

Implementing Buy Uganda, Build Uganda

Improving Linkages between Exporters and Local Industry

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Today's presentation: four key points

- ▶ Recent Ugandan export performance is impressive and has been driven by Government of Uganda and EAC policy
- ▶ Ugandan exporters have driven output and productivity growth directly and indirectly through their supply chain
- ▶ The key to supporting this growth in the future is to encourage supply-chain deepening to the domestic economy
- ▶ 'Buy Uganda, Build Uganda' can support these linkages if following international best practice

Transport time and cost have fallen since 2009



As transport times have fallen export volumes have risen



Effect of transport cost reduction

- ▶ Empirical strategy: identify causal impact of exporting on exporter and supplier performance
 - ▶ Direct effect: exporters grow and become more productive
 - ▶ Indirect effect: suppliers grow and become more productive
 - ▶ Increased demand for both domestic inputs and imports
- ▶ Firm level data from URA

Exporting leads to a 13% increase in exporter output and 12% increase in exporter output per worker

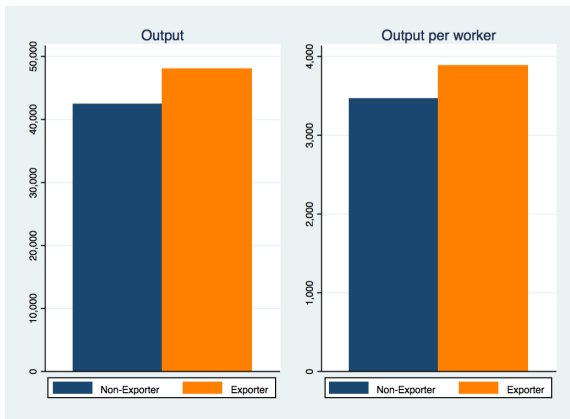


Figure: Results from regression coefficients applied to “typical” Ugandan firm in the manufacture of beverage sector

Exporting leads to a 8% increase in exporter input usage
and 9% increase in exporter import usage

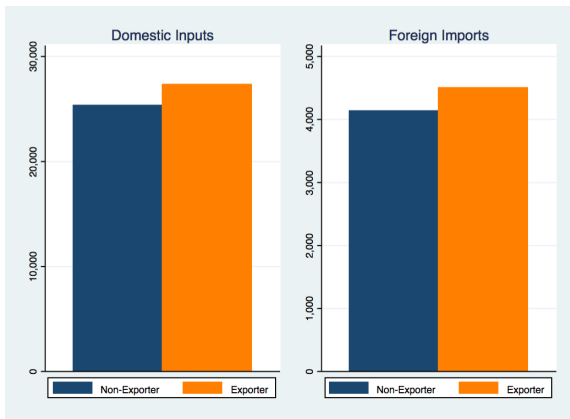


Figure: Results from regression coefficients applied to “typical” Ugandan firm in the manufacture of beverage sector

Exporting leads to a 22% increase in supplier output per worker

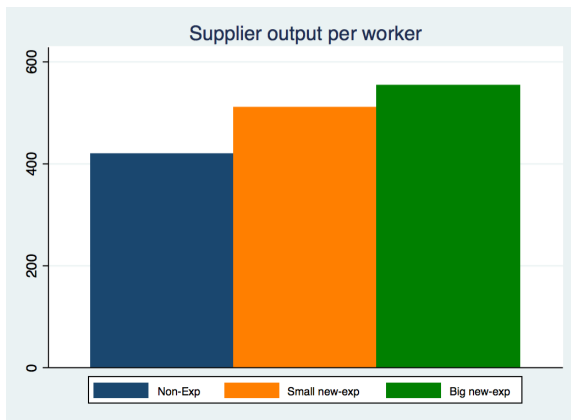


Figure: Results from regression coefficients applied to “typical” Ugandan firm in the manufacture of beverage sector

Export and export supply-chains

- ▶ Exporters drive growth through
 - ▶ Direct effect: exporter growth
 - ▶ Indirect effect: supplier growth
- ▶ Importance of linkages to domestic supply-chain

Most important suppliers in export support services

Table: Top 15 interconnected export suppliers

n	Supplier business activity	# firms supplied
1	Cargo handling	1409
2	Warehousing and storage	1251
3	Manufacture of batteries and accumulators	765
4	Sale of motor vehicle parts and accessories	690
5	Wired telecommunications activities	635
6	Manufacture of other fabricated metal products n.	625
7	Wired telecommunications activities	606
8	Warehousing and storage	594
9	Retail sale of hardware, paints and glass in spec	555
10	Publishing of newspapers, journals and periodical	546
11	Manufacture of basic iron and steel	542
12	Construction of utility projects	522
13	Manufacture of plastics products	501
14	Cargo handling	501
15	Manufacture of plastics products	492

A handful of firms supply almost all exporters

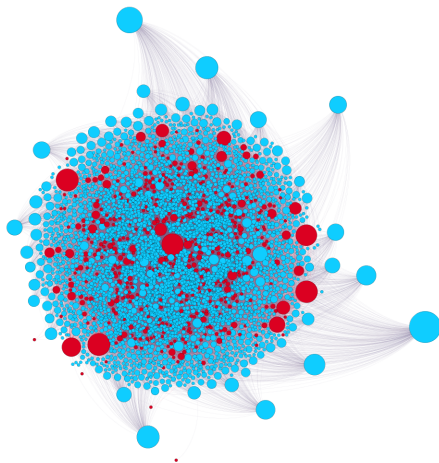


Figure: All exporting manufacturing firms in Uganda (red) and their suppliers (blue). Size indicates the firm's outdegree.

95% of manufacturing exporters import

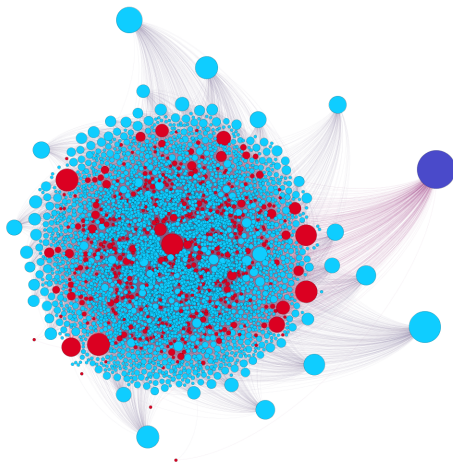


Figure: All exporting manufacturing firms in Uganda (red) and their suppliers (blue) and imports (purple). Size indicates the firm's outdegree.

BUBU Implementation

- ▶ BUBU about deepening domestic supply-chains
 - ▶ Important objective but has to consider international best practice

BUBU Implementation - what hasn't worked elsewhere?

1. Enforcement of strict local purchase rules for some firms
 - ▶ “x% of certain goods must be purchased from domestic firms”
 - ▶ “x% value-added must be within the country”
 - ▶ “x% export value allowed to import”
 - ▶ Examples: Latin American car industries, easy to circumvent
2. Export restrictions
 - ▶ export tax
 - ▶ export value-added on raw materials
 - ▶ examples: Pakistan cotton
3. Beggar my neighbour competition
 - ▶ Regional tit-for-tat protectionist policies
 - ▶ examples: Tanzania trucking levy

BUBU Implementation - what has worked elsewhere?

1. Local Content Units

- ▶ Buyers: 'Which local suppliers exist? Are they reliable?'
- ▶ Suppliers: 'What do buyers want? How do I bid for contracts?'
- ▶ Success stories: Mozambique, Ethiopia, Tanzania

2. Modern Company Database linked to tax dataset

- ▶ Full list of companies and products in a given sector.
- ▶ Government of Uganda stamp of firm transaction history
- ▶ Success stories: Germany, Online platforms

3. Targeting weaknesses to supply-chains

- ▶ Export support sectors in Uganda dominated by a few firms
- ▶ Missing input sectors: packaging, finance, etc.
- ▶ Success stories: green revolution

Questions for BUBU

- ▶ *'Oblige industrial enterprises to use local materials and or products in their production processes'* p19
 - ▶ Should we oblige companies? How about removing barriers?
- ▶ *'Provide incentives to support local producers in order to promote this policy.'* p19
 - ▶ What kind of incentives? How to avoid spending on the wrong areas?
- ▶ *'Enhance the capacity of local producers, suppliers in complying to supermarket requirements such as bar-coding packaging, business registration and standard certification.'* p20
 - ▶ Great idea, can we generalise to other requirements?

Conclusions

- ▶ Exporting really matters
 - ▶ Direct effect
 - ▶ Indirect effect
 - ▶ Importance of imports
- ▶ Buy Uganda, Build Uganda an important concept
 - ▶ Focus on reducing barriers and not strict targets or restrictions
- ▶ Consider practical suggestions
 - ▶ Business registry
 - ▶ Local content unit
 - ▶ Export support sectors
- ▶ IGC maybe able to help