

## Understanding Industry sector in East Africa

An industry is defined as an establishment that processes raw materials into manufactured goods of greater value using capital and labor. Industries are categorized into three types:

- **Primary Industries:** These involve the extraction of raw materials (e.g., agriculture, mining, fishing).
- **Secondary Industries:** These process raw materials into final consumable goods (e.g., textiles, food processing, cement).
- **Tertiary Industries:** These provide essential services (e.g., banking, tourism, transport).

East Africa is currently dominated by **primary industries**, though there is a strong push toward **processing industries** to add value to products before export.

### 2. Key Industrial Centers

Major industrial activities are concentrated in specific urban hubs:

- **Uganda:** Kampala (food processing, textiles), Jinja (steel, leather tanning), Kasese (cement, cobalt), and Mbale (cosmetics, soap).
- **Kenya:** Nairobi (vehicle assembly, beverages) and Mombasa (petroleum refineries, ship repairing).
- **Tanzania:** Dar-es-Salaam (cement, meat packing) and Mwanza (leather, general engineering).

### 3. Factors Favoring Industrial Development

Several key factors influence the growth of manufacturing in the region:

- **Natural Resources:** Availability of cheap raw materials (minerals, agricultural products) and fresh water for cooling machinery.
- **Infrastructure & Power:** Improved transport networks (roads, water) and **Hydro-Electric Power (HEP)** for running machines.
- **Economic Factors:** Presence of **capital**, cheap skilled and semi-skilled labor, and a ready market for finished products.
- **Government Policy:** Support through **tax holidays**, land leasing, and the "**Buy Uganda Build Uganda**" (BUBU) policy to protect local industries.

### 4. Benefits of Industrialization

Industrial development is viewed as a "multi-faceted phenomenon" that drives national transformation.

- **Economic Growth:** Increases GDP, generates foreign exchange, and **diversifies the economy** away from subsistence agriculture.
- **Livelihood:** Creates millions of jobs, improves living standards, and provides training grounds for future engineers.

- **Modernization:** Leads to the development of schools, health centers, and **agricultural modernization** by providing inputs like fertilizers.

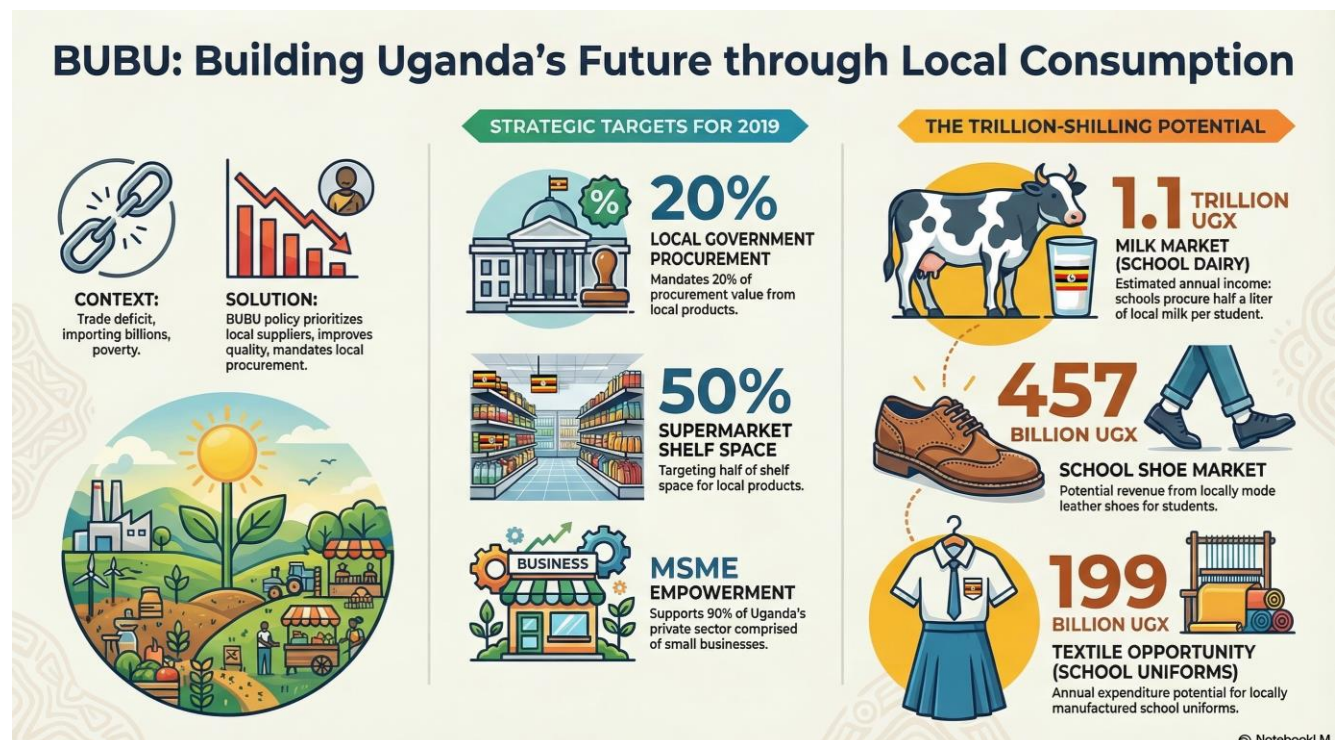
## 5. Challenges and Negative Impacts

Despite the benefits, industrialization carries a heavy "dual face" of development.

- **Economic Obstacles:** High interest rates, **unreliable power supply**, competition from **dumped/second-hand goods**, and profit repatriation by foreign owners.
- **Social Toll:** Rapid urbanization leads to **rural-urban drift**, the creation of **slums**, and overloaded social services. There are also concerns regarding **low wages** and the need for a minimum wage.

**Environmental Degradation:** Factories often discharge untreated chemical effluents into water bodies like **Lake Victoria**, causing pollution and health issues such as lung cancer. Large-scale projects can also lead to the **displacement** of local communities.

## GOVERNMENT OF UGANDA INTERVENTION ON INDUSTRIAL GROWTH.



The **Buy Uganda Build Uganda (BUBU)** policy is a strategic intervention designed to transform Uganda from a "poor peasant society" into a modern, prosperous, and competitive economy. Its importance stems from several critical economic and social factors:

The **Buy Uganda Build Uganda (BUBU)** policy is designed to solve a range of economic, structural, and social challenges that have hindered Uganda's growth. The primary issues addressed by the policy include:

### **1. Economic Imbalances and Trade Deficit**

- **Worsening Trade Deficit:** Uganda has faced a significant trade gap, with a deficit of **\$2.5 billion in 2011/12**. This is driven by low export earnings from primary products versus high expenditure on finished manufactured imports.
- **Import Dependency:** The country currently imports a vast range of products it has the capacity to produce locally, such as **textiles, footwear, beverages, and paper products**.

### **2. Constraints on Local Producers and MSMEs**

- **Barriers to Formalization:** Micro, Small, and Medium Enterprises (MSMEs) face high costs for business formalization, high capital costs, and low technological innovation, which traps many in the informal sector.
- **Limited Market Access:** Despite the growth of supermarkets, local producers struggle to secure shelf space because they often fall short of stringent supply terms, such as **proper packaging, barcoding, and business registration**.
- **Lack of Bargaining Power:** Due to their small size, local MSMEs often find it difficult to bargain with buyers or lobby for favorable regulations.

### **3. Quality and Standards Issues**

- **Non-conformity to Standards:** Many local products do not meet the minimum quality requirements for public use or sale.
- **Cost of Certification:** The process for obtaining official quality and standard marks (Q&S) is often **laborious and expensive**, leading to low compliance among local enterprises.

### **4. Competitive and Social Challenges**

- **Established Global Brands:** Local products face stiff competition from well-funded, established international brands that utilize aggressive marketing and advertising.
- **Negative Consumer Mindset:** There is a prevalent belief among consumers that Ugandan products are **inferior to foreign alternatives**, a mindset the policy seeks to change by promoting the "Proudly Ugandan" brand.
- **Youth Unemployment:** With 83% of the population under 30, the policy addresses the challenge of providing meaningful employment by creating ready markets for the goods produced by the youth-dominated informal sector.

## 5. Health and Sectoral Gaps

- **Child Nutrition and Education:** The policy identifies a lack of milk provision in schools despite its link to better health and education performance. By mandating local procurement, it seeks to solve nutritional gaps while boosting the **dairy sector's income**

## 6. Poverty Eradication

- Ultimately, the policy is a tool for **poverty eradication**. By improving the incomes of local producers and ensuring that 20% of government procurement (by value) is sourced locally, the government aims to meet its 2040 poverty target of 5%

The **Buy Uganda Build Uganda (BUBU)** policy supports local industrial growth and development through several strategic interventions designed to create a vibrant, competitive private sector and transform local products through the value chain.

### 1. Creating Guaranteed Markets through Public Procurement

The policy uses government spending as a primary driver for industrial growth. By leveraging the **PPDA Amendment Act 2013**, the government implements **preference and reservation schemes** that prioritize local suppliers for public contracts.

- **Strategic Target:** The policy aims for **20% of the total value of government procurement** to be sourced from local products and services.
- **Sectoral Impact:** By mandating that security agencies (Army, Police, Prisons) and the education sector source uniforms and shoes locally, the policy creates a market worth billions of shillings for the textile and leather industries.

### 2. Integration into Modern Retail (Supermarkets)

A major hurdle for local industries is accessing shelf space in large supermarket chains, which currently import most of their stock. The policy supports development by:

- **Capacity Building:** Assisting Micro, Small, and Medium Enterprises (MSMEs) in meeting stringent supply requirements, such as **proper packaging, barcoding, and business registration**.
- **Shelf Space Target:** The policy sets a target for **50% of supermarket shelf space** to be populated by locally produced goods.

### 3. Enhancing Quality and Competitiveness

To ensure local industries can compete with global brands, the policy emphasizes **conformity to national standards**.

- **Standardization:** It provides a framework for local enterprises to acquire **Quality and Standard (Q&S) marks** from the Uganda National Bureau of Standards (UNBS).
- **Vision:** The goal is for **50% of local products** to conform to national standards within five years, helping to erase the mindset that local goods are inferior.

#### 4. Strengthening Forward and Backward Linkages

The policy encourages industries to utilize Uganda's abundant natural resources, creating a self-sustaining industrial loop.

- **Resource Utilization:** It aims for **50% of local resources and raw materials** to be utilized in production processes.
- **Industrial Obligation:** The policy seeks to oblige industrial enterprises to use local materials in their production processes to stimulate growth. For example, using local hides to produce the estimated **8.4 million pairs of shoes** required by primary students would support the domestic leather industry.

#### 5. Branding and Innovation

The government supports the private sector in developing the "**Proudly Ugandan**" brand to improve marketability. By facilitating participation in trade fairs, exhibitions, and bazaars, the policy helps local industries promote their innovations and reach a wider consumer base.

#### 6. Sector-Specific Stimulus

The policy identifies and targets high-potential sectors for industrialization:

- **Textiles:** Encourages forward and backward linkages to exploit local resources for both local use and export.
- **Oil and Gas:** Aligns with regulations that require contractors to give **preference to Ugandan goods and services** in the oil sector.
- **Dairy:** Proposes regulations for schools to procure locally produced milk, which could generate an estimated **1.1 trillion UGX** for the dairy sector

### TRIALS SCENARIOS

#### Scenario 1:

You are a lead consultant hired by a cooperative of cotton farmers in **Kasese**. For years, these farmers have been engaged in **primary industry** by selling raw cotton to middlemen at low prices. Now, inspired by the government's "**Buy Uganda Build Uganda**" (**BUBU**) policy, the cooperative wants to establish a **secondary industry**—a modern textile and garment factory—to add value to their produce before it is sold.

#### TASKS:

1. **Identify and explain four physical and economic factors** that favor the establishment of this textile factory specifically in the Kasese region.
2. The farmers are worried about competition from **second-hand clothes** imported from overseas. As their consultant, explain how the BUBU policy could protect their new industry and discuss one other challenge, such as **unreliable power supply** or **limited capital**, they might face.
3. How would transitioning from selling raw cotton to manufactured garments lead to the **diversification of the local economy** in Kasese?

### **Scenario 2:**

An international investor has proposed building a massive new **chemical and leather tanning industrial complex** in **Jinja**, near the banks of the **River Nile**. The **Minister in charge of Industrial Development** is eager to approve the project because it promises to create thousands of jobs for the youth and increase **government tax revenue**. However, local environmental activists and residents of nearby **informal settlements (slums)** are raising concerns about the potential for **water pollution** and the "urbanization of poverty".

### **TASKS:**

1. **Evaluate the "Dual Face" of this project:** Create a table or list showing three potential **positive economic impacts** and three potential **negative environmental or social impacts** this factory could have on Jinja.
2. The activists fear that the factory will discharge **untreated chemical effluents** into the Nile, similar to reports from other factories in the region. If you were the **Minister**, what specific **laws or regulations** would you implement to ensure this development benefits the local people without destroying the environment?
3. Discuss how the promise of jobs at this new factory might contribute to **rural-urban drift** and the further expansion of **slums** in Jinja. What are the resulting risks for social services like schools and health centers?