



**Republic of Uganda**

**Ministry of Tourism Trade and Industry**



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## Special Acknowledgement to the lead NES Design Institutions



**U**ganda Export Promotion Board (UEPB) is a Trade Promotion Organization (TPO) which operates under the Ministry of Tourism, Trade and Industry. It was established by Parliamentary Statute No. 2 of 1996 with a mission to brand Uganda on the world market as a reliable supplier of quality export products. Its key functions are export policy initiation and advocacy, market research and development, trade information generation and dissemination, export skills development and trade promotion services. UEPB led the strategy formulation process and was the Secretariat for the NES national working teams.



**P**rivate Sector Foundation Uganda (PSFU) is Uganda's apex body for the private sector. It is made up of 105 business associations, corporate bodies and the major public sector agencies that support private sector growth. Right from its inception PSFU has been Government's implementation partner for several projects and programmes aimed at strengthening the private sector. In this spirit, PSFU was part of the Secretariat and provided useful inputs and linkages with the Private Sector in the NES Design process.



**T**he National Planning Authority (NPA) is a Statutory Agency established by the NPA Act (15 of 2002). It was established against the background of countrywide inadequacy of a consistent, efficient, co-ordinated and integrated framework and system of managing national planning for development and service delivery. The NPA was part of the NES Secretariat and provided the needed insights for integrating NES in the National Planning Framework.



**T**he Commonwealth Secretariat Trade Advisory Services Section focuses on helping Commonwealth member countries to improve their export competitiveness through export and sectoral strategy development, through trade promotion and facilitation and through better compliance with international rules and standards. The Secretariat provided financial resources and technical assistance for the entire NES process.



**T**he International Trade Centre (ITC) is the joint technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO). With its partners, ITC provides integrated trade development programmes that focus on strengthening the international competitiveness of enterprises, developing the capacity of trade service providers to support businesses and supporting policy makers in integrating the business sector into the global economy. The NES design team benefited from extensive technical assistance provided by the institution's Consultants.

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## ACRONYMS

ACODE	Action Coalition for Development and Environment
AGOA	African Growth and Opportunities Act
AICAD	African Institute for Capacity Development
ASYCUDA	Automated System for Customs Data
BDS	Business Development Services
BMU	Beach Management Units
BOU	Bank of Uganda
BRC	British Retail Consortium
CAA	Civil Aviation Authority
CAO	Chief Administrative Officer
CBC	Customs Business Centre
CBI	Centre for the Promotion of Imports from Developing Countries
CDO	Cotton Development Organization
CET	Common External Tariff
C&F	Clearing and Forwarding
CICS	Competitiveness and Investment Climate Strategy
COMESA	Common Market for Eastern and Southern Africa
DCO	District Commercial Officer
DDA	Dairy Development Authority
DFID	Department for International Development (UK)
DFR	Department of Fisheries Resources
DP	Development partners
DTIS	Diagnostic Trade Integrated Study
EAC	East African Community
EBA	Everything But Arms
ECGS	Export Credit Guarantee Scheme
EPA	Economic Partnership Agreement
ERS	Export Refinance Scheme
EU	European Union
EUREPGAP	Euro-Retailer Produce Good Agricultural Practices
FAUEX	Federation of Associations of Uganda Exporters
FDI	Foreign Direct Investment
FRRI	Fisheries Resources Research Institute
FHL	Fresh Handling Limited
FOB	Free on Board
FTA	Free Trade Area
GAP	Good Agriculture Practices
GDP	Gross Domestic Product
GMO	Genetically Modified Organisms
GMP	Good Manufacturing Practices
GOU	Government of Uganda
GSP	Generalised System of Preferences
HACCP	Hazard Analysis and Critical Control Points
HORTEXA	Horticulture Exporters Association

HPOU	Horticulture Promotion Organisation of Uganda
ICBT	Informal Cross Border Trade
IFAD	International Fund for Agricultural Development
IFIs	International Financial Institutions
IFWG	Integrated Framework Working Group
IMF	International Monetary Fund
ISO	International Organization for Standardization
IT	Information Technology
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
KARI	Kawanda Agricultural Research Institute
LDC	Least Developed Countries
LGs	Local Governments
LVFO	Lake Victoria Fisheries Organisation
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MAAPS	Marketing and Agro-processing Strategy
MEMD	Ministry of Energy and Mineral Development
MOFPED	Ministry of Finance, Planning and Economic Development
MJCA	Ministry of Justice and Constitutional Affairs
MICT	Ministry of Information, Communications, and Technology
MIS	Market Information Systems
MOLG	Ministry of Local Government
MOES	Ministry of Education and Sports
MOW	Ministry of Works, Transport and Communication
MSY	Maximum Sustainable Yield
MSMEs	Micro Small and Medium Enterprises
MTTI	Ministry of Tourism, Trade, and Industry
MWE	Ministry of Water and Environment
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organization
NBFP	National Budget Framework Paper
NCDC	National Curriculum Development Center
NEMA	National Environment Management Authority
NES	National Export Strategy
NFA	National Forest Authority
NGO	Non-Governmental Organization
NOGAMU	National Organic Agriculture Movement of Uganda
NPA	National Planning Authority
NTP	National Trade Policy
OECD	Organization for Economic Co-operation and Development
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PFA	Prosperity For All
PIP	Pesticide Initiative Program
PIRT	Presidential Investors Roundtable

PMA	Plan for Modernization of Agriculture
PSFU	Private Sector Foundation Uganda
PSOM	Programma Samenwerking Opkomende Market Programme
RAFU	Road Agency Formation Unit
ROO	Rules of Origin
RTA	Regional Trade Arrangements
SADC	South African Development Community
SCOPE	Strengthening the Competitiveness of Private Enterprise
SEP	Strategic Exports Program
SHFs	Small Holder Farmers
SIDA	Swedish International Development Agency
SPS	Sanitary and Phytosanitary Standards
SSA	Sub-Saharan Africa
SWOT	Strengths, Weaknesses, Opportunities and Threats
TBT	Technical Barriers to Trade
TEXDA	Textiles Development Agency
TUNADO	The Uganda National Apiculture Development Organization
UAE	United Arab Emirates
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UCDA	Uganda Coffee Development Authority
UCEF	Uganda Coffee Exporters Federation
UCFFA	Uganda Commercial Fish Farmers Association
UCGEA	Uganda Cotton Growers and Exporters Association
UEPB	Uganda Export Promotion Board
UFA	Uganda Fisheries Authority
UFEA	Uganda Flower Exporters Association
UGSTDP	Uganda Sustainable Tourism Development Programme
UIA	Uganda Investment Authority
UIP	Uganda Integrated Program
UIRI	Uganda Industrial Research Institute
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNCCI	Uganda National Chamber of Commerce and Industry
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFFE	Uganda National Farmers Federation
UNIDO	United Nations Industrial Development Organization
URA	Uganda Revenue Authority
URC	Uganda Railways Corporation
USAID	United States Agency for International Development
USh	Uganda Shilling
UTA	Uganda Tea Association
VAT	Value Added Tax
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organization



Republic of Uganda

## FOREWORD

**T**ransformation of Uganda's economy is one of the fundamental goals of the current government. We have very clearly pronounced ourselves on this issue in the NRM Election Manifesto, the Poverty Eradication Action Plan and the subsequent programme we have designed to economically empower all Ugandans, the National Prosperity for all (PFA).

Uganda's per capita export ratio of US\$ 82 for both goods and services must be rigorously raised to at least US\$ 200 in the next few years. Countries such as Singapore that had a similar level of economic development with Uganda two decades ago, now enjoy a per capita export ratio of well over US\$ 40,000!

To achieve transformation requires investment in improving the quality of life of our people through health and education. We have made formidable strides in this direction with every Ugandan being able to go to school. Literate Ugandans will undoubtedly be better contributors to export development. We now need to invest in sectors of our economy that are capable of enabling Uganda earn money from both the local and the international markets. I have argued before that the transformation of our economy cannot be achieved by handouts from donors but through effective trade.

The export sector can play a fundamental role in transforming our country through trade but only if it can develop beyond exportation of primary commodities that are characterized by poor terms of trade. To earn better values and realize substantial contribution of the Sector to our GDP, we must invest in value addition and processing, improve productive capacities at home and avail the necessary business supportive infrastructure and climate.

This National Export Strategy contains a plan to guide specific priority sectors to both expand and metamorphose so as to generate more revenue into our economy. It also offers all policy makers, government functionaries and private sector leaders a framework to guide coordinated support for national export development. I call for total commitment from everyone towards its implementation. We should all be able to monitor and review it regularly and after 5 years, we should take stock of our progress and achievements.

I am aware that both the Public and the Private Sectors have worked together to formulate the Strategy. There can be no better institutional framework to implement the strategy than this same Public-Private sector genuine partnership. Government will continue to spur and support such efforts.

I am pleased to forward the Strategy for implementation.

Yoweri Kaguta Museveni

**PRESIDENT OF THE REPUBLIC OF UGANDA**



Republic of Uganda

## Statement by the Minister of Tourism, Trade and Industry

In the Ministerial Policy Statement of 2006/07, My Ministry committed itself to designing a National Export Strategy (NES) to principally serve as a holistic national medium term plan to revamp the export sector. I am happy that this commitment has been fulfilled by UEPB and other key Stakeholders. The NES is meant to further improve the export sector's positive performance that has experienced an average growth rate of 18% between 2002 - 2006.

As we launch the Strategy, let me briefly highlight its importance in furthering the country's trade objectives and goals as stipulated in the National Trade policy, and recommendations of the Diagnostic Trade Integrated Study (DTIS), which the Ministry of Tourism, Trade and Industry concluded in 2007 in cooperation with our development partners in the Integrated Framework.

NES fulfills statutory obligation No. 6 of the UEPB Act that requires the institution to develop strategies for national export development. NES has been approved by cabinet as an instrument of the National Trade Policy and in particular, it provides a comprehensive framework for developing detailed plans for the export sector. It focuses on coordinated action on 12 strategic sectors, with demonstrated export capacity and others that have enormous potential for export.

The NES places emphasis on stepping up production organization, value addition and marketing. These are important ingredients of the country's national trade policy. It also details our action plans on several other issues that affect export performance across all the sectors. These include; Quality and standards management, Trade Finance, Infrastructure related issues and Export development skills. Some of these were highlighted by the DTIS I have already referred to above.

The NES also takes into account the Investment and Competitiveness Strategy (CICS) and in particular seeks to deliver international competitiveness of Uganda's productive sectors. This is one of the major objectives of CICS.

Let me also state that NES makes important strides to implement the Prosperity for All (PFA) Program. By ensuring coordinated and comprehensive actions and initiatives to stimulate production and international marketability of products across twelve actual and potential export sectors, the NES will undoubtedly lead to creation of more wealth for many Ugandan communities linked to the value chains of these sectors.

Lastly I thank UEPB, NPA, PSFU and the entire national team that formulated the NES. Special thanks also go to the Commonwealth Secretariat, which funded the process and provided extensive technical assistance. I also recognise the International Trade Centre that technically supported the process through their international and local consultants. Let us again work together to implement the strategy to help transform the country's export sector in line with the Government's overall goal of economic and social transformation of Uganda.

Hon. Janat .B. Mukwaya  
Minister

## PREFACE AND ACKNOWLEDGEMENTS

**T**his NES has been prepared with the financial and technical support of the Commonwealth Secretariat, The International Trade Centre and the Government of the Republic of Uganda. The President, H.E Yoweri Kaguta Museveni has been the patron of the process and formally gave full support to the team formulating the Strategy in a meeting he held with the UEPB Board of Directors on March, 23 2007.

NES working meetings were held during November 2006 – June 2007. The NES has been prepared by a team led by UEPB, NPA and PSFU. The team formed a working Secretariat and coordination centre for formulating the Strategy. International Consultants from ITC and the Commonwealth Secretariat supported the teams in various technical sessions.

The NES has been prepared in close consultation with a core group of representatives of the Ugandan Institutions in Core committees and large Sector working groups. The core committee that played a leading role comprised of representatives from the Ministry of Tourism, Trade and Industry (MTTI), the Private Sector Foundation Uganda (PSFU), The Uganda Industrial Research Institute (UIRI), Uganda National Bureau of Standards (UNBS), Enterprise Uganda, Uganda Revenue Authority (URA), The Competitiveness and Investment Climate Strategy Secretariat (CICS), Action Coalition for Development and Environment (ACODE), Ministry of Finance, Planning and Economic Development (MOFPED), The National Planning Authority (NPA) and finally the Uganda Export Promotion Board (UEPB).

The NES Secretariat extends its thanks to the representatives of the public and private sector agencies and institutions, civil society organizations, donor agencies, research institutes and universities who have shared their time and information, without which the NES could not have been produced. These include: Ministry of Agriculture, Animals and Fisheries (MAAIF), Ministry of Foreign Affairs (MOFA), Bank of Uganda (BOU), National Agricultural Advisory Services (NAADS) Secretariat, National Agricultural Research Organization (NARO), Kawanda Agricultural Research Institute (KARI), Dairy Development Authority (DDA), Uganda Bureau of Statistics (UBOS), Government Analytical Laboratory, Cotton Development Organization (CDO), Uganda Coffee Development Authority (UCDA), National Environment Management Authority (NEMA), Uganda Communications Commission (UCC),

Uganda Investment Authority (UIA), Uganda National Chamber of Commerce and Industry (UNCCI), Uganda Wildlife Authority (UWA), The District local Governments of Mbale, Lira, Soroti, Bushenyi, Mukono, Jinja, Kisoro, Luwero, Kampala, Ntungamo, Wakiso, Nakasongola and Masaka. Further thanks go to the Economic Policy Research Centre (EPRC), Private Sector companies and associations including Britania Allied Industries, Uganda Flower Exporters Association (UFEA), Bee Natural Products, Chemiphar, Toro Mityana Tea Estates, Kawacom, Icemark, Land O'Lakes, Flona Commodities Limited, Ssemwanga Group, Cayman Consults, Uganda Community Tourism Association (UCOTA), Horticulture Exporters Association of Uganda (HORTEXA), Federation of Associations of Uganda Exporters (FAUEX), Uganda Fish Processors and Exports Association (UFPEA), Uganda Fish Packers, National Organic Agriculture Movement of Uganda (NOGAMU), Uganda Tea Association (UTA), etc. A full list of these is attached in the annexes.

The NES Secretariat also appreciates the contribution of members of the various Committees of Parliament for the many useful views they put into the process. Thanks also go to the Private Sector Donor Group comprising of Danish International Development Agency (Danida), Department for International Development (DFID) of the UK, Royal Netherlands Embassy (RNE), Swedish International Development Cooperation Agency (SIDA), The EU delegation in Uganda, the World Bank Group, USAID, Austrian Development Cooperation (ADC), GTZ, UNDP and Norwegian Embassy.

The Government through the CICS Steering committee also reviewed the NES and adopted it as a national export plan for the medium term within the overall country competitiveness agenda. The NES Design team appreciates the views and work of the CICS Steering Committee.



## EXECUTIVE SUMMARY

### 1.0 The NES Rationale

The NES focuses on how to revamp, develop and sustain export growth over the medium term (2008-2012). After a review of the export growth trend that has on average been 18% over the past 4 years, the NES sets strategies/measures that will not only sustain this growth, but also qualitatively improve the country's exports. NES targets over the medium term are as follows;

- At least US\$ 5 billion per year in revenue from the export of goods and services.
- More than 16 % contribution to GDP, this being the minimum set by the Poverty Eradication Action Plan for the medium term.
- A per capita export Ratio of US\$ 200 by 2012.

### 2.0 The Strategies

**At sector level the focus is on:**

- Capacity Diversification involving expanding product range.
- Capacity Expansion involving enhancing productivity and value addition.
- Human capital development especially in the area of export skills and business development.
- In-market business support involving trade fair management and distribution networks expansion schemes.
- Image and branding.
- Strengthening service delivery networks including efficient production organization schemes.

**At Cross-sectoral level the focus is on**

- Infrastructure development
- Development of supportive commercial laws
- Quality and standards enhancements management programs
- Export competence development
- Provision of affordable trade finance
- Market Information management and customs documentation

The proposals made are largely in harmony or supplementary to those under other various programs designed to address these cross sectoral challenges. These programs include mainly the Competitiveness and Investment Strategy (CICS), the Plan for the modernization of Agriculture (PMA) and the Diagnostic Trade Integrated Study of the Integrated Framework (DTIS).

### 3.0 NES Development Perspectives

Export growth without substantial effect on poverty reduction is less desirable. The NES thus does not only focus on the development and marketability of priority sector products but also seeks to enhance their contribution to overall development goals as stipulated in the Prosperity for all Program (PFA) and wealth creation as stipulated in the National Trade Policy (NTP). Other goals include employment generation, environment conservation, gender equality



and regional development. This is reflected in the NES Vision of realizing '**A dynamic and competitive export-driven economy for national prosperity and development**'

It is also reflected in sector specific objectives in which every other NES sector has set itself a development objective.

## 4.0 NES Strategic Priority Sectors

Twelve sectors have been highlighted by the NES for the medium term. These include Coffee, Tea, Flowers, Fish, Cotton and Services as the main priorities which have been largely agreed upon under other national programs and studies including CICS and DTIS. However, due to the need to further the export diversification process, Textiles and garments, cereals and pulses, Commercial Crafts, Natural Ingredients and Dairy have also been included in the NES. For each of these sectors, stakeholders have set a vision, defined key objectives and targets they want to achieve in the medium term. They have also highlighted initiatives with which they hope to achieve these objectives. Integrated management Framework Matrices containing these objectives and initiatives are presented in Chapter 5 of the Strategy.

**In choosing the sectors, many factors were considered but the major ones included:**

1. Possession or potential to possess a significant competitive advantage
2. Possession or potential to possess high value-addition
3. Extent of Contribution to development (employment, incomes, etc)
4. High-growth in international demand

## 5.0 Institutional Arrangements for NES Implementation

The proposed management structure leverages on the synergies with existing structures especially within those already established under CICS. The Presidential Economic Policy Council (PEC) shall provide overall political oversight. The oversight for implementation will be provided by MTTI political leadership, while the CICS Steering Committee supported by the CICS Secretariat and the NES Secretariat at UEPB and MTTI will provide coordination oversight and streamline NES in the national budget process. This committee shall be involved in making key technical decisions relating to NES implementation, monitoring and evaluation. PSFU and NPA having been part of the lead agencies in designing the NES and shall be part of the NES Secretariat. The PSFU in particular will bring into the Secretariat the voice and requirements of the private sector at the Secretariat level.

## 6.0 Resources for the Strategy

Best practice dictates that resources for NES implementation be provided to implementing agencies through the annual budgetary appropriations and private sector business processes. It is also proposed that Government negotiates special instruments including grants and loans to finance strategic aspects of the Strategy. The matrices of sector objectives and initiatives highlight possible sources of funds which mainly include government, donors and private sector investment.

To enable proper planning for strategy implementation and monitoring, the NES Secretariat (UEPB) will require annual resources amounting about US\$ 1 million. These resources will finance adequate staff size and institutional retooling for effective strategy management and improved linkages with supply side centers.

## 7.0 Monitoring and Evaluation

Annual review of progress will be done before the commencement of the national budget preparation process. A review conference will be organized by the Steering Committee supported by the CICS and the NES Secretariats. Monitoring and assessment of progress on specific initiatives will be achieved using a set of tools and mechanisms which the NES Secretariat will design and have approved by the steering committee within the first year of NES launch.

## 1.0 INTRODUCTION

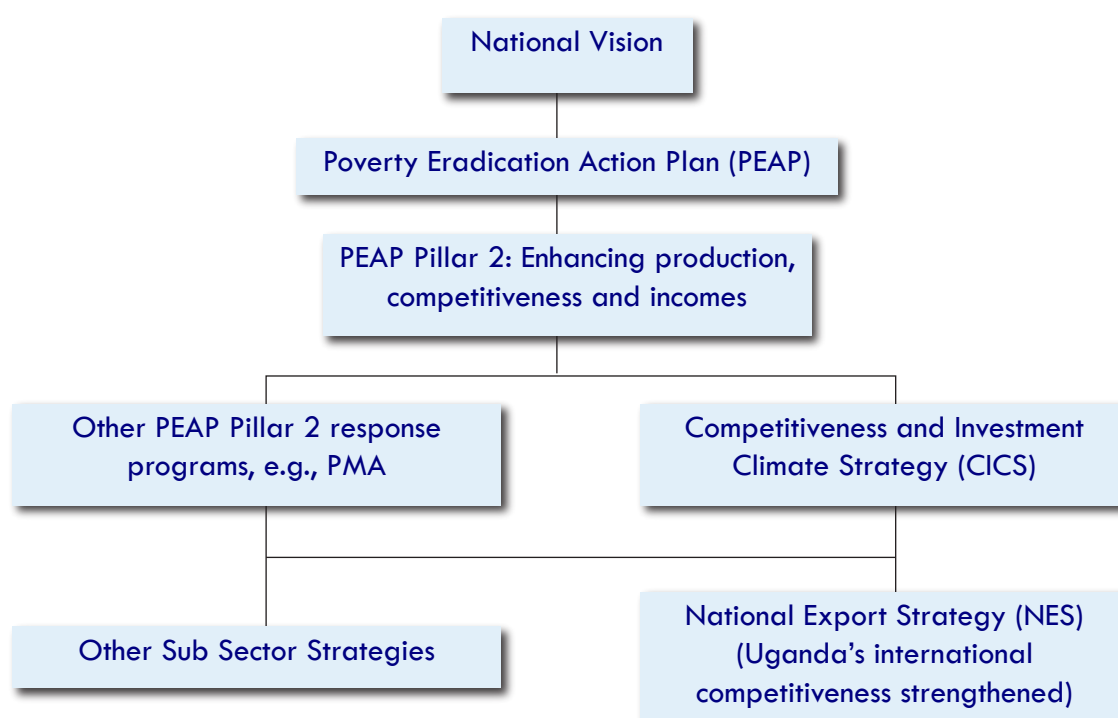
### 1.1 A STRATEGIC PARTNERSHIP

The Uganda National Export Strategy (NES) is a result of a strong partnership between the Government of Uganda, The Commonwealth Secretariat and The International Trade Centre (ITC). The tripartite partnership constructively worked together over a five-month period to produce the NES. The Commonwealth Secretariat provided financial and technical support to the process. Additional technical support came from ITC. The Uganda Government supported a strong network of national human resource teams from both the Public and Private Sectors which, through a consultative process, assessed national export needs and proposed comprehensive strategies to respond to these needs.

### 1.2 THE NES: AN INTEGRAL PART OF THE NATIONAL PLANNING FRAMEWORK

The National Export Strategy is not an isolated strategy but fits into the existing National policy/planning frameworks. It responds to identified national priorities contained in the Poverty Eradication Action Plan (PEAP) and the National Trade Policy (NTP). The PEAP has 5 pillars, namely, economic management; enhancing production, competitiveness and income; good governance; peace, security and conflict resolution and human development. NES thus forms an integral part of PEAP responding to pillar 2 as shown in figure 01 below. It is also a tool for implementing the NTP approved by cabinet in July 2007.

Figure 1: Uganda's National Economic Planning Framework.



### 1.3 Uganda Export Sector: Key Challenges

Although the export sector has had impressive average growth rate of 18 % during the last 4 years, the current account deficit continues to widen. Uganda's export Sector continues to suffer from small volumes of low value-added goods and this has heavily affected the country's capacity to effectively respond to international demand. The Sector is also characterized

by poor factor productivity of labour, land utilization, limited application of science and technology and insufficient research and development that has led to low levels of innovation and learning.

Institutions that support export development also remain weak, under-resourced and without sufficient linkages to the productive sectors. Coupled with this, are infrastructure bottlenecks (utilities, transportation, telecommunication, logistics and storage, etc), limited financial services and systems, all of which have compounded to the larger problem of lack of competitiveness.

Enterprises continue to lose on business opportunities due to the lack of adequate trade information, and the export incentive scheme remains largely uncompetitive vis-à-vis those of neighbouring countries. The infrastructure that should enforce the adherence to standards is inadequate.

In general, the export sector is characterized by limited skills as a result of lack of effective support to enable enterprises position themselves as strong players and reliable business partners.

Although the sector has experienced some export diversification in the last one and half decades, the export basket continues to be dominated by agricultural unprocessed commodities resulting in low income realized for the country.

Notwithstanding the above challenges, the Sector's contribution to national development goals is significant. It provides employment to millions of Ugandans. Coffee, for example, employs more than 1.2 million people and supports more than 6 million livelihoods<sup>1</sup>. The fish sector employs an estimate of 250,000 people in lake side fishing communities and about 5,000 in urban factories<sup>2</sup> and more than 5 million people depend on it for their livelihood. Cotton employs an estimate of 0.8 million Ugandans and 6 million people depend on the sector for their livelihoods. The tourism sector employs more than 400,000 Ugandans both formally and informally<sup>3</sup>. These are basic examples of the significance of the sector to national development.

The above state of affairs thus demands that a systematic and practical plan be developed to guide the stakeholders at the macro, meso and micro levels in confronting these challenges and maximizing the potential of the sector's contribution to national development. The National Export Strategy provides such a plan.

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<sup>1</sup> Figures obtained from the Competitiveness and Investment Climate Strategy (2006-2010) as compiled by SCOPE.

<sup>2</sup> These are estimates by the DFR as reported in the Fish Sector Newsletter Vol. 01 of January–April 2007.

<sup>3</sup> Figures obtained from the DTIS Report (2006). The report suggests that they may not be perfect but they provide a reasonable basis for the assessment of sector potential.

## 1.4 NES RATIONALE

From the above assessment the rationale for the NES is as follows:

Firstly, it provides guidance to ensure that the scarce resources available for export development are allocated to the top priorities – sectoral, cross-sectoral and institutional.

Secondly, the national Export Strategy provides the framework for the public and private sectors to work within a partnership to achieve mutually agreed objectives for Uganda's export development.

And thirdly, NES emphasizes the contribution of the export sector to the overall economic and social development of the country in terms of; foreign exchange earnings, employment creation, poverty eradication, regional development, gender equality, inclusion of disadvantaged groups, and environmental sustainability. As a target, NES will aim at achieving US\$ 5 billion<sup>4</sup> in export revenue and a contribution of more than 16%<sup>5</sup> to GDP by the 2012.

## 1.5 NES VISION AND OBJECTIVES

The Uganda National Export Strategy is inspired by the following vision;

“A dynamic and competitive export-driven economy for national prosperity and development”

To realize this Vision, the NES will focus on the principal objectives summarized in the textbox below:

To increase the contribution of exports to the economic and social transformation of Uganda by focussing on wealth creation, prosperity for all, employment generation, gender equality and regional development, among others.

To enhance the competitiveness of Uganda's exports through developing supply side capabilities, improving the quality of the business operating environment, reducing the cost of doing business and enhancing demand side conditions such as market access, in-market support and branding.

To provide effective trade support services (Market information, trade finance, and competence development, trade promotion, quality management) to enable export enterprises to operate better in international markets.

To enhance coherence of export support policies, improve inter-institutional coordination and strengthen the capacity of export support institutions to effectively provide adequate services to the export sector.

<sup>4</sup> This figure is based on maintaining or exceeding the current average export growth of 18% from 2001-2006. It takes into account of both goods and services.

<sup>5</sup> This figure is slightly above the US\$ 4 billion target by 2009 as set by the PEAP.

## 2.0 THE UGANDA NES PROCESS

### 2.1 A PARTICIPATORY PROCESS

The formulation process involved use of participatory methodologies in which multi-sectoral teams through a process of extensive stakeholder consultation, gathered critical sector issues and problems. The work of the Multi-sectoral teams was supplemented by that of the NES Secretariat which gathered and reviewed many sector plans and strategies built by the sector operatives themselves. Some of the sector strategies reviewed covered fish, flowers, coffee, honey, cotton, tea, services and tourism. This review was also extended to key national studies including, among others, the Diagnostic Trade Integrated Study (2006) of the Integrated Framework (IF) of the World Bank and other donors, the National Trade Policy, the NRM Manifesto, just to mention but a few.

To deepen the understanding of sector specific issues, problems and benefits along the supply chains, a value chain approach was used. This mainly sought to establish centers of high value along the chains with the main aim of building a strategy that would minimize value leakages along the chain. The Strategy also seeks to create efficiencies, and add or create greater value in the country. To ensure that the value chains were realistic and reflected the actual experiences of enterprises, the strategy design team intensively involved sector exporters in building and reviewing those value chains.

The NES was essentially concluded in early June 2007. It had earlier been subjected to a Validation process on May 24th 2007. The review Symposium was attended by stakeholders from the public sector, the private sector, and civil society that had been involved with the NES process. The final NES has incorporated the outcomes of the Validation Symposium.

The methodology used has its main foundation in the ITC National Export Strategy Design and Management Framework which emphasizes taking into account the interests and perspectives of national and sectoral stakeholder groups, namely, the Competitiveness, the Client, the Institutional and the Development perspectives. This methodology provides for a comprehensive framework.

### 2.2 SCOPE

Parliamentary Statute No. 2 of 1996 that formed UEPB mandates the institution to, among others, develop national export development plans particularly, Export Development Strategies. NES has been developed in fulfillment of this mandate. NES provides a comprehensive framework for developing detailed plans for the export sector. It highlights both sector specific issues and challenges and proposes a set of initiatives to address them over the medium term (5 years).

Owing to limitations of financial and human resources, and avoidance of over-scoping, it was not feasible to build a NES incorporating all sectors. The solution to this is sector prioritisation in the first phase. Other emerging export sectors will be considered for incorporation in subsequent NES reviews. It should however be noted that sectors not highlighted will still experience growth benefits from interventions that cut across all sectors.

The NES is more than an export promotion plan – it is a roadmap for export development. In this regard it addresses:

- Supply-side constraints and opportunities (Border-In Gear)
- The quality of the business operating environment (Border Gear)
- Demand-side constraints and opportunities (Border-Out Gear)
- Development initiatives (Development gear)

The Strategy focuses on twelve sectors whose choice was based on a range of factors that took into consideration key national development goals. The sectors were further harmonized with what other key national studies and programs have highlighted. Measures to stimulate increased production and marketability of the sector products are proposed including adding value to these products.

The Strategy also highlights key cross-cutting challenges including those that relate to trade information, trade finance, quality management, business competency development, promotion and branding.

Addressing the challenges above cannot in any measure be the responsibility of any single institution but rather a multi-sectoral team working together in a public-private sector partnership and with Uganda's development partners, each bringing on board its core competences and resources. This is the implementation approach that is proposed for this strategy.

## 2.3 SYNERGETIC RELATIONSHIP WITH OTHER NATIONAL POLICES/ STRATEGIES/PLANS

The main policies, plans and strategies referred to here, include the Prosperity For All, (PFA), the National Trade Policy (NTP), the Competitiveness and Investment Climate Strategy (CICS), The Marketing and Agro-processing Strategy (MAAPS) and the Diagnostic Trade Integrated Study of the Integrated Framework (DTIS) done by MTI.

NES operationalises several aspects of these policies and plans as follows:

### 2.3.1 The PFA

This is a multi-faceted policy involving integrated socio-economic programmes that mainly target the rural poor in order to transform them into productive and prosperous communities. It focuses on stimulating income oriented production, value addition and improved marketing of different products that enable the individuals to earn steadily from both periodic and annual income sources. A micro credit scheme has been designed to support producer groups with low interest capital. The main development objectives of the NES have been oriented towards this goal by particularly focusing on raising income and employment levels of producers in the value chains of the different sectors NES promotes.

### 2.3.2 The NTP

Approved by cabinet in 2007 the NTP defines and provides recommendations that seek to stimulate the growth of both the local and external markets. NES implements recommendations given under Chapter 8.2 clauses, vii – ix, relating to information systems, measures and strategies for effective participation in international trade and identifying and supporting products and services where the county has both comparative and competitive advantage.

### 2.3.3 The DTIS

The DTIS, formally a diagnostic trade study of the Integrated Framework, has been standardised into a response plan to many challenges that affect the trade sector in general. NES tackles in a considerable measure some of the challenges and recommendations of the Diagnostic Trade Integrated Study (DTIS). It particularly responds to the market entry challenges identified in the DTIS with particular reference to the sectors of fish, coffee, tourism, tea, cotton and services identified by the study. It also recommends strengthening of the trade support institutions.

### 2.3.4 The CICS

NES also operationalises several aspects of Uganda's Competitiveness and Investment Climate Strategy (CICS) by particularly focusing on strengthening Uganda's international competitiveness, which is a key output of the CICS. It assists in implementing the sector/ cluster strategies of the CICS.

### The MAAPS

Finally, NES takes into account and seeks to implement several aspects of the Marketing and Agro-processing Strategy (MAAPS) with a special focus on provisions captioned in MAAPS 4.2.3 regarding deepening the provision of market information. NES proposals on market information will be implemented synergistically with institutions and arrangements stipulated in the MAAPS especially the National Agriculture Advisory Service (NAADS).



## 3.0 STATUS OF UGANDA'S EXPORT SECTOR SUMMARISED

### 3.1 GENERAL OVERVIEW

Uganda has made considerable progress in diversifying its exports. The shift towards more diversified export products was particularly pronounced during the second half of the 1990s when Uganda's exports went beyond the traditional exports of coffee, tea, tobacco and cotton to non traditional exports of fish, flowers, fruits etc. Notwithstanding the encouraging diversification trend, Uganda's exports remain highly concentrated in a limited number of commodities. The top-5 product lines, which are all commodities, account for more than 55 per cent of total exports. The sector has not progressed well in the direction of value addition neither has it fully embraced trade in services. There is also need for stronger linkages between trade policy and export growth by taking advantage of market access opportunities provided through various market preferences offered to Uganda and the growing regional markets occasioned by economic integration.

There is substantial informal trade between Uganda with its neighbours. A survey of informal cross-border trade between Uganda and five neighbouring countries, namely the Democratic Republic of Congo (DRC), Kenya, Rwanda, Sudan, and Tanzania, launched by the Uganda Bureau of Statistics (UBOS) and the Bank of Uganda (BOU), indicates that Uganda has an informal trade surplus with its neighbours worth US\$ 151.1 million<sup>6</sup>. Such informal trade has come about because shipments across borders by bicycle or wheelbarrow of up to 200 kg do not require official registration. The Sector could benefit more from the expansion of cross border trade by scaling up efforts to eliminate barriers and trade impediments.

### 3.2 EXPORT GROWTH TRENDS

The export sector has experienced an annual growth rate of about 18% over the last five years. This is considerable recovery given the declines experienced in 1990/91 and 1996/97. Merchandise exports had stagnated for several years before they picked up in 2002/03, reaching US\$ 1.19 billion<sup>7</sup> in both formal (US\$ 962.1 million) and informal (US\$ 231.7 million) merchandise exports in 2006. When added to US\$ 504.9<sup>8</sup> million from the formal service sector, the total export earnings amounted to US\$ 1.695 billion. It is also important to note that remittances by Ugandan workers abroad brought in a total of US\$ 731.3 million<sup>9</sup> in 2006 well above earnings from the rest of the services. Compared to the previous year, there was a growth of about 25%. It is important therefore that the export of labour is given adequate attention in promotional strategies and multilateral trade negotiations particularly under General Agreements on Trade in Services (GATS).

Reasons for improved performance include mainly high commodity prices, private sector growth and national export development and promotional efforts that have continued to stimulate export diversification. Figure 2 below demonstrates trends in absolute values over a five-year period.

<sup>6</sup> See *Informal Cross Border Trade Publication of the Uganda National Bureau of Statistics, May 2007*.

<sup>7</sup> *Ibid*.

<sup>8</sup> See *Background to the budget 2007/08, MOFPED*

<sup>9</sup> *Ibid*.

Figure 2: Trend of total formal Merchandise Exports

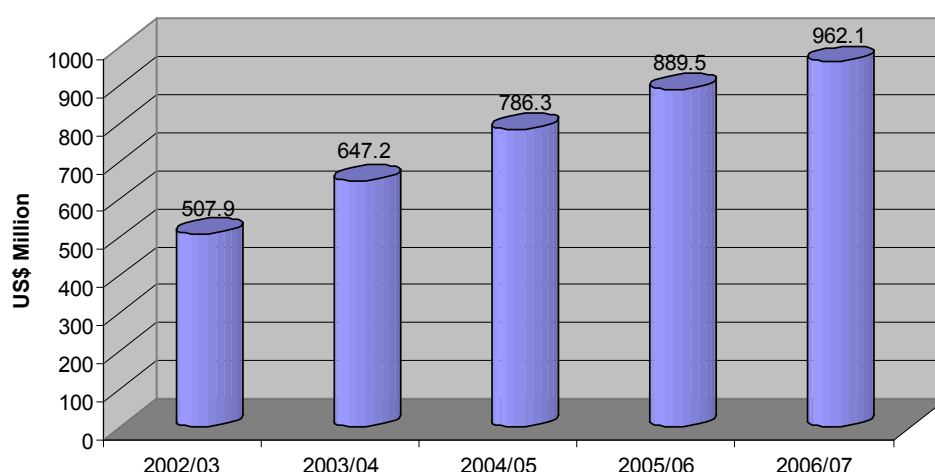


Illustration done by UEPB with data from The Background to the Budget 2007/08

In the late 1990s up to 2002, the sector's traditional exports had been trending downwards while non-traditional exports trended upwards. By 2002, the non-traditional exports had surpassed traditional exports. The major non-traditional exports include fish which fetched US\$170 million in 2004/05, surpassing coffee exports as the largest merchandise export item. Cut flowers rose six-fold from US\$5 million in 1996/97, when they first emerged, to US\$ 32 million in 2004/05. Cereals, hides and skins, cobalt, and beans have also been part of the key non-traditional exports.

Service exports dominated by tourism have also been on the rise from US\$24m in 1992/93 to US\$ 505 million in 2006. When added to workers remittances (US\$ 731.3 million), the service sector contributed US\$ 1,386.3 million to the economy.

Figure 3 below illustrates the absolute growth values for Services (excluding worker's remittances).

Figure 3: Total Service Exports US\$ million

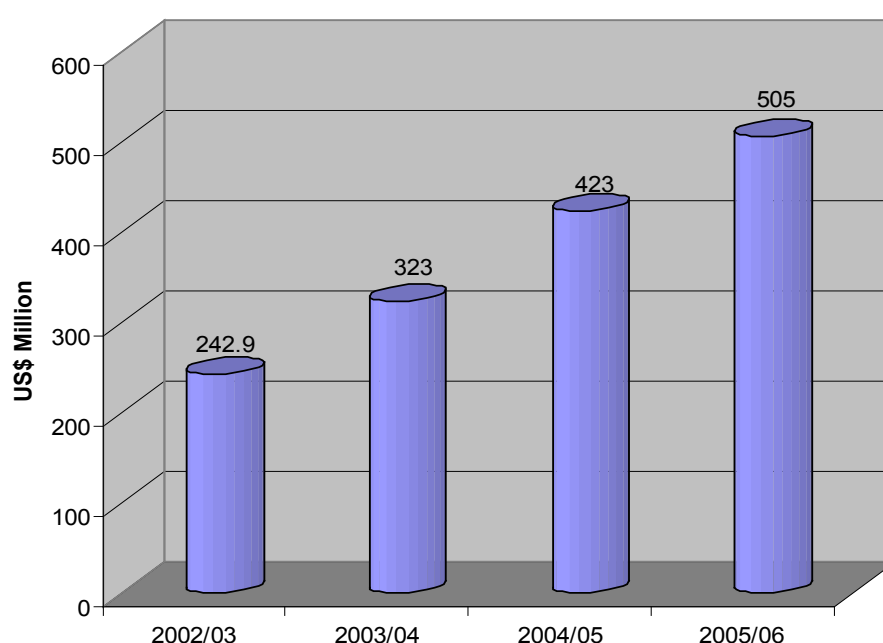


Illustration done by UEPB with data from The Background to the Budget 2007/08

Despite overall growth in exports, Uganda still suffers a negative balance of payments problem on both the goods and services accounts. As illustrated in Figures 4 and 5 below, it can be noted that between 2000/01 – 2004/05, the deficit has widened from about US\$ 621 million in 2002/03 to over US\$ 1,400 million in 2006/07 on the goods account and from US\$ 275 to 485 million on the services account.

Figure 4: Balance of Trade - formal merchandise account

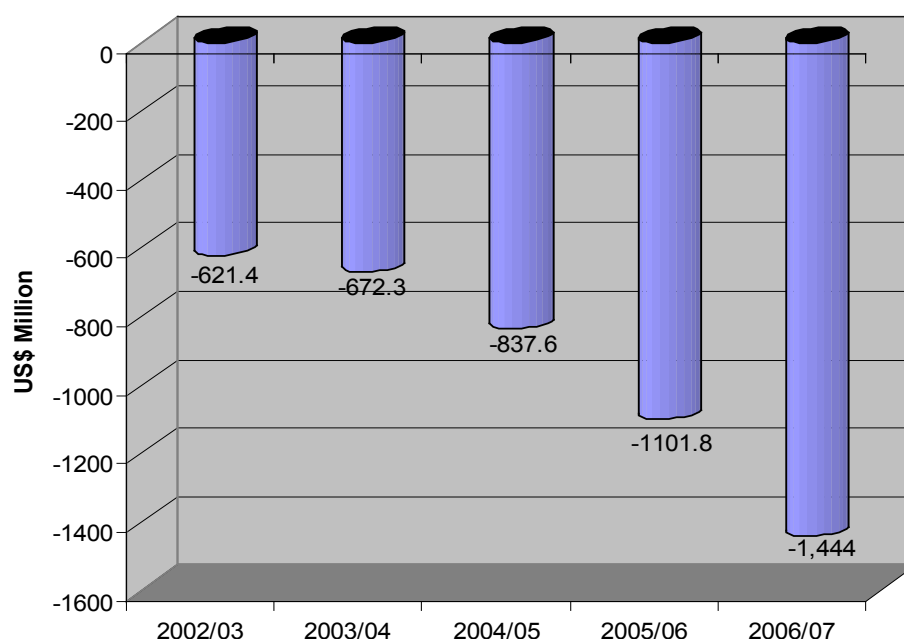


Illustration done by UEPB with data from Bank of Uganda, Annual Report (2006) and Informal Cross Boarder Trade Survey UBOS Report 2006<sup>10</sup>.

Figure 5: Balance of Trade - formal services account

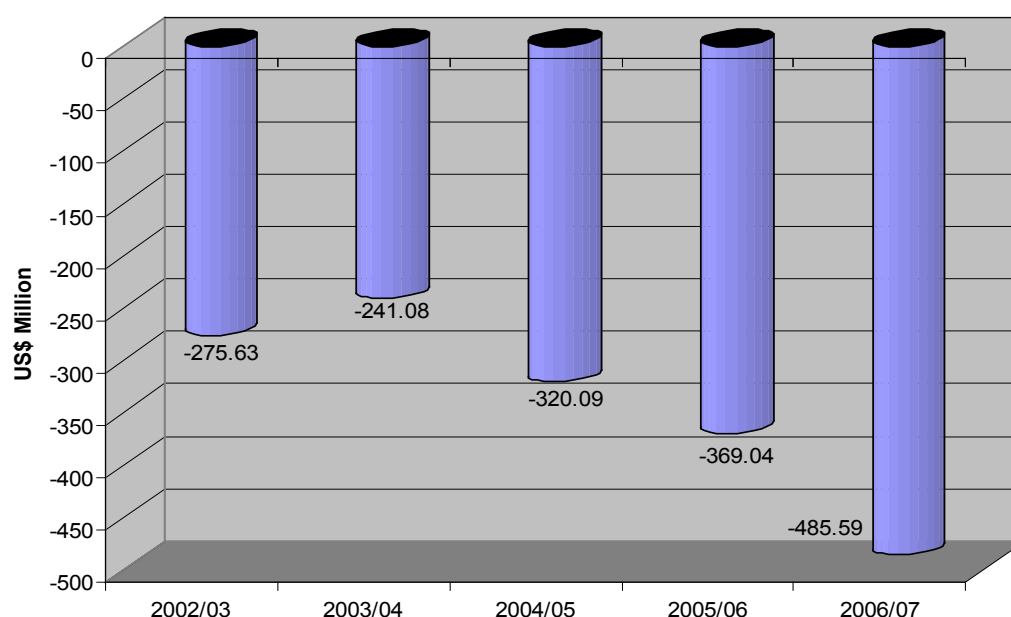


Illustration done by UEPB with data from Bank of Uganda, Annual Report (2006) & Background to the Budget 2007/08

<sup>10</sup> The BOP position of 2006/07 is as given in the UBOS Cross Boarder Trade report.

The above widening negative BOP dictates that more measures be put in place to expand the export sector in order to contain the situation.

### 3.3 EXPORT SECTOR GENERAL SWOT ANALYSIS

The summary of the sector's main SWOT is intended to highlight the main weaknesses that the strategy must address, building mainly on the sector's strengths and exploiting the opportunities available. The main ones are summarized in the textbox below:

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Natural Resource base (Good and fertile soils, Good ecosystem for tourism and agriculture, minerals etc.)</li> <li>• The existence of an Institutional framework to support the export sector</li> <li>• Existence of export incentives (Zero rating of exports, manufacturing under bond, etc)</li> <li>• Liberal trade environment</li> <li>• Abundant and trainable labour</li> <li>• Existence of export enterprises/sectors with considerable presence in the international markets</li> <li>• Political goodwill and commitment from the highest political authority</li> <li>• Stable macro economic framework</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Poor and inadequate infrastructure</li> <li>• Poor factor productivity</li> <li>• Weak private sector facilitation, Support services</li> <li>• Weak and unsustainable export support financial system (high cost and no sustainable institutional arrangements etc.)</li> <li>• Weak R&amp;D for development,</li> <li>• Weak standards and quality infrastructure</li> <li>• Limited access to Business Development Services</li> <li>• High transport costs</li> <li>• Limited processing and value addition</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Non reciprocal Preferential Treatments (Bilateral and Regional, Multilateral)</li> <li>• Regional Integration with lowering tariff levels and reduced non tariff barriers</li> <li>• Global outsourcing</li> <li>• Unexploited natural resources (land, Oil)</li> <li>• Changing consumer preferences towards organic and natural food items making possible niche markets</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Vagaries of weather</li> <li>• Cut-throat global competition in Uganda's key markets</li> <li>• Dumping and counterfeit of goods</li> <li>• Subsidies in developed countries</li> <li>• Non Tariff Barriers and Sanitary and Phyto-sanitary requirements</li> <li>• Diseases (Threat to products and human resources)</li> <li>• Internal and regional conflict</li> </ul>

This SWOT forms the basis of analysis, strategy proposals and initiatives that are presented in the chapters that follow.

## 4.0 CROSS-CUTTING STRATEGIC ISSUES

In the context of this strategy, cross-cutting strategic issues refer to those aspects that generally affect the performance of all the target export sectors. These include infrastructure, energy, macro economic variables such as exchange rates, commercial laws, etc. Most of these have been grouped specifically as competitiveness issues.

Other issues include quality and standards management, export management competences, production and trade finance which are treated separately.

### 4.1 COMPETITIVENESS ISSUES

#### 4.1.1 Overview

Many factors determine the competitiveness of a country's exports. These include, notably, the macro-economic situation, in particular inflation levels and the real exchange rate, the trade policy regime, the business environment, the cost and availability of infrastructure, taxes, etc.

Uganda has a particularly poor ranking in infrastructure compared with its East African and African neighbours (CICS 2006-2010). Uganda has fared well in the areas of macro economic stability with for example inflation maintained at a single digit level for the last decade. It however has not fared well in respect to technology acquisition and adaptation, infrastructure etc.

#### 4.1.2 Summary Situational Analysis

Detailed analysis of competitiveness issues and challenges for Uganda is done in the CICS 2006 -2010 Strategy of the Ministry of Finance and Economic Development<sup>11</sup>. Additional analysis is done in the DTIS Report 2006<sup>12</sup>. These shall serve as key points of reference for the NES recommendations and as such, the analysis is not replicated here. Suffice to state the key challenges to include the following:

The country suffers from poor transport infrastructure, especially road and rail networks. This is a huge competitiveness setback considering that Uganda is landlocked.

Uganda also experiences high freight and cargo handling costs at the key ports. This is especially so at the country's main airport, Entebbe, where on average, exporters pay above US\$ 2.4 per kg to key destinations in Europe. This is less competitive considering that in the immediate next door neighbours, Kenya and Tanzania, the cost is less than US\$ 2.

Power is another key constraint. Cross country analysis indicates that Uganda faces considerable cost disadvantages from energy and indirect costs (the latter include land, rent, transportation, telecommunications, and water). The electricity sector has the poorest performance. Access coverage is at just about only 8.6% of the population<sup>13</sup>. The power situation has worsened recently with the reduction of hydropower output at the main power stations on River Nile.

<sup>11</sup> [www.cics.go.ug](http://www.cics.go.ug)

<sup>12</sup> [www.mfti.go.ug](http://www.mfti.go.ug)

<sup>13</sup> Figures quoted from the DTIS 2006

The other key challenge is factor productivity especially land. Uganda's productivity is around 47 per cent of the Chinese benchmark and only 30 per cent when energy and indirect costs are taken into account .

Other factors affecting competitiveness include a deficient legal system characterized by absence of effective business enabling commercial laws and finally weak and poorly coordinated trade support institutions.

To address the above competitiveness challenges, NES proposes several objectives and action initiatives as detailed in the integrated management framework on the pages that follow below. The framework also highlights other initiatives different strategies have proposed to address other factors affecting competitiveness.

In all strategy matrices, an indication is given on the possible sources of funds which mainly include, Government, Donors and the Private sector. The strategy also attempts to give an indicative level of resource requirements the details of which will be computed by the lead implementing agencies. In all the matrices the following apply on resource requirements.

Low = US\$ 100,000-500,000  
Medium = US\$500,000-1,000,000  
High = US\$ 1,000 000 and beyond

**TABLE 1: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK/MATRIX FOR COMPETITIVENESS**

OBJECTIVE	MEASURE	TARGET <sup>1</sup>	INITIATIVES	LEAD INSTITUTION	SUPPORT INSTITUTION	MILESTONES	RESOURCES
1. To provide adequate export support infrastructure	Number of new and rehabilitated roads	From 10,008 - 15000kms in 5 years	Create an effective road fund to garner the needed resources  Explore and implement "Road upgrade programmes partially financed on 'user pays' principle"	MoW		5 years	GOU Donor High
	Airport and railways Cargo handling capacity	Rehabilitate 3 aerodromes Railway lines to link Uganda with its immediate neighbours especially Sudan and D.R. Congo Develop Entebbe into a business hub	Offer liberal and attractive terms for use of Entebbe.  Feasibility studies for reopening of various railway lines and airfields	MoW	MTTI, CAA URA UMEME ERA UIA CICS Secretariat PSFU	5 years	GOU Donor Medium
	Facilities and utilities in the industrial park	Full energy lines, and complete demarcation of land	Continue to operationalize and construct Namanve Industrial park	UIA	RAFU LGs PMA Secretariat NPA	2 years	GOU Donor High
	Amount of energy generated	One major 250 MW dam at Bujagali	Implement large project to add energy on the National grid	Ministry of Energy		5 years	GOU Donor High
	Number of mini - hydro power stations	5 stations in different parts of the country	Accelerate rural electrification programmes.	Ministry of Energy		5 years	GOU Donor High

<sup>1</sup> Targets were obtained from the National Budget Framework Paper (NBFP) for FY 2007/08-2009/10

OBJECTIVE	MEASURE	TARGET <sup>1</sup>	INITIATIVES	LEAD INSTITUTION	SUPPORT INSTITUTION	MILESTONES	RESOURCES
2. Provide adequate commercial justice for the country's business sector	Number of commercial laws in place	Enact into laws the 17 commercial bills in cabinet	Fast track revision of key commercial laws	Law Reform Commission	Ministry of Justice MTI, CICS Secretariat	2 Years	Donor GOU <b>Low</b>
	Legal capacity of the commercial courts	All state attorneys trained in three years	Training programmes for State attorneys in commercial law and tax tribunals	Uganda Commercial Courts	Uganda Law Society Ministry of Internal Affairs URA	3 Years	GOU <b>Low</b>
3. Achieve efficient acquisition and productive use of land resources	Computerised records	All existing land titles	Modernise land information and acquisition office (Computerisation at national and district level offices)	Ministry of Lands	PSFU CICs Secretariat	2 years	GOU and Donor <b>Medium</b>
	Amount of government land surveyed, divested and transferred to the Land Commission for investment use	From the present 192 titles to 300	Continue to divest government land for private investment	Ministry of Lands	Uganda Land Commission Local Governments NPA	2 years	GOU and Donor <b>Low</b>
	Inventory of existing government land	Inventory extended from the current 22 – 56 districts in 4 years	Countrywide survey and inventory of government land	Ministry of Lands	As above	2 years	GOU and Donor <b>Low</b>



OBJECTIVE	MEASURE	TARGET <sup>1</sup>	INITIATIVES	LEAD INSTITUTION	SUPPORT INSTITUTION	MILESTONES	RESOURCES
4. Increase and enhance institutional coordination in export development	Capacities of export support institutions	Full staff capacities	Initiate proposals for institutional strengthening as proposed in the DTIS Integrated Framework Report	MTTI/IF	MoFPED NPA UEPB UIA	1 year	GOU and Donor <b>Medium</b>
	Public – Private Sector partnerships in export development programmes	PPP management structures in all export programmes	Initiate the process of streamlining functional responsibilities in relevant institutions and agencies	MoFPED	PSFU CICs Secretariat OPM	1 year	GOU and Donor <b>Low</b>
	Number of product clusters formed Number of clusters serving as focal export supply centres	At least one functioning cluster for each NES Sectors	Initiate Cluster formation process with lead enterprises and designate them as supply centers	NAADS	NPA UEPB MAAIF PSFU CICs Secretariat LGs PMA Secretariat NPA	2 year	GOU <b>Low</b>

## 4.2 QUALITY AND STANDARDS MANAGEMENT ISSUES

### 4.2.1 Overview

As Uganda seeks to expand and further diversify its food and agricultural exports, it will increasingly encounter more stringent regulations and private standards in relation to food safety and plant and animal health. Suppliers of such exports increasingly need to demonstrate compliance with environmental and social regulations or protocols of the main importing countries. Compliance with these standards will form an increasingly important part of Uganda's international competitiveness.

### 4.2.2 Summary Situational Analysis

For many of Uganda's emerging non-traditional agro-food exports, issues related to food safety, agricultural health and/or environmental standards are of comparatively greater importance in international trade. The issues that face many sectors especially fish and horticulture include:

- Need to pay greater attention to hygienic conditions at fish landing sites and in processing facilities. The regulatory framework for fish quality and safety controls also needs to be improved.
- For fresh fruits and vegetables, the market demands attention to food safety product and process standards and also requires that suppliers adopt certain environmental and social protocols. Compliance comes with enormous costs. Particular attention has to be given to the use and storage of agro-chemicals and the presence of pesticide residues in fresh produce.
- Environmental and social standards are now rigorously monitored in the cut flower trade.
- For live animals and livestock products, there have been long-standing concerns about the possible transmission of contagious and economically significant animal diseases through trade. Uganda is at the centre of this problem, with the presence of several endemic animal diseases being one factor restricting its trade in livestock products, especially beyond East Africa.
- For cereals and oil seeds, there has been growing international attention to microbiological contamination, plant health risks, etc
- For several other Ugandan non-traditional agricultural and food exports including honey, hides and skins, vanilla and silk, there are also applicable food safety, agricultural health or other standards which may come into play when certain external markets are targeted. (Annex 4 illustrates Standard and Quality requirements for different products).

To address the above issues and challenges, the NES proposes several objectives and action initiatives and targets as detailed in the integrated management Framework matrix on the pages that follow below.

TABLE 2: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK/MATRIX FOR QUALITY AND STANDARDS MANAGEMENT

OBJECTIVE	MEASURE	TARGET <sup>1</sup>	INITIATIVES	LEAD INSTITUTION	SUPPORT INSTITUTION	MILESTONES	RESOURCES
1. To build capacity through training of more quality managers	Number of trained quality managers	At least 200/year	Work with Ugandan universities to create a laboratory technician course to provide hands-on testing and training in laboratory management	UNBS	UNBS, MAAIF, Chemiphar, SGS, Universities	3 years	GOU Medium
	Number of courses initiated at higher institutions of learning	2 courses per year (1 elementary and 1 advanced)	Introduce total product quality management in curriculums of higher institutions of learning			3 years	GOU Low
2. To achieve international accreditation for Uganda testing laboratories	Test Certificates issued	All exported products covered in 3 years	Develop a laboratory plan that rationalizes existing capacities	UNBS	MTTI, UNBS, Chemiphar, SGS, and other laboratories MAAIF	3 years	GOU Donor Low
	Number of accredited labs	1 lab/year	Develop programme to strengthen capacity of inspectorate services with particular emphasis on potentially high risk sub-sectors				
3. To have a data bank on global product quality requirements	Data bank	Full data-bank in 2 years	Source for IT resources to build the data bank	UNBS	MTTI, UNBS, Chemiphar, SGS, and other laboratories	2 years	GOU Donor Low

OBJECTIVE	MEASURE	TARGET <sup>1</sup>	INITIATIVES	LEAD INSTITUTION	SUPPORT INSTITUTION	MILESTONES	RESOURCES
4. To achieve total Product hygiene in sensitive sectors	Number of exporters in awareness programmes	50% of all exporters trained in 2 years	Develop and implement a continuous awareness raising and training programme among mainly fish and horticultural producers	MAAIF	MTTI, UNBS Sector Associations	2 years	GOU <b>Low</b>
5. To encourage the application of GMP, GHP, HACCP, ISO 22000	Number of firms possessing relevant certificates	50 certificates per year	Initiate broad based programmes in the food and manufacturing sector generally or in designated pilot sectors	UNBS	MTTI, UNBS Sector Associations, MAIIF	3 years	GOU and Donors <b>Medium</b>
6. To encourage producers/exporters to implement the system of Self-declaration of Conformity	Number of firms and exporters implementing the system	50 firms per year	Subsidize the conformity assessment costs for exporters	UNBS	MTTI, UNBS Sector Associations, MAIIF	2 years	Private Sector <b>Low</b>

<sup>1</sup> Targets under this matrix were largely set by the Uganda National Bureau of Standards

## 4.3 EXPORT COMPETENCE DEVELOPMENT ISSUES

### 4.3.1 Overview

Of the many factors constraining Uganda's export growth and development, the widespread scarcity of knowledge and skills in managing export development and marketing is one critical factor. Too many entrepreneurs who have jumped on to the export bandwagon tend to equate export marketing with domestic trading, and their attempts to export are often cut short by the lack of thorough understanding of the international nature of export business.

### 4.3.2 Summary Situational Analysis

**Several situational analyses have been carried out in Uganda as follows:**

1. The Kwesi report of 2003 sponsored by the Commonwealth Secretariat that recommended the establishment of the Uganda Export School (UGETS).
2. The 2003 Riborg report sponsored by NORAD that highlighted a large training need that needed to be responded to with a well established export training framework in the country.
3. The Harriet and team 2005 report sponsored by JICA/AICAD that recommended an integrated training programme for various MSMEs.

Lack of quality consciousness, disrespect for timely delivery, inappropriate packaging, unscientific costing and pricing are some of the constraining attributes of the Ugandan SMEs in export. Most operatives are unaware that the international nature of the export business makes it more exacting, requiring that the rules governing it must be thoroughly learnt and properly and expertly applied.

The lack of personnel with the requisite training and skills to plan and implement export market programmes and operations cuts across the private and public sectors, the service sector and the business facilitating agencies such as Customs, the financial institutions, the Ministries of Foreign Affairs and Trade and Industry, among others.

Compounding the problem is the lack of an institution in Uganda, which offers trade-related training with emphasis on export trade. Uganda has some of the best renowned Management Institutes such as the Uganda Management Institute (UMI), the Management Training and Advisory Centre (MTAC), Makerere University Business School (MUBS) and Post-Secondary Institutions of learning. Unfortunately apart from MUBS the rest have not integrated export trade training in their curriculum.

Most of the other institutions tend to focus on general management curriculum in the areas of General Strategic Management, Human Resource Development and Management, Administrative Management, Finance and Accounting, Production and Engineering Management, Project and Business Plan Development and Management, Marketing and Procurement Management, Entrepreneurship Development, among others.

It is against the above situational analysis that the NES export competence component proposes measures focusing on the following issues:

- Increase the availability of options for students in the area of short and medium term courses highlighting hands-on vocational training in export related subjects. These should be integrated into existing national training and education curricula.
- Provide entrepreneurship training. This should be included in the career right from secondary school to give students wider career options.
- Continuous learning on the part of the institutions delivering the export competences training, so as to take care of emerging new fields of export as a result of strategic changes in the business environment, locally and globally.
- Provide management training for owner-managers and their key staff in functional areas of management, including export business planning.
- Highlight the role of **Business Development Services Providers (BDS)** to the export sector.
- Build teams of qualified, certified export consultants with relevant skills and the capacity to create relevant export training programmes.
- Leverage on the knowledge and accumulated experience of international Business Support Organizations such as the International Trade Centre (ITC) or The Centre for the Promotion of Imports from Developing Countries (CBI) to built internal capacities to train.
- Strengthen co-ordination among the major organizations involved in activities related to export competency development. Better management and promotion of the existing training programmes, as well as their value in leading to participant success is needed.
- From the **Long Term perspective**, one of the most important strategic response is to set up a “National Centre for Export Management” to provide all professional services and consulting services, with a co-ordination and network development role in the field.

To address the above issues and challenges, the NES proposes several objectives and action initiatives and targets as detailed in the integrated management Framework matrix on the pages that follow below.

TABLE 3: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK /MATRIX FOR THE EXPORT COMPETENCE DEVELOPMENT

OBJECTIVE	MEASURE	TARGET <sup>1</sup>	INITIATIVES	LEAD INSTITUTION	RESPONSIBLE INSTITUTION	MILESTONES	RESOURCE-ES
1. To enhance the managerial capability of exporters in the export markets.	Number of exporters that have received export management training.	2000 exporters trained in a year	Identify exporters for training and sensitize them on the importance of enhancing their managerial skills	UEPB	MTTI, FAUX, Sector associations EUG BDS institutions	1 year	GOU, Donors and Firms <b>Low</b>
2. To improve the technical competences along the production value chain.	Number of exporters that receive technical training	2000 exporters trained in a year	Regularize and together with successful exporters conduct annual practical training programme for exporters	UEPB	MAAIF EUG BSOs PSFU UNCCI	2 years	GoU, Firms, Donors <b>Low</b>
3. To build entrepreneurial competences among potential and existing exporters.	Growth in number of export sector entrepreneurs	From the present 600 to 1500 by 2009  3% of the total population in recognizable business by 2012	Initiate processes to integrate export training into BTVET curriculum  Massive country mentoring program using successful enterprises.	UEPB  PSFU	MOES MUBS Entrepreneurship Unit EUG NPA	2 year	GOU and Donors <b>Low</b>
4. To create an effective national export training infrastructure	Number of institutions that offer hands-on entrepreneurship and export management training.	Export curriculum developed in 2 years  An export development centre established by 2012	Baseline survey to identify needs  Mobilize Academic Institutions to develop and adopt the curriculum to meet the needs  Export Development centre project developed and discussed within Government and donors	NPA  UEPB	MUBS Entrepreneurship Unit Enterprise Uganda  MoES MTTI MPED	2 years  1 year  2 years	GOU funds Donors <b>Low</b>  GOU and Donors <b>High</b>

<sup>1</sup> Targets were mainly drawn from the practical training experiences and programmes of UEPB with its network of international institutions, CBI and ITC. Additional targets drew from the experiences of Enterprise Uganda that has had a long experience of training programmes for SMEs

## 4.4. TRADE FINANCE ISSUES

### 4.4.1 Overview

One of the major systems through which sectoral export capabilities can be enhanced is the development of the domestic financial system and institutions. The financial system is crucial for the development of enterprises and productive capacities.

### 4.4.2 Summary Situational Analysis

Unfortunately, in Uganda, the financial system still lacks the robustness to respond rapidly and adequately to the financing needs of the country's business sector particularly the exporters.

The formal financial sector remains largely undiversified and commercial bank dominated. The available alternative financial systems of credit rationing through micro-finance institutions are short term. These do not respond to long term productive investment needs.

The formal banking sector has high liquidity levels but because of high risk perceptions, it only delivers low levels of domestic credit favouring a small number of large firms.

Again, Ugandan firms suffer from very low credit market participation and high costs of finance (with costs of borrowing reportedly averaging 20 per cent).

Private sector lending in Uganda is significantly lower than in comparative countries (Kenya and Tanzania) as well as the averages for SSA and low-income countries<sup>14</sup>. Deficiencies in the contractual and informational frameworks in Uganda have contributed substantially to the low level of credit market participation<sup>15</sup>.

There is no credit information sharing in Uganda. This is attributed to banks being more interested in maintaining their dominance of certain market niches than sharing information. The establishment of a credit reference bureau, which has been under preparation for sometime, would certainly help in this regard, and the establishment of a national identification system would also be critical in enhancing credit information sharing.

The services sector which has emerged as a key driver of economic growth in developing countries still lacks adequate financing. This is especially so for non traditional services such as consulting works which are hardly viewed by banks as bankable proposals suitable for financing.

Finally, the agricultural sector which happens to be the main source of the country's exports seems unattractive to the country's financial system and would probably benefit from a specialized financing framework or institution.

To address the above issues and challenges, the NES proposes several objectives and action initiatives and targets as detailed in the integrated management Framework matrix on the pages that follow below.

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<sup>15</sup> See DTIS Report 2006



TABLE 4: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK/MATRIX FOR TRADE FINANCE

OBJECTIVES	MEASURES	TARGETS <sup>1</sup>	INITIATIVES	LEAD AGENCY	RESPONSIBLE INSTITUTIONS	MILESTONES	RESOURCES
1. To widen instruments for collateral for capital access at the production stage.	Diversity of collateral instruments  Number of certified warehouses	At least one warehouse per district in main export producing areas/zones	Promote the use of commodity based instruments especially via the warehouse receipt systems.	BOU  MTTI	MTTI, MFPED, UBA.  MTTI, Producer Associations MOLG UCE PMA Secretariat	2 years	Commercial Banks  GOU Low
2. To create long-term production, processing and export financing especially for SMEs	Exporters receiving long term financing  Trend of commercial bonds on capital markets  SMEs listed on the stock exchange	UDB fully operational within 2 years  At least all companies already in export business with sales turnover US\$ 500,000 and above.	Capitalise the Uganda Development bank  Introduce and encourage corporate commercial bonds on the capital markets  Mobilise and prepare SMEs to list on the stock exchange market.  Designate a percentage of UDB funds for Agriculture financing	MoFPED  Capital Markets Authority  Uganda Stock Exchange (USE)  BOU	BOU UDB UBA Commercial Banks PSFU MTTI UEPB NPA	2 years	GOU and Donors High
3. To increase financial institutions lending to exporters.	Number of Institutions and their lending rates	10% and below by 2012  At least one export bank by 2010	Implement programmes and measures that increase competition in the financial sector  Investment drive for a large export sector banking institution.	BOU	MOFPED Commercial Banks UDB UBA UIA PMA Secretariat	2 years	GOU and Private Sector Low

OBJECTIVES	MEASURES	TARGETS'	INITIATIVES	LEAD AGENCY	RESPONSIBLE INSTITUTIONS	MILE-STONES	RESOURCES
4. To increase trade finance outreach.	Geographical spread of microfinance institutions in the country	Countrywide by 2009	Design an outreach plan focusing on providing loan capital especially to SMEs.	BOU	MOFPED Commercial Banks UDB UBA	2 years	GOU, Donor and MFIs <b>Low</b>
5. To enhance capacity of producers and exporters to formulate tradable finance project proposals.	Number of project proposals suitable for capitalization  Number of producers and exporters receiving Business training	20 every year  1000 a year	Capacity building and advisory services to producers and exporters.  Regional workshops/training on business proposal formulation.	PSFU	UIB, UML, Producer/ Exporter Associations, MLG. PSFU-BUDS UEPB Enterprise Uganda da NPA	3 years	Self sponsorship GOU Donor <b>Low</b>
6. Provide value addition funds to support enterprises participating in processing the country's raw materials.	Amount of funds mobilised and set aside for Value addition  Number of companies accessing the fund	At least Shs 10 billion <sup>2</sup> every year  At least 100 every year	Capitalise UDB with Value addition funds and design effective access criteria and procedures	MoFPED	MTTI UMA UDB Sector Associations Universities	2 years	GOU Donor <b>High</b>
To encourage credit information sharing among banks	Number of banks sharing information	All banks subscribing to a credit re-finance bureau by 2010	Establish a credit re-finance bureau	BOU	MOFPED Banks Microfinance institutions	2 years	GOU, Donors Banks <b>Low</b>

1. Targets largely harmonized with those of the Competitiveness and Investment Climate Strategy (CICS). Others were obtained from the NBFP for FY2007/8.

2. This target is based on the Ministry of Finance proposals for the NBFP 2007/08

## 4.5 TRADE INFORMATION AND CUSTOMS DOCUMENTATION ISSUES

### 4.5.1 Overview

Uganda's competitiveness environment is negatively impacted upon by inadequate and inefficient flow of market information to the business community and farmer/producer groups. This has in turn impacted the supply side, hampering the capacity of producers to meet the demands of a vibrant global market. Exporters and Rural producers have information needs across many trade areas, and there is a need for intermediaries - with a community development commitment - to match that demand with the most appropriate and affordable combination of media and relevant information sources.

### 4.5.2 Summary Situational Analysis

#### **With respect to information:**

The problem is primarily due to constraints resulting from inadequate facilitation for service providers and inadequate capacities of various market information providers to generate and disseminate the required information. Main issues are highlighted below.

- Inadequate Trade Promotion Organisation (TPO) and Business Support Organisation (BSO) facilitation for accessing domestic and international market information journals, market analysis tools and other sources of information. Currently, UEPB in particular and sister Business Support Organizations in general, lack adequate access to international price and market information databases.
- Inhibitive cost of delivery of services where in most cases, Trade Promotion Organizations are required to provide market information free of charge to the trading community, ignoring the cost of generation, analysis and dissemination. Furthermore, the costs of communication are still relatively high.
- Lack of appropriate technologies and insufficient technology diffusion which hamper the smooth adoption of existing working technologies that fit the rural setting.

**With respect to customs,** URA has made substantial reforms leading to an improved institutional image, increased tax compliance and strong integrity has been built. However the following issues requires attention.

- Lengthy customs Procedures that contribute significantly to business costs.
- Need for efficient administration of customs related export incentive schemes including timely management of duty drawbacks, VAT etc. Entries are lodged using Direct Trader Input (DTI) and are physically inspected in many cases, particularly where they involve refund or drawback claims, regardless of the compliance record of the exporter. This unnecessarily slows down the operations of the exporters.
- The customs checkpoints and mandatory weigh bridges for goods in transit contribute greatly to transportation costs and serve as a real impediment to international trade.

To address the above issues and challenges, the NES proposes several objectives and action initiatives and targets as detailed in the integrated management Framework matrix on the pages that follow.

TABLE 5: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK/MATRIX FOR TRADE INFORMATION AND CUSTOMS DOCUMENTATION

OBJECTIVES	MEASURES	TARGETS	INITIATIVES	LEAD AGENCY	RESPONSIBLE INSTITUTIONS	TIME FRAME	RESOURCES
1. To establish adequate trade information systems	Number of information sources accessed by TPOs and BSOs	5 International sources subscribed to	Harmonize existing information systems	NPA	MTTI UEPB NPA URA	1 year	GOU <b>Low</b>
		2 Complimentary information systems built (CMIS, SMS Price)	Complete the construction and domestication of Regional Information System for Export (RISE)	UEPB	PSFU UCA UCE	1 year	GOU and Donor <b>Low</b>
	Number of information systems established and integrated	40 districts hooked onto the system per year	Enhance SMS pricing mechanism.	UEPB	UEPB Private Information Service Provider	2 years	International Trade Support institutions GOU and Donor <b>Low</b>
	Districts using the information systems					3 months	GOU and Donor <b>Low</b>
2. To achieve an efficient and automated system of managing customs and trade transactions and procedures	Number of trade and transaction support organizations hooked onto the system	All Exporters, importers, shippers, Banks and transporters	Develop the capability of direct electronic submission of import information by all system clients  Roll out the ASYCUDA++ to all Border posts  Initiate and start implementing a risk-based approach for physical inspection of exports involving duty drawbacks and VAT refunds	URA	PSFU MTTI UNCCI UCCA MoFPED	3 years	GOU and Donor <b>High</b>

OBJECTIVES	MEASURES	TARGETS	INITIATIVES	LEAD AGENCY	RESPONSIBLE INSTITUTIONS	TIME FRAME	RESOURCES
3. To widely disseminate market information	<p>Number of producers &amp; exporters receiving information</p> <p>Number of information journals available to exporters, farmers</p>	All producers & exporters (potential and actual)	<p>Enter into agreements with information dissemination media (Radios, Newspapers and complementary portals/websites)</p> <p>Integrate District Commercial Officers and district based sector Associations in the market information dissemination systems.</p>	UEPB	MTTI MAAIF NAADS UNCCI NES Priority Sector Associations	1 year	GOU and Donor <b>Low</b>
4. Equip market information analysts with requisite skills of translating market information to market intelligence	<p>Number of training events</p> <p>Number of information analysts trained</p>	<p>4 training events per year targeting 100 potential and actual trade information managers, commercial officers etc</p>	<p>Establish a training programme and calendar and circulate to clients on a half year basis</p> <p>Develop a training proposal and seek project financing domestically and from International Agencies.</p>	UEPB  UEPB	UCE UEPB NPA PSFU NAADS UNCCI Sector Associations	1 year	GOU <b>Low</b>  GOU and Donor
5. Eliminate delays at the main ports of Mombasa and Dar es Salaam	The length of cargo clearance time at the ports.	Instant cargo clearing by way of automated procedures and practices.	Establish advance shipping information systems and integrate them into ASYCUDA++	URA	KPA KRA TPA	1 year	GOU Donor <b>Medium</b>

## 4.6 MARKET ACCESS ISSUES AND ENTRY STRATEGIES

### 4.6.1 Brief Situational Analysis

#### 4.6.1.1 Market Access - Tariff Barriers

Although Uganda does not face tariffs in the main industrialized countries because of preferential treatment, the country's main exports (fish fillets, coffee, tea, tobacco, and cotton) are subject to tariffs among the world's twenty largest importers of these products, especially in the medium income countries. For instance, Mexico levies a 30 per cent tariff on fish fillets, India charges import duties of 100 per cent on coffee and tea, Sri Lanka has 75 per cent tariffs on tobacco. Although these markets may not be strategic for Uganda at the moment, the tariffs affect on-going trade and growth with these countries. Additionally, trade may considerably expand in the foreseeable future. India, for example, has strong business relationships with Uganda and these may translate into considerable exports in future.

Although not a key issue at the moment, tariff escalation in both developed and developing country markets could also constrain Uganda's ability to diversify exports. Tariff escalation affords higher protection to final goods than intermediate goods. The significance of this for the NES is that it confines a developing country like Uganda to raw material rather than value-added exports.

#### 4.6.1.2 Market Access - Non Tariff Barriers (NTBs)

A new generation of them, especially from developed countries, undermines the effectiveness of preferential treatment to enhance trade. The notable NTBs include:

- Subsidies in industrialized countries, especially in the agricultural sector. These lead to depressed and fluctuating prices in the industrialized markets and promote import surges in developing countries, Uganda inclusive.
- Product and process standards which have occasioned a myriad of Phytosanitary, hygiene, environmental controls and strict standards. These are often justified as a response to consumer pressures for safer goods. The result is heavy compliance costs for exporters in the form of certification and traceability processes which severely affect market entry.
- Regional level markets are also prone to NTBs that may deeply damage intra regional trade. Often there are reported inconsistencies in signed commitments to greater regional integration while simultaneous administrative and bureaucratic measures impede trade.
- Again at a regional level, controls on in-transit shipments are inefficient and constitute a serious non-tariff barrier to trade. This is especially so at the port of Mombasa.

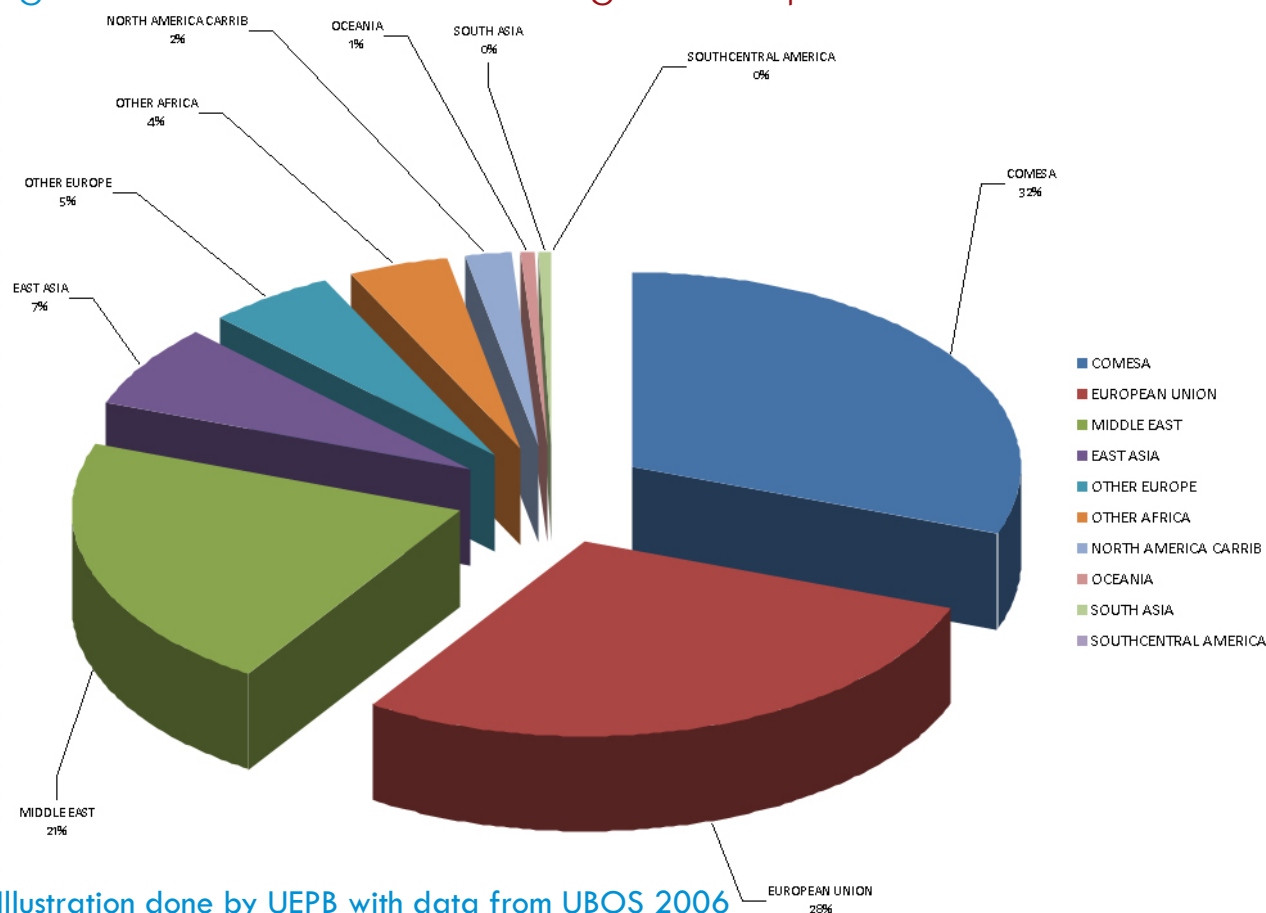
### 4.6.3 Strategic Markets and Entry Strategies

Uganda enjoys several market preferences and the NES does define strategies for effectively exploiting these markets to achieve adequate entry and presence.

#### The Markets summarized

Figure 6. below illustrates the market destination of Uganda's exports and as can be noted Europe, COMESA and the Middle East are the main markets for Uganda.

Figure 6: Market destination of Uganda's exports



**Europe** is Uganda's largest export partner, where 34 per cent of Uganda's exports were destined in 2006. The EU in particular accounts for 29% of the total exports. The EU's Everything But Arms initiative of 2001 grants duty-free access to imports of all products from LDCs, except arms and ammunitions.

Countries in the region are also important export destinations for Uganda, with **COMESA**<sup>16</sup> being the most important regional grouping. It absorbed 31% of Uganda's exports in 2006.

The importance of regional trade may increase further with the recent peace settlement in Sudan. Given the vast construction and development needs of that country, there is strong potential for Uganda to expand its exports and re-exports to the country. The **East African** Customs Union is the immediate next door market that should foster faster growth in regional trade.

<sup>16</sup> COMESA stands for Common Market for Eastern and Southern Africa.



**The Middle East** has the potential to become a more important export market for Uganda. In 2006, 21% of the country's export earnings were from this region. In this market, the United Arab Emirates (UAE) ranked as the top fifth export destination for Uganda's products in 2006. It should however be noted that much of the export earnings from this region are from gold (over 80%).

Many other countries avail themselves of potential markets for Uganda under **The Generalised System of Preferences (GSP)**. Under this scheme, selected products originating from Uganda are granted non-reciprocal preferences in the form of reduced or zero tariff rates. The following countries currently operate GSP schemes: Australia, Belarus, Bulgaria, Canada, Japan, New Zealand and Norway.

The **African Growth and Opportunities Act of 2000** extends the GSP scheme of the United States to additional products, notably garments from African countries that satisfy certain economic, social and political criteria. More than 5,000 products are eligible for duty free access to this market.

Other bilateral preferences exist for Uganda, the notable and most recent of them being China where more than 400 product lines qualify to enter the vast Chinese market duty free. These markets and different strategies for entry are presented in the table below:



TABLE 6: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK FOR MARKETS AND ENTRY STRATEGIES

Market	Market Preferences	Strategies	Lead Institution	Support Institutions	Resources
1. The EU - Uganda's most important trading partner accounting for 30% of Uganda's exports	Duty and quota-free market access to Uganda and other least developing countries under the EBA initiative.	<ul style="list-style-type: none"> <li>Supporting Ugandan companies to effectively participate in unique but important trade fairs in the region</li> <li>Promoting a national branding initiative such as Gifted By Nature to raise more awareness about the country and its natural products and tourism potential</li> <li>Promoting Ugandan products in the growing fair-trade opportunities and organic niche markets in the region</li> <li>Heightening Training for Uganda's exporters in the sophisticated requirements of the EU Market</li> <li>Deepening relationships between Trade Support organizations in the EU with those in Uganda to leverage on the former's vast knowledge of the EU market</li> <li>Promoting and using the EU Help desk to facilitate Ugandan exporters to access critical market information and requirements of the EU</li> </ul>	UEPB	MTTI MOFA Gifted By Nature Inc. PSFU UNCCI UIA	GOU Donors Export Enterprises <b>Medium</b>
2. Common Market for Eastern and Southern Africa (COMESA) has 380 million people and accounts for 31% of Uganda's exports	Uganda's exports to the region are being charged 20% tariff. When Uganda joins the FTA, her exports will enter the member countries duty free	<ul style="list-style-type: none"> <li>Organizing Contact Promotion Programmes for selected products in target countries. This will involve identifying target market experts and entering into contractual arrangements with them to promote and secure market contracts for selected products.</li> <li>Opening up trade points and show rooms in target markets such as the Sudan</li> <li>Identifying contact promotional agencies in specific markets and working with the private sector to use these agencies to promote their products and services in these markets</li> <li>Speedy review and ratification of Uganda's entry into the FTA</li> </ul>	UEPB	Gifted By Nature Inc. MOFA PSFU UNCCI UIA	GOU Donors Export Enterprises <b>High</b>

Market	Market Preferences	Strategies	Lead Institution	Support Institutions	Resources
3. The EAC -This covers an area of 1.8 million square kilometres with a combined population of over 100 million.	The 3 original partner states agreed to a three-band structure of the common external tariff with a minimum rate of 0% (for raw materials and capital goods), 10% (for intermediate goods) and 25% (for finished goods) in respect of all goods imported into the EAC. Again, goods from the 3 countries are traded duty and quota free in the region.	<ul style="list-style-type: none"> <li>Joint trade export activities including common trade information portals such as RISE;</li> <li>Elimination of Trade barriers through fostering more cooperation between the region's different Trade Promotion organizations.</li> <li>Facilitating regular business forums that shall enable Ugandan Businesses forge close ties</li> <li>Promotional efforts focusing on specific products which already demonstrate high demand in the market.</li> <li>Opening permanent trade points in the region and deepening the role of commercial attaches in export business promotion programs and events.</li> </ul>	UEPB	MTTI MOFA PSFU UNCCI UIA	GOU Donors Export Enterprises <b>Medium</b>
4. African Growth and Opportunity Act (AGOA), under which 35 Sub-Saharan African countries could access the American market.	Duty/quota-free access to the US market for essentially all products through the Generalised System of Preferences (GSP)	<ul style="list-style-type: none"> <li>Promoting linkages between Ugandan and USA firms using US based market experts.</li> <li>Business related capacity building programmes to enable Uganda enterprises cope with issues of dealing with the complexities of the USA markets.</li> <li>Trade and Industry Shows: The NES Secretariat together with the AGOA Country response Office will coordinate organised participation in the shows.</li> <li>Attracting American Investment interest in Uganda will be pursued by the Uganda Investment Authority under the various incentive schemes the authority manages.</li> </ul>	AGOA Country Response Office	MTTI MOFA PSFU UNCCI UIA	GOU Donors Export Enterprises <b>Medium</b>

Market	Market Preferences	Strategies	Lead Institution	Support Institutions	Resources
<b>5. The Middle East</b> – Is an affluent market because of huge oil revenues and is a centre of trade especially in UAE	None	<ul style="list-style-type: none"> <li>Negotiate bilateral preferences in the region</li> <li>Encourage trade points in the region</li> <li>Country branding in the region through business media and participation in trade fairs.</li> <li>Open an embassy with a focus on trade promotion</li> </ul>	MTTI	UEPB MOFA Gifted By Nature Inc. PSFU UNCCI UIA	GOU Donors Export Enterprises <b>Medium</b>
<b>6. China</b> – Vast market of more than 1.2 billion people with rising incomes. Uganda has good prospects to export the following commodities to China: coffee, art and crafts, fish, vanilla and other spices, fruits, vegetables, leather and leather products.	Duty free access has been offered by China for over 400 Ugandan products since January 2005.	<ul style="list-style-type: none"> <li>Pursue product and service exhibition reciprocal arrangements with Chinese private investors who are interested in establishing trade exhibition centres in Uganda</li> <li>Encourage joint ventures with Chinese to market Ugandan coffee and other products through hotels and supermarkets. This effort was begun in 2002 and will be continued</li> <li>Training and awareness raising events about the Chinese market and the range of preferences offered to Uganda.</li> <li>Use of Ugandan Communities in China to overcome language barriers and hold agency portfolios for Ugandan enterprises interested in China.</li> <li>Active participation/representation in various trade fairs and exhibitions in the country.</li> <li>Linking Ugandan students in various cities to Ugandan enterprises via Uganda's embassy to help in interpretation of documents and other promotional efforts.</li> </ul>	UEPB	MTTI MOFA Gifted By Nature Inc. PSFU UNCCI UIA	GOU Donors Export Enterprises <b>Medium</b>

## 5.0 NES STRATEGIC PRIORITY SECTORS

This chapter analyses sector specific issues, defines 12 NES sectors and proposes strategies for their development.

### 5.1 CRITERIA FOR SELECTING PRIORITY SECTORS

Several criteria were used to select the 12 strategic sectors considered important for Uganda. These criteria are summarized below. Criteria scores are in annex B1.

- Sectors which possess, or have the potential to possess significant competitive advantages;
- Sectors which possess, or have the potential to possess high value-addition.
- Sectors which already contribute significantly to employment, regional development, poverty reduction, gender equity, etc.
- Sectors which have a high potential developmental impact
- Sectors experiencing high-growth in international demand.
- Sectors with potential to mainstream gender and vulnerable groups into export trade.

A total of 20 product sectors were subjected to these criteria using a weighted index. From this list, the final twelve Sectors that offer the best opportunity for Uganda were arrived at.

To further allow for setting priorities within priorities, the twelve sectors were reviewed against recommendations of other key studies and strategies done within the export sector including The DTIS, CICS and the recently concluded Scope projects. The NES thus takes up as main priorities the following:

- Coffee
- Fish
- Tea
- Cotton and Textiles,
- Flowers and
- Services.

However, to further enhance the export diversification process, six other sectors were evaluated according to the above criteria and equally proposed for NES. These include:

- Fruits & Vegetables
- Dairy
- Cereals and pulses
- Natural Ingredients
- Commercial crafts
- Manufactures (To advance the value addition goal)

On the pages that follow, an analysis is made of all the twelve sectors' highlighting critical issues, SWOT and summary of market trends. A comprehensive framework is then presented containing the strategic initiatives to address the issues.

## 5.2 THE COFFEE SECTOR

### 5.2.1. Overview

Coffee is Uganda's largest export crop and also its largest merchandise export to international markets, amounting to US\$ 189.8 million in 2006. This was up from US\$ 172 million in 2005. It is a low input intensity small-holder crop with an average farm size of 0.2 hectares. It is the main source of income for some 500,000 rural households. Over 80 per cent of the coffee produced and exported from Uganda is Robusta, with Arabica making up the remainder.

Uganda's Robusta coffee is considered to be one of the best in the world, and commands a considerable premium.

### 5.2.2 Market Size and Trends

In 2005, the Global market size of Coffee was estimated to be US\$ 12.8 Billion. Global growth trends in value over the period 2001 – 2005 were 15% p.a. (Trademap, 2006). For the soluble coffee, world consumption is at 420,000MT per annum. This represents 20% of the world's total coffee consumption.

Uganda experienced a recovery in export values averaging a growth of 15% p.a. over the same period. Most Ugandan coffee is imported by the EU which together with Switzerland account for more than 80 per cent of Uganda's coffee exports. Sudan imports 15 per cent while the remainder goes to other destinations. All these imports are coffee beans.

### 5.2.3 Critical Sector Issues

- The coffee wilt disease (CWD) currently affects all 21 Robusta-producing districts in Uganda. 122,400 of the total 240,000 hectares in these districts have been infected, equivalent to about 136 million Robusta trees and representing a 5% cumulative infection rate.
- The other key challenge is the continued export of green beans that has deprived the country of great revenues from final processed coffee products. A plastic container with a capacity of 100 grams of blended coffee (Robusta/ Arabica) originating from Uganda but processed abroad costs US \$ 14. The Ugandan exporter on the other hand fetches only US \$ 1.3 by exporting green beans.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## SWOT Analysis for the Coffee Sector

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Highly skilled and experienced workforce at the processor level</li> <li>• Knowledge, skills and experience developed in coffee over decades</li> <li>• Trust and respect for good quality and grades that can compete with Internationally known markets like Brazil</li> <li>• Small firms with low levels of management costs</li> <li>• Existence in the country of subsidiaries of multinationals with easy access to pre-financing and markets.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Absence of grassroots structures to enable buying direct from farmers; buying from traders (middle-men) suffocates quality</li> <li>• Continuous exportation of beans with resultant failure to tap into huge markets for final coffees</li> <li>• Lack of ethics/trust among the personnel employed to watch quality</li> <li>• Limited storage capacity and storage facilities</li> <li>• Logistics-instruments to mitigate trading factors like trucks to transport the coffee from the field are lacking</li> <li>• A weak capital base i.e. working capital to cover operating costs</li> <li>• Lack of follow-up and implementation of findings from researchers</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• A growing and stable organic market</li> <li>• Specialty markets that demand for certified special coffees like fair-trade, Utz-Kapeh</li> <li>• UCDA enforcement of quality standards ("Good quality sells").</li> <li>• Low supply from large producing countries like Brazil hikes the market prices and gives Ugandan coffee the opportunity as it is second in demand</li> <li>• Differentiated market that seeks for different varieties</li> <li>• Potential for value addition (International corporations e.g. TATA have expressed interest in Uganda)</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Decreasing volumes of coffee in Uganda over the last 5 years</li> <li>• High production and operating costs that make it difficult to break-even, e.g. Electricity, Fuel, Rent, Salaries and other miscellaneous costs</li> <li>• Climatic and drastic weather changes that have affected the agricultural sector in general</li> <li>• Price variability/volatility which basically means price uncertainty that may lead to market crashes</li> <li>• Substitution from Vietnam that has just joined the market but now out-competes original exporters</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow. Coffee being one of the sectors highlighted by the DTIS, all action recommendations relating to export development in the implementation plan of the DTIS shall form part of the initiatives of this NES.

TABLE 7: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK / MATRIX FOR THE COFFEE SECTOR

**Vision:** Maintaining the sector's position as the leading contributor to Uganda's Export Earnings and breaking into the lucrative soluble coffee market

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Mile-stones	Resources
<b>Development Perspective<sup>1</sup></b> Improving household incomes of many small-scale farmers dependent on coffee as a cash crop	Household Income levels	Increase farmer's income levels by 20% in 5 years	Develop Cooperative Marketing programs that link more producers directly to the market, reducing to the extent possible the middlemen.	UCDA	UCA CICS MAAIF PMA Secretariat NPA	3 years	GOU Donors
<b>Competitiveness Perspective (Border-In Gear)</b> Capacity Development  To combat coffee wilt that heavily affects production volumes	Amount of resources invested in disease control research	Disease eradicated by 2012	Develop and source funds for research to develop wilt resistant Robusta plant stock	UCDA	CICS MAAIF PMA Secretariat Coffee Research Institute (CORI) MOPED	2 years	GOU Donors <b>Medium</b>

1. Most of these initiatives take into account recommendations of the Competitiveness and Investment Strategy (CICS) 2006-2010 and the Diagnostic Trade Integrated Study (DTIS) 2006.

2. The development perspective takes into account the goals of the Prosperity for All program of Government that seeks to get as many producers as possible earn more from their productive activities and enterprises.



Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
Capacity Diversification To strive for exportation of soluble coffees that account for 90% of the final coffee value	Amount of soluble coffee targeted DFI into the country	10% of the value of current exports by 2012	Carry out investor drive missions to attract major brand coffee houses such as Starbucks to invest in Uganda	UIA	UCDA MAAIF MTTI MOFA	2 years	GOU Medium
	Roaster technology in the country	3 bankable feasibility studies	Conduct Value addition feasibility studies	UIRI	UEPB MTTI UCDA	2 years	GOU Private Sector
	Roaster pilot projects	Roaster and extraction tech and pilot in the country in 5 years	Establish Coffee roasting pilot projects with investors making efforts to export soluble coffees	UIRI	UCDA MTTI UIA	5 years	GOU Private Sector
Human Capital Development Enhance coffee farm management and post-harvest handling knowledge and skills among the sector's many small-scale producers.	Number of post-harvest handling training events.  Post-harvest handling infrastructure	At least 3 training events in all main coffee clusters every year	Design and conduct integrated post harvest handling training programs that cover production, processing and export related subjects	UCDA	MTTI (Department of Cooperatives) NAADS UNFFE PMA Secretariat	3 years	GOU Donors Medium



Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<u>Competitiveness Perspective (Cont)</u> <b>Border Gear Infrastructure</b> To develop efficient local storage capacities and efficient hygienic drying methods.	Storage facilities in coffee clusters	All coffee Clusters Better drying technologies (off the ground drying systems)	Develop programme to re-invest in silos in different clusters and promote drying above the ground.	UCDA	MAAIF URA UCDA MOW PMA Secretariat NPA	4 years	GOU Private Sector
<b>Border-Out Gear</b> <i>In-market Business Support</i> Support for Participation in special coffee trade fairs.	Number of facilitated trade fairs per year	At least 3 per year	Develop a special trade fairs calendar and design programme to enlist firm interest and participation,	UCDA	UEPB UCEF MOFA	1 year	GOU Private Sector Low
<i>Image and Branding</i> To market Uganda as a source of specialty and organic coffees	Number of international media commercials on Uganda's specialty coffees	At least 2 major commercials	Develop programme to mobilize coffee exporters to adopt sector branding initiatives including joint promotion of the country's special coffees.	UCDA	MTTI UEPB Gifted by Nature Inc. MOFA UCEF	5 years	GOU Private Sector
<u>Institutional Perspective</u> Sector Support Network (SSN) To ensure that the sector's SSN gives requisite priority to strengthening private sector industry support organizations	Number of clusters	Regional Clusters in coffee producing regions	Initiate Sector Cluster concept training events in the sector  Develop a programme to mobilize exporters to be part of these clusters and attract Government and donor support to cluster activities.	UCDA	MTTI CICS Secretariat UEPB Gifted by Nature Inc. MOFA UCF NAADS	1 year	GOU Private Sector

## 5.3 THE FISH SECTOR

### 5.3.1 Overview

Fish remains the most outstanding non traditional export from Uganda. In 2006, Uganda's fish exports continued to grow, earning US\$145.8 million up from US\$ 142.6 million in 2005. In 2006, fish and fish products accounted for 15.2% of Uganda's total exports by value, making fish Uganda's biggest product export after coffee.

Uganda produces an estimated catch of about 100,000 metric tones of Nile Perch a year, all from Lake Victoria. The fish sector provides employment to over 700,000 people at different levels of the value chain.

### 5.3.2 Market Size and Trends

In 2005, the Global market size of Fish and fish products was estimated at US\$ 8.7 billion. Global growth trends in value over the period 2001 – 2005 were 10% p.a. (Trademap, 2006). Uganda's fish fillet export values averaged a growth of 20% p.a. over the same period. In 2005, 16 firms accounted for over 90% of national export earnings from fish fillets. Most of Uganda's fish is imported by the EU.

### 5.3.3 Critical Sector Issues

Despite phenomenal success, the Fish sector still faces critical challenges that are summarized as follows:

- Existing levels of exploitation especially for Nile Perch are considered to be nearing maximum sustainable yield. This implies a possible collapse of stock levels and loss of supplies for export.
- There is inadequate research and development in the sector for product development, value addition and increasing the market scope of the Nile Perch beyond just being a wild fish.
- Coupled with the above, 97% of the exports are a single product – just Nile Perch.
- The Sector operates at a competitive disadvantage with respect to export distribution cost due to high freight charges compared to Kenya and Tanzania.
- The fisheries resources authorities also highlight a problem of lack of effective management of the fisheries resources. This is at the heart of fears that the fisheries resource may collapse<sup>17</sup>.
- Although Beach Management Units (BMU) have been established to guarantee among others, better hygiene practices, the fishing communities still lack the facilities and attitudes that would qualify Uganda to worry less about possible hitches in the market over food safety concerns.
- Roads to and from landing sites are in a sorry state and fishing equipment is largely composed of small canoes that affect quality and level of fish catch.
- Sanitary and phyto-sanitary requirements still impose considerable costs on producers in view of traceability systems that have to be put in place and complied with.

<sup>17</sup> See article titled "Uganda's Fish Sector competitiveness" by Dick Nyeko, Commissioner, Department of Fisheries in the first edition of the Fish Newsletter, January –April 2007

- The Sector also has considerable worries about escalated competition come 2008 when the largest market for the sector (70%) relaxes preference offers under Everything But Arms (EBA).

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## The Sector's SWOT Analysis

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Well established and organized modern processing factories, all being ISO certified</li> <li>• Well organized and effective sector Association</li> <li>• Existence of a large resource base in form of large water bodies</li> <li>• Strong presence in the main markets</li> <li>• Existence of traceability system</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Most of the upstream where the product is sourced suffers from hygiene problems</li> <li>• The fisheries resources management still lacks adequate control capacities</li> <li>• Poor fishing equipment dominated by small canoes and unregulated net sizes that affect stocks</li> <li>• Beach management practices still fall short of adequate international standards</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Existence of Market preferences that allow tax free imports for Uganda</li> <li>• Differentiated market that seeks for varieties</li> <li>• Considerable recognition from government of the sector significance in exports, a strong point for lobbying</li> <li>• Increasing consumer health consciousness which has caused increased demand for white meat</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Dwindling stocks in the main resource</li> <li>• De-oxygenation of lake Victoria which will adversely affect stocks</li> <li>• Strong competition from Asia in the main market, the EU</li> <li>• High production and operating costs occasioned by national infrastructure challenges of freight and energy deficiencies</li> <li>• Climate change, though distant, poses a threat to the main fisheries resources</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow. Again fish is one of the sectors highlighted as a priority sector by the DTIS. Therefore, all action recommendations relating to export development in the implementation plan of the DTIS have been incorporated in action initiatives of the NES.

**TABLE 8: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK / MATRIX FOR THE FISH SECTOR**

**Vision:** “To make the Ugandan Fish industry sustainable, quality oriented and highly proficient in export of value added products”.

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<u><b>Development Perspective</b></u> To increase sector contribution to poverty alleviation through creation of more employment opportunities	Number of jobs	From the estimated 700,000 jobs present to 1,000,00 in 5 years	Countrywide expansion of sector activities through aquaculture promotion	MAIIF	MTI UFPEA DFR LGs PMA Secretariat NPA	5 Years	GOU Private Sector <b>Medium</b>

#### Legend

DFR	Department of Fisheries Resources
FRRI	Fisheries Resource Research Institute
LVFO	Lake Victoria Fisheries Organization
UCFFA	Uganda Commercial Fish Farmers Association
BMU	Beach Management Unit
MSY	Maximum Sustainable Yield

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b><u>Competitiveness Perspective</u></b> <b>Border-In Gear</b> Capacity Development To increase export volumes of fish and fish products	Volume of fish capture for exports	From the present 100, 000 metric tones to 150,000 in 5 years	Develop and implement new fisheries resources right from feasibility studies and resource mapping to full scale aquaculture. Establish aquaculture demonstration sites at district level.	MAAIF	FRRRI UFPEA LVFO DFR BMUs MTTI NPA	5 years	GOU Donor <b>High</b>
	Declining trends of immature fish capture  Upstream control measures and evidence	Comanagement of resource area (Kenya, Uganda and Tanzania).  Standard operating procedure and control system by 2009.	Set up resource sustainability projects and upstream activity control programs on the main resource- L. Victoria	UFPEA	RRI UFPEA LVFO DFR BMUs MTTI NPA	2 years	GOU Donor Private sector <b>Medium</b>
Capacity Diversification To ensure value addition and product range diversification	Trend of range of products exported other than Nile perch fillet  Ready to eat fish recipes development.	Fillet portions, steaks and skewers and fish oils	Develop programme and incentive schemes to enable the private processors upgrade processing technologies  Develop appropriate R & D for product development and widely share results with private sector processors	FRRRI	MAAIF UIRI UNBS MTTI UIRI UFPEA PMA Secretariat	5 years	GOU Donor Private Sector <b>High</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Human Capital Development</b> Manpower development to support aquaculture and product diversification	Aquaculture demonstration sites	At least one demonstration site in each district targeted for aquaculture	Design and implement a programme to upgrade aquaculture training facilities	MAAIF	MoES MLG UFPEA FRRI	2 years	GOU Donor High
	Practical training facilities	Reviewed curriculum in two years	Develop project proposals for upgrading existing facilities at Fisheries Training Institute and Makerere University				
	Curriculum structure and subjects		Start syllabus review meetings to reflect national strategic priorities of the fish sector				
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear Infrastructure</b> Upgrade roads and provide water supply, electrification, etc. for landing sites	Number of operational feeder roads to landing sites	At least all landing sites fully equipped in 5 years.	Initiate proposals to secure resources to implement a Fisheries Road Maintenance programme	DFR	MOW MOLG MAAIF UFPEA MOW BMUs MFPED Local Governments	5 years	GOU Donors High
	Amount and reliability of power		Jointly develop a landing sites modernization programme				
<b>Procedures and Documentation</b> Reduce documentation levels especially relating to regulation and movement	Number of permits  Length of approval processes	All permits and approval processes should take 2 weeks maximum.	Develop and share with stakeholders a simple approval system and regulations relating to all types of permits	DFR	MAAIF MTTI Local Governments UPEA	1 year	Gou

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Border-Out Gear</b> Market Access Negotiate for market preferences for this and other sectors in other markets other than the EU.	Number of countries offering preferences	Middle East countries	Negotiate trade preference particularly with the UAE as it has become a trading hub for fish originating from Uganda <sup>1</sup>	MTTI	MAAIF UFPEA Processors PSFU UEPB	3 years	GOU <b>Low</b>
<i>Image and Branding</i> To brand and position Ugandan fish and fish products as a quality product of Uganda for the top segment of the target markets	Market signals	All exports to bear the Gifted By Nature logo.	Mobilize fish exporters to include the Uganda Gifted By nature logo on the export product packages	MTTI	MTTI UEPB Gifted by Nature Inc. UFPEA MOFA	2 years	GOU Private Sector <b>Low</b>
<b>Client Perspective:</b> Export Competency Equip new and emerging exporters with critical export skills	Number of sector operatives trained	2 sector specific institutionalized training programs every year	Develop and incorporate a sector training module in the major training programmes of the main Trade training Support Institutions of UEPB and Enterprise Uganda  Design and implement Expert Coaching programmes for the sector	UEPB	UFPEA Enterprise Uganda DFR	2 years	GOU Donor Private Sector <b>Low</b>
<i>Information:</i> To provide market information to SMEs that may enter the trade once aquaculture takes firm root	Number of clients reporting receiving information	SMEs	Build and include an information module in the Regional Information for Export (RISE)	UFPEA	MAAIF DFR MTTI UEPB	1 year	GOU Private Sector <b>Low</b>

<sup>1</sup> Concerns about challenges in this market have been raised by fish exporters. It became a main issue when the WTO Secretary General interacted with exporters during his visit to Uganda in 2006. UAE however is not a member of the WTO.



Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Quality</b> To ensure comprehensive quality management and compliance practices in the fisheries Supply Chain	Mitigation measures for all effluents		Implement approved mitigation measures to reduce de-oxygenation of water in L. Victoria	NEMA	MAAIF UNBS UFPEA	3 years	GOU Donor <b>Medium</b>
	Number of staff trained in fish management and risk assessment practices	Train all staff within 1-2 years.	Develop appropriate regulatory framework for aquaculture, train staff of competent authority to monitor and enforce regulations and conduct risk assessments in the fish industry practices.	DFR	MAAIF UNBS UFPEA NPA	2 Years	GOU Donor <b>Low</b>
	Number of hygiene programmes being implemented	All BMUs in a hygiene programme in 2 years	Initiate and implement a comprehensive hygiene programme for the sector.	DFR	MAAIF UNBS UFPEA	2 Years	GOU Donor <b>Medium</b>
<b>Institutional Perspective:</b> Strategy Support Network (SSN)  Ensure the establishment of an effective sector regulatory and management authority	Operationalisation of the UFA	UFA in place by 2009	Finalize procedures for the establishment of the Uganda Fisheries Authority (UFA)	MAAIF	UFPEA MTTI DFR MTTI	2 years	GOU Donors <b>Low</b>
	Sector Association capacity	Strong Networks with BSOs and TPOs Association branches in districts	Sector Association capacity building programme	UFPEA	DFR MAAIF PMA Secretariat	2 years	Private Sector Donors
	Provide support to the Sector Association.		National Drive to establish UFPEA branches in fish producing areas				



## 5.4 THE COTTON, TEXTILES AND GARMENTS SECTOR

### 5.4.1 Overview

Cotton is the second most important traditional export crop for Uganda. It is grown in several regions of the country, with a concentration in the eastern, northern, north-eastern, western parts of the country. It is estimated to contribute to the incomes of 10% of the country's population (or 2.5 million people in the rural areas of the east, north, and west).

Uganda's cotton production has shown extreme swings over the years, ranging from a peak in 1969/70 of 86,344 MT (which accounted for 40% of total foreign exchange earnings) to a low of 5,896 MT during 1992/93 to current levels of approximately 18,143 MT annually.

With respect to garments and textiles, Uganda's competitive advantage has been questioned. Arguments have focussed on the lack of locally produced yarn and fabric that is of appropriate quality and competitively priced. However, exporting simple cotton bales of lint robs the country of opportunities provided by a huge and lucrative garments and textile market worldwide. Government policy focuses on achieving export of apparels and garments.

Silk is another fibre produced in a few districts of the country mainly in Bushenyi, Kanungu, and Mukono. The Silk sector, if sustainably developed, has the potential to spur village level processing especially the handloom cottage industry, which would offer income opportunities to women and the youth.

Two silk processing plants exist in the country, the main in Kampala and another in Bushenyi. These have however suffered serious capacity under-utilization as a result of lack of cocoon threads occasioned by lack of hatcheries in the country. JICA is making interventions in this area and NES builds on these efforts.

### 5.4.2 Market Size and Trends

In the year 2005, the global market size for raw cotton (not carded or combed) was an estimated US\$ 9.6 billion having grown at a rate of 8% p.a. over the period 2001 – 2005. The global market size for lint was US\$ 106 million falling at a rate of -3% p.a. over the same period. In sharp contrast, the global market demand for textiles and apparels is an estimated US\$ 126,290 million (2005 est.). Current estimates put it over US\$ 1 trillion and it continues to grow. China dominates about a quarter of the market.

Uganda's cotton and lint exports grew 46% p.a. and 90% p.a. respectively over the period 2001 – 2005. Although the rate of growth for Uganda is high, the amounts exported are quite insignificant and remain largely raw and unprocessed. Over 90% of all cotton produced is exported raw. Very little cotton is consumed by local millers.

It is however worthwhile noting that from almost no textile exports in the last couple of years, Uganda was able to export over US\$ 1.7 million worth of assorted textile wear to the United States in 2003.

### 5.4.3 Critical Sector Issues

- Under-utilization of installed ginning capacity. The estimated installed capacity of ginneries is around 350,000 bales of cotton per year. Production remains in the region of 100,000 bales giving an estimated capacity utilization of 40%.
- Some ginneries are in dire need of repair and/or upgrading in order to maintain high quality lint.
- Lack of a cotton and lint quality maintenance regime to ensure high grade of lint and garments.
- Inadequate measures to ensure this high quality staple cotton (medium staple length 32-34mm) have to be sustainably maintained at farm, gin and marketing levels.
- Uganda's textile workers are considered to have a low productivity due to several factors that include basic skills, poor training, ineffective wage incentives, lack of bundling processes etc.
- Many production units in other exporting countries benefit from export promotion schemes such as tax holidays and duty free imports of inputs. The absence of these incentives in Uganda is a drawback to the sector.
- Lack of affordable financing for the sector poses severe challenges for the textile mills and garment exporters.
- In the case of silk, the lack of hatcheries to ensure uninterrupted supply of eggs to farmers is the biggest sector issue.
- Inadequate transportation and logistics, timely delivery of consignments and in the right amounts is necessary to maintain markets. Unreliable and costly transport to Mombasa from Kampala is still a big challenge to exporters.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## The SWOT Analysis for the Cotton, Textiles and Garment Sector

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• High quality cotton fetching a premium on the world market.</li> <li>• Consistent quality throughout the year</li> <li>• Conducive conditions for organic cotton production.</li> <li>• Cheap labour.</li> <li>• Existing cotton research institutions to improve on varieties.</li> <li>• Adequate Ginning capacity</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Rain fed agriculture</li> <li>• Fluctuating World Market prices</li> <li>• Slow and bureaucratic procedures of registering agro-chemicals (especially for organic cotton)</li> <li>• Limited value addition.</li> <li>• Relatively small base of commercial farmers</li> <li>• Inadequate funding for research.</li> <li>• Non-existence of organised co-operatives.</li> <li>• Low technology equipment and expertise.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Market opportunities under the AGOA and EBA.</li> <li>• Opportunities for increased Yields through the introduction of Bt varieties.</li> <li>• Availability of land for commercial cotton production.</li> <li>• Tariff safeguards for cotton yarn and fabrics under CET with EAC/COMESA</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Other competing crops such as sunflower, simsim etc. that attract the attention of farmers away from cotton and silk</li> <li>• Cheaper synthetic materials.</li> <li>• Importation of second-hand clothing.</li> <li>• Emergence of the spiny bollworm pest.</li> <li>• Continued unrest in the Northern Cotton growing areas.</li> <li>• Competition of cotton seed oil from cheaper imported crude palm oil</li> <li>• Unfair trading practices such as subsidies</li> <li>• Cut throat competition in the global market from low cost textile producers of Asia</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow. Again cotton is one of the sectors highlighted as a priority sector by the DTIS. Therefore all action recommendations relating to export development in the implementation plan of the DTIS have been incorporated in action initiatives of NES.

**TABLE 9: INTEGRATED MANAGEMENT FRAMEWORK /ACTION MATRIX FOR THE COTTON, TEXTILES AND GARMENTS SECTOR**

**Vision:** Be a leading producer of high quality Cotton, Textiles, Garments and other cotton products in East and Central Africa

Objective	Measure	Target	Initiative	Lead institution	Support institution	Milestones	Resources
<b>Development Perspective</b> Maximize the Cotton and Textiles sector's contribution to employment and poverty reduction.	Number of Jobs	From the present estimate of 0.8m to 1 million in 3 years	Introduce low cost mechanization to increase land acreage under cotton and increase community participation in production	CDO	NAAADS UGCEA PMA Secretariat NARS/NARO NPA	3 years.	GOU Donors Private Sector <b>Medium</b>
	Income levels	Increase earnings to US \$ 150 M/yr in 3yrs					

Objective	Measure	Target	Initiative	Lead institution	Responsible	Milestones	Resources
<b>Competitiveness Perspective</b> <b>Border-In Gear</b> <i>Capacity Development</i> To increase cotton and silk cocoon yields and production volumes	Yields	From 187kg to 1,000kg of lint/acre by 2010	Introduce best agronomic practices	CDO UGCEA	MAAIF NAADS LGs	3 years	GOU Donors Private Sector <b>Medium</b>
	Levels of production	From 133,000 (2005/6) to 400,000 bales of cotton by 2010	Carry out campaigns for increased cotton production		Silk Sector Associations UEPB Exporters KARI PMA Secretariat NPA		
	Number of cocoon egg hatcheries	One hatchery in each silk producing district	Support private sector /farmer production inputs initiatives	MAIIF			
	Number of farmers	From 480,000 to 530,000 for cotton and from 250 to 1000 in silk by 2010	Develop a silk sector renovation strategy with a focus on technical support for hatcheries				
To ensure maximum competences in cotton ginning and exporting; and in value addition products	Ginning outturn (GOT)	From 34% to 37 - 40%	Programme to install efficient ginnerers	UGCEA	CDO UIRI UEPB UOSPA	3 years	GOU Private Sector <b>High</b>

Objective	Measure	Target	Initiative	Lead institution	Responsible	Milestones	Resources
Capacity Diversification To increase range of value added products from cotton	Range of products	Lint, animal feeds and cooking oil	Offer special tax waivers to attract oil extraction and feed manufacturing investors	UIA	MAAIF CDO UIRI MPED	3 years	GOU (Low)
	Garments and apparels exports	From the approximate US\$ 2 million ( 2005) to 5 million in 5 years	Support for technology upgrade for selected promising textile and apparel industries	MOPED	CDO, NPA UIRI MPED UDB TEXDA	5 years	GOU
	Range of products from lint and seed	Animal feeds and seed cake , cooking oil	Program to diversify products.	UOSPA	CDO UGCEA UIRI	3 years	Private investors <b>Medium</b>
Human Capital Development To introduce specialised training in cotton ginning, spinning and weaving in Uganda's vocational institutions	Number of graduates every year	50 per year	Revamp Busitema Ginning School and the Textile Department at Kyambogo University	MOES	MTTI UIRI UGCEA MPED TEXDA	3 years	GOU Donors <b>High</b>
	Number of feeder roads repaired	Upgrade 600kms feeder roads that link most farms to main roads by 2010	Implement a feeder roads rehabilitation programme in cotton growing areas	MOLG	UGCEA MPED LGs NPA	3 years	GOU (Donors)
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear Infrastructure</b> To provide necessary rural infrastructure especially feeder roads.							
<i>Procedures and Documentation</i> To streamline government procedures for licensing textile mills and export documentation	Number of steps to acquire licenses.	Establish a one-stop centre for mill licensing.	UGCEA to negotiate with Central and Local governments	UGCEA	MTTI MPED UEPB UOSPA TEXDA	1 year	Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Responsible	Milestones	Resources
Transaction Support To improve efficiency and price support mechanism for cotton farmers.	Market efficiency	All cotton farmers marketing as groups/co-operatives	Implement the Warehouse Receipt System (WRS)	MTTI	MTTI UEPB UGCEA	1 year	GOU Donors Low
	Prices received by farmers		Provide Weekly prices/and market information in print media	CDO	PMA Secretariat		
Border-Out Gear Market Access To explore niche markets for organic cotton and organic textiles and fair trade opportunities	Volumes of cotton lint and apparels sold in niche markets	25% of cotton exports	Deepen promotion efforts in markets (organic/ fair trade)	CDO	UGCEA CDO NOGAMU UEPB MOFA TEXDA PMA Secretariat	2 years	GOU Low
			Affirmative market development support scheme for textile factories targeting niche markets				
Image and Branding: To create a national image and recognized brand for Ugandan cotton	Volumes of branded cotton	To make Uganda as 'premier organic cotton supplier in Africa'	Brand name development initiative	CDO	UNBS NOGAMU NGOs Gifted by Nature Inc.	3 years	GOU Private Sector Low
Client Perspective Information To provide farmers and exporters with relevant trade information	Number of farmers accessing and using the information	50% of cotton farmers by end of 2009.	Weekly Cotton Farmer News in the print media and export portals. Install boosters in areas with poor telecom network to aid information delivery via mobile phones.	UGCEA  UCC	Telecom service providers RDS TEXDA	3 years	GOU Private Sector Medium

Objective	Measure	Target	Initiative	Lead institution	Responsible	Milestones	Resources
<i>Financial</i> To enable commercial firms access loans from Banks at competitive interest rates	Volume of loans Interest rates	6-7 % p. a	Revive farmers' bank and strengthen specific sector SACCOS	MFPEP	MFPEP CDO UGCEA UDB BOU Parliament	2 years	GOU <b>High</b>
<i>Quality</i> To ensure necessary quality conformance by all exporters/ ginners.	Compliance levels Reject factor	All ginners 90% of Uganda cotton grades to be of world selling grade.	Design programme to minimize trading in unsorted cotton Enforce cotton standards Introduce watering cotton grades at primary level Upgrade textile technology	UGCEA  CDO  UGCEA	TEXDA MTTI MAAIF UIRI UNBS NOGAMU	3 years	GOU Private Sector <b>Low</b>
<b><u>Institutional Perspective:</u></b> <i>Strategy Support Network (SSN):</i> To strengthen public - private partnerships in the sector for effective policy development	Number of public-private meetings held every year	2 national meetings but with more at regional and district levels	Initiate regular sector meetings	UGCEA	CDO MTTI MAAIF UIA NPA UEPB UOSPA	1 year	GOU Private Sector <b>Low</b>
<i>Services Delivery Network (SDN)</i> Strengthen sector associations especially at grassroots production levels	Functional Association branches	All cotton growing areas	Farmer mobilization programmes under cluster framework.	CDO	UGCEA MAAIF NAADS UIRI UNBS	3 years	GOU Private Sector <b>Low</b>



## 5.5 THE TEA SECTOR

### 5.5.1 Overview

Around 37,000 tons of tea were produced and 35,000 tons exported in 2005. 70% of the production was accounted for by 5 large private estates<sup>18</sup>, while smallholder production accounted for 27 per cent, and 20 small private estates accounted for the remainder.

With an estimated 16,300 hectares of tea under production (8,500 ha in large estates and 7,800 ha in smallholder cultivation), total employment in the tea sub-sector is estimated to be around 40,750 people.

Uganda produces good quality tea that is primarily used in blends with premium quality teas, such as those from Kenya. Quality is comparable to teas from Tanzania. The price discount of Ugandan tea to Kenyan tea at the Mombasa auction, where 90 per cent of the Ugandan tea is sold, has declined slightly in recent years, from 24.8 per cent during 1994-97 to 22.5 per cent during 2001-05. Even at current discounts, Ugandan tea compares favorably with most of the neighbouring countries.

### 5.5.2 Global Market Trends

The value of the global retail tea market is estimated at US \$ 25 billion. Global import demand for tea has been relatively strong for the past several years because of its high demand by the petroleum producing countries of the East.

Kenya, the world's largest exporter, has steadily increased production and exports as has Sri Lanka, the second largest exporter. 90 per cent of Ugandan tea is exported through the Mombasa auction, 3 per cent sold directly to foreign buyers, and the remainder consumed locally. The price of tea has remained relatively stable between US\$1.50-US\$ 2.00 per kilogram at the Mombasa auction since 1990 except for the sharp increase in 1997 and 1998 when drought reduced production in the region. Prices in early 2006 started to rise again in response to drought in the region and are expected to remain strong in 2006 and 2007 before declining to historical trends.

### 5.5.3 Critical Sector Issues

- **Research and planting materials:** The Government has largely been absent from the tea sector since the economic collapse of the 1980s and limited research has been done since 1978 when the Tea Research Institute of East Africa collapsed. Restarting tea research is a high priority for the competitiveness of the sector, and especially for the smallholders who have no alternative access to improved varieties.
- **Multiplication and distribution of improved planting materials:** The efforts of GOU to disseminate high yielding clonal varieties obtained from Kenya and distributed under the SEP in 2001 met with partial success. A more sustainable approach to dissemination of improved planting materials is needed and the best approach appears to be to rely on the industry to fund and direct the programme as was done successfully in Tanzania.

<sup>18</sup> James Finlay, Toro-Mityana, Rwenzori, Madhvani, and Mehta.

- **Transportation costs:** Costs are quite high compared to other competing countries, which have direct access to the sea and/or are closer to the same markets. This is exacerbated further by the high cost of moving commodities from the rural agricultural areas to the urban processing and marketing areas for onward distribution to the international markets.
- **Dependence on the Mombasa auction:** Uganda tea producers and exporters are largely dependent on the Mombasa auction for marketing the commodity. It is an uphill task when companies try to market their tea through other avenues. Efforts to diversity tea products (specialty tea) and to explore alternative markets are underway. The Uganda Tea Association has applied for financial assistance from an Arab bank to carry out research on marketing the country's teas to other countries.
- **Product development and diversification:** The health conscious consumer of beverages now has wider choices of tea from the traditional choices of English black tea to the nutraceutical herbal teas, green tea, and value added instant teas. Uganda needs more innovations in this sector to remain relevant.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## SWOT Analysis for Tea

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Land availability</li> <li>• Abundant and trainable labour</li> <li>• Favourable weather for all year round production</li> <li>• Fairly well organized sector</li> <li>• Stable market though with an inelastic price</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Unskilled labour</li> <li>• Land tenure system that does not favour quick land acquisition from non-land-using landlords</li> <li>• Land fragmentation</li> <li>• Lack of investment capital</li> <li>• High transport costs due to distant markets and landlocked position</li> <li>• Utility shortages and unavailability</li> <li>• Failure to diversify markets (Mombassa auction only)</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Tax free preferential markets (EBA, AGOA) etc.</li> <li>• Stable market demand</li> <li>• Emerging new markets of the former communist countries</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Fluctuating foreign exchange rates</li> <li>• Increases in exports by leading exporters (Kenya and Sri-Lanka) and the emergence of Vietnam as new exporter may surge prices</li> </ul>

To address the above sector issues, weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow. The tea is highlighted as a priority sector by the DTIS. Therefore, all action recommendations relating to export development in the implementation plan of the DTIS have been incorporated in action initiatives of the NES.

TABLE 10: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK / MATRIX FOR THE TEA SECTOR

**Vision:** “To make Uganda a reputable producer and exporter of high volume, high quality, diversified, blended and branded Teas”

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
<b>Development Perspective</b> Expand employment and income levels in the sector	Employment and income levels	Increase small holders from the present 11,000 to 15,000 within 3 years	Design and implement programmes that take farmers to higher levels of the Value chain including establishing cluster based processing industries.	UTA	NAADS MAAIF MWLE PMA Secretariat NPA	3 years	GOU Donors <b>Medium</b>
			Design and implement a programme to mobilize more farmers to engage in tea production.				
<b>Competitiveness Perspective</b> <b>Border-In Gear</b> Capacity Development To increase tea yields and volumes of production	Production volumes	From 37,000 tones to 55,000 by 2011	Design and implement a tea growing expansion programme	MAAIF	UTA NAADS LGs MAAIF UNFFE NPA	2 years	GOU Donors (Low) Private sector.
	Yield per ha	Increase tea yield from 1,800 - 3,000kg/ ha.	Replace seed tea with clone tea	UTA	MAAIF NAADS PMA Secretariat	3 years	GOU/ donors <b>Medium</b>

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
Capacity Diversification To re-instate tea research (especially for smallholders) and diversify into value addition	Number of cloned tea plantlets distributed to farmers	To have the two tea research institutes (Rwebitaba and Musizizi under the control of UTA) by 2009	Negotiate with MAAIF to have UTRI under the UTA.	UTA	MAAIF NAADS UNFFE	1 year	Private Sector <b>Low</b>
	Number of demonstration farms	One demonstration farm in each of the major producing areas (Kanungu, Buhweju and Kyenjojo)	Establish tea demonstration farms for research and development.	MAAIF	MAAIF UTRI UTA PMA Secretariat NPA	2 years	GOU/ donors Private Sector <b>Low</b>
	Other teas other than black roasted tea	Herbal and essential oils teas by 2012	Initiate research projects into herbal and other teas.	UIRI	UTRI UNCST MTTI PMA Secretariat NPA	5 years	UIRI UTRI <b>Low</b>

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
Human Capital Development To increase technical and export management skills in the sector.	Level of skills in the tea sector (farmers and technicians)	One UTRI affiliated centre in Kanungu, Buhweju, Kyenjojo and Musizizi	Establish UTRI affiliated tea training centres	UTA	MAAIF UTRI	3 years	GOU Donor <b>Low</b>
		15,000 small holder farmers and their operative staff trained in 5 years	Design a comprehensive training programme on fertilizer use and tea plucking in agronomic practices for smallholder farmers	UTA	MAAIF NAADS UNFFE NPA	2 years	GOU Private Sector <b>Low</b>
		All estate managers and supervisors	Design a training programme for large farm managers and supervisors in technical management, logistics and marketing of tea	UTA	MAAIF NAADS UNFFE	3 years	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear Infrastructure</b> To provide necessary infrastructure for the tea sector	Number of motorable access roads in tea growing areas	All access roads in tea growing areas of Kanungu, Buhweju, Kyenjojo and Musizizi	Design a project to reopen old and develop new tea roads	MOLG	MOW MOFPED PSFU	2 years	GOU Donors <b>High</b>
	Number of areas connected to the electricity grid	All the tea growing areas	Develop programme for alternative sources of electricity in tea areas to supplement national grid	Rural Electrification Agency	Ministry of Energy UERA UMEME MOFPED NPA	3 years	GOU Donors <b>High</b>
	Availability of telecom and internet facilities in tea growing areas	All trading centres in tea growing areas	Mobilize and provide incentives to telecom sectors to install satellite boosters in tea growing areas	MICT	UCC Telecom service providers	3 years	GOU Private Sector Donors <b>High</b>
<b>Border-Out Gear</b> <b>Market Access</b> To develop alternative markets other than the Mombasa Auction	Market outlets outside the Mombasa Auction	3 market outlets outside Mombasa in 3 continents (Especially markets in Eastern Europe and Africa, Middle and the far East countries)	Carry out market research and establish strategy for marketing Uganda's tea outside the Mombasa auction	UTA	UEPB MTTI	1 year	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
<i>In-market Business Support</i> To support tea exporters to effectively promote Ugandan tea in existing international markets and emerging markets of former communist countries, the Middle East and the African Continents	Number of trade fairs attended by exporters	At least one promotion/trade fair per year in major non-traditional markets (Russia, Poland, Northern Africa, Lebanon – Middle East)	Design program for effective participation in bilateral trade fairs.  Intensify the usage of commercial attaches in the region for insider reports to avoid market development programs.	UEPB	MTTI UTA MOFA	1 year	GOU Private Sector <b>Low</b>
	Number of alternative markets.	To penetrate at least 3 of the target markets in 3 years	Design programme to establish agency relationships in the target markets	UTA	MTTI UEPB MOFA UNFFE	2 years	GOU Private Sector. <b>Low</b>
	Volumes of branded and blended tea	10 companies exporting branded tea by 2012  3 companies blending by 2012	Design a brand for Ugandan teas and encourage use of the Gifted by Nature logo.  Design programme to train in blending skills	UTA	PSFU UEPB Gifted by Nature insurance  MTTI UIRI	3 years  3 years	GOU Private Sector <b>Low</b>  GOU Private Sector <b>Low</b>
<i>Image and Branding</i> To sell Ugandan tea as high quality branded and blended tea							

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
<b>Client Perspective</b> Competency To build capacity of tea factories (especially smallholder factories) in export and marketing skills	Number of members among the factories trained in export and marketing skills	At least 1/2 of the responsible staff in all smallholder factories trained in five years	Carry out a training needs assessment Prepare training materials and a module in major training curriculum of UEPB/Enterprise Uganda	UTA	MAAIF UTRI UEPB EUG	2 years	Private Sector GOU Low
<b>Information</b> To build an information network system among all tea factories to access and share non-business secret information in the sector.	Number of tea factories accessing and using the network	All smallholder tea factories	Establish information sharing system	UTA	Tea factories	3 years	Private Sector Low
<b>Financial</b> Effective availability and accessibility of development capital for smallholder tea factories	Volume of development capital accessed by smallholder tea factories	All smallholder tea factories	Design proposals and source financial support from UDB and other development banks and micro finance institutions etc.	UTA	MPED BOU NPA	2 years	GOU Donors High
<b>Quality</b> To facilitate all tea processing companies to acquire internationally recognised quality certification.	Number of certified companies Quality marks on Ugandan tea	All processors and packers by 2009	Design and implement a sector specific certification programme for ISO 9000	UTA	PSFU Processing companies UNBS	3 years	GOU Private Sector Low



Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
<b>Institutional Perspective</b> <i>Strategy support Network(SSN)</i> To strengthen sector grassroots institutions and umbrella association to effectively participate and influence decision making processes in the industry	Number of institutions participating in the decision making processes of the industry	Have grass roots institutions in all tea growing areas	Formation, strengthening and training in farmer institutional development	NAADS	MAAIF RDS UTA PMA Secretariat	2 years	GOU Private Sector
	Effectiveness of government policy in developing the tea sector	To have all tea development issues under UTA as it is with coffee under UCDA	Review Policy in the tea sector	UTA	MAAIF MTTI UEPB UTRI	1 year	GOU Private Sector
<b>Service Delivery Network</b> To improve service delivery in the sector from growing through marketing	Extension agent: Farmer ratio	1:500	Reinstitute tea specific extension service system	NAADS	MAAIF NAADS UTA PMA Secretariat	1 year	GOU Donor <b>Low</b>

## 5.6 THE FLORICULTURE SECTOR

### 5.6.1 Overview

Floriculture has emerged as one of the major non-traditional export sectors for Uganda, contributing around US\$35 million in export earnings in 2005. This makes it the third largest non-traditional export after gold and fish. Currently, there are 18 export firms engaged in the flower sector. The average size of the farms is about 8 hectares each.

The first rose farms were established in Uganda in 1992. However commercial production started in 2001. Farms are situated along Lake Victoria basin in Mukono, Wakiso and Mpigi districts. New attempts are being made to move to high altitude areas which have seen new places like Ntungamo in Western Uganda planted with T-hybrid roses.

The industry is continually increasing in hectarage which now stands at about 200 Ha with more than 40 rose varieties as well as Chrysanthemums. There has been an average annual growth of 20% in flower production in Uganda over the last 8 years.

The industry is well organised through the Uganda Flower Exporters Association (UFEA) which is a private sector trade association supported by all growers.

### 5.6.2 The Market trends

The global market value of floriculture products is over US\$6 billion (2005 est.) Uganda's exports stood at US\$35 million in 2005 compared to US\$ 31.92 million in 2004. Floriculture exports are dominated by cut-flowers (virtually all are cut-roses), estimated to be around US\$27 million in 2005, with the remainder being made up of mostly chrysanthemums which are estimated to be just under US\$10 million. Between 2002 and 2004, there was an average annual increment of 26 % in value and only 8 % between 2004 and 2005.

Flowers exports include Roses, which represent about 70 per cent, and Chrysanthemums, which represent 25%, the remaining 5% are other potted plants, which have been introduced recently. Most exports (70%) go to Europe through the Dutch auction market and independent Dutch traders and distributors. The major final destinations are Germany, UK, France and Italy.

### 5.6.3 Critical Sector Issues

- The European flower market is becoming increasingly competitive. Considerable investments in intermediate and T-hybrid production in Kenya and Ethiopia have put prices under pressure. Whilst these investments do not compete directly with Uganda's sweetheart production, the increased output will result in a decline in all rose prices, including sweethearts.
- The demands of the European supermarkets for traceability needed to achieve standards such as EurepGAP adds considerably to the start-up costs for the cut flower export business.
- Airport cold rooms and other infrastructure require substantial improvement in management and holding capacity expansion.
- Human resources management capacity programmes of the sectors have been achieved mainly with assistance from abroad. The current support mainly by the USAID-APEP programme, ends this year. There is need for continuity by building more capacity within the country.

- All too often, erratic voltages and electricity blackouts affect cold stores, processing equipment and irrigation systems, damaging expensive equipment and also forcing firms to resort to generators. This adds to running costs and capital expenditure.
- The exporter's biggest direct cost is that of freight. Current rates for Uganda are US\$2.40/kg compared to Kenya at US\$ 1.77/kg and Ethiopia at US\$ 1.55/kg. The Kenyan flower industry is much larger and can negotiate better deals because of its economies of scale. The high cost of aviation fuel in Uganda further dampens the situation.
- There is also the issue of double phyto-sanitary inspection charges per consignment every week ranging from Euros 15-20.
- The sector has had no new investors/major expansion for the last 8 years.
- Value addition in Uganda's floriculture is also an issue to address. Since the emergency of the sector the exports have mainly remained bunched flowers. Shelf ready flowers, colouring, drying, extraction of scents and oils etc need to be developed.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## SWOT analysis for the flower sector in Uganda.

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Relative political and economic stability</li> <li>• Consistent quality throughout the year</li> <li>• Floricultural industry now has the critical mass to facilitate geographical diversification</li> <li>• Considerable support from the donor community, particularly USAID and the Dutch PSOM grants</li> <li>• Good cooperation between exporters</li> <li>• UFEA works actively to promote Uganda's floricultural exports</li> <li>• Cheap labour</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Sub-tropical temperatures prevent profitable production of many products, significantly reducing market opportunities.</li> <li>• Inexperienced labor and shortage of skilled management and supervisors</li> <li>• Some incentives for exporters are not promptly recognized by some GOU departments, for example VAT refunds</li> <li>• Relatively small base of commercial farmers</li> <li>• Erratic electricity supply</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Expanding market opportunities as production increasingly moves away from Europe to developing countries</li> <li>• Opportunities for increasing output as production moves away from South Africa and South America to countries on the Equator</li> <li>• Depressed production in Zimbabwe gives opportunity for new suppliers of sweetheart roses</li> <li>• Market preferences that allow tax free imports in major markets.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Other countries offer more attractive incentives and provide a quicker, more helpful support service to new investors (for example Ethiopia)</li> <li>• Better growing climate in competitor countries (Ethiopia and Kenya) for T-hybrids which are better yielding</li> <li>• Technical support and inputs available in competitor countries such as Kenya</li> <li>• Unstable exchange rates that affect export outturns</li> <li>• Increasing requirement for traceability by the European supermarkets adds to future sector competitiveness challenges.</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow. Again, floriculture is one of the sectors highlighted as a priority by the DTIS. Therefore all action recommendations relating to export development in the implementation plan of the DTIS have been incorporated in action initiatives of the NES.

**TABLE 6: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK /MATRIX FOR THE FLOWER SECTOR**

**Vision:** To become the leading commercial sector with substantial contribution to national export revenues

Objective	Measure	Target	Initiative	Lead Institution	Support Institutions	Milestones	Resources
<b>Development Perspective</b> Maximize the flower sector's contribution to employment and poverty reduction	Jobs created	10,000 – 15,000 jobs by 2012	Demarcate and allocate more land for flower growing	UIA	MLUD	5 years	GOU
	Income levels	Export earnings of US\$50 -75 million per year in 5 years	Design and implement a programme to spread floriculture to other parts of the country	UFEA	MAAIF MOLG LGs PMA Secretariat NPA		Private Sector <b>High</b>
<b>Competitiveness Perspective</b> <b>Border-In Gear</b> Capacity Development To increase volumes of production of existing flower farms	Number of smallholder farmers participating in commercial floriculture	20 smallholder commercial flower growers by 2012	Carry out feasibility study for the involvement of smallholder flower farmers like in Kenya	MAAIF	PSFU UFEA CICS secretariat	2 years	GOU Private Sector <b>Low</b>
	Amount of land under flower production	Increase acreage from 200 to 400 ha	Demarcate and allocate serviced land to flower investors  Start high altitude production clusters	UIA  UFPEA	MAAIF PSFU UIA MTTI LGs PMA Secretariat NPA	5 Yrs	GOU Private Sector <b>High</b>
Capacity Diversification To increase productivity and add value to flower exports	Productivity per M <sup>2</sup>	300 – 400 stems /M <sup>2</sup>	Establish trial programmes in one or more farms to identify best agronomic practices and new crop opportunities	UFEA	MAAIF PMA Secretariat NPA	2 years	GOU Private sector <b>High</b>
Expand cold storage capacity at Entebbe Airport	Capacity and ownership	Double the present capacity. Private sector ownership.	Put the management of cold rooms under FHL & UFEA	CAA	MOFPED UFEA	2 years	GOU Private Sector

Objective	Measure	Target	Initiative	Lead Institution	Support Institutions	Milestones	Resources
<i>Human Capital Development</i> Continue to build capacity especially that of production level managers and technical workers	Number of personnel trained  Number of training programmes/projects in place	All technical level management in farms	ownership. Design and seek  Design new training programme to build on assistance that has been mainly provided by the USAID-APEP programme that ends in 2007.	UFEA	MAAIF PSFU	1 year	Private Sector <b>Low</b>
<b><u>Client Perspective</u></b> <i>Competency</i> To ensure maximum knowledge and skills in floriculture management	Number of Supervisors trained  Number of export training events  Number of sector operatives	Double the present number of trained supervisors  Complete module by 2008  Two specialized training events for the sector every year	Step up applied Tropical Floriculture courses to train supervisors and widen curriculum to include floriculture at higher altitudes  Include a module on export skills in the present curriculum of floriculture training and integrate it in the UEPB export training curriculum	UFEA  UEPB	BAC Mountains of the Moon University UFEA MTTI	3 years	GOU International Trade Capacity development organizations Private Sector
<i>Information:</i> To provide market information to the present firms and SMEs that may enter the trade	Number of clients reporting/receiving information	Mainly emerging SMEs	Build and include an information module in the Regional Information System for Export (RISE)	UEPB	UFEA, MTTI	2 years	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead Institution	Support Institutions	Milestones	Resources
<i>Financial</i> To enable commercial firms access loans for expansion at competitive interest rates.	Level of interest rates	6-7%p.a.	Design a programme to help the sector access low cost value addition funds in UDB and other development banks that may be identified.  Design a programme to enable the sector leverage their capital with grant support such as PSFU managed Business Development funds	UFEA	MOPED & MTI BOU PSFU-BUDS PMA Secretariat	2 years	GOU Donors Private Sector <b>High</b>
Quality To build capacity for implementation of appropriate standards set by the industry and market.	Quality and standards compliance levels	Traceability compliance by all firms	Technical support program for continuous improvement in the management of traceability, a GAP requirement	UFEA	MAAIF UEPB MTI Exporters PSFU PMA Secretariat	2 years	GOU Donors Private Sector <b>Low</b>
<u>Institutional Perspective</u> <b>Strategy Support</b> Network (SSN) and Services Delivery Network (SDN)  To expand the capacity of UFEA as a sector association	Level of reach with respect to present and future floriculture areas  Level of policy influence	Representation in all present and future floriculture areas	Design Capacity building programme for the association	UFEA	Floriculture farmers MAAIF UEPB UIA MTI	2 years	UFEA Members GOU Donors

## 5.7 THE SERVICES SECTOR

### 5.7.1 Overview

Trade in services approximately accounts for two-thirds of the world's economic activity. Service exports currently account for about US\$1 trillion or 20% of world exports. The share of developing countries in world exports of services is relatively small and over 30% of the world's workforce is employed by service firms, which also create most of the new jobs. The contribution of services to Gross Domestic Product (GDP) in least developed countries is over 45% in most of them. Growth of Trade in Services have been one of the major trends in international trade markets.

Trade in services is important to Uganda's economy because of the significant role the sector plays in facilitating numerous other areas of the economic activity, job creation and generating tax revenues. At the same time services have of recent become one of the biggest contributors to GDP (47.1% in 2006/07).

The national export strategy will focus on mainly two sub sectors of tourism and higher education services. Tourism is well articulated in the IF DTIS report (2006) while the higher education is well treated in the Services Sector Strategy (2005). Below, key sector issues are highlighted and strategic interventions proposed.

### 5.7.2 Tourism

#### 5.7.2.1 Sub sector overview

In the year 2005, Uganda recorded 467, 728 visitors. Total arrivals by air increased by 31 per cent while arrivals by road decreased by 24 per cent. Total tourist arrivals decreased by 10.3 per cent between 2004 and 2005.

The DTIS report puts estimates of employment in tourism at approximately 21,000 in direct tourism employment, and up to 240,000 in informal employment ( such as street vendors catering to tourists). In addition to these direct effects, tourism also contributes to the economy through the linkages it has with other sectors. The estimate of total employment that includes informal employment provided above would rise to 420,000 if all the backward linkages are taken into consideration.

#### 5.7.2.2 Sub-Sector Critical issues

- The case for tourism as a driver of growth and poverty reduction has yet to be redefined and refocused in the national economic agenda. There are frail efforts between the different arms of government at the national and the district levels for planning and implementing tourism development programs. Their impact is however yet to be substantially visible.
- There is need for focused and innovative product (and market) development.
- There is a need to expand the options for accommodation in terms of affordability and availability especially mid-range income tourists (both foreign and domestic).
- The sector suffers from very low levels of domestic tourism. Development of the domestic resident tourist market could play an important role in the development of Uganda's tourism



industry in general. This is a missed opportunity given the growing middle class with the spending power to spur growth in this area.

- Lack of a focused product and market development programme for Niche tourism - Uganda has several tourist products that allow it to differentiate itself from its neighbouring competitors (Kenya and Tanzania). These are also products that are attracting independent travellers. Product and market development must focus on these products both as unique Ugandan products as well as those complementary to the East African regional offer.
- The issue of sustained marketing resources (as opposed to those that come with specific donor packages and last a couple of years) must be addressed in Uganda. Marketing and promotion are often overlooked when countries establish a tourism sector, yet without it, demand may never be generated for the product in sufficient quantity for it to be viable.
- Weak skills and service delivery among suppliers in the tourism sector need to be strategically addressed. Firms in the tourism sector offering support services along the value chain (hotels, in-bound tour operators and transport providers) in Uganda are all small, relatively underexposed and inexperienced with international tourism. With a few exceptions, operators in Uganda are not actively working with international agents or independently marketing their products and services in key target markets. Many of the tour operators and accommodation owners have a less proactive and aggressive approach with regard to marketing.
- Insecurity is another key issue that should be addressed. Apparent or real, it is often the major setback and scare to tourists. It is also a cause for negative travel advisories issued by developed countries to their wealthy holiday seeking citizens.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## SWOT Analysis for the Tourism Sector

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Uganda has unique biodiversity (primates, birds, rivers and lakes, diverse culture. Pleasant climate (average temperature 18 degrees centigrade).</li> <li>• Beautiful scenery compared to EAC</li> <li>• Unique products; White water rafting, gorillas.</li> <li>• A hospitable population</li> <li>• Vibrant culture</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Poor tourism training curricula at the different levels.</li> <li>• Low involvement of the government compared to competitor countries.</li> <li>• Poor organisation of the tourism private sector</li> <li>• Overpricing (compared to competing countries)</li> <li>• Poor services and facility maintenance (vehicles, roads, toilets, buildings.).</li> <li>• Poor traffic control and poor roads.</li> <li>• No documentation on ethical conduct in the sector.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• A lot of the potential products have not yet been developed (e.g. agro-tourism, eco-tourism, community experiences (village walks, homestead, cooking tours, heritage, culture, handcrafts demonstrations and classes,))</li> <li>• Domestic and foreign residents' tourism market not yet tapped.</li> <li>• Rapidly spreading telecommunication networks</li> <li>• Growing IT (internet).</li> <li>• Tourism product is demand driven (can be customized).</li> <li>• Community based tourism as supplement to wildlife</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Insecurity in some tourist parts of the country</li> <li>• Gorilla migrations</li> <li>• Road safety</li> <li>• Seasonality of tourism</li> <li>• Lack of Transparency by stakeholders in the tourism sector towards the clients.</li> <li>• Pollution (Air and other wastes).</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow. Again tourism is one of the sectors highlighted as a priority by the DTIS. Therefore, all action recommendations relating to export development in the implementation plan of the DTIS have been incorporated in action initiatives of the NES.

**TABLE 7: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK /MATRIX FOR THE TOURISM SECTOR**

**Vision:** “To become the largest source of foreign exchange and serve as a vehicle for poverty reduction to the extent possible through sustainable tourism”

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Development Perspective</b> Maximize the tourism sector's contribution to employment and poverty reduction	Jobs created	Double the current levels (450,000 both formal and informal) in 3 years	Design and implement more community Tourism programmes to create jobs in rural areas	UTB	UWA, MTI	3 years	GOU Private Sector Donors <b>Medium</b>
			Design programmes to train many Ugandans in the hospitality industry to be employed	MTI	UWA, UTB, MTI, LGs, AUTO		

## Legend

UTB	Uganda Tourist Board
UWA	Uganda Wildlife Authority
AUTO	Association of Uganda Tour Operators
NEMA	National Environment Management Authority
UGSTD	Uganda Sustainable Tourism Development Programme
UTA	Uganda Tourism Association
TUGATA	The Uganda Association of Tour Agents
UHOA	Uganda Hotel Owners Association
VFR	Visiting Friends and Relatives

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b><u>Competitiveness Perspective</u></b> <b>Border-In Gear:</b> Capacity Development: To increase facilities and amenities in the tourism industry.	Range of tourist support facilities in tourist areas	Adequate middle income accommodation and facilities along tourist routes	Encourage and provide incentives to the private sector to increase the middle class accommodation capacity.  Design and implement projects to increase the number of quality stop-over places for food and drinks and with modern welfare and recreation amenities.	UTB	UHOA MTTI AUTO UWA	3 years	GOU Private Sector <b>High</b>
Capacity Diversification: To increase the range of tourism products especially in the niche tourism segment	Range of tourist activities publicized and promoted	Canopy walkways, camping circuit, houseboats on Lakes, mountaineering, conferences and meetings	Establish and offer Investment incentives, with preferential rates for investments in rural areas and projects focused on developing new products	MTTI	MPED UIA UTB AUTO UHOA PSFU UWA	2 years	GOU Private Sector <b>Low</b>
Human Capital Development: To upgrade human resource capacity in the tourism sector (especially management and staff in the hospitality segment)	Number of professionals in the tourism sector	Skills in sales, customer care, hotel management, tour guiding, marketing, and food safety and hygiene	Revitalize the curriculum of the tourism training institutes.	UTB	MOES Tertiary institutions NCDC AUTO UWA	2 years	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear:</b> Infrastructure To improve infrastructure; road, train, airlines, electricity, telecommunication, and water in designated areas	Operational Railway and ferry infrastructure	Rail journey from Nairobi to Jinja and Kampala  Tourist ferry between Tanzania, Kenya and Uganda	Design a rail and water transport system development project and source funding for its implementation	MOW	Private sector, DP UIA, UWA, CAA, , Local Governments, RAFU NPA	5 years	GOU Donor Private Sector <b>High</b>
	Quality of roads	Uganda-Ishasha Road, Masindi-Paraa, Kabale-Kanungu-Buhoma Road, Jinja-Budondo Road	Design and implement a project to upgrade key roads leading to tourist sites	MOW	Private sector, DP UWA, IGs, RAFU NPA	5 years	GOU Donor Private Sector <b>High</b>
	Number and frequency of flights to National parks  Number of airfield infrastructure in National Parks	Regional air charter services to National Parks	Establish an incentive scheme to encourage more charter services targeted at tourists.	CAA	Private sector, UWA, CAA, , Local Governments UIA NPA		GOU Donor Private Sector <b>Low</b>
<b>Procedures and documentation</b> To streamline and shorten procedures for licensing tour operators	Number of steps and licenses required	Single license and by one institution.	Sector Stakeholder policy review meetings involving mainly MTI, UTB, KCC and Tour Operators	MTI	UTB AUTO KCC	1 year	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
Transaction support To ease the booking and tourist travel arrangements into Uganda and payment for the services	Number of tourists coming in through e-ticketing	Over 50% of the total tourists coming into the country	Design and implement programme to deepen e- booking , ticketing and payments	AUTO	BOU UTB MTTI MFPED	3 years	GOU Private Sector <b>Medium</b>
	Payment methods	Over 50% of payments by tourists done by credit cards and other e - forms					
<b>Boarder-Out Gear</b> <i>In-Market Business Support</i> To ensure attraction of more tourists through market development programmes.	Tourist numbers and trends	Adventure tourism (for backpacker/ over-lander markets, EU market, USA market, South African market, Asian markets (China and Japan especially) regional tourism	Undertake market intelligence reports for specific market segments (See highlights in the targets)	UTB	MTTI AUTO UEPB Private sector MOFA UWEC	3 years	GOU (Specifically tourism levy) Donors Private Sector for <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Image and Branding:</b> To reposition Uganda as a tourism and conference hub.	Country brand	Gifted by Nature applied by all sector stakeholder fraternity and improved to reflect conference hub capacity.	Promote the Gifted By Nature brand in key international programmes, national events and in national institutions both within and abroad.	UTB	MTTI UEPB UWA UCOTA Private sector MOFA Gifted by Nature Inc. Artists Associations	2 years	GOU Private Sector <b>Medium</b>
<b>Client Perspective</b> <i>Information:</i> To enhance tourism information generation and dissemination to the target markets and other users	Functional websites  Tourist information points in the country	Information point in each district	Implement information sharing system between all local tourism operators, foreign visa-issuing missions, regional and district municipalities and private sector	UTB	AUTO MTTI UWA	3 years	GOU Private Sector <b>Low</b>
	Updated data on tourist flows		Conduct annual exit surveys	UBOS	AUTO MTTI UWA	2 years	GOU Private Sector <b>Low</b>
<i>Financial:</i> To provide long term finance at competitive lending rates	Number of tourism investors accessing low cost investment finance	Investment capital of 6-7% interest pa	Design and implement a sector specific programme to promote access to international credit facilities	UTB	MTTI Development Banks PSFU BOU MOPED	3 years	GOU IFIs <b>High</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Quality:</b> To ensure high standards of service in the tourism industry.	Level of classification of hotels and other services	All main hotels and restaurants classified by 2010	Design and implement a national programme to classify all hotels and restaurants  Enact the tourism bill to reflect and enforce new international standards	MTTI	MOJ AUTO UTB	2 years	GOU Donor Private Sector <b>Low</b>
<b>Institutional Perspective</b> Strategy Support Network (SSN) To improve strategic planning for the sector	National, local and regional plans	(i) completing six district tourism plans (ii) completing Jinja Tourism plan	Develop project to complete the plans and source funds to implement them including building local capacity of Districts to effectively market their tourism potentials	UTB	UWA, UTB, NFA, NEMA, UWEC, AUTO, UTA, UCOTA, NPA	2 years	GOU Private Sector <b>High</b>
<b>Service Delivery Network (SDN)</b> To ensure a competitive service delivery mechanism in the region	Capacity of key sector promoters	A Strengthened UTB and a strong and unified Sector Association	Capacity assessment and development programme for both UTB and the Sector Association.	MTTI	AUTO UWA, UTB, , UWEC, AUTO, UTA, UCOTA, NEMA	2 years	GOU Private sector <b>Low</b>



### 5.7.3 Education Services

#### 5.7.3.1 Overview of the Sub Sector

**Uganda** Services Export Strategy (2005)<sup>19</sup> makes an extensive analysis of the sector. The NES shall therefore consider the sector Strategy as one of its key components. Suffice here to summarize a few issues about the sector as follows.

Uganda's education sector is one of the most robust, with good export potential. This involves institutions at all levels but most especially secondary and tertiary institutions. The sector has undergone tremendous transformation and growth since sector liberalization programmes of the late 1990s. This encouraged private sector participation in education services. The sector has proactively attracted sizeable proportions of international students contributing to national export earnings (USD 30 Million in 2005) through cross border mode of supply.

The primary and secondary education enrolment by foreigners tends to be largely driven by alumina and foreign parents who come and stay for some time by virtue of their job placements. The accompanying children are compelled to enlist in good quality schools whose curricula and facilities are acceptable to the parents while the alumina become advocates for Uganda's education. This is mostly in urban areas. In tertiary institutions, the enrolment tends to be driven by students' quest for good, affordable and competitive schools in the region. By the end of December 2005, (Ministry of Education and Sports, Planning Department), private investment was highest in secondary education. Out of 980 secondary schools, 400 were public and 580 (60%) were private.

#### 5.7.3.2 Market Trends

Recent studies estimate the global market for higher education services at US\$ 30 billion. World leaders in export of education services include the US, UK and Australia. Uganda's education sector attracts students mostly from our neighbouring countries. In 2005, for example, Uganda attracted 20,716 students from Kenya, 5,211 from Tanzania, 2,457 from Sudan, 1,228 from Rwanda and 2,435 from DRC. EAC and COMESA regions thus become the major export markets. There is however strong competition from UK, Australia, South Africa and Malaysia that have made aggressive marketing of their education.

#### 5.7.3.3 Critical Sector Issues

- Lack of awareness of the business opportunity in export of education services.
- Lack of a well-defined regulatory framework for educational service export.
- Inadequate international marketing programmes.
- Lack of marketing skills by sector players.
- Inadequate learning facilities and scholastic material.
- Minimal integration of ICT and absence of E-learning capacity and facilities.
- Low adaptation of the national curriculum, to international standards.
- Competition from other countries like the British, Australian, and Malaysian institutions among others.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

<sup>19</sup> The Service Export Strategy can be found at [www.Ugandaexportsonline.Com/reports](http://www.Ugandaexportsonline.Com/reports)

## SWOT Analysis for the Education sector

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• The historical foundation of Uganda's educational system based on the British system acceptable regionally and internationally.</li> <li>• Massive investment by private investors in education in a short period</li> <li>• The Government Policy. i.e. Education For All, at primary and secondary levels</li> <li>• The use of English language as a medium of instruction at all levels</li> <li>• Comparative cheap education regionally and internationally.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Poor and old infrastructure</li> <li>• Poor remuneration of tutors</li> <li>• A bigger population of the country is not able to access higher education</li> <li>• Curriculum not able to sufficiently address market demands</li> <li>• Poor marketing and advertising</li> <li>• Poor distribution of Tertiary institutions in the country</li> <li>• Dominance of arts rather than science and practical related courses</li> <li>• Migration of teaching staff and administration</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Regional market readily available</li> <li>• A large number of population within the country and regionally seeking for quality higher education.</li> <li>• Political instability in neighbouring countries forcing students to seek education in Uganda</li> <li>• Liberalisation of education system</li> <li>• Economic integration that eases cross border movement of students</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Internal and regional wars</li> <li>• Competition from developed countries, e.g. Australia, UK, India, S. Africa, Malaysia, etc.</li> <li>• Declining overall standards and falling international ratings.</li> <li>• Compromised quality at the expense of high demand</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow.

TABLE 8: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK /ACTION MATRIX FOR THE EDUCATION SECTOR

**Vision:** “To be a centre for quality and affordable education in the region and beyond”

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<u><b>Development Perspective</b></u> To increase study options for export entrepreneurship in Uganda's education system.	No. of Ugandan students trained in export entrepreneurship.	50% of students on business related courses.	In partnership with private sector entrepreneurs, design and integrate relevant subjects in the curricula of higher institutions of learning.	MOES	Universities Tertiary Institutions Private Sector PSFU UIA UEPB UCCI NPA	3 years	GOU Donors Private Sector <b>High</b>
<u><b>Competitiveness Perspective</b></u> <u><b>Border-In Gear Capacity Development</b></u> To develop courses that quickly respond to the changing needs of the market	Adequate curriculum Employability of graduates Private sector response	Revised Higher Education curriculum in 3 years	Carry out a curriculum review process beginning with a survey of investors and employers' skill and research needs.	National Council for Higher Education (NCHE)	Universities MOES ESA NCDC PSFU UIA Investors Roundtable NPA	3 years	GOU Donors Private Sector <b>High</b>

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<u>Capacity Diversification</u> Aim at offering education online	Number of universities investing in online education	A least the 5 major Universities every year	Programme to facilitate extensive IT upgrades and training of Online tutors	NCHE	Universities MOES Private Sector IT Firms MOICT UCC	5 years	GOU Donors Private Sector <b>High</b>
<b>Human Capital Development:</b> Manpower development to support diversification and increased intake	Number of PhDs and Masters in the academic staff	Increase the number of PhDs and Masters by 30% in 5 years	Offer and source for scholarships Implement exchange programmes with reputable universities	NCHE	MOES MOPED Universities and others Tertiary institutions	5 years	GOU Donors Private Sector <b>Medium</b>
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear Infrastructure</b> To provide efficient and cost effective infrastructure including lecture halls and computers	Capacity of the lecture theatres in major Universities and colleges	IT supported Teleconference lecture theatres in all major universities	Design programme to build theatres equipped with more screen learning facilities than more brick and mortar structures that are expensive  Design programs that encourage offcampus study programmes	NCHE	MOES MFPEP Private Sector Association. Universities and other Tertiary institutions	5 years	GOU Donors Private Sector <b>High</b>
	Computer: student ratio	1 computer to 10 students	Design and implement research partnership programmes between universities and international computer firms like Microsoft to access IT services of such firms	NCHE	MOES MFPEP Private Sector Universities	3 years	GOU Donors Private Sector

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<i>Procedures and Documentation</i> To ease processing of university entry documents especially for foreign students	Number of Students admitted online	All foreign Students and at least more than 50% of the local students	Design online entry forms and integrate them in a joint education marketing website.	NCHE	MOES Universities	2 years	GOU Private Sector <b>Low</b>
<i>Transaction Support</i> To develop the academic staff's understanding of the export of educational services and its marketing requirements	Number of external departments established	External students department in every institution.	Establish external students departments to specialize in export of educational services	NCHE	MOES Universities	2 years	GOU Donors Private Sector <b>Low</b>
	Number of workshops on managing education as an intangible export	At least 2 every year	Develop and integrate a module on services in the export training programmes	UEPB	MOES NCHE Universities and other Tertiary institutions	2 years	GOU International Trade Training Institutions
<b>Border-Out Gear</b> <i>In-market Business Support</i> To provide the education sector with a full service in countries interested in studying in Uganda	Number of facilitated university exhibitions in target countries Number of enquiries resulting from the shows	One exhibition every 2 years in every target country	Design an integrated project for promoting education service exports in the regional markets.	UEPB	MTTI MOES Universities NCHE Sector Associations USEA	2 years	GOU Donors Private Sector

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<i>Image and Branding</i> To brand and position Uganda as the top of the market in the education sector in the Great Lakes Region	Number of universities participating in the brand linkage programme	All colleges and universities	Jointly create a marketing brand targeting the region and carry out regional campaigns to popularize it.	Private Sector Association	Gifted by Nature MOES Universities NCHE USEA	4 years	GOU Donors Private Sector
<b>Client Perspective:</b> <i>Information:</i> Provide information online to prospective students and their sponsors.	Number of clients accessing information online	An integrated information system to which all Higher institutions of learning subscribe	Jointly develop an interactive marketing portal	Sector Association	MOES UEPB Universities Afro Educare	3 years	GOU Private Sector <b>Low</b>
<i>Financial:</i> Provide research grants to facilitate innovative research	Number of research grant options		Develop a compendium of research proposals and market them for grant financing	UNCST	MOES MFPED NPA	5 years	GOU Donors Private Sector <b>High</b>
<i>Quality:</i> To achieve high quality and ensure compliance with accepted international education standards	Quality awards  Teacher to student ratio  Publications in international journals	A 1:40 teacher - student ratio  20 publications annually, per University	Revise and enforce national standards  Train more lecturers and implement exchange programmes with other Universities  Programme to encourage more research by Academic Staff	ESA	MOES MFPED NCHE UNCHE UNCST	5 years	GOU Donors Private Sector <b>High</b>

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<b><u>Institutional Perspective:</u></b> Strategy Support Network (SSN Services Delivery Network (SDN): To build the capacity of Higher Education management associations and institutions to be able to innovatively plan for the sector.	Education management training events	At least 2 conferences every year	Develop and standardize an annual Education management conference with innovative themes in the areas of research, business development and international marketing.	Private Sector Higher Education Association	MOES NCDC Umbrella Business Associations (UMA, PSFU etc) Government Institutions USEA	1 year	GOU Donors Private Sector <b>High</b>

## 5.8 THE FRUITS & VEGETABLE SECTOR

### 5.8.1 Overview

**Uganda's** main export fruits include bananas, Victoria pineapples, mangoes, citrus, purple and yellow passion fruits. Vegetables include okra, chillies, beans etc.

Uganda's Fruit and Vegetable sector is important because the downstream end of its supply chain supports close to 1 million small rural farmers for whom the sector provides an alternative source of income to the traditional cash crops. About 60 small and medium companies are active exporters in the sector. They source their products from small scale rural farmers in typical out-grower schemes.

Export values are still modest. In 2006 for example, the combined value of sector exports dried fruits, vegetables and fruit juices was just about US \$ 5.0 million.

The Uganda local market is reasonably well supplied with fruits and vegetables. A recent study of the fresh fruit and vegetable market noted that "smallholder farmers control almost all the market, even in the recently opened foreign-owned supermarkets." Only very small quantities of fresh fruit are imported especially those which Uganda's climate does not favour.

The sector engages in very little value addition. Most fruits are exported fresh and unprocessed.

**There is great potential for processing in the following areas:**

- Dried fruits which are high value, low volume.
- Fruit juices and concentrates
- Fruit pulp processing
- Flour processing for the bakery industry
- Fruit caning
- Vegetable purees and chutneys

Fruit drying is already widely practiced by exporters, mainly with locally made wooden solar driers. There is however need to scale up to higher technologies.

A few companies are involved in fruit juice processing. These include Britannia Allied Industries, Reko Industries, Jacana and Elgonia Ltd. The local fruit juice industry largely imports fruit pulp from Kenya and India to feed into their local processing industry.

There is on-going research in banana flour processing both for export and for the local bakery industry. Initiatives in this area have involved Makerere University and the Poverty Alleviation Unit of the Office of the President. Processing plants are envisaged in the main banana growing areas of western Uganda.



### 5.8.2 Market Size and Trends

In 2005, global demand for fresh fruits (dates, figs, pineapples, mangoes, avocados, guavas etc) was estimated at US\$ 4.3 billion. In 2005, global demand for bananas was estimated at US\$ 8.7 billion, pineapples at US\$ 1.4 billion, and mangoes at US\$ 945 million. Global demand for unfermented fruit and vegetable juices was an estimated US\$ 9.2 billion growing at 11% p.a. in value and 5% by volume over the period 2001-2005 (Trade map 2006).

Uganda's exports of fresh fruit and juices are mainly into the neighbouring countries of Rwanda, DRC, Sudan and Kenya. There is also considerable demand in the local market.

### 5.8.3 Critical sector Issues

- With respect to fresh fruits and vegetable exports to Europe, many face the freight rate problem which stands at about US\$2.5 per kilo compared to competitors in Asia that ship to Europe for as low as 9 cents a kilo.
- Apart from freight costs, all operators face a high cost structure stemming from poorly developed infrastructure, namely, roads, marketing and storage facilities to lack of cold chain facilities.
- Many farmers have attempted to go organic in order to avoid TBTs occasioned by food safety concerns in the western world markets. However, the high cost of formal certification of farms ( Over US\$ 15,000 for organic) still poses enormous stress on practitioners.
- Laws and legislation in the EU markets (Euregap, MRL, Traceability, Animal Feeds, environmentally acceptable packaging etc) have left the sector totally stressed and unable to register considerable growth in export markets.
- With respect to processing, lack of technology is the main setback. This partly explains why fresh fruits are exported to Kenya and then concentrates imported from the same country to support the industry in Uganda.
- Fruits processors have also pointed out the seasonality of fruits as another major problem. The small scale producers' dominance in the sector raises fears that production may not be able to maintain uninterrupted supplies of fruits to the existing factories.
- Lack of strong entrepreneurs willing to invest in value addition in the sector is also an issue to address.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## SWOT Analysis for the Fruits & Vegetables Sector

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Organized sector associations</li> <li>• Existence of airport cold store</li> <li>• Cheap labour</li> <li>• Cheap and plentiful land</li> <li>• High quality fruits and vegetables</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Overall lack of business skills on the side of small scale farmers.</li> <li>• Dominance of subsistence farmers compared to competitors like India with more agricultural commercialization</li> <li>• Poor codes of practice and their enforcement</li> <li>• Opportunistic trade between Small Holder Farmers (SHFs), traders and exporters</li> <li>• Poor post-harvest handling practices (sorting, packing and loading)</li> <li>• Lack of value addition, save for a few companies which however largely depend on imported pulp and concentrates</li> <li>• Absence of adequate research to support value addition in the sector.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Expanding and growing market opportunities as production increasingly moves away from Europe to developing countries</li> <li>• A growing international organic market for fruits and vegetables</li> <li>• A distinct tropical climate with excellent soils and climate</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Potential use of DDT will affect organic exports and acceptability of conventional products into the EU market</li> <li>• Continued power irregularities</li> <li>• Increasing requirement for traceability by the European supermarkets makes it difficult for small-farmers to participate in horticulture exports</li> <li>• Competition especially from emerging economies of Asia for the EU market.</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow.

TABLE 9: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK /MATRIX FOR THE FRUITS AND VEGETABLES SECTOR

**Vision:** “Improved livelihoods of small scale farmers through integrating them in the sector export value chain.”

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<u><b>Development Perspective</b></u> Improve the livelihood of fruit and vegetable farmers	Income levels	50% improvement	Create market linkages between farmers and exporters  Strengthen linkages between lead exporter and out-grower schemes and export production villages (clusters)	UEPB	NAADS LGs MAAIF LGs NPA	5 years	GOU Donors Processors <b>Low</b>
<u><b>Competitiveness Perspective</b></u> <u><b>Border-In Gear</b></u> Capacity Development To increase volumes and sustain supply of fruits and fruit products to the export market	Volume and value of exports	From the present US\$ 5m (2005) to 15m in 5 years	Design and conduct a program to form and widen production clusters.  Design and implement strong producer – processor linkage programme	NAADS   NAADS	MAAIF UEPB PSFU LGs PMA Secretariat	5 years	GOU Donors Processors <b>Low</b>

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
Capacity Diversification To widen the export basket to include, more packed juices, concentrates and more dried fruits, chutneys etc	Range of products exported	Five product ranges	Design and implement product research development programmes in partnership with processors in the sector under clusters	UIRI	MTTI (Department of Industry) MAAIF NAADS Processors UEPB UNIDO UMA Universities PMA Secretariat NPA	3 years	GOU Donors Processors <b>Low</b>
	Percentage increase in volume and value of dried fruits exports	From the present US\$ 5 million to 14 million in 5 years.	Design and implement a programme to scale up technology for fruit drying				
			Establish processing incubation pilots in fruit producing areas				
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear Infrastructure</b> To provide fresh fruit cold storage and fresh handling infrastructure particularly in fruit producing areas	Number of fruit producing clusters linked to cold storage facilities and transport trucks	Kayunga Luwero Mukono Soroti Mbarara Bushenyi	Develop and source funds for a cold storage intervention project in partnership with FAO	MAIIF	MTTI (Department of Industry) NAADS Processors UEPB UNIDO Universities Sector Associations	3 years	GOU Donors Private sector <b>High</b>
Transaction Support Facilitate quicker VAT refunds and Duty Drawback processes	Efficient System at URA	Refunds made in less than 2 weeks.	Implement a programme to automate all tax refund related procedures and processes.	URA	MTTI UEPB C & F Agencies Banks UIA	2 years	GOU Donors

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<b>Border-Out Gear</b> <i>In-market Business Support</i> To establish and sustain agency relationships in target markets	Number of export firms with agent outlets in target markets particularly in the regional markets	Agencies in Sudan, DRC, Kenya, Tanzania and Rwanda	Design and conduct a contact promotional programme in the regional markets of COMESA  In partnership with exporters, establish and manage permanent trade points in the regional markets	UEPB	MTTI PSFU UEPB UIA UMA MOFA	2 years	GOU Private Sector.
<b>Client Perspective</b> <i>Competence</i> To achieve continuous improvement in the field of Good Manufacturing and export practices for fruit related products	Frequency of training programmes for the sector	Four Major training events every year	Develop and incorporate a sector training module in the major training programmes of the main Trade Support Institution of UEPB, Enterprise Uganda and UMA  Design and implement an Export Coaching programme for the sector using the pool of UEPB trained export trainers.	UEPB	UMA EUg Export Trainers Consortium	2 years	GOU Private Sector International BSOs
<i>Information</i> Efficient access of market information Ugandan fruit Exporters	Information System built	One Regional Information System for Exports	Design a programme to integrate fruit exports sector in the regional Information system for export operated by the three East African TPOs	UEPB	Export Firms and Fruit Processors UMA	2 years	GOU Private Sector

Objective	Measure	Target	Initiative	Lead Institution	Support Institution	Milestones	Resources
<i>Financial</i> To enable the sector tap into available sources of Value addition funds.	Number of firms accessing value addition funds	All fruit processors targeting the export market	Design Value addition Business Proposals and jointly market them to large financing institutions both local and Foreign	HPOU	PSFU Export Firms and Fruit Processors UMA Various BDSs	2 years	GOU Private Sector Donors
<i>Quality:</i> To facilitate firms achieve internationally recognized quality certification	Number of companies certified with ISO 9000	All fruit processors	ISO Training events	UMA	Export firms UMACIS UEPB UNBS	3 years	Private Sector
<b>Institutional Perspective</b> <i>Strategy Support Network (SSN)</i> To ensure effective and efficient service delivery to all sector stakeholders	Effective cluster and support programmes to cluster members	Deliver all the major services through the cluster Association	Programme to provide government and NGO Services to the sector through a commonly agreed upon cluster	HPOU	PSFU Export Firms and Fruit Processors UMA UEPB	2 years	GOU Private Sector Donors

## 5.9 THE DAIRY SECTOR

### 5.9.1 Overview

**Uganda's** annual milk yield is 900 million litres. Half of this is retained at the farms and only about 450 million litres is commercially traded, 85% of it is consumed unprocessed. Uganda has a total of 87 active collection centres gathering approximately 156,000 litres of milk per day equivalent to only 15% of the milk available for collection. As a result most of the processing plants are operating at 20% installed capacity.

There are 9 large scale dairy processing plants with an aggregate installed capacity of over 343,000 litres/day of milk.

With respect to economic contribution, the livestock sub sector contributes 18% of the agricultural Gross Domestic Product. Of the GDP attributed to the sub-sector, the dairy industry is estimated to contribute up to 45%.

Ugandan milk production is cyclical. Some seasons produce a glut of milk, while at other times supply is insufficient to meet domestic demand.

Over 2.5 million households in Uganda engage in milk production with a national herd of 6.3 million heads of cattle comprising 5.85 million indigenous and 0.5 million either exotic or cross breeds.

### 5.9.2 Markets Trends

The regional market (EAC and COMESA) for dairy products is an estimated US\$ 90 million per year. Product diversification through value addition offers an opportunity in the regional market in the EAC and COMESA for dairy products (including powder milk, UHT milk, yoghurt, cheese, ghee and butter where Uganda has both comparative and competitive advantages of being the least cost producer.

### 5.9.3 Critical Sector Issues

- Poor quality milk handling facilities in collection centers.
- Seasonality of Production resulting into flash surpluses and drought shortages
- Weak farmer level Organizations (including lack of well functioning cooperatives)
- Lack of adequate cold storage and transportation chain
- Lack of access to affordable financing, resulting in low new investment in processing for value addition
- High Cost of achieving the HACCP quality Certification
- Limited value addition success in cheese, yoghurt and butter.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## Dairy Sector SWOT ANALYSIS

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• High quality milk, rich in nutrients</li> <li>• Existence of good regulatory and legal framework, e.g. DDA , UNBS</li> <li>• Institutional network – Development Institutions, academic and research</li> <li>• Existence of dairy processors association ( UDPA)</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Poor milk handling practices at producer group and farm level</li> <li>• Poor animal husbandry practices</li> <li>• High cost of support factors of production (water, power unreliability, transport-high cost of diesel, packaging materials)</li> <li>• Low per capita consumption leading to low capacity utilization, hence high cost of production and poor price competitiveness</li> <li>• Deficits in human capital - dairy experts, extension workers etc.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Export Market availability mainly in milk deficient neighbouring countries</li> <li>• Technology – modern facilities for competitiveness</li> <li>• Expanding local market</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Epidemics</li> <li>• Competitive beverages (black tea/coffee and juices from imported concentrates)</li> <li>• Premature implementation of EAC Customs Union lifting import duties for dairy products, especially coming from Kenya</li> <li>• Poor enforcement of import duties on dairy imports</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow.



TABLE 10: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK / MATRIX FOR DAIRY SECTOR

**Sector Vision:** “To be the leading suppliers of high quality dairy products in the COMESA region and beyond”

Objective	Measure	Target	Initiative	Lead Institution	Support institution	Milestones	Resources
<b>Development Perspective</b> Countrywide improvement of the quality of life of dairy farmers	Household incomes	Average income of \$460 per month	Countrywide programme to improve husbandry practices; (animal disease control, improved breeding, animal feeding and pasture management)	Uganda Crane Creameries Co-operative Union Ltd (UCCCU)	Farmer groups Processors DDA MAAIF PMA Secretariat NIPA	3 years	GOU Donor Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support institution	Milestones	Resources
<b>Competitiveness Perspective</b> <b>Border-In Gear</b> Capacity Development Increase capacity utilisation of existing processing plants and reduce production costs	Capacity utilisation levels	From the present 40% to 75%	Design and implement a milk collection improvement programme	MAAIF	DDA Private Sector MAAIF NAADS PMA Secretariat	3 years	GOU Donor Private Sector <b>Low</b>
		Reduce losses from 21% to 2% in 5 years	Design and implement a national programme for reduction of post harvest losses				
	Productivity per cow	From 2L for local breeds and 7L for improved breeds to 10-12 L for improved breeds by 2012	Design and implement an improved breeding and feeding research programme	DDA	MAAIF NAADS DDA UDPA UCCCU NARO/NARS PMA Secretariat	3 years	GOU Donors Private Sector <b>High</b>
Capacity Diversification Increase product diversification and value addition Human Capital Development: To develop dairy expertise and specialization in line with industry needs	Number of litres per annum	From 1.2 billion, to 2.4 billion litres					
	Number of value added products	Powdered and UHT milk, butter, cheese and ghee	Design and implement program to attract investors in the processing segment in milk production areas.	DDA	UIA DDA UCCCU	4 years	GOU Donors Private Sector <b>Medium</b>
	Number of skilled dairy management personnel	Dairy sector management course in universities, colleges and Agricultural training institutes	In partnership with processors, design and provide industrial training opportunities for college graduates	DDA	MOES Tertiary institutions Processors NCDC	3 years	GOU Donors <b>Medium</b>

Objective	Measure	Target	Initiative	Lead institution	Support institution	Milestones	Resources
To increase availability and access of dairy farmers to extension workers	Extension: farmer ratio	Extension: farmer ratio of 1:500	Extensive practical training and deployment of community based extensionists	MAAIF	MAAIF Processors NAADS DDA PMA Secretariat	3 years	GOU Donors Private Sector <b>Medium</b>
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear</b> <i>Infrastructure:</i> To provide efficient and cost effective infrastructure for service delivery and milk collection	Number of feeder roads in good working condition in milk producing areas	To have all access roads in dairy farming areas usable all year round	Design and implement a programme for rehabilitation and expansion of rural road network	Local Governments	MFPE MAAIF DDA UDPA PMA Secretariat	5 years	GOU Donors <b>High</b>
	Number of well developed and equipped milk collection centers	Cooling centre in all trading centres in milk producing regions	Milk sector appropriate technology support scheme with a focus on rural areas	DDA	MAAIF NAADS DDA UDPA UCCCU UNFFE PMA Secretariat	5 years	GOU Donors <b>High</b>
<i>Procedures and Documentation</i> To ease quality related documentation requirements in target markets	Level of document harmonization	Harmonized standards and quality related documents especially at the EAC level	Negotiations at EAC level and between Standards Agencies in the region	MTTI	UNCCI UEPB Processors/exporters URA	1 year	GOU <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support institution	Milestones	Resources
<b>Border-Out Gear</b> Market Access Overcome sector specific tariff Non Tariff Barriers on processed milk exports	Incidences of NTBs	Harmonized regional standards and quality management procedures.	Negotiations at EAC level and between Standards Agencies in the region	MTTI	DDA UDPA UEPB UCCCU UDPA UNBS	1 year	GOU Private Sector <b>Low</b>
	<i>In-market Business Support</i> To achieve sector business presence in regional markets	At least one trade fair in every country every year  One contact promotional programme in the region a year after strategy launch	Carry out contact promotional programmes in EAC, Sudan and Congo  Identify and support the sector to participate in dairy specific trade fairs and exhibitions	DDA	UNFFE UEPB UDPA UEPB UCCCU UNBS	2 years	GOU Donors Private Sector <b>Medium</b>
<b>Client Perspective</b> <i>Competence</i> To develop business competences among the various stakeholders of the dairy sector especially farmers	Compliance levels to the codes of practice	80% of the farmers and SMEs involved in primary processing of milk	An integrated farmer training programme in business skills, dairy standards management and hygiene practices, export standards and procedures etc.	DDA	MAAIF UNFFE UEPB UDPA UEPB UNBS	1 year	GOU Donors Private Sector  GOU <b>Low</b>
	Frequency of training events	2 major training events every year					
<b>Information</b> To provide dairy farmers and processors with relevant trade information	Number of farmers and exporters accessing information	All farmers in the major milk producing areas	Design an integrated information system through radio, mobile phones and print media	DDA	UDPA UEPB MAAIF UCCCU MTTI UNFFE	1 year	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support institution	Milestones	Resources
<b>Quality</b> To ensure compliance with export quality standards throughout the milk value chain	Number of processors meeting export standards	All	Implement a continuous training programme on milk handling hygiene and quality management	MAAIF	MAAIF MTTI UEPB UNBS UNFFE UCCCU	2 years	GOU Donors Private Sector <b>Low</b>
	Compliance levels	All farmers and processors	Strengthen regulations that prohibit milk adulteration practices	DDA	DDA UCCU UDPA	1 year	
<b>Institutional Perspective</b> Strategy Support Network (SSN) and Service Delivery Network (SDN) To improve strategic planning for the sector	National, local and regional dairy development plans	All Dairy producing districts to have the plans	Develop project to build integrated plans and source funds to implement them including building local capacity of Districts to effectively market their Dairy potentials	DDA	MAAIF NAADS DDA UDPA UCCCU UNFFE	2 years	GOU Private sector

## 5.10 THE CEREALS, PULSES AND OIL SEEDS SECTOR

### 5.10.1 Overview

**Uganda's** cereals, pulses and oil seeds sector which mainly comprises maize, beans, rice, chickpeas and sesame seeds, sunflower, soyabeans and different types of nuts, supports livelihoods of over 60% of the population especially in rural Uganda. Most of them are grown on small holder peasant farms spread across the country. A few institutions including prisons authorities do commercial farming. Official statistics put production figures of maize grain (the main cereal) at about 1,350,000 metric tones in 2004-2005 having slightly increased from 1,200,000 tones in 2001.

### 5.10.2 Markets and Trends

The regional markets of EAC and COMESA are the main destination of Uganda's cereals, pulses and oil seeds and their bi-products. In 2006, the combined sector export earnings were US \$ 32.5 million. 85% of all these was from the regional markets and 25% from others which mainly include; the UK, Denmark, UAE and USA mainly for sesame seeds.

With respect to cereals, earning were mainly from the sub-sectors of maize (including grain, flour and maize meal) amounting to US\$19.7 million, rice with earnings of approximately US \$ 4 million and finally re-exports wheat grain and flour worth US \$ 2.8 million earnings. Overall market growth rates were 12.5%.

With respect to oil seeds, total export earnings in 2006 were US\$ 6.2 million and the average market growth rate between 2001 and 2006 was approximately 10.5%. Main subsector exports include sesame seeds with US \$ 4.6 million, Soya Beans at US \$ 0.6 million and sunflower at US \$ 0.39 million.

### 5.10.3 Critical Sector Issues

- Limited storage capacities,
- Severe and unpredictable weather and over-dependence on rain fed agriculture
- Poor quality and fluctuating commodity prices.
- Lack of Confidence by commercial banks in the sector which increases the level of risk and therefore the cost of finance.
- Lack of machinery and equipment at the Commercial farm and community level.
- Limited value addition in the sector (e.g. animal feed, breakfast cereals, etc)
- High post harvest losses of up to 40%

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

## The Sector's SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Existence of sector associations that are trying to regulate quality</li> <li>• Wide source of the commodities (virtually from all parts of the country)</li> <li>• Existence of a wide range of varieties of sub sector commodities</li> <li>• Re-emergence of cooperatives which facilitate better farmer organization (Over 200 Cooperative Societies now registered by MTI)</li> <li>• Existence of a stable support institution (Uganda Cooperative alliance) with political goodwill from government</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Overdependence on rain-fed agriculture</li> <li>• The sector is dominated by poor subsistence farmers with limited formal knowledge and skills</li> <li>• Poor production methods causing low production volumes</li> <li>• Use of hand hoes for land opening, weeding and harvesting which does not allow for commercial scale production</li> <li>• Grains/pulses not sorted at the harvest stage (contain soil, husks, cobs)</li> <li>• Improper drying of the seed resulting in poor quality and low prices</li> <li>• Little focus on value addition by many enterprises in the sector</li> <li>• Dominance of many small informal traders in the trade segment of the value chain (These care less about quality and high standards)</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Export Market availability mainly in neighbouring countries</li> <li>• Expanding local market with the emergence of large supermarkets.</li> <li>• Favorable climate and soil conditions that give Uganda an edge over its neighbours</li> <li>• Possibility of value addition at a local level with small scale oil mills</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Inferior quality ex-farm seed</li> <li>• The value-added segment (breakfast cereals, fortified foods, edible oils etc.) is being overtaken by imported substitutes yet it would be the base for value addition</li> <li>• Pests and diseases against limited capacity by farmers to control them</li> <li>• The bulk nature of the product exported by land over large distances affects competitiveness</li> <li>• The dominance of one buyer (World Food Programme) relief/Aid buyer of the cereals and pulses segment in the market leaves the sector at risk.</li> <li>• Steady growth of the agriculture sectors of neighbouring countries to which Uganda largely exports.</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow.

TABLE 11: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK / MATRIX FOR THE CEREALS, PULSES AND OIL SEEDS SECTOR

**Vision:** To increase food security, rural employment and household incomes through trade.

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Development Perspective</b> To make the sector a major employer of rural communities.	Employment levels	Double the present one million estimated households in gainful employment in the sector	Develop and conduct media community mobilization programmes to encourage more households to take on farming in the sector	NAADS	UNFFE LGs MAAIF PMA PSFU UGTA Ltd. NGOs	2 years	GOU Donors NGOs Private Sector
<b>Competitiveness Perspective</b> <b>Border-In Gear</b> Capacity Development To increase production volumes	Production Volumes	10% increase in volumes every year	Design and implement research programmes for improved plant varieties  Farmer mobilization programmes to plant more acreage  Design and implement projects for improving post-harvest handling practices	MAAIF	LGs MAAIF NAADS PMA Secretariat NPA	3 years	Donors GOU Medium
<b>Capacity Diversification</b> To widen sector product range especially by encouraging processing.  To increase application of technology in the sector.	Processed products range	Edible oils, Breakfast cereals Flour Fortified foods etc	Design and support research and technology enhancement projects in the sector  Design and implement programmes for small scale oil mills, animal feeds etc at community level	UIRI	PSFU Uganda Oilseed Producers and Processors Association (UOSPA) GATSBY KARI	3 years	GOU Donors Private sector



Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<i>Human Capital Development</i> Achieve adequate post-harvest handling knowledge and skills among the sector's many small scale producers.	Number of post-harvest handling training events.  Post harvest handling infrastructure	At least 3 training events in all main producing regions every year	Design and conduct integrated post-harvest handling training programmes that cover production, processing and export related subjects  Design a programme to re-invest in and promote community silos	NAADS	MTTI Uganda Grain Exporters Association (UGEA) UNFFE PMA Secretariat	3 years	Donor Donors <b>Medium</b>
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear:</b> <i>Infrastructure:</i> To provide efficient and cost effective transport system for rural producers	Number of rural feeder roads in good working condition	As per local government's targets <sup>1</sup>	Develop and source funding for local Governments to expand and maintain rural road network in major growing areas	MOW	MOLG MFPED NPA UGEA UGTA PMA Secretariat	5 years	GoU Donor
<i>Transaction Support</i>  Ease movement of produce within the country	Reduction in number of trans-boundary local administration stops	Zero cross border stop points	Design and implement a programme that enables districts manage their tax collection procedures with less inconveniences to traders	URA	MTTI MAAIF MOLG UGEA UGTA LGs	3 years	GOU Donor
<b>Border-Out Gear:</b> <i>In-market Business Support</i> To diversify markets away from one main buyer (the WFP)	Number of new markets	All countries in COMESA	Design and implement programmes for effective participation in regional trade fairs and other promotional events	UGEA	UEPB MOFA PSFU UNCCI	1 year	Private Sector GOU

<sup>1</sup> It will be necessary to conduct a countrywide survey first to establish what producing districts have identified as feeder roads that are important for which areas.

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Client Perspective:</b> <i>Information</i> To establish an information system that effectively links producers with the exporters and the market in general.	Number of producers and exporters using the information system	All producers and exporters in the main producing areas	Domesticate RISE and link it with the Community Information System of NPA	UEPB	UCE NPA PSFU UCA UNFFE MTTI UGEA UNCCI NPA	2 years	GOU <b>Low</b>
<b>Quality</b> To facilitate the establishment of quality management systems along the value chains of the sector to reduce produce reject levels in the market	Reject factor	Reject factor reduced from the present 30% to less than 5% in 5 years.	Initiate the process of establishing by-laws for quality regulations in the sector  Evaluate and apply quick and inexpensive screening tests for mycotoxins that can be used at collection centres and storage warehouses.	UNBS	MTTI UEPB UGEA MTTI UGEA		GOU Private Sector <b>Low</b>
<b>Institutional Perspective</b> <i>Strategy Support Network (SSN)</i> To ensure that the sector has national, district and sub-county associations (farmers and traders) to effectively participate in all matters affecting the sector	Sector organisation capacity.	Clusters in all producing areas.	Facilitate meetings and information to form sector clusters	NAADS	PSFU UCA UNFFE MTTI UGEA UNCCI	1 year	GOU Private Sector

## 5.11 NATURAL INGREDIENTS FOR THE FOOD, PHARMACEUTICALS AND COSMETIC INDUSTRIES

### 5.11.1 Overview

The long standing use of plant materials for medicinal cosmetic and culinary purposes is an activity that transcends generations and is embedded in the cultural traits of a number of indigenous communities in Uganda.

The establishment of the Natural Chemotherapeutic Research Laboratory by Government in 1964 was aimed at recognizing the significance and potential of plant materials in improving livelihoods. The focus of Government however, was research into and use of the natural medicines as alternatives or complementary to modern medicine in the health sector. Less attention was paid to commercialization of the sector. Countries that focused on commercialization now reap heavily from a multi-billion dollar market of natural ingredients. These range from food, to pharmaceutical and cosmetic ingredients.

An assessment of the natural ingredients sector, specifically for pharmaceutical and cosmetic use has been undertaken with input from the literature generated by the Uganda Bio-trade Programme, and a participatory value chain analysis workshop organized for the key actors in the sector.

According to the Bio-trade Pre-assessment report 2004 and Natural ingredients sector assessment reports of 2005, Uganda's stock of these ingredients includes mainly honey, jetropa, herbal teas, aloes, essential oils, Shea nut butter, Papain, Red chilies etc. which all suffer from inadequate development for international commercialization

### 5.11.2 Markets and trends

According to Organic Monitor UK, the European natural personal care market in 2004 was valued between € 700 - 1,300 million, which equates to 1-2% of the EU personal care market, or € 2.60 per person. The Nutrition Business Journal reported the global sales for herbs/botanicals at € 18.5 billion.

In 2005, the global market for cosmetics and toiletries was an estimated € 117 billion. The West-European market represents a massive share of over 47% of the global cosmetics market. However, major European markets such as Italy, Germany and France all show slight sales declines or stagnant markets, both in 2004 and 2005, reflecting slow economic growth and price pressure. Eastern Europe is one of the fastest growing markets .

The principal market drivers for natural ingredients products are: Growing consumer concerns about health, increasingly affluent groups keen to spend more on maintaining a youthful appearance, the growing demand for "green products" or environmentally responsible products that also promote sustainable agriculture, fair trade certification to address the growing concern that labourers throughout the product chain should earn a sustainable living wage.

More than 70% of the medicinal products used in Uganda are based on plant materials sourced directly from the wild. The extensive use of unprocessed plant materials from farmers and wild collectors continues to inhibit the potential of value addition and research for the domestic market.

### 5.11.3 Critical Sector Issues

**A summary of key issues identified in the natural ingredients sector include:**

- Invisibility of the sector to policy makers
- Lack of National standards for production and processing of extracts.
- Limited value addition initiatives in the sector, with over 70% of production sold as raw material
- Low technology levels whereby processors use locally fabricated equipment, which does not conform to the international standards.
- The cosmetic sub sector is relatively new, with a few operatives and a large proportion of their raw material inputs are imported.
- No regulatory and coordination mechanisms exist to support the development of the sector.
- Capacity inadequacies at enterprise level.
- Absence of adequate information on Uganda's commercial plant species.
- Complexity of market entry and acceptability into the lucrative foreign markets.

Opportunities to be exploited, strengths to be built upon, weaknesses that need to be overcome and threats to be confronted are outlined in the SWOT Analysis below.

### SWOT Analysis for Natural Ingredients

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Availability of varieties of NI</li> <li>• Private sector investment in NI is vibrant though on a small scale.</li> <li>• Sector support initiative under the Biotrade program sponsored by UNCTAD</li> <li>• Researched information available</li> <li>• Available traditional knowledge in NI</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Poor product quality</li> <li>• Insufficient quantities for export</li> <li>• Lack of government policy to regulate the sector</li> <li>• Poor grassroots infrastructure</li> <li>• Lack of appropriate and affordable technology for NI value addition</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Global demand for NI</li> <li>• Favourable climatic condition for NI production</li> <li>• Growing consumer preference for green products</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Environmental degradation</li> <li>• Controlled global prices</li> <li>• High production and processing costs</li> <li>• Prohibitive international quality standards</li> <li>• Insecurity in areas regarded Potential for NI production</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow.

TABLE 12: INTEGRATED MANAGEMENT FRAMEWORK /MATRIX FOR NATURAL INGREDIENTS SECTOR

**Vision:** “To transform the sector from subsistence to a commercially export driven sector as a way of improving livelihood of the stakeholders”

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Development Perspective</b> Commercially harness the sector's potential with a view of generating incomes and jobs for the participating communities.	Number of Jobs	10% pa for the next three years.	Nationwide sector reorganization into SMEs associations to enable expansion	UEPB- Biotrade Program	MAAIF LGs Umbrella sector Association MTTI		GOU Private Sector <b>Low</b>
	Income levels	More than US\$ 3/day for the participant communities	Build the capacity of participating communities in commercial production practices under outgrower schemes.		Natural Chemotherapeutic Research Laboratory (NCRL)	3 years	Donor
	Environment sustainability		Design and implement pilot projects for sustainable utilisation of natural resources	NEMA UEPB	Ministry of Natural Resources and environment. UEPB- Biotrade unit	3 years	GOU <b>Low</b>
<b>Competitiveness Perspective</b> <b>Border-In Gear</b> Capacity Development: To improve production units and design centres in order to enhance production efficiency	Production and export volumes	10% increase in production and export quantities in 3 years	Design and promote group production practices and improved organic practices.	NI Sector Association	MAAIF UEPB-Biotrade program PSFU NCRL	3 years	GOU Donor Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
Capacity Diversification To increase the range of products from a wider base of raw materials but also from similar bases of raw materials	Range of products	10 product ranges as a minimum.	Awareness programme on the commercial significance of many unexploited resources in the wild	NI Sector Association	MAAIF UNBS PSFU	2 years	GOU Donor Private Sector <b>Low</b>
	Variety of products from similar raw materials	10	Extensive research and development programme.  Programme to attract FDI in the processing segment of the sector's value chain.	NCRL  UIA	UNCST UIRI NI Sector Association NCRL UEPB-Biotrade Unit. PMA Secretariat NPA	5 years	GOU Donor Private Sector <b>Low</b>
Human Capital Development: To equip sector human capital with necessary skills in processing raw materials into usable products	Number of sector enterprise trained.	3 major training events every year targeting all SMEs and those with potential to export	Design and implement a training programme in processing, business development, marketing strategies and enterprise management.	NI Sector Association	NCRL UEPB CICS UIRI & UNBS EUg	3 years	GOU Donor Private Sector <b>Low</b>
Infrastructure Lobbying for support towards processing equipment	Level of equipment support	Small scale processing equipment in rural settings	Identify the needed equipment and lobby for incentives to acquire them at low cost.	NI Sector Association	MOFPED MTTI UIA URA UIRI PMA Secretariat NPA	2 years	Private Sector GOU <b>Medium</b>
Transaction support To facilitate the development of the local market as springboard for the export sector	Number of local promotional events	One regularized local Naturals Expo every year	Design, standardize and source funding for the Expo on an annual basis.	UEPB (Bio-trade unit)	MTTI NI Sector Association	1 year	Private Sector GOU <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<b>Border out Gear</b> <i>In-Market Business support</i> To create awareness on the quality of Uganda's NIs especially in countries with high levels of health concerns	Number of fairs for NIs in EU, USA and Japan	At least one fair every year in target countries	Design promotion and marketing programme to support companies in trade fairs and missions in potential markets	UEPB Bio-trade Unit	UNCCI NI sector Association. MOFA	1 year	GOU Donor Private Sector <b>Low</b>
<i>Image and Branding</i> Patent Uganda's species	Number of species patented	Minimum of 1 every year	Register national species and initiate a project with World Patents Organization (WIPO) to support the patenting process in the country	MTTI	NCR MOJA UEPB- Biotrade Unit PSFU NI Sector Association	5 years	GOU Donor Private Sector <b>Low</b>
<b>Client Perspective</b> <i>Competence</i> To ensure maximum business competences among Sector SMEs and potential exporters	Number of training programmes established Number of SMEs trained	At least each of the technical personnel among the existing commercialised SMEs	Design and incorporate a sector specific training module in the current UEPB training programmes targeting exporters	NI sector Association	UNCCI EUg UEPB- Biotrade Unit MTTI	1 year	GOU Donor Private Sector <b>Low</b>
<i>Information</i> To establish a trade information source for NI potential and actual exporters	Number of clients accessing information	Internet based information system	Develop a sector specific marketing website hyperlinked to the Regional Information System for Export (RISE) and other working websites	NI sector Association	NRC UNCCI UEPB- Biotrade Unit MTTI	2 years	GOU Donor Private Sector <b>Low</b>



Objective	Measure	Target	Initiative	Lead institution	Support Institution	Milestones	Resources
<i>Financial</i> Ensure the sector small scale producers and processors access funds especially for value addition	Number accessing funds	All SMEs with export potential	Mobilize SMEs into SACCOS and design value addition proposals for financing support  Identifying and link enterprises with appropriate business financing institutions.	NI Sector Association	MOFEP MTTI (Coop, Department) UDB Other Banks	2 years	GOU Donor Private Sector <i>Medium</i>
<i>Quality</i> To increase the production of quality natural ingredients to meet the national and international market standard	Raw material production and standards in place.  Quality system in place	Manpower in key institutions of NCRL and UNBS  All producers and exporters in a traceable quality chain	Design and implement Quality guidelines and standards compliance system and schemes.	UNBS	NCRL UWA CITIS UNBS UNIPA	2 years	GOU Donor Private Sector <i>Medium</i>
<b><u>Institutional Perspective</u></b> <i>Strategy support Network (SSN)</i> To ensure a framework for strengthening associations/ companies involved in the sector	Number of companies involved in a united association framework.	All exporting SMEs	Develop a coordination framework in form of an annual stakeholder conference and a national association.	NI sector Association	MTTI UEPB NCRL NPA	1 year By 2013	Private Sector <i>Medium</i>
<i>Service Delivery Network (SDN)</i> To ensure a competitive service delivery mechanism in the sector	Capacity of key sector promoters	A Strengthened NIC Sector Association	Capacity assessment and development programme for the Sector Association and other service providers	UEPB-Biotrade	MTTI MAAIF UEPB NCRL	2 years	GOU Donor Private Sector <i>Medium</i>



## 5.12 THE COMMERCIAL HANDICRAFTS SECTOR

### 5.12.1 Overview

**Uganda** has a wide array of handicraft products ranging from basketry, mats, ceramics, beads, pottery, hand textiles and woven products, toys, jewellery, bags, ornaments, leather products, batiks and wood craft among others. These items are produced in almost all the Districts and Regions of Uganda, using locally available raw materials, with limited product differentiation based on culture, history and traditions. The sector is dominated by women, youth and the disabled all selling mainly to the country's tourists.

### 5.12.2 Markets and trends

The EU-25 gifts and decorative articles market is worth about € 20.8 billion<sup>20</sup>. During 2000-2004, the market experienced an average percentage growth of 5.0%. Basketware, wicker ware and other articles made up of plaited vegetable twine (HS 460210), commanded a global demand size of US\$ 1.26 billion, growing at 4% p.a. in value between 2001 and 2005. The United States is the world's largest importer of handicrafts, gifts and decorative articles.

The European Union under EBA and the USA under AGOA both offer preferential treatment for Uganda's handicraft products. There are opportunities in other markets established through bilateral trade agreements. Uganda exports very small quantities of handicrafts especially basketry and wicker ware. Statistical figures indicate modest export values of US \$ 48,000 to US \$ 141,000 between 2004 & 2005. These values could be enormously enhanced in a very short period if the sector was formalised given the vast global market and the sectors relationship with tourism.

Currently most of the handicrafts in Uganda are sold domestically to local buyers and tourists with a few being exported to USA, Canada, Australia, Germany, UK and Japan. Other existing markets for Uganda's crafts are Ugandans in the diaspora and Kenyan traders who buy and blend Ugandan craft pieces and re-export them to Europe and the USA.

### 5.12.3 Critical Sector Issues

- Need to properly organize the sector, focusing mainly on overcoming fragmented production units.
- The challenge of inadequate capital which largely is due to the dominance of under-resourced women groups. These are not able to muscle the needed collateral and capacity to secure access to credit.
- The sector is also dominated by players with less practical skills at all levels of the value chain.
- Lack of international market awareness is high and competences in international marketing are lacking.
- The sector is also affected by infrastructure challenges given that the real producers are far away from the marketing centers. This translates into poor linkages between the many producers in the countryside and the marketing points in urban center.

<sup>20</sup> Source: Eurostats

- The sector also suffers from high reject rates mainly due to the lack of skill and precision in crafts making processes.
- Environmental degradation and global warming affecting raw material resources.

Additional issues, particularly relating to weaknesses that need to be overcome and threats that need to be confronted are outlined in the SWOT Analysis below.

## Commercial Handicraft Sector SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Availability of abundant and unique local raw materials, e.g. raffia, backcloth, banana fibre, animal skin etc</li> <li>• Rich and diversified culture producing a wide array of handicrafts</li> <li>• Wide range of traditional production knowledge derived from indigenous knowledge</li> <li>• Current and potential Internal market based on tourism</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Unstructured and individualized production systems</li> <li>• Limited capitalization and low investment</li> <li>• Limited technical skills, capacity, technology integration and innovations</li> <li>• Limited resources for production, distribution and marketing</li> <li>• Disjointed and duplication of efforts by stakeholders in capacity building, research and training.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Preferential trade arrangements with USA (AGOA) and the EU (EBA), other bilateral markets</li> <li>• Several initiatives to support sector capacity building including a sector strategy</li> <li>• Fair Trade Agreements</li> <li>• Increasing flow of Tourists who provide market for products</li> <li>• Unique of products rooted in the country's diverse culture</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Handicraft sector not mainstreamed in national planning priorities</li> <li>• Absence of institutional support</li> <li>• High freight costs associated with air cargo and shipment</li> <li>• Competitor countries like China, India, Vietnam, Kenya etc. which produce cheap and good quality crafts</li> </ul>

To address the above sector issues and weaknesses and confront the envisaged threats, the NES proposes a comprehensive management framework of several objectives and action initiatives as detailed in the matrix on the pages that follow.

TABLE 13: STRATEGY INTEGRATED MANAGEMENT FRAMEWORK /ACTION MATRIX FOR THE HANDICRAFTS SECTOR

**Vision:** “To be the leading exporters of a wide range of indigenous and culturally branded articles in the region”

Objective	Measure	Target	Initiative	Lead institution	Support Institutions	Milestones	Resources
<b><u>Development Perspective</u></b> Raise the incomes of mainly women, youth and disabled groups dominant at the production level of the sector's value chain	Income levels	50% of the final value of the product to producers	Training and strengthening market linkage programme to move producers to higher levels of the Value chain	Uganda National Arts and Crafts Association (UNACA)	MTTI UEPB Ministry of Gender Labour and Social Development (MGLSD) PSFU Exposure Africa NAWOU UWEAL	3 years	GOU Private Sector Donors' <b>Low</b>
<b><u>Competitiveness Perspective</u></b> <b>Border-In Gear:</b> Capacity Development: To improve production units and design centres in order to enhance production efficiency and higher volumes	Volumes of production  Number of design centres	2 centres per region by 2010	Train SMEs in handicraft design and sensitise them on using regional centres to enhance their skills as teams.	UNACA	UEPB MGLSD PSFU Exposure Africa	2 years	GOU Private Sector <b>Low</b>

JICA through AICAD Uganda and UEPB is already training Trainers of Trainers for grassroots support while UNIDO is supporting design enhancement projects.

Objective	Measure	Target	Initiative	Lead institution	Support Institutions	Milestones	Resources
Capacity Diversification: Diversification of production processes (technology) to enhance material usage and application	Variety of products from the same category of materials	At least 5 products from a category of raw material	Set up design/ common facility centres for SMEs to share knowledge and equipment	UNACA and Exposure Africa	UEPB PSF LGs UWEAL NPA	3 years	Equipment Leasing Companies GOU Donors <b>Low</b>
Human Capital Development To ensure human capital with necessary skills in processing raw materials into crafts	Number of sector operatives trained	50 graduates per year for 5 years	Programme to strengthen crafts making in vocational training insitutions	UNACA	Vocational institutions MOES UEPB PSFU	2 years	GOU Donors Private Sector <b>Low</b>
<b>Competitiveness Perspective (Cont)</b> <b>Border Gear:</b> Infrastructure To establish a supportive infrastructure across the whole country	Number of support infrastructure	2 collection and training centres in each of the main crafts producing regions	Identify the regions, develop project and seek financing support for the establishment of centres	UNAC and Exposure Africa	MTTI UEPB PSFU UCOTA	3 years	GOU Donors Private Sector <b>Medium</b>
Procedures and Documentation To develop skills in preparing export documentation	Number of handicraft producers and exporters trained	All handicrafts exporters and producers under associations.	Design a programme to train all crafts traders and potential exporters in documentation management	UEPB	UNACA Exposure Africa MGLSD	1 year	GOU Donors Private Sector <b>Low</b>
Transaction Support To consolidate export orders to lower freight costs per exporter	Number of SMEs consolidating cargo	All clusters Consolidation cargo	Programme to educate SMEs on cargo consolidation practices and benefits within clusters.	UNAC	UEPB MGLSD Clearing firms PSFU UEPB	1 year	GOU Private Sector <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institutions	Milestones	Resources
<b>Border-Out Gear:</b> <i>In market Support</i> To access all markets where Uganda has been given preferential treatment	Number of buyers in preferential markets	5-10 large buyers each in EU and USA	Programme to participate in targeted trade fairs in the target markets using market experts.	UEPB	MTTI UNCCI UNACA and Exposure Africa NAWOU	1 year	GOU Private Sector <b>Low</b>
<i>Image and Branding:</i> To have all Ugandan products branded “GIFTED BY NATURE” as a national brand and logo	All export products to bare the “Gifted by Nature” Logo	All Crafts export products.	Design and implement a business brand linkage programme for the crafts sector	MTTI	UEPB UNACA and Exposure Africa PSFU Gifted by Nature Inc.	By 2012	GOU Private Sector. <b>Low</b>
<b>Client Perspective</b> <i>Competences</i> Enable actual and potential exporters acquire practical skills in export development and management	Number. of SMEs receiving coaching	SMEs on market development coaching programmes	SME Coaching programmes in marketing skills and best practices	UEPB	UNACA and Exposure Africa PSFU	1 year	GOU International Trade Development Institutions Private Sector
<i>Information</i> To ensure availability of market information to crafts manufacturers	Number of clients accessing information	Marketing website	Establish sector marketing website and hyperlink it to RISE and other visible websites especially in Tourism	UNAC	MTTI UNACA and Exposure Africa UEPB	1 year	GOU Private Sector. <b>Low</b>

Objective	Measure	Target	Initiative	Lead institution	Support Institutions	Milestones	Resources
<i>Financial</i> To ensure accessibility to affordable production and pre-shipment finance	Amount of low cost credit accessed by crafts exporters	Support to exporters that have secured orders	Jointly develop financial proposals based on evidence of market and seek financing support from UDB and SME financing schemes such as PSFU-BUDS	UNACA	MFPE PSFU BOU MTTI Exposure Africa NAWOU NPA	2 years	MFPE BOU Donors <b>High</b>
<i>Quality</i> To ensure necessary quality conformance with international standards	Reject factor	Minimize this to less than 5%	Programme to set industry standards and harmonize them with known international standards	UNACA	UNBS MTTI Exposure UEPB Exposure Africa	2 years	GOU Private Sector. <b>Low</b>
<b>Institutional Perspective</b> <i>Strategy Support Network (SSN)</i> Regular forum to review plans for the sector	Number of planning meetings/conferences	One annual conference	Establish and designate an annual sector review conference to review progress and innovatively plan for the sector	UNACA	MGLSD Exposure Africa NAWOU NPA	1 year	GOU Private Sector. <b>Low</b>
<i>Services Delivery Network (SDN)</i> Build a strong and regionalized service delivery framework	Functional clusters	5 per region	Initiate process of cluster formation as a BDS development framework for crafts SMEs	UEPB	MOES MGLSD UEPB Exposure Africa LGs.	2 years	GOU Private Sector. <b>Low</b>

## 5.13 THE MANUFACTURING SECTOR

### 5.13.1 Overview

Over the last five years, the manufacturing sector in Uganda has experienced moderate growth, in various product sectors, in the process, significantly contributing to job creation and economic growth. According to the Uganda Bureau of Statistics, value added to the economy by the sector, both formal and informal, grew by 3.3% in 2003 and by 9.7% of GDP in 2004.

Again, the Bureau reports on nine principal manufactured commodities, where an identifiable manufacturing and export base exists, namely, sugar, beer, soft drinks, cigarettes, textiles, cement, laundry soap, edible oil and metal products. Each of these presents interesting trends in production growth. For example, in the fiscal year 2003/04 and 2004/2005, soft drinks production grew by 28% from 107,883 litres to 137,96 litres. Textiles production grew by 20% from 10,607 metres to 12,765 metres. Cement production grew by 16% from 581,531 tonnes to 675,095 tonnes. Soap production grew by 18% from 73,641 tonnes to 86,986 tonnes and lastly Metal products production grew by 14% from 73,862 tonnes to 84,200 tonnes.

### 5.13.2 Markets and Trends

Uganda's manufactured exports continue to make strong in-roads in regional markets. Manufactured exports, excluding processed tobacco (traditional exports) rose in value from US\$148 million in 2004 to US\$ 198 million in 2005. Exports grew to approximately US\$ 306 million in 2006, a fairly large growth of 31.8% compared to the previous year. The exports are mainly to the regional markets of DR Congo, Sudan, Rwanda and Burundi.

### 5.13.3 Sector issues

The main issues for the sector include:

- Energy deficiencies
- Utilities - high costs and availability
- Regional market access
- Unfair competition due to low quality and low cost imports
- Over-dependency on imported raw materials
- Uganda's non membership in the COMESA FTA costs the sector additional taxes in the region's importing countries

Many of these have been addressed under the cross-cutting issues of the strategy and as such a matrix of strategic actions need not be repeated here.

The NES also recognizes the need for strong linkage between agriculture and industry and as such, all agricultural Sectors of the NES have had Value addition as one of their key objectives.



## 6.0 FINANCING THE STRATEGY

### 6.1 Financing NES Initiatives

**NES** implementation requires enormous resources (both human and financial). These cannot be raised by any single institution. Where responsibility for financing specific initiatives falls squarely on Government, best practice dictates that resources for such an initiative be provided to implementing agencies through the annual budgetary appropriations. Lead Agencies will in such cases be responsible for preparing resource estimates and have them submitted and reviewed through the annual budget processes.

Where responsibility for specific initiatives falls squarely on the Private Sector, the lead private sector agencies indicated in the matrices will closely work with the NES Secretariat to cost the initiatives and mobilise private Sector support.

It is also proposed that in both cases, Government negotiates special instruments including grants and loans to finance strategic aspects of the Strategy. In all these cases, the steering committee, supported by the CICS and the NES Secretariats will originate costed projects and seek their approval for financing before they are presented to donors for support.

The matrices of sector objectives and initiatives have highlighted where Government, Donors and the Private Sector may be the appropriate sources of funds.

### 6.2 Secretariat and NES Coordination Costs

During the NES approval process in a CICS National Steering Committee of 2nd August 2007, at Ministry of Finance, Planning and Economic Development it was decided that instead of creating a new NES Secretariat, UEPB should be strengthened to carry out this role.

Thus, to enable the NES Secretariat (i.e. UEPB) properly plan for and manage strategy implementation processes, it will require annual resources amounting to US\$ 1 million<sup>21</sup>. These resources will finance adequate staff size and institutional retooling for effective strategy management and improved linkages with supply side centers in various parts of the country.

PARTICULARS	AMOUNT (SHS)
Employee costs for the NES Secretariat (UEPB)	978,075,788
NES Steering committee costs	38,250,000
Administration and other costs	38,250,000
Vehicle operation and maintenance	440,403,500
Utilities	144,804,000
Consumables	19,162,450
Other Goods and Services	3,665,000
Office rent and Related Property Costs	117,604,000
<b>TOTAL BUDGET (SHILLINGS)</b>	<b>1,741,964,738</b>
<b>US \$ EQUIVALENT</b>	<b>1,000,000</b>

USD Estimate based on an exchange rate of 1US\$ to Shs 1740

<sup>21</sup> This figure has been based on the annual subvention requirement of UEPB considering its rightful staff size of 33 employees. Additional estimate has been made for annual review meetings of the NES Implementation Steering Committee



## 7.0 INSTITUTIONAL FRAMEWORK FOR NES IMPLEMENTATION

### 7.1 NES Management Structure

The implementation of the NES shall be the joint responsibility of both the public and private sectors through a public private sector partnership approach. The proposed management structure leverages on the synergies with existing structures, especially within MTI under the Integrated Framework and those already established under CICS.

The Presidential Economic Policy Council (PEC) shall provide overall political supervision of the NES as it is in the case of CICS. The PEC will play the role of the watchdog and raise yellow and red flags when NES implementation targets and goals fall short of the expected results. It will also constitute a powerful lobby and supervisory group for the export sector and regularly knock on the doors of policy-makers, leaders and development partners to cause the needed policy interventions and resource allocation for achieving stated plans in the export sector.

### 7.2 The NES Steering Committee

The oversight for implementation will be provided by the CICS Steering Committee jointly headed by the permanent secretaries of MTI and MFPE supported by the CICS Secretariat and the NES Secretariat at UEPB and MTI. This committee shall be involved in making key technical decisions relating to NES implementation, monitoring and evaluation. PSFU and NPA having been part of the lead agencies in designing the NES shall be part of the NES Secretariat. The PSFU in particular will bring into the Secretariat the voice and requirements of the private sector at the Secretariat level.

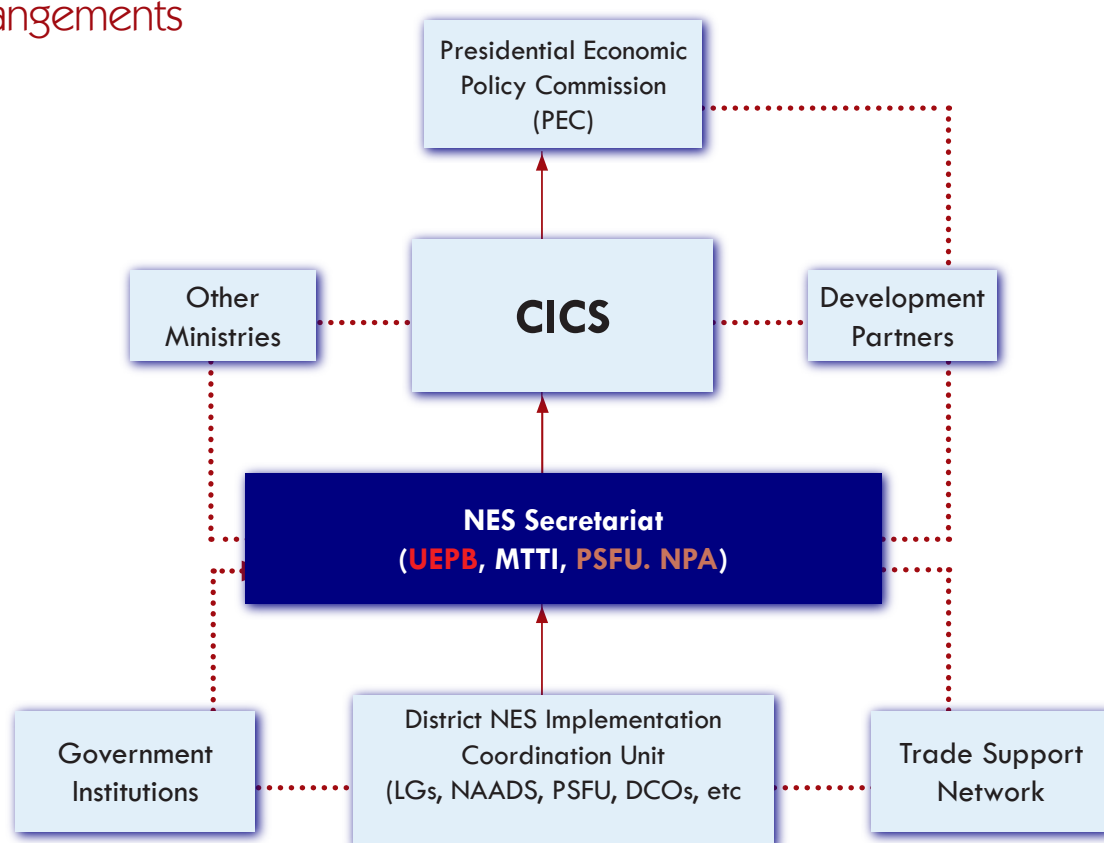
#### 7.2.1 NES Implementation Secretariat - UEPB

The NES implementation secretariat, as described under 7.2, shall be the statutory national agency responsible for export development in the country, the UEPB. The body shall however require strengthening within the first year of the NES launch to enable it effectively perform activities under its mandate and to create appropriate linkages with the grassroots as per the proposals of the IF Diagnostic Trade Integrated Study of 2006. It will also involve affording it the right staff size and calibre as per the recommendations of the Commonwealth restructuring project of 2003-2004.

#### 7.2.2 Place and role of Districts

The Districts shall play a key role in implementing the NES under the decentralization frameworks of the country. They shall work very closely with the District Private Sector Associations (e.g. PSFU, UNFFE and UNCCI) where these exist. Other key government programme structures that shall be part of the NES implementation team at the local level will include NAADS and DCOs. The partnership between the District and the Private Sector Chapters shall form the point of contact for NES implementation programmes in the District. Note that this does not constitute an additional structure but simply leverages on the already established institutions and running programmes at the districts. Their key role shall include identifying District Export Supply Centres, push for ordinances that will enable the integration of NES issues in District Development Plans and Budgets. This particular role was a recommendation by district leaders themselves made during the NES Formulation process.

Figure 7: Organogram of NES implementation Institutional Arrangements



#### KEY

- ..... Working Relationship
- Direct coordination Relationship

#### Note

**UEPB** will play the central coordination role, reporting progress to MTTI

District leadership will in close cooperation with the private sector define NES focal point/contact in accordance with provisions of 7.22 above.

**PSFU and NPA** are independent institutions out of MTTI structures. They will be co-opted on the secretariat whenever important decisions are to be taken.

### 7.2.3 NES Implementation Plan

Immediately after the launch of NES, the secretariat will design an implementation plan in close cooperation with the lead institutions. The plan will highlight priority initiatives drawn from the strategy integrated framework matrices. It will also draw a critical path for implementing the priority initiatives.

### 7.3 Monitoring and Evaluation

Regular assessment of progress and mechanisms for addressing constraints shall be placed in the ambit of the CICS steering Committee, again supported by the CICS and NES Secretariats.

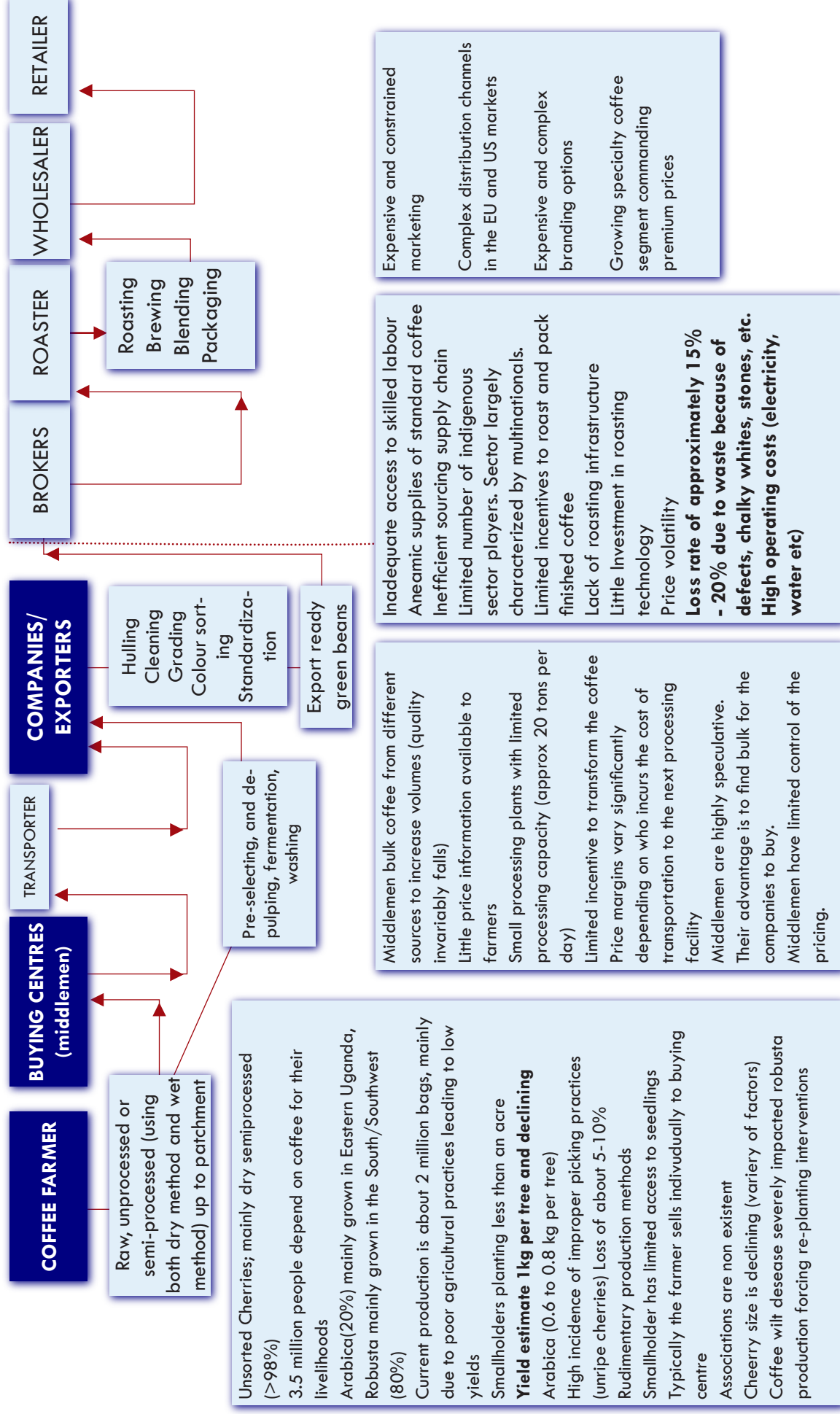
On an annual basis, the CICS and the NES secretariat will organise a NES implementation review and monitoring conference to track how the players named in the strategy matrices are faring in terms of delivering results on different NES initiatives and targets. This review conference will often take place before the commencement of the government's budget preparation period. Also a monitoring and evaluation tool will be developed in the initial year of NES launch.

# Annexes

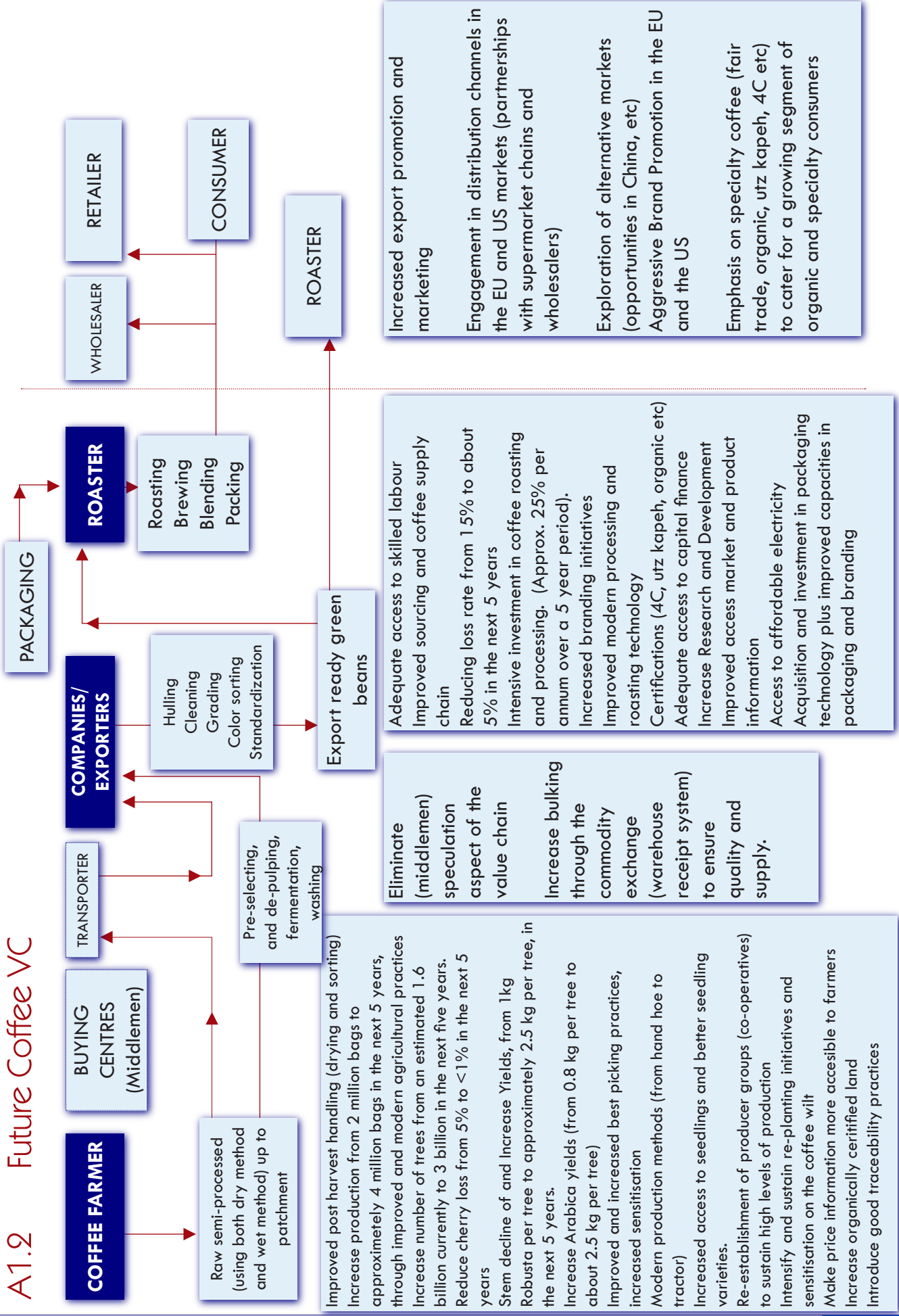
Annexes

## A 1. NES PRIORITY SECTORS VALUE CHAINS

### A1.1 Current Coffee VCA - Current

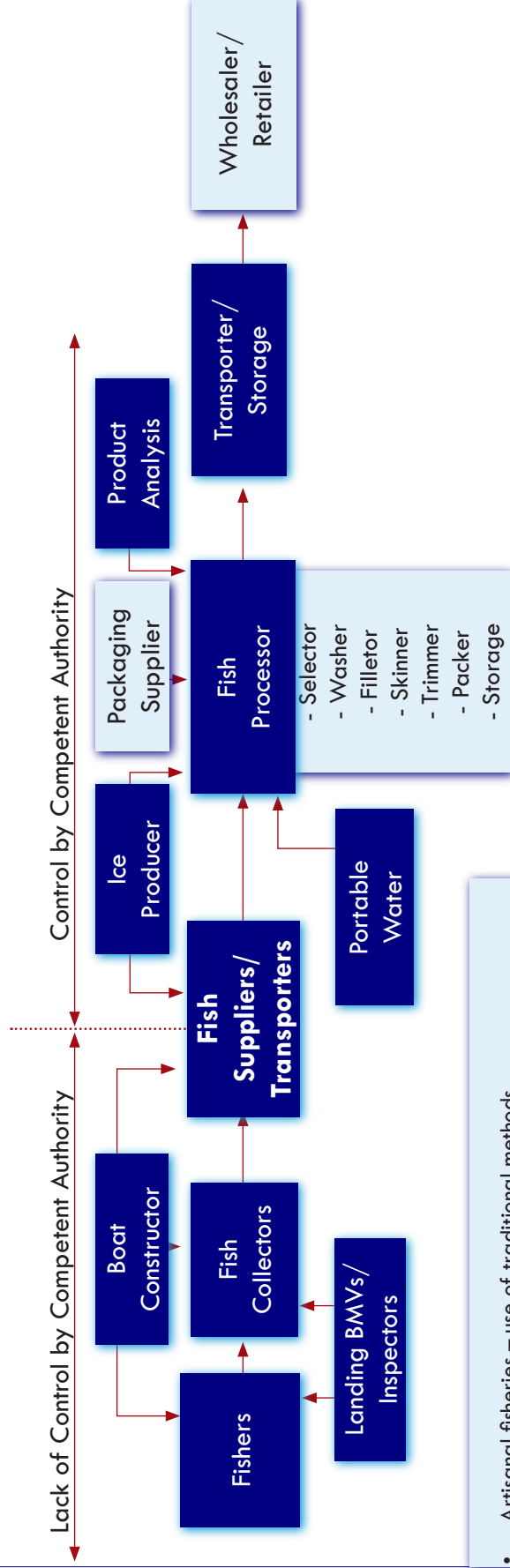


## A1.2 Future Coffee VC



## A2. FISH VCAS

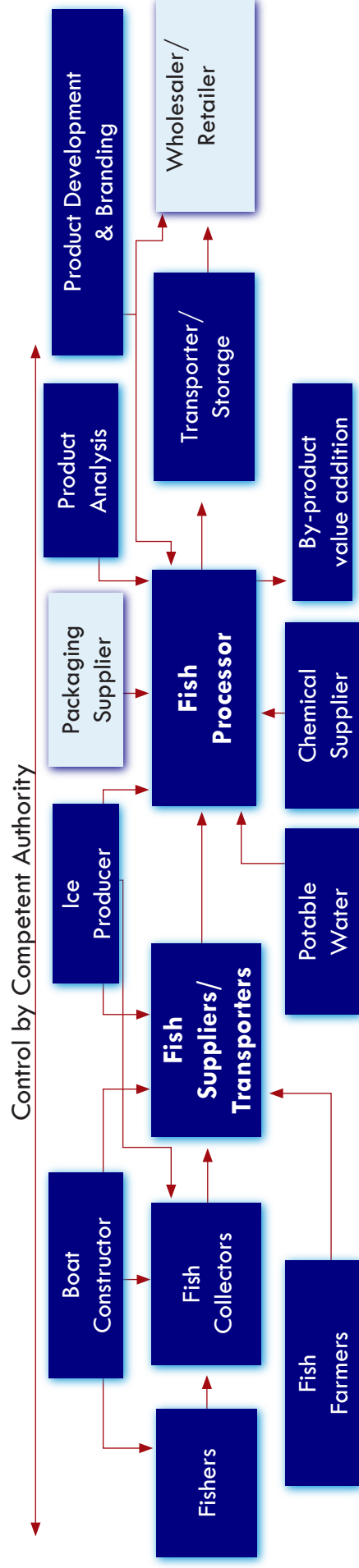
### A2.1 Current VCA



- Artisanal fisheries – use of traditional methods
- Many fishers involved – 300 000
- Limited fishing capacity (unseaworthy boats)
- High post harvest loss (27% fishers, 3% factory)
- Migratory: following fish catches
- Lack of effective resource management
- Prevalence of unsustainable fishing gear/methods
- Unsuitable boat design/resistance to change/costs involved high
- Sub-standard fish handling due to lack of training/monitoring
- Inadequate facilities at some landing sites
- Fishers have low bargaining power due to perishable product, prices dictated by fish suppliers
- Fish suppliers use insulated containers and ice
- Insufficient hygiene and quality control/monitoring due to lack of staff/inspectors
- Fishers and suppliers have no association respectively (fishers in particular due to migratory nature and low level of education)

- Currently 17 fish processing establishments
- HACCP system is implemented
- ISO 9001: 2000 + ISO 22000: 2005 certified & ISO 14000 standard
- Establishments meet world class standards
- Have support from CDE, UNIDO for establishment/
- quality improvement, capacity building, market research and product development
- By-products are sold locally
- 16 Processors are under the umbrella of UFPEA
- EU regulations are observed

## A2.2 Future VCA

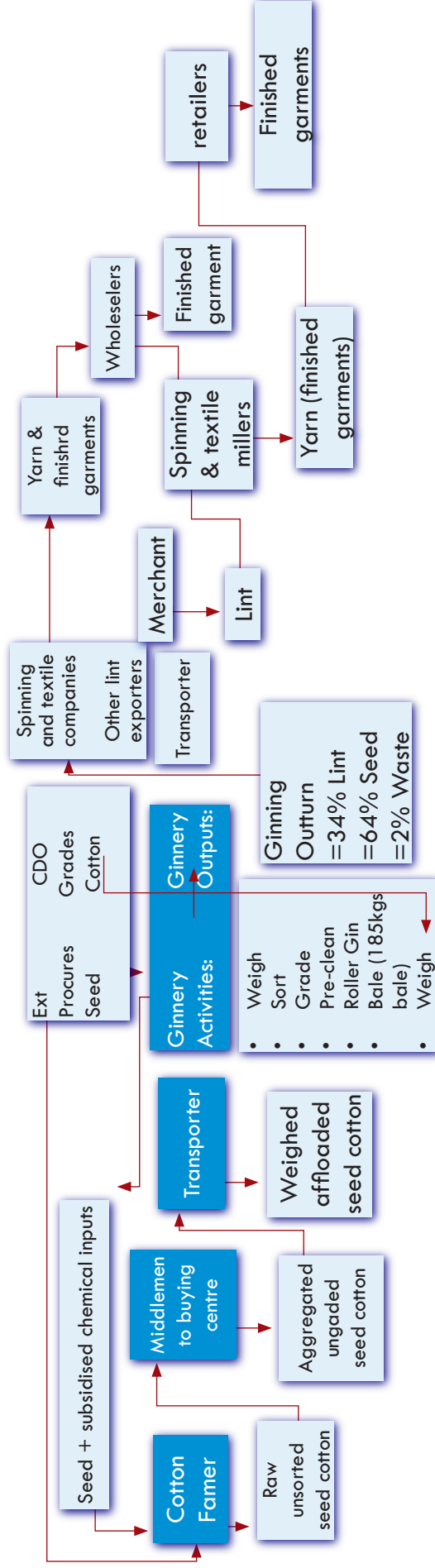


- Diversified resources from aquaculture
- Better resources management and sustainability
- Better boat design to support quality enhancement measures
- Good handling practices implemented
- Adequate facilities at landing sites
- Reduced post harvest losses to 5% upstream and 0.3% at factory level
- Sustainable fishing methods and appropriate fishing gear
- Effective traceability system implemented
- Organic products in development
- Environmentally and socially acceptable fishing methods through eco-labelling
- Upstream fisher, fish farmers and fish suppliers associations formed

- Improved landing facilities through external support
- Comprehensive supplier training/audits in place
- Branded products
- Product development for existing products (e.g. instant dinners) leading to increased value addition
- Organic products
- Viable products developed from by-products and waste:
  - Fish meal
  - Silage
  - Fish oils
  - Fish skins (leather)
  - Delicacies



## Cotton, Textiles & Garments Current Value Chain



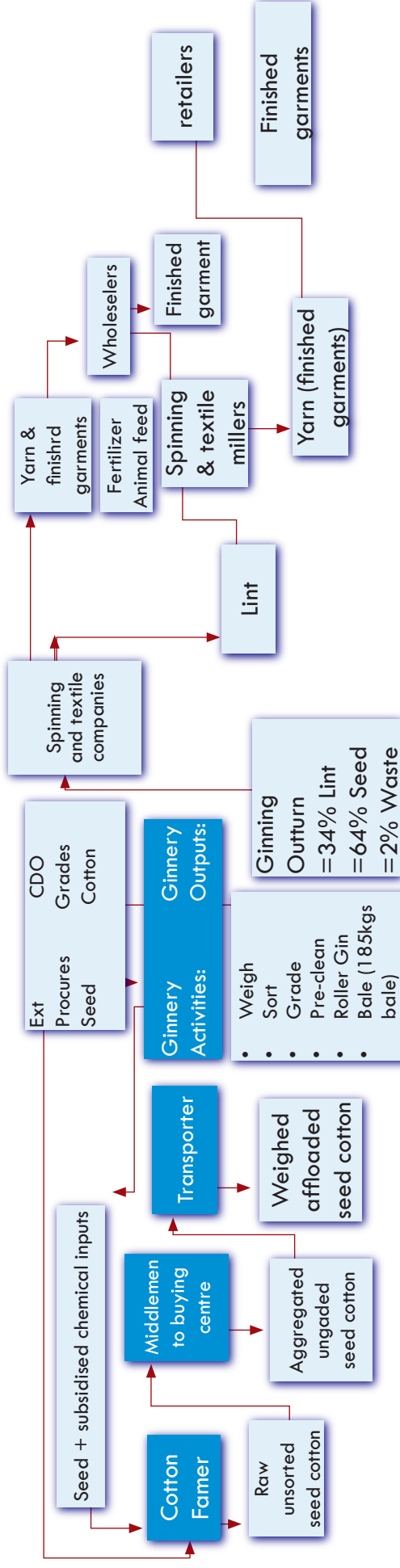
- 480 000 farmers on less than 1/2 hectare plot size each
- Rudimentary production, using hand hoes for land opening and weeding
- Lack of necessary fertilizers & pesticides
- Low yield (1 87kg lint/acre vs world average 700kg) CSF
- High incidence of improper picking practices (use of polypropylene bags for harvesting rather than recommended hessian cloth)- CSF
- No sorting of cotton by farmers- CSF
- Lack of organised farmer groups (CSF)
- Lack of credit finance for farming inputs
- Contamination of seed cotton to exaggerate weight. (4%)
- Poor storage habits (animals, dust etc)
- Organic cotton production (10%)
- Pests and diseases (limited use of organic pesticide in organic growing areas)
- Lack of market and price information
- Overdependent on Rainfed production
- Difficulty to market access due to poor infrastructure i.e feeder roads

- Farmer mostly relies on agents (middlemen) for price information and selling of cotton
- Low bargaining power by farmers due to lack of organized groups
- Long supply to market chain
- Contamination of seed cotton to exaggerate weight (approx 4%)
- tampered-with weighing scales used to cheat farmers (between 5-10% loss)

- Hi-grade medium staple length, which can command a premium price
  - CDO funded by 2% cess on exports, which is now inadequate
  - 38 technologically aging ginneries producing 250 000 bales = 1/4 of capacity (2004, 2005 season) Currently production has fallen to 133,000 bales (2005, 2006 season)
  - GOT Lint @ 34% lower than accepted norm of 37% to 40% - CSF
  - Export markets:
    - UK 36%, Germany 17%, Netherlands 10%, Malaysia 18%, Singapore 5%, Kenya 14%
  - Lack of marketing strategy – CSF: Lint bought mainly by merchants in Europe for blending and sale to spinners in Far East
  - deterioration in quality due to longer storage periods and inadequate storage capacity CSF
  - constraints in pricing and earnings due to fixed-price sale contracts (when the world price goes up, the ginner loses out)
  - Frequent power outages and shortage
  - High utility costs (water, etc)
- high costs of crop financing . This heavily impacts on indigenous investors' capacity(CSF)
- High volatility of world market prices and Forex exchange rates
- skilled ginning personnel (20 per year)
- high transport costs to ports of export which impact on price paid to farmer



## Cotton, Textiles & Garments Future Value Chain



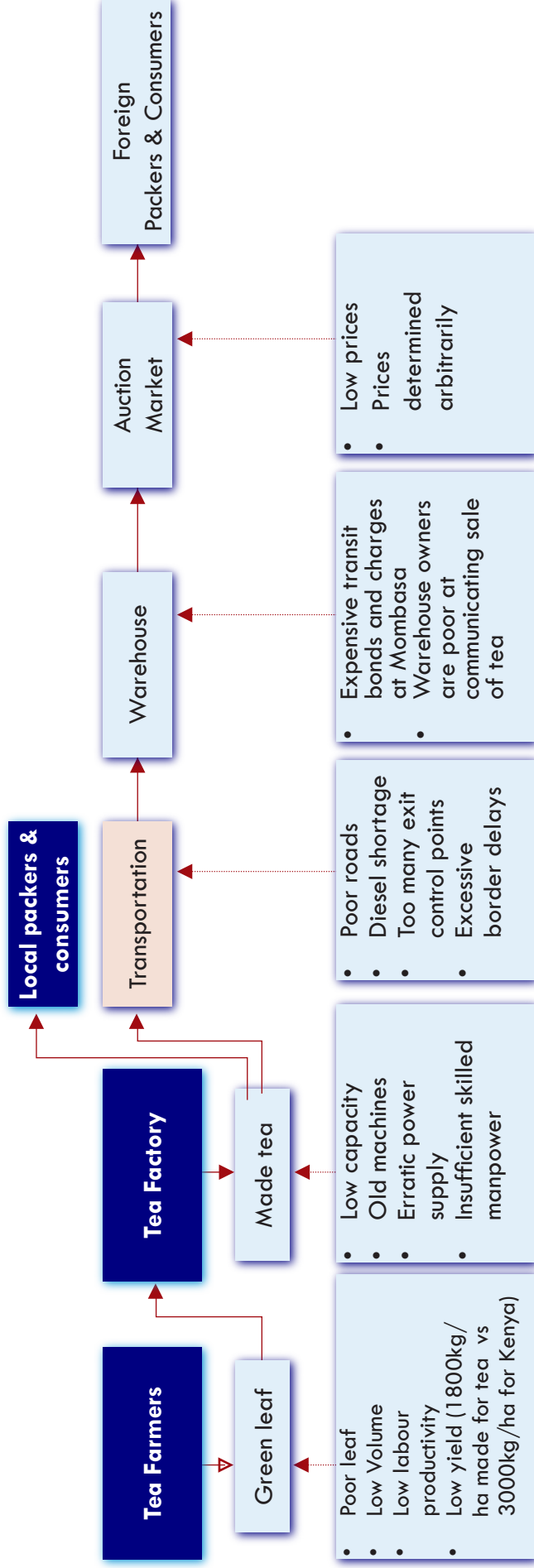
- 530 000 farmers by 2010
- More efficient land opening and weeding techniques devised (mechanization)
- Adequate fertilizers & pesticides provided
- Yield of 1000kg/acre by 2010
- High quality picking practices implemented
- Cotton sorted by farmers (incentive: price etc)
- Farmer groups formed in adequate numbers
- timely market information provided to the farmer
- strengthening of SACCOs to re-invigorate financing for inputs
- increased organic production to 40% in 5 years

- Price information system implemented (radio and cell phone, telecentres)
- Extension Model (6 tier structure) and Producer Organization Model implemented
- retention of commission by farmer groups originally taken by middlemen
- stronger bargaining power with ginner and possibility of contract ginning thus retaining both seed and lint (approx >25% value obtained over and above prevailing market prices offered by ginners)

- Part of funding from 2% cess extended to strengthen private sector association
- Alternative and viable funding structure devised
- UCGEA and Farmers Association bolstered
- 360 000 bales by 2007 and 700 000 bales by 2010
- More efficient grading system endorsed by stakeholders
- Export markets more diversified, greater focus on Africa through African Cotton & Textile Industry Alliance.
- Open end spinners supplier of choice – targeted marketing strategy
- increase local consumption of our cotton by spinners and millers; increase spinning and milling capacity (30% over 5 years)
- Uganda 'premier organic cotton' supplier from Africa
- Branding from 'Source of Nile' campaign operational by 2009
- Viable seed processing industry up and running
- 3 more companies spinning for local and export market (in 5 years)
- More edible oil factories established (5 more established making the total 11, in 5 years)

## A4. TEA VCAS

### A4.1 Current VCA



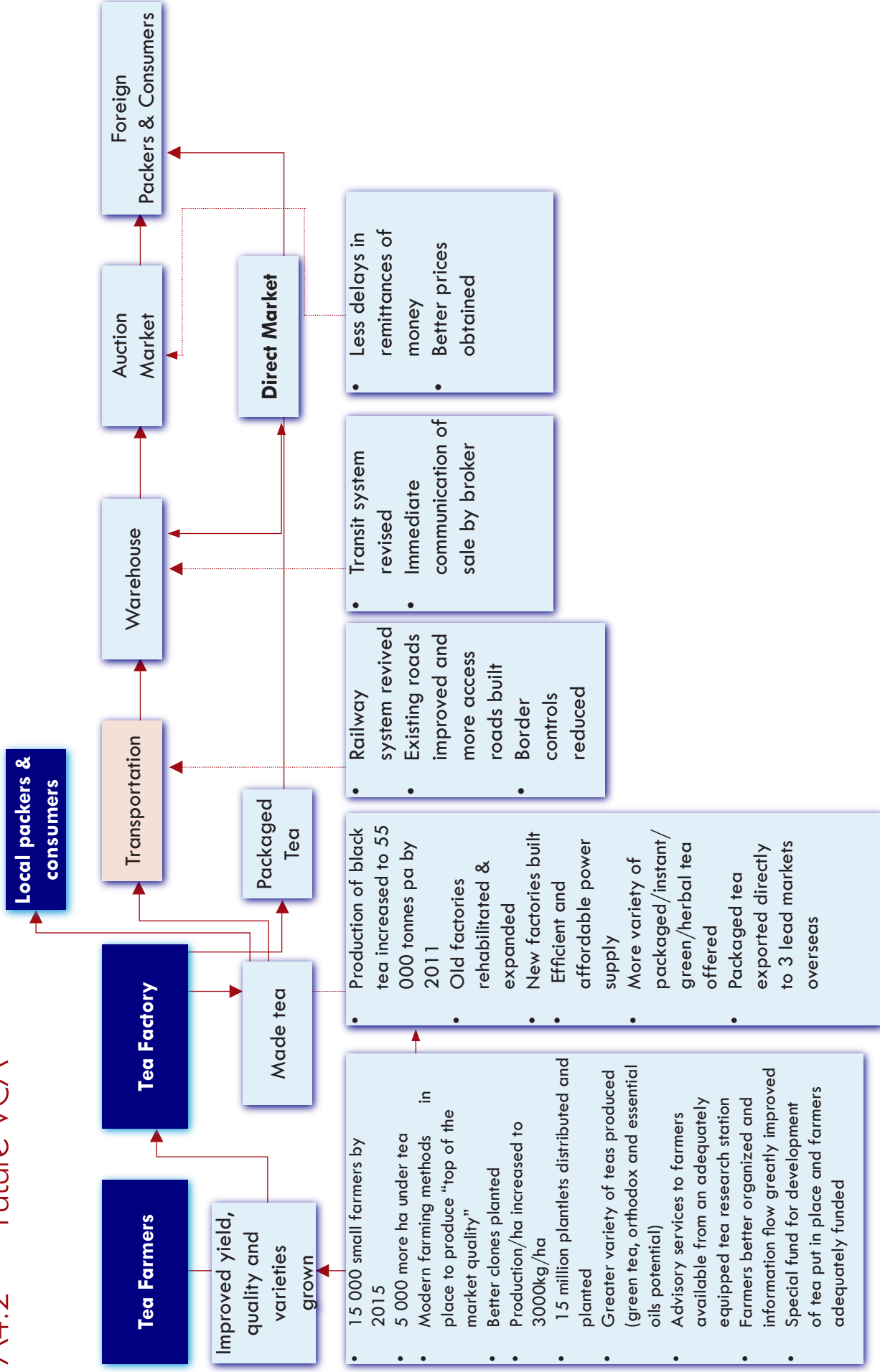
#### Action Required:

- Increase output by giving incentives to farmers
- Acquire and zone more land to tea
- Make inputs more readily available and tax free
- Maximize plant population/ha

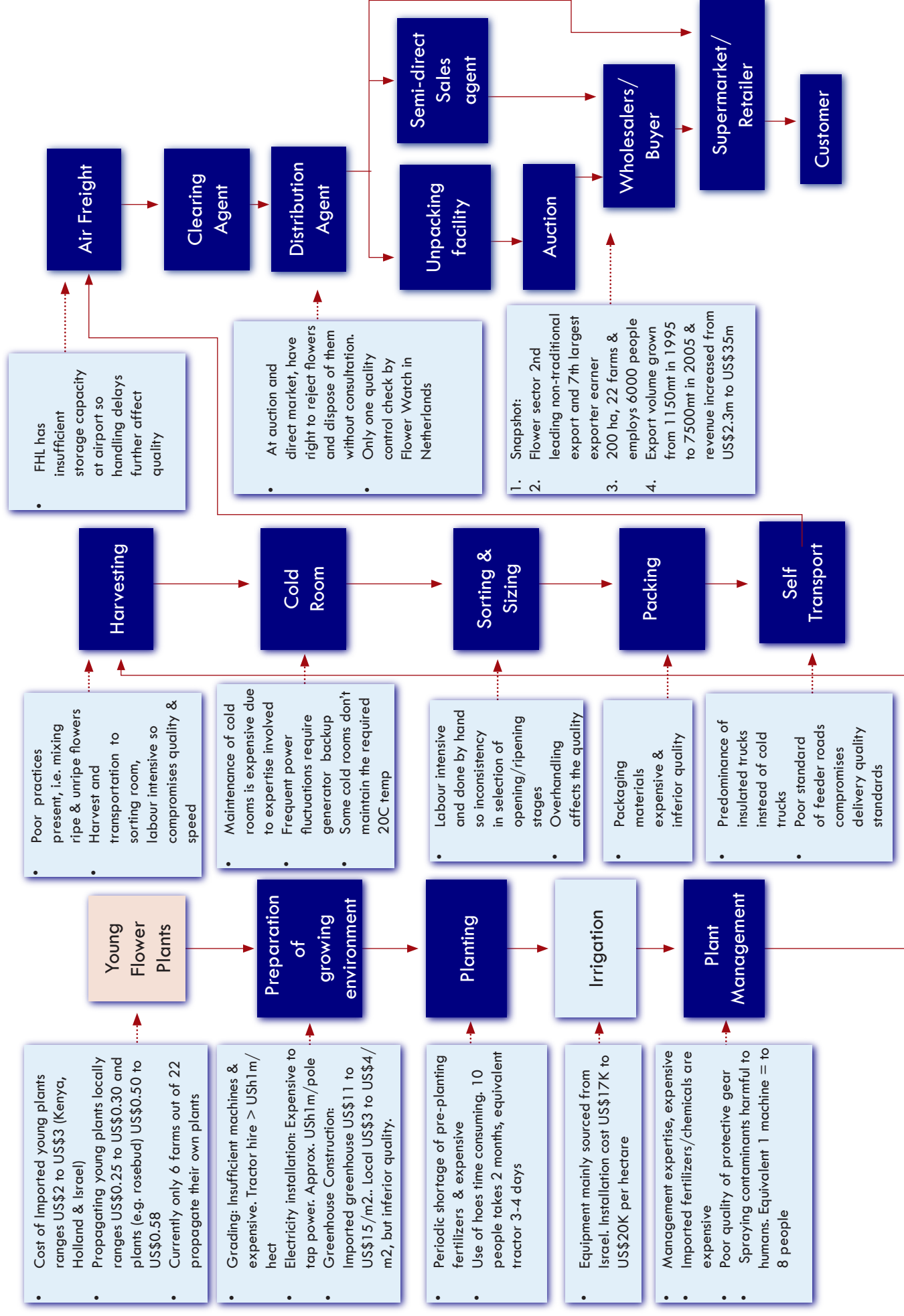
#### Acquire Greater Value By:

- Improving quality of green leaf
- Packing tea for both local and export market
- Producing green, orthodox and instant tea
- Increasing local consumption

## A4.2 Future VCA

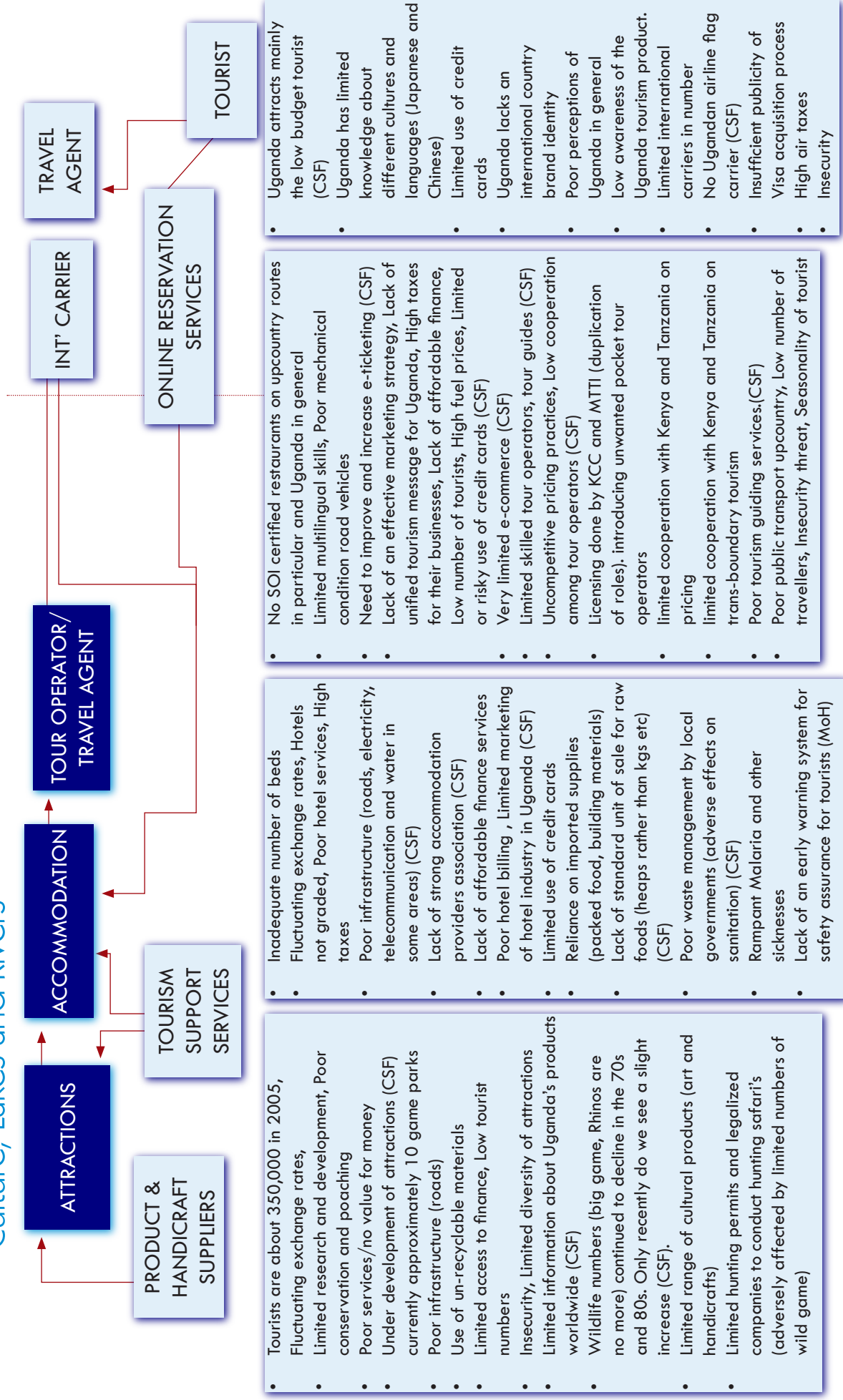


## A5. FLOWERS VCA

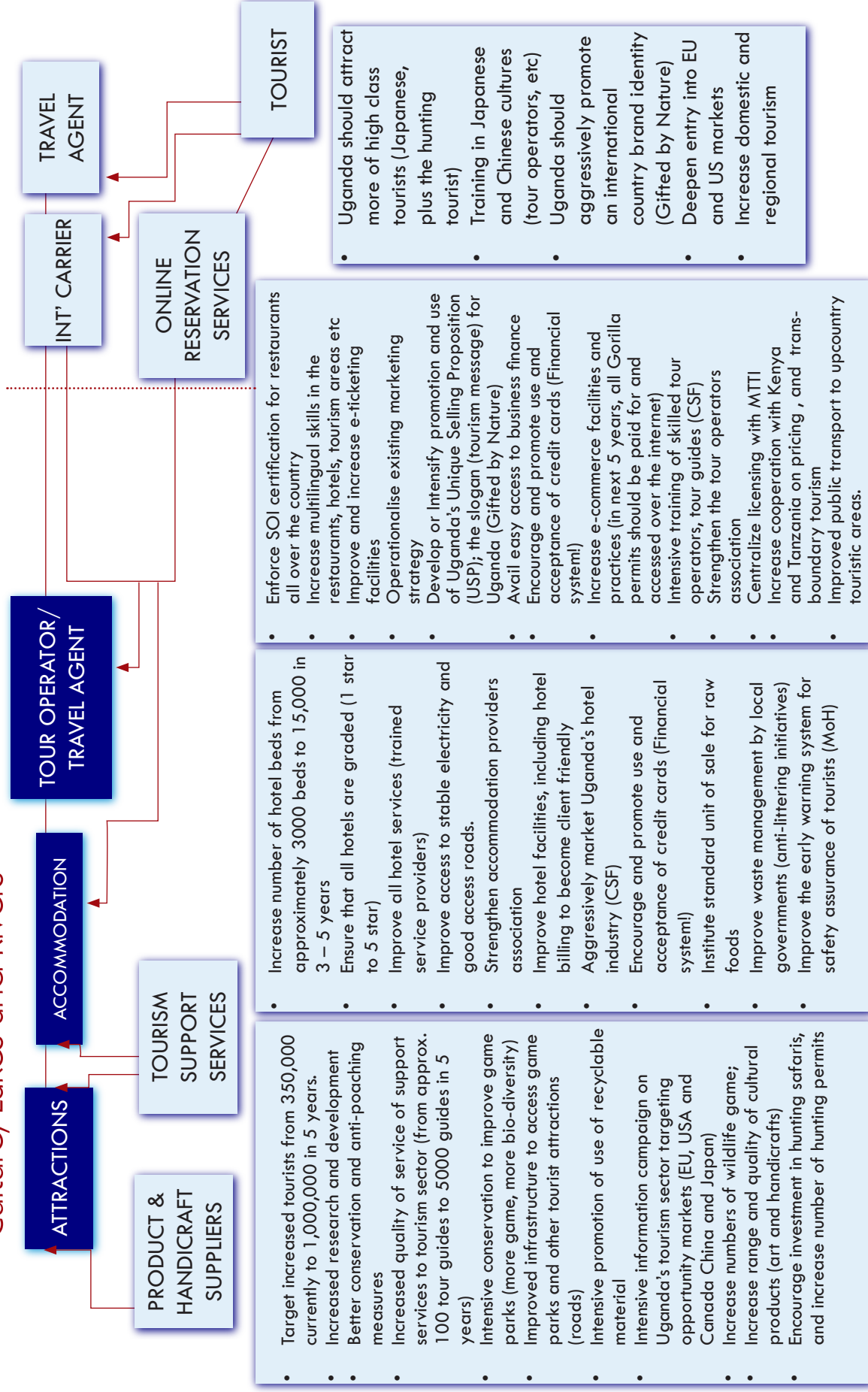


## A6. TOURISM VCAS

### A6.1 Tourism current value chain Major Attractions: Scenery, Gorillas, Other Wildlife, Culture, Lakes and Rivers

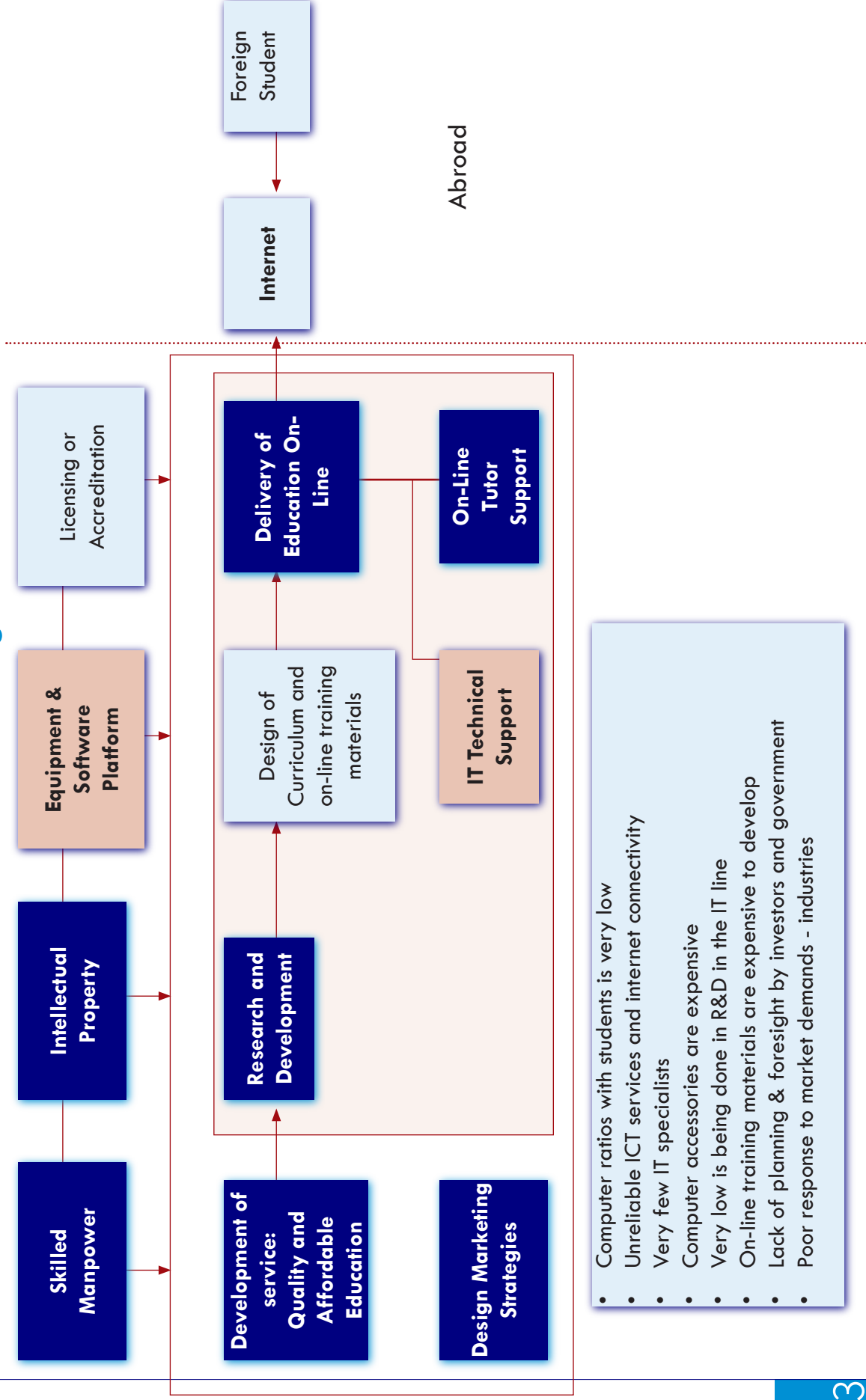


## A6.2 Tourism Future value chain: Major Attractions: Scenery, Gorillas, Other Wildlife, Culture, Lakes and Rivers



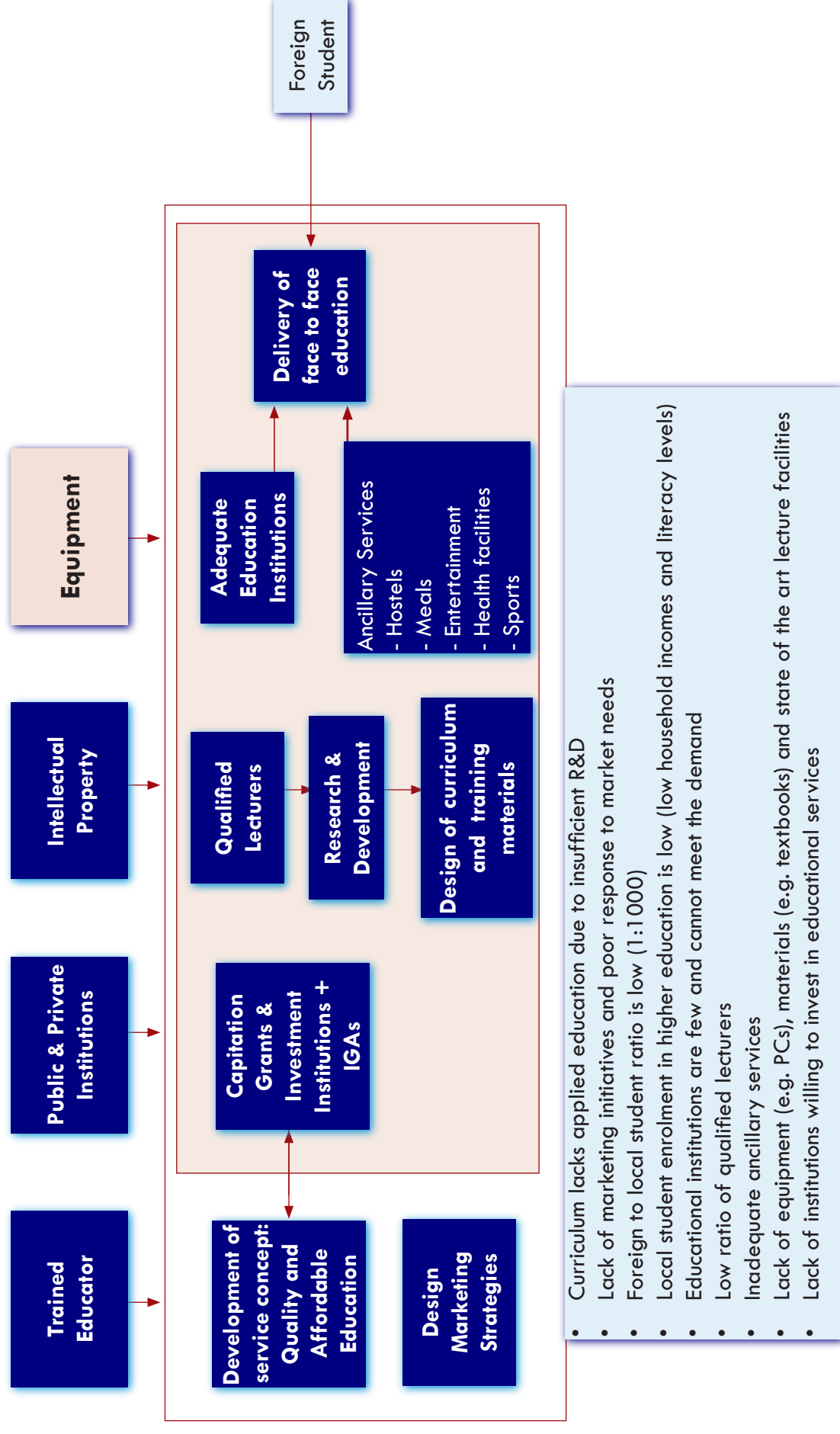
## A7. EDUCATIONAL SERVICES VCAS

### A7.1 Cross Border Model (Distance Learning) Mode 1



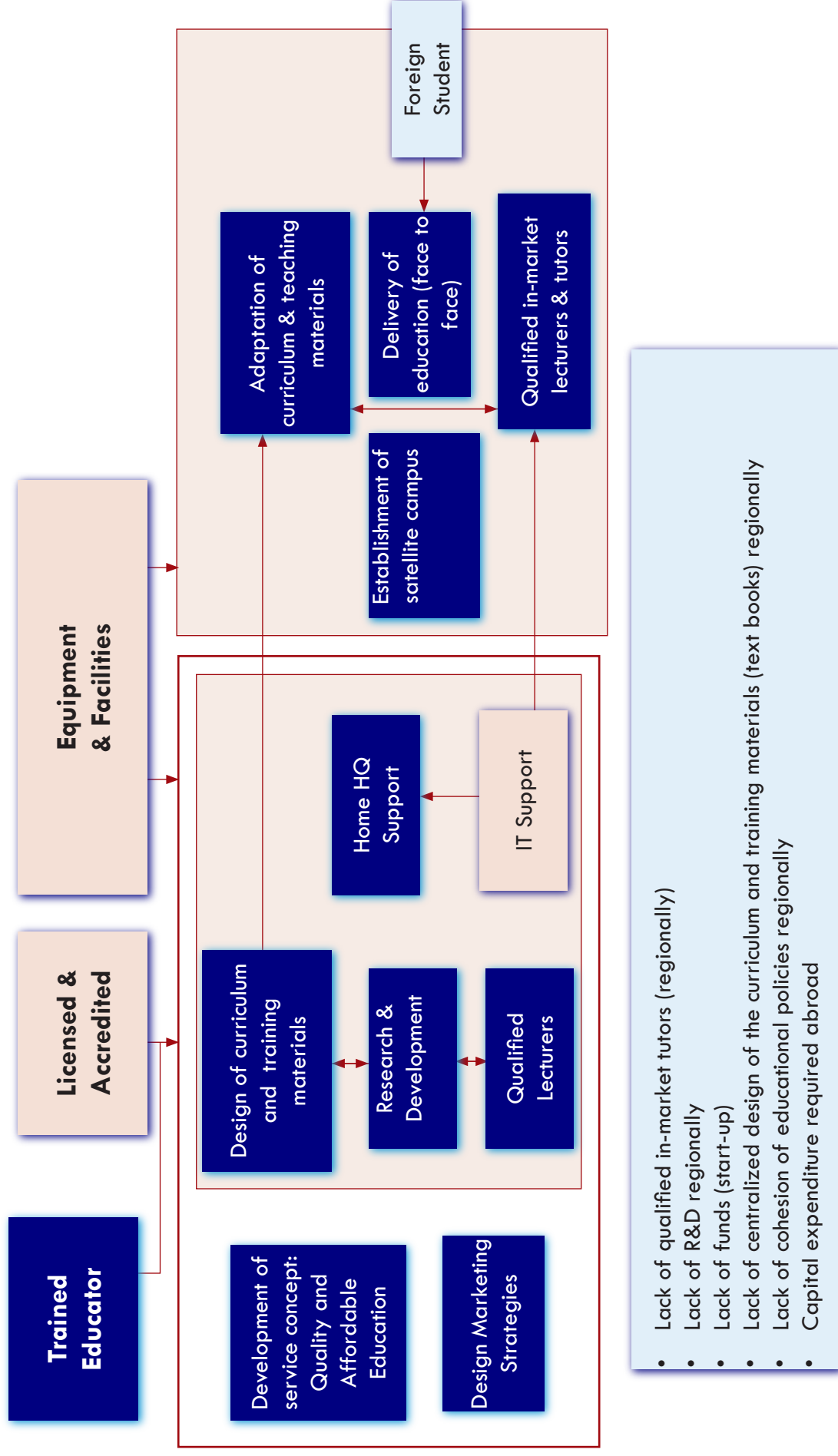


## A7.2 Foreign Consumption Abroad (Foreign Students Study in Uganda) Mode 2

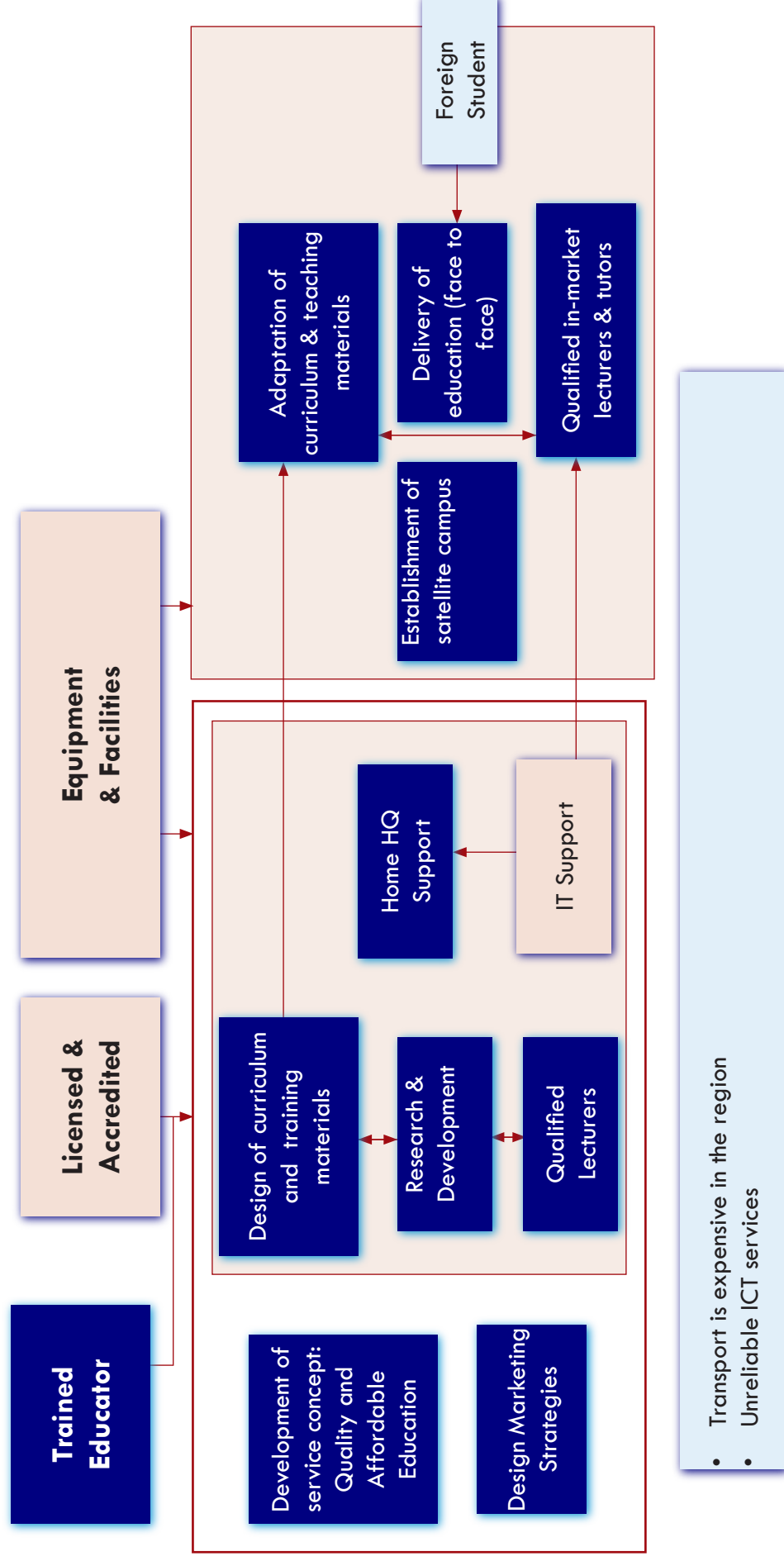




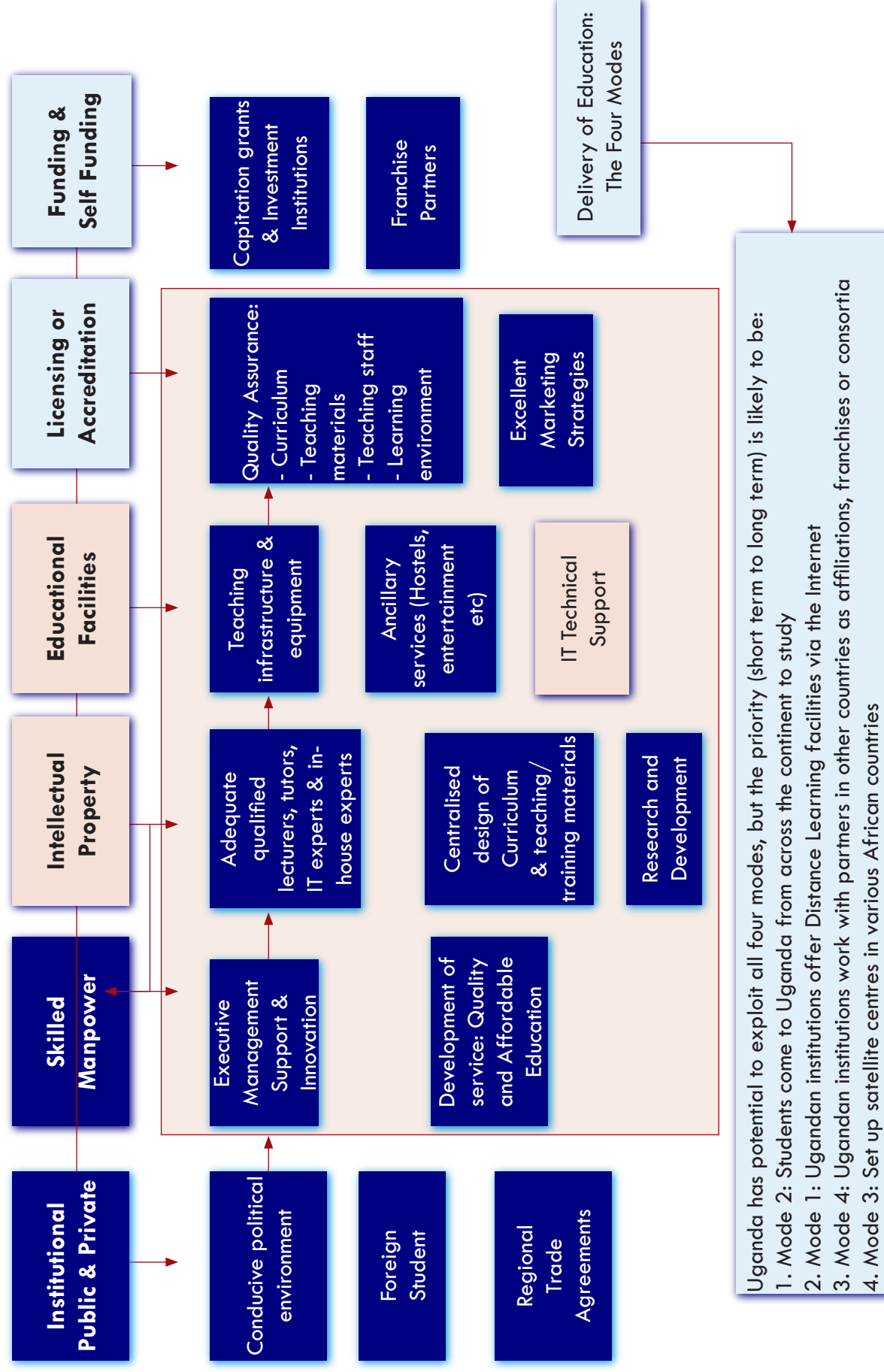
### A7.3 Permanent External Presence Abroad (Satellite Campuses) Mode 3



## A7.4 Temporary External Presence Abroad (Lecturers Travel) Mode 4

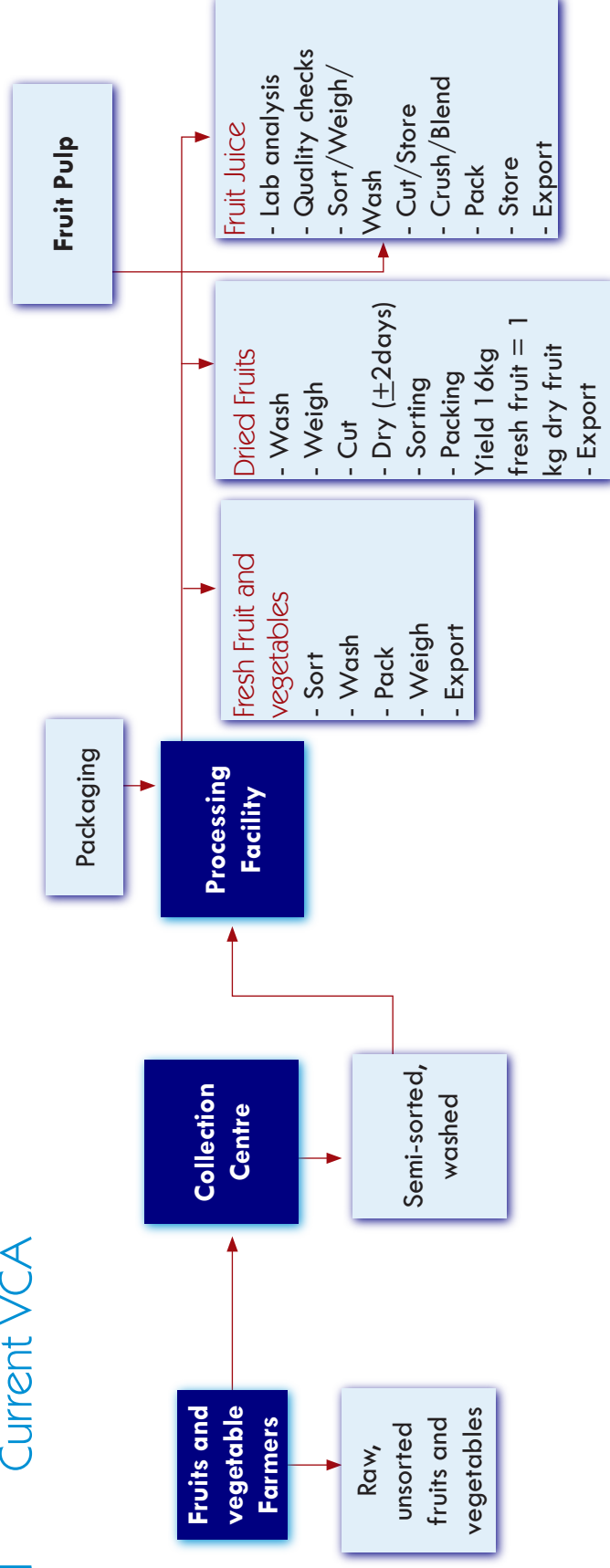


## A7.5 Temporary External Presence Abroad (Lecturers Travel) Mode 4



## A8. FRUITS AND VEGETABLES VCA

### A8.1 Current VCA

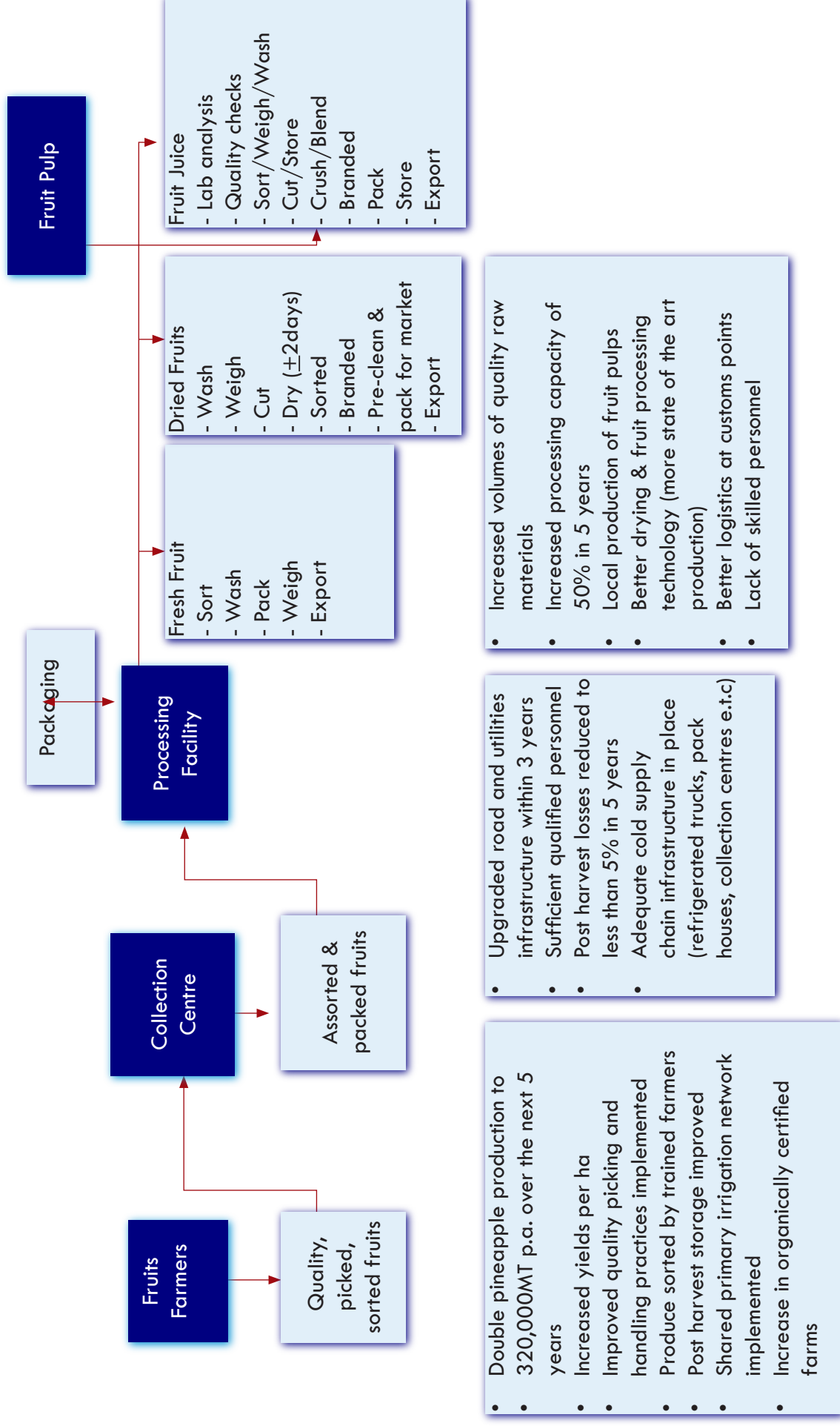


- Farmers growing on approx 3 to 10 acre plot sizes
- Pineapple (sourced from Kayunga, Luweero & Masaka) 160 000 mt pa, passion fruit (Mubende & Mpigi) 8 000 mt pa, mango (Iganga & Lira) 40 000 mt pa, apple banana (Kiboga & Masaka) 2,300,000 MT pa
- Characterised by seasonality & low yields
- Inconsistent quality
- Poor post harvest handling
- Lack of storage and transportation infrastructure
- Local government tariffs
- No organic certification

- Distance to collection centres from farms varies between 80 to 450 kms. Sub-standard feeder roads
- Lack of qualified personnel
- High wastage varies from 10% to 20%
- Inadequate cold storage facilities
- Inadequate utilities (water and electricity)
- Inadequate transportation, (mainly trucks many of which are not refrigerated)

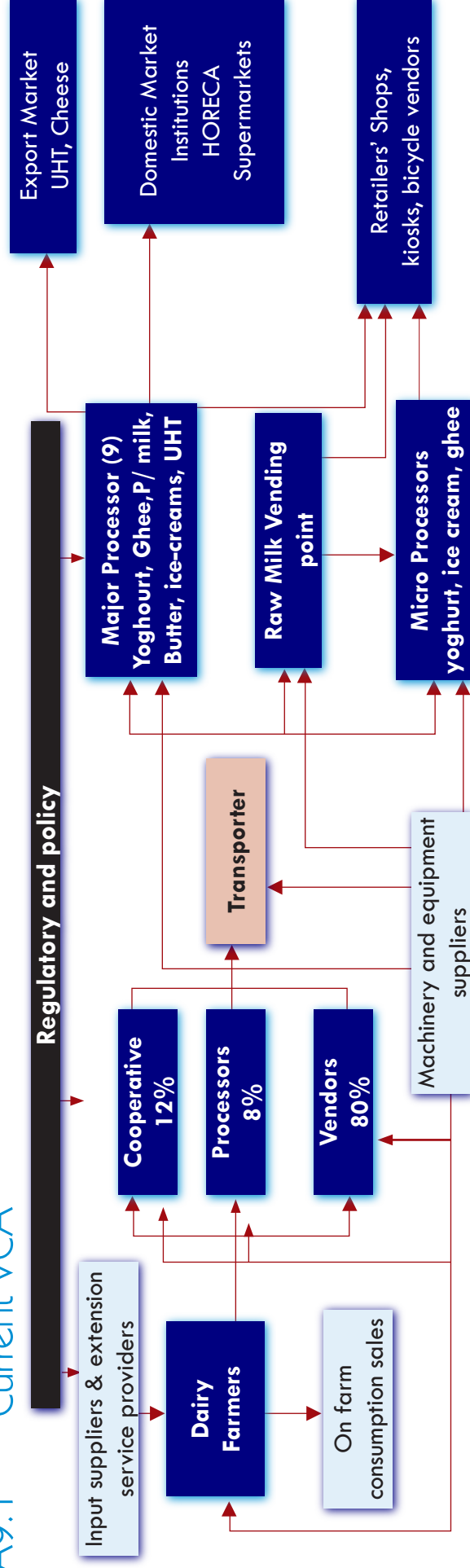
- Insufficient supply of raw materials
- Low technology levels
- Low utilisation of processing capacity (dried fruit approx 10% to 25%, fruit juice 40%)
- Logistical constraints caused by delays in delivery of pulp and packaging
- Lack of skilled personnel

## A8.2 Future VCA



## A9 DAIRY SECTOR VCAS

### A9.1 Current VCA

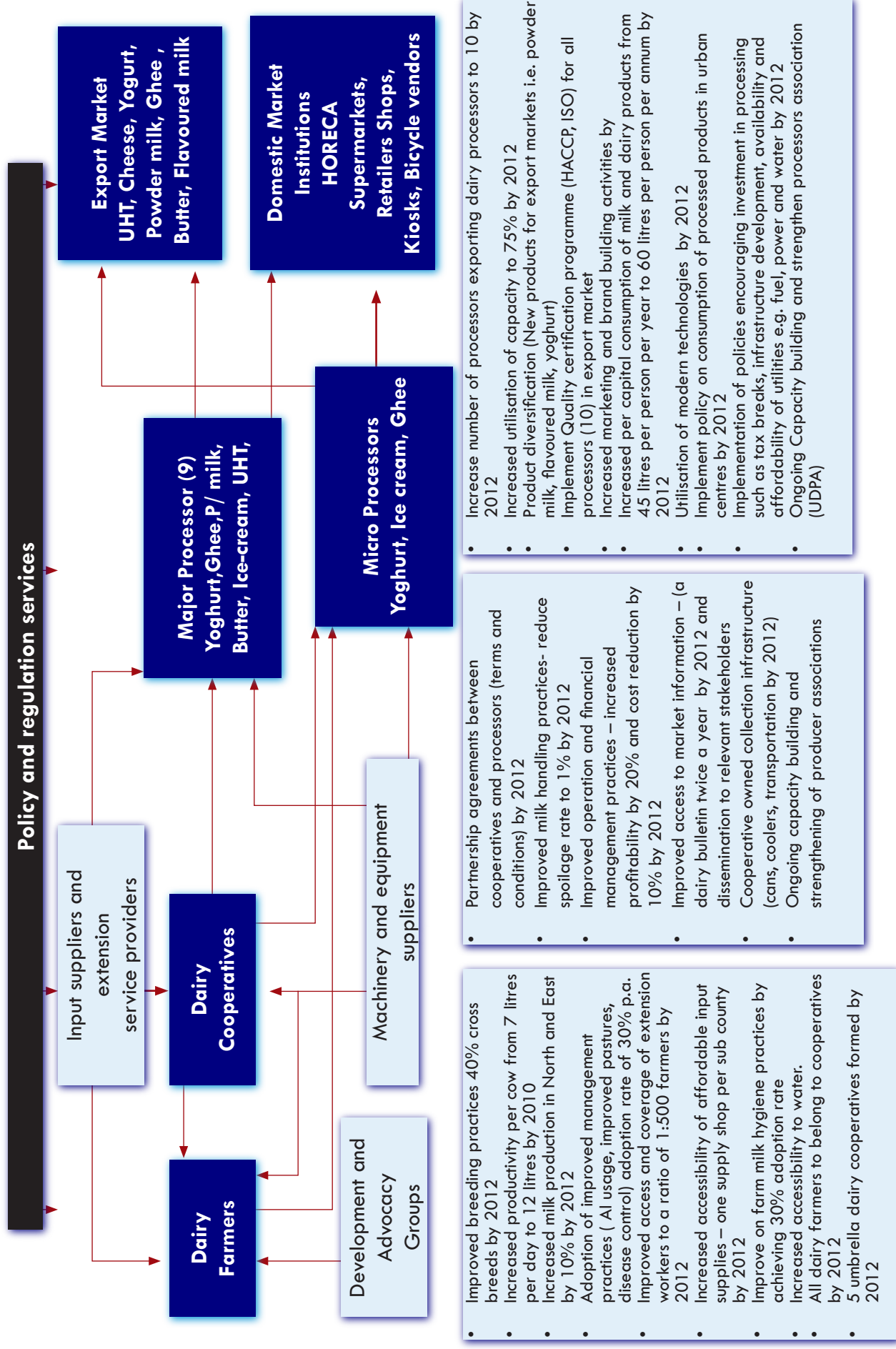


- 6 million head of cattle
- 80% local breed producing 2litres of milk (very low productivity)
- On farm consumption sales = 40% of total production
- 20% improved breeds producing average 7 litres per day
- Milk Production concentrated in South West and central 70%, North and Eastern only produce 30%
- Inefficiency in production (high cost of production, poor breeds, poor management)
- Inadequate extension services
- Unavailability and expensive input supplies
- Poor quality milk

- Low bargaining power by farmers (few organized groups, do not own infrastructure)
- Inadequate capacity to monitor and enforce quality standards
- Poor market information access and flow
- High operation costs (power shortages, fuel scarcity)
- Inadequate infrastructure
- Unfavourable policies
- Poor governance and management for organized groups
- Poor milk handling practices leading to low quality milk and high losses

- Inefficient processing facilities (40% utilization capacity and 21% losses)
- Majority of ingredients are imported, expensive, not readily available ( white sugar – 100% duty, packaging materials for butter at 25% duty) flavours
- Outdated technology in most processing plants
- Infrastructure insufficient, expensive, imported (prime movers taxed at 80%)
- High cost of finance (interest rates at 24- 27% p.a.)
- Inadequate investment in cold chain
- High cost of production (irregular and expensive power supply and fuel)
- Limited technical expertise
- Export markets: Rwanda, Burundi, TZ, Southern Sudan, DRC, Kenya
- Limited marketing and brand building activities
- Lack of dairy export strategy

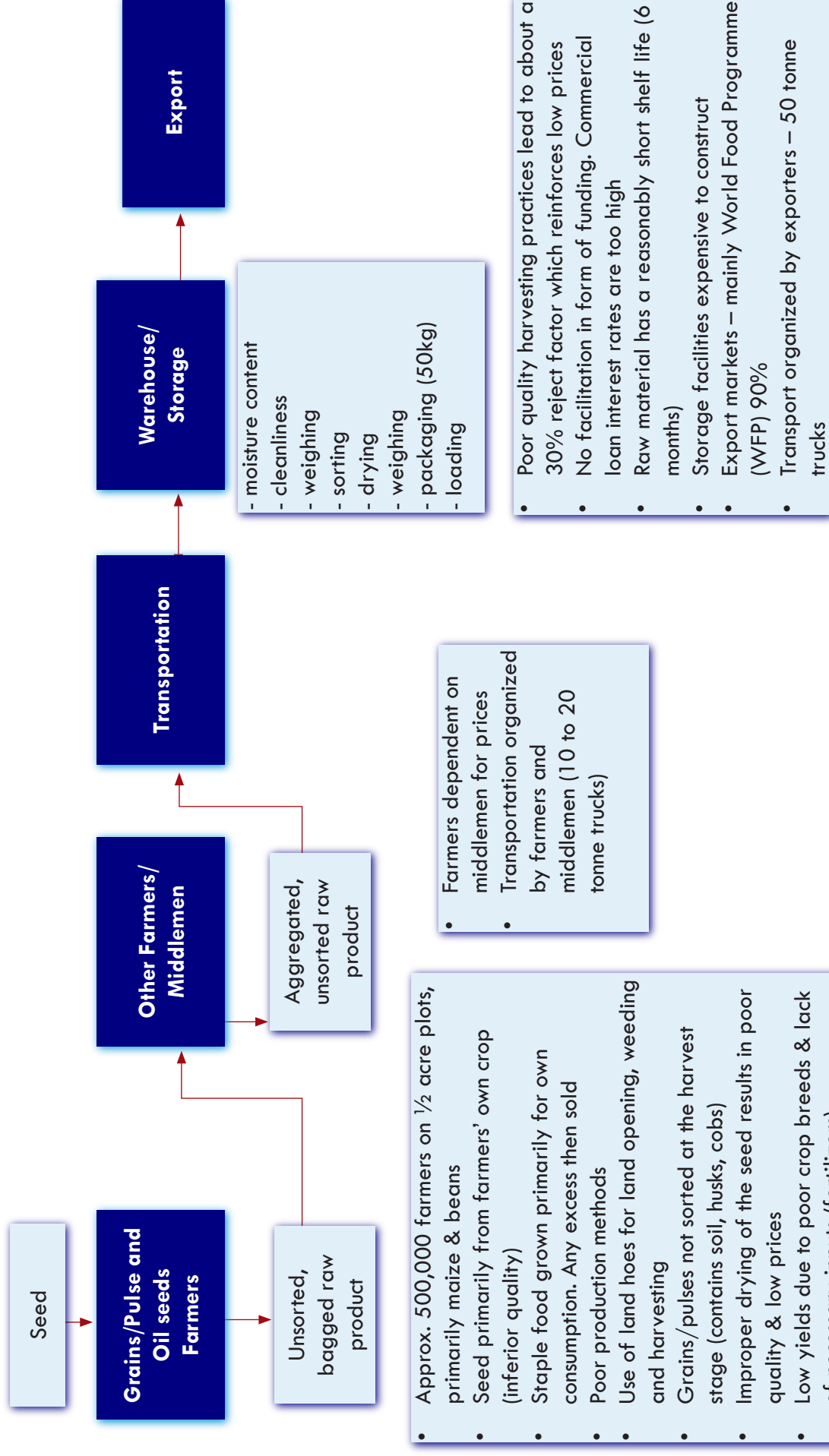
## A9.2 Future VCA



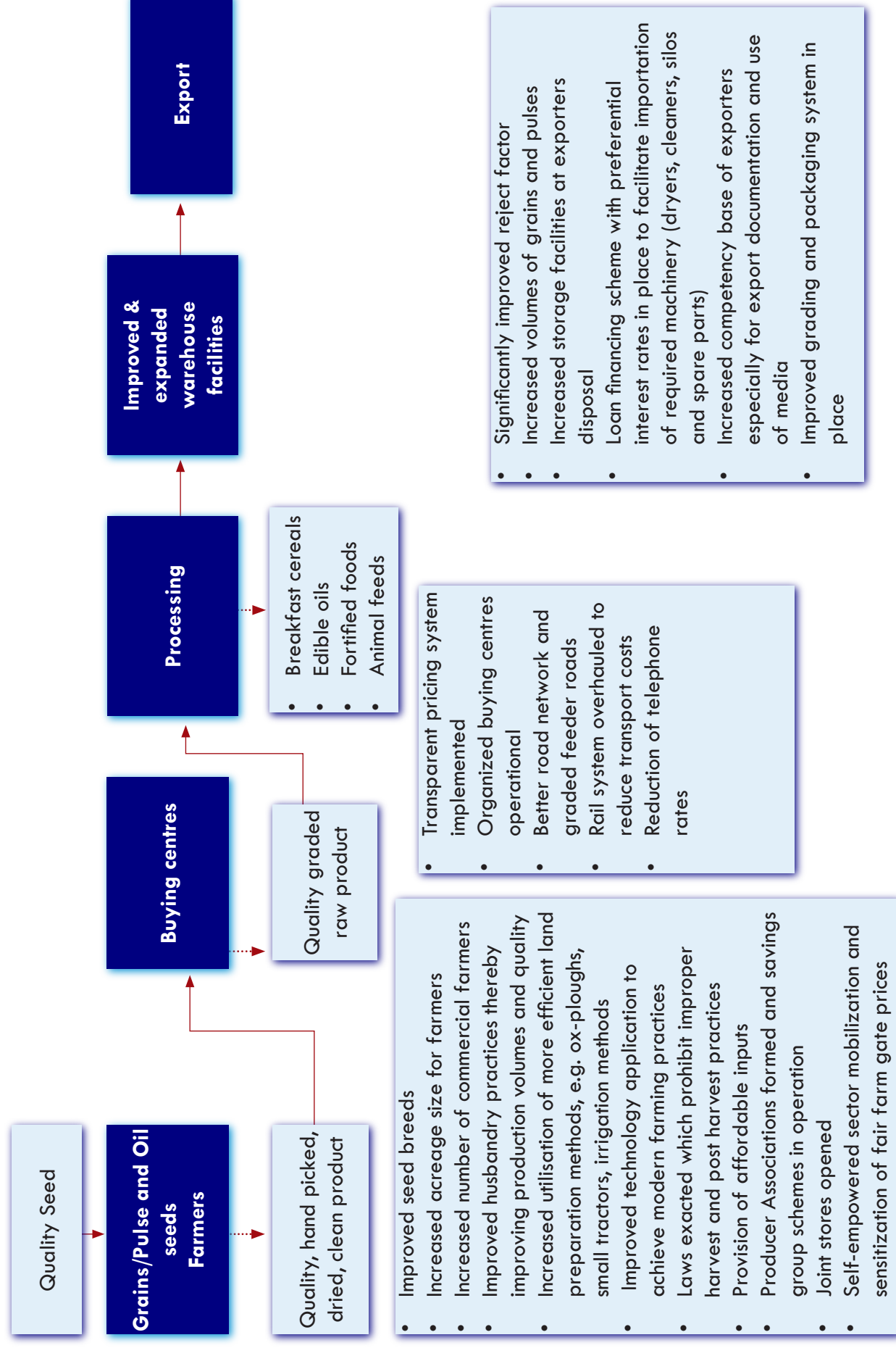


## A10 GRAINS, PULSES AND OIL SEEDS

### A10.1 Current VCA

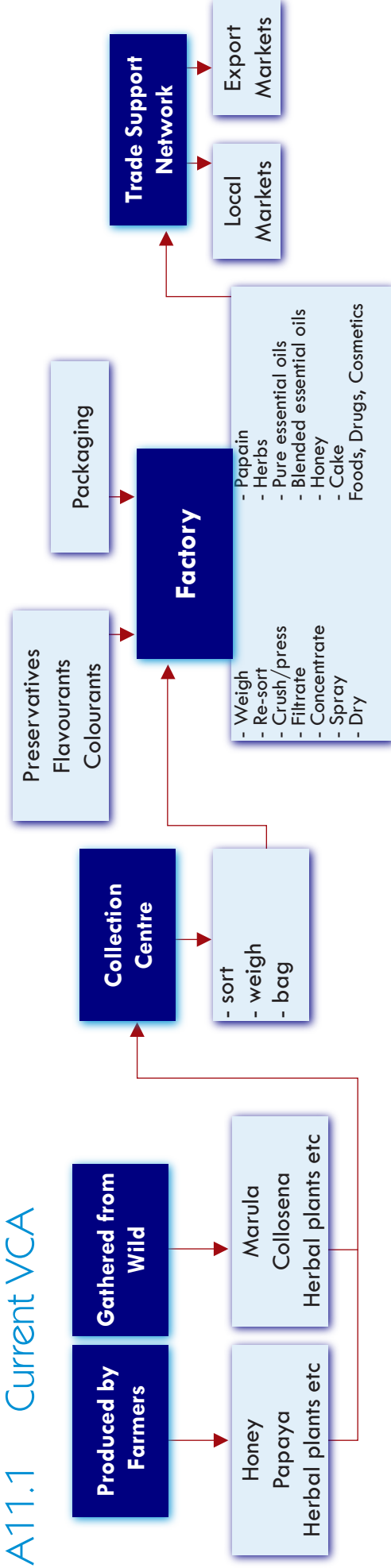


## A10.2 FUTURE VCA



## A11. NATURAL INGREDIENTS VCAS

### A11.1 Current VCA



#### General Production Issues:

- Inadequate research and development into high yielding variety of papaya/other plants
- Low quantity of raw material gathered from wild
- Insecurity issues in other regions and wild
- Poor infrastructure (roads) especially in rural areas
- Lack of coordination amongst activities of agents and middlemen
- Farmers:
- Essentially subsistence based
- Inadequate handling and collection methods/facilities
- Poor prices to farmers
- Inadequate access to implements and information

#### Gatherers:

- Essentially subsistence based
- Little incentive to switch to growing for commercial production
- Inadequate handling and collection methods/facilities

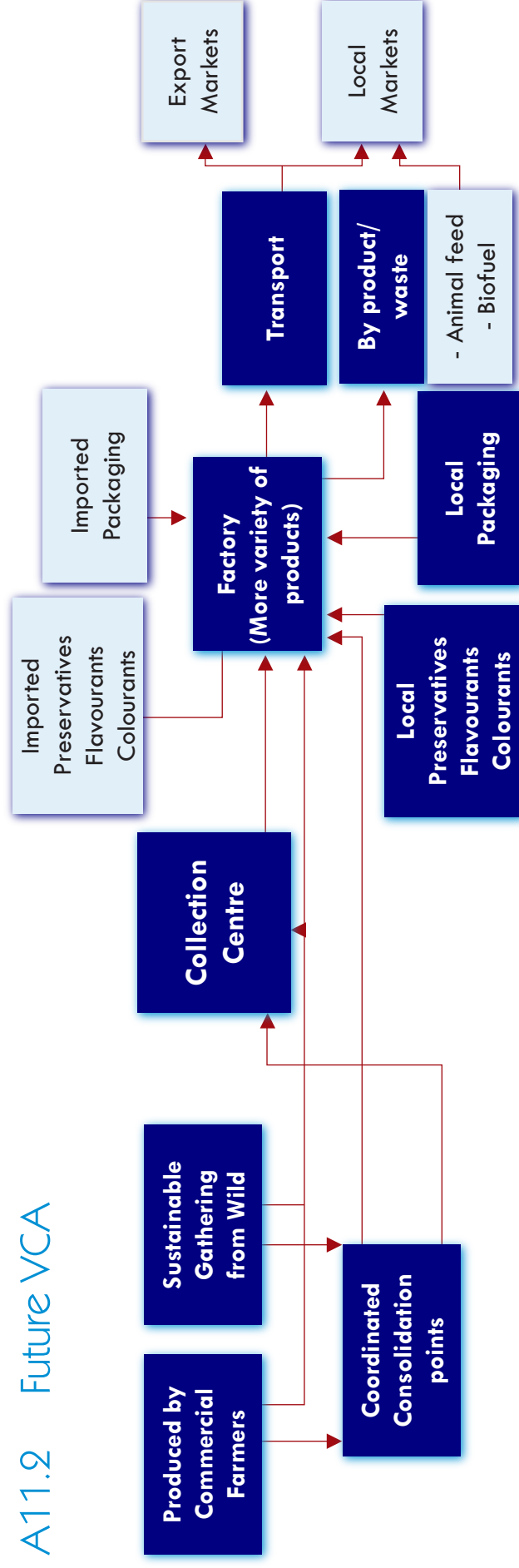
#### Processing:

- Inconsistent power supply
- High power costs
- Lack of product diversification
- Lack of appropriate or suitable machinery/equipment
- Lack of appropriate packaging material
- Long lead times (papain)

#### Markets:

- Producers rely on agents
- (middlemen) for market/ pricing information
- Demand for organic certification growing
- Lack of product awareness (especially locally)
- Competition from Mexico – better papain
- Low bargaining power by producers

## A11.2 Future VCA



### General Production Issues:

- Improved research and development into high yielding variety of papaya/other plants
- Introduction of new varieties
- Greater source of supply through advanced propagation techniques
- Better collection, improved and increased storage and flexible supply chain that also allows direct transport to factory (e.g. honey)
- Significantly higher proportion of commercially driven farmers and gatherers
- Strengthened producer association thereby improving representation and bargaining power
- Improved infrastructure, especially roads and utilities
- Clear demarcation of protected areas, forests, woodlands, wetlands and unused communal lands

### Processing:

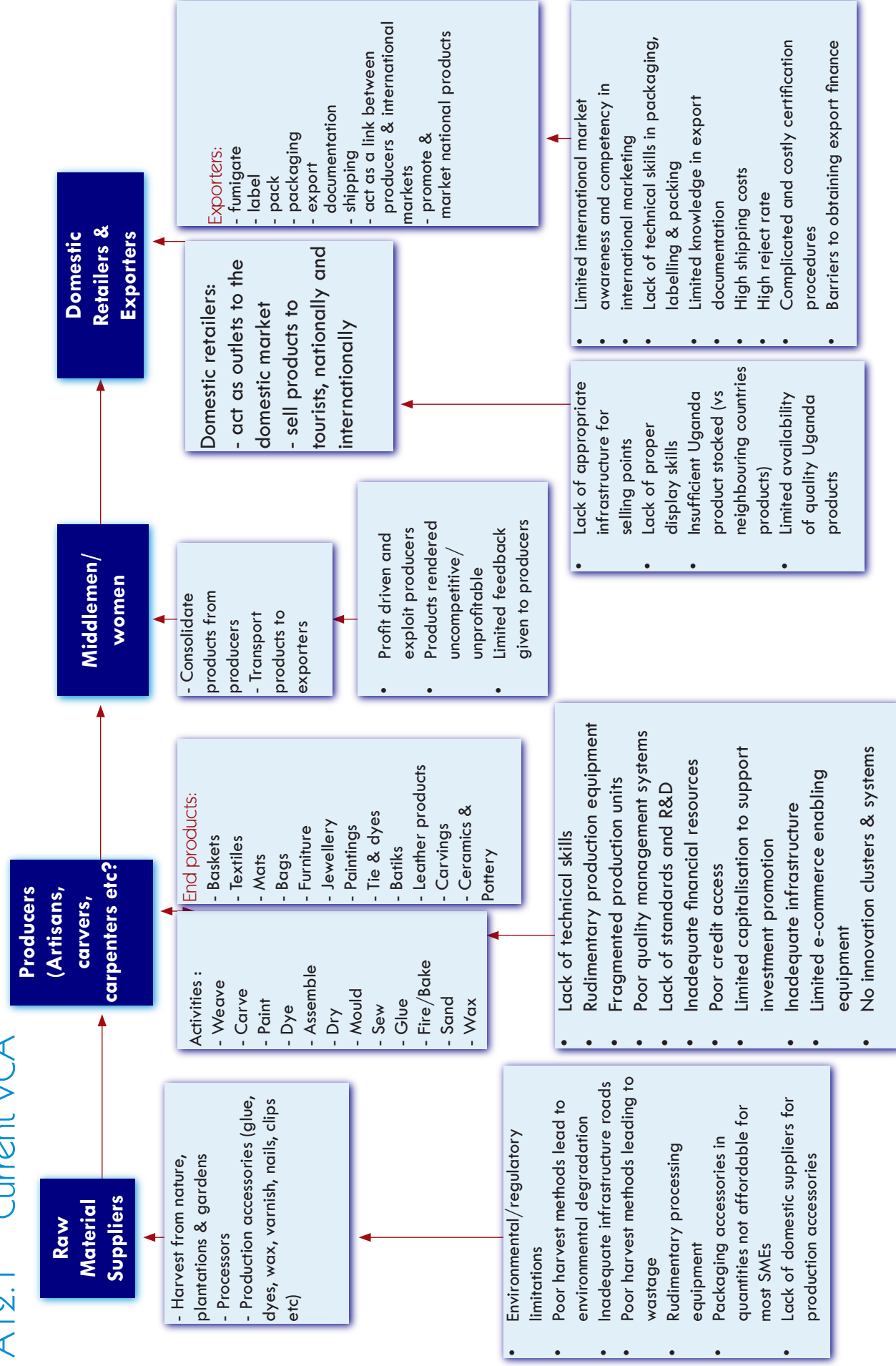
- Stable power supply
- Promote use of alternative energy sources
- Appropriate and cheaper packaging materials through encouragement of local industries
- Increased diversification of products and blending (vegetable oils, branded products)
- Increased use of local sources of supply for inputs
- Better utilization of by-products and waste products (e.g. animal feed & bio-fuel)

### Markets:

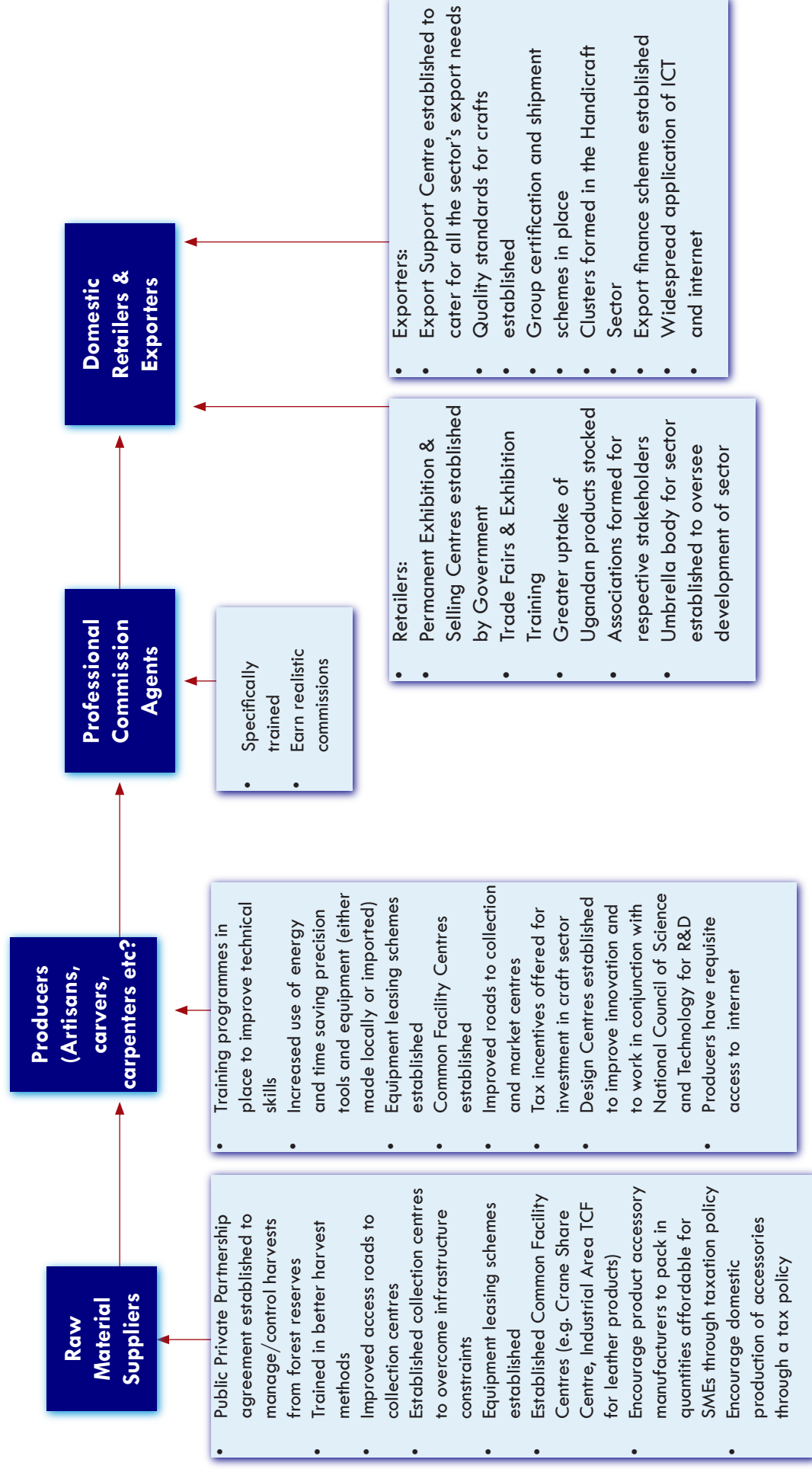
- Direct contact between producers and buyers established
- Substantial increase in number of local institutions able to accredit certification of products achieved
- Easy market-map access

## A12 COMMERCIAL HANDICRAFTS VCA

### A12.1 Current VCA



## A12.2 Future VCA



## B. OTHER ANNEXES

### B1.0 Tabulated data on Criteria for the selected NES Strategic Priority Sectors

#### B1. 1 Criteria and weights

Criteria	Weight	Score	No- of Respondents	Total Scores
Market access and entry	4	100	7	2800
Earning Capacity (value per unit)	4	100	7	2800
Production/supply capacity	4	100	7	2800
Relevancy to Government policy	4	100	7	2800
Market size (global)	3	100	7	2100
Value addition potential	3	100	7	2100
Poverty focus	2	100	7	1400
Job creation	2	100	7	1400
Market trends (fast growing?)	2	100	7	1400
Food security	1	100	7	700
Gender balance	1	100	7	700
Niche markets	1	100	7	700
Environmental impact	1	100	7	700
Natural resource component	1	100	7	700
Current performance	1	100	7	700
				23800

## B1.2 Average Product Evaluation Scores based on returns from 7 Evaluators of the NES Priority Sectors Team

	cotton	tea	coffee	horticulture	fish
Market access and entry	2,280	2,280	2,480	2,124	2,572
Earning Capacity (value per unit)	1,728	1,832	2,128	1,960	2,500
Production/supply capacity	1,780	2,020	2,236	1,700	2,380
Relevancy to Government -policy	2,368	2,412	2,440	2,296	2,360
Market size (global)	1,680	1,656	1,773	1,404	1,824
Value addition potential	1,920	1,785	1,779	1,719	1,635
Poverty focus	1,160	1,110	1,228	1,160	1,050
Job creation	1,130	1,210	1,174	1,116	1,040
Market trends (fast growing?)	934	796	840	1,040	1,226
Food security	315	320	395	480	475
Gender balance	485	470	460	470	385
Niche markets	503	410	503	543	543
Environmental impact	405	465	450	498	415
Natural resource component	460	483	473	480	570
Current performance	355	405	455	350	537
Total score	17,503	17,654	18,814	17,340	19,512
<b>Average Score</b>	<b>1,167</b>	<b>1,177</b>	<b>1,254</b>	<b>1,156</b>	<b>1,301</b>
<b>Rank</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>1</b>



## Continuation of B1.2 Average Product Evaluation Scores based on returns from 7 Evaluators of the NES Priority Sectors Team

	cassava	services	Cashew nuts	G. nuts	Aquatic. fish	wood	sugar	Cereals	Pulses
Market access and entry	980	1,892	1,692	1,440	1,120	760	920	2,140	1,360
Earning Capacity (value per unit)	864	2,300	1,560	1,292	1,220	1,180	1,240	1,860	1,400
Production/ supply capacity	1,160	1,880	940	1,308	640	880	840	2,200	1,612
Relevancy to Government policy	1,120	2,252	1,292	1,400	952	1,080	1,104	2,100	1,580
Market size (global)	768	1,755	1,170	984	750	780	660	1,335	855
Value addition potential	969	1,440	1,215	1,089	600	870	915	1,395	975
Poverty focus	650	850	810	674	370	476	490	1,080	764
Job creation	550	970	640	596	322	430	520	970	706
Market trends	370	1,100	800	570	496	480	516	790	570
Food security	390	293	308	321	98	185	230	602	420
Gender balance	245	370	250	275	90	155	165	430	320
Niche markets	243	426	368	330	258	215	157	360	225
Environmental impact	275	400	365	240	246	260	168	395	230
Natural resource component	270	325	405	306	293	275	180	477	292
Current performance	115	355	195	197	171	190	202	385	272
Total score	8,969	16,608	12,010	11,022	7,626	8,216	8,307	16,519	11,581
<b>Average Score</b>	598	1,107	801	735	508	548	554	1,101	772
<b>Rank</b>		6						7	

## B1.3 SECTOR EVALUATION SUMMARISED

Product Sector	Ranking	Comment
Fish	1	Okay and in harmony with CICs and DTIS sectors
Coffee	2	Okay and in harmony with CICs and DTIS sectors
Tea	3	Okay and in harmony with CICs and DTIS sectors
Cotton, textiles and garments	4	Okay and in harmony with CICs and DTIS sectors
Horticulture	5	Okay and important for furthering diversification
Services (Education & Tourism)	6	Okay and partly in harmony with CICs and DTIS sectors
Honey	7	Okay and important for furthering diversification and integrated in Natural ingredients sector
Diary	8	Important for furthering export diversification
Flowers	9	Okay and in harmony with CICs and DTIS sectors
Cereals, oil seeds & Pulses	10	Important for furthering export diversification

### Special comments on some sectors.

#### 1. Natural Ingredients

Though evaluated low, UEPB chose to include the sector because of the ongoing intervention by UNCTAD to uplift the sector under Biotrade initiatives. World issues of sustainable use of the environment also prompted key interest in the sector. The sub-sector of honey that was ranked high has been integrated in this sector.

#### 2. Handicrafts

Though not evaluated by the priority sector selection committee, the sector has an Export Strategy that was developed by UEPB in 2005. As a result, it has attracted support from international development partners particularly JICA. It is also considered important for engendering the NES considering that many rural women groups are active in this sector. The sector also has a strong relationship with the country's culture and the tourism sector.

#### 3. Manufacturing sector

Though not subjected to the evaluation process above, NES considers it an important sector. For this reason almost all the sectors have a value addition component specifically relating to processing. It is also important to point out that the sector is leading in regional markets with regard to the export of value added products which are important for furthering Uganda's industrialisation goals.

## B2.0 Formal Goods Exports –Volume and Value 2006-2006

UGANDA: EXPORT PERFORMANCE BY VOLUME AND VALUE (US\$ '000) - 2002 - 2006											
Commodity	Unit	2002		2003		2004		2005		2006	
Traditional Export Crops		Vol	Value	Vol	Value	Vol	Value	Vol	Value	Vol	Value
Coffee	Tonne	201,591	96,626	146,299	100,233	159,983	124,237	142,513	172,942	126,887	189,830
Cotton	Tonne	12,322	9,519	16,762	17,755	29,293	42,758	30,403	28,821	18,480	20,474
Tea	Tonne	30,400	31,293	36,669	38,314	36,874	37,258	36,532	34,274	30,584	50,873
Tobacco	Tonne	23,266	45,262	24,669	43,042	27,843	40,702	23,730	31,486	15,794	26,964
<b>Non-Traditional Exports</b>											
Maize	Tonne	59,642	10,609	60,298	13,724	90,576	17,896	92,794	21,261	115,259	24,114
Beans and other Legumes	Tonne	10,753	3,284	18,070	5,235	26,233	8,968	28,332	8,693	27,087	8,162
Fish and Fish products	Tonne	25,525	87,945	26,422	88,113	31,808	103,309	39,201	142,691	36,461	145,837
Cattle hides	Tonne	20,049	9,810	18,565	4,925	18,502	5,409	25,349	7,064	22,214	8,032
Sesame seeds	Tonne	1,380	510	4,108	2,183	4,283	2,788	7,412	4,779	7,568	4,547
Soya beans	Tonne	499	74	592	87	468	118	574	126	3,048	609
Soap	Tonne	7,594	3,434	11,402	5,553	16,281	7,708	17,072	7,194	11,681	5,530
Electric Current	000 Kwh	264,685	15,645	217,486	13,778	193,104	12,075	62,577	4,465	53,019	4,855
Cocoa beans	Tonne	1,626	2,023	4,328	7,001	5,155	6,801	7,600	9,638	7,632	10,016
Cobalt	Tonne	8,748	7,032	-	0	438	11,548	582	14,320	861	18,063
Hoes and hand tools	'000	169	385	407	580	180	348	466	1,159	68	518
Pepper	Tonne	128	111	103	176	394	368	817	594	218	189
Vanilla	Tonne	63	6,898	91	13,546	71	6,120	234	6,135	195	4,808
Live animals	'000	24	80	8	61	37	130	12	29	0	28
Fruits	Tonne	708	670	425	436	1,297	917	3,061	1,158	7,821	1,167
Groundnuts	Tonne	45	75	4	7	1	1	22	23	63	8
Bananas	Tonne	1,561	225	1,646	110	1,792	850	2,196	806	494	127
Roses and Cut flowers	Tonne	4,504	17,828	5,636	22,080	6,092	26,424	6,162	24,128	4,989	20,987
Ginger	Tonne	28	462	13	15	14	-	8	78	4	12
Gold and gold compounds	Kg.	7,117	60,342	3,478	38,446	5,465	61,233	4,241	73,072	6,937	122,579
Other Precious Compounds	Kg.	0	0	22	13,612	0	4,713	2	6	20	117
Manufactures/Other Products	Kg.	-	46,714	-	77,193	-	114,507	-	183,935	-	257,345
Petroleum products	Litre	25,090	10,749	63,645	27,901	65,277	27,904	74,380	32,015	81,977	36,401
<b>Traditional export</b>			<b>182,700</b>		<b>199,344</b>		<b>244,955</b>		<b>267,522</b>		<b>288,142</b>
<b>Non-traditional exports</b>			<b>284,905</b>		<b>334,762</b>		<b>420,134</b>		<b>545,335</b>		<b>674,051</b>
<b>Total</b>			<b>467,605</b>		<b>534,106</b>		<b>665,090</b>		<b>812,857</b>		<b>962,193</b>

Source: Uganda Bureau of Statistics

## B3.0 Number of export Companies by product 2004-2005

Sectors	2004		2005	
	Number of Companies	Destinations	Number of Companies	Destinations
Fish and Fish Products	34	59	46	50
Floriculture	32	21	36	32
Cereals and Products	54	26	70	15
Horticulture (fruits and vegetables)	75	32	93	29
Cocoa and cocoa products	8		7	
Spices	47	20	61	22
Oil seeds	30	20	30	16
Mining	4	6	8	20
Gold	5	3	12	4
Animal and animal products	65	34	51	32
<b>TOTAL</b>	<b>354</b>		<b>414</b>	

Source: Analysis done by UEPB with data from Uganda Bureau of Statistics

## B4.0 Illustrative Standards and Requirements for selected products

Product Group	Standards, Regulations or Private Protocols Related to:				
	Food Safety	Animal/Plant Health	Quality or Technical Attributes	Environment	Social
Fresh Fruits and Vegetables	Pesticide residue limits Microbiological standards Traceability requirement Hygiene requirement	Plant material quarantine Pest risk analysis Fumigation requirements Phyto-sanitary certification.	Quality grades General labelling requirements Packaging standards	Pesticide use restrictions Water/soil contamination regulations Codes for organic practices/certification	Monitoring of child labour Occupational health standards
Fish and Fish Products	Microbiological and foreign matter standards Pesticide residue limits HACCP checks	Restrictions on antibiotic use in aquaculture Animal health certificates	Quality grades Labeling requirement Packaging standard Quality Management. Certification	Fish catch restrictions Environmental management certification	-
Live Animals and Meat Products	Veterinary drug residue limits Microbiological standards	Disease-free areas Disease surveillance Restrictions on veterinary drugs Animal traceability	Quality grades Labelling requirements Packaging standards	Codes for organic practices and certification Regulations on animal waste effluent	Animal welfare monitoring
Hides and Skins	-	Animal health status for raw hides/skins	Quality attributes	Water effluent regulations Chemical use restrictions	-
Honey	Pesticide + antibiotic residue limits Microbiological standards Hygiene requirement	Pesticide and antibiotic surveillance Antibiotic use restrictions Export certificates	Quality grades General labelling requirements Packaging standards GMP conformity	Codes for organic practices and certification Antibiotic use restrictions	

## Continuation of B4.0 Allustrative Standards and Requirements for selected products

Product Group	Standards, Regulations or Private Protocols Related to:				
	Food Safety	Animal/Plant Health	Quality or Technical Attributes	Environment	Social
Spices	Limits on Pesticide residues + mycotoxins Microbiological standards	Fumigation requirements and restrictions	Quality grades Consumer pack labelling requirements Packaging standards	Codes for organic practices and certification	-
Cereals, Oilseeds, and Animal Feed	Microbiological standards Limits on Pesticide residues + Mycotoxins	Fumigation requirements or restrictions	Quality grades GMO labelling Restriction on animal feed ingredients Nutritional labels	Bio-safety/ GMO regulations Codes for organic practices and certification	-
Cut Flowers	-	Plant material quarantine Phyto-sanitary certification Pest risk analysis needs Fumigation requirement	Quality attributes Packaging standards	Pesticide use restrictions Regulations on water/soil contamination	Monitoring of child labour, Occupational health stand. Fair Trade provisions
Coffee, Tea, Cocoa	Microbiological standards Pesticide residue limits	Fumigation requirements	Quality attributes Packaging standards	Codes for organic practices and certification Biodiversity code	Monitoring of child labor Fair Trade provisions
Cotton	Pesticide residue limits in cotton seed oil	GMO variety approval	Quality attributes	Codes for organic practices Restrictions on pesticide use	Occupational health standards

## B5.0 List of NES design participants

PRIVATE SECTOR DONOR GROUP	
NAME	ORGANISATION
Maria Selin	Embassy of Sweden
Peter Rhode	GTZ – Sida FSD
Anne Margrethe Tingleff	Danida
Adrian Stone	DFID Uganda
Steven Baguma	Embassy of Austria
Mary Mabweijano	Embassy of Norway
Céline Prud'homme	European Commission
Estella Aryada	European Commission
Ravi Ruparel	World Bank
Rachel Kaggwa Sebudde	World Bank
Marieke Jansen	Embassy of Netherlands
Tyge Korsgaard	Danida
DISTRICT REPRESENTATIVES	
Odara Oryem C.	NAADS Coordinator, Gulu
Kitara McMot Q.S	Vice C/man, LC5 Gulu
Adea Nelson Adar	Speaker, Lira
Francis Okello	District Planner, Lira for CAO
Opio Bunga	Chairman, Apac
Goduzu Peter Owiny	Mayor, Lira Municipal
Mugeni Milly	News Reporter, Radio Lira
Wabudi Albert	D/CAO, Busia
Wakapisi Fred	Production Officer, Busia
Esos Opolot	DCO, Tororo
Malowa Charles	For C/Person LC5, Busia
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Okwi Ekwit B.	D/DAO, Kapchorwa
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Dr. Joel F. Okalany	Head Prod. & Mktg, Soroti
Atuhaire Elijah	Vice Chair Person, Ntungamo
Museuta Agantore	ACAO, Mbarara
Mbamanya Hamu	ACAO, Bushenyi
Byensi Expedito	Chairperson, Kisoro
Nyakaana Richard	Secretary, Kabarole
Nalubowa Rose	Chairman, Rakai
Vincent Mujuni	Chairman, Mbarara
Kalyesubula F.	CAO, Rakai
Karyaija Benon	Vicechairman, Bushenyi
Mugenyi Alfred	Ntungamo
Osoto Joseph Opio	District Speaker, Soroti
Osuna Emmanuel	District C/Person, Tororo
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Mwambu Magdalene	CPO, Mbale
Ndagire Juliet	Open Gate Radio 103.2
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Mufumbira Paul	DAO, Jinja

Ddansa Joel	Asst. CAO, Masaka
Musika Annet	For LC5 C/Person, Jinja
Kwizera M.	DVO, Livestock scientist, K'la
Namubiru Sarah	DAO, Luwero
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Hon. Jannat B Mukwaya	Minister Tourism, Trade and Industry
Hon. Ggagawala N. W.	Minister of State for Trade
Hon. Kawanga J.B.	Parliamentary Committee on Trade
Hon. Steven Mondo	Parliamentary Committee on Trade
Hon. Ruth Kavuma	Parliamentary Committee on Trade
Hon. Maj Gen Oketa	Parliamentary Committee on Trade
Hon. Ekeku Charles	Parliamentary Committee on Trade
Hon. Ahabwe Perez	Parliamentary Committee on Trade
Hon. Obwa Ogwal B.	Parliamentary Committee on Trade
Hon. Angiro Gutomoi	Parliamentary Committee on Trade
Hon. Rugyendo S.	Parliamentary Committee on Trade
Hon Stephen Tadhobys	Parliamentary Committee on Trade
Hon. Toolit Simon	Parliamentary Committee on Trade
Hon. Tindamanyire K	National Economy Committee
Hon. Alhaj Kaddunabbi	National Economy Committee
Hon. Okecho W.	Parliamentary Committee, Budget and Finance
Hon. Oduman Okello	Parliamentary Committee, Budget and Finance
Hon. Drawa Rose	Parliamentary Committee, Budget and Finance
Hon. Banyenzaki H.	Parliamentary Committee, Budget and Finance
Hon. Bintu Jalia L.N.	Parliamentary Committee, Equal Opportunities
Hon. Ssentogo T.N.	Parliamentary Committee, Gender, Labour & Soc. Dev't
Hon. Ekanya G.	Parliamentary Committee, public accounts
Hon. Deo Mugusha	Parliamentary Committee, public accounts
Hon. Onyango Kakoba	Parliamentary Committee, Foreign Affairs
<b>Private Sector Associations and Companies</b>	
Carolyn N. Nalawuk	PSFU
Eva Ekanya	PSFU
Namuwoza Charity	NOGAMU
Ndabarema Robert	TUNADO
D. Damulira Gabriel	FAUOX
Rosemary Mutyabule	Enterprise Uganda
Esther Nsubuga S.	UWEAL
Chebet Maikut	UNFFE
John Sempebwa	PSFU
Tumwesigye Bashir	ACODE
Kaddu Peter	UMA
Byamukama John	UMA
Ronald Naluwairo	ACODE
Ovia Katiti Matovu	UFPEA
Annete Ssemuwemba	PSFU
Stanley Mulumba	Board Member, UEPB
John Kavuma	FAUOX
Augustine Mwendya	Farmers Federation



Kepher K Kateu	Chemiphar (U) Ltd.
Doreen Kansiime	The E. A. Business
Dorothy Nakaweesi	The Daily Monitor
Alice Kiingi	The New Vision
Stephen Mwiri	WBS Television
Nakyanzi Haspah D	Britania Allied Ind. Ltd
Bbosa Richard	Biofresh (U) Ltd
Juliet Musoke	ED, Uganda Flower Exporters Association
Naiga Sarah	Uganda Flower Exporters Association
Okee Stephen	Nile Botanical Resource
Isiko Nabongo Anold	Flona Commodities Ltd
Ndabarema Robert	TUNADO
James Arinda	TUNADO
Mugisha Grace	Ugarose Ltd
Kennedy Odera	Bee Natural (U) Ltd
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T.G. Munabi	Uganda Tea Association
Ntaki P.C.	Eagle Investments Ltd
Dick Kamugasha	UIRI
Regina Mukiri	Land O'Lakes Inc
Henry Lyadds	Kampala International University
John Bazarra	Bugema University
Bonifence Byamukama	L. Kitandara Tours & Travel
Ineke Jangenius	UCOTA
Helen Lubowa	UCOTA
Victoria Byoma	Gifts A' Curios
Moses Kyayise	Erimu Co. Ltd.
Grace Barya	UWEAL
Paul Ssozi Mutongole	Kubira Enterprise Ltd
Lydia Namuteebi	Kawacom (U) Ltd.
James Muhumuza	Tropical Aloe Lands Ltd.
Venkatasamy Kesavamoorthi	Phenix Logistics
Kyomukama George	Ugarose Flowers Ltd.
Abubaker Luwaga	Cayman Consult Ltd.
Prabua Kumathe	Mukwano Industries
Rajesh Nair	Roofings (U) Ltd
Saijui Parickee	Red Dot Distribution
Rajiv Joshi Gaggar	Sameer Agriculture
Sarah Kamulindwa	Uganda Tea Development Agency
<b>Public Institutions</b>	
Ronald Ndawula	Advocates Coalition for Development & Environment (ACODE)
Deo Bitariho	URA Customs Department,
Rebecca Nalumu	URA
Deus Mubangizi	UNBS
Koire Y Hagya	UBOS
Ngoma Ngime	State House
Kissa Ibrahim	State House

John Ndyabagye	Silk Association
Amos Lugolobi	NPA
Wamsambo Richard	NPA
Bosco Okello	UEPB
Byamugisha Benon	MAAIF
Rudaheeranwa N.	EPRC
Makokhar	UIRI
Andrey Kahara- Kawuki	MUBS
Moses Mabala	UEPB
Ben Naturinda	UEPB
Richard Bakojja	UEPB
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Robert Kimera	NPA
Emmanuel Mutahunga	MTTI
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Dr. Dick M. Kamugasha	UIRI
William Babigumira	UEPB
Juliet Nambuya	UEPB
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Silver Ojakol	MTTI
H.G.K. Nyakoojo	UPTOP
Sylvia Tereka	NPA
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## Appreciation to the NES leadership team

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# **WANT TO TRADE WITH UGANDA?**

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# National Export Strategy Gender Dimension



Uganda  
Export  
Promotion  
Board



The  
Republic of Uganda



International  
Trade  
Centre

Uganda Export Promotion Board





The  
Republic of Uganda

## Foreword

It is our pleasure to present to you the Gender Dimensions of the National Export Strategy.

For us to realise the full potential of our country, gender issues which are at play in economic, social, political and other spheres need to be addressed. Many national and international initiatives have been undertaken to address gender-related issues in society, but very little has been done to exploit the opportunities that women and men jointly contribute to national development, when proper gender-sensitive trade related practices are embraced. As a result, many gender gaps still exist, inter alia, in export trade.

As Government, we aim at achieving the Millennium Development Goal (MDG) Number 3, which underscores the need to reduce gender disparity in education, and in access and control of productive resources; reduced discrimination and violence against women and to raise women's participation in leadership and decision making positions.

The National Development Plan which is being developed to replace the Poverty Eradication Action Plan (PEAP) is critically looking at bringing gender issues into the limelight of the national development agenda. Other policy instruments such as the National Gender Policy and the National Trade and Industrialisation Policy also clearly define the importance of harnessing gender aspects into both social and economic activities of the nation. In line with these, the National Export Strategy sets a centre stage for the development of Uganda's export trade sector. Therefore, engendering the NES is a worthwhile, relevant, and commendable initiative.

As Uganda targets to achieve annual US\$5 billion export revenue and a per capita export ratio of US\$200 on both goods and services, it is clear that this will be attained only if the production activity and potential of both men and women is recognised, harnessed and utilised. It is certain that the export sector can play a fundamental role in transforming our country when targeted interventions are made in shaping the minds and actions of Ugandans. There will also be need to shift from producing goods at primary level to high value products and services which offer better terms of trade and cascade value down to the communities.


This document therefore highlights issues that the NES needs to address to achieve its objectives which are elaborately stated on page 3 of the NES document. The overall aim of engendering the NES is to ensure that it fully accommodates both genders so that it is a catalyst for greater and better social and economic development. This will be achieved by pursuing the following specific objectives:

- To unlock the untapped potential of Ugandan women and increase their contribution in export trade. This will in turn contribute to the economic and social transformation of Uganda.
- To add greater value to the current NES initiatives and yield competitiveness and developmental benefits beyond the set targets.
- To facilitate the achievement of the Millennium Development Goals which emphasize gender equality, in particular MDG Number 3.
- To create gender sensitive export support policies and to improve and strengthen the capacity of export support institutions to provide relevant, targeted support services to women engaged in the export sector.

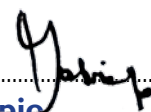
We appreciate the efforts of both the public and private sectors in working together to formulate the Strategy which will form the basis for the implementation of the NES. The Government of Uganda will render its full support to implement the recommendations of the Strategy. We are also convinced that the lead implementing agency, the Uganda Export Promotion Board (UEPB), has sufficient momentum and thrust for implementing the Strategy.

We thank the development partners who continue to support trade for development and request them to lend all the necessary support towards effective implementation of the Engendered Export Strategy. We particularly wish to thank the International Trade Centre (ITC) for providing financial and technical assistance in formulating the Strategy. We also thank the following organisations/ Institutions for their technical inputs in the formulation process of the strategy: Council for Economic Empowerment of Women in Africa (CEEWA), Makerere University Gender Department, Uganda Women Entrepreneurs' Association Ltd (UWEAL), Enterprise Uganda, Uganda Investment Authority, Private Sector Foundation Uganda (PSFU) and National Planning Authority.

We now have the pleasure of endorsing and forwarding the Strategy for implementation.



**Hon. Major General Kahinda Otafiire,**  
Minister of Tourism Trade and Industry,  
**THE REPUBLIC OF UGANDA.**



**Hon. Gabriel Opiyo,**  
Minister of Gender, Labour  
and Social Development,  
**THE REPUBLIC OF UGANDA.**



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# Abbreviations

BOU	–	Bank of Uganda
CBI	–	Netherlands – Centre for Promotion for of Imports, Netherlands
CEEWA	–	Centre for Economic Empowerment of Women in Africa
COBATI	–	Community Based Tourism Initiative
DDA	–	Dairy Development Authority
EDF	–	European Development Fund
EU	–	European Union
GOU	–	Government of Uganda
ICTs	–	Information Communication and Technology
IFC	–	International Finance Cooperation
ITC	–	International Trade Centre
MDG	–	Millennium Development Goals
MGLSD	–	Ministry of Gender, Labor and Social Development
MOES	–	Ministry of Education and Sports
MOF	–	Ministry of Finance
MoL	–	Ministry of Lands
MTTI	–	Ministry of Tourism, Trade and Industry
MUBS	–	Makerere University Business School
NAWU	–	National Association of Women in Uganda
NES	–	National Export Strategy
NPA	–	National Planning Authority
PSFU	–	Private Sector Foundation Uganda
R&D	–	Research and Development
UCDA	–	Uganda Coffee Development Authority
UDB	–	Uganda Development Bank
UEPB	–	Uganda Export Promotion Board
UNBOS	–	Uganda National Bureau of Statistics
UNCCI	–	Uganda National Chamber of Commerce and Industries
UNBS	–	Uganda National Bureau of Standards
USSIA	–	Uganda Small Scale Industries Association
UDB	–	Uganda Development Bank
UWEAL	–	Uganda Women Entrepreneurs Association Limited
WCO	–	World Customs Organisation
WEF	–	World Economic Forum
WTO	–	World Trade Organisation

## Executive summary

With the country's National Export Strategy (NES) satisfactorily completed and launched in October 2007 under the patronage of H.E. the President, Yoweri Kaguta Museveni, Uganda presented an appropriate and opportune case for piloting the guidelines for strategy makers to incorporate gender dimensions into national export strategies. In the late 2007, the International Trade Centre (ITC) finalized its methodology (the 'gender guidelines') and complimentary material on gender sensitizing national export strategies to allow export strategy makers integrate a gender dimension into their export development efforts. Uganda was privileged to be chosen to pilot this methodology with the support of the International Trade Centre. In order to fulfill the dual objective of greater competitiveness and lasting socio-economic development, the implementation of the NES required a gender sensitive approach to unlock the untapped potential of Ugandan women and make their participation in the export sector more effective.

The process towards integrating gender into the NES took a multi-stakeholder consultative effort which included public, private, civil society actors and academia as well as development partners. Uganda Export Promotion Board (UEPB), being the premier institution in export development, led the process and worked closely with other national stakeholders and gender sensitive trade and business support networks. The Gender Strategy Team which included representatives from the NES priority sectors and cross-sectoral support services validated the processes at wider consultative sessions with technical and financial support from the International Trade Centre. Collaborating institutions provided valuable inputs to the strategy development through a highly consultative and collaborative approach that led to the selection of four sectors (coffee, tourism, commercial crafts and dairy) which will form the basis of the pilot projects. Detailed gender sensitive value chain analyses were undertaken and key cross-sectoral issues were identified and strategies designed to support the realization of the potential of women in these sectors.

The following are the existing cross-cutting sector constraints which were identified and have limited women's participation in exports:

- Lack of access to affordable energy
- Unequal land accessibility
- Unfair commercial environment
- Lack of access to credit finance
- Lack of access to information
- Lack of export competence among women

These are some of the strategies which have been designed to address these issues at cross sector and sector levels:

- Expand export management and related skills
- Business counseling programmes for women by concerned agencies, ministries, private sector, associations, build women's competences in financial management so that they can produce bankable projects and run their businesses with better financial literacy.
- Continuation of sensitization and affirmative support towards women entrepreneurs by empowering them in business through hand holding programmes, business coaching, mentoring and training programmes

The identified initiatives will be implemented by various agencies in line with the rolling out of the NES 3-year action plan.

# Part 1

## Introduction and rationale

### 1.1. The International Context

The issues of gender and women's empowerment are receiving increasing attention internationally. Globally, gender equality is increasingly recognized as a key economic growth and competitiveness factor. The Millennium Development Goals (MDGs), in particular MDG 3 (reduce gender disparity in education, in access to and control of productive resources) provide a solid pillar on which to rally calls for gender empowerment.

**"It is indeed very likely that there is a strong and positive correlation between Africa's economic growth and the unleashing of female talent."**

Augusto Lopez-Claros, Chief Economist, World Economic Forum (WEF).

Furthermore Uganda ranks 50th out of 128 countries in the World Economic Forum (WEF) Global Gender Gap Index for narrowing the gender gap, behind South Africa (20), Lesotho (26), Namibia (29), Tanzania (34) and Mozambique (43), but ahead of Malawi (87), Zimbabwe (88) and Zambia (101).

Although there is limited disaggregated data by gender in economic activity and business operations in Uganda, it is generally acknowledged that women's share in the ownership and control of productive resources is far less than men's. Engendering of the NES, therefore, is a step in the direction of making exports work for the good of all; men and women alike. Some work needs to be done to put this goal into context relevant to gender issues and concerns of national plans such as the NES and to mobilize relevant stakeholders to ensure that the role of exports in development covers all sectors of the society. There is also need for in-depth integration of specific policies to ensure that gender needs are clearly addressed.

### 1.2 The Benefits of Engendering the National Export Strategy (NES)

With gender considerations more specifically addressed in the NES, new benefits are bound to accrue to the country. These will include:

- Increased real income for women, higher standard of living, higher export receipts and employment creation with the associated secondary and multiplier benefits for family life, health and education.
- Creation and strengthening of reliable partnerships for poverty reduction, especially in rural areas where over 80% of the poor live.
- Improved operating environment with enhanced productivity and more efficient functioning of the value chain, leading to reliable supply of inputs.
- Expansion of access to productive assets and economic opportunities for the marginalized groups.
- Mainstreaming of women and other marginalized groups into global value chains and multilateral trading systems.

### 1.3 Uganda's Gender Profile: Key Facts

Uganda has an estimated population of 30 million people with women constituting almost 51%. There are numerous actors and institutions of relevance and substantial research has been undertaken at the micro, meso, macro and meta levels. Current evidence indicates that in Uganda the untapped potential is sizeable; for example:

- Of the economically active women, 88.2% are self-employed or unpaid family workers.
- Women own about 40% of private enterprises, mostly at the micro-enterprise, informal level.
- About 29.5% of women in business are already exporting.

Unfortunately, cultural influences have confined women's role in development activities to the periphery. Their enormous contribution to economic development is not proportionately reflected in either the income gains or ownership and control of wealth. Available statistics show that women in Uganda are employed mainly in the agricultural sector which represents 72% of all women employed; 90% of all rural women work in agriculture compared to 53% of rural men. Women are also responsible for 90% of the total food production in Uganda and 50% of cash crop production. In addition, it has been revealed that women work longer hours (12-18) a day as compared to men (8-10)<sup>1</sup>. To make matters worse there are more women than men living on less than US\$ 1 a day.<sup>2</sup> Anecdotal evidence also indicates that more men than women are successful in credit application with women getting smaller credit amounts.

Women tend to face a wide range of systemic inequalities, including constraints to accessing income earning opportunities, access to education, information and training, remuneration of effort, as well as participation in decision-making. The current Land Act provides for women land rights in terms of ownership, inheritance and acquisition. However the level of access to and control over and use of productive land is still very low with only 7% of women owning registered land.

### 1.4 Current Government Policy and Strategy in Support of Export Development

The law in Uganda has endeavoured to make the ground even for both men and women. For instance, the Land Act provides for women land rights in terms of ownership, inheritance and acquisition, even though the reality is that only 7% of women own registered land. There is an affirmative action in education which has resulted in equal enrollments to primary and secondary education for boys and girls, although there is an increased dropout rate with girls. This has increased the number of female enrollment from 29.2% in 1990-91 to 45.2% in 2005-6 and led to females getting better jobs than they would ordinarily have, enabling the emergence of a cadre of women holding big management positions in both private and public companies. The country also has made concessions in political representation by setting aside vacancies for women in parliament and this has boosted their public image and contributed to better income to support their families, and greater participation in National development debates and programmes.

There exists an elaborate institutional support structure in the country which can be tapped to drive a vibrant gender empowerment process comprising public, private and civil institutions. There is even a fully fledged Ministry of Gender, Labour and Social Development that has, among other things, developed a National Gender Policy. What are lacking perhaps, are coherent approaches and strategies to pinpoint the specific needs of women. This is the gap this process seeks to fill with

<sup>1</sup> The Uganda Strategic Gender Assessment (National Gender Policy 2007)

<sup>2</sup> Uganda Bureau of Standards (UBOS)

regard to export development. Other initiatives have included studies on gender and trade as well as capacity building efforts mainly supported by development agencies.

There has been recognition of gender issues in formulating government policy strategies such as the Poverty Eradication Action Plan (PEAP) 2002, which was revised in 2007. Gender-based NGOs and other institutions have been lobbying for mainstreaming of gender issues in national policies and strategies. However, the incorporation and implementation of the gender issues in trade are still in their infancy. Gender issues have not been firmly addressed in trade policy formulation although this could have a profound effect on women and the community at large. UEPB's effort towards engendering the National Export Strategy is a significant milestone in empowering gender through trade and export development.



# Part II

## The strategy design: Process and scope

### 2.1 Key Stakeholders

With the coordination of Uganda Export Promotion Board (UEPB) and with technical and financial support from International Trade Centre (ITC), the participation of the following relevant stakeholders was instrumental and formed the core team:

- Government Ministries and departments, e.g. Ministry of Tourism, Trade and Industry; Ministry of Gender, Labour and Social Development and Ministry of Education and Sports;
- Civil society organizations for women, like Centre for Economic Empowerment of Women in Africa - CEEWA and Uganda Women Entrepreneurs Association Limited - UWEAL;
- Academia, such as Makerere University;
- The private sector and the export community from the twelve priority sectors, e.g. Federation of Uganda Employers, Private Sector Foundation and sector representatives;
- Other trade development support agencies like International Trade Centre.

The formulation of the engendered NES took a period of 5 months. It was launched by Hon. Janet Mukwaya, Minister of Trade, Tourism and Industries after which there was a breakfast meeting to inform the key stakeholders and request them to participate in the drafting of the position paper. A number of working retreats with sector representatives, several stakeholder meetings and a national symposium with key stakeholders to validate the draft document were held.

A larger working group (the Gender Strategy Team), including representatives from the NES priority sectors and cross-sectoral support services validated the processes at wider consultative sessions. These sessions included the private sector and the export community in the NES, Federation of Uganda Employers, Private Sector Foundation and sector representatives and other trade development support agencies like Uganda Bureau of Statistics - UBOS and Uganda Industrial Research Institute - UIRI.

On the basis of a consultative process, an initial gender audit and background analysis was undertaken to determine the current gender equality and competitiveness situation and to confirm the need for integrating a gender dimension. Based on agreed criteria, a few NES priority sectors were selected with the objective of undertaking detailed gender sensitive value chain analyses and identifying key cross-sectoral support services to realize the potential of women in these sectors. The selection of only four of the NES priority sectors was based on resource availability. These are sectors which will bring out the entrepreneurship potential of both women and men. The chosen sectors include: coffee, commercial crafts, dairy and tourism. These are expected to have the highest potential among the NES sectors to ease women's integration into export business and move up to higher levels of the value chain. The impact and experience will nevertheless benefit and be replicable in the other sectors as well.

### 2.2. Where We Want to Be - The Vision

The National Export Strategy for Uganda has set as its vision to be:

**“A dynamic and competitive export-driven economy for national prosperity and development”**

Further to this vision and with respect to gender, the country aspires to achieve:

### **“A dynamic and competitive export sector with more participation of women”**

The overall aim of engendering the NES is to ensure that it fully accommodates both genders so that it causes greater and better social and economic development. This will be achieved by pursuing the following specific objectives:

- To unlock the untapped potential of Ugandan women, and increase their contribution in export trade to contribute to the economic and social transformation of Uganda.
- To add greater value to the current NES initiatives, and yield competitiveness and developmental benefits beyond the set targets.
- To facilitate the achievement of the Millennium Development Goals (MDGs) which emphasize gender equality, in particular MDG 3 (reduce gender disparity in education, in access to and control of productive resources).
- To create gender sensitive export support policies and to improve and strengthen the capacity of export support institutions to provide relevant, targeted support services to women engaged in the export sector.

## **2.3 The imperative of a Gender-sensitive Approach to Export Development**

The full impact of the export strategy is unlikely to be totally realized without the optimum participation of both men and women in Uganda. They have enormous untapped potential which has been impeded by lack of the necessary capacities. Therefore, integrating the gender dimension into the NES is a critical value capture that will enable women to take advantage of export trade as an opportunity for economic empowerment. It will also strengthen NES and make it more effective, leading to greater delivery of socio-economic gains.

The process will require changing attitudes to give more recognition to the role and contribution of women to the export sector in Uganda. To achieve good results, aligning the gender sensitive NES process with other existing national gender efforts and initiatives is critical, as well as linking organizations which have vital roles to play in the export development process.

## **2.4 Where are we now? - An assessment**

### **Export Performance (national and sectoral)**

The export sector has experienced an annual growth rate of about 19% over the last five years (2002-2007). This is a considerable recovery given the declines experienced in 1990/91 and 1996/97. Merchandise exports which had stagnated for several years before, began picking up in 2002/03, reaching US\$ 910m in 2005/06 (UBOS).

The sector's non-traditional exports have grown with an upward trend and have surpassed traditional exports as the dominant export category. The major non-traditional exports include fish which fetched US\$170m in 2004/05 and cut flowers, which rose six-fold from a little over US\$5m in 1996/97 to US\$32m in 2004/05. Cereals, hides and skins, soap and coco beans, and legumes have also been part of the key non-traditional exports.

The services sector where most women are grew by 13% in 2007/08 compared to 8.8% growth in 2006/07. With a total contribution of 51.5%, the services sector contributed about half of the total GDP in 2007/08. In the tourism sector, transport dominated with an increase of 18.8% in 2007/8 compared to 17.7% in 2006.

## 2.5 National Competitiveness and Gender Cross-cutting Issues

Many factors affect export competitiveness in Uganda and these factors affect men, women and people with disabilities differently. There are some cross cutting issues that affect the performance of the entire target export sectors. These include: infrastructure, energy, macroeconomic variables (e.g. exchange rates, commercial laws), quality and standards management, export management competence, production and trade finance. With gender mainstreaming being core to this strategy, addressing such issues from a gender perspective is of paramount importance for the success of the export sector.

Even though the above issues affect men and women, the latter are worse off on account of being less mobile and also having particularly demanding obligations which are hard to delegate. Women have faced historically disadvantaging circumstances. The traditional chores they have to handle often leave them more constrained, vulnerable and with their competitiveness compromised, hence the need to look at these issues with a gender lens. The following constraints have impeded gender performance in the export sector:

### 2.5.1 Border In

Border in issues refer to in-country capacity relating to competences, capabilities, knowledge and environment that enhance women groups in export business.

**Capacity and human capital development** - Women's capacity relating to capabilities, skills and productivity is compromised by:

- Negative cultural attitudes and social discrimination towards women, which deny them access to vital skills and personal development.
- The traditional courses and training “assigned to women” have tended to be those with lesser rewards and lacking in development of robust and core competences.
- Lack of cumulative knowledge and experience translate into failure to get a good pool of women to manage big businesses and in particular exports.
- Women's multiplicity of roles leaves them with limited time for continuous training, development, and strategic networking for business insights.
- Affirmative action in education is a recent development; there are many women who have previously been denied an opportunity to go to school.

### 2.5.2 Border Issues

**Energy** - The existing energy facilities are isolated, unreliable and costly. In addition, the level of rural electrification where most of the production takes place is still limited and not affordable to rural women. This makes it difficult for a woman to achieve productivity and achieve enhanced value options in the value chain.

**Land** - Women have traditionally been excluded from land ownership and control. It is only about 7% of women who own land. This limits their ability to offer collateral and raises the cost of doing business. The existing situation does not offer incentives for women to participate in the lucrative land market in the country and thus limiting their productive investment on land.

**Commercial environment** – In spite of the legal provisions, there is still silent discrimination against women in the regulatory and business environment. Women lack awareness and it is often difficult for them to find time in the midst of family commitments to redress this.

**Infrastructure** – Poor infrastructure is most noticeable in rural areas. The poor rural transport, the burden of obtaining water, firewood and agricultural labor rests with women. These impede the ability of women to mobilize factors of production and exploit natural resources.

### 2.5.3 Border Out

**Market access issues and entry strategies** – Lack of information limits women's participation in foreign markets. The extent to which bilateral and other trade negotiations make recognition of gender issues is small. With increasing worldwide recognition of the need to mainstream gender issues into business, there is a general lack of gender focused bias. There is limited networking to exploit regional opportunities and international buyer- seller gender interactions.

### 2.5.4 Client priorities

**Export competence** - Women often tend to lack specific knowledge and skills in export trade and documentation. This leads to lack of confidence to venture into export markets and especially when coupled with culture and personal attitudes which have tended to make exports a man's domain. Enterprising women at times have to contend with resentment and hostile treatment by spouses who may view their motives suspiciously. Many women do not always see their talents as tradable skills with business potential to be harnessed. Instead they treat them as God-given attributes and suffer from a form of inertia and/or status quo.

**Trade information** - Often compounded by low literacy levels and family commitments, women's access to information is compromised. This affects their ability to respond to opportunities and to match products and services to buyer and market requirements.

**Trade finance** - Women face peculiar challenges in accessing credit facilities. They often lack collateral to offer to financial institutions. Further lack of competence makes it hard for them to prepare convincing business proposals to support applications. In addition, they are often required to seek spouse's endorsement when applying for credit. They also tend to be more active in sectors that have traditionally been considered "un-bankable".

**Quality and Standards Management issues** – Women's financial position makes it difficult for them to afford quality and standards certification. It also compromises their ability to acquire appropriate technology to improve their products. There are very few women producers who have effectively integrated quality management procedures for their products, and worse still, since the producers are scattered, coordination and quality control become very hard and costly.

**Other support services** - Access to branding, packaging and labelling as well as transport logistics often pose greater challenges to women.

### 2.5.5 Institutional Issues

The existing trade support networks in the country have tried to build capacity of enterprises through lobbying, training and other business development programmes. However, their efforts are limited due to lack of resources, coordination and institutional capacity constraints. Some of the interventions are very costly and therefore not affordable by the women entrepreneurs. Many of the service providers are based in the city. This limits women, especially in the rural communities, to access the programmes. Furthermore, there are very few initiatives directly targeting women entrepreneurs and this has limited their participation in export trade.

The table below depicts the current institutional arrangement in place. It shows the constraints to women's progress in export development as well as the impact consequential to those constraints:

**Table 1: Constraints to Women's Progress in Export Trade Development**

PERSPECTIVE	CURRENT SUPPORT STRUCTURES	CONSTRAINTS	IMPACT
<b>Policy and Legislation</b>	<ul style="list-style-type: none"> <li>Ministry of Gender, Labour and Social Development: The National Gender Policy 2007 is in place to gender mainstream programmes and Activities of Government.</li> <li>National Women Council advocates for women empowerment.</li> <li>The Land Act 1998 provides for increased access to and control of land by women.</li> </ul>	<ul style="list-style-type: none"> <li>Gender policy has no plan of action and limited resources</li> <li>Many women organizations remain largely as advocacy and lobbying groups.</li> <li>The Land Act of 1998 does not adequately provide for spousal relation in control and consent on land matters at household level.</li> <li>Land Act does not properly define property rights and equality at household level.</li> </ul>	<ul style="list-style-type: none"> <li>Gender policy not adequately implemented, monitored and enforced.</li> <li>Limited specific programmes exist for empowering women at grass-root level.</li> <li>Cultural practices still prevail and constrain women's control of land.</li> <li>Where women have benefited, these are predominantly the elite who already have economic power.</li> <li>Most of the reforms provided for in the Land Act of 1998 have remained unimplemented and have not improved women's control of land.</li> </ul>
<b>Trade Facilitation</b>	<ul style="list-style-type: none"> <li>Registrar of Companies, UBOS, UIA, URA, UEPB and the Uganda Chamber of Commerce are in place to register companies and names, provide trade information, export competence development, customs documentation, and traders' representation.</li> </ul>	<ul style="list-style-type: none"> <li>Registration procedures do not provide for recognition of gender specific data.</li> </ul> <p>Services provided by these agencies are not tailored to the specific needs of women aspiring to export</p>	<ul style="list-style-type: none"> <li>Women have continued to miss out on export opportunities.</li> <li>Very few women have been able to join export business.</li> <li>There continues to be no deliberate policies to support women's efforts in export due to lack of information.</li> <li>It is difficult to disaggregate data and objectively measure its impact on women in business.</li> </ul>

PERSPECTIVE	CURRENT SUPPORT STRUCTURES	CONSTRAINTS	IMPACT
<b>Skills and export competence development</b>	<ul style="list-style-type: none"> <li>• UEPB runs a programme on export coaching for export consultants and has a target to ensure gender sensitive capacity development for export trainers.</li> <li>• UWEAL and NAWOU train women in Business skills and export.</li> <li>• Enterprise Uganda started the Strengthening Women Entrepreneurs Program (SWEP) which is a country-wide initiative to support women to develop their businesses to become more competitive.</li> <li>• Uganda Industrial Research Institute supports entrepreneurs in areas of Research and Development and quality management as well as sourcing of appropriate technologies and viable industrial production processes.</li> <li>• Affirmative action on education has created greater opportunities for women to access education and training facilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited resources are available for conducting tailored training to women.</li> <li>• Women have limited time to attend long training programs.</li> <li>• Training programs tend to be inflexible and offered mainly in urban settings.</li> <li>• The dropout rate of young girls is still unacceptably high.</li> </ul>	<ul style="list-style-type: none"> <li>• Few women have benefited from these training programmes especially those in rural areas.</li> <li>• Fewer girls/women graduating with requisite skills.</li> <li>• Most women continue to do business without skills on better business management, export specific skills and business expansion.</li> </ul>

PERSPECTIVE	CURRENT SUPPORT STRUCTURES	CONSTRAINTS	IMPACT
<b>Trade/Market Information</b>	<ul style="list-style-type: none"> <li>• UWEAL runs an Information resource centre for provision of trade market information to women entrepreneurs.</li> <li>• UWEAL runs information sharing network program through an electronic newsletter.</li> <li>• CEEWA opened up Tele-centres in peri-urban areas to provide market information to women in the agricultural sector.</li> <li>• UEPB market information resource centre provides market information.</li> <li>• UWEAL pilots an Access for Information project for training women to use ICTs for trade information</li> </ul>	<ul style="list-style-type: none"> <li>• Information is mainly accessible to urban business women and rural women have not been adequately reached.</li> <li>• Resource constraints (to afford communication devices and TV/ radios) and illiteracy among rural women.</li> <li>• Limited information dissemination capacity to reach rural areas where most women live.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited access to information by women.</li> <li>• Many rural women are not able to pick information in good time to utilize it effectively.</li> <li>• Many women remain ignorant about opportunities in the export market.</li> <li>• Women continue to be exploited in the export value chain due to lack of information</li> </ul>



PERSPECTIVE	CURRENT SUPPORT STRUCTURES	CONSTRAINTS	IMPACT
<b>Trade Finance</b>	<ul style="list-style-type: none"> <li>• UWEAL runs a small loan scheme targeting women producers and traders.</li> <li>• UWEAL runs an investment club and saving scheme which target support to women to invest and expand businesses.</li> <li>• PSFU runs a business development grant that targets SMEs from which women can access financing.</li> <li>• Enterprise Uganda has Women in Business training centered on business planning, access to trade finances and financial management.</li> <li>• Schemes available by financial institutions to lend to women.</li> <li>• Financing of exports can also be achieved by women through registration with the Warehouse Receipt System.</li> <li>• African Trade Insurance (ATI) provides trade related finance and insurance.</li> <li>• International agencies like IFC and other development banks provide guaranteed financing to women organizations.</li> <li>• Bank of Uganda provides export lines of credit under the Export Credit Guarantee Scheme (ECGS)</li> </ul>	<ul style="list-style-type: none"> <li>• Banks reluctant to lend to certain sectors e.g. agriculture and handicrafts.</li> <li>• Uganda does not have a development bank which is mandated as a special purpose vehicle for lending for development purposes.</li> <li>• Women lack collateral to offer banks.</li> <li>• Women lack business skills to prepare bankable project proposals.</li> <li>• Women lack confidence to approach banks for loans and are often required to take spouses along for endorsement.</li> <li>• Women and sometimes their affiliated business organizations lack information on these existing services.</li> <li>• Women in rural areas are so fragmented that even where a service exists access remains difficult.</li> <li>• Bank of Uganda and International agencies require sound practices in terms of proper books of accounts, credit worthy organizations and companies to access funds.</li> </ul>	<ul style="list-style-type: none"> <li>• Whilst loan financing is available, the uptake is unacceptably low.</li> <li>• Women businesses result in slow growth and expansion.</li> <li>• The mindset and credibility of women's potential in business continues to be stereotyped. (Attitudes are slow to change).</li> <li>• Women continue to lose out on lucrative export orders of a sizeable demand due to lack of finance.</li> </ul>

## Proposed Strategic Responses and Resources

This is a matrix that highlights strategic priorities and consideration for the strategy manager. It identifies objectives, performance targets, measurements and initiatives that have to be mounted to achieve the objectives. It is the management matrix that forms the basis of the Strategy Plan.

**Table 2: Strategic Priorities and Considerations**

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
<b>Border-In: Policy and Legislation</b>							
To mainstream the Uganda Gender Policy (UGP) into export sector.	Number of organizations within NES support and services delivery networks who embrace the principles and spirit of the UGP.	50% of NES focal point offices formally acknowledge tabling of UGP in their institutions by end of year 1 and 100% by year 2.  20% of the institutions commence formulation of their own gender policy in support of UGP by end of year 1	Promotional strategy (literature, website, media, events, etc) on NES and Gender to be compiled and distributed under joint championship of Ministry of Tourism, Trade and Industry (MTTI) Minister of Gender, Labour and Social Development (MGLSD) .	UEPB	MTTI  MGLSD	3 Months	US\$ 40,000.
Land Act to be reviewed to reflect current realities.	Parliamentary procedures.	By next sitting of Parliament.	Draft legislation to adequately address the constraints that have been identified i.e. defining property rights at household level.	Ministry of Lands (MoL)	MGLSD	1 year	US\$ 40,000
To effect a cultural attitude change towards women and property ownership rights.	The overall evaluation indicators (OEl)s as outlined in the UGP.	The NES Scorecard to incorporate OEIs directly relevant to export sector by end of year 1 and commence reporting on it.	The guiding principles of UGP to be visibly promoted in all levels of the society. (School, public meetings, etc): Gender equality; cross-cutting; affirmative action; household and family relations; and promotion of Gender and Development (GAD) and Women in Development (WID) approaches. The CICS subcommittee which oversees NES implementation is to play its part in achieving this initiative.	Offices of the President and Prime Minister.	MGLSD, MoL, Ministry of Education and Sports (MoES), CICS,	On-going and to continue for 2 years	US\$ 35,000

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To enhance rural women's capacity to increase volumes of production with better quality and prices.	<p>Number of product clusters formed in key sectors</p> <p>Number of clusters servicing focal export supply centres.</p>	<p>At least four clusters in each district of Uganda with at least 2 per sector of priority within two years.</p>	<p>Initiate cluster formation process with lead women enterprises and lead women groups and associations.</p> <p>Encourage women to engage in value addition and branding in order to tap into the growing market and finally compliance with voluntary market standards.</p>	UWEAL	NAADS, PSFU, CEEWA, CICS, Local governments, NPA, MAAIF, UJRI.	3 years	US\$150,000
<b>Border: Trade Facilitation</b>							
To develop a system of gender equity measurement and representation	Gender classification	All service providers in the commercial environment to establish a system within 2 years.	The institutions involved with key services e.g. licensing, company registration, training, funding to introduce gender classification and reporting.	UBOS	UEPB, Chamber of Commerce, URA, Registrar of Companies.	2 years	US\$ 20,000
To have a streamlined commercial Environment	Length of time taken for women to register business, obtain license and commence operations.	Improvement on the current average time taken by 40%.	<p>Instill a customer relationship management system within the service providers.</p> <p>Establish focal points for service provision in the rural areas.</p> <p>Partner with the Chamber of Commerce contact offices countrywide to increase district and local authority registration of businesses for women</p>	UEPB	UEPB, Chamber of Commerce, Registrar of Companies, UJA	3 years	US\$ 40,000

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To ensure that women have adequate information in business registration, licensing and commercial justice	Increase information access on business registration	Enhancing linkages and coordination between business registration agencies and women business support organizations,	To provide a range of appropriate business development services (BDS) that are flexible (modular, based on ability to pay, offer different modes of delivery, etc)	PSFU, UEPB,	UWEAL, CEEWA, UEPB, NAWOU, PSFU	3 years	US\$ 30,000
<b>Border In: Client Priorities - Skills and export competence development</b>							
<b>Develop and strengthen clusters for sectors that present high potential for women to export</b>	Number of product clusters formed in sectors of Coffee, Commercial crafts, Dairy sector and Tourism	At least 4 clusters in each district of Uganda with at least 2 per sector of priority in 2 years	Initiate cluster formation process with lead women enterprises and lead women groups and associations	UEPB	NPA, UEPB, Enterprise Uganda, UWEAL, CEEWA, NAWU, MAAIF, PSFU, CICs, Secretariat, Local Governments	3 years	US\$ 100,000
	Number of clusters serving as focal export supply centres.						

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To enhance the managerial competence of both women and men in the export markets	Number of women and men exporters that have received export management training.	200 exporters trained in a year with 50% women	Identify exporters for training and sensitize them on the importance of enhancing their managerial skills.	Enterprise Uganda	UEPB	1 year	US\$ 100,000
		One cluster trained per year per region			UWEAL		
					NPA		
					MTTI		
	Improved profitability and performance of export companies owned by women.	Survival rate of women companies in the export market over a period of 3 years.	Baseline study carried out in year 1, and thereafter annual assessment studies to measure the gender impact and growth indicators.	UBOS	PSFU		
					UNCCI		
To improve the technical competences along the production value chain					USSIA	2 years	US\$ 150,000
	Number of exporters that receive technical training and the proportion of women involved	60% of women involved reporting productivity, profitability and efficiency	Regularize and coordinate practical training programmes addressing export related issues along the value chains.	UEPB	Enterprise Uganda		
					UWEAL		
					BSOs		
					PSFU		
					UNCCI		
					USSIA		
					DDA		
					UTB		
					UCDA		
					SNV		

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To build entrepreneurial competences among aspiring, potential and existing women exporters	Growth in the number of women joining the export sector	40% of participants in each training programme to be women	Training programmes in basic business management and entrepreneurship development.	MOES	MUBS	1 year	US\$ 50,000
	Improved performance among existing women exporters	Increase the number and value of exports by women by 40%	Introduce an export trade module into the entrepreneurship syllabus in secondary and post-secondary school curriculum targeting young girls and boys.		UEPB		
			Expand export management related skills and business counselling, mentoring and attitude change programmes for women.		Enterprise Uganda UWEAL USSIA		
To build capacity through training of more women and men in export quality management	Number of quality assurance managers by gender	For every training, to have a 50/50 representation for men and women	Enabling women organizations integrate quality management training in their businesses.	UNBS	UNBS,	2 years	US\$ 250,000
	Evidence of improved product standards	At least 20 women owned businesses to be certified by UNBS within the year	Introduce total product quality management programmes at all levels of the value chains with a strong sector regulator.	UEPB	MAAIF, MOF, DP, DDA, UCDA, UTB, USSIA		
		Number of women businesses possessing relevant international certificates: GMP, GHP, HAACP, ISO 22000	Set up common facility centers for standardized value addition and quality control in each region in the country, as replicable pilots in each sector.		Chemiphar, SGS, and other laboratories		

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
<b>Trade and Market Information</b>							
To have an active data bank on global product requirements	Data bank with up- to- date market information	Atleast 50% of business women and support organizations having access	Establish a resource person or desk office for market research	UEPB	MTTI	2 years	US \$ 165,000
	Number of established trade information systems that meet the needs of women to export	Regular and instant access to current market information	Harmonize existing information systems for easy utilization		UBOS		
			Link women producers and exporters to RISE and TRACE projects		UNBS		
					NPA		
					URA		
		At least three international sources subscribed to by women organizations	Enhance SMS pricing mechanism and enabling women in priority sectors receive information.		PSFU		
					UCA		
					UWEAL		
		Two complimentary information systems built for women (CMIS, SMS Price) such as CEEWA Telecentres	Enter into agreements with information dissemination media and complimentary portals/websites to tailor information package in simple and usable form by women at all levels of the value chain.		CEEWA		
					UEPB		
					Private Information Service Provider		



Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To widely disseminate market information to reach to grassroots producers	Number of women exporters and women producers receiving information  Number of ICT based information management training seminars conducted for women	4 training events per year targeting 30 women potential and actual exporters with trade information  Establish at least one ICT centre per district	Establish a training calendar and circulate it to clients and linking it with existing programmes at UWEAL  Develop a training proposal and seek project financing domestically and from international agencies (1 year)  Encourage the usage of ICT in trade information, management and dissemination.	UEPB	MTTI, MFPED,  MTTI, BOU  Producer Associations  MOLE  UWEAL  USSIA	2 years	US\$ 6 0,000
<b>Trade Finance</b>							
To widen instruments for collateral to access financing	Diversity of collateral instruments including group lending favourable to women	At least 3 trade finance schemes accessible to women	Promote the use of commodity based instruments and trust amongst cooperative society members.  Enabling women to get certification of suitable warehouses and promoting the warehouse receipt systems to women associations.	BOU	UDB  UWEAL  Women Finance Trust,  Commercial Banks,  PSFU	3 years	US \$ 20,000

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To create long-term export financing accessible to women	Exporters receiving long term financing at favourable terms which will allow them to fully develop their businesses	Development finance schemes available to women groups that are operational within 2 years	Strengthen women associations' financial initiatives and village banks to lend to women borrowers. Such as SACCOS, Rural finance schemes.	BOU	Microfinance Ministry,	2 years	US \$ 50,000
	Diversity of credit facilities that are tailored to women run businesses		Introduce and encourage commercial lending to women with no collateral.	GOU	Commercial Banks, UDB, UEPB, Women organisations		
			Establish loan guarantee schemes for women groups and entrepreneurs in public and the private sector agencies.				
			Gender groups to make formal presentations to financial institutions to motivate preferential packages for women exporters- demonstrating women's potential.				
			Support women to access credit insurance through ATI (African Trade Insurance).				
To increase trade finance outreach	Geographical spread of microfinance institutions in the country targeting women producers and entrepreneurs	At least 2 outreach drives per district every year.	Design an outreach plan focusing on specific finance needs of women, providing loan capital to the sector where the potential of women has been identified.	BOU GOU	Microfinance Ministry, Commercial Banks, UDB, UEPB, Women organisations	2 years	US\$ 150,000

Objective	Measures	Target	Initiative	Lead Institution	Support Institution	Time frame	Resources
To enhance capacity of women to formulate bankable project proposals	Number of project proposals suitable for capitalization	At least 50 women trained in bankable project proposal development every year.	Capacity building and advisory services to producers and exporters.	PSFU	MUG,	1 year	US \$ 200,000
	Number of producers and exporters receiving business training		Regional workshops/training on business proposal formulation.		UEPB,		
			Development of new training modules to address specific financial competency issues.		Microfinance Ministry, Women organisations		

# Part III

## The way forward - The export development strategy

### 3.0 Future orientation and overall focus (gender sensitive weighting of stakeholder perspectives)

The engendered NES will concentrate on four priority sectors which include Commercial Crafts, Coffee, Dairy products and Tourism. These sectors are deemed to have high potential to mainstream gender and vulnerable groups into export trade and were selected depending on the following criteria:

**Table 3: Criteria for determining Sectors**

Criteria	Score (%)
Sectors with contribution and relevance to national socio-economic goals, including greater participation of women in the economy and exporting.	30
Sectors where women have demonstrated high potential for entrepreneurship\ investment but their capacity is hampered by many factors such as finance, information and skills	25
Sectors experiencing high level of growth in international market, with women's participation visible in their value chains, e.g. Dairy and Tourism.	20
Sectors with high potential of value addition and where women have capacity for growth and sustainability.	15
Sectors where production resources (competitive advantage) are readily available but not equitably shared by men, women and vulnerable groups.	10

#### 3.0.1 Uganda's Coffee export trends

Coffee exports from Uganda largely go to Switzerland, Germany, Sudan and Singapore. Coffee exports have been growing positively for the last 5 years. This trend is partly due to the opening of the Southern Sudan market and the growing Fair Trade Market in the EU countries such as Germany. With regard to future trends, overall rising global demand for agricultural products, especially foods and beverages, exports are expected to continue growing in the foreseeable future. Uganda's ability to tap into this growth will largely be dictated by improvement in value addition, branding, tapping into the growing market for organic coffee and finally compliance with voluntary market standards, such as those of Fair Trade and Global-GAPs.

#### 3.0.2 Commercial Crafts in exports

Globally, the value of trade in handicrafts has increased from approximately US\$ 75 billion in 1999 to about US\$ 235 billion in 2005 (Indian Exim Bank, 2000 and Tribune India, 2005), representing a 213% increase in 6 years. The principal export destinations for all handicrafts in the world have been identified as USA, Germany, France, UK, Japan, Italy, Canada and Netherlands with over 31% of export value in 2003-2004 being accounted for by the USA alone. Some of the main export products from Uganda are bags, hand-made dolls, baskets and wall hangings made by women artisans.

### 3.0.3 Tourism Sector in exports

The total annual number of visitors (citizens and foreigners) to the national parks in Uganda increased during 2007 to about 127,000 persons, compared to about 110,000, in 2006. This reflects an increase of 15.5%. With the new phenomena, education tourism has become one of the number one areas of foreign exchange earnings for the country. The leading tourism foreign market for Uganda is Africa (Kenya, Rwanda and Tanzania) with 74% of the market share. Europe (United Kingdom, Germany, Netherlands, Italy, Belgium, Sweden, Denmark, France, and Norway) is the second largest market with 13% of market share. Other growing markets are USA, Canada, Asia and the Middle East.

### 3.0.4 Dairy in exports

Trade in milk and other dairy products takes place mainly in the neighbouring markets with Sudan being the major importer of Uganda's milk, followed by DR Congo and Kenya. Sudan presents the highest growth rates and therefore a favourable market for Uganda's milk exports. The world demand for milk and cream stood at US \$10.7 billion in 2006 and grew by 11% between 2002 and 2006 (DDA Performance Report February 2008). Trade in volumes grew by 5% in the same period. Netherlands, Algeria, Saudi Arabia, Indonesia and Mexico are the major importing countries of milk and cream.

## 3.1 Prioritization of Gender-sensitive Strategic Considerations

In order for strategy to be relevant, we must take into account the expectations and priorities of the different stakeholders. This unifies stakeholders around a common vision and helps them to identify all the key issues affecting export competitiveness and shaping development prospects. The four perspectives which have been considered here are the development perspective, competitive perspective, client perspective and institutional perspective, and these have guided us to formulate options which will improve the performance of gender in national exports.

### 3.1.1 Coffee Sector

#### **Coffee Beans**

Coffee is the most essential cash crop in Uganda, playing a major role in the livelihood of poor people in many rural areas of the country. In developing countries over 20 million households produce coffee and it is sometimes the only source of income, contributing to export earnings of more than 55%. Furthermore, The Fair Trade Foundation, 2006, noted that worldwide, about 100 million people depend on growing, processing, trading and retailing coffee for their livelihood. Therefore, in such countries, coffee is not only a source of livelihood to the farmers but also a source of foreign exchange. There are two types of coffee grown in Uganda: Arabica and Robusta which are grown in the ratio of 1: 4. Arabica coffee is more competitive on the international market because of its superior quality. However, Uganda Robusta coffee too has intrinsic quality attributes which even attract a premium on the international coffee market.

#### **Coffee global market**

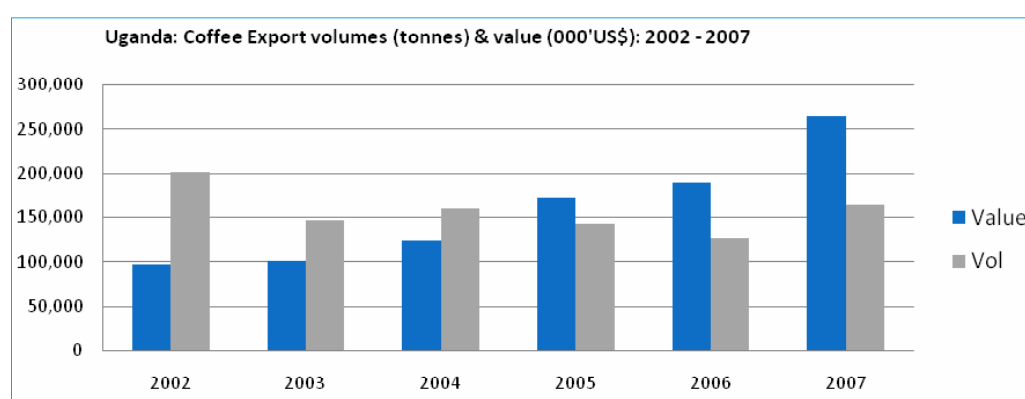
Coffee is grown and exported by more than 50 developing countries including Uganda, but the major consumers are all industrialized countries like USA, EU and, more recently, Japan. Globally, coffee is the second major traded commodity to oil and thus plays a vital role in the balance of trade between developed and developing countries. World consumption of coffee is projected to increase by 0.4% annually. Coffee consumption in developing countries is projected to grow from 1.7 million tonnes in 1998-2000 to 1.9 million tonnes in 2010. World coffee traded volumes stood at approximately 6 million metric tonnes in 2006 with a value of US \$15 billion. Trade change indices show an increase in traded volumes by 3% over the previous 4 years with increasing values by 21 % over the same period.

Statistics for world leading importers (see Table 1) indicate positive growth trends in virtually all the top 5 importing countries, reflecting a steady recovery in international coffee prices.

**Table 4: Total world Imports and leading Importers of Coffee Beans – 2006**

Top 5 Importing countries.	Value imported in 2006, in USD (thousand)	Annual growth in value between 2002-2006, (in %)	Quantity imported in 2006	Annual growth in quantity from 2002 to 2006, (%)
'World	15,040,510	21	6,393,469	3
'United States of America	3,220,454	20	1,320,993	2
'Germany	2,346,024	25	1,045,599	4
'Japan	1,021,725	18	428,302	2
'France	919,395	18	313,647	-5
'Italy	872,800	22	438,862	3

**Graph 1**



Source: ITC Trademap 2007

### Uganda's Coffee Markets and Export Trends

Coffee exports from Uganda largely go to Switzerland, Germany, Sudan and Singapore (UEPB, 2007). Coffee exports have been growing positively for the last 5 years. This trend is partly due to the opening of the Southern Sudan market and the growing Fair Trade Market in the EU countries such as Germany. With regard to future trends, overall rising global demand for agricultural products especially foods and beverages, exports are expected to continue growing in the foreseeable future. Uganda's ability to tap into this growth will largely be dictated by improvement in value addition, branding, tapping into the growing market for organic coffee and finally compliance with voluntary market standards such as those of Fair Trade and Global-GAPs.

### Roasted Coffee

World traded volumes for roasted coffee in 2006 stood at 587 million metric tonnes with a value of US\$ 2.9 billion. Trade change indices show an increase in traded volumes by 12% over the previous 4 years with increasing values by 24 % over the same period. Statistics for world leading importers (see Table 3) indicate positive growth trends in virtually all top 5 importing countries. The roasted coffee market is also characterized by relatively stable demand less often affected by fluctuating prices. It is also tightly controlled by leading coffee roasters.

**Table 5: Leading World Importers of Roasted Coffee**

Importers	Value imported in 2006, in USD thousand	Annual growth in value between 2002-2006, %	Quantity imported in 2006	Annual growth in quantity between 2002-2006, %
<b>World</b>	<b>2,898,944</b>	<b>24</b>	<b>587,268</b>	<b>12</b>
France	446,733	28	89,761	10
Germany	269,067	31	42,390	15
Canada	268,227	22	54,559	13
United States of America	232,129	15	40,325	4
United Kingdom	144,714	23	36,726	23

### Uganda's Export Performance

Uganda's export of roasted coffee still remains insignificant due to limited efforts on value addition in the country. However, isolated efforts are visible with different companies attempting to market roasted coffee such as Rwenzori Coffee, Crane coffee with a roaster in China and Source of the Nile Coffee under Fair Trade schemes. There are, however, interesting value addition development efforts that could be supported with large scale investments. As a forecast, growth rates both in value and volumes are expected to continue for the foreseeable future and as such investments towards commercialization of coffee roasting business projects could result into substantial earnings. However, to realize this, it requires that the government continues to negotiate for preferential tariff treatment to guard against tariff escalations for exporters of value-added roasted coffees.

### Women in the Coffee Value Chain

In the coffee sector, the role of women is profound as they offer the bulk of coffee producers and they provide all the labour in harvesting and drying. Coffee marketing and sale is done largely by men in a household. Coffee is a key cash crop at household level and men tend to protect this sector for their own benefits. Coffee production requires expanse land and given the limited access to land by most women, this sector has largely remained a benefit of men. An interesting observation from several coffee importers in Europe is that cooperation with women exporters is often much appreciated. Women exporters are often very careful about the documentation, respond quickly to requests, deliver products as agreed and often listen to advice.

Although most women are found at the farm level, strong women are present at all levels of the value chain. For example at Processing: Zigoti- Rose Kato, Ugacof- Rose Karigirwa, Export: Robina of IBERO, Management: Jane Nakandi of UCDA, Roasters: Zicafe Rose Kato, Cafes: Café Pap - Jolly Ngabirano.

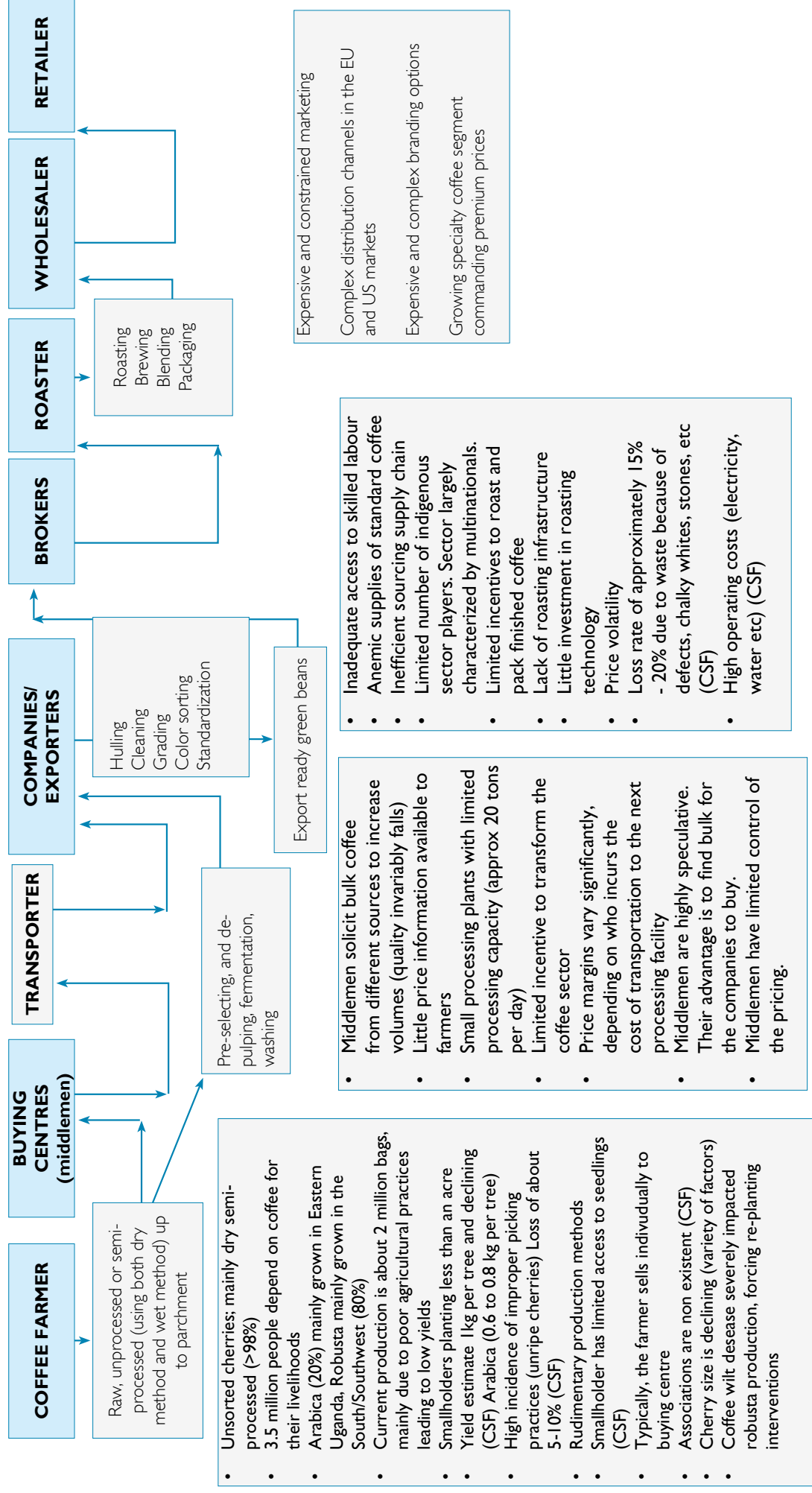
### Key success factors

In order for women to be successful in the coffee sector, they must get engaged in value addition programmes and brand their coffee in order to tap into the growing market for organic coffee and those of Fair Trade. Other aspects to put into consideration are:

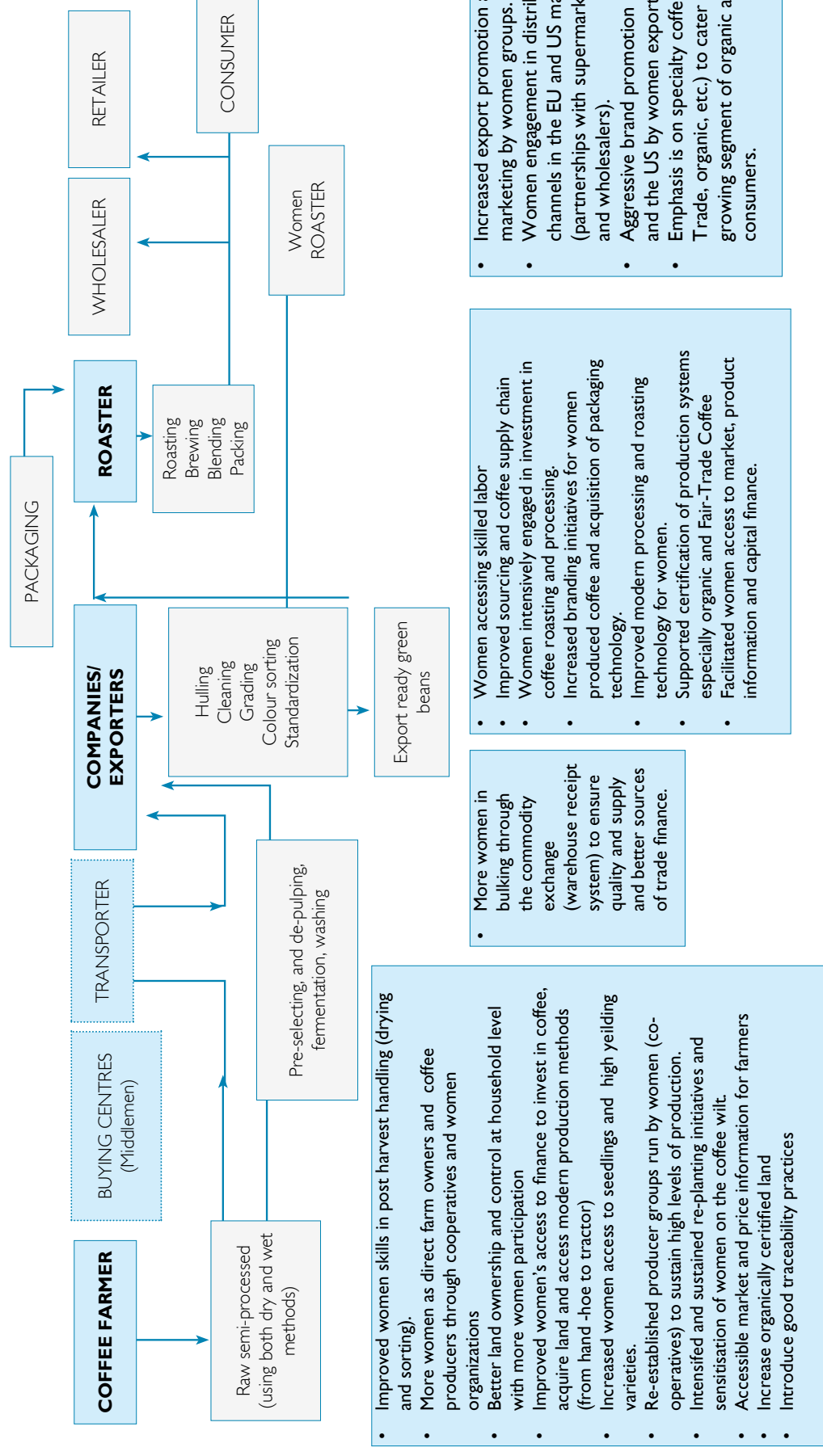
- Quality Management: This ranges from farm level (soils, fertilizers, spacing, weeding, pruning, plucking), processing (drying, sorting) to grading and packing.
- Finances: Trading in coffee necessitates availability of funds at each level of the value chain.
- Access to higher value market.
- Direct link to buyers abroad
- Inside knowledge of foreign markets



### 3.0.2 Current Coffee Value Chain



### 3.2.1 Engendered Coffee Value Chain



The selection of sectors for the strategy was largely based on their performance in international markets and the participation of women in the value chain. However these sectors present significant gaps for effective participation of women to the higher levels of the value chain, and these gaps are taken as the key considerations that need to be addressed based on different perspectives as below.

**Table 6: 3.2.2 Key Considerations for the Coffee Sector**

Perspective	Issues/Gaps
<b>Development</b>	<b>I. Development perspective</b>  <b>Poverty alleviation and employment</b>  Promoting gender equality in the coffee value chain will contribute to poverty eradication especially of women who are estimated to contribute more than 60% of production. Developing specific programmes for them will be one of the avenues of empowering and enhancing their ability to transform their capabilities by lifting their status in the value chain.  <b>Regional development</b>  About 70% of economically active women work in rural areas, especially in agricultural related activities like coffee farming. Most of the women work as unpaid workers or as domestic housewives without any pay. There is need for designing initiatives which directly address rural challenges, especially at household level where women own no land.  <b>Environmental Sustainability</b>  Women in the coffee sector work long hours and sometimes under unsafe environmental conditions with exposure to environmentally hazardous effects like pesticides. Working conditions for women in the coffee sector include open fields and dusty environments during the sorting stage.
<b>Perspective</b>	

Perspective	Issues/Gaps
<b>Competitiveness</b>	<b>2. Border-in gear</b>
<b>Perspective</b>	<ul style="list-style-type: none"> <li>• There are limited efforts geared towards developing women's capacity relating to production capabilities and skills with regard to productivity, volume, quality and value addition.</li> <li>• Capacity diversification for women is still limited. Cultural attitudes towards a woman's role are still strong with men dominating and taking decisions to trade and manage wealth on behalf of the family. This has limited women's ability to produce new products by adding value to them.</li> <li>• Human capital development is another critical issue which has limited women's participation in the sector. There is biased human resource development, social discrimination, lack of self awareness and self confidence among the women forcing them to be employed in the menial jobs like picking and sorting which command small wages.</li> </ul> <p><b>3. Border gear</b></p> <ul style="list-style-type: none"> <li>• Transport and expeditious business procedures affect women's involvement in the business. Women producers are fragmented and individualized and the cooperative unions are dominated by men who take decisions.</li> <li>• Trade facilitation issues involving regulations, administrative procedure and documentation requirements affect women a lot due to their numerous tasks (production, reproduction, and community work) and technical knowledge.</li> <li>• The cost of doing business is sometimes too high for an ordinary woman to survive in a business environment. For instance, wet processing of coffee is expensive and needs expertise and technology which is not readily available.</li> </ul> <p><b>4. Border-out gear</b></p> <ul style="list-style-type: none"> <li>• Market access for women is still weak due to the fact that they are fragmented and therefore lack opportunities to network since they stop at farm level.</li> <li>• There is limited gender sensitive efforts to cater for and promote the preparation of women to enter the coffee sector by giving them trade information and facilitating them to make initial contacts with potential buyers.</li> </ul>

Perspective	Issues/Gaps
<p><b>Client</b></p> <p><b>Perspective</b></p>	<p><b>5. Sector and client priorities</b></p> <ul style="list-style-type: none"> <li>• Currently, at the primary level, coffee farmers are mainly women who do the actual production. At the secondary processing level, women do the hand picking to remove defects. The export level is mainly dominated by men with only one woman out of 20 exporters.</li> <li>• There is great need to develop specific programmes for current exporters and other potential and aspiring women as one of the avenues of empowering and enhancing their ability to engage into coffee exports.</li> </ul> <p><b>6. Business Competency</b></p> <ul style="list-style-type: none"> <li>• Generally, women are more entrepreneurial than men. However, in the coffee sector, women have challenges of confidence and lack of skills to negotiate with potential partners.</li> <li>• Since women are found at lower levels of the value chain, the illiteracy levels are very high. Also, centres of training/support services are very far and limited, impeding women's chances of gaining skills.</li> </ul> <p><b>7. Trade information</b></p> <ul style="list-style-type: none"> <li>• There is limited access to information on standards, quality management and packaging. Family burden constraints limit women's time and resources to gain information and useful networks.</li> </ul> <p><b>8. Trade finance</b></p> <ul style="list-style-type: none"> <li>• There is lack of trade financing for women due to lack of collateral. Even though women are better credit worthy than men, a lot of women are still financially illiterate and therefore can't manage large finances which are needed in the coffee sector.</li> <li>• Although coffee is one of the sectors which have national emphasis, there is lack of government support for specific development fund for women entrepreneurs. Also, women lack the competence to develop bankable projects.</li> </ul> <p><b>9. Quality Management</b></p> <ul style="list-style-type: none"> <li>• Quality is one of the key success factors for the coffee sector 'from seed to cup'. However, due to dry processing, the coffee aroma reduces. Also, since women are the majority at the drying and sorting stage, they control the quality of the coffee; however, most of the coffee is dried on the ground, leading to contamination. There are also challenges for storage facilities at husbandry level.</li> </ul> <p><b>10. Other support</b></p> <ul style="list-style-type: none"> <li>• Since, currently, women mainly stop at lower levels of the value chain within the coffee sector, issues of research and development, packaging, labelling, document handling and customs don't affect them much. However, there is need to develop competences and provision of support to existing, aspiring and potential coffee exporters in these areas.</li> </ul>

Perspective	Issues/Gaps
<b>Institutional perspective</b>	<p><b>I 1. Strategy support network</b></p> <ul style="list-style-type: none"> <li>• There are several institutions which directly support the coffee sector, some of which are Coffee Development Authority and East African Finer Coffee Development Association. However, there is lack of targeted support for women since they are a minority in the sector. There is also lack of institutional support to reach out to rural communities where coffee is grown.</li> </ul> <p><b>I 2. Service delivery network</b></p> <ul style="list-style-type: none"> <li>• Numerous organizations offer business development services to build capacity in enterprises through training, counselling, mentoring and market access programmes. However, there are limited programmes specifically done for women in the coffee sector. Another challenge is the fact that most of the providers are urban based and therefore the programmes don't benefit the rural communities where coffee is produced. Furthermore, because of limited financing, the women cannot afford the services. This has led to stagnation or failure of their businesses.</li> </ul>

### 3.3 Commercial Handicrafts

Handicraft production in Uganda is predominantly a cottage industry activity engaged in by the rural youth of both genders but largely by the women folk to supplement household incomes. Women contribute over 70% of export revenues in handicrafts in Uganda and they make over 90% of handicraft producers. The village producers who are mainly women sell their wares to domestic buyers or directly to domestic users and tourists. The domestic buyers serve as market intermediaries who sell on the local markets or to exporters or trade directly on the export market. Uganda's handicraft export trade is largely informal, marked by inconsistent and ad hoc market entry approaches and inadequate market distribution networks. Many handicraft exporters have burnt their fingers while testing the market because of the constraints at production and marketing.

The sub-sector is characterized on the production side by low production levels, fragmented, unstructured, individualized production systems, inadequate supply system of raw materials, lack of specialization, inconsistent product standardization, design and quality, and inadequate design skills. At the organizational and marketing levels, the sub-sector is constrained by lack of vibrant national industry associations, inadequate support for marketing and promotion, insufficient market information and dissemination, high freight charges and inadequate capitalization. The artisans have access to very little or no technical and artistic advice for product design, standardization, development and marketing. Capacity building is minimal.

Handicrafts have become one of the key internationally traded goods but mainly by women entrepreneurs. Handicrafts are products produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. (UNESCO/ITC Symposium on "Crafts and the International market: Trade and Customs Codification." Manila 1997).

## Global Markets

Trade in handicrafts is classified under the World Customs Organization (WCO) Harmonized System (HS) code 97. Globally, the value of trade in handicrafts has increased from approximately US\$ 75 billion in 1999 to about US\$ 235 billion in 2005 (Indian Exim Bank, 2000 and Tribune India, 2005), representing a 213% increase in 6 years.

Promoting handicraft exports in Uganda is critical towards export diversification and poverty alleviation and is very timely since world demand for handicrafts is currently valued at 235 US \$ billion (est..2006) and has increased by over 213% since 2000.

The principal export destinations for all handicrafts in the world have been identified as U.S.A., Germany, France, U.K., Japan, Italy, Canada and The Netherlands with over 31 per cent of export value in 2003-2004 being accounted for by the U.S.A. alone. The prominent EU countries listed above together accounted for another 30 per cent of the export value. As single country destinations, U.S.A., Germany and U.K., among themselves, accounted for one half of exports by value.

The largest chunk of Uganda's handicraft is sold to export markets or to tourists within Uganda because the internal demand for handicraft is limited mainly by the low purchasing power. In the export markets, handicrafts were perhaps the first product marketed internationally with the explicit goal of increasing the income of local producers.

## Women in Commercial Crafts

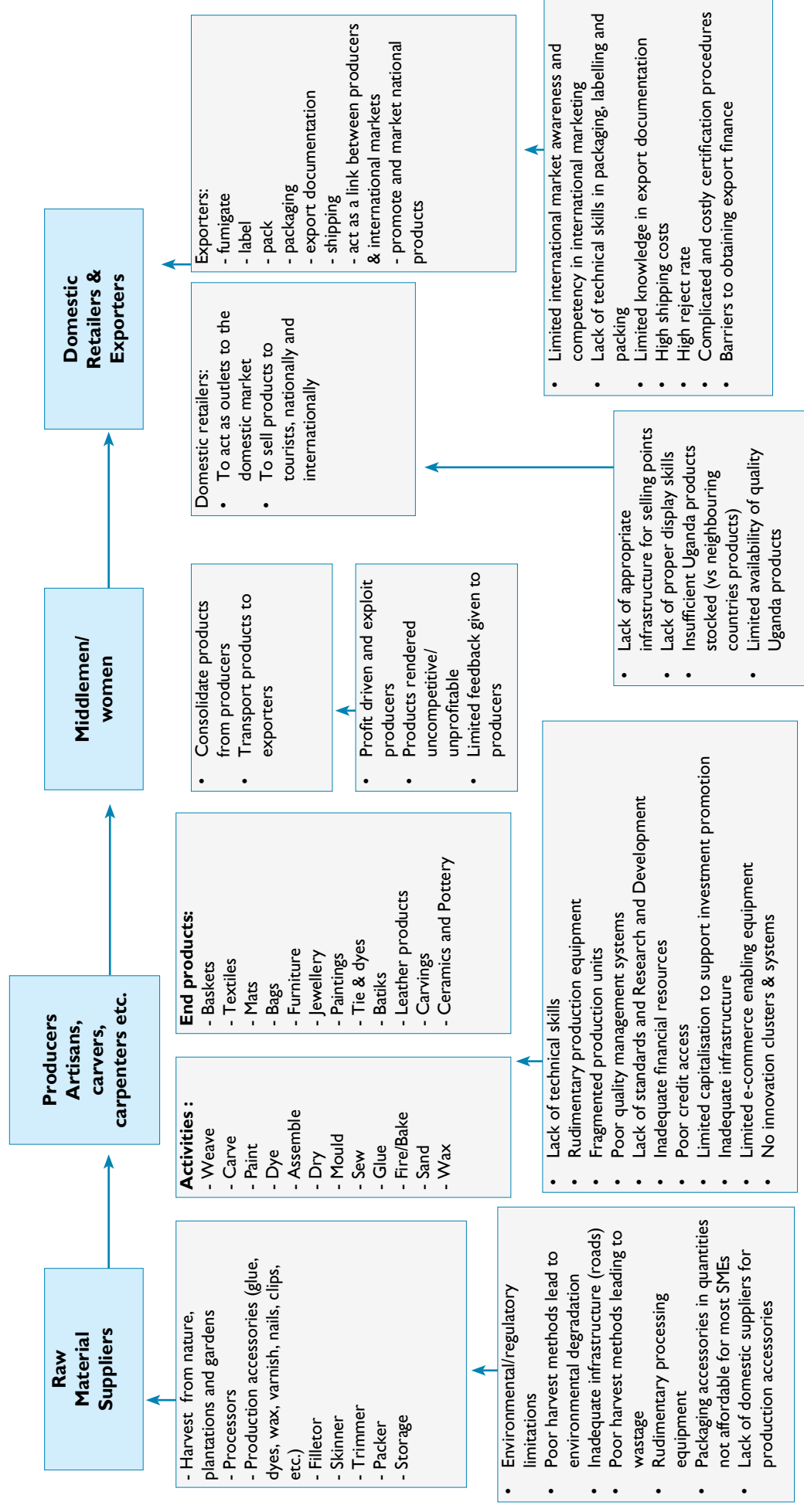
Handicraft is a sector which has proved to be favourable to most women entering the export trade due to being a field where culturally women possess the necessary skills and at the same time capital requirements are not very high. Women have also demonstrated significant level of entrepreneurship and investment in handicrafts.

## Key Success Factors

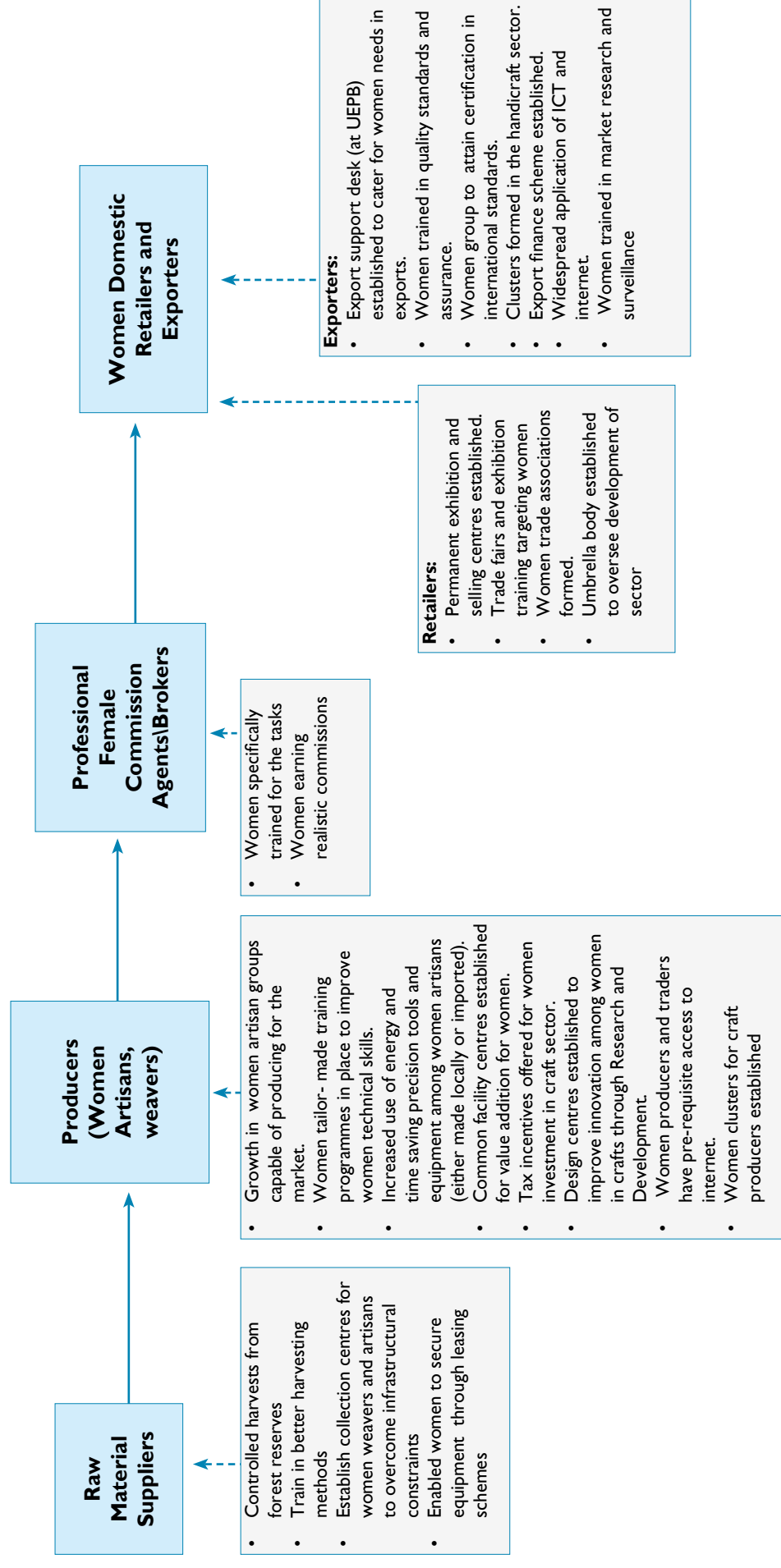
- Variety in production: Gift articles which vary with seasons, for example, some articles are used for Christmas decorations. These therefore call for timely delivery of such products as there will be no market for delayed supply into the market.
- There are series in production. Some products supplement each other both in terms of design, colour and function.
- Availability of raw materials to sustain production.
- Formation of cluster organizations to boost production and improve bargaining.
- In terms of quality standards, the crafts must be well constructed with a professional finish, and with a decorative and functional appeal free from any hazards to the user.
- Government support: To organize trade fair exhibitions in order to support women to enter new markets.
- The uniqueness and possibility of 'niche' status in production and marketing.



### 3.3.2 current commercial handicrafts VCA



### 3.3.3 Engendered Handicrafts Value Chains



**Table 7: 3.3.4 Key Considerations for Commercial Crafts Sector**

Perspective	Issues/Gaps
<b>Development</b>	<b>I. Development perspective</b>
<b>Perspective</b>	<p><b>Poverty alleviation and employment</b></p> <p>The craft sector is one of the sectors which, when well nurtured, will lead to poverty eradication among women. Since women already have a competitive advantage in the sector, developing specific programmes for them will enhance their competitiveness which will bring real income to them.</p> <p><b>Regional development</b></p> <p>A lot of crafts are produced in rural areas. However, the production is fragmented and individualized, limiting proper quality and quantities. Organizing of women into clusters will lead to the development of disadvantaged rural areas as a result of improved production systems.</p> <p><b>Environmental Sustainability</b></p> <p>Currently, women who are engaged in the production of crafts work under harsh environments. There is no protection since most of the women have limited skills. Some women work with chemical dyes and paints without any protective masks or gloves and others work with harmful tools.</p>
<b>Competitiveness</b>	<b>2. Border-in gear</b>
<b>Perspective</b>	<ul style="list-style-type: none"> <li>• Women's capacity in the crafts sector is still very low with no visible efforts to support them to meet the international demand in terms of volumes and quality.</li> <li>• Product diversification for women is still limited due to lack of value addition competences and exposure. Women are not aware of the latest market trends which determine size, colours and quality of the products.</li> <li>• A lot of women in the crafts sector do not do it as a business and therefore treat it as a mere talent or social activity which doesn't require enhancement. There are limited efforts geared at developing women's competence in the crafts making and exporting.</li> </ul> <p><b>3. Border gear</b></p> <ul style="list-style-type: none"> <li>• Since most of the raw materials are procured from rural areas, the cost of transportation of products greatly affects women's business.</li> <li>• Women are affected by the trade facilitation issues involving regulations, administrative procedure and documentation requirements which are laborious and complicated.</li> <li>• Because most women don't own land and other property, the cost of doing business is too high due to rented premises where production processes take place and hired equipment.</li> </ul> <p><b>4. Border-out gear</b></p> <ul style="list-style-type: none"> <li>• Women in the crafts sector are still strained on market access issues due to lack of exposure to foreign markets. Also, there is the problem of poor policies to enable access to markets.</li> <li>• There are still limited gender sensitive efforts to cater for and promote the preparation of women to enter international markets by giving them trade information and facilitating them to make initial contacts with potential buyers.</li> </ul>

Perspective	Issues/Gaps
Client Perspective	<p><b>5. Sector and client priorities</b></p> <ul style="list-style-type: none"> <li>• In crafts, women contribute about 80% of handicraft exporters and production is mainly done by women from peri-urban areas. There is high potential to enable more women join the export sector. Some of the main crafts are: Basketry products, Beads, Bags, Wall Hangings and other decorative crafts.</li> <li>• There is however great need to improve efficiency by connecting women groups to international markets, organizing them into production clusters, access to information (sensitization of the women on market trends) and training women with presentation skills and self confidence.</li> </ul> <p><b>6. Business Competency</b></p> <ul style="list-style-type: none"> <li>• Women in crafts are from poor communities. This does not only reduce their confidence but greatly negatively affect their businesses. Moreover, people's attitude towards crafts as a low grade profession makes it even harder for more women to aspire for it. Innovation is still low with numerous groups producing similar products.</li> </ul> <p><b>7. Trade information</b></p> <ul style="list-style-type: none"> <li>• This is one of the key constraints for women entrepreneurs in the crafts sector. Due to high illiteracy levels and family burdens, women's access to information is limited. This affects the quality, quantity and times of production and leads to poor needs assessment to determine which crafts can easily be marketed, to whom and when.</li> </ul> <p><b>8. Trade finance</b></p> <ul style="list-style-type: none"> <li>• Crafts not being a traditional business, there is lack of trade financing in the sector since financial institutions cannot fully understand and assess business plans.</li> <li>• A lot of women are not aware of other existing sources of financing which may be within their reach and may not need collateral.</li> </ul> <p><b>9. Quality Management</b></p> <ul style="list-style-type: none"> <li>• The quality of the Uganda crafts is still poor and unstable. There are very few producers who have put quality management procedures for their products, and worse still, since the producers are scattered, coordination of production becomes very hard and costly.</li> </ul> <p><b>10. Other support</b></p> <ul style="list-style-type: none"> <li>• Women in the crafts sector clearly lack support in the areas of research and development, packaging, labelling, document handling and customs. The development of such competences and provision of support to existing, aspiring and potential crafts exporters will greatly raise availability of Ugandan crafts on the international market.</li> </ul>

Perspective	Issues/Gaps
<b>Institutional</b>	<b>11. Strategy support network</b>
<b>Perspective</b>	There are no institutions which directly support the crafts sector apart from UEPB and Uganda Small Scale Industries Association (USSIA) which have provided support in areas of technology enhancement.
	<b>12. Service delivery network</b>
	Numerous organizations like UWEAL offer business development services to build capacity in enterprises through training, counselling, mentoring and market access programmes. However, there are limited programs specifically done for women in the crafts sector. Another challenge is the fact that most of the providers are urban based and therefore the programmes don't benefit the rural communities. Furthermore, because of limited financing, the women can't afford the services. This has led to stagnation or failure of their businesses.

### 3.4 Tourism sector

Tourism in Uganda focuses on natural and cultural resources and can provide a range of alternative economic activities in areas of a country where other commercial activities are limited. Uganda has a variety of animal and plant species with prolific and attractive populations capable of creating indelible impressions on tourists. Tourism in Uganda has developed into a “green profile” mainly focusing on sustainability. Leisure, Recreation and Holidays, Business and Professional, Visiting friends and relatives, and for other reasons, such as, health or religion, comprise the major opportunities of tourism in Uganda. Most visiting tourists coming into the country, especially those from Europe are predominantly seeking holiday experiences to relax and rejuvenate their minds. South Africa is the major source of visitors from African region of which 20% are seeking holiday experiences.

#### Leading source of tourists to Uganda

The leading tourism foreign market for Uganda is Africa with 74% of the market share where Kenya, Rwanda and Tanzania are the main markets. Europe is the second largest market with 13% of market share where United Kingdom leads, followed by Germany, Netherlands, Italy, Belgium, Sweden, Denmark, France, and Norway. United States of America is the third largest market with 7% of the market share focusing on United States of America and, followed by Canada. Asia with 4% is the fourth major market mainly focusing on India, China, Pakistan and Japan. Other growing markets are Middle East (1%) and Oceania (1%) focusing on Australia and New Zealand.

**Table 8: Tourist Arrivals by Purpose of Visit (ooo's)**

Purpose of visit	2003	2004	2005	2006	2007
<b>Leisure, recreation and holidays</b>	77	86	9	30	140
<b>Business and conference</b>	67	81	31	72	110
<b>Visiting friends and relatives</b>	52	71	35	90	272
<b>Others</b>	110	274	393	347	120
<b>Total</b>	<b>306</b>	<b>512</b>	<b>468</b>	<b>539</b>	<b>642</b>

Source: Uganda Bureau of Statistics 2008

## Markets

According to the World Trade Organisation (WTO), the annual average growth in outbound travel is expected to be approximately 4.1% per annum until 2020. East Asia, South Asia, Africa, the Middle East and the Pacific are forecasted to record growth at rates of over 5%, compared to the world average of 4.1%. The more mature regions, Europe and the Americas, are anticipated to show lower than average growth rates of 3.0% and 3.9% respectively<sup>3</sup>. Long-haul travel worldwide will grow faster, at 5.4% per year during 1995-2020, than intra-regional travel, at 3.8%. Consequently, the ratio between intra-regional and long-haul travel will shift from around 82:18 in 1995 to close to 76:24 in 2020.

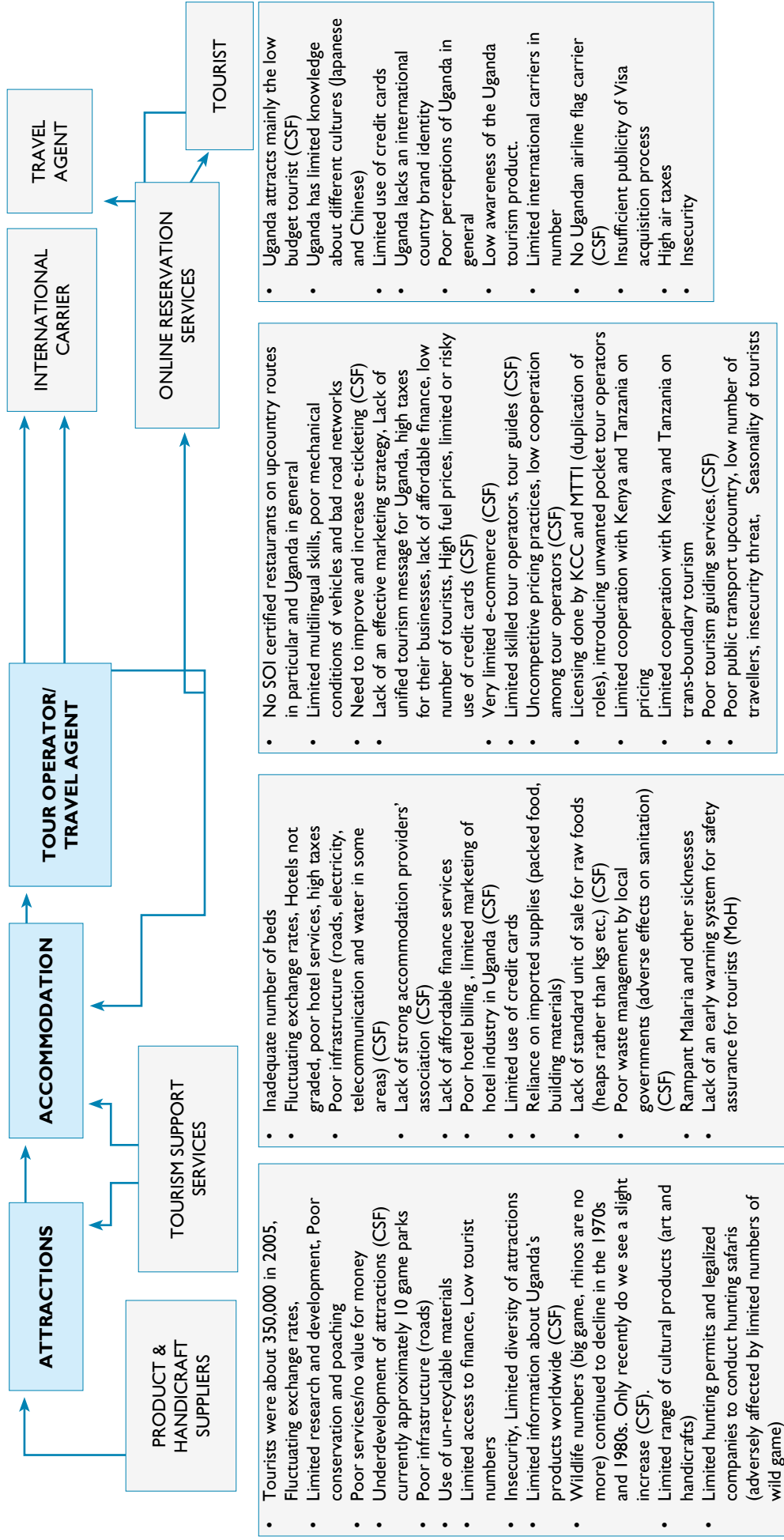
## Women in Tourism sector

From a gender perspective, women constitute the majority of those running tour and travel services, hospitality workers and managers and creative and souvenir shops in tourism resorts. The sector has a 20% growth trend, with women leading the sector. Women's contribution ranges from tourism products, rural women provide food and accommodation to backpackers, handicrafts to tourists, local dances and other entertainment as well as providing beauty and massage services.

### Key Success Factors

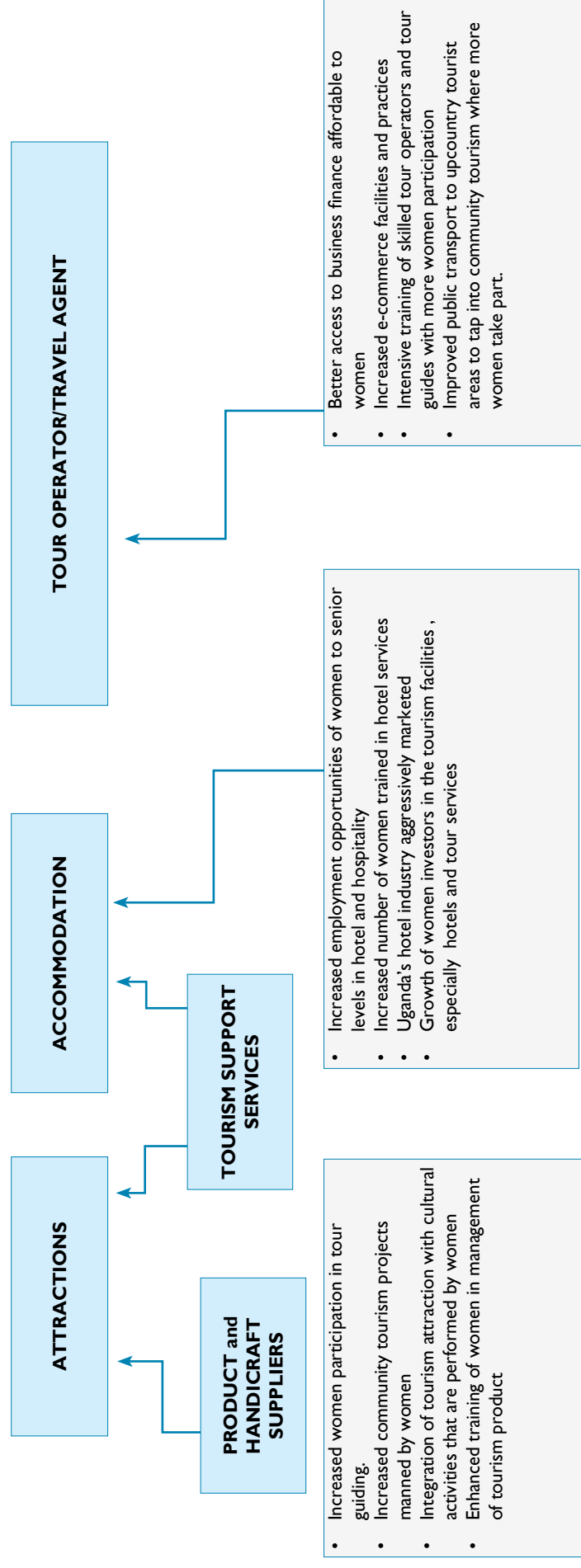
- Influx of tourists in the country due to good publicity.
- High returns particularly from foreign tourists.
- Political stability, hence attracting investment in service sectors such hotels.
- Emergence of the middle class with disposal income that can be spent on leisure and recreation.
- Institutional and policy framework that has to be put in place by government.
- Quality service management and exceptional customer care.
- Emergence of new tourist attraction products like community tourism, folklore and cultural tourism.

### 3.4.0 Tourism current value chain Major Attractions: Scenery, Gorillas, Other Wildlife, Culture, Lakes and Rivers





### 3.4.1 Engendered Tourism Sector Value Chain



**Table 9: 3.4.2 Key considerations for Tourism sector**

Perspective	Issues/Gaps
<b>Development Perspective</b>	<p><b>1. Development Perspective</b></p> <p><b>Poverty alleviation and employment</b></p> <p>Tourism is one of the key sectors through which poverty eradication among women can be achieved. The tourism sector is so diverse, consisting of many areas in which women can be engaged as tour operators or employees.</p> <p><b>Regional development</b></p> <p>About 60% of tourism activities and businesses are in rural areas, for instance, national parks and game reserves. Rural people act as guides for tourists, provide them with accommodation, security, food, entertainment and sell to them souvenirs to take back home.</p> <p><b>Environmental Sustainability</b></p> <p>There are no major environmental threats for women in the tourism sector apart from effects of global warming e.g. change of weather patterns.</p>
<b>Competitiveness Perspective</b>	<p><b>2. Border-in gear</b></p> <ul style="list-style-type: none"> <li>• There are limited efforts to developing women's capacity and skills geared at raising them higher into the value chain.</li> <li>• Innovation of the value and variety of tourism activity is still a challenge with all operators offering the same services. This may be attributed to lack of product development initiatives, lack of market research and weak predisposition towards Research and Development in Uganda.</li> <li>• Human capital development is another critical issue which has limited women's participation in the sector. There is biased human resource development, social discrimination, lack of self awareness and self confidence among the women leading them to be employed as waitresses, cabin crew and as cleaners who command small wages. There is also inadequate tourism training in general with the centres of training\support services being very far and limited.</li> </ul> <p><b>3. Border gear</b></p> <ul style="list-style-type: none"> <li>• Trade facilitation issues involving regulations, administrative procedure and documentation requirements are not gender sensitive and therefore affect women's businesses.</li> <li>• The cost of doing business is too high for an ordinary woman, for instance, to install internet, purchase computers or own a fleet of vehicles.</li> </ul> <p><b>4. Border-out gear</b></p> <ul style="list-style-type: none"> <li>• Market access for women in the tourism sector is high. However, there is need for more innovation and network as a result of participation in international fairs which will expose Uganda's potential as a tourist destination.</li> <li>• The government, ministry of tourism trade and industries and other relevant institutions have not prioritized tourism in their budgets and planning. This has led to limited tourist inflow into the country and has increased the cost of doing business for individual entrepreneurs who have gone out to market Uganda on their own.</li> </ul>

Perspective	Issues/Gaps
Client Perspective	<p><b>5. Sector and client priorities</b></p> <ul style="list-style-type: none"> <li>The tourism sector is one of the fastest growing sectors with 20% growth trend. Women are the leading entrepreneurs in the sector. They are mainly found in tour and travel – issuing tickets, customer service, in beauty and massage parlours and serving as waitresses. Women dominate jobs but are paid low wages, while men in the field earn much more.</li> </ul> <p><b>6. Business Competency</b></p> <ul style="list-style-type: none"> <li>Most of the women in tourism are doing very well. However, they have a challenge of marketing their services. They also lack skills to negotiate with potential partners, lack of information about trends and mainly have family burdens which constrain their time and resources to gain new skills and they work long hours.</li> </ul> <p><b>7. Trade Information</b></p> <ul style="list-style-type: none"> <li>Women in the sector generally lack information about tourist seasonal timings, numbers and needs. This hinders their planning and therefore affects their cash flows.</li> </ul> <p><b>8. Trade Finance</b></p> <ul style="list-style-type: none"> <li>There is lack of trade financing for women due to high interest rates and lack of collateral. Furthermore, a lot of women are still financially illiterate and therefore can't manage large finances which are needed in the tourism sector.</li> <li>Some tour activities necessitate high capital base and this has limited women's participation in areas like hotels and travel companies.</li> </ul> <p><b>9. Quality Management</b></p> <ul style="list-style-type: none"> <li>Being a service industry, quality management and consistence are still a major challenge. For instance, there is evidence of a number of businesses thriving for years due to excellent services but collapse due to poor food, limited quality, poor customer service and inefficient workers.</li> </ul> <p><b>10. Other Support</b></p> <ul style="list-style-type: none"> <li>Although some entrepreneurs have got support in areas of security training, community tourism and international marketing, there is still need for targeted support from the relevant institutions to further support the sector.</li> </ul>

Perspective	Issues/Gaps
<b>Institutional perspective</b>	<p><b>11. Strategy Support Network</b></p> <ul style="list-style-type: none"> <li>There are some institutions which directly support the tourism sector like Ministry of Tourism, Trade and Industries, Uganda Wildlife Authority and Uganda Tourism Board. However, most of the support is limited and doesn't reach the disadvantaged regions where most tourism activities are found.</li> </ul> <p><b>12. Service Delivery Network</b></p> <ul style="list-style-type: none"> <li>Despite there being various organizations offering business development services to build capacity in enterprises, there are no specific programs targeting the tourism sector. What is offered is not only generic and prescriptive but also very expensive for an ordinary woman entrepreneur.</li> </ul>

### 3.5 Dairy sector

#### Global Market

The world demand for milk and other dairy products stood at US \$10.7 billion in 2006 and grew by 11% between 2002 and 2006. Trade in volumes grew by 5% in the same period. The major markets for milk and other dairy products are Netherlands, Algeria, Saudi Arabia, Indonesia and Mexico. Global trade in the medium term is forecast to continue to rise mainly due to increasing demand for food. However, many of the major consuming countries have well developed dairy industries, very often with stringent quality and food safety regimes. These are likely to continue to occasion market entry difficulties. Market indices show positive trends in all the major markets. The table below illustrates the world leading importers of milk and other dairy products.

**Table 10: Leading World Importers of Milk and Cream – 2006**

Importers	Value imported in 2006, in USD thousand	Annual growth in value 2002-2006, %	Quantity imported in 2006	Annual growth in quantity 2002-2006, %
'World	10,781,020	11	5,090,491	5
'Netherlands	849,931	2	449,166	12
'Algeria	640,217	12	249,976	3
'Saudi Arabia	502,147	17	195,903	14
'Indonesia	402,360	28	175,084	17
'Mexico	393,949	12	187,723	2

#### Uganda's Performance

Trade in milk and other dairy products takes place mainly in the neighborhood markets with Sudan being the major importer of Uganda's milk, followed by DR Congo and Kenya. Sudan presents the highest growth rates and therefore a favourable market for Uganda's milk exports as illustrated in table 54 below.

**Table 11: Leading Importers of Uganda's Milk and Other Dairy Products**

Importers	Value imported in 2006, in USD thousand	Annual growth in value 2002-2006, %	Exported Quantity in 2006	Annual growth in Volume 2002-2006, %
'World	87	9	47	10
'Sudan	40	120	13	-
'Democratic Republic of the Congo	34	-	13	-
'Kenya	12	-	21	-

### Dairy Sector Performance

The dairy sector has continued to grow at an average rate of 8-10% per annum over the last 10 years. The steady growth is attributed to the favorable macroeconomic environment, policy and institutional reforms as well as specific interventions by government to promote development of the sector. The livestock sub-sector contributes 13.1% to the Agricultural Gross Domestic Product (GDP) and 4.2% to the National GDP (MFPED, 2007). The dairy industry employs many people that are involved in various economic activities such as milk production, collection, transportation, processing, distribution and marketing as well as provision of inputs and support services. There is no up-to-date statistics regarding the number of people involved in dairy value addition and marketing.

The total national milk production has been increasing steadily over the last two decades, from approximately 395 million litres in 1986 to an estimated 1.5 billion litres per year in 2007 due to better farming methods and importation of exotic cattle which give big milk quantities. The infrastructure for rural milk collection is not well developed in most parts of the country. There are 24 insulated milk transport tankers dedicated to delivering milk from the farmers' cooperative unions and societies to the processing plants with a total capacity of 253,700 litres. There are thirteen operational milk processing plants and mini dairies with a total of 32.88 million litres of fresh milk processed in 2007. There are also many micro-/small-scale processors of value added products particularly yoghurt, ice cream, sour butter, ghee and cheese. Some companies like Sameer Agriculture and Livestock have already registered remarkable progress in export of powdered milk and other Dairy products.

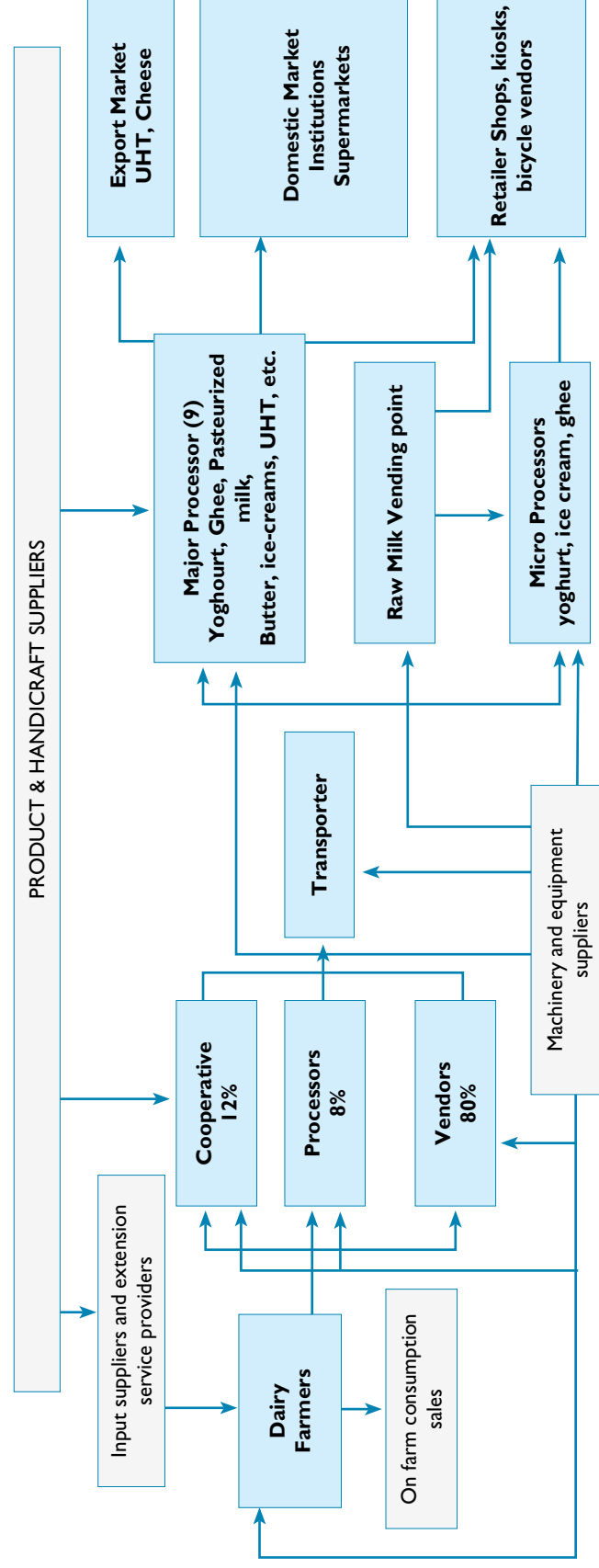
### Institutional Support

Dairy Development Authority organised dairy farmers into groups, associations, cooperative societies and unions from the grass-root to national level. Dairy farmer organizations are playing a major role in bulking, transportation and marketing of milk. They also serve as focal points for delivery of extension services as well as implementation of development and capacity building programs.

### Key Success Factors

- Exploiting of the existing regional markets and investing in modern technology.
- Improvement in milk handling practices to guard against market entry challenges on account of inferior quality standards.
- Value addition into powdered milk, yoghurt, cheese and chocolates among others,
- Establishment of new dairy processing plants with big capacities to handle orders.
- Joint ventures in dairy processing and marketing.
- Dairy support services along the dairy value chain.
- Good cattle breeding to ensure large milk quantities.
- It is one of the priority sectors under the Prosperity for all Programme.

### 3.5.0 Current Dairy Value Chain

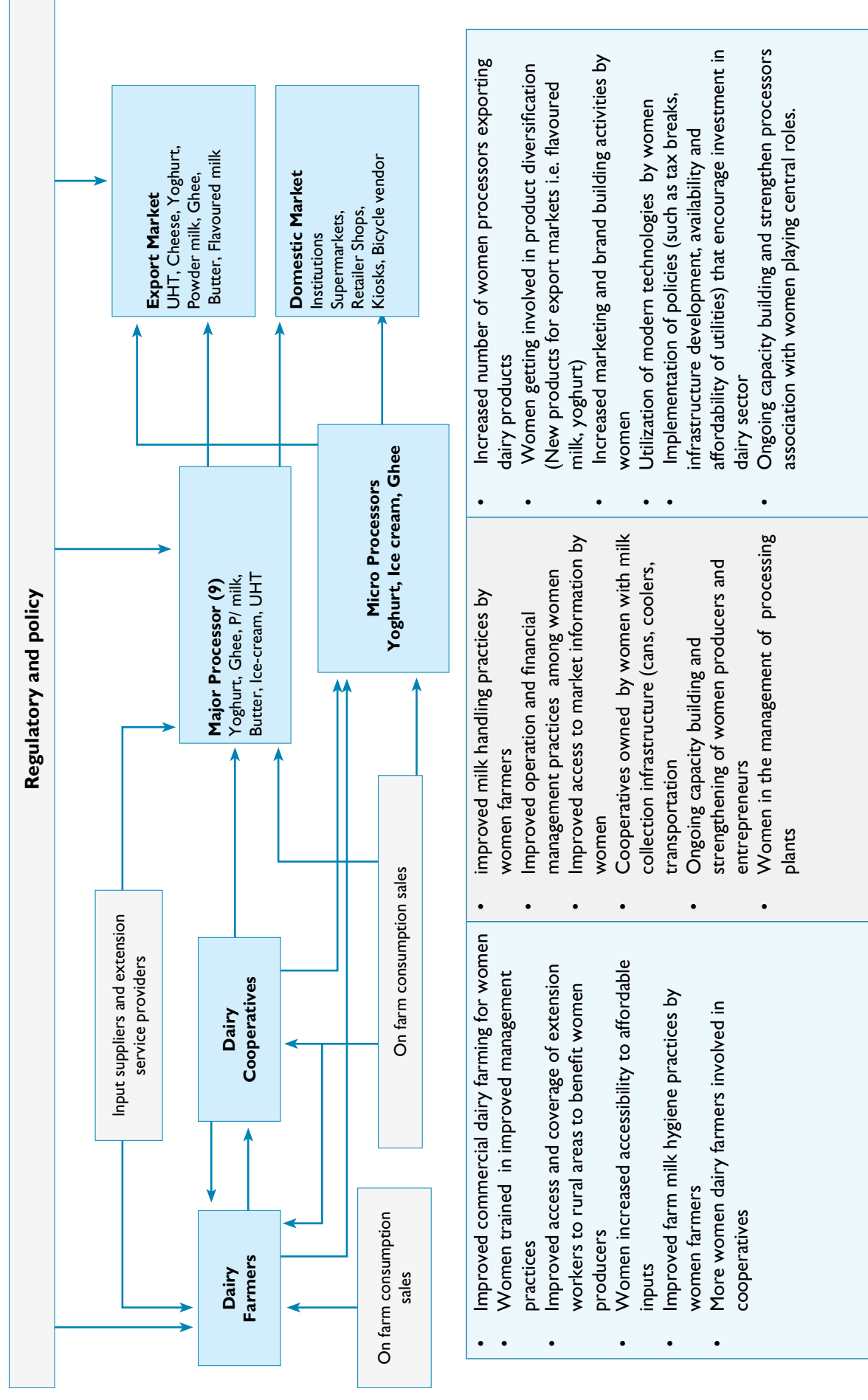


- 6 million head of cattle
- 80% local breed each producing 2 litres of milk (very low productivity)
- On-farm consumption sales = 40% of total production
- 20% improved breeds each producing an average 7 liters per day
- Milk Production concentrated in South West and central 70%, North and Eastern only produce 30%
- Inefficiency in production (high cost of production, poor breeds, poor management)
- Inadequate extension services
- Unavailability and expensive input supplies
- Poor quality milk

- Low bargaining power by farmers (few organized groups, do not own infrastructure)
- Inadequate capacity to monitor and enforce quality standards
- Poor market information access and flow
- High operational costs (power shortages, fuel scarcity)
- Inadequate infrastructure
- Unfavorable policies
- Poor governance and management for organized groups
- Poor milk handling practices, leading to low quality milk and high losses

- Inefficient processing facilities (40% utilization capacity and 21% losses)
- Majority of ingredients are imported, expensive, not readily available (white sugar – 100% duty, packaging materials for butter at 25% duty) flavours
- Outdated technology in most processing plants
- Infrastructure insufficient, expensive, imported (prime movers taxed at 80%)
- High cost of finance (interest rates at 24- 27% p.a.)
- Inadequate investment in cold chain
- High cost of production (irregular and expensive power supply and fuel)
- Limited technical expertise
- Export markets: Rwanda, Burundi, Tanzania, Southern Sudan, DRC, Kenya
- Limited marketing and brand building activities
- Lack of dairy export strategy

### 3.5.1 Engendered Dairy Sector Value Chain





**Table 12: 3.5.3 Key Considerations for the Dairy Exports**

Perspective	Issues/Gaps
<b>Development perspective</b>	<p><b>1. Development Perspective</b></p> <p><b>Poverty alleviation and employment</b> Development of gender sensitive dairy value chain will contribute to poverty eradication especially among women who are estimated to contribute to more than 40% of production. Developing specific programs for them will be one of the avenues of empowering and enhancing their ability to transform their capabilities by lifting their status in the value chain.</p> <p><b>Regional Development</b> About 70% of economically active women work in rural areas, especially in agricultural related activities like dairy farming. There is need for designing initiatives which directly address rural challenges especially at household level where most of the production takes place.</p> <p><b>Environmental Sustainability</b> Women working in the dairy sector sometimes face un-safe conditions due to exposure to environmentally hazardous effects like pesticides which are used to control pests. Promoting safe working conditions for women will encourage more women to participate in the sector.</p>
<b>Competitiveness perspective</b>	<p><b>2. Border-in gear</b></p> <ul style="list-style-type: none"> <li>• Women in the dairy sector have no opportunities for capacity and skills development relating to production volume, quality and value addition</li> <li>• Cultural attitudes towards women's role are still strong and this has hindered their efforts towards capacity diversification and the ability to produce new products by adding value to them. This has led to men owning most of the large farms and processing plants, leaving the women at farm and trading level where the exploitation of women's labour is still high.</li> <li>• There is biased human resource development and social discrimination towards women with men taking the major role of being at the top of each level of the dairy value chain.</li> </ul> <p><b>3. Border gear</b></p> <ul style="list-style-type: none"> <li>• Women producers at the farm level are fragmented and individualized and this makes transport and expeditious business procedures very expensive.</li> <li>• Women are currently getting little trade facilitation in relation to regulations, administrative procedures and documentation requirements to enable them perform better in their businesses.</li> <li>• The most profitable levels of the value chain like milk processing are very high capital intensive, limiting women's involvement.</li> </ul> <p><b>4. Border-out gear</b></p> <ul style="list-style-type: none"> <li>• Market access is still limited for women traders due to high competition and low facilitation and protection from the regulatory bodies</li> <li>• Women have not received much support to prepare them for export markets.</li> </ul>

Perspective	Issues/Gaps
Client perspective	<p><b>5. Sector and client priorities</b></p> <ul style="list-style-type: none"> <li>• The dairy industry contributes more than 50% of the total output from the livestock sub-sector. It employs many people that are involved in various economic activities such as milk production, collection, transportation, processing, distribution and marketing as well as provision of inputs and support services. The sector has continued to grow at an average rate of 8-10% per annum over the last 10 years.</li> <li>• The infrastructure for rural milk collection is not well developed in most parts of the country except the south western region and to a less extent the central region.</li> <li>• There are great opportunities in exploiting the existing regional markets, investing in modern technology and improvement in milk handling practices to guard against market entry challenges on account of inferior quality standards. More opportunities for women lie in value addition into powdered milk, yoghurt, cheese, milk chocolates among others as well as dairy farming and breeding</li> </ul> <p><b>6. Business Competency</b></p> <ul style="list-style-type: none"> <li>• Since women are found at lower levels of the value chain, the illiteracy levels are very high. This has limited their ability to learn and adapt to new skills and technologies which can facilitate them to grow their businesses and improve productivity. However, at trading level, women are found to be more entrepreneurial than men, with women being better financial managers and administrators.</li> </ul> <p><b>7. Trade Information</b></p> <ul style="list-style-type: none"> <li>• In the dairy sector, there is still low level of access to information among women because they are burdened with family duties in addition to running businesses. Most of the women spend their time at the farm, in the shop or at the processing plant and this limits their chances of interacting and networking.</li> </ul> <p><b>8. Trade Finance</b></p> <ul style="list-style-type: none"> <li>• Even though women are better credit worthy than men, a lot of women are still financially illiterate and therefore can't manage large finances which are needed in the dairy sector. And those who manage to access microfinance funds fail to pay back due to high interest rates.</li> <li>• Financial institutions are still wary about funding agricultural projects, more especially when they are run by women.</li> </ul>

Perspective	Issues/Gaps
	<p><b>9. Quality Management</b></p> <ul style="list-style-type: none"> <li>Dairy has very stringent quality standards in the export market. Quality is very hard to maintain because dairy products are perishable. Even though the Dairy</li> <li>Development Authority has enforced better hygiene for milk production, storage and transportation, the women entrepreneurs still depend on men to transport the milk for them in the process of which the milk is adulterated. Another challenge is due to the fact that milk producers are scattered and maintenance of the quality becomes costly and hard to coordinate.</li> </ul> <p><b>10. Other Support</b></p> <ul style="list-style-type: none"> <li>There has been a lot of support from Dairy Development Authority and other relevant organizations to promote the sector. However, there are no notable programs specifically targeting women entrepreneurs in areas of research and development, packaging, labeling, document handling and customs.</li> </ul>
<b>Institutional Perspective</b>	<p><b>11. Strategy support network</b></p> <ul style="list-style-type: none"> <li>Dairy Development Authority has organized dairy farmers into groups, associations, cooperative societies and unions from the grass-root to national level. Most of the active dairy farmer associations, cooperative societies and unions are playing a major role in bulking, transportation and marketing of milk. They also serve as focal points for delivery of extension services as well as implementation of development and capacity building programs.</li> </ul> <p><b>12. Service delivery network</b></p> <ul style="list-style-type: none"> <li>Numerous organizations offer business development services to build capacity in enterprises through training, counseling, mentoring and market access programs. However, there are limited programs specifically done for women in the dairy sector. Another challenge is the fact that most of the providers are urban based and therefore the programs don't benefit the rural communities where milk is produced. Furthermore, because of limited financing, the women can't afford the services. This has led to stagnation or failure of their businesses.</li> </ul>

### 3.6 Monitoring

Regular quarterly and annual assessment of progress and mechanism for addressing constraints shall be put in place. Before implementation proceeds, clear situational analyses will be done to determine the current performance of the selected sectors and will be measured against the targeted indicators to determine growth and performance versus the set objectives. Such indicators will be: number of women who have entered a particular sector, level of exportation, level of participation in the value chain, business capacity growth and human resource skills development.

The comprehensive monitoring frame work will be within the frame work of the National Export Strategy for Uganda.

# Part IV

## Strategy management

Successful implementation of the strategy depends very much on how this is managed and monitored. The commitment of all stakeholders is necessary, particularly that of the responsible executing agencies in prioritizing their respective activities. One of the major reasons for the unsuccessful implementation of good policy initiatives is the lack of resources, management capacity, monitoring systems and committed lead drivers.

Our strategy will seek to identify the least costly, but most effective management mechanism to implement the engendered National Export Strategy. It is imperative that we provide an assessment of the existing machinery.

### 4.0 Structure

#### 4.1 Existing Government Machinery

The primary focus for implementing the gender sensitive National Export Strategy lies within the existing delivery mechanism, through the appropriate ministries and agencies and other levels of support. Focal agencies and line ministries are allocated necessary resources to implement specific Government policies some of which are gender focused. There are three general categories for the ministries and agencies. These are:

##### **Central Agencies:**

Aid coordination to support the strategy is the responsibility of three central Government ministries. These are the Ministry of Tourism, Trade and Industry, the Ministry of Finance, Planning and Economic Development, The Ministry of Gender, Labour and Social Development and Ministry of Justice.

##### **Policy Implementation Agencies:**

These are the line ministries and agencies responsible for implementing sector policies in trade, agriculture, tourism, ICTs, public utilities, the financial system, and border management.

##### **Promotional Agencies:**

A number of agencies are involved in promoting export development activities and investment. They are the Uganda Export Promotion Board, the Uganda Investment Authority, Uganda Tourism Board, Dairy Development Authority, and Uganda Coffee Development Authority.

#### 4.2 Private Sector-led Machinery

Uganda Women Entrepreneurs Association Limited (UWEAL) is a private sector organization and was established primarily to support women in doing business both local and export business. UWEAL enables women exporters to access inputs, finance, market information and training on business skills and competences. UWEAL was established to encourage women to do business and trade. The membership of this organization is drawn from women in business and companies run by women that export.

Although UWEAL is widely represented throughout the private sector, there are limitations on its scope of operation, and activities due to resource and capacity constraints. Other considerations

include the absence of support for the expansion of the organization's activities. There are also certain challenges on financial resources.

Dairy Development Authority was established as a semi-autonomous body under the Ministry of Agriculture, Animal Industry and Fisheries with the mandate to develop and regulate the dairy industry. It is responsible for coordination and efficient implementation of all government policies, which are designed to achieve and maintain self-sufficiency in the production of milk in Uganda. The Authority's five-year Strategic Plan highlights the actions that must be undertaken to achieve sustainable growth of the dairy sector. It describes the major development and regulatory programs, support services and their outputs. Areas of focus include human resource development, policy and planning, research and development, quality assurance, dairy financing and the regulatory framework.

To ensure that Ugandans are engaged in dairy farming and earning profits from the enterprise, Dairy Development Authority carries out training of all stakeholders in the dairy value chain, particularly farmers who undertake organized milk bulking and marketing. The Authority is currently implementing the Dairy (Marketing of Milk and Milk Products) Regulations, 2003, which has led to better handling and transportation of milk. This has resulted in a significant improvement in the quality and safety of milk and milk products in the country and has improved access to high value markets, both locally and regionally.

# Part V:

## Resource mobilization

### 5.1 Priorities

Successful implementation of the engendered NES-export strategy, and its future performance, will depend on the availability of necessary resources, as well as the support of an effective stakeholder's network. The availability of resources must therefore be given serious early consideration. Projects involving institutional assets will involve the re-engineering of existing institutions in order to implement some of the strategies effectively. This will involve re-prioritization and re-positioning. Specific export programmes will involve issues such as incentives relating to export finance and partnership to be developed to increase access to trade finance schemes and services to women in exports.

Resource mobilization involves not only financial resources provided by Government, but human, and other resources that could be made available by development partners and the private sector stakeholders. In order to appreciate the level of funding required for the successful implementation of all the strategies in the document, effort has been made to group them into four broad categories: financial, institutional, human resource, and export specific.

With regard to financial resources, a clear road map, proper sequencing, and the prioritization of the strategies to be implemented are equally important. Specific and unique action plans are necessary for the selected sectors that are contained in the engendered NES, well linked to the overall NES. In the case of financial resources, this could be provided through the national budget, by the private sector, and possibly by development partners. Financial resources will be specifically targeted to programs or activities earmarked for implementation by executing agencies.

Human resource needs will very much depend on requirements identified in each of the strategies for the selected sectors. While specialized expertise will be inevitable in certain areas, some tasks will be more generic in nature, and can be carried out during day-to-day operations of responsible agencies. With regard to human resource development, the emphasis will be to build up existing capacity to strength competences at UEPB, UWEAL, sector institutions and other relevant agencies. A coordinated approach making maximum use of all available resources from all stakeholders must be encouraged by the Management structure of the Engendered NES Strategy. Resources provided through development partners will take many forms, and will come through either bilateral or multilateral arrangements. Assistance via a bilateral arrangement could be in kind, or a cash grant. Multilateral arrangements could provide technical assistance (TA), for example, or a soft loan. The assistance given must be need driven, flexible and relevant to beneficiaries for the desired results.

One of the identified major challenges is the capacity of government to implement some policy initiatives. It is necessary, therefore, that resources from donors be directed to capacity building in both the soft and hard areas, and making available expertise in problem areas identified by UEPB as the strategy secretariat.

#### 5.2.1 Funding Through the National Budget

Although the country's budgeting system is moving towards being output based, the allocation of resources is still based on programme budgeting, whereby funds are input based and directed to executing agencies through their respective identified programs.

Since most of the strategies are to be made consistent with those of the Strategic Development Plans of stakeholder institutions, it might be assumed that financial resources will be provided through the

normal budgetary process of these institutions. However, for those priorities not covered under the annual budget allocation of UEPB, due consideration must be given to prioritizing separate special projects and funding arrangements.

### 5.2.2 Funding Through Development Partners

As indicated earlier, cash grants and aid in kind are provided through bilateral and multilateral arrangements and UEPB secretariat will need to tap into these. The bulk of development assistance from bilateral donors is closely governed by the line Ministry of Trade, Tourism and Industry (MTTI) and Ministry of Finance, although we often get direct aid proposals from other donors such as the Irish Aid. Most of the assistance provided will need to be well linked to export development activities and funded through the responsible institution. The assistance should specifically target sectors where the greatest impact on women in exports is expected.

On multilateral arrangements, the European Union provides assistance through well-targeted sectors pre-determined under the European Development Fund (EDF). Borrowed funds from multilateral financial institutions are targeted at major national infrastructure development to support export infrastructure in gender sensitive sectors.

### 5.2.3 Private Sector Funding

It is very difficult to determine the level of funding that will be directly injected by the private sector into implementing each action plan of the Engendered NES strategy. Private sector funding will be based on individual initiative, and targeted at activities that match with the private sector operational areas and activities. Government will therefore continue to provide the necessary resources to foster the enabling environment for members of the private sector to invest in their own areas of priority that will support export development and in particular, women in export activities. Such agencies include the Private Sector Foundation Uganda (PSFU).

### 5.2.4 Quantum of Funding

The actual quantum of funding required is also very difficult to assess. Most funding will be provided through the budget allocation to UEPB and collaborating stakeholder agencies of government in respect to export trade. Availability of funding to implement the strategy will very much depend on priorities given by the executing agencies, based on their annual corporate plans and budget submissions to the Government of Uganda.

At the operational level, the implementation of the Engendered NES will either be undertaken within the existing budgetary provision, or additional resources will be requested. Funding for implementation of the strategy should not be looked at in isolation, but considered along with the priorities outlined in the NES Document (2009 – 2012), UEPB strategic plan and National Development Plan (NDP). Although the strategy has indicative figures, these have to be finalized by the executing agency.



# Annex

## Women success stories

### Coffee Sector

Mrs. Nakayenga Rose Kato is the owner of Zigoti Coffee works. Zigoti was founded in 1985 and was the number one supplier to the then Coffee Marketing Board before the liberalization of the coffee sector in Uganda. In 1995 the company built a coffee processing plant and started roasting coffee for the local market. The company exports both Arabica and Robusta ground coffee and coffee beans.

### Success

Zigoti has been able to rise up the coffee value chain from just selling coffee beans to roasted coffee, thus making headway into the international markets. After successful participation in international trade fairs supported by UEPB, such as the Expo in China (2004) which helped introduce Ugandan coffee into the Chinese market, and in 2005, the company attended another Expo in Japan for over 3 months and this led to the establishment of a coffee shop in Nagoya Sakae, Japan. To-date the company has been able to purchase a coffee hulling machine, 2 roasters and has managed to sustain a brand name and image by promoting quality coffee. Zigoti does not have its own coffee farms or plantations but sources its coffee from local farmers of Bugisu, Budadiri and Kapchorwa districts.

### Challenges

The company faces resource constraints such as trade finance which limits its ability to serve international markets efficiently. Another constraint ensues from the increasing macro-economic problems such as inflation which is raising costs of operation, transport and freight charges.

### Commercial Handicraft Sector

Ms. Sarah Katebarirwe: Sarah is a proud owner of Marie Sar Agencies, producer and exporter of bark cloth handloom woven banana fibre/leaf and handloom woven raffia products. She owns retail outlets at National Arts and Crafts Association, Crafts Village at National Theatre in Kampala and Exposure Africa. She exports to Germany, Canada, and South Africa and through Fair Trade outlets in Europe. She attended UWEAL Access programme and she noted an increase in her sales by 30% in 2003, then 50% in 2005 and 2006. She has developed her products to a high level after a series of training programmes at UWEAL and UEPB. She has successfully participated in selected fairs to exhibit in Europe by the Centre for Promotion of Imports from developing countries (CBI), Netherlands. She has participated in several trade fairs worldwide, and has attended training in export product development and export marketing.

### Success

Sarah has built a brand of exports on the bark cloth which comes from Mutuba tree common in central Uganda. She has passion and knowledge into this specialty to produce bags, wall hangings and other accessories. Sarah says that specialty improves one's expertise on a product and perfects one's performance. Sarah says that her fortunes have come due to exporting environmentally friendly products. She had an opportunity to join CBI of Netherlands and UN Habitat which have helped her move ahead. These have helped her to get more exposed in the international market and to link to many possible buyers of her products.

## Challenges

The challenge is that her capital is relatively small and that commercial lending is not good for the handicraft sector. She notes that even commercial banks find it difficult to support traders like her. Therefore, trade finance is her key challenge and high shipment costs for export consignments. Sarah also works with few producers and directly employs not more than 5 people due to capital constraints.

## Tourism Sector

Community Based Tourism Initiative (COBATI) founder, Mrs. Maria Baryamujura was recognized among the “Ugandans Making a Difference” and received an award of recognition from The New Vision Corporation for the outstanding contribution to improving the lives of others for a better Uganda. The award was presented on 9th June 2008, a day reserved for Heroes in Uganda. With her over 20-year experience in tourism development in and outside Uganda, Maria was aware of the shift in global tourism, as tourists became more independent, environmentally and socially conscious and travellers moved to sustainable models that preserve culture and environment. She saw the socio-economic potential of tourism in bringing opportunities which are especially important in rural areas where few opportunities exist. Local people are trained to understand that Community Based Tourism in its widest form. The training covers all kinds of activities and attractions found in rural areas, which are mainly, or uniquely, for tourism purposes. It is linked to poverty alleviation, and used to promote the diversity of attractions and activities mainly found in rural areas, and to generate income for the local people.

## Success

Maria’s approach encourages local participation at homestead and community level, and empowers local people through mentoring and training, linking them to opportunities in tourism. This approach brings about economic tourism -opportunities, which are especially important in rural areas where few opportunities exist. COBATI plans to go beyond mainstream vacations to open up a world of adventure and opportunity. It includes directing tourists to Uganda’s countryside, balancing the biased geographical distribution of tourists and offering opportunity to spread benefits from tourism into the rural economy.

## Sustainability strategy

COBATI collaborates with various international and local NGO’s, Government, Private Sector, development agencies, communities and individuals in innovative ideas in sustainable community tourism development through partnerships. Maria has excelled in her business by linking communities to local and international tour operators, mobilizing public opinion around key community tourism development issues and engaging communities in innovative ideas on community tourism through partnerships.

## Dairy Sector

Maama Omulunji Dairy Limited is owned by Mrs. Nalubanjawa Justine. Justine started her business in 2000 following training she had received from Dairy Development Authority. She started with one cooler, which handled a capacity of 700 litres a day. Her major clients have been the local residents, restaurants and household families. A year after she opened her business, she was able to purchase a 1500-litre cooler to meet her customers’ demands.

## Success

Justine has since 2000 registered tremendous success in her dairy business. She has established other collection centres in Rushere Kiruhura District, with a 4000-litre cooler. Justine currently handles to the tune of 6000 litres a day of fresh milk.

## Challenges

The company has a plan to expand and diversify its activities into production of yogurt and pasteurized milk. They have identified and are in the process of acquiring machinery for the expansion. However, capital is still small and commercial lending interest rates are too high.

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