# KEYNOTE ADDRESS

**BY**

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## *The New Industrial Policy Playbook — What Will It Take to Compress a Century-Long Journey into 15 Years?*

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**AT SPEKE RESORT CONVENTION CENTRE, MUNYONYO**

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The Rt. Hon. Speaker of Parliament,

Honourable Ministers,

Members of Parliament,

Permanent Secretaries and Heads of Government Agencies,

Development Partners,

Members of the Uganda Manufacturers Association,

Distinguished Scholars and Researchers,

Ladies and gentlemen.

Good morning.

## A. INTRODUCTION

1. I am pleased to address this Conference as we commemorate ten years since the re-establishment of the Uganda Development Corporation (UDC) under the UDC Act of 2016.
2. This anniversary presents an opportunity not merely to celebrate UDC's achievements, but to reflect on a fundamental question: *What must Uganda do differently to achieve in fifteen years the industrial transformation that took many countries several generations?*
3. The revival of UDC in 2016 reflected an important policy realisation: that markets alone cannot always overcome the structural barriers to industrialisation.
4. Inadequate long-term capital, infrastructure deficits, technological gaps and coordination failures require deliberate Government intervention.
5. But Government's intention was never to recreate the inefficient state monopolies of the past. It was to establish a modern

development corporation that combines the strategic purpose of Government with the efficiency and discipline of private enterprise.

6. Today, the stakes are considerably higher. Under the Tenfold Growth Strategy, Uganda has set itself the target of expanding the economy from approximately US$50 billion in 2023 to US$500 billion by 2040.

7. I have good news for you. Uganda's economy has already expanded to more than US$70 billion. We have therefore moved from an ambition to expand the economy tenfold to one requiring approximately a further sevenfold expansion. Our next important milestone is to cross US$100 billion before 2030.

8. But this will not happen automatically. Reaching US$500 billion by 2040 requires sustained double-digit growth in nominal US-dollar GDP, supported by higher productivity, investment, exports and macroeconomic stability.

9. My central argument today is: Uganda's next industrial revolution will not be won merely by Government spending more, but by Government investing better, coordinating better, mobilising private capital more effectively, and demanding measurable results.

## B. WHAT GLOBAL EXPERIENCE TEACHES US

10. Economic history offers important lessons. The experiences of South Korea, Taiwan, Singapore and other successful late industrialisers demonstrate that structural transformation requires purposeful state intervention, strong institutions, private

entrepreneurship, technological learning and international competitiveness.

11. Four lessons are particularly relevant to Uganda.

**First, industrialisation requires coordination, not simply investment.**

12. A factory cannot compete without reliable electricity, affordable transport, appropriate financing, skilled workers, quality standards and access to markets.
13. Government must coordinate these complementary investments rather than finance isolated industrial projects.

**Second, industrial policy must reward performance, not protect inefficiency.**

14. Successful industrialisers supported enterprises while demanding improvements in productivity, technological capabilities and export performance. Public support was not intended to become a permanent entitlement.
15. Industrial policy without performance discipline becomes protectionism; and protectionism without productivity becomes a permanent tax on the economy.

**Third, the state must create markets, not permanently replace them.**

16. Government should assume carefully assessed pioneering risks, mobilise private investment and withdraw from commercial ventures when its continued ownership is no longer necessary.
17. These lessons are particularly important today. Automation, artificial intelligence and increasingly competitive global markets mean that Uganda cannot simply reproduce the industrialisation strategies of the twentieth century.
18. We must build productive capabilities, embrace technology and compete in regional and global value chains.

**Fourth, export competitiveness is the ultimate test.**

19. A factory may be operational without being competitive. An industrial park may be fully occupied without making a significant contribution to exports. An investment may create jobs without generating sustainable economic value.
20. We must therefore change how we measure industrial success. The real measure of industrialisation is not the number of factories commissioned, but the productivity of those factories, the quality of jobs they create, the domestic value they retain, and the markets they conquer.

## C. UGANDA'S INDUSTRIALISATION CHALLENGE: WHAT THE EVIDENCE TELLS US

21. Four indicators tell us how far we still have to go:

i) Manufacturing value added is just about 13 percent of GDP, below the national target of 16 percent;
ii) Capacity utilisation in the manufacturing sector is estimated at 52 per cent. Half of our installed capacity is idle, and most of our firms are too small to export at scale;
iii) Industry accounts for about only 12.4 percent of total employment; and
iv) Manufactured goods remain well below a quarter of merchandise exports, against the Tenfold Growth Strategy target of 50 percent.

22. These figures remind us of an important distinction: our challenge is to increase manufacturing productivity, deepen domestic value addition, diversify exports and create higher-quality employment.

23. My own research reinforces this conclusion. In my 2019 study, From *Paper to Practice: Implementation of Uganda's Industrialisation Agenda*, and my subsequent doctoral econometric research on industrial sector growth, we examined why Uganda has struggled to translate sound industrial policies into sustained transformation.

24. Three findings deserve particular attention.

**First, Uganda's greatest constraint is often implementation, not policy design.**

25. Our stakeholder analysis identified 65 clusters of actors in the industrial ecosystem. Approximately 43 percent had strong interest but limited influence, while 23 percent possessed significant influence without corresponding commitment to industrial outcomes. Only 17 percent combined high influence with high interest.
26. This revealed an institutional problem: fragmented mandates, bureaucratic competition and weak coordination frequently undermine otherwise sound policies.
27. We cannot industrialise at the speed of the twenty-first century while coordinating investment through the administrative habits of the twentieth century.

**Second, foreign investment does not automatically create domestic industrial capabilities.**

28. Our research raised concerns about the developmental impact of investment that remains weakly linked to domestic production networks.
29. Foreign direct investment is essential, but its benefits depend on local sourcing, supplier development, technology transfer and integration with Ugandan enterprises.
30. We must therefore shift from merely attracting foreign investment to maximising the productive capabilities it creates within Uganda.

**Third, industrialisation requires patient capital and commercial discipline.**

31. Industrial investments often have long gestation periods, substantial initial costs and uncertain early cash flows. Conventional short-term commercial credit is frequently unsuitable.
32. This is precisely why institutions such as UDC and Uganda Development Bank are important. But affordable finance must never become a justification for indefinitely sustaining commercially unviable enterprises.
33. The overriding lesson from both international experience and our domestic research is that successful industrialisation requires capable institutions, disciplined investment and relentless implementation.

## D. THE NEW INDUSTRIAL POLICY PLAYBOOK: FIVE STRATEGIC SHIFTS

34. The Tenfold Growth Strategy provides Uganda with a clear national direction, anchored in four priority growth areas: Agro-Industrialisation, Tourism, Mineral-Based Industrialisation, including Oil and Gas, and Science, Technology and Innovation—collectively known as ATMS.
35. The Strategy envisages raising domestic savings towards 40 percent of GDP and achieving what we call the 50:50:50 export ambition: exports equivalent to 50 percent of GDP; manufactured goods accounting for 50 percent of merchandise exports; and medium-

and high-technology products accounting for 50 percent of manufactured exports.

36. These targets cannot be achieved through business as usual. I propose five strategic shifts.

## SHIFT ONE: FROM BROAD INDUSTRIAL AMBITIONS TO COMPETITIVE VALUE CHAINS

37. Government cannot successfully promote every industry simultaneously. Our fiscal resources, technical capabilities and implementation capacity are limited.

38. We must concentrate on value chains where Uganda possesses a realistic pathway to developing competitive capabilities.

39. These include selected agro-processing industries, mineral beneficiation, petroleum-related industrial activities and other commercially viable manufacturing opportunities.

40. But the existence of raw materials does not automatically justify establishing a factory. Every investment must pass a competitiveness test:

    a) Is there a market?
    b) Can we produce at a competitive cost?
    c) Are the necessary skills, infrastructure and technology available?
    d) Will the investment generate exports, jobs and domestic value addition?

41. Our domestic market alone cannot sustain tenfold economic expansion. The East African Community, COMESA and the

African Continental Free Trade Area provide opportunities to produce for a much larger market.

42. We should not industrialise everything we can produce. We should prioritise what we can produce competitively and progressively move into higher-value activities.

## SHIFT TWO: FROM ENCLAVE INVESTMENTS TO INTEGRATED DOMESTIC PRODUCTION

43. Our second shift must be from isolated industrial projects to integrated value chains.
44. Government-supported investments should deliberately create opportunities for Ugandan farmers, suppliers, transporters, service providers and small enterprises.
45. Where commercially feasible and consistent with our legal provisions, investment agreements should incorporate measurable commitments on local supplier development, workforce training, technology transfer and domestic value addition.
46. A fruit-processing factory, for example, should not be assessed merely by the volume of juice it produces. We should also examine the farmers it supports, the domestic inputs it purchases, the jobs it creates and the export earnings it generates.
47. The same principle applies to coffee, dairy, grains, minerals and petroleum-related industries.
48. Our objective must be to transform individual investments into competitive national production ecosystems.

## SHIFT THREE: FROM TREASURY FINANCING TO CATALYTIC CAPITAL MOBILISATION

49. The scale of investment required for a US$500 billion economy cannot be financed through Government appropriations alone.
50. We must mobilise domestic savings, institutional capital, private equity, development finance and foreign investment.
51. Government has already made substantial commitments to development finance. UDB's capitalisation has reached Shs 2.6 trillion and UDC investments exceed Shs 1.5 trillion. These resources must now mobilise additional private capital and generate measurable economic returns.
52. UDC should increasingly become a catalytic equity investor—identifying commercially viable opportunities, sharing pioneering risks, structuring bankable projects and attracting private co-investors.
53. UDB will continue to complement this role by providing appropriately structured development finance to productive enterprises.
54. Domestic institutional investors, including pension funds, should be encouraged to consider viable industrial opportunities within their fiduciary obligations and prudential requirements.
55. However, as Secretary to the Treasury, I must emphasise an important principle: *Every shilling of public capital committed to industrialisation has an opportunity cost.*

56. We must ask whether an investment addresses a genuine market failure, whether it mobilises additional private capital, whether its expected economic benefits justify its risks, and whether it represents the best use of scarce public resources.

57. Government must not transfer commercial risks onto the national budget without credible expectations of corresponding public benefits.

58. Going forward, one important measure of UDC's effectiveness will be how much additional private capital it mobilises for every shilling of public equity invested, alongside the commercial and developmental results achieved.

59. The success of a development corporation should not be measured by how much public money it spends, but by how much productive investment it unlocks.

## SHIFT FOUR: FROM TAX INCENTIVES TO INDUSTRIAL COMPETITIVENESS

60. Our fourth shift concerns the cost of producing in Uganda. Manufacturers do not compete internationally on the basis of policy declarations. They compete on price, quality, reliability and delivery.

61. Tax holidays cannot indefinitely compensate for expensive electricity, high freight costs, unsuitable financing, regulatory delays or low productivity.

62. We must therefore focus on reducing the actual unit cost of production. To reduce the cost of doing business, Government has prioritised investment in the Standard Gauge Railway and

rehabilitation of the Metre Gauge Railway to reduce freight costs and improve market access.

63. In energy, we are not simply focusing at how much electricity we generate, we are equally interested in having industries receive reliable power at competitive tariffs.

64. In skills development, our training institutions must produce the engineers, technicians, production managers and other professionals required by modern industry.

65. And in regulation, digitalisation must reduce compliance costs, delays and rent-seeking.

66. I propose that Government and industry develop a **National Industrial Competitiveness Scorecard**, benchmarking electricity costs, freight costs, access to finance, regulatory efficiency, labour productivity and export performance against competing manufacturing locations.

67. We must stop asking only how many factories Uganda has attracted and start asking whether those factories can compete profitably with factories elsewhere.

## SHIFT FIVE: FROM STATE OWNERSHIP TO COMMERCIAL DISCIPLINE AND ACCOUNTABILITY

68. Our fifth shift concerns the governance of public industrial investments.

69. The next decade of UDC must be defined by measurable investment performance, professional management and disciplined capital allocation.

70. Every UDC investment should have a clear commercial rationale, developmental purpose, performance indicators and an exit strategy.

71. We must distinguish commercial profitability from developmental impact. A profitable enterprise does not necessarily justify public investment if private investors would have financed it anyway.

72. Equally, an investment with significant developmental benefits may warrant carefully defined public support, provided the benefits are measurable and the fiscal risks are transparent.

73. Not every industrial investment will succeed. What matters is whether we learn from failure, contain losses and reallocate resources towards more productive opportunities.

74. Where UDC has successfully established a commercially viable enterprise, Government should consider appropriate mechanisms for attracting additional private ownership or exiting its investment, including strategic sales and capital-market transactions.

75. Capital released from mature investments can then support new strategic opportunities, subject to applicable legal and fiscal requirements.

76. Government's role is to build competitive industries, not to accumulate a permanent portfolio of businesses regardless of their performance.

## E. UDC AT TEN: THE NEXT DECADE MUST BE DIFFERENT

77. Ladies and Gentlemen, UDC's tenth anniversary should mark a transition from institutional rebuilding to measurable national industrial transformation.

78. The first decade has been about restoring the Corporation's mandate, building institutional capabilities and developing an investment portfolio.

79. The next decade must be about scaling commercially viable enterprises, mobilising private capital, increasing exports and strengthening domestic productive capabilities.

80. UDC's Strategic Plan for FY2025/26–FY2029/30 provides a framework for improving institutional and investment performance.

81. In my view, the Corporation should be assessed against five fundamental indicators:

    i) Additional private investment mobilised;
    ii) Commercial returns relative to risks;
    iii) Export earnings and domestic value addition;
    iv) Sustainable productive employment; and
    v) The management of underperforming investments.

82. We do not simply need a larger UDC. We need a more effective UDC—one that converts limited public capital into substantially greater productive investment.

## F. FROM POLICY TO IMPLEMENTATION: THE 2026–2030 AGENDA

83. Distinguished participants, allow me to conclude with a practical proposition.

84. Uganda's industrialisation challenge is not primarily a shortage of policies. It is the persistent gap between policy ambition and implementation.

85. I therefore propose that Government, UDC, the private sector and relevant development institutions work towards an **Industrial Transformation Implementation Compact for 2026–2030**, aligned with NDP IV and the Tenfold Growth Strategy.

86. This Compact should deliver five outcomes:

**First**, identify a limited number of high-potential industrial value chains based on credible market and competitiveness assessments.

**Second**, develop a pipeline of bankable industrial investments capable of attracting substantial private co-financing.

**Third**, establish measurable national industrial competitiveness benchmarks and address the most binding production bottlenecks.

**Fourth**, strengthen UDC's commercial governance, investment monitoring and accountability for results.

**Fifth**, establish a disciplined implementation mechanism with clear institutional responsibilities, annual milestones and regular performance reviews.

87. We are going to integrate into these deliverables into existing planning, budgeting and performance-management arrangements.

88. We must also be prepared to make difficult decisions: *discontinue futile investments, restructure underperforming ones and redirect resources towards interventions that demonstrably improve productivity and competitiveness*.

89. Industrialisation will not be achieved by the number of projects we announce, but by the number of competitive enterprises we successfully build and sustain.

## G. CONCLUSION

90. Rt. Hon. Speaker, Honourable Ministers, Captains of Industry, Ladies and Gentlemen:

91. Ten years ago, Uganda made a deliberate decision to restore the developmental role of the state through the re-establishment of UDC.

92. Today, the challenge is no longer to justify Government's participation in industrial development. It is to demonstrate that such participation delivers competitive enterprises, stronger exports, productive jobs and sustainable economic transformation.

93. Uganda does not suffer from a shortage of industrial policies, development plans or economic ambition.

94. Our greatest challenge has been translating these ambitions into measurable economic results.

95. The next fifteen years must therefore be different. We must move from measuring expenditure to measuring results; from celebrating factory openings to celebrating actual value addition; domestic

productive capabilities developed; number of factory jobs created; and volumes and values of manufactured products exports.

96. Uganda has important foundations: macroeconomic stability, a young population, agricultural potential, mineral resources, expanding regional markets and an institutional framework for industrial development.

97. Our responsibility is to transform these advantages into competitive industries, quality employment, higher household incomes and lasting prosperity.

98. Let the next ten years be remembered not as the period in which Uganda wrote its most ambitious industrial policies, but as the period in which Uganda finally implemented them at scale.

99. That is the new industrial policy playbook. That is the responsibility of our generation. And that must be the defining mission of UDC's next decade.

100. I congratulate the Board, Management and Staff of UDC upon its tenth anniversary and wish you productive deliberations.

I thank you.

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