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Call for Papers: Annual Bankers Conference (ABC) 2022

**Bridging financing gaps in the manufacturing and
tourism/hospitality sectors to catalyze economic
recovery & growth post 2021.**

**Are financial institutions up to this
task and responsibility?**

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Conference Dates: 25th & 26th July 2022

Background

Uganda’s national development plan (NDP III) highlights among others, manufacturing and tourism as key primary growth sectors that have development multiplier effects and as such considered priority areas of focus.

Manufacturing Sector

Manufacturing plays a crucial role in economic growth and development, reflected in its contribution to GDP and overall development. The multiplier effect of manufacturing is exciting – every shilling of output in the sector generates levels of economic activity across society through value chains and job creation. No sector in Uganda does more to

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generate broad-scale economic growth and, ultimately, higher living standards than manufacturing.

The manufacturing industry is a key engine of growth in Uganda because of its strong linkages and spill-over effects of the sector. In Uganda, the sector consumes a staggering 66.7 percent of all the power generated, employs over 1.3 million people, contributes 15.4 percent to the GDP, 19 percent of the total exports to the global market and 14 percent of the tax revenue collected.

This level of industrial contribution to GDP is however below the 35 percent mark for countries aiming to achieve middle-income status. The services sector makes the biggest contribution to GDP, standing at 43.2 percent, with agriculture taking the second place at 22.6 percent.

According to the NDP III for the planning period (2020/21 – 2024/25), manufacturing is essential for growth. It has a high potential for enhanced economies of scale for factor productivity and deeper, more dynamic, and stronger forward and backward linkages with other sectors. In addition, it has a greater diversification into a variety of economic activities - a robust manufacturing sector is expected to accelerate Uganda's industrialization agenda. A strong and competitive industrial base is important to create more employment, advance technology, and a resilient economy.

Today, on average, industries run at about 53 percent of their installed capacity. This is attributed to several challenges the sector is faced with that include: the high cost of doing business especially the uncompetitive electricity tariff; high interest rates (around 25 percent per annum); and market access challenges with bottlenecks instituted as non-Tariff Barriers within the EAC partner states and infrastructure to link the country's natural markets. Another challenge is delays in value-added tax refunds which locks up and deprives manufacturers of working capital.

In addition, Uganda's manufacturing sub-sector is small, uses basic technology. This is due to: (i) lack of requisite infrastructure to support manufacturing; (ii) limited access to financing mechanisms that can support manufacturing; (iii) weak SMEs in the industrial sector; (iv) proliferation of substandard goods and counterfeits on the market; (v) Poor

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linkage between trade and industrial development (vi) lack of a support system to nurture innovations to full commercialization (vii) high cost of doing business and (viii) weak legal/enforcement framework to support and promote manufacturing.

The National Industrial Policy which was published in December 2020 by The Ministry of Trade, Industry and Cooperative, is a framework for Uganda's industrialization, employment, and wealth Creation. The Policy Goal is 'increasing the manufacturing value-added as a percentage of GDP from 15.4 in 2018/19 to 26% by 2029/30'. The NIP has been designed to foster growth of the industrial sector anchored on inspiring structural transformation, with a principle focus on four result areas, namely:

- Increased value addition of local raw materials and products with comparative advantage for social-economic transformation.
- Increased exports of manufactured products by facilitating industries to increase production and match market demands in terms of both quality and quantity.
- Increased employment in the industrial sector through establishment and promotion of industries that create large-scale employment opportunities, ensuring inclusive growth and sustainable development.
- Increased adoption of environmentally sustainable technologies by manufacturing sub-sectors

The expected outcomes to be realized over the ten-year period of implementation are:

- Increased industry sector contribution to GDP from 27.1% in 2018/19 to 31.7% in 2029/30.
- Increased contribution of manufacturing to GDP from 15.4% in 2018/19 to 26% in 2029/30.
- Increased ratio of manufactured products exported to total exports from 22.5% in 2018/19 to 46.8% by 2029/30.
- Reduced ratio of manufactured products imported to total imports from 63.2% in 2018/19 to 45% in 2029/30.
- Increased share of jobs from manufacturing subsector to total formal jobs from 9.8% in 2018/19 to 15% in 2029/30.

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Impact of COVID-19 on the Manufacturing Sector

- The disruption on manufacturing caused by COVID-19 has had severe operational, social, and financial consequences. It has forced manufacturers to rethink risk management and contingency plans, workforce safety protocols, manufacturing operations and new ways of working opportunities, all at the same time.
- The manufacturing sector is still recovering from production shocks caused by supply chain disruptions, limited access to materials, repayment of loans with no production, shifting production patterns due to disruption of workplans for factory work, cost of transporting staff and safety measures undertaken by staff, and above all, a reduction in the addressable market for manufactured products.

The manufacturing sector accounted for 14.1% of total bank lending in 2007 and dropped to 13.1% of total bank lending by the end of September 2021.

Direct loan manufacturing exposure to financial institutions regulated by BOU currently stands at Ugx 2.2 trillion or 13% of total loan exposure. The expected role of the financial sector is to ensure sustainable delivery of access to affordable financial services for manufacturers, other industrialists, and key stakeholders across the whole value chain, and to facilitate delivery of credit that has been enabled by government and development partners to the relevant businesses in the sector at concessionary terms using the

Tourism Sector

Uganda has unique untapped potential in the form of eco-tourism, bird life, cultural and heritage sites, contrasting scenery and substantial game populations. However, these tourism resources are modestly exploited and less commercialized compared to many other countries in the region or even more developed economies in Asia, Europe, or America.

The hospitality and tourism sector is a major source of employment, government revenue and foreign exchange earnings. Without vitality in this sector, the economy could experience a dramatic contraction in GDP and a rise in unemployment. The tourism

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industry in Uganda accounts for 7.8% of GDP and 6.7% of total employment - creating close to 700,000 jobs.

Before the virus struck, tourism was the country's biggest foreign exchange earner raking in about \$1.45bn annually. Tourist exports amounted to US\$431 million in 2019, representing 6.3 percent of total exports.

Until recently, much of the tourism revenue has been international eco-tourism at high value per traveler. Business travel is also a vital component particularly in Kampala and accounts for some 40% of tourism receipts and 17% of arrivals.

Although the Covid-19 pandemic has constrained travel, there is optimism globally that tourism will grow. Tourism will continue to be a major employer and foreign exchange earner for Uganda providing an opportunity for many Ugandans and other businesses/investors alike to earn a decent living/revenue at various levels of the value chain.

In January 2022, The Uganda Tourism Board (UTB) launched a new brand identity that seeks to sustainably promote Uganda as competitive tourism destination for inclusive development. The new identity "Explore Uganda, the Pearl of Africa" launched by the President is part of UTB's 2021-2025 strategic plan that seeks to realign tourism marketing as well as sustainably increase the volume & value of tourism by uplifting investment and job creation, grow arrivals, increase competitiveness of tourism destinations, collection and access to tourism information as well as improve internal efficiency.

With the diversification and development of tourism products, creative marketing, expansion of tourism source markets beyond traditional ones and significantly improved infrastructure, the country can double or even triple the number of tourist arrivals, as well generate more domestic tourism, and create more jobs in the process.

The new plan is expected to contribute over \$3bn to GDP, increase arrivals to at least 1.6 million visitors, increase inbound revenues per visitor from \$1,036 to \$1,500, increase the proportion of leisure to total tourists from 20.1% to 30%, increase visitor length of stay from 8.3 nights to 11 nights as well as increase the number of direct flight routes to Europe

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& Asia from six (6) to thirty (30) to target key source markets like Germany, North America, UK, China, Japan and UAE among others

MSMEs are active in all parts of the tourism value chain made up of among others tour operators, transporters, accommodation, restaurants, gift sales, excursions and supporting communities.

The above sectors & their value chains require will require timely/well structured & tailored competitive financing to anchor their recovery or growth as the case may be, especially after the devastating effects of the COVID-19 Pandemic.

Direct loan tourism & hospitality sector exposure to financial institutions regulated by BOU currently stands at Ugx 435bn.

Objectives:

This year's conference aims to facilitate a focused discussion between financial service providers and players in the manufacturing and tourism/hospitality sectors coupled with key stakeholders and other facilitators for economic development as to how best to narrow or bridge financing gaps constraining growth, recovery, and flourishing in the current and future environment.

The conference will specifically focus on

- a) Taking stock of the financing gaps and other funding challenges therein constraining the manufacturing and tourism/hospitality sectors in Uganda in accessing finance and how to ready players in these sectors for different types and combinations of financing.
- b) How best, financial sector players and institutions can competitively and sustainably bridge the gap and make available the much-needed financing required to support both recovery & growth of the above two sectors.

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- c) Formulating specific banking and financial sector approaches and initiatives to respond to and promote the flourishing of the **supporting business (backward and forward) linkages and related value chains (SMEs/MSMEs)** arising thereof, while maintaining the resilience & growth of the banking sector itself.
- d) Highlight the critical roles that need to be played by other key stakeholders including the Government, regulators, legislators, development partners, sector players and private sector actors in the respective ecosystems, in this process.

Conference sub-themes for breakaway sessions will include:

1. The multiplier role manufacturing plays in promoting growth of SMEs, job creation, regional trade and diversification and specific efficiency & funding challenges constraining this role.
2. The unexploited potential in tourism for economic growth and development of Uganda and how the financial sector can support the harnessing of this potential.
3. Expectations from banking and financial service institutions in the growth & development of the two key sectors and how to ready players in the value chains therein.
4. Alternative financing options including Syndications for Scale, Blended Financing, Climate Finance (Green Finance), Responsible Banking for Sustainability and what is required of financial institutions as well as beneficiary end users to leverage on.

Conference Programme:

Like in 2021, this year's conference will run for two (2) days (25th & 26th July 2022) with the day (1) one, focusing on manufacturing & day (2) two focusing on Tourism.

Co-Hosts: UBA/Member Financial Institutions /Bank of Uganda



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Call for papers

UBA invites papers from scholars, policymakers, and practitioners on the themes and sub themes articulated in the brief above and any other topic of relevance to the conference theme.

In particular, we encourage the submission of papers that examine these topics from a practical, interdisciplinary, international and/or comparative perspective. The papers should be well researched, rich and of high quality in content, practical in application and also relevant for policy development and deployment.

Papers that are finally selected for publication in the conference magazine and or presentation and discussion during the Annual Bankers Conference (ABC 2022) or in our subsequent working paper series will have their authors recognized both at the conference as well as by way of honorarium.

Papers should be within a range of 6 to 8 pages of typed material with a maximum of 1500 words) indicating motivation for the paper, the actual content/gist of the paper, findings, insights, proposals, recommendations, and a brief biography of the writer(s).

The draft papers should be emailed to evasewagudde@ugandabankers.org by **31st May 2022**.

Timelines

No	Date	Activity
2.	31 st May 2022	Deadline to submit draft full paper
3.	15 th June 2022	Technical review /selection of papers and notification of authors
4.	30 th June 2022	Submission Deadline for final papers