

Framing a Modern Industrial Policy for Uganda

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Industrial policy is firmly back in the mainstream...focus is now on how to do it well

- i. What goals and objectives?
- ii. Which industrial policy tools to use?
- iii. What matters beyond strategic sectors?

No single recipe for success, but emerging literature highlights a number of 'rules of thumb' to guide policymakers

Goals of Industrial Policy

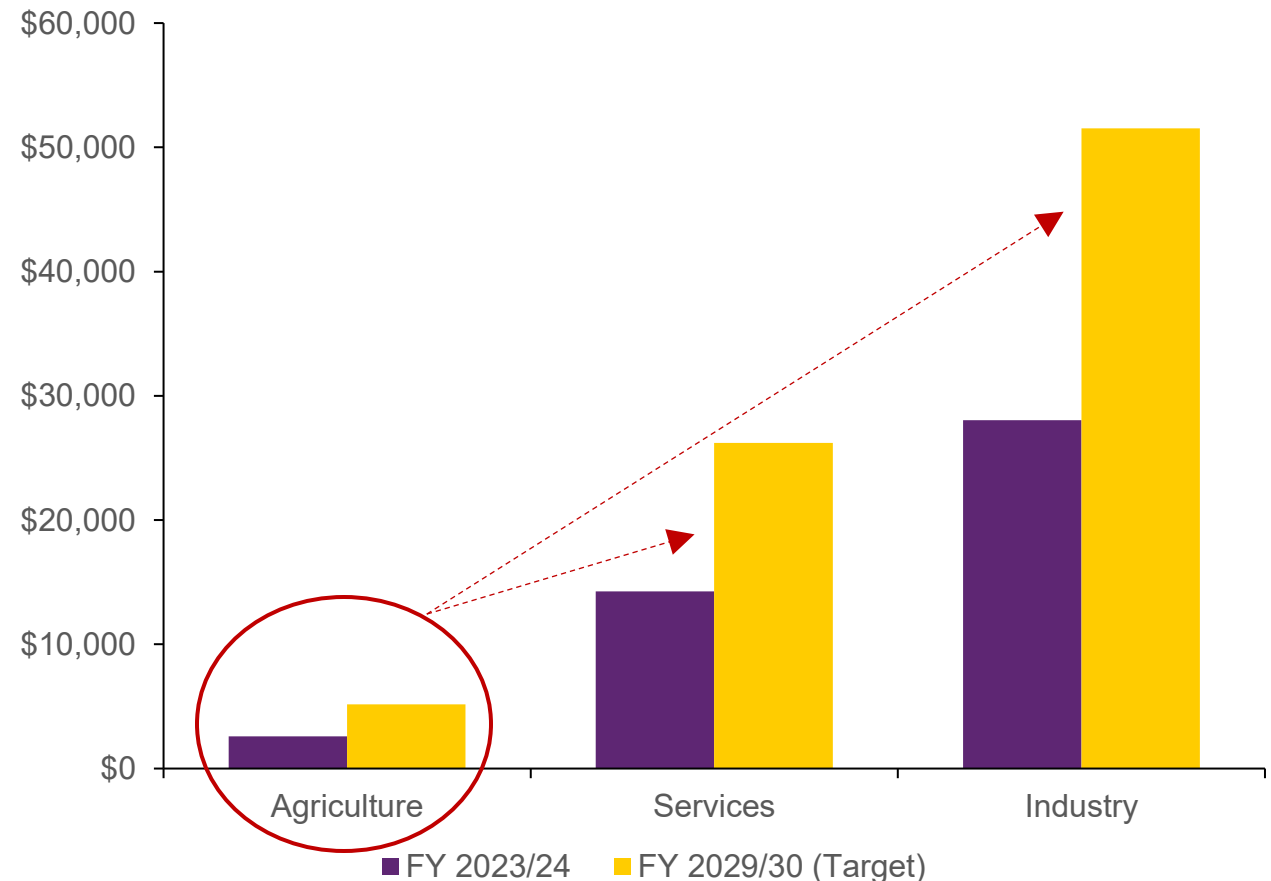
Ultimate objective for Uganda should be structural transformation – *creating employment in high-productivity activities*

Industrial policy can play a key role in development by accelerating structural transformation of the economy

Several dimensions to consider:

- Raising productivity across sectors, within sectors, and in firms
- Building new sources of comparative advantage
- Supporting economic resilience (e.g. against climate change)

Uganda Labour Productivity by Sector
(USD per employee)

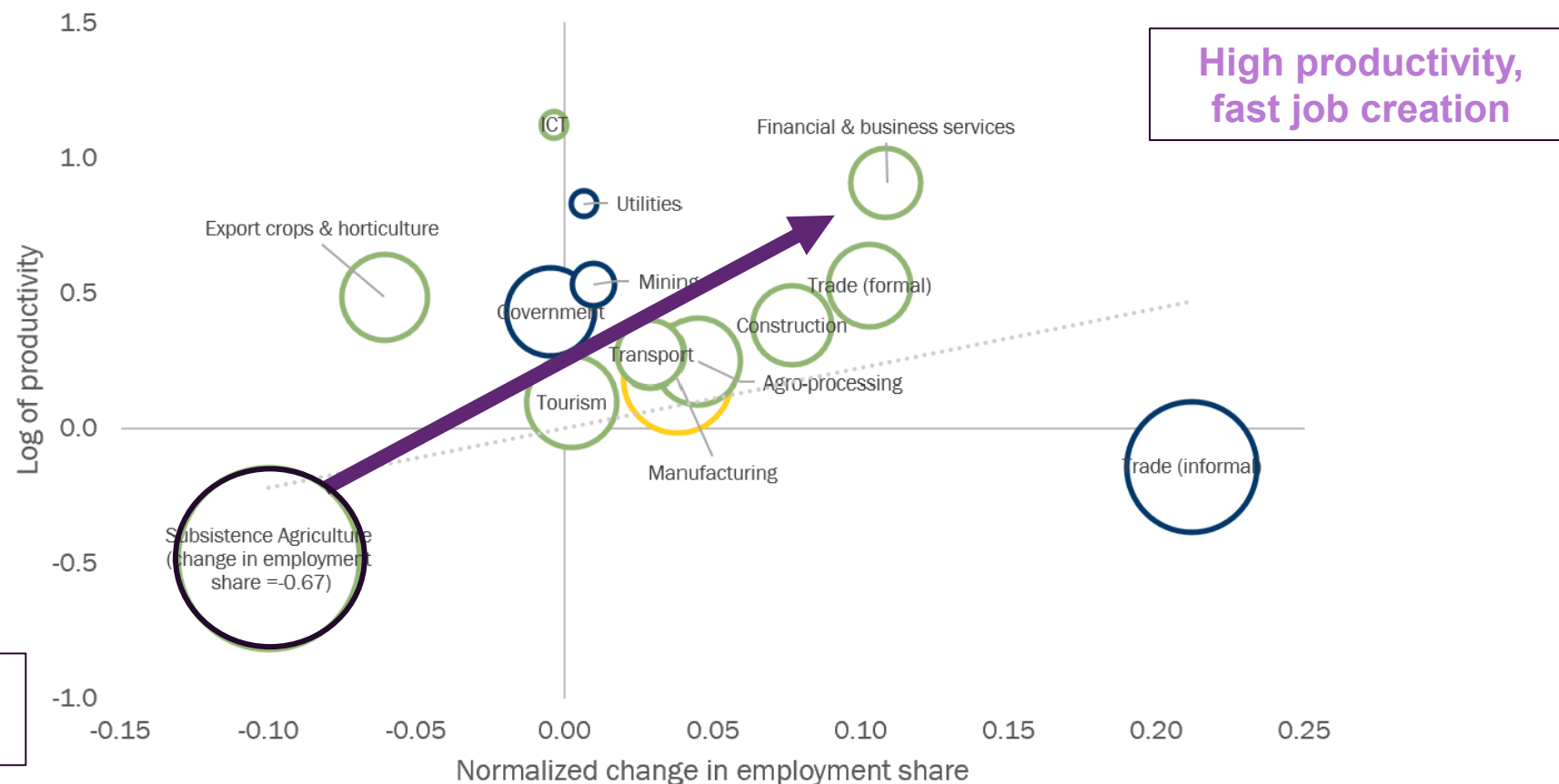


Source: Uganda Fourth National Development Plan 2025/26-2029/30

Sectors driving structural transformation are now more diverse

Movement out of Traditional Agriculture in Sub-Saharan Africa

(Productivity vs. employment share)



Source: Heitzig, C., Newfarmer, R., & Page, J. (2025). "From Deindustrialization to Job Creation: New Perspectives on African Growth." In H. Bhorat, B. S. Coulibaly, R. Newfarmer, & J. Page (Eds.), *New Pathways to Job Creation and Development in Africa: The Promise of Industries without Smokestacks* (pp. 1–38). Brookings Institution Press.

Note: Chart is based on case studies of eight Sub-Saharan African countries (Ethiopia, Rwanda, Uganda, Ghana, Kenya, Senegal, Zambia, South Africa). Bubble size reflects each sector's employment share in the base year; productivity is normalised to the overall economy for cross-country comparability. Country periods vary by data availability (approx. 2000–2018; Uganda's own period is 2013–2017).

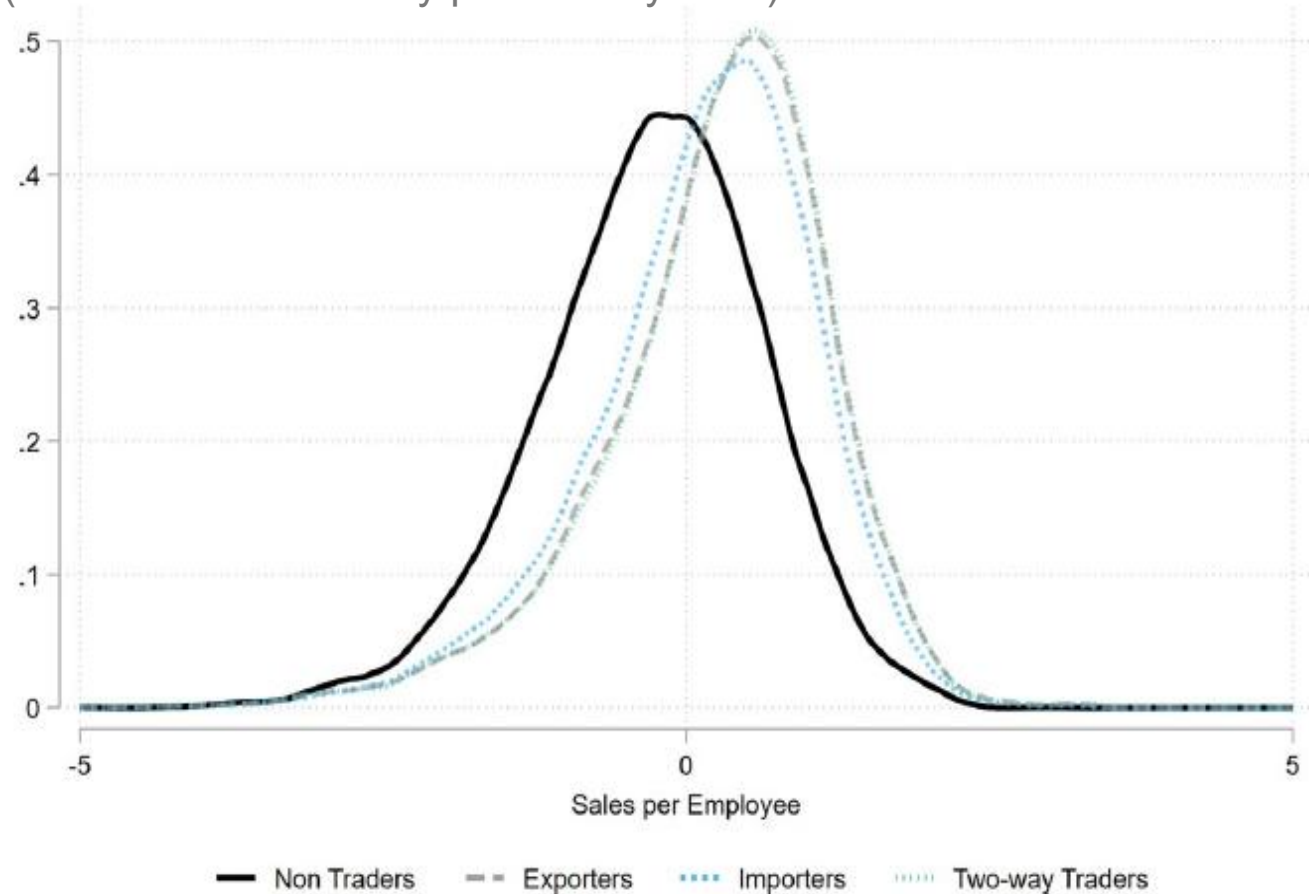
Boosting exports remains key

Ugandan firms that trade demonstrate a **‘productivity premium’**

- Exporting helps to build economies of scale and competitiveness
- Imports can also support productivity by improving competitiveness
- These benefits can have a positive spillover on the productivity of suppliers

Industrial policy should aim to build these ‘productivity premiums’, rather than disrupt them

Productivity of Ugandan Firms by Trading Status
(Distribution of firms by productivity level)



What does Uganda's 10-fold growth strategy focus on?



Source: GoU MoFPED, The Tenfold Growth Strategy (June 2025). Word cloud was generated using the Claude AI model and word size reflects frequency of appearance in the full document text, with stopwords removed and word variants (e.g. plurals) merged.

Using Industrial Policy Tools Effectively

Competition enhances productivity

Effects on Competition	Instrument	Who Pays?	Responsibility
Pro-Competitive	Investment promotion	Taxpayer	UIA
	Technology programs	Taxpayer	STI Sec/UIRI
Mostly Competitive	Public investment	Taxpayer	MoFPED
	Credit programs	Taxpayer	UDB/BoU
	Tax incentives	Taxpayer	MoFPED/URA
Restricts Competition	Tariffs, NTBs & trade restrictions	Consumer	MTIC+
	Government procurement preferences	Consumer	PPDA/MTIC
	Monopoly rights	Consumer	MTIC

Design, coordination & evaluation matter

01 Industrial policy should have clear goals and sunset clauses

e.g. India Small-Scale Industry Reservation Policy (1960s-2000s) reserved certain products for the exclusive manufacture of small firms, but lacked a clear goal or end-date, penalising firm growth.¹

02 Policy consistency and coordination across government entities

e.g. South Korea's Economic Planning Board (1960-1990s), headed by the Deputy Prime Minister, is credited as a key institutional driver behind the country's economic development.²

03 Monitoring and evaluation creates a basis for evidence-based strategy adjustments

e.g. Chile tested several aquaculture industries in the 1970s-80s, exited those that failed, and focused on salmon as it took off.³

Sources: 1 - Martin, L., Nataraj, S., & Harrison, A. E. (2017). "In With the Big, Out With the Small: Removing Small-Scale Reservations in India." *American Economic Review*, 107(2), 354–386.

2 - Lim, W. (2011). "Managing Economic Policy and Coordination: A Saga of the Economic Planning Board." KDI Policy Study. Korea Development Institute.

3 - Rodrik, D. (2004). *Industrial policy for the twenty-first century*. John F. Kennedy School of Government, Harvard University, Faculty Research Working Paper Series.

Industrial Policy Beyond Strategic Sectors

Broader view of structural transformation is needed

Structural transformation is a much wider process than sectoral change



Rural to urban transition



Self-employment to wage-work



Informal to formal sector

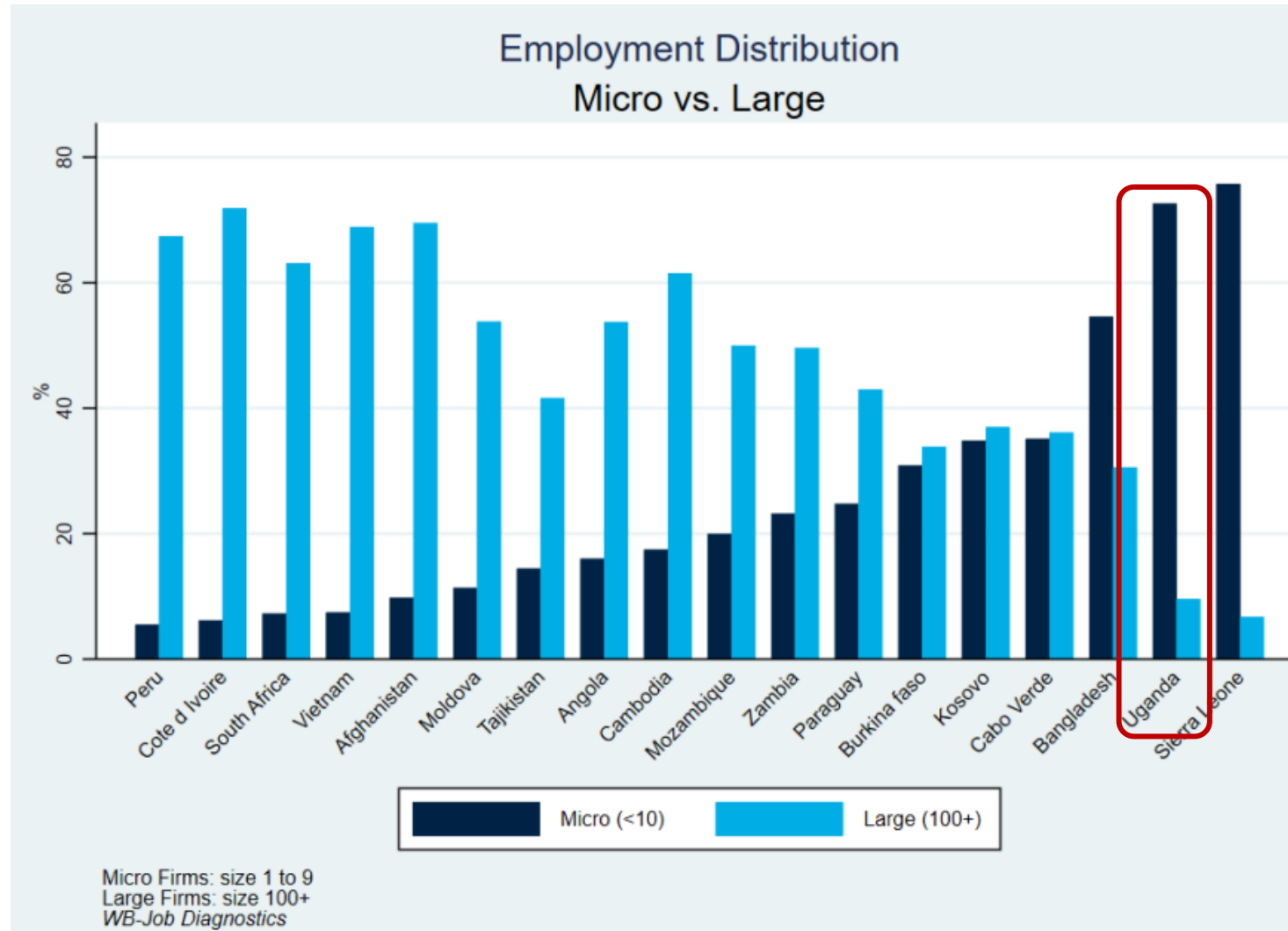


Home-based to market-based work

Firm growth is a key driver
across these transformations

Calls for a broader policy approach that targets not just sectors, but also the wider frictions constraining these transformations

Uganda is dominated by micro firms, which constrains productivity across the economy



Source: Buba, J. (2019). Uganda: Private Sector Development and Jobs. World Bank, Social Protection and Jobs Global Practice. April 2019.

Policy ideas to support high-potential SMEs



Business Plan Competitions

Can be effective in identifying high-potential entrepreneurs to provide support (e.g. MbeleNaBiz – Kenya¹)



Business Incubators and Accelerators

Improves capabilities and boosts growth for the most high-potential entrepreneurs (e.g. Stanbic Business Incubator – Uganda²)



‘Fund of Funds’ to Support Equity Market Dev.

Contributes to the building of investing expertise needed to identify and guide high-potential businesses (e.g. FdF – Mexico³)

Sources: 1 - Campos, F., Safir, A., Koffka, C., McKenzie, D., & Zia, B. (2026). Selection or more capital? Experimental evidence on high-growth entrepreneurs in Kenya. World Bank.
2 - Nshakira Rukundo, E., Rieger, M., Gebrekidan, B. H., & Schroeder, S. (2026, June 26). Enabling entrepreneurs: Business training for high-potential firms in Uganda. IGC.
3 - GSG Impact. (2025). A new lens on SME mobilisation: How to maximise private capital flows to SMEs.

Final takeaways

01

Support structural transformation wherever it emerges

Policy has a role in supporting productivity growth across sectors (not just those targeted)

02

Industrial policy tools should support 'winners', not protect losers

Focus of industrial policy design should be on promoting productivity upgrading

03

Think beyond large firms

Support the growth of high-potential small firms to become the national champions of tomorrow

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Thank You

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