



NPA POLICY BRIEF

Planning for Development



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Unlocking Uganda's Export Potential

Export oriented growth is one of strategies expected to drive Uganda to a lower middle-income status by 2020. However, Uganda's export performance is shaky, and the efforts and reforms have not yet yielded significant strides in widening the country's export base. Towards improving Uganda's export performance, this brief highlights key issues identified in a stakeholder developed Action Plan required for export development. The brief highlights key constraints to Uganda's export development and also proposes specific actions to address the identified constraints. All these are provided by stakeholders and practitioners around selected priority export products.

INTRODUCTION

The Second National Development Plan (NDPII 2015/16-2019/20) provides a road map for Uganda to attain a lower middle-income status by 2020. The Plan identifies development strategies to achieve this lower middle-income status by 2020, one of which is the pursuit of an export oriented growth. In addition, government has attempted to: diversify the economy; and address macroeconomic challenges but the country's export base has not expanded enough to reduce the trade deficit and unemployment.

As such, the export performance has remained shaky, and the efforts and reforms have not yet yielded significant strides in widening the country's export base. The country has therefore, continued to experience trade deficits with the highest being recorded in 2014 when it stood at USD 3,462.8 million. Exports (formal and informal) performed at USD 2,676.6 million while imports (formal and informal) performed at USD 6,139.3 million during the same year.

The main objective of this brief is to give highlights of the Action Plan for Export Development which identified the key constraints to Uganda's export development and also proposed specific actions to address the identified constraints. Findings from consultations of key stakeholders' and practitioners', actual field visits and literature survey revealed that, Uganda's export challenge is more linked to the supply side. Supply side inadequacies pose a challenge as the export sector is unable to sustain supplies to the regional and global markets. To address the problem, the action plan for export development identified commodities and services with the highest potential to turn around export performance.

The selection of these commodities and services was mainly based on the NDPII and the National Export Development Strategy (NEDS 2015/16-2019/20) which provide the right focus areas for which Uganda has greater comparative and competitive advantage and where a lot of potential remains to absorb surplus labor in low productivity activities.

Key Constraints to Export Performance

- (i) Low Production and Productivity due to: limited research and development; diseases and pests; use of sub-standard inputs; un-regulated input supply; over reliance on rain-fed agriculture and poor agricultural practices.
- (ii) Poor post-harvest handling has negatively affected the volumes of produce delivered to the market and/or quantities available for value addition. For example, horticultural products such as oranges, mangoes and pineapples require regulated temperature for post-harvest storage but there is lack of the adequate cold chain facilities.
- (iii) Limited Value Addition and Lack of Product Differentiation have caused the country to miss out on opportunities to increase the worth of the country's exports. This has further affected the farmers' bargaining power for higher prices and reduced the jobs that would otherwise be created at the different stages of the commodity value chains.
- (iv) The inadequate regulatory environment in the selected commodities and services has enabled persistence of undesired practices. For instance, there are no policies and regulations in the grain and tea sectors. In fact the grain sector is largely informal with over 60 percent unstructured. Additionally, enforcement of existing regulations in mineral exploration is weak.
- (v) Inadequate market intelligence has led to low conformity to buyer and market requirements and competitiveness. The country has not taken advantage of the opportunities of preferential

access to several markets and regions including the EAC, EU and USA.

- (vi) Macroeconomic constraints including; the high cost of capital, volatility in the exchange rate, fluctuating prices, persistent low domestic savings, limited investment promotion, among others.

1. Policy Recommendations

A) Broad Actions

- (i) Promote irrigation by prioritizing appropriate water for production and water management systems;
- (ii) Enhance efficiency in the Input-Supply mechanism, through strengthening:
- commodity specific research and development to increase the parent stock for quality input;
 - regulation of acquisition and distribution of inputs to the farmers;
 - extension services across the board
- (iii) Adopt production models such as the nucleus farmer, lead farmers, group farmers and cooperatives approach for enhanced production;
- (iv) Strengthen post-harvest handling by operationalizing the Uganda Warehouse Receipt System Authority (UWRSA) and the commodity exchange;
- (v) Prioritise value addition across the various commodities and products
- (vi) Develop and promote Uganda export commodity standards and brands: particularly in Coffee and Tea
- (vii) Consolidate and maximize government financing efforts through:
- establishment of an export development funds consolidating existing ones; and
 - Re-alignment of the existing budget efforts in programs such as Operation Wealth Creation (OWC), Youth Livelihood Programme (YLP), Uganda Women Entrepreneurship Programme (UWEP) etc.
- (viii) Address financing constraints through:
- development of long term financing options;
 - liberalizing the pensions sector and enhancing national savings; and
 - strengthening and capitalize Uganda Development Bank (UBD) and Uganda Development Cooperation (UDC)
- (ix) Revitalize key export development institutions such as: UDC, Uganda Export Promotion Board (UEPB), and Uganda National Bureau of Standards (UNBS), Ministry of Foreign Affairs (MOFA), among others.

- (x) Design and implement a conducive export led macroeconomic policy that addresses structural weaknesses in availability and accessibility of affordable long term development finance.

B) Specific Actions for Selected Commodities and services

Coffee and Coffee Products

- (i) National Coffee Research Institute (NaCORI) should establish a Coffee Laboratory in Kituuza to provide high resistant coffee parent stock varieties/clones.
- (ii) Uganda Coffee Development Authority (UCDA) should multiply and distribute quality parent planting materials (150 million seedlings annually) to increase acreage of coffee planted by an additional 200,000 hectares.
- (iii) UCDA should rehabilitate the existing coffee farms; and
- (iv) UEPB, MTIC and MOFA should develop a national brand for Uganda's coffees, and improve packaging of value added products championed by the private sector.

Tea and Tea Products

- (i) National Agricultural Advisory Services (NAADS) should provide quality planting parent materials by Teas research Institute.
- (ii) National Agricultural Research Organization (NARO) should establish a fully-fledged Tea Research Programme focusing mainly on rehabilitating existing tea structures and infrastructure at Rwebitaba,
- (iii) NARO should design a brand for Uganda teas,
- (iv) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) should undertake a feasibility study to ascertain the viability of establishing Uganda's own tea auctioning Centre,
- (v) UEPB and MOFA should establish other markets for direct sales and,
- (vi) MAAIF should formulate a Tea Development Policy.

Grains Products

- (i) MAAIF should:
- operationalize the Grain Trade Policy and fast tracking the enactment of the Produce Protection Bill,
 - put in place adequate production and distribution systems to increase the production of improved varieties of maize and bean breeder seeds
- (ii) MAAIF, MoTIC, and UW RSA should coordinate and establish storage facilities at Sub County, district and regional levels with corresponding value addition/processing facilities, registering and regulating the grain stores across the country,

Cotton and Cotton Products

- (i) Establish a revolving buffer stock fund to ensure constant supply of lint to local textile manufactures
- (ii) National Semi Arid Resources Research Institute (NASSARI) should strengthen cotton research for development of new cotton varieties,
- (iii) Uganda Prison Services should multiply the seeds to ensure continued provision of key production inputs and extension services,
- (iv) CDO should:
 - promote domestic value addition to cotton; and
 - expand cotton production

Horticulture

- (i) NARO should:
 - carry out research to improve and introduce high yielding parent stock,
 - certify of at least 140 nurseries and improve country-wide distribution,
- (ii) NAADS should supply 50 million suckers of pineapples,
- (iii) MAAIF and MEWD should coordinate to identify and promote appropriate irrigation technology,
- (iv) UWRSA should construct cold chain storage infrastructure,
- (v) MAAIF should develop and enforce regulations to ensure supply of quality inputs.

Livestock Products

- (i) National Animal Genetic Resources Centre and Data Bank (NAGRC & DB) and all LGs should coordinate to ensure the genetic improvement of the herds/cattle for both dairy and beef production,
- (ii) NaGRIC & DB should support the on-going conservation and restocking efforts of government ranches countrywide,
- (iii) DDA should:
 - increase the availability of feeds and water for cattle to ensure consistent milk and beef production,
 - promote local pasture preservation technologies,
 - develop dairy infrastructure (milk cold chain and processing infrastructure, milk handling and collection milk cold chain and processing infrastructure, milk handling and collection equipment),
 - MAAIF should operationalize livestock disease control zones.

Fish and Fish Products

- (i) MAAIF should:
 - strengthen and enforce Monitoring, Control and

- Surveillance (MCS),
- enhance and conserve stock for international export
- promote aquaculture development;
- promote value addition and marketing of fish and fishery products while ensuring quality assurance and safety;
- Create a robust and self-sustaining institution for fisheries management.

Tourism and Tourism Products

- (i) UTB and MoFA should undertake aggressive marketing by Uganda Tourism Board
- (ii) MoFA should deploy trade attachées in key export markets,
- (iii) MoTWA should develop and promote tourism products such as source of the Nile
- (iv) MoTWA should revamp the Hotel and Tourism Training Institute (HTTI) with the aim of creating a pool of skilled, competitive tourism and hospitality workers locally.

ICT Products

- i) Strengthen Business Process Outsourcing (BPOs) and IT Enabled Services (ITES);
 - Provide incentives to BPO operators to enable them compete globally,
 - Create a Pool of BPO competencies to drive domestic competitiveness;
- (ii) Promote software development and ICT hardware assembly;
 - Support ICT Research, Innovation and Development for local content development,
 - Support Commercialization of IT solutions and prototypes,
 - Promote and market globally the use of locally produced IT solutions.

Minerals Oil and Gas

- (i) Realization the government equity contribution to the refinery project (approximately U.S.D560m);
- (ii) Operationalize key institutions:
 - The National Oil Company
 - The Petroleum Authority of Uganda;
- (iii) Building capacity of nationals to ensure fair and equitable participation in the oil and gas industry.
- (iv) Ministry of Energy and Mineral Development (MEMD) should:
 - Review all mineral rights and streamline award of licenses;
 - Introduce competition as opposed to first come first serve basis of consideration award of licenses;
 - Put in place stringent quarterly performance indicators for licensees and ensure no transfer

of licenses takes place when no adequate work programme is complete;

- Establish a national mineral exploration and mining company
- Conduct a feasibility study on developing a comprehensive iron and steel industry;

2. Conclusion

This policy brief has provided specific areas of focus to unlock the country's export potential through building production capacities, enhancing value addition and developing the export market while addressing the macroeconomic constraints that address the structural supply side weaknesses in availability and accessibility of affordable long term development finance. Financing the interventions in this Action Plan will not require a separate budget as it should be directly through Ministries, Agencies, Departments and Local Governments. It is recommended that a coherent institutional arrangement be set up both at the political and technical level to drive the export agenda. Committee shall continue to move forward this agenda.

3. References & Useful links

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