REPUBLIC OF UGANDA
Ministry of Trade, Industry and Cooperatives

FINAL REPORT
DIAGNOSTIC TRADE INTEGRATION STUDY (DTIS) UPDATE 2021

Theme: Positioning Uganda to Harness Opportunities in Regional and International Markets for Goods and Services

Ministry of Trade, Industry and Cooperatives
3rd- 6th Floor, Farmers House
Plot 6/8 Parliamentary Avenue
P. O Box 7103, Kampala, Uganda

January 2022

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

AEO	Authorized Economic Operators
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
ARIPO	African Regional Intellectual Property Organization
BOU	Bank of Uganda
BTVET	Business, Technical and Vocational Training
CBR	Central Bank Rate
CET	Common External Tariff
CM	Common Market
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
CU	Customs Union
DFTA	Digital Free Trade
DRC	Democratic Republic of Congo
DTISU	Diagnostic Trade Integration Study Update
EAC	East African Community
EALA	East Africa Legislative Assembly
EAMU	East African Monetary Union
EBA	Everything But Arms
EIF	Enhanced Integrated Framework
EPAs	Economic Partnership Agreement
ESW	Electronic Single Window
EU	European Union
FAO	Food and Agriculture Organization
FTA	Free Trade Area
FTEs	Fiscal Transparency Evaluations
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
GOU	Government of Uganda
GSP	Generalized System of Preferences
ICBT	Informal Cross-Border Trade
ICD	Inland Container Depot
ICT	Information Communication and Technology
IITC	Inter-Institutional Trade Committee
IPR	Intellectual Property Rights
ITC	International Trade Centre
KACITA	Kampala City Traders Association
LDC	Least Developed Country
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MDAs	Ministries Departments and Agencies
MFA	Ministry of Foreign Affairs
MFN	Most Favoured Nation
MFPED	Ministry of Finance Planning and Economic Development
MICT	Ministry of Information Communication and Technology
MJCA	Ministry of Justice and Constitutional Affairs
MTIC	Ministry of Trade, Industry and Cooperatives
MW	Megawatts
MW&E	Ministry of Water and Environment
NDP	National Development plan
NIU	National Implementation Unit

NMC	National Monitoring Committee
NTB	Non-Tariff Barriers
NTFC	National Trade Facilitation Committee
NTM	Non-Tariff Measures
NTNT	National Trade Negotiations Team
OSBP	One-Stop Border Post
PF	Political Federation
PSC	Private Sector Credit
PSFU	Private Sector Foundation Uganda
PTA	Preferential Trade Area
RECs	Regional Economic Communities
SCT	Single Customs Territory
SME	Small and Medium Enterprises
SMS	Short Message Service
SOPs	Standard Operating Procedures
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TF	Trade Facilitation
TFA	Agreement on Trade Facilitation
TIDOs	Trade Information Desk Officers
TPRM	Trade Policy Review Mechanism
TRIPS	The Agreement on Trade-Related Intellectual
TTNF	Tripartite Trade Negotiating Forum
TWG	Technical Working Group
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UEPB	Uganda Export Promotion Board
UFPEA	Uganda Fisheries Processors and Exporters Association
UFZA	Uganda Free Zones Authority
UGX	Uganda Shillings
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNCCI	Uganda National Chamber of Commerce and Industry
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
UWRSA	Uganda Warehouse Receipt System Authority
VAT	Value Added Tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

Introduction: The Government of Uganda (GOU), through the Ministry of Trade Industry and Cooperatives, initiated updating the DTIS with the support of the Enhanced Integrated Framework (EIF). The broad objective of the DTIS update was to provide a renewed perspective of the trade development agenda to identify trade binding constraints and priorities in Uganda, taking into account the changes in the national and international environment as outlined above. The study aimed at the following specific objectives:

a) Take stock of progress in the implementation of Action Matrix recommendations and achievement of the objectives of the updated DTIS (2013);
b) Provide an overview of the prevailing macroeconomic situation and perspectives to serve as a background and basis for the analysis of the trade-specific policy environment;
c) Assess trade-related institutional capacities and structures required for supporting enhanced integration of Uganda's economy into the global economy;
d) Analyze available trade and market opportunities, and utilization thereof, constraints and suggest how to address them, including policy, regulatory and structure of institutions;
e) Conduct specific analysis of the industrial and agricultural sectors and their integration into the regional and global value chains to identify constraints, challenges, and synergies between trade and productive sectors of the economy;
f) Produce an analytical report with an executive summary and an action matrix identifying priority measures to inform the National Development Plan and trade sector development planning.

Preparation of this DTIS update involved evaluating progress made in implementing the DTIS 2013 Action Matrix and overall delivery of trade support services. The DTISU also interrogated recent and emerging trade development challenges to provide a renewed perspective on binding constraints. It identifies new opportunities for mainstreaming trade in the national development planning framework and reviews pathways for promoting the integration of Uganda into the multilateral trading system. It examines recurring and or new government priorities to improve the capacity of Uganda to take advantage of market access opportunities.

Uganda's Commitments Under the Multilateral Trade Agreements: Uganda places a lot of importance on the effective functioning of the multilateral trading system. Through the Department of External Trade, the Ministry of Trade Industry and Cooperative is the Institution mandated to coordinate all WTO negotiations and implementation of trade Agreements in Uganda. The WTO Implementation Bill, which gives the effect of the various WTO legal provisions in the country, is still pending enactment into law. The negotiations and implementation of the WTO or Multilateral Agreement require the participation of various Government Departments, Agencies, the Private sector and Civil Society Organizations, and the Academia. The Inter-Institutional Trade Committee (IITC), which the National Trade Policy set up, was an effective platform that delivered many gains in the negotiations and implementation of the multilateral agreement in Uganda. However, the work of the IITC has been hampered due to a lack of adequate funding.

Together with the other EAC Partner States, Uganda has been very active in the WTO Trade Policy Review Mechanism Exercise. In 2019, Uganda was jointly reviewed with all EAC WTO Members. The TPR recommendations included: 1) harmonization and implementation of Uganda's Commitments under RECs, and 2) Full Implementation of the COMESA Free Trade Area. MTIC needs to follow up implementation of the recommendations. Following offers by WTO members under the services waiver, the Ministry of Trade Industry and Cooperatives conducted a detailed analysis to identify opportunities in the offers and how Uganda can benefit from those offers. Uganda has formulated the National Services Policy and its Implementation Plan. The implementation plan, amongst other things, prioritizes taking advantage of the WTO Services Waiver to enhance inclusive and sustainable growth and development in the country

Uganda has a vibrant legal framework for intellectual property rights (IPRs). These include the Geographic Indication Act, 2013, Industrial Property Act, 2014, Copyright and Neighbouring Act, 2006, and the Trademarks Act, 2010. In terms of utilization of the protection of the framework established, a lot is still needed in creating awareness of the importance of IPR, the need to utilize geographical indication to protect and promote agricultural trade opportunities, and exploiting the medicinal potential of the resources.

Uganda signed and ratified the WTO Trade Facilitation agreement in 2017 and has completed the categorizations and notified them to the WTO Secretariat. Although Uganda developed the National Trade Facilitation Plan 2020/21-2023/24, the National Trade Facilitation committee tasked to monitor the implementation of the Trade Facilitation Agreement has been meeting but not regularly. The inability of the NTFC and thematic groups to meet regularly means there is limited mechanism to monitor implementation of category B commitments and development of projects that can enable Uganda to implement Category C measures. The committee is also not able to monitor investment in the different measures that are making positive changes in trade facilitation. The NTFC and its subcommittee have to be institutionalized so that a budget can be allocated to fund its activities. In the interim period, MTIC should be supported to establish a secretariat that will support NTFC and the thematic sub-committees.

Bilateral and Regional Integration: As a Least Developed Country, Uganda enjoys preferential treatment through duty-free, quota-free access to the largest foreign markets for virtually all of their exports, extended through initiatives like the European Union's Everything-But-Arms (EBA) program and the United States' African Growth and Opportunity Act (AGOA). Other preferences include the Generalized System of Preferences (GSP) and regional trade agreements. Through the National Trade Negotiations Team (NTNT), Uganda is engaged in several trade negotiations at the bilateral and multilateral levels. These include the EAC, COMESA and the AfCFTA. Outside the COMESA (including EAC), Uganda has the potential to export a wide range of agricultural and manufactured goods under the AfCFTA, including TEA, dairy and dairy products, maize, sugar, fruits and vegetables and plastics.

However, as Uganda plans to increase her market share, there are several challenges that Uganda must address to benefit from any new regional trading block. Some of the challenges that that should be addressed include: Language barriers, currency convertibility, low awareness about the market opportunities and how to position Uganda producers/traders to take advantage of the created market opportunities, climate change impacts on agriculture, since the biggest portion of the exports is agriculture, yet close to all agriculture is dependent on nature (rain-fed), inadequate soft and hard infrastructure challenges that constraint the smooth flow of goods across the continent, high cost of doing business (electricity tariffs and tax structure) that renders Ugandan products uncompetitive, and low capacity to meet quality standards of goods and services. To address the above challenges and facilitate exploitation of the ACFTA market by the Ugandan private sector, the DTIS recommends the following measures:

1) De-risking agriculture production through insurance as well as exports through adoption of an export guarantee schemes for Uganda exporters, including insecurity guarantee scheme.
2) Make private sector companies export ready by promoting adoption of quality standards that are expected across the AfCFTA, and accompanies by BDS capacity building for targeted export companies.
3) Development of market support infrastructure (soft and hard) including warehouses in key strategic markets, cold storage facilities, border export zones, quarantine centres and disease contraol support infrastructures, and quality standards infrastructure.
4) Design and implement a comprehensive Coordination, monitoring and evaluation and learning framework to track performance Uganda in taking up market opportunities in the target export markets

5) Building a strong dispute resolution mechanism through establishing business/trade arbitration centres in key regional markets
6) Develop a comprehensive production and trade database for all key potential export commodities with capacity to readily project production and export values to feed into the various markets
7) Support adoption and certification of quality standards of agriculture and manufacturing commodities, including through substantially reducing the cost of quality certification
8) Prioritize investment in electricity power export
9) Promote bilateral cooperation between high institutions of learning to promote export of education services virtually
10) Optimizing BUBU for export growth through galvanization of capacity of local producers through regulations to promote improvement in local production capacity
11) Facilitate access to long-term manufacturing and export development financing for targeted export commodities and markets through a well-capitalized UBD
12) Build institutional capacity for key trade related MDAs to adequately support the private sector take-up market opportunities in the AfCFTA
13) Complete drafting a national competition policy and law

MSMEs and Trade Finance: In Uganda, the private sector generates 77 percent of formal jobs, contributes 80 percent of GDP, funds 60 percent of all investments and provides more than 80 percent of government domestic revenues. The private sector in Uganda is dominated by about 1.1 million Micro, Small and Medium Enterprises (MSMEs) altogether, employing approximately 2.5 million people. Generally, Ugandan firms face various growth and survival constraints on several fronts, which undermines their development and thereby limits their impact on the economy. The major constraints faced by MSMEs are: a) Laws and regulations, institutional and other attitudinal challenges that inhibit formalization of enterprises and MSME competitiveness, b) Limited access to affordable long-term finance for MSMEs, c) Costly process for their product Certification and Standardization, d) Limited Access to markets and information, e) Informality of MSMEs, f) Lack of technical and business skills and g) Limited infrastructural facilities. To address these constraints holistically, the National MSME Policy 2015 was developed in 2015 with the theme is: "Sustainable MSMEs for Wealth Creation and Social Economic Transformation". The Policy provided for establishing the Directorate of MSMEs within the Ministry of Trade, Industry and Cooperatives, which was done in 2016.

Quality Assurance and Infrastructure: Uganda's national quality infrastructure is underdeveloped. Stakeholder consultations and reviewed sector performance reports indicate that Uganda's national quality infrastructure capacity still faces challenges. The 2019/20 UNBS annual reports estimated the national quality infrastructure capacity to be at 40%. UNBS, therefore, continues to face difficulties in supporting the private sector in terms of Laboratory testing capacity and quality certification of the products, as well as the elimination of substandard goods on the market. The main challenges faced are:

- ***Low Laboratory capacity:*** Uganda still suffers from low laboratory capacity to support the growing demand by the private sector.
- ***Human Resource Capacity gaps.*** Over the last five years, UNBS staffing has increased but still lags behind the approved staff establishment. In 2019/20, UNBS recruited an additional 105 staff, increasing the staff to 435, 67.7% of the approved staffing of 640 staff.
- ***Limited Funding of UNBS.*** The approved budget for FY 2019/20 was UGX 68.935 billion, comprising NTR contribution of UGX 39.108 billion (56.73%) and GOU contribution of UGX 29.827 billion (43.27%). However, UNBS requires the funding of approximately UGX 160 billion per year for the next five years to effectively deliver its mandate. Limited funding constraints UNBS's ability to deliver its mandate.

- ***Absence of Accreditation Body and Legislation.*** Uganda does not have an accreditation body and has to rely on foreign agencies to accredit all the quality infrastructure institutions in the country. This is expensive and affects the credibility of conformity assessment results issued by national bodies in the global marketplace.
- ***Weak framework for coordination and collaboration*** among Quality Infrastructure organizations and regulatory agencies. Effective coordination and collaboration among Quality Infrastructure organizations and regulatory agencies are needed to utilize financial, technical, and human resources efficiently.

The Government needs to ensure that adequate capacity is availed to all Quality Infrastructure organizations and regulatory agencies to carry out their mandates. To strengthen national conformity assessment, the Government should undertake the following measures;

1. Establish a national accreditation body to promote credibility and international recognition of conformity assessment services in Uganda. The Accreditation bill is before parliament and ought to be fast-tracked.
2. Commission external evaluation of the National Standards and Quality Policy to inform the revision of the policy
3. Strengthen the capacity of the national inspection, testing, and certification systems to demonstrate conformance of goods and services to standards and technical regulations. This requires building laboratory capacity, staffing, and funding to quality assurance institutions to deliver the conformity assessment services.
4. Strengthen a national metrology and calibration system to support businesses by constructing and accrediting the metrology laboratory at UNBS
5. Establish more regional centers for conformity assessment schemes (inspection, testing, and certification) to increase national coverage. The three regional centres (Mbarara, Gulu, and Mbale) are inadequate to support the entire country, especially as the country priorities agro-industrialization.
6. Support the private sector to conform to set standards, especially MSMEs.

Sanitary and Phytosanitary (SPS) and Traceability

Agricultural exports dominate Uganda's exports, with 15 out of the top 25 export commodities being agricultural exports. The agricultural exports by Uganda continue to be threatened with SPS-related interceptions/border rejections both in the regional and EU markets. Generally, agriculture exports of HS Code classification chapters 1-24, 41, 44, 46-48, and 50-53 are susceptible to SPS issues. In 2021, Kenya Imposed a ban on Ugandan maize exports on account of high levels of aflatoxins, but the ban was later lifted. In 2019, the European Union (EU) had threatened to ban Uganda's Agro Exports to Europe for non-compliance with EU Phytosanitary (plant health) standards. This resulted in the Government of Uganda imposing a ban to avert a possible banning by the EU. For the period 2013-2020, Uganda registered 1,339 interceptions of agricultural export consignments to the EU, which accounted for 2.31% of the total inceptions by the EU over the same period. Of these, 65% were due to the presence of harmful organisms, mainly in fruits and vegetables, cuttings and cut flowers, while 35% were due to other reasons, including false information on the phytosanitary certificate, incorrect identity declared on documents, prohibited plants, plants products or other objects, absence of a phytosanitary certificate, inadequate or invalid, missing, incomplete, additional declaration and fake phytosanitary certificate.

According to the Plant Protection and Health Act of 2016, the National Plant Protection Organisation (NPPO) is the Department of Crop Inspection and Certification (DCIC) of MAAIF. It is the Competent Authority (CA) for plant health, headed by a commissioner. The Plant Protection and Health Act (Act No 6 of 2016) provides the legal basis for the Phytosanitary controls in Uganda. The DCIC has registered multiple achievements, especially starting from 2015 following the enactment of the Plant Protection and Health Act. As reported in the 2019/20 MAAIF Annual Sector Performance Report, the DCIC registered multiple achievements. However, the NPPO still has inadequate capacity in the areas of staffing, facilities, and financial resources for effective promotion and enforcement of sanitary and phytosanitary measures.

Agriculture and agribusiness performance

Government policy with respect to international trade is to ensure effective integration of the economy into the regional economy and the multilateral trading system. It is essential to ensure that goods that are produced domestically can be competitively traded at the international level. The agricultural sector is the mains source of Uganda's internationally traded goods by Uganda, and the sector's products will likely continue to dominate trade. The sector remains the backbone of the Ugandan economy, with the sector accounting for 72.1% of employment and 71.9% of land use as of 2019. The sector's resilience is demonstrated by the fact that while it's contribution to GDP has been following a declining trend, in 2020, the sector posted a 4.8% growth despite the impact of Covid 19. This strong performance in terms of production volumes is attributed to the distribution of inputs under Operation Wealth Creation and improved access to extension services.

Agricultural exports have grown progressively over the years. Considering the top 30 agricultural exports, the export value increased from US$1.206b in 2015, peaking at US$1.56b in 2018 before reducing to US$1.38b in 2020. Over the period, the agricultural exports increased by 14%, while the total exports increased by 83%, on account of gold exports. Accordingly, the agricultural exports share in total exports decreased from 53.2% in 2015 to 33.3% in 2012. Over the NDP III period, in order to foster sustainable agro-industrialization agenda in Uganda, the GoU has prioritized a number of commodities, including; coffee, Fisheries, maize, dairy for targeted support. The aim of the support is to increase production and productivity in order to realize export competitiveness. Exports in the above priority commodities are targeted to grow from; USD 0.935 Billion to USD 2.7 billion over NDP III.

Several important factors that continue to constrain agricultural sector development and impede integration with regional and global value chains will need to be addressed if the NDP III agricultural sector export targets are met. Inadequate enforcement of sanitary and Phyto-sanitary standards (SPS); supply side constraints which make it difficult to reliably meet large orders in major export markets, limited value addition; and the predominance of small producing units whose qualities and production are erratic. The may constraints to agricultural exports into regional markets include: weak structured trading systems, high prevalence of informal trade, limited enforcement of grades and standards, limited awareness of grades and standards of EAC, insufficient storage infrastructure, absence of a functioning commodity exchange and high prevalence of aflatoxin contamination leading to rejections. These need to be addressed by the Government in order to release increase in agricultural exports.

Manufacturing Sector: Uganda's manufacturing sub-sector consists predominantly of MSMEs, which make up over 90 percent of firms operating in the sub-sector. Uganda's manufacturing sub-sector is small, uses basic technology, produces products oriented towards import substitution and creates low quality and quantity of gainful jobs. This is due to: (i) inadequate requisite manufacturing support infrastructure; (ii) High costs of inputs including electricity and those imported, (iii) limited access to long-term development financing (iv) competition from substandard and or counterfeits imported manufactured products on the market; (v) high cost of doing business, (vi) Weak institutional, human resource and financial capacity of manufacturing sector coordinating MDAs and (vii)Use of low and outdated technology in the manufacturing sector. To increase the growth and competitiveness of the manufacturing sector, the DTIS update recommends: a)Fast track enactment and implementation of the anti-counterfeits bill and the local content bill; b)Review of electricity tariffs to extend the tariffs offered to large consumers to all manufacturers irrespective of the power consumed; c)Offering targeted support to all manufacturing firms to acquire quality product standards certification for all products; d)Support manufacturing plants to access, acquire and or update manufacturing technology, equipment, and adoption of environmentally sustainable manufacturing practices to enhance competitiveness and productivity of the sector; e)Government should provide adequate capitalization of UDB and UDC to execute their mandates effectively; f)Capacitate the Government agencies mandated to implement the countries industrialization strategy through increased budgetary and human resources capacity; g)Develop regulations with an incentive regime to promote trade and consumption of locally manufactured goods by government agencies and the general public, in line with the BUBU policy; h)Commission studies to inform Uganda's positioning of manufactured products in the ACFTA market; and i)Provide institutional support to develop and implement a" Competition Policy and Law" to enhance fair competition in the Ugandan market

Services Trade: Uganda's services trade with the world has increased over the last eight years but her share has declined from 0.05% to 0.04%. Whereas global Services Trade registered a 30.6%% growth over the 8 years, Uganda's services trade with the world increased 2.3%% over the same period, decreasing her share from 0.05% to 0.04%. Uganda's services exports decreased by 4.5% compared to the growth in global services exports of 30.6%. Equally, Uganda's services imports increased by 8.1% compared to growth in global services imports of 28.2%. Services Exports increased driven by travel services exports but imports of Transport services led to increase in services trade deficit. Uganda was a net importer of services over the last decade (2010-2019). Over the review period, the export of services increased by 55.6%, while import of services increased by 49.1%, while the services trade deficit increased by 32.1%. Travel services remained the main services export earning for Uganda and it accounted for 58.6% of total services exports earnings in 2019. Financial services also posted a positive trade balance throughout the review period. On the other hand, Transport services are the main imported services over the review period and in 2019, it accounted for 57.5% of the total services import bill.

Covid 19 Impact on External Merchandise Trade: Whereas the Government of Uganda instituted containment measures including restrictions on cross-border movement of persons, cargo flow was never stopped and the measure ensured continuous flow of merchandise across all borders, despite some delays occasioned by requirements to comply with SoPs. Trade statistics by the Bank of Uganda show that the trade sector maintained the growth trajectory experienced over the last five years. Considering 2019 as the base years (before Covid), the trade statistics reveal that total exports registered an 8.7% between 2020 and 2019 despite Covid compared to average annual growth of 11.4% for the last five years. Equally, formal exports registered a 16.4% growth between 2019 and 2020 compared to the average annual growth of 12% over the last five years. On the other hand, informal cross-border exports registered a 42.6% decline between 2019 and 2020 compared to annual average growth of 8.2% over the last five years. While over the same period, imports growth was 7.2% compared to the yearly average growth rate of 9.5% over the last five years.

Further review of the trade statistics shows that the growth of both exports and imports was driven by robust growth in the trade of gold. Gold is now Uganda's leading export earner, having accounted for 43.8% of exports in 2020, and leading import commodity, having accounted for 22.3% of imports in 2020. Over the period 2019-2020, gold exports registered a 44.7% growth in export value compared to a 1% growth in non-gold exports. Over the same period, gold imports registered a 39.8% growth in the value of imports compared to a 0.5% growth in non-gold imports. Given that almost all the exported gold is imported (as the import value almost equals export value), the contribution of the growth in exports to the local economy is limited. Of the top 30 exported commodities in 2020, comprising 95.9% of total exports, nineteen commodities (50%) with positive average growth for the preceding four years maintained the positive growth trajectory in 2020 amidst covid 19 induced challenges. These commodities included gold, coffee, cocoa, tea, maize corn, flowers, dried leguminous vegetables, plywood, cereal flours, wheat flour, bran, medicaments, beer, manufactured tobacco, waters and tubes/pipes.

On the other hand, ten commodities were greatly impacted by Covid, resulting into negative annual growth in exports and these included HS 03: Fish and crustaceans, molluscs and other aquatic invertebrates; HS 27: Mineral fuels, mineral oils and products of their distillation; bituminous; HS 17:Sugars and sugar confectionery; HS 24:Tobacco and manufactured tobacco substitutes; HS 52: Cotton; HS 73: Articles of iron or steel; HS 39: Plastics and articles thereof; HS 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof, and HS 48: Paper and paperboard; articles of paper pulp, of paper or of paperboard. The reduced growth in exports of these commodities is partly attributed to the disruptions caused by Covid 19 on production, supply chain and demand of goods. The impact of Covid on the external trade of merchandise by Uganda was as a result of the following: a)Covid 19 containment measures stiffed small-scale cross-border traders; b)Covid 19 containment measures increased the cost of doing business, thereby stifling exporters with small volumes; and c)Covid 19 stifled aggregate demand in both the domestic and export markets.

Trade in services exports recorded a 45.1% decline between 2019 and 2020, which is attributed to the impact of Covid 19. The most affected services export was travel that recorded a 66.6% decline in receipts over the two years, and this was followed by other businesses services (20% decline) and transport services (10%). A review of the preliminary trade data for 2020 revealed that only three (3) export service categories registered an increase in value of exports in 2020 compared to 2019, and these were: insurance and pension services (63.6%), telecommunications, computer, and information services (34.8%) and financial services (29%). On the other hand, Uganda's services imports continued with the growth path, posting a 13.2% increase in 2020 compared to 2019 despite the negative impacts of Covid 19. The growth in services imports was driven by a 95.7% growth in other trader services, while the decline in import of transport services was not significant (6%) to offset the increases in other businesses services. Accordingly, the trade in services trade balance deficit increased by 193%, over the two years (2019-2020).

UPDATED ACTION MATRIX

Thematic Area/ Issue	Identified Constraint	Recommended Action	Intervention requirement			Agency Involved	Priority level/ Timeframe
			Implement existing policy	Change policy/ legislation/Reform Institutions	Technical assistance/ investments		
Uganda in the Multilateral Trading System	Uganda not effectively participating in Multilateral trade	Enact the WTO Implementation Bill into law		X		MTIC	MT
		Re-activate the Inter-Institutional Trade Committee (IITC)	X			MTIC	ST
		Institutionalize NTFC and support establishment of the NTFC secretariat		X	X	MTIC, MJCA	ST
Leveraging on Trade opportunities in REC and key trading partners	Regional Exports have grown	Government funds deployment of Trade/ Commercial attaches in key markets, including Geneva		X		MTIC, MFA, MFPED	MT
		Adopt a commodity-based approach to trade negotiations with bilateral partners for key export commodities including coffee, cocoa, tea, fruits and vegetables, grains/cereals,	X		X	MTIC, MAAIF	MT
		Development and implement a national response plan (Strategy) to AfCFTA market	X		X	MTIC	ST
		Develop trade support infrastructure including border					

Thematic Area/ Issue	Identified Constraint	Recommended Action	Intervention requirement			Agency Involved	Priority level/ Timeframe
			Implement existing policy	Change policy/ legislation/Reform Institutions	Technical assistance/ investments		
		export zones, warehouses, cold storage facilities and OSBPs at all border points					
		Design an export guarantee scheme for selected sectors	X			MTIC, UEPB, IRA, MFPED	MT
		Design and implement an export readiness support programme	X			UEPB, MTIC	ST
		Develop an institutional capacity building programme for key trade related MDAs including MTIC, UEPB and UNBS		X	X	MTIC, DPs	MT
		Advocate for development/ review and operationalization of a robust dispute resolution mechanism under each of the REC were Uganda is a member					
Trade Policy and regulatory regime	National Trade policy and regulatory regime requires improving	Review/develop the following policies & legislations a) National Trade Policy (2007), b) National Export Development Strategy (2017/18-2021/22) c) Competition policy and law d) Local Content bill		X	X	MTIC, DPs	ST

Thematic Area/ Issue	Identified Constraint	Recommended Action	Intervention requirement			Agency Involved	Priority level/ Timeframe
			Implement existing policy	Change policy/ legislation/Reform Institutions	Technical assistance/ investments		
MSMEs and Trade Finance	Low Capacity and Competitiveness of MSMEs	Capitalize and strengthen UDB with dedicated long-term MSME funding and export credit facility	X		X	MTIC, MFPED, UBD, Private Sector, DPs	MT
		Develop and implement a framework/programme for Business Development Services provision to improve MSMEs capabilities	X		X	MTIC, MFPED, UBD, Private Sector, DPs	MT
Manufacturing Sector growth and competitiveness	High cost and low-quality products oriented towards the local market	Review of electricity tariffs to extend the tariffs offered to large consumers to all manufacturers irrespective of the size of the power consumed.	X		X	ERA, MEMD, MTIC, Private sector	MT
		Offering targeted support to all manufacturing firms to acquire quality product standards certification for all products	X		X	MTIC, UNBS, DPs	ST
		Support manufacturing plants to access, acquire and or update manufacturing technology, equipment and environmentally sustainable manufacturing practices	X		X	MTIC, UNBS, DPs	ST
		Government should provide adequate capitalization of UDC to effectively execute their mandates in the countries	X		X	MTIC, UDB, UDC, MFPED DPs	ST

Thematic Area/ Issue	Identified Constraint	Recommended Action	Intervention requirement Implement existing policy	Change policy/ legislation/Reform Institutions	Technical assistance/ investments	Agency Involved	Priority level/ Timeframe
		manufacturing industry development agenda					
Quality Assurance and Infrastructure	National Quality Infrastructure capacity is low to effective support international trade	Establish a national accreditation body		X	X	MTIC, UNBS	MT
		Commission external evaluation of the National Standards and Quality Policy to inform the revision of the Policy			X	MTIC, UNBS	ST
		Strengthen the capacity of the national inspection, testing, and certification systems to demonstrate conformance of goods and services to standards and technical regulations	X		X	MTIC, UNBS	MT
Sanitary and Phytosanitary	Weak Capacity to Monitor and Enforce SPS Compliance	Develop and ooperationalise regulations requiring all exporters of agricultural commodities to be members of private sector associations/producer organizations with an SPS self-regulation arrangement in agreement with DCIC.	X		X	MTIC, UNBS, UEPB, MAAIF, Private Sector	MT
		Government should develop an export inspection and quality control regime to regulate all	X		X	MTIC, UNBS, UEPB, MAAIF, Private Sector	MT

Thematic Area/ Issue	Identified Constraint	Recommended Action	Intervention requirement: Implement existing policy	Change policy/ legislation/Reform Institutions	Technical assistance/ investments	Agency Involved	Priority level/ Timeframe
		exporters, producers and pack houses through annual permits, to ensure there are export ready before engaging in exporting business					
		Government should build capacity of DCIC by recruiting additional staff and increasing funding for operational costs to promote and enforce compliance to SPS requirements/regulations	X		X	MTIC, UNBS, UEPB, MAAIF, Private Sector	MT
		Finalise and adopt a national SPS policy to streamline coordination and cooperation in handling SPS issues	X		X	MTIC, MOH MAAIF, Private Sector	MT
Services Trade	Lack of reliable and update trade in services statistics	Build Capacity and Systems at UBOS to compile trade in services statistics	X			MTIC, UBOS	MT
	Energy services market under developed	Develop a trade policy position paper on energy products and services trade to inform Uganda's trade negotiations	X		X	MTIC, MEMD	MT
		Develop and implement a strategy to promote trade of energy efficient and renewable energy products and technologies	X		X	MTIC, MEMD	MT

Thematic Area/ Issue	Identified Constraint	Recommended Action	Intervention requirement			Agency Involved	Priority level/ Timeframe
			Implement existing policy	Change policy/ legislation/Reform Institutions	Technical assistance/ investments		
E-COMMERCE	There is no E-Commerce platform to support the local producers/ exporters tap into the global e-commerce business	Development of a national E-Commerce platform through public-private partnership to lead government efforts in tapping into the global E-Commerce business as a strategy for promoting Uganda's exports	X		X	MTIC, MICT	MT
		Develop and operaionalise an E-Commerce Development strategy	X		X	MTIC, MICT	MT
		Put in place an E-Commerce Steering Committee to Coordinate development and delivery of E-Commerce business support by MDAs	X		X	MTIC, MICT	MT
		Develop and implement a training and capacity building programme for SMEs to make them use e-commerce and other digital tools in reaching both internal and export market.	X		X	MTIC, MICT	MT

1.0 INTRODUCTION

1.1 Background and Objectives of the DTIS Update

The Diagnostic Trade Integration Study (DTIS) provides an everyday basis for building consensus, prioritization, and ownership on the trade and development track and mobilization of resources for agreed trade development interventions. The DTIS is country-specific evidence-based trade analytical work that helps countries identify priorities to guide their trade agendas, reveals constraints to trade integration, and advises on key action areas. It is a comprehensive study on constraints to trade and opportunities for pro-poor sustainable and inclusive trade development with an Action Matrix for addressing the constraints and harnessing the opportunities identified.

In the context of Uganda, the DTIS plays a vital role in supporting the Trade Ministry's engagement and preparation of trade inputs in the National Development Planning (NDP) process. Uganda's first Diagnostic Trade Integration Study (DTIS) was conducted in 2005, validated, and adopted by the Cabinet in 2007. In 2013, the first DTIS Update (DTISU) was conducted, and the Action Matrix was validated in July 2013. Since DTISU in 2013, many developments have occurred in Uganda's economy and the trade policy space. These include:

1. Advancement in regional economic communities where Uganda is a member, including the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA).
2. New regionalization, bilateralism, and multilateralism initiatives including a) the Tripartite Free Trade Area Agreement between COMESA, EAC, and South African Development Cooperation (SADC) signed in 2015; b) The initiation of African Continental Free Trade Area (AfCFTA) negotiation; c) negotiation of the EAC-EU Economic Partnership agreements (EPAs); d) Brexit; and e) Signature and ratification of the Trade Facilitation Agreement (TFA) under WTO as well as services waiver.
3. Development of oil and other mineral resources, which are at the edge of fundamentally altering the trade structure of the economy.
4. Increased access and use of the internet and Information Communication and Technology (ICT) based applications in trade and productive sectors, credited with changing how business is conducted.
5. Progress in the domestic economy in industrialization and agricultural sector development poses new challenges and opportunities to trade domestically and regionally.
6. Uganda's migration from a sector-wide planning approach to the program-based and parish development models (PDM).
7. Impact of COVID 19 on trade and productive sectors of the economy.

Against this background, the Government of Uganda (GOU), through the Ministry of Trade Industry and Cooperatives, initiated updating the DTIS with the support of the Enhanced Integrated Framework (EIF) and other development partners. The broad objective of the DTIS update was to provide a renewed perspective of the trade development agenda to identify trade binding constraints and priorities in Uganda, taking into account the changes in the national and international environment as outlined above. The DTIS update was meant to identify key internal and external constraints that hinder the expansion of Uganda's trade, focusing on strengthening the contribution of trade expansion to wealth creation in Uganda. More concretely, the study aimed at the following specific objectives:

i) Take stock of progress in the implementation of Action Matrix recommendations and achievement of the objectives of the updated DTIS (2013);
ii) Provide an overview of the prevailing macroeconomic situation and perspectives to serve as a background and basis for the analysis of the trade-specific policy environment;

iii) Assess trade-related institutional capacities and structures required for supporting enhanced integration of Uganda's economy into the global economy;
iv) Analyze available trade and market opportunities, and utilization thereof, constraints and suggest how to address them, including policy, regulatory and structure of institutions;
v) Conduct specific analysis of the industrial and agricultural sectors and their integration into the regional and global value chains to identify constraints and challenges. and identify synergies between trade and productive sectors of the economy, especially industrial and agricultural sectors that need to be harnessed in the short and medium-term during NDP III implementation;
vi) Produce an analytical report with an executive summary and an action matrix identifying priority measures to inform the National Development Plan and trade sector development planning.

Preparation of this DTIS update involved evaluating progress made in implementing the DTIS 2013 Action Matrix and overall delivery of trade support services. The DTISU also interrogated recent and emerging trade development challenges to provide a renewed perspective of binding constraints considering the changes in the national, regional, and international trading environment. It identifies new opportunities for mainstreaming trade in the national development planning framework and reviews pathways for promoting the integration of Uganda's trade into the multilateral trading system. It examines recurring and or new government priorities to improve the capacity of Uganda to take advantage of market access opportunities created under the various negotiated trade agreements where Uganda is a signatory or offers to which Uganda is a beneficiary.

1.2 Context of the DTIS Update

Political Context: Uganda is a democratic country, and the 2021 general elections saw the National Resistance Movement (NRM) party retain power under the leadership of H.E Yoweri Museveni Kaguta. The political leadership has committed to translating the economic gains made into increased economic growth and development. The focus is on regional integration, infrastructure development, industrialization, job creation, especially for youth, fighting corruption, and wealth creation within the next five years. In the next five years, the country's trade agenda will be geared towards helping more people take advantage of the existing socio-economic infrastructure, including roads, electricity, and ICT, to create jobs and wealth. The NRM manifesto 2021-2026 identified and prioritized sectors for jobs and wealth creation to be the following:

i. ***Commercial agriculture***: The Government will continue promoting the commercialization of agriculture over the medium term. The trade policy agenda ought to include a focus on consolidating Uganda's access to regional markets for agricultural goods and agro-processed goods. The trade policy implementation will also need to prioritize addressing constraints experienced by traders seeking to export. These constraints include building the capacity of the private sector and public sector to comply and promote compliance with sanitary and phytosanitary (SPS) requirements and quality standards so that Uganda's agricultural and agro-processed goods are not rejected in the export markets.
ii. ***Industrialization***: The political leadership has committed to prioritizing resource-based industrialization. The focus is on promoting agro-processing to add value to primary agricultural products and mineral-led industrialization to harness abundant mineral resources across the country. The NRM Government will build 31 industrial parks, nine of which are at different levels of development. The political leadership is also committed to advancing the Buy Uganda Build Uganda (BUBU) policy to grow local manufacturing capacity. Therefore, the trade policy agenda should focus on consolidating Uganda's access to regional markets for agro-processed goods and building the capacity of the private sector to produce products that meet the quality standards required in the market. The Trade policy will need to support

infant industries to be competitive to take advantage of the opportunities arising from BUBU and other preferential schemes.

iii. ***Services and Information and Communications Technology (ICT).*** The Government's capitalization of the Uganda Development Bank (UDB) will be increased to enable entrepreneurs engaged in the service sectors, ICT, industries, and commercial agriculture to access low-interest loans.

The political leadership recognizes that Uganda's current internal market is insufficient to guarantee the country and its people's prosperity. As agricultural and industrial production expands, the Government has committed to putting in place measures to take advantage of Africa's market of 1.3 billion people. Therefore, the trade policy agenda ought to prioritize the implementation of regional integration commitments under EAC, COMESA, and the African Continental Free Trade Area (AfCFTA) trade agreements. The DTISU identifies binding constraints and prioritizes actions that will support Uganda's political agenda of achieving increased jobs and wealth creation for Ugandans.

Development policy and planning (Vision 2040 and NDP III): The overriding goal of Uganda's economic policy is sustained economic growth and transformation from a least developed country (LDC) to a middle-income country. Within this framework, Vision 2040 was formulated as a long-term development planning framework. Uganda's Vision 2040 provides development paths and strategies to operationalize Uganda's Vision statement, which is *"A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years"*. Vision 2040 is conceptualized around strengthening the economy's fundamentals to harness the abundant opportunities within and outside the country. The identified opportunities include oil and gas, tourism, minerals, ICT business, abundant labor force, geographical location and trade, water resources, industrialization, and agriculture, which are considerably under-exploited to date.

Through the implementation of Vision 2040, the Government committed itself to improve the trade balance by implementing strategies to transform Uganda's trade capacity. The strategy upon which the commitment was designed are:

- Increase and diversify exports and ensure stable supply to meet market targets;
- Identify new export destinations in regional and emerging markets;
- Ensure that the exports are competitive and meet international standards;
- Develop an effective incentive system to attract and expand investments in export commodities.

Vision 2040 embraces Uganda's location as an opportunity to access a big regional market. Uganda is also a member of the East African Community, COMESA, IGAD, and African Continental Free Trade Area (ACFTA), providing a broader market and associated membership preferential benefits. On a similar note, Uganda's location makes it a suitable regional hub for industrial production, trade and transit, and air transport. For the Vision of a "Modern and Prosperous Country" to be realized, Uganda aspires to become a major player, particularly in the East Africa Community, COMESA, and global markets. The Government is committed to pursuing strategic membership to regional blocs to exploit market opportunities by strengthening legal and regulatory frameworks and building strong institutions, domestication, and operationalization of the protocols.

Uganda aims at achieving Vision 2040 through six- five-year rolling National Development Plans (NDP), and the third NDP (2020/21-2024/25) was approved in 2020. The second National Development Plan (NDP II) prioritized four trade sector development objectives. These are:

1. Increase the share of manufactured goods and services in total exports.
2. Improve Private Sector competitiveness.

3. Increase market access for Uganda's goods and services in regional and international markets.
4. Improve the stock and quality of trade infrastructure.

The third NDP under the theme: "Sustainable Industrialization for inclusive growth, employment and wealth creation" will build on the achievements and the lessons from the NDPII. The goal of NDP III is to increase average household incomes and improve the quality of life of Ugandans. NDP III has five Strategic Objectives, namely:

1. Enhance value addition in key growth opportunities;
2. Strengthen the private sector capacity to drive growth and create jobs;
3. Consolidate and increase the stock and quality of productive infrastructure;
4. Enhance the productivity and social wellbeing of the population; and
5. Strengthen the role of the state in guiding and facilitating development.

These strategic objectives provide the framework for streamlining and directing Government, private sector, civil society, and development partners' investments towards:

1. Increased agricultural production/productivity and agro-processing, mineral beneficiation and mineral-led industrialization, oil refining, digitalization, and labor-intensive light manufacturing (including cottage industries);
2. Sequential and coordinated infrastructure investments in energy, roads, water, air, rail, industrial parks, and mechanized irrigation schemes to support increased production/productivity for export expansion and the production of goods that would otherwise be imported;
3. Increased generation of the more skilled, better motivated, and healthier workforce for all sectors of the economy, and in particular for the industrial sector as well as a modernized agricultural sector; and
4. A strengthened private sector that can drive growth and investment in collaboration with the state.

To achieve the strategic objectives and deliver envisaged results, NDP III adopted 21 development strategies. These strategies are: 1)Agro-Industrialization, 2)Fast-Track Oil, Gas and Mineral-Based Industrialization, 3)Import Substitution/Promotion of Local Manufacturing, 4)Export Promotion, 5) Harness the Tourism Potential, 6)Provide a suitable fiscal, monetary and regulatory environment for the private sector to invest, 7)Increase local content participation, 8)Institutionalize infrastructure maintenance, 9)Develop intermodal transport infrastructure to enhance interoperability, 10) Increase access to stable, reliable and affordable energy, 11)Leverage urbanization as a driver for socio-economic transformation, 12)Improve access and quality of social services, 13)Institutionalize human resource planning for the economy, 14) Enhance skills and vocational development, 15) Promote Science, Technology, Engineering and Innovation as well as ICT, 16)Increase access to social protection, 17)Promote development-oriented mind-set, 18)Increase government participation in strategic sectors, 19) Increase Resource Mobilization for Implementation of National Development Programmes, 20) Re-engineer the Public service to promote investment, and 21)Enhance partnerships with non-state actors for effective service delivery.

Export Promotion is the fourth development strategy within the NDP III. The export-oriented strategy seeks to increase the value and volume of manufactured food products, textiles, cement, steel, soft drinks, and processed minerals and oil. This will be achieved through Government focus on increasing and sustaining Uganda's market share in four key markets, namely:i

1. **EAC, COMESA, and AfCFTA.** These are key markets because of proximity and the market access compliance requirements (phytosanitary) similar to Uganda's protocols; hence, user specifications require little or no modification. These are prime markets for building materials

(cement, steel, tiles, and plastics); fast-moving consumer goods (sugar, dairy products, cooking oil, soap, and kitchenware); as well as cereals and grains. In addition, they provide preferential access to Uganda's products through targeted negotiated trade agreements.

2. **The Middle East**. This is a stable and dependable market for the export of livestock and its products (beef, goat, dairy, and poultry) and fruits and vegetables (pineapples, apple bananas, and avocado). The proximity of this market, together with the market access requirements that are not as stringent as the European market, makes it easier to secure, sustain and grow. However, there is no negotiated bi-lateral trade agreement with this market, and Ugandan exporters have not consistently supplied the goods in required quantities reliably.
3. **China**. This is a crucial market because it is very big and growing. It is a suitable export destination for poultry, beef, dairy, fish, hides and skins (wet blue), cow horns, processed coffee, semi-processed cotton, sesame, and cocoa. There is an increase in bilateral trade cooperation with China, growing into Uganda's biggest import country. Therefore, Uganda's limited exports to this market contribute significantly to the country's negative trade balance. China has offered Uganda unilateral duty-free and quota-free access for over 3,000 commodities, which are limited by Technical Barriers to Trade (TBT), e.g. quality standards and tariffs on processed goods.
4. **European Union**. This is the traditional market where contracts exist, and tradable products are known. It is a good market for the export of fish, coffee, cocoa, and flowers. It is also a stable and high-income market. Ugandan products have been offered access concessions through WTO and the Economic Partnership Agreement.

To support an increase in the share of exports to these four markets, the Government should focus on the following areas:

1. Commercialization of agriculture/organization of farmers to ensure consistency in the supply of agriculture commodities exported to these markets;
2. Development and enforcement of standards through regulation, certification, and enforcement of phytosanitary standards to ensure consistency in the quality of commodities exported;
3. Government should deploy trade/commercial attaches in key export markets;
4. Link-local producers/manufacturers to external markets, and support negotiation of joint ventures between local producers/manufacturers and foreign suppliers;
5. Development of free zones;
6. Introduction of export guarantee schemes; and,
7. Strengthening institutional framework to support export development.

1.3 DTISU Report Layout

This report is presented in six chapters. The content of each of the chapters is summarized hereunder.

1. The first chapter presents the introduction to the study with four sub-sections. These are the background and objectives of the study, the Context of the DTIS update, the DTISU report layout, and the approach to the DTUSI preparation.
2. The second chapter presents summary findings on developments since the last DTISU (2013). This include: a) Macroeconomic performance and drawing implications for trade policy, b) trade support infrastructure Developments (Transport, Energy, ICT, quality assurance, etc.).
3. The third chapter presents Trade Policy and Trade Development issues that affect the competitiveness of Uganda's trade. The chapter covers: a) Trade policy developments at the Multilateral and regional levels (WTO, EAC, COMESA, AfCFTA), b) Trade Sector Performance (trends, direction, trade balance, export diversification), c) Trade Facilitation and Logistics, e) SME Development and Trade Finance, and f) Standards, Quality Infrastructure, Quality Assurance System.

4. The fourth chapter presents the analysis of the Performance and Capacity of Productive Sectors. The chapter covers three sub-sections: a) Agriculture and agribusiness performance, b) Manufacturing sector performance, c) global/regional value chains analysis. The synthesis identifies supply-side constraints and competitiveness challenges for each of issues covered.
5. The fifth chapter presents the analysis of the Performance of trade in services.
6. The sixth chapter presents the analysis of the impact of Covid on trade in goods and services.
7. The seventh chapter presents the synthesis of trade development cross-cutting issues. The chapter of the DTIS update examines cross-cutting issues and their impact on Uganda's trade capacity and integration into the multilateral trading environment. The key cross-cutting issues covered are: a) Gender and its implications for trade development in Uganda, b) climate change and its impact on trade.
8. Chapter eight presents an assessment of the 2013 DTIS action matrix's implementation and recommendations to enhance DTISU implementation and resource mobilization.

1.4 Approach to DTIS Preparation

The Ministry of Trade Industry and Cooperatives took the lead in preparing the DTIS update, supported by a team of external consultants. Four principles guided the preparation of the DTISU. These are:

1. **Build on plans and strategies adopted by the Government of Uganda.** The DTISU is cognizant of existing Government strategies and priorities identified in NDP III and the different Ministries Departments and Authorities (MDAs). The recommendations and actions proposed in this DTISU are supplementary to those already identified in the NDP III and strategic plans of the different MDAs.
2. **Engagement with key stakeholders**. The Ministry of Trade Industry and Cooperatives and the consulting team held engagements with key actors to ensure stakeholders' commitments throughout the process to promote ownership of the prioritized actions in the DTISU. The stakeholder engaged included MDAs, private sector players and trade associations, development partners, and civil society organizations.
3. **Ensure complementarity and value for money of actions prioritized in the DTISU by the stakeholders**. The DTISU process paid particular attention to the complementarity of actions by the different trade policy-related making and implementing agencies to minimize the chances of duplication of efforts. Attention was also paid to limiting the negative impact of trade-related activities on the environment, women, and other vulnerable groups.
4. **Ensure technical quality of the output**. The consulting team worked with the Ministry of Trade Industry and Cooperatives to peer review each chapter of the DTISU at the draft stage before subjecting the draft to the validation process.

The approach to DTISU was to build on the previous DTIS study reports and focus on priority areas that merit new in-depth analysis while generating evidence on the progress made by the Government and other stakeholders in addressing the constraints identified in the first and second DTIS reports. By building on the recommendations and analysis in the previous DTIS reports, the study focused on understanding new emerging constraints to trade and opportunities created by recent policy and regulatory initiatives, internal and external to Uganda, and generating solutions for promoting the competitiveness of the trade sector in Uganda.

Both primary and secondary data sources informed the DTISU. The study started with an extensive review of relevant documents/reports and statistics. Primary data was collected through key informant interviews with traders, trade associations, policymakers, trade facilitating institutions, civil society organizations (CSOs), and academia. Secondary data was extracted from Government records and published or unpublished documents, including official government reports, policies, legislation, and regulations. Trade databases were accessed from the following: Bank of Uganda, Uganda Revenue

Authority, product support competent authorities like Uganda Coffee Development Authority, the International Trade Centre (ITC) Trade Map, COMTRADE, Eurostat, and FAO, among others.

2.0 TAKING STOCK OF DEVELOPMENTS SINCE 2013

2.1 Macroeconomic performance of the Ugandan Economy

Over the last decade, Uganda has achieved noteworthy economic growth supported by a prudent macroeconomic management framework and consistent policy reforms. Real GDP growth averaged 5.2 percent over the period FY2009/10 to FY2019/20. FY2019/20 real GDP growth was subdued to 2.9 percent, the lowest in the last decade largely on account of the effect of the Covid-19 pandemic. Over the review period, the industrial sector registered average real GDP growth rates of 6.2%, while services and the agricultural sector registered growth rates of 5.6% and 3.1%, respectively.

Table 1: Annual GDP Growth Rate by Economic Activity

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Average
GDP at market prices	**5.6**	**9.4**	**3.8**	**3.6**	**5.1**	**5.2**	**4.8**	**3.8**	**6.2**	**6.8**	**2.9**	**5.2**
Agriculture, forestry & fishing	**2.9**	**3.1**	**0.6**	**1.9**	**2.7**	**2.3**	**2.8**	**2.8**	**4.4**	**5.4**	**4.8**	**3.1**
Cash crops	-13.7	-0.1	9.4	-0.1	-0.3	4.0	7.9	9.4	6.1	4.7	7.2	4.8
Food crops	5.1	2.2	-1.4	-0.3	2.9	2.2	1.3	2.2	8.5	1.5	4.5	2.4
Livestock	2.4	2.3	2.3	2.5	2.7	2.9	2.8	7.0	7.1	7.3	7.9	4.5
Agriculture Support Services	5.5	3.2	-12.8	7.8	0.5	17.6	-4.6	3.8	-0.5	8.8	6.4	3.0
Forestry	5.5	10.7	1.3	11.2	3.5	1.7	4.7	3.5	3.4	3.6	3.3	4.7
Fishing	2.4	-0.7	1.2	-3.5	2.1	1.5	4.8	-7.8	-25.2	41.4	1.9	1.6
Industry	**7.9**	**11.3**	**3.1**	**2.1**	**6.3**	**7.8**	**4.6**	**6.8**	**6.5**	**10.1**	**2.2**	**6.1**
Mining & quarrying	8.3	29.3	-5.6	11.3	5.7	18.1	12.4	32.7	30.5	33.4	0.2	16.8
Manufacturing	4.5	7.8	2.7	-2.5	2.2	11.6	0.6	3.6	4.6	7.8	1.3	4.0
Electricity	15.5	9.8	7.4	9.9	1.9	5.7	4.0	9.2	5.5	2.5	4.7	6.1
Water	6.0	6.1	6.1	6.3	6.3	6.1	6.3	5.6	4.0	4.7	4.1	5.6
Construction	12.6	14.8	3.9	4.2	12.5	1.9	7.3	11.7	7.6	14.2	3.8	8.2
Services	**7.0**	**11.7**	**4.0**	**5.4**	**5.4**	**4.8**	**6.2**	**1.6**	**7.6**	**5.7**	**2.9**	**5.5**
Trade and Repairs	1.6	9.5	0.8	2.7	-1.8	3.2	3.5	-1.3	7.5	4.9	-0.4	2.9
Transportation and Storage	8.6	9.5	7.8	4.9	6.1	6.6	8.2	2.3	10.4	1.3	-1.3	5.6
Accommodation and Food Service Activities	15.6	6.8	9.3	5.1	8.8	-0.5	5.7	19.7	8.1	3.0	-8.5	5.8
Information and Communication	21.3	21.2	18.5	18.0	14.5	-1.8	14.1	19.0	-4.7	-0.6	21.9	12.0
Financial and Insurance Activities	0.9	15.7	-0.9	8.1	17.8	10.9	9.6	-4.1	2.9	9.4	9.8	7.9
Real Estate Activities	4.7	3.0	4.4	4.8	6.3	6.5	6.1	1.6	11.6	10.2	5.1	6.0
Professional, Scientific and Technical Activities	11.3	20.0	-7.5	0.5	0.8	-5.6	-0.3	1.9	8.0	2.9	4.9	2.6
Administrative and Support Service Activities	16.3	31.7	-3.6	-11.4	8.0	25.5	-13.9	-2.2	4.9	17.5	7.4	6.4
Public Administration	12.2	17.2	-4.0	0.1	0.6	24.2	8.4	18.6	9.7	3.2	16.2	9.4
Education	2.6	10.6	7.6	8.1	4.4	5.2	7.8	-10.3	6.9	7.4	-4.0	4.4
Human Health and Social Work Activities	5.5	4.5	4.8	4.1	5.2	5.4	3.4	0.0	16.4	5.4	2.4	5.2
Arts, Entertainment and Recreation	10.8	5.3	8.0	-2.8	6.5	5.3	-5.0	29.7	65.8	21.2	-8.7	12.5
Other Service Activities	4.8	2.9	7.6	5.1	10.7	7.9	9.2	0.3	-2.1	2.1	3.3	4.7
Activities of Households as Employers	4.1	2.6	1.8	2.1	2.4	2.8	3.4	2.8	2.8	2.8	2.8	2.6
Taxes on products	1.3	11.9	15.3	0.7	7.5	9.9	2.2	11.0	2.1	5.8	-1.3	6.5

Source: Uganda Bureau of Statistics

The industrial sector GDP growth was driven by robust growth of mining and quarrying (16%), construction (8.6%), electricity (6.9%), water (5.6%), and manufacturing (4%). Agricultural sector GDP growth was largely moderate over the last decade. The growth was 3.1% for cash crops, 2.6% for food crops, 4.2% for livestock, 3.2% for agricultural support services, 4.7% for forestry, and 1.6% for fisheries. Note worth is that for the last five years (NDP II Period-2015/16-2019/20), the agricultural sector GDP continued to register robust growth averaging 4.1% compared to 2.1% over the five years of NDP 1 (2010/11 - 2014/15).

Over the last five years (2015/16-2019/20), there was a rebound in the growth of cash crops output, which averaged 7.1% compared to the 2.6% over the NDP I period. The growth of the food crops output also increased to 3.6% over the NDP II period compared to 1.1% during NDP I. Equally, GDP from livestock averaged 6.4% over the NDP II period compared to the average of 2.5% over the NDP I period. The forestry sub-sector has experienced a contraction in growth while fisheries show signs of recovery with moderate growth averaging 3% over the NDP II period compared to the average annual growth rate of 0.1% registered during NDP I.

The service sector GDP growth averaged 4.8% over the NDP II period, which was lower than the 6.3% average annual growth rate registered over NDP I. Growth in the service sector GDP has been driven by robust GDP growth from Information and Communication activities, which averaged 9.9% over the NDP II period compared to the average of 14.1% over the five-year NDP I period. ICT GDP growth was robust in 2019/20 at 21.9%, facilitated by the effects of COVID 19 as many businesses resorted to the use of internet-based applications to conduct business. The average real GDP growth of other services sub-sectors was: Trade and Repairs (2.7%), Transportation and Storage (5.8%), Accommodation and Food Service Activities (6.6%), Financial and Insurance Activities (7.2%), Real Estate Activities (5.8%), Professional, Scientific and Technical Activities (3.35), Education (4.2%), Human Health and Social Work Activities (5.2%) and Arts, Entertainment and Recreation (12.4%).

Services continued to dominate contribution to GDP. Services contribution to GDP increased from 43% in 2010/11 to 43.6% in 2019/20. Over the same period, the agricultural sector contribution to GDP contracted from 26.7% to 23.2% while industrial sector contribution increased from 25% to 26.7%, driven by growth in the mining and quarrying and construction subsectors while manufacturing contribution is declining.

The trend in GDP growth rates and sector contribution signals the changes in the structure of the economy, with implications for the country's trade policy. The recovery of agricultural sector growth, driven by growth in cash crops requires consolidation of market access in key export markets. The big contribution of the food crop sector to GDP and recovery of the livestock sector requires a strong agro-industry to take up surplus production in order to avoid the collapse of prices. It also means that Uganda should secure regional market access to take-up surplus produce while guarantying minimum protection to local producers. The slow growth of manufacturing calls for a reexamination of the processes that ensure a reliable supply of raw materials, protection of local manufacturers from counterfeit and sub-standard manufactured products, improving quality and standards of manufactured products to increase domestic sales and penetrate regional markets, and addressing of business environment constraints like the cost of credit and energy.

Inflation was largely subdued and averaged 6.2 percent over the period July 2010 to June 2020. Over the same period, the Uganda Shilling was relatively stable, having depreciated at an average of 0.4 percent over the period FY2009/10 to FY2019/20. Consequently, the UGX lost value against the dollar has traded at a monthly average of 2,137.2 in June of FY2009/10 to a monthly average of 3,737.9 in June FY2019/20. Overall, the Uganda Shilling was stable over the period FY2009/10 and FY2019/20 on account of increased FDI flow and external government borrowing (long term), which partly contributed to financing the trade deficit.

Table 2: Contribution of GDP by Sector (%age) at 2016/17 Constant Prices

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
GDP at market prices	83,894	87,113	90,238	94,846	99,766	104,536	108,518	115,206	123,043	126,559
Agriculture, forestry and fishing	26.7	25.8	25.4	24.8	24.2	23.7	23.5	23.1	22.8	23.2
Cash crops	2.3	2.4	2.3	2.2	2.2	2.2	2.4	2.3	2.3	2.4
Food crops	14.9	14.2	13.6	13.3	13.0	12.5	12.3	12.6	12.0	12.2
Livestock	3.2	3.2	3.2	3.1	3.0	3.0	3.0	3.1	3.1	3.2
Agriculture Support Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Forestry	3.7	3.6	3.9	3.8	3.7	3.7	3.7	3.6	3.5	3.5
Fishing	2.7	2.6	2.4	2.3	2.3	2.3	2.0	1.4	1.9	1.9
Industry	25.0	24.8	24.5	24.7	25.4	25.3	26.0	26.1	26.9	26.7
Mining & quarrying	0.8	0.7	0.8	0.8	0.9	1.0	1.2	1.5	1.9	1.8
Manufacturing	16.9	16.7	15.7	15.3	16.2	15.6	15.5	15.3	15.4	15.2
Electricity	1.1	1.2	1.3	1.2	1.2	1.2	1.3	1.3	1.2	1.2
Water	2.2	2.2	2.3	2.3	2.3	2.3	2.4	2.3	2.3	2.3
Construction	4.9	4.9	4.9	5.3	5.1	5.2	5.6	5.7	6.1	6.2
Services	43.0	43.1	43.9	44.0	43.8	44.4	43.5	44.1	43.6	43.6
Trade and Repairs	10.9	10.6	10.5	9.8	9.6	9.5	9.1	9.2	9.0	8.7
Transportation and Storage	3.1	3.2	3.2	3.2	3.3	3.4	3.3	3.5	3.3	3.2
Accommodation and Food Service Activities	2.4	2.6	2.6	2.7	2.5	2.6	3.0	3.0	2.9	2.6
Information and Communication	1.2	1.4	1.5	1.7	1.6	1.7	2.0	1.8	1.6	1.9
Financial and Insurance Activities	2.3	2.2	2.3	2.6	2.7	2.9	2.6	2.6	2.6	2.8
Real Estate Activities	5.8	5.8	5.9	6.0	6.1	6.1	6.0	6.3	6.5	6.7
Professional, Scientific & Technical Activities	3.1	2.8	2.7	2.6	2.3	2.2	2.1	2.2	2.1	2.1
Administrative & Support Service Activities	2.3	2.2	1.8	1.9	2.3	1.9	1.8	1.7	1.9	2.0
Public Administration	2.1	1.9	1.8	1.8	2.1	2.2	2.5	2.6	2.5	2.8
Education	4.6	4.8	5.0	5.0	5.0	5.1	4.4	4.4	4.5	4.2
Human Health and Social Work Activities	3.2	3.2	3.2	3.2	3.2	3.2	3.0	3.3	3.3	3.3
Arts, Entertainment and Recreation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Other Service Activities	2.4	2.5	2.5	2.7	2.7	2.8	2.7	2.5	2.4	2.4
Activities of Households as Employers	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Taxes on products	5.9	6.5	6.3	6.5	6.7	6.6	7.0	6.8	6.7	6.4

Source: Uganda Bureau of Statistics

Private Sector Credit by Commercial Banks has increased over the last decade to 13.4% of the GDP as of June 2020, compared to 8% as of June 2011. The building, Mortgage, Construction, and Real Estate sub-sector has been the leading recipient of private sector credit (PSC), followed by trade and personal/household loans.

Table 3: Outstanding Credit to Private Sector (percent of GDP)

Sector	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Mortgage, Construction and Real Estate	1.6	2.0	2.0	2.2	2.5	2.5	2.3	2.4	2.4	2.7
Trade	1.8	1.9	1.9	2.1	2.2	2.1	2.2	2.4	2.5	2.5
Personal & Household Loans	1.3	1.3	1.2	1.7	1.7	1.7	2.0	2.1	2.1	2.2
Agriculture	0.5	0.6	0.7	0.9	1.1	1.1	1.3	1.4	1.6	1.7
Manufacturing	1.1	1.2	1.2	1.3	1.7	1.5	1.4	1.5	1.6	1.6
Community/ Social Services	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	1.0
Transport and Communication	0.6	0.6	0.5	0.5	0.6	0.8	0.8	0.6	0.6	0.8
Business Services	0.3	0.3	0.5	0.4	0.5	0.4	0.5	0.5	0.6	0.6
Electricity and Water	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2

Other Services	0.4	0.4	0.5	0.1	0.2	0.1	0.1	0.0	0.1	0.1
Mining and Quarrying	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Total	8.0	8.6	8.9	9.6	11.0	11.0	11.2	11.6	12.3	13.4

Source: Bank of Uganda

Of the Credit to the trade sub-sector, the biggest share of the credit is to the retail sub-sector followed by the wholesale trade sub-sector. As of June 2020, the retail sub-sector accounted for 47% of the PSC to trade, while wholesale trade accounted for 36.6%. The share of others sub-sectors was: restaurants and hotels (8.3%), exports (0.9%), Imports (6.9%), and re-exports (0.3%). The PSC statistics reveal that export trade is the least financed trade sub-sector.

Lending Interest Rates by Commercial Banks are still high despite the reduction in Central Bank Rate (CBR). Whereas the Central Bank Rate (CBR) generally reduced from 18.2% in 2011 to 7.7% in 2020, the average lending rates of commercial banks in Uganda shillings have marginally reduced from 21.8% in 2011 to 19.2% in 2020, while lending rates for foreign currency domiciled loans have also reduced from 9.9% in 2011 to 5.9% in 2020.

The monetary sector performance shows that macroeconomic stability has been attained, characterized by inflation rates under one digit and stable exchange rates. However, access to credit by the private sector remains a challenge on account of high-interest rates; which, when combined with other business environment issues affects the competitiveness of the private sector.

The current account deficit averaged 6.5 percent of GDP over the period FY2009/10 and FY2019/20. The persistent current account deficit is on account of merchandise trade deficit which averaged 8.3 percent of GDP over the period FY2009/10 and FY2019/20. This further compounded the deficit in services which averaged 1.6 percent over the same period. As such the overall deficit averaged 9.9 percent of the period FY2009/10 to FY2019/20. However, the average net income of 3.4 percent of GDP could not finance the trade deficit over the period FY2009/10 hence the average current account deficit of 6.5 percent of GDP. Nevertheless, the current account deficit is manageable partly on account of net FDI inflows and capital transfers that averaged 3.4 percent of GDP and 0.2 percent of GDP respectively over the period FY2009/10 to FY2019/20.

Table 4: Balance of Payments Statement as Percentage of GDP

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Current Account	-7.4	-8.6	-8.7	-6.1	-7.3	-6.7	-5.5	-3.3	-5.3	-7.0	-6.0
Trade in goods and services (net)	-11.3	-14.9	-12.9	-10.0	-9.5	-9.8	-9.2	-5.7	-7.3	-9.4	-9.3
Trade in Goods (net)	-8.9	-11.7	-11.1	-8.6	-8.5	-8.2	-8.1	-4.9	-6.4	-8.3	-6.4
Exports of goods	11.5	11.3	11.5	11.8	9.7	9.9	10.9	10.6	10.8	11.5	10.4
o/w coffee	1.3	1.8	1.9	1.7	1.5	1.5	1.4	1.6	1.5	1.2	1.4
Imports of goods	-20.4	-23.1	-22.6	-20.4	-18.3	-18.1	-19.0	-15.5	-17.1	-19.9	-16.8
o/w oil imports	-2.5	-3.4	-4.1	-4.2	-3.9	3.4	2.6	2.3	2.8	2.8	2.3
Trade in Services (net)	-2.4	-3.1	-1.8	-1.4	-1.0	-1.7	-1.0	-0.9	-0.9	-1.0	-2.8
o/w Travel (net)	2.5	2.4	2.6	2.9	2.7	3.1	3.6	2.7	2.7	3.5	2.4
o/w Transport (net)	-4.7	-5.1	-4.4	-4.3	-3.5	-3.6	-3.7	-3.0	-3.5	-4.1	-3.3
Incomes (net)	3.9	6.3	4.1	3.9	2.2	3.1	3.7	2.4	2.0	2.4	3.3
Primary income (net)	-1.6	-1.5	-2.0	-2.1	-2.2	-1.8	-2.1	-2.4	-2.8	-2.7	-1.7
o/w public interest payments (debit)	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3

Secondary income (net)	5.5	7.8	6.1	6.0	4.3	4.9	5.7	4.7	4.8	5.1	4.9
Personal transfers (net)	3.9	3.7	3.4	4.0	3.2	3.3	3.9	3.8	3.8	4.0	3.6
NGO transfers (net)	1.3	1.3	1.1	1.3	1.1	1.4	1.5	1.0	1.2	1.3	1.5
Capital account	0.0	0.0	0.1	0.1	0.3	0.4	0.5	0.5	0.3	0.3	0.2
Net borrowing (balance from current and capital a/c)	-7.4	-8.6	-8.7	-6.0	-7.0	-6.4	-5.0	-2.9	-5.0	-6.7	-5.8
Financial account	7.5	4.0	9.0	6.0	6.2	3.4	5.0	3.7	3.4	7.1	5.7
o/w direct investment	3.3	3.5	5.4	3.8	3.9	3.2	2.8	2.3	2.8	3.5	2.6
o/w portfolio investment	0.2	0.0	-1.1	0.2	-0.1	0.7	-0.6	-0.6	-1.0	-0.5	-0.9
Other investment (net)	4.4	0.5	2.5	2.4	2.2	0.9	2.9	1.9	1.6	4.0	3.8
o/w Government loans (net)	1.5	1.2	2.0	2.2	1.1	1.0	3.7	2.9	3.2	3.4	4.7
Disbursements	1.8	1.5	2.4	2.5	1.5	1.4	4.0	3.2	3.9	4.1	5.2
Repayments	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.3	-0.7	-0.7	-0.5
Net errors and omissions	1.1	1.6	2.8	1.3	2.2	1.7	0.4	0.5	1.0	-0.2	1.9
Overall Balance	-1.1	3.0	-3.2	-1.4	-1.4	1.3	-0.4	-1.4	0.5	-0.2	-1.7
Financing	1.1	-3.0	3.2	1.4	1.4	-1.3	0.4	1.4	-0.5	0.2	1.7
Central bank net reserves (-increase)	1.1	-3.0	3.2	1.4	1.4	-1.3	0.4	1.4	-0.5	0.2	1.7
Memorandum											
GDP at current prices (US$ millions)	20,181.6	20,262.3	23,218.9	24,663.1	27,757.4	27,573.2	24,661.1	30,756.5	32,772.8	34,387.23	36,645.7
Gross international reserves in months of imports	4.4	3.2	4.3	4.7	5.3	5.0	5.5	5.6	4.2	4.3	5.2

Source: Bank of Uganda; **Note**: o/w stands for "of which"

2.2 Development of Trade Support Infrastructure

Uganda has made significant progress in transforming the economy over the last ten years following the implementation of the NDP I and NDP II programs. Over the last decade, the country has registered significant economy-wide achievements that lay the foundation for pursuing the industrialization and diversification agenda. Some of these key achievements are.

Sustainable peace, security: Sustained peace, security, and a stable macro-economic environment have provided the fundamental anchor for economic growth and development. During the period 2010 – 2019, Uganda has continued to enjoy peace and security in all regions of the country.

Macro-economic stability and Economic Growth resilience: Uganda has witnessed sustained macroeconomic stability underpinned by low and stable inflation averaging 6.2%. The economy has also registered consistent growth, expanding from UGX 64 trillion in FY 2010/11 to UGX 128 trillion in FY2018/19 in nominal terms. Over the NDPI and NDPII periods, the economy has remained relatively resilient despite a challenging global economic environment, geopolitical challenges, and the deepening impacts of climate change. The rebound in real GDP growth in FY2017/18 to 6.2% (after sluggish growth of 3.6% in FY 2012/13) is evidence of a relatively robust economy.

The relatively strong performance of the economy over the last ten years is a result of the aforementioned continued peace that the country has enjoyed, a stable domestic macro-economic environment, and continued robust investment in the country's infrastructure, particularly in the roads, energy, and information communication and technology.

As a percentage of total national roads, the total paved roads network was estimated at 21.1% (or 4,551 km) as of May 2018. It is now possible to drive on a paved road from Arua to Kabale (an equivalent of 899

Kms) or from Busia to Arua in a single day. Further, the dual road carriage road network was estimated at over 80km by December 2018, following the completion of the Kampala - Entebbe Expressway.

Investment in energy infrastructure has raised the country's generation capacity of electricity from 601MW in 2010 to 1839MW when Karuma hydroelectric power plant became operational. As a result, national access to electricity has increased from 11% in 2010 to 24% in FY 2018/19 and the cost of energy had reduced from 9 cents and 16 cents in FY2012/13 to 8 cents and 9.8 cents for extra-large and large industries by September 2018, respectively. However, it is still higher than the target of 5 cents per unit, and the high cost is still a burden to manufacturers and private consumers. The cost is even higher for medium industrial consumers at 15.6 cents per unit and commercial consumers (cottage industries) at 17.5 cents per unit.

Progress has also been made in the ICT sector. By the end of the financial year 2016/17, the total optical fiber network, both Government and private-owned, spans 7,424 km, covering 49% of the districts and 24% of the sub-counties with the presence at all the border points. The number of internet users has increased from 13 million in 2015 to 18.8 million in 2017, translating to a penetration rate of 45.4% and 297 government services have been automated, 71% of these are being provided online. The automation of Government services has led to a reduction in processing times and an improvement in service delivery of; work permits and trading licenses from 30 days and 24 hours to 4 days and 15 minutes, respectively.

Enrolment at Business, Technical and Vocational Training (BTVET) increase significantly. Skills development has also been facilitated by the refurbishment and establishment of technical and vocational institutions across the country. Currently, 42% of all districts have at least one government-aided technical and vocational institution providing varying levels of skills development. Consequently, enrolment into BTVET increased from 25,262 to 129,000 between 2008 and 2017. Progress has also been registered towards the establishment of four centers of excellence at Uganda Technical College (UTC) Elgon for civil works and building technology; UTC Lira for highways construction and drainage, bridges and road construction; UTC Bushenyi for food manufacturing and food processing; and Bukalasa Agricultural College for crop and animal husbandry. More investment and closer alignment of the training and skilling programs to industry sector requirements will be required.

Border Export Zones/Markets: Uganda developed the border markets programme in 2010, aimed at establishing border market facilities to facilitate regional trade. At the time of this DTIS update, construction of Border Export Zones in four sites in Uganda was on-going. The border markets under construction in the zones include Busia, Lwakhakha, Oraba and Katuna. Through the GLTFT project, With the support of the World Bank, the Government through MTIC AND MoWT has progressed with the development of border markets infrastructure and the one stop border posts. Since inception in 2017, the key achievements have included:

- Infrastructure development at Bunagana Border post to improve traffic flow. Formal Commencement order for the works was issued to the contractor on 30th November 2020 for a period of 12 months
- Construction of the OSBP at Mpondwe. Works started on 30thNovember 2020, and by September 2021, progress registered was about 49% of the entire contract and works completion were on schedule.
- Establishment of Border Export Zone facilities at Mpondwe
- Development of designs for Bunagana BEZ
- BEZ Value chain development for both Bunagana and Mpondwe border posts

- Implementation of Policy and Procedural Reforms and Capacity Building to Improve Cross Border Trade in Goods and Services. These included: COMESA Regulations on the Minimum Standards for the Treatment of CBTs, Implementation of the Simplified Trade Regime, Enterprise development and Sustainability of CBTAs and TIDOs, Simplifying and making transparent immigration and health related procedures
- Establishment and strengthening of Joint Border Committees (JBCs)
- Procurement of the service provider for the development of an IT/phone-based system to collect and transmit data from the borders to processing centres
- Consultancy Services for Developing IT based monitoring system to support performance based Management
- Consultancy Services to develop PBM systems upgrade procedures and manuals, train and assist agencies in operationalizing the manuals

As part of the DTIS, continuation of support to border export zones/markets is strategic across all the order points as this will further enhance Uganda's capacity to take up opportunities under EAC/COMESA and the AfCFTA.

3.0 TRADE POLICY AND TRADE DEVELOPMENT ISSUES

3.1 Trade policy developments at the Multilateral and regional levels

The Multilateral Agreement (WTO): The World Trade Organization came into being in 1995, following the conclusion of the Marrakesh Agreement Establishing the WTO and its annexes (including the updated GATT, succeeding the General Agreement on Tariffs and Trade (GATT), which had been established (1947) in the wake of the Second World War. The WTO's main objective is the establishment of rules for Members' trade policy which helps international trade expand to raise the standards of living among the members. The multilateral agreement consists of the following, General Agreement on Tariff and Trade (GATT), General Agreement on Trade in Services (GATS), The Agreement on Trade-Related Intellectual (TRIPS), and the Agreement on Dispute Settlement Understanding. The Multilateral Agreement is binding on all the 164 members of the WTO.

The GATT spells out important rules covering trade in goods. It has annexes dealing with specific sectors relating to goods, such as agriculture, and specific issues such as product standards, subsidies, technical Barriers to Trade, and actions taken against dumping. A recent significant addition was the Trade Facilitation Agreement, which entered into force in 2017.

Intellectual property: The WTO's Intellectual Property Agreement contains rules for trade in ideas and creativity. The rules state how copyrights, patents, trademarks, geographical names used to identify products, industrial designs, and undisclosed information such as trade secrets – "intellectual property" – should be protected when trade is involved. For LDCs, the TRIPS Agreement provides for special treatments, which include the following:

- General transition period – exemption from applying substantive TRIPS standards until 2021;
- Exemption from protecting pharmaceutical patents, from providing the possibility of filing mailbox applications, and from granting exclusive marketing rights until 2033;
- Waiver from notification requirements for issuing compulsory licenses for exports of pharmaceutical products to LDCs or other countries with insufficient manufacturing capacities in the pharmaceutical sector; and
- Promotion of technology transfer by enterprises and institutions in developed countries

Through these agreements, WTO members operate a non-discriminatory, transparent and predictable trading system that spells out the rights and obligations of each member. The system also gives Least Developed and developing economies some flexibility in implementing their commitments.

Uganda's Commitments Under the Multilateral Agreement: Uganda has been a WTO member since 1 January 1995 and a member of GATT since 23 October 1962. Uganda, therefore, is an original member of the WTO. It has been reviewed four times under the WTO Trade Policy Review Mechanism: the previous Review was conducted in 2019 when all EAC WTO Members were reviewed jointly. Together with other EAC members, Uganda places importance on the effective functioning of the multilateral trading system.

Through the Department of External Trade, the Ministry of Trade Industry and Cooperative is the Institution Mandated to coordinate all WTO negotiations and implementation of the Agreement in Uganda. The WTO Implementation Bill, which gives the effect of the various WTO legal provisions in the Country, is still pending enactment into law. Multiple factors caused the delay in enacting the WTO implementation Bill into law. These include limited funding to support the process; frequent changes in the Ugandan parliament after every five years, means the new Members of Parliament will have to be taken through the process of enlightening them what the WTO and the Bill is all about; lack of effective inter-institutional collaboration and coordination amongst others.

The negotiations and implementation of the WTO or Multilateral Agreement require the participation of various Government Departments, Agencies, the Private sector and Civil Society Organizations, and the Academia. This is because of the nature of the agreement, which incorporates the negotiations and implementation of the multi-disciplinary agreement. The Inter-Institutional Trade Committee (IITC), which the National Trade Policy set up, was an effective platform that delivered many gains in the negotiations and implementation of the multilateral agreement in Uganda. However, the work of the IITC was hampered due to the following; lack of adequate funding; it relied more on donor support, and lastly, changes in staffing in the various participating institutions. Uganda's participation in WTO negotiations meetings and other related activities has been less than impressive. Uganda is mainly represented by the Permanent Mission based in Geneve, Switzerland, which then transmits outcomes of the discussion to the Ministry of Trade, Industry and Cooperative. These arrangements, though the best the Country can afford given the resources constraint but suffers technical flaws. The officers from the Ministry of Foreign Affairs who cover the WTO activities in Geneva are often not trade experts and therefore lack the technical ability to grasp the various issues being negotiated. This significantly affects Uganda's capacity to technically present or respond to negotiations.

Uganda ratified the WTO Agreement on Trade Facilitation (TFA) and submitted its instrument of acceptance on 27 June 2018. All of Uganda's trading partners receive at least most favoured nation (MFN) treatment. Uganda is not a signatory to any plurilateral agreement negotiated in the WTO; it has not participated in the WTO negotiations on basic telecommunications, nor those on financial services. It has been neither a complainant nor respondent nor a third party under the WTO dispute settlement.

Uganda's Tariff concession at the WTO: For Uganda's trade-in Goods concession at the WTO, only about 17% of tariff lines are bound. The tariff bindings cover all lines for agricultural products (WTO definition), and 157 lines for non-agricultural products (approximately 2.8% of total lines). The simple average rate of Uganda's bound tariff is 72.8%, with an average bound rate of 77.1% for agricultural products and 51.1% for non-agricultural products. The bound rate for most agricultural products is 80%, except for 75 lines bound at rates between 40% and 70%. For non-agricultural products, the bound rates vary from 40% to 80%.

Trade Policy Review Mechanism: The Trade Policy Review Mechanism (TPRM) was introduced into GATT in 1989 following the Mid-Term Review of the Uruguay Round. The frequency of reviews of a Member is related to its weight in the multilateral trading system, as defined by the Member's share of world trade in goods and services. On this basis, Members are reviewed under one of three different cycles:

- every two years for the four largest trading entities, counting the European Union as one;
- every four years for the following sixteen countries; and
- every six years for other Members, with provision for a longer interval for least-developed countries

The purpose of the Trade Policy Review Mechanism ("TPRM") is to contribute to improved adherence by all Members to rules, disciplines, and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system. The WTO's Trade Policy Review Mechanism is designed to improve transparency, to create a greater understanding of the trade policies adopted by WTO members, and to assess their impact. Many members see the reviews as constructive feedback on their policies. All WTO members must undergo periodic scrutiny, each review containing reports by the member concerned and the WTO Secretariat. In addition, the WTO undertakes regular monitoring of global trade measures. Initially launched in the wake of the financial crisis of 2008, this global trade monitoring exercise has become a regular function of the WTO to highlight WTO members' implementation of both trade-facilitating and trade-restricting measures.

Together with the other EAC Partner States, Uganda has been very active in the WTO Trade Policy Review Mechanism Exercise. Uganda has been reviewed four times under the WTO Trade Policy Review Mechanism: the previous review was conducted in 2019, when all EAC WTO Members were reviewed jointly. The TPR had two broad recommendations,

a) Harmonization and implementation of our Commitments: Uganda to collaborate with other EAC Partner States on harmonization of internal taxes, standards and technical regulations, competition and intellectual property rights regimes, and sectoral policies, including on services under the auspices of the relevant EAC Sectoral Council. This would enhance Uganda's compliance to her regional commitments and adherence to WTO Rules, thereby enhancing the country's transparency for trade and investment growth.
b) Fully Implementation of the COMESA Free Trade Area: The MFPED was expected to resolve this matter and ensure that Uganda fully implements the COMESA Free Trade Area provisions since COMESA is our biggest export market.

WTO Services waiver: This Agreement provides general obligations regarding trade in services, such as most-favored-nation treatment and transparency. In addition, it enumerates 155 service sectors and stipulates that a member country cannot maintain or introduce, in the service sectors for which it has made commitments, market access restriction measures and discriminatory measures that are severer than those on the commitment. WTO members make individual commitments under the GATS, stating which of their service sectors they are willing to open to foreign competition and how to open those markets under the four modes. Also, for LDCs and developing countries, the GATS provides progressive liberalization, taking into account national policy objectives and members' development levels, both overall and in individual sectors. In addition to receiving technical assistance from the WTO Secretariat, developing countries are therefore given the flexibility to:

- open "fewer sectors" than those opened by developed countries
- liberalize fewer types of transactions
- extend market access in line with their development situation, including attaching access conditions to achieve the objectives referred to in Article IV.

At the 8th Ministerial Conference in Geneva in 2011, WTO members adopted a waiver to allow preferential treatment for services and service suppliers from least-developed countries (LDCs). This was aimed at increasing the participation of developing countries in services trade as enshrined in the preamble to the WTO's General Agreement on Trade in Services (GATS). This it is believed could be achieved through the following measures;

- strengthening the domestic service's capacity of developing countries;
- improving their access to distribution channels and information networks; and
- liberalizing market access in areas of export interest to these countries, giving special priority to least-developed countries

At the Nairobi Ministerial Conference in 2015, ministers adopted a decision on "Implementation of Preferential Treatment in Favour of Services and Service Suppliers of Least-Developed Countries and Increasing LDC Participation in Services Trade. The decision extends the duration of the waiver until the end of 2030. It mandates the Council for Trade in Services to initiate a process to review the implementation of preferential treatment. So far, over 50 WTO members have since notified preferential treatment under the waiver.

A detailed analysis of the offers was commissioned by the Ministry of Trade Industry and Cooperatives on the opportunities in the offers and how Uganda can benefit from those offers, which informed formulation of the National Services trade Policy and its Implementation Plan, a well-written document that the Cabinet passed in 2017. The implementation plan, amongst other things, prioritizes taking advantage of the WTO Services Waiver to enhance inclusive and sustainable growth and development in the country. With all its good actions, the policy and its implementation plan are yet to be fully implemented. Failure to implement the policy means taking advantage of the WTO Services Waiver has also been delayed. This is due to a lack of adequate and timely allocation of resources to implement the policy. However, support to ITES has been provided by ITC for Export to EU markets. It is recommended that implementation of the services trade policy follows specific sector and export market approach. This would allow response frameworks to be developed for specific sectors in different export markets, and pursuance of bilateral trade arrangements to operationalize the services waiver.

The TRIPS Agreement: Uganda accepted the protocol amending the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in July 2010. Uganda is also a member of the Paris Convention for the Protection of Industrial Property. The Convention establishes the World Intellectual Property Organization (WIPO), the Patent Cooperation Treaty, and the Nairobi Treaty. It is also a member of the African Regional Intellectual Property Organization (ARIPO). The lead Agency in negotiating and implementing the TRIPS agreement in Uganda is the Uganda Registration Services Bureau. Uganda has a vibrant legal framework for intellectual property rights (IPRs): the Geographic Indication Act, 2013, and the Industrial Property Act, 2014 entered into force. Along with the Copyright and Neighbouring Act, 2006 and the Trademarks Act, 2010, these two new Acts enhance legal protection of intellectual property in Uganda. In terms of utilization of the protection of the framework established, a lot is needed in terms of creating awareness of the importance of IPR, the need to utilize Geographical Indication to protect and promote the huge agricultural resources, exploiting the medicinal potential of the resources, and supporting the agribusiness/manufacturing sectors to use Trademarks and other IP tools.

The WTO Trade Facilitation Agreement Implementation: Uganda signed and ratified the Agreement in 2017 and has completed the categorizations and notified them to the WTO Secretariat. Some of the Agreement provisions are being implemented, including Article 10.4 of Electronic Singe Window, Article 1 on making trade information readily available online for users through information trade information portal. But a lot still needs to be done in implementing some of the provisions that have been categorized and submitted C categories.

Dispute settlement: The WTO's procedure for resolving trade conflicts under the Dispute Settlement Understanding is vital for enforcing the rules and, therefore, for ensuring that trade flows smoothly. Governments bring disputes to the WTO if they think their rights under the WTO agreements are being infringed. Judgments by specially appointed independent experts are based on interpretations of the agreements and individual members' commitments. The system encourages members to settle their differences through consultation with each other. If this proves to be unsuccessful, they can follow a stage-by-stage procedure that includes the possibility of a ruling by a panel of experts and the chance to appeal the ruling on legal grounds. Confidence in the system is borne out by the number of cases brought to the WTO – more than 500 cases since the WTO was established compared with the 300 disputes dealt with during the entire life of the GATT (1947-94). The current impasse at the WTO has cast doubt over the long-term effectiveness of the WTO as the body that guarantees fairness and non-discrimination among the 164 members. The non-participation of Uganda, and perhaps all if not most LDCs can be attributed to the high cost of sustaining such complex and often long litigation, which only takes place in Geneva. Uganda also has not yet built enough capacity within the legal profession to effectively handle such cases at the WTO Dispute Settlement System.

3.2 Regional Integration and Bilateralisms

3.2.1 Overview

This DTIS comes at a time when Uganda is embarking on the implementation of its five-year growth agenda that is highlighted in the National Development Plan III. This allows taking stock of the outcomes of the previous NDP II in terms of advancing the Ugandan economy into regional and international trade and draw lessons from the challenges that have to be tackled by the Ugandan MDA's and private sector stakeholders.

Trade performance is significantly influenced by multilateral trade rules and the policies and regulations of other countries. Efforts to boost export growth must, therefore, go hand-in-hand with policies aiming at improving access to foreign markets by actively pursuing international trade cooperation, through both preferential market access programs and reciprocal trade agreements, particularly in emerging economies. The ‘market access agenda’ is thus an important dimension of a trade strategy.

As a Least Developed Country, Uganda enjoys preferential treatment by many of its trading partners. LDCs are granted duty-free, quota-free access to the largest foreign markets for virtually all of their exports, extended through such initiatives as the European Union’s Everything-But-Arms (EBA) program and the United States’ African Growth and Opportunity Act (AGOA). Uganda also enjoys tariff preferences under the Generalized System of Preferences (GSP). These ensure that Uganda’s exports face almost no barriers to the major markets. However, it should be noted that non-tariff measures (NTM), regulatory requirements, and ancillary policies such as country of origin, Sanitary and Phytosanitary measures can prove to be prohibitive constraints thus reducing the benefits of preferential market access.

At present, the bulk of Uganda’s trade is conducted principally with partners within the EAC, COMESA, and European Union, etc. On the other hand, the portion of imports from these countries has been declining for the past years due to the emergency of China as a bigger trading and development partner not just for Uganda but Africa at large.

At the region and bilateral and multilateral level, Uganda through its National Trade Negotiations Team is engaged in several negotiations. From the recommendations of the first and second National Trade Sector Development plans, Uganda prioritized the enhancement of its trade negotiations capacity on the regional and international scene by constituting the National Trade Negotiations Team (NTNT) with clear Terms of Reference and Code of Conduct. Through this intervention, the NTNT has been able to undertake specialized training in trade negotiation techniques and several studies were commissioned in the context of informing the negotiation process. Uganda, through the NTNT and with guidance from stakeholders (private sector and CSO’s) and development partners has been able to generate strong and well-informed government positions that have been used to engage in negotiations at bilateral (notably the EPAs, South Africa, and Turkey, etc), Regional (EAC, COMESA, ACFTA) and multilateral (WTO) levels.

3.2.2 The East African Community (EAC)

The EAC is one of the most ambitious African regional organizations. The EAC internal market has about 177 million consumers with Uganda, Burundi, Kenya, Rwanda, South Sudan, and Tanzania. The DR Congo applied to join the bloc and its application is under review. The scope of the East African Community Treaty includes economic, social, cultural, and political spheres. The integration process in the EAC is envisaged to progress from a Customs Union (CU) to Common Market (CM), Monetary Union (EAMU), and ultimately a Political Federation (PF). However, recently, the ambitions of a Political Federation have been downgraded to a Political Confederation (PC).

Under the Customs Union, EAC Partner States agreed to establish a Single Customs Territory with free trade (or zero duty imposed) on goods and services amongst themselves and a common external tariff (CET), whereby imports from countries outside the EAC zone are subjected to the same tariff when entering any of the EAC Partner States. Although the CET was established and the free trade achieved to some degree there are still cases of CET perforation and several Non-Tariff Barriers that make the trade between and amongst the Partner States not as free as it was originally anticipated. The movement of the goods with the region must comply with the EAC Rules of Origin and with certain provisions of the Protocol for the Establishment of the East African Community Customs Union. The objectives of the EAC Customs Union are to further liberalize intra-regional trade in goods based on mutually beneficial trade arrangements among the Partner States; promote efficiency in production within the Community; enhance domestic, cross-border, and foreign investment in the Community; and promote economic development and diversification in industrialization in the Community. These objectives are achieved through the Cooperation of Partners States in the areas of Customs Administration; trade liberalization; trade-related aspects; export promotion schemes; special economic zones; exemption regimes and general provisions.

Key Developments in the EAC Regional Bloc that Impact on Trade Policy in Uganda

The EAC is a major market for Uganda’s products and, creates opportunities for cross-border investment opportunities. The impact of the accession of South Sudan and likely accession of the D.R Congo and the application of Somalia to join the EAC bloc are areas of interest that need to be studied further. Especially given that the D.R.Congo tariff structure is very different from that of the EAC there is likely to be protracted negotiations on the alignment of the tariff structure and also the possible occurrence of trade deflection of the rules of origin are not fully enforced.

Through the four pillars of the EAC Integration process of Customs Union, Common Market, Monetary Union, and Political Federation a number of milestones have been realized that have a direct impact on Uganda’s trade policy environment.

A Single Customs Territory (SCT) has been established in EAC to facilitate faster clearance and movement of cargo from the port of entry to the destination. This has benefited Uganda’s trade between Kenya, Rwanda, and Tanzania as all goods are cleared under the SCT arrangement which lowered the cost of doing business for traders. A Single declaration under SCT is submitted electronically, processed, and released by the authorities from the country of destination prior to loading of goods and release from source and this has reduced documentation required for release goods up to destination by 80%, hence reducing paper and simplifying the administrative burden. Furthermore from Uganda, Customs officers were deployed at the Ports of Mombasa and Dar-es-salaam who can clear Uganda destined goods which have eased clearance of goods making it possible for goods to move directly from points of dispatch in a Partner State to the owner's premises in Uganda without having to go through further customs checks. The establishment of the SCT has seen the turnaround time of trucks from Mombasa to Kampala reduced from 18 days to 4 days while the cost has reduced from USD 3,100 to USD 1,025 per container.

The Community has put in place a mechanism to address and eliminate Non-Tariff Barriers by instituting the National and Regional Committees to identify and monitor their elimination and also enacted the EAC Elimination of NTBs Act, 2017 was assented to by all EAC Partner States' Heads of State in April 2017 and is in the process of being operationalized. The EAC formulated the vehicle load control Act 2016 to harmonize Gross Vehicle Weights to 56 tones under seven axles and also set fees charged on offenders of overloaded vehicles which was a major source of NTBS in the region. An EAC Action Plan on Trade Facilitation was developed with project support based on the WTO Trade Facilitation Agreement and its implementation has already commenced.

Chapter 15 of the EAC Treaty Establishing the East African Community provides for Cooperation in infrastructure and services, especially in trade facilitation infrastructure. The One-Stop Border Posts are some of the envisaged structures aimed at facilitating cross-border movements through reduction of the time taken in clearance procedures. Along with the Uganda borders, Malaba (Kenya), Busia (Kenya), Mutukula (Tanzania) and Elegu (South Sudan) OSBP have been completed and Katuna (Rwanda) under construction. To streamline the operations of OSBP, the EAC OSBP Act 2016 was formulated. The Act, among other provisions, grants officers from congruent border Partner States rights to implement their national laws while operating across the border.

The EAC has engaged in tax harmonization which is provided for in Article 83(C) of the Treaty establishing the East African Community. The article provides for the harmonization of tax policies to remove tax distortions to bring about a more efficient allocation of resources within the Community. Towards this end, the Community developed the Policy for Harmonization of Income Taxes within the East African Community and Policy for harmonization of VAT & Excise duties.

An EAC Tax Treaty Policy was finalized and adopted which sets out policy positions to guide negotiations/review of future and current tax treaties with 3rd parties. The EAC Model Tax Treaty was developed, adopted and is under implementation.

Harmonized tax procedures were developed and adopted and are under implementation. The Framework on harmonization of domestic taxes was finalized as a precursor for developing the EAC Tax Policy which is underway.

The EAC has been able to harmonize a total of 1428 standards of which Nine hundred and twenty-one (921) are international standards agreed upon and endorsed for adoption by the Partner States while five hundred and seven (507) are indigenous. Uganda has adopted so far adopted 480 of the EAC harmonized standards. The mutual recognition of standards facilitates trade as it allows faster cross-border trade as goods from the exporting Partner State do not have to be subjected to more tests in the importing Partner State.

The enforcement of the EAC Competition Act, 2006 was commenced with the appointment of Commissioners to the EAC Competition Authority in 2016. Uganda does not have a National Competition

Law nor a National Competition Authority which disadvantages Uganda in regulating mergers, acquisitions and regulating against anti-competitive behaviors in our economy.

The Protocol of the East African Monetary Union was signed on 30th November 2013 by all EAC Partner States. So far Uganda has undertaken the Fiscal Transparency Evaluations (FTEs) which have also been undertaken in Kenya, Tanzania while the rest of EAC Partner States are yet to do so. Uganda and Kenya have anchored the regional fiscal surveillance in their Public Finance Management (PFM) in preparation for the Monetary Union. Development of Bills for establishment of East African Surveillance, Compliance and Enforcement Commission and East African Financial Services Commission is ongoing.

The EAC Heads of State in their 18th Summit held in May 2017 downgraded the ambitions from a Political Federation to a Political Confederation as a model for EAC Political Federation and directed the commencement of drafting of the Constitution of the Federation. A team of constitutional experts from the Partner States has already been constituted into a Constitution Commission to commence drafting the Federal Constitution.

However, the EAC regional integration has not always been smooth sailing because of the prevalence of non-tariff barriers and the over-lapping membership of partner states in the different regional and bilateral arrangements. For example, in March 2020 Kenya and the USA announced their intent to negotiate a bilateral trade agreement. The announcement triggered criticisms from the members of the EAC, COMESA, and the African Continental Free Trade Area (AfCFTA) accusing Kenya of frustrating the regional integration agenda. Kenya's move is aimed at trying to secure the benefits of AGOA which is to end in 2025 through the bilateral FTA since Kenya as a middle-income economy is not eligible to market access to the USA through the Generalized System of Preferences (GSP) which is only available to Countries designated on the UN list of Least Developed Countries. There will be a need to study further the effects of Kenya-USA FTA on the trade within the region as it will complicate further the problem of multiple memberships to different trade arrangements.

Regarding the Economic Partnership Agreements EAC Partners apart from South Sudan were part of the negotiations. However, the different EAC Partner States are at different stages of commitment. Kenya negotiated, signed, and ratified the Agreement, Rwanda negotiated and signed the Agreement but has not yet ratified it, while Uganda Burundi and Tanzania negotiated but have not signed the Agreement. These different stages of commitment make it difficult to implement the EPAs and Uganda continues to benefit from the market access in the EU through the Everything but Arms (EBA) Arrangement. As Uganda firms-up ambitions to become a middle-income country in the medium term, it should strengthen engagement with other EAC partner states to sign the EAC-EU EPA.

Under trade in services, negotiations were successfully concluded in 2018 in seven priority areas of trade in services in finance, tourism, communication, transport, business services, education, and distribution. Agreements on the harmonization of Education Standards and mutual recognition of training and qualification certificates were adopted and signed in four areas (for engineers, accountants, architects, and veterinarians).

Other Developments in other trade-related areas include the operationalization of the EAC Industrialization Policy and Strategy for value addition in agricultural products; development and operationalization of the EAC climate change policy and strategy; development of the EAC Food and Nutrition Policy and joint promotion of the EAC as a Single Tourist destination.

Major strides have been made by Uganda to streamline its trade with its regional partners by complying with guidelines provided in the East African Common Market Protocol and the East Africa Customs Union. These achievements at the policy level have seen the country register a couple of wins as the region continues to grow as an important outlet for Uganda's goods and services. Despite these few gains in market share, there have been bottlenecks that have constrained deeper integration; for example, the rise of protectionist policies among partner states that have increased NTBs reducing the movement of goods and services across borders.

According to Budget Framework Paper Financial year 2021/2022, Uganda traded at a deficit of US$ 217 million with the EAC Partner States in FY 2019/20 after registering export receipts worth US$ 1,050 million and imports worth US$ 1,267 million (see table). Trade deficits were registered with Kenya and Tanzania – at US$ 214 million and US$ 314 million, respectively while surpluses were registered with the rest of the Partner States (see table). Additionally, despite registering a trade surplus with Rwanda, the value of exports declined by 93 percent to US$ 12 million in FY 2019/20 from US$ 173 million in FY 2018/19. A contributing factor to the poor performance in exports might be attributed to the closure of the border with Rwanda and NTB's with Kenya that led to the boycott of some of Uganda's exports (especially dairy products) and the Covid19 pandemic.

Table 5: Trade Balance between Uganda and its EAC Partner states (USD Million)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Kenya	-128	-106	73	311	-176	-214
Tanzania	21	17	-46	-113	-317	-314
Rwanda	269	220	212	228	157	4
Burundi	47	48	4	-20	34	38
South Sudan	309	220	273	296	358	269
EAC	520	399	518	703	55	-217

Source: (BFP FYR 2021/2022 & Bank of Uganda)

Recommendations

1. Effective implementation of National Response Strategy on the elimination of Non -Tariff Barriers (NRSE-NTB) with a view of eliminating NTBs that affect trade between partner states;
2. Improve standards, quality of products and support mutual recognition of standards of goods and services produced in EAC to eliminate quality and standards related NTBs;
3. Improve trade facilitation measures and transit regimes to facilitate smooth flow of goods across borders;
4. Develop regional value chains and build the capacity of the private sector to take advantage (participate) in regional value chains;
5. Promotion of digital trade given the current pandemic that restricts personal interactions;
6. Update plan for implementing the EAC Common Market Protocol;

3.2.2 Common Market for Southern and Eastern Africa (COMESA)

Uganda is a founder member of the Eastern and Southern Africa Preferential Trade Area which transformed into COMESA in 1993. The COMESA Trade liberalization agenda commenced with a program of tariff reduction in 1984 under the Preferential Trade Area (PTA) for Eastern and Southern Africa. A program of tariff reduction under COMESA started in 1994 with the objective of attaining the Free Trade

Area (FTA) by the year 2000 and was achieved in 2000 with nine founding Members. Uganda joined the COMESA FTA in the Financial Year (FY) 2014/15 through amendments to the Finance Bill that provided for the elimination of import duties on goods originating from the COMESA region. However, the implementation of the COMESA FTA in Uganda has not been 100% Duty-Free Quota Free as directed by the Council of Ministers. Uganda commenced the implementation of the COMESA FTA with an exclusion list compromising items in Schedule 2 of the East African Community Common External Tariff to the Protocol on the Establishment of the East African Community Customs Union (Sensitive Items), Organic surface-active agents preparations; fruits and ready to drink juices, and soap and organic surface-active products. Because the COMESA FTA implementation commenced through the Finance Bill which is amended annually there has been a tendency for Uganda to continue adding more items on the exclusion list which has watered down the preferential treatment provided to the COMESA Member States and they have in turn reciprocated, which reduces the market access for Ugandan goods within the COMESA FTA.

COMESA Members States agreed to implement the COMESA Digital Free Trade (DFTA) and regulations for implementing the system were adopted by the 40th Council of Ministers in November 2019. The DFTA is premised on empowering traders to participate in cross-border trade using ICT as a tool to minimize physical barriers. The DFTA is built on three major platforms namely E-Trade, E-Logistics, and E-Legislation. The E-Trade platform promotes e-commerce by providing an online platform for COMESA regional traders to transact their business online. E-Logistics uses ICT as a tool to improve connectivity and facilitate the commercial activity of transportation, storage, and distribution customers. The key instruments in the e-logistics are the COMESA e-certificate of origin (COMESA e-CO) and standardized customs procedures. Piloting of the COMESA e-CO system in selected Member States was to commence in the first quarter of 2020 but was delayed due to the COVID 19 pandemic. Uganda, Burundi, DR Congo, Egypt, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Seychelles, eSwatini, Zambia, and Zimbabwe have agreed to pilot the COMESA e-CO instrument.

The COMESA Customs Union was launched by the COMESA Authority in 2009, following which a three three-year transition period was agreed to enable the Member States to finalize preparations for implementation by end of June 2012. The 2012 Summit in Kampala agreed on a 2-year extension period ending in 2014 to complete the negotiations and preparations for the implementation of the COMESA Customs Union. Uganda already submitted the required schedules to the COMESA and the sensitive list is similar to the one used in the EAC Customs Union. However, the EAC Summit resolved that EAC would negotiate and join the COMESA Customs Union as a bloc; this is to guard against eroding the gains made in the EAC integration. Joining the two Customs Unions will be feasible only if there is total harmonization of the common tariff nomenclature. Presently the EAC Common External Tariff is 74 % aligned to the proposed COMESA CET. However, it is not plausible for Uganda to join the COMESA Customs Union as an individual as this will erode and undermine the EAC Customs Union.

Uganda domesticated the COMESA Treaty through the passing of the COMESA Implementation Bill by Parliament and the President assented to the Bill which created the COMESA Treaty Implementation Act 2017. This means that moving forward all COMESA decisions are biding to Uganda. Therefore, by Uganda maintaining an exclusion list without the express approval of the Council of Ministers is a violation of the QFDF decision as regards the COMESA FTA. Egypt has repeatedly raised this issue at COMESA Meetings.

The COMESA Simplified Trade Regime (STR) was launched in 2010 in recognition of the fact that cross-border trade constitutes a significant component of trade in the region. The STR is a cross-border trade regime for small-scale traders importing and/or exporting goods worth US$2,000 or less per consignment, which are on the Common List of eligible products negotiated and agreed by two neighboring countries. The STR aims to formalize Informal Cross-Border Trade (ICBT) by putting in place instruments and mechanisms tailored to the trading requirements of small-scale traders that are decentralized to border areas where informal trade is rampant with the view to facilitate ease of access by small traders. The STR reduces costs for small traders and increases the speed of crossing the border by the use of a Simplified Customs Document (SCD) as well as simplified customs clearance procedures. The Trade Information Desk Officers (TIDOs) have been deployed at some border posts to assist small-scale traders with information on border crossing procedures and form filling. As of December 2019, eight COMESA Member States including Uganda were implementing the STR. These are Burundi, DR Congo, Kenya, Malawi, Rwanda, Uganda, Zambia, and Zimbabwe. Uganda has established Trade Information Desks with Trade Information Desk Officers (TIDOs) at the borders of Busia (Kenya), Malaba (Kenya), Lwakhaka (Kenya) Katuna (Rwanda), Milama Hills (Rwanda), Cyanika (Rwanda), Bunagana (DRC) Mpondwe (DRC), Goli (DRC), Ishasha (DRC), Ntoroko (DRC) Kigagati (Tanzania), Mutukula (Tanzania), Elegu (South Sudan) Madi Opei Apirit (South Sudan). The STR has seen an increase in cross-border trade for small border traders along adjoining borders with Uganda.

COMESA is operationalizing the NTBs Regulations as adopted by the Council of Ministers in December 2014. The COMESA NTBs regulations provide a legal framework for the establishment of regional reporting, monitoring and elimination tools, national and regional institutional arrangements for the management of the NTB program as well as the legal framework for the resolution of identified NTBs. The NTBs reporting tools comprise the internet-based online reporting, monitoring and eliminating mechanism available on the website www.tradebarriers.org , short message service (SMS) reporting and monitoring tool as well as use of other methods (telephone, fax, email, and using reporting forms). Fifteen COMESA Member States including Uganda the rest are Burundi, Egypt, Ethiopia, Eswatini, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Zambia, and Zimbabwe. This implies that Uganda can report online the NTBs encountered in these Member States which facilitates faster resolution of the NTBs.

COMESA prioritized and negotiated schedules of specific commitments in four priority sectors namely, communication, financial, tourism and transport. Schedules of Specific Commitments for 11 Member States including Uganda were adopted by the Council of Ministers and gazetted in 2014. The levels of liberalization vary for the different COMESA Member States.

Uganda has liberalized internal waterways, air, road, rail for the three modes of supply for market access and national treatment. In telecommunications, Uganda has liberalized courier services for the three modes of supply, except those reserved for the postal corporations under market access and national treatment. Uganda also liberalized banking and other financial services for the three modes of supply namely cross-border supply, consumption abroad, and commercial presence.

All the 11 Member States including Uganda whose schedules of specific commitments were negotiated and gazetted, have made commitments in the movement of natural persons and have liberalized the movement of intra-corporate transferees and business visitors. Uganda liberalized the movement of contractual service suppliers and independent professionals under commercial presence. The second round of trade in services negotiations covering three additional services sectors of business, construction and related engineering and energy-related services commenced in 2019 and is ongoing.

3.2.3 EAC-COMESA-SADC Tripartite Free Trade Area (Tripartite FTA)

The three Regional Economic Communities (RECs), namely the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC), agreed to establish a Free Trade Area (Tripartite FTA) building on the acquis and consolidate tariff liberalization in each REC FTA.

The FTA covers 26 African countries that account for about 57% of the continent's population and 58% of its GDP. It is part of an overarching project aimed at establishing a continental FTA, and ultimately the African Economic Community. Negotiations for the Tripartite FTA were launched in 2011, and are to be conducted in two phases. The first phase of the negotiations on trade in goods was concluded with the signing and the official launch of the Tripartite FTA Trade in Goods in June 2015. Negotiations on trade in services and other trade-related areas (competition policy, intellectual property rights) are to be conducted in the second phase.

To date Twenty-two (22) Member/Partner States have signed and 8 ratified the TFTA Agreement. All the 10 Annexes to the Agreement have been concluded and adopted and negotiations on rules for 5030 of the 5387 tariff lines representing 93.37% have been concluded. SACU - EAC negotiations have been concluded, SACU-Egypt negotiations are nearing completion, and development of guidelines/manuals/ regulations/procedures for implementation of the Annexes to the TFTA Agreement is presently ongoing.

Implementation of the Tripartite online mechanism on non-tariff barriers, the SMS-based NTBs reporting system; and Transport facilitation and infrastructure programs Tripartite instruments and programs, which do not require ratification, commenced and are ongoing.

Negotiations on Phase II issues commenced in July 2019 with meetings of Technical Working Group (TWG) on Competition Policy and TWG on Trade in Services respectively. So far, draft modalities for the Tripartite Negotiations on Trade in Services and Draft Protocol on Trade in Services have been finalized and are due for submission to the Tripartite Trade Negotiating Forum (TTNF) for consideration and adoption. In addition, the TWG on Competition Policy has developed the Second Draft Tripartite Protocol on Competition Policy.

3.3.4 African Continental Free Trade Area (AfCFTA)

The agreement establishing the African Continental Free Trade Agreement (AfCFTA) entered into force at the end of May 2019 for the 24 countries that had ratified the agreement. Subsequently, the operational phase of the AfCFTA agreement was officially launched in July 2019. Trading under the AfCFTA expected to bring together 1.2 billion people and a combined GDP of more than US$3.4 trillion.

The agreement provides for the removal of 90% tariffs on all goods and of the remaining 7% may be designated as sensitive products and 3% of the tariff lines can be excluded from liberalization. Developing Countries have 10 years within which to liberalize the 7% of sensitive products while the Least Developed Countries have 13 years within which they must have liberalized the 7 percent.

AfCFTA is being negotiated in two phases with trade in goods and services and dispute settlement being negotiated in Phase I while Phase II negotiations focus on investment, competition policy, and intellectual property rights. Much of the work on Phase I of the negotiations have been concluded, save for a few outstanding issues on tariff liberalization and rules of origin. The trade-in services negotiations have also begun in earnest in which business, communication, financial, tourism and travel, and transport services sectors have been prioritized for liberalization. Uganda ratified the AfCFTA Agreement in 2018 November. To date, 54 AU Member States have signed the Agreement while 27 have ratified it.

According to UN Economic Commission for Africa (ECA), the AfCFTA has the potential to increase intra-African trade by 52 percent by 2022, eliminate import duties (90 %) and double this trade if non-tariff barriers are also reduced. (UNECA, 2018). It is anticipated that AfCFTA will among others: create a single continental market for goods and services with free movement of business persons and investments and thus pave the way for the establishment of the Continental Customs Union (CU). It will also expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across Regional Economic Communities (RECs). In the long run, it is expected to strengthen the capacities of African companies to access and supply world markets and strengthen African's economic and commercial diplomacy.

From 2008 to 2018, Uganda's export earnings from African countries increased more than the export revenues from non-African countries. Earnings from African economies increased from US$ 798 million in 2008 to US$ 1.6 Billion by 2018. On the other hand, earnings from non-African economies increased from US$ 927 million in 2008 to US$ 1.5 Billion by 2018. Therefore, Uganda is likely to benefit from increased intra-African trade under the AfCFTA.

A review of trade flows over the last five years revealed that Uganda has potential to exploit the wider African market outside her neighbouring countries that have contributed significantly to the growth of exports to COMESA, making it the leading export destination over the last decade as seen in the table below.

Table xx: Uganda's Export Destination (Million USD and their Percentage share)

Market Destination (Value of Exports ($M)	Export Year				
	2016/2017	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
EU	519.29	569.27	504.09	512.52	563.45
Rest of Europe	42.15	35.26	175.52	40.44	52.77
The America	53.13	68.55	49	60.32	59.76
Middle East	585.72	417.78	1050.36	1178.83	2297.95
Asia	194.66	225.83	289.79	264.94	266.41
COMESA	1692.99	2079.55	1772.37	1576.15	1823.53
Tanzania	124.76	84.86	84.23	132.22	122.92
Rest of Africa	59.28	48.44	35.09	31.81	70.83
Unclassified	2.2	1.72	1.95	2.57	1.49
TOTAL	**3274.18**	**3531.26**	**3962.4**	**3799.8**	**5259.11**
Percentage Share	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
EU	**15.9**	**16.1**	**12.7**	**13.5**	**10.7**
Rest of Europe	**1.3**	**1.0**	**4.4**	**1.1**	**1.0**
The America	**1.6**	**1.9**	**1.2**	**1.6**	**1.1**
Middle East	**17.9**	**11.8**	**26.5**	**31.0**	**43.7**
Asia	**5.9**	**6.4**	**7.3**	**7.0**	**5.1**
COMESA	**51.7**	**58.9**	**44.7**	**41.5**	**34.7**

Tanzania	3.8	2.4	2.1	3.5	2.3
Rest of Africa	1.8	1.4	0.9	0.8	1.3
Unclassified	0.1	0.0	0.0	0.1	0.0
TOTAL	100	100	100	100	100

As seen from the table, whereas the exports to COMESA have witnessed growth, the exports to the rest of Africa have remained small and only managed to reach $70m in 2020/21 financial year, account for only 1.3% of the total exports. Outside the COMESA (including EAC), Uganda has the potential to export a wide range of commodities, including:

1) Tea: Uganda's market share in Africa tea market (2016-18) was 8.8%, which indicates that there is potential to scale-up the market share without much do in terms of new investment.
2) Dairy and dairy products: Uganda's market share in Africa Dairy and dairy products market (2016-19) was 1.7% of Africa's total demand (USD 4.47 Billions). Many African countries continue to import from developed economies including the EU and there is clear market potential for Uganda.
3) Maize: Uganda's market share in Africa maize market (2016-18) was 3.2% of Africa's total demand of USD 6.009 billions), which indicates that there is potential to scale-up the market share without much do in terms of new investment.
4) Sugar: Uganda's market share in Africa sugar market (2017-18) was 1.7%, which indicates that there is potential to scale-up the market share without much do in terms of new investment.
5) Fruits & Vegetables: Uganda's market share in Africa fruits and vegetables market (2017-18) was 1% of Africa's demand equal=valent to USD 3.4 billion, which indicates that there is potential to scale-up the market share without much do in terms of new investment.
6) Soya bean: Uganda's market share in Africa soya bean market (2017-18) was 0.4% of Africa's demand equivalent to USD 1.6 billion, which indicates that there is potential to scale-up the market share without much do in terms of new investment.
7) Plastics: Uganda's market share in Africa plastics market (2017-18) was 0.1% of Africa's demand equivalent to USD 20.58 billion, which indicates that there is potential to scale-up the market share without much do in terms of new investment.

However, as Uganda plans to increase her market share, there are several challenges that Uganda must address to benefit from any new regional trading block. Some of the challenges that that should be addressed include:

1) Language barrier. To effectively exploit the ACFTA market, there is need to urgent promote lea ring of three key foreign languages, namely French, Arabic, Portuguese as these are widely used across the African markets. Short-term targeted language training courses for different segments of the market, following rigorous market analysis will be a key step towards taking up the market opportunities created by ACFTA.
2) Currency convertibility. The continent has many currencies, some of which may not be easily convertible in Uganda. The private sector will need to be adequately guided, including persuading local commercial banks to start partnerships with commercial banks in other African markets with the aim of easing currency convertibility.
3) Low awareness about the market opportunities and how to position Uganda producers/traders to take advantage of the created market opportunities

4) Climate change impacts on agriculture, since the biggest portion of the exports is agriculture, yet close to all agriculture is dependent on nature (rain-fed)
5) Soft infrastructure challenges that constraint the smooth flow of goods across the continent, which requires
   - de-risking involving insurance guarantee scheme,
   - Export readiness support programme to enhance the private sector's understanding of the market, appreciating the market, and facilitating entry into the new markets
   - Access to finance/credit, especially long-term financing and efforts to reduce interest rate, which will enable Uganda's producers to become competitive
   - Capacitate the Trade support institutions including MTIC, UEPB and UNBS to enable them upgrade the support and guidance provided to the private sector. The Trade support 9nstitutions should be able to identify where the opportunity is, gap between where the opportunity is and the capacity of Ugandan exporters and how to bridge that gap.
6) Hard Infrastructure including but not limited to the following:
   - All year-round road infrastructure in key strategic markets for Uganda including DRC and South Sudan
   - Presence of Ugandan banks into regional export markets to facilitate funds transfer and currency convertibility, which directing trade flow into Uganda. There is need to iincentivize local banks to open in foreign markets targeted by Ugandan exporters
   - Warehousing infrastructure including cold storage facilities at the borders
   - Railway network
   - Animal products markets infrastructure- disease control and quarantine measures, Uganda airlines cargo for airlifting cargo to export markets
7) Cost of power, which has direct impact on costs of production and competitiveness, especially of the manufactured products
8) Tax structure including VAT and excise duty rates that are in many instances higher than in most targeted export markets. This makes Ugandan produces less competitive
9) Quality Standards of goods and services. There is need to bench marker quality standards on the leading economies like South Africa and Nigeria, while partnering with other LDCs like DRC and South Sudan in building their quality standards infrastructure
10) Trade dispute resolution, which requires establishing robust arbitration and conflict resolution mechanisms across the ACFTA market

To address the above challenges and facilitate exploitation of the ACFTA market by the Ugandan private sector, the DTIS recommends the following measures:

14) De-risking agriculture production through insurance as well as exports through adoption of an export guarantee schemes for Uganda exporters, including insecurity guarantee scheme. This will facilitate taking up of trade opportunities in volatile countries like South Sudan, DRC, Central African Republic, Burundi, etc
15) Make private sector companies export ready by promoting adoption of quality standards that are expected across the AfCFTA, and accompanies by BDS capacity building for targeted export companies. The Government should develop and operationalize an comprehensive export readiness support programme.

16) Development of market support infrastructure including warehouses in key strategic markets to facilitate exports by Uganda
17) Promote commercialization of the agriculture value chains
18) Design and implement a comprehensive Coordination, monitoring and evaluation and learning framework to track performance Uganda in taking up market opportunities in the target export markets
19) Building a strong dispute resolution mechanism through establishing business/trade arbitration centres in key regional markets
20) Develop a comprehensive production and trade database for all key potential export commodities with capacity to readily project production and export values to feed into the various markets
21) Support adoption and certification of quality standards of agriculture and manufacturing commodities, including through substantially reducing the cost of quality certification
22) Prioritize investment in electricity power export
23) Promote bilateral cooperation between high institutions of learning to promote export of education services virtually
24) Optimizing BUBU for export growth through galvanization of capacity of local producers through regulations to promote improvement in local production capacity
25) Leveraging the infrastructure to support export preparedness and growth for example quarantine centres, warehouses and testing laboratories in key strategic areas and markets to support Ugandan export agenda of priorities commodities and markets. Government has the PPP law by developing PPP projects pipeline to blend public and private funding for key trade support infrastructure projects
26) Facilitate access to long-term manufacturing and export development financing for targeted export commodities and markets through a well-capitalized UBD
27) Build institutional capacity for key trade related MDAs to adequately support the private sector take-up market opportunities in the AfCFTA
28) Complete drafting a national competition policy and law

3.3.5 Trade Preferences in Uganda’s bilateral arrangements (AGOA, EPA & EBA)

Africa Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA) provides duty-free access to the U.S. market for over 6,000 products. Uganda is one of 38 African countries that are eligible for tariff-free and quota-free access to the U.S. market. Since AGOA was enacted, Uganda has recorded significant fluctuations in AGOA exports. Its AGOA/GSP exports peaked in 2004 with a value of approximately $5 million. A period of export shrinkage followed with AGOA/GSP exports hitting less than $1 million in 2009. Exports have not fully recovered, but are expanding. Total AGOA/GSP exports in 2018 stood at $4.48 million. The bulk of Uganda’s exports are mainly coffee, cut flowers, fish, etc. The extension of the AGOA legislation until 2025 provides Ugandan exporters with an opportunity to further expand manufacturing and production, and to diversify and increase exports to the U.S.

So far, Uganda producers have not utilized the AGOA preferences like other AGOA eligible countries. Twenty years on since its inception, there is very little to show that Uganda has benefitted from AGOA. The country's inability to exploit AGOA and other preferential trade opportunities are evidence that the problem is homegrown. Some of the reasons believed to explain the poor performance are: Lack of competitiveness and an unsupportive environment: Uganda's production is characterized by the use of basic technologies, little control over production conditions, high costs of electricity, high cost of finance, and infrastructural deficiencies - especially of road, rail, irrigation, electrical power, storage, and refrigeration, which are critical in trade competitiveness. These constraints undermine the ability of firms to fully control production conditions to ensure consistency and reliability in export supplies.

Although the Government has put in place an AGOA Response Strategy and support is also offered by the USAID, there has not been any evaluation of the strategy. In addition, there appears to be a lack of awareness of AGOA opportunities. Most eligible enterprises are yet to take full advantage of AGOA because they lack information about market opportunities in the United States and face supply capacity constraints.

.

European Union's Everything-But-Arms initiative

Tailor-made to the specific needs of least developed countries, the EU's "Everything But Arms" arrangement (EBA) was born in 2001 to give all Least Developed Countries full duty-free and quota-free access to the EU for all their exports except arms and armaments. This arrangement is the primary initiative in which Uganda engages in trade with the EU trade block. There are currently 49 beneficiaries under this arrangement. Entry into the EBA is automatic and, unlike other Generalized Scheme of Preferences arrangements, the EBA has no time limit and is not subject to review and renewal. Access to the scheme is automatic for LDCs. In other words, countries do not need to apply to benefit from EBA; they are added or removed to the relevant list through a delegated regulation. Since 2011, the EU has had more favorable rules of origin for LDCs in some products. This regulation increased the allowance for use of non-originating materials for many manufactured products and allowed for garments that had undergone only a "single transformation" (e.g. manufacturing of garments using imported fabric) as opposed to "double transformation" (applicable to other developing countries). For agricultural products, the rules of origin are identical for developing-country and LDCs.

The Economic Partnership Agreement

Uganda-EU trade relations took a huge blow with the finalization of the BREXIT that saw the UK, Uganda's biggest trading partner in the block leave the European Union. The negotiations on an Economic Partnership Agreement (EPA) with the European Union were concluded in October 2014. As of December 2017, the EPA was ratified by Kenya and signed by Rwanda. At present, the negotiations have been shelved. For African LDCs, including Uganda, the perceived need to finalize the EPA negotiations was drastically reduced by their already favorable access to the EU market through EBA preferences. Furthermore, concerns were raised over the EPA's required high-level rates of tariff liberalization that would undermine the region's industrialization and development agenda. As Uganda gears-up ambitions to become a middle-income country by the end of NDP III, it should prioritise reviving discussions to conclude EPAs.

3.4 Trade Sector Performance

3.4.1 Merchandise Trade

Uganda's merchandise trade with the world has increased over the last eight years. Whereas global merchandise Trade registered a 2.4% growth over the 8 years, Uganda's trade with the world increased 34% over the same period, increasing her share from 0.02% to 0.03%. Uganda's exports increased by 51.2% albeit from a low base, compared to the growth of imports of 27.3% as summarized in table 6.

Table 6: Uganda in Global Merchandise Trade (2012-2019)- billion US dollar

	2012	2013	2014	2015	2016	2017	2018	2019	%age Change 2012-2019
World Imports	18,501	18,877	18,896	16,560	16,069	17,787	19,680	19,085	3.2
Uganda's Imports	6.0	5.8	6.1	5.5	4.8	5.6	6.7	7.7	27.3
%age share	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.04	23.4
World Exports	18,396	18,875	18,847	16,411	15,925	17,560	19,309	18,709	1.7
Uganda's Exports	2.4	2.4	2.3	2.3	2.5	2.9	3.1	3.6	51.2
%age share	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	48.6
World Trade	36,897	37,752	37,742	32,971	31,994	35,347	38,989	37,793	2.4
Uganda's Trade	8.4	8.2	8.3	7.8	7.3	8.5	9.8	11.3	34.0
%age share	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03	30.8

Source: COMMTRADE

Export of goods growth was robust. Export of goods grew at an average of 5.4 percent over the period FY2009/19 to FY2019/20. This was largely on account of gold and coffee earnings growing at an average of 7,954 percent and 6 percent respectively. Gold export earnings hit US$ 1.069 billion and US$ 1.118 billion in FY018/19 and FY2019/20 respectively, overtaking coffee as the lead merchandise export earner. This was on account of shipping 26,711 kilograms and 21,746 kilograms of gold in FY2018/19 and FY2019/20 respectively. The increased gold earnings are attributed to the establishment of two gold refineries; African Gold Refinery in Entebbe and Gold Refinery Uganda in Kampala. To the extent that Uganda has now positioned itself as a regional gold refiner targeting gold especially from DRC, Zimbabwe and Tanzania. On the other hand, coffee benefitted from an increase in export volumes in the midst of suppressed prices. Over the last decade, coffee export volume increased from 2.74 million 60-kilogram bags in 2009/10 to 5.1 million 60-kilogram bags at FY2019/20, equivalent to 86 percent increase. Uganda is now among the top eight coffee exporting countries in the world[1] and the export volumes are projected to continue increasing as Government consolidates efforts to increase coffee production.

The export landscape changed with reducing sharing of traditional export commodities. As of FY2009/10, the leading export commodities in order of ranking were coffee, fish, oil re-exports, base metals & products, cement, tobacco, tea, sugar, flowers, gold, cocoa beans, and maize with a corresponding export earnings share of 11.3 percent, 5.6 percent, 4.4 percent, 4 percent, 3.4 percent, 3.3 percent, 3.1 percent, 2.4 percent, 2.1 percent, 1.7 percent, 1.5 percent, and 1.2 percent (see figure). However, as of FY2019/20, the leading export commodities in order of ranking were gold, coffee, fish, oil re-exports, base metals & products, maize, sugar, cocoa beans, tea, tobacco, cement, and flowers with corresponding shares of the total export earnings of 29.4 percent, 13.1 percent, 3.9 percent, 2.9 percent, 2.7 percent, 2.7 percent, 2.4 percent, 2.4 percent, 1.9 percent, 1.6 percent, 1.6 percent, and 1.3 percent respectively. Specifically, there is increased importance of gold, maize, and cocoa beans among Uganda's leading export earners. Maize earnings increased from US$ 27.82 million in FY2009/10 to US$ 100.99 million in FY2019/20, 263 percent increase (see figure, panel). Cocoa bean earnings increased from US$ 35.42 million in FY2009/10 to US$ 89.73 million in FY2019/20 (see figure, panel). Note however that much as Uganda's export commodity landscape has been redefined, except cobalt for which exports stopped in FY2012/13, on average all other export commodities experienced an increase in earnings.

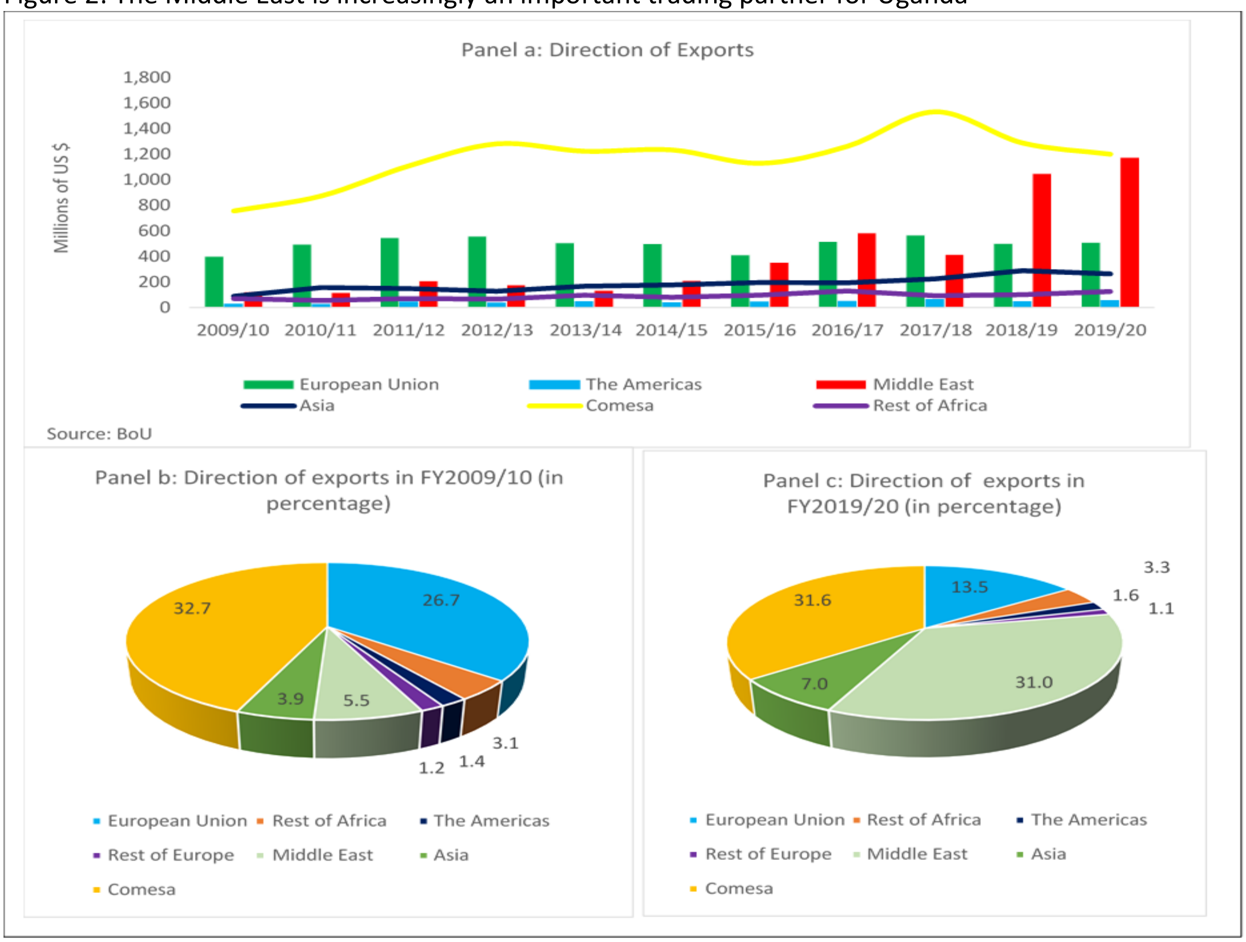
[1] Statista (2019) "Coffee production worldwide in 2018, by country" https://www.statista.com/statistics/277137/world-coffee-production-by-leading-countries/#:~:text=Brazil%2C%20the%20top%20coffee%20producing,of%20the%20world%20coffee%20production. Accessed on 27th of January 2021.

Figure 1: Share of an Export as a Proportion of Total Exports

The Middle East is Uganda's leading export trade partner second to COMESA. In the FY2009/10, COMESA was Uganda's export destination taking 32.7 percent of exports worth US$ 756.9 million followed by the EU at 17.4 percent with exports worth US$ 403.26 million (see figure, panel). However, post FY2016/17, the Middle East became Uganda's second most important export destination taking 17.9 percent, 11.8 percent 26.5 percent, and 31 percent of its exports for the period FY2016/17, FY2017/18, FY2018/19, and FY2019/20 respectively. Consequently, Uganda's export earnings to the Middle East have increased 9.31 times between the period FY2009/10 and FY2019/20 from US$ 126.59 million to 1,178.83 million. Imperative to note is that over the period FY2009/10 and FY2019/20, at least 90 percent of Uganda's exports to the Middle East are destined to the United Arab Emirates.

Even then, export trade across destinations has generally increased. Export trade to COMESA, Asia, the Rest of Africa, the EU, and The Americas grew at an average of 5.6 percent, 14.7 percent, 9.3 percent, 1.4 percent, 33.4 percent, and 15 percent respectively over the period FY2009/10 to FY2019/10. Specifically, in FY2009/10 export trade to COMESA, Asia, the Rest of Africa, the EU, and The Americas was worth US$ 756.90 million, US$ 90.13 million, US$ 71.48 million, US$ 403.26 million, and US$ 32.23 million respectively (see figure, panel). However, as FY2019/20 export trade to COMESA, Asia, the Rest of Africa, EU, and The Americas is now worth US$ 1,201.53 million, US$ 264.96 million, US$ 126.51 million, US$ 512.52 million, and US$ 60.32 million respectively. Implying export trade to COMESA, Asia, the Rest of Africa, The Americas, and the EU has grown 1.6 folds, 2.94 folds, 2.07 folds, 1.9 folds, and 1.3 folds respectively.

Figure 2: The Middle East is increasingly an important trading partner for Uganda



However, the contribution of Gold to Uganda's Trade is very significant and has influenced recent growth trends. Over the last five years (2016-2020), Uganda's formal exports grew by 13%. Over the same period, non-gold exports growth averages 1% while gold exports grew averages 218%. For the imports, Uganda's formal imports grew by 9%, while non-gold imports growth averages 4% and that of gold imports averages 67%. Since 2019, Gold is Uganda's leading export earner, while since 2019, Gold is Uganda's leading import commodity as summarized in the table 7 below.

Table 7: Gold in Uganda's External Trade

Exports	**2016**	**2017**	**2018**	**2019**	**2020**	**Average**
All products	2,482,313	2,901,296	3,087,274	3,563,785	4,148,958	3,236,725
Total Exports without Gold	2,143,001	2,485,625	2,571,710	2,307,034	2,330,955	2,367,665
Gold exports	339,312	415,671	515,564	1,256,751	1,818,003	869,060
Growth of Exports						
All products	9%	17%	6%	15%	16%	13%
Total Exports without Gold	-4%	16%	3%	-10%	1%	1%
Gold exports	854%	23%	24%	144%	45%	218%
Imports	2016	2017	2018	2019	2020	Average
All products	4,829,459	5,595,535	6,729,377	7,696,029	8,250,512	6,620,182
Total Imports without Gold	4,829,459	5,595,535	6,394,834	6,378,779	6,408,597	5,921,441
Gold imports	-	-	334,543	1,317,250	1,841,915	698,742
Growth of Imports						
All products	-13%	16%	20%	14%	7%	9%
Total Imports without Gold	-13%	16%	14%	0%	0%	4%
Gold imports	0%	0%	0%	294%	40%	67%

Source: Trademap

As shown in table 7, Uganda's exports growth is being driven by imports of gold, which contributes little in terms of job creation to the local economy. It also shows that the country is succeeding in reducing imports as non-gold imports have been flat since 2018, which can be attributed to the growth in manufacturing capacity in the economy. This is leading to import substitution as previously imported commodities are now produced locally. Uganda, therefore, needs to implement initiatives to recover growth in non-gold exports, in which exports are associated with broad economy-wise benefits like jobs creation.

The trade flow data shows that Uganda's neighboring countries (Kenya, Tanzania, Burundi, South Sudan, and Rwanda) had been the leading export destination, accounting for 49% of formal exports in 2018. With Gold exports, the percentage share reduced to 32.2% in 2020. Equally, the absolute value of exports has declined to $1.267 billion in 2019 and $1.335 billion in 2020, from $1.514 billion in 2018. Nonetheless, EAC countries remain the key export market for Uganda. The trade flow further reveals that the drop in exports to EAC countries was driven by the drop in exports to Rwanda of 80% in 2019 and 94% in 2020. Exports to Rwanda have declined from $211.5 million in 2018 to $2.3 million in 2020. Equally, the decline in exports in 2019 was partly attributed to a 24% decline in exports to Kenya.

Uganda's trade deficit is highest with Asia. Uganda's trade deficit with Asia averaged 8.1 percent of GDP over the period FY2019/10 to FY2019/20 (see Table 8). This is in comparison to Uganda's average trade deficit with the European Union, USA, Rest of Europe and Rest of Africa, the Middle East over the period FY2009/10 to FY2019/20 as a percentage of GDP of 0.3, 0.3, 0.1, 1.1 and 1.4 respectively, implies that Uganda's trade deficit is highest with Asia. At the beginning of FY2009/10, Uganda's trade deficit was highest with Asia at 7.7 percent of GDP; however, as at the end of FY2019/20, the trade deficit was 6.3 percent of GDP. The trade deficit was reduced in 2019/20, partly because of the effects of Covid-19 in undermining the smooth flow of goods and services. Even then, Uganda's trade deficit with Asia has seen China taking an increasing contribution. For example, as of FY2009/10, as a percent of GDP Uganda's deficit with India, Japan and China were 2.9, 1.2, and 1.7 respectively. However, as of FY2019/20, Uganda's deficit with India, Japan, and China as a percentage of GDP was 1.8, 0.7, and 2.7 respectively.

On the other hand, Uganda has a trade surplus with COMESA and this averaged 1.5 percent of GDP over the period FY2009/10 to FY2019/20. Except for Kenya where the trade deficit with Uganda averaged 0.9 percent of GDP over the period FY2009/10 to FY2019/20 for all other COMESA member states, Uganda experienced a trade surplus, which is increasingly been sustained. The increase in the trade deficit with Asia was driven by China for which the trade deficit averaged 2.29 percent over the period FY2009/10 to FY2019/20, increasing as a percent of GDP from 1.7 in FY2009/10 to 2.3 in FY2019/20. While Uganda had a trade deficit with the Middle East of 2.7 percent of GDP, as of FY2019/20, it experienced a trade surplus of 0.9 percent of GDP. The trade surplus in the Middle East is attributed to 0.03 percent of GDP and 1.7 percent of GDP trade surplus with Israel and UAE respectively.

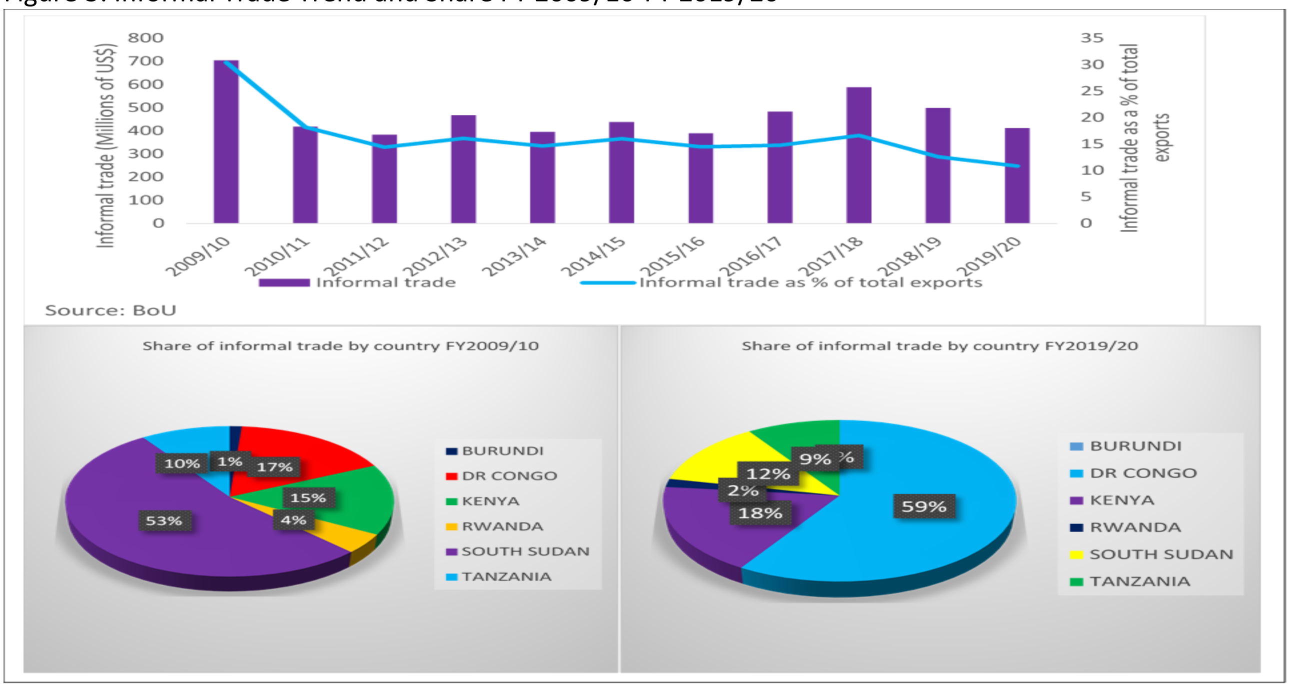
Table 8: Trade balance by region (percentage of GDP) - FY2009/10- FY2019/20)

Region	FY2009/10	FY2019/20	Average	Region	FY2009/10	FY2019/20	Average
European Union	-1.50	-0.04	-0.30	COMESA	1.18	0.38	1.46
o/w Netherlands	0.07	0.07	0.07	o/w Ethiopia	0.01	0.04	0.02
Asia	-7.72	-6.25	-8.10	o/w Kenya	-1.32	-0.79	-0.90
o/w India	-2.88	-1.76	-3.15	o/w Burundi	0.27	0.11	0.14
o/w Japan	-1.16	-0.68	-0.99	o/w Rwanda	0.68	-0.01	0.65
o/w China	-1.65	-2.73	-2.29	o/w Sudan	0.94	0.22	0.64
USA	-0.36	-0.23	-0.27	o/w DRC	0.86	0.61	0.58
Rest of Europe	-0.35	-0.14	-0.10	o/w South Sudan	0.00	0.73	0.62
Middle East	-2.74	0.90	-1.41	Rest of Africa	-0.96	-2.02	-1.13
o/w Israel	-0.02	0.03	0.01	o/w Tanzania	-0.06	-0.96	-0.26
o/w UAE	-1.27	1.69	-0.24	o/w South Africa	-0.93	-0.57	-0.83

Source: Bank of Uganda

Informal trade declined at an average of 1.9 percent over the period FY2009/10 to FY2019/20. In FY2009/10, informal trade accounted for 30 percent of total exports worth US$ 705.13 million (see figure). 53 percent of the informal trade worth US$ 375.06 million were destined for South Sudan (see figure panel,), 17 percent of informal trade worth US$ 117.85 million were destined for the Democratic Republic of Congo (DRC), 15 percent of informal trade worth US$ 106.93 million were destined for Kenya and 10 percent of informal exports worth US$ 65.96 million were destined for Tanzania. The remaining 5 percent of informal trade worth US$ 39.33 million was destined for Rwanda and Burundi. However, as of FY2019/20, total informal trade had reduced to US$ 412.62 million, a 41.5 percent reduction from the size of informal trade in FY2009/10. This is partly on account 100 percent, 31.1 percent, 77.7 percent, 86.2 percent, 43.1 percent reduction in informal trade with Burundi, Kenya, Rwanda, South Sudan, and Tanzania respectively. The reduction in informal trade perhaps reflects the benefits of the Customs Union, in which were fully-fledged in January 2010 implying zero duty imposed on goods and services produced within the EAC partner states and a common external tariff (CET). Indeed, for DRC which is outside the EAC, informal trade with Uganda is rather growing by 159.4 percent (with trade worth US$ 305.72 million) and 106.1 percent (with trade worth US$ 242.89 million) in FY2018/19 and FY2019/20 respectively in comparison to FY2009/20. In fact, as of FY2019/20, 59 percent of Uganda's informal trade is with DRC (see figure, panel).

Figure 3: Informal Trade Trend and Share FY 2009/10-FY 2019/20



Non-Tariff Barriers

Non-tariff barriers are defined as restrictions, unrelated to tariffs, that result from quotas, import licensing systems, prohibitions, regulations, conditions, or specific market requirements that make the importation or exportation of products difficult and/ or costly (UNCTAD 2013). Countries impose NTBs on foreign goods to protect domestic industries, jobs, increase revenue from the levies, enhance the competitiveness of locally produced goods, protect domestic consumers, for national health and security, among other reasons. NTBs however have the effect of making goods more costly than they ought to be thereby subjecting the domestic consumers to negative welfare effects. NTBs increase the cost of doing business, rendering small-scale traders with limited capital less competitive and consequently affecting trade nationally, regionally, and internationally. By impeding free trade, NTBs cause a rise in the cost of domestically produced goods that depend on foreign inputs. Where export market access has been denied or restricted, the surplus goods will be traded on the domestic market causing price drops thereby hurting producers and the domestic economy generally. Non-tariff restrictions affect agriculturally based products/or economies more than technologically advanced ones (WTO, 2012). NTBs also cause trade diversion, where exporters find it costly to access a given market and decide to try easier alternatives. This however is only possible where the exporter has relevant market information and the capacity to switch from one market to another. This is not the case with most Cross-Border Traders. NTBs can cause traders to resort to informal and illicit means of trade as a means of circumventing is the trade restrictions imposed. Much as NTBs are implemented for legitimate national reasons, there are always losers on either side.

The WTO Classification of NTBs.
Non-Tariff Barriers are numerous in form and thus classification is necessary to better identify and distinguish the various forms. The World Trade Organisation (WTO) provides a framework to address NTBs and offers a classification with a broad and encompassing grouping of actions or policies that amount to NTBs. By so doing it allows for the categorization of NTBs in accordance with the broad groupings in which they fit. The categorization however is in itself not conclusive and neither can it be seen as exhaustive. It should rather be looked at as a dynamic process that requires continuous review and updating as the context changes. The WTO classification of the NTBS is elaborated below;

Table 9: NTB Categorization

Number	Category	Examples
1	Government participation in trade and restrictive practices tolerated by government	Export subsidies, Government monopoly in export and import, state trading and preference given to domestic bidders or suppliers, requirement for counter trade, domestic assistance programmes for companies, discriminatory or flawed Government procurement policies.
2	Customs and administrative entry procedures	Governments imposing anti-dumping duties, arbitrary customs classification, misinterpretation of Rules of Origin, import licensing, decreed customs surcharges, additional customs and other charges, international taxes and charges levied on imports and other tariff measures.
3	Technical Barriers to Trade	Restrictive technical regulations and standards not based on international standards, inadequate or unreasonable testing and certification arrangements, disparities in standards, intergovernmental acceptance of testing methods and standards, packaging, labelling and marking.
4	SPS Measures	Sanitary and Phyto sanitary Measures, conformity assessment related to SPS/TBT, special customs formalities not related to SPS/TBT, other technical measures
5	Specific Limitations	Quantitative restrictions, exchange control, export taxes, quotas, import licensing requirements, proportion restrictions of foreign to domestic goods (local content requirement), minimum import price limits, embargoes, - non automatic licensing, quotas, prohibitions, quantitative safeguard measures, export restraint arrangements, other quantity control measures.
6	Charges on imports	Prior import deposits and subsidies, administrative fees, special supplementary duties, import credit discriminations, variable levies, border taxes. Government participation in trade and restrictive practices tolerated by Government Customs and

		administrative entry procedures technical barriers to trade Sanitary and Phytosanitary Measures Specific Limitations Charges on imports 15 East African Community Elimination of Non-Tariff Barriers Act, 2017
7	Other (Procedural Problems)	Arbitrariness, discrimination, costly procedures, lack of information on procedures or on charges, requirement for complex or a wide variety of charges and documentation

The EAC NTB Act 2017: The EAC moved to address the shortcomings of the time-bound program for the Elimination of NTBs by drafting the EAC Elimination of NTBs Act which was passed by the East Africa Legislative Assembly (EALA) in 2015 and ratified by the Partner States in October 2017. This Act sought to bolster the existing mechanisms for addressing NTBs by providing time limits for processes and procedures, and legal settlement mechanisms, among others. The objective of the Act is to enhance and facilitate trade by providing a legal framework for the removal of NTBs in the Community and a mechanism for identifying and monitoring their removal. The Act also aspires to remove restrictions that make importation or exportation within and outside the Community difficult or costly. The Act further addresses the issue of classification of NTBs which is under the WTO taxonomy and other activities as may be defined by the Council of Ministers (Council). According to a 2019 baseline study by the East African Business Council (EABC) on the status of NTBs in the EAC, new NTBs keep emerging despite efforts to address the pre-existing ones. The most prevalent ones are prolonged clearance procedures; delays at the ports of entry/exit; delays at weighbridges and numerous roadblocks; delays in the ferrying of cargo by transit vehicles; non-recognition of EAC Certificates of Origin; non - recognition of quality marks issued by EAC Bureaux of Standards; retesting of products among others (Etyang, 2019).

NTB Reporting and Management Mechanisms

The EAC elimination of NTBs Act 2017 provides a detailed framework for reporting and addressing NTBs, as presented below:

1. Trader reports the issues to a business association or directly to the National Monitoring Committee (NMC) or by way of the Short Message Service (SMS) platform.
2. NMC handles the issues in accordance with the time-bound program. NMC can refer the issue to the concerned line Ministry for resolution
3. If the issue involves another Partner State, NMC sends the notification in writing to the Partner State (agency or ministry) for resolution and copies the Secretary-General of the EAC.
4. Partner State responds to complaining Partner State NMC in writing (within 10 days of receipt) about steps being taken to address the issue and copy in the Secretary-General. If the responding Partner State is not able to respond within 10 days, it will notify the reporting Partner State of the reasons for the delay and respond within 25 days of receipt of the notification.
5. If the Partner State or States do not agree on addressing the issue, then it is referred to the Secretary-General who convenes the Council of Ministers and refers the matter to them.
6. If the Partner State from which the issue is originating does not notify the Secretary-General in 30 days the aggrieved party has a right to report it directly.
7. Where the Partner State fails to resolve the matter is within the given time, the Secretary-General shall within 15 days of the response convene the meeting of the concerned Partner States to resolve the matter relating to the NTB.
8. Where the Partner States fail to resolve the NTB by the processes above the Secretary-General shall refer the matter to the Council of Ministers.

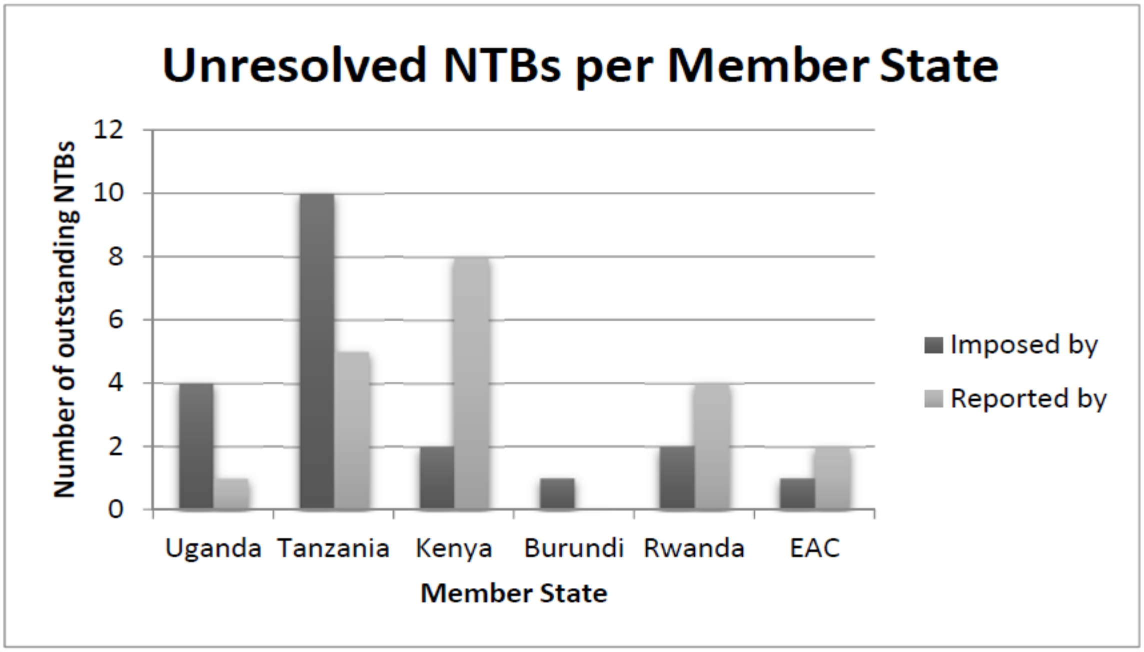
9. The Council of Ministers shall consider the matter and issue a directive or decision on the matter or the Council of Ministers may refer the matter to the EAC Trade Remedies Committee.
10. The Trade Remedies Committee shall consider the matter and give its directives with a copy of its decision to the Council of Ministers.
11. Any party that feels aggrieved by the directives or recommendations of the Council of Ministers or Committee may seek redress from the East African Court of Justice.

ANALYSIS OF NTBS IN THE EAC

The EAC Time-Bound Programme for the Elimination of Identified NTBs (EACS, 2009) provides for quarterly review meetings. During these quarterly review meetings which happen at the national and regional level, Member States update the list of NTBs and move those that have been resolved to the end of the list. During those meetings, a comprehensive status of the NTBs within the EAC is then developed after harmonization. A quarterly status report of NTBs has been published by the EAC secretariat since 2012 arising out of the quarterly review meetings and these processes are the source of the NTB data for the EAC region.

According to a baseline survey report on the status of NTBs in the EAC conducted in 2019, there were 11 unresolved NTBs cumulatively by September 2019. In the year 2019, according to the same study, 5 new NTBs were reported and 5 outstanding NTBs were resolved (Etyang, 2019). The study shows that since 2014, new NTBs have emerged in the EAC, some of which are a consequence of new laws and regulations instituted by the Partner States. NTBs take a long process to address and this could be a reason for their delayed resolution. Most of the unresolved NTBs according to the study belonged to the category of other procedural problems as a result of prolonged clearance procedures, delays at the ports of entry/exit, delays at weighbridges and numerous roadblocks; delays in the ferrying of cargo by transit vehicles; non-recognition of EAC Certificates of Origin; non-recognition of quality marks issued by EAC Bureaux of Standards; retesting of products among others (Etyang, 2019).

An analysis of the NTBs status report as of March 2020 shows that there were 20 outstanding unresolved NTBs by end of 2019 with one additional one in 2020 (find NTBs status report in annex). A summary of the status as per that report is provided in the chart below.



Source: NTBs status report as at March 2020

Tanzania is responsible for imposing most of the unresolved NTBs followed by Uganda and Kenya has reported most of the unresolved NTBs followed by Tanzania. The unresolved NTBs are mainly to do with extra levies and fees imposed on goods or trucks as well as requirements for retesting of goods. Others are failure to recognize certificates and quality marks from EAC competent authorities.

The findings point to a number of issues that the country should focus on her effort to recover her exports growth to the region and these include:

1. Proposing a strong conflict resolution mechanism for political and trade issues within the EAC. This is because the decline in exports to Rwanda has been driven by the decline in political cooperation, that led to the closure of the Rwanda-Uganda border. This has collapsed the trading relationship despite both countries being members of the EAC. This should include ceding some powers to the EAC secretariat to have the mandate to determine and settle some of the disputes without referring back to individual member countries.
2. Prioritize resolving of NTB at the National level and demand for the same from trading partners. As of March 2020, Uganda maintained a discriminatory treatment (Excise duty 13%) of Kenyan manufactured products among others Juices and pharmaceutical products, which had been outstanding for 421 days since reporting by Kenya. As a result of long delays in resolving imposed NTBs, trading partners do the same and the cycle continues, limiting the growth of trade.
3. Insecurity and poor roads infrastructure in neighbouring countries especially DRC and South Sudan. There is a need to promote peace, security, and regional transport infrastructure in the region, whenever Uganda can play a role. For long-term sustainability and growth of the export market, there is a need to promote regional infrastructure transport projects, at the EAC level.
4. Tax policy that does not promote Uganda's trade interest. Uganda continues to introduce export taxes in the quest to generate tax revenue, protect local infant industries, and import substitution. This has included taxes on hides and skins, and recently on Gold, Fish moas, and bran. In 2021/22,

The government passed the Mining (Amendment) Bill 2021, which introduced a 1% export levy on gold exports, which led to nil exports of Gold in July and August 2021. The government also passed an eight percent tax levy on fish maw exports following the passing of the Fish (Amendment) Bill, 2021, against the recent increase in volume and value of fish maws. Since the introduction of the export tax on hides and skins, the domestic industry has not grown, while the introduction of export level on Gold led to nil exports since the start of the 2021/22 financial year. In addition, taxes were introduced on the internet, as the trade sector embraces e-commerce and ICT digital solutions as a new normal for conducting trade. Equally, Uganda introduced exercise duties on manufactured products to promote local industries including juices and pharmaceutical industries. Whereas taxes can lead to the protection and growth of local industries, these are not sustainable and may lead to retaliation by trading partners. Uganda should focus on building the capacity of the private sector and creating a favorable business environment to make the country’s products competitive instead of adopting tariff measures.

3.4.2 Trade Sector Support Institutions (TSI) Capacity

3.4.2.1 Trade Sector Ministry, Departments and Agencies

The Trade Sector is composed of various public institutions under the supervision and leadership of the Ministry of Trade, Industry and Cooperatives (MTIC). The Ministry is mandated to formulate, review and support policies, strategies, plans and programs that promote and ensure expansion and diversification of trade, cooperatives, environmentally sustainable industrialization, appropriate technology development and transfer to generate wealth for poverty eradication and benefit the country socially and economically. The vision of the Ministry is: “Sustainable cooperatives, competitive trade and world class industrial products and services”; while the mission of the Ministry is: “To develop and promote a competitive and export-led Private Sector through accelerating industrial development for economic growth.” The key functions of the Ministry, as derived from the mandate are to:

1. Formulate and review, where necessary appropriate policies, legislation, regulations and standards for sustainable development of trade, industrialization and technology development, cooperatives movement and other tradable national products for increased wealth creation and benefit to the country;
2. Initiate, coordinate, support, oversee and where applicable, facilitate implementation of strategies and programmes aimed at enhancing the development and promotion of trade, the cooperatives, industry and technology, and ensure their maximum benefit to the country;
3. Inspect, monitor and evaluate the performance, progress, standards, state and efficiency of the various sectors, under its mandate for quality assurance, policy direction and guidance;
4. Conduct studies and evaluate the impact of the sectoral, fiscal and other policies on the advancement of the diversified sectors and their effect on the poverty eradication program so as to advise authorities appropriately;
5. Promote and coordinate research activities and initiatives of the sector with a view to ensure that results are efficiently and effectively utilized and are beneficial to the country and all stakeholders;
6. Assess the need and where necessary, mobilize resources to support balanced industrial, cooperatives, and entrepreneurial development for eradication of poverty in the country; and,
7. Collect, process, analyze, store and disseminate national and international information on the sectors and provide an input for rational decision-making

The MTIC has two directorates and seven departments. First, the Directorate of Trade, Industry and Cooperatives is responsible for formulation and implementation of trade, cooperatives and industry policies and plans. It has three departments: a) Department of External Trade, b) Department of Internal Trade, c) Department of Cooperative Development, and d) Department of Industry and Technology. Second, the Directorate of Micro, Small and Medium Enterprises is responsible for formulating, implementing and monitoring policies and programs for the promotion and development of Micro, Small and Medium scale enterprises in the country. The directorate has two departments of a) Department of Processing and Marketing, and b) Department of Business development and quality Analysis. Third, the Department of Finance and Administration has seven units, namely, the Policy and Planning Unit, the Resource Centre and ICT Unit, The Procurement and Disposal Unit, Internal Audit Unit, Human Resources Unit, Legal Services Unit and Accounts Unit.

The Ministry also oversees the operations of the following semi-autonomous institutions;

- **Uganda Development Corporation (UDC):** The Uganda Development Corporation was created by the UDC ACT, 2014. It is the development and investment arm of the government of Uganda. It is mandated to promote and facilitate the industrial and economic development of Uganda through making long-term investment in strategic sectors of the economy.
- **Uganda Export Promotion Board (UEPB):** The Uganda Export Promotion Board was created by Statute no. 2 of 1996 and mandated to coordinate all activities that would lead to export growth on sustainable basis. The board was set up to serve five primary functions which are: a) To provide trade and market information services, b)To promote the development of exports (including provision of technical advice in production and post-harvest handling, and test marketing new exports), c)To provide trade promotional services (including organizing, coordinating and participating in trade fairs, and organizing both inward and outward trade missions aimed at fostering export growth), d)To provide customized advisory services such as basic business skills, export distribution channels, foreign trade practice, trade preferences available to Uganda, pre-shipment credit and other trade financing, and export, and e)To formulate and recommend Government export plans, policies and strategies
- **Uganda National Bureau of Standards (UNBS):** Uganda National Bureau of Standards (UNBS) is a government body established under Cap.327 of the laws of Uganda. UNBS also implements the Weights and Measures Act, (Cap 103). The mandate of UNBS is to provide standardization and metrology services to industry and for consumer protection.
- **Management Training and Advisory Centre (MTAC):** The core mandate of the Management Training and Advisory Centre's, established by the Management Training and Advisory Centre Act, 1969 is to promote enterprise development and sound management practices through training, advisory, entrepreneurship development services and business. The primary functions of MTAC are; a)To assist Government departments, public and private institutions with advisory and training services, b)To assist industry and other economic sectors in improving management practices, c)To assist existing and new enterprises in studying designs of new products, models and devices, d)To prepare citizens of Uganda for managerial, functional and supervisory roles in industries and business enterprises; e)To help citizens of Uganda to become entrepreneurs, f)To raise the standard of skill of workers employed in industry, and h)To organize and conduct training courses for semi-skilled and skilled workers.
- **Uganda Warehouse Receipt System Authority (UWRSA):** The Uganda Warehouse Receipt System Authority was established under the WRS Act, 2006. Its mandate is to promote and regulate the warehouse receipt system as stipulated in the Act. The functions of UWRSA are; a) Licensing storage facilities, Warehouse Keepers and their personnel, and Warehouse Inspector, b) Issuing Negotiable Warehouse Receipts to Depositors, c) Monitoring and Evaluation, and d) Capacity

building for key stakeholders including Banks, Depositors, Warehouse Operators, Large scale buyers.

3.4.2.2 The institutional capacity of the Trade Support Institutions (TSI)

The analysis of institutional capacity as part of the DTIS has been limited to the number of human resources and funding of the core TSI.

Human Resources Capacity: Adequate number of staff with the right skills is critical for the delivery of trade development support (commercial) services by trade support institutions (TSI). According to the Ministerial Policy Statement 2020/21, there were 899 approved positions for recruitment in the trade support institutions in 2020/21 and only 395 (43.9%) were filled while 504 (56.1%) posts remained vacant. Most of the vacant positions were with UNBS Vote 154 and these were 422 (66%), while MITIC Vote 15 had 62 vacant positions (28.2%), while UEPB Vote 306 had 20 vacant positions (50%) as summarized in table below.

Table xx: Trade Support Institutions Staffing Levels

Agency	Approved positions	Filed Posts	Vacant Posts	% of Filed Posts	% of Vacant Posts
MTIC Vote 15	220	158	62	71.8	28.2
UNBS Vote 154	639	217	422	34.0	66.0
UEPB Vote 306	40	20	20	50.0	50.0
Total	899	395	504	43.9	56.1

Source: MTIC Ministry Policy Statement

The findings indicate that the TSIs have low staffing levels to comprehensively support the trade development agenda. MTIC's staffing level of 220 staff, of which 83 (37.7%) are administrative/ support staff is low to effectively champion the industrial, cooperatives and trade development agenda of the country. Equally, the staff levels of UNBS of 639 is very low given that her staff are expected to be present in each of the 140 districts in Uganda, and each of the over 40 gazetted border points. Therefore, the high number of unfilled positions only worsens the situation. Similarly, staffing levels of only 40 staff at UEPB of which 16 are administrative/support staff is low to seek and analyse external markets in order to play the expected facilitative role of promoting the country's exports to all the key markets. With UEPB operating at only 50% staffing levels, her ability to effectively support the country's export agenda is significantly curtailed. In addition, consultations with stakeholders revealed that additional and continuously skilling of TSI staff is critical given the dynamic nature of the trade policy environment. The government should prioritise:

- Filling all the vacant positions in the TSIs to enable them deliver on their mandates to deliver the trade agenda of the country
- Conduct a functional analysis of the TSIs with the aim of establishing appropriate/ adequacy of the staffing levels of TSIs
- Develop and implement a continuous professional training programme for technical staff in the different trade disciplines

Trade Support Institution's Funding: The total trade sector budget allocation for 2016/17 was UShs. 96.4 billion, a share of 0.25 percent of the UShs. 26,360billion national budget for financial year 2016/17. Of this, 64.9 billion (67.4%) was allocated to MTIC Vote 15, 24.4 billion (25.3%) was allocated to UNBS Vote 154, while 7 billion (7.3%) was allocated to UEPB Vote 306. The total trade sector budget allocation for 2017/18 was UShs. 115.1 billion, a share of 0.26 percent of the UShs. 29,008 billion national budgets for financial year 2017/18. Of this, 75.4 billion (65.6%) was allocated to MTIC Vote 15, 33.6 billion (29.2%) was allocated to UNBS Vote 154, while 6.1 billion (5.3%) was allocated to UEPB Vote 306.

The total trade sector budget allocation for 2018/19 was UShs. 151.5 billion. Of this, 103.4 billion (68.3%) was allocated to MTIC Vote 15, 45.2 billion (29.8%) was allocated to UNBS Vote 154, while 3.0 billion (2%) was allocated to UEPB Vote 306. The total trade sector budget allocation for 2019/20 was UShs. 212.8 billion. Of this, **136.5** billion (64.2%) was allocated to MTIC Vote 15, 68.9 billion (32.4%) was allocated to UNBS Vote 154, while 5.0 billion (2.4%) was allocated to UEPB Vote 306.

The total trade sector budget allocation for 2020/21 was UShs. 174.7 billion. Of this, 98.5 billion (56.4%) was allocated to MTIC Vote 15, 68.9 billion (39.5%) was allocated to UNBS Vote 154, while 5.0 billion (2.9%) was allocated to UEPB Vote 306. The estimated funding by development partners was Ushs 10.2 billion. The budget allocation by each of the TSIs is summarized in the table below.

Table xx: Budget Estimates in Uganda Shillings (Billion)

Vote	Trade Support Institution (TSI)	Wage	Non-Wage	GoU Dev't	Donor Dev't	Total
015	Ministry of Trade, Industry and Cooperative	2.458	35.179	1.634	10.202	49.469
	Uganda Development Corporation	4.033	34.389	–	–	38.422
	Uganda Warehouse Receipt System Authority	1.010	2.389	0.150	–	3.549
	Africa Growth and Opportunity Act	–	1.042	–	–	1.042
	Management Training and Advisory Services	–	0.100	3.000	–	3.100
Sub-Total		**7.501**	**73.099**	**4.784**	**10.202**	**95.582**
154	Uganda National Bureau of Standard	21.356	31.827	15.753	–	68.936
306	Uganda Export Promotion Board	1.261	3.726	0.056	–	5.043
500	Local Government	–	2.232	–	–	2.232
TOTAL		**30.118**	**110.884**	**20.593**	**10.203**	**171.793**

Source: MTIC Ministerial Policy Statement 2020/21

As indicated in the table above, overall, 18.6% of the TSI budget allocation by Government (excluding donor support) is towards wage bill, while 68.6% is towards non-wage recurrent expenditures and only 12.7% is towards the development budget.

A further review of the budget allocations per department revealed that the department of external trade annual budget allocation was 2.3 billion (equivalent to about $650 ,000) in 2018/19, while that for 2019/2020 and 2020/21 was 1.5 billion (equivalent to about $430 ,000). On a related note, the allocation to the internal trade department was only 600 million equivalent to about $170,000. Equally, funding to UEPB, which is mandated to promote and market Uganda's exports in all markets including EU, Asia, middle east, COMESA and America was consistently under a million dollar annually, until 2020/21. UEPB's budget is expected to reach 1.7 million dollars annually by 2024/25. The TSI funding including forecasted funding up to 2024/25 is summarised in the table below.

Table xx: Budget by Programme and Sub-programme (Billions in UGX)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/-25
Vote 015: MTIC	**103.4**	**136.5**	**98.5**	**101.0**	**119.8**	**142.3**	**169.3**
a) Industry & Technological	66.1	64.5	40.5	48.3	57.6	68.8	82.3
b) Cooperative Development	14.9	27.3	27.1	32.5	38.9	46.7	56.0

c) Trade Development	8.2	19.3	12.4	2.6	3.0	3.5	4.2
O/w External Trade	2.3	1.5	1.5	1.8	2.1	2.4	3.0
Internal Trade	0.4	0.6	0.6	0.6	0.7	0.8	0.9
RIIP Support	5.4	17.0	10.2	-	-	-	-
Directorate-Trade &Industry	0.1	0.1	0.1	0.1	0.2	0.2	0.2
d) MSME Development	0.9	1.2	1.1	1.3	1.5	1.7	1.9
e) Administration & Planning	13.4	24.3	17.3	16.3	18.7	21.5	25.0
Vote 154: UNBS	**45.2**	**68.9**	**68.9**	**75.3**	**82.9**	**92.1**	**103.1**
Vote 306: UEPB	**3.0**	**5.0**	**5.0**	**5.8**	**6.7**	**7.8**	**9.0**
Vote 500: LG- DCOs		2.2	2.2	2.7	3.2	3.9	4.6
Total	151.5	212.8	174.7	184.8	212.6	246.0	286.0

Data source: ***MTIC Ministerial Policy Statement 2020/2021***

Overall, the budget allocations to the TSI's have remained low compared to the expected deliverables from the sector. If Uganda is to exploit the market opportunities created in the already negotiated trade agreements, adequate funding is required for the TSI to enable them adequately support the private sector to take-up such opportunities.

3.5 Trade Facilitation and Logistics

Trade Facilitation is critical to enhancing the competitiveness of Uganda's economy. As a land- locked country Uganda faces numerous challenges in importing and exporting goods. Uganda's position also makes it attractive to become a logistical hub connecting Rwanda, the Eastern Democratic Republic of Congo, South Sudan, and Burundi to the port of Mombasa. Improvement of trade logistics and trade facilitation measures aiming at improving trade related procedures such as customs and border management, licensing procedures, trade infrastructure, regional trade corridors can increase the volume of trade to and from these countries and make Uganda an efficient and effective trade and logistical hub for these countries.

Since 2013 when the last DTIS was conducted, Uganda has implemented several reforms that have improved the trading environment of the country. This is a result of Uganda's commitments to the EAC Customs Union and the WTO Trade Facilitation Agreement. Several reforms were introduced such as improved documentation and customs procedures by licensing clearing agents, the introduction of the Authorized Economic Operators program among others.

3.5.1 Uganda Trading across borders performance

Uganda still faces high transport and trade costs making it less competitive than its neighboring coastal countries. In assessing Uganda's competitiveness, Uganda's position is often negatively affected by its "Trading across borders" ranking. Overall, the World Bank Ease of Doing Business, 2011, ranked Uganda 122 out of 183 countries while for the "Trading across borders" index, it was ranked 148. By 2020, Uganda's overall Ease of Doing Business ranking improved to 116 out of 190 scoring 60 percent.

Nevertheless, over the last 10 years, Uganda has invested in improving transport, logistics, and customs management. According to the World Bank report (2020) Uganda was ranked 121 out of 190 countries and scored 67 percent while it was also ranked in 12th position in Sub Sahara Africa, behind Mauritius, Rwanda, Kenya, South Africa, and Zambia respectively. As a result of the investments in the sectors, Uganda's competitive position improved greatly. For example, it was ranked 116 overall in 2019, and 121 in Trading across borders, ahead of South Africa which was ranked 127 (59.6 %) slightly below Kenya 117 (67.4%), and Rwanda 75 (88%) respectively. For Uganda to improve its competitiveness and achieve its goal of being a logistical hub within East Africa, more effort is needed to improve its "trading across borders" ranking and this means enhancing trade facilitation, transport, and logistics.

The logistic trading index indicates a country's logistics based on efficiency of customs clearance process, quality of trade and transport-related infrastructure, quality of logistic services, ability to trade and trace consignment, timeliness of shipment at reaching the destination within the scheduled or expected delivery time. In 2018[2], Uganda scored 2.58 while it was ranked 102 much lower than Kenya's 2.81 with a ranking of 68 and Rwanda's score of 2.97 and 57th in the ranking. Improvement of Uganda's score and ranking will require great improvement in infrastructure, international shipment, logistic competence, tracking, and tracing and timeliness.

3.5.2 WTO Trade Facilitation Agreement

The WTO Trade Facilitation Agreement (WTO TFA) was concluded in 2013 at Bali, Indonesia as a result of the Doha Round of Negotiations which was launched in 2001. The Agreement entered into force on 22nd February 2017 after two-thirds of WTO members of the then 164 ratified it. There was a lot of interest in the TFA from African countries with 40 0ut of 44 ratifying the Agreement. The overall goal is to expedite movement, clearance, and release of goods including goods in transit. The implementation of the provisions of the TFA depends on the implementation capacity of the developing and least developed countries. The Agreement allows developing and least developed countries to delay implement provisions of the agreement until capacity has been acquired. However, implementation of the agreement is also based on individual development, financial, and trade needs or their administrative and institutional capabilities.

3.5.2.1 Ratification of WTA and Category A Measures

Uganda deposited instruments of ratification of the Agreement on 27 June 2018. Further on, Category A measures that were in place by the time of ratification of the Agreement were notified to WTO. Category A measures constitute only 8.4 percent of all measures implemented in Uganda compared to 26.9 percent that was notified by Rwanda and 21.8 percent in Zambia. Uganda notified the following measures in category A:

Art 1.4- Notification
Art 5.2 Detention
Art 7.5 Post clearance Audit
Art 9 Movement of Goods
Art 10.5 Pre-shipment Inspection
Art 10.6 Use of Customs Brokers

Uganda further submitted a notification of Category B and C commitments as per Article 15 and 16 of the WTO TFA[3] on 13 January 2020. Category B commitments are measures that require transitional period and Uganda is expected to fully implement them by July 2023. Uganda is expected to have the capacity to implement these measures and is not expected to request for financial assistance. These measures will

[2] https://lpi.worldbank.org
[3] WT/L/931

require legal and regulatory reform, administrative measures. However, the measures in category B can be shifted to Category C and if a country is not able to implement them due to technical and financial capacity as provided for in TFA Article 19. Members have to provide information on the assistance required to build capacity. 27.3 percent of measures were notified in Category B compared to 57.1 percent in Rwanda and 15.2 percent in Zambia.
Uganda notified the following measures in Category B:

1.1 Publication
2.1 Comments and information before entry into force
2.2 Consultations
3. Advance Ruling
4. Procedures for Appeal or review
6.1 General discipline on fees and charges
6.2 Specific disciplines on fees and charges
6.3 Penalty Disciplines
7.3 Separation of release
10.3 Use of International Standards

3.5.2.2 Implementation of category B measures

Article 1.1 Publication
To promote transparency, members are obliged to publish trade-related information as listed in Article 1.1 and make it available to the general public in an easily, accessible, and timely manner. Article 1.2 goes further to encourage members to publish this information through the internet.

URA, MTIC, UNBS, MAAIF, NDA, and other MDAs publish information in different forms, however, to effectively implemented this measure, it requires inter-agency cooperation since information is from different sources with different institutional mandates and there is limited coordination among these institutions.

Recommendations[4]

- ✓ There is a need for a legal and administrative measures requiring all institutions to publish and update the required information.
- ✓ Assess and ensure that the right information is collected and published in easily accessible and user-friendly ways like languages.

Article 2.1 Comments and information before entry into force
The Agreement provides for consultations of stakeholders when laws on trade-related matters are being enacted by the legislative body such as the parliament, and regulations being made. The information should be published or made publicly available to all interested persons. The measure applies to all border agencies. Traders and other interested parties have to be allowed to comment on the new/amended legislation/ regulations before entry into force.

The Regulations for approval of document for Parliamentary consideration require that details of consultations including a list of those consulted should be provided before laws and regulations are considered. Uganda complies with this need as emphasized by section 5.6 on stakeholder consultations which states: “This section should list the Ministries, Departments and Agencies and other stakeholders

[4] Some recommendations have been adopted from the National Implementation Plan 2020/21 to 2023/24

that were consulted and whether they concurred or not with the proposed courses of action. If any stakeholder did not concur, this should be stated. A clear statement of their views should be reported and if a stakeholder does not wish to comment, this should be stated also. If specific consultation is required as under an Act, outline the statutory requirements, describe the consultation process, and comment on any controversial aspects. The Paper should also name any outside interest groups that were consulted. If external interest groups have been consulted, provide details. If such consultation is intended after decisions are made, comment on that too"

This measure is currently being implemented by some of the agencies like URA, UNBS, MTIC. An assessment of the practice of other agencies should be made with a view of encouraging them to emphasize the consultations of stakeholders on new laws and regulations before entry into force.

Consultations

This measure requires border agencies to hold regular consultations with traders and other stakeholders. The establishment of One-Stop Border Posts in several border crossings and the creation of Border Committees and Joint Border Committees can enable regular consultations among stakeholders and traders. However, the current consultations at the border tend to be skewed towards security and not necessarily trade issues at the border.

Recommendations

- ✓ Consultations at the border should include trade issues especially those that affect MSME and women traders.
- ✓ Government should legally empower the border agencies to hold regular consultative meetings.
- ✓ Carry out an in-depth review of the existing structures to increase communication amongst agencies and with traders and stakeholders.

Article 3 Advance Ruling

The measure gives allows traders to obtain binding information about the tariff classification, origin, and other customs treatment of the goods he/she wants to import upon request to the Customs authority. Although this measure applies to customs, other border agencies are encouraged to provide an appeal mechanism.

This measure is provided for in the EAC Customs Management (Amendment) Act, 2019. URA complies with this measure and provides ways under GATT in part or whole to enable importers to access the appropriate rates, origin, or exemptions where applicable or delay in tax payment or where appropriate documentation when required. The rulings are published and with valid timelines.

Recommendation

- ✓ Sensitize the business community about the measure;
- ✓ Encourage other border agencies to amend their laws to provide for an advance ruling where applicable

Article 4 Procedures for Appeal or review

The Agreement provides traders an opportunity to appeal decisions made by customs on administrative or judicial proceedings. The Government of Uganda through URA has a Tax Appeal Tribunal. Any dissatisfied business person can appeal to the Commissioner Customs or Commissioner-General or High Court as provided under Value Added Tax CAP 349; Income Tax Act CAP 340 and East African Community

Customs Amendment Act. The Commissioners can establish an Independent Appeals Committee to deal with a specific issue. The outcome of the Committee can be reviewed and approved. Where it fails, the trader can take the matter to the URA Tax Appeal Tribunal (TAT) for redress. The other Trade-related agencies such as Immigration, UNBS, NDA, and Clearing agencies can also refer the matter to the URA TAT. The Tax Appeals Tribunal (Amendment) Act 345 provides for the Right of Appeal from the decisions of the High Court to the Court of Appeal and Supreme Court.

This measure is currently being implemented; however, traders and other interested parties need to be sensitized on the availability of the appeal mechanism to enable them to use it when in need.

Article 6.1 General discipline on fees and charges

The discipline on fees and charges includes publishing information on fees and charges, responsible authority, how payment is done, adequate time period between entry into force of new charges and periodically review their fees and charges in order to reduce their number, and diversity where applicable. This measure is connected to Article 1.1 Publication and 2.1 Opportunity to comment and information before entry into force.

This measure is currently being implemented but there is a need to:

- ✓ Establish a consultative mechanism within Government and with the private sector to constantly review fees and charges and
- ✓ Establish guidelines for their review.

Article 6.2 Specific disciplines on fees and charges

Fees and charges for customs processing have to be limited in amount to the approximate cost of services rendered. Different institutions charge fees for their services and use different methods to collect the money. Whereas URA, UNBS, have established electronic payment systems, other institutions like MAAIF are yet to do so. In addition, the procedures used by MAAIF are not clear and are challenging to the private sector that uses their services.

Recommendations

(i) Review of current law and procedures under MAAIF
(ii) Establish electronic payments systems for all institutions and agencies

Article 6.3 Penalty Discipline

Penalties for breaches of customs laws, regulations, and procedures must be clear and commensurate with the severity of the infringement to avoid arbitrary and ambiguity in the imposition of penalties.

The tax laws are clear and each penalty is pointed out in the relevant sections of the law. In addition, URA has established a system where one can apply for a penalty waiver online. Therefore, this measure is fully implemented.

Article 7.3 Separation of Release from the final determination of customs duties, taxes, fees and charges

This Article requires members to allow importers to obtain the release of their goods, under a guarantee if required before the final determination and payment of customs duties, taxes, fees, and charges.

Implementation of this measure will require coordination of all agencies and can be facilitated with the implementation of the NSW and AEO program.

Recommendations

- ✓ There is a need to change procedures in the agencies for an efficient implementation of this measure.
- ✓ Make necessary changes in the legal provisions to enable the separation of release from final determination of taxes
- ✓ Need for a coordination mechanism among agencies.

Article 10 Use of International Standards

The article requires members where appropriate to use international standards as a basis for their imports, exports, and transit formalities and procedures and encourages them to participate in the preparation and review of international standards. This measure applies to all border agencies. URA and UNBS regularly participate in international standards-setting meetings such as WCO, ISO, and WTO.

Recommendation

- ✓ Review the implementation status of each organization/TF Institution in Uganda to ensure/promote compliance and institute reforms where necessary.

3.5.2.3 Category C Measures

Category C commitments are measures that require transitional periods, and technical and capacity building including financial assistance. This means countries can delay implementing these measures until they have acquired technical and capacity building. Whereas there was great enthusiasm in ratifying the Agreement by African countries, they also had the greatest number of commitments requiring technical assistance with slightly more than 41 percent in category C, 24.1 percent in B, and 32.5 percent in A compared to Asia and pacific with 55.6 percent in Category A, 18.9 percent in Category B and 25.5 percent in Category C[5]. Uganda categorized 64.3 percent of the measures in Category C, while Rwanda has 16.0 percent[6]. The following are 18 measures that were notified in Category C:

1.2 Information available through the internet
1.3 Enquiry points
5.1 Notification for enhanced controls or inspections
5.3 Test Procedures
7.1 Pre-arrival processing
7.2 Electronic payment
7.4 Risk Management
7.6 Average Release times
7.7 Authorized operators
7.8 Expedited shipments
7.9 Perishable goods
8. Border Agency Cooperation
10.1 Formalities
10.2 Acceptance of Copies
10.4 Single Window
10.7 Common Border procedures
11 Transit

[5] https://tfadatabase.org
[6] Ibid

12 Customs cooperation

The type of assistance requested in order of priority includes legislative, human resource, institutional procedures, information, infrastructure and equipment, and diagnostic assessment. Uganda developed a National Trade Facilitation Implementation Plan 2020/21-2024/25. The Plan outlines the different activities that will be undertaken to implement Category B and C of the TFA and the budget required.

To ease implementation of the TFA in general and work plans in particular, the Government of Uganda has adopted the Trade Facilitation Reforms Trackers, an online tool for monitoring trade facilitation reforms developed by UNCTAD can allow members of National Trade Facilitation Committees to track and document progress in implementing reforms so as to comply with the requirements of the Trade Facilitation Agreement.

Progress on Article 1.2 Information available through internet and Article 1.3 Enquiry points

National Trade Information Portal (NITP)

Article 1.1 requires members to promptly publish information on procedures for importation, exportation, and transit, applied rates of duties, fees and charges, rules for classification, penalty provisions and Article 1.2 requires members to make available and update information through the internet. This includes but is not limited to procedures of export, import, and transit, appeal process, forms and documents required for importation, exportation and transit goods and contact information of enquiry points and any other trade related information including legislations. On the other hand, Article 1.3 requires members to establish or maintain one or more enquiry points to answer reasonable inquiries of governments, traders, and other interested parties on information covered in Article 1.1 and to provide the required forms and documents.

Several agencies provide trade information and documents. Uganda Revenue Authority as a main agency responsible for facilitation of export, import, and transit publishes information on procedures, documents, forms on its website. Other agencies like the Uganda Export Promotion Board, National Drug Authority, Uganda National Bureau of Standards also publish information related to import, export procedures on –line though some of it is not comprehensive and some forms are not available online. However, to ease information access to the business community, the MTIC with support from TMEA, USAID, ITC with technical support from UNCTAD established the National Trade Information Portal housed in MTIC and supervised by the National Trade Facilitation Committee (NTFC). The creation of the portal is aimed at improving transparency and increasing access to information by the business community and it attempts to address Articles 1.1, 1.2, and 1.3. Since its establishment in 2019, average users have increased to 500 and an average of 980 average page views monthly. The portal has hit 2,300 users by June 2021. The Portal currently focus on coffee, flowers, fruits and vegetables, timber, tobacco, dairy and dairy products, poultry and poultry products, gold, fish, cocoa, tea, hides and skins, sugar, general goods, rice, maize, cement, honey, spices, and pharmaceutical products information.

The NTP has been linked to the MAAIF, NDA, UNBS, Ministry of Water and Environment, Dairy Development Authority, Uganda Coffee Development Authority, URA, UEPB, Uganda National Chamber of Commerce and Industry, Uganda Flower Exporters Association, Uganda Manufacturers Association, Private Sector Foundation Uganda among others. There is a need to increase the number of beneficiaries of the project.

In addition to documenting the procedures as they are in practice, the Trade portal team is continuously working with the implementing institutions and the private sector to propose ways to simplify them. So far, eight working groups were created and have been meeting regularly to simplify their procedures.

A Simplification dashboard (SD) has been developed and connected to the Trade Information Portal to support the team in tracking progress in the simplification exercise. As of 7th December 2021, the dashboard[7] shows that a total of 25 out of 41 procedures are undergoing simplification, 12 steps have been eliminated, 25 steps are now accessible online, 19 documents have been eliminated, 68 hours have been saved, and 1.7 million shillings is estimated to have been saved on Administrative Burden Cost.

Recommendations

- ✓ Develop and establish Information Management Systems where they do not exist;
- ✓ Fully implementation of the NITP by providing adequate funds to expand work on simplification of trade procedures in the trade portal by working groups, increase the number of product covered and introduce a tariff module;
- ✓ Amend laws where necessary;
- ✓ Initiate a system of monitoring trade facilitation reforms;
- ✓ Define and organize the information delivery (means and channels of publication, maintenance of data bank, storage, and publication of the information). For this, the system used by URA could be used as internal benchmarking;
- ✓ Sensitize the business community especially women informal cross border traders and the youth about the trade portal.

Article 5.1 Notification for enhanced controls or inspections

Where members adopt a system of notification to authorities for enhancing the level of controls or inspection at the border in respect of food, beverage, or foodstuff covered under notification for protecting human, animal, or plant life or health members are required to issue guidance based on risk, notifications, the suspension should apply uniformly to points of entry where the SPS condition apply.

The MAAIF established a system of notification on the outbreak of animal diseases, while the Ministry of Health also has a system of notifying different stakeholders on the outbreak of human diseases. There are also initiatives at the EAC level to enhance notification to authorities and inspections at the borders. UNBS, MAAIF, and NDAs still have technical and human resource challenges and are not able to cover all gazetted border posts.

Recommendations

- ✓ Amendment of the law both at the national and EAC level (especially the SPS Protocol)
- ✓ Establish a mechanism for coordination, monitoring, and quick response
- ✓ Prepare project proposal for developing standard operating procedures on import alert/ rapid alert including a proposal for border agency coordination
- ✓ Change the legal provisions based on the technical advisory services.

Article 5.3 Test Procedures

[7] https://ugandatrades.go.ug/menu/146

The Trade Facilitation Agreement demands the highest level of transparency. A Member may grant upon request, an opportunity for a second test in case the first test results of the sample taken upon arrival of the goods declared for importation shows an adverse finding. The confirmatory test does not necessarily have to be taken in a government lab, but can be taken in a laboratory published by the country. This measure does not impose extra burden on UNBS or any other inspection agency though, there are limited private laboratories in Uganda, and where a trader may need a confirmatory test, this may be expensive since samples will have to be shipped out of the country.

Recommendations

- ✓ The government should put in place laws that enables the private sector seek confirmatory tests where necessary and publish accredited labaratories where these tests can be obtained;
- ✓ The government should provide an enabling environment to enable the private sector to establish laboratories;

Art 7.1 Pre-arrival processing

The Trade Facilitation Agreement requires members to adopt or maintain procedures allowing for the submission of import documentation and other required information including in electronic format to begin processing before the arrival of the goods to expedite the release of the consignments.

Pre-arrival processing is currently applied to AEO's, and some imports of containerised cargo. Calculations of import duties can be made before the vessel lands in Mombasa or Dar-es-salaam once the manifest has been received by the clearing agent. Pre-arrival processing is also applicable for perishable and sensitive goods such as fruits, vaccines, and medicines. However, this measure is not applicable to groupage cargo because of the complexity of documentation of this type of cargo which makes it difficult to calculate taxes before verification of the goods.

There is fear from URA of losing revenues if they were to apply pre-arrival processing uniformly to all importers. To effectively use this system, there must be a robust risk assessment system in place to enable authorities to calculate taxes before the goods arrive.

Recommendation

(i) The EACCMA should be amended to provide for pre-arrival processing,
(ii) Relevant regulations and procedures should be put in place;
(iii) Assess of any likely risks and propose remedies.
(iv) Improve risk management system;
(v) Increase number of Authorized Economic operators

Article 7.2 Electronic payment

The agreement requires members to adopt or maintain the option of electronic payment for duties, taxes, fees and charges collected by customs incurred upon importation and exportation. Since 2010, URA has introduced several electronic methods including registration, e-filing, e-declaration of customs transactions, and e-payment. Other key measures that were introduced include Electronic Fiscal devices, an E-invoicing solution and Digital Tax stamps. The use of an e-payment system enables the client to access payment registration forms, register payment, either go to the bank to make payment over the counter or use online payment. Payment of taxes can also be made using mobile money transfers. The client can monitor the status of payment online through the URA web portal using the Track your status Tool.

Considering that SMEs and women traders especially cross border traders have limited education and IT skills, they are unlikely to quickly adopt the online transactions like their counterpart male traders. Special measures should be taken to develop specific services targeting women.

Recommendations

- ✓ There is a need to develop an appropriate legal framework for secure electronic payment for example regulations under the Electronic Transaction Act.
- ✓ Develop specific services targeting SMEs and women to help them adopt use of ITSupport women especially cross border traders adopt online transaction IT transactions including online payments.

Article 7.4 Risk Management

TFA requires Members to adopt or maintain a risk management system for customs control. Each Member shall design and apply risk management in a manner to avoid arbitrary or unjustifiable discrimination or a disguised restriction on international trade. The introduction of the “ASYCUDA World” to all border customs posts by URA has improved interconnectivity, risk management, data collection, and feed -back information.

URA has also adopted a risk management system that includes designated lanes for the clearance of goods based on the risk. Red lane, the goods are subjected to physical examination, Yellow lane, at the documentation processing center confirmation is documentation to confirm the authenticity of the declaration in terms of the classifications, valuation, and any other tax exemptions granted before the release of the entry and exit of the consignment from the Customs system. Blue or Green lane declarations are considered correct, with no need for verifications of goods or corresponding documents. Other measures include communication systems, improved customs service, and enforcement support. The highly risky transit entries are tracked (7 percent of all transit entries)[8] Support has been received from the Chinese government, TMEA among others.

Electronic Cargo Tracking System enables electronic monitoring of in transit goods and is designed to ensure that cargo is not diverted. The information is accessible online to owners and customs agents to get real-time information on the location of the cargo. The system also serves to monitor the truck drivers’ performance. The ECTS replaced the physical police escort which saved traders’ security costs. However, there have been complaints about continuous use of bonds despite the introduction of the ECTS which should safeguard goods in transit. This increases the costs since importers also pay for the use of ECTS.

The National Documentation Processing Centre (DPC) was established as a one-stop center that receives and processes documents. The center receives declarations online and processes them relying on the scanned attached documents submitted. The DPC is linked to all customs stations and has a dedicated team with no interaction with the public reducing possible incidences of corruption. DPC receives and sends risk alerts and conducts risk inspections using scanners to enhance the non-intrusive inspection of cargo.

The system used by URA to capture data uses the excel program which is risky as it can be manipulated. Whereas URA has put in place a risk analysis system, other border agencies seem to have lagged.

[8] URA Corporate Plan 2016/17-2019/20

Improving customs risk management systems without establishing risk management systems for other border agencies may hinder the fast clearance of goods at border stations.

Recommendations

(i) Review of the existing profiling mechanism and procedures in the customs and other Government Agencies
(ii) Adopt an advanced system of capturing data other than excel and train staff,
(iii) Improve the current risk management system to make it more sophisticated, especially regarding freedom of transit.
(iv) Need for more training in risk management for a number of public stakeholders.
(v) Create plans for adapting ASYCUDA World to the needs of risk management for all relevant border agencies

Art 7.6 Average Release times

Members are encouraged to measure and publish periodically and consistently the average time it takes to release goods and share their experience in carrying out these measurements with the WTO trade facilitation committee.

There has been an improvement in border management which has led to a reduction of time spent on clearing goods. One of the ways this has been done is through improvements in connectivity and improvements in infrastructures, documentation, and procedures. All border posts are using ASYCUDA World which provides an integrated system and enables sharing of information.

The introduction of a common custom bond reduced the use of multiple bonds when moving goods across borders thereby cutting costs and time of processing documents at the border. The average clearance time for imports has been reducing over time. The Regional Time Release Studies done indicated that whereas it used to take 18 days to clear and transport imports from Mombasa in 2012, this time was reduced to 7 days in 2016 with the introduction of a single customs territory. At the national level, the national time-release study done in 2008 showed an average clearance time of 2 days 22 hours, and 48 minutes but reduced in 2015 to 1 day 15 hours and 50 minutes due to several reforms at the national level. Since then, there have not been any TRS done at the national and regional levels.

However, despite these improvements, there are still constant complaints of system failures due to limited backbone support probably as a result of data sources. This leads to delays in processing documents and eventual clearance of goods.

Recommendations

(i) Carry out a national and EAC Time Release Studies

7.7 Authorized Economic Operators (AEO)

AEO program is derived from the World Customs Organisation (WCO) SAFE (Security and Facilitating in a Global Environment) Framework of Standards that were adopted by the Directors Generals of customs at their June 2005 annual Council sessions in Brussels. The EAC AEO program derives its mandate from provisions for Trade Facilitation and Customs modernization under the East African Customs Common Management Act 2004 and the EAC Compliance and Enforcement Regulations 2012. EAC Partner States agreed to implement the AEO program as a region in 2007. AEO introduces preferential treatment to businesses that are confirmed to be compliant through risk assessment. Implementation of AOE is in line with the Single Customs Territory business process.

The WTO Trade Facilitation Agreement (TFA) Article 7.7 requires member states to adopt Trade facilitation measures for Authorized Economic Operators. It requires that AEO may benefit from additional trade facilitation measures related to import, export, or transit formalities and procedures.

The concept of Authorized Economic Operators (AEO) was initially introduced with 24 operators in 2012. As of August 2016, 28 companies had been accredited as AEO accounting for 85 percent of customs revenues and by 2021, the numbers had increased to 85. 76 of these are nationals, 7 multinationals, and 2 regional. In comparison with the other EAC Partner States, Kenya has slightly over 208 and Rwanda 48 firms registered as AEO. Beneficiaries include manufacturers, customs clearing agents, bonded warehouses, importers, exporters, transporters, and freight forwarders. A system to treat AEO's declaration selectively was designed and is operational. AEOs benefit from faster clearance, use of the green channel, and automatic renewal of operating licenses. The benefits for the AEO include the VIP use of the blue lane and 90 percent of the green lane directly to their premises for their cargo, they are also exempted from cash bond and are free to undertake self-declaration even at the re-location of their choice or final destination of the cargo outside the ware-house. Other benefits include: quick release of cargo upon provision of limited documents at declaration, exemption from cash bond, right to make self-declaration of the cargo to Customs during clearances (self-broker), automatic renewal of withholding tax exemption upon expiry, a non-intrusive inspection of cargo. However, where the cargo is selected for physical verification, an AEO has an option of choice of premise or place for the verification exercise.

Authorized Economic Operators are required to meet the following qualifications: the availability of up-to-date security for cargo at their premises; installation and maintenance of effective CCTV cameras at their premises; selective and records entries and exits in the cargo warehouse; adequate financial resources; qualified and trained human capital as well as up-to-date digital technology with effective and sustainable linkages to URA customs for verifications, and information exchange.

In this respect, URA has signed an MOU with China on Mutual Recognition of AEO and extension of trade facilitation preference for China and Uganda companies that meet and comply with AEO standards.

Recommendations

Despite the existence of this scheme since 2012, the number of firms using the scheme is still considerably low. Almost all manufacturers using imported raw materials have the potential of becoming AEO. To increase the number of AEO:

- (i) URA should sensitize the private sector on the advantages of the scheme;
- (ii) URA should consider simplifying the procedures for becoming AEO for SMEs and especially women and the youth to encourage them to participate and benefit from the scheme;
- (iii) The accreditation process should be automated;
- (iv) URA should use a Risk analysis mechanism for regular audit of operators to ensure consistent compliance with AEO;
- (v) Undertake capacity building to supply chain management and supply chain security to enhance the program.

Article 7.8 Expedited shipments

The Agreement requires a member to adopt or maintain procedures allowing for expedited release of at least those goods entered through air cargo facilities to persons who apply for such facilities while maintaining customs control. The conditions that an applicant should fulfill are specified in the agreement. Several courier companies and AEOs are currently benefiting from this measure. Since the responsibility of establishing the infrastructures lies with the applicant, the government's role is to establish an enabling legal and administrative arrangement to enable the applicant to establish facilities.

Recommendation

(i) Review of procedures in other agencies
(ii) Make necessary changes in the legal and administrative arrangements to implement the processes and procedures for expedited shipment on the recommendation of the advisory services
(iii) This measure does not require technical and capacity building to be implemented.

Article 7.9 Perishable goods

Member countries are required to provide for the release of perishable goods within the shortest time possible provided that all regulatory requirements have been met. Members can also arrange or allow an importer to arrange for proper storage of perishable goods pending their release.

Perishable goods are handled within the shortest time possible and use the use green lane channel. There are public cold facilities established at Entebbe airport by Civil Aviation Authority. Other facilities were established by the private-sector such as DAS which has a cold storage facility with a capacity to handle up to 1,000 tons of perishable goods at clients' temperature requirement and the National Aviation Services Uganda. The facility has been in place since 2002. Some private sector storage services have been established and they store, pick and deliver perishable goods to the airport. As the business for horticulture, fish, and other perishable goods increase, Uganda will have to increase the capacity of cold storage facilities at the airport.

Recommendations

- ✓ Provide incentives for companies to establish cold storage facilities.
- ✓ Review laws of other trade supporting agencies to see if they support fast clearance of perishable goods

Article 8 Border Agency Cooperation

The Agreement requires members to ensures that its authorities and agencies responsible for border controls and procedures dealing with importation and exportation and transit of goods cooperate and coordinate the activities to facilitate trade. Members are also required to the extent possible to cooperate on mutually agreed terms with members with whom they share a common border to coordinate procedures at a border crossing. Members are required to align working days and hours, procedures and formalities, joint controls, and sharing of information to facilitate the clearance of goods. URA introduced twenty-four-hour, seven days' operations in 2013, however, other border agencies such as MAAIF, NDA, and UNBS are yet to adopt this measure and are still operating regular business hours. There are still delays at borders when trucks arrive beyond 10 pm. Operating hours by different agencies and border stations need to be harmonized to enable fast movement of cargo once it arrives at borders.

Currently, EAC Partner states use different systems to clear goods often leading to delays especially of exports to Tanzania and Kenya. Whereas Uganda and Rwanda use ASCUDA++, Kenya uses SIMBA, and

Tanzania uses Tanzania Customs Integrated System (TANCIS). The delays in cargo clearance for transit goods may be attributed to the use of different systems by EAC partner states. In addition, neighboring countries do not have the same number of institutions involved in cross-border trade which may also lead to complexity and delays in clearing imports and goods in transit. Nevertheless, there has been some initiatives to promote common border procedures such as the establishment of OSBP, use of the EAC bond guarantee scheme among others.

To improve cooperation among border agencies and with neighboring border agencies, Uganda with the support of EAC, COMESA, development partners, has established several one-stop border posts, facilitated the establishment of Cross Border Traders Association, Trade Information desks, Joint border committees, and Non -Tariff Barrier committees.

One-Stop Border Post

In 2006, Uganda introduced a one-stop border operation (OSBP) on the railway at Malaba crossing which reduced delays of 1-2 days to 1-2 hours.[9] The same concept was further extended in 2009 to road transport when Uganda Revenue Authority (URA) and Kenya Revenue Authority (KRA) began the OSBP operation in Malaba. Further on, the EAC put in place the EAC Act on One-Stop Border Post in 2016 followed by the development of regulations that were completed in 2017. Subsequently, several OSBPs have been constructed within the region with the assistance of several donors such as TMEA EA, DANIDA, USAID, JICA, Africa Development Bank among others. These include Gatuna-Katuna and Mirama Hills-Kagitumba between Uganda and Rwanda; Malaba and Busia between Uganda and Kenya; Mutukula between Uganda and United Republic of Tanzania; and Elegu-Nimule between Uganda and South Sudan.

Despite the establishment of OSBPs there is a need to harmonise and align working hours, procedures, and joint inspections to reduce time spent on clearing goods. This may require border agencies other than URA to recruit more staff at border posts. The establishment of OSBP on the remaining border posts such as Goli, Bunagana, and Mpondwe will improve trade between Uganda and DRC which is a major trading partner for Uganda.

Cross Border Traders Associations/Joint Border Committees

Effective border agency cooperation requires the formation of the border and joint border committees. Whereas border committees create national platforms for dialogue, joint border committees (JBC) create platforms between two neighboring countries where public and private sector dialogue and collaborate in providing trade facilitation services to ensure efficient flow of trade and traffic across border posts. In some countries, JBCs have acted as an entry point for the development of OSBP. Informal trade along and across the borders of Uganda is mainly dominated by women and youth with limited knowledge of border procedures, customs clearance and their rights. At the same time, women traders tend to have little or no education hindering them understand trade information provided in English. More often, they resort to informal routes where they face harassment, abuse and corruption and bribery as they navigate to cross borders. This puts tem at risk and may lead to imprisonment. The creation of the Cross Border Traders Association/Joint Border Committee aims at solving some of these problems.

The Uganda Cross-Border Traders Association (UCBTA) was established under the initiative of COMESA and currently operates at 19 out of 39 customs border points along Uganda borders. UCBTA is affiliated to COMESA Cross Border Association with its headquarters in Lusaka Zambia. UCBTA has a national

[9] DTISU 2013

committee with a Chair, Vice-chair, Secretary, Gender representative, and Publicity Secretary. There are three committees responsible for projects, discipline, and finance. The Chair, Vice-chair, and Gender representative are drawn from the 19-customs border crossing points out of the 39. The presence of the Gender representative on the committee ensures that specific issues that affect women traders can be forwarded to policy makers by the committee. The Patron of the UCBTA is the Ministry of Trade, Industry, and Cooperatives. Each of the 19 CBTA contributes USD 70 as a membership fee to the National Association for running the affairs of the (UCBTA). The main objective of the Association is to promote and lobby for friendly national and regional trade policies and further interest of cross border traders in EAC and COMESA; lobby for the removal of NTBs that limit the business of members, promote skills, mobilise finances and promote a healthy, and safe environment for border traders.

The Joint Border Committees (JBCs) were established on 5 borders posts namely Busia, Malaba, Elegu Bunagagana, and Goli out of 39. Under the COMESA Trade Information support project, Trade Information Desks (TID) were established in only 10 border posts. Besides those where there are (JBC) listed above, others include Mutukula, Chanika, Katuna, Mirama Hills, Mpondwe, Lwakakha, and Ishasha. The information desks support MSMEs involved in cross-border trade to provide them with trade information.

The main challenge facing UCBTA are as follows:
a) The COMESA CBTA has not been active and therefore information flow to the COMESA Policy Organs Meeting for regional mandates has stopped;
b) The Coordination from the MTIC has also been weak;
c) The Association has not been able to meet regularly due to lack of transportation funds and this has been made worse by Covid-19;
d) The COMESA Trade Information Desk, is the Engine of the UCBTA, yet some have no remuneration, no offices, no computers, no data to link with URA and advise Traders.

MSMEs, women, and the youth will continue to play an important role in cross-border trade. The important provisions within the WTO TFA should be made simpler to enable this group of traders understand and take advantage of the benefits of the agreement. Facilitating MSMEs, women and youth get access to trade information can improve and help them formalise their businesses while reducing the use of informal channels of trade. Trade Information desks should be extended to the remaining border posts and women traders with low levels of education should be supported to complete customs formalities, provided with business training, advice and general information.

Recommendations
- ✓ Review existing cooperation mechanisms both within Uganda and across borders;
- ✓ Adopt the relevant international best practices and model agreements on border agency cooperation;
- ✓ Provide financial, technical and capacity building to UCBTA to extend their services to more border; crossings and support the private sector along these borders establish associations;
- ✓ Establish Trade Information Centers on all border posts
- ✓ Strengthen women and youth participation in CBTAs
- ✓ Make necessary changes in the legal and administrative arrangements to implement the border agency cooperation with non-EAC countries.

Article 10.1 Formalities and document Requirements

The Agreement requires members to minimize the incidents and complexity of import, export, and transit formalities and to decrease and simplify import, export, and transit documentation requirements. Measures such as the Single Window were designed to reduce time and the average number of documents while simplifying the whole process. Implementation of such measures can have a significant influence on the facilitation of trade including simplification of import, export, and transit formalities and documentation.

- ✓ A review of existing formalities and documentation is required;
- ✓ Simplify formalities and documentation requirements to SMEs and women traders;
- ✓ Effective implementation of the NSW

Article 10.2 Acceptance of Copies

The trade facilitation agreement urges members where appropriate to accept paper or electronic copies of supporting documents required for import, export, or transit formalities. The current practice is that paper and electronic copies are accepted at declaration. Except for invoices that can be presented as paper copies, original copies of other documents such as airway bills, bills of lading have to be produced at the exit point. In the absence of original copies, photocopies can be accepted if they are certified.

Article 10.4 Single Window

Uganda Electronic Single Window (UESW)

Article 10.4 of the TFA requires members to establish or maintain a Single Window to enable traders to submit documents and data requirements for importation, exportation, and transit of goods through a single-entry point for participating authorities/agencies. Results are notified to applicants through an electronic single window. This measure was notified under category C, meaning it requires technical and financial assistance to be implemented fully.

The Government established the Uganda Electronic Single Window (UESW) with the financial support of DANIDA through TMEA and technical support from UNCTAD. MTIC is the main lead agency while URA is the main implementing agency. This will facilitate agency coordination and cross-border collaboration, while facilitating transparency, fast clearance of goods and cargo in transit, and improved compliance. Once completed, the UESW will connect to other Partner States' Single Windows. Full implementation of the UESW, therefore, remains a priority of the government.

Several organizations have been linked to the system such as Uganda National Bureau of Standards (UNBS), National Drug Authority (NDA), Ministry of Energy and Mineral Development (MEMD), Ministry of Foreign Affairs (MOFA), Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). The UNSW is currently operating below capacity with 6 out of 22 MDAs expected to be linked on the system.

Recommendations

- ✓ There is a need to improve the management of the NSW;
- ✓ Supporting institutions need to be trained and provided with the necessary tools to link them to the system;
- ✓ The NSW should include guidelines to support SMEs and women with low literacy levels be able to use online transactions;
- ✓ Border customs points should also be linked to the system to facilitate regional and cross-border trade in particular;
- ✓ There's a need to include other MDAs on the platform to have effective utilization of the UNSW.

10.7 Common Border procedures

The Agreement requires members where necessary to apply common customs procedures and uniform documentation requirements for release and clearance of goods at border points throughout its territory. Uganda uses the same customs procedures and uniform documentation requirements for the release and clearance of goods at all border points. The procedures depend on the nature of and type of goods, means of transport, and risk. The Establishment of EAC Customs Union and EAC Customs Management Act 2004 would have meant that the EAC partner states have common border procedures.

Recommendations

- ✓ Periodic review of trade procedures and documentation to minimise and simplify their requirements

Article 11 Transit

The Article provides principles on transit charges, regulations, and formalities and strengthens the description of the treatment of import cargo and goods in transit. Transit cargo should be free from unnecessary delays or unreasonable charges and there should be equal treatment after transit. The EAC Customs Management Act provides for the treatment of goods in transit.

To reduce costs associated with escorting transit cargo, and eliminating the possibility of transit goods being diverted to local markets duty-free, URA introduced the electronic cargo tracking system (ECTS) in 2013. URA can monitor goods in transit in real-time, reducing the cost and time spent on physical inspections of goods in transit. The ECTS have reduced incidences of corruption, eliminated physical cargo escort, transit time reduced from seven to two days and reduced costs, for example, the cost of escorting 200 consignments in September (2016) was USD 73,500 monthly and USD 882,352 comprising of physical escort, truck demurrage, and parking fee.[10] However, despite the existence of the ECTS, importers are still required to have bonds when transporting goods.

Although the EAC CMA provides a basis for goods in transit, some challenges lead to slow movement of transit goods such as the difference in axle load limits across the region, differences in insurance compensation across the region.

Recommendations

- ✓ Review and harmonize compensation requirements under the Yellow Card
- ✓ Need to appoint a National Transit Coordinator
- ✓ Sensitization of the business community

Article 12 Customs cooperation

Article 12 refers to customs to customs cooperation such as exchange of information for purposes verifying goods declaration Members are obliged to provide another upon request and subject to conditions, information, and documents concerning specific import-export declarations. Members are required to provide information on their respective contact points. This article should be reviewed further with a view of assessing whether Uganda still needs technical and capacity building to be implemented.

National Trade Facilitation Committee

[10] Electronic Cargo Tracking System Vol1 Issue 1 FY2015/16

The implementation of the TFA and other regional trade facilitation arrangements require Members to establish a national committee or designate existing mechanisms to facilitate both domestic, regional, and multilateral initiatives and implement the provisions of the WTO TFA. Under the leadership of the MTIC, Uganda established a National Trade Facilitation Committee (NTFC) to improve coordination with the private sector and agencies, monitor the implementation of the TFA, and improve coordination with ministries and departments. This committee is expected to provide stakeholders with a regular consultative forum, create a better regulatory environment, prioritize projects as specified in the notification of category commitments under the TFA and seek funding from various donor agencies.

The MTIC with the support of Trade Mark East Africa (TMEA) developed a Trade Facilitation implementation plan 2020/21 to 2023/24. The plan has three thematic areas namely (i) Information and Transparency (ii) Rules, Regulations and Customs Procedures (iii) Export Augmentation working groups[11]. The plan identified trade-related activities which need to be implemented and the different actions that need to be taken and responsible organisations. The plan recommends the establishment of thematic working groups composed of experts from various areas to monitor each thematic area and make recommendations on how different measures can be implemented.

Conclusion

Due to the Covid19 Pandemic, MTIC has not been able to organize any meeting for the thematic working groups to assess the implementation of Category B and C measures. The proposed implementation period for Category B presented in the National Trade Facilitation Plan 2022/21-2023/24 ranges from six months to three years and category C from three to five years. The inability of the NTFC and thematic groups to meet means there is limited mechanism to monitor category B implementation and the development of projects that can enable Uganda to implement Category C measures. The committee is also not able to monitor investment in the different measures that are making positive changes in trade facilitation such as URA's implementation of their strategic plan, developments in infrastructure at different borders. As a result, the committee is not able to update the TFA schedule submitted to WTO as required. This is likely to lead to a slowdown in reporting of Uganda's implementation of the TFA. Therefore, a system such as the Reform Tracker for the NTFCs, which is an online IT platform developed by UNCTAD, could greatly help the M&E functions of the NTFC on the progress made for each Trade facilitation measure.

The NTFC is expected to develop project proposals for implementation of Category C measures, subject the proposals to a consultative process of stakeholders, have them approved by the steering committee, and monitor their implementation. Since its establishment, there's no evidence of any proposal developed under the auspices of the NTFC.

The NTFC has to be institutionalized either through an Act of Parliament or at the Government level. The UCTAD Study on Trade Facilitation Committee as Coordinators of Trade Facilitation Reforms 2019 show that 69 percent of the committees considered in the study were institutionalized at the government level i.e. by Trade Facilitation Committee. The NTFC and its subcommittees have to be institutionalized so that budget can be allocated to fund its activities. In the interim period, MTIC should be supported to establish a secretariat that will support NTFC and the thematic sub-committees. The secretariat will support the NTFC to regularly scheduled meeting to discuss the progress of the implementation of the National Trade Facilitation Plan 2020/2024, develop projects for category C measures, support MTIC to lobby development Partners to fund TF projects while ensuring that the committee's Monitoring and evaluation

[11] National Trade Facilitation Plan 2020/21-2023/24

function are adopted and activities aimed at implementation of the different measurements are completed and measures and technical assistance received notified to WTO.

Source:

1. Uganda Printing and Publishing Corporation (2013): The Republic of Uganda: A guide to Policy Development and Management in Uganda UPPC October 2013. Section 5.6
2. Uganda Printing and Publishing corporation (2008): The Cabinet Hand Book; Cabinet Secretariat. go.ug. December 2008
3. www.wto.org WTO Trade Facilitation Agreement
4. UNCTAD 2010 Trade Facilitation Committee as Coordinators of Trade facilitation Reforms
5. URA 2015: Electronic Cargo Tracking System Vol1 Issue 1 FY2015/16
6. MTIC 2020: National Trade Facilitation Plan 2020/21-2023/24

3.6 SME Development and Trade Finance

3.6.1 Micro, Small and Medium Enterprises

In recent years, MSME have attracted interest at the multilateral level. For example, WTO Member States have brought MSMEs issues to the fore spearheaded by the "Friends of SMES" and proposals have been submitted of including MSME issues at the WTO as part of the development-oriented agenda. The Informal Working Group on Micro, Small and Medium-sized Enterprises (MSMEs), at the WTO, developed a draft ministerial declaration as a key element in the Group's preparations for the WTO's 12th Ministerial Conference (MC12). A package of declarations and recommendations for MSMEs was adopted in 2020 which includes a set of voluntary and non-binding recommendations covering areas such as transparency and information sharing on MSMEs, trade facilitation, access to finance and cross-border payments, access to market information and inclusion of MSMEs in regulatory developments.

The number of sponsors of the declaration now stands at 94 after the recent endorsement by Kuwait and Thailand. Efforts are also under way at the WTO to establish Trade4MSMEs platform which is expected to be launched at the WTO's 12th Ministerial Conference. The platform aims at helping MSMES tackle non-tariff barriers by facilitating access to relevant information. The United Nations Economic Commission for Europe is also developing the Integrated Services for MSMEs in International Trade (ISMIT) project. This project calls for the establishment of private or public-private portals to provide information on services suppliers to MSMEs. For instance, the portal could provide access to logistics service providers, financing services, insurance services and regulatory services. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. SMEs where high on the agenda of the G& Summit in June 2021 where the G7 urged Governments of the world's leading countries to put SMEs in the centre of recovery.

In Uganda, the private sector generates 77 percent of formal jobs, contributes 80 percent of GDP, funds 60 percent of all investments and provides more than 80 percent of government domestic revenues. The private sector in Uganda is dominated by about 1.1 million Micro, Small and Medium Enterprises (MSMEs) altogether employing approximately 2.5 million people. Generally Ugandan firms face various growth and survival constraints on a number of fronts and this undermines their development and thereby limiting their impact on the economy. With a non-homogeneous private sector, Uganda's micro, small and medium-sized firms as well as large enterprises face similar challenges but with differences in the magnitude. MSMEs operate in all the key sectors of the economy both in production and services, the overview of these sectors include:

i. **Agribusiness sector-** To achieve Uganda's Vision 2040 of "*A transformed Ugandan society from a peasant to a modern and prosperous country within 30 years*", Agriculture has potential growth rate of 6%, great contributor to the national economy with GDP[12] at 23.1% and employing 73% of the workforce. The agribusiness entrepreneurship trading in Uganda is still largely informal pointing out their inability to innovate and adopt new technologies. This provides a great opportunity for growth if the challenges of quality and otherwise are dealt with.

ii. **Manufacturing sector**– MSMEs in this sector particularly engage in:- food processing, textiles and leather, beverages, paper products and printing, chemicals and paints, saw milling and furniture, metal products, bricks and cement, soap, domestic appliances, pharmaceutical products, electric appliances, animal feeds, artisan products such as metal works and agricultural farm implements. The contribution of manufactured products to GDP during the last five years has averaged 8%, which is short of the targeted 25%[13] contribution of the manufactured products. This can be attributed to low investment in appropriate technology for value addition, fierce competition from imports, high cost of power and low adherence to quality and standards.

iii. **Services Sector** - The services sector includes: tourism, hospitality and entertainment; education; wholesale and retail trade; finance and insurance; health; social work; professional services; and Information and Communication Technology (ICT). Growth in the services is known to move in tandem with growth in the manufacturing sector or else the growth reaches plateau stage. MSMEs dominate the services sector in Uganda.

The major constraints faced by MSMEs are the following;

i. **Laws and regulations, institutional and other attitudinal challenges –** In spite of Uganda having undertaken reforms in business laws and regulations recently, these still present challenges in start-ups and operation. These challenges inhibit formalization of enterprises, affect business start-ups and apply across the board whether or not a business is an MSME.

ii. **Limited access to affordable long-term finance for MSMEs**. **there are limited options for long-term financing which forces enterprises to use short term finance for long term projects**. The limited availability of long-term finance opportunities in Uganda is a result of three basic factors. First, formal savings that could be translated to long-term investments are low, with limited long-term savings in the retirement benefits and insurance sectors. Second, underdeveloped capital markets provide equity and debt finance to only a small number of large firms. Third, development finance institutions lack financial resources to expand their operations. This financing constraint affects local MSMEs more, since they cannot access finance on international markets.

iii. **Costly process for their product Certification and Standardization**. This puts MSMEs in a disadvantageous position within local, regional and export market access of their products and services. In reality, many of them cannot comply with the present minimum requirements due to limited capital.

i. **Limited Access to markets and Information -**Inadequate knowledge about market opportunities and their inaccessibility forcing MSMEs to sell locally with foreign marketing only limited to trade fairs. Very few sell to main supermarkets due to inability to meet volume requirements;

[12]The agricultural sector is growing with the coming of the more informed farmer who is knowledgeable about prices and has some money to invest in best practices. The middle class are investing in areas like poultry, vegetables, dairy and food processing.

[13] The EAC Industrialization policy of 2012 proposed a contribution of 25% by 2025 at a rate of 12% per annum then. This was very modest compared to the ambitious 2015 target which required massive bold interventions to spur manufacturing.

unfavourable terms set, unavailable market information and services especially on good packaging and distribution chains. Besides, the market is influenced by increasing demand for higher quality products. However, MSMEs due to lack of awareness, limited access to service providers together with the lengthy and expensive cost of certification make up markets inaccessible.

ii. **Informality of MSMEs**- The majority of enterprises within the micro, small and medium sector operate informally. Informality is caused mainly caused by the difficulty and costs involved in registering a new business and the fear of the costs of regulatory compliance in running the business. The high incidence of the informal economy limits MSMEs from benefiting from Government procurement deals, the face unfair competition and do not have the ability to access more rewarding national and international markets.

iii. **Lack of technical and business skills** is another challenge as there is still a gap in the entrepreneurship, technical and management skills. Developing these skills will engender enterprising persons who should be equipped to fulfil their potential and create their own businesses.

iv. **Limited infrastructural facilities** such as; common user facilities modern village markets, industrial parks, business premises, clusters, and access to land for operation, common testing facility centres and business incubators hinder the innovativeness and creativity of the MSMEs. The existing infrastructural facilities related to transportation (roads, railways), power generation, transmission and distribution, water supply, telecommunication are not adequate but also expensive rendering the cost of doing business high.

To address these constraints in a holistic manner the National MSME Policy 2015 was developed in 2015 with the theme is: "Sustainable MSMEs for Wealth Creation and Social Economic Transformation "The Policy provided for the establishment of the Directorate of MSMEs within the Ministry of Trade, Industry and Cooperatives which was done in 2016. The Directorate implements MSMEs growth interventions and plays a coordinating role for all stakeholders both State and non-State actors in the MSMEs sector. This is intended to optimize resource utilization and harness synergies through harmonization and rationalization of activities to eliminate duplication in the implementation of MSMEs interventions. To support MSME performance, the Government should:

1. Capitalize and strengthen UDB with dedicated long-term MSME funding facility
2. Develop and implement a mass Business Development Services provision programme to improve MSMEs capabilities
3. Develop and implement sector focused programmes to enable SMEs take-up opportunities created by BUBU and National Content policies and legislations
4. Develop and implement a programme to support MSMEs acquire standards certifications for goods and services

3.6.2 Trade Finance In UGANDA

Improving access to trade finance is integral to a competitive external trade sector. Uganda's financial system has been expanding rapidly, with a growth in lending and deposits exceeding 10% annually up to 2019, pre-COVID19. The balance sheet of its commercial and development banks was expanding rapidly until the Covid-19 pandemic, along with robust economic growth and increasing financial inclusion. The five largest commercial banks account for 60% of total assets of the sector, with another smaller 19 commercial banks (and two development banks) having market shares each ranging from 0.2 percent to 5.9 percent (Financial stability report of Bank of Uganda 2019). The use of digital payments significantly increased following efforts from the government, commercial banks and the Bank of Uganda to promote digital payments as an alternative to cash, in conjunction to customers demand for fast, convenient and efficient payments.

The precovid-19 trend has been one of very rapid expansion of domestic lending and digitization of payments. The three largest sectors – building, construction and real estate; trade and commerce; and personal and household lending – accounted for close to 60% of total loans and bank advances in 2019. Uganda's Financial sector has been enjoying a surge in technological innovation in its financial sector. Such innovations have been important in the payments, remittances and banking intermediation space, FinTech also starting to take root in the country. The use of e-banking, point of sale terminals, and Automated Teller Machines (ATMs) expanded, thanks to Uganda's National Interbank Settlement System (UNISS), the country's real-time gross settlement system. Mobile money technology has made payments, the settlement of bills (e-wallet) and remittances accessible through mobile telephones. The mobile money payments infrastructure is dominated by mobile network operators. While over 40% of adults are formally "banked" in the Kampala area, these figures fall in the rest of the country.

Transactions linked to international trade have also increased until the pandemic. Total international trade transaction (imports and exports of goods and services) reached over $12 billion in 2019. Merchandise exports are composed mainly of raw or transformed commodities (coffee, tea, sugar, cotton) and industrial goods (cement, metals). Before the pandemic, Uganda had increasingly become an exporter of services, half of which was related to transport services, a third of which to business and financial services. Imports of goods include oil and fuels, base metals, machinery and electrical appliances, vehicles, food, as well as supplies and equipment generally dedicated to large government infrastructural projects. International trade is a significant part of bank activities in East Africa: the African Development Bank's African Trade Finance Survey (2018), trade finance accounted for about 25% of bank assets in the East African region (albeit not specifically in Uganda), and 15% of banks' revenues.[14]

The main commercial banks offer a wide array of trade finance products, relative to what can usually be found in Sub-Sahara Africa. Uganda's main banks, some of which are local subsidiaries of large international banks, are offering a relatively large spectrum of trade finance products, relative to what can be seen in other, less developed financial sectors of comparable countries in Sub-Saharan Africa. This includes import and export letters of credit, import and export documentary collection (Box 1), bills of exchange, pre-shipment and post-shipment finance, bank bonds and guarantees, all of which are relatively traditional forms of trade finance. A few banks have started to offer open account trade financing and invoice financing.

The expansion of available trade finance products is in part due to improving banking skills and technology, in part to a liberal financial and payment's legal environment. There are no foreign exchange controls which affect the mode of payment for international trade, which would make the use of letter of credit compulsory for example. Corporations are free to use foreign exchange, borrow in foreign exchange, repatriate profits and exports earning in foreign currency. International payments can be made in any freely traded currency, including by the main interbanks payment channels such as SWIFT. In some other low-income countries, the use of letters of credit is compulsory, so as to comply with foreign exchange controls. This is not the case in Uganda, where traders are in principle free to use any available forms of trade finance in Uganda.

[14] African Development Bank (2017), Trade Finance in Africa: Overcoming Challenges. Available at www. afdb.org

In practice, letters of credit and documentary collections remain the dominant form of trade finance in Uganda. The main motive for the use of letters of credit is less a matter of legislation, than that of the security of the transaction. In a letter of credit, the payment is guaranteed by established banks, which ultimately verify the good's journey through an exchange of compliant documents. Banks can keep track of the merchandise journey, ascertain ownership at any point in time, and authorize the payment at the time set by the contract/letter of credit. Since letters of credit are standardized internationally according to the rules of the International Chamber of Commerce, recourse in case of conflict is easy. However, given the small level of fraud, default and conflict, payments are quite predictable for all parties. According to international statistics, the level of default involved in letters of credit is very low (Table 10). According to the African Development Bank Survey on Trade Finance in Africa, the default rate, while somewhat higher in Africa, remains below the average of other categories of local assets.

Table 10: Risk characteristics of short-term trade finance products, 2008-18

Category	Default Rate	Implied maturity (days)	Recovery Rate
Import and export letters of credit	0.21%	80	71%
Loans for import/export	0.8%	120	45%
Performance guarantees	0.37%	110	18%
Total	**0.45%**	**90**	**52%**

Source: WTO based on ICC Trade Register Reports' averages (2015; 2017: 2019)

The use of letters of credit has mainly developed around traditional crops exports and large import contract. The country's largest banks offer to arrange both import letters of credit for their corporate customers, as well as export letters of credit if needed. To do so, banks require documents such as confirmed purchase order or pro-forma invoices and the import licenses issued, as well as the property ownership documents for letters of credit pledged against collateral. Letters of credit can be arranged, if secured by collateral (secured by cash, landed property, commodities, fixed depositions, bank and corporate guarantees and bonds).

Documentation collection is also commonly used in Uganda (Box 1).

Box 1: Letters of credit and documentary collection

Letters of credit ensure that sellers receive payment for the goods that they have been shipping, if the correct documentation is presented upon delivery. At the other end of the transaction, the letter of credit guarantees that the buyer will not have to pay for goods unless the documents comply with the terms of the letter of credit. One of the main alternatives to letters of credit is documentary collections. Like letters of credit, documentary collections are document-based guarantees of payment. Unlike letters of credit, the bank is not required to pay the seller if the buyer decides that it no longer wishes to buy. Hence, documentary collection does not provide for the automaticity of payment from the bank when it is presented fully compliant documentation. Since documentary collections do provide for a lower level of security of payment that that of letters of credit, the cost is lower. The bank which has received a documentary collection may debit the buyer's account and make the payment only if authorized by the buyer. This method is best used for parties that trust each other from previous transactions and who do not anticipate any problems between them, such as a risk of the buyer rejecting the goods.

Trade-based lending, including invoice financing and discounting, expanded recently. The main local and foreign-owned banks started offering open account trade financing recently. Various solutions exist, under which banks aim at meeting the working capital needs of their clients. This includes working capital lending, pre-shipment credit, or invoice discounting, enabling the importer or exporter, trading on an open account basis, to raise pre-or post-shipment finance using a commercial invoice. Banks may advance between 60 and 90% of the export receipt. These solutions generally apply to existing customers of banks, companies with audited account and those having undergone know-you-customer and other due diligence checks. During the Covid-19 pandemic, the BADEA reported that during the pandemic "a large number of existing or new clients asked for instruments to finance short-term working capital to buy imported materials for new orders and supply-chain finance instruments (especially in local currencies), notably in sectors like health and medical supplies".[15]

The recent introduction of invoice finance in Uganda's market is a positive step for firms. Invoice financing is not common in Sub-Saharan Africa. It offers a solution against the long payment delays and late invoicing, in Uganda like in the rest of the region. The letter of credit system, while safe, can be at times burdensome and result, in some cases, in exporters also being paid well after the terms agreed. Invoice financing, including invoice discounting, offer companies with some certainty regarding the timing and amounts of cash-flows receipts, as bank advances can be negotiated for a pre-agreed percentage of the invoice, which would apply each time an invoice is issued. The Factor company or the bank, not corporate client, is responsible for the recovery of late payments.

Unfortunately, most corporates in Uganda do not qualify for trade finance facilities. There are many reasons for this, international and domestic. Regarding international causes, Uganda's financial system has been suffering, like other African countries, from the reduction in international correspondent bank relationships in recent years, a trend that seemed to have continued during the pandemic. According to Afreximbank and UNECA,[16] "the number of correspondent banking relationship fell across the region and the rejection of L/C requests increased during the pandemic. Domestically, there is a whole array of reasons on the supply-side and on the demand-side as to why the large majority of corporate do not receive trade finance in Uganda. These reasons range from limited appetite of banks to lend to non-well-established customers, high collateral and other financial requirements on clients to limit risks, high costs of borrowing and of processing fees for opening trade finance facilities, lack of local business services which could support the demands of traders for such facilities, lack of creditworthiness and of the skills to formulate properly trade finance applications on the side of companies. These constraints are discussed in the paragraphs below. Despite a number of schemes put in place domestically and by international agencies to help clear payments falling due and avert payment default, banks' "flight to safety" during the pandemic further excluded enterprises from access to trade financing.

Small and medium size enterprises (SMEs), particularly, are most often unable to secure trade finance support. As noted by Ebong and George (2020), 6 out of 10 businesses surveyed would expand their business had they better and higher access to finance. However, there are still significant barriers preventing SMEs and new market entrants from accessing trade finance services, as well as putting in place reforms and policies that reduce information asymmetry and facilitate credit information sharingg. Smaller companies lack the financials, audited accounts, creditworthiness, as well as the financial skills to formulate adequately their trade finance requests. Moreover, banks tend to request high levels of collaterals (cash, building) against borrowing, and even on opening letters of credit. While receivable finance could be a useful alternative to documentary credit, which may be largely out of reach of SMEs as

[15] BADEA (2021), Pulse Check - Trade Finance in Sub-Saharan Africa during Covid-19.

[16] Afreximbank and UNECA, 2021 Survey on The Impact of Covid-19 on African Trade Finance, available at www.afreximbank.org

a result of their costs and documentation requirements, invoice financing is also subject to minimum turnover requirements (for example 30 or 50 million Shillings). Besides, finding credible and verifiable invoices is an issue. Beyond larger export or import contracts, there are still few opportunities to find a substantial set of credible invoices, from credible organizations with which the financial sector feels comfortable. Collateral-based lending works, as in many other low-income countries, against SME lending. Studies in other LDCs indicated that may corporates simply did not apply for bank loans due to lack of collateral, in fear of being rejected on their loan application. In the short-to-medium term, Fintechs should help improve reduce the information asymmetry on smaller clients and help better analyse credit risk involved in trade transactions. The Ugandan Development Bank and Microfinance support centre are also working at supporting cooperatives unions and SMEs engaged in trade by channelling loans with attractive rates to microfinance institutions.

When eligible, firms eventually face high interest rates and fees for trade finance facilities. Base interest rates are high in Uganda, and even higher when it comes to suppliers' credit and working capital (survey evidence point to 20% annually).[17] The relatively high rates of return on government bonds works as a floor for corporates' lending rates. Proposed tenors are short. The costs of processing trade finance facilities such as letters of credit are increased by the requirements to comply with know-your customer details and other due diligence checks, which are still largely processed manually. The perception of credit risk is also high during downturns, which adds to the cost of financing. In the end, interests plus fees are only affordable to corporates which returns on the transaction is high enough to bear these costs.
These constraints are not unusual in Africa. Africa-wise, oonly one quarter banks’ total trade finance portfolio benefits SMEs, while the bulk of trade finance facilities serve large companies.[18] The relatively low share of SMEs could be attributed to the higher risk perception associated with this client segment. First time applicants face significant challenges in accessing trade finance facilities from banks. Only 15 percent of banks’ trade finance portfolio is composed of new applicants. Adequate financial infrastructure, including credit information systems, is required to de-risk transactions and enhance banks’ ability to supply trade finance. Among the major reasons why banks reject trade finance demands include poor creditworthiness and lack of adequate collateral. Given the real and perceived risks attached to them, the majority of SMEs face challenges in accessing bank-intermediated trade finance. The survey results show that, on average, only 28 percent of total trade finance portfolios of responding banks support SMEs with the remainder going to large enterprises. On average, the ten biggest trade finance customers account for more than half (58 percent) of a bank’s total trade finance assets while SMEs account for less than 30 percent. This indicates that large corporates dominate the bank-intermediated trade finance landscape in Africa.

As a result of the above, payments cash-in advance is still relatively common in Uganda, particularly for small traders which are unable to secure trade finance facilities. Ugandan businesses pay through or/and accept credit card payments. The advance payment of goods to be imported into Uganda can take place freely, although importers must generally provide documentary evidence of the cost of the goods and agreed terms of payment (copy of the importer’s contract with the supplier, or any other evidence). For large payments, guarantees from a reputed international bank may have to be obtained.

[17] Ebong, J., & George, B. (2020). Demand for credit in high-density markets in Kampala: Application of digital lending and implications for product innovation. Journal of International Studies, 13(4), 295-313. doi:10.14254/2071-8330.2020/13- 4/21
[18] African Development Bank (2018), Survey on Trade finance in Africa.

Efficient and affordable trade finance mechanisms is essential to Uganda's competitiveness. More modern, less expensive forms of trade finance should be promoted, including by regulation. On the one hand, some observers defend the current system based on Letters of Credit as having served the interests of the international trade sector well, and as being still adapted to current circumstances. Such as system is useful at a time when Uganda and other neighboring countries are working to upgrade anti-money laundering and know-your-customer practices (AML KYC), with a view to avoid further reductions in correspondent banking. On the other hand, the system of letters of credit is also very document "heavy", labor-intensive, and prone to errors and discrepancies. The cost of correcting errors and making letters of credit compliant is relatively high. Differences in bank charges on opening and handling letters of credit are significant from client to client.

This is not only a supply-side issue. Changes on the demand side are also needed Changes are needed the relatively high costs of trade-related borrowing were to fall. Local and foreign banks argue that the corporate sector has invested too little in financial management and transparency, which prevents the expansion locally of more efficient supply chain finance solutions. Trust in the bank-client relationship should improve, reflecting insufficient documentation, lack of respect of creditor rights despite the existence of a national credit bureau. Some banks advise that companies seek external support for their accounts – although it is quite clear that most exporting-importing firms cannot afford hiring full-time accountants. Other banks argue that companies are not knowledgeable about trade finance products, and only request working capital or letters of credit.

Supply chain solutions would be beneficial in trade-related outward-processing industries. Supply chain finance may offer solutions to align in a better way the payment cycle for input and output to the production cycle of importers and exporters. Supplier finance, factoring and reverse factoring are among the supplier chain solutions used in international production networks. They optimize cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their large and SME suppliers to get paid early. This results in a win-win situation for the buyer and supplier. The buyer optimizes working capital, and the supplier generates additional operating cash flow, thus minimizing risk across the supply chain. Suppliers' finance requires education for risk management both by companies and the banks. However, internationally, banks have developed relatively manageable system for recording, netting out receivables and payables by companies, on their behalf – for a fee. The management of receivables and payables has the advantage for the banks to only provide finance on the net receivables or payables, hence reducing the requirements on their balance sheets.

Internationally, credit insurance is a popular form of non-bank intermediated trade finance. Inter-company lending exists in Uganda, even informally, when the supplier extends favorable payment terms to the buyer or the other way around. In such case, one speaks of supplier or buyer credit. However, cash-constrained companies have no interest or expertise to be bankers for their partner companies. Therefore, they may wish to insure their risk. This is commonly taking place in trade finance markets. About $2 trillion of short-term credit insurance flows are being recorded each year, according to the Berne Union, the association of export credit agencies and private insurers. Open account financing can be insured for small fees, given the low default rate on trade finance.

Financial education of trading companies, possibly through the Chamber of Commerce, or other representative agencies, is needed for them to be able to match their receivables and payables, hence optimizing their scarce amounts of cash. One challenge for the viability of import-export oriented industries is to balance out cash inflows and outflows in short production cycles. Any maturity mismatch between receipts on their exports (typically paid of a 90 days basis) and imports (to be paid after the issuance of letters of credit, either locally or abroad) may lead the company to be cash strapped. Besides, any delay in the process of letter of credit issuance may postpone inputs and hence production, and ultimately lead to the dissatisfaction of final buyers. It is therefore important to educate banks and industries about the potential of short-term receivable and payable financing. Local bankers also argued that the lack of experience of new companies in handling lead production times, resulting in them wasting letters of credit. Financial education could usefully extend to authorities, as knowledge of trade finance instruments should also be spread between the Central Bank, the Ministry of Finance, and the Ministry of Commerce.

One form of education would be to establish a 2-pager summary of locally available and international use forms of trade finance and disseminate it across user and producer associations. Another would be to educate banks and corporates about trade finance products described in this section. The transmission of knowledge can be done locally, as foreign bank indicated their willingness to informally train local banks. Increasing contacts and partnership with locally established foreign banks might help the transmission of know-how and learning by doing. International institutions such as the IFC and Afreximbank/African Development Bank have considerable experience from other countries in building on-site capacity in local banks regarding the use of modern trade finance instruments.

Summary of possible steps:

(a) Promote financial education in SMEs and presentation of financial/KYC documentation.

(b) Promote financial education between banks on the setting up of LCs, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products, based on ICC publicly available documentation. Examine whether trade credit insurance can be supplied in Uganda.

(c) Establish a summary of the above-mentioned instruments in a 2-pager and disseminate it among the main industry associations.

(d) Once demand for one or the other product has been identified by industry associations, bring together local and foreign banks, producers associations, the Ministry of Commerce, Ministry of Finance and the Central Bank to discuss how to develop for efficient markets for these products in Uganda. Multilateral development banks provide education on the use of such instruments, and run trade finance facilitation programs. Convince banks to abandon the double collateral requirements (land and merchandise).

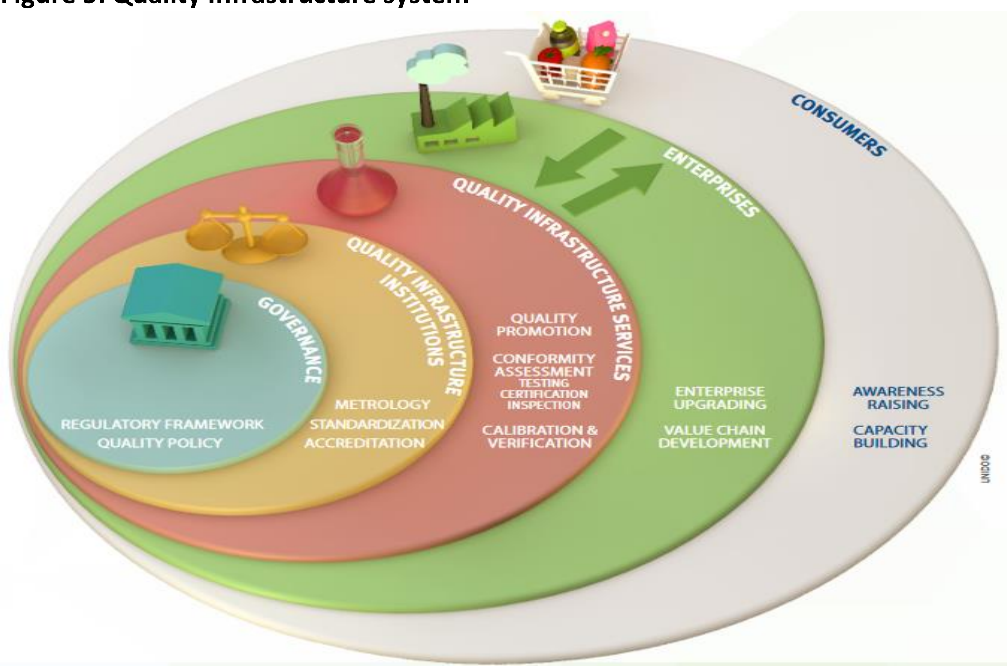
3.7 Quality Assurance and Infrastructure, SPS Management and Traceability Systems

3.7.1 Quality Assurance and Infrastructure

3.7.1.1 Understanding Quality Infrastructure System

The Quality Infrastructure is "the system comprising the organizations (public and private) together with the policies, relevant legal and regulatory framework, and practices needed to support and enhance the quality, safety and environmental soundness of goods, services and processes". It includes a national quality policy and institutions to implement it, a regulatory framework, quality service providers, conformity assessment, enterprises, customers and consumers. A Quality Infrastructure system defines, develops and verifies quality requirements for products and services. It verifies and demonstrates that products and services actually meet the specified requirements. It ensures that products and services, and the processes through which they are generated, meet internationally accepted quality requirements and best practice essential for participating in international trade.

Figure 5: Quality Infrastructure system



Source: UNIDO

Trading relationships are built on the trust established through a structure of standards, agreements, codes and regulations designed to ensure that when consumers buy goods and services, they get exactly what they expect. Accordingly, for these standards, agreements and codes to carry weight, they must be documented and implemented transparently, rigorously and consistently in ways that give everyone involved a high level of confidence in the outcome. They must be based on scientific evidence and should not retard or distort trade or be used as a disguised instrument for protectionism.

The National Quality Infrastructures (NQI) is meant to enable consistency in quality systems and Governments play a crucial role in designing, developing, and implementing an effective NQI.
A National Quality Infrastructure can be understood as having five core components: standardization, testing, measurement, certification and accreditation.

- Standardization - creates the national and international standards that specify how goods and services should be made and done in a mutually acceptable way.

- Testing and measurement - implementation of specifications and standards to ensure validity and consistency in the characteristics of goods and services.
- Certification - ensures that those who use standards and codes are applying them correctly.
- Accreditation - ensures that those who carry out testing, certification, and inspection are competent to do so.

The QIS provides benefits to everyone in the value chain. This includes the consumers, producers, suppliers, Government and regulators.

a) **Consumers** benefit because the QIS provides confidence that the products and services they purchase are fit for their purpose.
b) **Manufacturers and suppliers** benefit from the use of international standards on which the QIS is based, and this ensures that their goods, processes and services meet the required standards to enable them compete favorably in the domestic and international and markets.
c) **Regulators** benefits as the QIS helps them to identify and specify the standards and conformity assessment processes, they can use to ensure that public interest requirements, such as health, safety and environmental, are being met. The regulator will often make conformity assessment obligatory in these fields and may prohibit the sale of nonconforming products and services.
d) **The government** benefits as the QIS puts at its disposal a system for stimulating the economy, increasing the competitiveness of its industry on global markets, using resources efficiently, sharing technological know-how, tackling environmental and climate-related challenges, and fulfilling its responsibilities for the public health and safety, including food safety.

Trading nations with a well-regarded and trusted National Quality Infrastructure enjoy a range of benefits. These include:

- Better, safer, more sustainable products
- The knowledge from standards and measurement techniques enables more innovation and product development
- Increased domestic commercial activity and Foreign Direct Investments
- Enhanced Consumer protection
- Reduced prevalence of Technical Barriers to Trade since there is a common understanding of the requirements
- There are fewer duplicated or competing standards, tests, regulations, and accreditations, so the costs of international trade are reduced
- Products and services become internationally competitive
- The country can represent its views more effectively in international fora and shape the development of international rules

The net result is greater participation in global trade and a stronger balance of payments. For least developed countries like Uganda, a National Quality Infrastructure forms a foundation for economic development and greater prosperity.

3.7.1.2 National Quality Infrastructure in Uganda

Uganda's national quality infrastructure is not yet developed to its full potential. To attain international standards and socio-economic development, a national quality infrastructure acts as an impetus for the success of all the economic activities. It comprises of the institutional framework that establishes and guides the implementation of standardization, metrology (the science of measurement), conformity assessment (inspection, certification, laboratory testing) and accreditation. The NQI comprises of Standards, Metrology, conformity assessment and accreditation institutions, supported with a legal and policy regime. The sections below summarise the current state of NQI in Uganda.

Legal and Regulatory Framework: Government in 1983 promulgated the Uganda National Bureau of Standards (UNBS) Act, Cap 327; as amended, the Weights and Measure Act, Cap 103, and attendant regulations. There are also some complementary laws and regulations that address specific issues within the Quality Infrastructure. These include: National Tourism Act of 2008; Food and Drugs Act, Cap 278; National Environment Act, Cap 153 and accompanying Regulations (1998); the Water Act, Cap 152; Electricity Act, Cap 145; Public Health Act, Cap 281; Fish Act, Cap 197; Local Governments Act, Cap 243; Uganda Communication Commission Act, Cap 106; Petroleum Supply Act, 2003; Adulteration of produce Act, Cap 27 and enabling Regulations of 2003; Sale of Goods Act, Cap 82; EAC SQMT Act 2006; Hotels Act, Cap 90; Copy-right Act, Cap 215; Insurance Act, Cap 213; Control of Agricultural Chemicals Act, Cap 29; and Customs and Excise Act, Cap 215. These laws and regulations provide the legal and regulatory foundation for the NQI.

Consultations with stakeholders indicated that Uganda’s body of legislation pertaining to technical regulations, standards, metrology, accreditation and conformity assessment is in a state of transition with many areas covered by inadequate legislation. Other areas like Quality Assurance and Consumer Protection, Product liability, Competition, Anti- counterfeits and Accreditation legislations are at various points in the national legislative process. Overall, the legislative framework supporting the NQI is not strong enough with outdated laws and regulations such as the Weights and Measures Act 1969. This is further exacerbated by the lack of critical legislations on Anti counterfeit law and creation of the Accreditation body/agency to enhance quality assurance of goods and services in the country.

Stakeholders also noted that even where specific laws and regulations are relevant and/or appropriate, their enforcement is often weak. In addition, the regulatory capacity is limited in terms of; coverage and outreach, the number of personnel and facilitation for effective market surveillance and inspection. Some of the existing laws do not provide for deterrent penalties which compounds incidences of non-compliance among other causes. Limited awareness of the business community and consumers, lack of effective and efficient market surveillance systems, unclear compliance requirements and discriminatory measures also contribute to non-compliance.

National Standards and Quality Policy: In 2012, the Government of Uganda adopted the National Standards and Quality Policy (NSQP). This policy focuses on developing and sustaining a national Standardization, Metrology, Conformity Assessment and Accreditation (SMCA) system, which is robust and able to achieve the requirements for high quality goods and services. The policy also aims at strengthening the national technical regulation regime to protect consumers and the environment from unsafe products without unnecessarily restricting trade. The Mission of the NSQP is “to develop an SMCA infrastructure that supports the production and consumption of quality goods and services”, and the Policy Vision ‘to have an effective and efficient national quality infrastructure that delivers goods and services that are internationally competitive’. The NSQP was designed to achieve seven strategic objectives, namely:

1. Rationalize, harmonize and strengthen the standards Regulatory Framework,
2. Establish a framework to enhance coordination and collaboration among regulatory and standards development agencies,

3. Develop and improve the national quality infrastructure,
4. Strengthen human resource capacity in the national quality infrastructure,
5. Enhance SMCA awareness and dialogue to improve compliance,
6. Support MSMEs to conform to national standards and comply with technical regulations,
7. Support both the public and private sector entities to conform with set standards,

As part of the Policy, the Government committed to achieving eight targets and these were: a)75% of locally manufactured products certified; b)At least 50% of all commercial agricultural produce have standards developed; c)50% of meat and meat products sold in standardized establishments; d)At least 25 organizations engaged in the provision of testing, inspection and certification services accredited; e)Increased public awareness of the role of standards on the development of the economy; f)Support the development of 15 professional standards associations, such as the association of professional engineers, lawyers, bankers, accountants, among other; f)UNBS should become the apex national standards organization with the sole mandate to publish national standards; g)Support the development of product specific associations, whose aim should include self-policing and self-regulation on/regarding SMCA issues. During the DTIS update, it was revealed that no formal evaluation of the NSQP implementation to documents achievements and progress towards realizing intended targets have been conducted. There is therefore need to commission a formal evaluation and review of the NSQP.

Standardization and Conformity Assessment: UNBS has progressed with developing standards for most of the commercially viable products. As of 30th June 2021, Uganda had a total of 4,265 standards, of which 1,082 were categorized under food and agricultural standards, 1,383 were Engineering standards, 1,262 chemical and consumer products standards, and 538 Management and Services Standards. As of 30th June 2015, the number of standards in Uganda were 2,434, indicating an increase of 75% over the six years. Food and agricultural standards increased by 42% (from 735 in June 2015 to 1,082 by June 2021), Engineering standards increased by 47% (from 940 in June 2015 to 1,383), chemical and consumer products standards increased by 135% (from 538 in June 2015 to 1262), and Management and Services Standards increased by 143% (from 221 in June 2015 to 538). Of the national standards, 1,689 standards have been classified as mandatory, requiring all operators in affected sectors to have their goods certified before being delivered on the market. Of the mandatory standards, 480 were categorized under food and agricultural standards, 247 were for Electrotechnology Products, 27 were for Metrology, 348 were Engineering standards, 421 chemical and consumer products standards, and 166 were Management and Services Standards.

As of 30th June 2021, Uganda had only 5,532 Certified Products Under UNBS Product Certification Scheme, a significant improvement compared to 680 certified products by about 200 companies in May 2017. However, with 4,265 approved standards, it implies that on average, each approved standard has one certified product. Equally, with 1,689 mandatory standards, it would mean that each mandatory standard has about three certified products. While the UNBS Systems Certification Register of Certified Companies had only 53 companies, and there were only 17 recognized Labs on the UNBS register, all based in greater Kampala. Only four manufacturing companies had recognised in-house laboratories for product testing and quality assurance. Overall, the development, promotion and adoption of standards to support trade and competitiveness of Uganda products on the local as well as regional and international markets is still in infancy, despite the progress registered in the recent past.

To facilitate access of Ugandan products to regional, continental and international markets, UNBS has adopted and harmonized some standards, including 505 standards with the East African member states (EAC), 2,355 standards harmonized with the International Organization for Standardization (ISO), 267 harmonized with the International Electro-technical Commission (IEC), 143 harmonized with Food Code - Codex Alimentarius (CODEX), seven standards harmonized with African Organization for standardization (ARSO), three standards harmonized with International Organization of Legal Metrology (OIML) and two standards harmonized with the European Norm/Standards (EU).

Arising from the increasing demand for safe and quality products in the local, regional and international markets, coupled with the devastating effects of the COVID-19 pandemic on businesses, the Uganda National Bureau of Standards (UNBS) has unveiled several packages and complementary services to support the private sector and enterprises involved in the production, manufacturing and distribution of various products to comply with the minimum required safety and quality standards for their products at subsidized costs to be able to quickly recover and sell to the various markets. These include:

1. **Reduction Of Certification Fees.** Starting July 1 2021, UNBS phased out some of the charges which were previously being levied on enterprises seeking certification of their products and these include initial audit fees of sh250,000 and surveillance audit fees of sh250,000. This implies that UNBS conducts the certification and surveillance audits on enterprises seeking to acquire the Quality Mark free of charge. Micro and small enterprises will now pay net certification fees of sh500,000, down from sh850,000 while medium and large enterprises will pay sh1m, down from sh1,3m for the issuance of annual certification permit for the use of the Q Mark
2. **Pre-Market Approval Scheme.** This is an interim measure to allow MSMEs to put their products on the market before completing the certification process. This is designed to help them test the market and get feedback from their consumers to improve the product. It is also meant to avail them ample time and revenue to put in place the required infrastructure to effectively implement quality standards sustainably.
3. **Batch Approval Scheme.** Under this scheme, enterprises can apply for certification of a specific lot or batch of products, regardless of their certification status.
4. **Exemption of Raw Materials and Inputs Imported for Value Addition.** All imported raw materials and inputs used by companies and enterprises for value addition of UNBS certified products are exempted from inspection because quality assurance is done on their certified products
5. **Free Standards to MSME Groups or Manufactures of COVID-19 PPES.** UNBS is providing free standards to MSMEs [Micro, small and medium sized enterprises], which belong to particular groups or associations in order to save cost of individual enterprises buying their own standards. Furthermore, the bureau, in a bid to complement Government's efforts towards fighting the COVID-19 pandemic, is offering free standards to manufacturers of COVID- 19-related PPEs [personal protective equipment], such as non-medical masks, sanitizers, liquid hand washing soap and protective clothing.
6. **Decentralization of UNBS Services to Regional Offices of Mbale, Gulu and Mbarara.** UNBS has embarked on decentralizing its services to other parts of the country and has so far established its branch offices in Mbale, to cater for the greater eastern region, Gulu to cater for the greater northern and Mbarara to cater to the greater western region. There are plans to establish an office in the Albertine region to cater for oil sector enterprises
7. **Automation of UNBS services to remote and online access**
8. **Maintenance Of Internationally-Accredited Laboratories to Provide Testing Capacity for Local, Import and Export Products**

9. **Simplification of Technical Standards into Easy–To-Use Guidelines Translated into Local Languages.** The bureau has intensified standards awareness campaigns among micro, small and medium-sized enterprises (MSMEs) and is simplifying standards into easy-to-use guidelines and translating them to local languages to ease implementation of quality standards by MSME whose staff have not gone far with their education.
10. **Collaboration With Private Sector Associations to Promote a Quality Culture.** UNBS is currently on a campaign to promote voluntary compliance and self-regulation among companies and enterprises involved in the production, manufacturing, processing and distribution of various products regulated by the mandatory standards to ensure their safety, quality and performance. In this regard, the Bureau is closely collaborating with the Private Sector Foundation Uganda (PSFU), Uganda Small Scale Industry Association (USSIA), the Uganda Manufacturers Association (UMA), The Uganda National Apiculture Development Organisation (TUNADO), Uganda Women Entrepreneurs Association Limited (UWEAL), the Mastercard Foundation and other sector associations.

Conformity assessment refers to any activity that determines whether a product, service and or system meet the requirements and characteristics described in a standard or specification. It involves testing, inspection and certification of products, services or systems to determine compliance with the standards. Conformity assessment (inspection, laboratory testing and certification) activities in Uganda are carried out by both the public and private sectors. UNBS's laboratory capacity includes:

a) Chemistry Laboratory that carries out analysis of the chemical composition of both edible and non-edible products. The laboratory is accredited by South Africa National Accreditation System (SANAS). The scope of accreditation is calcium, potassium, sodium and heavy metals for water; moisture content for honey; ash content, moisture content, and protein content for cereal foods and cereal flour; and metals for fruit and vegetables. The Chemistry Laboratory provides services that help prevent contaminated and adulterated foods products from entering the domestic market. The services provided also enhance the quality of the various products manufactured in Uganda, by providing the industries with advice, information and test results for their products.
b) Microbiology Laboratory that is accredited to international standards ISO 17025 by SANAS. The scope of accreditation is Staphyloccocus aureus, Salmonella, Vibrio cholerae, Escherichia coli, total plate count, total coliforms, yeast and moulds. The laboratory routinely undertakes analysis for organisms of public health significance. The laboratory tests a range of both fresh and processed foods. These include water, fruit juices, fish, milk and milk products, pickles, meat and meat products, cereals products, canned foods and dried foods.
c) The Electrical Testing Laboratory carries out analysis of electrical products and appliances to assess their compliance with Uganda and International standards. This laboratory has not yet been internationally accredited
d) The Engineering Materials Testing Laboratory carries out various tests on different building and engineering materials to evaluate their compliance to standards. This laboratory has not yet been internationally accredited
e) Metrology Laboratory, whose construction is expected to start in the FY 2021/22 with funding from the African Development Bank

In addition to UNBS, there are some laboratories in various Government Ministries, Departments and Agencies, academic and research institutions that undertake activities such as testing, measurements that support the standards Trading relationships are built on the trust established through a structure of standards, agreements, codes, and regulations designed to ensure that when consumers buy goods and services, they get exactly what they expect. Accordingly, for these standards, agreements, and codes to carry weight, they must be documented and implemented transparently, rigorously, and consistently in ways that give everyone involved a high level of confidence in the outcome. They must be based on scientific evidence and should not retard or distort trade or be used as a disguised instrument for protectionism.

The National Quality Infrastructures (NQI) is meant to enable consistency in quality systems and Governments play a crucial role in designing, developing, and implementing an effective NQI.
A National Quality Infrastructure can be understood as having five core components: standardization, testing, measurement, certification, and accreditation.

- Standardization - creates the national and international standards that specify how goods and services should be made and done in a mutually acceptable way.
- Testing and measurement - implementation of specifications and standards to ensure validity and consistency in the characteristics of goods and services.
- Certification - ensures that those who use standards and codes are applying them correctly.
- Accreditation - ensures that those who carry out testing, certification, and inspection are competent to do so.

The QIS provides benefits to everyone in the value chain. This includes the consumers, producers, suppliers, Government, and regulators.

1. **Consumers** benefit because the QIS provides confidence that the products and services they purchase are fit for their purpose.
2. **Manufacturers and suppliers** benefit from the use of international standards on which the QIS is based, and this ensures that their goods, processes, and services meet the required standards to enable them to compete favorably in the domestic and international and markets.
3. **Regulators** benefits as the QIS helps them to identify and specify the standards and conformity assessment processes, they can use to ensure that public interest requirements, such as health, safety, and environmental, are being met. The regulator will often make conformity assessment obligatory in these fields and may prohibit the sale of nonconforming products and services.
4. **The government** benefits as the QIS puts at its disposal a system for stimulating the economy, increasing the competitiveness of its industry on global markets, using resources efficiently, sharing technological know-how, tackling environmental and climate-related challenges, and fulfilling its responsibilities for the public health and safety, including food safety.

Trading nations with a well-regarded and trusted National Quality Infrastructure enjoy a range of benefits. These include:

a) Better, safer, more sustainable products
b) The knowledge from standards and measurement techniques enables more innovation and product development
c) Increased domestic commercial activity and Foreign Direct Investments
d) Enhanced Consumer protection
e) Reduced prevalence of Technical Barriers to Trade since there is a common understanding of the requirements
f) There are fewer duplicated or competing standards, tests, regulations, and accreditations, so the costs of international trade are reduced

g) Products and services become internationally competitive
h) The country can represent its views more effectively in international fora and shape the development of international rules

The net result is greater participation in global trade and a stronger balance of payments. For least developed countries like Uganda, a National Quality Infrastructure forms a foundation for economic development and greater prosperity.

3.7.1.2 National Quality Infrastructure in Uganda

Uganda's national quality infrastructure is not yet developed to its full potential. To attain international standards and socio-economic development, a national quality infrastructure acts as an impetus for the success of all economic activities. It comprises the institutional framework that establishes and guides the implementation of standardization, metrology (the science of measurement), conformity assessment (inspection, certification, laboratory testing), and accreditation. The NQI comprises Standards, Metrology, conformity assessment, and accreditation institutions, supported by a legal and policy regime. The sections below summarise the current state of NQI in Uganda.

Legal and Regulatory Framework: The government in 1983 promulgated the Uganda National Bureau of Standards (UNBS) Act, Cap 327; as amended, the Weights and Measure Act, Cap 103, and attendant regulations. There are also some complementary laws and regulations that address specific issues within the Quality Infrastructure. These include the National Tourism Act of 2008; Food and Drugs Act, Cap 278; National Environment Act, Cap 153 and accompanying Regulations (1998); the Water Act, Cap 152; Electricity Act, Cap 145; Public Health Act, Cap 281; Fish Act, Cap 197; Local Governments Act, Cap 243; Uganda Communication Commission Act, Cap 106; Petroleum Supply Act, 2003; Adulteration of produce Act, Cap 27 and enabling Regulations of 2003; Sale of Goods Act, Cap 82; EAC SQMT Act 2006; Hotels Act, Cap 90; Copy-right Act, Cap 215; Insurance Act, Cap 213; Control of Agricultural Chemicals Act, Cap 29; and Customs and Excise Act, Cap 215. These laws and regulations provide the legal and regulatory foundation for the NQI.

Consultations with stakeholders indicated that Uganda's body of legislation of technical regulations, standards, metrology, accreditation, and conformity assessment is in a state of transition with many areas covered by inadequate legislation. Other areas like Quality Assurance and Consumer Protection, Product liability, Competition, Anti- counterfeits, and Accreditation legislation are at various points in the national legislative process. Overall, the legislative framework supporting the NQI is not strong enough with outdated laws and regulations such as the Weights and Measures Act 1969. This is further exacerbated by the lack of critical legislation on Anti-counterfeit law and the creation of the Accreditation body/agency to enhance quality assurance of goods and services in the country.

Stakeholders also noted that even where specific laws and regulations are relevant and/or appropriate, their enforcement is often weak. In addition, the regulatory capacity is limited in terms of; coverage and outreach, the number of personnel, and facilitation for effective market surveillance and inspection. Some of the existing laws do not provide for deterrent penalties which compound incidences of non-compliance among other causes. Limited awareness of the business community and consumers, lack of effective and efficient market surveillance systems, unclear compliance requirements, and discriminatory measures also contribute to non-compliance.

National Standards and Quality Policy: In 2012, the Government of Uganda adopted the National Standards and Quality Policy (NSQP).

This policy focuses on developing and sustaining a national Standardization, Metrology, Conformity Assessment and Accreditation (SMCA) system, which is robust and able to achieve the requirements for high-quality goods and services. The policy also aims at strengthening the national technical regulation regime to protect consumers and the environment from unsafe products without unnecessarily restricting trade. The Mission of the NSQP is "to develop an SMCA infrastructure that supports the production and consumption of quality goods and services", and the Policy Vision 'to have an effective and efficient national quality infrastructure that delivers goods and services that are internationally competitive. The NSQP was designed to achieve seven strategic objectives, namely:

1. Rationalize, harmonize and strengthen the standards Regulatory Framework,
2. Establish a framework to enhance coordination and collaboration among regulatory and standards development agencies,
3. Develop and improve the national quality infrastructure,
4. Strengthen human resource capacity in the national quality infrastructure,
5. Enhance SMCA awareness and dialogue to improve compliance,
6. Support MSMEs to conform to national standards and comply with technical regulations,
7. Support both the public and private sector entities to conform with set standards,

As part of the Policy, the Government committed to achieving eight targets and these were: a)75% of locally manufactured products certified; b)At least 50% of all commercial agricultural produce have standards developed; c)50% of meat and meat products sold in standardized establishments; d)At least 25 organizations engaged in the provision of testing, inspection and certification services accredited; e)Increased public awareness of the role of standards on the development of the economy; f)Support the development of 15 professional standards associations, such as the association of professional engineers, lawyers, bankers, accountants, among other; f)UNBS should become the apex national standards organization with the sole mandate to publish national standards; g)Support the development of product-specific associations, whose aim should include self-policing and self-regulation on/regarding SMCA issues. During the DTIS update, it was revealed that no formal evaluation of the NSQP implementation to documents achievements and progress towards realizing intended targets have been conducted. There is, therefore, need to commission a formal evaluation and review of the NSQP.

Standardization and Conformity Assessment: UNBS has progressed with developing standards for most of the commercially viable products. As of 30th June 2021, Uganda had a total of 4,265 standards, of which 1,082 were categorized under food and agricultural standards, 1,383 were Engineering standards, 1,262 chemical and consumer products standards, and 538 Management and Services Standards. As of 30th June 2015, the number of standards in Uganda was 2,434, indicating an increase of 75% over the six years. Food and agricultural standards increased by 42% (from 735 in June 2015 to 1,082 by June 2021), Engineering standards increased by 47% (from 940 in June 2015 to 1,383), chemical and consumer products standards increased by 135% (from 538 in June 2015 to 1262), and Management and Services Standards increased by 143% (from 221 in June 2015 to 538). Of the national standards, 1,689 standards have been classified as mandatory, requiring all operators in affected sectors to have their goods certified before being delivered on the market. Of the mandatory standards, 480 were categorized under food and agricultural standards, 247 were for Electrotechnology Products, 27 were for Metrology, 348 were Engineering standards, 421 chemical and consumer products standards, and 166 were Management and Services Standards.

As of 30th June 2021, Uganda had only 5,532 Certified Products Under UNBS Product Certification Scheme, a significant improvement compared to 680 certified products by about 200 companies in May 2017. However, with 4,265 approved standards, it implies that on average, each approved standard has one certified product. Equally, with 1,689 mandatory standards, it would mean that each mandatory standard has about three certified products. While the UNBS Systems Certification Register of Certified Companies had only 53 companies, and there were only 11 recognized Labs on the UNBS register, all based in greater Kampala. Only four manufacturing companies had recognized in-house laboratories for product testing and quality assurance. Overall, the development, promotion, and adoption of standards to support trade and competitiveness of Uganda products on the local as well as regional, and international markets are still in infancy, despite the progress registered in the recent past.

To facilitate access of Ugandan products to regional, continental and international markets, UNBS has adopted and harmonized some standards, including 505 standards with the East African member states (EAC), 2,355 standards harmonized with the International Organization for Standardization (ISO), 267 harmonized with the International Electro-technical Commission (IEC), 143 harmonized with Food Code - Codex Alimentarius (CODEX), seven standards harmonized with African Organization for standardization (ARSO), three standards harmonized with International Organization of Legal Metrology (OIML) and two standards harmonized with the European Norm/Standards (EU).

Arising from the increasing demand for safe and quality products in the local, regional and international markets, coupled with the devastating effects of the COVID-19 pandemic on businesses, the Uganda National Bureau of Standards (UNBS) has unveiled several packages and complementary services to support the private sector and enterprises involved in the production, manufacturing, and distribution of various products to comply with the minimum required safety and quality standards for their products at subsidized costs to be able to quickly recover and sell to the various markets.
These include:

1. **Reduction Of Certification Fees.** Starting July 1, 2021, UNBS phased out some of the charges which were previously being levied on enterprises seeking certification of their products and these include initial audit fees of sh250,000 and surveillance audit fees of sh250,000. This implies that UNBS conducts the certification and surveillance audits on enterprises seeking to acquire the Quality Mark free of charge. Micro and small enterprises will now pay net certification fees of sh500,000, down from sh850,000 while medium and large enterprises will pay sh1m, down from sh1,3m for the issuance of annual certification permit for the use of the Q Mark
2. **Pre-Market Approval Scheme.** This is an interim measure to allow MSMEs to put their products on the market before completing the certification process. This is designed to help them test the market and get feedback from their consumers to improve the product. It is also meant to avail them ample time and revenue to put in place the required infrastructure to effectively implement quality standards sustainably.
3. **Batch Approval Scheme.** Under this scheme, enterprises can apply for certification of a specific lot or batch of products, regardless of their certification status.
4. **Exemption of Raw Materials and Inputs Imported for Value Addition.** All imported raw materials and inputs used by companies and enterprises for value addition of UNBS certified products are exempted from inspection because quality assurance is done on their certified products
5. **Free Standards to MSME Groups or Manufactures of COVID-19 PPES.** UNBS is providing free standards to MSMEs [Micro, small, and medium-sized enterprises], which belong to particular groups or associations to save the cost of individual enterprises buying their standards.

Furthermore, the bureau, in a bid to complement Government's efforts towards fighting the COVID-19 pandemic, is offering free standards to manufacturers of COVID- 19-related PPEs [personal protective equipment], such as non-medical masks, sanitizers, liquid handwashing soap, and protective clothing.

6. **Decentralization of UNBS Services to Regional Offices of Mbale, Gulu, and Mbarara.** UNBS has embarked on decentralizing its services to other parts of the country and has so far established its branch offices in Mbale, to cater for the greater eastern region, Gulu to cater for the greater northern and Mbarara to cater to the greater western region. There are plans to establish an office in the Albertine region to cater for oil sector enterprises
7. **Automation of UNBS services to remote and online access Maintenance Of Internationally-Accredited Laboratories to Provide Testing Capacity for Local, Import and Export Products**
8. **Simplification of Technical Standards into Easy–To-Use Guidelines Translated into Local Languages.** The bureau has intensified standards awareness campaigns among micro, small and medium-sized enterprises (MSMEs) and is simplifying standards into easy-to-use guidelines and translating them to local languages to ease implementation of quality standards by MSME whose staff have not gone far with their education.
9. **Collaboration With Private Sector Associations to Promote a Quality Culture.** UNBS is currently on a campaign to promote voluntary compliance and self-regulation among companies and enterprises involved in the production, manufacturing, processing, and distribution of various products regulated by the mandatory standards to ensure their safety, quality, and performance. In this regard, the Bureau is closely collaborating with the Private Sector Foundation Uganda (PSFU), Uganda Small Scale Industry Association (USSIA), the Uganda Manufacturers Association (UMA), The Uganda National Apiculture Development Organisation (TUNADO), Uganda Women Entrepreneurs Association Limited (UWEAL), the Mastercard Foundation and other sector associations.

Conformity assessment refers to any activity that determines whether a product, service and or system meet the requirements and characteristics described in a standard or specification. It involves testing, inspection, and certification of products, services, or systems to determine compliance with the standards. Conformity assessment (inspection, laboratory testing, and certification) activities in Uganda are carried out by both the public and private sectors. UNBS's laboratory capacity includes:

1. Chemistry Laboratory that carries out analysis of the chemical composition of both edible and non-edible products. The laboratory is accredited by South Africa National Accreditation System (SANAS). The scope of accreditation is calcium, potassium, sodium, and heavy metals for water; moisture content for honey; ash content, moisture content, and protein content for cereal foods and cereal flour; and metals for fruit and vegetables. The Chemistry Laboratory provides services that help prevent contaminated and adulterated foods products from entering the domestic market. The services provided also enhance the quality of the various products manufactured in Uganda, by providing the industries with advice, information, and test results for their products.
2. Microbiology Laboratory that is accredited to international standards ISO 17025 by SANAS. The scope of accreditation is Staphyloccocus aureus, Salmonella, Vibrio cholera, Escherichia coli, total plate count, total coliforms, yeast, and molds. The laboratory routinely undertakes analysis for organisms of public health significance. The laboratory tests a range of both fresh and processed foods. These include water, fruit juices, fish, milk and milk products, pickles, meat, and meat products, cereals products, canned foods, and dried foods.

3. The Electrical Testing Laboratory carries out an analysis of electrical products and appliances to assess their compliance with Uganda and International standards. This laboratory has not yet been internationally accredited
4. The Engineering Materials Testing Laboratory carries out various tests on different building and engineering materials to evaluate their compliance with standards. This laboratory has not yet been internationally accredited
5. Metrology Laboratory, whose construction is expected to start in the FY 2021/22 with funding from the African Development Bank

In addition to UNBS, there are some laboratories in various Government Ministries, Departments, and Agencies, academic and research institutions that undertake activities such as testing, measurements that support the standards and quality infrastructure. At the time of conducting this DTIS Update, there were 17 UNBS recognized laboratories managed by private manufacturing companies and MDAs, namely:

1) Britannia Allied Industries Limited Industries LRS Schedule of recognition 2017-2020
2) Brookside LRS Schedule of recognition 2018-2020
3) Chemiphar LRS Schedule of recognition 2018-2020
4) CREEC Schedule of recognition 2019-2020
5) Electrical Controls and Switch Gear Ltd LRS schedule of reognition 2018-2020
6) GEL LRS Schedule of recognition 2019-2022
7) GEOTECHNOLOGICAL ENGINEERING - Cert 2018-2020
8) GFS Engineering Services Laboratory LRS Schedule of recognition 2018-2020
9) Madhvani Group LRS Schedule of recognition 2017-2020
10) Roofings Rolling Mills Certficate for LRS - July 2020
11) Roofings Rolling Mills Schedule of Recognition - July 2020
12) SMAT Technical services Ltd LRS Schedule of recognition 2018-2020
13) St Michael Food Laboratory and Consultancy Ltd
14) Steel and Tube LRS Schedule of recognition 2017-2020
15) Times Analytics Limited LRS Schedule for recognition 2019-2020
16) Uganda Coffee Development Authority LRS Schedule of Recognition 2018-2020
17) UIRI LRS Schedule of recognition 2019-2020

Overall, the last five years have witnessed increased development and issuance of standards and conducting of conformity assessments in Uganda as summarized in the table 11. However, stakeholder consultations and reviewed sector performance reports indicate that the national quality infrastructure capacity of Uganda still faces challenges, which continue to hinder its contribution to the growth and competitiveness of the private sector and overall trade agenda. The 2019/20 UNBS annual reports estimated the national quality infrastructure capacity to be at 40%. UNBS, therefore, continues to face difficulties in supporting the private sector in terms of Laboratory testing capacity and quality certification of the products as well as the elimination of substandard goods on the market. The main challenges faced are:

Low Laboratory capacity:

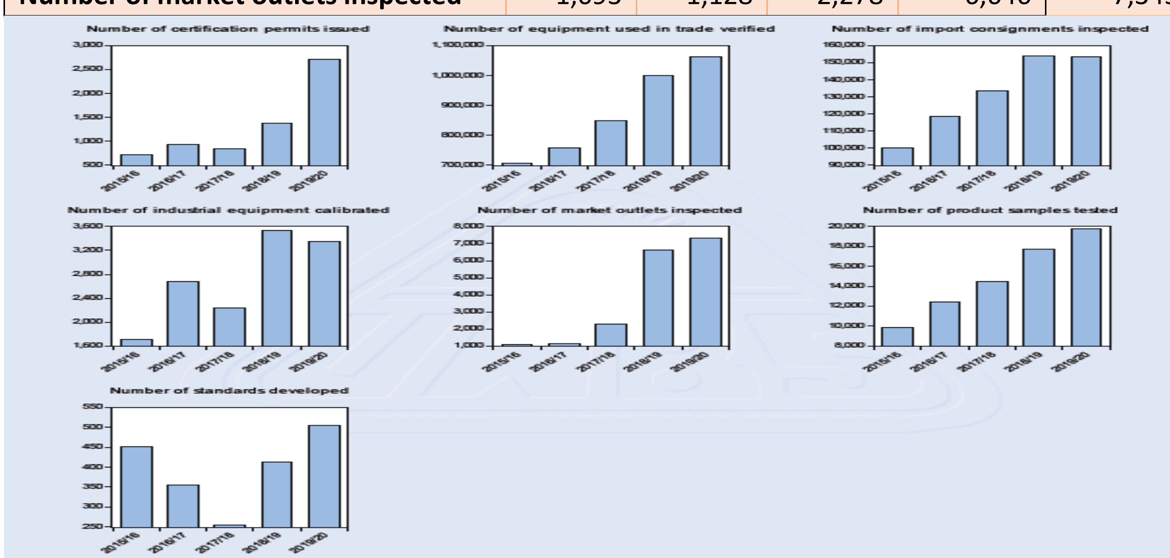
1. Uganda still suffers from low laboratory capacity to support the growing demand by the private sector. The Government through UNBS adopted some compulsory standards, which directly increases the demand for conducting conformity assessments on a wide range of products and firms. Equally, as the Government pushes through the industrialization agenda, the demand for

conformity assessments with increase exponentially in the medium term. There is, therefore, a need to accelerated investment in hard and soft quality infrastructure to increase its capacity.

2. **Human Resource Capacity gaps**. Over the last five years, UNBS staffing has been increased but still lags behind the approved staff establishment. In 2019/20, UNBS recruited an additional 105 staff, increasing the staff to 435, which is 67.7% of the approved staffing of 640 staff. Staffing gaps affect the efficiency and turn-around time for delivering services to the private sector and deliver her mandate.
3. **Limited Funding of UNBS.** The approved budget for FY 2019/20 was UGX 68.935 billion comprising of NTR contribution of UGX 39.108 billion (56.73%) and GOU contribution of UGX 29.827 billion (43.27%). However, UNBS requires the funding of approximately UGX 160 billion per year for the next five years to effectively deliver its mandate. Limited funding constraints UNBS's ability to deliver its mandate.
4. **Absence of Accreditation Body and Legislation**. Uganda does not have an accreditation body and has to rely on foreign agencies to accredit all the quality infrastructure institutions in the country. This is not only expensive but affects the credibility of conformity assessment results issued by national bodies in the global marketplace.
5. **Weak framework for coordination and collaboration among Quality Infrastructure** organizations and regulatory agencies. Effective coordination and collaboration among Quality Infrastructure organizations and regulatory agencies are needed for effective and efficient utilization of financial, technical, and human resources.

Table 11: Summary of performance FY 2015/16-2019/20

Key Performance Indicator	2015/16	2016/17	2017/18	2018/19	2019/20
Number of standards developed	451	355	254	414	505
Number of samples tested	9,883	12,439	14,472	17,770	19,796
Number of certification permits issued	718	941	849	1,378	2,705
Number of equipment calibrated	1,709	2,677	2,233	3,538	3,354
Number of consignments inspected	99,980	118,467	133,517	154,196	153,256
Number of equipment verified	706,939	757,551	848,456	1,000,787	1,063,277
Number of market outlets inspected	1,093	1,128	2,278	6,646	7,345



Source: UNBS

3.7.1.3 Conclusions and recommendations on Quality Assurance and Infrastructure

Strengthening of the national conformity assessment regime has increasingly become an important requirement for accessing international and regional markets and, in some cases**,** has become a major technical barrier to trade. The national quality infrastructure capacity that is estimated at 50% is very low to support the growth and competitiveness of Uganda trade and ensure the quality of traded commodities, both in the local market and exports. The government needs to ensure that adequate capacity is availed to all Quality Infrastructure organizations and regulatory agencies to carry out their mandates. To strengthen national conformity assessment, the Government should undertake the following measures;

1. Establish a national accreditation body to promote credibility and international recognition of conformity assessment services in Uganda. The Accreditation bill is before parliament and ought to be fast-tracked.
2. Strengthen coordination of standardization and quality assurance institutions in Uganda, given that a number of MDAs have mandates to set and enforce standards. In the long-term as part of the government efforts to merge MDAs, standardization and quality assurance functions should be centralized at UNBS.
3. Strengthen the legal and regulatory framework by enacting outstanding legislations like the Accreditation bill and the competition bill. Government should also prioritize enforcement and market surveillance functions of the national standardization and quality assurance institutions, led by UNBS
4. Commission external evaluation of the National Standards and Quality Policy to inform the revision of the Policy
5. Strengthen the capacity of the national inspection, testing, and certification systems to demonstrate conformance of goods and services to standards and technical regulations. This requires building laboratory capacity, staffing, and funding to quality assurance institutions to deliver the conformity assessment services
6. Strengthen a national metrology and calibration system to support businesses by constructing and accrediting the metrology laboratory at UNBS
7. Establish more regional centers for conformity assessment schemes (inspection, testing, and certification) to increase national coverage. The three regional centres (Mbarara, Gulu, and Mbale) are not adequate to support the entire country, especially as the country priorities agro-industrialization.
8. Support the private sector to conform to set standards, especially MSMEs. Government shall promote a public-private partnership approach in developing and implementing national standards and quality assurance measures, as well as establish an effective coordination and collaboration mechanism with the private sector, including consumer rights advocacy associations. Government should: a)Support the private sector to conform to national standards and adopt quality management systems in their operations in order to competitively produce and trade in quality goods and services; b)Support the private sector in the adoption of new and environmentally friendly technologies, acquisition of skills and work practices that facilitate quality improvement; c)Create awareness in the business community and sensitize consumers about the attributes of quality goods and compliance with standards and international codes; d)Promote private sector investments in the national quality infrastructure to ensure adequate

provision of services in the different quality infrastructure areas and e)Strengthen and where appropriate promote the formation of professional associations and capacitate them to adopt self-regulation to promote compliance to standards.

3.7.2 Sanitary and Phytosanitary (SPS) and Traceability

3.7.2.1 Importance of SPS to Uganda's Exports Growth

Agricultural exports dominate Uganda's exports[19] with 15 out of the top 25 export commodities being agricultural exports. In 2020, agricultural exports earned Uganda an estimated 1.3 billion dollars and accounted for about 31% of the total export value, mainly destined to regional markets and the EU. The agricultural exports by Uganda continue to be threatened with SPS related interceptions/border rejections both in the regional and EU markets. Generally, agriculture exports of HS Code classification chapters 1-24, 41, 44, 46-48, and 50-53 are susceptible to SPS issues. In 2021, Kenya Imposed a ban on Ugandan maize exports on account of high levels of aflatoxins, but the ban was later lifted. In 2019, the European Union (EU) had threatened to ban Uganda's Agro Exports to Europe for non-compliance with EU Phytosanitary (plant health) standards. This resulted in the Government of Uganda imposed ban, to avert a possible ban by the EU.

In 2016, the EU conducted an audit to evaluate the system of official plant health controls for the export of plants, plant products and plants intended for planting to the European Union (EU). The EU audit report concluded that Uganda has an established plant health system with an appropriate legal framework, and the National Plant Protection Organisation (NPPO) had introduced several additional measures, which improved the system of official Phytosanitary controls. It noted that whereas the inspectors are experienced and well-trained, severe staff shortages prevented the NPPO from running an official export control and certification system fully in line with EU requirements. In addition, whereas official controls were being carried out in greenhouses, at packhouses and at the airport, their scope and frequency were not in line with EU requirements. Phytosanitary certificates were being issued for consignments after inadequate or in many cases without official inspections. The NPPO required growers and packhouses to operate a system of their phytosanitary inspections during cropping, harvest and packing and considered these private inspections to be part of the official control system. It was reported that although the NPPO to some extent audited, supervised and verified the private activities, they could not replace official inspections due to the potential conflict of interest. The report observed that since comprehensive information was not available about the absence/distribution of certain harmful organisms of EU concern in Uganda, certain statements included on Ugandan phytosanitary certificates cannot be considered as reliable.

EU Interceptions of Ugandan Agricultural Exports: For the period 2013-2020, Uganda registered a total of 1,339 interceptions of agricultural export consignments to the EU, which accounted for 2.31% of the total inceptions by the EU over the same period. Of these, 65% were due to the presence of harmful organisms mainly in fruits and vegetables, cuttings and cut flowers, while 35% were due to other reasons including false information on the phytosanitary certificate, incorrect identity declared on documents, prohibited plants, plants products or other objects, absence of a phytosanitary certificate, inadequate or invalid, missing, incomplete additional declaration and fake phytosanitary certificate.

As shown in table 12, whereas Uganda's share in EU agricultural imports for commodities exported by Uganda averaged 0.57% over the period 2013-2020, her share of interceptions was 2.31%. In 2019, Uganda had 174 interceptions, which was 2.49% of interceptions by the EU in the same year. In 2020, Uganda had 325 interceptions, the highest in a single year since 2013, which accounted for 4.65% of interceptions by EU in the same year. Whereas the EU and other developed countries are potential export markets for Uganda's agricultural exports, inability to meet SPS requirements as evidenced in the high levels of interception is a binding constraint to market access utilisation. Whereas Uganda

[19] BOU external trade statistics

has received several warming letters requiring the NPPO to take action on the high incidences of export interceptions due to presence of harmful organisms and other SPS compliance issues, the continued increasing trends of interceptions point to capacity challenges in the capacity of both the NPPO and the private sector to meet SPS requirements.

Table 12: EU Interceptions of Uganda Exports 2013-2019

	2013	2014	2015	2016	2017	2018	2019	2020
Harmful Organisms	50	112	138	112	101	89	99	170
other non-conformities	48	26	24	41	40	59	75	155
Total Interceptions	98	138	162	153	141	148	174	325
Uganda's share in total EU Interceptions	1.48%	2.13%	2.40%	1.97%	1.83%	1.70%	2.49%	4.65%
Uganda's Total Exports to EU ('000 €)	328,322	359,963	399,142	390,460	507,598	457,782	459,104	439,398
Uganda's Agricultural Exports to EU ('000€)	279,634	321,849	366,835	350,318	431,760	381,316	384,772	406,454
EU's Imports from the World ('000€)	54,140,865	56,468,686	62,706,031	64,787,297	65,854,969	66,700,199	68,159,087	68,755,401
Percentage share	0.516%	0.570%	0.585%	0.541%	0.656%	0.572%	0.565%	0.591%

Source: Annual Reports 2013-2020) by EU on interceptions of harmful organisms in commodities imported into the EU Member States and Switzerland [20]

3.7.2.2 Institutional Capacity for SPS Controls

National Plant Protection Organisation (NPPO) and National Legislation: Uganda is a contracting party to the International Plant Protection Convention (IPPC) since 2007. According to the Plant Protection and Health Act of 2016, the National Plant Protection Organisation (NPPO) is the Department of Crop Inspection and Certification (DCIC) of MAAIF. It is the Competent Authority (CA) for plant health, headed by a commissioner. The Commissioner supervises the activities of the Phytosanitary and Quarantine Services Division, of the MAAIF, headed by an Assistant Commissioner. Export related inspections are carried out by inspectors working for the Phytosanitary and Quarantine Services division.

The Plant Protection and Health Act (Act No 6 of 2016) provides the legal basis for the Phytosanitary controls in Uganda. It defines stakeholder obligations in preventing the introduction and control of pests, weeds and diseases; designates the NPPO; defines duties of the Commissioner for Crop Protection; authorises and empowers NPPO inspectors for implementing and enforcing the Act. Certain provisions of the Seed and Plant Act of 2006, the Agricultural Chemicals Control Act of 2006 also relate to plant health activities. The Minister of MAAIF is empowered to implement the provisions of the Act by statutory instruments (regulations). These describe in detail the powers and tasks of the inspectors, the Phytosanitary Certificate (PC) issuance process and plant health responsibilities of growers, pack houses, traders, exporters and forwarders, as well as enforcement issues such as offences and penalties. The NPPO inspectors are duly authorised by the law to carry out SPS related inspections at the production farm during the growing period and on the consignment at the premises of the grower, trader or exporter or at the border. They are empowered to initiate sanctions in the case of identified non-compliances, such as refusing the export or ordering appropriate corrective actions.

[20] https://ec.europa.eu/food/plants/plant-health-and-biosecurity/europhyt/interceptions_en

The DCIC has registered multiple achievements, especially starting from 2015 following the enactment of the Plant Protection and Health Act. As reported in the 2019/20 MAAIF Annual Sector Performance Report, the achievements of the Department included:

a) Improvement of Policy, laws, regulations: Over the reference period, the National Seed Policy 2018, and National Seed Implementation strategy 2018 were approved by Cabinet; the National Sanitary and Phytosanitary (SPS) Draft Policy 2018 was prepared and the certificate of financial implication secured. However, Cabinet noted that there had not been sufficient consultations between the Ministry of Trade, Industry and Cooperatives, Ministry of Health and Ministry of Agriculture, Animal Industry and Fisheries who are key stakeholders and Cabinet directed that the three Ministries conduct more consultations and bring back a revised draft to Cabinet for approval. The consultations were hampered by the Covid 19 pandemic and the consultative process for developing a revised draft is still under way. ; Regulations on Agricultural Chemicals (Control) Act 2006 was prepared and approved, Regulations on Plant Protection and Health Import and Export Regulations were approved and gazetted. However, during consultations during the study, it was noted that a number of guidelines are still required including for inspection and certification of grain.
b) Continuous training of staff of the DCIC was conducted. In addition, a training manual on safe use of agricultural chemicals were finalised, approved by the Agricultural Chemicals Board (ACB) and now used for training of agrochemicals dealers and backstopping of agricultural extension staff.
c) Phytosanitary Certification: online e- certification procedure for issuance of Phytosanitary Certificates was implemented, and new registration guidelines for exporters of fresh fruits and vegetables was finalized and disseminated, submitted export certification procedure for Capsicum annum (Hot Pepper) to the People's Republic of China, submitted the export certification procedure of Ginger to the Republic of Egypt, submitted approval and registration of export of Capsicum annum to the European Union.
d) Developed the Sanitary and Phytosanitary Communication Strategy currently at MAAIF Technical Committee review level before forwarding to the MAAIF Top Policy.
e) Quality assurance (seeds; agro-chemicals; plants and plant products inspected and certified). In 2019/2020 FY, DCIC conducted 154,000 inspections through pack house to comply with fresh fruits and vegetables Sanitary and Phytosanitary export standards; Certified the following for export: 4,267,560 metric tonnes of cocoa; 233,918,988 metric tonnes of Coffee; 2,232,000 metric tonnes of Tobacco; 31,032,568 metric tonnes of tea; 65,000 metric tonnes of flowers; 45,052 metric tonnes of fruits and vegetables ; conducted 1500 field inspections of horticultural crops for Sanitary and Phytosanitary compliance for export market; Registered exporting companies for fresh fruits and vegetables, doubled from 60 in 2019 to 122 by June 2020
f) The Department (Competent Authority on Phytosanitary Measures) underwent a European Union DG SANTE Food and Health Audit in October 2019 and passed with recommendations.
g) Coordinated partnerships on Sanitary and Phytosanitary Measures, and these included: Launched the Sanitary and Phytosanitary Platform together with the Agribusiness Alliance; Signed a Memorandum of Understanding with COLEACP a European Organisation with a mission to support African and Caribbean Pacific countries to trade safely in fresh fruits and vegetables; signed a Memorandum of Understanding with Uganda Flowers Exporters Association in which Government has committed to contribute to a tune of 500,000 to support Phytosanitary compliance for the Rose flower exports (Cut flowers); Signed a Memorandum of understanding with the Chemiphar Uganda to kick start quality assurance program for agro chemicals and agricultural exports; The Task Force of Phytosanitary matters conducted 9

workshops for private sector to enhance SPS compliance for horticultural exports and reduce interceptions; Conducted 13 meetings for the Task Force on phytosanitary matters.

h) Seed Inspections and Certification: Inspected and certified 37,551.6 metric tonnes seed stock at ware houses of 20 seed companies; inspected and certified 2,975.5 hectares of field seed crops; conducted country wide inspection enforcements and impounded 10 metric tonnes of maize for lack of certification labels, low seed germination and viability; analysed 1,626 samples of seed to ascertain seed quality; as result a total of 21,207 metric tonnes for maize, beans, vegetables, soya beans, sorghum, sunflower and ground nuts were certified.

i) Conducted Distinctness, Uniformity, and Stability (DUS) trials for 54 candidate varieties at Ngetta, Namalere and Serere. 10 new varieties were released National Variety Release Committee (NVRC).

j) Agricultural Chemicals Board (ACB) approved 66 agrochemical products for registration, registered 100 new dealers and 100 new premises, approved 180 agrochemical dealers country wide for registration, approved 253 premises for dealership in agrochemicals for registration, renewed 167 agrochemicals, 102 dealers and 128 premises; inspected 524 agro input dealers and their premises for registration in the entire country; and conducted country wide enforcement inspections and impounded 20,000kg of suspected counterfeit fertilizers and pesticides, Conducted 8 trainings for a total of 600 dealers; conducted 2 training for 80 agronomists (40% women and 60% men) of exporters of fresh fruits and vegetables on good agricultural practices and procedures to enable them meet standards for compliance to export to European Union countries.

k) Harmonized regional guidelines for evaluating Bio pesticide which is a step towards fast tracking registration of safer products and reducing the use of hazardous products; and conducted 5 sensitization workshops for stakeholders (extension workers, input-dealers, farmer’s associations, and political leaderships) in 30 districts on counterfeit and banned products; and trained 140 extension officers and DAOs from 50 districts on seed inspection and quality assurance.

l) Represented MAAIF in meetings of EAC that completed development of harmonised regional guide lines on pesticides testing; has been adopted by Council of Ministers from the region and now ready for domestication at national level.

However, the NPPO still has inadequate capacity in the areas of staffing, facilities and resources for effective promotion and enforcement of sanitary and phytosanitary measures.

Staffing number and Capacity: According to the 2019/20 MAAIF annual performance report, inadequate staffing is one of the key challenges for the crop protection division. In the financial year, the Department of Crop Inspection and Certification (DCIC), consisting of three divisions namely, the Phytosanitary and Quarantine Inspection Services Division (PQIS); the National Seed Certification Services Division (NSCS) and the Agro-chemicals Control Division (ACC) had a total of 68 Inspectors against the required 168 Inspectors. This followed recruitment of 20 inspectors in 2020, which has enhanced the performance of the department. The new recruitment has beefed up inspection at the airport and the performance has greatly improved, leading to reduction in interceptions. Before 2019, the airport inspection team comprised two inspectors, which has now increased to 20 dedicate staff, with day and night shifts, with all commodity value chains having specific inspectors. Equally, the Ministry of Public Service approved establishment of zonal inspectors, which require to be established and equipped. In the central district, there is need for inspectors to handle cereals and grains as the operators/exports continue to face strong SPS related compliance requirements in regional markets.

The staffing level does not enable the department to effectively perform regulation and certification of seed, agricultural and exports and imports of plants and plant products. This is worsened by increasing number of of companies engaged in trade and increasing volume of both exports and imports, yet SPS requirements and specifications continue to be tightened, which requires more rigorous inspection. In addition to the approval to have regional inspectors, Uganda has over 40 designated border points, each of which requires a fulltime inspector. Consultations during this study revealed that the department requires immediate beefing-up of staffing levels to approved staffing levels of 168. In the medium term, staffing levels of at least 600 staff are estimated. This will still lag behind the 1,500 agricultural inspectors in Kenya and 700 agricultural inspectors in Tanzania as of 2019.

Training and Sensitization: There is need for continuous training of staff as new laws, new standards, species, etc keep changing requiring continuous refresher training for all staff regarding inspection and regulations. Through international support and departmental partners, the DCIC has benefited from multiple trainings with online training opportunities, and this should be the way forward. However, the training should be continuous to both DCIC staff and all value chain actors. Training was previously not looked at as a function of the department. There is need to train exporters, agronomist, farmers, etc to enable them appreciate the SPS issues. Stakeholders are also not conversant with SPS issues, without which the effective ness of the SPS regime becomes weak. Extension staff are disconnected from the SPS issues and need training and sensitization on SPS issues, which has to be continuous. The DCIC started on sensitization and many exporters/farmers make mistakes because they don’t know what SPS is and means for their business and activity. There is need for innovative ways for training/sensitization, following a robust communication approach including using social media. There is need to regulate which farmer should engage in producing for export markets, which has specific requirements and SPS compliance issues.

MAAIF is digitizing the SPS inspection process: Inspectors, using APPs on smart phones/tabs make inspection and submit reports digitally to the SPS portal. Based on which the PC are generated and automatically submitted to authorities in the destination market, before the goods are dispatched to the market. The same process will be applied to certification of imports. However, these are project funded IT based, which requires continuous updating to ensure the system keeps running. The MAAIF is now planning to add on the animal products on the SPS portal. The digitization process will require funding from the national budget for sustainability beyond project and donor funding.

Funding: Discussions with the DCIC revealed inadequate funding of the department as a binding constraint. Funding to the department is not ringfenced and any functions in funding directly impacts service delivery, yet inspections cannot wait. The recent regulations included charges with potential to generate adequate internally generated revenues for the Department. It is important that these are ringfenced for the DCIC.

Inability to effectively man all border points: Equally, effective presence at all borders requires additional funding, while increasing coverage of rigorously inspected commodity value chains to include grains require significant funding. Whereas some border posts have been upgraded like Malaba, Elegu, Busia, Mutukura, Mpondwe with funding through TMEA/COMESA, these lack some facilities especially laboratories due to inadequate funding. Equally, MAAIF requires inspectors in Mombasa, on the other side of the one stop border posts (OBPS), which is not possible because of inadequate funding. Traders are free to choose the port of entry and if they know of the border point without inspectors, they tend to use such borders. The DCIC requires to be capacitated to ensure presence at all borders.

Laboratory Facilities: The MAAIF Plant Health Laboratory at Namalere provides analytical services for the NPPO, related to the export, import controls, internal quarantine and surveillance activities as appropriate. The work of the laboratory is supported by scientists of the National Agricultural Research Organisation in the form of training, consultation or validation of certain identification results. The laboratory possesses basic facilities for morphological identification of harmful organisms, have experienced technical staff but lacks the capability for serological and molecular tests due to lack of equipment. MAAIF signed MOU with Chemiphar to conducting lab testing which MAAIF may not be able to do (agricultural products and agrochemicals-pesticides and fertilizer testing). Plans are underway to designate other laboratories to conduct testing which the Ministry may not be able to do. The plan is to engage and sign MOUs with National laboratories, including with research organisations like NARO and academia laboratories to beef up the capacity of Namalere laboratory, which requires further revamping. Government has invested a lot in research and academia laboratories, which has professionals, equipment and certified. There is need to work with these to harmonise the need for academic research and the needs of the private sector. Government has already trained staff in some of the required research disciplines and its desirable for MAAIF to tap into these resources in order to meet SPS requirements in the export market.

SPS Equipment and Facilities requirement: The DCIC reported improvement in working facilities and equipment, although much more is still needed. For example, at Entebbe airport, Inspectors were working from cottages with poor facilities, but the private sector has provided space with good facilities and equipment to enable MAAIF conduct inspection. Equally, previously, the department did not have transport to enable movement of inspections, but the department now has seven vehicles to enable them conduct field inspections. There is also revamping of national laboratory at Namlele although there is still need for equipment and rehabilitations at the laboratory which are not working.

Draft National Sanitary and Phytosanitary (SPS) Policy: The Government started drafting the National SPS policy in 2011. The policy was expected to provide guidance on institutional coordination mechanism given that implementation of SPS measures is shared among several MDAs including the Ministries of Health; Trade Industry and Cooperatives; Agriculture, Animal Industry and Fisheries; Local Governments plus semi-autonomous Agencies such as the Uganda National Bureau of Standards, National Drug Authority and Dairy Development Authority among others. However, at the time of updating the DTIS, the National SPS policy had not yet been approved by the Government. The absence of a national SPS policy is credited with a number of challenges in holistically addressing SPS issues in Uganda including: Lack of SPS institutional coordination mechanisms, weak enforcement mechanisms, inadequate production, processing and marketing infrastructure, low capacity of the SPS laboratories, limited skilled personnel manpower, inadequate and inappropriate allocation of financial resources, weak SPS extension services (coverage & outreach), limited science based approaches, lack of effective information sharing and analysis systems, unregulated movements of agricultural produce, low public awareness, and inadequate involvement of the private sector in SPS issues. The absence of a national SPS policy has meant that Government funding of SPS issues through the national budget is not well mainstreamed, which continues to constrain coordination efforts across MDAs and enforcement of SPS.

Communication and collaboration with stakeholders

MAAIF through the DCIC engages and has established communication and collaboration arrangements with stakeholders, especially the private sector associations of agricultural export commodities most affected by SPS. The department has made specific efforts to establish close working relations with at least eight associations and professional organizations of producers and exporters of plants and plant products. Through the cooperation agreements, the private sector associations/producer organizations have made commitments to involve their members in the export related plant health activity through coordination, information flow and technical assistance, on several aspects of administering an phytosanitary administration and surveillance regime, including: a)Pest control in the field; b)Pest monitoring in the crop (scouting); c)Inspection of plants and products during the packing; d)Identification of the causes and action against non-compliances; e)Supervision of the disposal of infested commodities; f)Establishing channels for up- and downstream information flow; g)Collection and transmission of relevant records for the DCIC. Based on an agreement concluded with the DCIC, the Uganda Flower Exporters Association carries out specific plant health tasks, such as: organising and coordinating farm inspections, collecting information on pest and monitoring traceability at farm level, enforcing phytosanitary measures, informing its members about plant health requirements of destination countries, creating awareness among stakeholders on key phytosanitary issues and conducting pest risk analysis and surveillance for the DCIC. This cooperation is a key element for operating a viable export system of plants and plant products.

Traceability system for Export Commodities
Traceability is a cornerstone of the increasingly complex, industrialized, and global agricultural goods supply system. Traceability is useful for producers and manufacturers to track items for supply-chain management purposes and for clients; and in the event of a recall, traceability is critical to protect consumer health, especially when large quantities of contaminated products are distributed across widespread markets. Traceability is increasing becoming a competitiveness issue especially in the developed countries. Since 2015, the Ministry has progressed on developing a traceability system. MAAIF is registering farmers at farm level and all farmers growing for export are registered with MAAIF and are given a national code that identifies them for traceability purposes. However new farmers come on board and other drop off. After inspection, farmers receive codes and the codes are the same used in packhouses to identify the source of the export consignment, and even the PC has a field where that code is field. This has enabled the DCIC to be able to trace any produce that is issued with a PC for a number of commodity value chains, including flowers. The Government needs to rollout the traceability system to cover all exported commodities in the medium term. This will require registering all farmers, especially those producing for export. Equally, it requires registering all exporters and pack houses for all main export oriented agricultural value chains.

Compliance and Enforcement of SPS Requirements
Uganda risks export bans by the EU due to high prevalence of pests found in her agricultural exports especially fruits and fresh vegetables and Flowers exports as well as high residual levels of pesticides and heavy metals in fish and agricultural exports. According to the 2019 SPS Diagnostic mapping report, MAAIF needed an extra 8.5 billion shillings to equip and boost the work of newly recruited crop and animal inspectors at the airport and border points as well as activities of the department of crop inspection and certification services. The inspectors are also required to support farmers in the eradication of false codling month and other harmful organisims in the exportable agricultural produce during the production on farms. Only nine borders are staffed with agricultural inspectors, namely Mutukula, Busia, Malala, Katuna, UCDA, Nakawa bus terminal, railway bus shade, Rwakhaha and Entebbe airport.

Therefore, compliance and enforcement of SPS requirements faces a number of challenges along the agricultural value chains, including:

1. Access and proper use of agricultural inputs: This includes use of substandard and counterfeit inputs, misapplication of pesticides and agro-chemicals, non-registered input dealers, limited access to quality inputs, poor regulation of pesticides and limited use of alternatives to chemical pesticides, low capacity of the chemical control board, misadvise on the use of pesticides and agrochemicals by extension workers knowledge is out of date and or not aligned to SPS requirements in export markets.
2. Weak SPS compliance support infrastructure including cold chain storage and facilities at airport, which are not effective in keeping produce cool.

3. Inadequate capacity to control quality and food safety at production level leading to non-SPS compliance products being delivered to the market. This is attributed to: a) limited knowledge on SPS requirements in the export market at production level, b) lack of knowledge and information by farmers on pest control and disease management leading to inability to identify pests, c) absence of crop monitoring/surveillance systems, d) low application of technology, and e) poor storage and transportation.
4. Low capacity in public sector MDAs to promote and enforce SPS compliance due to staffing levels, funding and support facilities for the DCIC and other SPS related functions in MDAs, absence of SPS policy to streamline coordination and communication on SPS issues, and absence of strong regulatory regime for exporters of different crops.
5. Low capacity of exporters to comply with SPS requirements due to absence of strong regulations for export legibility, inadequate training of exporters and limited knowledge/understanding of SPS requirements.
6. Weak penalties for offences. Whereas there exist legislations that are sufficient to ensure observation of SPS measures by value chain actors, the legislations have weak penalties that do not deter offenders. For example, penalties for smuggling plants that are not allowed in Uganda, attracts a penalty of 24 currency points, equivalent to 480,000 Uganda shillings. This is not deterrent to discourage illegal importation of plants into the country.
7. Gaps in existing legislations. Consultations during the study revealed that all SPS related laws have gaps, resulting from the nature legislations in Uganda. For example, the plant health and protection act has weak provisions on pesticide residuals and aflatoxins. This has made it difficult in adopting comprehensive regulations of pesticide control and residue monitoring as well as control of aflatoxins. Yet, pesticide residue control and monitoring, and aflatoxins have become areas of focus in international trade than ever before. These are areas of possible increased interception and bans of Ugandan products in future, partly because of weak legislation as the competent authority has limitations on enforcing compliance to some of these issues. According to stakeholders, it is important for Uganda to change how SPS legislations are packaged. Using the case of EU, different aspects of SPS have different legislations. For example, the EU has different legislations for import, placing on market and distribution, law on use of agro-chemicals, law on pesticide residues, etc. Whereas in Uganda, these are all packaged in the same legislation. The tittle itself limits the wording of some sections, and this makes enforcement difficult.

3.7.2.3 SPS Compliance and Enforcement Capacity Building Options

In a new report, Isaac B. Gokah et el (2020), titled “Prioritizing Sanitary and Phytosanitary (SPS) Investments for Market Access in Uganda”, the author applied the “Prioritizing SPS Investments for Market Access (P-IMA)”[21] framework developed by the Standards and Trade Development Facility (STDF), based on Multi Criteria Decision Analysis (MCDA), to help inform and improve evidence-based Sanitary and Phytosanitary (SPS) capacity building planning and decision-making processes in Uganda.

The authors applied the P-IMA priority setting framework on thirty-three (33) SPS capacity building options in Uganda, ranked in three groups: Livestock including Dairy and Honey (17), Horticulture and Grains (7), and Fish (9). These were ranked on the basis of structured process for identifying the SPS capacity building options that were relevant for market access. The report findings showed that overall, it would require about US$74.9 million to address all the SPS capacity constraints in Uganda in order to generate over US$1.4 billion worth of additional exports over the implementation period of five years. However, since resources are limited, the prioritization process shows that the following can be classified as the best options because they consistently ranked above the others:

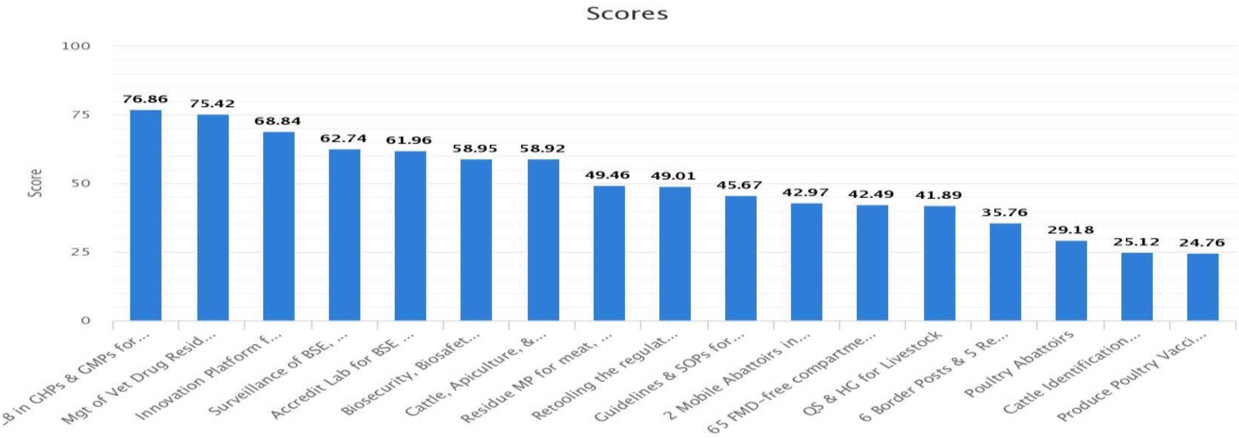
[21] https://www.standardsfacility.org/prioritizing-sps-investments-market-access-p-ima

Livestock and Honey SPS Capacity Building Options: The P-IMA study considered 17 SPS capacity building interventions namely:

i. Establishment of SPS infrastructure for livestock - Quarantine Stations and holding grounds,
ii. Establishment of and Implementation of cattle identification and traceability system,
iii. Establish 2 mobile export abattoirs in FMD-endemic regions to overcome quarantine,
iv. Establish Poultry abattoirs including mobile abattoirs,
v. Technical capacity building in Biosecurity, Biosafety & technology for beef, poultry & bee products
vi. Accreditation of BSE and FMD Analysis Laboratory,
vii. Surveillance of BSE, FMD, Avian Influenza (AI), & American Foulbrood (AFB),
viii. Establish 65 FMD Free compartments,
ix. Support private sector in cattle, apiculture& poultry associations in advocacy & self-regulation
x. Strengthen Laboratory Capacity,
xi. Developing guidelines and SOPs for beef, honey and poultry VC actors,
xii. Training, equipping and retooling the regulators of animal food products in risk-based inspections approaches,
xiii. Develop and implement residue monitoring plan in meat, dairy poultry, & bee products,
xiv. Produce Poultry Vaccines,
xv. Establish and Support Innovation Platform for Poultry VC actors,
xvi. Management of veterinary drug residues and aflatoxins in milk and milk products,
xvii. Capacity Building in GHPs & GMPs for Milk and Milk Products

As shown in figure 6, the P-IMA study result shows that technical capacity Building in GHPs & GMPs for Milk and Milk Products; management of veterinary drug residues and aflatoxins in milk and milk products; establishment and support for innovation platform for poultry value chain actors, Surveillance of BSE, FMD, Avian Influenza (AI), & American Foulbrood (AFB), and accreditation of BSE and FMD Analysis Laboratory are the top five best options, with scores above 60. Addressing these will deliver a lot of benefits in terms of growth in volume and value of trade for Uganda.

Figure 6: Cost and Trade Impact Model – Prioritization of Livestock and Honey Products



Source: Isaac B. Gokah et el (2020), titled "Prioritizing Sanitary and Phytosanitary (SPS) Investments for Market Access in Uganda"

Horticulture and Grains: The P-IMA study considered seven (7) SPS capacity building interventions for horticulture and grains, namely:

i. Accreditation of pesticide testing labs (includes Pesticides residue monitoring,

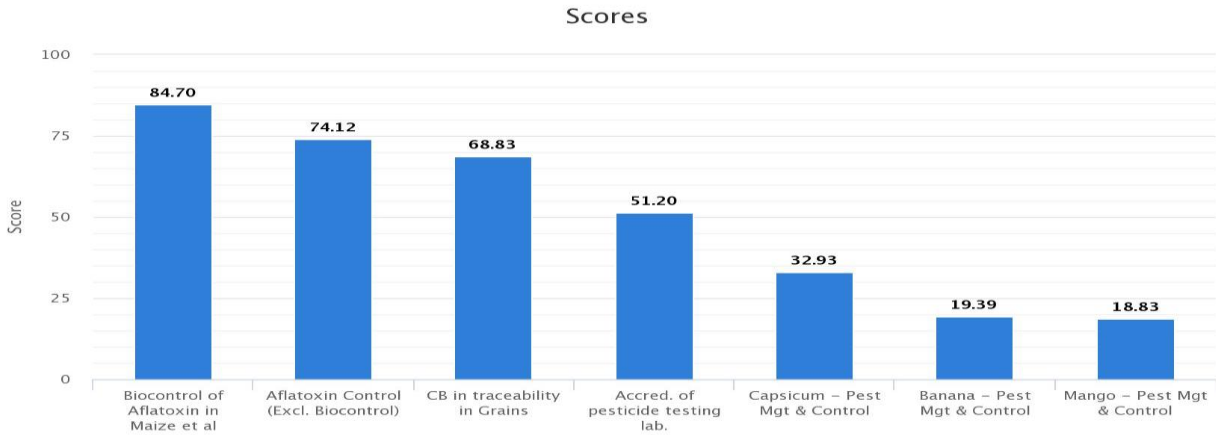
ii. Pest Management & Control for Mango exports
iii. Pest Management & Control for Capsicum exports
iv. Pest Management & Control for Banana exports,
v. Biocontrol of Aflatoxin in Maize, Sorghum and Groundnuts,
vi. Aflatoxin Control in Grains (Excl. Biocontrol) and
vii. Capacity building in traceability in Grains

In the P-IMA SPS capacity classification, Pest Management & Control was defined to include: a) irradiation of Horticultural Produce, b) Establishment of Pest Free Production Sites and Areas of Low Pests Prevalence for Banana, Capsicum & Mango, c) Capacity Building in controlled places of production for Capsicum for small scale growers, d) GAPs for horticulture production, and e) Data capture and forecasting Info System for FCM in Horticulture products for surveillance and monitoring.

In addition to the above seven (7) broad categories, the P-IMA identified other SPS regime improvement needs to include: a) strengthening institutional enforcement capacity for Maize and F&V, harmonization of SPS import requirements for Grains (Maize & Sorghum) between EAC & COMESA, Certification of Agro – input suppliers and inputs, GAPs (pesticides safe use) and Mycotoxin monitoring & testing.

Figure 7 present the main result of the prioritization framework findings. In all, Biocontrol of Aflatoxin in Maize, Sorghum and Groundnuts; and Aflatoxin Control in Uganda (Excl. Biocontrol), and Capacity building in traceability in Grains ranked highest respectively with at least 60% score. This means that, overall, these capacity building options have higher positive net trade flows. On the flipside, accreditation of pesticide testing laboratories to fulfil market requirements for pesticide residues for products destined for EU followed by Pest Management & Control for capsicum have the low return on investment. Again, note that this ranking does not mean that the lowest ranked options are not worth investing into, but rather, in terms of priority setting against limited resources, they do not come first.

Figure 7: Cost and Trade Model Ranking of Horticulture, Dairy and Grains Capacity Building Options



Source: Isaac B. Gokah et el (2020), titled "Prioritizing Sanitary and Phytosanitary (SPS) Investments for Market Access in Uganda"

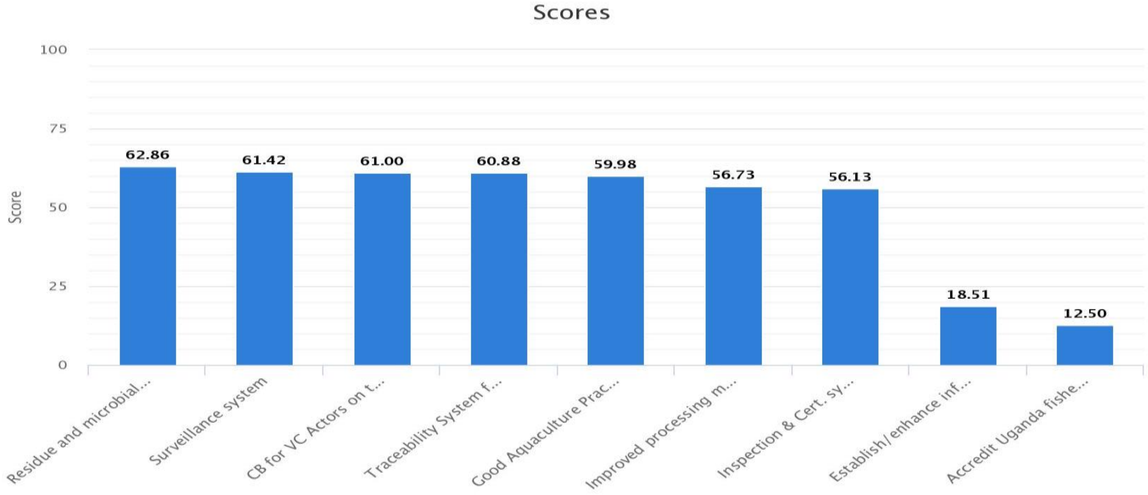
Fish and Fish Products: The P-IMA study considered nine (9) SPS capacity building interventions for fish and fish products, namely:

i. Promote and support improved processing methods in aquaculture and wild catch
ii. Design and implement Good Aquaculture Practices

iii. Design and Implement traceability system for Aquaculture
iv. Building capacity of Inspection & Certification system for Aquaculture VC
v. Build capacity for Value Chain Actors on International Standards, Regulations, Practices, and Guidelines
vi. Establish and/or Enhance infrastructures
vii. Upgrade and accredit Uganda fisheries laboratory
viii. Build capacity in residue and microbial monitoring for fish
ix. Establish and implement a surveillance system for fish

The main result, which is the ranking of the nine capacity building options is presented in figure 8. The result shows that the building capacity in residue and microbial monitoring for aquaculture and wild catch, establishment and implementation of surveillance system for fish, capacity building of value chain actors on international standards, regulations, practices, guidelines, etc, and Design and Implement traceability system for Aquaculture are the options with the highest net trade benefits, scoring at least 60% out of 100.

Figure 8: Ranking of CBOs Based on Cost and Trade Model



Source: Isaac B. Gokah et el (2020), titled "Prioritizing Sanitary and Phytosanitary (SPS) Investments for Market Access in Uganda"

6.6.2.4 Conclusions and Recommendations on SPS Management and Capacity Building

1. Government should prioritise approving and implementing the National SPS policy
2. Government should fast track development and implementation of regulations on pesticide residual control/monitoring and aflatoxin control. This may necessitate reviewing existing legislations.
3. There is need to accelerate capacity building of the Inspection and quarantine division of MAAIF by increasing staffing levels, continuous staff training, improving funding, digitisation of the service delivery process and acquisition of working facilities and equipment
4. Build capacity and increase expertise at production levels to improve SPS compliance in production and post-harvest handling levels. Government should develop a network of coaches/tutors in the local areas to work hand in hand with stakeholders to ensure everything goes well in complying with SPS and other market requirements
5. Finalise and implement a communication strategy on SPS issues, to reach out to all stakeholders along the value chain and the general public to increase awareness and appreciation of SPS issues

6. Enrich and continuously update SPS and standards information on the trade portal
7. Improve coordination with the private sector. There is need to sustain and strengthen cooperation with the private sector. This requires formation of functional apex bodies for each commodity that enhances self-regulation. All export commodity value chain should be required to form apex bodies like UFEA, to provide a framework for coordination on the side of the private sector.
8. There is need for more synergies with research at NARO and Academia to focus the research programmes on market access challenges like pests and diseases
9. Strengthen/support the Joint task force formed to address the challenge of fake agro inputs (MAAIF, UNBS, URA, MTIC, NDA, MOH)
10. Procure modern diagnostic tools to strengthen MAAIF Laboratories capacity and continue to train its human resource.
11. Strengthen Agricultural Police now in place to support the enforcement of Agricultural laws as a priority.
12. Part of the non-tax revenue (internally generated funds) collected by the competent austerity should be ring-fenced and made available for the department to quickly and effectively respond to emerging regulatory issues.
13. There should be collective engagement and sensitization of farmers on issues of quality chemicals and also inform them to desist compromising quality in exchange for cheap substandard products.

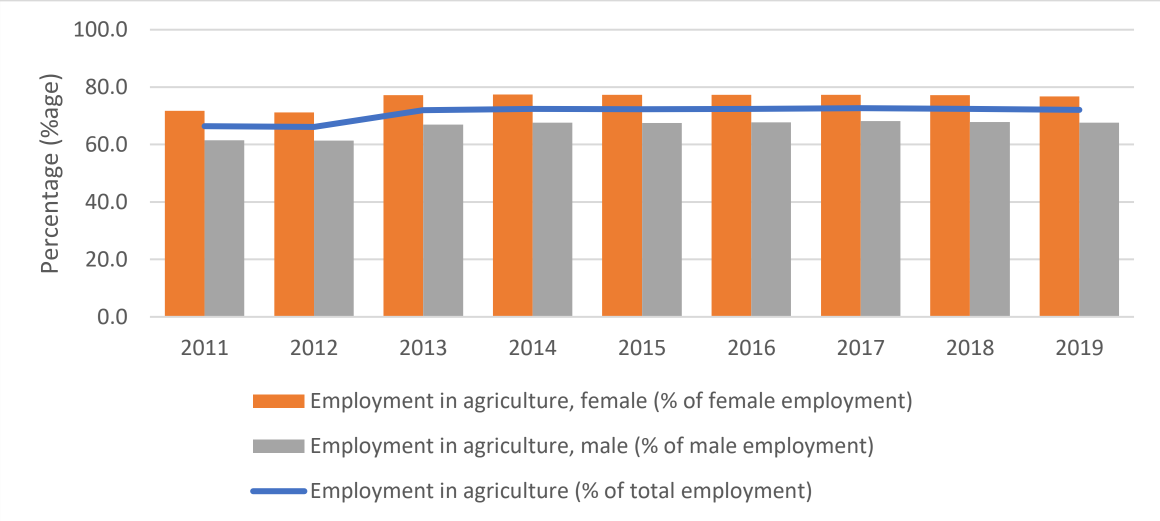
4.0 PERFORMANCE AND CAPACITY OF PRODUCTIVE SECTORS

4.1 Agriculture and agribusiness performance

4.1.1 Agriculture Sector Performance Overview

The agricultural sector remains the backbone of the Ugandan economy. Agricultural land (% of land area) is estimated at 71.9%, and the largely favourable soil conditions and climate have contributed to the dominance of agriculture in Uganda's development process. Most areas of Uganda receive enough of rains to enable two farming seasons a year. Temperatures vary only a few degrees above or below 25 °C but are moderated by differences in altitude. These conditions have allowed continuous cultivation in most parts of the country. The agricultural employment (% of total employment) has increased from 66.4% in 2011 to 72.1% in 2019. Over the same period, employment in agriculture among female (% of female employment) has increased from 71.7% to 76.8%, while employment in agriculture, male (% of male employment) increased from 61.5% to 67.7%, as shown in figure 9.

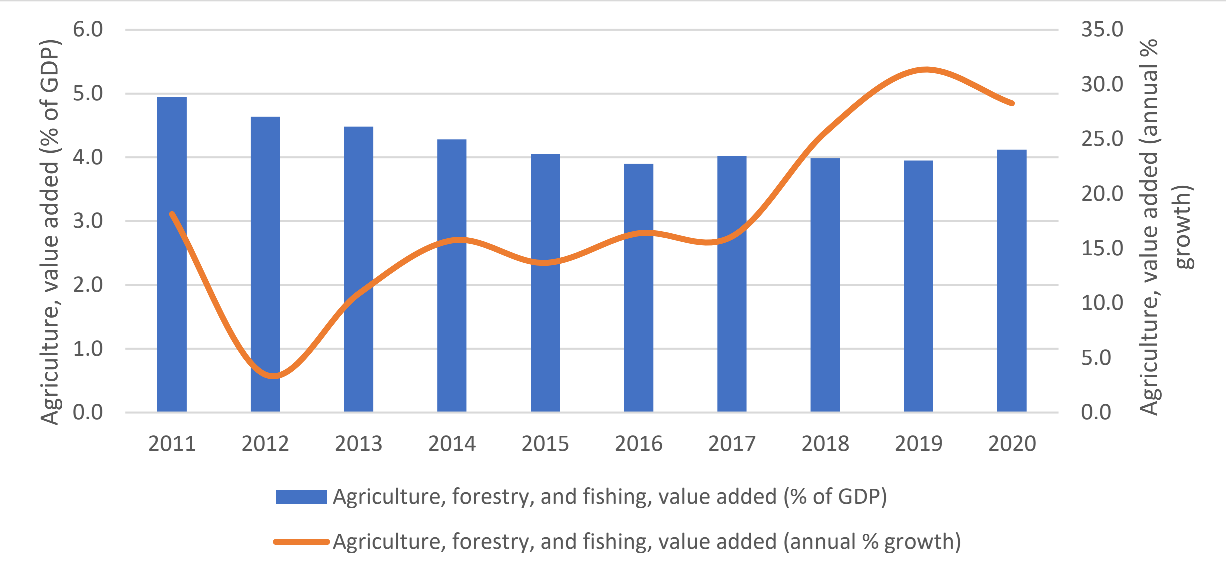
Fig 9: Employment in agriculture



Source: World Development Indicators

The agriculture sector is therefore fundamental to Uganda's growth and development plan. The agriculture, forestry, and fishing, value added (% of GDP) declined from 28.8% in 2011 to a minimum of 22.8% in 2016 before increasing to 24% in 2020. This contribution to GDP trends reflects the structural transformation of the economy, the share of the services sector GDP increased over the last two decades. However, the recent trend of increased sector contribution reflects the potential and resilience of the sector. Over the same period, Agriculture, forestry, and fishing, value added (annual % growth) was declining until 2015, when it reached the minimum of 2.3% but has since been growing. In 2020, the sector posted a 4.8% despite the impact of Covid 19, as shown in figure 10. Since 2016, the agriculture sector's GDP continued to register recovery and robust growth averaging 4.0%, on account of a rebound in growth of cash crops output averaged 7.1% while the growth of the food crops output increased to 3.6% and livestock output increased by an average of 6.4%. The sector's rebound has seen Uganda register surplus production and gain a competitive advantage in regional markets in several agricultural products, including coffee, fisheries, poultry, dairy, and grains.

Fig 10: Agriculture sector contribution to GDP and growth



The agriculture sector's robustness is attributed to multiple factors. These include increased budgetary allocation to the sector since 2015/16, increased research output that have seen NARO produce new drought and pest resistant varieties to multiple crops including cash crops like coffee, distribution of inputs under operation wealth creation that have enable many farmers to access quality inputs like seed, increased access to extension service following the recruitment of extension staff at lower local governments among others. The 2019/20 annual sector performance report for the Ministry of Agriculture reported multiple achievements, which are contributing to the sector recovery, and these include:

a) The percentage of commercial farming households increased from 3.6% in 2014 to 11.9%, according to the Annual Agriculture Survey by the Uganda Bureau of Statistics, representing an increment of 8.3%. This is attributed to the enhancement of extension service delivery to farmers through recruitment and equipping of skilled 3,867 agriculture extension workers
b) The average yield of crops increased by 22.6%. The increment is attributed to the improved technologies generated and disseminated by the recruited extension workers and increased farmer access to the improved technologies.
c) Percentage of farmers equipped with skills in post-harvest handling technologies, and value addition is 41.2% attributed to the MAAIF effort on training farmers through the extension workers at the district local government in post-harvest handling to increase the quality of the outputs and ultimately market access.
d) Percentage change in production and productivity of priority and strategic commodities increased by 26.6%. The increment was a result of the improved technologies generated and disseminated by the recruited extension workers and also increased farmer access to the improved technologies.

However, there is still a high proportion of the population dependent on subsistence agriculture majority of whom are rural women and youth due to:

1. Low agricultural production and productivity.
2. Poor storage infrastructure.
3. Poor market access and low competitiveness for products in domestic, regional, continental, and international markets.
4. Low-value addition.
5. Limited access to agricultural financial services and critical inputs.

6. Poor coordination and weak institutions for planning and implementation of agro-industrialization.

Over the NDP III period, to foster a sustainable agro-industrialization agenda in Uganda, the GoU has prioritized ten commodities; coffee, tea, fisheries, cocoa, cotton, vegetable oil, beef, maize, dairy and cassava for targeted support to increase production and productivity in order to realize export competitiveness. This is because despite a huge market, and the apparent potential of prioritized products, the country's capacity to satisfy the market demand remains inadequate. The GoU ambition is to increase export value of processed agricultural commodities namely coffee, tea, fish, dairy, meat, and maize (and its products) from; USD 0.935 Billion to USD 2.7 billion over NDP III. The Government strategy under NDP III to Agricultural sector development is to promote agro-industrialisation, which, presents an avenue for promoting inclusive and equitable growth. It also provides an opportunity to add value to agricultural raw materials in order to promote export of high value products. Agro industrialization, addresses the high post-harvest losses, minimizes losses to disasters, stabilizes prices and s household incomes. In addition, it provides an opportunity for import substitution, while the backward and forward linkages between agriculture and agro-industries will necessitate that Uganda sustainably transform agro-value chains to ensure sufficient supply for domestic industries to undertake transformative sustainable manufacturing while creating employment for its citizens.

Given the dominance of agriculture as a source of livelihood, agricultural trade offers a great opportunity for Uganda to embark on its long-term aspiration of increasing household incomes and improving the quality of life. It fosters inclusive and equitable growth and returns a positive trade balance. Targeted support to agricultural trade provides an opportunity to add value to agricultural raw materials to promote the export expansion of high-value products.

Contribution to exports: Agricultural exports have grown progressively over the years. Considering the top 30 agricultural exports, the export value increased from US$1.206b in 2015, peaking at US$1.56b in 2018 before reducing to US$1.38b in 2020. Over the period, the agricultural exports increased by 14%, while the total exports increased by 83%, on account of gold exports. Accordingly, the agricultural exports share in total exports decreased from 53.2% in 2015 to 33.3% in 2012, as summarized in figure 13 below.

Figure 13: Uganda's agricultural exports (US$ million) 2015-2020

	2015	2016	2017	2018	2019	2020	Growth 2015-2020
Total Formal Exports	2,267.	2,482.3	2,901.2	3,087.3	3,563.8	4,148.9	83%
Value of top 30 Agricultural Exports	1,206.6	1,125.0	1,502.9	1,562.9	1,394.8	1,380.0	14%
Percentage Share	53.2%	45.3%	51.8%	50.6%	39.1%	33.3%	

Source: Trademap

Several major issues undermine the agricultural export performance, and they are as follows:

a. Inadequate capacity by both the public and private sectors to regulate/ enforce and comply with Sanitary and Phytosanitary Standards (SPS) that guarantees consumers' health and safety, especially for commodities destined to developed economies like the EU market.
b. The production and productivity of major exports are constrained by supply-side constraints, including reliance on rain-fed agriculture that hinders the ability of producers and exporters to meet large and regular orders from major importers in key export markets.
c. There is still little value addition, and the country continues to export most of the agricultural commodities in their raw form.

d. Most production is by smallholder farmers who have limited capability to comply with essential quality standards and cannot cope with inefficiencies along the supply chain.

Performance of the Agro- Processing Sector: Uganda's relatively young industrial sector is dominated by agro-based manufacturing enterprises. Due to their contribution to formal sector job creation, it provides a way to achieve inclusive growth. Over the last ten years, manufacturing production in Uganda has been growing steadily. Most of this growth is attributed to the food processing sub-sector, which has grown at 8 % per annum over the last five years. Food processing alone accounts for 40 percent; according to the UBOS statistics, soft drinks account for 17 percent of manufacturing output. The meat, fish, dairy, edible oils have dominated food processing growth and continue to show promise in terms of unexploited potential

A combination of factors including, Uganda's reasonably high population growth (3.2 %); a 5.6 %Rate of urbanization, and changing consumption patterns associated with increased income; has provided the springboard from which Uganda's nascent agro-industries can gain market experience and understanding before venturing into the regional and international export markets. From the point of view of urbanization, Kampala has a population of over 1.2m, which is growing at a rate of 3.9% per year. In addition, Uganda's cities have increased from 1 to a total of 6 in Uganda. The expansion in domestic market opportunities is also driven by the increasing number of schools and learning institutions in all regions of Uganda. Over and above the growth in domestic opportunities, there is high regional demand for agricultural and manufactured products (such as maize and dairy products). In addition, Ugandan producers are interfacing with an increasing number of Regional and Global Value Chains. The following issues, however constrain the exploitation of emerging value chain opportunities:
Institutional and regulatory inefficiencies witnessed, for example, with respect to the provision of " fit for purpose" extension services and regulation of food quality which has affected the maize,

- meat and dairy value s chain.

Unpredictable and discretionary regulatory environments (especially in

- EAC partner states with export and import bans, variable tariffs and quotas, restrictive rules of origin, price controls, this has been seen in the maize and dairy sectors
- Non-availability of information up to update statistics required to plan effectively for value chain development
- Inefficient distribution services with burdensome entry requirements, lengthy registration procedures, and high numbers of intermediaries.
- Regulatory and competition inefficiencies along the value chain, which diminish the competitiveness of regional cereals, dairy fisheries livestock suppliers which drive cross-border trade from formal into informal channels.
- High transportation costs affecting agricultural trade in East Africa have more to do with the lack of modern and competitive transport services than with transport infrastructure problems.
- Infrastructural constraints for example, electricity, roads, storage facilities, among others.

4.1.2 Main Agricultural Export Commodities

4.1.2.1 Coffee and Cocoa Export

Coffee is a key cash crop for Uganda and one of the 8 priority agricultural commodities being promoted by the Government. An estimated 1.7 million households are engaged in coffee production. Most coffee is produced by smallholder farmers, estimated at 85%, while 5% of coffee is produced on coffee plantations and 10% by commercial farmers. Being mainly known for Robusta production, Uganda is yet to establish itself in the branded market. For this reason trade and consumers have little awareness of the Ugandan coffee product

It is recognized across the sector, that investment in branding the Uganda Arabica product would win higher prices and improve margin going directly to farmers. While quality improvement with respect to the Arabica coffee produced by the cooperative in Eastern Uganda has resulted in improved prices and margins, this has not been the case with Arabica produced in western Uganda, where Quality control shortcomings are associated with a multiplicity of trading channels and limited processing capacity

A review of coffee value chain dynamics, indicates that, continued reliance on the middle man for the purpose of collecting and transporting products to buyers or exporter, not only eats into farmer margins, but has also been observed to be associated with poor quality of coffee arriving at exporters' stores. To address the difficulties emerging from reliance on ad-hoc middle man arrangements, there has been experimentation with models that link farmers to nuclei farms or directly with exporters such as Kaweri coffee. Such models have been shown to result in improved productivity a well as post-harvest handling but cannot be easily replicated, given the fact that smallholders are spread out all over the country

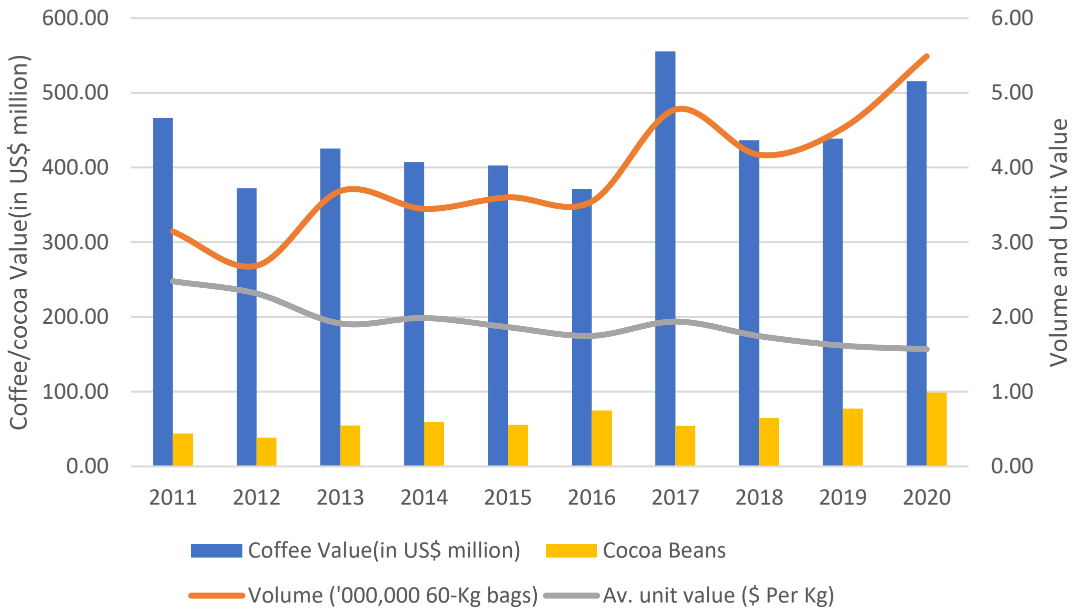
Cocoa is one of the new export commodities currently grown by about 15,000 farmers in Bundibugyo and is expanding to other new districts, including Kibale, Hoima, and Mayuge. Cocoa has been embraced by coffee farmers who were affected by the coffee wilt disease. All the cocoa produced is exported as cocoa beans, and export volumes have increased from 17,936 tonnes in 2011 that earned Uganda $44.5m to 41,282 tonnes in 2020 that earned Uganda $99m, equivalent to a 130% increase in volume and a 124% increase in cocoa export earnings. Cocoa is mainly exported as raw beans because the market for processed cocoa is low, and the volumes to support commercially viable cocoa value addition do not exist in Uganda.

Cocoa is currently exported by two major companies, ESCO and Olam Uganda, both of which are organic certified. Both of the two companies do not own cocoa plantations but work with contract farmers. ESCO is by far the largest exporter of organic cocoa in Uganda. ESCO has over 12,000 contracted farmers scattered all over Bundibugyo district and runs an income savings scheme for the farmers to protect them from off-season food shortages. ESCO supports farmers to produce the required product through:

- Buying cocoa output from farmers
- Training in good agriculture practices
- Fermenting and drying of the cocoa
- Providing farmers with tools such as pickers and drying tarpaulins at an arranged cost
- Promoting cooperatives among farmers

According to the Bank of Uganda statistics, Coffee export earnings increased from $466m in 2011 to $515m in 2020 (10.5% increase). Over the same period, the volume of coffee exported increased from 3.14 60kg million bags in 2011 to 5.49 bags in 2020 (74.6% increase) while per-unit value has declined by 36.7%, as shown in fig xx. Until 2019, coffee was the leading export earner for Uganda before being overtaken by gold. However, coffee continues to be the most poverty-impacting commodity as more than 80% of the export earnings end up in the hands of small-scale farmers across Uganda.

Fig 11: Coffee/Cocoa trade (Value and Volume)



Source: Bank of Uganda

The findings show that the increase in export value for both coffee and cocoa is mainly driven by the increase in volume as Uganda is a price taker on the international market. As a result, unit prices have been declining. This implies that for Uganda to increase her share of the world market, it has to increase coffee production and productivity. This calls for expanding acreage by encouraging farmers to embrace commercial farming. The country may also adopt a strategy to add value to coffee and cocoa to increase its share in the value chain, initially targeting regional markets.

In 2020, over 94% of the coffee harvested was formally exported, and it accounted for about 11.6% of total exports. Having earned Uganda $515.5m, of which $299.9 (58.1.8%) was to the EU, exported under HS 0901 (Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes). In the same year, the EU imports for coffee HS 0901 was worth $15732.1 million. Accordingly, Uganda's share in EU imports was only 3.2%.

The EU market is a key export market for Uganda's coffee and presents opportunities for increased export by Uganda. Brazil, Vietnam, and Colombia were the top three sources collectively accounting for 52.3% of the total coffee imports. Other African countries among the top 15 sources were: Ethiopia, Cote D'Ivoire, and Kenya.

Interviews by sector players indicated that the biggest constraint to coffee exports is the low production and, therefore, supply of coffee beans. It also revealed that with increased enforcement by Uganda Coffee Development Authority, the quality of coffee has generally increased, and there is ever-increasing quality consciousness across the value chain. Therefore, the country should prioritize efforts to increase production and improve quality through the following measures:

a. ***Support commercial production of coffee and cocoa while sustaining quality by smallholder farmers:*** Uganda's coffee/cocoa production has always been produced by smallholders. There is a need to increase the adoption of good agronomic practices at the farm level, which will improve production, productivity, and quality at the farm level. In addition, there is a need to promote commercial production.

b. ***Promote farmer groups and or Cooperatives among coffee and cocoa farmers:*** The new legislation mandates UCDA to register coffee farmers in Place. Government should encourage all coffee farmers to join farmer groups or cooperatives. This will ease the mobilization of farmers for capacity building, adoption of GAPs, and promotion of quality. Framer groups/cooperatives can then be facilitated to access value addition equipment/machinery and linked to coffee importers to increase the share of the market prices on the international market

c. ***Support country-level coffee/cocoa certification schemes across the country to promote greening of the value chains in Uganda***: Several coffee/cocoa companies and coffee/cocoa farmers have started to embrace certification schemes that promote environmentally sustainable and inclusive coffee/cocoa production. Some of the schemes embraced in Uganda include Organic certification, 4C certification, UTZ certification, fair trade certification, and rain forest alliance certification. Interviews with stakeholders like NUCAFE revealed that a small section of their farmers have adopted 4C certification and are benefiting from higher prices and direct exports to buyers in Europe. Equally, interviews with ESCO revealed that most of the cocoa farmers are producing organic cocoa. However, the certification process is long and costly and cannot be sustained by individual exporters, yet the Government is not providing any support. As such, farmers lack the knowledge and regular monitoring to ensure compliance with the required standards. Supporting wider adoption of quality standards certification schemes will increase the volume of certified coffee/cocoa (organic or otherwise) that can fetch higher prices, be more resilient to external shocks and meet export market standards.

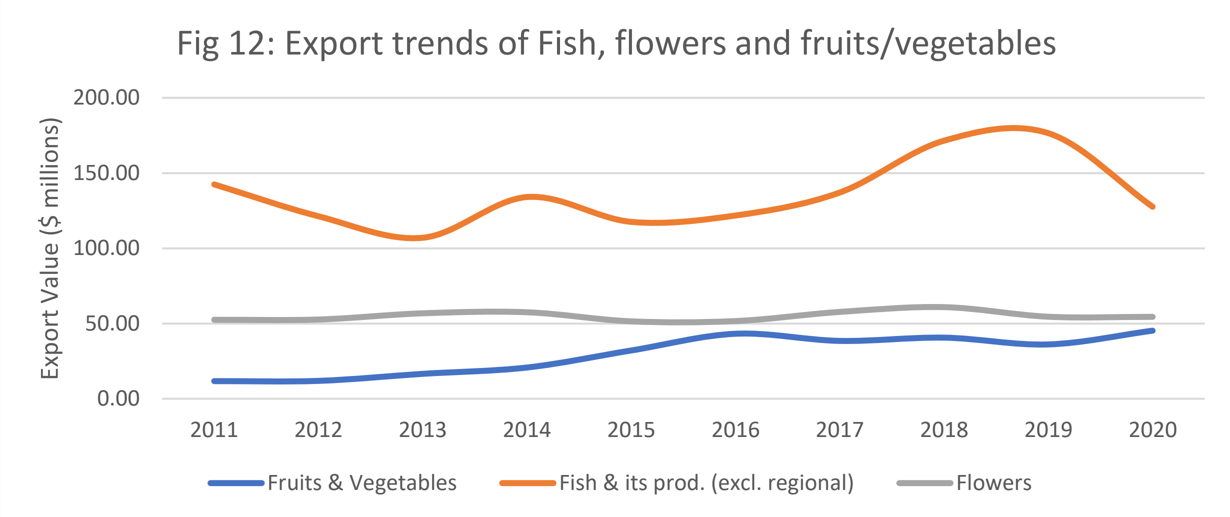
d. ***Identify sustainable funding source for coffee sector development:*** The coffee crop has proved to be the most resilient of Uganda's export earners. A fairly detailed strategy for development of the sector has been set out however with the abolishment of the Appropriations in Aid arrangement, under which UCDA and other authorities funded their activities, all public funding for this strategy must come from the consolidated fund. This is because the revenue from the coffee cess which is now charged at 2 percent can no longer be ear-marked for coffee sector developments, according to new regulations issued by the Ministry of Finance.

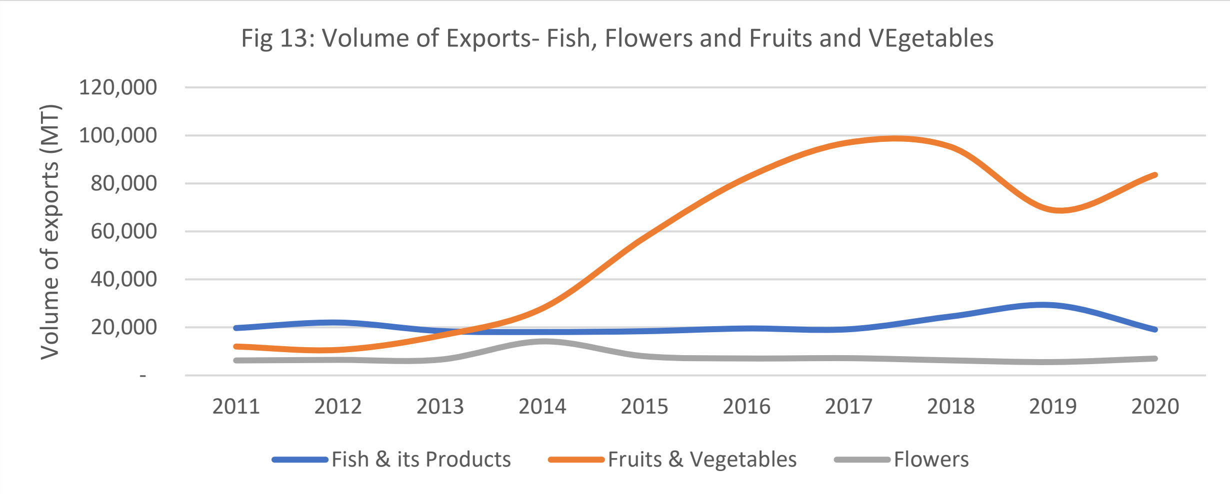
4.1.2.2 Fish and fish products, Flowers and Fruits/Vegetables

Fisheries continue to be an important sub-sector contributing 1.6% to the national GDP and 6.7% to the agricultural GDP of Uganda and employing up to 1.3 million people. In 2020, fish and fish products accounted for 2.87% of formal export value. Over the period 2011, the Government directed efforts towards promoting recovery of depleted stocks of the large commercial fishes, which has reversed the trend in fish stocks and exports started recovering 2015 but were hit by the Covid in 2020. Before Covid, fish exports earned Uganda $171.5m in 2018 and $176.5m in 2019, the highest in the last decade. The volume of fish exports declined by 3% between 2011 and 2020.

Unlike fish and fish products, export earnings from cut flowers have been stable. Between 2011 and 2020, exports registered a 4% growth in value and 13% in volume. On the Other hand, fruits and vegetables are emerging as export potentials, having posted at 286% growth in export value and 595% growth in export volume over the last decade, as shown in figures 12 and 13.

The exports of fish, flowers, and fruits & vegetables are mainly destined to developed economies led by the EU and the Middle East. Uganda has developed the basic capacity to meet market requirements, which should be enhanced to sustain this market. (For more details, refer to the section on SPS)





Source: Bank of Uganda

4.1.2.3 The Dairy Sector

Dairy has risen to one of the top export earners in Uganda, with Uganda's export having a strong competitive advantage, especially within the region. This is mainly due to a favorable climate and growing industry.
Compared to the region, the relatively low cost of milk in Uganda is a critical factor driving- Kenya imports from Uganda. However, although the sector has shown robust growth in terms of commercialization and exports, the key-value chain opportunities and challenges are as follows:

Opportunities

- Long-life products have the highest value
- Most players are already exploiting the export market
- From time to time, Ugandan products have been locked-out of the EAC

Challenges

- Supply-side constraint due to lack of investment in herd development
- Regulator's weak coverage of the sector means for e.g., quality hard to guarantee as a result

- consumer welfare could be compromised
- There is no incentive for quality
- Domestic consumption is too low for value-added products

Key opportunities

- Competitive landscape - Uganda is likely to retain its competitive position in the medium term
- Consolidation of players likely as one requires scale to operate profitably – small players can't operate profitably without securing the supply-side
- Global players have expressed interest in investing in the sector and partnering with Ugandan producer

From time to time, Uganda's Milk value chain has been affected by regional import restrictions. For example, Milk imports from Uganda were restricted by Kenya based on claims of re-exporting milk products from abroad. Rwanda closed its borders with Uganda in 2019. Similarly, the United Republic of Tanzania imposed a heavy import duty of UGX 3,200 per liter on Ugandan milk in 2017, pushing Uganda out of Tanzania's market. (FAO, 2020).

4.1.2.4 Maize

Production of Maize increased from 2.6 million MT in 2018 to 5 million MT in 2019, according to (MAAIF/UBOS-2019 provisional figures from AAS). The improved performance is attributed mainly to the distribution of seeds by the Government, Increased adoption of improved maize varieties by farmers, and increased vigilance by the government in control of pests and diseases.
Although Maize was the main commodity traded in East African, accounting for 48% of agricultural produce at the beginning of the fourth quarter of 2019, production of the crop later faced several challenges in 2020, including desert locusts, flooding especially in eastern Uganda and the fall armyworm maize (EAGC, 2021; FAO, 2020). These challenges led to instability in the prices of Maize hence affecting the farmer's cash-flows.

The Maize sector was recognized as being an emerging source of export growth. However, it was also recognized that realization of the sub sector's potential requires more deliberate interventions aimed at encouraging commercialization which has been impeded by, among other things, the sector's structure, (i.e. it is dominated by units). This structure means that long distances have to be covered to collect all the grain produced by many small farmers and, in so doing, raising the final cost per kg of Maize and possibly also impacting quality.

4.1.3 Tax and other incentive targeting the Agricultural Sector

Uganda offers specific investment incentives for agriculture and agro-processing investors such as exemption from all taxes for all agricultural inputs, income tax exemption subject to fulfillment of conditions under section 21(1) (z) of the Income Tax Act, zero import duty, and VAT exemption on machinery for processing agricultural products, 100% of training costs. Scientific research expenditure is deductible, capital allowances of 50% on eligible property and machinery costs, and refund of incidental VAT incurred in setting up a commercial farming enterprise.

Detail	Incentive
All agricultural inputs including hoes, ploughs, harrows, seeders, planters and translators, manure spreaders, fertilizers, agricultural tractors, seeds for sowing, spores and cuttings.	Exempted from all taxes*.
Machinery for processing agricultural products	Import duty 0%, VAT Exempted.
Packaging material of any kind designed for packaging goods for export.	Exempted from all taxes when imported with an Intention of packaging goods meant for export, 2004
Plant, machinery, equipment and raw materials used in production of goods for export.	Manufacturing under bond facility. A facility extended to manufacturers to import plant, machinery, equipment and raw materials tax free, for exclusive use in the manufacture of goods for export
Supply of unprocessed foodstuffs, unprocessed agricultural products and livestock which include imported unprocessed palm oil.	Imported unprocessed palm oil is exempted from VAT on importation**
Investor is engaged in agro-processing and full fills conditions under sec 21(1) (z) of the income tax Act.	Income tax exemption
Investors who train permanent residents employed by them or provide tertiary education.	100% deduction of Scientific research expenditure

Source: URA tax incentives Guide, first edition, September 2017

In addition, investors that set up in SEZs and EPZs targeting the export market where 80% is exported outside EAC (relevant for premium oils) enjoy the following incentives: 10-year corporate tax holiday; exemption from taxes and duties on all EPZ imported inputs (raw materials, machinery, and spare parts); exemption from tax on income from Agro-processing; exemption from capital gains tax on profit from the disposal of plant and machinery used in the Free Zones for five years; exemption from all taxes, levies, and rates on exports from the free zones; VAT exemptions on selected services and supplies.

4.2 Manufacturing sector performance

4.2.1 Overview of Uganda's manufacturing sub-sector performance:

The Ministry of Trade, Industry and Cooperatives is the lead implementer of the manufacturing programme under the NDP III. Like many other Countries, Uganda's fundamental goal of economic development is to improve the welfare of its citizens. Uganda strongly supports manufacturing which is bedrock of industrialization to achieve this objective. Many developed and emerging economies in the world have used industrialization to achieve economic development and structural transformation. Manufacturing is essential for building a resilient, integrated, independent and self-sufficient economy. It has a high potential for enhanced economies of scale for factor productivity and deeper, more dynamic and stronger forward and backward linkages with other sectors. Manufacturing provides an opportunity to strengthen the private sector to drive growth through increasing production for export expansion of high value products and import substitution ultimately contributing to job creation, increased incomes and improvement in quality of life.

Uganda's manufacturing sub-sector consists predominantly of MSMEs which make up over 90 percent of firms operating in the sub-sector. The sub-sector is composed of food processing, manufacture of beverages and tobacco, textiles, clothing and footwear, paper and printing, chemicals, petroleum and other chemical products, non-metallic minerals, basic metals and metal products among others. Of these, food processing, beverages and tobacco industry, saw milling, paper and printing, bricks and cement, steel and metal products, and textile clothing and footwear industry, comprise the biggest share.

Manufacturing firms primarily engages in end-product assembly and raw materials processing, producing low value-added goods. This implies that many goods are imported as intermediate and capital goods to support production processes increases the country's import bill, which value addition is largely limited to primary processing of agricultural and mineral products. Accordingly, while the country has enough raw material for manufacturing, little or no value is added to a wide range of agricultural and mineral products, which negatively impacts the country's terms of trade.

In 2008, the Government of Uganda put in place the first National Industrial Policy (NIP). The vision of the Policy was to "build the industrial sector into a modern, competitive and dynamic sector that is fully integrated into the domestic, regional and global economies". In 2020, Uganda reviewed and updated the National Industrial Policy with an attendant National Industrial Strategic Plan. The new industrial policy 2020 with a theme "sustainable industrialization for inclusive growth, employment and sustainable wealth creation", aims at doubling manufacturing growth from 8.3% to 16%, increasing industrial GDP from 27.1% 2018/19 to 31.7% by 2030. Since the first NDP (2010/11-2014/15), industrialization has featured prominently in the national development strategies and development themes. Over the last decade, Uganda has put in place a number of initiatives to promote the growth of the manufacturing sector and these include:

a) Establishment of industrial packs across the country. The government has gazette land for industrial packs in different parts of the country to ease access to land for setting up industries. Over the NDP III period, the GoU target is to build 31 industrial parks, nine of which are at different levels of development.
b) Revival and Capitalization of Uganda Development Corporation (UDC) which is the Government Investment arm. The Government revived UDC and continues to capitalize it through annual budget allocations. UDC has been mandated to serve as the investment agency of Government, focusing on priority industrial establishments of strategic value to the country. UDC has since championed a number of industrial establishments that are at

different levels of development. However, UDC is not yet fully recapitalized and the State is progressively divesting its shareholding in many corporations.

c) Establishment of export processing zones. Uganda enacted a legislation allowing establishment of free export processing zones with enhanced incentives. The Free Zones thrust in Uganda is to attract private investment through promoting a competitive legal and tax regime that contributes to increasing return on investment. According to the 2019/20 financial year report by UFZA, Uganda had a total of 22 registered private Free Zones, that had fetched the country US$ 154 million in export earnings and created an estimated 8,611 jobs.
d) Revival and capitalization of the Uganda Development Bank to enhance access to long-term development financing for industrialists.

Manufacturing is one of the 18 prioritized programme areas of NDP III. The GoU through NDP III has prioritized resource-based industrialization focusing on agro-processing to add value to primary agricultural products and mineral-led industrialization to harness abundant mineral resources across the country. The NDP III strategy prioritizes both light and heavy manufacturing industries. The prioritized light manufacturing industries include: Textiles & Apparels; Shoes; Assembly of electronic and medical items; Paper and paper products; Chemicals, petrochemicals and pharmaceuticals; and Cereal and cereal products; Tiles, sanitaryware, plumbing, fixtures & fittings. On the other hand, the heavy manufacturing industries prioritized include: Iron and steel; cement production; tractor and automotive manufacturing and assembly. These are mainly targeted at achieving the import substitution strategy of the country given the persistent and worsening trade deficit than the export-led growth strategy.

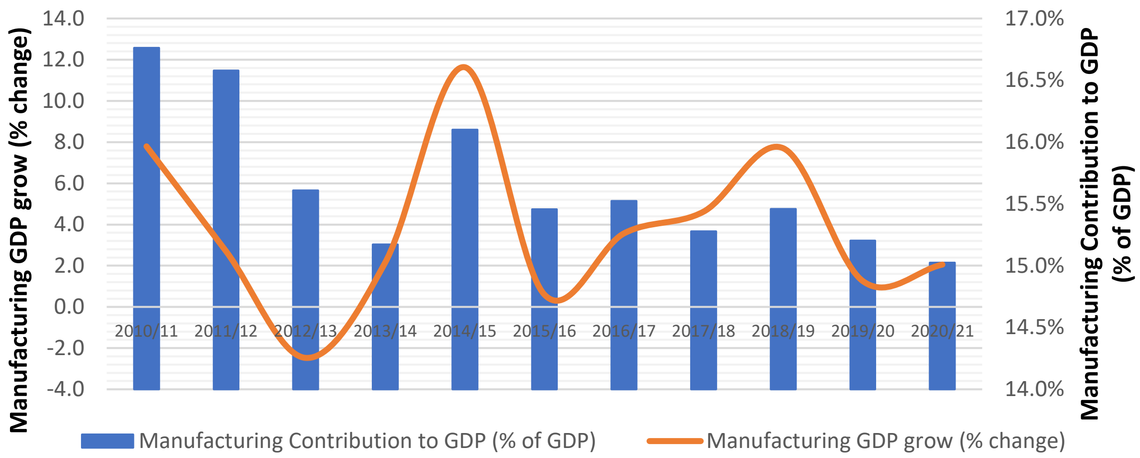
Over the NDP III, government's plan is to focus on development of new corridors in the growth triangle anchored around three Manufacturing Hubs (Gulu; Mbarara and Mbale). Specifically, focus will be on: i) constructing four fully serviced industrial parks; (ii) strengthening MSMEs in the industrial sector to improve their capacity and product quality; (iii) promoting the use of appropriate technology in manufacturing processes; (iv) investing in support systems to nurture innovations to commercialisation; (v) increasing the utilisation of the country's natural resources for production; (vi) improving labour productivity in manufacturing; vii) attracting FDI in the manufacturing sector and linking these to local manufacturers and SMEs to be part of the suppliers of the global value chain; (viii) strengthening the capacity for standards development, enforcement and harmonization and (ix) strengthening the legal framework to support and promote manufacturing. The GoU targets reducing the value of imported medical products and pharmaceuticals from USD 285.6 million to USD 200 million, increasing the share of manufactured exports to total exports from 12.3% to 19.8%, increasing the share of manufacturing jobs to total formal jobs from 9.8% to 10%, and increasing manufacturing value added as a percentage of GDP from 8.3% to 10% by financial year 2024/25.

4.2.1 Manufacturing Sector Performance

GDP statistics by UBOS 92016/17 constant prices shows that the performance of the manufacturing sector has been mixed with a general declining trend. The manufacturing contribution peaked in FY 2010/11 at 16.8% and has for most part of the last decade fluctuated around 15%. On the other hand, equally, manufacturing real sector growth increased from a negative of 2.5% in 2012/13, peaked in 2014/15 at 11.6%, before declining to 0.6% in 2015/16. Manufacturing sector growth reached 7.7% in 2018/19 before dipping to 1.3% in 2019/20 and was 2.1% in 2020/21 as shown in figure 14.

Over the last decade, manufacturing sector contribution to GDP (at 2016/17 constant prices) was 15.7% on average, while the average annual growth of the manufacturing sector was 3.8%. The findings suggest that manufacturing sector has been growing at a slower rate compared to other sectors of the economy, despite political commitment to accelerate the manufacturing sector growth.

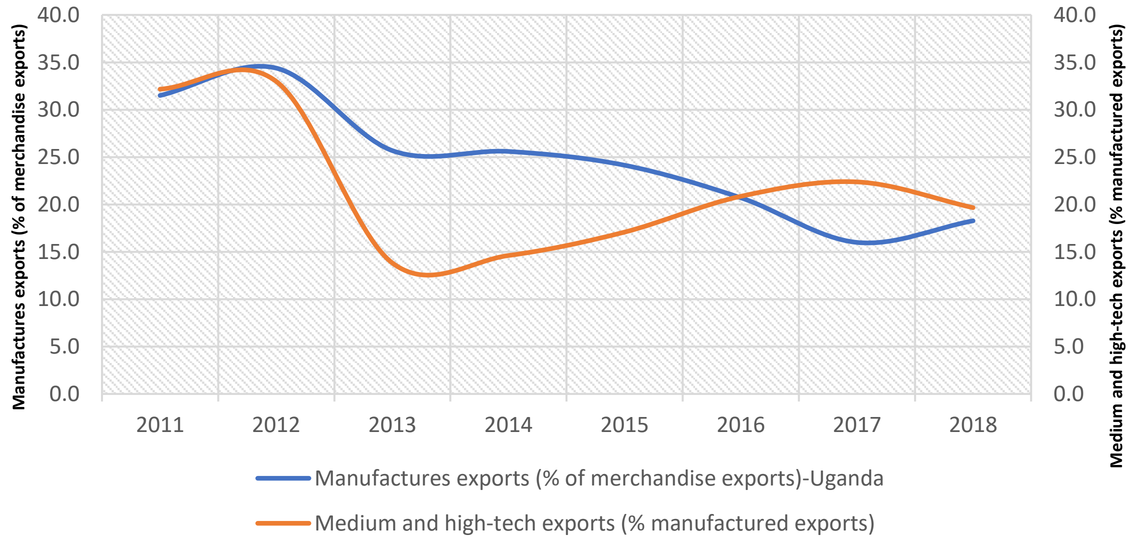
Figure 14: Performance of manufacturing sector



Source: UBOS GDP Series

We regard to exports, the percentage share of manufactured exports in Uganda's total merchandise exports has been on a declining trend from 31.5% in 2011 to 18.3% by 2018. Equally, over the same period, medium and high-tech exports (% manufactured exports) declined from 32.2% in 2011 to 19.7% in 2018 as shown in figure 15.

Figure 15: Share of manufactured exports (Percentage)



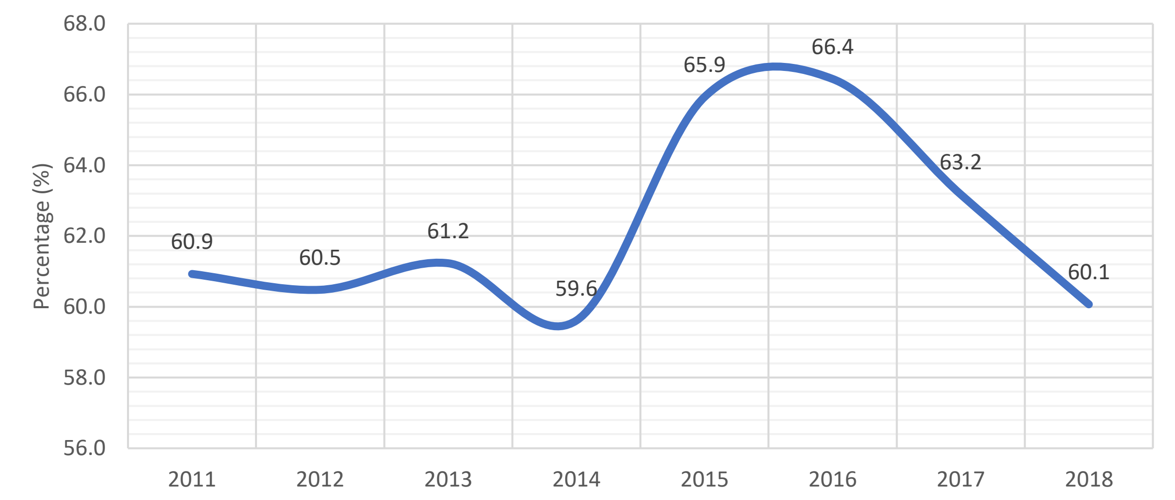
Source: World Development Indicators; https://databank.worldbank.org/source/world-development-indicators#

The findings suggests that growth in manufactured goods has been mainly directed at meeting domestic needs than servicing export markets. On a related note, the percentage of medium and high-tech export as a percentage of manufactured exports has also been on a declining trend from 32.2%

in 2011 to 19.7% in 2019. This suggests that the manufacturing sector is dominated by basic low value products from agricultural and mineral products as compared to high technology driven products.

On the other hand, manufactured goods continue to dominate the import bill. Data from the world development indicators shows that manufactures imports (% of merchandise imports) was on average 61% over the last decade. The peak was in 2016, when the shared of manufactured imports in total merchandise imports was 66.4% before starting to decline to 60.1% in 2018 and was projected at 51% in 2020.

Fig 16: Manufactures imports (% of merchandise imports)



Source: World Development Indicators; https://databank.worldbank.org/source/world-development-indicators#

Imported manufactured goods continue to dominate the local market despite efforts to promote locally manufactured goods. As a result, the Government adopted the Buy Ugandan Build Uganda (BUBU) policy targeted at promoting consumption of locally produced goods especially manufactured goods. This has achieved some success especially in Government infrastructure projects that have witnessed increased use of locally produced products like cement and steel. It is within this spirit that Government initiated the local content bill that is yet to be assented to by the President.

4.2.3 Tax and other trade related policy issues affecting the performance of the manufacturing subsector

Uganda's trade policy is linked to that of the East African Community (EAC). The EAC forms a common market, and imposes a Common External Tariff (CET) on goods imported from outside the community. This is broadly designed to promote domestic value addition by applying the lowest tariff rate (0%) to raw materials and the highest (25%) to finished products. Trade policy, and the CET in particular, are therefore used to achieve industrialisation and promote domestic value addition. Through duty remission scheme, Uganda like other EAC states continue to stay execution of EAC CET to offer protection to her manufacturing sector. The Gazette Notice No. 10 of 2020 released on 30 June 2020 by the East African Community (EAC) Secretariat introduced to the EAC Customs Management Act, 2004 (EACCMA) and the EAC Common External Tariff (EAC CET) with effect from 1 July 2020.

Under the duty remission scheme, Uganda received approval for zero tariff for importation of:

a) Inputs for use in the manufacture of Energy Saving Stoves, with rate under remission of 0%
b) Equipment for polishing and heating gemstones, with rate under remission of 0%
c) Other organic surface agents (3402.19.00), with rate under remission of 0%

d) 8414.51.00 Unassembled floor, table and wall fans, , with rate under remission of 10%
e) 8516.60.00 Unassembled cookers, with rate under remission of 10%
f) 3302.10.00 Odiferous mixtures of a kind used as raw materials in the food or drink industries, with rate under remission of 0%

In addition, Uganda was granted stay of application of the CET rates for a number of products geared towards supporting and or offering extra protection to the industrial sector. Those who CET rates were increased included; Gum boot linings, Beauty or make up preparations, Transformers (Both dry and liquid), Mobile phones, Safety matches, Honey - natural and artificial, Tomato paste and other preserved tomatoes, Television sets, Toothpaste and other mouth wash preparations, Biscuits, Tomato sauce, Mineral water, Ball point pens, toothbrushes, etc. Tax policy measures have therefore been used continuously to provide temporary protection to the emerging manufacturing sector. Whereas this has contributed to the survival of a number of manufacturing establishments, long-term growth and competitiveness will mainly be driven by improvement in the business environment and development of the supportive infrastructure.

4.2.4 Binding constraints to competitiveness of the manufacturing sub-sector

Consultations with stakeholders and review of literatures reveals a number of biding constraints to the manufacturing sector and these are briefly discussed below.

Inadequate infrastructure is a key constraint to the growth and competitiveness of the manufacturing in Uganda. Despite the significant progress registered over the last two decades, transportation infrastructure (poor roads and absence of a railway) increases the cost of sourcing inputs from rural areas and distributing goods across the country. Weak transportation infrastructure and attendant high costs erode Uganda's competitiveness at regional and international levels. Transport related costs to business in Uganda is estimated at 40percent which is twice the cost of the same services in other countries. Equally, manufacturing support infrastructure like industrial parks and attendant facilities, research and development infrastructure as well as standards and quality assurance infrastructure remain under developed to support emergency of a competitive manufacturing sector in Uganda.

Secondly, inadequate energy infrastructure has led to frequent power outages, low voltage for large consumers and high electricity tariffs, which increases costs of production, disrupts production and lowers the sales revenue of manufacturing firms. For the period July to September 2021, the Electricity regulatory authority announced electricity tariffs of shs 616 (USD 0.17 per kWh) for commercial industrialists, shs 526.9 (USD 0.15 per kWh) for medium size industrialists/consumers, and shs 300.2 (USD 0.08 per kWh) for extra-large industrialists/ consumers. The electricity tariffs are comparable to regional economies including Kenya (USD 0.15 per kWh) and Tanzania (USD 0.1114 per kWh), except Rwanda (USD 0.095 per kWh), and key industrialized countries from where most manufactured goods imported n Uganda are produced including China (USD 0.084 per kWh), Pakistan (USD 0.056 per kWh) and India (USD 0.077 per kWh)

Access to affordable long-term development financing to the manufacturing sector is essential for the sector to produce competitive products. To meet this need, the Uganda Development Bank was recapitalised and Uganda Development Corporation was revived. However, their capitalisation still remains low which hinders the sector growth. Whereas UDB was capaitalised with about 500 billion Uganda shillings (approximately $140m) and has prioritied manufacturing and agro-industry, the amount of capital at UDB is still very small to create any impact on the development financing of the manufacturing sector. In 2020, UDB approved credit worthy $123.4 million, only 23% ($28.6million) was for financing manufacturing sector. This is very small compared to the needs of the sector.

Accordingly, access to long-term development financing for manufacturing sector remains a key binding constraint to manufacturing in Uganda. Furthermore, section 28 of UDC Act is not yet operationalized to provide the Industrialization Fund.

Low quality and cheap counterfeit imported manufactured products constrain the sector as they outcompete genuine products. According to the 2019/20 annual report, UNBS had 327 staff, had developed a total of 3,621 national standards, certified 1,200 locally manufactured products, 2,705 product certification permits were issued and 3,354 equipment were calibrated; Although, the pre-export verification for conformity to standards (PVOC) started, its impact is yet to be felt to the level that is expected. Unscrupulous traders are exploiting the relaxed trade regime in Uganda to import low quality and counterfeit manufactured products, which outcompete genuine locally manufactured products. The cost of complying with standards is as high as 0.07 – 0.1 percent of turnover compared to acceptable levels of 0.02percent of turnover. There is direct need to devise other means to fight substandard goods to supplement the amendments to the law which have increased the penalties for production and distribution of sub-standard goods by producers and marketers. The Anti-counterfeit Bill to fight counterfeits has been drafted and is currently before Parliament. There is need for expeditious enactment of this law and strengthening of UNBS, Police and other law enforcement agencies to properly man the surveillance of products on the market, and effective support manufacturing companies to comply with quality standards in order to become competitive. With the national quality infrastructure capacity at about 40%, UNBS continue to face difficulties in supporting the private sector in terms of laboratory testing capacity and quality certification of the products as well as elimination of substandard goods on the market. The funding of the Bureau needs to be increased so as to recruit and increase staff from 435 to 640 so as to provide 24/7 service, monitor the borders and marketplaces, complete construction of laboratory infrastructure and strengthen its decentralization programme. The funding required is approximately UGX 160 billion per year for the next five years.

High cost of importing inputs is another binding constraint to Ugandan manufacturing sector. Uganda is landlocked with high (though declining) transport costs, and importing inputs is expensive. For Ugandan firms, importing inputs and exporting outputs take longer and cost more than for their coastal counterparts. This tilts the interest of GoU away from global value chains (GVCs), towards value addition to domestically produced inputs and raw materials.

Weak institutional, human resource and financial capacity of manufacturing sector coordinating MDAs is a key constraint to the development of the sector (Linda Calabrese, Frederick Golooba-Mutebi and Maximiliano Mendez-Parra, 2019). According to this report, the Ministry of Trade, Industry and Cooperatives has limited human and financial resources dedicated to pushing the industrialisation agenda, and the Ministry of Finance, Planning and Economic Development has limited technical expertise in industrial matters. The Uganda Investment Authority, mandated to attract and facilitate foreign and domestic investment, and the Uganda Free Zones Authority, in charge of regulating investments in the free zones, have limited resources to undertake strategic and targeted investment promotion activities. The policies drafted and institutions created for industrialisation receive limited funding, management and coordination.

Use of low and outdated technology in the manufacturing sector not only undermines the quality of the products, but also breeds inefficiency and contributes to pollution of the environment. Limited application of modern technology in the manufacturing sector has undermined the competitiveness of the country's manufactured products in both the domestic and regional markets.

4.2.5 Measures to enhance manufacturing sector production, competitiveness, trade and export

The findings have revealed that Uganda's manufacturing sub-sector is small, uses basic technology, produces products oriented towards import substitution and creates low quality and quantity of gainful jobs. This is due to: (i) inadequate requisite manufacturing support infrastructure; (ii) High costs of inputs including electricity and those imported, (iii) limited access to long-term development financing (iv) competition from substandard and or counterfeits imported manufactured products on the market; (v) high cost of doing business, (vi) Weak institutional, human resource and financial capacity of manufacturing sector coordinating MDAs and (vii)Use of low and outdated technology in the manufacturing sector. To increase the growth and competitiveness of the manufacturing sector, the DTIS update recommends:

1) Fast track enactment and implementation of the anti-counterfeits bill and the local content bill.
2) Review of electricity tariffs to extend the tariffs offered to large consumers to all manufacturers irrespective of the size of the power consumed. Tariff setting should be aligned to the function/purpose of the power and not amount consumed.
3) Offering targeted ssupport to all manufacturing firms to acquire quality product standards certification for all products
4) Support manufacturing plants to access, acquire and or update manufacturing technology, equipment and adoption of environmentally sustainable manufacturing practices to enhance competitiveness and productivity of the sector
5) Government should provide adequate capitalization of UDB and UDC to effectively execute their mandates in the countries manufacturing industry development agenda and ease access to long-term development funding of manufacturing enterprises.
6) Capacitate the Government agencies mandated to implement the countries industrialization strategy through increased budgetary and human resources capacity
7) Develop regulations with an incentive regime to promote trade and consumption of locally manufactured goods by government agencies and the general public, in line with the BUBU policy
8) Commission studies to inform Uganda's positioning of manufactured products in the ACFTA market
9) Provide institutional support to develop and implement a" Competition Policy and Law" to enhance fair competition

4.3 Global and Regional Value Chains

4.3.1 Introduction

Global value chains (GVCs) are globally dispersed input-output networks that produce final commodities coordinated by lead firms for use by equally dispersed industries and sectors. Regional value chains have similar characteristics as global value chain. The differences between the two is that while GVC are global and with higher levels of sophistication and scale; RVC are regionally located and have less scale of production both in market requirement stringency and sophistication, quantity and geographical dispersion.

In today's global economy the traditional view of international trade of exports as final products to consumers abroad represents around 30% of all trade in goods and services. In reality, about 70% of international trade today involves global value chains (GVCs), as services, raw materials, parts, and components cross borders often numerous times and incorporated into final products that are shipped to consumers all over the world.

Exports from one country to another often involve complex interactions among a variety of domestic and foreign suppliers. Even more than before, trade is determined by strategic decisions of firms to outsource, invest, and carry out activities wherever the necessary skills and materials are available at competitive cost and quality. For example, a smart phone assembled in China might include graphic design elements from the United States, computer code from France, silicone chips from Singapore, and precious metals from Bolivia. Throughout this process, all countries involved retain some value and benefit from the export of the final product.

There are various potential advantages for the developing countries like Uganda in engaging in offshoring in Global or Regional Value Chains (G/RVCs). A potential advantage is that developing countries no longer need to create entire industries in order to industrialize and be competitive in world markets (Baldwin, 2012). Instead, firms in developing countries can provide specific skills or products to GVCs/RVCs. Through this exposure and participation in Global or Regional Value Chains developing countries can benefit from technology transfer and spillover effects arising from access to best practice management and business methods, use of high quality and high-tech intermediates, use of developed country intellectual property and trademarks, lead firm knowledge and technology sharing; skills demand and upgrading, and through learning from customers.

According to the OECD-WTO Trade in Value Added Initiative (TiVA) economic upgrading is defined as “moving up” the value chain into higher-value activities, which theoretically enables firms to capture more gains in trade. There are four dimensions of economic upgrading commonly used in value chain analysis. These are product, process, functional, and chain upgrading (Humphrey and Schmitz 2002). *Product upgrading* refers to making higher quality and more sophisticated products. *Process upgrading* involves rearranging the production process to improve efficiency and productivity. *Functional upgrading* is incorporating additional stages of production, such as adding washing and dyeing to an operation that formerly focused only on garment assembly. *Chain upgrading* means diversifying activities into higher value sectors or end products. Scholars have also captured social upgrading in value chains which refers to improvements in the rights and entitlements of workers, leading to better jobs (Barrientos, Gereffi, and Rossi 2011). However, for purposes of the DTIS we will confine ourselves to the economic aspects of GVCs and RVCs. Data for Uganda on the Trade in Value Addition is not readily available because of data collection challenges.

4.3.2 Uganda’s Participation in GVCs and RVCs

For developing countries, such as Uganda, seeking to enter or engage in GVCs, there can be pressure to move up the value chain into higher value-adding activities. But the gains from participating in GVCs can come from any stage of the value chain by concentrating in areas where the Country has a comparative advantage. That is, countries that become efficient at the assembly or production stage can generate greater total value from becoming a globally competitive supplier of these activities, than they can by carrying out higher value-adding activities in which they are less competitive. Ultimately, what actually matters is the total value that the economic activities within the value chain can generate. From a policy perspective then, the focus should be on the total value that firms are generating and not the share value-added that is being performed domestically.

Uganda’s recent announcement that they would commence is manufacturing of buses is an example of an attempt to join the GVC at the highest level and it is not clear whether the Kira Motors which is to produce the buses will be fully competitive in this sector. An alternative policy direction could have been to concentrate of for instance on assembly of buses or the manufacturing of specific spare parts of a bus which are now being imported.

Recent increase in regionalization and consolidation of lead firm market power and changes in geographic end markets and trade patterns have brought about new opportunities and challenges for African countries, including Uganda in seeking to derive broad development gains from participation in GVCs and RVC.

Uganda's participation the GVCs has been mainly been in exporting of agricultural products such coffee, tea, cotton, cocoa and vanilla, and fish and fish products while importing mineral oils and fuels, machinery, pharmaceuticals, cosmetics, electronics and articles of plastics.

Gold is the major product where Uganda has done remarkably well in participation in the gold GVC in the past couple of years. This is possibly attributed to the setting up of a gold refinery in Uganda in Entebbe. Gold was both the leading import and export in 2020. Uganda's gold exports have grown tremendously in the last five years increasing from USD 332.m in 2016 to USD 1.82bn in 2020 with 99% of these exports destined to the United Arab Emirates. Gold import figures increased from USD$ 0.62m in 2016 to USD$ 1.8bn in 2020. Previously Uganda was importing gold from mainly Tanzania and Kenya, but as of 2020, gold import sources have diversified to other countries such as The Gambia, Zimbabwe, Namibia, Zambia and Burkina Faso among others.

Participation in the RVCs has been driven by the proliferation of super markets especially from South Africa and Kenya. This so-called "retail revolution" has been facilitated by regional trade agreements that reduce barriers to intra-regional trade. The major products in the RVCs are dairy products, sugar, beer and spirits; fruits and vegetables, fruit juices, cement, iron and steel, confectioneries and Soap, organic surface-active agents, articles of plastics.

A major challenge that hinders Uganda from engaging in the Global value Chains is high logistical costs stemming from a lack of adequate infrastructure (e.g., poor roads, storage facilities such as cold rooms and holding points) long distance from major markets and access to reliable sea port gateway. These costs affect industry sectors to different degrees. For example, logistical constraints can especially inhibit participation in perishable food GVCs, given the need for fast and refrigerated movement of such goods.

Standards have also been a significant challenge for Ugandan products to access GVCs. Along with the rise of European supermarket GVCs, lead supermarkets have increasingly used standards to govern their supply chains based on Western consumer. A case in put is Uganda fruits and vegetables which were recently denied access to EU market because of failing to meet standards on the Minimum Residue Tolerance Levels. However, Uganda fruits are vegetables are accessing regional and domestic supermarket chains either directly or through Primary Marketing Organizations (PMOs).

Recent global trends like the COVID-19 pandemic, the climate change crisis, and heightened trade disputes among the world's leading trade partners have increased the vulnerability of global value chains (GVCs). At the onset of the COVID 19 pandemic the scale of disruption in East African countries was quite significant with imports from China which is the leading source of intermediate goods declining by 20 per cent between January and February 2020.

Recommendations: In light of these trends, government and industries in Uganda should focus less on global value chains (GVCs) and more onto regional ones (RVCs). Given the region's past difficulties with entering global value chains and consolidating the gains from regional integration processes, heightened emphasis on regional value chains could reap compounding benefits. Secondly many of the GVCs are already matured and saturated and are becoming increasingly to penetrate.

The Ministry of Trade, Industry and Cooperatives should take a keen interest in conducting more detailed studies for GVC and RVC analysis by strengthening its data collection capacity and developing Trade in Value Addition (TiVA) data. As it is now evident that the emergence and persistence of GVCs challenges the conventional wisdom of how we develop trade policy. Success in international and regional markets today depends as much on the capacity to import world class inputs as it does on the capacity to export. In a world of GVCs and RVCs, trade policy cannot solely focus on impediments to trade with direct trade partners. It will now require critical thinking on the entire value chain and upstream and downstream bottlenecks in Uganda have to be considered in order to boost exports and improve economic performance and competitiveness of Uganda.

5.0 TRADE IN SERVICES

5.1 Introduction to Trade in Services

Trade in services refers to the production, supply, sale and consumption of an intangible creation called a service. A service is traded between a producer and a consumer in both domestic and global markets. At the international level, trade in services as defined by the World Trade Organization (WTO) General Agreement on Trade in Services (GATS) and it takes place through four modes of supply namely: These are:

- **(Mode 1) Cross-Border Trade** - which is defined as delivery of a service from the territory of one country into the territory of other country without the actual movement of service providers, e.g. remotely providing accounting services through the internet, telemedicine, email, telecommunication companies providing a service in another country without moving there, etc.
- **(Mode 2) Consumption Abroad** - this mode covers supply of a service through the movement of a consumer from their country to another to consume a service for example going abroad to study, or to obtain medical attention.
- **(Mode 3) Commercial Presence** - which covers services provided by a service supplier of one country in the territory of any other country by setting up shop in that country for example a bank opening a physical branch in another country.
- **(Mode 4) Presence of Natural Persons** - which covers services provided by a service supplier of one country through the temporary movement of its natural persons into the territory of another country, e.g. persons going abroad to work, temporarily

GATS categorizes services into twelve core sectors and 160 sub-sectors. The twelve sectors are: Business, Communications, Construction and related engineering, Distribution, Educational, Environmental, Financial, Health related and social services, Tourism and travel related, Recreational, Cultural and sporting, and Transport, and other services not included elsewhere. Trade in services drives the exchange of ideas, know-how and technology, although it is often restricted by barriers such as domestic regulations.

Uganda is engaged in services trade negotiations at the East African Community (EAC), Common Market for East and Southern Africa (COMESA), Tripartite Free Trade Area (TFTA) and the Africa Continental Free Trade Area (ACFTA). At the multilateral level, Trade in services (TiS) negotiations are on-going within the WTO Doha Development Agenda. These negotiations set the modalities for facilitating trade in services. These negotiations call for a robust trade in services policy framework to guide national positions for services liberalisations, to allow alignment between opening the services sectors with strengthening of the domestic regulatory regime and institutional capacity to regulate the different services sector.

In 2017, following recognition of the role of services in the economic growth of the country, the Government of Uganda adopted the National Trade in Services Policy and a five-year implementation plan. The National Trade in Services Policy was developed to guide Uganda's national and external trade in services framework for trade in services to promote national development interests; facilitates domestic capacities and boosts competitiveness. The objectives of the National Trade in Services are to; a)promote domestic capacity development in services trade, and enhance firm level competitiveness; b) strengthen human and institutional capacities to enhance quality service delivery; c)Increase market access opportunities for Uganda's services and services suppliers; d) strengthen the regulatory and institutional framework to support the development of investment and trade in the services sector; and e) mainstream services trade in the national planning framework to exploit synergies.

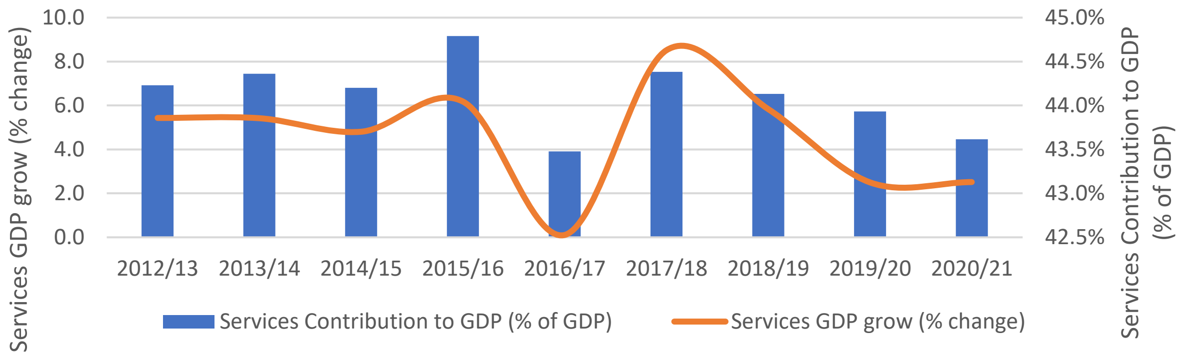
The Policy commits Government to: i) Identify and promote strategic services sectors to drive economic growth; ii) Establish and enforce appropriate laws and regulations in the identified services sectors; iii) Build the human and institutional capacity of the regulatory Agencies; iv) Develop capacity of domestic services providers to enhance standards; v) Secure and maintain market access to the regional and international markets; vi) Strengthen mechanisms for generating services trade statistics; vii) Develop measures and incentives for service providers to exploit market opportunities; viii) Promote national synergies and complementarities in the services sectors; and ix) Develop an accreditation and certification.[22]

The Trade in Services Policy Implementation Plan identified the major constraints to services trade to include: 1) weak regulatory and institutional frameworks; 2) low level of value addition; 3) low level of competitiveness; 4) low levels of skill and professionalism; 5) low standards in supply of services; 6) high cost of doing business; 7) limited statistics on services trade; and 8) limited institutional coordination and consultative mechanisms.

5.2 Services Sector Growth and Contribution to GDP

Services contribution to GDP: The services sector is very important in Uganda's economy as it greatly contributes to Uganda's GDP. Since 2012/2013, the services sector has accounted for 44.1% of the GDP with a minimum of 43.5% in 2016/17 and a maximum of 44.8% in 2015/16. The sector contribution to GDP has therefore generally not changed much. Over the same period, the services sector growth has averaged 4.6% although the growth has been declining since 2017/18 as shown in the Fig 17.

Figure 17: Performance of Services Sector



Source: UBOS

[22] *Section 4.4 National Policy on Services Trade, MTIC 2017*

For the period 2012/13 to 2020/21, growth in the service sector GDP was driven by robust GDP growth from Information and Communication activities, which averaged 11%, Arts, Entertainment and Recreation (11.1%) and Administration (10.5%). The average real GDP growth of other services sub-sectors was: Trade and Repairs (1.9%), Transportation and Storage (4.2%), Accommodation and Food Service Activities (4.5%), Financial and Insurance Activities (7.9%), Real Estate Activities (6.2%), Professional, Scientific and Technical Activities (-0.6), Education (2.8%), Human Health and Social Work Activities (5.3%) as summarized in Table 14 below.

Table 14: Growth Rates of Services 2012/13-2020/21

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Average
Services	5.4	5.4	4.8	6.2	0.1	8.5	5.8	2.5	2.5	4.6
Trade and Repairs	2.7	-1.8	3.2	3.5	-1.3	7.5	4.9	**-1.3**	**-0.4**	1.9
Transportation and Storage	4.9	6.1	6.6	8.2	2.3	11.3	0.9	**-1.7**	**-0.7**	4.2
Accommodation and Food Service Activities	5.1	8.8	-0.5	5.7	19.7	10.7	0.5	**-8.6**	**-0.9**	4.5
Information and Communication	18.0	14.5	-1.8	14.1	19.0	10.4	-6.8	19.6	11.9	11.0
Financial and Insurance Activities	8.1	17.8	10.9	9.6	-4.1	2.3	11.1	9.6	6.2	7.9
Real Estate Activities	4.8	6.3	6.5	6.1	1.6	11.6	10.1	5.1	3.9	6.2
Professional, Scientific and Technical Activities	0.5	0.8	-5.6	-0.3	-18.5	7.5	6.4	2.8	1.3	- 0.6
Administrative and Support Service Activities	-11.4	8.0	25.5	-13.9	-2.2	5.2	17.2	7.5	0.7	4.1
Public Administration	0.1	0.6	24.2	8.4	18.6	9.5	4.2	16.2	12.8	10.5
Education	8.1	4.4	5.2	7.8	-10.3	6.9	9.1	**-2.0**	**-4.0**	2.8
Human Health and Social Work Activities	4.1	5.2	5.4	3.4	0.0	16.8	5.3	1.0	6.4	5.3
Arts, Entertainment and Recreation	-2.8	6.5	5.3	-5.0	29.7	65.7	22.1	**-8.1**	**-13.4**	11.1
Other Service Activities	5.1	10.7	7.9	9.2	-3.5	-1.3	4.7	1.4	3.1	4.1
Activities of Households as Employers	2.1	2.4	2.8	3.4	2.8	2.8	2.8	2.8	2.7	2.7

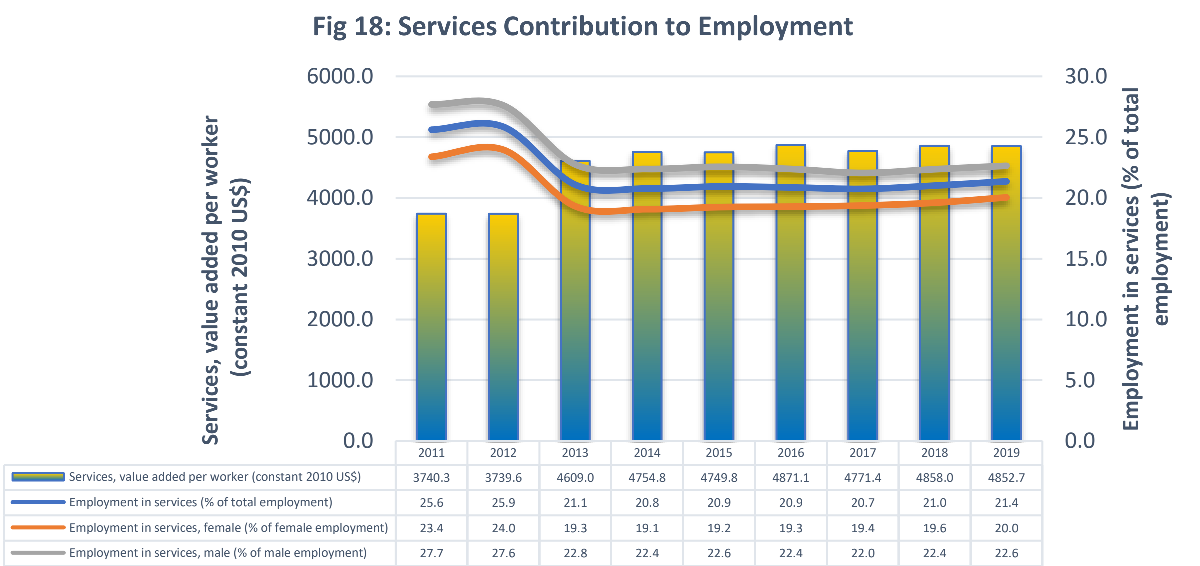
Source: UBOS

As shown in Table 14, Trade and Repairs, Transportation and Storage, Accommodation and Food Service Activities, Education and Arts, Entertainment and Recreation have registered negative growth since 2019/2020, and this is attributed to the impact of Covid 19 on the services sector. However, for the period under review, the Professional, Scientific and Technical Activities have consistently registered low and or negative growth, with the average growth rate of -0.6% for the period 2012/13 to 2020/21. The Professional, Scientific, and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. The subsector consists of these industry groups: Legal Services; Accounting, Tax Preparation, Bookkeeping, and Payroll Services; Architectural, Engineering, and Related Services; Specialized Design Services; Computer Systems Design and Related Services; Management, Scientific, and Technical Consulting Services; Scientific Research and Development Services; Advertising and Related Services; and Other Professional, Scientific, and Technical Services.

As an economy grows, the demand and utilization of professional services is expected to increase, which is not the case in Uganda. Whereas this is partly attributed to technology advancement, which continues to replace demand for professional services, it also suggests that the sub-sector has endemic/structural challenges that need to be resolved.

In addition, the Government will need to prioritize actions that will enable faster recovery of the services sectors most hit by the Covid 19 pandemic, namely: Trade and Repairs, Transportation and Storage, Accommodation and Food Service Activities, Education and Arts, Entertainment and Recreation.

Services Contribution to Employment/Job Creation: The contribution of the services sector to total employment/job creation has recently stagnated (See Fig 18). The statistics shows that the share of services sector to total employment in Uganda was at its highest in 2012 at 25.9% (male=27.6% and female=24%), before declining to 21.1% (male=22.8% and female=19.3%) in 2013. The contribution of services sector to employment was estimated at 21.4% in 2019 (male=22.6% and female=20%). However, the Services, value added per worker (constant 2010 US$) has recorded a 29.7% increase over the same period. This means that productivity in the sector has increased but the rate at which the services sector is generating new employment opportunities is low. This can be attributed to the increased application of technology in the services sector that continues reduce on labour intensive processes.



Source: World Development Indicators, World Bank.

5.3 External Trade in Services Performance

Uganda's services trade with the world has increased over the last eight years but her share has declined from 0.05% to 0.04%. Whereas global Services Trade registered a 30.6% growth over the 8 years, Uganda's services trade with the world increased by 2.3% over the same period, decreasing her share from 0.05% to 0.04%. Uganda's services exports decreased by 4.5% compared to the growth in global services exports of 30.6%. Equally, Uganda's services imports increased by 8.1% compared to growth in global services imports of 28.2% as summarized in Table 15 below.

Table 15: Uganda in Global Services Trade (2012-2019)- billion US dollar

	2012	2013	2014	2015	2016	2017	2018	2019	% Change 2012-19
World Imports	4,482	4,735	5,132	4,881	4,901	5,292	5,669	5,747	28.2

Uganda's Imports	2.5	2.4	2.7	2.4	2.0	2.1	2.5	2.7	8.1
% Share	0.06	0.05	0.05	0.05	0.04	0.04	0.04	0.05	(15.7)
World Exports	4,587	4,884	5,235	4,994	5,080	5,515	6,007	6,098	32.9
Uganda's Exports	2.1	2.1	2.2	2.1	1.9	1.6	2.0	2.0	(4.5)
% Share	0.05	0.04	0.04	0.04	0.04	0.03	0.03	0.03	(28.2)
World Trade	9,069	9,620	10,367	9,875	9,981	10,807	11,676	11,844	30.6
Uganda's Trade	4.6	4.5	4.9	4.4	3.9	3.7	4.5	4.7	2.3
% Share	0.05	0.05	0.05	0.04	0.04	0.03	0.04	0.04	(21.7)

Source: COMMTRADE

The services exports increase has been driven by Travel services exports but the increase of imports of Transport services led to an increase in services deficit. Over the last decade (2010-2019), Uganda was a net importer of services (Table 16). Over the review period, export of services increased by 55.6% while import of services increased by 49.1%, while the services trade deficit increased by 32.1%. Travel services remained the main services export earning for Uganda and it accounted for 58.6% of total services exports earnings in 2019. Financial services also posted a positive trade balance throughout the review period. On the other hand, Transport services are the main imported services over the review period and in 2019, it accounted for 57.5% of the total services import bill.

Table 16: Trade in Services 2010-2019 ($ million)

Code	Service label	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Total Exports	1,304	1,779	2,125	2,103	2,181	2,061	1,915	1,649	1,991	2,029
1	Manufacturing services on physical inputs owned by others	0	1	7	0	0	-	-	-	-	-
2	Maintenance and repair services n.i.e.	-	0	6	0	-	-	-	-	-	-
3	Transport	42	150	192	225	168	138	143	165	191	187
4	Travel	784	960	1,135	939	965	1,037	1,102	941	1,059	1,188
5	Construction	-	246	245	240	221	152	104	19	69	108
6	Insurance and pension services	12	18	34	18	27	39	39	4	7	8
7	Financial services	21	25	30	29	34	29	29	31	21	28
8	Charges for the use of intellectual property n.i.e.	4	7	20	14	13	4	2	2	10	16
9	Telecommunications, computer, and information services	57	75	74	102	57	65	40	39	52	23
10	Other business services	113	130	197	297	509	334	199	180	195	190
11	Personal, cultural, and recreational services	-	5	9	12	7	8	15	7	5	4
12	Government goods and services n.i.e.	270	164	176	226	179	256	244	260	380	277
	Total- Imports	1,803	2,463	2,487	2,428	2,675	2,378	2,026	2,056	2,546	2,687

Source: ITC Trademap.
https://www.trademap.org/Country_SelService_TS.aspx?nvpm=1%7c%7c%7c%7c%7c%7c%7cS00%7c1%7c3%7c1%7c2%7c2%7c1%7c2%7c1%7c1%7c1

The trend in services deficit was declining until 2016, and it has been on an upward trend since 2016. The deficit is largely driven by the high and increasing import of transport services.

5.4 Trade in Services Sector Specific Analysis

As already noted, Uganda has been involved in several regional economic communities (REC) negotiations, and these have included trade in services negotiations. There are key service sectors that have been under consideration in these negotiations. The first phase of the AfCFTA TiS negotiations have included business services, communication, tourism, transport, and financial services. The COMESA negotiations prioritized business services, communication, transport, tourism, energy, construction and related Engineering and financial services. The first round of the EAC TiS negotiations also focused on Business and Professional services, communication, distribution, education, tourism and travel-related services, transport, and financial services. This implies that these are the service sectors that Uganda should put emphasis on, owing to the fact that the export markets for these services in the different RECs are going to be more liberalized. It also means that Ugandan markets in these sectors are going to be more accessible to foreign competition. These services include: Tourism, Financial services, Transport, Professional Services, Communication, and Energy. These are the sectors that this DTIS focused on, with respect to trade in services.

This DTIS also covers Energy (including Petroleum), ICT and ITES because they are identified as key service sectors in the NDP III which highlights Uganda's strategic trade direction for the next 5 years.

5.4.1. Tourism Services

5.4.1.1 Overview of Uganda's Tourism Sector

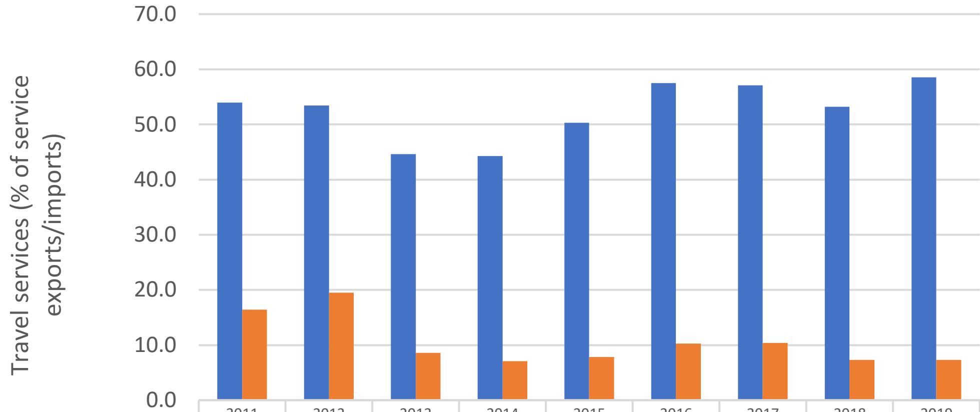
The Tourism sector is one of Uganda's priority sectors as highlighted in the NDP III. One of the aspirations of Agenda 2030 is to devise and implement policies to promote sustainable tourism, for it creates jobs, promotes local culture and products (SDG 8). Tourism also supports SDG 15 to protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss. Agenda 2063 also seeks to increase the contribution of tourism to GDP. The EAC Vision 2050 prioritizes joint interventions in the tourism sector that are: competitively priced; cost effective and have a high return on investment through the issuance of an East African Visa; and joint marketing presenting the EAC as one tourism product and standardized joint classification of hotels. The Uganda Vision 2040 identifies tourism as one of the strategic opportunities that need to be harnessed for socio-economic transformation.

The goal of the government as noted in the NDP III programme for tourism is to increase Uganda's attractiveness as a preferred tourism destination. NDP III also highlights the specific Tourism sector development program objectives to be pursued. These include: a) Promoting domestic and inbound tourism; b) Increasing the stock and quality of tourism infrastructure; c) Developing, conserving and diversifying tourism products and services; d) Developing a pool of skilled personnel along the tourism value chain and ensure decent working conditions; and, e) Enhancing regulation, coordination and management of the tourism. The NDP III also outlines the following targets for the tourism sector: (1) Increasing tourism revenues from US$1.6 billion to US$3 billion; (2) Increasing the number of tourism jobs from 667,000 to 1,100,000; (3) Increasing tourism revenues per visitor from US$1,036 to US$1,500; (4) Increasing the number of international tourist arrivals from the US, Europe, and China from 210,000 to 500,000; and (5) Increasing the proportion of leisure to total tourists from 20.1 percent to 30 percent.

The Private Sector plays a significant role in the development and management of the tourism sector and thus participation of the private sector players in governance and regulation of the sector is paramount.

In the recent years, the Tourism sector has been one of the best performing services sectors in Uganda. Uganda has a comparative advantage in tourism especially in the areas of safaris, culture, and historical heritage. The Annual Tourism Sector Performance Report for 2018/2019 indicated that tourism revenue increased from Shs 5.3 trillion ($1.45b) in 2017/2018 to Shs 5.8 trillion ($1.6 billion) in 2018/2019, making it Uganda's top foreign exchange earner. There has been an increase in tourist arrivals from 1,402,409 tourists in 2017/2018 to 1,505,669 in 2018/2019. In the same year, the tourism sector contributed over 7.7% of the total GDP and up to 6.7% of the total national employment after creating about 667,600 indirect and direct jobs. Travel services (% of service exports) have increased from a minimum of 44.2% in 2014 to 58.6% in 2019, while Travel services (% of service imports) have been declining from the peak of 19.2% in 2012 to 7.3% in 2019 as summarized in fig 19.

Fig 19: Travel services (% of service exports/Imports, BoP)



	2011	2012	2013	2014	2015	2016	2017	2018	2019
Travel services (% of service exports, BoP)	53.9	53.4	44.6	44.2	50.3	57.5	57.1	53.2	58.6
Travel services (% of service imports, BoP)	16.4	19.5	8.6	7.1	7.8	10.3	10.4	7.3	7.3

Source: World Development Indicators, World Bank

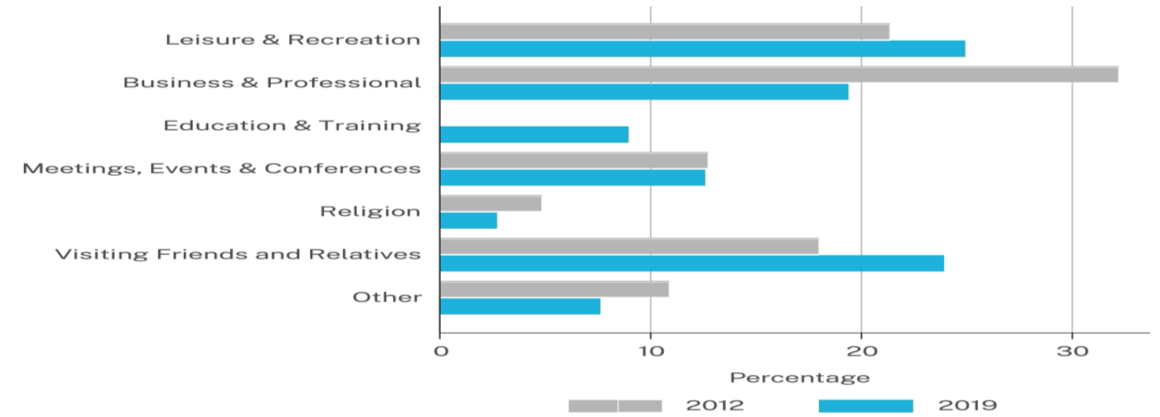
According to the 2019 Tourism Expenditure and Motivation Survey[23], international tourists come to Uganda from all over the world. The majority of tourists come from Africa (52 percent). Most of these come from Uganda's neighboring countries. These include Kenya (17 percent), South Sudan (6 percent), Rwanda (5 percent), DRC (4 percent), Burundi (3 percent), and Tanzania (2 percent). In addition, 6 percent come from South Africa. Europe (19 percent) and North America (13 percent) are the next largest continents of origin. The main countries of origin include the United States (11 percent), Canada (2 percent), the United Kingdom (5 percent), and Germany (4 percent). Sixteen percent of tourists come from Oceania, Asia and South America and Australians account for 5 percent of all tourists. The 2019 country pattern is similar to 2012 — the top five countries account for nearly 50 percent of all tourists. The most noteworthy change is a relative increase in African tourists and a relative decrease of visitors from Rwanda (9 percent in 2012).

During their trip, 38 percent of tourists visit at least one other (mainly neighboring) African country and 18 percent of tourists visit at least two other African countries. Similarly, in 2012, 41 percent of tourists visited at least one other country in 2012 and 17 percent visited at least two other countries. The further away the home country the higher the likelihood that other countries are visited (35 percent of Africans, 36 percent of Europeans, 43 percent of North Americans, and 48 percent of tourists from other continents). The most visited countries remain largely unchanged between 2012 and 2019. In 2012, 19 percent of Ugandan tourists visited Kenya, 11 percent of tourists visited Rwanda, and 10 percent of tourists visited Tanzania. Most tourists in the target population leave Uganda from Entebbe airport (74 percent of tourists) and the remaining 25 percent depart from the three land borders in Katuna (10 percent), Busia (10 percent), and Malaba (6 percent). African tourists account for 83 percent of land border departures and 42 percent of airport departures. This pattern is essentially unchanged since 2012.

23 World Bank (2020): Statistical and Economic Analysis of Uganda's Tourism Expenditure and Motivation Survey 2019

The 2019 Tourism Expenditure and Motivation Survey findings revealed that leisure tourists accounted for 25 percent of all tourists compared to 21 percent in 2012, and constituted the largest and growing segment of travelers. The next largest groups are tourists visiting family and friends with 24 percent in 2019 (18 percent in 2012), followed by business travelers, with 19 percent in 2019 (32 percent in 2012), and travelers attending meetings or conferences with 13 percent (the same percentage in 2012 and 2019). Other tourists account for 11 percent in 2019 (8 percent in 2012) and religious tourists - for 3 percent in 2019 (5 percent in 2012). The large drop in percentage of business travelers could be explained by the introduction of the new education category (9 percent in 2019). However, the relative increase in leisure tourists is noteworthy. It suggests a successful promotion of Ugandan nature tourism and larger numbers of leisure tourists in relative and absolute terms. Indeed, Forty-three percent of Europeans (33 percent in 2012) and 34 percent of North Americans (22 percent in 2012) are leisure tourists. About 15 percent of them travel for business and about 20 percent visit family and friends in Uganda. Among African tourists, 10 percent travel for leisure, 21 percent travel for business, 18 percent travel for meetings, and 30 percent visit family and friends

Fig 20: Purpose of Visit and Length of Stay by International Tourists



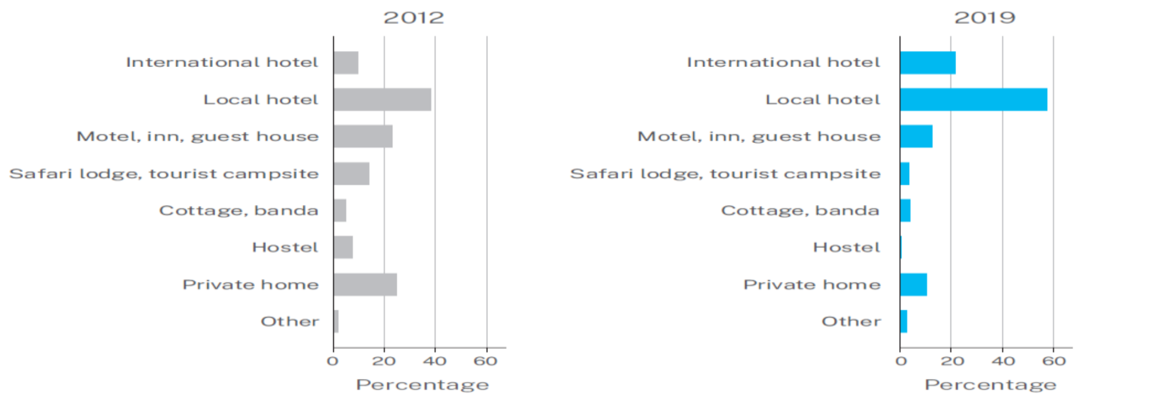
	2012			2019		
	All tourists		Tourists staying 15 days or less	All tourists		Tourists staying 15 days or less
	average	median	average	average	median	average
Leisure & Recreation	13	7	7	12	7	7
Business & Professional	12	4	5	12	5	5
Education & Training (2019 only)	n/a	n/a	n/a	38	14	8
Meetings, Events & Conferences	8	5	5	4	3	3
Religion	16	7	6	15	6	6
Visiting Friends and Relatives	12	5	5	14	6	6
Other	24	9	6	19	8	6

Source: World Bank (2020): Statistical and Economic Analysis of Uganda's Tourism Expenditure and Motivation Survey 2019

The Expenditure and Motivation Survey findings revealed that most tourists stay in local hotels, inexpensive motels, inns, guesthouses, and private homes. Expensive international hotels and non-urban accommodation options such as lodges, cottages, and campsites are less common accommodation choices. Relative to 2012, the pattern of accommodation preferences remains largely unchanged. The 2019 Survey recorded a moderate increase in local hotel stays from 38 percent to 45 percent, which coincides with a moderate decrease in motel, inn, or guest house stays from 23 percent to 15 percent. Safari lodge and campsite stays remained unchanged at 14 percent. About half of all leisure tourists stay in safari lodges whereas business and meeting tourists are focused on local hotels (about 60 percent) and international hotels (about 20 percent), with the remaining tourists staying in other accommodation options, of which motels and private homes are most prominent.

The length of stay is also price sensitive. In general, higher accommodation prices are associated with shorter stays. On average, tourists stay significantly more days in cottages (45 days in 2019 versus six days in 2012, hostels (51 days in 2019 versus 17 days in 2012) or private homes (19 days in 2019 versus 21 days in 2012). Whereas they spend less time in motels, inns, guest houses (eight days in 2019 and 2012), in hotels (five to six days), or safari lodges (six days in 2019 and 2012). The length of stay in the more expensive accommodation options are essentially unchanged from 2012.

Fig 21: Length of Stay and Expenditure by Tourists



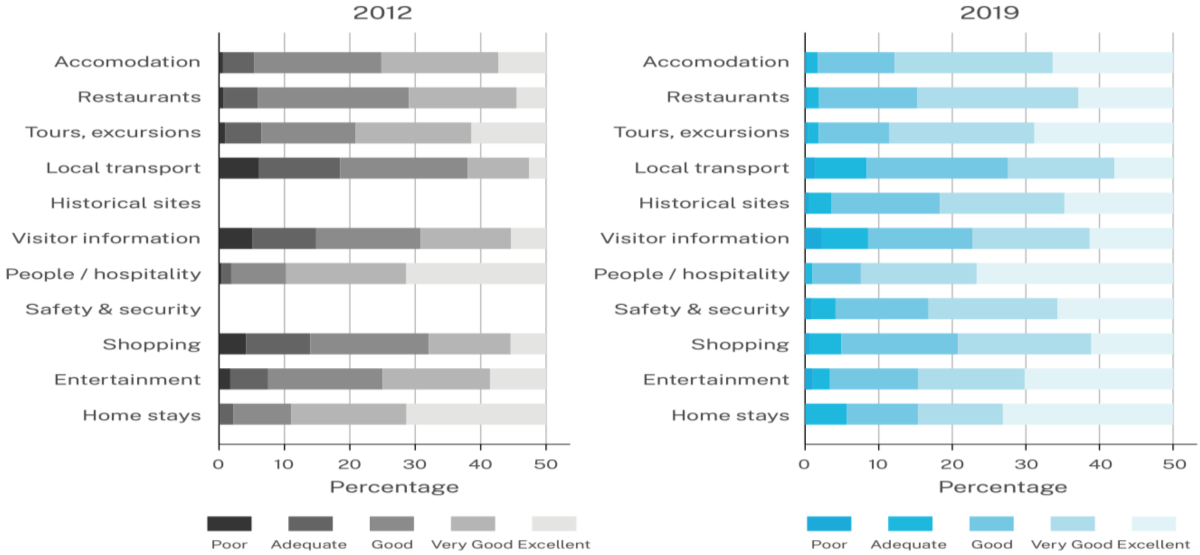
	Leisure & Recreation	Business & Profes-sional	Education & Training	Meetings, Events & Confer-ences	Religion	Visiting Friends & Relatives	Other	All
accommodation	335	394	303	318	189	139	208	275
food & beverages	153	163	151	89	130	124	123	134
park entry fees	25	9	19	3	3	19	8	15
tracking fees	7	3	4	0	11	3	3	4
sightseeing tours	112	14	22	8	4	22	14	35
adventure activities	68	9	13	1	21	18	18	23
domestic air transport	13	6	3	8	20	4	2	7
crafts & souvenirs	35	2	2	0	5	8	2	10
other shopping	85	33	25	20	48	26	42	39
entertainment	11	1	4	1	5	8	6	6
guide service	47	8	14	0	0	8	5	14
local transport	112	81	78	42	68	72	62	77
other	88	68	311	87	115	113	209	122
total	**1091**	**791**	**948**	**576**	**618**	**566**	**704**	**761**

Source: World Bank (2020): Statistical and Economic Analysis of Uganda's Tourism Expenditure and Motivation Survey 2019

Unsurprisingly, leisure tourists have the highest average expenditure in categories that are related to nature tourism (for example, spending US$112 on sightseeing tours and US$68 on adventure activities). Visiting friends and relatives tourists spend the least on accommodation and beverages. Spiritual tourists' large expenditure in the residual expenditure subcategory ("Other") is mainly due to donations. Also notable are the low nature tourism expenditures among the sizeable business and meetings tourist segments. This appears to represent an unrealized opportunity to increase stays and expenditures through encouraging leisure tourism "add-ons".

Between 2012 and 2019, subjective trip satisfaction increased strongly across all categories. The percentage of travelers who found aspects of their experience excellent or very good increased by an average of about 20 percentage points. In 2012, hospitality and home stays were given the highest satisfaction rating by tourists, whereas local transport and visitor information drew the most criticism. In 2019, hospitality and home stays were still among the most appreciated aspects. However, accommodation, restaurants, and tours had now improved with higher satisfaction levels. Around 75 percent of tourists rated these aspects as very good or excellent. In 2012, local transport was the most problematic category and yet by 2019 very good or excellent ratings for local transport had increased from 25 percent to 45 percent. In addition, very good or excellent satisfaction ratings for visitor information had also increased from 40 percent in 2012 to 55 percent in 2019.

Fig 22: Satisfaction with Tourism Services in Uganda by Tourists



Source: World Bank (2020): Statistical and Economic Analysis of Uganda's Tourism Expenditure and Motivation Survey 2019

This increase in high satisfaction with Ugandan trip experiences translates into even higher likelihoods of people returning to Uganda and recommending Uganda to friends. In 2019, nearly 70 percent of tourists – 5 percent more than in 2012 - say they are very likely to return. Leisure tourists are the most unlikely to return (about 50 percent say their return is very likely) whereas 70 percent or more of all other tourist types say their return is very likely (see Figure 13). Africans are the most likely to return (77 percent), followed by North Americans (66 percent), and then Europeans (56 percent) and other continents (57 percent). Leisure tourists' comparatively low likelihood of return is not a sign of dissatisfaction. Ninety percent of them – slightly more than all other tourist types – would definitely recommend a trip to Uganda to their friends. Similarly, Europeans' low likelihood of return is not a sign of dissatisfaction. Ninety-three percent of them would strongly recommend a trip to Uganda to their friends. This is about 5 percent more than tourists from all other regions. In particular, 97 percent of Swiss tourists would definitely recommend a trip even though they have one of the lowest likelihoods of return to Uganda.

5.4.1.2. Tourism Sectoral Challenges

One of the biggest challenges faced by the sector is insufficient marketing by the government. Uganda is not yet fully marketed as a world class tourist destination. The Uganda Tourism Development Master Plan 2014 – 2024 outlines some of the marketing challenges to include weak marketing strategy implementation and marketing capacity, weak Uganda tourism brand, inadequate advertising, limited publications and collateral material range, lack of sales manuals, lack of media kits, limited participation in trade fairs and exhibitions, weak business linkages, weak public/private partnerships, limited travel information and online booking facilities, and the negative image of Uganda in tourist generating countries.

Uganda has competitive nature and wildlife-based tourism products and the country has featured consistently as a favored tourism destination. However, as noted, the variety of tourism products remains low, Uganda remains an expensive tourist destination and the inadequate tourism support infrastructure undermines the tourism experience of visitors. The limited funding to the tourism sector has constrained the sectors' ability to effective market and promote Uganda as a preferred tourism destination. Marketing and promotion efforts have focused on developed countries (Europe, America and Asia), which is paying off, with increased leisure tourists. However, recent evidence suggests that most travelers to Uganda come from African countries, including our neighbors, and therefore, it is important for Uganda to start targeting the regional tourism market potential. The AfCFTA creates a very good opportunity for this realization. Sector consultations also pointed to the following challenges:

- **Inadequate Funding to the Sector**. Whereas the tourism sector has for long been the leading foreign exchange earner, public funding to tourism sector MDAs has been minimal as the sector receives less than 1% of the national budget. This has led to limited marketing and promotion efforts to make Uganda a preferred tourist destination. In September 2021, the Parliament approved operationalization of the Tourism Development Levy, which is provided for in the Uganda Tourism Board Act. The levy amounts to $10 on each ticket for every person who departs from Uganda by air. Whereas the new levy will increase air travel charges by the $10, it is expected to cushion private sector players in the tourism sector especially with respect to marketing and positioning Uganda as a priority tourism destination.
- **Limited Product Diversification.** Uganda's tourism products remain concentrated on nature and wildlife products. Whereas there have been efforts towards product diversification, more effort is required to develop new products, to meet varying needs of tourists. For example, the 2019 survey revealed that business and professional travelers spend less and stayed shorter. This can be attributed to limited product diversification for that segment of the market.
- **Tourism infrastructure and facilities are still inadequate** across the sector and in most cases, are limiting factors to the development of the sector.
- **Value Chain Dynamics.** All other sectors influence the tourism sector. For example, the sector will not work if the movement of people is restrictive, or if the transport sector is not working in the interests of tourists, if there are stringent visa limitations, or political insecurity, among others.
- **Unskilled and Semi-Skilled Manpower.** The labor force in the tourism sector is not sufficiently trained and skilled to serve the sector, especially in hotels and restaurants, serving the middle and lower strata of the tourism value chain.
- **Minimal use of IT and digital solutions** especially among small and medium enterprises.
- **Absence of a Consistent Brand.** Uganda does not have a consistent national brand, making it challenging to sell.

5.4.1.3. Recommendations

The Uganda Tourism Development Master Plan of 2014 – 2024 lays out a great strategy on how to improve Uganda's Tourism sector. It is the key recommendation of this DTIS that the Uganda Tourism Development Master Plan be implemented, as suggested therein, to achieve growth of Uganda's tourism sector. The other recommendations for the challenges faced in this sector include:

1) Invest in Tourism product development to diversify products for different segments of the market.
2) Uganda should develop a strategy to promote and exploit the regional and African tourism market. Whereas as regional/African tourists spend less when in the country, they are more willing to stay in small hotels and in rural areas that the much-desired leisure tourists. As part of the ACFTA,
3) Promoting use of ICT and digital solutions at all levels of the tourism value chain.
4) Prioritize development of Tourism support infrastructure, in line with the Tourism Master Plan.
5) Aggressive marketing of Uganda as a tourist destination in key tourism markets. This requires increased budgetary allocations to the tourism sector. The parliamentary decision to operationalize the Tourism Development Levy is a welcome development and more funding will still be needed in the budget.
6) Develop and implement firm-level capacity building strategy to improve the skills set of the players in the sector, and use of IT and digital solutions especially among SME in the tourism industry. This will increase competitiveness in the sector.

5.4.2. Transport Services

5.4.2.1. Brief Sectoral Analysis

Transport services are top of the agenda of several policy instruments in Uganda and Africa. Agenda 2030 seeks to build resilient infrastructure by 2030 (SDG 9) and Agenda 2063 (Goal 10)'s aspiration is to put in place the necessary infrastructure to support Africa's accelerated integration and growth, technological transformation, trade and development. Infrastructure is also the first of the five pillars in the EAC Vision 2050 that seek to ensure access to modern, fast and affordable infrastructure that is essential for economic development and wellbeing of the population. Additionally, Uganda Vision 2040 aims to have access to world class infrastructure and services, and modern technology to improve productivity and production.

Productivity in almost every sector of the economy is affected by the quality and performance of the country's transportation, water, power supply and other types of infrastructure. Therefore, access to and efficiency of transport infrastructure is critical to Uganda's competitiveness and ability to harness its regional and globalization potential. Uganda is served by road, rail, inland water, and air transport and the majority of people use road public transport. The transport sector is one of the most crucial sectors in Uganda, as most of the other sectors depend on it either directly or indirectly. As such, it has attracted increased government funding over the years. For example, in FY 2018/19, the sector was allocated UGX 4.8 trillion compared to UGX 4,587 billion in FY 2017/18. Indeed, the Government has made transport infrastructure a key priority for Uganda to accelerate the country's competitiveness.

For road transport, there has been an increase in the stock of road infrastructure for FY 2018/19, where 107.5 km of newly paved roads were added to the national network. Partial works of 806 kilometers of roads were also completed during the FY 2017/18. The total length of paved roads in Uganda in FY 2017/18 stood at 5,350. For rail transport, the Government noted its commitment to the development of the Standard Gauge Railway (SGR). In 2020, 8% of the right of way for the SGR was acquired with 228 Project Affected Persons in Tororo paid. In FY 2018/19, additional land on the

Eastern route was procured to facilitate the SGR right of way. Also, 42 railway wagons were rehabilitated, and bad spots along the Port Bell – Kampala and Kampala – Malaba line were repaired. Marking of the railway reserve boundaries has also been done. Rail transport is managed by Uganda Railways Corporation, following the cancellation of the concession to Rift Valley Railways Consortium, a consortium led by Sheltam of South Africa, under a 25-year Concession Agreement due to non-performance. The Railway services are still limited to freight services between Kenya and Uganda.

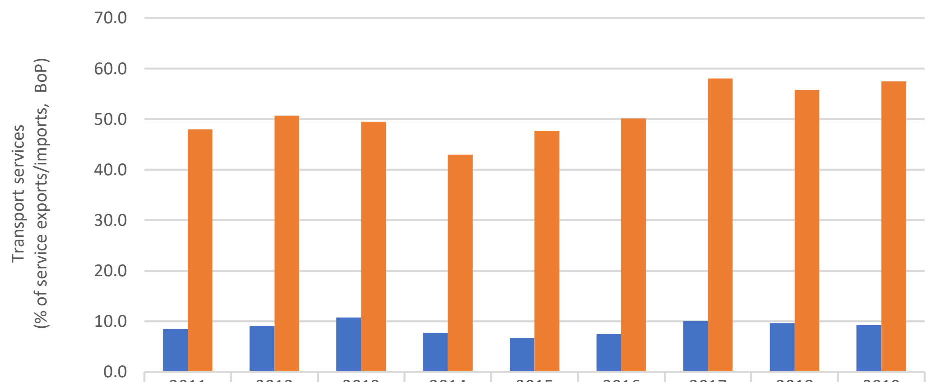
For water transport, the Government prioritized the improvement of inland water facilities through the development of the Bukasa port, renovation of marine transport infrastructure at Port Bell, Jinja Pier, and other landing sites, and the re-opening of the southern route. Purchase of ferries for effective and safe continuation of the national road network and provision of transport to islands and other hard to reach areas was also done. Inland water transport, on the other hand, is run by both the Government and private individuals. Private individuals have small boats, whereas the Government runs ferries to the major islands. Services auxiliary to all modes of transport are dominated by the private sector, and in this sub-sector, one will find several small players.

For air transport, there has been the creation of the 20-year National Aviation Master Plan (2014-2033) to guide the Government in the strategic development of civil aviation, air traffic forecast, air navigations services, safety oversight, among others. The Entebbe International Airport new cargo center has been completed, and works for the renovation of the passenger terminal building are still underway. The National Airline was revived and is now operational. The construction of other international airports is also underway, for example, the Kabaale International Airport in Hoima to strategically improve the development of the oil and gas industry in Western Uganda by providing a quick air transport facility for bulk assets destined to the region. The construction of the airport runway and its associated taxiways is also underway.

The private sector dominates the road transport sector in Uganda. Small scale operators own the transport vehicles (Matatus) with the majority owning one car each. The road sector also has over 200,000 motorcycles (Boda Bodas) on the road owned by private persons. There are also several private persons employed as taxis by multinational companies such as Uber, Taxify, and Bolt, to move passengers mainly around Kampala.

5.4.2.2 External Trade in Transport Services
Uganda being a land locked country and highly dependent on imports, the import of transport services dominates the country's services import. In 2019, Uganda's import of transport services was $1.544 billion dollars. This was equivalent to the total export earnings of the top 23 commodities exported by Uganda excluding Gold, (namely: coffee, cocoa, tea, petroleum oils, fish, cane, cement, maize, live plants, pal oil and its fractions, dried legumes, milk, flat-rolled products of iron, plywood, cereals, medicaments, milk, beer and cotton.) Between 2011 and 2019, import of transport services exceeded 50% of the total import bill of services and the trend has been growing, while export of transport services averaged 8.8%. The percentage share of transport in external trade in services is summarized in the fig 23.

Fig 23: Transport services External Trade

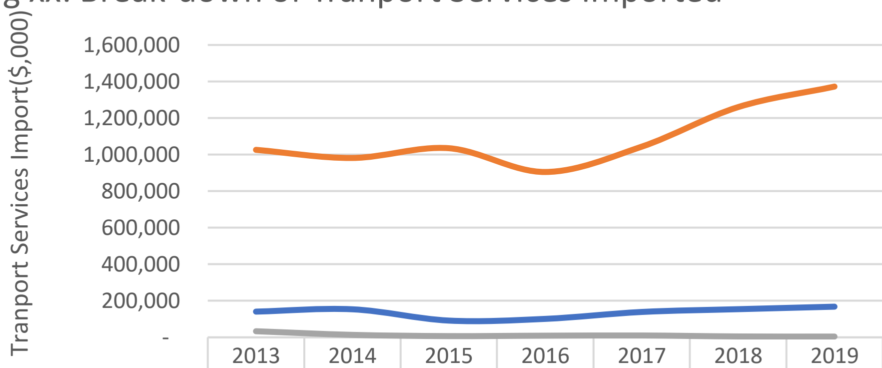


	2011	2012	2013	2014	2015	2016	2017	2018	2019
Transport services (% of service exports, BoP)	8.4	9.0	10.7	7.7	6.7	7.4	10.0	9.6	9.2
Transport services (% of service imports, BoP)	48.0	50.7	49.4	42.9	47.7	50.1	58.0	55.7	57.5

Source: ITC Trade Map

Further review of the transport importation data shows that the import of freight transport services dominates the country's imports of transport services and these have been growing since 2016 as shown in Fig 24.

Fig xx: Break-down of Tranport Services Imported



	2013	2014	2015	2016	2017	2018	2019
Passenger transport, All modes	140,817	153,462	91,716	101,103	138,851	154,144	167,781
Freight transport, All modes	1,026,100	981,711	1,034,955	904,874	1,043,297	1,259,941	1,372,219
Other transport	33,411	13,570	6,872	9,080	10,105	4,907	4,307

Source: ITC Trade Map

The high and increased import bill of transport services is attributed to structural challenges in Uganda and the EAC transport market. These include the following:

1. **Unharmonized road user charges among EAC States**. Uganda registered trucks carrying cargo between Malaba/Busia to Mombasa are charged about $200 per trip in road user charges, while a Kenyan registered truck pays about $20 for the same trip. This has influenced importers of Cargo into Uganda to hire Kenyan/Tanzanian registered cargo trucks when transporting cargo across the neighbouring countries as a way of reducing on the transportation costs. This directly contributes to the increasing and high import bill of transport services. The Government of Uganda needs to aggressively engage EAC Partner States to either adopt binding legislation at EAC to harmonize road user charges and or engage

in bilateral arrangements to stay the charging of road user chares, which are rendering Uganda's capacity to deliver trucking services uncompetitive.
2. **Low number of local transporters owning cargo tucks**. Ugandan companies/entrepreneurs own about 20% of the regional cargo trucks, partly because of the high cost of financing/credit in the local market. According to the logistics sector stakeholders, many Ugandan companies are incorporating in neighbouring countries to enable them access cheap credit towards financing acquisition of cargo trucks, which are then registered in these countries. This enables them to access more business and easily recoup their investment compared to registering them in Uganda. This continues to drive the import bill of transport services. There is need for the Government to adopt a targeted arrangement or facility that would ease the cost of acquiring cargo trucks for Ugandan transporting companies.
3. **Low number of professional cargo truck drivers.** Industry stakeholders also reported that Uganda has few professional drivers to drive the cargo trucks, which has made hiring foreign registered trucks attractive. The government should partner with logistics and transport companies under the National Logistics Platform at PSFU to develop a strategy/plan for training more truck drivers to serve national interests.

Other recommendations on curbing the increasing transport importation bill include: (1). The Government through MTIC, should establish structured engagements with the transport and logistics companies through the National Logistics platform at PSFU for a regular dialogue and feedback on measures and reforms to curb the increasing transport costs as they have direct impact on the competitiveness of all other sectors. (2). Government should fast track completion of the standard railway gauge and rehabilitation of the meter gauge railway. There should be promotion of a multi modal means of transport (3). Government should fast track the investment in revamping of water transport on Lake Victoria, to ease accessing the central corridor via railway.

5.4.2.3. Overall Sectoral Challenges

In NDP III, it is noted that the transport infrastructure and services are still inadequate and disjointed due to: transport investment prioritization being biased towards road transport over other modes; high cost of transport infrastructure and services; inadequate integrated land use and transport planning; inadequate transport asset management; weak and disjointed policy, legal, regulatory, and institutional framework for infrastructure and services; and high vulnerability of the transport sector to the impacts of climate variability and change. NDP III also notes Uganda's limited connectivity to the rest of the world as another challenge faced by the transport sector. At present, Uganda principally relies on the northern corridor as its major trade route. The corridor links the East African Economic centres to the World through Port Mombasa. There is need to reduce over reliance on the northern corridor by developing other corridors. The following are some of the overall challenges in the sector:

- **Poor Road Infrastructure** which leads to increased deaths. Uganda ranks first in road fatalities in East Africa. Road traffic fatalities rose from 2,845 in 2014/15 to 3,500 fatalities in 2017/18, meaning that almost 10 people were dying daily as a result of road accidents on Uganda's roads. In 2016, 20 accidents happened on the Mbale-Nkokonjeru road in Uganda because of dangerous road conditions. In 2018, one in ten deaths in Uganda occurred because of road accidents. Poor road infrastructure also reduces tourism. Tourists rely on roads to go to different villages and experience Uganda, a land-locked country. For example, it takes more than two hours to go to the Queen Elizabeth National Park, which is just 72 km from Kampala. When the weather is bad, it can take up to four hours. Farmers rely on roads to transport agricultural products. The agricultural sector contributes greatly to the economy and employment in Uganda. The majority of cargo is transported by road, but there are several unpaved roads in Uganda. The poor road infrastructure increases the cost of transportation and therefore doing business as more fuel is used to get to any one destination. Also, road users have to repair their vehicles often which makes the cost of living generally higher.

- **Narrow Roads.** The roads are narrow with hardly any places for the taxi drivers to disembark passengers. The road space is shared with roadside parking, pedestrians, motorcyclists, cyclists and sometimes moving animals. There are very few pedestrian streets and walkways, which puts pedestrians at risk, especially from motorcyclists. In Uganda, over 80 percent of people use walking and cycling as the most sustainable mode of transport.
- **Poor Road Maintenance.** Uganda’s transport network is poorly maintained, with only 28 percent of the required road maintenance being implemented in FY2018/19. This is primarily in the Kampala metropolitan area, where the road network is still poorly maintained. The funding for road maintenance and rehabilitation is not yet linked to road usage represented by both traffic loading (cargo freight) and traffic volumes (number of vehicles). This inadequate maintenance of existing stock of transport infrastructure reduces returns on investment and their lifespan.
- **Unruly Motor Cyclists.** The motor cyclists (*boda-bodas)* in Kampala are very many and very unruly. *Boda-bodas* have almost tripled in the last 8 years, from 354,000 in 2010 to 1.034 million in 2018 (World Bank, 2021). This makes it difficult to share the narrow roads with these cyclists, who also generally do not pay attention to the traffic rules. They lead to the general slowdown of motorists who are usually struggling to instantly halt the vehicles to prevent their knockdown. This in several instances, has resulted into accidents and the slow movement of cars.
- **High Traffic Jam Especially in the Greater Kampala Metropolitan Area.** One of the biggest challenges in the transport sector is the high levels of traffic jams. US $ 800 million is lost annually due to traffic jams in Kampala (Ministry of Works, 2018). This arises from failure of taxi drivers to stop where they are required to stop, as well as the indiscipline of motor cyclists (*boda - bodas*). The explosive growth in vehicle and motor cycle population has also made the situation worse. In less than 5 years, the motorized vehicle fleet has doubled from 739,036 in 2012 to 1,355,090 in 2018, with 50 percent of these in Kampala. High traffic jams result into high road maintenance costs, increased air pollution, delay in reaching the city centre, delays in accessing business centres, and eventually increased costs of livelihood and doing business.
- **High Costs of Road Construction.** One of the critical weaknesses in the transportation sector has been the unit cost of upgrading or construction of roads to bitumen standard. This cost has been rising over time due to other macro-economic parameters like the cost of materials (cement, fuel), among others. Over the past 15–20 years, the road sector has experienced significant increases in prices of road construction and maintenance. The average construction cost for upgrading roads to paved standard with bituminous surface treatment during the FY2018/19 was UGX 3.1 billion per kilometre as compared to UGX 2.36 billion per kilometre in the previous year. The average cost of reconstruction/rehabilitation of the paved roads was UGX 1.8 billion per kilometre as compared to UGX 1.96 billion per kilometre for the previous year. The sector has not yet adopted innovative, creative, and cost-effective measures of road development to reduce the cost of road construction.
- **High Marine Accidents.** Several incidents have been reported from the different water bodies, including lakes Albert, Kyoga, Bunyonyi, and Victoria. 160 fatalities were registered in Uganda during the financial year 2018/19. Most of the accidents are a result of the reduced mechanical and physical conditions of the water vessels used. According to the Vessels Registration Act of 1904, every vessel used on waters in Uganda is supposed to undergo registration and licensing, but this is not adhered to. Only 170 boats of the estimated 20,000 transporting people on Uganda's inland waterways are registered. This Act also needs revision, to address current practices in the marine world.

- **Outdated Marine Instruments.** It was noted that navigating around the water bodies in Uganda is a challenge as the survey charts used were designed in 1900 by the colonial masters. Since then, a lot of geographical changes have occurred, and these are not represented on the charts. Even the areas have changed names that one may even fail to reach their desired destination if relying on the existing charts. There is also a need to place navigation guiding beacons and coordinated distress operating centers for rapid response and rescue in case of problems on the water.
- **Dilapidated Rail Infrastructure.** The existing railway infrastructure is characterized by buried or old rails, dilapidated buildings, and rotting wagons. Out of a total of 1,266km of the rail network in Uganda, only 330km is operational. The lines were closed either due to technical deficiencies or low traffic volumes. The capacity of the rolling stock is very low due to long periods of deferred maintenance of the assets. URC currently has 1,317 wagons available on the network, out of which 600 were active as of June 2019. This explains why there is more consumer traffic on road transport which in turn increases the challenges faced in the road transport sub sector.
- **Low Railway Cargo and Passenger Volume.** The cargo volume is still on the lower side, as much cargo still moves by road. 196,789 tons of cargo were delivered and 3,031 trains were run in the FY2018/19, and 529,596 passengers were transported in the same year. Further, the train is still very slow, moving at a speed of 25kph. This makes it unattractive and uncompetitive to users and creates a lot of traffic. At present, there is about three times more traffic inbound than outbound, which causes a lot of congestion in the rail yard in Kampala.

5.2.2.4. Recommendations

In the NDP III, it is suggested that Uganda needs to focus on; investing in a resilient intermodal transport infrastructure that adequately connects the country to opportunities; reducing on the high cost of transport infrastructure and services; undertaking an integrated land use and transport planning; investing in transport asset management; and investing in better policy, legal, regulatory, and institutional framework for infrastructure and services. The consultative process highlighted the following recommendations to improve Uganda's transport sector.

1) Increase *boda- boda* discipline by enacting more stringent laws and policies for boda bodas riders to ensure discipline on the road, and thereby also deal with the resultant traffic jam that is created by the *boda - boda* indiscipline. Specific designated routes should be created for the boda bodas. This will also reduce on the road accidents that are arising out of the indiscipline of *boda-boda* riders.
2) Develop additional road capacity for the unpaved roads to reduce on the road traffic jam. These small feeder roads, especially in Kampala, should be paved and the existing narrow roads made bigger, to facilitate double lane (or more) movement of cars.
3) Improve traffic management measures by implementing existing policies on commuter taxi stages to reduce traffic jam. Taxis have designated stops, but the drivers do not respect them. This slows down traffic and thereby creates a lot of jam. Stringent spot fines should be imposed on taxi drivers who stop in undesignated places.
4) Encourage pedestrian to walk shorter routes, as opposed to driving all the time. This will improve traffic flow on the roads as well as reduce pedestrian risk on the roads especially from motorcyclists. This could be through mass sensitization and creating safe pedestrian walkways or streets.
5) Promote the use of buses in the place of the *boda bodas* which only carry one passenger, and in the place of the commuter taxis, especially for travel into the greater Kampala area. This will address the issues of traffic jam substantially. There should also be a boost of all the other subsectors of transport, so that movement is not principally by road.

6) Adopt innovative road construction methodologies to reduce the high costs of road construction. The government should benchmark best practice in other countries that are yielding longer lasting roads at a reasonable cost.
7) Enact stronger marine laws to deal with the high accidents on the water ways. As noted in NDP III, if the non-motorized mode of transport is promoted and given priority over motorized modes, this will discourage use of private cars and address issues of high traffic jam, among others.

5.4.3. Financial Services

The financial services sector includes all insurance and insurance-related services and banking and other financial services. Whereas Uganda has not made any specific commitments under financial services at the WTO, the financial sector was liberalized, including 100% foreign ownership and profit repatriation.

5.4.3.1. Brief Sectoral Analysis

Banking Subsector

The banking sector is composed of formal, semiformal, and informal banking institutions. The formal institutions include banks, credit institutions, development banks, microfinance deposit-taking institutions, and pension funds. The semi-informal institutions include Savings and Credit Cooperative Associations (SACCOs) and other microfinance institutions, and the informal institutions are mostly village or group savings and loan associations. The formal institutions are not very prominent in Uganda's rural areas. They are mainly found in the capital city and major towns, and serve around 48% of the rural population and 52% of the urban population. Adults living in the rural regions are less banked than those in urban regions. Kampala has the highest percentage of banked adults (42%), followed by Wakiso (20%), and Karamoja has the least.[24]

In the early 1990s, the banking sector was principally comprised of four foreign banks and two large indigenous banks that controlled 70 percent of the banking assets and liabilities in Uganda. By 2006, the sector had substantially grown and had both a formal and informal sector. Today, the formal sector is made up of the Central bank, 26 commercial banks, 5 credit institutions, 4 Microfinance Deposit-taking Institutions, a National Social Security Fund, 210 Forex Bureaux, and a stock exchange.[25] The informal sector, on the other hand, has a wide range of moneylenders, SACCOs, Rotating Savings and Credit Associations (ROSCAs), and Microfinance Institutions.

In 2009, a new innovation by the telecommunication companies known as "mobile money" started taking root. This innovation allowed the transfer of money using mobile phones, a form of electronic mobile telephone commerce, where the mobile device is used to buy or sell goods or services through mobile commerce transactions. As a result of the growth and expansion of mobile telecommunications to the remote parts of Uganda, mobile payments became, over time, more reliable than conventional commercial banks, which required a lot of infrastructure to set up and had thus not been able to penetrate the deepest parts of Uganda. Today, mobile money is becoming the number one choice of payment and storing money in Uganda, compared to the conventional banking system. Mobile money serves those who do not or cannot get bank accounts, as well as those who have bank accounts. 93% of banked adults also use mobile money services to send money to, or receive money from, other parts of the country.[26]

---

[24] Report On Banking and the Status of Financial Inclusion in Uganda: Insights from Finscope 2018 Survey

[25] BOU Annual Report, 2019 – 2020.

[26] Report On Banking and the Status of Financial Inclusion in Uganda: Insights from Finscope 2018 Survey

As a result of this, there are high volumes of finance handled off the mobile money platform. The bureaucracy endured when transacting from a bank account has further made mobile money more popular, especially for persons in rural Uganda, as the mobile money process is handled without any bureaucracy from an ordinary third-party agent. By June 2018, the value of mobile money transactions (money that had crossed phone handsets) was about UGX. 19,347,889,204,239 (US$ 5,176,640,000). By 2020, this value had increased to 79.7 trillion UGX with the number of mobile money transactions amounting to 3.1 billion.[27] Naturally, mobile money has become a directly competitive sector for the banking sector and one that banks have to deliberately work with so as to remain on top of their game. The banks have achieved this by facilitating mobile money to bank transfers and vice versa. As a result, and among other reasons, Uganda has registered a growing services account flow for financial services from 21 million Usd in 2018, to 22 in 2019 and 28 million Usd in 2020.[28]

Since 2019, however, Uganda's economy, like the rest of the world, has faced significant challenges arising from Covid – 19, which made 2020 a challenging year for the banking sector. The slump in economic activity negatively affected the asset quality of loans extended by commercial banks to the market, with the percentage of Non-Performing Loans to gross loans nearly doubling in FY 2019-20 to 6.01% from the 3.79% registered in 2018-19. Average year-on-year growth in private sector credit averaged at 7.6% in the quarter to October 2020, a marked decline from 8.9% that was registered in the quarter of July 2020. Despite the Central Bank's interventions of lowering the CBR to historic lows of 7%, many banks had to restructure their loans with clients and limit extending new credit to the market as a result of the prevailing risks.[29] This affected the overall performance of the banks.[30]

The banking sector in Uganda is dominated by foreign banks. The ordinary man in the private sector is principally only involved in group lending SACCOs and as a money lender with a Money Lenders License. This lending business is principally not so exposed to foreign competition as the lending is purely based on friendship and presence in the same WhatsApp group for the SACCOs and on word of mouth. The ordinary man in the private sector is also lending money using money lending apps on mobile phones, an aspect of IT-enabled services.

Insurance Subsector

Despite the numerous challenges ushered in by the Covid -19 pandemic, the Insurance industry remained on a positive growth trajectory growing from UGX 974.417 billion in 2019 to UGX 1,065 billion in 2020 and posting a 9.34% growth over the reporting year. Non-life business generated UGX 664.975 billion in GWP (up from UGX 621.69 billion in 2019) representing a 6.96% growth in premiums. Life insurance business on the other hand generated UGX 324.35 billion in GWP in 2020 (up from UGX 276.32 billion in 2019) representing a 17.38% growth in premiums. Health Membership Organizations generated UGX 75.56 billion down from UGX 76.11 billion in 2019 representing a 0.72% decline.[31]

In terms of market composition, non-life accounted for 62.41% of the aggregate industry written premiums, 1.4% points lower than the market share index of 63.80% of 2019. Life business accounted for 30.44% of the aggregate industry written premiums compared to 28.38% in 2019. Health Membership Organisations accounted for 7.09% of the Market Share (7.74% in 2019). Despite the

[27] BOU Annual Report 2019 – 2020.
[28] 2020 Bank of Uganda Statistical Abstract.
[29] Economic Overview 2020, Economic Outlook 2021. Grant Thornton Uganda.
[30] BOU Annual Report 2019 – 2020.
[31] Insurance Annual Report, 2021.

continued dominance of the non-life business (albeit, declining), the Life Insurance business continued to grow relatively faster at 17.38% compared to 6.93% of non-life business.[32]

In Uganda, it is now mandatory to have Motor Third-Party Insurance as part of the mandatory vehicle inspection checks carried out by SGS Automotive Uganda. The IRA has launced a platform through which CIF Insurance can be paid from Uganda. This platform is already linked to the Electronic Single Window. The Government has also committed to continuing with the pilot Uganda Agriculture Insurance Subsidy (UAIS) program to further subsidize agriculture insurance premiums for both small- and large-scale firms to guarantee the returns expected from crop and livestock farming. In 2020, a total of 54,287 farmers were covered and this generated UGX 11.426 billion in GWPs to the Industry (81,794 farmers, and UGX 12.77 billion in 2019).[33] Concerning Marine Insurance, the Insurance Act makes it mandatory that insurance policies on ships, aircraft, or other vehicles registered in Uganda; and on goods imported from other countries, except personal effects and donations, be issued by Insurance Companies licensed under the Act. The IRA also approved the Oil and Gas Co-Insurance syndicate in 2016, allowing the local industry to actively seek avenues to provide insurance support to the Oil and Gas sector.[34] A lot of effort has been put by the IRA into streamlining claims processes whilst paying attention to possible fraud. As a result, the Gross Claims paid on account of both life and Non-life (including HMOs) increased by 18.62percent from UGX 374.9 billion in 2019 to UGX 444.69 billion in 2020. Despite the reduction in business volume of Agriculture insurance, total claims paid increased from UGX 1.846billion in 2019 to UGX 4.116 billion in 2020.[35]The insurance sector is dominated by both large multinational companies and private national companies, with the majority of companies that are Non-life Insurance being foreign-owned.

5.4.3.2. Sectoral Challenges

Financial services are the engine of the economy. They backup all the other sectors of the economy. As such, it is critical that the sector is stable and sound even as Uganda strives to boost the sector's competitiveness. The sector faces some challenges that prevent it from expansion and better performance, as noted below.

Banking Subsector

- **Limited Use of Banking Services in the Sector.** As already discussed, the number of the population holding accounts in banks has been few, most of whom are in the city and urban areas. The savings to GDP level is still low, at 18.2% in 2020, and financial intermediation has been weak as indicated by the stock of private sector credit of 14.35% of GDP in 2020. **High Cost of Banking Infrastructure in Uganda.** The average annual operating costs of Ugandan banks as a percentage of their income earning assets is about 11%, which is very high by international standards.[36] This, coupled with the high cost of staff, are significant contributors to the high costs of running a bank. As such, banks are not keen on extending their operations into the rural parts of Uganda, where there are fewer customers as opposed to the city and urban areas.
- **New Technologies.** With the introduction of mobile and online banking, Agency banking, and points of sales, banks should be able to reduce their high costs of operation arising from, among other reasons, reduced human employment. However, with this comes the challenge to ensure that the new technologies deliver the same quality of and access to services as the more traditional technologies. More so, the new technologies have implications for bank

[32] Insurance Annual Report, 2021.
[33] Insurance Annual Report, 2021.
[34]Insurance Regulatory Authority, 2018.
[35] Insurance Annual Report, 2021.
[36] Report On Banking and the Status of Financial Inclusion in Uganda: Insights From Finscope 2018 Survey

regulation and supervision, which in Uganda has been traditionally focused on banks' management of credit risk. Moreover, bank regulators have to consistently strengthen their capacities for monitoring the security of banks' IT systems. This comes at an additional daily cost to bank operations. These new technologies are therefore a challenge, as banks find their feet and try to remain competitive and relevant, in this new era. They have to adopt a culture of innovation, in which technology is leveraged to optimize existing processes and procedures for maximum efficiency.

- **Changing Business Models.** The cost, the world over, associated with compliance management is forcing financial institutions to change the way they are doing business. The increasing cost of capital, combined with sustained low interest rates, decreasing return on equity, and decreased proprietary trading are all putting pressure on traditional sources of banking profitability. Yet shareholder expectations (especially in Uganda where the majority are foreigners) remain unchanged. This has led many banks in Uganda to struggle to create new competitive service offerings, rationalize business lines, and seek sustainable improvements in operational efficiencies to maintain profitability, as failure to adapt to changing demands is not an option.
- **Rising Consumer Expectations.** Today's consumer is smarter and more informed than ever before and expects a high degree of personalization and convenience out of their banking experience. Changing customer demographics play a major role in these heightened expectations, with each new generation of banking customer having an increased expectation of digitized experiences. For example, nearly 90% of Ugandans are prepared to learn and use new technology for payments where only three-quarters still prefer to pay by cash.[37] This presents banks with a unique challenge: How to satisfy the older generation and younger generation of banking customers at the same time? The answer is a hybrid banking model that integrates digital experiences into traditional bank branches, at an additional operation cost.
- **Few Local Players in the Banking Industry.** The banking industry is principally dominated by foreign owned banks who usually repatriate their funds to their home countries. Decision making in foreign banks is also sometimes done by the parent home country banks, which may take a long time. This can inconvenience customers in Uganda as they wait for major decisions to be made. For example, where banks have had to change modes of operation to include mobile banking with the ability to transfer money from a mobile money account to a bank account. Some foreign banks have been slow to effect this change, even up to today, because the banks are still consulting the parent banks abroad. This has inconvenienced the customers who would have preferred to use mobile money banking.

Insurance Subsector

- **Limited public knowledge of insurance services** which has eliminated a big percentage of people from consuming insurance services. Indeed, penetration of insurance is still very low at 0.85%, which is one of the lowest insurance penetration rates in sub-Saharan Africa, compared to Tanzania's 11 percent and Rwanda's 2.3 percent.[38] This implies there are several untapped opportunities in the sector.
- **Absence of global policies** which a customer can continue to use when outside Uganda. Most of the policies offered only serve the domestic market and do not extend outside Uganda.
- **Lack of trust** resulting from the fact that many insurance firms fail to pay claims, and own up to offering some benefits. Therefore, most people just see insurance as one of the unnecessary expenses that does not even fulfill its required mandate.

[37] Report On Banking and the Status of Financial Inclusion in Uganda: Insights From Finscope 2018 Survey
[38] Report on Uptake of Insurance Services in Uganda, 2019/2020.

- **Delays in processing customer claims.** Brokers complain of delays when processing customer claims resulting from delayed assessments and documentation required by the insurers. Some insurers also have a fixed payment schedule (eg once a month) which delays payments. This has contributed to the negative public perception of the industry.
- **High competition for a small market**. There are several insurance companies in a small market with few products. All of them are competing for motor vehicle third party and workman's compensation which are the most common consumed policies.

5.4.3.3. Recommendations

- *Banking*

1) The government should relax stringent account operating and opening procedures for banks as this would address the challenge of limited bank use. At present, banks are getting out competed by the telecom companies that avail mobile money because the bank account opening procedures and requirements are relatively more herculean than what one needs to have a sim card so as to have mobile money on their account. With customers able to get money onto their phone from any part of the world without any issues, customers are preferring to use and keep their money on their mobile phones than in the bank.
2) To address the issue of high cost of banking infrastructure, banks should increase their investment in the new and emerging technologies so as to retain their market share in the economy. This has already been seen in the way they have added their services onto the mobile money payment platforms that are owned by the telecom companies.
3) Deliberate effort should be put into promoting and encouraging local banks. This can be done by availing local banks with incentives to operate. This is especially so in light of the AfCFTA and the resultant competition from the liberalisation. For example, the government can support well run indigenous banks that have difficulty meeting the minimum capital requirements. This could for example be through the creation of a Special Purpose Vehicle to raise funds from the private sector, like the Pension Funds, to support the banks on completing a proper due diligence process. In Ghana, in 2019, using this method, funds were committed from pension funds and other investors through a bond programme with proceeds of up to GHS 2 billion to be used for equity investment in the indigenous banks as determined by the investors. The bonds issued to the Pension funds were listed on the Ghana Fixed Income Market for liquidity purposes.

- *Insurance*

1) Promote and Encourage the Public to Use Insurance Products. The government through the Insurance Regulatory Authority can carry out a drive to educate and encourage the public to use insurance products. The majority of Ugandans especially outside metropolitan Kampala, do not know about insurance, and do not use insurance. This can be done through distribution of information brochures, leaflets, pull outs in newspapers about the importance of insurance, and translating these into local languages.
2) To address the issue of public mistrust, complaints handling platforms should be created for example through call centres or social media platforms. The platforms should be empowered to remain active and respond to complaints quickly. This would also address the issue of payment delays.
3) Global policies can be created by the insurance companies by partnering with international insurance companies and billing using global payment methods. This would ensure continuity of the policies even when the customers travel outside Uganda.

5.4.4. Energy Services Sector

The WTO Background Note S/C/W/52 identifies the following as the sub-sectors in the energy sector: (1) Coal, (2) Petroleum, (3) Electricity, (4) Natural Gas, (5) Nuclear Energy, (6) Renewable Energies. Uganda has sought to accelerate its energy sector's competitiveness through the implementing various projects that increase power generation, transmission, and distribution particularly in the following sub sectors which will be the focus of this DTIS:

1. Renewable sources of energy (Electricity, Solar, Biomass, Wind).
2. Non-renewable sources of energy (Petroleum, Atomic/Nuclear power).
3. Energy efficiency and conservation technologies.

5.4.4.1. Brief Sectoral Analysis

The energy sector is one of the key sectors of the Ugandan economy.

The sector is driven by several Policies such as; Agenda 2030 which seeks to achieve universal access to electricity by 2030 (SDG 7), the EAC Vision 2050 that aims at increasing energy production in EAC from 3,965MW in 2014 to an estimated 70,570MW in 2030 and Uganda Vision 2040 which advocates for access to clean, affordable and reliable energy to facilitate industrialisation, among others. These Policies place activities in the energy sector at the forefront of the government's effort in improving the lives of Ugandans. The sector has the following sub sectors:

Biomass Subsector

Biomass is the predominant energy used in Uganda, contributing over 88.6% of the total primary consumable energy. Biomass is the biggest source of heating and cooking energy in Uganda for households, institutions, SMEs and industries. It is also a popular source of energy for value addition in the areas of tea and tobacco curing, ceramics, confectionery and other rural based industries. [39] The most common type of biomass used is charcoal, which is principally used in urban areas, while firewood, agro-residues, and wood wastes are the predominant forms of biomass in the rural areas. Of these three, firewood is the most popular. It is used on three-stone fires in rural households and by commercial vendors in urban areas for food preparation. In some institutions like schools and hospitals, firewood is also used on improved stoves.

The conversion of biomass into useful energy relies mainly on several traditional, inefficient technologies and practices. For example, for the conversion of firewood into charcoal, earth mounds and pits are used as charcoal kilns with conversion recoveries of less than 10%. Despite efforts to promote use of efficient technologies in Uganda, there is still great dependence on inefficient technologies, which are not only wasteful and inefficient, but also expose the users to Indoor Air Pollution (IAP) which is a major health hazard in Uganda.[40]

Various sources supply biomass, among them the different vegetation and land use types in Uganda. The primary sources are hardwood plantations, which consist of eucalyptus (50%), pine trees (33%), and cypresses (17%). The total standing biomass stock is stated at 284.1 million tons with a potential sustainable biomass supply of 45 million tons. However, accessible, sustainable wood biomass supply stands at 26 million tons. This amount meets 59% of the total demand of 44 million tons per year.[41]

The main business that utilizes biomass residues for electricity production is the sugar industry in a cogeneration process. At present, there is a cogeneration capacity of 29.7 MW in two cogeneration plants, both of which run with biogas as fuel. There is also considerable potential for cogeneration in

[39] Energy and Minerals Sector Performance Report, 2020.
[40] Energy and Minerals Sector Performance Report, 2020.
[41] Uganda Energy Situation. https://energypedia.info.

the sugar processing industry as well as textile manufacturers, the beer industry, the cement industry, and the food and beverage industry. The potential in the sugar industry alone is currently estimated to be over 100 MW, while for other industries, it could be over 50 MW. Coffee and rice husks are also utilized for heat production in cement and tiles manufacturing. Another small amount is used for the production of carbonized and non-carbonized briquettes.[42] As such, bio-energy has the highest potential for expansion among renewable energy technologies, mainly because the technology is mature and is a relatively easy substitute for fossil fuels.[43]

To improve on the sustainable use of biomass in Uganda, several modern biomass technologies and fuels are being promoted and deployed by the government. These include: (i) Biofuel production, blending and utilization in the thermal and motive energy sector; (ii) Waste to energy technologies: biogas, gasification, briquetting technology for household, institution and large scale for power generation; (iii) Improved biomass cooking technologies and fuels at household, SMEs and institutional level; (iv) Improved biomass fueled baking ovens and fish drying kilns; (v) Sustainable charcoal production technology; (vi) Promotion of soil stabilized blocks to reduce the firewood demand for brick making. (vii) Energy crop promotion for biofuels, firewood and charcoal feedstock.[44] Government should promote trade in biomass technologies to increase their access and use.

Wind Subsector

The wind energy resource in Uganda is insufficient for large-scale electricity generation. It may however be suitable for special applications, such as water pumping in remote areas, irrigation schemes for agricultural production and for small-scale electricity generation in mountainous areas.[45] Some sites in Uganda have been noted to have enough wind speeds to generate a substantial amount of electricity. The measurement carried out under the Alternative Energy Resource Assessment and Utilisation Study indicated that the average wind speed at Kabale and Mukono at 20m was 3.7m/s. In the mountain areas in the south-western part towards the border with Rwanda (Kabale, Kisoro, Ntungamo) and the area around Mt. Elgon, the average wind speed would go up to about 4 m/s. Otherwise, the wind speeds in most areas of Uganda are moderate with an average speed not exceeding 3 m/s. Preliminary investigations in the Karamoja region and along the shores of Lake Victoria show that there could be potential for the production of wind electricity on a medium scale.[46]

Solar Subsector

Uganda's average solar radiation is 5.1 kWh/m2/day, which is the equivalent to an annual generation of electricity of about 1022KWH/m2. The solar energy resource is high throughout the year, with a yearly variation (max month/min month) of only about a maximum 20% (from 4.5 to 5.5 W/m2), which is due to Uganda's location near the equator. Uganda has 2 solar PV power plants[47] and a solar energy estimated electric potential of 200MW. Uganda's potential for photovoltaic generation is about 24,000MW.[48] This implies that attracting investment in solar would go a long way in improving the use of solar in Uganda, especially because Uganda has a geographical location advantage. Some of the activities being done by government include a 4MW grid solar power plant that is pending completion at Busitema University, solar street lights in five (5) upcountry town councils including Lumino-Busia,

[42] Uganda Energy Situation. https://energypedia.info.
[43] Energy and Minerals Sector Performance Report, 2020.
[44] Energy and Minerals Sector Performance Report, 2020.
[45] Wabukala, Otim, Mubiinzi and Adaramola. (2021). Assessing Wind Energy Development in Uganda: Opportunities and Challenges. Sage Journals.
[46] Wabukala, Otim, Mubiinzi and Adaramola. (2021). Assessing Wind Energy Development in Uganda: Opportunities and Challenges. Sage Journals.
[47] Electricity Sector Performance Report, ERA, 2020.
[48] Energy and Mineral Development Sector Development Plan, 2015/16 – 2019/20.

Nagongera-Tororo, Buikwe, Manafwa and Goma, and a hybrid solar/bio thermal drier in Kikyusa, Luwero District.[49] A lot more can be done in this sector.

Hydro Electricity
Uganda has 24 power plants that generate electricity to the national grid. (Four large hydro power plants, eleven small hydro power plants, two thermal plants, five bagasse-based cogeneration plants, and two solar PV plants). [50] Uganda's total installed capacity has grown from 60MW in 1954 to 400MW in 2000 to 1247 MW at present. The current installed capacity is derived from hydro (1023.59MW), thermal (100MW), grid connected solar (60MW) and cogeneration (63.9MW).[51] The Hydro Electricity subsector is comprised of Electricity Generation, Transmission, Distribution and Regulation. distribution to
Generation: Hydroelectricity generation in Uganda is mandated to UEGCL, but was started in the 1950s and 1960s with the construction of the Owen Falls Hydropower Station (Nalubale Power Station) with 10 generators with a total installed capacity of 150 MW. Later the power station was refurbished and upgraded to 180 MW, and a new power station (Kiira) was constructed with a capacity of 200 MW.[52] With the liberalization of the economy and the unbundling of the Uganda Electricity Board, both Nalubale and Kiira hydropower stations were leased to Eskom (U) Ltd under a 20-year concession agreement. The two hydropower stations form the backbone of the electricity generation network in the country. Contributing to Uganda's electricity supply problems is the fact that growth in demand for electricity has not been matched with new generation capacity. To alleviate this problem, the Government procured emergency thermal generators. A new hydro facility of 250MW was developed at Bujagali, and it has been in operation since February 2012. However, before Bujagali became operational, 150 MW thermal capacities had been added to bridge the gap until the beginning of 2012. All the big power generation plants belong to UEGCL but are operated and managed by ESKOM, Aggreko, and other companies. The government has constructed three additional large hydropower stations; the Isimba power station with a capacity of 183.2 MW (opened in March 2019), the Karuma Station with 600 MW installed capacity (still under construction), and the Ayago station with a size of 600 MW (and expected to be operational in 2030).[53] In 2019/2020, four additional small hydropower projects, namely Sindila, Siti 2, Kyambura and Ndugutu were undertaken. This added over 35 MW of installed capacity and an estimated annual generation of 162 GWh to the Ugandan National Grid.[54] A total of 59 mini-hydropower sites with a potential of about 210 MW have also been identified through different studies.

Transmission: Electricity transmission is the mandate of UETCLas the single buyer of electricity in Uganda. UETCL purchased a total of 4,333.42GWh of electricity in 2019 from various sellers compared to the 4089.59GWh that was purchased in 2018. UETCL sells the power to Umeme Ltd, Pader Abim Cooperative Society, Kilembe Investments Ltd, Bundibugyo Co-op Society, Kyegegwa Rural Electricity Co-op Society and UEDCL, and exports power to Kenya Power and Lighting Company (KPLC), Tanzania Electricity Supply Company Limited (TANESCO), Energy Water and Sanitation Authority (EWSA, Rwanda) and Societe Nationale D'Electricite (SNEL, Congo). A total of 4,224 GWh of electricity was sold by UETCL in 2019 compared to the 3930 GWh that was sold in 2018, demonstrating a 7.5% increase in energy sales. There has been a reduction of energy losses by UETCL from 3.79% in 2017 to 3.64% in 2019 to 3.56% in 2020.[55] UETCL is in the process of completing several transmission lines

[49] Energy and Minerals Sector Performance Report, 2020.
[50] Electricity Sector Performance Report, ERA, 2020.
[51] Electricity Sector Performance Report, ERA, 2020.
[52] Uganda Energy Situation. https://energypedia.info.
[53] Uganda Energy Situation. https://energypedia.info.
[54] Energy and Minerals Sector Performance Report, 2020.
[55] Energy and Minerals Sector Performance Report, 2020.

such as the Bujagali Tororo-Lessos 220kV, 127km line, the Tororo – Opuyo – Lira 132kV, 260km line, Luzira Industrial Park 3X40MVA, 132/33kV Substation and Line (15km), Mukono Industrial Park 3X60MVA, 132/33kV Substation and Line (5km), Iganga Industrial Park 2X40MVA, 132/33kV Substation and Line (10km), and the Namanve South 3X60MVA, 132/33kV Substation and Line Project (5km), among others. This will improve energy transmission in Uganda.

Distribution: Electricity distribution is principally conducted by UEDCL and UMEME, (as the major players) and seven other smaller companies.[56] Umeme is a limited liability company that was licensed by the ERA to carry on the business of electricity distribution and supply. UMEME took over the distribution and supply of electricity in Uganda from UEDCL under a concession arrangement for a period of 20 years which commenced on 1st March 2005 and expires on 28th February 2025. Under the Concession, Umeme is also required to operate, maintain, upgrade, and expand the Distribution System within Uganda.

UMEME sells energy to four main categories of consumers namely; households (domestic consumers), commercial customers (SMEs), industrialists (medium, large and extra-large) and the street lighting category. Distribution has expanded with the legally grid connected customers rising from 180,000 in 2001 to 1,643,288 in 2020 (including off grid clients).[57] Umeme purchases all bulk energy from UETCL. Umeme purchased 14% more energy from 2017 (3,334 GWh) to 2019 (3,806 GWh) in order to meet the growing demand for electricity. Total UMEME customer numbers grew by 31% from 1,125,291 customers in 2017 to 1,469,963 customers in 2019, with a year-on-year growth of 15% from 2017 to 2018 and 14% from 2018 to 2019. Prepayment metering (conversions plus new connections) grew by 34% from 173,000 meters in 2017 to 232,000 meters in 2019. Umeme reduced energy losses from 17.2% in 2017 to 16.4% in 2019 against a target of 15.9% in 2017 and 15.0% for 2019. [58]

UEDCL is also involved in the distribution of electricity in Uganda. At present, UEDCL has completed construction and installation at Acwa II 33kV/11kV substation, completed installation of 5MVAr capacitor bank at Gulu substation and 2MVAr at Kitgum substation; completed 37km of 33KV double circuit line from Acwa Substation to Angagura and from Laria to Gulu 33kV/11kV substation thereby creating an evacuation route from Acwa to existing infrastructure. It has completed the rehabilitation of the Lira-Gulu 33Kv and commenced on the Lira-Kitgum, and rehabilitation of Acholibur –Laria 33kV line has progressed to 90%. As a result of the activities in this sector, there has been an increase of 6% in units consumed (compared to 2018/19), despite the fact that the number of customers only increased by 16.5%. As a result, UEDCL revenues from the sale of electricity increased from UGX 2.4 billion to UGX38.4 billion for the year end June 2019/2020.[59]

The private sector is also an active participant in the generation and distribution of hydroelectricity. At present, the key role of the Government is to provide an enabling environment for the private sector investments in the generation and distribution of hydroelectricity. For example, private companies like Kilembe Mines Ltd, Tronder Power, and Kasese Cobalt Co. Ltd have their small hydropower plants - Mobuku I with 5.4 MW, Mobuku II with 14 MW, and Mobuku III with 10.5 MW. The stations were initially built to supply their industrial activity. However, following the interruption in the copper and cobalt production activities, the companies entered into a contract with the UETCL in 2003 to sell power to the grid. Other private power stations are the Kanungu Power Station of Eco

[56] West Nile Rural Electrification Company (WENRECo), Kyegegwa Rural Energy Cooperative Society (KRECS), Bundibugyo Electricity Cooperative Soceity (BECS), Kilembe Investments Limited (KIL), Hydromax, Pader -Abim Community Multi-Purpose Electric Cooperative Society (PACMECS) and Kalangala Infrastructure Services Ltd (KIS).
[57] Electricity Sector Performance Report, ERA, 2020.
[58] Energy and Minerals Sector Performance Report, 2020.
[59] Energy and Minerals Sector Performance Report, 2020.

Power with 6.4 MW, and Mpanga Power Station of Africa Energy Management Systems with 18 MW. Three other small hydropower stations Kuluva (120 kW), Kagando (60 kW), and Kisiizi (300 kW), also supply electricity to isolated hospital grids. The German Agency for International Cooperation (GIZ) also set up small hydropower plants in Bwindi (64 kW) and Suam (40 kW). [60]

Nuclear/ Atomic Energy

Uganda has been a member of the International Atomic Energy Agency (IAEA) since 1967, where it has been collaborating with the IAEA to promote the peaceful application of nuclear science and technology. In Uganda, this is seen in electricity generation, cancer management, food safety assessment, tsetse control, improving agricultural productivity, water resources management and industries. This is done through teletherapy, nuclear medicine, branch therapy, mammography, Non-Destructive Testing (NDT), oil well logging, level/density/moisture gauging, radiography, isotope, hydrology, among others.[61] A total of 206 licenses to possess and use radiation sources for transport, import, and export of radiation sources exist in Uganda. The government is developing a nuclear power project, program and meteorological monitoring station to meet the energy deficit. It also plans to develop uranium resources for the sustainable supply of nuclear fuel.[62] The key areas of focus for the government at the moment are to invest in nuclear power infrastructure development, nuclear fuel, radioactive waste management and nuclear science and applications.[63]

Petroleum Subsector

The petroleum subsector at a glance shows that the number of barrels of recoverable oil reserves are 1.4 billion barrels, the development of the oil refinery is at 20% and the development of the crude oil export pipeline is at 40% (2019/2020).[64] The subsector is divided into three major subsectors: Upstream**,** Midstream**,** and Downstream.

Upstream Petroleum (Exploration, Development, and Production): The oil discoveries in the Kaiso-Tonya area in 2006 confirmed the commercial potential of the Albertine Graben area, which has had a 90% drilling success rate, with 58 of the 64 exploration and appraisal wells encountering oil and/or gas.[65] There are four active Production Sharing Agreements in the Albertine Graben, and the licenses are held by Tullow Uganda Operations Pty Ltd, Total E & P Uganda B.V, and China National Oil Corporation (CNOOC) each with 33.33% equity in the four licenses.[66] Twenty-one discoveries have been made with an estimated accumulation of 6.5 billion barrels of oil in place, out of which 1.4 billion barrels are recoverable. Gas reserves are estimated at 672 billion cubic feet, of which 499 cubic feet is no associated gas, and 173 cubic feet is associated gas.[67]

Midstream Petroleum (Refinery & Bulk Transportation & Storage): Activities in Midstream involve petroleum refining, gas conversion, storage and bulk transportation. The development of an oil refinery is one of the key projects in NDP III, which is also in line with the goals of the National Oil and Gas Policy for Uganda, 2008, and the Regional Refineries Development Strategy of 2008. The first phase of the refinery of 30,000 bbl/day had been slated to be completed by 2021, but it has not yet been completed. Nonetheless, implementation processes have been underway for the development of the petroleum refinery in a phased manner, starting with 30,000bbl/day, to 60,000bbl/day, and eventually 120,000bbl/day. Implementation of the crude oil feeder pipelines from the oil fields to an

[60] Uganda Energy Situation. https://energypedia.info.
[61] Ministry of Energy and Mineral Development Sector Development Plan 2015/16 – 2019/20.
[62] As required under S. 53(2) of the Atomic Energy Act, 2008.
[63] Energy and Minerals Sector Performance Report 2020
[64] Energy and Minerals Sector Performance Report 2020
[65] http://www.petroleum.go.ug.
[66] Energy and Mineral Development Joint Sector Review Report, 2015 – 2016.
[67] Langer, Ukiwo and Mbabazi. (2020). Oil Wealth and Development in Uganda and Beyond. www.jstor.org.

oil hub near the refinery also commenced with a 1445km long, 24-inch diameter crude oil export pipeline and a 211km long 12-inch diameter pipeline from the refinery to a storage terminal to be developed North West of Kampala city.[68] Uganda has set apart 29.5km2 of land to accommodate a petrochemical-based industrial park, which will include a refinery, a crude oil export hub, an international airport, logistics systems, utilities, and other petrochemical industries. Also, an integrated infrastructure corridor that will accommodate a pipeline, a highway, power transmission, and ICT infrastructure cable systems is being planned from the industrial park at Kabaale in Hoima to Kampala. Investors are welcome to participate in this sector, for the remaining blocks in the Albertine Graben for production licences.

Downstream Petroleum (Commercial Supply): The key activities in this subsector include marketing, transportation, and storage of refined petroleum products. Downstream activities are to ensure that the petroleum supply in the country is adequate, reliable, efficient, and economical.[69] Uganda is a landlocked country and currently a net importer of petroleum products. It imports 95% of the products through Kenya and 5% through Tanzania. Most products destined for Uganda through Kenya are delivered from Mombasa seaport to western Kenya terminals of Eldoret and Kisumu by pipeline and after that by road and rail to Uganda. In Uganda, the products are then distributed by road around the country. The various supply disruptions and high transportation costs along the Mombasa route and in Uganda substantially affect the prices paid for refined products in Uganda. Therefore, substantial investment in this sector will help increase competition and efficiency in the sector to the benefit of Ugandans. In 2019/2020, 120 companies were issued with petroleum operating licenses, and 149 were given petroleum construction permits and 80 construction completion certificates were issued to developers of petroleum facilities. [70] By 2015 226 operators were licensed to carry out importation, wholesale distribution, retail, storage, exportation, and transportation of petroleum products.[71] There is a 30 million liter petroleum storage facility at Jinja, which was created under a PPP, and 299.18 acres of land have been acquired at Buloba for the multi-user terminal. The government is also in the process of completing the Malaba-Kampala, Eldoret-Kampala and Kampala-Kigali petroleum products pipelines, and the Nakasongola Strategic Fuel Reserves.

5.4.4.2. Sectoral Challenges

Biomass Energy

- ***The threat of Wood Fuels.*** Weak implementation of policies towards the use of wood fuels have resulted in overuse and depletion of the forest cover in Uganda. About 90,000 hectares (equals 900 km²) of forest cover are lost annually, which leads to fuelwood scarcity in rural areas and increasing price levels of charcoal and fuelwood. Furthermore, the traditional use of firewood is responsible for high indoor air pollution levels, thus causing respiratory diseases that affect women and children in particular who are the major users of the firewood.
- ***Absence of a Conducive Business Framework* to support investment in efficient improved biomass technologies.** For example, there are no incentives to support the growth of energy crops. There are no financing privileges for biomass energy technologies for modern energy production. There is limited data on biomass potential and limited technical capacity to explore and fully utilize renewable energy resources.
- ***Inadequate Technical and Institutional* capacity for the private sector to roll out biomass technology**. There is a lack of skilled manpower to transfer existing world-class technologies to Ugandans. The biomass chain (plantations – feedstock – productions –transportation, storage, and distribution) is handled by a cross-section of MDAs (Agriculture and Animal

[68] http://www.ugandaoilandgas.com.
[69] Energy and Minerals Sector Performance Report, 2020.
[70] Energy and Minerals Performance Report, 2021.
[71] Energy Mineral Development Joint Sector Review Report 2015 – 2016.

Fisheries, Local Governments, Energy, and Mineral Development) which are not yet well coordinated to develop the subsector.

- ***Limited Access to Improved and Efficient Biomass Conversion Technologies.*** Uganda could achieve net biomass surplus if it adopted the right technologies. For example, Uganda could sustainably harvest over 45 million tonnes of biomass by including bushes, shrubs and a small portion of vegetal waste in its biomass energy mix. Supply would even be much higher if all other available forms of biomass potential were explored.

Wind Energy

- ***Insufficient wind resource data.*** Available wind data is insufficient to estimate the potential power production from wind in Uganda. Existing reports are limited to either assessing wind speeds or a territorial mapping of wind energy potential in Uganda, with no assessment of the critical factors to harness wind power.[72] Available wind data, collected by the Uganda National Meteorological Authority, is for weather-related purposes. There is scanty mention in government reports on the possibility of power generation through wind resources. For example, except for the mention of wind as one of the renewable energy sources, there is no emphasis on wind development in the Uganda Vision 2040. While the National Energy Policy 2002, and the Renewable Energy Policy 2007, indicate tapping power from wind resources, the Draft National Energy Policy 2019 is completely silent about wind power generation possibilities. The main empirical study on wind resources in Uganda,[73] provides an output on wind energy potential and a territorial wind map for Uganda. However, the study was exclusively based on wind data from only 11 sites. The absence of a comprehensive wind energy assessment and the Policy inadequacies highlighted above could partially explain the existing low investment in the wind energy sub-sector.[74]
- ***High Cost of Investment, Operation and Maintenance****.* Private entities have attempted to utilize local materials to generate wind power for lighting and water-pumping activities for rural communities. For example, the Uganda Veteran Wind Power Initiative that supplies between 1000 and 15,000 W of wind power systems to clients at a cost.[75] The uptake of these energy systems however is low due to cost and affordability restraints.
- ***Unsupportive Programs and Policies.*** Support programs for wind energy development in Uganda are generally lacking. Existing efforts are quite minimal to extend electricity to off grid rural communities. For example, in Karamoja, the government together with OXFAM and UNDP installed 43 water pumping windmills in 2015. However, the lack of maintenance and vandalism have restricted the functionality of the windmills to about 18%.[76] Tororo Wind Power Station in Eastern Uganda that promised to potentially produce 20 MW of wind power was unable to take-off in 2016 because the proprietors (Ms Xsabo Power Limited) could not honour the government issued licence for failing to raise US$150,000 in performance bonds.[77]
- ***Inadequate skilled manpower****.* Development of wind power farms requires a skilled workforce for wind resource assessment, infrastructure installation, operation, and maintenance especially in the implementation of large wind projects. Like any renewable

[72] Wabukala, Otim, Mubiinzi and Adaramola. (2021). Assessing Wind Energy Development in Uganda: Opportunities and Challenges. Sage Journals.

[73] Pallabazzer, R, Sebbit, AM (1998) The wind resources in Uganda. Renewable Energy 13(1): 41–49.

[74] Wabukala, Otim, Mubiinzi and Adaramola. (2021). Assessing Wind Energy Development in Uganda: Opportunities and Challenges. Sage Journals.

[75] New Vision (2010) Lighting Villages with Wind Power, The Vision Group. Available at: https://www.newvision.co.ug/news/1276835/lighting-villages-wind-power.

[76] MoFPED 2017 Budget Monitoring and Accountability Unit (BMAU) Framework Paper FY 2020/2021, Paper 1/17.

[77] Daily Monitor (2017) Prospective Investor "Fails: Money Test, The Monitor Publications. Available at: https://www.monitor.co.ug/News/National/Prospective-investor–fails–money-test/688334-3829076-13j7hk8z/index.html

energy resource, wind energy calls for a spectrum of expertise in areas of economics, physics, material science, chemical, electrical and mechanical engineering, zoology, and business management. Specialists in wind power systems are required for R &D wind technology and project development. Uganda has insufficient education and training in wind energy specific disciplines, thus creating a skills gap in the sector.

Solar Energy

- ***Lack of appropriate legislation*** on the integration of small intermittent renewable energy technologies of solar rooftops on the national grid using two-way power meters. There is also a need to develop appropriate legislation and standards for the proper usage of grid-connected solar PV systems.
- ***The solar resource is intermittent,*** and this requires effective strategic planning to ensure steady utilization through electricity storage. The challenge of intermittent solar energy results in high tariffs.
- **Lack of solar energy products standards**, which has led to flooding the market by poor quality solar products.

Hydro Electricity

- ***Competition.*** The Electricity Act does not handle issues relating to competition in the Electricity sub-sector despite the importance of the sector in driving national development. As such, there are gaps in dealing with anti-competitive practices such as price-fixing, cartels, mergers and acquisitions, and consumer protection in the electricity sub-sector. Also, the laws and regulations in the electricity sector do not have clear provisions on consumer rights and obligations.
- ***High Electricity Tariff Rates.*** The electricity tariff rates for customers in Uganda differ according to the category of clients. However, the implementation of this principle eliminates cross-subsidization of any category of customers by other categories which results in high tariffs for domestic consumers of $0.17/kWh and $0.11/kWh for industrial users. This tariff is often higher than the tariff for industrial consumers because domestic consumers who take supply at the low voltage impose higher investment and operational costs on the system than industrial consumers who are supplied at the high voltage or medium voltage. The high electricity tariff rates have made doing business for the private sector in Uganda very high with the businesses eventually becoming regionally uncompetitive.
- ***Insufficient Electricity Distribution.*** The existing competition policies have led to a situation where the distribution of electricity is not sufficient. The industrial electricity demand is still high compared to the supply and this is principally because of poor distribution infrastructure. The wider distribution of electricity to transform the rural areas is further encumbered by the low population densities, the scattered settlements, as well as the low incomes by households to afford to connect and pay for the electricity services.
- ***Huge Investment and Operation Costs.*** Collection costs are high in rural areas owing to the dispersed population and low numbers of clients. Acquisition of way leaves for construction of transmission lines is difficult. It increases project costs by very high margins and delays project implementation. Rampant vandalism also significantly increases the operations and maintenance budget of UETCL. Also, the long duration to mobilize operational funds requires excessive government guarantees which limits the role played by the private sector in the sector.
- ***Climate Change.*** This substantially impacts the sector's sustainability for example through the changes in the water levels for hydroelectricity or the floating Island that docked at Nalubaale Hydro Power Station and caused massive blackout in the whole country. There is need to protect the buffer zones of Lake Victoria and River Nile.

- ***Operation Challenges**:* Long procurement procedures delay the purchase of goods and services slowing down decision making and implementation. There are also inadequate staff to supervise the projects under implementation. Also, the depreciation of the Uganda Shilling against foreign currencies impacts on power purchases prices which are made in foreign hard currencies. There is also limited proportionality between the number of connected customers and the energy units consumed as customers are predominantly in the domestic category. There is need for initiatives that increase the number of commercial and industrial customers so as to increase the much-desired proportionality.

Nuclear/ Atomic Energy[78]

- ***Weak Regulatory Structure.*** There is still a weak policy, legal, and institutional framework to guide the subsector. There is limited equipment and operational funds to support field activities and core functions of the regulator.
- **Inadequate skilled workforce in the sector.** The Atomic Energy Council has relatively few technical staff who are not able to handle all the inspection and monitoring of activities. The Nuclear Energy Unit only has 7 staff. The absence of MOUs with relevant MDAs such as customs, UNBS, NEMA, Police, and the Ministry of Health compromises the success of the regulator in the sector.
- ***Public Ignorance.*** There is limited public understanding of nuclear techniques and their benefits to society. Very few people even know of the existence of the laws and regulations in this subsector.

Petroleum Energy

- ***Upstream:*** (i) Inadequate industry infrastructure to support upstream petroleum activities. There is a need for more national and regional roads, railways, electricity, water, communication, health, and educational infrastructure, which are essential in reducing the cost of investing in the upstream. Extreme weather conditions make several areas inaccessible (ii) Inadequate skilled manpower both in the public and private sectors to ensure maximum returns to the country. The low staffing makes the workload immense for the available staff (iii) Low oil prices have led to delays in activities in the sector and a reduction of staff by licensed companies. (iv) Delayed procurements in the sector arising from the slow release of funds. (v) Prolonged processes for land acquisition for project development.
- ***Midstream:*** (i)Difficulty in land acquisition owing to the slow release of funds as well as misunderstandings in the land acquisition process by CSOs. CSOs were noted to incite the residents of areas that were going to be affected by the refinery and pipeline developments to resist the resettlement plan, which delayed compensation and timely implementation of the plan. (ii) Limited expertise of service providers to provide logistical support to the refinery development program, specifically in the refinery, pipelines, and related infrastructure. The oil and gas industry is a very precise industry that there is no room for error. (iii) High public anxiety or expectations.
- ***Downstream**:* (i). Use of an outdated manual national petroleum information system, which makes the analysis of data difficult and reports not made in time. (ii). Inadequate regulations relating to health, safety, and the environment of petroleum activities. (iii) Inconsistent periodic fuel supply on the market-leading to the scarcity of petroleum products and upsurging of the product prices and the resultant inflationary repercussions.

5.4.4.3. Recommendations for the Energy Sector

- *NDP III notes that over the next five years, Uganda's energy sector needs to focus on:*

[78] Energy and Minerals Sector Performance Report 2020.

i) increasing access to sustainable energy and transitioning from biomass to more efficient energy sources, ii) upgrading and expanding the transmission and distribution networks for improved reliability, iii) integrated planning for a diversified energy generation mix, including renewable and alternative energy sources (hydro, solar PV, wind, geothermal and nuclear) iv) increasing industrial output and energy consumption for sustained economic development; v) improving energy efficiency on the supply and demand side; and, vi) building technical capacity and strengthening intra and inter-sectoral and institutional coordination.

- *Biomass*

(i) Introduction of improved charcoal stoves and fuelwood stoves. Since the majority of households use highly inefficient stoves, a campaign for increased use of efficient stove technologies would make a very big difference in the sector. The Energy sector needs to adopt a country wide campaign for use of these efficient stoves, in the same way that the Ministry of Health effectively campaigned for the use of mosquito nets throughout Uganda. Several households within Kampala are already using these energy saving stoves, but a lot more marketing and promotion needs to be done to increase their use especially in the rural areas. It would lead to reduced charcoal demand as the efficient stoves use less charcoal and would reduce the pollution and health risks associated with the traditional stoves. This is also in line with Uganda's goals of clean energy and less environmental depletion. This efficient stove drive can be steered by the Energy sector in partnership with Ministry of health which would be concerned about the health associated hazards. *(ii) Introduction of financing mechanisms for efficient technologies.* Creation of SMART financing mechanisms such as Creation of a National Fund for renewable energy projects that will provide seed –money (start-up capital) and use projected offsets (CERs) as collateral to access loans for heavy investments.

- *Wind*

(i). Comprehensive wind resource assessment in terms of Uganda's real potential for wind power generation, (ii). Creation of a wind data center to collect and analyze wind data parameters across Uganda, (iii). Deliberate wind power policy incentives to accelerate wind energy development in Uganda, (iv). Long term capacity and technical knowhow in wind power technologies through training, research and development. (v). PPP investment in wind energy infrastructure for transmission and distribution of excess power produced to the grid [79]

- *Solar*

Promotion of the expansion of solar in rural areas. At present, the majority of electricity for lighting and phone charging in rural Uganda is derived from small single solar panels. Therefore, policies made in favor of reducing the cost of and increasing the accessibility of small single solar panels to rural Uganda would increase the access of energy across Uganda.

- *Hydro Electricity*

(i). Negotiation of grant support with different development partners to support the huge capital investment and funding in the sector. (ii). Deliberate government policy to grow industrial sector as it will lead to increased consumption of electricity on the industrial level and thereby increase revenue. (iii). Deal with competition and competitive laws and practices in the sector.

- *Atomic/ Nuclear Sector*

(i). Build capacity for nuclear energy projects planning and management, (ii). provide technical support to peaceful applications of nuclear energy in agriculture, water and health sectors, (iii). conduct regular awareness campaigns in training institutions, at district level, (iv). continue engaging stakeholders in the implementation of nuclear energy activities through working groups to gain trust and utilize existing expertise.[80]

- *Petroleum Sector*

[79] Wabukala, Otim, Mubiinzi and Adaramola. (2021). Assessing Wind Energy Development in Uganda: Opportunities and Challenges. Sage Journals.

[80] Energy and Minerals Sector Performance Report, 2020.

(i). Build industry infrastructure including roads, water, electricity etc to facilitate investment in upstream. (ii). Build manpower expertise to ensure maximum returns to Uganda. (iii). Conduct mass sensitization to reduce on anxiety for land acquisition for developments in the sector. (iv). Simplify procurement processes to reduce delays in payments. (iv). Create more efficient health, safety and environmental protection Regulations for developments in the sector.

5.4.5. Professional Services

The Professional services sector is a very large sector, with several subsectors that have been committed by Uganda in the different TiS negotiations that include: Legal services, Accounting, Auditing and Bookkeeping services, Taxation services, Architectural services, Engineering services, Integrated Engineering services, Urban Planning and Landscape Architectural services, Medical and Dental services, Veterinary services, services provided by Midwives, Nurses, and Physiotherapists and Para-medical personnel.

5.4.5.1. Brief Sectoral Analysis

Several professional services in Uganda have concluded Mutual Recognition Agreements (MRAs) with other EAC Partner States. This means that the States recognize each other's professional conformity assessment results so that a professional accredited in one State is recognized as competent in another State. The professions that have concluded the MRAs so far include the Accountants, Engineers, Medical services, Architects, Veterinary and Para Veterinary professions, and Nursing and Midwives. The MRAs for the Legal Services, Surveyors, and Pharmacists are underway. The MRAs that have been concluded consider the accreditation of learning institutions, examiners and examining bodies, experience, length and nature of experience, code of conduct, professional ethical standards, disciplinary procedures, professional development, and re-certification, and the scope of practice and local knowledge. Therefore, professions with MRAs can access the market of the other EAC States without the need to be re-examined. Ideally, this should facilitate free movement of professionals from Uganda into the other Partner States that have signed and ratified the MRAs. It should mean increased exportation of Ugandan professionals into the EAC States, but this has not yet fully bore fruit in the EAC. In fact, the question to address in this respect is how the government can support Uganda's professionals to export their services to the other EAC Partner States through these MRAs, and how best can Uganda use the MRA model to the other negotiation markets that Uganda is part of, especially since as learnt from the Covid pandemic lockdowns, professionals are able to work from home without the need to move.

Going back to the 1990s, there was a high movement of persons from Uganda to Europe, the USA, Japan, and the Middle East, in sectors such as health care and education with several benefits especially in terms of remittance flows. Japan and the Middle East attracted workers with business skills, while the United States of America, Canada, and Europe attracted workers with professional skills and low-skilled labour. There was also a significant portion of the South-South movement, and many highly skilled Ugandans moved to other African countries, notably South Africa and other South and East African States. Today, the exportation of professional services is very minimal, with the majority of moving labour principally being maids and blue-collar personnel to the Arab and Middle Eastern states. According to the Uganda Bureau of Statistics, the GDP contribution of professional, scientific, and technical services stood at 2.5% in 2015/16, which was a decline from 2.6% in 2014/15.

Uganda has a large pool of professionals in nearly every sector and the export of temporary labour has been earmarked as being central to contributing positively to increased remittance flows, enhanced knowledge, and exposure to new technologies and methodologies. However, the exportation of professional services is not as vibrant as it should be. This has been ascribed to among other reasons, the increasing restrictions on Mode 4 by WTO States which are keen to limit the number of people temporarily moving into their economies to find work. The limitation of growth of export in professional services is also as a result of the fact that many countries are dealing with higher levels of unemployment, especially resulting from growing technology and the use of artificial intelligence. The need to employ several professions is growingly replaced by finding solutions on line through the internet, as well as using existing software and technology. As such, the demand for professional services has slowed down. The professional services in Uganda also face several challenges, as noted below, in the analysis of the status quo of the different professional services.

Accounting Services: The general lack of aggregated statistics makes it hard to quantify and track the contribution of accounting, auditing and bookkeeping to Uganda's GDP. However, Uganda's accounting services sector is presently estimated at 4,000 professional accountants of which 3,995 have qualified from the Institute of Certified Public Accountants (ICPAU). The records at ICPAU indicate that the number of registered accountants in Uganda has grown from 827 in 2009, to 2000 in 2016, and about 4000 in 2021. The legal regime that has been created by the Accounting MRA (EACIA Mutual Recognition Agreement) is that professional accountants within the EAC States can access practice opportunities within Uganda and other Partner States. The MRA among others simplifies the registration requirements for eligible members, with automatic recognition for all members by the effective date of the MRA (2011). The sub sector faces the following internal challenges:

- Technology and the need for continuous re-invention. Today, technology has challenged total reliance of clients to accountants. *Quickbooks* and other software are replacing some aspects of the need for accountants hence the need for accountants to continuously re-invent themselves In the world of continued technological changes, it is not a question of whether the accounting firms should change, but how and in what direction. This has been a real challenge to the SME accounting and auditing firms in Uganda, which have just been trying to survive through the existing business environment. They have then faced the challenge of implementing the strategic changes on time to keep the firm's business in sync with existing opportunities.
- Culture. There has been a presence of a large informal sector that does not appreciate the value of a professional accountant. So, they do not hire accountants, and this has kept the accountants and auditors out of business.
- Standards. There has been inconsistent compliance with the standards set by ICPAU. There are unethical practices done by both professional accountants and business clients. This has compromised the quality-of-service supply in the sector.

Legal Services: The legal profession is one of the most regulated professions in Uganda. The Act indicates that only Ugandan citizens or residents and holders of a law degree granted by a university in Uganda or any other degree or relevant legal qualification granted by a university or institution recognized by the Law Council or applicants with an aggregate period of five years of prior legal practice from any country recognized by the Law Council can practice in Uganda. As such, the legal services sector in Uganda is relatively very closed, with only 774 approved law firms (2017). The MRA for legal services has not yet been signed, but discussions are in advanced stages. The sub sector faces the following internal challenges:

- Difficulty of supervision of non-advocates. Statistics from the Uganda law society show that over 2000 lawyers are providing legal services without subscribing to the law society, which is the regulatory authority in the sector. This is a category of lawyers who are not enrolled to practice as advocates and include individuals with legal training active in the government, corporate and institutional lawyers, and academia. The mentioned groups are relatively outside the ambit of the Law Council and the Uganda Law Society and therefore are unregulated and cannot be easily brought to discipline for their conduct, which sometimes brings disrepute to the profession for want of discipline.

- Membership fees. Entry into the legal practice is impeded by the compulsory membership fee to the Uganda law society and the East African law society. Before the issue or renewal of a practicing certificate, every advocate must have subscribed or renewed their subscription with the aforementioned societies.[81] This has restricted the number of entrants into the sector.
- Decline in quality of legal education. Although several universities have been accredited to teach law and have indeed enrolled several students, there is generally a decline in law education standards which has resulted in quality skill shortage. This decline in standards does not facilitate the growth of the profession. Further, standards in the profession are determined by the training at the University. A license issued by NCHE allows a university to admit students. This has been taken to imply that a university can start whatever course it wants regardless of its abilities in that area. Hence law courses and graduation of lawyers has been done before Law Council deemed it fit to accredit the University program, resulting in poor quality lawyers.
- The Bar Course is not liberalized, with the sole provider being the Law Development Centre. This implies that an increase in law students cannot be easily accommodated. The student-to lecturer ratio is very high as the capacity of the institution was only originally prepared for small numbers. This affects aspects of effective access to the bar course by upcoming law practitioners. This shows there is a market access challenge for the locals.

Engineering Services: There is generally a shortage of practicing engineers in Uganda. According to the Engineers Registration Board, as of January 2018, there were 842 registered engineers of whom 774 were Ugandan nationals with full operational licences and 68 were foreigners with temporary registration. 720 of the registered engineers were concentrated in Kampala and 105 scattered across the remaining districts of Uganda. On the contrary, the number of foreign engineers in Uganda is quite high, especially on large public projects. For example, the Chinese have been noted to occupy almost 76 percent of the engineering posts at the Karuma Hydropower project.

The engineers in Uganda, Kenya, and Tanzania concluded an MRA in December 2012 to enable a professional engineer in one State to be recognized as a professional in all the Partner States. Rwanda and Burundi after complying with the required institutional measures also joined the MRA. With the MRA, a registration certificate or a practicing licence issued in one Partner State becomes honored in the other EAC Partner States. This is in a bid to facilitate the free flow of engineering services and engineering professionals across the EAC region. The MRA, therefore, establishes the conditions under which an engineer in a Partner State may have his qualifications recognized and may be eligible to practice in another State following the Agreement. The Engineering MRA is now operational and engineers within the EAC can now enjoy cross-border transfer of registration with ease.

The regulatory framework for the engineering services sector currently comprises two levels, namely, the statutory regulators and the professional peer regulators. The established statutory regulators include the Engineers Registration Board and the Architects Registration Board and the peer regulators include the Uganda Institution of Professional Engineers (UIPE), the Uganda Association of Consulting Engineers, the Uganda National Association of Building and Civil Engineering Contractors, and the Uganda Society of Architects. The subsector faces the following internal challenges:

[81] See Sec 11 of the Advocates Act

- There is a large number of non-registered engineers and consultants in practice, which were at one time reported to be than 1,500 (Dihel, 2010). There is also a large number of unqualified engineers especially foreigners practicing as engineers in Uganda.
- The procedure for registration is herculean, leading to a low number of registered engineers. Ideally, an engineer can only register after four years after graduation and on obtaining corporate membership from UIPE. After this and other additional procedures, it is noted that there is a high turndown rate and a low turnaround time for the board to make decisions on the applications, which discourages other intending applicants.

Architectural Services: The Architects profession is governed by the Architects Registration Act of 1996 with the governing body as the Architects Registration Board.[82] The Architects Registration Board registered a total of 178 registered and practicing architects (2018). This is too low compared to other countries like Kenya which has 1556 registered architects. The Uganda Society of Architects also noted a low number of architects in the civil service and yet every urban authority in Uganda is supposed to have an architect. According to the consultations, this has been ascribed to the fact that architecture is deemed as a peripheral profession so much that architectural positions are being occupied by unqualified architects or people from other professions.

In 2011, the architects concluded their Mutual Recognition Agreement with the rest of the EAC Partner States. The MRA makes provision for the harmonization of registration fees for all Partner States that are signatories to the agreement (Burundi, Kenya, Rwanda, and Uganda). It also provides for the recognition of architects in the other states that have been recognized by their national institutions. As noted, Tanzania is not part of the MRA. As such, Tanzanians still suffer higher registration fees compared to nationals from other Partner States. The consultations noted that the success of the MRA negotiations was in part due to the pre-existence of an East African Institute of Architects that was a binding force amongst the EAC states. The subsector faces the following internal challenges:

- Implementation of existing regulatory requirements by the Architectural society is hard because the Society is underfunded and understaffed and thus cannot easily inspect buildings outside Kampala city. As such, it cannot easily police architectural malpractice. This is a challenge because a lot of construction works are ongoing in Wakiso district and Northern Uganda. Also, a lot of people pass themselves off as architects leading to fraudulent stamping. This is responsible for most of the collapsed buildings in Uganda but there is reluctance by the police force to prosecute the criminals involved because these criminals bribe the police officers to let them go free. It is common to find an architect's stamp of approval on over 300 plans in just one month which is reckless.
- The law is vague on the role of an architect on a construction project. The role of an architect which includes creating bidding proposals to testing the concentration of concrete on a structure has been taken over by quantity surveyors, construction managers, and even lawyers. They use the architect's designs and then get someone else to administer them. There exists no provision in the law that prohibits this highly unethical action.
- During bids, complaints can only be brought after the bid results are announced. Complaints cannot be brought up during the bidding process which is restrictive and eventually leads to the delay of projects as a lot of time is wasted in addressing complaints that could have been addressed as they arose. Further, it is very difficult to request for an administrative review because of the 20 million shillings required. This was intended to deter frivolous complaints but it has instead become a deterrent to justice.

[82] S. 2 of the Act.

Medical, Dental, Veterinary, Midwives, Nurses, Physiotherapists, and Paramedical Services: There is no data on the contribution of the health sector to GDP. This has been ascribed to the fact that private health care facilities are neither obligated to report on financial performance nor do they have the systems to effectively track financial performance to estimate the overall contribution to GDP. Uganda however has been deemed to produce some of the best doctors, dental surgeons, pharmacists, nurses, and allied health professionals in the East African region. In some of these categories, the local installed capacity cannot absorb these qualified personnel, thus rendering them available for the export market. Uganda has for some time been exporting health personnel to other countries, however, there is no specific captured data that shows the extent of this exportation. Generally, health personnel have moved to India, Europe, Canada, and Australia. Many Ugandan doctors have also moved to Rwanda, Lesotho, Zimbabwe, South Africa, Swaziland, Zambia, and Botswana. South Sudan is the latest destination for Ugandan trained doctors.

Since the year 2000, the medical professions in the East African region have been operating as a coalition under the Medical Professional Association of East Africa, and have as such achieved great success in the harmonization and mutual recognition of medical and dental practicing requirements in Uganda, Kenya, and Tanzania. The MRA for Doctors and Dentists guarantees enjoyment of professional rights and subjection to disciplinary measures of doctors and dentists within the EAC States. The greatest challenges facing the health professionals are mainly with working in rural Uganda, where there are huge shortages of medical equipment and motivation. These include:

- Insufficient remuneration. Medical professionals in Uganda have for decades complained of poor pay as the biggest disincentive towards their work. For example, a consultant surgeon in Rwanda in 2017 was being paid between UGX 5m (US$ 1366) and 9m (US$ 2459), while in Uganda, he was paid UGX. 2m (US$ 546). Inadequate pay continues to be a stumbling block to many medical professionals.
- Poor working conditions especially in rural Uganda. The majority of medical workers have grown up and studied in towns. They thus find it difficult to adjust to rural environments, where the conditions of living are very poor. As such, they opt to stay unemployed waiting for better opportunities abroad.
- Poor living conditions especially in rural Uganda. It was noted that poor living conditions, especially accommodation as well as lack of electricity and water make life difficult for the upcountry doctors. Some medical workers refuse to take on jobs upcountry because many schools upcountry are sub-standard for their children, and if the medical workers wanted to pursue further studies, they would find it difficult to work in such areas because they cannot ably commute to attend classes.

5.4.5.2. Recommendations

1) ***Deliberate Pursuit of Policies in Favor of Professional Services:*** There are several Ugandans that fall in the category of professional services. So deliberately pursuing policies that benefit this sector is a deliberate attempt to improve livelihoods in Uganda. Professional services face several challenges as noted above, that can be substantially addressed by deliberate government support of the sector. This could be done for example through deliberately reducing the cost of internet services for professionals, who are increasingly relying on technological advancements to improve their service provision. This could be through a reduction in the taxes allocated to the use of data and the internet, so that the cost of input for professional services is lowered. Another policy that could be adopted would be the mandatory requirement for the use of certain professionals by the public. For example, requiring all building projects to have an architect or an engineer, or land purchases to have lawyers on board, etc. Another policy could be through compulsory requirements for

professionals to have IT training. This would make the professional sector attractive to the youth, who occupy only 3.3% of the sector (ILO, 2017). Since the level of youth unemployment is very high (13.3%), and there are several youths that are graduates of professional courses, improving the professional sector would attract youth to the sector, which would address the issue of youth unemployment in Uganda.

2) ***Promote and Facilitate the Success of MRAs:*** Most of these professional services have concluded MRAs with other EAC countries. This has increased the market for the professionals, as they can easily take on opportunities in other countries. The professionals, through their professional bodies, should be supported and encouraged to improve their skill set so that they can be competitive. The government can support the professional bodies to set up subsidized training sessions in contemporary cutting-edge training to improve the skills of the professionals. A highly skilled professional community delivers better for its community. Uganda should also advocate for the use of MRAs in the other RECs that Uganda is involved in, so as to expand the export market for Uganda's professional services to other regions.
3) ***Strengthen Professional Regulatory Bodies:*** The government should also strengthen the private sector professional regulatory bodies as they are better placed to regulate and police the professions. This will reduce on the malpractices done by the professions and make the sector better, in terms of serving the communities. Once the professional regulatory bodies are strengthened, they will be an extended arm of the government in supporting and regulating the professions. This is especially in light of the MRAs, as the professions are now open to many more players from the EAC Partner States.
4) ***Organized Exportation of Labor:*** The government, through the Ministry of Foreign Affairs and the Ministry of Gender, Labour and Social Development could embark on organized exportation of professional services through the deliberate signing of MOUs with export countries. This will provide safe and favourable terms for the professionals as they temporarily move to other countries to work. This will open new and safe frontiers for professional services and greatly address youth unemployment in Uganda.

5.4.6. ICT, ITES and E-Commerce

ICT (Information and Communications Technology) services include (a) software publishing; (b) telecommunications; (c) computer programming, consultancy and related activities; (d) data processing, hosting and related activities, and web portals; and (e) repair of computers and communications equipment.[83] The NDP III considers ICT as one of the key sectors of focus for Uganda, for the next 25 years. This is because ICT is an accelerator, amplifier, and augmenter of change. It has a huge potential to improve national productivity by making government and business enterprises more efficient, effective and globally competitive. It is therefore a crucial driver of social and economic development and thus merits discussion in this DTIS.

ITES (Information Technology Enabled Services) refer to services that are enabled with Information Technology, and these include domains in finance, administration, health care, human resources, telecommunications, inter alia. Through technology and human manpower, these services are provided from e-enabled platforms and examples include Business Process Outsourcing (BPOs), financial technology, accounting, call-centre services, architectural drafting, health record transcription, inter alia. This group of services is also variously termed "web-enabled services", and has gained popularity especially among Uganda's youth, thus creating an opportunity for wealth creation among Uganda's youth.

[83] This classification is of ICT services as used by the International Telecommunication Union (ITU) – based on the United Nations' International Standard Industrial Classification of All Economic Activities (revision 4).

E-Commerce is defined as the production, distribution, marketing, sale or delivery of goods and services by electronic means. Broadly defined, it is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. E-commerce allows for online trading of goods and services, and presents a huge opportunity to expand the market for Uganda's goods and services thereby contributing to wealth and employment creation.

5.4.6.1. Brief Sectoral Analysis

The Government of Uganda has committed to delivering on the digital vision for Uganda, which is "To build a digitally-enabled society that is secure, sustainable, innovative, and transformative, and to create a positive social and economic impact through technology-based empowerment". The Digital Uganda Vision provides the Government's integrated policy and strategic framework on how ICT can empower Ugandan citizens and achieve the goals of universal inclusion, sustainable development, economic progress and poverty eradication through digital innovation.

There are several policies that are driving the growth of ICT in Uganda. Agenda 2030 under SDG 9 seeks to significantly increase access to ICT and provide universal and affordable access to the internet. Also, SDG 17 seeks to enhance the usage of enabling technology, specifically information and communications technology. Similarly, Agenda 2063, (Goal 10) aspires to double ICT penetration and contribution to GDP. EAC Vision 2050 is to build EAC's ICT capacities to encourage innovation and increase competitiveness. Uganda Vision 2040 identifies ICT among the key fundamentals as well as an opportunity to spur Uganda's transformation into a modern and prosperous country. These Policies have driven the increased growth and promotion of ICT in Uganda, so much that Uganda has already achieved tremendous progress in broadband network coverage and penetration; including surpassing the 2025 UN Broadband Commission for Sustainable Development targets.[84] Broadband coverage has been achieved by the rollout of the National Data Broadband Infrastructure through the laying of 2,347 Km of optical fiber cable. This has substantially reduced the cost of Internet Bandwidth for example for government entities from an average USD 1200 for 1Mbps per month to USD 70 per Mbps, thereby facilitating better provision and access to government online services. In addition, 186 free public WiFi hotspots have been installed around Kampala and Entebbe thereby increasing internet access to the public at no cost.[85] It is no wonder that Uganda was ranked 2nd in East Africa and 20th in Africa in the ITU ICT Development Index Ranking for 2017.[86]

The 2019/2020 Ministerial Policy Statement notes that the ICT sector activities accounted for 9.6 percent of the national GDP during FY 2016/2017 and increased to 9.8 percent in 2017/2018. The statement further revealed that the ICT sector contributed up to UGX 946.4 billion to total government revenue in the financial year 2017/18, accounting for 6.5 percent of the total gross revenue collection. The sector employs over 1 million people in Uganda, and is one of the fastest growing sector with an average growth rate of about 20% per annum.[87] The main driver for ICT growth is the telecommunications subsector, with the other sectors growth rate still low. The sector growth is attributed to considerable investments made by both government and private players in the expansion of infrastructure coverage and development of e-services among others. This consequently resulted in an upward trend in the usage of and access to ICTs with Uganda having over 20 million internet subscribers, according to the Uganda Communications Commission Market Performance Report for Quarter 3 (2020). For the ICT sector, the DTIS will focus on telecommunications and software development as the key ICT sectors of interest to Uganda, according to consultations.

[84] TMEA 2021 Baseline Study Report on Improving Trade Information in the Border Areas and E-Commerce.

[85] TMEA 2021 Baseline Study Report on Improving Trade Information in the Border Areas and E-Commerce.

[86] ITU - https://www.itu.int/net4/ITU-D/idi/2017/index.html#idi2017rank-tab

[87] Uganda Investment Authority, ICT sector Investment Profile,2016.

IT Enabled Services (ITES) on the other hand provide a wide range of career options that include opportunities in call centres, medical transcription, medical billing and coding, back-office operations, revenue claims processing, legal databases, content development, payrolls, logistics management, geographical information systems, human resource services, web services, and many others. The DTIS will focus on three key ITEs services viz: telecommunications finance (mobile money), Financial Technology (FinTech) and Business Process Outsourcing (BPO), as the key services of interest to Uganda, as noted from consultations.

Telecommunications

The Telecommunications subsector is comprised of several private partnerships between the existing telephone operators in Uganda. By 2004, there were three leading operators: Uganda Telecom Limited (UTL), Celtel, and MTN Uganda Limited. Thereafter, the market gained several other players: Africell, Smart, Smile, and K2. Vodafone also started operations in 2015 but exited in 2018. Smile Telecom and Smart telecom only operate on data service, and K2 has a brand endorsement agreement with Airtel, where its customers access all telecommunication services on Airtel infrastructure. Uganda telecom, owned by the Government, is one of the oldest firms in Uganda. At present, it is under statutory management as it seeks investors to resume full operation. Africell has exited the market. There are generally no small players in the provision of services in the telecommunications sector. This is because, by the time the small players sought to enter the market, after the removal of the duopoly in Uganda, the big duopoly providers had already invested a lot of infrastructure and captured so many customers those new players could not easily penetrate the market. The ordinary Ugandan SME is principally involved in the selling of airtime or mobile money, which services fall under distribution. The telecommunications market is saturated, and new telecom entrants, whether from Europe or COMESA, have an uphill task onboarding subscribers because of the existing competition in the market. They have to bring products that are not on the market, which is a big hurdle because all markets in the world have the same products.

The overall phone subscriptions in Uganda have grown from 22.3 million in 2015 to 27 million in 2020 (UCC). Uganda's tele-density (the number of people accessing a phone per 100 of the population) has also grown, from 62.8 percent to 64.8 percent in 2020 (UCC). The number of internet subscriptions in Uganda has more than tripled from 6.1 million in 2015 to 18.9 million in 2020 (UCC). More than three times the number of people in Uganda are therefore accessing the internet in 2020 than was the case in 2015, which is a phenomenal growth in the level of internet access.[88] The estimated number of internet users grew from 13 million in 2015 to 23 million in 2019 (UCC). Internet penetration in the country as a whole has also grown from 17.2 percent to 45.4 percent over the same period (UCC). This growth in internet subscriptions and penetration is mainly driven by the growth of mobile broadband subscriptions made possible by the role out of the 3G and 4G mobile broadband networks throughout Uganda.[89] Increasing mobile phone and internet subscriptions and penetration is a good indicator of the potential of Uganda's population to access voice, mobile money, online information and e-government services, and participate in online and e-commerce transactions.

Software Development

Software Development services fall under the ICT services, which according to the International Telecommunications Union (ITU) include the publishing of ready-made (non customised) software, that is; operating systems, business and other applications and computer games of all platforms. Uganda is particularly involved in software development relating to computer games, mobile applications and business and operating systems. The software development industry in Uganda is

[88] TMEA 2021 Baseline Study Report on Improving Trade Information in the Border Areas and E-Commerce.

[89] TMEA 2021 Baseline Study Report on Improving Trade Information in the Border Areas and E-Commerce.

very young and government's initiatives in software development are through Makerere University Faculty of ICT which hosts the National Software Incubation Center.[90] This center is available to graduates of specific universities working on software development projects. Some of the tools that have been developed include a centralized procurement system, an asset management system, a human resource/payroll system, a hotel reservation system, a Bluetooth social network tool, a University electronic directory, an inventory management tool, they translated the Mozilla Firefox browser into a local language, a mobile instant messenger, an e-government implementation tool for local governments, an iLab system (e-library system), improved web accessibility guidelines to make the web more accessible for people with disabilities, a car tracking system that uses a mobile phone to control the movement of vehicles (anti-theft device), Google Africa, in partnership with Makerere University's ICT faculty made it possible to locate districts in Uganda on Google Maps.

Mobile Money (Telecommunications Finance)

One of the most notable innovations by telecommunications companies in the EAC region has been the transfer of money using mobile phones, commonly known in Uganda as "mobile money". Mobile money is the use of a mobile phone to transfer funds between persons, banks or accounts, deposit or withdraw funds, or pay bills. The term is also used to describe electronic commerce with the use of a mobile device to purchase items, either physical or electronic. Uganda was among the pioneers of mobile payments in Africa.[91]

There are over 30.3 million mobile money customers in Uganda (2020), with a total transaction value of Usd 8.2 billion in 2020.[92] This is a high rise from a total number of 8.8 million registered users in 2012 with a total transaction value of Usd 4.5 billion. This demonstrates the growing importance of this sector to Uganda. Furthermore, because of the growth and expansion of mobile telecommunications to the most remote parts of Uganda, mobile payments have become more credible than ordinary commercial banks, which require a lot of infrastructure to set up and as a result have not been able to penetrate the remote parts of the country. The number of mobile money agents has grown from 105,000 in 2015 to 219,000, in 2019 creating employment and improved financial services for citizens and businesses (UCC). Therefore, if grown, the mobile money sector can employ several youth as it is a sector that does not need such high educational and technical skills to perform. One simply needs to know how to count money. And the fact that the network coverage of mobile money units can easily spread throughout the rural areas, it makes this sector a critical sector for promotion for Uganda.

On the flip side, in the Bank of Uganda Annual Supervision Report (2020), the Central Bank noted that of the 30.7 million mobile money subscribers, 10.9 million accounts are inactive, and only 19.8 million customers, (55 per cent of the total subscriber base), were active. This may be explained by the public perception that using the platform is expensive, (64 percent), 17 percent preferring to use cash and less than 20 percent perceiving the mobile money platform as insecure. Moreover, not many people use mobile money for cross border trade.[93]

Financial Technology (FinTechs)

Financial technology (FinTech) refers to the new technology that seeks to improve and automate the delivery and use of financial services. It is an emerging industry that uses technology and innovation to improve activities in finance, thereby competing with traditional financial methods in the delivery of financial services. SMEs in Uganda need plenty of credit. Although these businesses make up over

[90] http://cit.mak.ac.ug/projects/253
[91] UNCTAD 2018 Rapid eTrade Assessment for Uganda
[92] Mobile Money Transaction Value in Uganda 2017 – 2020. www.statista.com
[93] TMEA 2021 Baseline Study Report on Improving Trade Information in the Border Areas and E-Commerce.

70% of Uganda's *economy* and *contribute* above 20% of *GDP,* they are often financially excluded from credit and other financial services due to their size and informality. FinTechs have bridged the gap by offering payment options to these companies with very minimal formality.

By 2018, there were over 70 FinTechs operating in Uganda. While this figure is small by global standards, it is anticipated that this number will grow quickly given that the average annual growth rate of the FinTechs in Uganda has been approximately 35% between 2015 – 2018.[94] Payments is the largest area of FinTech in Uganda, with a transaction volume of UGX 17.6 trillion (USD 4.7 billion) in 2016. The next largest FinTech sectors in Uganda are banking infrastructure, investment and savings, lending, and markets. In 2017, the total market volume of FinTech companies in Uganda was approximately USD16 million. About 60% of the FinTechs that currently operate in Uganda are native to the country, 21% are more generally focused on Sub Saharan Africa, while the rest are global FinTechs with operations in Uganda.[95] FinTechs provide a great opportunity for the ordinary man in the private sector to participate in Uganda's financial sector, which at present is principally dominated by foreign players.

Business Process Outsourcing (BPO)

BPO has been identified as one of the key sectors that can propel Uganda's economic growth through employment opportunities for the youth and increased investment. The Government has identified BPO as one of the long-term solutions to expand workforce opportunities and increase capital investment in the ITES. The NITA–U, in conjunction with the Ministry of Information and Communications Technology, are spearheading the process of promoting the ITES–BPO industry through several initiatives. For example, there has been the creation of a 240-seater BPO incubation centre, as well as deliberate effort into improving national ICT infrastructure. The government also concluded a memorandum of understanding with Makerere University to train Ugandan youth in ITES–BPO courses. This is a great initiative, since an efficient human resource is a key factor for enhancing competitiveness in the industry. Uganda's BPO industry comprises three key pillars: (a) captive call centres of banks, telecommunications and other organizations operating in Uganda; (b) third party ITES–BPO service providers; (c) resourcing and staffing organizations involved in providing manpower staffing services to various sectors.

E-Commerce

In the last decade, there has been a growing use of e-commerce in Uganda through platforms such as Jumia, Kikuu, Dondolo, Jiji, among others, due to the growth of mobile phone usage and the increasing use of mobile money. Uganda's E-commerce market is dominant in the social media platforms such as Facebook, WhatsApp, Instagram, and Twitter. Those are the platforms where the majority of marketing and selling takes place. The Buyer to Buyer and Business to Consumer sellers typically market their services online, with consumers and sellers connecting first by phone and then by physical meeting. Payments are typically made in cash or by mobile money transfers and the sector is dominated by youth (18 to 30 years) who constitute the bulk of online sellers and buyers.
Uganda is the second largest market for e-commerce in East Africa after Kenya.[96] This is largely due to the growth of telecommunications and the wide spread of mobile money payment systems. The mobile money system is now integrated with bank accounts enabling electronic transfer of cash between banks and mobile money systems. Additionally, many banks are now offering VISA and Credit cards which enable payment for online transactions.

[94] Fintech in Uganda. Implications for Regulation. Fsduganda. 2018.
[95] Fintech in Uganda. Implications for Regulation. Fsduganda. 2018.
[96] Uganda National E-Commerce Strategy, 2021.

With respect to E- Government, seventy-one (71) government services can be accessed online through the Uganda e-Citizen Portal (ecitizen.go.ug). These include URA eTax, Trade Portal, NTB reporting, and eVisa applications and issuance, etc. At the same time, 268 Websites have been developed and 272 Web masters and ICT MDA staff trained in online presence and capacity in government. The government intends to offer 80 percent of all public services online by 2022/23 from 50 percent in 2018 and aims to provide online access to these services to 60 percent of the population.[97]

5.4.6.2. Sectoral Challenges

ICT Infrastructure Challenges: There is limited spectrum available for Network Rollout in the telecommunications sector. A legal regime that allows existing companies to rent out infrastructure principally enriches the big players (Airtel and MTN) and makes the small ones uncompetitive. Limited spectrum implies limited production capacity in the sector, which affects the competitiveness of the sector in the region. There is also limited network coverage. The current internet penetration is only 25 percent. This limits the use of ICT in Uganda. Further, Uganda has unreliable Mobile Money systems. Failing transactions and money not being credited have affected the continued use of mobile money banking. Other customers interviewed indicated that they had, on several occasions, tried to deposit money into their accounts via mobile banking, but were unable to complete the transaction. They kept getting error messages that read: 'Connection problems or invalid MMI code'. Reliability of the system increases customer confidence and chances of repeat use. Customers therefore find it better to transact at the bank for fear of such challenges.

High Cost of IT Services and Devices: High cost of internet at an average of USD 84 per Mbps. Even though still relatively high, the cost of internet bandwidth has been dropping from an average cost of 1 Mbps/month of USD 300 in 2015 to USD 70 in 2018 for MDAs and the local government. The commercial ISPs have also reduced their prices from 1 Mbps/month from an average of USD 515 in 2015, to USD 237 in 2018. The high internet cost prevents people from using the internet and thereby substantially hindering meaningful innovation and use of the ICT sector in Uganda. High cost of end user devices and services also greatly affects growth in the sector. The unit cost of low entry smart phones is about UGX 100,000 and the cost of a computer is about UGX 1,600,000. This substantially limits the usage of ICT in Uganda. Further, the transaction costs for Mobile Money are also quite high. For one to for example deposit UGX 20,000 on a bank account using mobile banking, they have to incur a charge of UGX 900. This is too high for such a small amount, yet ordinarily, banks do not charge for over the counter deposits. As such, users end up queuing in the banks rather than use IT.

Low Usage of ICT, ITES and E-Commerce in Uganda. The low demand for IT and E-Commerce results into limited use of the same. The majority of people who use IT services are in the city and urban centers. There is need to increase awareness especially in the rural parts of Uganda on the growing benefits and importance of these services.

Financial Challenges for software **development and FinTech companies.** The software industry in Uganda is at the stage of startup. As a result, it lacks technical expertise and funds to invest in building big software, and growing the companies. Many software companies are instead reselling existing software, as opposed to creating their own software. For example, they did not have funding to create another accounting system, so they decided to resell the *QuickBooks* accounting page. Stakeholders even noted that there was no need to build a new accounting package when *QuickBooks* was doing the job very well at a reasonable cost.

[97] TMEA 2021 Baseline Study Report on Improving Trade Information in the Border Areas and E-Commerce.

***Proprietor and User Ignorance of* intellectual property rights.** This is a major setback in the growth of innovation and the protection of these rights in Uganda. Many young innovators have lost content to big multinational companies in Uganda owing to their lack of knowledge of protection of their innovations. Further, the majority of the population does not know how to use the computer or related software. This implies that there is usually need to first train the users before they can get comfortable with using IT. This is very time consuming.

English Interface. The interfaces of most of the ITEs such as mobile money services and the FinTechs in Uganda are in English. This means the low literate masses cannot use them without intermediaries. Several people are kept out of the direct use of these services as they have to find an agent to interpret for them or they have to call in for help. Further, the low-literate and novice users of technology who comprise the bulk of the unbanked in Uganda find them hard to use with the existing text-based mobile interfaces. They for example find difficulties in understanding hierarchical structures, soft keys, scroll bars, non-numeric inputs, and specialized terminology. This keeps away some potential users who consider this an inconvenience or suspect that they can easily be cheated.

5.4.6.3. Recommendations

1) ***Increase IT Knowledge and Penetration**:* The government, together with the private sector, should work on further extending the broadband ICT infrastructure coverage countrywide, and implement last mile connectivity to all areas in Uganda. ICT penetration can also be improved by making IT a compulsory subject in school, from the lower levels of education. This makes IT knowledge a basic skill like English and Math for learners. Employers should also be compelled to carry out mandatory IT training for new recruits especially graduate employees. As people learn more about the sector, they will learn about their intellectual property rights, which enlightenment will promote growth of innovation in the sector.
2) ***Promote E- Commerce in Uganda*.** Develop a national E-Commerce Platform through public-private partnership to lead government efforts in tapping into the global E-Commerce business as a strategy for promoting Uganda’s exports. Develop and operationalize an E-Commerce Development Strategy to coordinate and guide deliberate effort in promoting E-Commerce in Uganda. Put in place an E-Commerce Steering Committee to Coordinate development and delivery of E-Commerce business support by MDAs. Develop and implement a training and capacity building programme for SMEs to make them use E-Commerce and other digital tools in reaching both internal and export market. Low hanging fruit would be in increasing funding for the activities carried out by NIISP in the Ministry of ICT and National Guidance that currently promotes local ICT innovations. The government could also create the mandatory ***use of government services online so as to*** force all persons interested in government services to familiarize themselves with ICT and IT operations. This will widen the use of E-services and the scope of coverage of ICT in Uganda through the need for persons to access government services.
3) ***Increase Development and Demand for Local IT Innovation Services**:* By encouraging Ugandans to use these services. Increased demand for the services will result into increased innovation and use of ICT. Enlightening local innovators on their intellectual property rights would also help develop innovation. Development partners could also provide more support for the National ICT Initiatives Support Program which is already doing a great job in tackling the challenges faced by Ugandan ICT innovators in breaking through the local and international market.
4) ***Reduce the Cost of IT Devices and Services**:* By reducing the tax on the devices and services. This would make the use of the internet cheaper and access to ICT devices cheaper. This would in turn increase accessibility to the same, hence boost the performance of the sector further.

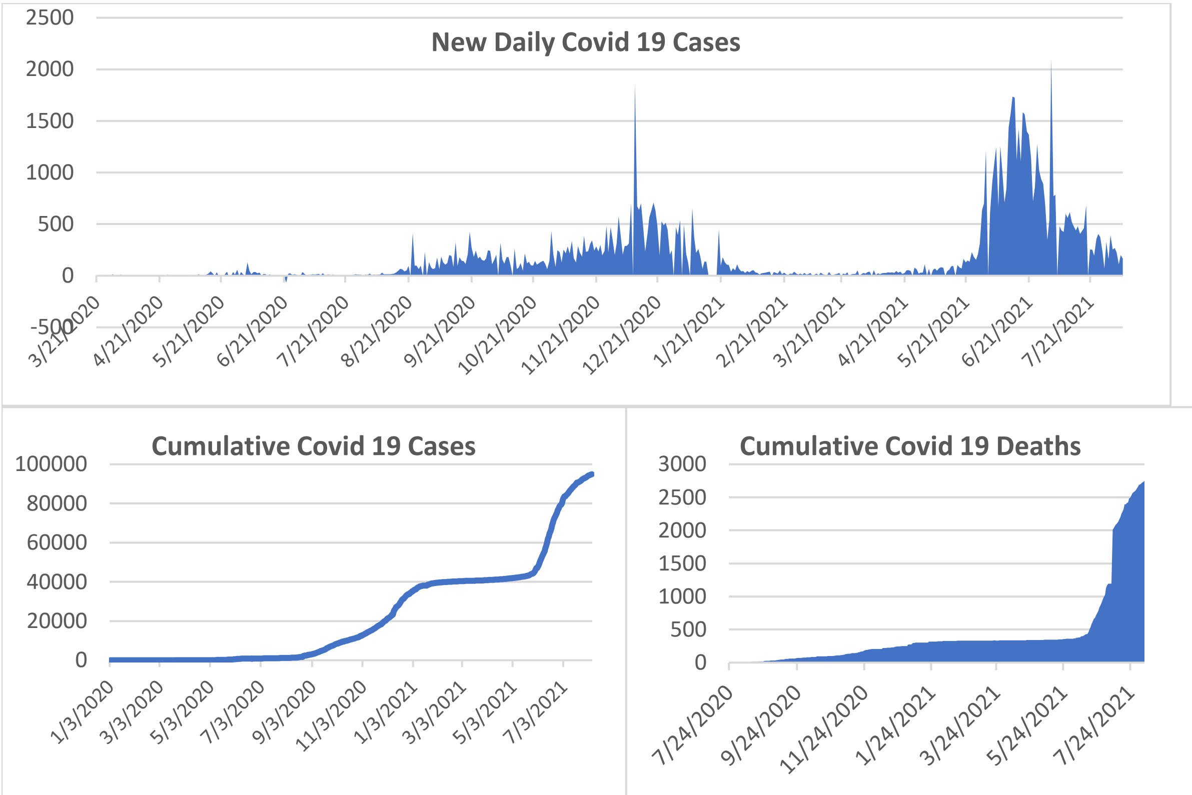
5) ***Provide Alternative Local Language Interfaces:*** Mobile Money and other ITES providers need to consider providing local languages interface for mobile money in addition to the English interface as one of the strategies to increase usage among the less literate and poor sections of the population whose proficiency in English is limited. A local language version/option would make it easier for many to understand how the service works and how to use it. Some less educated users receive transactional messages much later after the transaction and have to spend time and money going back to the agent for interpretation. An option for the interface in a language they understand would save them money and time.
6) ***Consider Non-Text Interfaces such as Spoken Input and Graphical Output****:* Text interfaces are generally considered unusable without literacy. Non literate subjects need non-text user interfaces such as spoken input and graphical output. Mobile money service providers should consider this option to cater for the user segment in Uganda that cannot read and write.

6.0 IMPACT OF COVID 19 ON TRADE IN UGANDA AND PERSPECTIVES ON RECOVERY

6.1 Overview of Covid 19 Situation in Uganda

The coronavirus (COVID-19) which is caused by SARS-CoV-2[98] was declared a global pandemic in March 2020 by the World Health Organization (WHO). As of 7th August 2021, Uganda had recorded a cumulative of 94,904 COVID-19 cases and 2,752 COVID-19 related deaths[99], while only 1,117,134 vaccine doses have been administered, against the target of immunizing 49.6 per cent of the *population*, which is about 21,936,011 persons.

Fig 25: Trends in Covid 19 Cases in Uganda



Source: WHO; https://covid19.who.int/info/

To mitigate the levels of transmission, the Government of Uganda took several measures to contain the spread of Covid 19. Some of the measures taken were:

1) Closure of all Educational Institutions across the country;
2) Banning gatherings of more than 5 persons, including social functions like religious functions and communal prayers
3) Banned Ugandans from moving to or through category one countries that had a large number of corona cases. In addition, returning travelers were initially required to undergo mandatory

[98] Severe Acute Respiratory Syndrome Coronavirus 2

[99] https://covid19.who.int/region/afro/country/ug

quarantine for 14 days. This was followed by stopping of all passengers coming into Uganda by air, land or water; including pedestrians;

4) Suspended weekly/monthly markets such as cattle auction markets, and non-food markets. Only food stores, stores selling agricultural products and pharmaceuticals remained open.
5) Suspended all recreation related businesses activities like bars, sports, music shows, etc;
6) All public passenger transport vehicles were stopped for three weeks. They were then opened but with few passengers while private vehicles were limited to 4 persons following the three weeks ban;
7) Suspended the shopping arcades, which gather a lot of people to sell and buy non-food items. The super-markets were allowed to remain open but required to fully comply with SOPs.
8) Allow the non-agricultural gathering points like factories and construction sites, to continue provided they follow the SOPs, but the owners were required to arrange for the crucial employees to camp around the factory area for the 14 days total lock-down.
9) The essential services allowed to operate during lockdown were: medical, agriculture and veterinary, telecommunication, financial institutions, all media, Private Security companies, cleaning services, garbage collection, fire-brigade, fuel stations and water departments and URA;
10) Boda bodas were directed to stop business operations at 2:00pm and limited to carry cargo during the 14 days of total lockdown. Their hours of operation were later extended to 5pm.

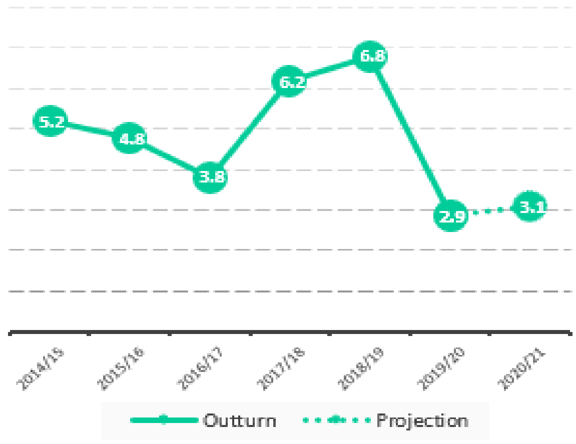
The national containment and mitigation measures restricted economic activities involving face-to-face interaction. From the 20th March – 26th May 2020, and 19th June - 30th July 2021, the Government of Uganda implemented a nation-wide lockdown on all non-essential business activities and public gatherings in the country. Motorized travel was banned with the exception of transport for cargo, and a national curfew was put in place, starting at 5pm to 5:30am. Whereas the above careful and pre-emptive lockdown measures slowed down the impact of COVID-19 on the health of people (number of infections and death), the economic impact of the pandemic on households across the country is being felt keenly and continues to leverage livelihoods.

6.2 Macroeconomic effects of Covid-19 on Uganda's Economy.

Besides, the human cost, COVID-19 has been destructive to both the global and local economy. Uganda being an open economy, the distortionary effects of the COVID-19 transmitted into Uganda's economy through the external sector as well as through the containment measures adopted by the Government. To that end, COVID-19 disruptions to international trade in goods and services and the flow of capital has implications on Uganda's economy, notwithstanding the added distortionary effects of COVID-19 containment measures. On the other hand, Government of Uganda (GoU) through the Ministry of Finance, Planning and Economic Development (MoFPED) and Bank of Uganda (BoU) adopted expansionary fiscal and monetary policies respectively with a view to mitigate the dictionary effect of COVID-19 on livelihood and the private sector, with implications on the macroeconomic stability of the country. The effects of Covid on the macroeconomy is summarized below.

Real Sector: FY2019/20 real GDP growth was subdued to 2.9 percent, partly on account of the external and domestic effect of Covid-19 pandemic on the economy. The Covid-19 disrupted the flow of goods and services besides the demand for Uganda's exports, especially services. The pandemic disrupted global supply chains; weakened global demand; led to travel restrictions and global financial markets volatility, which directly and indirectly the real sector. On the domestic front, Covid-19 containment measures restricted domestic travel, constrained production and productivity, dampened aggregate demand and slowed distribution of goods leading slowness in economic activities.

Table 26: Real Sector growth rates



Source: MFPED 2021

The economy contracted by 6.3 percent in the fourth quarter of FY2019/20 following 0.7 percent contraction in the third quarter of FY2019/20. The contraction in the fourth quarter was on account of 8.8 percent and 5.5 contraction in the industry and service sectors respectively. For the industrial sector this was attributed to: cross border trade and travel restrictions, evening curfews that deepened the "night economy", implementation and compliance with SOPs, closure of multiple "high risk and non-essential sectors" like education institutions and entertainment industry.

These in totality undermined the movement of labour, supply of inputs and finished goods and aggregate demand, resulting into subdued growth of 2.2 percent in 2019/20. Specifically, within the industrial sector, manufacturing sector contracted by 0.7 percent and 11.5 percent in quarters 3 and 4 respectively of FY2019/20. The construction sector contracted by 1.3 percent quarter 4 of FY2019/20.

While for the contraction in the service sector was attributed to restrictions on: international travel that significantly reduced tourism related economic activities, which has been the leading foreign exchange earner; gatherings like conferences; banning of leisure and entertainment sectors. Indeed, the service sector growth was subdued in FY2019/20, growing by 2.9 percent. In the service sector, Accommodation & Food service contracted by 3.2 percent and 45.5 percent in quarters 3 and 4 respectively of FY2019/20; Education subsector contracted by 2.9 percent and 8.3 percent in quarters 3 and 4 respectively of FY2019/20; Arts, Entertainment & Recreation subsector contracted by 12.5 percent and 40.6 percent in quarters 3 and 4 respectively of FY2019/20; Trade & Repairs subsector contracted by 3.4 percent and 6.4 percent in quarters 3 and 4 respectively of FY2019/20; and Transportation & Storage subsector contracted by 2.4 percent and 8.7 percent in quarters 3 and 4 respectively of FY2019/20. As such even the electricity subsector contracted by 1.3 percent owing to reduced demand from the production sector. MFPED (2021)[100] projects real sector growth rate of 3.1% in FY 2020/21 on account of recovery in production, aggregate demand and employment.

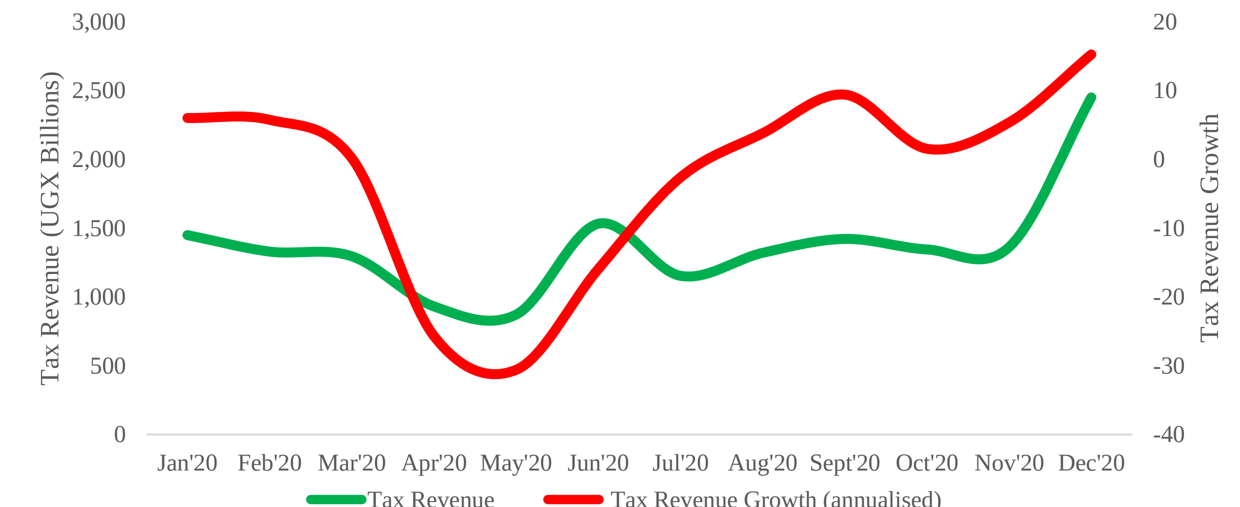
Fiscal sector: Fiscal deficit as percent of GDP increased to 7.5 in FY2019/20 from 5 in FY2018/19. The fiscal deficit as percent of GDP increased by 2.5 between FY2018/19 and FY2019/20, partly on account of government spending as percent of GDP increasing from 18.9% in FY2018/19 to 21.2 in FY2019/20. The increase in the government spending was partly on account of implementing COVID-19 response measures, in addition to other shocks to the economy. Yet tax revenue collection reduced from 12.4 percent of GDP in FY2018/19 to 11.6 percent of GDP in FY2019/20, a contraction of 0.8 percent of GDP. Similarly, grants as a percentage of GDP reduced from 0.9% in FY2018/19 to 0.6% in FY2019/20.

The reduction in tax revenue collection is partly on account of the COVID-19 containment and tax policy relief measures. Indeed, annualized tax revenue growth was dampened through the period March, April, May and June of FY2019/20 growing by 0.2 percent, -25.7 percent, -30.6 percent and -15.9 percent respectively. Specifically, domestic taxes on m-o-m grew by -70.6 percent and -12

[100] Half Year Macroeconomic & Fiscal Performance Report, 2020/21

percent in April and May respectively. This was partly on account of subdued VAT collections which on m-o-m basis grew by -7.33 percent, -22 percent and -10.4 percent in the months of March, April and May respectively of FY2019/20 which was at the peak of the COVID-19 containment measures. Also owing to COVID-19 restrictions on international movement of goods and services, international taxes in the months of March and April of FY2019/20 contracted growing on m-o-m basis by 7.4 percent and 43.5 percent respectively. Specifically, VAT contracted by 9 percent and 41 percent in March and April of FY2019/20 respectively. Excise duty contracted by 6 percent and 45 percent respectively over the same period. Also withholding tax contracted by 27.8 percent and 33.5 percent in March and April of FY2019/20 respectively. Consequently, tax revenue outturn as percent of GDP was 1.9 lower than 13.5 budgeted tax revenue in FY2019/20.

Figure 27: Tax revenue performance.



Source: MoFPED

COVID-19 spending amounted to 0.2 percent of GDP. The fiscal deficit was partly on account of COVID-19 induced spending which was 0.2 percent of GDP. This spending was mainly directed at buffering up the health sector in preparation for COVID-19 patients, support livelihoods following the economywide lockdown and beefing up security. This partly contributed to recurrent spending being 0.5 percent of GDP higher than planned recurrent spending of 11 percent of GDP. Even then, overall government spending outturn was 2.4 percent of GDP lower than planned spending of 23.6 percent of GDP in FY2019/20. This was partly because COVID-19 undermined externally financed development spending which turned out to be 3.7 percent lowered than the planned development spending of 6.3 percent of GDP.

Increased public debt uptake to shore up revenue shortfall and support livelihood. The stock of public debt increased from US$ 12.55 billion in FY 2018/19 to US$ 15.27 billion in FY 2019/20, 21.7 percent increase. As a percentage of GDP, public sector debt rose from 35.3 percent in FY 2018/19 to 41 percent in FY 2019/20. Specifically, external debt increased by 25.1 percent from US$ 8.35 billion in FY 2018/19 to US$ 10.45 billion in FY 2019/20. Domestic debt on the other hand increased by 14.8 percent from US$ 4.20 billion to US$ 4.82 billion. The increase in public debt in FY2019/20 was on account of the distortionary effect of the COVID-19 on economy and the adopted containment measures which resulted in revenue shortfall. Furthermore, the respective emergence measures to shore up the health sector and protect livelihood among the vulnerable segment of society in the midst of a revenue shortfall resulted in increased public debt uptake.

Table 20: Fiscal sector indications (percent of GDP)

	FY2017/18	FY2018/19	FY2019/20^{Proj}	FY2019/20^{budget}

REVENUE & GRANTS	12.7	13.9	13.6	16.1
Revenue	12.1	13.0	12.9	14.7
Tax	11.5	12.4	11.6	13.5
International Taxes	0.4	0.7	1.2	
Income taxes	4.7	4.7	4.8	
Excises	2.8	2.9	3.0	
VAT	4.2	4.3	4.5	
Non-Tax revenue	0.6	0.5	1.3	1.2
Grants	0.6	0.9	0.6	1.4
EXPENDITURE and NET LENDING	16.9	18.9	21.2	23.6
Recurrent Expenditure	9.1	9.6	11.5	11.0
Wages & Salaries	2.9	3.3	3.6	3.3
Interest Payments	1.9	2.0	2.7	2.3
other recurrent spending	4.3	4.4	5.2	5.4
o/w COVID-related spending	0.0	0.0	0.2	…
Development Expenditure	6.3	7.8	8.4	11.8
External	2.7	3.2	2.6	6.3
Domestic	3.6	4.6	5.8	5.5
o/w COVID-related spending	..	…	…	…
Net lending and investment	1.2	1.1	1.0	0.6
o/w COVID-related spending	…		0.4	…
infrastructure projects	1.1	1.0	0.4	
Central Bank recapitalisation	0.0	0.0	0.2	
Other spending	0.3	0.3	0.3	0.3
Clearance of domestic arrears	0.3	0.3	0.3	0.3
o/w COVID-related spending	…	…	….	
OVERALL BALANCE	-4.1	-5.0	-7.6	-7.5
Primary Balance	-2.2	-3.0	-4.9	
FINANCING	4.0	5.0	6.1	7.5
External Financing (net)	3.0	2.7	3.9	5.3
Domestic financing (net)	1.1	2.2	2.2	2.2
Other financing			1.5	
World Bank			0.8	
IMF			0.4	
Other budget support			0.3	

Source: World Bank (2020a)

Consequently, COVID-19 has induced public debt vulnerability especially with regard to external debt. This is because the Present Value (PV) of External Debt to Exports is expected to increase from 125.8 percent in FY2019/20 to 170.1 percent on FY2020/21 and further to 185.4 percent in FY2022/23 as shown in table 21. This implies that any shock in exports is likely to undermine Uganda's debt sustainability since they are a source of foreign exchange earnings which are critical in external debt repayment. Therefore, the country must have strategies to buffer up exports since External Debt Service to Revenue is rather below the Low-Income Country Debt Sustainability Framework (DSF) threshold over the projection period. Even then, it is increasing for example in FY2022/23, it will be 11.7 percent. This implies that external debt service is growing at a higher rate than domestic revenue in the medium. This is likely to increase the risk of resource reallocation from welfare enhancing sectors to debt service. Therefore, more than ever before, government ought to prioritise domestic revenue mobilisation and better still allocate public funds to productive sectors with the ability to increase productivity to boost revenue mobilisation.

Table 21: Public Debt Sustainability Indicators (percent)

	LIC DSF Thresholds	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Nominal debt to GDP		35.3	41	49.9	52.4	54.1	53.4	51.3	48.2
PV of Debt to GDP	55	26.7	31.8	39.3	41.7	42.9	42.3	40.7	38.2
PV of External Debt to GDP	40	15.4	18.8	22.5	24	25.5	25.6	25.3	24.3
PV of External Debt to Exports	180	89.8	125.8	170.1	170.2	185.4	194.1	191.3	183.9
External Debt Service to Exports	15	7.8	6.7	7.8	9.4	11.6	13.6	13.6	15.1
External Debt Service to Revenue	18	10.3	8	8.1	10	11.7	12.7	11.8	11.9

Source: MoFPED (2020)

Private sector crowding out effect of public domestic debt increased by 3.1 percent. As shown in table 22, Public domestic debt stock to private sector credit ratio increased from 102.8 percent in FY2018/19 to 105.9 percent in FY2019/20. This implies increasing competition from the public sector for credit in the domestic credit which undermines the ability of the private sector to access low-cost credit. Furthermore, domestic interest payments as a proportion of domestic revenue increased from 12.1 percent in FY2018/19 to 13.7 percent in FY2019, 1.6 percentage increase. Implying domestic debt financing is undermining resource allocation to welfare enhancing sectors of the economy. This could potentially result in compromised service delivery and poverty alleviation.

Table 22: Domestic Debt Sustainability Benchmarks (percent)

	Benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Domestic interest /Domestic revenue (excluding grants)	<12.5	10.6	12.8	15.1	13.3	12.1	13.7
Domestic interest /Total Government Expenditure	<10	7.4	8.8	11.2	9.6	8.3	8.3
Total Debt Service[101]/Domestic Revenue		14.4	17.3	21.1	21.2	22.4	21.7

[101] This does not include domestic debt amortization.

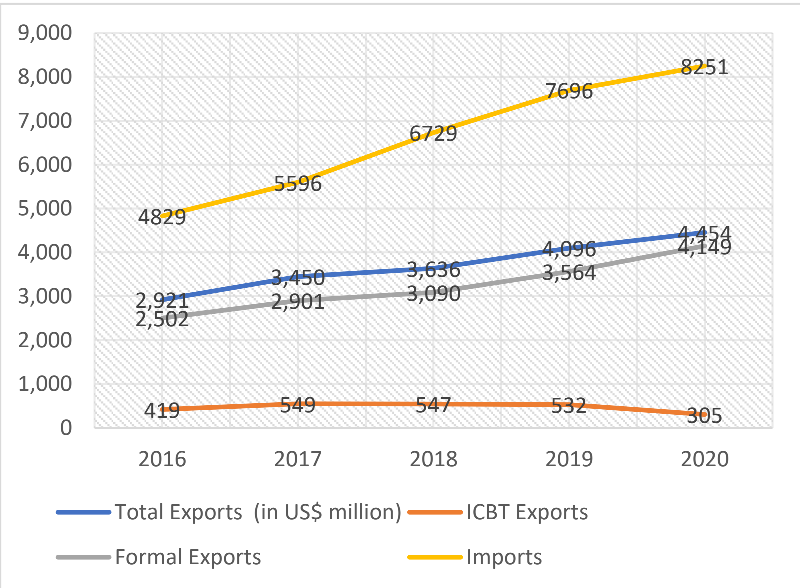
Total Debt Service[102]/ Total Government Expenditure	10.1	11.9	15.7	15.2	15.3	13.2
Public domestic debt stock/private sector credit	85.1	95	95.7	99.9	102.8	105.9

Source: MoFPED (2020)

6.3 Covid 19 Impact on External Merchandise Trade

Whereas the Government of Uganda instituted containment measures included restriction on cross-border movement of persons, cargo flow was never stopped and the measure ensured continuous flow of merchandise across all borders, despite some delays occasioned by requirements to comply with SoPs. Trade statistics by Bank of Uganda shows that the trade sector maintained the growth trajectory experienced over the last five years. Considering 2019 as the base years (before Covid), the trade statistics reveal that total exports registered an 8.7% between 2020 and 2019 despite Covid compared to an average annual growth of 11.4% for the last five years. Equally, formal exports registered a 16.4% growth between 2019 and 2020 compared to the average annual growth of 12% over the last five years.

Figure 28: Exports (million US$)



Source: Bank of Uganda

On the other hand, informal cross border exports registered a 42.6% decline between 2019 and 2020 compared to an annual average growth of 8.2% over the last five years. While over the same period, imports growth was 7.2% compared to the annual average growth rate of 9.5% over the last five years. The findings suggest that Covid 19 had a great impact on informal cross border trade compared to the formal cross border trade.

Further review of the trade statistics shows that the growth of both exports and imports was driven by robust growth in trade of gold. Gold is now Uganda's leading export earner, having accounted for 43.8% of exports in 2020, and leading import commodity, having account for 22.3% of imports in 2020. Over the period 2019-2020, gold exports registered a 44.7% growth in export value compared to a 1% growth in non-gold exports. Over the same period, gold imports registered a 39.8% growth in value of imports compared to a 0.5% growth in non-gold imports. Given that almost all the exported gold is imported (as the import value almost equals export value), the contribution of the growth in exports to the local economy is limited.

Table 23: Exports and Imports (Million US$)

[102] This does not include domestic debt amortization.

	2015	2016	2017	2018	2019	2020	Average annual Growth 2016-19	Growth 2019-20
Total Exports	2,267.0	2,482.3	2,901.3	3,087.3	3,563.8	4,149.0	12.1%	16.4%
Gold Exports	35.6	339.3	415.7	515.6	1,256.8	1,818.0	261%	44.7%
Non-Gold Exports	2,231.4	2,143.0	2,485.6	2,571.7	2,307.0	2,331.0	1.3%	1.0%
Total Imports	5,528.1	4,829.5	5,595.5	6,729.4	7,696.0	8,250.5	9.5%	7.2%
Gold Imports	0.0	0.0	0.0	334.5	1,317.3	1,841.9	293.7%	39.8%
Non-Gold imports	5528.1	4829.5	5595.5	6394.8	6378.8	6408.6	4.3%	0.5%

Source: Bank of Uganda/ITC Trade Map

Of the top 30 exported commodities in 2020, comprising 95.9% of total exports, nineteen commodities (50%) with positive average growth for the preceding four years maintained the positive growth trajectory in 2020 amidst covid 19 induced challenges. These commodities included gold, coffee, cocoa, tea, maize corn, flowers, dried leguminous vegetables, plywood, cereal flours, wheat flour, bran, medicaments, beer, manufactured tobacco, waters and tubes/pipes. These exports demonstrated resilience to covid 19 induced shocks to production and the supply chain both in the regional and international markets. On the other hand, four commodities that had negative average growth for the preceding four years registered the positive growth in 2020 amidst covid 19 induced challenges, suggesting that Covid 19 could have contributed to creation of export market opportunities. These included HS 25: Salt; sulphur; earths and stone; plastering materials, lime and cement, HS 72: Iron and steel, HS 33: Essential oils and resinoids; perfumery, cosmetic or toilet preparations, and HS 34: Soap, organic surface-active agents, washing preparations as shown in table 24.

Table 24: Growth in Export Value of top 30 export commodities

	Code	Product label	2019	2020	Growth 2019-20	Average annual Growth 2016-19
	Total	All products	3,563,785	4,148,958	16.4%	12.1%
1	71	Natural or cultured pearls, precious or semi-precious stones/metals	1,258,419	1,819,584	44.6%	259.8%
2	09	Coffee, tea, maté and spices	522,010	600,661	15.1%	4.6%
3	03	Fish and crustaceans, molluscs and other aquatic invertebrates	174,143	124,893	-28.3%	10.7%
4	10	Cereals	119,785	102,419	-14.5%	-1.1%
5	18	Cocoa and cocoa preparations	77,976	99,380	27.4%	10.8%
6	27	Mineral fuels, mineral oils and products of their distillation; bituminous	177,347	98,573	-44.4%	5.6%
7	04	Dairy produce; birds' eggs; natural honey;	70,128	76,850	9.6%	16.7%
8	17	Sugars and sugar confectionery	83,385	76,032	-8.8%	9.5%
9	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	61,480	75,820	23.3%	-5.3%
10	22	Beverages, spirits and vinegar	52,482	71,794	36.8%	14.2%
11	15	Animal or vegetable fats and oils and their cleavage products;	72,714	69,865	-3.9%	-0.9%
12	11	Products of the milling industry; malt; starches; inulin; wheat gluten	67,890	69,218	2.0%	16.1%
13	72	Iron and steel	65,819	68,467	4.0%	-4.6%
14	07	Edible vegetables and certain roots and tubers	54,341	68,138	25.4%	0.1%
15	12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit	52,199	61,785	18.4%	3.5%
16	06	Live trees and other plants; bulbs, roots and the like; cut flowers	54,531	54,443	-0.2%	1.7%
17	87	Vehicles other than railway or tramway rolling stock, and parts thereof	48,329	51,442	6.4%	1.8%
18	23	Residues and waste from the food industries; prepared animal fodder	33,899	51,008	50.5%	50.1%
19	44	Wood and articles of wood; wood charcoal	35,376	49,826	40.8%	29.6%
20	24	Tobacco and manufactured tobacco substitutes	74,877	49,722	-33.6%	5.2%
21	52	Cotton	61,138	37,539	-38.6%	33.8%
22	73	Articles of iron or steel	32,093	31,074	-3.2%	4.8%

23	39	Plastics and articles thereof	33,241	28,524	-14.2%	2.8%
24	30	Pharmaceutical products	13,492	28,208	109.1%	19.4%
25	33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	13,430	22,469	67.3%	-2.1%
26	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	29,088	22,231	-23.6%	-8.7%
27	34	Soap, organic surface-active agents, washing preparations	18,649	19,417	4.1%	-10.4%
28	35	Albuminoidal substances; modified starches; glues; enzymes	10,724	17,174	60.1%	31.4%
29	48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	19,327	17,133	-11.4%	-5.8%
30	08	Edible fruit and nuts; peel of citrus fruit or melons	11,096	16,853	51.9%	31.3%
			3,399,408	3,980,542		
			95.4%	95.9%		

Source: ITC Trademap

On the other hand, ten commodities were greatly impacted by Covid, resulting into negative annual growth in exports and these included HS 03: Fish and crustaceans, molluscs and other aquatic invertebrates; HS 27: Mineral fuels, mineral oils and products of their distillation; bituminous; HS 17:Sugars and sugar confectionery; HS 24:Tobacco and manufactured tobacco substitutes; HS 52: Cotton; HS 73: Articles of iron or steel; HS 39: Plastics and articles thereof; HS 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof, and HS 48: Paper and paperboard; articles of paper pulp, of paper or of paperboard. The reduced growth in exports of these commodities is partly attributed to the disruptions caused by Covid 19 on production, supply chain and demand of goods.

The impact of Covid on external trade of merchandise by Uganda was as a result of the following:

a) ***Covid 19 containment measures stiffed small scale cross border traders.*** Whereas the measures instituted by Government to contain spread of Covid 19 during the lockdown allowed cargo trucks to continue moving, only two persons (driver and turn man) were allowed to accompany cargo. Whereas this enabled medium and large scall business operators to continue delivering goods to the market, small scale cross border traders were effectively stifled out of business. These traders aggregate cargo for multiple traders on one cargo truck and move with the cargo as they do not have agents or distributors in the export markets, especially the regional markets. In addition, individuals crossing the border were required to have a negative Covid 19 PCR test result, which cost between $50 to $90 per person per entry/exit at the border. These test fees meant a significant increase in costs of small scall cross border traders. Movement restrictions and the high Covid-19 test fees meant that small scale cross border traders serving regional markets would not deliver merchandise and this affected exports of agricultural commodities to the regional markets including cereals, fruits and vegetables, as well as manufactured commodities like plastics.

b) ***Covid 19 containment measures increased the cost of doing business thereby stifling exporters with small volumes***. Compliance to Covid 19 SOPs announced by Government had direct impacts of cost of doing business. First, the number of passengers in each public transport vehicle was restricted and transport fairs increased accordingly. Secondly, provision of sanitizers and other hygiene facilities meant direct increase in the cost of businesses. Thirdly, there were delays attributed to multiple checkpoints instituted to enforce Covid 19 SOPs, which increased the time taken to deliver goods to the export markets, with drivers spending up to two days on some border points. This negatively impacted export businesses of small scall cross border traders, especially for fresh fruits and vegetables, cereals and manufactured goods.

c) ***Covid 19 stifled aggregate demand in both the domestic and export markets:*** Covid 19 containment measures in export markets disrupted supply chains, led to loss of employment and income, which negatively impacted aggregate demand. As a result, export orders were cancelled and many export opportunities lost as many industries closed operations. This affected some exports like fish and unmanufactured tobacco among others.

6.4 The Impact of Covid – 19 on Trade in Services

6.4.1 Covid -19 Impact on the Modes of Service Supply

As already noted in Section 5.1 of this Report, Trade in Services in the GATS is defined in terms of four different Modes of Service Supply. These Modes include; Mode 1, which refers to Cross-Border Supply; Mode 2 which relates to Consumption Abroad; Mode 3, that relates to the supply of services through Commercial Presence; and Mode 4, that deals with the supply of a service through the temporary Movement of Natural Persons. The implementation of measures to curb Covid – 19 have led to the growth of some Modes of service supply while the performance of other Modes of service supply have declined. The impact of Covid – 19 on the different Modes of Service Supply is as follows:

- Cross Border Trade (Mode 1), has substantially grown, in almost every service sector as a result of the restriction on movement of persons and the increase in online services. For example, there has been growth in Mode 1 in the education sector, health, retail, and financial services, in ways that have never been seen before.
- Consumption Abroad (Mode 2) on the other hand has declined as a result of the restriction of movement of persons and the subsequent closure of border points. For example, many students studying outside Uganda were asked to stay home and study online, several countries that used to practice health tourism were not permitting entrants into their territories for medical purposes.
- Commercial Presence (Mode 3) generally declined following a general decline of investment into Uganda resulting from international restrictions of movement and the general uncertainty of the economy. The lockdown also paralyzed a lot of business activities including those of potential foreign investors.
- Movement of Natural Persons (Mode 4) also declined substantially with the closure of borders and subsequent restrictions on the movement of persons through the lockdown.

In sum, generally, Mode 1 increased, and Modes 2,3, and 4 declined.

6.4.2 Covid 19 Impact on External Trade in Services Flow

The Trade in services data as summarized in Table 25 shows that trade in services exports recorded a 45.1% decline between 2019 and 2020. The most affected services export was travel that recorded a 66.6% decline in receipts over the two years, followed by other businesses services (20% decline) and transport services (10%). A review of the preliminary trade data for 2020 revealed that only three (3) export service categories registered an increase in value of exports in 2020 compared to 2019 and these were: insurance and pension services (63.6%), telecommunications, computer, and information services (34.8%) and financial services (29%). On the other hand, Uganda's services imports continued with the growth path, posting a 13.2% increase in 2020 compared to 2019 despite the negative impacts of Covid 19. The growth in services imports was driven by a 95.7% growth in other trader services, while the decline in important of transport services was not significant (6%) to offset the increases in other businesses services. Accordingly, the trade in services trade balance deficit increased by 193%, over the two years period (2019-2020).

Table 25: Trade in Services External Trade Flows (2016-2020)

	2016	2017	2018	2019	2020	% Change 2019-2020
Services Exports	1,915	1,649	1,991	2,029	1,114	-45.1%
O/W: Commercial Services	1,672	1,389	1,610	1,752	882	-49.6%
Travel	1,102	941	1,059	1,188	397	-66.6%
Transport	143	165	191	187	168	-10.4%
Other business services	199	180	195	190	151	-20.4%
O/W: Government goods & services n.i.e.	244	260	380	277	231	-16.7%
Services Imports	2,026	2,056	2,546	2,687	3,042	13.2%
o/w: Commercial Services	2,003	2,044	2,528	2,653	3,004	13.2%
Transport	1,015	1,192	1,419	1,544	1,451	-6.0%
Other business services	528	475	716	656	1,285	95.7%
o/w: Government goods & services n.i.e.	23	12	18	35	39	10%
Services Trade Balance	(111)	(407)	(555)	(658)	(1,929)	193%
Services Export annual growth		-13.9%	20.8%	1.9%	-45.1%	
Services Import annual growth		1.5%	23.8%	5.6%	13.2%	

Source: ITC Trade MAP- https://www.trademap.org accessed on 3.8.2021

6.4.3 Covid - 19 Impact on Key Services Sectors

Tourism Services

Tourism came to a standstill on March 21, 2020 when Uganda officially closed all of its borders. A business survey conducted by the Uganda Bureau of Statistics (UBOS) in March and April 2020 showed the following:

a. Earnings of accommodation and food service establishments in April decreased by 70% from the previous year. The biggest losses were posted by establishments located near national parks.
b. The survey also found that approximately 30% of accommodation and food service establishments had closed their doors and 77% had laid off staff.
c. A May 2020 survey conducted by the Association of Uganda Tour Operators (AUTO) found that 88% of tour operators were unable to pay their workers and 38% anticipated filing for bankruptcy. Business has also completely come to a halt for community tourism enterprises and tour guides.

Other impacts of COVID-19 on tourism included:

- 1 million expected loss in foreign tourists
- 7/10 jobs have been lost in tourism
- 8/10 hotel businesses registered cancellations in bookings
- 448,996 hotel room bookings were cancelled between March and June 2020
- 9/10 tour businesses registered cancellations in bookings

The loss in tourist arrivals would translate into loss in foreign exchange earnings of up to USD 1.06 billion (UGX 3.91 trillion in 2020). Losses due to booking cancellations just in the months of March to June 2020 were estimated at USD 367.2 million (UGX 1.37 trillion), placing tremendous pressure on tourism entities to refund clients, especially when some of these funds could have already been spent on paying other service providers along the tourism value chain.

The hotel sector was projected to lose USD 0.50 billion in revenue by December 2020 as a result of COVID-19. Tour business revenues of over USD 30.4 million (UGX 0.11 trillion) were lost as a result of COVID-19 in the period March 2020 through to June 2020 and it was projected that the Tour

Business will lose up to USD 0.35 billion by December 2020 as a result of COVID-19.
The average number of workers employed in the tourism industry dropped from 18 workers in January 2020 to only 2 workers per establishment in June 2020. This represents a loss of 74.4% of jobs in the tourism sector. The hotel industry that employed an average of 18 workers had to downsize to at least an average of 5 workers per establishment, a reduction of 72.2% in jobs in the hotel sector. Employment in tour and travel agencies had declined by 97.1 percent by June 2020 as literally all the tour guides/ agents were asked to take unpaid leave.

COVID-19 severely impacted on visitation to national parks, with visitation in 2020 being 101,331 visitors, one third of the 323, 861 visitors in 2019. Uganda thus lost revenues from over 220,000 potential visitors in 2020. There was a 72.2% decline in foreign non-residents in 2020. There was a decline in all parks, but the highest declines were in Rwenzori Mountain National Park (81%) and Bwindi Impenetrable National Park (73%).

The immediate COVID-19 response suggested in the World Bank (2020) report included:

- Creating a Tourism Sector Observatory to regularly measure the performance of businesses along the tourism value chain.
- Conduct visitor surveys to track sentiments after the tourism sector reopening to understand evolving traveller profiles, patterns, and sentiments regarding relevant elements of the travel experience such as hygiene protocols, immigration procedures, and tourism business preparedness.
- Expand market intelligence capabilities and efforts including the collection of key statistics and trends in target countries and market segments, data from competitors, and information about relevant marketing channels.

According to the World Bank (2020), the recovery and further development of the tourism sector in Uganda will depend upon key policies and institutions of government. In addition to the above, the World Bank (2020) report provided the following tourism policy recommendations:

- Publish timely tourist arrivals data;
- Conduct visitor surveys more regularly, strengthen sampling, and disseminate results widely;
- Support tourism product development, whether in the commercial or community sectors;
- Support product innovation in the tourism sector;
- Develop a tourism marketing and promotion strategy: build a tourism brand for Uganda; • Broaden digital marketing and assist SMEs to participate in this endeavour;
- Invest in the wildlife resource and protected areas, including increased financing for UWA;
- Facilitate investments in the domestic tourism market; and
- Create a forum for regular public–private dialogue on the development of the sector.

Transport Services

At the onset of the COVID-19 pandemic in Uganda, there was an institution of restrictions on public transport to limit transmission of the virus and ensure the safe passage of key workers during the emergency response. Private cars were also limited to only authorized cars and even so, with not more than three persons in each car. The following are some of the effects of the activities around the fight of the spread of the disease, on the transport sector.

Slowdown of the Sector: Since the transport sector was central to the spread of the disease, the government of Uganda closed international air travel, as well as road transport. During the lockdown, there was a restriction on the movement of private cars, public transport, and Boda Bodas who could only transport cargo. Only cargo cars were permitted to move, with the cross-border truck drivers registering a negative covid result. The overall impact of the lockdown meant that the sector could not perform its role of supporting all the other sectors in the economy. The slowdown of the sector led to a slowdown or even a standstill of several economic activities whose operations depended on the movement of persons.

Reduced Road Transmissions: It was noted that after the first two weeks of lockdown in March 2020, Kampala's air pollution was reduced by 40%.[103] The lockdown provided a rare opportunity to examine what happens to Uganda's air quality when there is a drastic reduction in transport. A company known as AirQo analyzed the air quality (fine particulate matter — PM2.5) of select areas in Kampala by looking at the data from the AirQo air network and the reference monitor at the US Embassy in Kampala. Seven locations were analyzed: Nsambya (US Embassy), Civic Centre, Bugolobi, Seguku, Bweyogerere, & Kiwafu (Entebbe). The Company compared the air quality for the lockdown period (18th March to 4th April) with that of the preceding two weeks (4th -18th March). They noted for example that Nsambya, Bweyogerere, and Bugolobi, had the morning rush hour between 6:00 am and 9:00 am as a high peak time before lockdown while after the lockdown restrictions, the peak was almost unidentifiable. This represented a reduction in air pollution of around 60% during the morning rush hour for these areas. It is, therefore, noted that with the reduction of transportation in Kampala, the city became greener. This shows that the transport sector in Uganda has a huge bearing on the air quality in Uganda and that if there are efforts towards a greener Uganda, the transport sector is one of the areas that should be looked into.

Implications on Health: In certain instances, the lockdown led to significant changes in mobility. With fewer transport services on the roads, people resorted to walking and cycling around the city for exercise and to obtain essential supplies. The ordinary man also resorted to walking to work where and when they were needed. This improved the overall health of many households as a lot more physical activity was involved, on the closure of the transport sector. This clearly shows that there is a direct link between health and the transport sector. A link that can be explored for the benefit of society. Further, the fact that so many people could walk from one place to another meant that the government should put in effort into developing proper walking and cycling areas for pedestrians, as noted in Section 5.4.2 of this Report. Many of the roads in Uganda do not have provisions for pedestrian walkways and cycling. The closure of the transport sector brought to light a gap in the transportation sector in this respect. The decision to increase walkways and cycling areas will also go a long way in the efforts of reducing pollution, especially in Kampala, as more people will be able to walk to their destinations. Whereas the closure of the transport sector led to improved health for some, the lack of transport negatively impacted the people who needed to go to health facilities for non-COVID-19 services. These included primary health care workers and consumers (antenatal care, routine immunization, etc.), consultations and medicine refills for chronic diseases, such as diabetes, hypertension, sickle cell anemia, and mental health conditions, as well as medical emergencies, such as bleeding related to pregnancy, and acute asthmatic attacks, etc.

---

[103] COVID 19 lockdown improves Kampala air quality by 40%. EABWNews, 27 April 2020 [https://www.busiweek.com/covid-19-lockdown-improves-kampala-air-quality-by-40/.

A New Realization: Whereas the laws governing the different modes of transport have always focused on preventing injuries (e.g., to minimize crashes and injuries), not enough attention had been paid to minimizing the spread of deadly disease. Covid – 19 has been an eye-opener to the existence of this huge gap in the transport sector. This has brought in a new realization of the need to have laws and policies in the sector that protect the transmission of disease through contact, which realization was not there before.

Urban-Rural Migration: The absence of public transportation and the general lockdown made several people migrate back to their villages to survive. They felt were unable to go to work because of the distance involved in the walking commute, and that they could not survive since they were not earning as they lived from hand to mouth. The reversal of migration patterns is an indicator that decisions made concerning the transport sector can have a huge bearing on the livelihood and migration pattern of the ordinary man in Uganda. It also showed that if the government sought to increase urban rural migration, decisions in the transport sector could come in handy, to achieve the same.

Health Worker Alienation: Health worker alienation emerged as a problem in Uganda, from the lockdown of the transportation system. Several health workers rely on public transport to get to and from work. With the complete closure of public transportation, many were unable to access their workplaces or had to walk great distances to get to work. To get around this, some were accommodated at the health facilities they worked in, to reduce chances of transmission from hospitals to communities, and to ease travel. The unforeseen effect of this was to create a sense of alienation for the health workers who were not only separated from their families but also faced some form of stigmatization by communities because they were assumed to be contagious.

Financial Services

Banking

Reduced and or Limited Operations: The significant restrictions on business activities and movement, and the extent to which Ugandans could access financial services, as well as the relevance of some financial products and services, reduced substantially as a result of the pandemic. The Central Bank, in response to a request from the Uganda Bankers Association, provided a “no objection” to supervised financial institutions to adjust branch operating hours to 9:00 a.m. to 3:00 p.m. on weekdays and complete closure on weekends. In response, financial institutions implemented reduced working hours and suspension of branches in certain locations, as well as trimming non-essential spending on low-impact and low performing operations. All this reduction in operations substantially affected the economic performance of the sector.

Increased Use of Digital Banking: To curb the spread of the virus, cashless transactions were encouraged and that led to an increase in digital transactions. ATMs and other self-service banking channels were made available for 24 hours and a lot more emphasis was put on mobile and digital banking. The increased use of self-service banking channels invariably heightened the risks associated with the use of digital channels. Financial institutions had to have IT and process capabilities that worked quickly to address the resultant transaction and operational risks. This included IT surveillance to detect any anomalies in system operations, testing, detection, analysis, and elimination of vulnerabilities and threats. It was also essential that audit trails for all transactions could easily be retrievable and communication of security measures to customers intensified. Maintaining data privacy and minimizing the risk of data loss heightened during the pandemic and there was a need for increased adequacy of the frameworks and capabilities to manage data security for third-party service providers, who had to be regularly audited and reviewed. And all this had to be achieved with very minimal notice and within a short time, as there was no prior notice of the pandemic and lock-down. As such, a lot more expense and focus had to be addressed in digital banking, which had not existed before. On the flip side, the increase in use of digital banking led to an increase in the exports in the financial services sector., The export value grew from 21,148 thousand Usd in 2018, to 27,781 thousand Usd in 2019, to 35,851 thousand Usd in 2020.[104]

Loss of Business to Telecom Banking (Mobile Money) Service Providers: The restrictions to the movement of customers as a result of lock-downs meant that more people were engaging in mobile money transactions, as opposed to bank transactions. This is because it was easier for people to send and receive money through mobile money, than walking to the nearest bank ATM or banking hall which was sometimes closed. The reduction in the use of banking services as opposed to mobile money avenues upset the originally existing balance in the performance of banking services vis a vis telecommunication in Uganda.

Impact on Loan Obligations: Covid – 19 substantially affected several sectors such as the manufacturing sector, real estate, trade, tourism, and transportation, yet these are the sectors that most financial institutions are exposed to significantly through lending. Banks had to adjust to the failure of compliance with loan commitments especially of the businesses in the sectors that were hit hard by the COVID-19 economic effects. Financial institutions had to accommodate customers whose ability to service loans had been curtailed by the economic realities and market uncertainties resulting from the pandemic. Bank of Uganda, by its communication dated 20 March 2020, undertook to waive limitations imposed by the Financial Institutions (Credit Classification and Provisioning) Regulations, 2005 on the restructuring of credit facilities that may be at risk of going into distress. Bank of Uganda also granted exceptional permission to supervised financial institutions to restructure loans of corporate and individual customers, including a moratorium on loan repayments for borrowers that have been affected by the pandemic on a case-by-case basis at the discretion of the supervised financial institution. The impact of this waiver was a direct slowdown of the sector as banking institutions could not recover from non-performing assets.

Liquidity Pressure: The non-performance of several loans, the enhanced savings withdrawal following the lockdown, and the loss of banking business to the telecommunication industry all resulted in liquidity pressure on financial institutions. Most financial institutions have liquidity buffers that exceed the minimum regulatory requirements. But with the economic pressures faced by customers and financial institutions, the liquidity buffers were stressed.

Impact on Lending: To mitigate the risk of further loan losses and potential liquidity issues, financial institutions in some instances had to consider freezing of lending for particular categories of businesses, industries, or geographical locations depending on the severity of the COVID-19 effects on such businesses. Banks also had to consider whether they should take on new customers for lending. They had to re-assess borrowers who could only resume business with financial support and consider whether lending would stimulate the business and ensure the bank gets paid. All these decisions and considerations were a result of the activities to curb the pandemic in the sector.

Increased importation of financial services: Resulting from the restriction on movement of persons. People ended up using their foreign resources especially because there was reduced domestic earning. Imports in the financial sector grew from 4,827 thousand Usd in 2018, to 8,910 thousand Usd in 2019, to 11,717 thousand Usd in 2020.[105]

Insurance

[104] Trademap.com
[105] Trademap.com

The impact of the pandemic on insurance varied, depending on the products and types of coverage. There was a general increase in insurance exports from 6,855 thousand USD in 2018 to 7,619 thousand USD in 2019 to 12,466 thousand USD in 2020. But there was a slight decrease in imports from 74,557 thousand USD in 2018, to 72,202 thousand USD in 2019 and 72,561 thousand Usd in 2020.[106] Generally, the pandemic took a toll on some lines of insurance business, (such as travel, events, etc) whereas other lines such as motor remained relatively stable as a result of minimal movement. Claim volumes for business lines such as health attracted large volumes of claims that moving forward, insurers need to pay close attention to potential exclusions in the policies and expectations in assessing claims.

The pandemic also led to a reduction of business from reduced consumer spending. With COVID-19's significant impact on economic activity and employment levels at a local, regional and global level, consumer spending power reduced significantly over a short period. This resulted in consumer payment breaks to stem a situation of continued lack of funds. The resulting market volatility and the general uncertainty on consumer confidence and, therefore, on willingness to spend substantially reduced consumer spending on insurance. Life assurers saw this translate into significantly lower new business volumes for a period of uncertain duration.

Energy Services

Slowed Project Implementation: The lockdown led to a slowdown in the implementation of most projects in the energy sub-sector. It made it impossible to carry out Factory Acceptance Tests (FATs) on imported key materials such as transformers and conductors that were to be acquired from China, India, and Turkey, among others. During the semi-annual monitoring for FY2019/20, it was noted that there was going to be a delay in implementation of the rural electrification and transmission projects across the country due to failure to ship the materials from overseas because of pending FATs. The restricted movement also meant that the project implementation teams could not carry out monitoring and supervision of some work. This affected the completion timelines of the final works.

Reduced Electricity Demand and Revenue Collection: There was a reduction in the demand and sales of electricity because most businesses were closed and therefore were not consuming electricity. The manufacturing sector cut down on production because of a limited market, yet the manufacturing sector accounts for 78% of all electricity sales, while the rest is domestic consumption. The reduction in revenue inflows was further aggravated by Government's directive to halt the disconnection of defaulters. The reduced revenue substantially affected the effective performance of the sector.

Reduced Rate of New Connections: As a measure to ensure the safety of staff and population, the utility companies suspended the connection of new customers to the national grid. Thus, very few new households and other commercial enterprises were able to connect during the COVID-19 period. The sector had targeted a connection of 300,000 households in FY2019/20 through the implementation of the free connections policy. But by the end of the first half of the FY 2019/20, only 30% of the households had been connected.

Increased operational costs: The travel restrictions on most means of transport led to an increase in the cost of operation for the energy sector utility service providers. For example, field staff handling the connection of new households and rectification of faults on the network had to practice social distancing, yet the practice in the sector is the use of shared transport by the work teams. The new restrictions required companies to use more vehicles, thus increasing their cost of operation.

[106] Trademap.com

Reduced Demand for Petroleum Products: Restriction of inland travel did not spare the petroleum sector. There was a reduction in demand for all petroleum products during the months of lockdown as compared to the months before lockdown (January, February, and March). The drop in petrol imports was most significant due to the ban on the movement of most private vehicles

Professional Services

The impact of the implementation of measures to curb the pandemic on professional services varied, depending on the profession in question. Whereas some professions were working full time (for example, health, banking, telecommunication, etc) other professions had to work from home and others saw a decline in demand for their services. On the whole, however, the impact of the pandemic on professional services was generally negative, except for the essential service providers.

Negative Impact

a) **General Slow Down and Loss of Business for Professionals and Firms:** The lockdown had a significant impact on firm closures as only 10% of firms stayed open over the pandemic period. Over 95% of employees were let go of during the pandemic. After the lockdown, only 93% of firms were able to get back in operations by October 2020. Even those that resumed operations only operated below capacity with reduced hours, workers, and machine usage. 90% employees were hired back after lockdown. The remaining 5% were dropped. 6.5% firms instituted permanent layoffs. Many of the firms that did not lay off instead managed costs by reducing or delaying payments to employees. Even after lockdown, there was a slow recovery and those employed were earning between 50-70% of what they were earning before lockdown. Businesses also generally experienced a 52% drop in profits in 2020 as a result of a 49% reduction in the number of customers.[107]

b) **Increase in use of E-Business (Mode 1):** Following the lockdown and the need to work from home, there was an increase in the use of Mode 1 (E-Business) as both service providers and clients were at home. Firms had to learn how to work remotely. The businesses that already had technology and software that facilitated this (for example using cloud storage, etc) were more able to succeed in transitioning into Mode 1, than those that did not have the facilities. Professionals had to adjust quickly to working from home. They had to learn how to use automated/ online facilities and they had to learn this quickly as there was no room for trial or turning back.

c) **Transfer of Office Costs to the Professional:** The cost of running the office was unintentionally transferred to the professional, as opposed to the previous situation where the cost was principally bore by the employer/ business owner. Following the effects of the lockdown, the professional now had the duty to purchase work inputs such as internet, printer ink, etc.

d) **Death of Professionals:** The pandemic led to the death of several people many of whom were in different professions. In some instances, this led to the shutdown of companies that were owned by these individuals, in most instances, forever.

Positive Impact

a) **Improved Health:** The slow down also had some notable benefits – the slowing down of the lives of professionals. Several professionals noted with gladness how their lives became slower and therefore better because of the lockdown. They were able to spend more time at home with their families and to rest more, which improved their overall physical and mental health.

[107] (Alfonsi, Bassi, Manwaring, Ngategize, Oryema, Stryjan and Vitali, 2021).

b) **Career Change/ Reorientation:** Several professionals changed professions during the pandemic lockdown. The lockdown gave them enough time to evaluate their current professions and reflect on where they want to see themselves in the years ahead. Many were able to take online classes to learn new things and many were able to start businesses that they always wanted to run but had never had the time to do. Others were forced to change professions following the need to survive financially during the layoffs resulting from the pandemic.
c) **Increased Demand for Some Professionals:** The professionals that were deemed to be essential service suppliers saw a sharp increase in the demand for their services during the pandemic. This was especially so for persons in the health profession.

ICT, ITES & E-COMMERCE

Double Digit Growth in Mobile Data Revenue: By over 10%, driven by sustained momentum in customer growth and usage during the pandemic. Owing to the fact that many people were working and studying from home during the lockdown, they used much more data than ever before, which led to an increase in the demand for data services and therefore data revenue. On the flip side, as a result of the increase in data usage, telecom companies had to deal with issues relating to reliable network connectivity and internet, particularly concerning high speed devices such as 4G and fiber to home, at a higher magnitude than ever before.

Mobile Money Revenue Decline: Whereas data traffic and revenue went up, there was a decline in mobile money revenue that was attributed to the zero-rating of fees. During the pandemic, the telecom industry with the Bank of Uganda agreed to zero-rate many of the transaction fees on mobile money to aid people who were at home to avoid the use of cash. As a result, a lot of revenue was lost as a result of the freebies that were given by the telecom companies, especially in 2020. However, when the fees were restored at the start of 2021, there was a bit of recovery in this area.

Network Congestion: An increase in network traffic resulting from increased communication following the reduction of face-to-face interactions led to network congestion. As such, telecom companies had to increase their focus and investment in the network to decongest the traffic. They therefore spent more money on this, and yet they were not receiving as much money in the first place because of the drop in revenues.

Spectrum Crunch: Many telecom companies were unable to address the issues of congestion and quality that they were exposed to during the pandemic because of limited spectrum. As a result of the increased usage of services, and because the companies have limited spectrum, many telecom companies found themselves requesting for more spectrum from the Regulator, but the Regulator (Uganda Communications Commission) declined because it had limited spectrum.

Reduction in Voice Revenue: Following the lockdown, several people were working from home and were therefore not calling each other as regularly as they used to before the pandemic. Voice traffic was therefore significantly reduced and that also meant a significant reduction in voice revenue. The recovery came about when the lockdown was lifted.

Reduction in Expenditure: Capital expenditure in the telecom industry is usually in investments like network rollouts in technology, etc. However, as a result of the uncertainty in the times as a result of the pandemic, several telecom companies slowed down their capital expenditure. They only resorted to investing principally for purposes of addressing issues of network congestion. That saw a general abandonment of Corporate Social Responsibility (CSR) as telecom companies struggled to stay afloat in the uncertain times. It also led to institution of a headcount freeze, (a freeze on recruitment) as telecom companies were not willing to spend more money on labor costs. It also led to reduced opex spending as Telecoms were forced to prioritize their operational expenditure. There was also a dividend suspension for companies such as the MTN group, as they sought to save money for a rainy day. This was a result of an unpredictable future. They felt that they needed to have money saved to address the unknown risks ahead.

New Paradigm Shift for Telecom Companies: Resulting from increased digitalization of the economies as many businesses were forced to go online, including government services. As a result of the E-economy of many activities, there was a growing focus on the internet of things, and hence a paradigm shift for telecom companies to realign their business strategies to focus on the digital space as the new frontier for revenue growth.

Taxation: As a result of the slow economic growth, governments resorted to looking for alternative sources of revenue, and naturally, they resorted to the sectors that had previously provided the greatest revenue – the telecommunications sector. A 12% excise duty was then imposed on data in July 2021 because data was the only thing increasing in demand, during the pandemic. This affected the pricing and revenue of the telecom companies.

7.0 CROSSCUTTING ISSUES OF GENDER AND CLIMATE CHANGE

7.1 Gender and Trade in Uganda

7.1.1 Gender in National Development: Institutional and Policy Frameworks

The 1995 Uganda Constitution (as amended) has far-reaching gender equality provisions that have paved the way for the adoption of various legislations. The GoU has a host of policies and laws promoting women's rights and gender equality. The National Gender Policy [108]adopted in 1997 and revised in 2007 provides the framework for gender equality and women's empowerment. Its primary objective is to mainstream gender concerns in national development processes through guiding resource allocation in all sectors to address gender equality. It outlines the Government's unequivocal commitment to take actions that will bring about more equal gender relations. The policy commitment Government to ensure that all Government policies and programs, in all areas and at all levels, are consistent with the long-term goal of eliminating gender inequalities. The policy gives a clear mandate to the Ministry of Gender, Labour and Social Development and other Line Ministries to mainstream gender in all sectors. It sets priority areas of action at the National, Sectoral, District and Community levels with all levels of planning, resource allocation and implementation of development programs redressing gender imbalances and acting with a gender perspective.

Affirmative Action policy has been part of Uganda's politics and has resulted in women's high representation in Cabinet, Parliament, and Local Councils. Each district in Uganda has a women representative in Parliament. The share of women in parliament increased from 18% in 2000 to 35% in 2012, to 34.3% in 2016 and 33.8% in 2021.

The National Policy and Action on the Elimination of Gender-Based Violence (GBV) as an overall framework to prevent and respond to GBV including Female Genital Mutilation/Cutting (FGM/C), was adopted in 2016. Other GBV laws include the Domestic Violence Act 2010 and its Regulations 2011; the Prohibition of FGM Act 2010; the Prevention of Trafficking in Persons Regulations 2010, and the International Criminal Court Act 2010 which among others criminalizes sexual offenses in all situations. The Land Act, 1977 was amended to give women and children land rights. It provides for spousal and children consent before disposal, transfer, or mortgaging of family land. On a related note, the Public Finance Management Act (2015) requires the budgets of all Ministries, Departments and Agencies (MDA) of Government to be assessed for gender and equity compliance. This has ensured that MDAs including trade supporting institutions prepare gender sensitive budgets, resulting into gender sensitive planning and allocation of national resources. Each MDA is issued with the certificate of gender and equity compliance certificate by the equal opportunities commission.

At the international level, Uganda has ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Beijing Platform for Action, and has fully subscribed to the fifth Sustainable Development Goal (SDGs) of gender equality and women's empowerment.

The Ministry of Gender, Labor and Social Development (MGLSD) provides the national machinery for the advancement of gender and equity issues in the Uganda's development agenda. The MGLSD is responsible for coordinating and overseeing the implementation of gender mainstreaming and women's advancement programs nationally and supervises gender focal persons and units in different ministries. The ministry has Community-Based Service/Gender Department in all the local government structures and MDAs. The MGLSD's role at the local level spearhead gender mainstreaming in district development plans and budgets. Through the MGLSD's effort, new operational line-agency gender

[108] National Gender Policy, http://www.gou.go.ug/about-uganda/government-policies/national-gender-policy

structures are in place, namely: i) Gender-Responsive Budgeting Unit and Technical Working Committee in the Ministry of Finance; ii) Gender Statistics Committee at the Uganda Bureau of Statistics; iii) Gender Task Force at the Justice Law and Order Sector; iv) District Gender Coordination Committees; v) the Gender and Rights Sector or Working Group at the MGLSD; and vi) the Gender Unit at the Ministry of Education and sports. The Ministry of Finance, Planning and Economic Development working closely with the MLGSD and equal opportunities Commission is responsible for Gender-Responsive budgeting. Furthermore, the Ministry of Public Service, through a Human Resource Call Circular and Manual approved by Cabinet in 2010, appointed gender focal points across all line Ministries including trade related MDAs.

7.1.2 Gender and Trade in Uganda

Gender considerations are present in the trade sector at two levels. The first of these is what could be called "Women in Trade" which reflects the degree to which women participate trade activities and economic/commercial services. This covers women's access to and participation in trade-related activities in producing and exchanging goods and services in the domestic and external markets. The second aspect that is important to gender in trade is "Trade for Women," which addresses the degree to which adopted trade policy instruments exert a positive effect on gender outcomes for women and vulnerable persons in terms of impacting their lives and status in society.

Analysis conducted during the DTIS update drafting process included a detailed review of major gender issues in the trade sector. This was done through a process that included: (a) a review of the Assessment Report on Compliance of Ministerial Policy Statements with Gender and Equity Requirements by the Equal Opportunities Commission (2020/21); (b) specific gender-focused interviews with key MDAs and with trade sector agencies; and (c) a literature review of key gender studies and public policy papers. The findings below give an inventory of priority gender issues and themes that can be favourably impacted by trade sector interventions. These are presented below and constitute the Gender Mainstreaming Plan for the trade sector in Uganda.

7.1.2.1 Women in Trade

Regarding women in trade, the available evidence indicates that Uganda has registered good progress in having more women participate in trade/commercial activities although substantial gender inequalities remain. The DTIS analysis focused on three issues, namely: a) access to land and other productive assets, b) Access to credit/financial inclusion and c) women entrepreneurship.

Land ownership limits women's productivity and empowerment: Land is important for the survival of women and their families, as well as for increasing household wealth in Uganda. As of 2019/2020 more working-age females (73 percent) than males (63 percent) are occupied in agriculture (including but not limited to subsistence level) than in 2016/2017[109]. Without access to sufficiently large land parcels, women in agriculture are less able to produce beyond what they and their household members need to subsist. According to the Uganda Economic Update (2021), agricultural land managed by female farmers is 20-30 percent less productive than land managed by male farmers in Uganda, suggesting significant agricultural productivity gender gap. There are multiple determinants of women's lower agricultural productivity in Uganda, among them a disproportionate share of childcare responsibilities, greater constraints on transport which limit access to input and output markets, lower use of and returns to pesticides and improved seeds, and a lower uptake of cash crops.

[109] Uganda Economic Update (2021), 18th Edition; Putting Women at the centre of Uganda's Economic Revival; World Bank. https://openknowledge.worldbank.org/handle/10986/36825

Uganda's insecure land tenure system aggravates gender inequalities in land ownership with men outpacing women in formal and informal land ownership rights. As recently as 2019/20, only 17 percent of women in Uganda are estimated to have any type of land ownership rights, compared to almost one-third of men. The share of men with freehold or leasehold land ownership is nearly double that of women. Both males and females are more likely to possess customary than formal ownership rights, but men are nearly twice as likely as women to have the latter. Female landowners also are less likely to have a formal certificate of title or customary certificate, a semi-formal or informal document establishing land ownership, and a formal sales receipt. Women also own much less land than men in Uganda—with smaller land parcels— despite a relatively narrow gender gap in rates of sole ownership of any land parcel. Among those who have sole ownership rights over any agricultural land parcel, an estimated 44 percent are women. A key gender disparity in land ownership is in the size and number of parcels owned. As of 2019/2020, men have larger estimated landholdings (a mean of 1.6 hectares) than women (a mean of 1.17 hectares); in other words, Women own 72.9 percent as much land as men. This is a slight decline since 2016/2017, when women owned an estimated 73.6 percent as much land[110].79 Men on average also own a greater number of parcels than women.

Women's lower agricultural productivity than men's derives, in part, from gender gaps in land ownership rather than gaps in land use. Ownership of land includes the rights to sell, mortgage, rent, make improvements on and retain the revenue generated from the land. Use rights involve only some of these. Gender inequalities in use rights are less pronounced than in ownership, although men's use rights tend to be over parcels that are much larger than those over which women have use rights. Crop yields are higher (by about 552.3 kg per hectare) on plots where women have ownership rights than on plots where women have use rights only; in fact, yields from plots where women have ownership rights are higher than those on which men have ownership rights. On plots where men have use rights, yields are higher (by 182 kg/ha) than on plots where women have use rights. Given that Uganda's trade (domestic and external) is dominated by agricultural products, limited access and use of land, and low productivity of women and agriculture limits the volume and value of their agricultural produce and hence their share of the agricultural trade proceeds. On a related note, without ownership rights over land, women lack the main form of collateral required to secure loans from formal financial institutions, which have the capacity to provide larger volumes of loans than microcredit institutions. Insecure land also is a deterrent to investments in technology and other innovations in agriculture, with is bad for business.

Access to credit/financial inclusion by women has increased but less so in formal mechanisms

According to the UNHS, in 2019/20, 53 percent of the Ugandan population age 15 and above either used mobile money or had access to formal or informal accounts, and men were more likely to be financially included than women using this indicator (57 versus 49 percent, respectively). Only 48 percent of adults in rural areas use some form of informal or formal financial services, compared to 65 percent in urban areas. Urban women (62 percent) are significantly more financially included than rural women (44 percent) and rural men (53 percent), but lag behind their fellow male urban residents (69 percent). In 2019/20, 52 percent of men and 39 percent of women over the age of 14 used mobile money services, with access being much higher in urban areas (61 percent) than in rural areas (39 percent). Women were less likely (39 percent) than men (52 percent) to be connected with these services.

The UNHS data further revealed that men more often use formal financial mechanisms, whereas women tend to rely more on informal institutions, particularly in rural areas. Men were twice as likely

110 Mwsigye et al. (2020).

(11 percent) as women (5 percent) to have a formal bank account, either at a commercial bank or microfinance deposit- taking institution (MDI). Women more often have membership in informal groups, such as Village Savings and Loan Associations (VSLAs) or use financial services from individuals; about 20 percent of women reported this, compared to 16 percent of men. Accounts in informal savings groups are especially important for women in rural areas, where the reach of formal banks is more limited.

Only 14 percent of women and 17 percent of men reported ever having borrowed any money in the 12 months prior to the survey in 2019/20. There was a significant reduction in using informal sources for borrowing from 2016/17 to 2019/20, accompanied by greater uptake of formal services. Women more than doubled their use of formal banks for borrowing. Whereas only five percent were using formal banking services and only 12 percent using other formal financial services in 2016/17, by 2019/20, 11 percent and 19 percent were using these services, respectively. Men also increased their use of formal services, but at lower rates, helping to close the gender gap. Even with increasing use of formal services, women are still more likely than men to look to informal savings groups, especially in rural areas. Both men and women prefer informal credit sources overall, but women are significantly more likely to use these (70 percent) than men (52 percent). Usage is much higher for women in rural areas, where formal institutions have less of a presence. Among rural residents, 31 percent of women rely on VSLAs, compared to 21 percent of women in urban areas.

Uganda women entrepreneurship is high but most women own informal and microbusinesses. According to Global Entrepreneurship Monitor 2020/2021 Global Report, at 40 percent, the share of women among all formal and informal business owners in Uganda is the highest in the world, including all developed and developing regions. Uganda has been recognized among the top eight performers globally in the percentage of female population, age 18-64, who are nascent entrepreneurs or the owners/ managers of new businesses, relative to their male counterparts. Uganda is seen as an outlier because of its exceptional rate of entrepreneurship, especially among women, and its high scores in nearly all indicators of entrepreneurial behavior and attitudes that lead women to start businesses – despite being a low-income, factor-driven economy with sub-par entrepreneurial conditions. These high scores mask stark gender disparities in markers of entrepreneurial success, however, especially in the performance, growth, and endurance of enterprises owned by women, compared to those owned by men in Uganda. In Uganda there is a 30 percent gap in profits between male and female microenterprise owners. On average, women-led enterprises are more constrained than men-led enterprises in size, access to capital, and sectoral location. As with other types of employment, women’s childcare responsibilities also play a role in the gender profit gap in enterprises. In Uganda, profits of enterprises where small children are present are 48 percent lower than those without small children present, including female-owned enterprises without children; whereas 37 percent of female entrepreneurs bring their children to work in Uganda, zero percent of male entrepreneurs do.

Overall, female-owned enterprises are smaller, with fewer employees than in male-owned firms. The most recent Uganda Enterprise Survey shows that less than 30 percent of formal SMEs surveyed had any female participation in ownership. Because of high poverty rates, a large share of women who start businesses in Uganda do so out of necessity, rather than because they want to take advantage of a market or business opportunity. These businesses are not growth-oriented and remain on the lower ends of value chains.

Equally, female-led firms tend to have less capital than those led by men and access much smaller loans. Those women who can afford to start enterprises out of opportunity (as opposed to necessity) still lack finance to grow their businesses, but smaller capital investments in women- led firms also stem from women’s relative financial exclusion when it comes to loans, particularly larger loans and longer repayment periods. Nationwide, the average amount of loan/credit received by men is USh1,918,037 and by women is USh699,596 (a 2.7 male-to-female ratio). In urban areas, the average amount for men and women, respectively, is USh2,530,770 and USh1,533,158 (a ratio of 1.7), and in rural areas, men average USh173,9378 and women USh405,268 (4.3 ratio). Their relative lack of traditional forms of collateral such as land render them less credit-worthy in the eyes of formal financial institutions with the capacity to provide larger volumes of finance than microfinance institutions, many of which are informal, and collective savings groups. Women not only lack collateral in traditional forms, such as solely or jointly owned land; they also are more likely than men to be asked for collateral to obtain loans.

In addition, women's enterprises are more likely to locate in less productive and less profitable sectors of Uganda's economy, which tend to be male dominated. Less than 10 percent of women entrepreneurs operate in male dominated sectors[111]. For Uganda, "male-dominated" describes a sector in which at least 75 percent of firms are led by men. Male-dominated sectors in Uganda include, inter alia, automobile maintenance and sales, construction, electricity and gas supply, metal works and engineering, real estate activities, transportation & storage, small transport services, trade food beverage & tobacco retail, trade of textiles and footwear, water supply and waste management, and wood manufacturing and repair.
Available enterprise survey data show women entrepreneurs in the formal sector being concentrated in hotel and restaurants, food, retail trade, and textiles, garments and leather products.

Finally, women entrepreneurs have considerably less access to technology, market information, and effective business training than male entrepreneurs – all of which is associated with lower profits for these women's firms. Female heads of household enterprises have attended business development services training at lower rates (6.5 percent) than male heads of enterprises (8.1 percent) nationwide, with the lowest rates and biggest gender gap among rural household heads, according to analysis of UNHS 2019/2020 data. Psychology-based training that fosters a growth-oriented mindset in women entrepreneurs and increases both innovation and profits of enterprises has demonstrated greater success than standard business training approaches. Female household business owners are also less likely than their male counterparts to keep a complete record of accounts (11 percent and 18 percent nationwide, respectively), with rural male heads more than twice as likely as rural female heads to keep complete records. Only 53.7 percent of women own any kind of telephone, whereas 74.5 percent of men do. Further, women comprise a full two-thirds of Ugandans who do not use a mobile phone. Closing this digital divide would improve women's access to financial services, market information, and networks.

Conclusion and recommendations: Government has progressed in helping women start small businesses, particularly microenterprises, through initiatives such as government's Uganda Women Entrepreneurship Program (UWEP) and microfinance programs implemented over the years. However, most women remain in micro businesses and largely as a survival strategy and not necessary pursing market opportunities. As a result, most businesses owned by women have not progressed on the growth trajectory and these have remained at micro level, in less profitable sub-sectors, employing few people and using limited capital. There is need to facilitate more female entrepreneurs to move into the larger business space and enhance their share in the benefits of trade opportunities that have been created. As some women are supported to improve their productivity in agricultural enterprise, others will need interventions to help them start and grow small, and especially medium, enterprises outside of agriculture. These firms will need to be in priority value chains and growth

[111] Campos et al. (2015).

sectors of the economy, with women attaining higher positions in these value chains. Women entrepreneurs are more likely to employ women, and thus larger female-led enterprises are more transformational than female- led microenterprise. The returns from investing in female SME owners are likely to be exponential. To enhance women participation in trade, the Government should:

- Pursue reforms to increase access and ownership of land and productive assets by women
- Continue implementing affirmative programs that targeting increasing women's access to finance to start and growth their businesses like UWEP and microfinance programmes
- Initiate and support programmes to link VSLAs and informal saving groups, dominated by women to formal financial institutions
- Design and implement an affirmative oriented business development services (BDS) programme focused on building entrepreneurship, business and managerial skills for women owned and managed enterprises with the aim of supporting then transition from micro/small enterprises into medium to large enterprises.
- Develop an incentives package targeting women managed and women owned business enterprises, including reduced tax rates.

7.1.2.2 Trade for Women

In terms of trade for women, there are a number of areas of trade policy and regulations have been found to have a positive impact on reducing gender gaps. In general, these are related to trade policy measures which addresses the degree to which improves gender outcomes for women. A review of development literatures revealed that by adopting the simplified trade regime, more women have been able to engage in cross border trade. However, interviews with stakeholders revealed that trade policy space has not effectively been used to enhance women's access to critical products that would positively impact on women livelihoods and health, thereby enabling them to effectively engage in production and trade. To further enhance the contribution of trade to closing gender gaps, the following recommendations are proposed.

- Commission a study to identify areas of trade policy and regulations, including procedures for cross border trade (simplified trade regime) and trade licensing that need reforms to enable women participate and benefit from the current trade regime
- Review the tariff nomenclature to identify products that are essential for enhancing women productivity and livelihoods, and have these proposed for reduced tariffs
- Promote women cooperatives and networks

7.2 Climate Change and Trade in Uganda

Climate change and its effects are already being experienced not only in Uganda and the East African region, but in many parts of the world. Frequent extreme weather events are affecting agricultural production structures and competitiveness. In Uganda the limited infrastructure is also being affected by these events, a situation that has direct implications for food security and trade. Trade can and should be an important part of the response agenda. In the negative scenario, trade can further aggravate the situation, say through carbon emissions associated with production and transportation related to trade. On the positive side, with the right policies and measures, trade can be a vehicle through which adaptation to climate change may be achieved and thereby food security. This can only be attained if linkages between the three issues of climate change, food security and trade are well understood in order to arrive at appropriate and holistic policies that in the case of Uganda will help attain the national Vision 2025 of poverty reduction through environmentally sustainable development.

The link between trade, climate change and food security is very complex and not straightforward given the interplay between these three variables. The linkages may be positive or negative depending on factors at play. For countries like Uganda, which depend on agriculture for trade and food security, climate change is critical as it can impact both agricultural production and trade volumes. Increased economic activities, in the country, using fossil fuel can lead to increased emissions of greenhouse gases (GHGs) which contribute to adverse climate change with dire consequences on agriculture. In addition, attempts to increase land under cultivation for agricultural production tends to destroy forest cover, which is an important carbon sink. On the other hand, linking trade, especially trade in clean technology, with climate change can have a positive impact, as trade can help countries to acquire clean technologies that can be used for purposes of climate change mitigation and adaptation. Trade can also help in addressing the issue of food security, as food can flow from the surplus to deficit regions. All these scenarios require appropriate and targeted policies and regulatory frameworks at national, regional and global level. The biggest challenge facing policy makers is to appreciate these inter-linkages and to design appropriate policies.

7.2.1 Uganda's Climate Change Policy Framework

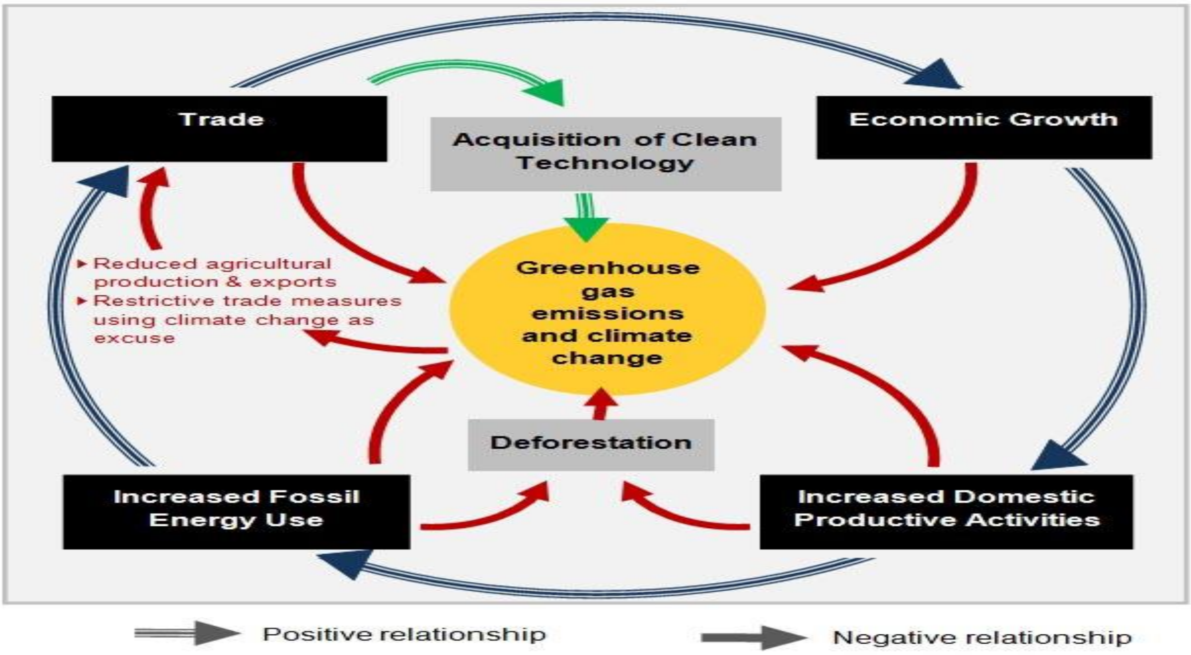
Uganda signed and ratified both the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol (KP) and signed and ratified the Paris Agreement thus committing itself to the adoption and implementation of policies and measures designed to mitigate climate change and adapt to its impacts. Uganda is also a party to the implementation of the East African Community (EAC) Climate Change Policy, which requires member states to initiate and develop consistent and harmonized, policies and plans to address climate change. Uganda also intends to implement strategies, plans and actions for low greenhouse gas emission development in the context of its development goals. These mitigation and adaptation intentions are based on the country's National Climate Change Policy and its implementation strategy (NCCP) (2015), which is derived from the Constitution of the Republic of Uganda (1995, as amended in 2005 and 2015) and reflects Uganda Vision 2040 (2012). The priorities in the National Climate Change Policy have been integrated in the Second National Development Plan (NDP II) 2015/16 - 2019/2020 (2015). In the long term, Uganda intends to follow a climate-resilient and low-carbon development path linked to green growth and broader sustainable development goals.

Uganda's National Adaptation Programme of Action (NAPA) was submitted to the Secretariat of the United Nations Framework Convention on Climate Change in 2007 and approved a national policy for Disaster Preparedness and Management in 2010. The GoU has taken steps to integrate climate change into the National Development Plan, as well as in sectoral policies, plans and programmes and has produced climate change mainstreaming guidelines. Specific activities have been developed on the ground to increase resilience, regarding, among others, agriculture, water and urban planning and the Ministry of agriculture has developed a 10-year Climate Smart Agriculture Program (2015-2025).

7.2.2 Trade and Climate Change: A Conceptual Framework

The conservative articulation of the relationship between trade and climate change is presented in the figure below.

Figure xx: Basic Relationship between Trade and Climate Change



First, a causal relationship between trade, economic growth, increase in productive activities and energy use is recognised. This is presented by the outer blue arrows. The logic used is that increased trade results into economic growth. Economic growth in turn increases domestic productive activities which in turn increase the use of fossil energy, at least in many developing countries. Increase in use of fossil energy is an indirect indicator of the intensity of economic functioning, which in turn positively influences trade. Although the inter-linkages are not universal, for most of the developing countries, Uganda inclusive, the effect is negative. Economic growth is normally accompanied by pollution which interferes with the environment and subsequently the general climate. Increase in productive activities increases GHG emissions via increased use of fossil energy sources. Increased trade too is supported by increased energy use, for example via increased energy to transport a product, which ultimately exacerbates emissions, and subsequently negatively affects climate. The extent to which this initially assumed negative relationship can be made positive will determine the extent to which trade and climate change mitigation initiative can be made mutually supportive.

7.2.3 Institutional and Policy Linkages in Uganda

Uganda has specific policies on climate change and trade in place. There are also other policies and frameworks that include these two issues.

a) Climate Change and Trade in the National Development Plan

The country's National Development Plan which stipulates the country's medium term strategic direction, development priorities and implementation strategy, addresses both issues.

The Plan whose theme is 'Growth, employment and socio-economic transformation for prosperity' recognises the importance of both trade and climate change in delivering this plan. It recognises that sustainable economic and social development of Uganda largely depends on exploitation of its environment and natural resources which has implications on climate change. The plan further recognises the negative impact of climate change on key economic factors such as agricultural production, employment, food security, durability of infrastructure, and hydropower production. Against this background, it specifically sets out to achieve the following climate-related objectives among others:

- To develop national capacity for coordination and implementation of climate change adaptation and mitigation activities in the country in support of social welfare and national development;

- To ensure climate proof development planning with the strategy to re-define climate change as a development issue; and
- To promote low carbon economic development path by providing and promoting incentives for clean development, and by building the capacity of the private sector to effectively participate in clean energy development initiatives.

The plan also recognises the need to protect and restore forest cover through reforestation and afforestation, promoting the use of timber and timber products substitute and use of efficient energy saving sources, promoting rural electrification, and promoting carbon credit trade. One key action identified under the climate change component is the promotion of policy synergies. However, the policies identified for mainstreaming are agriculture, women, youth, HIV/AIDS and people with disabilities.

b) Trade in the Policy Framework on Climate Change

Uganda developed a national climate change policy with a goal of ensuring a harmonised and coordinated approach towards a climate-resilient and low-carbon development path for sustainable development in Uganda. The overarching objective of the policy is to ensure that all stakeholders address climate change impacts and their causes through appropriate measures, while promoting sustainable development and a green economy. However, the policy doesn't address the inter-linkages between trade and climate change. Although trade is recognised as 'other active institution in climate change. In Uganda, many sector-based policies also aim at minimising the effects of climate change in the country and mitigating potential adverse effects to the environment of climate change. These include the National Forestry Policy (2001), national environment policy, water policy, national policy for conservation and management of wetlands resources and the national energy policy. In all these climate change-related policies, there is no mention about trade and how it can either be a threat or an instrument for adaptation and mitigation of climate change.

c) Climate Change in the National Trade Policy

Uganda has in place a National Trade Policy (2007) with the theme 'Trading out of poverty into wealth and prosperity'. This is to be achieved through eliminating barriers to trade and providing an enabling environment in which the private sector will thrive and build capacity to produce quality goods and services competitively, reliably and on a sustainable basis. Among the ten listed priority areas for the policy are the exploitation of policy synergies, coherence and complementarities between different policies on the one hand, and trade policy on the other. The complementary policies identified are the productive sectors, which is agriculture and industry.

7.2.4 Regional Trade and Climate Change Policies in the EAC

The EAC Climate Change Policy (EACCCP) 2011 urges member states to develop country specific policies and harmonise them with the EAC regional policy. The overall objective of the EACCCP is to guide member states and stakeholders on the preparation and implementation of collective measures to address climate change within the region, while sustaining economic and social growth. The EACCC policy is informed by the EAC treaty, the EAC Protocol on Environment and Natural Resources, the Protocol on Sustainable Development of Lake Victoria Basin as well as the UNFCCC. The policy recognises that Africa is the most vulnerable continent to climate change because its economy is generally dependent on climate- sensitive environmental and natural resources. The major objective of the EACCCP is to assist the region engage in a more strategic and cooperative approach to responding to the impacts of climate change. The policy recognises the regions' unsustainable dependency on fossil oil in industries and transport systems and the importance of forests and tree cover as carbon sinks. The policy therefore sets out measures to promote clean and renewable energy technology (hydroelectric power, solar and wind) development and transfer by addressing barriers to technology access, intellectual property and eco-labelling.

7.2.5 International Framework on Trade and Climate Change

a) The WTO and Multilateral Environment Agreements (MEAs)

The potential for conflict between the rules of the international trading system, as dictated by the WTO, and rules designed to protect the environment has been an issue of concern among developing countries. In 1971, delegates of the WTO-GATT meeting discussed the issue of industrial pollution control and international trade. In 1981 GATT member countries undertook an exercise aimed at preventing the unannounced export to unsuspecting countries of goods that were prohibited for sale on the domestic markets of the exporting countries (Stoler, 2004). Consequently, the ministerial committee suggested and put in place a special committee on trade and environment in the WTO. The mandate of this committee was broadly defined as: (i) to explore the relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to Multilateral Environmental Agreements (MEAs); and (ii) to examine the relationship between environmental policies relevant to trade and environmental measures with significant trade effects and the provisions of the multilateral trading system with the view of advising on how to deal with potential conflicts therein.

b) The United Nations Framework Convention on Climate Change (UNFCCC)

The UNFCCC is a multilateral environmental agreement that was concluded at the Earth Summit held in Rio de Janeiro in 1992 and came into force in 1994. The ultimate objective of the convention is to stabilise greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system. The treaty is not legally binding as it does not set mandatory limits on greenhouse gas emissions for individual countries and does not contain any enforcement mechanisms. However, in 1997 the convention was complemented by a legally binding mechanism known as the Kyoto Protocol which was signed by 192 countries. The parties to the convention meet each year in the Conferences of the Parties (COP) to assess progress in dealing with climate change. The COP therefore is the convention’s supreme body. The COP is responsible for keeping international efforts to address climate change on track. It reviews the implementation of the convention and examines the commitments of parties in light of the convention’s objective, new scientific findings and experience gained in implementing climate change policies. A key task for the COP is to review the national communications and emission inventories submitted by parties.

The interaction between trade and the climate change negotiations in the UNFCCC and COP have manifested themselves in four ways:

- The resistance by developed countries to make bidding emission reduction commitments as had been agreed upon in the Kyoto Protocol.
- The Kyoto Protocol allowed industrialised countries to either make emission reductions domestically or abroad in other countries through new market-based mechanisms which include carbon trading and carbon offsets through the Clean Development Mechanisms (CDM).
- Technology transfer is important if developing countries are to access climate related technologies.
- There have been proposals from developed countries to use trade measures that is border tax measures imposed on imports on grounds of climate change action.

7.2.6 Trade-related Activities and their Effects on Climate Change

The fundamental relationship between trade and the climate emanates from the fact that increased trade often depends on increased economic activities, which in turn increase trade through a multiplier process holding other factors constant. For many developing countries, increase in productive activities often has a negative effect on environment commonly via deforestation. For predominantly agricultural countries, because of limited technology and resources, increase in production of cash crops take the form of expansion of cultivated land. This expansion targets forests

that naturally have fertile soils. In this case, agricultural production and increase in trade of agricultural produce has a trade-off in terms of forest cover, which in turn affects climate conditions.
In the last two decades, Uganda has experienced rapid increase in both internal and external trade of non-traditional tradable agricultural products. Increasing urbanisation has led to drastic increase in the production of food products, especially maize in rural areas to be sold in urban areas. Most of the forests countryside has been encroached on for the purpose of maize production for commercial purposes. As regards external trade, non-traditional agricultural exports from Uganda have been on the increase since 2003, in terms of volume and percentage of the country's total exports.

Trade in non-traditional agricultural products has largely been responsible for the forest cover reduction, which has inevitably affected climate conditions in the country. One of the ways through which climate change has manifested itself in Uganda has been a general increase in temperature and inconsistence in agricultural/ rainy seasons as a direct result of deforestation. It is approximated that in the twenty years period between 1990 and 2010, the country lost 1,763 million ha of forest cover, representing a cover loss of 37.1 percent (UN FAO report of 2011). Additional support of the link between increase in trade of agricultural products and climate change come from Uganda's National Development Plan master document where the importance of forest covers in climate and ecosystem stability in the country are underscored. In this regard, it states that the country needs a forest cover of 30 percent to mitigate climate change. The loss of forest cover is attributed to mainly increased demand for agricultural land and wood and wood products, timber and charcoal for the increasing population of the country.

Although the change in forest cover cannot be attributed to increase in trade for agricultural products alone, it is evident that most of the forest land has been cleared and replaced by commercial agricultural production. Specific data to correlate forestry cover loss and trade in agriculture products is not available, but Uganda Bureau of Statistic data of 2010 showed that overall, the agricultural sector economic activities within the country and related trade has been increasing by an average of five percent per annum since 2000. This period coincides with rapid increase in deforestation and resultant climate change indicators.

Balancing Trade and Climate Change Concerns: *A Win-Win Situation?*

Addressing climate change in the context of trade promotion requires no less than a fundamental transformation in the way in which energy is sourced and used. However, such a change can impact the competitiveness of a country's trade. The challenge for poor and developing countries like Uganda is how to manage climate change concerns without compromising competitiveness and growth prospects.

a) Addressing National Competitiveness

Competitiveness is critical in sustaining trade in the long term. One cannot, however, talk about competitiveness without technology. Technology is a key determinant of production efficiency and subsequently for competitiveness. Technological advances, innovation and competitive advantage are connected in multidimensional relationships. Competitiveness depends on average production costs. Production costs are a function of price and non-price factors, some of which are the ability to adopt and use new technologies. Sustainable competitiveness depends on the ability of a region or production units within a region to offer comparative products to its competitors at lower prices on an open market. It requires that a region or industry is able to lower its production costs without sacrificing quality. Technology innovation offers one of the most practical ways to reduce production costs, while at the same time maintaining or even increasing product quality, and mitigating against climate change.

Competitiveness, technology and trade are intertwined. Without competitiveness, trade cannot be sustained, and without technology, long term competitiveness is unlikely. Trade is an implicit indicator of competitiveness, while technological progress is a subtle indicator of progress towards competitiveness. Acquisition of technology to attain and maintain competitiveness depends on rules pertaining to IPR and investment in trade agreements. For instance, the WTO Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement restricts rather than encourages technology transfer. It is important that all ongoing bilateral and multilateral trade negotiation particularly between developed and developing countries, take cognizance of the need to ease acquisition of environmentally friendly technology and attract required investment in the domestic economies.

b) Promoting Trade in Environmental Goods

If WTO rules give special dispensation to encourage trade in environmentally friendly goods, it will encourage their production unlike those that are carbon intensive. This will contribute to efforts to mitigate climate change. According to Meyer-Ohlendorf and Gerstetter (2009), liberalisation in trade of these environmental goods and services has a big potential to promote innovation and deployment all over the world. Although these goods and services have been once on the agenda of the WTO, a position on their promotion was not finalised. In particular, consensus could not be reached on what constituted an environmental good or service. As a way forward, the WTO needs to come up with workable definitions and come up with a list of such environmental goods and service in which developing countries would compete too.

c) Harnessing Renewable Energy Resources

Energy is a key driver of economic and social development, whether in developed or developing countries. Modern energy is needed to light homes, schools, hospitals, businesses and streets. It can also be utilised to irrigate crops, power industries and commerce and subsequently support trade. Simply put, there is a positive correlation between energy use, economic and social development as well as trade. From a strictly trade perspective, the nature and cost of energy are important determinants of competitiveness and subsequently sustained trade. Increased energy use is inevitable in promoting trade among developing countries. Given that the hitherto widely used fossil energy is an intensive carbon emitter, focus should turn to renewable energies and trade. A key factor in Africa's effort to migrate from the predominant use of fossil energy to renewable energies in its trade-related productive activities is the cost of harnessing energy from its vast Renewable Energy (RE) resources compared to the cost of energy types from fossil resources. Conversion technologies for RE resources are a major determinant of this cost.

Performance and costs of conversion technologies largely determine the competitiveness of renewable energies. As such, RE conversion technologies have to be part of overall energy strategy of Africa, in its quest to achieve development goals. A useful advantage of RE technologies is that many of such technologies are suitable for rural areas and therefore can play an important role in poverty alleviation efforts in many countries in Africa. Hence, acquisition of technologies related to renewable energy should form part of Uganda's multilateral negotiation on trade, if synergies are to be created between trade and climate policy. This would enable the country to increase domestic production and subsequently increase trade without significantly affecting the environment and triggering climate change.

d) Towards a Win-Win Situation: Key Lessons

In order to meet their socio-economic aspirations, economic growth accompanied by improved standards of living of their citizens, while keeping adverse climate change in check, developing countries like Uganda will need a lot of money to change their energy use from fossil to renewable and acquire environmentally friendly technology. International trade agreement can either support or constraint this process. Hence, it is imperative that mitigating adverse climate change effects while stimulating trade should, among other factors, inform the position of developing countries in multilateral trade agreements negotiations. Since Uganda's economy is very sensitive to climate change given its predominant dependence on agriculture, the country needs to exploit and use natural resources in order to increase domestic economic activities and to reduce poverty via increased trade. Inherently, poverty reduction efforts in the country will have a bearing on the environment and by implication, on climate change. Uganda will require bold, integrated and innovative policies; and enabling regulatory frameworks to support them.

National development policies need to creatively recognise and address the important link between climate change and trade and minimise the trade-offs. From an operational perspective, there is a general lack of recognition that trade and the Ministry of Trade, for that matter, are important elements of climate change mitigation and sustainable development and poverty alleviation in the country. This manifests itself in the fact that in institutional framework to implement the climate change policy, the Ministry of Trade is not included. It is recommended therefore that the ministry be brought into the mainstream institutional framework for climate change mitigation in Uganda. Likewise, the Ministry of Environment which is in charge of climate change issues should be included in the Ministry of Trade's implementing frameworks. However, this will require capacity building for the ministries officials as both trade and climate change are highly technical and their inter linkages very complex. In summary, to achieve a win-win situation on trade and climate change issues, it is recommended that:

- Liberalisation in trade of environmental goods and services should be encouraged. The WTO should finalise the process of defining goods and services to be classified as environmental.
- Flexibilities should be introduced in WTO TRIPs Agreement to facilitate countries, particularly developing countries, acquire and use climate friendly technologies. Countries should be protected from adopting climate-friendly measures, in IPR law for example. National policy efforts to support migration from fossil to renewable energy use should be allowed even in cases where they may counter conventional WTO regulations.
- Subsidies to local firms operating in the renewable energy sector should be promoted.
- Border adjustment measures (BAM) to take into account environmental cost of products being imported or exported should be operationalised. These can take the form of taxes or charges, obligation to purchase emission allowances upon importation, quotas or technical standards or regulations. BAM should however be considered as a last resort when all other means have been exhausted as it can be used to restrict trade.

In conclusion, there is little doubt that trade and climate change factors have, and will continue to have, important implications for food security at the national and regional levels in Uganda and the EAC region at large. Below are the recommendations:

1) The capacity of policy makers and technocrats at trade related MDAs should be enhanced, for appreciation and clear understanding of the nexus between climate change and trade, and how these inter-linkages can be translated into policies and negotiating positions in the various fora such as WTO and regional economic communities.
2) The MTIC should ensure that the sector policies, development plans and programmes provide for a clear framework that strengthens the inter-linkages between trade and climate change issues and inter-institutional coordination mechanisms that support its implementation.
3) Non-state actors especially CSOs and private sector, should take relevant steps to increase their capacity to understand, mainstream the inter-linkages in their work and advocate for appropriate policies. They should also form/strengthen coalitions that enhance the positive aspects of the inter-linkages.

4) Further research or policy reviews need to be carried out to realign the existing policies, especially, the national trade policy and national export development strategy to take into account the interlinkages between trade and climate change.
5) Research should be conducted at national level to generate clear recommendations on holistic positions to be taken in the

8.0 DTISU IMPLEMENTATION ROADMAP

8.1 Implementation of the 2013 DTIS Action Matrix

The last DTIS update in 2013 prioritized 41 actions (action matrix) for implementation. The actions were in six thematic areas with responsibility centers across different MDAs. A review of the action matrix revealed that 34.1% of prioritized actions were implemented. The actions that were partially implemented were 34.1%, while 31.7% of the prioritized actions were not implemented, as summarized in table 26. (For details on the status of action matrix implementation status, refer to appendix 1).

Table 26: DTIS 2013 8Implementation Rates

	Thematic Area	Implemented	Partially Implemented	Not Implemented	Total
1	Trade-policy formulation & implementation	0	0	2	2
2	Trade-policy measures	3	2	2	7
3	Transit and facilitation	3	2	2	7
4	Customs	5	1	2	8
5	Service-trade regulations	0	4	0	4
6	Maize sector	3	5	5	13
	Total Number of Actions	14	14	13	41
		34.1%	34.1%	31.7%	100%

Action matrix implementation review and stakeholder consultations revealed key aspects that could explain the relatively low implementation rate of the prioritized DTIS actions. These include:

a) Low levels of awareness about the DTIS Action Matrix. Many stakeholders consulted could not remember nor have copies of the 2013 DTIS action matrix. As a result, most stakeholders were not aware of the prioritized actions in the matrix and therefore could have not considered them for implementation in their respective programs. This is mainly because the DTIS report was not widely disseminated after the validation in 2013, and there hasn't been continuous engagement to promote buy-in by stakeholders of the recommended actions, and or update the action matrix with emerging issues. It is recommended that the DTIS action matrix be reviewed annually to identify those actions that have been implemented and update the action matrix with emerging priorities for action by the different stakeholders. This would enable the action matrix to remain update while keeping all stakeholders informed of Government Trade capacity-building priorities. This also calls for continuous monitoring of the DTIS action matrix implementation, which, whereas was one of the prioritized actions, was never actualized.

b) Despite the active role of the EIF Donor Facilitator (DF) and a National Implementation Unit (NIU) at the Ministry of Trade Industry and Cooperatives, there was no active platform for coordinating the DTIS framework. First, the CICS steering committee, which was initially the forum for discussing DTIS related priorities ceased. Equally, the Private Sector Donors Group (PSDG) that used to regularly engage with the NIU/MTIC, no longer meets regularly and the DTIS action matrix has not been on the agenda for a long time. Without a sector working group and irregular meetings of some of the trade policy coordinating forums like the Inter-Institutional Trade Committee (IITC), there is no functional trade capacity-building coordination platform. As a result of this gap, there is no forum for effective coordination of trade capacity-building initiatives between Government MDAs, Development partners, and the private sector. It is recommended that the top management at MTIC and DF step up their coordination functions of the trade capacity-building initiatives with regular engagements between the development partners, Government MDAs, and the Private sector. Regular and structured meetings (quarterly or semi-annual) with briefs on progress in implementing the action matrix and emerging trade capacity-building issues would help in keeping stakeholders updated on the DTIS action matrix. The PSFU has a collective voice of the private sector, with 12 sector-specific platforms, through which a broad and all-embracing coordination structure could be anchored.

c) Weak alignment of development partners' support to the DTIS priority action matrix. Whereas Development partners design and support capacity-building programs every 3-5 years, the DTIS was not a reference point for their country-level capacity-building support programs. It is recommended that the DF upscales her role in mobilizing their support and keeping development partners informed about the DTIS action matrix. This would enable development partners to reflect upon the DTIS when preparing their country programs.

d) Weak alignment of the DTIS review to the National Development Plan. The Government of Uganda has adopted the five-year development plans as the path to realizing Vision 2040. It is therefore appropriate that the DTIS update/reviews are aligned to the NDP implementation periods. This would increase the chances of integrating identified priorities in the NDP, which would increase the chances of attracting public funding in the national budget. It is recommended that the DTIS update/review is aligned to the NDP.

e) Low funding of the trade sector is a key constraint to implementing trade policy and development priorities identified in the DTIS action matrix. The Ministry of Trade and Trade-related functions in MDA continue to receive limited funding in the National Budget. This has constrained their ability to implement identified priorities.

8.2 Aid for Trade Support to Uganda

The Government of Uganda has received aid for trade related support by multilateral and bilateral development partners, which has played a critical role in strengthening trade capacity and facilitating trade. Aid for trade funding has been critical in developing trade support infrastructure and mainstreaming trade in the NDP. Some of the aid for trade support received is briefly presented here under.

The Enhanced Integrated Framework (EIF) Support: Uganda is a long-standing beneficiary of the Enhanced Integrated Framework (EIF) of the World Trade Organisation (WTO). Uganda received funding for two Tier 2 projects (District Commercial Services Project (DICOSS) and Handicraft and Souvenirs Support Development Project (HSDP**)** as well as Tier 1 support to Trade Capacity Enhancement Project (TRACE) and benefiting from regional project support. In total, approximately $7million has been received in trade capacity building funding, through the following projects.

- **Trade Capacity Enhancement Project (TRACE) and Sustainability Support Project (SSP):** TRACE project was designed to assist in dealing with known and emerging constraints in the trade sector including: a limited appreciation of the concept and importance of trade mainstreaming at many levels of Government; low, inconsistent, and uncompetitive production capacities; and a lack of a dedicated team within Government of Uganda (GoU), MTIC, with capacity to coordinate Aid for trade and trade mainstreaming. Accordingly, TRACE was designed to contribute to the timely realisation of the GoU’s trade policy vision and to assist Uganda integrate better into the global economy through a more efficient and competitive trade sector. TRACE contributed to the mainstreaming of trade in the National and District Development Plans, Strategies, and budgets. Project activities influenced key Ministries of Government such as Agriculture, Works, and Transport to integrate trade in their respective programmes and activities. The latest trade mainstreaming support under the Sustainability Support Project (SSP) project focused on improving the performance of the Sector Working Group to be able to plan and monitor activities of the sector; and coordinate the development of Tier II projects; and support District Commercial Offices.

- **Handicraft and Souvenirs Support Development (HSDP) Project:** In January 2019, the EIF Board approved the three-year Tier 2 Handicraft and Souvenir project with the Ministry of Tourism, Wildlife and Antiquities (MTWA) as the Main Implementing Entity. The project aims at developing the handicraft and souvenir sector in Uganda by creating linkages between the producers, associations and the traders of handcrafted products and the tourism industry. The MTIC takes an oversight role of the programme by co-chairing the Steering meetings and participating in technical meetings.
- **East African Women in Business Platform (EAWiBP):** In August 2020, the EIF also started funding a regional project that is being implemented by the East African Women in Business Platform (EAWiBP) that supports women shea butter entrepreneurs in Northern Uganda. This two-year project targets 7,400 beneficiaries and the local counterpart in Uganda is the Uganda Women Entrepreneurs Association Ltd. To date, there has been work to tailor cooperative training materials for training of trainers. Producers and processors are being trained on the formation of cooperatives; improving quality of shea butter products to meet international standards; and linking them to markets.
- **District Commercial Services Project (DICOSS):** The projected strengthened selected (25) District Commercial Offices by training, equipping, retooling, and facilitating them. It fostered the building of networks with key stakeholders, especially small- and medium-sized enterprise operators in the supported districts.

EU Fundings Regional Integration Implementation Programme (RIIP) and EAC Markup Access programme. The EU, through support to COMESA under the regional programmes extended trade capacity building support under the following programmes.

- **Regional Integration Implementation Programme (RIIP)** project implemented by the Ministry of Trade Industry and Cooperatives to enhance Uganda's capacity to integrate and harness regional economic opportunities presented the Common Market for the Eastern and Southern Africa (COMESA), under the COMESA Adjustment Facility (CAF). Since 2014, Uganda has accessed about 5.6 million euros. RIIP facilitated capacity building of the private sector to take-up regional trade opportunities, operationalizing the National Inter Ministerial Committee, Implementation of the COMESA Free Trade Area, Development of Border Markets, Implementation of the Simplified Trade Regime, Elimination of Non-Tariff Barriers, harmonization of COMESA/EAC standards, Implementation of the COMESA Customs Union, Implementation of Competition and Consumer Protection obligations at EAC and COMESA , finalisation of the Sensitive List to the COMESA Common External Tariff, Ratification of the COMESA Common Investment Area Agreement, Domestication of Regional Harmonized Standards, and Formalization and enhancement of small-scale cross border trade.
- **MARKUP programme:** The Technical Assistance to the Coffee and Cocoa Value Chain in Uganda is an EU funded project, within the MARKUP programme, with the scope to assist Uganda in the upgrading its coffee and cocoa value chains, with a quality export perspective and with focus on small holders. The funding of about 7.1 million euros was provided under this regional initiatve.

World Bank Funded Great Lakes Trade Facilitation (GLTF) project: The Ministry of Trade Industry and Cooperatives (MTIC) in collaboration with other Government agencies received support for GLTF project focusing on improving regional infrastructure and in particular remove both at and behind the border constraints to regional trade. The GLTFP consists of 4 Components: (1) Improving core trade infrastructure and facilities in the border areas, (2) Implementation of Policy and Procedural Reforms and Capacity Building to Facilitate Cross Border Trade in Goods and Services (3) Performance Based

Management in Cross Border Administration and (4) Implementation support, Communication, Monitoring and Evaluation. Of the total of US$ 79 million of the World Bank, the allocation to the Government of Uganda will be US$ 10 million. The Government of Uganda will implement the project with funding from World Bank and targeting three border crossing points to the Democratic Republic of Congo-namely, Bunagana, Mpondwe and Goli. Interventions under the project will include improving corer infrastructure and facilities at the border posts, undertaking procedural reforms to facilitating cross border trade, promoting performance-based border management in cross border trade administration and ensuring effective communication, monitoring and evaluation.

TradeMark East Africa (TMEA), with funding from multiple development partners, including UKAID, Danida, Netherlands, Belgium, Canada, Irish Aid, Norway, USAID, EU and Agence Française de Développement (AFD) has implemented multiple aid for trade projects under Strategy 1 (2010-2017) and currently under strategy 2 (2017-2023). Under Strategy 1, TMEA support included:

- Increased Physical Access to Markets: Construction of One Stop Border Posts (OSBP) at Busia, Mirama Hills, Kagitumba and Mutukula •
- Upgrade Mirama Hills Road
- Enhanced Trade Environment: Modernize Customs Business Systems: 1) Customs Management System (ASYCUDA World) 2) Authorized Economic Operators (AEO) 3) Electronic Cargo Tracking System (ECTS)
- Improved Business Competitiveness: Set up a Logistics Advocacy Platform and upgraded standards for maize and sesame.
- Support to the implementation of the WTO Trade Facilitation Agreement (UNCTAD), establishing the institutional ecosystem (NTFC of Uganda) and the National Trade Information Portal.

Under Strategy 2, TMEA support includes supporting programmes to reduce barriers to trade and enhancing private sector markets for trade.

United Nations Development Programme (UNDP) supported the revision of the National Industrial policy, which was launched in 2020 and is currently implementing a pilot project initiative intended to support the efforts to harness the enormous potential that the trade agreement presents for Uganda. The pilot initiative has three key objectives namely: a) Creation of awareness on AfCFTA amongst stakeholders, b) Development of a National AfCFTA Implementation Strategy, and c) Establishment of a Trade Financing Facility especially targeting women and youth owned and led SMEs.

Overall, Uganda has received aid for trade support but coordination of its delivery and reporting has been weak. During the implementation of the revised DTIS, its recommend that the monitoring and reporting of aid for trade in Uganda is strengthened.

APPENDICES

Appendix 1: DTIS 2013 action matrix Implementation Summary Table

Uganda-DTIS-2013
Action Matrix Implem

Appendix 2: List of stakeholders consulted

Appendix 5: Bibliography

1. Alice Nalwoga-Atwine and Gertrude Wamala Karugaba, 2020. Financial services sector: key COVID-19 considerations in Uganda.
2. Ministry of Tourism, Wildlife and Antiquities, 2020. The Impact of Covid – 19 on the Tourism Sector in Uganda.
3. World Bank, 2019. "Uganda Economic Update: Investing $2 Billion Will Put One Million More Children in School-Factsheet." World Bank, 2019,

www.worldbank.org/en/news/factsheet/2019/06/07/uganda-economic-update-investing-2 -billion-will-put-one-million-more-children-in-school-factsheet.

4. UNICEF, 2020. "COVID-19: At Least a Third of the World's Schoolchildren Unable to Access Remote Learning during School Closures, New Report Says." UNICEF, 13 Nov. 2020, www.unicef.org/press-releases/covid-19-least-third-worlds-schoolchildren-unable-access -remote-learning-during.

Livia Alfonsi, L, Bassi, V , Manwaring, P, Ngategize, P, Oryema, J, Stryjan, M, Vitali, A. (2021). The impact of COVID-19 on Ugandan firms: Evidence from recent surveys and policy actions for supporting private sector recovery. https://www.theigc.org/wp-content/uploads/2021/04/Alfonsi-et-al-April-2021-Policy-brief.pdf.

Kiwawulo, C. (2013). *Where have all the medical workers gone?* The New vision, March 2, 2013, http://www.newvision.co.ug/news/640267-where-have-all-the-medical-workers-gone.html.