

Economic Development and Industrial Policy in Uganda



Ramathan Ggoobi
Benard Musekese Wabukala
Joseph Ntayi

**FRIEDRICH
EBERT** 
STIFTUNG

Economic Development and Industrial Policy in Uganda

November, 2017.

ISBN No: 978-9970-535-03-3

Published by
Friedrich-Ebert-Stiftung
Kampala, Uganda
5B Acacia Avenue
P.O Box 3860
www.fes-uganda.org

Copy Editor: Mulinde Musoke.

Cover Design: Ivan Barigye.

Cover Images: Shutter Stock and Reinout Dujardin

The findings, interpretations and conclusions expressed in this volume are attributed to individual authors and do not necessarily reflect the views of Friedrich-Ebert Stiftung (FES). FES does not guarantee the accuracy of the data included in this work. FES bears no responsibility for oversights, mistakes or omissions.

The sale or commercial use of all media published by Friedrich-Ebert-Stiftung is prohibited without the written consent of FES.

Copyright: This work is licenced under the Creative Commons' Attribution- NonCommercial – ShareAlike 2.5 Licence. 2017

Foreword

In December 2011 The Economist's cover title of "Africa Rising" kicked off global media coverage of Africa, which saw the African continent at the forefront of economic growth and development. Though this made a nice change from the usual doom and gloom reporting about Africa, it soon became obvious that the impressive GDP growth rates of the continent were largely thanks to China's strong economic performance and its concomitant high demand for natural resources which boosted their global demand and prices but did little to create jobs and to improve household incomes. At the end of it all, when China's growth rates levelled off, many African countries, including Uganda, were left with the same problems as before: high levels of poverty, rising inequality, population growth which outstripped growth in employment and an economic structure which had not fundamentally changed during fifty years of independence. Overall, in sub-Saharan Africa, the ratio of manufacturing value added to GDP is lower today than it was in the 1970s.¹

A good part of Uganda's high past growth rates has been due to the above mentioned increases in commodity prices, and strong growth in construction, the utilities, telecommunications and financial services, all of which do not provide significant increases in long-term employment. To boost economic growth and employment, the Ugandan government has been and is investing significant shares of its budget in infrastructure developments in the transport and the energy sectors, hoping that improved infrastructure will trigger wider economic transformation and create jobs. Yet, the return on infrastructure investment has so far been disappointing and growth has remained largely jobless. At the same time, Ugandan budgets have done little to boost human capital development, agricultural production and productivity, and promote value-addition, especially by supporting manufacturing, including agro-processing. This comes in spite of the fact that Uganda's agricultural sector continues to employ around 76 per cent of the labour force. To date, the agricultural sector has shown consistently low growth of around two to three per cent p.a. and manufacturing continues to contribute well below ten per cent to GDP while Uganda persistently ranks at the bottom of the Human Development Index.

Yet, historical and empirical evidence points to value addition and the manufacturing sector to boost employment and incomes. GDP growth is an indicator for economic activity and output but not for overall development. GDP growth is irrelevant to people if it does not provide for decent jobs and services, which allow for a dignified, financially secure and healthy life, enable a good education for one's children and protect against the risks of old age, accidents and disease.

¹ Shanta, D. (2016, January 14). Three reasons why industrial policy fails. Retrieved from www.brookings.edu/blog/future-development/2016/01/14/three-reasons-why-industrial-policy-fails/.

Where a focus on infrastructure, along with the hope of some sort of trickle-down effect, has not given the results hoped for, an industrial policy can be a tool for structural transformation of the economy as it outlines a comprehensive framework for state intervention in terms of regulation and promotion designed to strengthen local manufacturing and make it more competitive. It is often accompanied by supporting measures around skills development, research and innovation.

Uganda's industrial policy of 2008 remains largely unimplemented and the economy's structure essentially unchanged. This study on economic development and industrial policy examines Uganda's efforts to industrialise and develop in the past and present and looks at the various accompanying policies. It also analyses successes and failures, assesses drivers and spoilers of industrialisation, and looks at wider governance issues.

Friedrich-Ebert-Stiftung Uganda hopes that the study will contribute to bringing the debate about the failure of economic transformation increasingly into the public domain and trigger an in-depth review of the development approaches taken so far, not just with regards to the technical details, but also with regards to the political economy framework by scrutinising the interests and claims, which may promote or frustrate Uganda's efforts at industrialisation.

Industrial policies have been successful where governments had the political will and the capacity to implement them. They have failed where governments are "captured by vested interests, leading to industrial policy only supporting the rent-seeking political elite while distorting the efficient allocation of resources by market forces at the same time."² "Some argue that the lower the government accountability and capabilities, the higher the risk of political capture of industrial policies, which may be economically more harmful than existing market failures."³ But as market failures seem inherent in any capitalist economy, all efforts need to be directed to not only formulating a good industrial policy but also towards ensuring its competent and professional implementation.

Mareike Le Pelley

Resident Representative

Friedrich-Ebert-Stiftung Uganda

2 Pack, Howard; Saggi, Kamal (2006). "The case for industrial policy: a critical survey". (PDF). World Bank <http://openknowledge.worldbank.org/bitstream/handle/10986/8782/wps3839.pdf>. Accessed on 23 November, 2017.

3 Kaufmann, Friedrich; Krause, Matthias (2009). "Industrial Policy in Mozambique" (PDF). German Development Institute. www.die-gdi.de/uploads/media/DP_10.2011.pdf Accessed on 23 November, 2017.

Summary

Industrialisation is critical in the transformation into a modern industrial economy. This report examines the main features of Uganda's industrial policy and its implementation. It analyses existing policy, the important elements, progress to date, the challenges to manufacturing and industrial policy implementation and concludes with recommendations. Using a semi-structured guideline, in-depth interviews were conducted at the relevant government Ministries, Departments and Agencies (MDAs) in addition to an extensive review of available documentation.

Uganda's overall development strategy is spelt out in the National Development Plans (NDPI and NDPII) aimed at achieving the Uganda Vision 2040. Implementation however, remains uncoordinated and non-coherent, mainly because Uganda has a weak National Industrial Policy (NIP). In terms of performance, only about 30% has been executed mostly in policy formulation for the sugar, textiles, iron ore and cereals sub-sectors.

Findings reveal that the five leading constraints undermining domestic manufacturing are limited access to affordable credit, infrastructure bottlenecks particularly relatively expensive electricity and bad roads. Other obstacles are a skills-gap in certain key areas of manufacturing, competition from low-cost producer countries and production of sub-standard products. In terms of policy implementation, the five main hurdles are corruption, poor management, non-coherence in policy implementation, inadequate government financial support and political interference. It is recommended that the government urgently reviews both the content and realization of its industrial policy.

Focus should be placed on clustering, infrastructure development, harnessing technology, encouraging innovation, raising productivity as well as providing incentives for manufacturing. In addition to more skills development schemes and easier access to cheaper credit, these are some of the factors that could transform Uganda into a middle income economy.

Table of Contents

1.0	Introduction.....	1
1.1	Structure of the Report	2
1.2	Methodology	2
2.0	Uganda’s Current Overall Development Strategy	3
3.0	Industrial Policy in Uganda	4
3.1	Uganda’s Industrial Strategy	5
3.2	Uganda’s Current Industrial Policy	6
3.3	Structure of Uganda’s Industrial Sector.....	7
3.3.1	The Place of Manufacturing in the Ugandan Economy.....	8
3.3.2	Uganda’s Industrial Policy Framework	15
4.0	Actors in Implementing Industrial Policy.....	18
5.0	Shortfalls and Successes of the Economic and Industrial Policies in Uganda.....	19
5.1	Successes	19
5.2	Shortfalls.....	20
6.0	Drivers and Spoilers of Industrialization Agenda in Uganda	21
7.0	Governance in Uganda’s Economic and Industrial Policy.....	23
8.0	Strategies for Industrial Policy Implementation in Uganda.....	25
8.1	Recommendations.....	25
9.0	Conclusion.....	28
	References	29
	Annexes	31
	Annex 1: Documents Reviewed	31
	Annex 2: Organisations Sampled and Number of Respondents.....	32
	Annex 3: Actors in NIP Implementation	32
	Annex 4: Incoherency between the industrial policy and its strategic plan	33
	Annex 5: Contribution to manufacturing Index by various key sub-sectors (2015)....	33

List of Acronyms

BoU	Bank of Uganda
EPRC	Economic Policy Research Centre
ERP	Economic Recovery Programme
FES	Friedrich-Ebert-Stiftung
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
GoU	Government of Uganda
IMF	International Monetary Fund
ISI	Import Substitution Industrialisation
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance Planning and Economic Development
MTIC	Ministry of Trade, Industry and Cooperatives
NGOs	Non-Governmental Organisations
NIP	National Industrial Policy
NISSP	National Industrial Sector Strategic Plan
NRM	National Resistance Movement
NDP	National Development Plan
PEAP	Poverty Eradication Action Plan
PSFU	Private Sector Foundation Uganda
SKIDEP	Skills Development Programme
SMEs	Small and Medium Enterprises
SWGs	Sector Working Groups SWGs
UBOS	Uganda Bureau of Statistics
UDC	Uganda Development Corporation
UGX	Uganda Shillings
UIA	Uganda Investment Authority
UIRI	Uganda Industrial Research Institute
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNIDO	United Nations Industrial Development Organisation
URA	Uganda Revenue Authority
UNPHS	Uganda National Population and Housing Census
WB	World Bank

1.0 Introduction

Uganda has registered impressive economic growth and GDP expansion in the past 25 years⁴, but efforts to transform the economy have been largely unsuccessful. Growth has mostly come about from an improved macroeconomic environment, increased private sector investment, considerable foreign donor support, higher exports of primary commodities and relative political stability. On the other hand, Uganda's economic structure has not changed much in more than half a century of independence. Statements of 55 years ago may easily be mistaken to have been extracted from recent text: "Uganda remains an agricultural country: ...over 90 percent of all exports are produced from the land. Agriculture is still in large part subsistence farming (mostly done by women with hoes) with a growing, but as yet smaller, proportion of total output produced for the market: three-fifths of the area under cultivation is used to produce food for the consumption of the cultivator and her family." (World Bank, 1962) Agriculture remains the largest employer. It currently absorbs 76 percent of the Ugandan labour force, 69 percent of whom are still in subsistence farming⁵. The sector contributes 80 percent of the total exports, with coffee alone contributing 20 percent of the total exports and a third of foreign exchange earnings, followed by maize, tobacco, tea, cotton and others (see Figure 5). In spite of the GDP expansion, Uganda has failed to raise household incomes of its citizens. In 1970, Uganda, Malaysia and South Korea (and other East Asian countries that have since industrialised), had nearly the same level of per capita income, in the range of US\$130 and US\$ 400⁶. Today, those same Asian countries have per capita incomes several thousand times greater than Uganda's. The question then becomes: how fast can Uganda facilitate structural transformation of the economy to create more decent jobs for the thousands of its young people joining the labour market every year? Recent research⁷ found that Uganda's employment growth (2.96 percent) is lower than labour-force growth (3.1 percent). Creation of productive employment needs to increase at a faster rate to cater for new entrants in the formal labour market and take advantage of a possible demographic dividend. Against this background of stagnating incomes and high youth unemployment combined with the vulnerability of Uganda's economy to fluctuations in the international commodity markets, the need to industrialise has become more pressing. Historical facts reveal that all developed countries broke out of underdevelopment through industrialisation and virtually all of today's industrialised nations actively support and protect their industries through specific policies and institutions.⁸ Why then has there been no action to undertake serious industrialisation in Uganda? This study sets out to look into the attempts, current and previous, to implement industrial policies, especially with regard to promoting manufacturing. The objective is to understand why such attempts have not yielded the desired results.

4 Uganda's GDP (at current US dollars) has increased from USD 4.3 billion in 1990 to USD 26 billion in 2015 (see World Development Indicators): Accessed on December 12, 2016.

5 Uganda National Population and Housing Census 2014, carried out by UBOS.

6 See World Bank's World Development Indicators. Accessible at: <http://data.worldbank.org/data-catalog/world-development-indicators>.

7 Bruce B., Rodríguez L., Rosengren R., Muhwezi M., Turyareeba D., Abaliwano J., Wabukala B., & Ggoobi R. (2015), "WORK IN PROGRESS: Productive Employment and Transformation in Uganda," Development in Progress; Overseas Development Institute. London.

8 See Chang, 2002 & 2009 and Marti & Ssenkubuge, 2009.

1.1 Structure of the Report

As stated earlier, this report examines the main features of Uganda's industrial policy and tackles the issue of implementation. It is organised as follows: in the next section we provide the methodology that was used to gather material. This is followed, in Section 2, with a detailed analysis of the current overall development strategy, profiling the economic policies currently being pursued and establishing whether industrial policy plays a key role in the prevailing development strategy. Section 3 looks at the industrial policy in Uganda, scanning through the past attempts at implementation, especially with regard to promoting manufacturing and achievements so far attained. Section 4 maps the key actors in implementing industrial policy in Uganda. Section 5 presents the shortfalls and successes of the economic and industrial policies in Uganda, while Section 6 identifies the main drivers and spoilers of the industrialisation agenda. Section 7 addresses the governance/political economy dynamics of the country's industrial policies, and finally implementation strategies are suggested and analysed in Section 8.

1.2 Methodology

This study relied on an extensive document review and primary data collection. Key inputs to this study have been as follows:

- Review of GoU documentation on the successive economic/industrial policies, the policy areas they cover, the processes by which they have been managed and the related machinery of government for policy development and implementation.
- Analyses, reviews and evaluations undertaken by the GoU, development partners, and independent experts, as well as other linked studies, including the political economy of the wider institutions in which they have been embedded.
- Structured interviews with over 20 resource persons and groups representing internal and external key informants and observers. A complete list of organisations met by the team is found in Annex 2. Notes of meetings were shared, processed and discussed by the study team and provided a common body of material to work draw from.

The consulting team begun by gathering together the documents relevant for the study. These included: the Constitution of Republic of Uganda 1995 (amended 2005); the Uganda Vision 2040; the National Development Plans (I and II); the National Industrial Policy 2008; the National Trade Policy 2007; and National Budgets for the years 2006/07–2016/17.

Annex 1 contains the full list of key policy documents reviewed and analysed. Others included: the Strategic Plans for the Ministry of Finance Planning and Economic Development (MFPED); policy documents; cabinet papers, World Bank Country Mission Reports; and relevant research papers. The team visited the MFPED Library; the Bank of Uganda Library, and the Economic Policy Research Centre (EPRC) Library.

A semi-structured interview guide was developed and used to capture the views of key informants. In depth interviews were also performed in each organisation and/or ministry in the sample pool. Among them were policymakers, policy implementers, staff at different levels in the different MDAs involved in the implementation of the industrial policy. In addition, other organisational information pertinent to the subject were also reviewed and analysed from the relevant MDAs.

This research is descriptive and analytical. No attempts have been made to sort out doctrinal disputes. The point of departure is to also not judge whether intervention of the state has been correct or otherwise. However, evidence of successes or failures of industrial policy in the past will be provided and analysed.

2.0 Uganda's Current Overall Development Strategy

Now in its second edition, the National Development Plan (NDP) is a series of six five-year Plans, culminating in the Uganda Vision 2040. The strategy is based on a private sector-led model, with the government focusing on providing a 'facilitating environment'. The main theme in NDP II is a shift from consumption expenditure to capital investment, requiring concerted government spending on public infrastructure, especially roads, energy and sanitation. However, many of the key players in Uganda's current development circles interviewed for this study—including senior political leaders, senior technical managers in key government MDAs, leaders of civil society, and the private sector—hold the view that the prevailing overall development strategy is uncoordinated, poorly communicated, poorly understood, and has thus (so far) not been successfully implemented. Some of the leaders interviewed believe the plans (NDP I and II) are theoretical in nature, with huge implementation gaps and disjointed priorities between the government, the private sector, and development partners. "Currently we are pursuing the '23 Strategic Guidelines and Directives' that the President issued recently," one senior government official said.

Until 2008, when the process for the development of the NDP started, the Poverty Eradication Action Plan (PEAP) was Uganda's main policy-planning pillar. It was the outcome of several discussions between the government and its development partners together with other donors and civil society.⁹ Before the recent conversion to NDPs, the government from early 1990s, had adopted far reaching economic reforms with the view that privatisation and open markets would serve the best interests of the country.¹⁰ Uganda became globally known and widely recognized, (at least in research and public discourse), as a poster-child for neo-liberalism.

Uganda was one of first countries that embraced the basket of market economy reforms dubbed the Washington Consensus¹¹. Beginning in the late 1980s, and more aggressively during the 1990s, Uganda liberalized the finance industry along with international trade, privatised its formally state-owned enterprises (SOEs) and deregulated nearly all sectors of the economy in pursuit of a 'private sector-led economy'.

9 OPM, 2008.

10 Bategeka, 2012.

11 A set of ten economic policy prescriptions that in 1990 the Washington, D.C. based institutions (the World Bank and IMF) considered, on the recommendation by economist John Williamson, as "standard" reform package for developing countries.

The National Resistance Movement (NRM), which has been the ruling government ever since early 1986, inherited a country in ruins. In 1987, it launched an Economic Recovery Programme (ERP), recommended and financially supported by both the World Bank and the IMF.¹² It was intended as a stabilisation phase to quickly allow the government attain macroeconomic stability, rein in runaway inflation and halt further economic decline. A raft of reforms was set into motion during and after the 1987 ERP, beginning with currency reform towards the end of that year to tackle inflation. A new tax body, the Uganda Revenue Authority (URA) was set up during 1991 to improve domestic revenue mobilization. The Uganda Investment Authority (UIA) was created in 1991 to mobilise foreign direct investment (FDI) and facilitate private sector development. Export taxes were abolished at the beginning of the 1992/93 financial year to promote Uganda's exports. Liberalisation of the foreign exchange market and floating of the exchange rates followed in 1993 while under Article 162 (2) of the 1995 Uganda Constitution, Bank of Uganda was given semi-independence to among other things manage monetary policy. Government also liberalised the capital account of the Balance of Payment in 1997, allowing free flow of capital in and out of the country.¹³ Owing to these reforms, Uganda took on the aura of an international star-performer. Unfortunately in hindsight, this 'stardom' was misleading partly because Uganda was rising from a very low and fragile economic base. Income per capita has remained low while the 'impressive' growth remained jobless and non-inclusive with nearly half of the GDP enjoyed by the richest 20 percent while the poorest 20 percent share only 6 percent of the GDP.¹⁴ The economy also remained uncompetitive.¹⁵

3.0 Industrial Policy in Uganda

Industrial policy is widely (mis)understood to mean industrialisation policy. Many key people interviewed, admitted that they did not know exactly what industrial policy meant. Most thought the two terms could be used interchangeably. To be clear, 'Industrial policy is not about industry per se. Policies targeted at non-traditional agriculture or services qualify as much as incentives for manufacturing. Public subsidies for high-yielding varieties of traditional agricultural products, for recently traded crops such as pineapple or avocados, for call centres, or tourism are some examples. Industrial policy is necessitated by the presence of market failures.'¹⁶ In this report, 'industrial policy' has been used in the context implied by Rodrik (2009): policies that stimulate specific economic activities and promote structural change.¹⁷ It is conventionally agreed that development is fundamentally about structural change¹⁸, and structural change is essentially about industrialisation. Countries such as South Korea and China and nearly all other newly industrialised countries have developed not by suddenly

12 Kuteesa et al, 2010.

13 Kuteesa et al, 2010.

14 World Bank (2016), World Development Indicators // Uganda

15 See The World Economic Forum's Global Competitiveness Index 2016–2017 Rankings, where Uganda is ranked 113th out of the 138 countries, with a score of 3.69 out of 7.

16 Ibid.

17 Rodrik mentions structural change and the importance of getting the process right (for example, involving the private sector and getting a correct mix of private-government collaboration) rather than focusing on a specific outcome/ a specific industry, yet he also talks about the manufacturing imperative (which would suggest a focus on manufacturing due to the employment benefits and other developmental/ distributional benefits resulting from developing a middle class).

18 Structural change involves producing new goods with new technologies and transferring resources from traditional activities to these new ones.

perfecting their institutions, but by coming up with policies that overcame the market obstacles that their investors faced in operating industries producing tradable goods.¹⁹

Historically, Uganda's economy has predominantly been dependent on agriculture. Back in the 1920s, cotton and coffee accounted for 90 percent of Uganda's total exports, of which cotton alone formed 84 percent of total exports.²⁰ In 1965, the two crops accounted for about 75 percent of total exports.²¹ Today, agriculture accounts for 80 percent of Uganda's exports and coffee (currently contributing 20 percent of export receipts) is being promoted as a strategic commodity for achieving middle income status by 2020.²²

3.1 Uganda's Industrial Strategy

During the latter years of colonial rule and the first decade after independence, industrialisation was seen as a crucial for Uganda's future prosperity. It was expected to facilitate the transformation to a modern industrial economy and consequently, a policy of import-substitution was aggressively pursued.²³ Several measures were introduced to nurture infant industries. Foremost was an over-valued exchange rate that discriminated against imported finished goods, but allowed exceptions for imports of intermediate inputs. Interest rates were influenced by government intervention to help spur domestic investments. Heavy import duties were imposed on goods which directly competed with locally made products. There were also provisions for special loans and equity capital; and quotas allowing access to foreign exchange for imported inputs and remittances at subsidized official rates. Between the early 1960s and the end of the 1970s, industry was promoted and largely financed by the government through an autonomous public parastatal body, the Uganda Development Corporation (UDC).²⁴ Some researchers found that when Uganda and other developing countries were pursuing these industrial policies ('picking stocks'²⁵), they were actually doing quite well but when they stopped, things began to go wrong.²⁶ For example, at independence in 1962, Uganda imported processed goods worth £133,000 (or UGX 585 million at today's exchange rate), and exported processed goods worth £29.6 million (UGX 130 billion), turning a surplus of £29.4 million on its trade balance.²⁷ Actually in 1954, the surplus on Uganda's balance of trade (BOT) had been £53.4 million (UGX 235 billion).²⁸ Since 1980s to date, however, when Uganda stopped picking stocks, the country has experienced a BOT deficit year-in-year-out. The deficit has grown from US\$ 83 million (UGX 298 billion) in 1980 to US\$ 2.3 billion in 2015.²⁹

19 Rodrik, 2009.

20 Stoutjesdijk, 1967

21 Ibid.

22 UCDA (2016), Concept Paper on Accelerating Coffee Production (Coffee 2020 Strategy).

23 Marti and Ssenkubuge, 2009.

24 Obwana et al, 2013.

25 An analogy by economist Larry Summers who thinks that industrial policy is like picking stocks – just because there are some investors who are really good at spotting opportunities and making money by beating the market, it does not mean that all of us should try to do the same. The vast majority of investors are better off holding a diversified portfolio and not playing the game.

26 Rodrik, 2009.

27 Stoutjesdijk, 1967.

28 Ibid.

29 Data extracted from IMF Data Warehouse 8/01/2017 8:39:48 AM.

Uganda's overall development strategy was designed to lessen dependency on a few export crops, but policy-makers identified three other productive avenues, namely (1) agricultural development, (2) industrialisation, and (3) expansion and improvement of education and health services.³⁰ However, like many other policies, plans, and strategies written by Uganda government (except the Worthington Plan of 1947³¹), most of these strategies were never effectively implemented. Historically, four types of industrial activity have usually been considered to be feasible for Uganda: (i) processing industries based on local agricultural products, such as cotton, coffee, and tea; (ii) industries which manufacture articles which are costly to transport relative to their intrinsic value, such as beer; (iii) assembly industries, such as suitcases, and (iv) industries producing perishables, such as bread.³² Given the relatively poor performance of the manufacturing and generally the industrial sector, particularly during the period 1970s to date, it would not be far-fetched to assert that these strategies failed to generate sufficient employment and adequately integrate the agricultural sector into the industrial sector.

Suffice to note that during this period, industrialisation policy in Uganda failed not because government was picking stocks, rather because of state failure between early 1970s and mid-1980s, and market failure during the late 1980s to date. The small size of the home market has also been cited as a dominant limiting factor to industrial expansion in Uganda³³. However, some economists argue that, even in absence of comparative advantage, it might be necessary to set up industries which will never be competitive, but which are needed to keep per capita incomes and employment rising.³⁴ They argue that the law of comparative advantage is static and does not take into account demographic factors. If the rate of growth of population is high, the above exception might be necessary. "Instruments such as tariffs, exchange controls, and import licensing are therefore part of the permanent toolbox of any government in a developing country, undergoing a population explosion, especially if its export earnings are not buoyant."³⁵

3.2 Uganda's Current Industrial Policy

Uganda's current industrial strategy operates within a liberalised policy framework. Although a National Industrial Policy (NIP) was drafted in 2008, and later operationalised by a National Industrial Sector Strategic Plan, it has been haphazardly implemented. The policy vision of the NIP is agro-processing: food processing, sugar, dairy products leather and leather products, textiles and garments, and value addition in niche exports.³⁶ However, the NIP acknowledges a need for formulation of supporting policies, if it is to be effectively implemented. These include: industry financing, labour

30 Stoutjesdijk, 1967.

31 Obwana et al, 2013.

32 Ibid.

33 World Bank, 1962.

34 Stoutjesdijk, 1967.

35 Chenery, 1960.

36 Ainebyona, 2014.

management³⁷, small and medium enterprises mobilisation³⁸, subsector policies³⁹ and standards regulation policies⁴⁰ among others.⁴¹ Although about 30 percent of the NIP is reported to have been achieved⁴², none of the set targets has been met. The targets are 25 percent contribution of manufacturing to total GDP (current performance is 7 percent); 30 percent contribution of manufacturing to total exports (current is about 4.2 percent); 30 percent value added in industry (current is 20 percent); and 4.0 score in competitiveness index (current is 3.44).⁴³ Similar studies have found that the NIP has had no tangible impact.⁴⁴ There is also no evidence that implementing agencies were ready and equipped to kick-start implementation.

This can be seen in the challenges (Section 5) which clearly indicate that the implementation of the NIP has barely got off the ground, eight years since the policy was launched. The 30 percent of the NIP implemented is in the area of policy formulation for sugar, textiles, iron ore and cereals, building of four Industrial Parks⁴⁵ (out of the targeted 22) to enhance production, and strengthening of institutions such as Uganda Industrial Research Institute (UIRI), Uganda Development Corporation (UDC), Uganda National Bureau of Standards (UNBS) and Skills Development Programme (SKIDEP) among others. The implementation of the NIP is guided by the National Industrial Sector Strategic Plan (NISSP). The Ministry of Trade, Industry and Cooperatives (MTIC) leads the implementation in collaboration with the Uganda National Bureau of Standards; the Uganda Industrial Research Institute; the Management Training and Advisory Centre; and the Uganda Cleaner Production Centre. The Ministry is also expected to regularly interact with the private sector, the academia and relevant industrial organisations, and NGOs for the policy to be effected.

3.3 Structure of Uganda's Industrial Sector

Most of the data on which this section is based, is derived from the Statistical Abstract 2015, compiled by the Uganda Bureau of Statistics (UBOS). We have referred to it as UBOS, 2015. However, if any other source is used, this is specified.

37 Government putting in place the rules and policies to govern and organise employment; how these affect the needs and interests of employees and employers in the industrial sector (Interview response).

38 Government taking action to prepare and organise SMEs to raise their vitality and performance by providing services which aim to facilitate their development and help them enhance competitiveness. Such services may include: free business information, provision of useful information on brand development and market exploration, low cost financing, and building of well-resourced work stations (Interview response).

39 'Strategic' efforts by the state to encourage the development and growth of a particular subsector such as the manufacturing sub-sector (Interview response).

40 Government putting in place policies that further the use of standards to support regulations in order to promote transparency, compliance, conformity, and consumer protection (interview response).

41 Republic of Uganda, 2008.

42 Interview response by Assistant Commissioner, Industry and Technology Department; Ministry of Trade, Industry and Cooperatives.

43 Republic of Uganda, 2008.

44 Byaruhanga et al, 2016.

45 These are: the Kampala Industrial and Business Park (KIBP) – popularly known as Namanve Industrial Park, Luzira Industrial Park, Bweyogerere Industrial Estate, and the Soroti Industrial and Business Park in Eastern Uganda. Interviews of officials at the Uganda Investment Authority found that at KIBP, 18 industries were operating in the park with direct employment 9,200 Ugandans while eighty two other projects were still under construction and they were expected to create an additional 17,000 technical jobs when they start operating. However, several investors in the KIBP, the largest park in the country (seated on 2,200 acres of land), decried the slow development of the park set up 12 years to 2016. Out of the 291 licensed investors, only 28 investors were operating (see Daily Monitor Tuesday October 25, 2016). Investors (domestic and foreign) in industrial parks are eligible to tax duty incentives, provided they meet the requirements under the respective incentive packages (Response from UIA).

The industrial sector in Uganda is made up of five sub-sectors. Manufacturing (both formal and informal), the main focus of this study, is one of the sub-sectors. Other sub-sectors are construction, mining and quarrying, electricity generation, and water services. During the recent past, construction has dominated the industrial output, contributing between 10 and 16 percent to GDP since 2000, followed by manufacturing, averaging 7 percent of the country's GDP over the past decade.⁴⁶ However, since 2008/09, manufacturing has taken over from construction as the leading contributor to industrial output (Table 2).

3.3.1 The Place of Manufacturing in the Ugandan Economy

i) Size

The manufacturing sector in Uganda is very small, dominated by SMEs, which account for over 90 percent of the enterprises and generating over 80 percent of the manufactured output and approximately 7 percent of GDP.⁴⁷ Uganda's manufactured exports as a percentage of total exports stood at 4.2 percent in 2013 against a 30 year vision target of 50 percent.⁴⁸

The sector is largely engaged in the production of low-value added goods, comprising basic consumer goods: processed foods; tobacco and beverages; non-metallic minerals and metallic fabrication; wood and wood products; chemicals and chemical products; leather and footwear; textiles and apparel; sawmilling, printing, and publishing. Heavy investments by foreign companies are more pronounced in textiles, steel mills, tanneries, bottling and brewing, and cement production.⁴⁹ Manufacturing output data by each of these sub-sectors could not be obtained from either national or international databases.

The only available data is the index of industrial production, which provides growth trends and variations across sub-sectors. In the data, 100 is the base in the year 2000, whereby figures above it indicate growth while those below it indicate a reduction in output. This particular set of statistics may not be so helpful in analysing the size of the manufacturing sector beyond academic use. Nevertheless, suffice to say that growth by the year 2009 was highest in paper manufacturing, publishing, and printing, with 150 percent growth, followed by the manufacturing of chemicals and chemical products with 145 percent growth.

The sub-sectors that performed relatively poorly were food processing (80 percent) and textile, cloth, leather, and footwear which recorded a growth of only 46 percent (see Table 1). In its 2014 Statistical Abstract, UBOS indicated that the textiles, clothing, and footwear, as well as chemicals, print, soap and foam products, together with drinks and tobacco all registered negative growth in 2013. Latest data shows that only food processing (400 percent) and drinks and tobacco (200 percent) registered impressive growth in 2014, going forward (see Annex 5).

46 See AfDB, 2014.

47 Ibid.

48 The Uganda Vision 2040, National Planning Authority, 2013.

49 AfDB, 2014.

Table 1: Index of Industrial Production in Uganda, 2000-2009 (2000 = 100)

Manufacturing subsector (%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Growth
Food and beverages	100	99	108	117	126	129	133	155	166	181	81
Textiles, cloth, leather, and footwear	100	83	130	141	164	107	138	129	140	146	46
Paper, publishing, and printing	100	122	141	155	152	147	156	176	195	250	150
Chemicals and chemical products	100	136	130	139	157	169	170	180	174	245	145
Basic metals	100	107	183	159	200	214	227	242	227	213	113
Furniture manufacturing	100	193	194	137	221	273	181	241	274	222	122
Overall manufacturing	100	119	122	127	141	146	150	166	172	202	102

Source: Adopted from AfDB (2014)

ii) Value Added⁵⁰

The contribution of the manufacturing sector to GDP in Uganda has historically been and remained small. For example, a 1964 Survey recorded a total value added of the manufacturing sector⁵¹ of £17.1 million (UGX 77 billion in today's value), compared to the total agricultural product in the same year of £98.2 million or UGX 442 billion in today's value⁵². Figure 1 plots the value added for manufacturing as a percentage of Uganda's GDP since independence in 1962.

It is compared with the overall performance of the industry sector during the period under review. Overall, the value added (as a percentage of GDP) by the manufacturing sector has remained low; never crossed the 10 percent line in the past half a century. This is a somewhat disappointing performance compared with the manufacturing value added by some of the world's leading manufacturers. For example, in the past two decades (1995 – 2015), Belarus (31.8 percent), Thailand (30 percent), South Korea (29.5%), and Malaysia (28 percent) registered impressive average manufacturing value added as a percentage of their GDP.⁵³

During the same period, Uganda's average manufacturing value added was 8.8 percent. The world's average stood at 19 percent in the period under review while the Sub-Saharan Africa average (the worst performing region) was 11.6 percent.

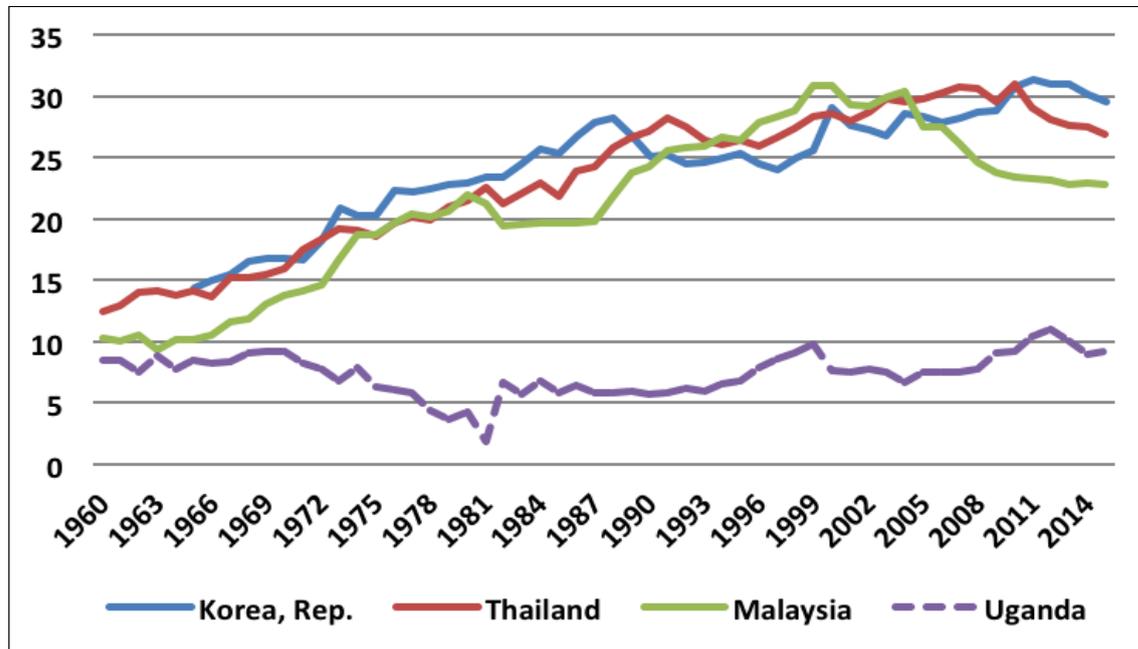
50 The difference between the value of gross output and the value of intermediate inputs, comprising of compensation of employees, depreciation of physical capital, licenses, rent, interest, and operating surplus (usually) net profit or loss and other small items (see UBOS, 2015).

51 The net output of the manufacturing sector after adding up all manufactured outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources (World Bank).

52 Stoutjesdijk, 1967.

53 World Bank national accounts data. Accessible at: <http://data.worldbank.org/indicator/NV.IND.MANF.ZS>.

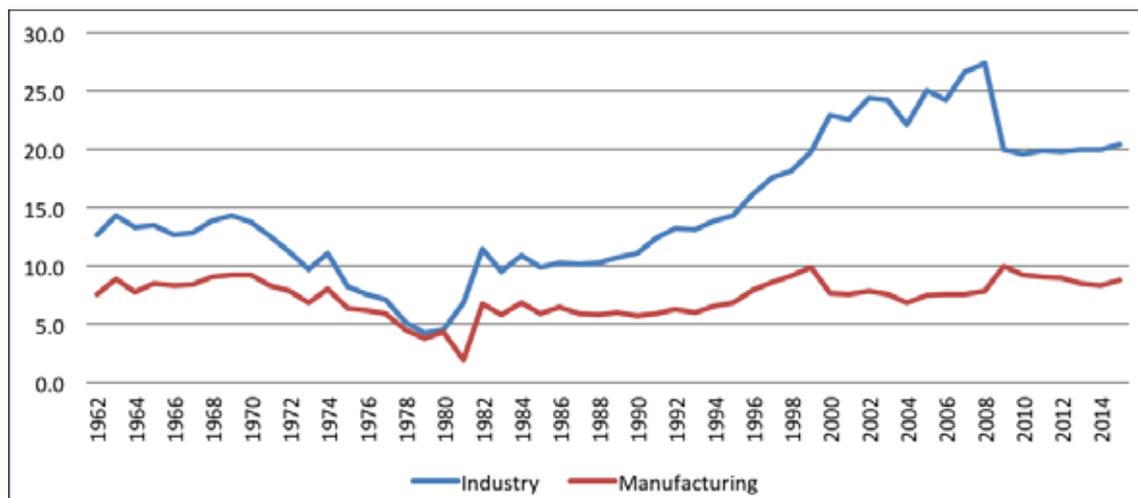
Figure 1: Manufacturing value added (% of GDP) in selected countries (1960 – 2015)



Source: World Bank (2016)

Recent performance shows that although the value added by the manufacturing sector has grown to contribute UGX 4.28 trillion in 2015/16 (see Table 1), agriculture value added⁵⁴ is still much higher at UGX 12.37 trillion. Yet manufacturing accounts for nearly 42 percent of the total value added by the entire industry sector to GDP.

Figure 2: Industry and manufacturing value added as percentage of GDP (1962 -2015)



Source: World Bank (2016)

⁵⁴ Value added in agriculture measures the output of the agricultural sector less the value of intermediate inputs such as fertilizer and pesticides, seeds, plastic sheeting, fuel and other materials – many of which are produced, and thus accounted for by the manufacturing sector (World Bank).

This shows the dominance of agriculture in Uganda's economy. It is also reflected in the composition of the manufacturing sector, in which the processing of agricultural products has increased from 30 percent of total value added in the 1960s⁵⁵ to over 43 percent today.

A substantial part of other manufacturing activities, such as sugar and tobacco manufacturing, grain milling, textiles and leather products, and most of the manufacture of food products (beverages, bakery and other food products), is directly related to the agricultural sector.

Table 2: Industry Value Added to GDP (Billion Shillings)

Sector	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Industry	6,883	7,424	8,263	8,515	8,698	9,250	9,973	10,272
Mining & quarrying	428	464	600	566	631	666	797	808
Manufacturing	3,331	3,481	3,753	3,854	3,759	3,840	4,264	4,282
Electricity	302	349	383	412	453	461	487	502
Water	726	769	816	866	920	979	1,038	1,101
Construction	2,095	2,360	2,711	2,817	2,936	3,303	3,386	3,578

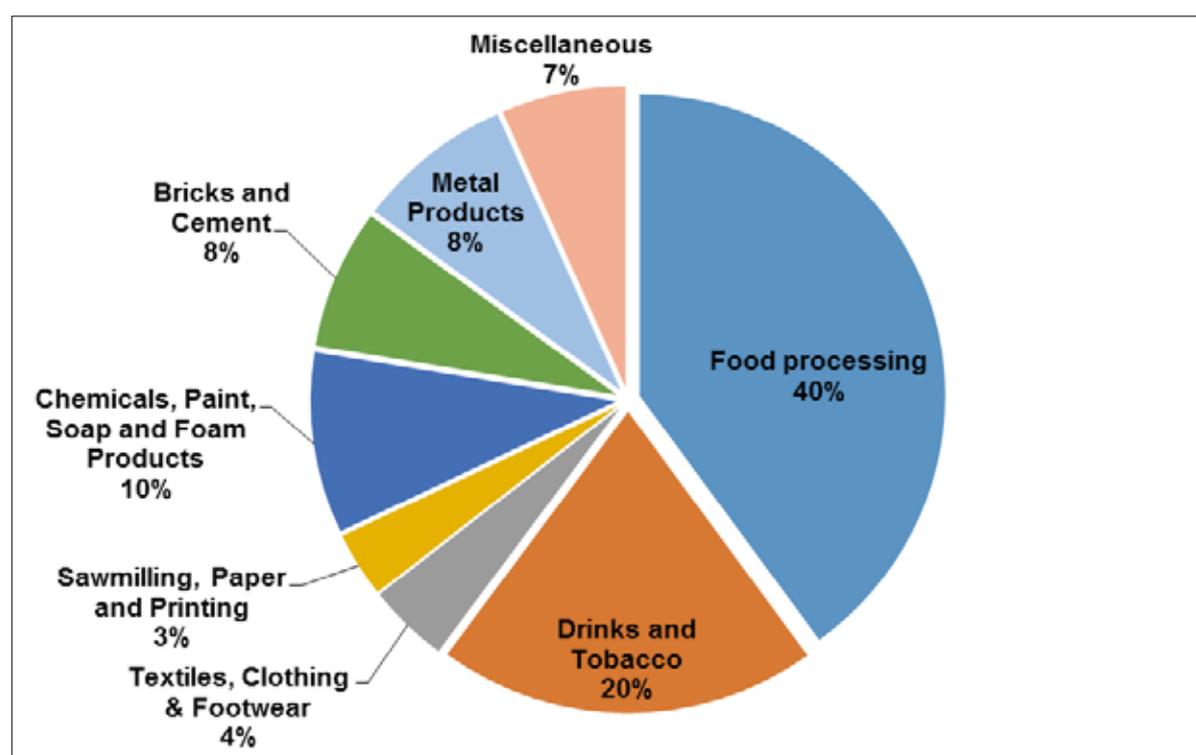
Source: UBOS (2015)

The manufacturing sub-sector in Uganda is divided into eight groups namely: food processing; beverages and tobacco; textiles, clothing and footwear; paper products; chemicals, paint, soap and foam products; bricks and cement; metals and related products; and miscellaneous products.

Figure 3 shows percentage share of each of the major sub-sectors of manufacturing. It clearly portrays Uganda's problem as far as manufacturing is concerned. Food processing as well as drinks and tobacco constitute 60 percent of total value added by the sector.

More interestingly, the food processing entails low-value activities such as grain milling, basic fish processing, coffee hulling, tea processing, edible oils, fruit juice processing and so on.

⁵⁵ See Stoutjesdijk, 1967.

Figure 3: Percentage share of the major sub-sectors of manufacturing (2015)

Source: UBOS (2015)

Another indicator that helps us analyse Uganda's manufacturing sector is its contribution to employment.

iii) Employment

In terms of employment, the manufacturing sector in Uganda employs a total of about 630,000 people, representing about 6 percent of total employment^{56, 57} with a monthly employment⁵⁸ of just over 19,000 people, i.e. the number of jobs created monthly. As far as wages are concerned, the average wage paid out by manufacturing firms grew by 36 percent between 2008 and 2013, in Ugandan currency terms, but shrank by 8 percent in US dollar terms.

The average monthly wage in manufacturing sector was UGX 320,000 in 2009 and increased to UGX 491,000 in 2013. This increase in wages raised the total wage bill for the manufacturing sector from UGX 5.8 billion to UGX 9.3 billion during the period under review.

iv) Export of Manufactured Products

Manufactured exports as a percentage of merchandise exports have increased from 2.4 percent in 1994 to 25.6 percent in 2014 (Figure 4). Uganda's merchandise exports stood at US\$ 2.2 billion in 2015, compared with US\$ 409 million exported in 1994.

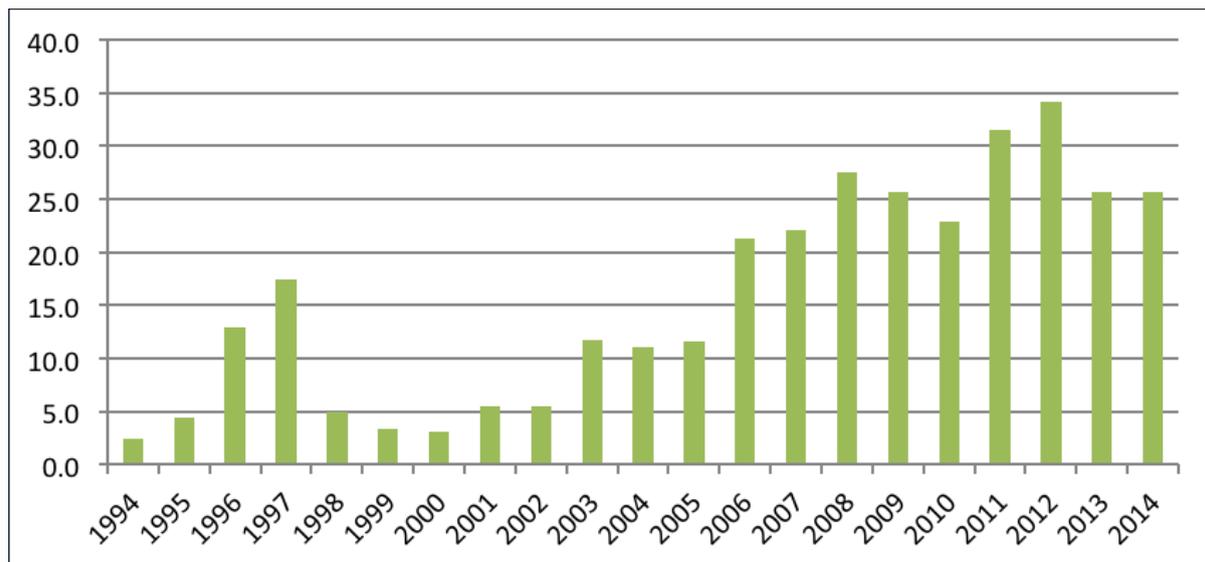
56 This estimate is based on a total active labour force of 11,006,000 and an unemployment rate of 4.2%, which yields a total employment of 10,544,000, of which 6% is in the manufacturing sector.

57 See AfDB, 2014.

58 All persons on the payroll of manufacturing firms who worked during or received pay monthly, on average.

However, as previously stated, Uganda’s manufacturers mainly produce low value added products. The Economic Complexity Index (ECI)—used to analyse the level of sophistication of a country’s exports—indicates that although Uganda’s exports have increased in number and diversity, currently standing at 183 products, the level of sophistication of its exports is still very low. Uganda is known for exporting primary and agricultural commodities with minimal value addition (Figure 5).

Figure 4: Manufactures Exports (as a Percentage of Merchandise Exports ⁵⁹) 1994 – 2014



Source: World Bank (2016)

Much of the manufacturing value-added is involved in the processing of coffee, tea, tobacco, maize, and others (indicated in Figure 5) before export. The rest of the manufactured exports are not reflected in Figure 5. Some of them are categorised in the datasets as ‘others’, including base metals and products which fetched US\$ 120 million in 2015, beer (US\$ 10 million), cement (US\$ 80 million), plastic products (US\$ 34 million), soap (US\$ 27 million), and sugar (US\$ 66 million).⁶⁰

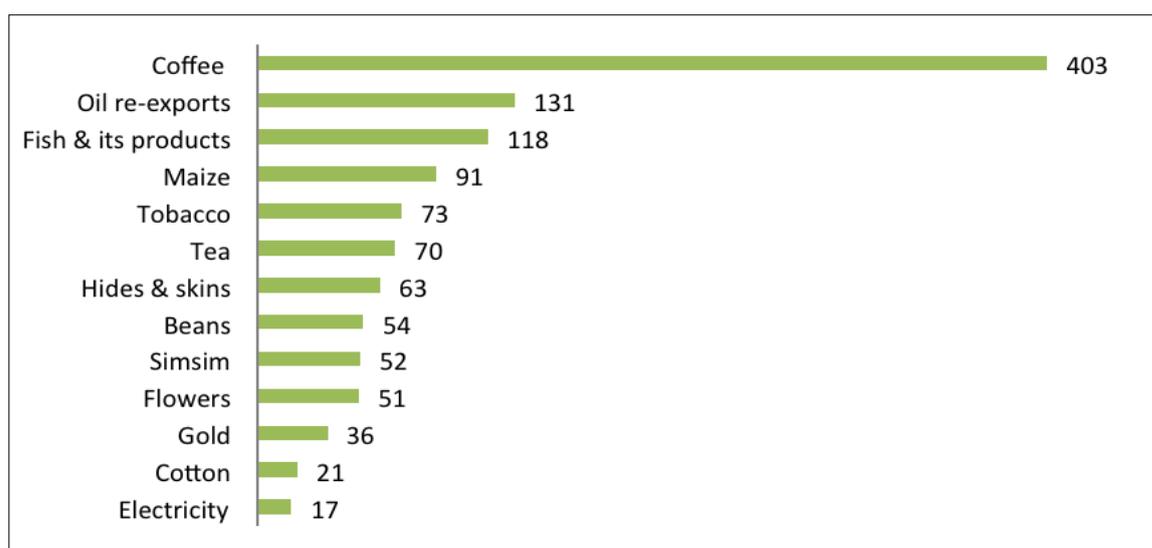
Uganda’s manufactured exports mainly go to the East African Community partner countries and other neighbouring countries.⁶¹ For example, in 2015 Uganda earned a total of US\$ 248 million from the informal cross border trade (ICBT).⁶²

⁵⁹ These are tangible exports, such as coffee, shirts, and all other physical products, excluding services.

⁶⁰ Bank of Uganda (BOU) Statistics. Accessible at: https://www.bou.or.ug/bou/rates_statistics/statistics.html.

⁶¹ Obwana et al, 2013.

⁶² Bank of Uganda (2016).

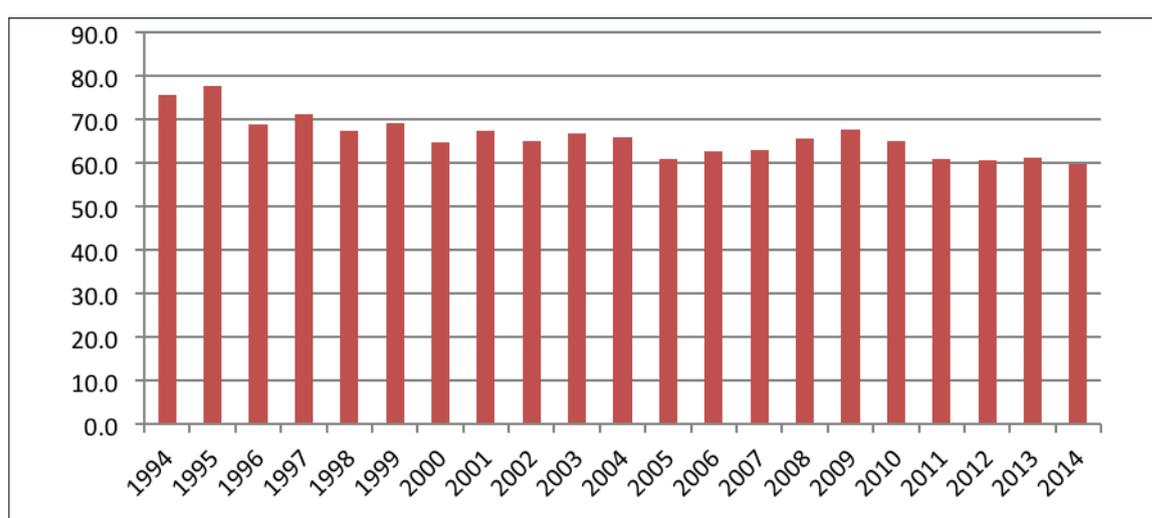
Figure 5: Uganda's Top Exports in 2015 (in Million US Dollars)

Source: Bank of Uganda (2016)

v) Import of Manufactured Products

On the other hand, Uganda has remained a net importer of mostly manufactured products, including very low-skill manufactures such as toothpicks, candle wax, fruit juices, and bathing sponges. The proportion of manufactured imports has not changed much in the past 20 years, averaging over 69 percent of the merchandise imports⁶³ in the past two decades (Figure 6).

Total merchandise imports stood at US\$ 5.8 billion in 2015, compared with the US\$ 875 million in 1994. Merchandise imports have grown by nearly 7 times in the past 20 years, while exports have increased by a factor of five.

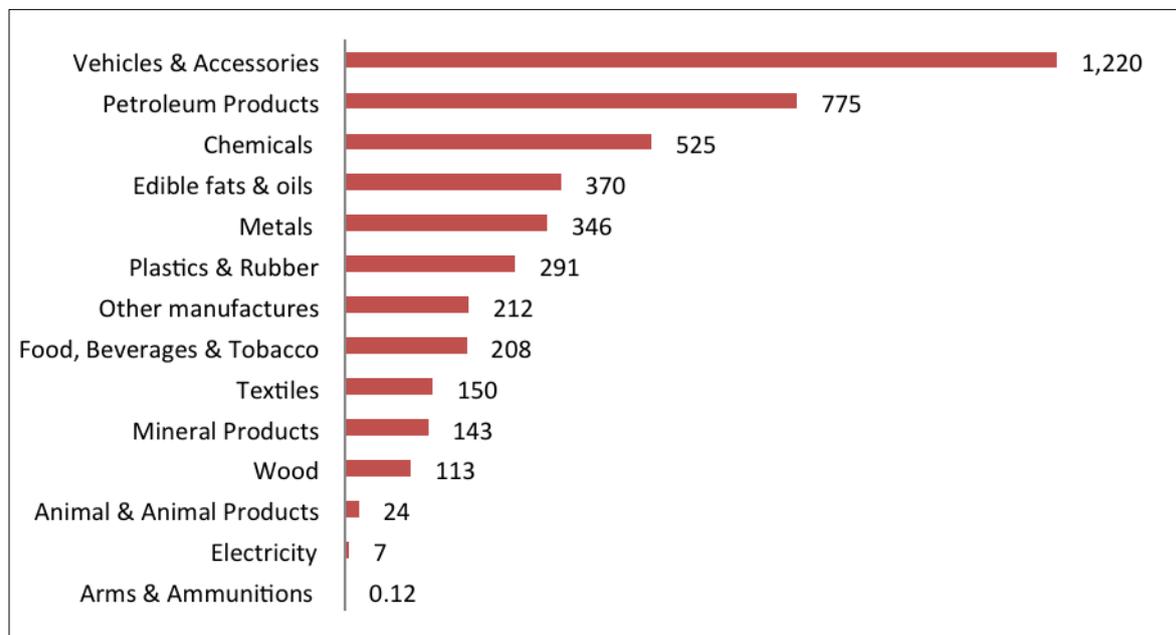
Figure 6: Manufactures Imports (as a % of Merchandise Imports) 1994 – 2014

Source: World Bank (2016)

⁶³ These are imports of tangible products, such as vehicles, shirts, and all other physical products, excluding services. These include goods brought into Uganda directly for home consumption plus goods imported into Customs (bonded) warehouses.

Figure 7 shows that nearly all Uganda’s imports in 2015 were manufactured items, except for chemicals and other raw materials. This clearly shows there is a strong market for manufactured products in Uganda that reflects the need to further develop domestic capacity. The leading import expenses went on high value manufactures such as vehicles and their accessories (US\$ 1.2 billion). Petroleum imports took up US\$775 million to fuel the vehicles. However, products such as edible fats and oils (US\$370 million), metals (US\$346 million), food and beverages (US\$ 208 million), and other manufactured goods like cables, furniture, mattresses as well as assembling bicycles, fall in the category that Uganda could substitute.

Figure 7: Uganda’s Top Imports in 2015 (in Million US Dollars)



Source: Bank of Uganda (2016)

3.3.2 Uganda’s Industrial Policy Framework

As already stated, Uganda’s economy is predominantly agricultural and heavily dependent on the export of a small selection of primary products. The government considers manufacturing vital for diversifying production in, and to add value, to Uganda’s existing resource base. Various plans have been developed to increase competitiveness, mostly aimed at the agricultural sector. Some policies are cross-sectoral and benefit manufacturing indirectly. But due to the weak institutional capacity in Uganda, some authors⁶⁴ suggest the government has focused on a limited number of sector-specific interventions instead of large visionary industrial policy. As Rodrik (2004) advises, the analysis of industrial policy needs to focus not on the policy outcomes—which are inherently unknowable *ex ante*—but on getting the policy process right. Uganda’s industrial and/or economic framework for this analysis consists of the following key policies and strategies:

64 See Marti and Ssenkubuge, 2009.

i) The Constitution of the Republic of Uganda

The Constitution of Uganda (1995, amended 2005) defines the role of government in development. It provides that “The State shall take all necessary steps to involve the people in the formulation and implementation of development plans and programmes which affect them” (National Objectives and Directive Principles of State Policy, Section X). It also provides with regards to the “Role of the State in development” that “(i) The State shall give the highest priority to the enactment of legislation establishing measures that protect and enhance the right of the people to equal opportunities in development; (ii) The State shall stimulate agricultural, industrial, technological and scientific development by adopting appropriate policies and the enactment of enabling legislation” (Section XI).

The Constitution under Section XII (Balanced and equitable development) provides that: “(i) The State shall adopt an integrated and coordinated planning approach; (ii) The State shall take necessary measures to bring about balanced development of the different areas of Uganda and between the rural and urban areas. (iii) The State shall take special measures in favour of the development of the least developed areas.” Under Section XIV (General social and economic objectives), “the State shall endeavour to fulfill the fundamental rights of all Ugandans to social justice and economic development and shall, in particular, ensure that: (a) all developmental efforts are directed at ensuring the maximum social and cultural well-being of the people; and (b) all Ugandans enjoy rights and opportunities and access to education, health services, clean and safe water, work, decent shelter, adequate clothing, food security and pension and retirement benefits.

In the Sixth Schedule to this Constitution, industrial policy is outlined as No. 23 among the functions and services for which Government is responsible. It would, therefore, not be far-fetched to state that the role of the state in formulation and implementation of industrial policy is constitutionally prescribed.

ii) The Uganda Vision 2040

The Vision 2040 is conceptualised around strengthening the fundamentals of the economy to exploit the opportunities available in the country. Industrialisation is one of the opportunities cited in Vision 2040 with the understanding that China will free up 85 million labour-intensive manufacturing jobs by 2020 (p. 55). It is posited that Uganda will build “a stronger and more competitive industrial base over the Vision period (2010 – 2040)” through; i) developing industries that utilise the local potential, ii) attracting industries that can be relocated from fast emerging economies, iii) off-shoring industries⁶⁵, iv) establishing economic lifeline industries⁶⁶, and v) investing

⁶⁵ The Government in partnership with private sector will use the country's network of overseas embassies to promote and rebrand the country as a top destination for offshore industries, i.e. to attract industries currently based in foreign countries around the world that may legitimately want to move offshore (to Uganda) for the purpose of tax avoidance or to enjoy relaxed regulations.

⁶⁶ Include facilities such as those that provide electric power, oil and natural gas, water and wastewater, and communications.

strategic industries⁶⁷. The geese approach⁶⁸ to industrialisation will be followed where appropriate. Apart from agro-based industries, the other immediate targets are iron and steel together with development of the oil and gas industry. Future plans also include setting up of a Hi-Tech city as a hub for digital industries, developing and upgrading electronic and micro-electronics, machine tools, higher technology industries (transport and automobile), aerospace industry, nano and bio-technology industries (p.55). The strategy for achieving these targets is setting up sector-specific cluster-based industrial zones, industrial clusters and Special Economic Zones (p.56).

iii) The National Development Plan II (2015/16-2019/20)

The Vision 2040 mission on industrialisation is being implemented through the NDP II. Industrialisation is dedicated a chapter in the NDP II, that is Chapter 10 (p.175). The strategy planned for is Public-Private Partnership (PPP), with the public sector "... responsible for formulation and implementation of policy and regulatory frameworks to facilitate a conducive working environment for investment and doing business within the country." Actual investments are expected to come from private investors. This is in line with the national economic policy for a private-sector led approach.

However, like many other government policies and plans, the NDP has remained largely on paper. Some researchers attribute the delayed or slow implementation of the NDP to government's very strong faith in markets, trusting that they will continue to serve Uganda's economy well.⁶⁹ Consequently, the industry and agriculture sectors remain largely underfunded, but trade finance for imports is more forthcoming. The general view among policy makers and implementers that we interviewed was that there is need for a "greater role of the state in economic transformation that transcends stabilisation and the market oriented paradigm."⁷⁰

iv) The National Industrial Policy

Refer to Section 3.2

v) Trade, Tariff Policy and Commitments

Uganda's policy on trade aims to contribute to poverty reduction through the promotion of employment, economic growth, export diversification (particularly non-traditional exports) and vertical diversification achieved through further processing of, or adding value to primary export products. The policy does not prioritise industrialisation, let alone manufacturing.

67 In Uganda, the term "strategic" is (over)used nearly on everything – roads, airfields, minerals, crops, international reserves, storage facilities, border points, cities, areas, opportunities, partnerships, presidential directives and guidelines, plans, spatial frameworks, human resources and so on. The strategic nature of each of these is rarely explicitly defined.

68 The "geese approach", commonly known as the "flying geese model", is an industrial development model attributed to a Japanese economist, Kaname Akamatsu, who developed it 1930s and '50s. It intends to explain the catching-up process of industrialisation of latecomer economies (such as Uganda) from the following three aspects: intra-industry (product development within a single industry), inter-industry (development of diversified and upgraded industries), and the international aspect (attracting industries from advanced countries).

69 See Bategeka, 2012.

70 Interview response.

Uganda's tariff regime is determined by membership of the EAC and its common external tariff (CET). The CET on imports from third countries contains three bands: 0 on raw materials and capital goods, 10 percent on semi-processed and intermediate products and 25 percent on finished imports⁷¹. The industrial sectors subject to tariff protection are clothing (25.2 percent sectoral average rate) and textiles (19.7 percent). For 59 sensitive products, the CET is above the maximum CET band of 25 percent, reaching 100 percent for some products.⁷² Uganda is also a member of COMESA, a signatory of AGOA, and owing to her membership to the EAC, a party to the EAC-EU Economic Partnership Agreement (EPA).⁷³

A chronology of Uganda's policy responses to the challenges of globalisation is given in literature.⁷⁴ It all started with implementation of the Investment Code of 1991, the privatisation of public enterprises, the reduction of import tariffs, elimination of licensing requirements, lifting of import bans, the elimination of export taxes, and the harmonisation of tariffs within the East African Community and trade liberalisation in general. These were followed by the National Export Development Programme (1996), and then the formulation of Medium Term Competitiveness Strategies (2000 – 2005; 2005 – 2009), aimed at creating an environment for the private sector to develop.

4.0 Actors in Implementing Industrial Policy

Uganda's industrial policy implementing machinery is composed of state and non-state actors playing complimentary roles. The MTIC leads the implementation while collaborating with a host of other ministries that were identified by MTIC to have a direct role in the NIP implementation. A full list of actors is provided in Annex 3. The latest "industrialisation sub-sector monitoring report" clearly shows where the actual power in implementation of the NIP lies.

The few projects recently implemented were executed by the Ministry of Finance, Planning and Economic Development (MOFPED), the MTIC, the Uganda Development Corporation (UDC), the Uganda National Bureau of Standards (UNBS), and the Uganda Industrial Research Institute (UIRI).⁷⁵ Under the MOFPED, focus was on the Presidential Initiatives such as the Banana Industrial Development (PIBID), and the development of Industrial Parks supervised by Uganda Investment Authority.⁷⁶

The UDC projects included; Soroti Fruit Factory, Value Addition Luweero Fruit Factory and Kalangala Infrastructure Services. The MTIC fulfills the core functions of providing policy guidance and supervision to other players, particularly its affiliated institutions and agencies⁷⁷.

71 Marti and Ssenkubuge, 2009.

72 Ibid.

73 However, at the time of completing this study (January 2017), the latest negotiated EPA was contentious within the EAC and had not been signed by Uganda, Tanzania and Burundi.

74 UNIDO, 2007.

75 Republic of Uganda, 2014.

76 Ibid.

77 Republic of Uganda, 2008.

However, among the critical actors that were left out, as provided in the 'Implementation and Monitoring of the National Industrial Policy' section, include: Parliament of Uganda (for legislation of enabling laws and providing checks and balances); Office of the Prime Minister (OPM) that actually houses the M&E commission for government, Ministry of Internal Affairs (which issues work permits and immigration services); Uganda Law Reform Commission (the agency that is mandated to reform laws); the Uganda Investment Authority (the one-stop-centre for investors/industrialists); trade unions and other civil society organisations (CSOs), among others. Trade unions, CSOs and think-tanks can provide social capital, help to involve citizens in the decision-making and implementation of the NIP and provide non-violent action to elicit effective and sustainable implementation, foster public debate where necessary, and counter state hegemony. Studies have found that it is not uncommon for key players in policy implementation to be forgotten or deliberately left out, except the Treasury (MOFPED) that is "rarely forgotten" since they provide a Certificate of Financial Implications for any policy proposal.⁷⁸ Experts argue that for effective implementation of industrial policy to be realised, the composition of the various agencies and boards promoting them, should be made up of parliamentarians (including from the Opposition), representatives from business (both big and small), agriculture, trade unions, and other parts of civil society.⁷⁹ One key informant summed it succinctly, "The reason Ugandan policymakers habitually leave out key stakeholders in their implementation plans is actually because they know those policies/plans are not meant for implementation."

5.0 Shortfalls and Successes of the Economic and Industrial Policies in Uganda

This section presents findings from the interviews conducted at the different MDAs, in addition to the reviews that were done from the various relevant documents. Experts at the MDAs were asked on both the success factors as well as the shortfalls that explain Uganda's current performance of economic and industrial policies.

5.1 Successes⁸⁰

- i) Individual leadership in particular areas. Public officials mentioned the President as one of the key players pushing other stakeholders in the NIP to implement the industrialisation agenda. This suggests that there is strong political will for industrial policy at the top. Private businesses have also individually undertaken investments in manufacturing under their umbrella organisations such as Uganda Manufacturers Association (UMA).
- ii) Impact of globalisation: The changing global environment is providing nearly everything required to industrialise such as cheaper capital goods and raw materials from China, India as well as the FDI that brings in financing and new technology. This has benefited SMEs as well as light manufacturing such as iron and steel (Roofings Limited, Steel Rolling Mills Uganda Limited, Uganda Baati Limited, China Machine Building International Corporation China, plastics, and others.⁸¹

⁷⁸ Republic of Uganda, 2013.

⁷⁹ Rodrik, 2009.

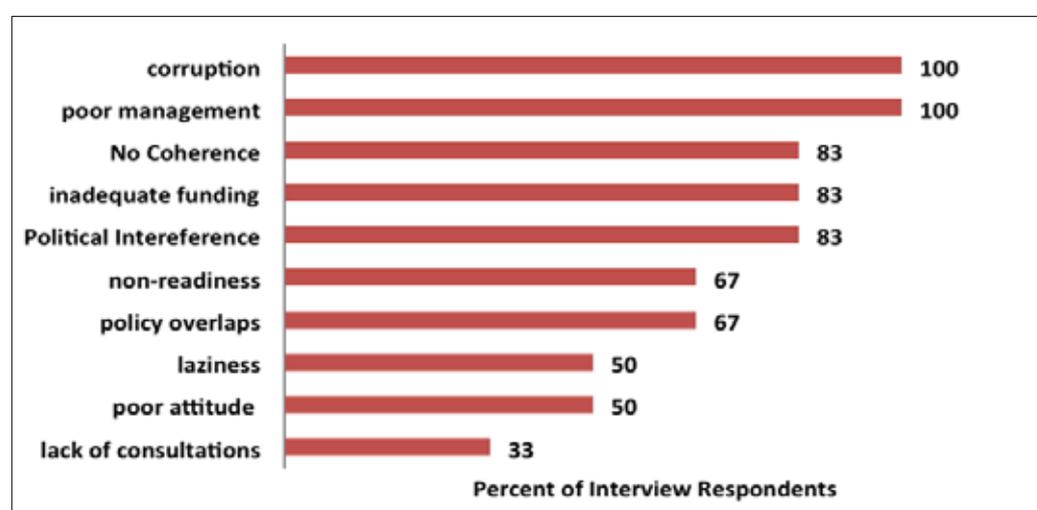
⁸⁰ Drawn from interviews with key informants.

⁸¹ Though most firms in light manufacturing in Uganda are foreign owned, Uganda's robust investment code compels FDIs/foreign companies operating in Uganda to transfer technology, limit repatriation and plough back profits, share ownership with locals et al.

- iii) Establishment of industrial parks: So far four industrial parks have been built, and another eighteen are being planned (see footnote 42).
- iv) There has been a steady closure of the infrastructure gap particularly electricity and tarmacked roads. For example, officials interviewed intimated that energy available has since 2008 increased by about 20 percent although still priced expensively. Manufacturers are accessing electricity at 12 cents per kw/h yet the ideal cost is 5 cents. In addition, nearly 50 percent of the planned roads have been built and another 30 percent is under construction. However, the government has been slow at implementing the planned standard gauge railway to connect the country to the sea, because it has yet to finalise a loan from China's Exim Bank.
- v) Cross-border markets have been negotiated under the EAC Common Market Protocol, COMESA and AGOA. However, there are still challenges in implementing these regional and international trade protocols due to non-tariff barriers. Uganda along with Tanzania and Burundi are yet to sign the EAC-EU Economic Partnership Agreement while Kenya and Rwanda have already done so. A final decision is expected at the end of November.
- vi) Public mobilisation for and increased investment in agriculture to increase supply of agricultural raw materials. The budget for agriculture has substantially increased in absolute terms from UGX 343.46 billion in Financial Year 2015/16 to UGX 823.42 billion in FY 2016/2017, an increase of 171 percent.

5.2 Shortfalls

Figure 8: Ranking Challenges of Policy Implementation in Uganda



Source: Interview responses

Results from interviews reveal that the five lead challenges of policy implementation in Uganda are: corruption, poor management at both top and bottom levels, non-coherence in policy implementation (see Annex 4), inadequate funding and political interference, in that order. A number of studies⁸² also identified several institutional issues affecting policy implementation in Uganda.

82 OPM, 2008; Marti and Ssenkubuge, 2009; Republic of Uganda, 2013;

- a) Weak incoherent policy, legal and regulatory framework as well as poor policy coordination, planning and budgeting processes.
- b) Lack of competence (both behavioural and technical competencies) among the implementing agencies and departments. Competencies are defined as “specific and observable knowledge, skills, attitudes and behaviours that are needed for effective performance”.⁸³ In a recent survey, Ministries and Agencies generally exhibited a mixed ignorance of what a Policy Agenda, for example, constitutes. “...each sector or Ministry has sought its own understanding of what could be meant by policy agenda⁸⁴”
- c) Corruption⁸⁵: researchers attribute high corruption to poor remuneration of the public servants and workers, including laziness and poor attitudes towards work. It causes delays and/or impedes implementation of planned activities.
- d) Poor communication: Communicating policy remains one of the major challenges in Uganda’s government, with 70 percent of the MDAs reporting complete absence of a Policy Communications Plan⁸⁶ and 84 percent of who do not indicate any plans to develop one.
- e) Policy overlaps, proliferation and misalignment. Although there is often clear policy framework to guide on the priorities and what is not, other emerging issues keep coming up and override the set policy direction
- f) Excessive bureaucracy, multiple processes, and politics.

6.0 Drivers and Spoilers of Industrialization Agenda in Uganda

UNIDO (2007) undertook an industrial sector survey/competitiveness analysis and advised government on what they termed as ‘integrated industrial policy for sustainable industrial development and competitiveness’.

In terms of policy advice, UNIDO (2007) argues that “It [is] no longer considered appropriate for the government to formulate industrial master plans.” Like other countries in Sub-Saharan Africa and elsewhere in the developing world, Uganda, beginning in the 1990s, was advised to adopt an export promotion strategy in place of import substitution policies which were considered a failure in Africa’s quest for transformation.

However, most export-oriented enterprises have ended up importing factor inputs and intermediate products for re-export than actually exporting domestically manufactured products. This has frustrated the domestic production of such inputs and intermediate goods, and suppressed the development strong linkages in the economy. Entrepreneurial capabilities and technology development have also suffered.

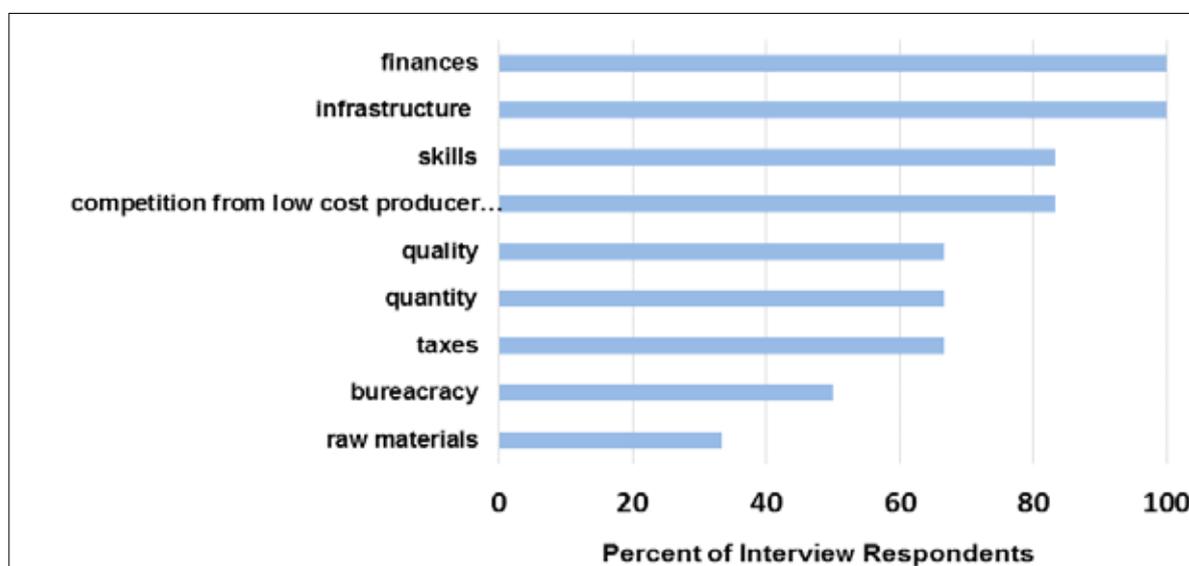
83 Republic of Uganda, 2013;

84 *ibid.*

85 Interviews conducted for this study confirm that resource leakage in Uganda has been and still is at large scale and has had a discernible impact on the relationship between planned inputs and observed outputs, and thus contributes to implementation failure.

86 *ibid.*

Figure 9 presents findings from the interviews conducted at the different MDAs in addition to the reviews that were done from the various relevant documents. More specifically, the section examines the factors that drive and/ or hamper industrialization in Uganda, with a focus on the manufacturing component.



Source: Interview responses

Results from officials interviewed during the study revealed that the five lead challenges affecting manufacturing in Uganda are: limited finances; infrastructure bottlenecks, particularly low energy for production and bad roads; inadequate skills commensurate to the manufacturing needs; competition from low-cost producer countries; and poor quality products, in that order. These constraints have historically impeded industrial development in Uganda.⁸⁷ Other researchers⁸⁸ have also found similar challenges including:

- a) Weak institutional support;
- b) Limited access to affordable credit, particularly the absence of financial infrastructure to support micro, small, and medium enterprises (MSMEs);
- c) Inadequate entrepreneurship and managerial skills;
- d) Costly, unreliable, and inadequate physical infrastructure, particularly quality transport, energy, and communication infrastructure;
- e) Lack of serviced industrial parks across the country;
- f) Unreliable supply of inputs such as raw materials, metals, and imported chemical products;
- g) Low level of technology and a lack of indigenous capability for technology and innovations mastery, which adversely impacts on productivity in manufacturing; and

⁸⁷ See Stoutjesdijk, 1967 for interesting similarities in the constraints of 1960s and today.

⁸⁸ Obwona et al., 2013.

- h) A dearth in technical/technological skills, reflected in a shortage of scientists, engineers, and mid-level technicians specially trained for adoption, adaptation, and diffusion of innovative technologies in the country.

7.0 Governance in Uganda's Economic and Industrial Policy

Opponents of industrial policy have often argued that a bias for industry facilitates the transfer of rents to politically-connected entities. Indeed, one of the motivations behind the market reforms pursued by the NRM Government was to leverage best-practice policies⁸⁹ to keep political influence at bay. However, experience in the past couple of decades, has shown even under the preferred private-led economic strategy, 'entrepreneurs', well-connected business people and 'investors' spend most of their time in State House asking for favours and bailouts, rather than looking for ways to become more efficient and expand their markets.

As seen in Section 5 design and implementation of industrial policy in Uganda has by and large failed. It is known that industrial policy has been successful when those with political power who have implemented the policy have either themselves directly wished for industrialisation to succeed, or been forced to act in this way by the incentives generated by political institutions.⁹⁰ Uganda seems to lack both the effective broad political will⁹¹ and strong institutions.

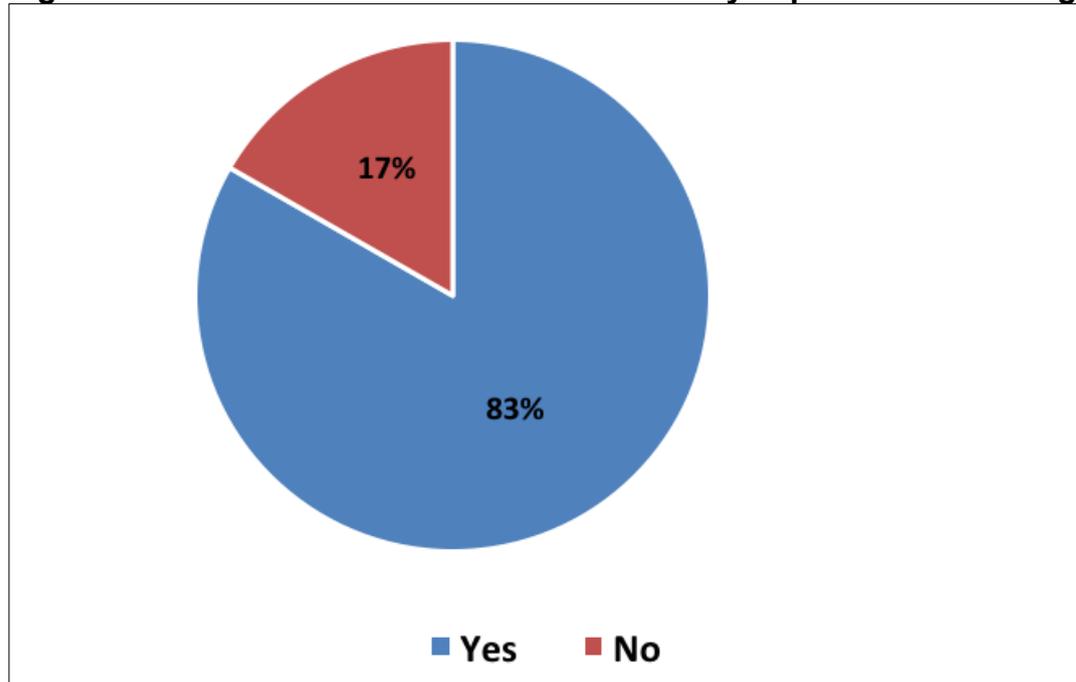
There is a historic tendency in Uganda of policy incoherence emanating from the weaknesses in the institutions for collective decision-making. Research has cited a myriad of policy sources: Presidential directives, Cabinet directives, election manifesto, national development plan, sector plans, findings from research and surveys as well as public demand.⁹² Our interviews established that over three quarters of what is being implemented in government today constitutes Presidential dictates which offer political advantage over his opponents as opposed to the official industrial policy and the national development plan (Figure 10).

89 That if all but one requirement for achieving a most desirable economic situation cannot be satisfied, it is always beneficial to satisfy the remaining ones. Basically, first-best policies call for markets to answer the economic questions (what, where, how, when, and for whom to produce). Thus government's role is limited to providing an 'enabling environment'.

90 Robinson, 2009.

91 Although on paper, and rhetorically, one would claim that there is political goodwill to transform the economy, and much as one would think that it is obvious to support economic transformation since a successful economy is good for politicians (voters reward governments for programmatic policies that raise people's living standards (see Golden and Min, 2013), this evidence is relevant only for high and middle-income democracies. Evidence from Uganda suggests that programmes that raise people's wellbeing could free young voters from political clientelism, and thus make it difficult for the incumbents to retain power (see Blattman et al, 2016). Therefore, to elicit effective political will to implement developmental policies, such as the industrial policy, there need to liberate or shield politicians from the pressures that render them to heavily rely on rent-seeking and political patronage to retain power. Only then, will politicians feel comfortable to invest in genuine economic transformation.

92 Republic of Uganda, 2013.

Figure 10: Is there Political Interference in Policy Implementation in Uganda?

Source: Interview responses

However, we encountered what other researchers⁹³ have found: a chaotic political-administrative interface. The political leaders—and interestingly even some senior civil servants—hold the view that most public servants are no longer interested in the pursuit of the national interest.

On the other hand, public servants feel that politicians are much more interested in the implementation of the policies in their electoral manifestos, and issuing unilateral political directives than implementing the NDP and the industrial policy.

More interestingly, in our interviews, some politicians belonging to the ruling party expressed similar discontent. “When we have the NDP II, why does the President come up with the so-called 23 strategic directives, yet he is the one who launched NDP?” one NRM party Member of Parliament queried.

Earlier research has found that most of the Presidential directives and policies derived from the NRM Manifesto (crafted at the National Leadership Institute - Kyankwanzi) were unimplemented mainly because “they often come in when commitments are too many yet resources were not adequate to implement them.”⁹⁴ This assertion is supported by the fact that the NRM Party Manifestos were generally not budgeted for.⁹⁵

93 OPM, 2008.

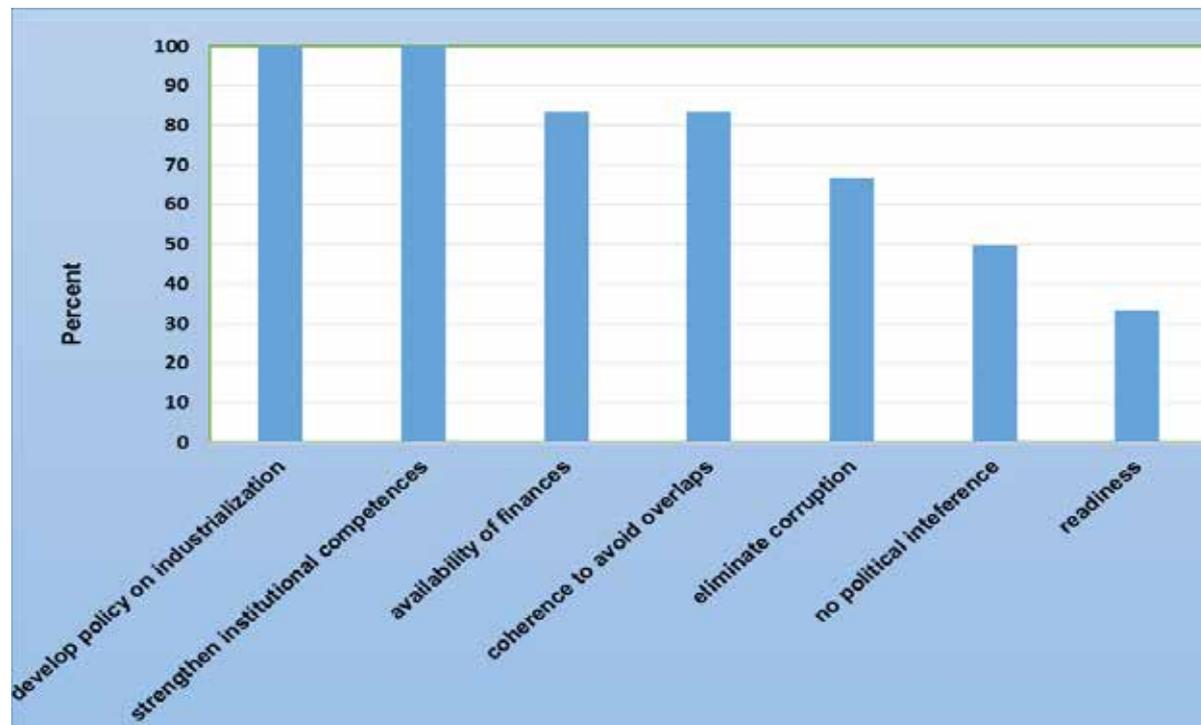
94 Republic of Uganda 2013.

95 Ibid.

8.0 Strategies for Industrial Policy Implementation in Uganda

To implement the industrial policy in Uganda, the following strategies have been advanced by various stakeholders who participated in this research:

Figure 11: Strategies for Industrial Policy Implementation in Uganda



Source: Interview responses and literature

8.1 Recommendations

1. Develop an industrialisation policy: The opinion that “Uganda needs an industrialisation policy more than even an industrial policy,” was voiced in interviews. Most respondents favoured the industrial cluster model of industrialising Uganda. This model groups industries of similar and related firms in a defined geographical area that share common markets, technologies, work skill needs and which are often linked by buyer-seller relationships.

Porter (1998) defines a cluster as “Geographic concentrations of interconnected companies and institutions in the particular field”. Globally recognised clusters include the coastal areas of China, wine industry in California USA, information technology in Silicon Valley and Boston, Bit Valley in Tokyo Japan, Bangalore in India, and several Eastern European countries.

2. Need for deliberate State investments⁹⁶ intended to enable the private sector to develop⁹⁷. “No country has ever industrialised, and certainly will not, with only a private sector-led growth strategy.”⁹⁸ The position of the technocrats at the BOU is that “...although Uganda made mistakes in the past by thinking that political directions should govern, there is urgent need to have a second look at the [free-market] economic system currently prevailing. Where we lost it, is to think that private sector will do everything. We need to identify the role of the state, where markets are failing and where they are missing. However, we should not select projects on political basis.”⁹⁹
3. Urgently review both content and implementation of the industrial policy and come up with an industrialisation strategy in 2017. Focus should be on exploring opportunities and developing support systems through activities that will develop Uganda’s manufacturing sector. “We need a deliberate industrial policy and a clear industrialisation strategy. If we are going to look for FDI (foreign direct investment), whom do we want?”¹⁰⁰
4. Increased investment in agricultural production and agro-processing to make Uganda’s manufacturing sector take advantage of the benefits of comparative advantage in agricultural commodities such as coffee, cotton, tea and food stuffs. “Let Uganda be known for producing, processing, and manufacturing organic agricultural products”.¹⁰¹
5. Harnessing technology, innovation, productivity, and linkages: The government should invest in developing, financing, and strengthening linkages and collaboration between industrial research institutions (UIRI, UDC, and UCPC) and other industrial players. Funding and supporting the implementation and commercialization of outcomes from industrial research institutions is critically needed. In this regard, strengthening and streamlining current initiatives like the Science Fund, Innovative Fund, and Technology Development Fund will go a long way in addressing the current gaps between stages of innovation and the commercialization of the outcomes.
6. Government should invest in science, technical and vocational skilling of Ugandans. “The greatest resource of a country is its people, not natural resources that tend to attract much of government attention and resources.”¹⁰²

96 Contrary to the dogmas of “neo-liberalism” and the “Washington Consensus” where private investment is supposed to be “good” while state investment is supposed to be “bad”, rapidly growing state investment has played a significant role in the world’s fastest economically transforming countries such as China, India, South Korea. Apart from infrastructure (railways, highways, waterways, airports and urban rail transit) and other areas of public investment, Uganda being one of the “late industrialisers” will need to invest in strategic industries such as iron and steel industry and petroleum refining. Although everywhere is different, East Asian economies have shown the world that economic success requires both the ‘invisible hand’ and the ‘visible hand.’

97 Interviews conducted for this study show that Uganda’s private sector is extremely underdeveloped and designed to ‘milk’ government heavily, i.e. mainly engaged in rent-seeking.

98 Interview response from an economic researcher now serving as a Member of Parliament.

99 Interview response from a senior official at the Bank of Uganda.

100 Interview response from a senior planner at the National Planning Authority.

101 Interview response.

102 Ibid.

7. Infrastructure development: The government needs to scale up investment in the railway network to ease transport costs for imports and exports. The current effort put on constructing roads and hydro-electric dams is very much welcome. However, apart from fixing the trunk roads, government needs to focus on construction of feeder roads that connect the rural (agricultural) production areas to the markets and processing centres. There is also need to invest in water for both agricultural and industrial production.
8. Provide affordable long term finance: The high interest rates charged on long term finance remains one of the greatest challenges for the development of the manufacturing sector in Uganda. Government needs to come in to support long term industrialisation by providing low interest loans. However, this development finance should be viable and not politically oriented in sense that there must be an institutionalised criteria for selection of beneficiaries as opposed to the politically informed handouts. "The mistake Uganda did was to delink Uganda Development Bank (UDB) from Bank of Uganda (BOU). BoU could mobilise money for long term development easily."¹⁰³
9. Delivery systems and technical capacity: Re-define, urgently, the delivery systems and mechanisms of all government programs and projects. Emphasis should be on physical accountability and better performance management. Systems should be based on competences and performance expectations of all implementing officers and agencies. Several interviewees also cited the urgent need to address the technical capacity of Ministers and Permanent secretaries. "Many of them are wanting; they do not know what is going on; many could be having the academic qualifications but lack the skills, capacity and commitment to deliver results; many are poorly remunerated."¹⁰⁴
10. Reform the tax regime so that indigenous industrialists have advantage over importers of finished products. "Industrialisation in Uganda died the day government made importing so easy and more profitable than investment in manufacturing." Apart from taxes, government should also review the energy policy and tariffs for industrialists which are large energy consumers.
11. There is urgent need to work on policy coherence. All the respondents in this study were of the view that the effectiveness of policy implementation in Uganda, including the NIP, has been impaired by incoherence in the national policies. They particularly decried government's habit of taking decisions which are in conflict with its other policies. They cited examples such as arbitrary tax exemptions for foreign investors, the informal sector SMEs, and Members of Parliament which undermines revenue mobilisation efforts essential for implementation of the NIP. Other examples cited are the Presidential directives and creation of new districts.

103 Interview response from a senior official at the Bank of Uganda.

104 Interview response. The interviewed official, holding a very important public office, said, "If I were the one in charge, I would have sacked everyone in public service at the beginning of this political term and start afresh."

In agreement with findings by OPM (2008), about 50 percent of the respondents attributed the policy incoherence to political interference, particularly by the President, which leads to undisciplined central policy-making and by extension to an over-committed budget. Therefore, to ensure policy coherence, political interference needs to be reduced. This can be achieved by strengthening the Office of the Prime Minister (OPM) to ensure proper coordination of MDAs for public service, budget, and strategy.

12. There is need for improvement of project implementation management to ensure that projects are ready, well thought through, and linked to others before committing government. The apparent implementation crisis in Uganda has been partly attributed, by some, to ad hoc project management.

9.0 Conclusion

Uganda has since the late 1980s followed the dogma of ‘neo-liberalism’ and the ‘Washington Consensus’ in which private investment is supposed to be ‘good’ while state intervention is ‘bad’. During the reform period, the country was widely acknowledged as one of the star reformers. Unfortunately, Uganda is not a star performer. Uganda has failed to change its economic structure. The country has failed to sustain the so-called ‘robust’ growth ushered in by these market reforms. The growth has remained jobless and non-inclusive. Household incomes have also remained low, while the economy stays uncompetitive.

To achieve structural transformation, Uganda needs to pragmatically emulate countries like China, India, South Korea, where industrial policy has played an overriding role. Apart from infrastructure (railways, highways, waterways, airports and urban rail transit) and other areas of public investment such as education and health, Uganda, being one of the ‘late industrialisers’ needs to invest in strategic industries such as iron and steel and petroleum, among others. The growth of the manufacturing sector is particularly critical for the development of countries like Uganda. Although Uganda came out with a national industrial policy, it does not prioritise manufacturing. Its implementation has also remained lackluster and shallow—focusing on mainly agro-processing and low-value manufacturing. Uganda needs to increase manufacturing of high-value merchandise as a way of diversifying exports and reducing its vulnerability to global market volatilities. Manufacturing is also the only way a developing economy with Uganda’s present conditions can create more decent well-paying jobs for its young and growing population. Design and implementation of industrial policy in Uganda has by and large failed. This has been attributed to a number of factors among which are Uganda’s weak and incoherent policy framework, limited technical capacity among implementers, governance challenges, among other factors. More importantly, it is known that industrial policy succeeds when those with political power favour its implementation through creation of incentives generated by political institutions. Uganda seems to lack both the effective broad political will and strong institutions to back up its industrial policy.

References

Ainebyona, D. (2014) A Framework for Uganda's Transformation, Competitiveness and Prosperity. The National Industrial Policy; Ministry of Trade, Industry and Cooperatives.

Bategeka N. Lawrence (2012), "The Role of the State in Economic Development: Employment Challenges in Uganda," Economic Policy Research Centre.

Blattman C., Emeriau M. and Fiala N. (2016), "Do anti-poverty programs sway voters? Experimental evidence from Uganda." Available at SSRN: <http://dx.doi.org/10.2139/ssrn.2887752>.

Byaruhanga, J. K., Lubwama F., Lating P. O, (2016), "Barriers to Implementation of Uganda's National Industrial Policy: a case study of the Iron and Steel Sector," International Journal of Technoscience and Development, IJTD (2016) 1, 1, 1-11

Chang H. J. (2009), Industrial Policy: Can We Go Beyond an Unproductive Confrontation?, A Plenary Paper for ABCDE – Annual World Bank Conference on Development Economics, 22–24 June 2009, Seoul, South Korea.

Chang, H. J., (2002). Kicking away the Ladder: Development Strategy in Historical Perspective, Anthem Press, London.

Golden, M. and B. Min (2013), "Distributive Politics Around the World." Annual Review of Political Science 16 (1), 73–99. 2, 37.

Kuteesa F., Tumusiime-Mutebile E., Whitworth A., and Williamson T., (2010), "Uganda's Economic Reforms: Insider Accounts," Oxford University Press Inc., New York.

Marti, D. F. & Ssenkubuge, I., (2009), Industrialisation and Industrial Policy in Africa: is it a Policy Priority?

Obwona M., Shinyekwa I., Kiiza J., and Hisali E. (2013), "The Evolution of Industry in Uganda," Economic Policy Research Centre, Makerere University.

OPM (2008), "Independent Evaluation of Uganda's Poverty Eradication Action Plan (PEAP): Final Synthesis Report, Oxford Policy Management (OPM), July 2008.

Porter, M. E. (1998), Clusters and the new economics of competition, Harvard Business Review, 76(6), pp. 77–90.

Republic of Uganda (2014), "Industrialisation Sub-Sector Monitoring Report Financial Year 2013/14," Ministry of Finance, Planning and Economic Development.

Republic of Uganda (2013), "Report of the Assessment of the Policy Capacity of the Uganda Public Service," Cabinet Secretariat, Office of the President.

Republic of Uganda (2010), "National Development Plan (2010/11 – 2014/15): A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years," April 2010.

Republic of Uganda (2008), National Industrial Policy, A Framework for Uganda's Transformation, Competitiveness and Prosperity.

Robinson, A. J., (2009), Industrial Policy and Development: A Political Economy Perspective. Harvard University, Department of Government and IQSS.

Rodrik, D. (2004). Industrial Policy in the Twenty-First Century, Paper prepared for UNIDO. Boston: John F. Kennedy School of Government.

Rodrik, D. (2009), "Industrial Policy: Don't Ask Why, Ask How," Middle East Development Journal, 1 (01), 1–29.

Stoutjesdijk, E. J. (1967). Uganda's Manufacturing Sector, Nairobi: East African Publishing House.

UBOS (2015), Statistical Abstract, 2015, Kampala Uganda.

World Bank (1961), "The Economy of Uganda" International, Bank for Reconstruction and Development; Department of Operations, Europe, Africa and Australasia.

World Bank (1962), "The Economic Development of Uganda," Report of a Mission Organised by the International Bank for Reconstruction and Development (World Bank) at the Request of the Government of Uganda. The Johns Hopkins Press, Baltimore, London.

World Bank (2016), World Development Indicators. Washington, D.C.: The World Bank.

Annexes

Annex 1: Documents Reviewed

1. The National Industrial Policy, 2008.
2. The National Industrial Sector Strategic Plan 2010/11 – 2014/15.
3. The National Development Plans I and II, 2008 and 2010 respectively.
4. The Background to the Budget (various years).
5. The National Budgets (various years).
6. The Uganda Vision 2040, 2013.
7. The Constitution of the Republic of Uganda, 1995 (Amended 2005).
8. The National Trade Policy, 2007.
9. The Industrialisation Sub-Sector Monitoring Report FY 2013/14.
10. The Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness, 2007.
11. The Uganda National Land Policy, 2013.
12. The 1952 Uganda Development Corporation.
13. The Economic Recovery Program, 1987.
14. The Uganda Investment Code, 1991 (amended 1994).
15. The Way Forward I: Macro-economic Strategy, 1990-95.
16. The Way Forward II: Medium-Term Sectoral Strategy, 1991-95.
17. The Uganda Industrialisation Policy and Framework, 1994-95.
18. The Cabinet Report of the Assessment of the Policy Capacity of the Uganda Public Service.
19. The World Bank Country Mission Reports (various years).
20. Academic and Policy Research papers (several).

Source: Authors' compilation

Annex 2: Organisations Sampled and Number of Respondents

S/N	Entity	No. of Respondents
1.	Government Ministries (Ministry of Trade, Industry and Cooperatives, Ministry of Finance, Planning and Economic Development, Ministry of Agriculture, Animal Industry and Fisheries)	4
2.	Government Agencies (National Planning Authority, Uganda Investment Authority, Uganda Export Promotion Board, Uganda Development Corporation, Uganda Industrial Research Institute, Uganda National Council for Science and Technology, Law Reform Commission)	7
3.	Independent Industry-Associations (Uganda Manufacturers Association, National Chamber of Commerce and Industry, Private Sector Foundation Uganda, Uganda Small Scale Industries Association)	4
4.	Parliament of Uganda (Parliamentary Committee on National Economy)	2
5.	Bank of Uganda	2
6.	President's Office	1
7.	Civil Society Organisations, Trade Unions and Private Sector	3
	Total	23

Annex 3: Actors in NIP Implementation

1. The Ministry of Trade, Industry and Cooperatives.
2. The Ministry of Finance, Planning and Economic Development;
3. The Ministry of Agriculture, Animal Industry and Fisheries;
4. The Ministry of Gender, Labour and Social Development;
5. The Ministry of Education and Sports;
6. The Ministry of Energy and Mineral Development;
7. The Ministry of Water and Environment;
8. The Ministry of Lands, Housing and Urban Development,
9. The Ministry of Information and Communication Technology;
10. The Ministry of Works and Transport;
11. The Ministry of Health;
12. The Ministry of Local Government;
13. The Ministry of Defense;
14. The Ministry of Foreign Affairs;
15. The National Planning Authority.
16. Government Agencies (not specified) .

17. Private Sector (not specified)
18. The academia
19. Industrial organizations (not specified),
20. Non-Governmental Organisations

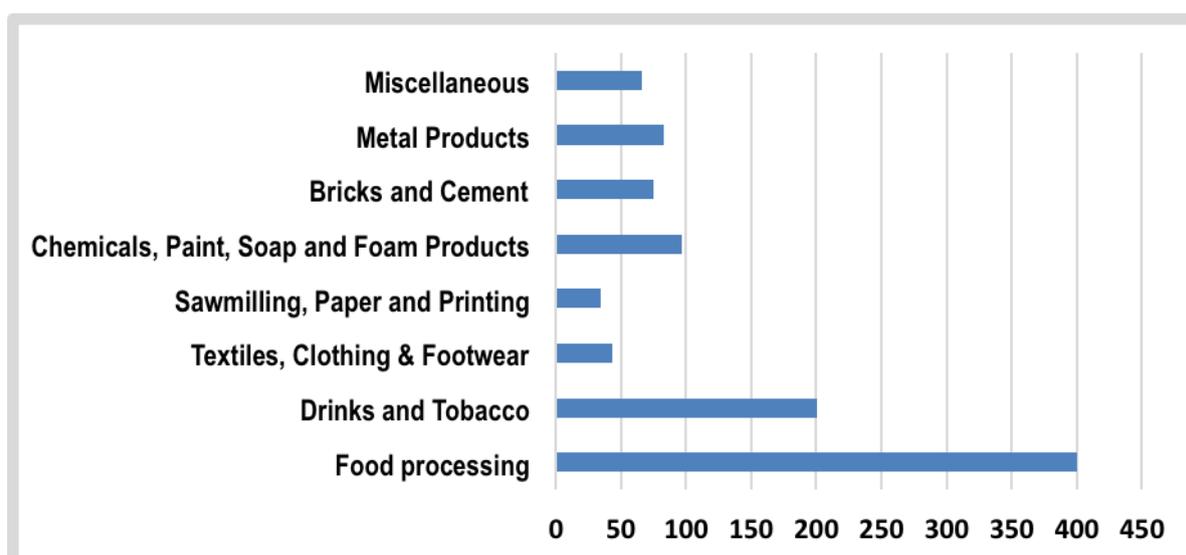
Source: Republic of Uganda, 2008

Annex 4: Incoherency between the industrial policy and its strategic plan

NIP Priority Areas of Intervention	NISSP Priority Areas of Intervention
<ol style="list-style-type: none"> 1. Natural and domestic resource- based industries: petroleum, cement, and fertilizer industries. (Promoting competitive industries that use local raw materials.) 2. Agro-processing; food processing, leather and leather products, textiles and garments, sugar, dairy products, and value addition in niche exports. 3. Knowledge-based industries: ICT, call centres, and pharmaceuticals that exploit knowledge in science, technology and innovation. 4. Engineering for capital goods: agricultural implements, construction materials, and fabrication/Jua-Kali operations. 	<ol style="list-style-type: none"> 1. Institutional Development; 2. Public-Private-Partnership Enhancement; 3. Infrastructure Development; 4. Deepening and Widening the Industrial Base and Making It Internationally Competitive, Safe and Sustainable; 5. Science, Technology and Innovation; 6. Financial Industrial Sector Transformation; and, 7. Skills and Human Resource Development.
Source: NIP, 2008	Source: NISSP, 2010

Source: Adopted from Byaruhanga et al, 2016

Annex 5: Contribution to manufacturing Index by various key sub-sectors (2015)



Source: UBOS, 2015



ISBN: 978-9970-535-03-3

