



MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION

DRAFT AUTOMOTIVE INDUSTRY POLICY

Policy Brief



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**Your chance to contribute to the
development of the automotive
industry in Uganda**



BACKGROUND AND RATIONALE

Despite the growing demand for vehicles in Uganda and the East African region, vehicles are predominantly imported as Fully Built Units (FBU) without domestic value addition. Studies have shown that the Uganda Vehicle Import Value has grown from Shs700 billion in 2005 to Shs2 trillion in 2015, with an annual average growth rate of 11.8. Vehicles are the second highest valued imported goods after petroleum products.

The vehicle market in East Africa has grown from 158,000 vehicles in 2011 to 257,000 in 2015 and is projected to reach 630,000 by 2030. Of these, brand new vehicles were about 15% while imported used vehicles were about 85%.

The automotive industry can become a major contributor to economic growth and structural transformation through domestic value addition like it is the case in most of thriving economies. From South Africa, Thailand, to Germany, China, and the United States of America, the automotive industry is a key driver of the economy creating millions of jobs.

Cognizant of this, the government identified the need to invest in the automotive industry by providing policy guidance and oversight through the Ministry of Science, Technology and Innovation (MoSTI).

This has occasioned the formulation of the Automotive Industry Policy to address the entire automotive industry value chain spectrum of research & development, engineering, parts & components manufacturing, assembly, marketing, distribution & sales, after-sales services, and disposal of motor vehicles.

The Automotive Industry Policy, currently in its draft form, is also envisaged to provide an enabling environment to attract value addition investments across the automotive industry value chain, enhance automotive standards and environmental stewardship, and regulate vehicle imports and promote exports. This will transform the existing low value addition across the automotive industry value chain leading to a competitive regional industry.

The ingredients for the automotive industry to thrive in Uganda are already in place. Katwe artisans simply need skilling and an environment that can enable them to make automotive parts while Kisekka market mechanics could be retooled to provide the basis for proper after-sale maintenance. This is in line with the Technical, Vocational, Education and Training (TVET) policy. Heaps of automotive steel from decommissioned cars in Bwaise and in yards of government ministries and district local governments provide some of the raw materials needed for recycling plants for new cars.

WHO HAS BEEN INVOLVED IN THE FORMULATION OF THE POLICY?

This policy has been developed following a wide consultative and collaborative process among stakeholders including; Members of Parliament; Ministries, Departments and Agencies; private sector; civil society organizations; academia; and the media.

IS THIS POLICY IN LINE WITH OTHER NATIONAL POLICIES AND LAWS?

The Automotive Industrial Policy is in line with Vision 2040, which prospects the transformation of Uganda into a competitive upper-middle-income country through manufacturing and value addition as well as the National Development Plan III, which pushes for *sustainable industrialization for inclusive growth, employment and sustainable wealth creation*.

It also conforms to the National Industrial Policy, which aims at building the industrial sector into a modern, competitive and dynamic sector fully integrated into the domestic, regional and global economies; Traffic and Road Safety Act 1998 (as amended) as well as the National Environment Management Act (2019), which provides for the establishment of Environmental Standards on Air Quality which is directly linked to industrial and vehicle emissions.

Additionally, it strengthens the Buy Uganda Build Uganda (BUBU) policy, which is premised on other government policies that support and encourage the consumption of locally produced goods and services.

WHAT IS THE VISION OF THE POLICY?

“A robust, competitive and sustainable Automotive Industry in Uganda”.

WHAT IS THE MISSION OF THE POLICY?

“To provide an enabling environment to attract value addition investments for import substitution through supply chain localization across the automotive industry value chain, enhance motor vehicle standards and environmental stewardship and regulate vehicle imports and promote exports”.

WHAT IS THE GOAL OF THE POLICY?

“To achieve 20% value added across the automotive industry value chain by 2030.”

SPECIFICALLY, WHAT DOES THE POLICY INTEND TO ACHIEVE?

It promotes the assembly and manufacturing of cars and their parts in Uganda as well as developing the modern technology for vehicles. The cars and technology developed in Uganda should be able to compete on the international market. With technology and parts developed locally, it will reduce on fake and substandard parts that are imported into the country. This will create entrepreneurship with both the government and private sector investing in factories, innovation centres, and recycling facilities.

This will create many jobs since locally available raw materials such as banana fibre, bamboo, cotton and animal hides and skins can be used to make parts for cars. Uganda, being gifted by nature, is well endowed with minerals from which steel, glass, batteries for electric vehicles, and other products could be made.

WHAT ARE THE POLICY TARGETS BY 2030?

The target is Uganda to have at least 30 companies involved in automotive engineering, making parts and assembling vehicles with 50% of car bonds selling new vehicles by 2030. There will be need for increased technology development and transfer by Ugandan companies working in partnerships and joint ventures with established international automotive industry players.

This would reduce the importation of used vehicles by 60% and brand new ones by 50%. At the same time, at least three public universities should be able to start academic programmes in automotive engineering at degree level.

Of all the cars sold in Uganda, at least 10% should be electric vehicles. This means that at least two public charging stations should be installed in all major cities and regions.

HOW CAN I CONTRIBUTE TO THIS DRAFT POLICY?

By sending your comments by **November 9, 2020** to:

**The Permanent Secretary
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