



UGANDA
GREEN ENTERPRISE
FINANCE ACCELERATOR



Green Manufacturing

UGEFA Sectoral Brief

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Sectoral Context

Value-added manufacturing contributed [15.45%](#) of Uganda’s GDP in 2019. The sector is largely engaged in the production of low-value added goods, comprising basic consumer goods: processed foods; tobacco and beverages; non-metallic minerals and metallic fabrication; wood and wood products; chemicals and chemical products; leather and footwear; textiles and apparel; sawmilling, printing, and publishing ([Friedrich-Ebert Stiftung, 2017](#)). Much of the value addition is driven by food processing, which accounts for 40% of the manufacturing index ([Economic Policy Research Center, 2018](#)). Small and medium enterprises, which generate over 80% of the manufactured output, are key to the sector.

Investment in value addition manufacturing – and industrialisation more widely – is a core tenet of Uganda’s green growth strategy. Promotion of agro-processing, for example, is identified as a key driver for boosting the agriculture sector, which accounts for over two-thirds of the workforce. In the last financial year (ending June 2020), 168 manufacturing industries and factories were built. The value of new investments in the last year in manufacturing totalled US\$ 1,191,230 million ([Ministry of ICT](#)). Investment into green industrialisation is [expected](#) to contribute \$0.6 billion to GDP, reduce GHG emissions by 8.9%, and create 30,000 jobs by 2040.

Investment into the manufacturing and industry sector is critical to keeping greenhouse gas emissions low – thereby mitigating climate change – and in reducing pollution and environment degradation, and preserving natural resources such as water and forest cover. As the manufacturing and industrial sectors grow, low-carbon technologies, energy efficiency measures, and integration of manufacturing value chains into the circular economy offer opportunities for the sectors to drive green growth.

Relevant Policies and Strategies

[Uganda Vision 2040](#)

[Buy Uganda Build Uganda Policy](#)

[Third National Development Plan \(NDP III\) 2020/21 – 2024/25](#)

[Draft National Industrial Policy 2018](#)

[Draft National Industrial Development Strategy](#)

Government Stakeholders

- Ministry of Trade, Industry and Cooperatives
- Ministry of Agriculture, Animal Industry and Fisheries
- National Planning Authority
- Ministry of Finance, Planning & Economic Development

What is “green” manufacturing?

Manufacturing covers a wide range of activities – including the processing of raw materials into value-added products. There is therefore a significant overlap with other sectors – construction, agriculture, forestry, handicrafts, and clean energy among others. Core to manufacturing is the addition of value to products before they enter the market.

As manufacturing focuses on the value addition activities, the core of “green” manufacturing is developing clean production methods and ‘greening’ the manufacturing process. This can

include sourcing sustainable inputs, using low-carbon technologies in the production process such as solar dryers, and finding green packaging alternatives. It can also mean integrating into the circular economy – using waste as an input, increasing energy and resource efficiency, or linking waste streams to other industries.



Sustainable inputs



Energy-efficient production



Circular economy


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Priority Topics in Green Manufacturing

In line with the Third National Development Plan (NDP III) and draft National Industrial Development Strategy 2020–2025, priority areas for the manufacturing sector include:


1. **Economic transformation through value addition** to locally available resources, particularly in the agro- and extractive sectors.
2. **Job creation and inclusion** in the agriculture sector, with spill-over and linkages to other sectors.
3. **Improvement of the current account** by reducing imports and establishing strategic industries such as petrol, cement and fertilisers.
4. **Create linkages through green industrial parks and manufacturing hubs** that support green growth ([Konrad Adenauer Stiftung, 2020](#)).
5. **Increasing MSME contributions to manufacturing** to 24.5% by 2019/20 ([MTIC, 2017](#))

Expected Impacts of green manufacturing SMEs




Resource Efficiency

- Reduction in energy consumption costs through energy efficiency measures
- Increased value addition to natural resources




Environmental Preservation

- Reduction of pollution through reduced toxic chemical usage and improved waste management



Job creation

- Direct Employment creation (full time and part time)
- Indirect Employment creation
- Benefits provided to employees
- Employment of vulnerable groups, including women



Climate change mitigation

- Reduction of carbon emissions
- Sustainable water management and usage

by 2030

Uganda Green Growth Development Strategy Targets

- Increased value addition in the agriculture sector by UGX 77 billion/year
- 40% of agriculture value addition jobs for women; 10% for other vulnerable groups
- (on demand side) Planned green cities – promotion of sustainable procurement and linkage between rural areas and cities

SME Impact Chains






How do we trace SME impacts, while supporting SMEs to do the same?

SMEs bring innovative technologies to the market that contribute to national targets. Impact mapping involves tracing SME impact chains, considering:

- 1 **Technology**
Resource efficiency
Sustainable consumption and production
- 2 **Business activities**
Production
Distribution
Installation
Servicing / maintenance
- 3 **Direct SME Impacts**
Productivity
Job creation
Inclusion
Environmental
- 4 **National Targets**
Green growth
Sustainable development

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Common Sector Technologies and SME Activities

	Role of SMEs	Common business activities
 <p>Agro-processing</p>	<p>SMEs are involved in food processing activities such as coffee, tea, sugarcane and cassava. (GGGI, 2017).</p>	<p>Sourcing of the inputs, processing through sorting, roasting, fermenting, drying, mixing, milling and grinding, packaging the products, and distributing the products.</p>
 <p>Textiles & Clothing</p>	<p>SMEs are involved in value addition in textiles, clothing and footwear, often from imported inputs such as kitenge.</p>	<p>Value addition to raw material, and distribution of the products.</p>
 <p>Cosmetics</p>	<p>The cosmetic market is growing fast, and SMEs are involved in manufacturing cosmetics, soap, and foam products.</p>	<p>Research and development, sourcing, processing, packaging and distribution.</p>
 <p>Construction Materials</p>	<p>As urbanisation creates a growing housing and construction market, SMEs play an important part in the construction value chain.</p>	<p>Sourcing of inputs (e.g. waste) and processing of the inputs into construction materials such as posts, tiles, bricks, and cement.</p>
 <p>Household Goods</p>	<p>Responding to growing demand and rising incomes, SMEs produce furniture, crafts, and other goods such as sanitary pads and everyday items.</p>	<p>Research and design, sourcing inputs, processing, packaging and distribution</p>

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Common SME Financing Needs

Start Up

Common	<ul style="list-style-type: none"> Skills and training for employees and to improve quality e.g. in packaging Financing skills trainings and advisory for competitiveness 	Sectoral	<ul style="list-style-type: none"> Technology to support with setting up accounting systems Moving from subsistence to commercially viable business
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Working Capital

Sectoral	<ul style="list-style-type: none"> High costs of importing raw material for packaging Working capital for agri-inputs during harvest season Support to make productive use of machinery across seasons 	Common	<ul style="list-style-type: none"> Financing to connect to clean power (through the grid, or through generation) High operational costs Financing for technology for accounting and financial management Storage facilities, packaging facilities
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Growth

Common	<ul style="list-style-type: none"> Investment into technology to fulfil larger orders Financing for investment into warehousing and manufacturing facilities Compliance with export standards and packaging quality (role for local government) Acquiring energy efficient machinery (one solution is financing ISO compliant machinery) 	Sectoral	<ul style="list-style-type: none"> Financing to ensure traceability of value chains to reach export standards and compliance (e.g. on child labour) Financing for producer responsibility e.g. on packaging Organic certification to enter export markets and expand distribution
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Ecosystem Insights

There is a significant opportunity to work together as an ecosystem to support the development and scale of enterprises operating in the green manufacturing sector.

- 1. Support for expanding into regional and international export markets**, which represents a significant opportunity in this sector. This includes support for certification, meeting international standards and quality requirements, and traceability in the value chains.
- 2. Investing in a gap study for SMEs and sharing information** to generate more insights into the opportunities and challenges of the sector.
- 3. Build a pipeline of commercially viable businesses** that receive tailored support to build and grow their enterprises, moving from microfinance to larger ticket sizes.
- 4. Working across sectors** and leveraging the role of local government, financial institutions, enterprises and more to standardise and ensure compliance in the sector.

Industry Associations



Insight Contribution from Ecosystem:

Ancywax	MicroGen Renewables	World Bank Group
Challenges Group	Open Capital Advisors	
DALI	Patience Pays Professionals Organisation	
Diverse Agricultural Enterprise	Reliable and Eco Solutions Ltd	
Focus Youth Forum	RTI International	
FSD Uganda	Rural Women and Youth Empowerment Centre (RWAYEC)	
GIZ	Safeplan Uganda	
GroFin	Uganda Small Scale Industries Association	
Imprint (U) Ltd	UNFCCC	
Matibabu	USAID	



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