



# Briefing Paper

## Review of the Uganda National Industrial Policy: Synopsis of Incorporating Climate Change for Agro-processing

By Monica Malega and Joseph Bukenya, SEATINI Uganda

### Summary

This paper aims to inform the finalization of Uganda's National Industrial Policy, by proposing provisions that can support climate-aware agro-processing in the country. Uganda has embraced agro-processing as one of the key avenues to achieving its long term industrialization agenda, and has already been taking policy measures in this regard. However, in a world of accelerating climate change and global value chains, synergies are required across the policy landscape to ensure that agro-processing development is climate-aware, trade-driven and food security-enhancing.

## Background

Since the 1990s, Uganda has undertaken significant policy and institutional reforms which have boosted economic growth. The country has also made vast investments in infrastructure development as a fundamental priority area that will spur industrialisation and thereby transform the economy.

In 2013, Uganda launched Vision 2040 which aims to transform the Ugandan society from a peasant to a modern and prosperous country within 30 years. The vision identifies key strategic sectors that are believed to be the drivers to a middle-income country. The Vision also highlights the importance of manufacturing and value addition in enabling the development of an export-led and internationally-competitive economy, which is able to spur growth and provide better employment opportunities to Ugandans at large. With this vision, it targets manufactured exports to increase from 4.2% in 2013 to 50% by the year 2040.<sup>1</sup>

To achieve this, key strategies and policy reforms must take effect including accelerating industrialisation through upgrading and diversification to effectively harness local resources and develop industrial clusters along value chains. Therefore the development of a manufacturing sector with a strong industrial policy is expected to propel Uganda to a better resource base with a vibrant agro-processing sub-sector, driven by its good weather and huge agricultural potential, a young and expanding population, and a strategic location at the heart of regional trading blocs.

The industrial sector remains underdeveloped as evidenced by its low contribution to the Gross Domestic Product (GDP), limited technology absorption, low production levels, and lack of competitiveness. The contribution of the industrial sector to GDP has stagnated between 23% and 27% over the last decade, while that of manufacturing is

averaging at only about 7%.<sup>2</sup> The government of Uganda is in the process of rebuilding the manufacturing sector by focussing on promoting agro-processing in the country. A move intended to boost the industry and a subset of the manufacturing industry that produces various finished and intermediate goods. It is likely that most of agro-processing will use raw materials mainly produced and obtained from the agricultural sector. Therefore, in order to engineer and increase agro-processing, the agricultural sector is vital. It remains substantial, accounting for about 65% of national employment.<sup>3</sup>

While the industrial sector grew by 7.8% in 2015, the manufacturing sub-sector registered a stronger growth of 11%.<sup>4</sup> Uganda continues to export largely unprocessed, primary products. This should be a major concern, given that agricultural practices in Uganda remain overwhelmingly subsistence-focused, providing little motivation for stimulating the growth of value-added manufacturing. Moreover, industrial growth in Uganda has been largely driven by growth in construction services, rather than investment in machinery and equipment for agriculture, which is essential for industrial sector expansion and future economic growth. The current efforts towards expanding agro-processing focus on improving the business environment, increasing agricultural production, and enhancing market access through multilateral and bilateral trade agreements. However, climate change and the environment are equally important factors that need to be taken into account while developing the sector and its policies.

## Climate impact on Agricultural Production

Climate Change is increasingly one of the most serious national threats with significant impacts on natural resources, ecosystem and biodiversity. At the same time, it is likely to trigger food insecurity, human migration, economic and social depression, environmental and political crisis, thereby affecting

<sup>1</sup> Uganda Vision 2040

<sup>2</sup> Uganda Bureau of Statistics, 2016

<sup>3</sup> Uganda Vision 2040

<sup>4</sup> World Bank (online). World Development Indicators

national development.

The biggest driver of deforestation is agriculture for increased food production. Ever since the industrial revolution, humans have tremendously increased the rate of alteration of the climate and the environment through changing agricultural and industrial practices and the pumping of greenhouse gases into the atmosphere. The population growth, which accompanied the industrial revolution, gave rise to the need for more land for agriculture and urban development, leading to massive deforestation and changing of the environment.

Farmers cut forests to provide more room for planting crops or grazing livestock in a bid to increase agricultural production so as to provide quantity products for agro processing. This may worsen soil erosion, and increase carbon dioxide into the atmosphere thus damaging the atmosphere even further. When forests are cut down, not only does carbon absorption cease, but also the carbon stored in the trees is released into the atmosphere as carbon dioxide if the wood is burned or left to rot after the deforestation process.

Climate disruptions to agriculture have increased in the recent past. Many regions have experienced declines in crop production due to climate changes despite technological advancements, such as improved varieties, genetically modified organisms and irrigation systems. Climate is still a key determining factor of agricultural productivity and climate changes have posed food supply shortages especially to the rural poor communities who derive much of their livelihood from agriculture.

Climate change has also potentially constrained agro-processing and trade in agro-processed products as a result of inadequate supply of materials for industrial production. It creates adverse climatic conditions such as prolonged draughts, heat, heavy rains, cold waves and extreme temperatures among others. These lead to low agricultural production

which in turn limits access to agricultural raw materials for agro-processing and undermines efforts to ensure national food security. Over 220 million people are food insecure in sub-Saharan Africa,<sup>5</sup> partly due to inadequate food production from agriculture. Farmers depend on rain to nourish crops; however, too much rain can harm crop production and thereby affecting industrial processing.

Drought impacts on both plant and animal production, e.g. by increasing fire danger with consequent loss of the vegetative cover needed for grazing and firewood. High temperatures also result in a reduction of crop yields by affecting an array of physiological, biochemical and molecular processes which reduces production capacity. Yield of specific plants like cereals and fruit trees can be damaged by a few days of temperatures above or below a certain threshold. In addition, fishes can be affected due to changes in sea temperatures that could decrease trends in productivity.

## Impact of Agro Processing on Climate

Food processing and transportation are key parts of the agro-food system as they encompass all operations that ensure the safe processing and distribution of food to consumers. On a global scale, GHG originating from agriculture contribute at 14%, and at over 30% when taking into account land use change and forestry (17%).<sup>6</sup> The increase in biofuel production has also posed a hindrance to the climate, in conjunction with policies that set minimum targets for biofuel use, which has intensified the debate about the impact of agro-processing trade on climate change. Currently, there are mitigation measures being taken to cut the net emissions of greenhouse gases and so reduce climate change effect.

On the other hand, there is need for adaptation to

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<sup>5</sup> FAO, IFAD and WFP. 2015. The State of Food Insecurity in the World 2015. Meeting the 2015 international hunger targets: taking stock of uneven progress. Rome, FAO

<sup>6</sup> IPCC 2007. Climate Change 2007: Synthesis Report. An assessment of the Intergovernmental Panel on Climate Change. Valencia, Spain, November 2007

climate change since some of the causes are natural. Effective mitigation of and adaptation to the impacts of climate change require a common set of response priorities.

The government of Uganda, having recognized the importance of mitigating and adapting to climate change signed the Paris Agreement and subsequently made its commitments to reduce greenhouse gases emissions by 30 per cent by 2030. Already in December 1997, under the Kyoto protocol, 37 countries including Uganda committed themselves to a reduction of four greenhouse gases (carbon dioxide, methane, nitrous oxide, sulphur hexafluoride) and two groups of gases (hydrofluorocarbons and perfluorocarbons) produced as a result of industrialisation. The countries agreed to meet their GHG emission limitations by purchasing GHG emission reductions credits from elsewhere through financial exchanges and through projects that reduce emissions.

Therefore, more commitment is required from the industrialized nations towards reduction of emissions. Sustainability should be the underlying principle or value in any industrialisation oriented nation. Environmental Impact Assessment (EIA) should be a key part of every plan towards industrialisation. Companies and industries should not gloss over environmental programs in order to increase profits or to survive in a tough business world. Environmental maintenance agencies should be more focused on the main goal of restoring and keeping the environment in a state fit for human habitation. Creation of awareness and education of the population on the impact of their activities with respect to climate change should be embarked on. And lastly, people must be taught and properly sensitised on how they contribute to the climate change equation.

## Why climate change into the Uganda National Industrial Policy

A national policy is a legal framework that plays an important role in promoting development in a

country. Based on the adverse impact of climate on agro-processing, incorporating climate change into the National Industrial Policy should be given priority. Accounting for climate impact will enhance the growth and development of the agro-processing industry in Uganda and ensure that it is climate-aware, trade-driven and food security-enhancing by assessing and highlighting mitigation and adaptation measures. The current National Industrial Policy expires in December 2018. The Ministry of Trade Industry and Cooperatives (MTIC) has commenced preparations and initial stages of review and prepares for the next policy.

The expiring National Industrial policy is limited on the linkages between agro-processing and cross-cutting issues including climate change, trade, and food security. Its review also provides an opportunity for consideration of the linkages. Currently, the country does not have an independent National Agro-processing policy that takes into account the above cross-cutting issues.

In Uganda, agro-processing has been highlighted as a priority sector in the country's development agenda, specifically, the National Development Plan II highlights the need for the country to support manufacturing by ensuring increased facilitation for value addition. However, the impact of climate change in agro-processing and manufacturing are often left out during planning and implementation of development programs.

Given the diverse impact caused by this missing link, there is need for the new policy to include provisions working in synergy with the country's climate and trade policies, thereby supporting and strengthening the collaborations between industrial policy and other measures related to climate change. The recognition of the need for harmonization of these sectors provides a unique opportunity for the inclusion of these key issues in the development process, specifically in industrialisation.

## Recommendations

Both government and the private sector, which should drive the sector through consistent policies,



robust funding and infrastructure development, have not accorded this problem the priority it deserves. Moreover, the anticipated benefit from trade liberalisation has failed to trickle down to the African farmer, partly due to inefficient local marketing systems and changing weather trends. In addition, farmers are slow in changing their farming practices such as bush burning, deforestation and rain-fed agriculture, and they lack the requisite education, information and training necessary to adapt to climate change

The development of dynamic farming systems, capable of adapting to climate change and reliably supply agro-industries, requires a conducive and stable policy environment. Implementation challenges and inconsistency in government policies have always been major snags in the development of agriculture in Uganda.

Therefore, the below recommendations should be considered for inclusion in the National Industrial Policy:

- ① The preamble to the policy should elaborate the effects of climate change on the industrial sector growth and highlighting the vital need for putting in place **climate adaptation** and mitigation measures for sustainable industrial production.
- ② The vision of the Policy should emphasise the need to build a modern, competitive dynamic and **environmentally-friendly** industrial sector fully integrated into the domestic, regional and global economies.
- ③ The principle focus of the sector should include cross-cutting issues such as gender-responsive climate change actions, **food security** and the protection of vulnerable groups, including women, against hazardous industrial activities.
- ④ In the target indicators, a policy target on government commitment to adapt and mitigate the adverse effect of climate change should be added.
- ④ In the situational analysis, among the strength, a section on agricultural productivity and agro-processing should be introduced emphasising the

sector's **linkages to other sectors** such as industry, services and trade. Among the threats, the new policy should emphasise the effect of climate change and its associated effects as well as recognising the contribution of industrial development for instance agro-processing to the challenge of climate change.

5 In the key policy considerations the policy should **identify synergies with other strategic interventions** by the government in mitigating and adapting to the changes in climate including such policy interventions as INDC, NAPAs, National Policy for Disaster Preparedness and Management and the National Climate Change Policy.

6 The policy should consider the creation of a new **IITC sub-committee on agro-processing**, which

should include stakeholders working on climate change, food security and gender issues.

### References

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### CUTS International, Geneva

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37-39, Rue de Vermont, 1202 Geneva, Switzerland  
 geneva@cuts.org • www.cuts-geneva.org  
 Ph: +41 (0) 22 734 60 80 | Fax:+41 (0) 22 734 39 14 | Skype: cuts.grc

their region. Web: [www.cuts-geneva.org/pactec2](http://www.cuts-geneva.org/pactec2)