Trade, co-operatives, industry register significant growth

By Samuel Sanya

A supermarket attendant stamps price tags onto products. The Ugandan trade ministry has a target to ensure 40% of the products in supermarkets are local products by the year 2022

There was a persistent trade deficit through the period 2012-2016, with the highest trade deficit of $3.462b registered in the 2014/15 financial year. This situation arose mainly out of the low value of exports, which are mainly unprocessed, agricultural commodities that are exchanged for high-value manufactured products.

A Ministry of Trade, Industry and Co-operatives report indicates that the trade deficit reduced to $1.993b from $2.93b in 2015, which is attributed to the overall increase in export earnings by 8.8% during the year.

Total export earnings were $2.91b, of which $2.48b were from formal exports.

The formal exports increased by 9.5% from $2.3b in 2015 to $2.48b in 2016, while informal exports increased by 5% from $399.1m to $419.2m over the same period.

The total imports bill in 2016 stood at $4.89b, of which formal imports accounted for $4.83b, while informal imports were estimated at $64.9m. The total imports expenditure declined by 12.5% in 2016 after a decrease of 8.9% in 2015.

"As exports in the region become more inclined towards industrially-processed products, the trade ministry is fast-tracking several initiatives to ensure growth of industrialisation, so as to increase the exportation of processed products for increased export earnings such as the Buy Uganda Build Uganda (BUBU) policy, Border Export Zones, and a trade in services policy, among other things," Julius Onen, the permanent secretary of the Ministry of Trade, Industry and Co-operatives, says.

"However, the sector still faces some challenges such as insufficient human resource capacity and physical infrastructure affecting development at the Border Export Zones," he adds.

Onen notes that the Uganda National Bureau of Standards still requires strengthening of standards and quality infrastructure. There is still relatively low consumer education and public awareness on quality and standards. This affects consumers in making informed choices in order to reject sub-standard goods and services in the market place.

He adds that there is limited storage (warehouse and silos) capacity for effective post-harvest management and structured grain trade that would enable the ministry to address the challenge of volatility of prices of agricultural products.

Onen speaks of "high import taxes on the primary packaging material for the locally-produced goods, which hinders the competitiveness of Ugandan business persons to fully exploit the vast opportunities," adding that the Uganda Development Corporation (UDC) requires capitalisation to take on more public private partnerships.

Progress under BUBU

While Uganda has made significant progress in the reduction of the national trade deficit, similar progress has been made by way of the Policy, Strategy and Framework for the implementation of the BUBU policy, which was officially launched by the Prime Minister, Dr. Ruhakana Rugunda, on March 2.

The policy aims at increasing the consumption of locally-made products through Government procurement and the private sector. Increased consumption of locally-made products is expected to enhance the market share of local firms in domestic trade.

The implementation of the policy is focusing on producers and service suppliers in the following priority sectors: construction materials and services, stationery, textiles, furniture, footwear, leather and leather products, plastics, electric cables, foods and beverages, pharmaceutical products, accounting, auditing, legal, printing, transport, consultancy, education, insurance, hotel and air ticketing. "To realise the policy objectives of BUBU, there is need to change the mindset of our people towards locally originating products," Onen says.

Government initiatives

The trade ministry is developing new laws to regulate the sector. These include: Industrial Development Bill, Legal Metrology bill, Accreditation Bill, Industrial and Scientific Metrology Bill, Sugar Bill and Alcohol Bill

- The ministry is implementing the Rural Industrial Development Project, which has supported 53 projects across the country. Out of these projects, 45 enterprises (85%) have been supported with value addition equipment while eight enterprises were supported with capacity building in business management and value addition skills, product quality and standards requirements principles of cooperative movement.
- The Government is implementing a number of value addition projects including

i. Teso Fruit Factory in Soroti in collaboration with KOICA. All equipment for the factory has been installed. The factory is to be commissioned in February 2018.

ii. The Kiira Motor Corporation developments on the Car Plant establishment. Feasibilities are being undertaken.

iii. UDC, through a lease financing agreement, is facilitating Kigezi Highland Tea Ltd to install tea-processing equipment in Kisoro and Kabale districts. 80% of the equipment has been installed. The capacity of each factory is 450 kgs per hour.

iv. Kayonza and Mabale tea factories and Zombo factories are underway.

- New institutions in form of government trust bodies have been operationalised to improve service delivery. These include; The Textile Development Agency, Uganda Leather Tranning and Common Facility Centre, Uganda Cleaner Production Centre. The three have been made institutions Government trustees for purposes of inclusion in Government planning, proper supervision of programs and activities, accountability and enhancing implementation of Government policies.
- The Government will continue with works on the development of 22 industrial parks in various parts of the country.

Facts and figures on industry sector

- Industry contribution to GDP (19.6%)
- Growth rate (3.4%)
- Contribution of manufacturing to GDP (9%)
- Growth rate (2.5%)
- Major industries: sugar, tea, beverage, cement, steel production, cotton
- Potential industries: Oil and gas, iron & steel, gold refining, fertilizer, leather