

20 February 2025 - Kampala

Enhance the integration of Uganda SMEs in regional value and supply chains

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NATIONAL CONSULTATION WORKSHOP FOR THE LAUNCH OF THE UN TRADE AND DEVELOPMENT PROJECT ON SMALL AND MEDIUM-SIZED ENTERPRISES PARTICIPATION IN REGIONAL VALUE AND SUPPLY CHAINS IN UGANDA

CONCEPT NOTE

Venue: Boardroom 3, 3rd Floor, Protea Hotel by Marriott Kampala, Uganda

Date: Thursday 20th February 2025

Time: 9:00 AM to 3 PM

I. Background

Uganda has experienced steady economic growth over the past two decades, with GDP per capita increasing from USD 418 in 2000 to USD 858 in 2023, both at constant 2015 prices. In 2023, Uganda's economy was primarily driven by services (45% of GDP), followed by industry (28%) and agriculture (27%). Export revenues are heavily concentrated on a few commodities, such as coffee (21%), gold (16%) and fish (7%), limiting the country's economic diversification.

Regional trade plays a significant role, as 41% of Uganda's exports are destined for African markets. Key intra-African exports include coffee (9%), cement (8%), sugar (7%), and milk and milk products (6%), with a higher proportion of manufactured products compared to global exports. Most Uganda's exports to African markets are directed to members of the East African Community (EAC). The country's primary regional partners are Kenya, South Sudan, the Democratic Republic of Congo, Rwanda, and Sudan.

However, Uganda faces significant challenges in its trade structure and private sector development, particularly in integrating Small and Medium Enterprises (SMEs) into Regional Value Chains (RVCs). Regional integration through the EAC, the Common Market for Eastern and Southern Africa (COMESA), and especially the African Continental Free Trade Area (AfCFTA) offers significant opportunities, with the AfCFTA holding an export potential of USD 217 million from partial tariff

liberalization¹. However, non-tariff barriers, such as regulatory inconsistencies, border closures, and infrastructure deficits continue to restrict trade. Informal cross-border trade (ICBT) remains widespread, especially in agricultural products, due to limited formal market access and trade facilitation tools.

SMEs dominate Uganda's private sector, yet they face persistent challenges, such as high electricity costs, limited access to finance, and insufficient technological adoption. While SMEs contribute significantly to employment, their export participation remains low, with most focusing on domestic markets. The government's Third National Development Plan emphasizes investment in ICT and manufacturing to support economic transformation; however, persistent underinvestment and structural constraints hinder progress.

The UNCTAD project on enhancing the capacity of African vulnerable countries in adopting policy incentives and innovative instruments for SMEs' participation in RVCs, in partnership with the United Nations Resident Coordinator Office (UN RCO), the United Nations Capital Development Fund (UNCDF), United Nations Economic Commission for Africa (UNECA) and the United Nations Development Programme (UNDP) aims to address these challenges by equipping policymakers and SMEs with the tools, policies, and market knowledge necessary to integrate into RVCs.

The expected outcomes of the project include an impact study to analyze opportunities, challenges and gaps in inclusive industrial development and SME integration in RVCs, as well as capacity-building activities. The preliminary impact study will primarily focus on the iron and steel and automotive sectors, given their considerable potential for SMEs and strong alignment with Uganda's national industrialization goals. Secondary areas of focus will include pharmaceuticals, milk and dairy products, fish, and coffee, with an emphasis on leveraging value addition from the primary sectors. This strategic prioritisation aims to strengthen linkages between the primary and secondary sectors.

II. Objectives

This national consultation workshop will serve as a platform to gather insights from stakeholders to feed into the study, refine the project's implementation strategy, and enhance SMEs' capacity to leverage regional trade opportunities in the context of the AfCFTA. More specifically, the workshop will aim to:

- Launch and present the UNCTAD Project on enhancing SME participation in RVCs in Uganda.
- Discuss tools, strategies, and policy measures to improve SMEs' competitiveness, market access, and technology adoption, as well as challenges and opportunities for SMEs' integration into RVCs.
- Gather stakeholders' inputs to draft the study on opportunities, challenges and gaps in inclusive industrial development and SME integration in RVCs and to refine the project's implementation to ensure alignment with national priorities.
- As one of the pilot countries during the user-testing phase, gather stakeholders' input on UNCTAD's Cross Border Mobile Application, currently being developed to help improve data collection and access to trade and market information on cross-border trade.
- Share key findings from the UNCTAD-UNCDF joint case study on leveraging digital technologies and innovative financing for MSME integration into regional and global value chains, in the context of the AfCFTA.

¹ UNCTAD estimates

III. Expected results

- Improved understanding of the challenges and opportunities for Ugandan SMEs in integrating into RVCs.
- Incorporation of stakeholders' inputs to inform the project's strategy and impact study.
- Enhanced awareness of tools and policies to improve SME access to markets and technologies.
- Incorporation of stakeholders' inputs to guide the development of UNCTAD's Cross Border Mobile Application.

IV. Format

The workshop will include presentations and interactive consultation sessions to engage participants and collect actionable inputs. Approximately 45 participants are expected, including:

- Public sector (20)
- Private sector, civil society and academia (15)
- Technical and financial partners, including UN agencies (10)