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Aid for Trade and Export Performance, A Business Perspective

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Outline of Presentation

- Purpose of Business Survey on Aid for Trade in Uganda.
- Approach and results of business survey.
- Lessons learnt about ways to measure the impact of Aid for Trade.
- Concrete examples from the silk and honey sectors.
- Working paper available.



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Introduction

- The past 15 years of AfT disbursements have grown steadily, now representing over 25% of all ODA flows. This explains the deepened interest of all stakeholders within the development community in the effectiveness of AfT.
- However, major methodological and data challenges exist in assessing the impact of AfT.
- The experience of Uganda is of particular interest in the context of assessing AfT; in the country trade is a major vehicle for economic development, and a clear strategy, comprehensive policies and a number of AfT initiatives have been implemented.
- This study attempted to evaluate the impact of AfT in Uganda from the perspective of business sector to determine the impact on the international competitiveness of Ugandan enterprises. It focuses on the “missing middle” between specific AfT projects and aggregated changes in terms of overall national trade performance.



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Purpose of Business Survey

- In 2010, ITC and the Uganda Export Promotion Board (UEPB) undertook a detailed survey of **20** trade associations/institutions and **100** exporting enterprises to assess the **impact and effectiveness of AfT**.
- AfT survey considered the views of the business sector on three sequential issues:
 - The most important factors to achieve competitiveness (e.g. transport, energy, communications), each of which play a key role in the export value chain,
 - Whether there has been an improvement in these factors, and
 - Whether AfT had any impact on the development of these factors.
- The study aimed to measure the effectiveness of AfT by mapping the results chains linking AfT and enhanced export performance in Uganda.



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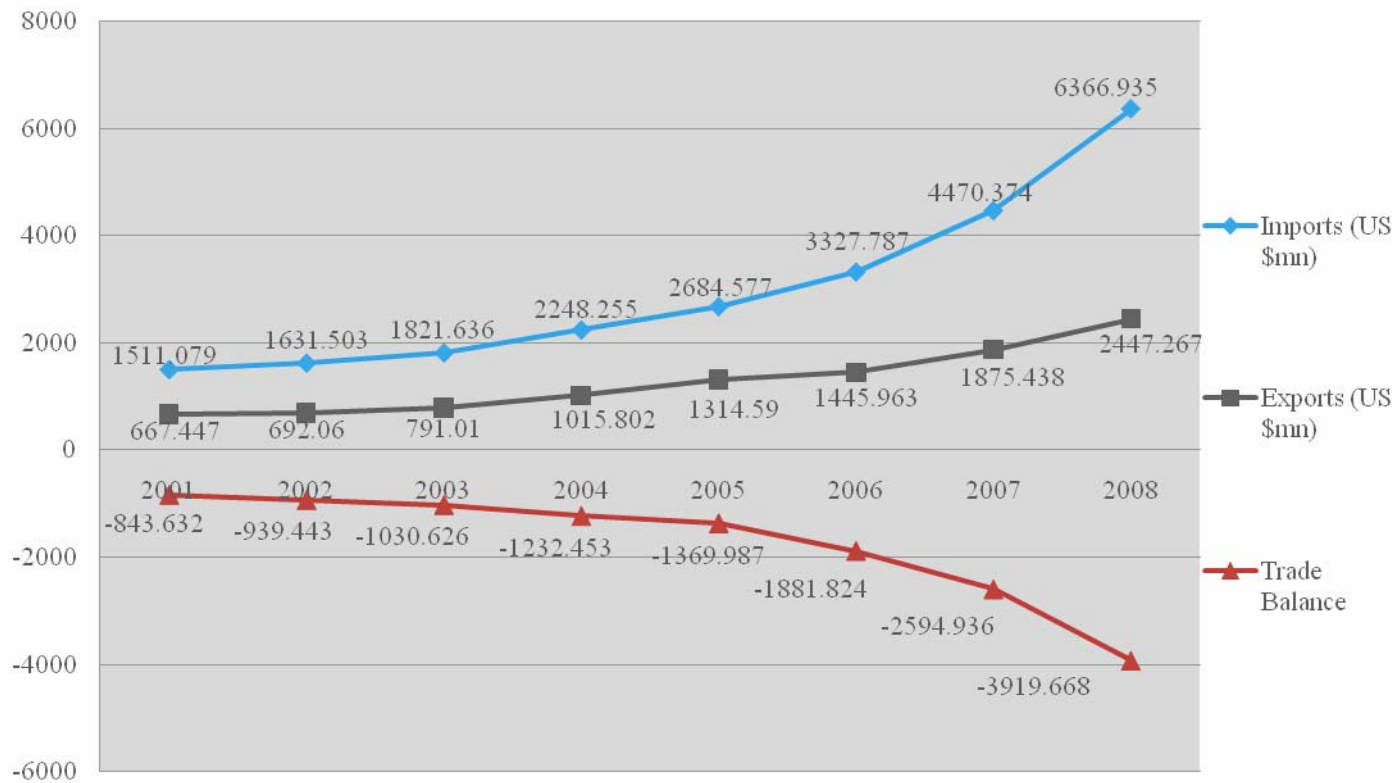
Approach of Business Survey

- Mapping exercise to identify possible linkages between Aid for Trade flows and Ugandan trade flows
- Used stratified random sampling
- Two interlinked questionnaires, administered through face-to-face interviews, were developed for:
 - Exporting companies
 - Associations
- Both questionnaires are based on AfT categories to match aid flows to export flows and business sector opinion on AfT.



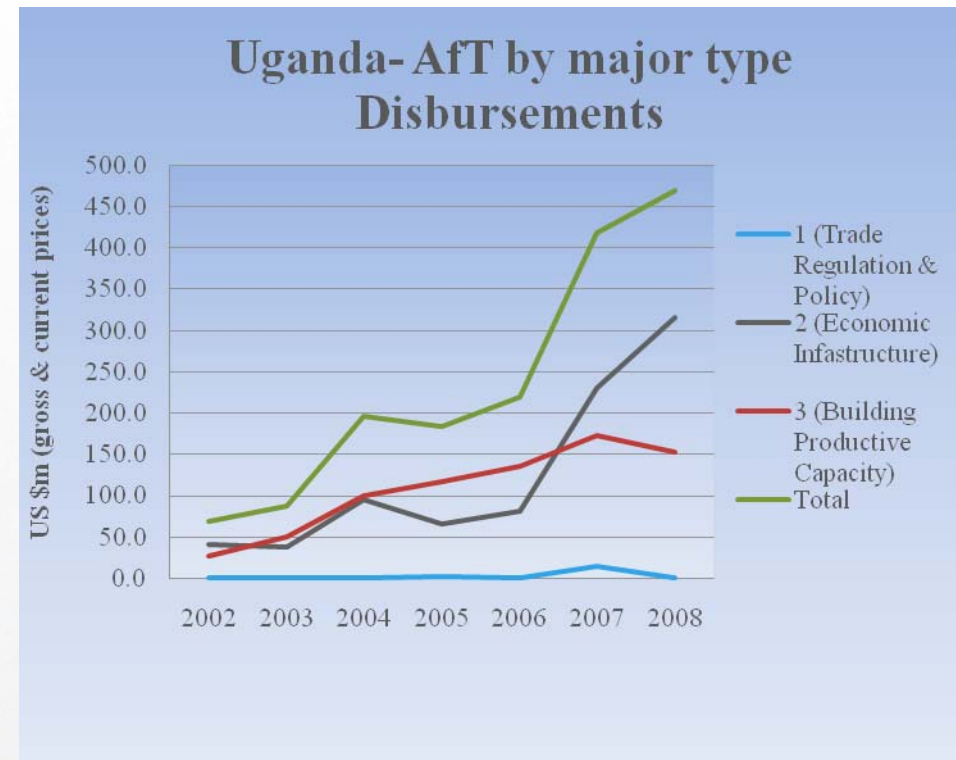
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Trade Flows: Uganda



Aid for Trade Flow to Uganda

- Uganda has received a growing amount of Aid for Trade which reached an estimated US\$ 460 million in 2008, equivalent to just over one quarter of ODA.
- For 2008, the largest part (US\$ 310 million) is for economic infrastructure and most of the rest (US\$ 150 million) is for building productive capacity
 - Beginning in 2006, there was an increase in total AfT
 - Particularly in 2007 there was a marked hike in AfT, targeted for economic infrastructure, namely energy.



Uganda Export Value and Aid for Trade Received, 2005/2008

There is an increase in exports of agriculture, fisheries and industrial products. Export of services, notably, transport has also shown considerable increase.

	Export Value (US \$ mn. 2005)	Export value (US \$mn. 2008)	Growth (%) (2005-2008)	Average Aid for Trade (2005- 2008) Received (US \$mn)
Goods				
Agriculture, forestry	412	870	111	106
Fishing	140	119	-15	4
Minerals, mining	55	88	61	2.5
Industry	130	585	349	10
Other goods	76	62	-18	
Total Goods	813	1,724	12	122.5
Services				
Transport	11	52	373	98
Communications	18	28	55	4
Banking, Finance	11	19	73	14
Business Support*				8
Energy*				72
Tourism*				1
Other Services	462	624	35	-
Total Services	502	723	44	197.2
TOTAL Goods and Services)	1,315	2,447	86	319.7

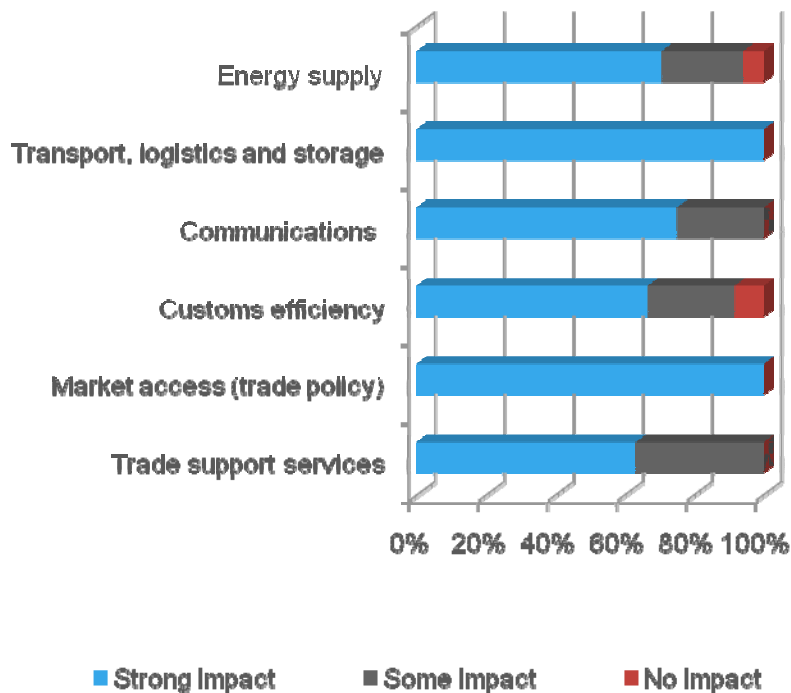


Results of the Survey: Factors Affecting the Ability to Export

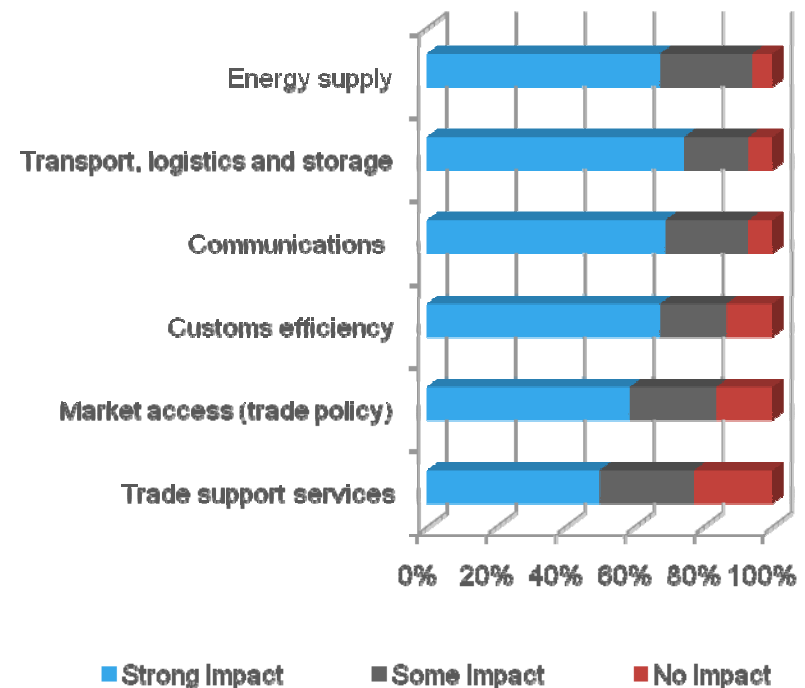
Associations and companies have noted improved services in areas, energy, transport, telecommunications and business support services. Increased AfT in these areas are important factors in the improved competitiveness of exports.

Question: assess the impact of various factors on the ability to export.

Trade Associations Perceptions:



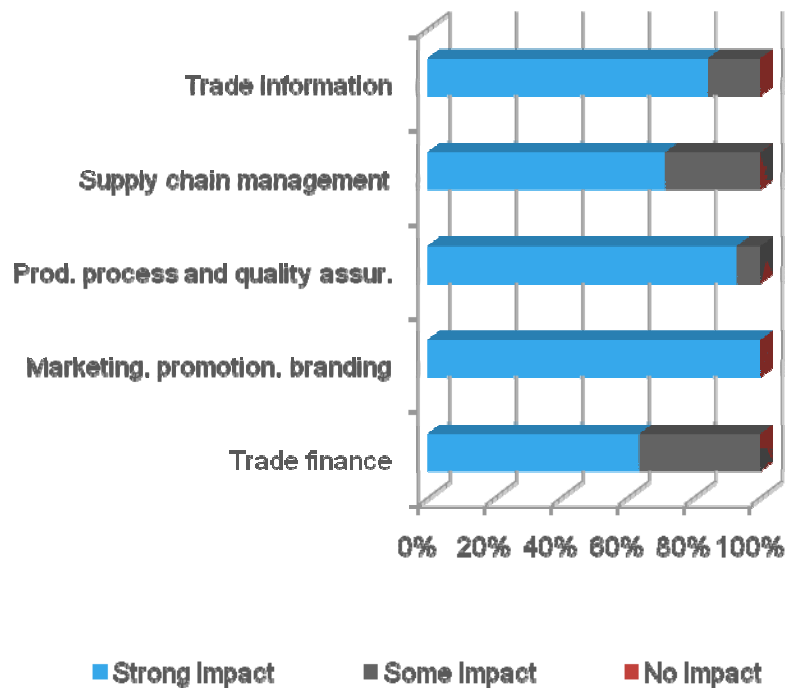
Companies Perceptions:



Results of the Survey: Business Support Services

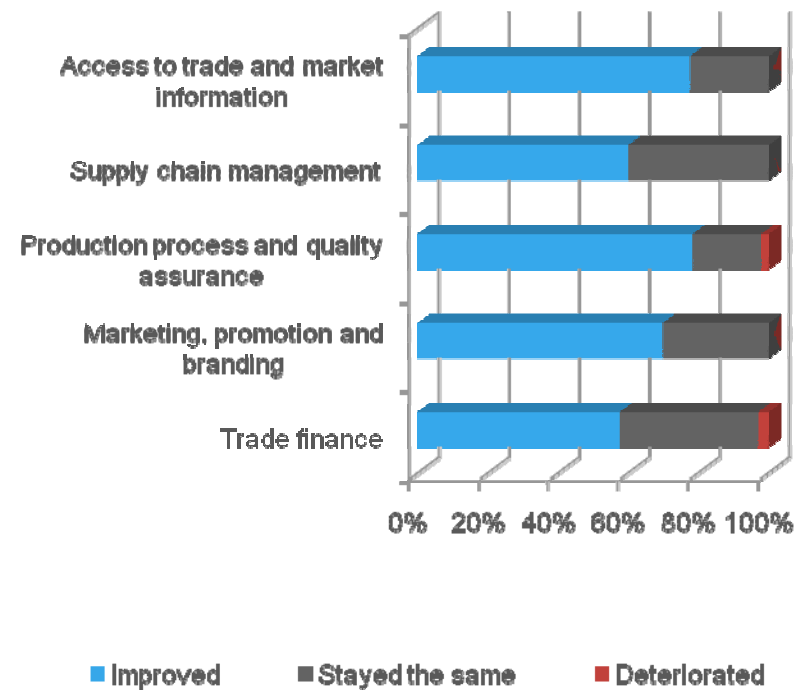
Question: What is the perceived impact of services on the ability to export?

Perceived impact of services according to associations



Question: What is the perceived impact of the quality of services on the ability to export?

Perceived change in quality of services according to Ugandan companies



Conclusions

- Main constraints to Ugandan exporters of goods: transport and logistics; warehousing and storage; SPS, TBT and other non-tariff measures in developed markets; energy supply; communications; customs efficiency; and access to finance.
- Constraints to Ugandan exporters of services: communications and energy supply were perceived as principal.
- AfT has addressed these areas, with transport and energy attracting the highest AfT flows.
- Perceived changes in the export environment over the last five years: communications have most improved, while transport, logistics, and storage remain areas of concern, notwithstanding significant inflows.
- High levels of AFT targeted at infrastructure (road, rail, logistics, storage, energy supply and communications) are expected to have a significant impact on the country's capacity to export.
- Among trade support services, Ugandan enterprises rated the following services most important: trade information services, then quality and marketing support services.
- Exporters perceive that this factor has improved over the past five years, more so than other factors.



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Conclusions

- Barely half of the companies surveyed had used trade support services – indicating a general lack of awareness in the private sector on the provision, content and potential benefits of AfT.
- There appears to be a disconnect between the levels of AfT going to Uganda and the awareness of the private sector of AfT.
- The effectiveness of AfT will increase through better dissemination of information on AfT across the business sector.
- Good practice would be to promote dialogue between development agencies and the private sector on AfT investments, ensuring AfT resources are channelled to areas with highest potential returns in terms of increased competitiveness.
- A first step would be to demystify AfT.
- Survey confirms that it is private exporters and small businesses that should be consulted in any enquiry on the efficacy of AfT.
- Need for a common language on AfT which is closer to the business world.
- Need to strengthen the participation of business sector in design, implementation and evaluation of AfT. Methodology of this survey step helpful.



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Ugandan Honey Sector

Biotrade Project: under the guidance of UEPB, with AfT funding from SNV Netherlands followed by a honey sector strategy in the 2005 National Export Strategy, facilitated by ITC, to support the development of beehives.

	Formal Trade of Honey	Informal Trade of Honey
2005	60 kgs	2.8 tones
2006	208 kgs	
2007	1-3 tones	6.6 tones

Benefits of AfT to the Ugandan honey sector:

- Enhanced productive capacities have resulted in consistent supply to both local and export markets.
- The sector employs large numbers of women.
- Uganda has become an example to the rest of Africa with Apitrade Africa – a continental Association now hosted in Uganda.
- Domestic production and consumption has increased due to an increase in supply of honey, and marketing initiatives to inform consumers of the health and nutrition benefits of honey with are regular and frequent.

Ugandan Silk Sector

AfT to the Ugandan silk sector:

- AfT from the African Development Fund and Japan International Cooperation Agency for the establishment of two processing factories.
- In 2005, ITC provided support in the form of training, facilitating a farmers group, and provision of seed equipment, such as cocoons and spray pumps.



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Silk is key to exports and Poverty reduction - Why & How?

Commodity Comparison	Full tonnage, 20ft Container	Export Value (US \$)
Cotton	7	\$ 11,000
Tea	11.5	\$ 23,000
Coffee	15	\$ 45,000
Silk Yarn	6	\$ 120,000

The above comparison clearly reflects silk as a strategic export sector. But Aid for Trade could be more towards addressing the key issues in production, processing and value addition and building market linkages and exportability.



Fig. 14 – Silk reeling and re-reeling machine