

CEO SUMMIT

MANUFACTURING CLUSTER

23 October 2018



Key statistics related to Uganda manufacturing sector.

Indicator	Details	
1. Mirror vision document targets and numbers	Current status <ul style="list-style-type: none"> - 19.6% Manufactured exports - 8.4% Manufacturing GDP - 15.4% Employment - 53.4% Capacity utilisation - 14% Tax GDP - 19% Export GDP 	Vision 2040; <ul style="list-style-type: none"> - 50% Manufactured exports - 28% Manufacturing GDP - 26% Employment - 95% Capacity utilisation - 25+% Tax GDP - 30% Export GDP
2. URA numbers of manufacturers	<ul style="list-style-type: none"> - 33,000 manufacturing units [URA] - UMA membership 1,400 with tax contribution 33% 	
3. Value of exports and imports	Exports [2017]: USD 2,901.3 million Imports [2017]: USD 5,595.5 million Balance of Payment: USD -2,694.2 million	
4. Power consumed	66.7% of total power consumption [ERA]	
5. Employment	7.0%; 1.5 million employees both direct and indirect [15.4% of employment]	
6. Exports by Manufacturers	Exports value: USD 858.86 million [29.6%] given the total exports.	
7. Electricity Prices for Manufacturing (Off Peak)	<ul style="list-style-type: none"> - Extra Large: USD 5 cents - Large: USD 6.7 cents - Medium: USD 10.2 cents - Small: USD 11.5 cents 	- < USD 5 cent
8. Cargo moved by rail for exports and imports	<ul style="list-style-type: none"> - Cargo freight currently at <9% and dominated by bulk cargo 	- Cargo freight on rail to total freight 80% by 2040

Sources: UBOS Statistical abstract 2017; BoU data_2018; Trademap; Vision 2040 document

Key forex demand drivers of products that can be sourced locally.

Code	Product category	Import Values (US\$ '000)				
		2013	2014	2015	2016	2017
1	Plastics and articles thereof	234,863	266,973	286,357	243,574	289,115
2	Iron and steel	251,911	251,053	279,557	209,653	283,565
3	Animal or vegetable fats and oils	227,963	268,131	210,122	230,788	275,492
4	Pharmaceutical products	347,689	358,081	370,962	312,419	268,821
5	Cereals (wheat and rice)	221,868	246,672	178,461	180,008	249,274
6	Paper and paperboard; articles of paper pulp, of paper or of paperboard	120,363	109,028	107,834	112,009	130,834
7	Textile articles; sets; worn clothing and worn textile articles; rags	130,809	131,088	111,569	147,497	121,409
8	Clinker, lime and cement	113,398	137,804	128,358	115,604	113,794
9	Footwear and leather products	51,165	50,524	49,835	56,221	62,753
Totals		1,700,029	1,819,354	1,723,055	1,607,773	1,795,057
<i>Total import value</i>		<i>5,817,510</i>	<i>6,073,528</i>	<i>5,528,117</i>	<i>4,829,459</i>	<i>5,595,535</i>
% of total imports		29.2%	30.0%	31.2%	33.3%	32.1%

Source: BoU 2018; TradeMap

Manufacturing sector – major focus areas

- Local content mainstreaming
- Electricity tariffs
- Cost of capital
- Counterfeits and substandard products
- Export markets
- Human capital development

Local Content Mainstreaming

- BUBU is working well for sectors like textiles, pharmaceuticals, cables, cement, steel. Capacity in benefiting companies has increased from 54% to 64%.
- UMA has agreed with PPDA to broaden sector coverage to sectors such as transformers, furniture, paints, batteries, mattresses.

Required intervention:

- **PPDA to require MDAs to open letters of credit for local purchase orders - similar to foreign purchase orders – to ensure timely payments.**

Electricity Tariffs

- Current electricity tariffs result in high production costs.
- UMA has requested for a reduction of tariffs to USD 5 cents per KWH.
 - Tariffs have been lowered for extra-large and large manufacturers.
 - Tariffs remain high for medium and small scale manufacturers.

Required intervention:

- **MEMD/ERA to provide a power tariff reduction trajectory for all manufacturers.**

Cost of Capital

- Revitalization of UDB and UDC has enabled some manufacturers to lower their cost of production. Manufacturing sector currently accounts for more than 60% of UDB's loan portfolio.
- Target is to reduce 90% commercial borrowing for the industrial sector to 50% in the medium term.

Required intervention:

- **Increased financing of UDB and UDC to enable more manufacturers to access lower cost of capital.**

Counterfeits and Substandard products

- UNBS estimates that counterfeits account for just over 50% of traded goods in Uganda. Counterfeits compromise Ugandans and undermine genuine operations.
- UMA supports the requirement that all goods traded must conform to UNBS standards effective January 2019.

Required interventions:

- **Fast tracking of the anti – counterfeit law to ensure level playing field for compliant manufacturers.**
- **Increased financing and accountability of UNBS to ensure better enforcement.**

Export Markets

- Government has in principle agreed to a 4 to 5 band structure of EAC Customs Union Common External Tariff (CET) that clearly captures the degree of processing that is necessary to resonate with our long agricultural and extractive value chains where Uganda has a competitive advantage.
- UDB has initiated export guarantee insurance with Islamic Insurance Facility.
- MTIC has indicated willingness to sign a public private partnership MOU with UMA members for the construction of border warehouses.
- The Continental Free Trade Area (CFTA) agreement signed on March 21, 2018 by 44 African countries provides an opportunity for manufacturers to increase exports.

Required interventions:

- **Impose duties on manufacturing tariff lines with demonstrated local manufacturing capacities in order to protect investments already made in the country.**
- **Address the distortions due to EAC Stays of Application that currently deny Uganda a market of at least 1.06 Billion Dollars for manufactured goods as at 2017.**
- **Government intervention to engage South Sudan, DRC and Burundi to encourage them to join Organization of Islamic Conference (OIC). Islamic Insurance Facility provides export guarantee for members of OIC.**
- **MTIC to fast track the signing of the PPP MOU with UMA so that implementation of border warehouses starts as early as Q1 of 2019.**
- **Government to facilitate promotion of manufacturers in target CFTA countries.**

Human Capital Development

- Significant gap between skills acquired by students and skills required by manufacturing sector.
- According to UBOS Statistical Abstract 2017, out of the over 300,000 Students that appeared for O-Level Examinations in 2016, less than 45,000 enrolled for Vocational Training. Furthermore, those attending vocational training, the skills acquired are largely not relevant for manufacturing sector needs.

Required Interventions:

- **UMA to work with MoES to identify strategic trades that require inclusion into the National BTVET curriculum.**
- **Government to review bilateral MOU with Government of India to unlock modern vocational training opportunities from India under the South to South Cooperation.**