without sails.

CAPITAL

Compared to domestic trade, exporting requires more capital. Several areas require financial input if growth is to be realised. Production scaling, certification and compliance, packaging, and branding are top of the list. These are the elements that help put the export body together.

Getting into motion then requires logistics and freight, trade fairs and market entry costs, and the ability to absorb payment delays from international buyers. Exporters often wait between 30 and 90 days for payment. Strong working capital is therefore essential. Workers, warehousing, labour and supplies all have to be paid. A small-scale coffee farmer in Mbale will not understand why he must wait 90 days for payment. He has supplied coffee and needs school fees for his children today.

The business community, not just exporters, face an uphill task. High interest rates and collateral requirements are a backbreaker.

Unpaid domestic arrears in the economy, estimated at about sh8.4 trillion, make a bad situation worse because businesses have no fall-back position.

Banks have limited understanding of the export cycle and often prefer short-term lending structures. SMEs struggle most compared to corporates. Export investment requires patient capital, yet banks tend to favour short-term trade finance and real estate loans.

Financing matters greatly for value addition. Capital is required to buy machinery and invest in technology.



Limited access to finance remains one of the biggest barriers to export trade.

Quality control systems and skilled labour are not picked off the street. Years of experience and hard work come into play.

Investment capital is essential. Uganda requires affordable financing now, not later. Otherwise, we risk remaining primarily a supplier of raw materials, exporting the value we could be creating at home. The business community often has little option but to export raw materials because their hands are tied. Coffee roasting requires machines and expertise. The same applies to cocoa processing and agro-processing.

Export credit and risk mitigation must take centre stage. While capital is the oxygen of a business, exporters are the lifeblood of an economy. Export credit guarantees promoted by Government should rank high on the agenda. Export financing schemes must respect the business cycles of exporters. Trade insurance acts as a safety net, while export financing provides the fuel. These instruments help cover the risk of non-payment by buyers. Development finance institutions must walk the talk. Successful exporting countries treat export finance as a strategic investment, not merely as a banking service.

Financial institutions can develop export-focused products that better understand trade cycles. Banks should partner with export promotion agencies and support SMEs entering regional markets. Government-backed initiativ such as the Investment for Industrial Transformation and Employment project coordinated by the Ministry of Finance, Planning and Economic Development require predictable annual budget support in the billion

Exporters themselves must also prepare. Ethics and integrity matter. Proper financial records must be ke alongside credible business plans and sound governance structures. Businesses must also demonstrate real marke demand. Markets are not th problem. Uganda already enjoys market access, growin regional demand and strong entrepreneurial energy. However, exporters need fue Capital is the fuel that turns export potential into export performance.

Uganda's export ambition will ultimately depend not only on markets and policies but on whether businesses c access the capital needed to compete.