



THE REPUBLIC OF UGANDA

MINISTRY OF TOURISM, TRADE AND INDUSTRY

Report of the Third National Trade Sector Review
Conference Held on 30th October 2008 Under the
Theme *Trading Out of Poverty, Into Wealth and
Prosperity*



Imperial Royale Hotel, Kampala



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Executive Summary

The third National Trade Sector Review Conference was held on 30th October 2008 in Kampala under the theme; *Trading Out of Poverty, Into Wealth and Prosperity*. The objectives of the Conference were:

- i. To review the outcome of, and implementation of the recommendations of the Second NTSRC, especially regarding finalization of the National Trade Policy and the Diagnostic Trade Integration Study (DTIS)
- ii. To apprise key stakeholders on the steps Government is taking to ease doing business and enhance the competitiveness of Ugandan goods and services
- iii. To chart a way forward in regard to implementation of the National Trade Policy and its implementing instruments, with special emphasis on district level

Discussions at the Conference were held under three thematic areas, namely;

- i. Implementation of the National Trade Policy; improving competitiveness and business environment
- ii. Deepening Regional Integration, and
- iii. Taking Advantage of Trade Opportunities and Linking Trade Issues to National Development Priorities and Planning

A public-private partnership approach was used in the discussions of the Conference, with facilitators drawn from both the public and private sectors.

Key issues that emerged from the discussions include the importance of regional markets, and the strategic importance of using the domestic market to launch into international markets. However, to be able to exploit these markets, current impediments faced by the private sector as presented to the Conference, such as costly and unreliable energy supply, poor and inadequate infrastructure,

bureaucratic and institutional inefficiencies, inappropriate legal and regulatory frameworks , will need to be sufficiently and expeditiously addressed. The Conference appreciated that while Uganda has made significant gains in improving competitiveness and the and the business environment that need to be consolidated further, significant efforts need to be expended to tackle the tasks ahead. Specific areas for focus were identified, mainly in the context of addressing the concerns raised by the private sector.

The Conference also observed that regional integration is presenting enormous trading and development opportunities, especially for the country's industrial sector. The positive impact of the East African Community Customs Union on Uganda was appreciated, but acknowledgement also made that more benefits could accrue to the Ugandan economy if specific and targeted responses were implemented. A regional approach to addressing some of the impediments faced by the private sector, such as the removal of Non-Tariff Barriers, was recommended.

The National Trade Sector Development Plan was recognized and appreciated as an important guide for further development of the trade sector with a view to enhancing competitiveness of the private sector and easing the 'doing business' climate. The private sector thus urged Government to implement the Plan in its entirety, and pledged to do their part. The process of formulating the National Development Plan was noted, and the Ministry of Tourism, Trade and Industry urged to use the National Trade Policy, the National Trade Sector Development Plan and the record of proceedings of the Conference to mainstream trade into the National Development Plan.

List of acronyms/ abbreviations

AGOA	African Growth and Opportunities Act
BDS	Business Development Service
CET	Common External Tariff
CGS	Credit Guarantee Scheme
CIF	Cost Insurance and Freight
COMESA	Common Market for Eastern and Southern Africa
CSO	Civil Society Organization
DCO	District Commercial Office(r)
DTIS	Diagnostic Trade Integration Study
EABC	East African Business Council
EAC	East African Community
EADB	East African Development Bank
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
GDP	Gross Domestic Product
IF	Integrated Framework
IITC	Inter-Institutional Trade Committee
MP	Member of Parliament
MTTI	Ministry of Tourism, Trade and Industry
NPA	National Planning Authority
NTB	Non-Tariff Barrier
NTNT	National Trade Negotiations Team
NTSDP	National Trade Sector Development Plan
NTSRC	National Trade Sector Review Conference

PEAP	Poverty Eradication Action Plan
PfA	Prosperity for All
PMA	Plan for Modernization of Agriculture
PSFU	Private Sector Foundation Uganda
SADC	Southern Africa Development Community
SPS	Sanitary and Phyto-Sanitary measure(s)
TIFA	Trade and Investment Framework Agreement
TIN	Tax Identification Number
TRIPs	Trade Related Aspects of Intellectual Property Rights
TSEPAF	Technical Support for Economic Partnership Agreement Finalization (project)
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UMA	Uganda Manufacturers Association
UNCCI	Uganda National Chamber of Commerce and Industry
UNFFE	Uganda National Farmers Federation
URA	Uganda Revenue Authority
WTO	World Trade Organization

1.0 Introduction

The Ministry of Tourism, Trade and Industry (MTTI) hosted the third National Trade Sector Review Conference (NTSRC) on 30th October 2008 at Imperial Royale Hotel, Kampala. The objective of the Conference was to conduct a review of the performance of the Trade Sector since the previous Review Conference (held in October 2006) and to establish the best way forward in view of recent developments in the trade sector, notably the finalization of the National Trade Policy, drawing up of the National Trade Sector Development Plan (NTSDP) 2008/9-2012/13, the initialling of the Framework Economic Partnership Agreement, and implementation of the Diagnostic Trade Integration Study (DTIS) Action Matrix under the auspices of the Integrated Framework (IF). The theme of the Conference was “*Trading Out of Poverty, Into Wealth and Prosperity*”. This theme was borrowed from the National Trade Policy.

The Conference was attended by political leadership and technical staff of the Ministry of Tourism, Trade and Industry (MTTI), technical staff of relevant Ministries whose selection was guided by the National Trade Sector Development Plan (NTSDP) 2008/9-2012/13, Members of Parliament (MPs) on the Sessional committee on Tourism, Trade and Industry, Chairs of selected Parliamentary Committees, the private sector, selected development partners, selected District Commercial Officers (DCOs) and selected Civil Society Organizations (CSOs).

The Conference was held against three main objectives. The objectives were:

- i. To review the outcome of, and implementation of the recommendations of the Second NTSRC, especially regarding finalization of the National Trade Policy and the Diagnostic Trade Integration Study (DTIS)
- ii. To apprise key stakeholders on the steps Government is taking to ease doing business and enhance the competitiveness of Ugandan goods and services
- iii. To chart a way forward in regard to implementation of the National Trade Policy and its implementing instruments, with special emphasis on district level

Subsequently, discussions at the Conference were held under three thematic areas, namely;

- i. Implementation of the National Trade Policy; improving competitiveness and business environment
- ii. Deepening Regional Integration, and
- iii. Taking Advantage of Trade Opportunities and Linking Trade Issues to National Development Priorities and Planning

To facilitate and enrich plenary discussions, Papers on the thematic areas were presented by experts, leadership of the Ministry and the private sector; with a key development partner in the trade sector delivering a key note address. The Review Conference was held under three sessions, covering each of the thematic areas.

2.0 Session 1: Implementation of the National Trade Policy; Improving Competitiveness and the Business Environment

This session was chaired by Prof. Edward Rugumayo, Chancellor, Mountains of the Moon University and a former Minister of Tourism, Trade and Industry. The session covered a key note address, delivered by H.E. Ambassador Vincent De Visscher, Ambassador and Head of Delegation of the European Commission to Uganda; a private sector perspective on improving competitiveness and the business environment; and consolidating the achievements and tackling the tasks ahead in improving competitiveness and the business environment.

2.1 *Keynote Address*

In his keynote address, Ambassador Vincent De Visscher observed that the Conference would no doubt play an important role of informing the Government and her development partners of the progress made in the trade sector and suitable strategies and actions that ought to be implemented in order to further stimulate the performance of the sector. The Ambassador also noted that the continued work of MTTI in boosting the trade sector will go a long way in the fight against poverty, especially if it is sustained. He reiterated that the European Commission recognises the tremendous work which the Ministry has been doing for the last 10 years since the Delegation and the Ministry have been working closely together. The key note address observed that the exemplary performance of MTTI has created confidence about the future not only of the Ministry, but also for the entire trade sector.

The keynote address highlighted that Uganda now has a National Trade Policy and a National Trade Sector Development Plan (NTSDP), which are important tools for the sustained growth and performance of the trade sector. It was also

noted that the Ministry has developed reasonable capacity to guide the country in policy development, trade negotiations and setting prioritised strategic options for taking advantage of trade existing trade opportunities such as under the Economic Partnership Agreement (EPA) and the East African Community (EAC) Customs Union as well as create new ones.

The keynote address noted that over the last two years, Uganda's trade with the Common Market for Eastern and Southern Africa (COMESA) countries has exceeded its trade with the European Union which has been the main trading partner for a long time, and that this is a fundamental achievement and illustrates the importance of regional integration. In this respect, Ambassador De Visscher lauded the recommendation by the Heads of States at the October 2008 EAC/COMESA/SADC – Southern Africa Development Community - Tripartite Summit for a Free Trade Area between the three blocs as of paramount significance. He stressed that this underlines the importance of, and the need to further support the regional integration agenda; observing that the importance of the Tripartite Summit for Uganda can therefore not be underestimated since relatively small fragmented markets with weak inter-linkages provide very poor instruments to development. The key note address expressed optimism that this approach to regional integration would also help to address the current difficulties of overlapping membership and be much more attractive to inward investment.

It was further noted that there are new efforts to harmonise several trade and trade related issues including Non-Tariff Barriers (NTBs), Competition, trade regulations, standards and Sanitary and Phyto-Sanitary (SPS) issues by all the EAC Partner States. The Ambassador expressed confidence that this would

generate the necessary internal competitiveness, which is necessary for Uganda to integrate into the multi-lateral trading system.

The keynote address noted that the regional integration efforts are complemented by multilateral and bilateral initiatives, notably the negotiations for an Economic Partnership Agreement between the EU and EAC under which duty free and quota free market access for all EAC exports to EU has been guaranteed by the initialling of the Framework EPA, and the continuing negotiations for a comprehensive EPA with a target end date of July 31st 2009. It was also observed that negotiations are now in the process of deepening this agreement and addressing the most appropriate issues to fulfil the objectives of regional dimension, such as trade in services (including transport and information and communication technologies), competition policy, intellectual property rights, standardisation and certification, customs legislation and procedures, and sanitary and phytosanitary standards; all of which would provide yet more predictability for inward investment and enhanced competitiveness.

It was further stressed that all the above developments provide enormous opportunities for Uganda in general and the private sector in particular, but the full exploitation of these markets depends on a well regulated and supported trade sector. In this respect, Ambassador De Visscher counselled that the long standing list of commercial legislation, such as the Counterfeit Goods Bill and the Investment Code Bill *inter alia* will need to be enacted into law and effectively implemented. He noted that time is of the essence, and Uganda needs to urgently put in place all the necessary regulations that will ensure a transparent, predictable and secure business environment to trigger the much needed investment. It was stressed that proper strategic planning and allocation of

resources by the government would also have a strong impact on the extent to which Uganda benefits from these markets.

In concluding his key note address, Ambassador De Visscher observed that that regional integration is not only desirable, but the only way forward in this globalized economy. Uganda was commended for providing leadership to the process of regional integration within the region, specifically highlighting Uganda's leadership in ensuring that EAC reclaims its rightful place as one of the most forward looking successful regional blocs in the world and that it converges with other blocs. In this respect, he reiterated the European Union's commitment to promoting trade and regional integration, and pledged that the EU shall continue to explore ways and means to support these areas, which are so critical for the realisation of the full growth potential of the Ugandan economy. He stressed the need for Government and development partners to work hard together to ensure that well tailored commercial policy and further regional integration truly put trade at the service of development, and reiterated EU's readiness to support any such efforts.



Attentive: Left – right; H.E Ambassador Vincent De Visscher, Hon. G.N. Gagawala Wambuzi, Prof. Edward Rugumayo and the Chair of the Parliamentary Sessional Committee on Tourism, Trade and Industry, Hon. Kiiza Rwebembera during the Conference

2.2 A Private Sector Perspective on Improving Competitiveness and the Business Environment

The presentation was made by the Director for Trade at the Private Sector Foundation Uganda (PSFU) on behalf of the Chairman of PSFU, Hon. Gerald Sendaula – also a Presidential Advisor of Finance and former Minister of Finance, Planning and Economic Development. Hon. Sendaula expressed gratitude, on behalf of the private sector, for being invited to participate in such an important conference aimed at consolidating and increasing the contribution of trade to development by finding the most appropriate directions in enhancing the competitiveness of Uganda’s private sector. He reiterated that the private sector appreciates the Public-Private Partnership exhibited by Government in general and in particular, the Ministry Tourism, Trade and Industry. He noted that increased engagement between the public and private sector coupled with timely

execution and implementation of agreed interventions is required to improve the private sector's competitiveness in Uganda.

Hon. Sendaula informed the Conference that to enhance competitiveness and improve the business environment in Uganda, interventions are needed in the following priority areas;

- (i) Energy reforms
- (ii) Transport infrastructural reform/modernization
- (iii) Regulatory reforms for Trade in Services
- (iv) Removal of Non-Tariff Barriers in the region
- (v) Enhanced trade negotiations capacity
- (vi) Increased business formalization
- (vii) Sanitary and Phytosanitary (SPS) reforms and capacity development
- (viii) Better business start-up regulation
- (ix) Business development services
- (x) Improved access to capital
- (xi) Curbing counterfeits

He went on to enumerate and elaborate the necessary interventions under each of the broad areas above.

(i) *Energy Reform*; under this area, the private sector noted that a significant percentage of all the energy generated is lost in distribution and that these losses translate into higher tariffs, thus increasing the cost of business and reducing competitiveness. Inefficiencies in energy generation and distribution translate into high costs of doing business, and this continues to constrain growth of many firms as a result of the high energy tariffs. The presentation counselled that

while government supports the increase of energy supplied to the grid and the reduction of inefficiencies during distribution, the private sector will have to install energy-saving systems. It was observed that this requires deliberate interventions and incentives to ensure that the private sector switches to energy-saving mechanisms and practices.

(ii) *Transport Infrastructure reform*; in this respect, the private sector noted that the need for sound physical infrastructure to facilitate growth of investments cannot be over-emphasized. As such, they suggested the following interventions;

- a) The development of the Dar-Es Salaam-Mwanza-Port Bell Route as an alternative transit route for Uganda's imports and exports and the implied provision of more water transport vessels from Mwanza to Port Bell
- b) Expediting the construction of roads to be improved/constructed under the Road Fund
- c) Linking farmers and other producers and/to markets through key feeder/trunk roads.
- d) Improvement of the existing railway system which was set up in the early 1900s along with improving the regulation of the concessionaire

(iii) *Removal of Non Tariff Barriers in the region*; the presentation by the private sector recalled that in the EAC Customs Union Protocol, Partner States agreed to eliminate Non Tariff Barriers (NTBs), and expressed concern that although the Partner States designed a mechanism to identify, report, and eradicate the NTBs within EAC, the mechanism is yet to deliver tangible results. It was observed that several members of the Ugandan business community still face gross NTBs; especially in Kenya, and a call for expeditious removal of the NTBs made.

(iv) *Regulatory reforms for Trade in Services*; it was noted that Trade in Services accounts for approximately two-thirds of the world's economic activity. In this context, it was noted that the contribution of the Services sector to Gross Domestic Product (GDP) in Uganda was 47.1% in 2006/07, and 49% in 2007/08. The presentation observed that whereas services have become such a significant tradable, the services sector in Uganda still lacks adequate regulatory framework. Accordingly, the private sector urged the Government to work with partners, including the private sector, to put in place the required regulations and policies to increase Uganda's competitiveness in the services area, amidst liberalization and regional integration.

(v) *Enhanced Trade Negotiations Capacity*; the private sector contended that liberalization and globalization are now inevitable, and protectionism and tariff barriers are now largely becoming history. It was observed that trade agreements have now become the rules of engagement in world trade, and regional and bilateral trade agreements are now a key means of eradicating barriers to trade, expanding markets, and improving competitiveness. The private sector noted that regional and bilateral trade negotiations and agreements have become even more particularly crucial in the absence of a breakthrough in the multilateral World Trade Organization (WTO) Doha Round of negotiations. In order for Uganda to meaningfully partake in trade negotiations and thus enhance her market access opportunities, the private sector appreciated the establishment of the National Trade Negotiations Team (NTNT) and called for deliberate efforts to further improve the process of formulating national positions, and to build further the capacity of the National Trade Negotiations Team.

(vi) *Business Formalization*; another observation by the private sector was that Uganda's private sector is still emerging from the past era of government parastatals, and is mainly constituted of informal, small and medium enterprises

that do not sell any service or product beyond the Ugandan borders. The private sector recommended that efforts to assist these enterprises to formally register/graduate into the formal sector be pursued as formalization would help the currently unregistered and informal small and medium firms to enter into contracts to supply goods and/or services in the regional and global markets. In this context, the presenter informed the Conference that PSFU is undertaking a study that will recommend methods of motivating the informal sector to graduate into the formal sector.

(vii) *Sanitary and Phytosanitary Reforms*; the private sector noted that Ugandan exporters continue to face increasing food safety requirements and standards in export markets, but lack capacity to meet/comply with such requirements. It was noted that this is partly because exporters usually buy the commodities from a long value chain containing several middlemen and quality-unconscious small-scale out-growers/producers; which makes it critical for a public-private partnership approach to increase quality awareness, quality-promoting behaviour and building capacity in the national quality assurance, standardization and certification systems along the entire value chain. In this context, the private sector expressed great concern over the proposed introduction/in-door residual spraying of DDT, observing that Uganda is in a unique situation of small holder farming whereby farmers store their produce in their houses. Subsequently, any spraying DDT in these houses will obviously lead to identification of DDT in national exports and deny Ugandan producers and exporters access to lucrative foreign markets.

(viii) *Business start-up regulation*; the private sector drew the attention of the meeting to the Doing Business Report, 2008, in which it is revealed that to register a new business in Uganda requires 18 different procedures compared to 2 in Australia; 28 days and compared to 2 in Australia; and costs up to 92% of

Uganda's income per capita compared to 0.0% in Denmark. The sector further noted that results from a recently concluded sub-national survey conducted by PSFU to ascertain the cost of starting a business across Uganda reveal that the centralization of key functions in the capital city (Kampala) particularly registering a business, land titling, and issuance of Tax Identification Numbers (TIN) can have a significant impact on the time taken to set up a business up-country. It was observed that this creates non-statutory costs for local investors and implies that the real time and cost (direct and indirect) of opening a business in Uganda varies from region to region. The Conference was further informed that findings of the study also reveal that major barriers to establishing businesses in Uganda mainly emanate from delays caused by various administrative and logistical processes that create additional and unnecessary costs. Against this background, Government was urged to play the lead role in making it easier, cheaper, faster, and more-user friendly for new and old informal businesses to register and start or continue operating.

(ix) *Business Development Services (BDS)*; the presentation stressed that the private sector needs an enormous range of services to become more competitive. It was noted however, that there is a gross mismatch between the output of Uganda's education system and the needs of the existing labour market. Further, the education and productivity levels of the current labour force indicate that the majority of graduates exhibit very low levels of productivity, which makes the need for business development services even more compelling.

(x) *Improved access to affordable capital*; the private sector informed the Conference that they face many challenges in attempting to grow and expand their businesses, with the most persistent problem being limited access to affordable credit. It was noted that with high commercial bank lending rates, no effective source of medium and long-term finance and prohibitive collateral

requirements by commercial banks, the private sector has an uphill task in adequately capitalizing to compete with firms in other parts of the world that access finance at rates as low as 4%. Whereas the private sector appreciated the role of the Credit Reference Bureau, the proposed US\$70m long-term credit under the East African Development Bank (EADB) and the US\$400m for funding agricultural projects, they recommended the introduction of Credit Guarantee Schemes (CGS) to underwrite commercial bank risks to reduce the high level of collateral requirements and thus improve the collateral position of firms seeking credit. The private sector also called for the liberalization of the pensions sector in a bid to raise the supply of capital and hence a reduction in the cost of capital.

(xi) *Counterfeits*; the private sector was unequivocal in stressing that counterfeit trade and products are killing the local industry and posing major health risks to consumers, and observing that the government's response to the problem is very slow and mild. The private sector noted with concern that the penalty in the draft Counterfeit Goods Bill is not punitive enough to deter counterfeiting and trade malpractices, and called upon Government to review the relevant clauses with a view to making them more punitive once the law is enacted.

As way forward, Hon. Sendaula urged the Government as well as the private sector to put in place the identified interventions to meet the critical needs of the private sector to improve Uganda's competitiveness. He stressed that the private sector appreciated that there is a lot of room for improvement in the rate of implementation of agreed interventions, especially given that Government machinery has had a tendency to delay the implementation of policies even when they have been endorsed by Cabinet and Parliament, thereby fading investor

confidence and stifling economic performance. It was further noted that the private sector urges Government to ensure systematic planning of resources and speedy implementation of its planned programmes in order to effectively address policy concerns and to make certain that there is efficient implementation of policy decisions.



Mr. Ssempebwa John of Private Sector Foundation Uganda talking about impediments to business in Uganda. The Conference agreed that the impediments identified by the private sector should be addressed in order for Uganda to fully reap the benefits of international trade.

2.3 Consolidating the Achievements and Tackling the Tasks Ahead in Improving Competitiveness and the Business Environment

The presentation was made by Hon. Eng. George Nelson Gagawala Wambuzi, Minister of State for Trade, on behalf of the Minister of Tourism, Trade and Industry, Hon. Janat B. Mukwaya.

In his presentation, Hon. Gagawala noted that in the past, Government has made reforms and interventions in the trade sector and implemented significant economic policy reforms, including a deregulation program to dismantle unnecessary regulatory and administrative procedures that were considered an impediment to trade. He reminded the Conference that in 1990, an investment regime was developed to create and attract investments - by both local and foreign investors - in the economy.

Hon. Gagawala further informed the Conference that in 2004, the Ministry of Tourism, Trade and Industry started the process of developing a National Trade Policy through a consultative process, and that in August 2007, Cabinet passed the National Trade Policy and MTTI has since developed a National Trade Sector Development Plan - NTSDP (2008/09-2012/13) to guide implementation of the policy. This is the first time the country is having a trade sector development plan. The National Trade Policy is, besides the NTSDP, also implemented through the National Export Strategy. The National Trade Policy is complimented by other sectoral strategies, policies and plans, such as the Marketing and Agro-Processing Strategy (MAPS) of the PMA, and the National Industrial Policy. He reiterated to the Conference that the National Trade Policy envisages trading out of poverty, into wealth and prosperity, and fostering prosperity for all through economic and social transformation.

Turning to other achievements, the Honourable Minister of State for Trade noted that implementation of the NTSDP as well as other implementing instruments, notably the National Export Strategy, is already underway and on track. He noted that for instance, in the context of implementing the NTSDP, the Ministry is spearheading the process of improving the regulatory

environment by working on a number of commercial policies and laws that are important for business operations. He further noted that Government has moved in steadfastly to ensure reduction of the energy deficit through the introduction of alternative energy sources such as emergency thermal projects and the decision to construct new power plants (Bujagali, Karuma and Isimbwa). He however acknowledged that more still needs to be done and called for concerted efforts in doing this.

The presentation also reminded the Conference of Government's ongoing interventions aimed at improving efficiency of the Land Registry, which could have a significant positive impact on mortgage transactions. It was also noted that Government established a revolving fund to be used as Land Acquisition Facility, in which Ushs 6 billion to cover 30 districts has been injected in the 2008/09 financial year. Related to this, Hon. Gagawala also mentioned the construction of the National Data Transmission backbone connecting Kampala, Entebbe, Jinja and Bombo, which is ongoing work until Uganda is connected to the external submarine cable, which would reduce the costs of using internet and turn Uganda's landlocked position from a competitive disadvantaged to a competitive advantage. He urged the private sector to prepare themselves to take advantage of such initiatives.

Related to policy formulation and implementation, the Hon. Minister of State for Trade stressed that Government has maintained a high level of private-public policy dialogue, for example through the Presidential Investors Round Table (PIRT), the Inter-Institutional Trade Committee (IITC) and the inclusion of the private sector on the National Trade Negotiations Team. He noted that all these

are significant achievements which Government remains committed to consolidating further, and called for full private sector support as appropriate.

On the multilateral, regional and bilateral fronts especially as regards market access for Ugandan goods and services, Hon. Gagawala noted the major achievements to be the conclusion and implementation of the East African Community Customs Union (under which Ugandan exports to the other East African Community Partner States are not subjected to taxes or quantitative restrictions –duty free and quota free access), and securing duty free and quota free market access for **all** Ugandan goods to the European Union through concluding a Framework Economic Partnership Agreement (EPA). Similarly, the Minister informed the Conference that preservation of the COMESA market and expanding it has been a major drive in the country's industrialization process as most of the country's manufactures are destined for the COMESA market.

In addition to the above, the Minister stressed the securing of the African Growth and Opportunity Act (AGOA) that grants many of our export products duty free and quota free market access to the US market, and the conclusion of a Trade and Investment Framework Agreement (TIFA) with the US as significant achievements, on which the private sector needs to capitalize.

On the multilateral arena, the Minister noted the major achievements to be effective participation in the World Trade Organization (WTO) Doha Development Agenda negotiations; especially in as far as they concern Trade Related Aspects of Intellectual Property Rights (TRIPS) and Public Health. He noted that in this context, Uganda - with other developing countries, was able to negotiate and secure flexibilities to manufacture generic drugs, and that

subsequently Uganda can now manufacture her own Anti-Retroviral (ARVs) drugs, which has significantly increased access to ARVs by those who need them because of reduced costs and improved availability.

Turning to continuing efforts to improve the business environment, the Honourable Minister cited ongoing efforts to enact additional commercial laws on Counterfeits, Mortgage, Free Zones, Company Bill (Act), Insolvency, Competition, Consumer Protection, and Intellectual Property Rights; completion of basic infrastructure in the Industrial and Business Parks both in Kampala and the four Regional Industrial Parks to be developed in the districts – for which Ushs 16 billion has been allocated – and the Industrialisation Bond managed by Uganda Development Bank. The Minister also reiterated Government commitment to provide support to innovative scientists to develop commercial technologies and prototypes, improving access to financial services, the launch of the Credit Reference Bureau to improve the ability by commercial banks to screen loan applicants and thus reduce default rates and subsequently interest rates, and fast tracking infrastructure investment for priority sectors such as roads serving mining areas and facilities for tourism attraction.

With respect to tackling the tasks ahead, the Minister counselled that Competitiveness requires efficient production and producing products required in the market; and that addressing competitiveness has to focus at both firm and national levels. He stressed that addressing competitiveness and nurturing the private sector requires provision of critical infrastructure (such as energy, transport, communication and etc) – which is already being done; institutional and legislative reform so as to promote institutional efficiency and create legal certainty in business; conforming to market requirements/demands such as

sanitary and phytosanitary measures and technical standards; and value chain management and value addition. Other key aspects were identified as a enhancement of trade negotiations capacity so as to improve and expand market access for Uganda's goods and services in international markets by influencing trade and related policies of our trading partners; development of entrepreneurial skills with a view to building a productive and innovative labour force; and protection of intellectual property rights so as to encourage innovations and technology transfer.

The Minister stressed that it is important to consolidate the achievements so far made and tackle the tasks ahead, especially by implementing the policies and strategies already formulated, and formulating new ones where necessary, in order to improve on competitiveness and ensure a business friendly environment. He noted that trade is an important tool for poverty reduction and wealth creation with great potential to contribute significantly to the *Prosperity for All (PFA)* programme. He observed that there should be a multi-sectoral approach in the implementation of the National Trade Sector Development Plan with full cooperation of all the relevant stake-holders in order to trade our nation out of poverty, into wealth and prosperity.

The plenary discussions for the session commended the presenters for extensively covering the issues. However, there was an observation that trade is still dormant at the district (District Commercial Office), which cumulates to the national level. There was therefore a call that this should be addressed, especially given that implementation is done at the district level. There was consensus that efforts should be made to strengthen the trade section by reviewing the structure at the district level. Similarly, the importance of providing support services was

emphasized. It was stressed that the domestic market should play a support role to international trade, hence a need to construct physical markets in various parts of the country.

Regarding infrastructure, the Conference noted that with respect to roads, much as international high ways are essential, internal feeder roads must be worked on so that domestic trade and production feed into international markets. It was thus recommended that Government resource allocation to feeder roads needs to follow a holistic and integrated approach. However, there was concern that in a number of instances funds are released late, yet procuring entities have to comply with Procurement laws, which delays implementation.

The plenary proposed that in view of the need to help the private sector engage in production and investment decision making on the basis of the right information, the Ministry should set up a research and information dissemination unit to help provide such information.



Deeply engrossed; a cross section of participants at the Conference listen attentively and take notes. The Conference made key recommendation for further development of the country's trade sector.

3.0 Session 2: Deepening Regional Integration

The session was chaired by Prof. Edward Rugumayo, and focused on ways of deepening regional integration with a focus on the trading opportunities and the impact of the East African Community on the Ugandan economy, and the trade facilitation measures that have been implemented in the context of regional integration in EAC and the Common Market for Eastern and Southern Africa (COMESA). The session included presentation of a main paper by Hon. Gagawala Wambuzi, Minister of State for Trade, and discussions by the Uganda Export Promotion Board (UEPB), Uganda National Chamber of Commerce and Industry (UNCCI) and Uganda Revenue Authority (URA).

3.1 Trading Opportunities and the Impact of the EAC Customs Union on Uganda

Making the main presentation, Hon. Gagawala covered several aspects, notably; a historical perspective of the EAC integration process, key highlights of the EAC Customs Union – instruments and provisions, trading opportunities created by the EAC Customs Union, and the impact of the EAC Customs Union on the Ugandan economy.

Hon. Gagawala began by reminding the Conference that the Treaty for the establishment of the EAC was signed in Arusha on 30th November 1999, and entered into force on 7th July 2000 while the Heads of the (three founding) Partner States signed the Customs Union Protocol on 2nd March 2004. He noted that the EAC is composed of five Partner States - the founding members (Kenya, Tanzania and Uganda) and Burundi and Rwanda which acceded in 2007; and launched a Customs Union on 1st January 2005. Thus, EAC has been a Customs Union for four years now.

With regard to the Customs Union, the presentation highlighted that the Customs Union Protocol, inter alia, provides for the following elements: the principle of asymmetry, the elimination of internal tariffs and other charges of equivalent effect over a transition period of five years, the elimination of Non-Tariff Barriers (NTBs), the Common External Tariff (CET), Rules of Origin, anti-dumping measures, duty drawback, refund and remission of duties and taxes, and Free Ports. In addition, the Protocol covers cooperation by Customs Authorities of the Partner States, re-exportation of goods, simplification and harmonization of trade documentation and procedures, exemption regimes, and a harmonized commodity description and coding system.

It was stressed that in order to address imbalances in the region and the different levels of development, the Customs Union is premised on the principle of asymmetry. The principle addresses variances in the implementation of measures in an economic integration process for purposes of minimizing the negative effects that may accrue from integration due to the differences in levels of development amongst the integrating countries. In addition, the maximum rate of the CET will be reviewed in 2010. The presentation also highlighted that the Protocol provides for the immediate removal of Non-Tariff Barriers, and prohibits the imposition of any new ones. To give effect to this, a mechanism for identifying and monitoring the removal of the NTBs is created – the creation of National Non-Tariff Barriers Monitoring Committees.

With respect to trading opportunities created by the EAC Customs Union, the presentation observed that the Customs Union opened the door for Ugandan exports to duty free and quota free market access to a combined economy of US\$ 46.593 billion in GDP, and a population of 121.571 million people. It was noted

that cross-border investment is now easier than before, and that trade facilitation has been enhanced, e.g. through closer cooperation of Customs Authorities at border points, prolonged opening hours¹ for customs offices at border points, all of which enhance trade flows. There has been a significant increase in investment inflows, mainly from Kenya. However, according to the East African Business Council (EABC), though investment inflows have increased due to the Customs Union, there is yet to be a major impact on intra-regional investments, which demonstrates the existence of potential for further growth.

It was also observed that the regional market, mainly the EAC market, is a major destination of Uganda's manufactured products, implying that the EAC Customs Union is instrumental in the industrialization process of the country, employment creation and fostering economic growth and development. Export trade in agricultural products, especially cereals such as maize has increased significantly; and the country has seen a significant reduction in Non-Tariff Barriers, especially as regards accessing the sea. The presentation particularly noted that exports to the EAC region have grown significantly, observing that for example between 2005 and 2006, Ugandan exports to the EAC grew by 36.3%; and by 66% between 2004 and 2006. Most of Uganda's exports to the EAC are to Kenya (92.14% in 2002; 81% in 2003; 89% in 2004; 87% in 2005; and 90.3% in 2006), but significant growth has also been experienced with respect to exports to Tanzania. Most of Uganda's imports from the EAC are production inputs, including packaging material. It was observed that overall, the removal of internal tariffs and reduction in NTBs has eased movement of goods within EAC, and this has been found to be a major boost to business growth. The Conference

¹ Some boarder points are now open 24 hours a day

was informed that the East African Business Council² notes that Ugandan companies reported that the EAC Customs Union increased their business turnover by 48%.

In concluding his presentation, Hon. Gagawala observed that the EAC Customs Union has had a significant and positive impact on the Ugandan economy, especially in terms of expanding the export market and availing production inputs at lower rates. He appreciated that some challenges to fully exploit the opportunities created by the Customs Union still exist, but stressed that Government continues to do everything possible to address these. He noted that, for example, Government has committed over Ushs 1.1 trillion in the 2008/09 financial year to improve transport infrastructure, is moving steadfastly in addressing issues in the energy sector, and is addressing the issue of improving trade facilitation, including by training of exporters and producers. In addition, Government is working with her counterparts in the EAC to identify and remove any NTBs that still exist. Accordingly, he reminded the Conference that the Ministry chairs the Non-Tariff Barriers Monitoring Committee, and urged all participants, especially the private sector to provide the Ministry with the information on any existing NTBs (including any new ones that could be created) so that the Ministry can follow up to ensure the removal of any such barriers.

In discussing the presentation, the Uganda Export Promotion Board (UEPB), Uganda National Chamber of Commerce and Industry (UNCCI), and Uganda Revenue Authority (URA) reiterated that the EAC Customs Union is a door to Uganda's exports, stressing that regional establishments are primarily driven by the private sector. It was revealed that many enterprises have registered to use

² EABC Study done in October 2008

the EAC origin forms, growing from 200 to 475 in the last two years. It was emphasized that the larger EAC Customs Union has been particularly important in supporting the industrialization process in the country, with Burundi and Rwanda presenting better growth trends. It was pointed out that exports of industrial products have been experiencing an upward trend; for example in 2007, exports of soap, plastics, alcoholic drinks and edible oils were US\$ 20.6m, US\$10.1m, US\$ 24.5m, and US\$ 62.7m; with positive growth in all cases of over 5% compared to 2006. Good growth rates for grains, cereals, fruits (106% for maize in Kenya and 19% for Tanzania) were also highlighted. On the reduction of NTBs, the discussion echoed the main presentation by observing that the region could do better. It was suggested that an option of arbitration could be considered.

Regarding further prospects, the discussion noted that higher prospects are also seen in the Democratic Republic of Congo and Sudan for Ugandan manufactures; though the two are not in the EAC. Beyond agricultural trade, Uganda needs to exploit more opportunities in the services sector; with fairly good efforts already existing in the education sector where there are 28,000 international students in Ugandan institutions contributing US\$ 55m annually. It was noted that a majority of the students are from Kenya (55%), Tanzania with 16%; and that there is also university presence (Kampala International University) in Tanzania.

In addition, employment in the Public Sector should be geared towards spearheading the transformation process. The importance of improving regulatory capacity in complementary areas such as Intellectual Property Rights was stressed. In this respect however, the relevance of flexibilities has highlighted, observing that there is a need to balance between regulation and

deregulation. It is important to have capacity to regulate especially in view of the liberalization that has been undertaken; that is, capacity must be built to help the economy to adjust to trade liberalization. The private sector specifically expressed concern on the slow pace of making the necessary laws that would make it easy for them to engage in activities to boost their competitiveness in domestic, regional and other international markets. It was regretted that in most cases, Draft Policies and Bills spend several years before Cabinet or Parliament before being passed. The discussion agreed that it was important that Government improves on the speed of making laws and policies. It was also observed that it is crucial to involve the private sector in Trade Policy making, stressing that having a clear Public-Private Partnership Policy in place would be instrumental in guiding such efforts.

The discussion challenged the private sector to address the increasing culture of leisure which reduces savings and time for investment thus contributing to poverty, and poor survival/growth rates for Ugandan enterprises.

The discussion enumerated various trade facilitation measures contained in the Customs Union Protocol, such as;

- i. The Duty Remission Scheme; (covers approved goods/inputs for use in manufacture of goods for export & home consumption)
- ii. The Exemption Regime; contained in the 5th Schedule EAC Customs Management Act and lists items such as packaging materials for goods for export, agricultural & veterinary articles
- iii. Provisions for temporary importation, especially for trade exhibition items

- iv. Provisions on Export Processing Zones and Free ports; (the two await legislation for implementation)
- v. Computation of taxes; Other than air cargo, taxes computed on Cost Insurance and Freight (CIF) basis at first frontier point into Community³.

The discussion also appreciated Non-EAC Trade Facilitation Programs, especially those under COMESA such as the Yellow Card scheme initiative. Customs modernization programs being undertaken in the context of regional integration were also singled out for mention as being key benefits.

The plenary discussion reaffirmed the observations of the main presentation and the discussions. In addition, the Conference noted that aspects related to long term financing should be addressed urgently, recommending that capitalization of Uganda Development Bank (UDB) should be continued, but the interest rate being charged be brought down so that it is not more or less the same as what commercial banks charge, and the repayment period be made longer so that investments pay back period is also considered.

In concluding the discussion, it was also recommended that Uganda should have in place strategic plans for the trade sector to exploit opportunities occasioned by the regional integration. In addition, there is need to further inspire exporters; to make them appreciate that it is possible to effectively compete and make more money in an integrating region. Besides providing the inspiration, Government needs to decisively address certain impediments faced by the private sector in their quest to harness regional markets, notably by improving infrastructure,

³ This means that Ugandan importers pay taxes computed on basis of CIF value, say up to Mombassa, instead of up to first point of entry into Uganda, which would imply a higher tax given the cost of freight from Mombassa to Uganda

formalization of business entities, provision of skills and know how, and nurturing the current informal cross border trade that grew by 200% in 2007. Fostering institutional collaboration at regional level could also be useful.



Consolidating the achievements and tackling the tasks ahead: The Minister of State for Trade, Hon. G.N. Gagarwala Wambuzi stresses a point during the Conference.

4.0 Session 3: Taking Advantage of Trade Opportunities and Linking Trade Issues to National Development Priorities and Planning

This session was chaired by Hon. Kiiza Rwebembera, Chairperson of the Parliamentary Sessional Committee on Tourism, Trade and Industry. Two Papers, on ‘Responding to Trade Opportunities; what needs to be done and how’ and ‘Linking Trade to National Development Priorities and Planning’ were presented and discussed in this session. The first Paper was co-presented by the Chairman of Uganda Manufacturers Association (UMA) and the President of Uganda National Farmers Federation (UNFFE) while the second one was presented by National Planning Authority (NPA). Both Papers were discussed by the Department of External Trade and Department of Internal Trade of MTII.

4.1 Responding to Trade Opportunities; what needs to be done and how

The presentation on this area observed that the National Trade Sector Development Plan 2008/09 – 2012/13 (NTSDP) clearly stipulates *what* needs to be done, and *how* it should be done. Both the Manufacturers Association and the Farmers Federation urged the Government and the Ministry of Tourism, Trade and Industry to ensure that the NTSDP is implemented in its entirety. They urged that implementation should be situation and country specific (i.e. avoid whole sale copying, but use relevant aspects from the success stories), and that the experience of the business promoters/private sector should be given due attention. The Manufacturers Association and Farmers Federation associated themselves with the issues raised by the Private Sector Foundation Uganda in session one, and called upon the Government to fully and expeditiously address the concerns raised. It was pointed out that because of the numerous challenges faced by the private sector in both the manufacturing and agricultural sectors, Uganda cannot manage to supply the available markets, especially with

respect to the quantity, quality and regularity of delivery demanded by the markets.

The Conference noted that the farming community lacks proper organization, which is a critical hindrance to their efforts to develop their businesses. Because of lack of this, the farmers do not have a strong voice and negotiating capacity for better terms and conditions for their produce and products. It was appreciated that while there have been some efforts to promote formation of farmer associations, there is lack of deliberate effort and programmes from Government to follow up on such Associations, the existence of the National Agricultural Advisory Services (NAADS) notwithstanding. In this respect, it was regretted that while the Plan for Modernization of Agriculture (PMA) is a good program, with different inter-twinned clusters, its implementation has been selective, with key components such as marketing and agro-processing not being funded. This has negatively affected the performance and effectiveness of the PMA, and the Conference called for immediate remedial actions to be undertaken.

Regarding infrastructure for agricultural development, the Conference agreed on the need to link rural production centres to marketing centres, and ultimately regional and international markets. Consequently, it was agreed that there is a need for heavy investment in agriculture by both the private and public sectors. The importance of the Ministry of Tourism, Trade and Industry strengthening their linkage with the District Commercial Offices and helping the latter to organize and provide commercial extension services to the farmers was stressed.

Discussing the presentation by the manufacturers and agriculturalists, both the Department of Internal Trade and External Trade reiterated their commitment to

remain at the service of the private sector, noting that the private sector is the engine of growth and the role of the public sector is to provide oil for the engine. The discussion recalled the appreciation of the NTSDP, and observed that a public-private partnership approach will be essential for its successful implementation.

The Conference noted that the various market opportunities created by Government are a challenge to the private sector, which is expected to take advantage of them by producing the right quality of goods to match market demands. It was stressed that Government efforts aimed at reducing the cost of doing business should be steadfastly implemented, and that the private sector should play a complementary role in this respect.

4.2 Linking Trade to National Development Priorities and Planning

A Paper in this area was presented by National Planning Authority in the context of the ongoing formulation of the National Development Plan. In this respect, the Conference was informed that the National Development Plan being prepared will cover a five-year period, and that it is being prepared within the framework of the National Vision endorsed by Cabinet in July 2007. It was highlighted that the Development Plan will replace the Poverty Eradication Action Plan (PEAP) that has been implemented since 1997.

The Conference was informed that the PEAP is being replaced by the National Development Plan in order to;

- i. Provide an updated framework for budgeting, and implementation of Government programs and donor support

- ii. Provide for more comprehensive national, sectoral and Local Government Planning
- iii. Take care of emerging economic, social and political issues/situations
- iv. Take care of the emerging aspirations of the leadership

The Conference was further informed that in an effort to draw lessons from the previous plans, an independent evaluation of the PEAP (1997-2007) was conducted and the findings are being used to inform the process of formulating the National Development Plan.

The proposed theme for the National Development Plan is: “*Growth, Employment and Prosperity*”, while the objective are to;

- i. Increase household incomes
- ii. Enhance the quality and availability of gainful employment
- iii. Improve the stock and quality of economic and trade infrastructure
- iv. Increase access to quality social services
- v. Promote innovation and competitive industries
- vi. Harness natural resources and the environment for sustainable development
- vii. Strengthen good governance and improve human security

The National Planning Authority is responsible for coordination, but much of the technical work will be done through and by Sectors (Thematic Working Groups) that have been constituted. It was stressed that Thematic Working Groups are required to include relevant private sector organization as well as civil society organizations, and that Development Partners should be included at an appropriate time in the process. Turning to the process, the Conference was informed that Thematic Working Groups shall produce and submit to NPA a

Sector Thematic Paper, which is expected to provide analytical information and reflect how institutions/agencies in the sector/thematic group will contribute to realizing the Development Plan objectives. The importance of considering inter-sectoral and intra-sectoral synergies in formulating the Development Plan was emphasized. The proposed structure of the thematic papers was shared with the Conference. It was also highlighted that the Plan will be used to guide the budgeting process, and hence all thematic papers are expected to have costed interventions; and that monitoring and evaluation will be a critical element of implementation.

The Conference noted the progress in formulating the National Development plan and unanimously agreed to the urgency of having one in place. Participants urged the Ministry of Tourism, Trade and Industry to fully engage in the exercise, observing that the National Trade Policy, the National Trade Sector Development Plan and the deliberations of this Conference provide a very useful guide for mainstreaming trade into the National Development Plan.

5.0 Session 4: Closure

The 3rd Deputy Prime Minister, Hon. Al Hajj Kirunda Kivejinja closed the Conference. In his closing remarks, the 3rd Deputy Prime Minister thanked the Ministry of Tourism, Trade and Industry for organizing the Conference, and more so for encouraging public-private partnership during the Conference. He informed the participants that Government is committed to reduce the cost of doing business and improve the business climate with a view to nurturing the private sector and promoting competitiveness. He appreciated the useful contributions made by participants at the Conference and reassured them that

Government would fully take them into account in the course of designing and implementing measures aimed at boosting the capacity of the private sector to be more competitive. He thanked the participants, especially those from the non-public sectors for sparing time to attend the Conference and urged them to do the same in future, should they be called upon.



The 3rd Deputy Prime Minister, Hon. Al Hajj Kirunda Kivejinja closing the Conference. He reiterated Government commitment to enhancing competitiveness and facilitating the private sector to do business.