



# Briefing Paper

## Analysis of Uganda's Draft National Industrial Development Policy

### Mainstreaming Agro-Processing, Trade, Climate Change and Food Security

By SEATINI, Uganda

#### Summary

This briefing paper presents a summary of the key findings of a research study that was undertaken to provide input into the development of Uganda's second National Industrial Development Policy (NIDP). The research adopted a comprehensive approach to assessing the outgoing National Industrial Policy (NIP), which will expire at the end of 2018 after a 10 years implementation phase. The research identifies policy gaps and proposes key areas for policy reform with specific focus on making the second NIDP cognisant of climate change, food security, trade, and gender in agro-processing.

## Introduction

In Uganda, the industrial sector has recently risen in the ranks as a priority sector. This rise has been portrayed in a number of actions taken by the government, including in the country's budget theme "Industrialization for job creation and shared prosperity" for the financial year 2018/19 where the allocation to the Ministry of Trade, Industry and Cooperatives has seen a slight increment, although still very meagre.

The other commitment of the government has materialised into the review of the National Industrial Development Policy (NIDP) which will expire at the end of 2018. The policy consultations concluded in July 2018 and a validation will be done towards the end of August

The potential and importance of Uganda's industrial sector cannot be overemphasized. According to UBOS Report 2017, The sector accounts for 21% of Uganda's GDP and employs about 7% of the country's labour force. The industry sector's growing linkage and reliance on the agricultural sector for raw materials owing to the growth of the agro-processing sub-sector relays important opportunities for growth of its employment capacity and the economic growth of the country.

Uganda's industrial sector is dominated by agro-processing firms which constitute about 39% of the country's industrial sector is home to approximately 90% of Micro, Small and Medium Enterprises which are engaged in value addition and food processing. The agro-processing sub-sector is a major source of employment and income for almost 70% of the rural population (UBOS 2012) who work as out growers and supply industries and processing firms across the country. The sub-sector also plays a key role in reducing food losses through value addition as well

as improved post-harvest handling technics introduced to farmers.

Given the importance of agro-processing and its potential to boost Uganda's economic development in the next decade, it is imperative that the second NIDP takes into account the critical role of the sub-sector. It should be noted that in the previous policy, agro-processing was not extensively provided for, and therefore, the policy strategies for the country's industrial development did not take full account of the dynamics facing agro-processing and the challenges therein. In addition, given the dependence of agro-processing on the agriculture sector for raw materials, and the reliance of the latter on nature - i.e. climate - coupled with competing demands from trade (export trade of agriculture produce) and food to feed the growing population, this brief recommends the need for the second NIDP to take these issues into account.

## Promoting Agro-processing, Climate Change, Trade and Food Security linkages in the Second draft NIDP

The nexus between agro-processing, climate, trade and food security can undoubtedly affect the realisation of sustainable industrial development, economic growth, and improved livelihood.

### Climate change and agro-processing

Climate change and agro-processing are inextricably linked; and climate change has often had negative impacts on agriculture in the country, manifested through increasingly severe weather patterns that lead to floods, desertification and disrupt the growing seasons. The future of agro-processing relies on both designing new ways to adapt to the likely consequences of climate change, as well as

changing agricultural practices to adapt to the already existing climate damages that current practices cause while ensuring continued supply to enhance agro-processing and trade; but without undermining food security.

## **Food security and agro-processing**

Food security and agro-processing are two critical but competing objectives. While the growth of the agro-processing sub-sector may have adverse impacts on food security in the absence of a proper regulatory framework, its growth could also be curtailed by the country's desire to attain and maintain food security. On a positive note however, agro-processing can also contribute towards food security as it provides mechanisms for improving post-harvest handling leading to a reduction in food losses.

## **Trade and agro-processing**

Trade and agro-processing, like food security and agro-processing, are also two objectives requiring a synergetic approach. An increase in the export of agriculture raw materials can undermine the availability of raw materials needed in domestic agro-processing industries. Hence, an increase in the demand for agriculture produce as raw materials in agro-processing firms could reduce the amount available for export trade. On the other hand, an increased importation of agro-processed products that are already under production in the importing country can undermine the growth and competitive capacity of its agro-processing industries.

## **Gender and agro-processing**

Gender and agro-processing linkages are important in the realisation of women and youth economic empowerment. According to the Uganda Women Network (UWONET) gender assessment report

(2015), women comprise at least 60% and youth comprise at least 55% of the total labour force within Uganda's agro-processing sector, either as owners of small-scale processing plants or as workers mainly providing manual and semi-skilled labour. Given these demographics, ensuring that the NIDP is made gender responsive is critical given the dynamics that affect women and youth, which could adversely affect or positively impact agro-processing development in Uganda.

## **NIDP: What should be improved?**

In view of the above analysis, below is a summary of key policy proposals for revision of identified sections of the draft NIDP in order to make it climate-aware, trade-driven, food security-enhancing, gender responsive and supportive of agro-processing in Uganda.

## **Situation analysis**

The situation analysis should provide a comprehensive gender analysis of the industrial sector and especially the agro-processing sub-sector as a key factor of industrial development. This analysis should take into account the respective and disaggregated roles of women and youth in the sector and the existing gender-related dynamics therein. This section should also elaborately analyse the state of agro-processing in the country, its growth rate and contributions to the industrial sector as well as to the economy. Similarly, given the correlation between Uganda's industrial sector and its agriculture sector, coupled with the fact that the country relies on the agriculture sector for its population's food security needs, the situation analysis should explicitly discuss opportunities and challenges of agro-processing for food security. The policy should also under this section elaborately

discuss the role of trade policy and how it can drive or deter progressive industrial development.

Under the sub-section on trade and markets within the situation analysis, the policy should take an account of the existing markets that Uganda is currently part of. Such markets include the recently concluded Africa Continental Free Trade Area, the COMESA-EAC-SADC Tripartite FTA, the EAC regional market, the Africa Growth and Opportunity Act of the United States, and Everything But Arms of the European Union, among others. The policy should also take into account commitments that have already been made under these arrangements that could have an impact on the country's industrialisation agenda. The policy should also identify strategic products that the government seeks to protect, either through the use of tariffs, quotas or bans in order to promote industrial development for the identified products, taking into account the likely implications in light of bi-lateral, regional and multilateral commitments of the country.

### **The Problem statement**

As part of the problem statement, the SWOT analysis should also revise "young population" under the category of strengths and refer to "a growing workforce". In addition, a strength on the "universal recognition of the need to industrialise" should be added. Similarly, under the category of weaknesses; weaknesses such as "Poor implementation of policies and regulations", "Limited employable skills", "Adapting to a liberalised domestic market", and the "Absence of effective industrial promotion and protection policies of nascent industries" should be recognised. Under the category of opportunities, the opportunity of the "Strategic development of regional, preferential markets and value chains"

should be revised to state "Strategic development and availability of regional, continental and global preferential markets and value chains". The "opportunity of a growing organic market" should also be included. Finally, under the category on threats the following threats should be recognised i.e. "Increased inflow of competitive and cheap value added products", and the "Limitations on policy space from trade agreements for national industrial initiatives and access to markets".

The policy problem should further recognise the drivers of sustainable manufacturing such as an appropriate trade policy to be able to support industrialisation, efficient agriculture sector to ensure sustained inputs which balances with food security, use of smart and clean technologies to ensure climate change and recognising the gender dynamics to ensure inclusive and sustainable development also need to be taken into account.

Under the section on anticipated policy outcomes, there is need to emphasise the outcome on agro-processing in the expansion of the country's industrial base. The labour-intensive industries should also take into account the gender dynamics and the role industrialisation can play in enhancing women economic empowerment as well as addressing the current youth unemployment challenges. It is also imperative that the policy, in addition to bringing together institutions through a consultative forum, enhances coherence among related policy frameworks for sustainable development. Similarly, the institutions to be involved should also be clearly highlighted including their roles and responsibilities in the industrialisation process.

### **The Vision and Mission**

The Vision should be revised to explicitly provide for "gainful employment, climate-smart technology

and promotion of environment-friendly industrialisation”. The mission on the other hand should clearly state what kind of industrial sector we want (globally sustainable and competitive), why (gainful employment and equitable wealth creation) and how (through enhancing productivity by targeting productive capabilities, technology change, access to finance and infrastructure while promoting an enabling environment at all levels)”.

## The Policy goals

In addition to the existing goals, it is imperative that the following are added:

- Increase the share of agro-processing industries as a % of the industry sector’s contribution to GDP.
- Increase the % share of employment of the industry sector to the total country’s work force.

## The Strategic policy objectives

The strategic policy objectives should be revised, while others should be added as below:

- Strategic objective 1: A conducive macroeconomic, fiscal and regulatory environment for genuine domestic and foreign investors
- Strategic objective 2: A modern and investment competitive-focused financial system
- Strategic objective 5: Supporting agricultural-led industrialisation, with a focus on value addition and backward and forward linkages development
- Strategic objective 12: Creating jobs and promoting the participation of women and

other disadvantaged sections of society in industrial development activities

- Strategic objective 14: Promoting a conducive trade environment at national, regional and global levels
- Strategic objective 15: Promoting the adoption and utilisation of climate-smart and clean production technologies

## The Guiding values and principles

Under the guiding values; the first on production transformation should emphasise the need to promote increased agriculture supply to industries while balancing domestic food supply. Under the guiding value on inclusiveness, it is imperative to take into account the issue of gender.

## The Policy priority areas and strategic intervention

Under this section, two broad priority areas should be included i.e. a priority area on “Promoting agriculture backward and forward linkages”; and another on “Promoting clean production technology transfer for sustainable development”. The priority area on Trade market development should also include a strategic intervention on “Policy space and a conducive environment that supports trade”.

## The Institutional mechanisms

Institutional mechanisms in the policy should include the academia as a key institution. In addition, the policy should consider engaging the broader specialised civil society organizations working on industrialisation and related issues to ensure inclusiveness as well as emphasising the role of the parliament in the implementation of the policy.

Finally, it will be critical to keep the NIDP revision process open and consultative so that valuable inputs from all relevant stakeholders are solicited and synergized thus leading to an NIDP that gives

due recognition to agro-processing and fully incorporates the trade, climate change, food security, gender dimensions while

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