THE REPUBLIC OF UGANDA

MINISTRY OF TOURISM, TRADE AND INDUSTRY

KEY NOTE ADDRESS BY THE MINISTER AT THE TOURISM, TRADE AND INDUSTRY SECTOR WORKING GROUP MEETING, 2009

Your Excellency, the Ambassadors here present,

Members of Parliament,

Permanent Secretaries

Senior Government Officials,

The Private Sector,

Ladies and Gentlemen:

It gives me great pleasure to be delivering this key note address at the first meeting of the Tourism, Trade and Industry sector Working Group that has been organized on the theme *"enhancing Uganda's competitiveness through employment creation and value addition.* The Tourism, Trade and Industry sector is indeed an important sector for the transformation of this country from a predominantly peasant society to a middle income country, and for us to do this, we must enhance Uganda's competitiveness through employment creation and value addition. Before delving into the details of the key note address, allow me to first welcome you to this review meeting; *you are all welcome*. I also wish to congratulate the sector for finally moving to set up a Sector Working Group. I cannot but pat myself on the back since this is happening under my tutorage.

Turning to the Tourism, Trade and Industry sector, I wish to begin by reiterating the importance of this sector to the economy and its potential to contribute significantly to the attainment of the national vision of transforming Uganda from a poor peasant society to a middle income country within thirty years. The sector is and will remain un-equaled in creating employment and spearheading value addition, the theme of our meeting today. It is important that as you engage in this Sector Working Group meeting you recall that we have just launched a five-year Strategic Investment Plan and had a number of sub-sectors getting their Policies approved by Cabinet. I am also aware that we have just written sub-sector thematic papers for the National Development Plan. Therefore, much as we are having a Sector Working Group meeting for the first time, we are not starting from zero. In the context of implementing all these initiatives, we must reposition ourselves to enhance the country's competitiveness, create employment and promote value addition.

The Tourism sub-sector

The importance of the tourism sub-sector cannot be under-estimated; with the sub-sector contributing 3.7 percent to GDP in 2008. The sub-sector has continued to experience growth, with total arrivals and departures increasing by 32 and 30 percent respectively in 2008. Similarly, visitors to National Parks increased by 9 percent in 2008. The year 2008 recorded a total of 844,000 tourists to the country compared to about 642,000 tourists that were recorded in the previous year. About 138,000 persons visited the National Parks in 2008 compared to 127,000 in 2007, reflecting an increase of 9.0 percent.

While this trend is positive and good, we should strive to make it even better. If the sub-sector can perform like this with minimum investment, it certainly can perform much better with improved investment. Investment in marketing, conservation and infrastructure development are key issues for us to focus on. It is my anticipation that this Sector Working Group meeting will work out the best modalities for taking this forward.

You will recall that tourism is one of the key services areas; and that estimates indicate that for every ten new jobs created eight are in the services area. I am aware that one of the strategic objectives under the Ministry's Strategic Investment Plan is to 'increase the contribution of tourism to GDP and employment'. I am therefore optimistic that in our discussions today, we will be able to identify and agree on the best options for us to achieve this objective.

The Trade Sub-Sector

The Trade sub-sector has undergone significant transformation over the last few years. We now have a *National Trade Policy,* premised on the theme *'trading out of poverty, into wealth and prosperity'.* Similarly, there is a National Trade Sector Development Plan covering the period 2008/09 – 2012/13, which implements the Policy. There are a number of thematic areas that have been identified for emphatic interventions; notably;

i) Institutional and legislative reform
ii) Competitiveness enhancement
iii) Value chain management and value addition
iv) Private sector development and development of entrepreneurial skills
v) Trade facilitation
vi) Enhancement of trade negotiations capacity, and
vii) Pursuance of regionalism and bilateralism with a view to enhancing increased trade and investment flows

It will be important that we remain focused while being flexible as we implement these policies. The process of developing these was extensively consultative, and we are duty bound to meet the expectations of our stakeholders, and to allow for bringing on board any new fundamental issues that may arise in the course of implementation. The aspect of complementing the *National Industrial Policy*, especially with respect to value addition must remain a central focus during implementation. The thematic area of competitiveness enhancement is central to theme of this Sector Working Group meeting and we must come up with concrete ways of delivering this by the end of our meeting. It is only through enhancing competitiveness, adding value to our produce and creating employment that the sub-sector will indeed help the country to transform. I therefore implore you to remain steadfastly focused on this.

Looking at the performance of the sub-sector, one notes that the trade balance worsened during 2008; a situation that we should work to reverse. The worsening trade imbalance is inspite of the fact that exports of goods and services grew by 13.2 percent in 2008/09 while the sub-sector contributed 21.3 percent to the total GDP at current prices in the same period with goods and service exports contributing 17.6 percent and 3.6 percent of the total GDP respectively. The COMESA and the European Union regional blocs are the main destinations for Uganda's exports, while the Asian continent remains the main source of Uganda's imports. We are also experiencing an increase in informal cross-border trade, with our informal export earnings increasing to US $ 1.3 billion in 2008; with Sudan, Democratic Republic of Congo and Kenya being the top three destinations of the informal exports. While the increment *per se* is good, the fact that the increasing informal exports are to countries with which we are in a regional integration bloc – (East African Community in the case of Kenya, and COMESA in the case of Sudan and DRC) – implies that some fundamental aspects of regional economic integration and trade facilitation are not working properly. We should therefore work to rectify them, whether through deliberate response strategies or a combination of tools.

The widening unfavourable trade balance could be attributed to the continued exportation of unprocessed agricultural products which form the bulk of Uganda's exports. The Government has continuously pursued market diversification strategies, both in terms of products and markets, and more effort has been directed towards processing of specific crops that have previously contributed considerably to the total export value. Government has secured external markets in the region under the East African Community Customs Union and the COMESA as well as in the European Union under the Economic Partnership Agreement, to mention but a few. For us to meaningfully benefit from the markets we must have clearly spelt out response strategies focusing on value addition, complying with Sanitary and Phyto-sanitary regulations and reducing the cost of doing business. In the latter, an improved legal and regulatory environment, institutional efficiency, provision of trade facilitating infrastructure and trade facilitation will be instrumental. We should work out the modalities here and now, lest the opportunities we have created are taken by someone else.

Another key instrument implementing the National Trade Policy is the National Export Strategy. In the context of implementing the Strategy, we intend to build a National Export Development Center with a network of satellite export development points all over the country. This will directly link with the grass-root communities, thus operationalizing our philosophy of using domestic trade as a springboard to engage in international trade. We have already secured land on which to build the centre and our next task now is to mobilize resources for the construction and ensuring that it indeed meets stakeholders' expectations. We will, among others, use the satellite points to mobilize and support tens of thousands of Ugandans to engage in export trade, with special focus on Small and Medium Enterprises (SMEs).

Industry and Technology sub-sector

This is an important sector for the transformation of Uganda. As you are aware, Uganda's vision is to transform from a poor peasant society to a middle income country within thirty years. And it is this sub-sector that will drive the transformation process. The challenge therefore, is to demonstrate that we are capable and committed to provide this leadership. Transformation will be driven by adding value to what we produce; a process that makes the economy more competitive and creates employment opportunities. All our priority interventions in this sub-sector must therefore be geared towards ensuring enhanced value addition locally, creation of employment opportunities, and making the economy more competitive in the domestic, regional and international markets.

Over the recent past, the sector has experienced mixed fortunes. For example, the industrial sector is estimated to have grown by 3.8 percent in 2008/09 down from the 9.1 percent growth rate for 2007/08. The percentage contribution of industry to the total GDP at current prices was 24.2 percent in 2008/09, and the major activity under industry is construction. The mixed trend in the growth of the sub-sector are mainly due to the inadequacies in the energy sector and weather variations that affect the agricultural sector on which the country's industrial sector relies significantly.

The sub-sector has in place a National Industrial Policy, but is yet to develop an implementation Plan. However, key issues on which we must focus are value addition and diversification into high-tech industrial products. Technology development and transfer will be very instrumental in this process. We must also promote innovation, and where necessary reward it. We cannot develop our industrial sector without standardization; and we must therefore address our inadequacies in this area. Stronger institutions, enforcement, and community appreciation of standards should help us in this; but we must deliberately plan to have these in place. It is my hope that this Sector Working Group will work out the details of how this can be done.

The industrial sub-sector must position itself to complement other Government programmes such as the NAADS and the Marketing and Agro-Processing Strategy (MAPS) of the PMA. With both NAADS and MAPS, the total agricultural output is expected to increase; and we must add value to this through processing. This is one of the fundamental reasons that the sub-sector exists. In addition, the agricultural zoning programme completed sometime back should be able to guide the industrial sub-sector in its interventions regarding agro-processing. It is my conviction that this Sector Working Group meeting will look into all this and provide options to take us forward, particularly in the context of being more competitive, adding value and creating employment opportunities.

Wildlife Conservation Sub-Sector

Uganda's wildlife resources are some of the globally most unique, diverse and rich, comprising 11 percent of global bird diversity (50 percent of Africa's bird species population), 7 percent of the global mammal diversity (39 percent of Africa's mammal population), and 53.9% of the global population of "traditional Mountain Gorillas"; with 100% of the famous Bwindi Gorilla Sub-Species. The Country also boasts of 19% and 14% of Africa's amphibian and reptile species richness respectively. With these resources, there is no reason why Uganda should not be the world leader of wildlife-based tourism. The main challenge is conservation and marketing for tourism purposes, both locally and internationally. There is a saying that 'an exposed stone cannot damage a hoe when someone is digging'. Since we already know these challenges, I implore you to devise solutions for them and to make sure that they are implemented to the letter. We must devise means of adding value to our wildlife resources, and reposition our wildlife sector to create more employment opportunities. This will require concerted efforts and close inter-sectoral linkages.

Uganda's wildlife sub-sector is guided by the Uganda Wildlife Policy and the Uganda Wildlife Act Cap 200. The sub-sector's goal is "to conserve in perpetuity the rich biological diversity and natural habitats of Uganda in a manner that accommodates the development needs of the nation and the well-being of its people and the global community". In this context, let me stress the importance of finding a win-win outcome in the wildlife-human beings relationship, especially in communities around the protected areas. In 2007, communities neighboring Gorilla parks received Ushs 206 million as a percentage from Utilized Gorilla permits and over 200 million was distributed to the districts of Kanungu, Kisoro and Kabale in September 2009 as part of Gorilla levy. At full capacity utilization, the national annual economic contribution of Gorilla tourism alone is estimated to be US$ 4.4 million foreign exchange earnings. This is therefore a sector with great potential and we must do everything possible to fully exploit this potential.

The wildlife sector intends to focus on, *inter alia,* protection and sustainable development of wildlife resources, including enhancing specialized employment opportunities through control of problem animals, value addition including wildlife farming and ranching, and upgrading access infrastructure to wildlife conservation areas. Nevertheless, I must emphasize that priority interventions for the sector must be geared towards adding value to our wildlife resources and creating employment opportunities, especially for the youths and women.

Cooperative Development Sub-sector

The sub-sector is mandated to ensure that a vibrant Co-operative Movement is developed and that the members of the cooperatives benefit from their membership. Thus, the sector continues to facilitate the formation, registration and promotion of various forms of cooperatives. Currently, cooperative societies stand at 10,797 and are in the areas of saving and credit (SACCOS), agricultural marketing, dairy, transport, housing, fishing, tourism, and multipurpose. By the end of May 2009, 3,685 SACCOs had been mobilized, formed, registered and strengthened to extend financial services to the rural communities and peri-urban areas. Suffice to note that SACCOs have mobilized savings and share capital to the tune of over Ushs 100 billion. This can even be increased with enhanced deliberate interventions. As you appreciate, savings drive investment; and for us to drive up domestic investment, we should drive up domestic savings first. SACCOs are an important vehicle and we should consolidate them while facilitating the formation of more.

By the end of May 2009, there were 7,112 registered producer cooperatives compared to 5085 at the end of 2008, registering an increase of 40 percent. By the end of May 2009, there were 103 Secondary Societies involved in bulk marketing, value addition, and agro-processing compared to 65 by close of 2008. This has led to better bargaining power, there by helping to smoothen income flows to the members.

The rolling out of Warehouse Receipt System operations from one in 2008 to three in 2009 is another significant achievement. Currently there are warehouses in Jinja (Agro-Ways Ltd), Masindi (Masindi Seed Growers Association) and Kasese (Nyakatonzi Cooperative Union Ltd) fully certified, licensed and regulated by the Uganda Commodity Exchange (UCE). These warehouses have been able to assist farmers to sell thousands of tones of produce for the farmers to World Food Programme and other international traders at premium prices. In just only three districts, we need to expeditiously roll out the System. Besides rolling out the Warehouse Receipt System, our efforts should also focus on building the capacity of these Cooperative Societies, improving the governance and accountability to members, and using them as avenues for provision of market information and fostering compliance with standards.

It is important to note that cooperatives form a fundamental basis for us to attain our ambition as reflected in the theme of our conference today. Competitiveness will be driven by, *among others*, meeting market expectations with respect to standards, affordability and availability of financing, and adding value to what we produce. There is no doubt that cooperatives are an important avenue through which all this can be achieved. The main task before us now therefore is to agree on the 'how'. I have confidence that this Sector Working Group meeting will help us answer this, and to set priorities with respect to getting to where we want to be.

Conclusion and Official Opening

Colleagues, Honourable Members of Parliament, ladies and gentlemen, with all these there is no doubt that the tourism, trade and industry sector has a pivotal role to play in attaining the national vision of transforming into a middle income country within thirty years. How well we play this role depends on how we position ourselves as a sector. We must win the confidence of others, not just by the things we promise or plan to do, but rather by the things we actually do. This will require prioritization; and this must come from this Sector Working Group retreat. We are in the process of finalizing different projects aimed at creating employment and promoting value addition, with different sub-sectors having developed relevant projects. I am aware that these will be discussed at this forum and it is my prayer that you consider these carefully and enrich them. Value addition and employment creation are important instruments of transformation, and we must be at the vanguard of this process.

With these remarks, I would like to assure you of political support in the process. Our expectations of the sector are very high; and you cannot afford to disappoint us. To take all the issues I have just highlighted forward will require a lot of dedication at both planning and implementation phases. I therefore wish to call for your dedication at these stages.

It is now my pleasure to declare this Sector Working Group retreat of the Tourism, Trade and Industry sector officially open; and to wish you fruitful deliberations.

Thank you for your kind attention.

For God and my Country