



Business growth is our business



PRIVATE SECTOR PLATFORM FOR ACTION

A SYNTHESIS OF PRIVATE SECTOR OPPORTUNITIES, GROWTH
CHALLENGES AND PROPOSALS FOR POLICY REFORM

THEME: *“An Economic Growth Strategy that Restores Macroeconomic Stability, Stimulates Effective Demand, and Builds a Resilient Economy that Supports Private Sector Growth and Job Creation”*

November, 2022





Business growth is our business

PRIVATE SECTOR PLATFORM FOR ACTION

A SYNTHESIS OF PRIVATE SECTOR OPPORTUNITIES,
GROWTH CHALLENGES AND PROPOSALS
FOR POLICY REFORM

*THEME: “An Economic Growth Strategy that Restores Macroeconomic Stability,
Stimulates Effective Demand, and Builds a Resilient Economy that Supports
Private Sector Growth and Job Creation”*

November, 2022

ADVERT



Values

- Integrity
- Teamwork
- Value our People

- Customer Focus
- Passion for Excellence Do
- Business Sustainably.



Table of Contents

LEAD FIRM STRUCTURE PROJECT.....	iv
FOREWORD	vi
PSFU PROFILE	x
LIST OF ACRONYMS	xi
EXECUTIVE SUMMARY	1
1.1.1. Macroeconomic Stability:	1
1.1.2. Stimulate Effective Demand by Increasing Household Income:	1
1.1.3. Infrastructure Development.....	1
1.2. Conclusion.....	4
2.0. Background.....	5
2.1. Performance of the Economy.....	5
2.2. Shocks in the Economy.....	11
2.3. Profile and Structure of the Private Sector in Uganda	12
2.4. Private Sector and Support to Uganda’s Tax Effort.....	14
2.5. Private Sector Contribution to Employment.....	14
2.6. Support and Respect for Children’s Rights.	15
2.7. Refugees and Private Sector Development.....	16
2.8. Urbanization, Cities and Private Sector Development.....	16
2.9. Ease of Doing Business.....	17
2.10. Business Licensing	18
2.11. Private Sector Role in Combating Gender Based Violence	20
2.12. Environment, Green Growth, and the Private Sector	20
2.13. Private Sector Role in Promotion of Food Fortification	21
2.14. Private Sector Cross Cutting Proposals	22
2.15. City Transport.	27
2.16. Access to Affordable Finance	29
2.17. Implementation of Agreed Policies	29
2.18. Regional Integration (EAC, COMESA & AfCFTA)	30

2.19.	Governance and Corruption	33
2.20.	<u>Widening the Formal Sector</u>	34
2.21.	MSME Development:	36
3.0	SECTOR-SPECIFIC CONCERNS	37
3.1.	Agriculture, Agribusiness and Forestry Sector	37
3.1.0.	Sub-Sector Specific Submissions	45
3.1.1.	Fisheries and Aquaculture Sector	45
3.1.2.	The Apiculture Sub-Sector	51
3.1.3.	Dairy Sub Sector.....	52
3.1.4.	Beef Sub-Sector.....	54
3.1.5.	The Grain Sector: Case study of Rice and Maize	59
3.1.6.	Leather, Hides and Skin Sector.....	66
3.1.7.	Oil Seed Sector	68
3.1.8.	The Tea Sub-Sector.....	69
3.1.9.	Horticulture (Fruits & Vegetables and Floriculture) Sub-sector	72
3.1.10.	Coffee Sub-Sector.....	76
3.2.	Construction and Real Estates Sector	79
3.2.1.	The Real Estate Sub-Sector.....	82
3.3.	Information Communication Technology Sector	83
3.4.	Financial Services Sector	85
3.4.1.	Insurance Sub-sector.....	87
3.5.	Professional Services Sector	91
3.5.1.	Accounting Services Strategic Priorities:.....	91
3.5.2.	Architectural Services Strategic Priorities:	93
3.5.3.	Engineering Services Strategic Priorities	94
3.5.4.	Legal Services Strategic Priorities	95
3.5.5.	Distribution Sector Strategic Priorities	97
3.6.	Tourism Sector	99
3.6.1	Covid - 19 Pandemic and its implications to the Tourism Industry.....	101

3.6.2.	Challenges facing the Tourism Industry.....	103
3.7.	Culture and Creative Arts Sector.....	106
3.8.	Manufacturing Sector.....	108
3.9.	Human Resources (Health, Education, Skills and Attitude) Sector	113
3.9.1.	Health Sub-sector	114
3.9.2.	Education and Skills Sub - Sector	117
3.10.	Logistics Sector.....	119
3.11.	Trade and Commerce Sector	124
3.11.0.	Trade & Development: Integration Issues.....	124
3.11.1.	Destination of Exports.....	125
4.0.	Conclusion	136
5.0	Annexes.....	137
Annex 1: Commercial Bills to be Tabled by Government Before Parliament		
	for Consideration in the New Session.....	137
Annex 2: Private Sector Tax Proposals for FY 2022/23 National Budget.....		138
Annex 3: List Of Private Sector Foundation Members as of March, 2022		150

An initiative of:



In partnership with:



LEAD FIRM STRUCTURE PROJECT

PROJECT FACT SHEET

The Private Sector Foundation Uganda (PSFU), Uganda's apex body for the private sector in Uganda, is collaborating with the Mastercard Foundation's Young Africa Works to implement the Enhancing the Lead Firm Structure for Youth Employment Project.

As the Anchor partner, PSFU will coordinate with the Government as the Secretariat of the Steering Committee on one hand and facilitate all partners under Young Africa Works Uganda to deliver their interventions successfully while implementing its specific interventions.



Intervention Title:

Enhancing the lead firm structure for youth employment.

A Lead Firm can either be an organisation driven by private interests such as profit or one whose purpose is furthering shared prosperity through the promotion of private enterprise/business.



Intervention Goal:

The interventions in this project are aimed at holistically addressing different growth challenges of Lead Firms in high value-chain products and the MSMEs and grassroots producers engaged in their respective value chains.

Project Budget:

\$41 million

Project Objectives



Increase production and growth at household, MSME and Lead Firm levels.

Expected Project Outcomes

70%
young women in dignified and fulfilling work

Duration:

5 years



Increase incomes of the population which will stimulate greater demand for goods and services

\$1,040
in youth annual income



Secure direct dignified and fulfilling work for 281,960 for young people

281,960
direct work opportunities for young women and men.

Project Implementation Strategy

Implement the Lead Firm Structure (LFS) Model

Promote market Lead and production linked value chains that enable youths to gradually have four revenue sources and increase their income.

Build Capacity of Enterprise/Firm Level growth enablers.

By improving the competences of leaders and entrepreneurs through specially designed workshops, mentoring and coaching interventions.

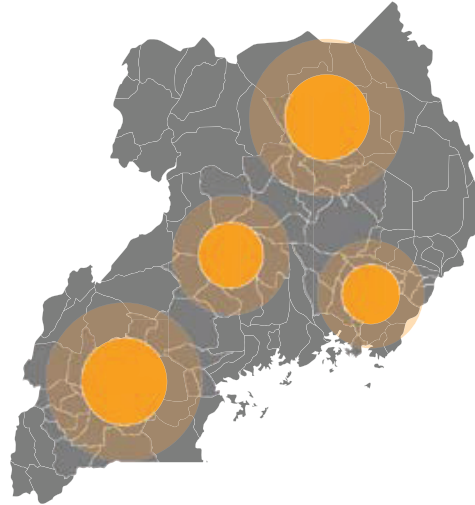
Create a conducive ecosystem for new and existing businesses to grow.

Work with Young Africa Works Uganda partners to identify challenges, conduct analysis and research, build consensus and seek dialogue with policy makers aimed at creating a conducive and sustainable business environment.

Establish a Private Sector Catalytic Fund which will provide entrepreneurs and SMEs with affordable, appropriately structured capital financing accompanied by technical assistance.

Districts Of Operation

The intervention intends to cover all major regions of the country



Focus Sectors



Agriculture



Manufacturing



Tourism



Trade & Allied Services



Construction

Actors In Route To Market

Provide a market and determine quality and standards that enable the value chain thrive.

These support Lead Firms and MSMEs in reaching, mobilising and sustaining young women and men in their transformation.



Provide goods and services that facilitate production of input or distribution of output for the Lead Firms.

Households are empowered to produce or distribute individually or collectively according to the quality and standards set by the Lead Firm.

PSFU Contacts



Email:
lfs@psfu.org.ug

Phone:
031 2 263850

Foreword:



The Private Sector Foundation Uganda (PSFU) produces an Annual Policy document; - The Platform for Action on behalf of Uganda's Private Sector. The main focus of the Platform for Action is to; highlight the key growth and competitiveness challenges faced by the private sector which inhibit creation of work opportunities and to recommend policy reform actions to Government. This is done through collection, collation and analysis of issues through a wide consultative process with not only the PSFU Members but the private sector at large. PSFU is mandated to spearhead the advocacy process on behalf of the private sector. This year's advocacy agenda is to support developing interventions towards reviving the economy, stimulate household incomes and ensure growth of the business community in a resilient and sustainable manner. The Platform for Action is configured into three sections; - cross-cutting, sector specific issues and tax policy issues.

The success of PSFU's advocacy process over the years to date, is attributed to mainly sustained Government (plus other policy making bodies) engagement through dialogue. PSFU further protracts its strength and improves its Policy Advocacy works through:

- i. Extensive consultations and stakeholder engagements.
- ii. Intense collaboration with various Government sector working groups.
- iii. Working closely with development partners.
- iv. Collaborative research and analysis with the Academia.
- v. Enhanced policy dialogue with Government mainly through Parliament and other MDAs.
- vi. Increase in participation in regional and international forums.

Over the years, the PSFU has registered significant success in influencing policy measures on behalf of both the PSFU membership and the general private sector. During the year 2021/22, some of the advocacy and business environment achievements registered include.

- i. **COVID 19 Economic Stimulus Package:** PSFU was a member of the COVID-19 Taskforce where we managed to achieve: 1.5 trillion shillings capitalization of Uganda Development Bank, defer of PAYE and NSSF for a period of 3 months, Increase of statutory period for banks to declare non-performing assets (NPAs) from 90 to 180 days, commercial banks allowed to restructure loans from 2 to 3 times, settlement of domestic arrears amounting to UGx 600 billion shillings, deferment of utility bills for 3 months, zero rating VAT on supply of denatured spirits, partial opening of the economy after 3 months with SoPs strictly implemented among others.

- ii. **Tax Policy:** Reduction from 10% to 6% WHT on commission paid to an insurance agent and advertising agents, exemption of WHT on agricultural supplies, reduction from 12% or 150shs to UGX. 50 per liter or 5% excise duty on opaque beer, reduction of excise duty on fermented beverages (apple ciders) such as ciders to 30% or UGX 550 per liter, led to 25 billion investment creating more than 1000 jobs direct jobs and finalization of Common External Tariff review to introduce the 4-band structure to promote industrialization, job creation and tax revenue.

- iii. **At Regional Level:** Reduction in road charges by Tanzania from \$ 500 to \$10 – one of the lowest rates in the region, Supply of extra 10,000 tons of sugar to Tanzania, establishment of Tanzania Ports Authority at Dar es Salaam Port for Uganda, commitment for Tanzania to buy Uganda’s electricity poles, poultry and dairy products, removal of restrictions on Ugandan eggs, maize and dairy products with Kenya and the inclusion of DR Congo to EAC, harmonization of EAC standards on propolis and bees wax -promote export of honey products.

- iv. **Budget Policy:** Enactment of NSSF (Amendment Bill), Local Content Bill, Coffee Law, Cooperative Act, National Payment Systems Law, Establishment of the National BDS Framework, second National Strategy for Private Sector Development Strategy, Development of Regulatory Impact Assessment report on Start Ups, implementing the Teacher Education and Learning Assessment (TELA) system among others.

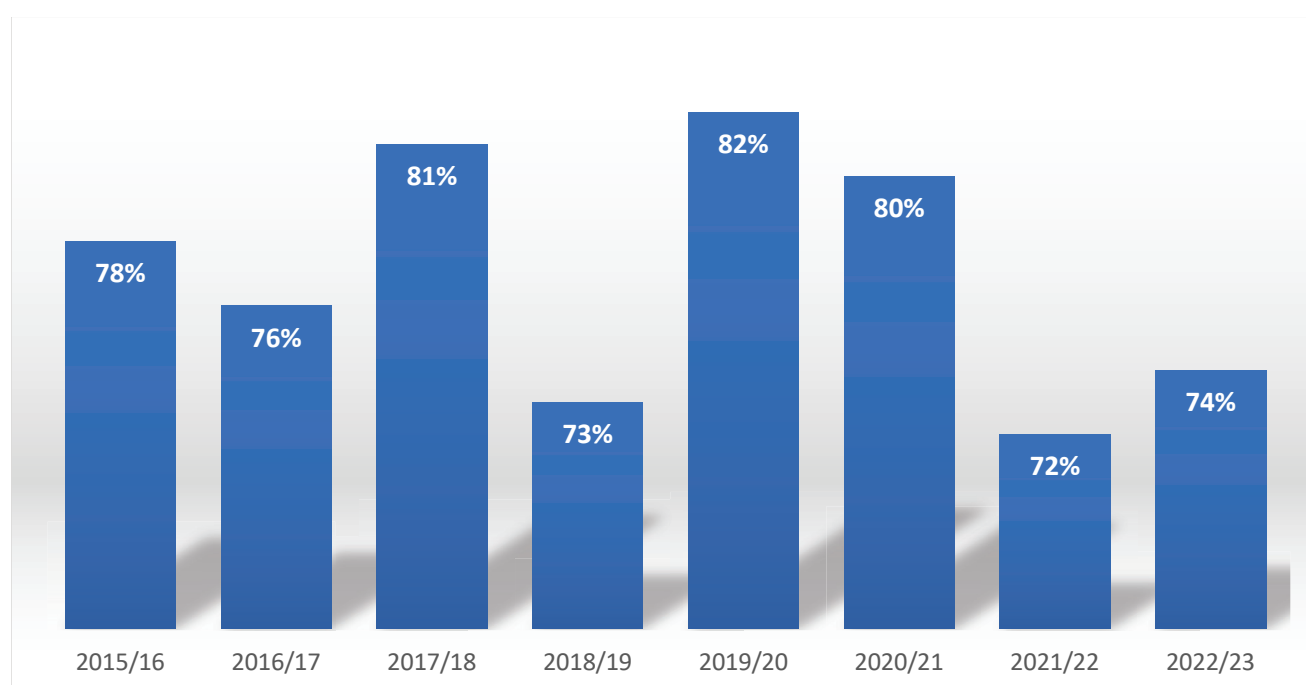
- v. **Trade Promotion:** As a result of the DRC Business Summit in June 2022, some of PSFU’s lead firms; Africa Mushroom Growers (AMG), is now exporting 2,000 Kgs of mushrooms worth US\$ 40,000 dollars per month to Kinshasa creating at least 200 additional jobs for young people. For every additional 1000 kgs that AMG exports to DRC, it creates 100 new direct work opportunities for young people that supply the company. As a result, to business mission in South Sudan, Newman Foods opened up new deals with major supermarkets (Juba Mall Supermarkets) and other local buyers where they export fruits and vegetables on cash worth UGX 80,000,000 per month and is in negotiation with Phenicia supermarket in Juba to increase exports.

PSFU has pursued Global and the Africa Continental Free Trade Area (AcFTA), and made trade engagements in Burundi, Kenya, Tanzania, South Sudan, Somalia, South Africa, UAE, USA, Pakistan and Algeria.

- vi. **Monitoring and Evaluation:** While the private sector appreciates Government’s efforts, implementation of agreed upon policy reforms and how monitoring and evaluation is done to ensure value for money, is a major challenge.

Conversely, through Public-Private Partnerships as evidenced in the PPP Policy, the private sector working with Government have continued to demonstrate this by providing a conducive an environment for business to thrive. See table 1.

While the private sector appreciates Government’s efforts, implementation of agreed upon policy reforms and how monitoring and evaluation is done to ensure value for money, remains a major challenge.

Table 1: Trend of Government's response to Private Sector priorities; 2015/16 – 2022/23

Source: PSFU PSD Unit, 2022

The Private Sector hereby calls for more involvement in monitoring and implementation of the budget for better performance. PSFU advocates for a monitoring mechanism under the Prime Minister's Private Sector Forum that will be responsible to synergize and follow up policy implementation of Government.

The 2022, the economy was characterized by an un-anticipated economic downturn in all spheres of life with varying magnitudes because of rising commodity prices partly explained by the geo-political conflict between Russia and Ukraine. This has increased the cost of production and also constrained levels of purchasing power amongst the business community and the public in general. Another emerging threat to the economy is the outbreak of Ebola which has impacted the tourism sector with over 500 bookings so far canceled valued in millions of dollars, loss of revenue and jobs.

The economic downturn also happened albeit, the containment of the Corona Virus pandemic of 2019 (COVID-19) and the full opening of the economy. Consequently, growth of the economy has been subdued from 5- 6% to 3%. Economic Lock down measures were instituted for more than 5 months within the year. As a result, the national budget FY 2022/23 has so far faced rigorous revisions to accommodate critical priorities as expenditures of consumptive nature were dropped across various sectors.

PSFU commends Government for ruthlessly fighting the spread of COVID-19; and the prudent macro-economic measures which have at least managed to keep inflation under control without creating other associated challenges. However, there is need to holistically build resilience of the economy to external shocks and rigorously limit the spread of Ebola to save lives and business. This summary provides briefly, the outcomes which the Private Sector would wish the budget process to achieve despite the effects of the macroeconomic instabilities and other emerging threats such as Ebola. The detailed proposals are in various sections for further information.

The key recommendations in FY 2023/24 mainly focus on: An economic growth strategy required to restore macroeconomic stability, stimulate effective demand, and build a resilient economy that supports private sector growth and job creation.

Other key growth challenges in sectors such as Agriculture, Tourism, Manufacturing, ICT, Oil and Gas, among others are raised to ensure the competitiveness of the Private Sector. These are focused on growing exports, creating jobs, growing incomes, reducing poverty, improving efficiency in government and hence service delivery. Digitalization of the economy has been mainstreamed as a critical pillar required in the current industrial strategy and job creation for the young people.

The private sector further points out the challenges attributed to illicit trade (substandard goods, counterfeits, smuggling) and urges government to address them forthwith to ensure fair trade. Recommendations are finally suggested for the private sector to remain the engine of growth in Uganda's economy.

In conclusion, the Private Sector appreciates the Government of Uganda for responding to over 74% of the Private Sector proposals for FY 2022/23 and strongly recommends that clear monitoring and evaluation mechanisms are instituted to ensure value for money through strict implementation of the agreed policy actions.

Stephen Asiimwe

CHIEF EXECUTIVE OFFICER

PSFU Profile

Private Sector Foundation Uganda (PSFU) is Uganda's umbrella body of the private sector made up of over 310 Business Associations, Corporate bodies and the major Public Sector Agencies that support private sector growth. Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to sustain a positive dialogue with the government on behalf of the private sector. PSFU is also the government's implementation partner for several projects and programs aimed at strengthening the private sector as an engine of economic growth in Uganda. PSFU is now home for over 2.5 million businesses directly and over 10 million indirectly.

PSFU's competitiveness agenda is driven by the urge to increase private investments and productivity. These two are supported by a robust business environment that attracts and protects investment capital. The business environment is better where there is: effective government, efficient markets, and strong human development. The Ugandan private sector appreciates the Government of Uganda is moving steadfastly to establish such an environment and both local and Foreign Direct Investments have taken advantage of the stable business environment.

PSFU as the apex body has now expanded and scaled up its reach from merely providing business information, managing projects/grants, training and Business development support, to a diverse private sector think tank and innovation hub with a new stable platform for growth and sustainable development. This is being done in full collaboration with the government of Uganda and the UNDP. PSFU is a value-based and ethically driven entity premised on 10 sectors that drive Uganda's economic growth.

The foundation is also the focal point for the East African Business Council and the COMESA Business council. Using this platform, PSFU has spearheaded the Trade Policy and Trade Development agenda on behalf of the Uganda business community, directly engaging with regional policy platforms.

Key Mandate

- i. Research and advocacy on policy issues that affect private enterprise.
- ii. Maintain institutionalized dialogue with the government on behalf of the private sector in Uganda.
- iii. Review of business legislation and regulation to make it more efficient for private sector operations.
- iv. Business development support for SMEs such as product development, standards improvement, market access, technology acquisition and application, skills training and capacity building at all levels.
- v. Maintaining close relationships and partnerships with development partners, government, civil society, regional and continental bodies.

List of Acronyms

AREA	Association of Real Estates Agents
AUTO	Association of Uganda Tour Operators
AfCTA	Africa Free Continental Trade Area
BOU	Bank of Uganda
BPO	Business Process Outsourcing
BTVET	Business, Technical and Vocational Education and Training
CAA	Civil Aviation Authority
CAADP	The Comprehensive Africa Agriculture Development Programme
CBC	COMESA Business Council
CBET	Competence Based Education and Training
CET	Common External Tariff
DRC	Democratic Republic of Congo
CIS	Collective Investment Scheme
CMA	Capital Markets Authority
COBE	Census of Business Establishments
COMESA	Common Market for Eastern and Southern Africa
COVID 19	Corona Virus Disease 2019
DIT	Directorate of Industrial Training
DUCAR	District, Urban and Community Access Roads
EAC	East African Community
EAMU	East African Monetary Union
EPA	Economic Partnership Agreements
EPRC	Economic Policy Research Centre
ERA	Electricity Regulatory Authority
FAO	Food Agriculture Organization
FTA	Free Trade Area
FUE	Federation of Uganda Employers
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IP	Intellectual Property
ISO	International Standards Organisation
JKIA	Jomo Kenyatta International Airport
JLOS	Justice Law and Order Sector
KRA	Kenya Revenue Authority
MAAIF	Ministry of Agriculture Animal Husbandry and Fisheries
MBI	Mauritius Board of Investment
MDAs	Ministries Departments and Agencies
MFI	Micro Finance Institution

MOFPED	Ministry of Finance, Planning and Economic Development
MOJCA	Ministry of Justice and Constitutional Affairs
MOWT	Ministry of Works and Transport
MTWA	Ministry of Tourism, Wild Life and Antiquities
MTIC	Ministry of Trade Industry and Cooperatives
MSME	Micro, Small and Medium Enterprise
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organization
NCDC	National Curriculum Development Centre
NDP	National Development Plan
NPA	National Planning Authority
NSSF	National Social Security Fund
PAYE	Pay as You Earn
PIRT	Presidential Investors' Round Table
PPDA	The Public Procurement Disposal of Public Assets Authority
PSCP	Private Sector Competitiveness Project
PSFU	Private Sector Foundation Uganda
RRA	Rwanda Revenue Authority
RVR	Rift Valley Railways
SACCO	Savings and Credit Cooperative Organisation
SADC	Southern Africa Development Cooperation
SCT	Single Customs Territory
SPS	Sanitary and Phyto-Sanitary
TRA	Tanzania Revenue Authority
UCDA	Uganda Coffee Development Authority
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UFEA	Uganda Flowers Exporters Association
UFFA	Uganda Freight Forwarders Association
UFPEA	Uganda Fish Processors and Exporters Association
UIA	Uganda Investment Authority
UNADA	Uganda National Agro-Input Dealers Association
UNBS	Uganda National Bureau of Standards
UPE	Universal Primary Education
URA	Uganda Revenue Authority
URF	Uganda Road Fund
URSB	Uganda Registration Services Bureau
UTB	Uganda Tourism Board

Executive Summary

1.1.1. Macroeconomic Stability:

According to Bank of Uganda the economic growth outlook is less favourable at 5% than the previously projected 6%. External demand has weakened due to higher global commodity prices, and the resultant high domestic inflation which has led to tighter monetary conditions, constraining aggregate demand amongst the population. While Government has mostly focused on the monetary policy to stabilize the economy, the cost of monetary policy to the economy is close to 9% of the GDP- this is equivalent to the investment in Karuma, Hydropower dam. Government should consider structuring demand to plan and program the markets and supply for the domestically produced goods in order to ensure guaranteed markets and farm gate prices for the local producers which will ensure consistent production for goods and services. To start with, integrate buffer stocks in the Parish Development Model for products such as critical food crops for local market. For this to be actualized, there is need for good monetary policy, fiscal policy coherence to spur production.

1.1.2. Stimulate Effective Demand by Increasing Household Income:

Over 80% of the population resides in rural areas and majority is employed in subsistence or nearly subsistence activities including agriculture. 34% of them are living in poverty and with a Purchasing Power Parity of UGX. 7000 or less. This big population cannot demand for goods and services sustainably. This is illustrated by, firms being unproductive; 40% of manufacturing capacity is unused because of low aggregate demand. While many new businesses are started each year in Uganda, most fail within a year.

Households and MSMEs hold the greatest potential for transforming the economy if accorded a sustainable means of income and market access. Identifying, expanding and linking to markets will create possibilities to increase production, address productivity challenges, and thus increase investment and job growth across Uganda. Government needs to use market driven approach to agro-industrialization. PSFU working with the Mastercard is implementing the Lead Firm Structure for Youth Employment and this can be benchmarked for excellence.

1.1.3. Infrastructure Development

1. Energy Supply: Ensure that we do not slip back into load-shedding and under the rural electrification, new connections be supported to help spur wealth creation, support competitiveness of the Ugandan private sector in the EAC, COMESA, SADC, India, China among others, the energy tariff should be reduced to 5 USD Cents/KWH for both high end and low-end industrial users. In the short run, the private sector proposes that energy tariffs remain unchanged so that we have predictability.

The quarterly automatic tariff adjustment pricing mechanism of power sanctioned by ERA should be done after every 6 months with changes in tariff capped at 2.5% in comparison to the previous adjustment. Increase access to industrial power especially in rural areas to support value addition.

2. Transport: Transport is a service for other sectors so the cost needs to remain down but at the same time it is a business which needs to be a source of employment. The Private Sector is concerned that transport still accounts for up to 45% of the total production and distribution costs. Best practice has it that this should be not more than 10% for businesses to remain competitive (UMA report). The following proposals will contribute to this goal.

- i. **Railways:** Through the concession, an increment in the cargo transported by rail as an immediate step and then eventually invests in a standard gauge railway network. This has potential to reduce cost of transport to and from the sea from about 129 USD per ton (by road) to about US\$ 60-40 per ton. Also consider investing in rehabilitation of the meter gauge to support reduction in costs and control spread of COVID 19.
- ii. **Roads:** There is need to prioritize the last mile infrastructure (first class murram roads and power connections) for priority value chains in support of industrialization and export development.
- iii. **Kampala Roads and Traffic Jam:** Traffic jams account for 2.8 trillion shillings loss in GDP annually (World Bank study). Further studies also reveal that labour spends 52 working days in traffic in a year along the major access roads to the Kampala. The road network in Kampala especially roads capable of diverting traffic away from the city centre should be prioritized and worked on by KCCA. The proposed public bus system is the way to go however, the system management needs to be inclusive of current taxi owners and operators. Boda Boda system also need to be well managed, for instance under the digital platforms available. The KCCA should also prioritise and incentivise the private sector to invest in off-street parking and more rigorously enforce parking regulations to create more space for vehicles to move more quickly and smoothly.
- iv. **Waterways:** promote a multimodal transport system that links road, rail, water and air transport. Consider investing and improving water transport on Lake Kyoga, Albert and Victoria to link the southern route to Dar-es Salaam, Port Bell and Jinja Piers with Kisumu, Bukoba and other major commercial centres in both Kenya and Tanzania. Invest in rehabilitation and purchase of new ferries. These support tourism.
- v. **Air Transport:** Applaud Government for re-establishing the Uganda Airlines. We however must ensure that the airline is linked to ground handling to have it profitable. Cargo routes to major tourism and trade areas need to be prioritized. There is need to remove existing regulatory and tax related issues in order to reduce the cost of freight. We further implore government to invest in Uganda Air Cargo to facilitate access to markets within Africa and beyond especially the Democratic Republic of Congo market.
- vi. **Information Communication Technology:** There is need to complete the roll out of the National Backbone Infrastructure (NBI) and last mile internet connections to support innovations and e-commerce.

3. Water for Production: Rainfed agriculture cannot be relied on especially now with the effects of climate change. During the year, cases of food insecurity and increased food prices have been witnessed due to limited volumes of production driven by climate change effects. The private sector urges Government to:

- Prioritize investment in infrastructure for water for production to the level of road transport.
- Ensure that water reaches the farm level to support the farmer.
- Plan to well organized water harvesting strategies for both the public and the private sector actors.

4. Skills, Education & Health for Enhanced Labour Productivity: Uganda's labour market continues to face a shortage of requisite skills, with only about 7% of the job seekers, having the required skills. This skills gap is explained by the absence of soft skills and poor labour governance systems in the economy. (PSFU/EU skills need assessment report, 2019). Accordingly, the private sector proposes that Government:

- i. Review the BTVET policy by ensuring that the existing sector skills councils are directly coordinated by the various private sector associations Not in Government to achieve efficiency and effectiveness.
- ii. Special focus needs to be put on building foundation skills, cognitive skills through proper Early Childhood Development policy implementation and priority.
- iii. Revamp the current internship and apprentice program to suit the demands of the private sector. This can be done through increasing the internship period to about 6 month and conducted towards the end of the education program of the student.
- iv. Promote research partnerships between academic institutions and the private sector specifically targeting the latter's investment needs. This will stimulate research and development and private sector investment in academic research.

5. Credit to the Private Sector: Uganda's interest rate spread is one of the largest in the world. This explains, why the commercial banks interest rate does not respond proportionately to the movements in the CBR. The financial structure is improper with only 15 trilling available as long-term financing. The saving levels are still very low at 28% of GDP. The introduced one trillion export facility is welcome however, it's not enough for the private sector export needs. The private sector proposes:

- a. Bring the civil servants into contributory scheme by amending the Government Pensions Scheme.
- b. Additionally, Government should consider expanding the ACF arrangement to cover the priority sectors. This requires a 6-7 trillion budget to cater for risk guarantee.
- c. Exempt Capital Gains Tax in the Income Tax Act (ITA) on the earnings from venture capitalists to attract start-up capital for youth-oriented businesses but also support the deepening of the capital markets in Uganda.

6. Legal & Regulatory Frameworks: The private sector appreciates that especially in a free market environment; regulation costs about 4% of GDP to the economy. It is therefore, a necessary factor critical to ensuring a level playing field and for protecting society from harmful effects of the free market. Rationalization of agencies is welcome to make Government efficient however, some critical organizations which directly interface with the private sector should be left to operate as they are currently. In view of this, the private sector proposes:

- i. An overall reduction in the regulatory burden on businesses is essential to reducing the cost of doing business. In particular regulation should not be used by Governments at all levels for purposes of revenue generation.
- ii. Consider removing UCDA, URSB, UEPB, and CDO from the list of organizations proposed to be merged in the drive to rationalize agencies.
- iii. Long shelved commercial laws should be enacted and regulations to operationalize them developed.
- iv. The legal framework for access to land should also be robust enough to help investors.

7. Tax Policy: In this area, the private sector proposes as follows:

- i. Ensure tax predictability and optimisation to maximise yield.
- ii. Broaden the tax base to reduce tax burden; and expand the advisory function to include Tax policy makers, URA and the Tax Payers
- iii. Address illicit trade issues through effective enforcement measures that ensure leveled playfield. Also, asses the relevancy of digital tax stamps system in relation to curbing illicit trade and increase in excise duty as a guide towards implementation.
- iv. Progressive tax regime is required to stimulate demand of products produced by other sectors such as agriculture, ICT and construction.

8. SME's Development Issues: Ensure that quality and standards are met by SMEs through certification;

- i. Focus on SME financing.
- ii. Support SMEs to participate in the public procurement markets as well as the stock exchange.
- iii. Strengthen and streamline support for SMEs by public institutions including Uganda National Bureau Standards, Enterprise Uganda, Uganda Export Promotion Board, and Uganda Tourism Board.

9. Promote the Buy Uganda Build Uganda Campaign and Local Content: The development of Uganda is primarily the responsibility of Ugandans and the consumption of their own products without compromising on quality. To encourage that, the private sector should be supported to effectively participate in competitive procurement through SPVs. Government should also move to finalize the enactment of the local content bill.

10. Regional Integration Issues: Uganda's private sector supports Government's aspirations for regional integration and is keen at ensuring that integration within the East African Community and AfCFTA deepens and works meaningfully to deliver a competitive environment for businesses. To actualize this dream, the private sector advises that;

- ❖ Uganda should invest in addressing supply shocks of good and services within the economy to enable the region exploit the existing opportunities.
- ❖ EAC partner states should ensure that the competitiveness of the private sector in the different partner states is achieved to drive the integration.
- ❖ Revamp the NCIP project that was led by the private sector to further the integration of the economies.

11. Implementation of Agreed Policy Actions: The private Sector across all economic sectors is always available to help Government machinery monitor implementation of agreed reforms. PSFU advocates for a monitoring mechanism under the Prime Minister's Private Sector Forum that will be responsible to synergize and follow up policy implementation of Government at both national and sub national levels. Clear penalties and awards should be granted to bad doers and good doers respectively.

12. Conclusion.

The above is some of the proposals for addressing key cross cutting challenges inhibiting the Private Sector operations which should be addressed both in the short and medium term. Government is urged to consider these proposals because they are key to stimulate effective demand which is required to unlock Private Sector growth, and build a resilient economy.

2.0. Background

2.1. Performance of the Economy

2.1.1. Global and Domestic Economic Activity

Global Economic Activity

During the period under review, the performance of the economy continues to be slow due to the global rise in commodity prices, production and continued climate change related issues in Latin America which has constrained the global food supplies. According to Bank of Uganda, Monetary policy statement, August 2022, global economic growth projection has been revised downward from 3.6% to 3.2% in 2022 and 2.9% in 2023 which is a downgrade by 0.4% and 0.7% respectively. The downward revision highlights the continued slowdown in global economic recovery caused by the commodity prices' spike induced by the Russia-Ukraine war, that has caused severe disruptions to commodities supply and aggravated inflation pressures in advanced economies as well as emerging markets. The spill-over effects from the global developments have also affected growth in Sub-Saharan Africa (SSA). With growth in SSA projected to slowdown in 2022 to 3.7 percent but slightly recover to 3.8 percent in 2023 compared 4.5 percent in 2021.

Domestic Economic Activity

The adverse global economic developments and higher domestic inflation levels have reduced the projections for domestic economic growth. The buoyancy for economic recovery as indicated in the FY 22/23 Budget speech arising out of the re-opening of the economy from the pandemic-related restrictions in January 2022 has been limited partly due to the effects of the Russia-Ukraine conflict. In fact, according to the Bank of Uganda Monetary Policy statement, August 2022, the pace of recovery of the economy is weakening. The Composite Index Activity (CIEA), a recognized measure of economic of growth signaled a marginal decline by 0.7% from 150.98 in June to 149.98 in July 2022 which signaled a slowdown in economic activity in some sectors of the economy. This was majorly on account of the continued effect of high prices for fuel, cooking oil and other commodities on the economy.

Figure 1: The Economic Activity Index, 2022



Source: Uganda Bureau of Statistics, September 2022

The headline PMI rose to 50.5 in August, up from 48.2 in July and back above the 50.0 threshold, signalling an improvement in business conditions in the private sector. This was mainly on account of an increase in both output and new orders as some firms managed to secure new customers during the month.

Output increased in four of the five sectors covered under the PMI, namely: agriculture, industry, construction, wholesale & retail sectors. Nonetheless, overall input prices continued to rise, often linked to higher fuel and transportation costs, but also reflecting increases in the price for items such as cement, sand, and food. Business perceptions remained positive during the month, as the Business Tendency Index (BTI) remained above the threshold of 50. Nevertheless, there was a reduction in the index from 55.60 to 52.80 reflecting less optimism in the business environment, particularly in the construction and agricultural sectors.

GDP growth is now projected in the range of 4.5-5.0 percent which is much lower than 5.5-6.0 percent projected in April 2022. While Government has mostly focused on the monetary policy to stabilize the economy, the cost of monetary policy to the economy is close to 9% of the GDP- this is equivalent to the investment in Karuma hydropower dam. The current rise in commodity prices has worsened the situation. Government needs to concentrate more on required Fiscal Policy interventions in order to stimulate production of goods and services as a more permanent and sustainable solution to the country's economic challenges. The annual headline inflation continued on an upward trend increasing to 10.0% in September from 9.0% the previous month. This followed an increase in all its three components, i.e. core; energy, fuel and utilities (EFU); and food crops & related items inflation. Inflation is projected to peak in the second quarter of 2023 before gradually declining to stabilize around the medium-term target of 5 percent by mid-2024.

Headline Inflation

The monthly Headline Inflation for September increased by 1.5% from 1% rise recorded in the month of August 2022. This is mainly attributed to the monthly core Inflation that rose by 1.2% in September 2022 from 0.7% in August 2022. The increase was attributed to other goods inflation that increased by 1.4% in September 2022 from 0.6% in August 2022.

Annual Core Inflation

Annual Core Inflation increased to 11.2% in September 2022 up from 10.2% August 2022. Particularly, rice inflation increased to 32.2% in September 2022 from 17.5% in August 2022 and sugar inflation increased to 29.3% in September 2022 from 20.1 percent in August 2022. In addition, annual services Inflation increased to 4.5% in the year ending September 2022, up from 3.7% registered in the year ended August 2022. This was due to education services inflation that increased to 12.8% in September 2022 from 8.9% in August 2022. and sugar Inflation

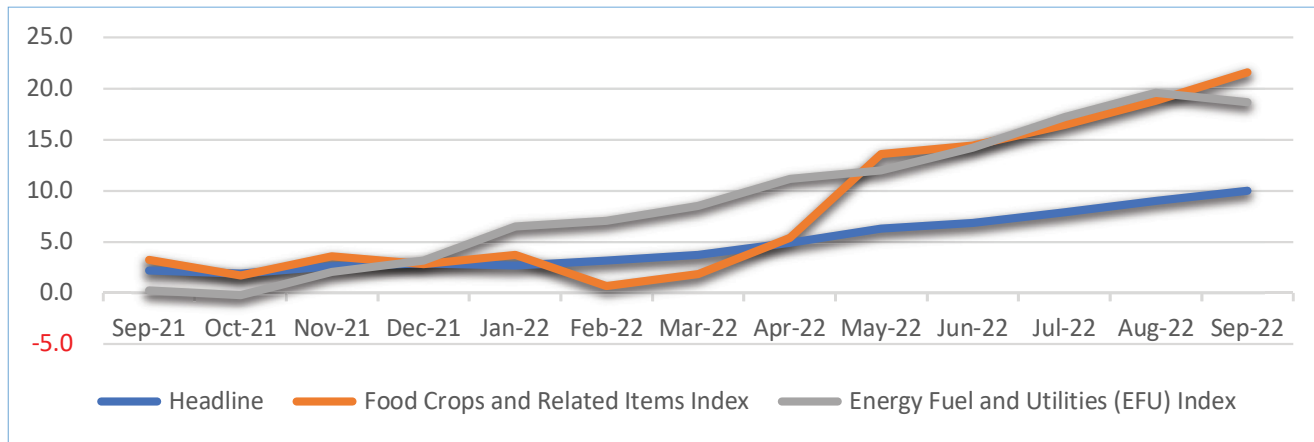
Prices of Annual Food Crops

The annual food crops and related items inflation increased to 21.6% in September 2022, up from 18.8% registered in August 2022. This was mainly due to annual vegetables, tubers, plantains, cooking bananas and pulses' Inflation that increased to 30.3% in September 2022 up from 25.3% registered in August 2022. Specifically, beans, Inflation increased to 39.6% in September 2022, up from 27% in August 2022 and brown/ Irish potatoes inflation increased to 26.3% in September 2022 from 11.2% in August 2022.

Prices of Energy Fuel and Utilities (EFU)

The annual EFU inflation decreased to 18.7% in September 2022, down from 19.6% registered in August 2022. This was mainly due to annual liquid Energy fuels inflation that decreased to 50.6% in September 2022, down from 54.9% in August 2022. Specifically, annual petrol inflation decreased to 55.3% in September 2022, down from 59.4% in August 2022. In addition, cooking gas inflation decreased to 19.3% in September 2022, down from 27.3% registered in August 2022 as shown in the figure below.

Figure 2: Headline, food & energy-related inflation trend (September 2021- September 2022)



Source: Bank of Uganda, Statistics, October 2022

The inflation outlook is driven by the lagged impact of higher exchange rate depreciation, dry weather that has resulted in the sharp rise of food crop prices and a complete pass-through of global inflationary pressures. The risks to the outlook for inflation are likely to continue because of; intensification of geopolitical tensions, which could ignite a renewed surge in oil prices, faster policy rate tightening by advanced economics which could result in higher depreciation of the shilling, continued escalation of global inflationary pressures amidst persistently higher world food and energy prices as well as lingering supply shortages, higher domestic food prices.

The downside risks of these inflation pressures include; Weaker domestic household consumption and investment expenditure as tighter financial conditions and higher inflation reduce disposable incomes, emergence of a global recession, which could dampen global inflationary pressures much faster than currently assumed, resulting in a decline in imported inflation, a rebound in favorable rainfall across the country which could lead to bumper food crop harvests, global production and distribution disruptions could ease and global policy tightening could result in faster declines in energy and goods prices.

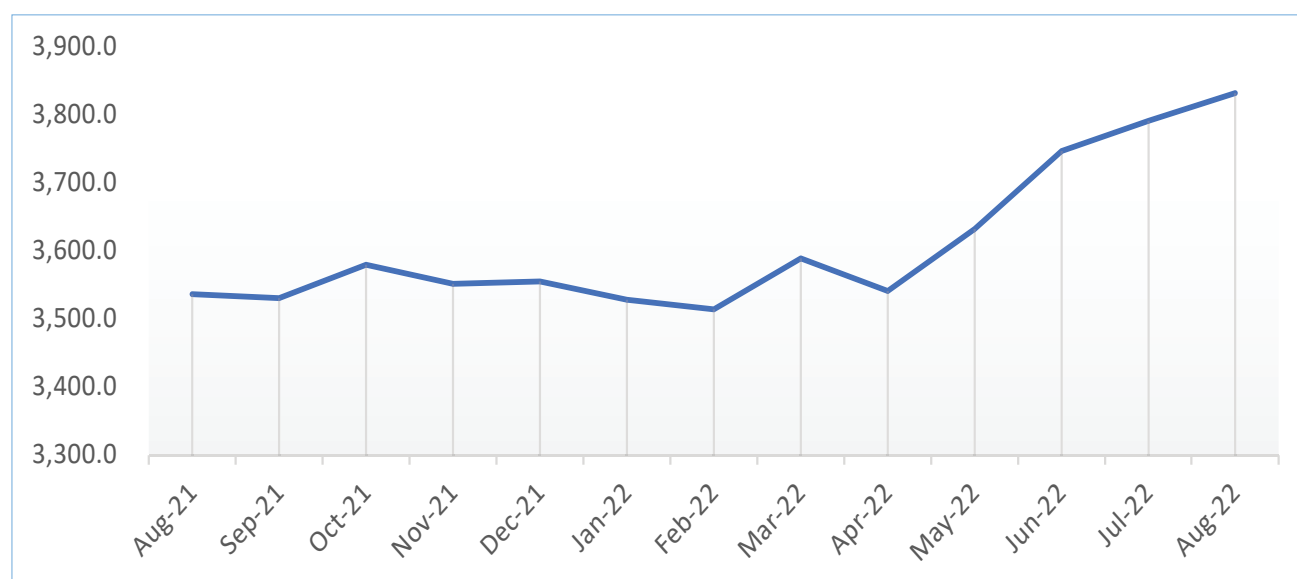
Exchange Rate Trend

The Uganda Shilling depreciated against the US Dollar by 1.1% in August, 2022. On average, the Shilling registered a rate of 3,832.45 per US\$ up from a rate of 3,791.59 per US\$ for the previous month. Demand for the dollar from corporates and commercial banks outweighed inflows as

there was a reduction of offshore participation in the securities market. The offshore holdings of domestic debt declined from a 10.82% in July to 10.48% in August.

EXCHANGE RATES THURSDAY 16 JUNE 2022		
CURRENCY	BUYING	SELLING
USD	3,763.83	3,773.83
GBP	4,516.77	4,528.77
EUR	3,918.20	3,928.61
KES	32.08	32.17
TZS	1.61	1.61

This was due to the deteriorating terms of trade which has caused a stronger demand for US dollars among the energy companies and other importers. (Bank of Uganda, June 2022). To curb the volatility, BoU intervened in the interbank foreign exchange market (IFEM) by selling dollars and stayed purchases of dollars to accumulate reserves.

Figure 3: The exchange rate trend (UGX. Vs. USD) August 21- August 22

Source: Bank of Uganda Statistics, October 2022

The shilling is expected to continuously appreciate by 15-25 percent due to the developments in the Final Investment Decision (FID) which will undermine the export promotion agenda for the country. Uganda needs to implement an import substitution and export promotion strategy which focuses on promoting exports to benefit from the depreciating shilling and reduce imports to strengthen the shilling. This should be focused on a mix between required policy and business development measures.

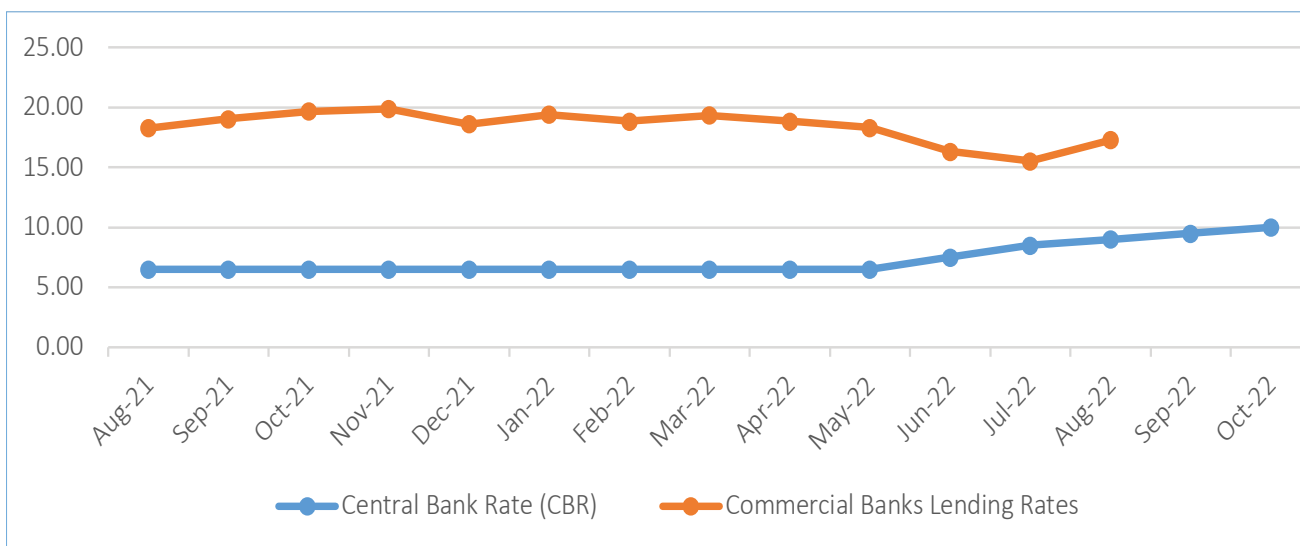
Commercial Banks Lending Rates

The Central Bank Rate (CBR), was revised upwards by 0.5 percentage points in August to 9.0%, in response to the continued inflationary pressures. The Bank of Uganda forecasts that inflation pressures will continue to rise driven by the lagged effect of higher exchange rate depreciation, poor agricultural harvest that has resulted in the sharp rise of food crop prices and a complete pass-through of global inflation. The increase in the CBR is meant to bring back inflation to its medium-term objective of 5%.

Commercial banks' shilling denominated lending rates continued an upward trend, reducing to a weighted average of 17.29% in August from 15.53% in July 2022. The lending rates increased as more banks gradually respond to the monetary policy impulses and further, lending rates are expected to increase. On the other hand, foreign currency denominated lending rates reduced from a weighted average of 6.51% in July, to 6.42% in August (BoU, October 2022). Despite steady increases in loan applications, however, approved about 52.4% of the value demanded by borrowers (BOU, August 2022).



Figure 4: The CBR and Commercial Bank Lending Rates trend for last one year (August 2021 -October 2022).



Source: Bank of Uganda, Statistics October 2022

The stock of outstanding private sector credit increased by 1.2% from US\$. 19,808.71 billion in June to US\$. 20,041.22 billion in July, partly supported by the reduction in the lending rates over the same period. The value of credit approved in July amounted to US\$. 940.8 billion up from US\$. 839.2 billion in June. This represents an approval rate of 55.2% against the demand for credit in July, compared to 50.4% the previous month. As was the case in June, Trade continued to constitute the largest share of credit approved in July at 27.9%, followed by Personal and Household loans (22.0%). Other notable recipients of credit were Building, Construction and Real Estate (13.4%), and Agriculture (12.9%).

These four sectors alone accounted for 76.2% of all credit approved during the month of July. Uganda therefore needs to develop its own local long-term savings that can be used to address oligopolistic tendencies in the financial structure. This can only happen through requisite laws in amendment to the Government Pensions Act to support mobilization of long-term savings in the economy.

Balance of Trade

In July 2022, Uganda’s merchandise trade with the rest of the world resulted in a deficit of US\$ 288.48 million. This was lower than the US\$ 359.47 million deficit registered in June 2022, mainly on account of higher export receipts and a reduction in the import bill during the month. Year on year comparison, however, shows that the trade deficit increased by 41.5% from US\$ 203.92 million recorded in July 2021 to US\$ 288.48 million in July 2022. This followed higher growth in the import bill that more than offset the increase in export receipts. Uganda traded at a deficit with most of the regions except for the EAC and the European Union. Trade with Asia remained with the largest deficit while trade with the EAC recorded the largest surplus.

Uganda’s merchandise export receipts increased by 47.8% from US\$ 343.3



million in July 2022 to US\$ 507.49 million in August 2022. This was mainly due to increased receipts from maize and tobacco whose export volumes also increased during the month.

Table 2: Merchandise Exports by Product (US\$ million)

	Aug-21	Jul-22	Aug-22	% change (Jul 2022 Vs Aug- 2022)	% change (Aug 21 Vs Aug- 22)
Total Exports	290.77	343.30	507.49	47.83	74.53
1. Coffee (Value)	75.09	83.52	71.15	-14.81	-5.25
Volume ('000,000 60-Kg bags)	0.70	0.58	0.50	-13.08	-28.52
Av. unit value	1.79	2.41	2.37	- 1.99	32.56
2. Non-Coffee formal exports	170.91	218.19	394.76	80.92	130.98
Cotton	0.37	0.81	0.03	-96.12	-91.56
Tea	4.30	6.80	5.14	-24.49	19.57
Tobacco	2.69	2.68	2.80	4.56	4.13
Fish & its prod. (excl. regional)	9.32	12.20	10.90	-10.72	16.88
Hides & skins	1.02	1.25	0.83	-33.82	-18.54
Simsim	1.54	1.42	1.37	- 3.30	-11.20
Maize	2.68	7.24	11.02	52.26	311.41
Beans	8.49	6.63	5.37	-18.95	-36.73
Flowers	7.04	5.66	4.97	-12.28	-29.39
3. ICBT Exports	44.77	41.59	41.58	-0.02	-7.13

Source: Bank of Uganda and PSFU Calculations.

Comparison between August 2021 and August 2022 shows a 74.5% increase in export receipts from US\$ 290.77 million to US\$ 507.49 million. This performance was largely on account of higher receipts from coffee, sugar and fish. In comparison to the same month last year, coffee exports grew by 311.4% from US\$ 2.68 million in August 2021 to US\$ 11.02 million. The East African Community was the major destination for Uganda's exports in July 2022, accounting for 57.7% of the export receipts. This was partially due to the increase in demand for maize grain by Kenya, South Sudan and Democratic Republic of Congo (DRC). At country specific level, 86.9% of the total EAC exports went towards Kenya (US\$ 64.67 million), DRC (US\$ 61.28 million) and South Sudan (US\$ 64.07 million).

This was followed by the European Union (EU) and the Rest of Africa which accounted for 17.9% and 11.3% of the total exports respectively. The increase demand for maize, fish and tea is attributed to the recent Business Missions that PSFU had in both DRC and South Sudan in the months of May, June and July 2022.

Merchandise worth US\$ 818.2 million was imported during the month of August, 2022. Due to a drop-in import prices, the value of imports increased by 22.56% from the previous month. This follows a drop in international oil prices with the oil price index registering a decline of 9.3%. Asia remained the biggest source of imports during the month under review, accounting for 55.0% of the total imports. Asia was followed by Middle East and EAC that accounted for 24% and 13% of the total imports, respectively. Kenya, Tanzania and Congo contributed 97% of the total imports from the EAC.

Table 3: The Origin of Imports to Uganda.

Region	July	August	August (%)
European Union	60.16	64.16	10.52
Rest of Europe	10.21	8.98	1.47
Middle East	177.16	149.7	24.55
Asia	282.5	335.52	55.03
Rest of Africa	29.07	25.57	4.19
Other countries	24.24	25.8	4.23
Total	583.34	609.73	100.00

Source: Bank of Uganda October 2022

Uganda needs to implement an import substitution and export promotion strategy which focuses on promoting exports to benefit from the depreciating shilling and reduce imports to strengthen the shilling. This should be focused on a mix between required policy and business development measures.

Debt Sustainability

Although, still well managed going by IMF requirements, projections reveal that our debt to GDP levels will increase from 41% currently to 49.9% by end of 2021 and then peaking at 56% in the medium term (NBFP FY 2021/22). This has started raising levels of anxiety especially where the resources are (1) not well managed and (2) a lot of the resources do not stay in the economy to stimulate production. Indeed, our macro-economic situation is worrying. The PSFU proposes the following areas which if adopted could change our debt position from a threat to an economic stimulus;

- a. **Vigorously implement the Local Content** policies especially in infrastructure projects. Every FY 60% of the budget goes to procurement of mainly infrastructure projects. Unfortunately, nearly 80% of these monies do not stay in the economy. This is because (1) lack of capacity for individual private sector players and (2) absence of a law to enforce the BUBU and local content guidelines. The National local content law should enact in addition to training MSMEs in public procurement. These if implemented can annually yield USD 3 billion to Government in form of tax revenue.
- b. **Address Silo operations in Government:** The NDP III adopted a new program-based budgeting with the objective of creating synergy however, the related subventions (votes) of various public bodies are still fixed. In addition, the Office of Prime Minister, which is responsible for monitoring project implementation to achieve efficiency, has shifted priority to project implementation hence affecting the monitoring role. The private sector proposes that the programme-based approach be fully embraced with flexibility in the various subventions.

2.2. SHOCKS IN THE ECONOMY

COVID-19 and Uganda's Private Sector.

The Corona Virus Disease-2019 (COVID-19) has continued to ravage the world leaving death and economic devastation in its wake. Although the number of confirmed cases in Uganda remain very low in comparison to other countries, the containment adopted to curb the spread

of the virus have affected private sector business operations. Currently the number of cases has reduced and Uganda is fully out of the 'Third COVID-19 Wave' as seen in the significant drop in cumulative confirmed cases, marked reduction in positivity rates and deaths. As of 15th February 2022, Uganda had a cumulative figure of 1622901 cases. Despite the successes, the impact on the private sector in the past two years is glaring and will be felt for some good time to come. Available evidence indicates that at the macro level, the pandemic reduced business activity by more than 50 percentage points (Lakuma, Nathan, Sserunjogi, Kahunde and Munyambonera, 2020).



At the sectoral (meso) level, agriculture (where most private sector participants are) experienced the greatest impact due to containment measures like transport restrictions and ban on weekly markets. This inhibited access to both inputs and output markets. Relatedly, the western and Northern regions had the greatest business impact while the central region experienced the least decline in business activity followed by Kampala. Specifically, 26% of businesses in central region and 16% in Kampala reported an initial increase in business activity, most of which are in trade, and industry sub sectors (Lakuma, et. al, 2020). At the micro level, MSMEs experienced the largest decline in business activity when compared to large firms. Over 83 percent of private firms experienced falls in demand for their products.

At individual level, job loss was the most glaring effect with over 76 percent of enterprises laying off workers more so in the Eastern region of the country. A high percentage of manufacturing businesses were found to have laid off employees, with 41% reducing employees by more than 50%. The foregone evidence confirms that; the effect of the pandemic has been felt right from the micro to the macro level and has been directly in terms of start-up and growth of private enterprises. Multiple firms have either collapsed or continue to wobble and face difficulties to recover, which directly hinder private sector's functionality of providing employment, and income for households and national development.

2.3. Profile and Structure of the Private Sector in Uganda

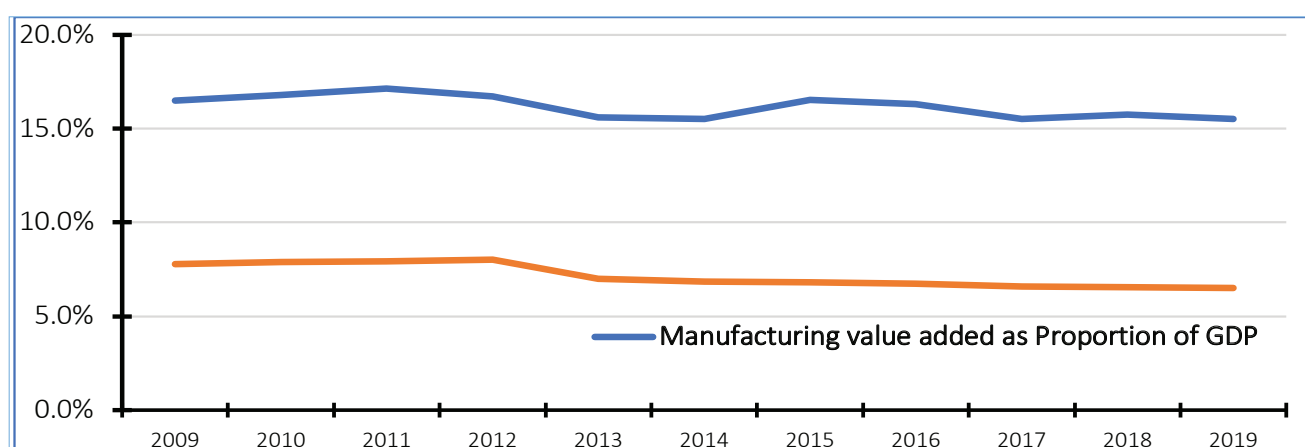
The private sector is acknowledged as a key engine of economic growth in Uganda. The private sector generates 77 percent of formal jobs, contributes 80 percent of GDP, funds 60 percent of all investments, provides more than 80 percent of government domestic revenues, delivers critical goods and services and ensures the efficient flow of capital (NDPIII, PP.117). In Uganda, this sector is majorly composed of Micro, Small and Medium enterprises (MSMEs) totalling to about 1.1 million enterprises. The central region accounts for 58.9 percent of these private enterprises while Kampala alone accounts for approximately 18.9 percent. Karamoja sub-region has the lowest percentage (<1) of private sector enterprises.

Table 4: Enterprise Categorization by Size of Employment

Firm Size (N° of workers)	N° of Enterprises	Percentage share	Category
1 Employee	286875	55.7	Micro
2-4 Employees	169813	32.9	Micro
5-9 Employees	33650	6.5	Small
10-19 Employees	17206	3.3	Small
20-49 Employees	6384	1.2	Small
50-99 Employees	1036	0.2	Medium
100+ Employees	483	0.1	Large
Total	515447	99.9	

Source: UBOS, 2021

In Table above, it is noticeable that out of the sampled 515447 enterprises, approximately 88.6% are micro enterprises, 11% are small, and medium enterprises account for 0.25. The difference between the quoted 1.1 million and the sampled firms in the above table is indicative to the fact that majority of private enterprises are informal¹. The enterprises are involved in diverse activities including agriculture, mining, manufacturing, healthcare, education, transportation, tourism, banking, among others. Ownership is largely by sole proprietorship with limited other forms and the sector is also featured by high levels of mortality. About 90 percent of private enterprises operate for less than 20 years². High level of informality eliminates private enterprises from markets for credit, government assistance during crises, among others. This ultimately hampers their growth and competitiveness. Noticeable also in the table above is that there are very few (0.1%) large enterprises. According to PSFU, few of these are involved in agro-processing, banking and light manufacturing. This has affected the growth in manufacturing valued GDP and employment in the manufacturing sector. This accounts for the observed (see figure below) stagnation in both industrial employment and the contribution of manufacturing value-added to GDP. Thus, there is need for concerted efforts by both the government and the private sector to get away with stagnation of private sector enterprises. This will widen the tax base, grow the GDP drive Uganda towards achieving Vision 2040. Thus, PSFU recommends that the tax regime is looked into to ensure that it facilitates business growth as much as increase revenue collection.

Figure 5: Trend of Manufacturing Value Added and Employment in Industry

Source: Adapted from annual PSDU, Private sector development report 2021

Therefore, the private sector requires strengthening at both the national and sub national level to build its capacity to effectively contribute towards economic development.

2.4. Private Sector and Support to Uganda's Tax Effort

Government revenue is mainly collected through taxes. It is this revenue that supports Government to provide social amenities which further stimulate growth. These two-work hand in hand to support private sector growth. The business community is the biggest tax contributor in Uganda. The top 100 tax payers accounting for nearly 70% of the total tax revenues are private sector companies. Domestic revenue collections have been increasing over time. For instance, collections grew from UGX5.02 trillion in FY2010/11 to UGX14.5 trillion in FY2017/18. However, the tax revenue collected remains too low to support Uganda's developmental requirements as it remains at a paltry 12.9 percent of Uganda's GDP. This is not only below the sub-Saharan average of 16.5 percent, but also regional neighbors like; Kenya (17.3%), and Rwanda (17.7%). Over 40 percent of would-be taxes is lost due to informality of the private sector, coupled with other challenges like weak collection and enforcement system, corruption, tax evasion and avoidance, among others. These remain key challenges to tackle, if the private sector's role in revenue contribution is to be realized in the next planning period.

Table 5: Tax Revenue Collections 2018 – 2021

Item	2018/19	2019/20	2020/21
Net URA Tax revenue	15967.7	15912.2	16235.7
Direct domestic taxes	5452.4	5878.6	5496.8
Indirect domestic taxes	3890.5	3874.7	4080.6
Taxes in Int' Trade	6865.0	6446.6	6860.9

Source: Adapted from BOU- Annual Report 2021.

Uganda's tax system however, is still very inelastic with a narrow tax base with much of the tax yield largely dependent not on the natural growth in economic activity (GDP) but on discretionary measures by Government. The country's tax revenue mix is such that more taxes are recorded from trade (cross border) activities rather than domestic economic activity over which the country has more control. The private sector can also support Uganda's revenue efforts through:

- Development of computerized systems which can enable tax transactions be made instantly. This would encourage efficiency in tax administration which could also help improve on the tax relationship between the Government and the private sector.
- Professional private sector players could also be hired to do tax assessments and mapping tax payers. This would help in ensuring tax compliance by private enterprises.

Further, to ease doing business for the private sector to grow, focus should be on; institutions (capacity strengthening), systems (streamline processes and procedures) and mind set of people. (Change attitudes, ethics and culture of work). This way then, Uganda would broaden and widen the tax base and increase the tax revenue.

2.5. Private Sector Contribution to Employment

The private sector contributes to approximately 80% of Uganda's GDP (National Private Sector Development Strategy (FY 2017/18-2021/22). SMEs dominate the private sector and contribute about 2.5 million jobs as highlighted earlier.

The 2016/17 manpower survey conducted by UBOS indicated that 77% of formal employment and activities are based on the Private Sector and only 23% are in the Public Sector. Formal

employment in the private sector was projected to increase to 86.2%, while public sector employment was set to reduce to 13.8% by the end of 2019³.

According to the 2019 Uganda Private Sector forum, there is a deficit of technicians in the country - technical staff, plant and machine operators. According to the manpower survey, the private sector is made up of 17.1% managers, 41.1% professionals, 4.8% technicians, 3.8% technical support workers, 17.1% service and sales workers, 1.8% craft and related trade workers, 3.0% plant and machine operators, and 11.4% elementary occupations. This demonstrates the potential of the private sector to create jobs. If harnessed, the private sector has the potential to solve the unemployment challenge in the country.

Shortage of technicians and workers on machinery is probably linked to dismal participation of the private sector in vocational education investment. Dismal participation or investment in vocational education especially at the sub-national level is attributed to the current orientation of the population about vocational institutions i.e., (i) They are mainly for “failures” at primary and secondary school levels or those who can’t afford to further their education beyond these levels mainly due to financial barriers, (ii) Resultant employment is for lower-level citizenry e.g., plumbing, carpentry etc., (iii) lower likelihood of furthering one’s education, and above all, it requires huge capital investments in equipment and other related expenses when compared to normal secondary or primary education (PSDU-SSPSD, 2021)⁴.

2.6. Support and Respect for Children’s Rights.

Children under 18 years old account for almost one third of the world’s population. In Uganda, children constitute 56% of the national population and on average, 6 children are born to every woman of child-bearing age, child population will double in the next 25 years; meaning the 20 million children of today will become 40 million children in 2040. It is inevitable that businesses, whether small or large, will interact with and influence the lives of children both directly and indirectly. Children are key stakeholders of business – as consumers, family members of employees, young workers, future employees and business leaders. Children are also key members of the communities and environments in which businesses operate.

The Private Sector is interested in skills and competencies for productivity and profitability. During early stages of development, i.e. during pregnancy, and infancy, a child’s brain develops 85 percent of its adult weight and builds pathways that help them to learn social/practical skills, team building and perseverance which are key facets for a well-rounded skilled labour force. If children do not receive the requisite healthcare, nutrition, nurturing and education during the early years, it is very hard to catch up and develop into productive workers in the future.

With the ever-increasing global demand for businesses to pay more attention to human rights including child rights, it is essential for the Private sector to put into action strong and lasting commitments to children rights and more importantly, for a socially sustainable business to take on the role of supporting children and thrive with the communities that make up their workforce and customers.

Private Sector Foundation Uganda (PSFU) therefore urges both Government and the entire business community to forge partnerships through the following recommendations;

- a) Create an Enabling Child Rights Policy Environment: Develop a Public Private Partnership for children’s rights policy that establishes a mutual accountability framework/legis-

3 KAS (Uganda, 2019): Unpacking the Private Sector’s Contribution to Inclusive Development, A report on the Uganda Private Sector Forum

4 SSPSD scoping study findings, 2021

lation between both the Public and Private Sectors to protect and promote Child Rights.

- b) Institutionalize the Children Rights and Business Principles (CRBPs): Influence corporate behaviour change and build the capacity of Ugandan companies to fully operationalize the CRBPs and become child-friendly.
- c) Develop Innovative Financing mechanisms: Develop/establish innovative financing mechanisms with the Private Sector to increase and focus investments in priority children's areas as specified in Uganda's 2016–2020 National Development Plan II (NDP II), and the 2016 National Integrated Early Childhood Development Policy and Action Plan.

2.7. Refugees and Private Sector Development

Uganda hosts the largest refugee population in Africa and is currently hosting the third largest refugee population in the world, after Turkey and Pakistan, with 1,494,505 refugees and asylum seekers as of May 2021⁵. The majority (82%) are women and children. Most of the refugees are hosted in the North and Western districts of the country and come from largely; South Sudan, DRC, Burundi, Somalia, among other countries. Considering ongoing conflict and increased food insecurity in South Sudan and DRC, Uganda's refugee population is expected to continue increasing having grown by over 35,000 since December 2020 (WFP, 2021). Uganda's refugee-hosting policy has given refugees freedom of movement and right to work, leading to some 28% of refugees being employed currently. Moreover, this figure rises to 54% for those refugees who arrived five or more years ago. However, at the macro level, rapid influx of refugees will exacerbate; natural resource depletion, pressure on service delivery in hosting regions and at the community level, it may worsen the already fragile relations with some hosting communities⁶. Furthermore, at a micro level, the SSPSD (2021) highlights numerous factors that obstruct full integration and hence participation of refugees in private sector economic engagements. Key among these is discrimination in financial markets, language barrier and a lack of social capital. Elsewhere, refugees living outside camps are not entitled to in-kind or cash support. The result is that most refugees are severely disadvantaged in accessing employment and entrepreneurial opportunities. This makes them highly vulnerable, underemployed or entirely dependent on humanitarian support, remittances, and/or informal social assistance. Yet empowered refugees present tangible opportunities for other private investors both domestic and foreign, especially in the energy and agri-business sectors.

PSFU is commissioning a study on the existing investment and work opportunities in the refugee and host communities.

2.8. Urbanization, Cities and Private Sector Development

Urbanization and Cities are a global trend and has largely been a positive force for economic transformation. Cities are important drivers of development and poverty reduction. In Uganda, urbanization has been looked at as a pre-requisite for attainment of the much-craved upper middle-income status and ultimately Vision 2040 (MoFPED, 2016). NDPIII states leveraging urbanization as a driver for socioeconomic transformation. Moreover, the proportion of Uganda's population living in urban areas continues to rise, it is projected to reach 26.2 % in 2022 (see figure 6 below), just slightly below the regional percentage of 29, and above both Rwanda and Burundi. It will hit 28.6 % by 2026 just below the East African projected percentage of 31.6.

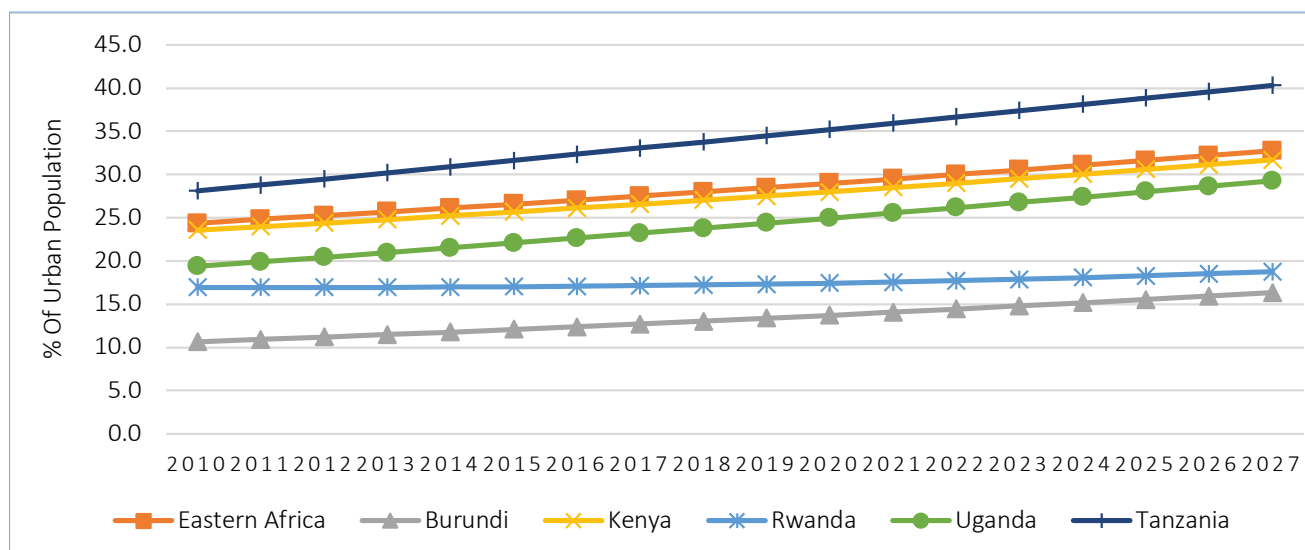
This trend has come with numerous challenges that will undoubtedly inhibit the urban sector's

5 <https://reliefweb.int/sites/reliefweb.int/files/resources/RBN%20Refugee%20Update%20June%202021.pdf>

6 A key finding in the SSPSD scoping study, 2021

role in economic transformation. These include; overcrowding, poor infrastructure and inadequate social services such as water, sewage, solid waste collection. Additionally, absence of an efficient public transport system and adequate road connectivity results in traffic congestion, which curtails mobility and inhibits economic agglomeration (NDPIII).

Figure 6: Annual percentage of population residing in urban areas, 2010 – 2021 and projections for 2022 -2027



Source: PSDU Illustration based on UN-WUP Data

In order to tackle the previous challenges and leverage the urban sector for economic transformation, numerous key stakeholders will have to come on board. Among these countless stakeholders, the private sector has a specific role to play. Ugandan cities will need the private sector to create wealth and employment, and increase financial resources through transparent and accountable taxation and strengthening urban governance.

Urban areas will strongly rely on the innovation potential of the private sector to develop solutions to the challenges aforementioned. The private sector too needs cities to ensure all requirements are met for its development, starting from the relevant enabling business climate, to roads and basic services, communication networks, a relevant education system providing the skilled workers they need, and health and school services to attract future employees.

2.9. Ease of Doing Business

Before its discontinuation⁷ in September 2021, the World Bank Ease of Doing Business (EDB) report of 2020 ranked Uganda at 116 out of 190 economies globally. This represented an 11-point improvement, coming up after a slip up of 5 points from 2018 to 2019 (see Table below). This improvement is attributable to improvements in many of the indicators in 2020, except for cross border trade, starting business, registration of property, and credit access

Table 6: Uganda’s Ease of Doing Business Rankings, 2015 - 2020

Indicator	2015	2016	2017	2018	2019	2020
Starting a Business	166	168	165	165	164	169

Construction permit	163	161	151	148	145	113
Getting electricity	184	167	161	173	175	168
Property registration	125	120	116	124	126	135
Getting credit	131	42	44	55	73	80
Protecting minority investors	110	99	106	108	110	88
Paying taxes	104	105	75	84	87	92
Trading across borders	161	128	136	127	119	121
Enforcing contracts	80	78	64	64	71	77
Resolving Insolvency	98	104	111	113	112	99
Global Rank	150	122	115	122	127	116

Source: PSDU Compilation based on World Bank Data, 2021

Despite the improvements, a lot needs to be done if the double-digit mark is to be achieved. For instance, Uganda reduced the time needed to export and import by further implementing the Single Customs Territory, as well as by developing the Uganda Electronic Single Window and the Centralized Document Processing Centre (Doing business 2019 report) but declined in ranks by 7-points along the dimension of trading across borders yet stimulating exportation is required to generate jobs. Additionally, starting a business continues to be difficult, ease of property registration which is crucial for formalization plummeted between 2018 and 2020 while access to credit ranking equally deteriorated by 25 points between 2018 and 2020. The centrality of credit access to private sector development cannot be overemphasized. Other indicators such as electricity and construction permit equally need improvement to single digits if the country's overall ranking is to attain double digit milestone. Overall improvement in the business environment will boost both indigenous and foreign private investment. Moreover, the World Bank plans to unveil in about two years a replacement for its flagship "Doing Business"⁸ upon which future evaluations of private sector development reforms can be based.

2.10. Business Licensing

Since 2000, Uganda has undertaken various measures to improve the business licensing regime. Following findings in March 2012 by the Business Licensing Committee, the Government identified 780 licenses across all sectors with barriers that cost the private sector about Shs. 726bn every year. It was also revealed that agriculture, trade (import and export), transport and logistics, and tourism were the most burdened sectors in terms of compliance costs, with 57% of the total annual costs incurred by businesses that constituted the actual license fees. 43% was the administrative cost of obtaining these licenses. The Committee proposed the elimination of 47 licenses, simplification of 305, reclassification of seven, amalgamation of 13 into six, and the retaining of 408 licenses across various sectors.

To date, only 56% of the recommendations of the BLRRC Report have been implemented and 36 percent is ongoing within the respective MDAs. The BLRRC wrote to the Office of the Prime Minister requesting that the fast tracking and prioritization of the implementation of the recommendations to the BLRRC be made a performance indicator for the different MDAs. Despite

this process, several contradictions on certain processes of restructuring business licensing still exist. These include:

- i. The trading license are used for revenue generation by Local Governments rather than a regulatory instrument. Moreover, despite the attempts to standardize Local Government

trading license fees, actual fees charged vary from one Local Government to another especially with regard to access on produce, cattle movement permits, and fish movement permits. As such, the trading license has raised the cost of doing business.

- ii. There are overlaps in licenses, levies, fees, and permits at national and local Government levels. Several businesses such as in the hospitality industry require licensing approval from more than one central Government agency for the same business activity and are further subjected to licensing requirements by the local Governments in which they operate.
- iii. There is duplication of information required for license applications and other regulatory submissions to the various Government agencies in view of the overlaps discussed above.
- iv. The lack of coordination between Government agencies is a great hindrance to efficient regulation of business.
- v. Licensing processes involve too many unnecessary administrative steps and often require multiple interfaces with Government officials, which could have the potential of encouraging corruption and rent seeking behaviour. This is further exacerbated by the general lack of information about licensing requirements and procedures.
- vi. Most central Government licenses are processed and issued in the Capital City, which requires business owners to make several trips to submit required paperwork to obtain necessary licenses. This increases the cost of doing business. Some agencies have attempted to set up regional offices. However, the inadequate resources limit their potential to operate efficiently.
- vii. Licenses serving a similar objective are categorized differently across various local Governments, making it difficult to assess the relevance and impact of any given license, permit or business approval. The absence of up to date business registers at the Local Government level makes it difficult to ascertain the number of licenses issued at any given time.

Levies and user fees charged by Government: All business and individuals who are supposed to pay taxes must pay taxes. Therefore, levies should be discouraged as much as possible and where they are implemented they should be considered to belong to those who contribute this over and above of taxes. These monies therefore should not belong to Government or be treated the way normal MDAs treat money from their votes from treasury or a TOP UP from Government.

The private sector believes that this money should be collected for a purpose which should be agreed upon with the contributors and the usage determined and controlled by the contributor largely. Otherwise this has become just increased taxes or charges of equivalent effects to taxes. There must be a clear framework to help manage these resources. The % should be determined with the acceptance of the payers and stakeholders. The amount must not be static but flexible to the task ahead. The following are some of the levies which need to be streamlined.

Fish export levy: This was for purposes of fighting illegal fishing. This effort is not being seen by the fish exporters and they are not involved in the critical processes of planning, implementation and evaluation of activities which are supported by the levy. There is no framework to have this implemented because there is no fisheries authority. It seems this has become a top up for the Ministry. Insurance Regulatory Authority: Percentage on transactions to be channelled to training; this has gone on for long and yet the insurance companies through their association continue to spear head the insurance Institute. This levy has turned to become a tax. The business persons who pay this tax have queried why they should be asked to pay for training of insurance sector and yet they pay for premiums which is already expensive.

2.11. Private Sector Role in Combating Gender Based Violence



Although women's and men's entry into employment and entrepreneurship is on the rise globally, workplaces can be a "make or break" for both sexes, especially when it comes to safety from physical, sexual, psychological, emotional and economic violations of rights. Gender-based Violence (GBV) and Violence against Women and Girls (VAWG) continue unabated within the private enterprises, partly due to unequal gender power relations amongst employers and employees, lack of specific legal provisions covering VAW and GBV in employment, and criminal justice approaches that are not sufficient for

responding to GBV and VAW at work.⁹¹⁰ Despite the 2019 UN international treaty concerning the elimination of violence and harassment in the world of work¹¹, some of the worst violence and harassment occurs at the bottom of regional and global supply chains where clothes, food stuffs, transportation services and technology are produced by low-paid, overwhelmingly female workers, as well as in factories where employees have no say in top management decisions.

The private sector pays a high price due to GBV due to lost work days, absenteeism, low productivity, foregone entrepreneurial talent and employee skills, and in the cost of providing essential services to victims, over and above the severe detrimental effects on individual women, men, their families, and the society at large. Another study by CEDOVIP puts the economic burden of domestic violence to the Ugandan economy at an estimated Uganda Shillings 77.5 billion annually¹². A study of Fortune 500 companies estimated the costs of GBV at around \$6.7 million a year in absenteeism, low productivity, and employee turnover. There is therefore a critical need for the private sector to pay more attention to GBV. Eliminating GBV requires coordinated effort by all stakeholders (employers and employees) and top management support through adopting policies, standards and structures to reduce gender gaps, improve GBV reporting, promote both equality in the workplace and women's economic empowerment.

2.12. Environment, Green Growth, and the Private Sector

Green growth involves resource efficiency, low carbon, and pro-employment. The Government of Uganda developed Uganda Green Growth Development Strategy (UGGDS) so as to operationalize green growth in Uganda. Uganda is implementing the Switch Africa Green project directly, coordinated by the National Environment Management Authority and financially supported by various development partners. The project seeks to ensure resource use efficiency in small and medium enterprises by adopting sustainable consumption and production principles. Emphasis is on re-use, recycle and reduction of production inputs. Secondly, there is a programme that seeks to create green jobs for youths in Uganda¹³. Currently the focus areas of the strategy are;

- 9 World Bank, "Women, Business and the Law 2018," <http://wbl.worldbank.org/en/reports> (accessed October 11, 2019).
- 10 2 International Labour Organization (ILO), "Meeting of Experts on Violence against Women and Men in the World of Work (3- 6 October 2016)," 2016, http://www.ilo.org/gender/Informationresources/Publications/WCMS_546303/lang--en/index.htm (accessed October 11, 2019).
- 11 <https://www.theguardian.com/global-development/2019/jun/21/move-to-end-sexual-harassment-at-work-hailed-as-milestone-for-womens-rights-international-labour-organization>
- 12 CEDOVIP: Economic Cost of Domestic Violence.
- 13 The Uganda green growth strategy 2017/18

Sustainable energy, Climate change whose aim is to prioritize national resilience through adaptation and mitigation, Biodiversity Conservation and Natural Resource Management whose aim is to maintain the integrity and functionality of ecosystems and biodiversity, under the overall framework for biodiversity conservation is the National Biodiversity Strategy Action Plan (NBSAP), Sustainable land management practices, Sustainable transport options, among others. To attain green growth, the following are required;

- (i) Wetland cover of 12%.
- (ii) Forest cover of 18%.
- (iii) Plant and animal population index of 60%, among others.

Tree planting campaigns¹⁴ raised the forest coverage from 10% in 2017 to 12.4% in 2020¹⁵. As of February 2020, government had demarcated boundaries of 1728.5km of wetlands¹⁶, which is a step in the right direction. The private sector is partnering with Government to implement projects that are important for the transition to green growth and the attainment of SDGs. Some of the key public-private partnerships with green growth aspects include: Tororo Phosphate plant, the Kenya-Uganda railway project and Kalangala Oil Palm and infrastructure services projects. Increasingly, the private sector especially the medium and large-scale entities, is beginning to understand and appreciate the importance of sustainable consumption and production patterns in increasing their production efficiency, competitiveness and profitability.

Already, there are many waste-to-energy projects being operated by private companies such as Kakira Sugar Works and the Sugar Corporation of Uganda Limited (SCOUL). For instance, currently Kakira Sugar Limited (KSL) is crushing 7,200 tons of cane per day, where bagasse is generated that is used to run the cogeneration plant generating 50 MW of electricity of which 18MW is used in house and 32MW feed in the national grid. The factory has also set up an ethanol distillation plant to utilize the sugar molasses to produce un-hydrous ethanol from which liquid carbon dioxide and organic fertilizers are made. Most of the Clean Development Mechanism (CDM) projects registered by the UNFCCC Executive Board have been implemented with the active involvement of the private sector. In addition, private sector players through Corporate Social Responsibility (CSR) initiatives are supporting the transition to a green economy and attainment of the 2030 SDGs. Private Sector companies that are active in CSR initiatives include Coca Cola, Stanbic Bank, Standard Chartered Bank, MTN, and Airtel.

Despite the important role of the private sector in Uganda's transition to green economy, it still remains weak and largely informal. The most active private companies are also foreign, indicating limited national participation and local ownership of green-development investments. However, most of these green growth initiatives are small in scope, donor driven, use inefficient technologies, have limited potential for replication and project approval processes are lengthy.

2.13. Private Sector Role in Promotion of Food Fortification

Food fortification is one of the key strategies adopted in prevention and control of micro-nutrient malnutrition aka "hidden hunger." It is a proven cost-effective and high impact nutrition intervention which does not require change in the feeding habits of the population while reaching the largest percentage of the vulnerable groups in the shortest period of time.

In 2011, the Government of Uganda through the Ministry of Health issued a mandatory regulation on fortification of common staples including; wheat flour, maize flour and edible oil being processed domestically or imported into the country. The role and interests of the Private Sector

¹⁴ Encouraged by government, NGOs, corporate institutions, cultural institutions like Buganda Kingdom, etc.

¹⁵ Ministry of water and environment, 2020

¹⁶ Karugaba (2020)

in food fortification differ based on context and the delivery model chosen. Private Sector players involved in food fortification have key interests in the food fortification value chain that includes; food production, industrial food processing, fortification processes, quality assurance and quality control, storage and transport, and finally marketing and promotion. Private sector also plays various key roles in food fortification value chain through food processing/milling industry, equipment manufacturing, manufacturing, and supplying of vitamins and minerals/ micronutrient or premixes, providing private food laboratories, and retail distribution of the premixes or micronutrients. PSFU has continued to play a leading role in advocating for policies in favor of fortifying industries.

2.14. Private Sector Cross Cutting Proposals

The private sector is recognized as the engine of growth for the economy. However, for it to deliver to the desired levels the sector must be competitive to create wealth which translates into increased production and productivity, create employment both directly and indirectly throughout the value chains, contribute tax revenue which support the private sector further through service delivery and raise forex ensuring a stable macroeconomic position for the country. The following cross cutting challenges continue to hinder the competitiveness of the private sector in Uganda and Internationally which undermines the ability to create more decent work opportunities especially for the women and youth. It is expected that policy improvement in these areas will contribute significantly to the sector growth leading to job creation, check macroeconomic parameters, manage the debt burden and attract more FDI inflows to the economy. They include;

1. Macro-Economic Stability

The macroeconomic environment in Uganda has been stable for the last two and a half decades. This has enhanced the confidence of the business community because it has created more predictability for purposes of planning and investments. In the year 2022, the business community continue to have a negative view about the present business situation as the Business Tendency Index studies continues to be less favourable. Consequently, according to Bank of Uganda the outlook to economic growth is less favourable at 5% than the previously projected 6%. External demand has weakened due to rise in global commodity prices, and the resultant high domestic inflation, which has resulted in to tighter monetary conditions, constraining aggregate demand amongst the population.

Consumer sentiments about present and expected economic situation also remains negative with more people being pessimistic that the economy will improve. The exchange rate continue to appreciate due to increased FDI and investments in oil, however lending rates that had marginally reduced to 18% are projected to increase due to the increase in the central banking rate to 8.5%. There is therefore need to refocus policy towards unlocking demand for goods and services, which stimulates production hence sustainably addressing food related inflation.

While Government has mostly focused on monetary policy to stabilize the economy, the cost of monetary policy to the economy is close to 9% of the GDP- this is equivalent to the investment in Karuma, hydropower dam. The current rise in commodity prices have even worsened the situation. Government needs to concentrate more on required Fiscal Policy interventions in order to stimulate production of goods and services as a more permanent and sustainable solution to the country's economic challenges.

Further, the private sector proposes the following measures to increase production, and exports; improve the balance of payments position; and as a result, stabilize the shilling.

Recommendations

- a) Government should consider structuring demand to plan and program the markets and supply for the domestically produced goods, in order to ensure guaranteed markets and farm gate prices for the local producers which will ensure consistent production for goods and services. To start with, integrate buffer stocks in the Parish Development Model for products such as critical food crops for local market. For this to be actualize, there is need for good monetary policy, fiscal policy coherence to spur production.
- b) Prioritise investment in the selected production sectors to increase food supply which will eventually contribute to the reduction of inflation, spur exports thus checking the foreign exchange volatility. This monetary policy, fiscal policy mix would be critical to this.
- c) The interventions above should be based on a value chain basis and at sector level but driven by leaders in the chain (facilitate business linkage among big and smaller enterprises including informal producers) and supported by both Government and development partners in such a way that will be sustainable.
- d) During policy implementation more attention should be put to ensure that at least 80% of the resources reach and directly benefit the producers and service providers. This however must be done in such a way that enables sustainable results.

2. Stimulate Effective Demand:

Sixty five percent of Uganda's GDP is concentrated in the Kampala metropolitan area. Unfortunately, only 25% of the population resides in the urban areas leaving 35 million Ugandans in rural communities with very little contribution to the GDP. Government needs to help the rural people by working, based on a value chain approach, to make interventions which will help increase production especially in rural areas. This can be done together with major leaders in the value chain, supporting business linkages. Effective interventions need to be made in a well collaborated manner by the entire stakeholders who support various processes. The various supporting agencies and donor organisation including financial institutions need to work together to stimulate production targeting given markets – local and export. This will therefore require government to invest more in the leading sectors to spur this growth. The intervention should emphasise product development processes, and promotion to enhance the market penetration. Government's target of increasing rural income to about 20 million shillings per homestead should be implemented to help create key purchasing power.

It is important for the economy to appreciate a policy which empowers the local population, because it is a more sustainable market base. The Chinese suffered during the global crisis, where their exports fell because of reduced demand from the western markets. In response they resolved to develop their over 650 million rural population to become a reliable market. Uganda should follow suit in considering measures which will help the 36 million Ugandans especially in the rural areas and periphery of urban areas, to have increased incomes through conscious rural and periphery urban development. The strategy emphasized would realise increased incomes among the vast rural population and help stimulate the demand from industries and service providers. This will further create wealth, provide jobs directly and more jobs indirectly through operators in the value chain.

3. Skills and Attitude for Labour productivity

While efforts are made to improve Uganda's training system to support the labour force in obtaining employable skills, many young people are not acquiring the cognitive, socio-emotional, technical as well as practical skills needed by the private sector to thrive and prosper in an in-

creasingly competitive domestic, regional, and global economy. There are numerous positions (jobs) available; especially in urban labour markets that cannot be filled appropriately because skilled labour is (1) either too expensive or (2) applicants do not bring the right skills and work ethics to perform up to the job requirements (PSFU Skills Needs Assessment report, 2019). This illustrates the presence of skills gaps and the high costs of doing business which inhibits the ability of companies to attract and retain highly skilled labour force. Consequently the private sector companies rely on (1) 'Out-sourcing', whereby a company hires another company or an individual to perform tasks, handle operations or provide services that previously been done by the company's own employees and/or (2) 'Out-bonding' whereby employment is disguised to save taxes and social security expenditures, while it utilizes 'staff' that work on their own-accounts (mostly informally) as part of the company. (3) 'Off-shoring' is another form to reduce costs, whereby the company moves entire company processes or services overseas. Business, Technical, Vocational Education and Training (BTJET) Policy recognizes this gap with the establishment of skills sector councils however, very little has been achieved.

To address this challenge, the private sector recommends;

- a) Develop a labour market information system to align and link the developed labour return statistics and education management systems producing education anticipated statistics required to match labour demands and supply.
- b) Prioritize the ECD through increased funding for the ECD policy in line with inspection of these canters. Also incentivize the private sector to invest in this industry.
- c) Revamp the operations of sector skills councils under MoES by moving them to be managed by the respective sector associations under the private sector.

4. Legal Regulatory Regime

An enabling environment is required to facilitate the investments of the private sector. The process of developing Government policies, laws and regulations takes too long. Some critical commercial bills such as National Local content bill, competition bill, Animal Feeds, Real Estates Bill, Government Pensions (amendment bill), horticulture sector policy, apiculture sector policy among others have gone for long without being enacted and some of the enacted ones require regulations to operationalize them. Renew of the trade licensing process takes very long process with an average of 2 months taken by the private sector because the processes are manual. In addition, the legal framework for access to land for investments is not robust enough to ease investments.

For example, the mining and extractive sectors, floriculture sector are challenged in carrying out upstream activities like mining and value addition processes. The issue of land needs to be resolved. Even where an investor is to purchase land from locals, it may be better for Government to find a mechanism which guarantees predictability in use of land where leasing is concerned.



PSFU is working with Ministry of Trade Industry and Cooperatives to develop interventions geared towards addressing the bottlenecks which affects the ecosystem around start-ups in Uganda.

Additionally, consultations and engagement of the private sector from the GoU have greatly improved during policy review and development however we are almost missing when it comes to policy implementation and this affects the efficiency of the policy implementation. During law reforms, the private sector is continuously engaged to make submissions on these bills however,

we are not party to the decisions made thereafter. PSFU recommends;

- a) Involve the private sector in the policy implementation especially sector related policies for ease efficiency and sustainability.
- b) There is need to expedite the process of law making especially through parliament and the various ministries including cabinet.
- c) Establish a robust land framework to enable access to land especially in mining. Furthermore, empower UIA to work with investors who may need to lease land so that the lease has an element of Government assurance rather than reliance on individuals' agreement.
- d) Parliament should ensure accountability but should not handle civil servants and executives in such a way that instils fear rather than respect. This should especially be considered in the areas that affect the country's competitiveness. To support parliament, audits should be done in a timely manner by the auditor general so that they are current.
- e) Fast track the enactment of critical commercial laws which include; as indicated in the attached annex.
- f) Implement the report on the Comprehensive Business Licensing Reform. Continue to work towards ensuring that licences issued are for purposes of business regulatory rather than revenue generation.

5. Tax Regime

Taxes are vital to enable government provide services and amenities that stimulate growth. These combine well to support further growth in the economy. The private sector is the biggest source of that revenue. But high rates of and multiple taxes can impede enterprise growth. Increasing tax is not a function of actions from the tax administrator, but rather from the growth of the economy. This contradiction needs to be managed well to achieve the revenue government requires while at the same time facilitating the private sector to contribute to economic development in an effective way. Regional tax is not well consulted with several sectors not fully consulted and represented. The current Domestic Revenue Mobilization strategy (DRUMs) intends to increase our tax to GDP ratio from 14% to 16.8%. In attempts to widen the base, the same sectors as in the past have still been targeted to raise the lofty revenue requirements.

Consequently, the tax regime has become like "birthday gifts" with changes happening annually, this affects planning for investments. Innovations that have been crafted to formalize the informal sector have not been supported instead have been stifled leading to more informality. These have mainly existed in the agro processing sector especially for the companies using local raw material higher than 75% without water. The following are some of the principles which may ensure that the above contradiction is managed well:

The tax amendment bills should be able to get the optimal tax revenue while at the same time promoting business formalization and growth. The tax regimes therefore should have the following characteristics;

- I. Tax incentive should generally support a sector rather than individual companies; this will promote healthy competition in the market.
- II. Progressive Tax regimes are preferred because they don't constrain growth which contributes to more decent work opportunities for young people and also attracts more investments. Excise duty on value addition of agriculture products should be exempted for a period of 2-3 years to support the development of the products thereby leading to increase in household incomes. Government should consider charging higher import duties on products similar to the local ones under excise.

- III. Efficient tax administration should be preferred to imposing new tax regimes. Tax administrators should strive to carry out the administrative work directly or through outsourcing.
- IV. Levies, Fees, Cess should be discouraged as a source of government revenue and where they are used the Private sector needs to be in control of the management of this levy, fee of cess.
- V. Exempt the required taxes on innovative products that use 75% of the local raw material other than water for about 2-3 years to enable them breakeven. This stimulates more creativity while increases the disposable income of the producers and creates employment leading to more VAT revenues.
- VI. Digital Tax stamps: Incur the installation related costs of the digital tax stamp to reduce the cost of doing business for the private sector. This will lead to increased production and sales volumes leading to more excise duty, VAT and corporation tax earnings

6. Infrastructure (Water for production, Energy, roads, ICT, Waterways, Rail, Air and Trade Facilitation)



Infrastructure for Water for Production

Infrastructure development (transport, energy) remains key in reduction of production costs as has been highlighted in the previous years. However, with the present climate change effects, rain fed agriculture can no longer guarantee and determine agricultural production as has been the case. Moreover, serious modernisation of agriculture cannot be realised with the outdated, complete reliance on nature. FY 2019/20 only 218bn. was allocated for water for production compared to the 6,460-bn. allocated to other infrastructure. This clearly depicts the lack of prioritization of the infrastructure for water for production at farm level. Especially when the economy and the EAC region has been severely hit by the food insecurity due to climate change related issues. The private sector therefore proposes that:

- i. As a long-term objective/target, Government should prioritize funding the infrastructure for water for production to the level of road and energy infrastructure. Given the unpredictability of weather patterns blamed on climate change, it would be unwise to not plan for mitigation now to guarantee future national food security and export earnings.
- ii. Implement the irrigation policy through PPPs to provide better extension services and economic related information on irrigation technologies to the agriculture sector.
- iii. Research in irrigation technologies should be prioritised and given adequate funding. This would be in line with proposals made elsewhere in respect to supporting agricultural value chains.

Energy (Prices, Access and Efficiency)

Energy continues to play a significant part in the cost of production in Uganda. According to UMA report 2017, energy costs contribute about 15% of production costs; and in some SME's, this can be as high as 35%. Some countries which compete with Uganda either in the domestic market or export markets have much lower energy costs as part of overall production costs. They range from 2-8% and include: India, Egypt, China, and South Africa. The electricity tariff in Uganda is on average 11 USD cents per kilowatt hour for low end users and 5 USD cents per kilowatt hour for high end users compared to Kenya which has improved to 7 USD cents per kilowatt hour for both high- and low-end users. Energy quality is also predominately reported as a challenge to industry as it increases the costs of production which discourages value addition.

Despite the, various opportunities availed through GoU expenditure and the fairly well-crafted Local content policies and reservation schemes, the private sector is still not effectively participating. Therefore, Uganda needs to ensure that the business community is competitive especially domestically and regionally.

Private sector recommends;

- I. Target reduction in costs to achieve a 5-7 USD cents/kilowatt hour tariff for energy to all manufacturers. This needs to be achieved in a timely manner that is consistent with the various trade agreements that we are committed to.
- II. Strictly implement local content guidelines when procuring items used in big Government infrastructure projects (dams, railways, oil pipeline, etc). This should be expeditiously worked on for the cable sector.
- III. Government should continue concentrating on ensuring connection (especially for 3 phase lines) and energy efficiency is achieved especially under the rural electrification development program. In this regard, special emphasis should be put on energy for production.

2.15 City Transport.

Traffic jams and congestion in the city make it costly to distribute goods and deliver services. But it also makes labour mobility more difficult thus negatively affecting its productivity. The World Bank reports that traffic jam cost the economy over US\$800m (over sh2.8trillion). PSFU further estimates that currently productive labour spends about 52 man-days in the traffic jams in a year. That is more than 2.3 months. Furthermore, more fuel tends to be used in the jams and this collectively accounts for the increased operational costs and over heads making transport costs generally high. The commuter taxis are forced to charge expensively thereby forcing thousands of would be productive labour to walk long distances which affects their productivity.

The introduction of city buses has been slow with no major impact as only a few routes are served, and the buses are themselves low capacity vehicles. The private sector reiterates some earlier proposals as follows:

- i. Government should support KCCA to develop the city road infrastructure which minimizes traffic jams.
- ii. The city rail facility development targeting light but efficient rail system should commence as soon as possible. The project of the standard railway gauge could



be revisited to support the rail system in Greater Metropolitan Kampala in the long run. In the short run the current railway system, be used to evacuate and also bring in passengers during peak hours.

Waterways, Ferries and Air Transport

Government continues to support investments in ferries, this is commendable. However, as mentioned in the recent years the ferries management tends to concentrate on passengers and not cargo. The safety elements also requires further improvement. There is need for improved water transport in the lakes especially L. Victoria and more so to link the southern route of the railway to Dar es Salaam, Port Bell and Jinja piers with Kisumu, Bukoba and other major commercial centres in both Kenya and Tanzania. A barge should be planned to facilitate the oil & gas industry on Lake Albert to connect to the Packwach railway line. Lake Victoria could become a huge growth area if regional partners built a ring road around it and supplied it with energy. It would promote tourism and other services given that about 25% of the total population of the EAC resides on the basin and shores of Lake Victoria. This is an important investment area for Uganda and the region. The Government of Uganda in partnership with other EAC countries like Tanzania and Kenya should fast track the optimisation of the Lake Victoria inter-country water transportation potential.

Air transport: The launching of Uganda Airlines is very welcome to the private sector but it must concentrate on cargo than passengers and critical routes such as Kinshasha, Asia and European countries where Uganda exports its products are critical to be considered.

ICT: There is need to complete the roll out of the National Backbone Infrastructure (NBI) and last mile internet connections to support innovations and e- commerce.

Roads

Uganda's infrastructure mainly the roads leading to the tourism circuit, air transport, hotels, internet, and electricity among others await urgent prioritization. Key roads within the tourism circuit e.g. Karugutu –Ntoroko, Mpigi,-Kasange –Kisubi Mpigi to Buwaya, 22km (Road) and Buwaya to Nakiwogo (by Ferry), Kisubi, Kisoro – Mgahinga National Park gate 62km, Kanungu – Ruhija, Katunguru – Ishasha – Kihiki – Butokota – Buhoma, Mubuku – Ibanda – Nyakarigija, Kyenjojo – Kagadi – Hoima – Masindi, Masindi – Kimanyombo (Murchison falls gate) Kidepo – Kabong – Kotido – Moroto, Kumi – Serere (Road) Bugondo – Namasagali (Ferry), Gayaza – Wobulenzi road among others in the country are in need of the urgent attention and prioritization by the Government of Uganda. There is need to prioritize the last mile infrastructure (first class murram roads and power connections) for priority value chains in support of industrialization and export development.

Trade facilitation infrastructure: is not established which increases the cost of doing business and undermines the export potential for the country. Export processes are still manual which breeds corruption, end to end logistics and trade infrastructure connecting markets is also not available and export promotion related activities conducted by Government do not demonstrate value for money as often they are dominated by public officials than the private sector.



- a. Roll out the one stop facility for inspection, testing, fumigation and repackaging of exports at

the 7 key border points including Busia, Malaba, Mpondwe and Elegu.

- b. Increase funding to UNBS to develop standards for priority trading products, secure mutual recognition agreements of standards across major trading partners and operationalize enforcement along the 7 major export points.

2.16. Access to Affordable Finance

The high cost of borrowing is rendering Ugandan businesses very uncompetitive. While the financial sector is strong and sound going by the recent statistics published by the industry players and Bank of Uganda, its strength has not been translated into an ability to stimulate growth through effectively supporting the private sector with affordable credit as would be expected. While banks post quite good profits, several of their customers are finding it hard to survive, with several of them having their property sold off. Interest rates for the majority of borrowers have averaged about 20% for some time now. This is impacting businesses by way of weakened cash flow, affecting their ability to meet obligations including to their lenders. While in a free market high inflation normally results high in interest rates and the Bank of Uganda through the Central Bank Rate has intervened to keep inflation low, that has not manifested itself in correspondingly lower interest rates.

This situation is even worse for start-up entrepreneurs and young people who cannot access credit from financial institutions. This raises questions such as “how realistically and innovatively can we solve this challenge”.

Uganda therefore needs to develop its own local long-term savings that can be used to address oligopolistic tendencies in the financial structure. Other specific proposals include;

- a) Amend the current Government Pensions Law to promote long term savings in the economy. These savings should then be utilized to sustainably capitalize the Uganda Development Bank to finance the manufacturing, tourism and construction sector.
- b) Create a risk guarantee schemes for about 7 prioritized sectors including agriculture, manufacturing, education and health, real estate, oil and gas, ICT and tourism. This will achieve a reduction in lending rates from an average of 18.3% to between 10% and 15% depending on the sector.
- c) Develop the National competition policy and eventually a law to address the oligopolistic tendencies with in the financial sector.
- d) Consider exempting Capital Gains Tax in the Income Tax Act (ITA) on the earnings from venture capitalists to attract start-up capital for youth-oriented businesses but also support the deepening of the capital markets in Uganda.
- e) Finalize the regulations required for the implementation of the Islamic financing modalities to increase access to cheaper sources of funding.
- f) PSFU to collaborate with the commercial banking institutions and URSB to (1) support them develop products for the livestock sector, transport and creative arts and (2) increase access to Securities Interest in Movable Property Act, 2019.
- g) Promote business development services to improve the credit worthiness of the borrowers/ producer groups among others.

2.17. Implementation of Agreed Policies

For some time now, the government has agreed to the some of the issues which the private sector prioritized for consideration during the budget. Implemented issues have ranged from 76% to 80% in the recent years, however, implementation to the level of which the action causes an impact to business has been low. The business community proposes that;

- i. In the spirit of implementing the NDP III, put interventions on MDAs to embrace program-based budgeting through budget cuts for those that do not comply and for those that comply, increase their budgets to encourage synergy within the Government agencies.
- ii. Review the PPP law to improve the operations of the interventions made by UDC by commercializing them. The private sector proposes that the UDC should invite competent business community persons to manage the developed interventions. These include Soroti fruit Factory, Bukona Macroprocesses, Banana Initiative program among others. This will enable these interventions to get commercialized which ensures sustainability and efficiency.
- iii. Government may continue delegating implementation of some of these activities to private sector. Secondly there is need to improve the monitoring process where the private sector which is expected to receive the services is involved in the monitoring process.
- iv. Set up a private sector-controlled policy implementation monitoring framework with in the Office of the Prime Minister to ensure that the execution is monitored and it delivers the expected results.
- v. Rewards and punishment need to be employed for use on performance of public servants.

2.18. Regional Integration (EAC, COMESA & AfCFTA)

Uganda's private sector supports Government's aspirations for regional integration and is keen at ensuring that integration within the East African Community deepens and works meaningfully to deliver a competitive environment for businesses across the EAC and other trade blocs. African countries signed and launched the AfCFTA in March 2018 in Kigali, Rwanda. The UN Economic Commission for Africa (UNECA) estimated the agreement's implementation could increase intra-African trade by 52 percent by 2022, compared with trade levels in 2010. A private sector position is yet to be developed but some of the issues raised in the cross-cutting issues section forge part of the issues that needs to be resolved to increase participation of the Private sector. Uganda needs to;

- a. Ratify the trade agreement to actualize the existing opportunities
- b. Develop the private sector strategy for implementation of the AfCFTA.

However, benefiting from integration and free market access arrangements faces certain challenges including:

i. Supply Side Constraints

Various limiting factors along value chains make it difficult to take full advantage of CMP presented by regional integration and bilateral preferences at Uganda's disposal because the country is not competitive enough. It is these challenges which are likely to undermine our performance within the AfCFTA. Some of the existing competitiveness indicators include high cost of electricity: while Uganda is at 9 USD cents/KWH, Egypt is at 5 USD cents/KWH, South Africa at 5USD/KWH, Kenya at 7 USD/KWH; high cost of financing: Uganda at 19-22%, Egypt at 10-14%, Morocco at 8-12%, unprogressive legal regulatory challenges, poor policy implementation, unprogressive tax regime, among other issues. These constraints need to be addressed to enable the private sector to effectively compete with the business community from other partner states across the EAC, COMESA and AfCFTA.

ii. Prevalence of Non-Tariff Barriers (NTBs)

Uganda Private sector continue to face several non-tariff Barriers. This increases transaction time and costs of doing business which contributes to low intra-regional trade volumes. Various studies have established NTBs as one of the key factors contributing to the decline in intra EAC trade currently standing at about 15%. The solution to these measures seems not to be

sustainable as they NTBs keep re-occurring in different forms in the East African Community. In Uganda, more than 9 million people have made losses arising out of restrictions in milk, poultry, maize among others. Government needs to engage the EAC secretariat to activate the EAC disputes settlement mechanism.

iii. COMESA Free Trade Agreement

Uganda signed FTA agreement at the end of 2012 and formally entered the FTA in July 2014. Despite the opportunities offered by the FTA challenges remain. Certain products from some countries within COMESA arrive onto our markets cheaper than local counterparts, because it is suspected they are subsidized. This creates an imbalance in trade within the bloc. We recommend that Government should consider invoking the safeguard measures under the COMESA FTA in mitigation if subsidies can be proved. Similar actions could be taken in respect of goods from other countries as provided for under the WTO Agreements.

iv. South Sudan Instabilities.

The efforts Uganda Government put in ensuring that South Sudan is stabilized are appreciated. The situation is improving and business is picking up again. EAC partner states should continue investing available resources and continue political engagement through IGAD, so that stability is restored in South Sudan.

In addition, to enhance the intraregional trade, the ratification of the customs union and the standards be fast tracked. Other EAC states citizenry will appreciate their investment in DRC infrastructure if they benefit from DRC's ratification of customs union.

v. Democratic Republic of Congo

During the year, political developments in DR Congo, Uganda's 2nd biggest trade partner in COMESA, partly explained by the historic presidential elections caused uncertainty and panic amongst the citizenry of DRC hence increased number of immigrants to Uganda and continued trade restrictions. Prevalence of Ebola in some parts of DRC also caused more restrictions along most border points. Consequently, trade between both countries declined by about 12% between 2018 to date, which impacted the prices of local products, especially agricultural ones, making them fall below acceptable levels. Without good commercial diplomacy being between Uganda and DRC, the bilateral agreements so far celebrated are likely to end at celebration.

With the DRC now as a member of the EAC, we do expect to see more efforts of EAC partner states in improving the road infrastructure within DRC, increased support for private sector players to access market opportunities in Kinshasa and Goma and harmonization of security and border clearance procedures. In addition, to enhance the intraregional trade, the ratification of the customs union and the standards be fast tracked. Other EAC states citizenry will appreciate their investment in DRC infrastructure if they benefit from DRC's ratification of customs union.

vi. Rwanda Uganda Border Restrictions

In February 2019, Republic of Rwanda closed its border with Uganda at Katuna blocking cargo trucks and buses, to upgrading the One Stop Border Post at Gatuna border. This has affected trade between two countries as traders not only lost their products but it also increased the cost of doing business. A potential loss of \$ 20 M has been recorded daily. The Border was later opened mainly for goods going through Rwanda and not goods destined to Rwanda. Recent information reveals that the goods going to Rwanda have been allowed however, MSMEs are still unable to trade due existing security related issues and road blocks. EAC Summit requested to recommend to Rwanda to officially communicate about the opening of trade between Uganda and Rwanda and also remove all the existing security to facilitate trade.

vii. Sanitary and Phyto Sanitary Standards

The Ugandan private sector raised concerns regarding Kenya's treatment of some of Uganda's goods. It was also noted that sometimes goods that have already been certified by Uganda National Bureau of Standards (UNBS) are denied access into Kenyan market by Kenya Bureau of Standards related issues. There is need for policy harmonization between the two partner states.

viii. Harmonize Fisheries Licensing Procedures

During the meeting held on 26th February 2019 in Nairobi on bilateral trade related issues, Kenya was concerned about the continued harassment of their fishermen on Lake Victoria. It presented about eight cases of such alleged harassment.

During the 12th joint border committee meeting 'it was agreed that both countries should harmonize their fishing regulations. It was reported that the harmonized guidelines are already in place under Lake Victoria fisheries organization.

It was also agreed that the two countries should harmonize their enforcement framework of fisheries management on Lake Victoria. It was noted that Uganda uses the military for enforcement of fisheries management on Lake Victoria while other countries uses different structures.

Recommendation

- i. It was agreed that the Ministry of Agriculture Animal Industry and Fisheries is to propose an action plan for harmonization of regulations including but not limited to fishing zone, fishing gear, and enforcement mechanisms. The action plan to also include a meeting of ministers of fisheries within three months.
- ii. Need to harmonies standards to ensure sustainable fishing in Lake Victoria.
- iii. The fisheries and Agriculture Bill will soon be presented before cabinet. It will handle most of the harmonization concerns. The regulation developed thereafter will also facilitate the harmonization process.

ix. Certification of Common Crop Seeds

Uganda and Kenya have continued to produce certified quality seeds for the farming community. Kenya's seed industry has been liberalized and experimenting on genetically modified organisms (GMO). During the 12th joint border commissioner's meeting, Uganda was urged to expedite the finalization of bio-safety legislation, and establishment of GMO lab. Both countries agreed to label any GMO material. The meeting was informed that the GMO Bill was considered in parliament, it was passed on to H.E the president for his assent and was returned to parliament for further consultations.

x. Free Movement of Services- Professional Services

a) To be competitive, the private sector in the EAC requires efficient banking, insurance, accountancy, telecoms and transport services to deliver quality services at competitive rates. To enhance competition and quality of services, the accountants, architects, engineers, and veterinary doctors negotiated and signed Mutual Recognition Agreements (MRAs); however, these are still not enforced. The professionals continue to incur high work permit costs and regulatory barriers limiting the free movement of services. EAC Partner States should adopt and operationalize the enforcement mechanism of the signed MRAs.

xi. Local content and BUBU Policy:

Local Content: 60% of the national budget is developmental. Unfortunately, 70- 85% of these resources do not stay in the economy to stimulate growth. Procurement should be used as a

tool to stimulate growth especially where goods and services meet the required standards and where they are lacking Government should support development of this capacity. Presently 61% of road construction works under UNRA have been awarded to Ugandan firms. Local content participation in energy projects, oil sector and airport development project is still below 40% due to lack of capacity of local firms to supply. Majority of the MSMEs are do not have enough knowledge about the public procurement process. Implementation of the local content policies and regulations is yet to reach a level where investments are prioritized. PSFU with support from the MasterCard Foundation are developing a special purpose vehicle to build capacity of the local private sector to effectively participate in public procurement.

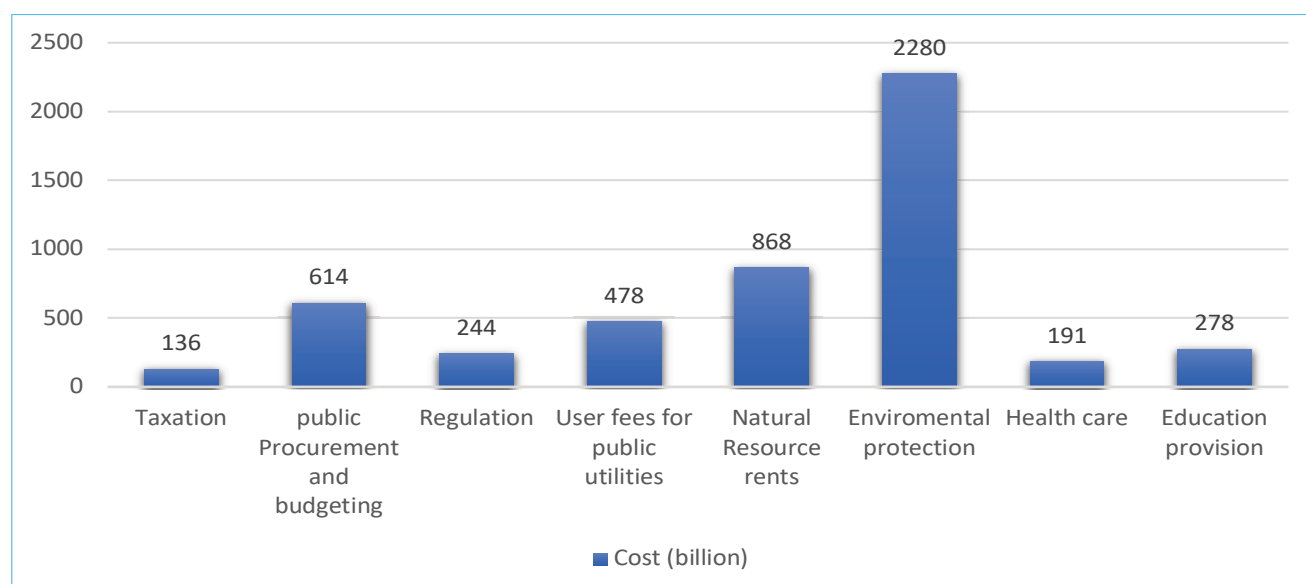
To address the above-mentioned constraints, the Private Sector Foundation Uganda recommends:

- I. Prioritize capacity building for MSMEs and start up entrepreneurs in public procurement through bidding.
- II. Enact the Local content bill 2020 to enforce the BUBU policy and reservation schemes.

2.19. Governance and Corruption

Despite the many Government anti-corruption initiatives over the years, desired results particularly in the reduction of corruption has not been realised. Indeed, Transparency International indicates that perception about corruption in Uganda has deteriorated. The exact cost of corruption for Uganda is difficult to establish but the 2005 and 2006 estimates (World Bank and The Global Integrity Report) suggested that at that time, Uganda lost between 200 and 250 million USD due to corruption. Another study by IGG, 2019, revealed that although the estimates are considered to be lower than actual figures, the cost of corruption in Uganda is UGX 9.14 trillion per year, which translates to an average of 44% of the Government Budget in 2019. Environment protection corruption costs the country UGX 2.8 trillion per year, taxation related corruption costs UGX 136 billion per year, user fees for public utilities cost the country UGX 478 billion per year, Natural resources rents corruption costs 868 billion shs per year, absenteeism in health and education costs UGX2.3 trillion per year, bribery in health care costs UGX 191 billion per year, bribery in education costs UGX 278 billion per year, regulation at UGX 244 billion and procurement and budgeting corruption costing UGX614 billion per year as shown in the graph below.

Figure 7: The cost of corruption to Ugandan economy.



Source: Author’s Construct from IGG Study on Corruption, 2019.

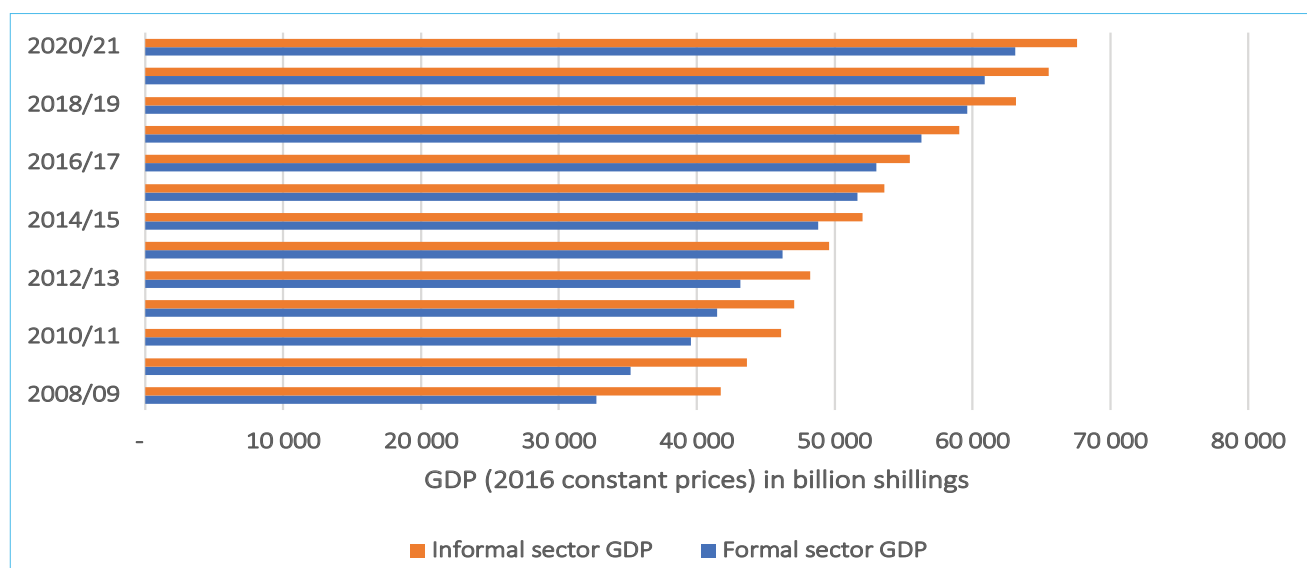
Corruption distorts markets, threatens quality of life because of compromised quality of goods and services, and affects national resource allocation, and as a result has a negative effect on the overall investment climate. Stakeholder consultations affirmed that there are no meaningful anti-corruption efforts/initiatives led by the private sector. It was also noted in spite of all government efforts; corrupt practices still exist in the Government’s procurement system and processes. Part of the problem lies in a system that is not as transparent as it could be. And in addition, there are many examples where perpetrators of corruption benefit economically from their deeds. The general perception is unfortunately that corruption pays. The impression one gets on corruption in Uganda is that traceability of illegally and corruptly acquired assets and wealth is difficult. The private sector is of the view that it is possible to use available public IT databases to reduce the risks of illegally and corruptly acquired assets being hidden. PSFU therefore recommends/ proposes:

- a) PSFU with support from the EU and ENABEL under the SG+ program will set up a private sector led whistle blower facility, to generate evidence on corruption cases. This information will support engagement with various MDAs.
- b) GoU needs to link the various public databases to ensure that communicate with each other. Among such databases are the Companies Registry at URSB, the Land Registries, the NIRA, UCC and NITA.

2.20. Widening the Formal Sector

One of the noticeable characteristics of Uganda’s private sector is the high degree of informality (PSFU, 2020). At the macro level, when compared to the formal sector, the informal sector has been and continues to be more significant in terms of GDP contribution (see Figure 8 below). A key implication of a large informal sector is the inability to generate decent employment and meaningfully contribute to national tax revenue, which hampers national service delivery. Yet, development of a private sector with ability to create jobs, contribute to income and tax revenue growth, is at the core of Uganda’s NDP III. It is on this basis that evident among the key desired results in the NDP III’s private sector development agenda is the reduction of the informal sector from 51 percent in 2018/19 to 45 percent in 2024/25. Despite the merits that come with formality, informality continues to flourish and at the macro-level, inefficient service provision and excessive regulatory and tax burden is a key perpetuating factor¹⁷.

Figure 8: Informal versus Formal sector GDP, 2008/09 – 2020/21

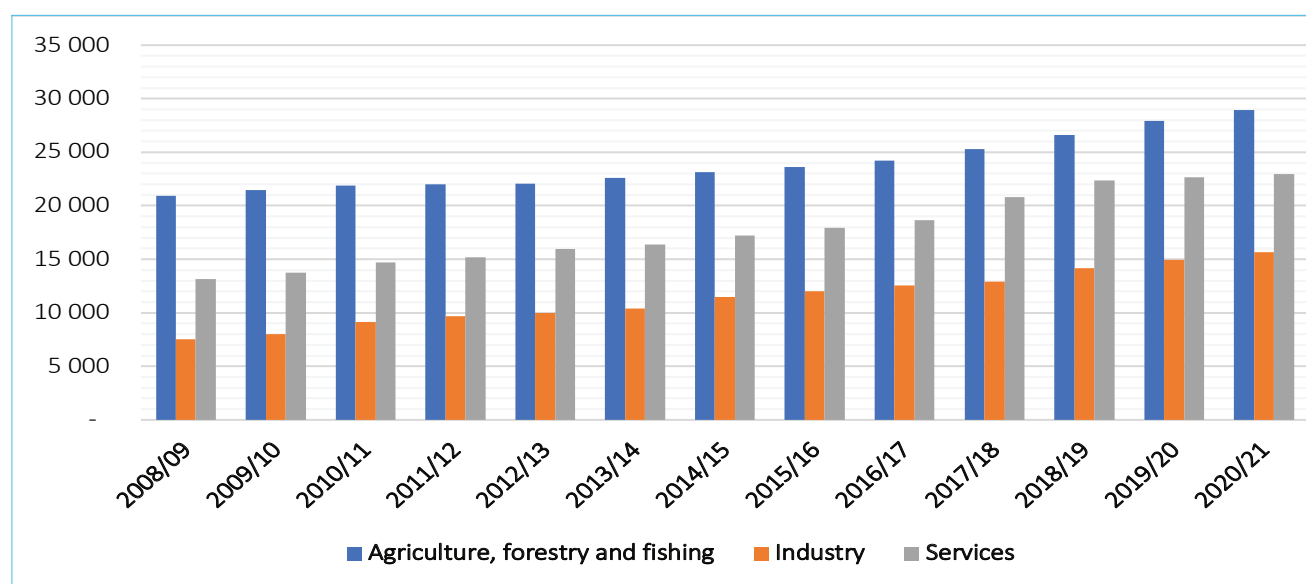


Source: PSDU Illustration based on BOU Data

According to the NSPSD II, report, at the meso level, informality is more prevalent in the agricul-

tural sector (Figure 2.9) and less in the industrial sector. Informality in the service sector is also noteworthy. Key implications of informality at industrial and firm-levels include; (i) elimination of enterprises from economic resources like investment finance, which hinders not only business start-ups but also enterprise growth and competitiveness, (ii) firms do not fully benefit from appropriate technologies and efficient production methods, besides access to essential public services like judicial protection, risk mitigation like during crises¹⁸, and (iii) in Uganda, failure by firms to compete for service and goods provision in the public sector despite the availability of local content policy frameworks like BUBU. Employment generated by informal private firms, albeit better than unemployment, is characterised by poor wages and undesired working conditions, which totally contradicts the aims of NDPIII. Despite the demerits aforementioned, informality persists at the micro-level because by avoiding the burden of regulation and taxation, informal sector enterprises enjoy more flexibility in; personnel decisions, location, resource management, and market competition (World Bank,2018).

Figure 9: The Informal GDP by sector, 2008/09 – 2020/21



Source: PSDU Illustration based on BOU Data

Majority of these firms collapse in the first 12 months of formation, and those that survive contribute little or nothing to tax revenue because they are not always easy to reach. This latter aspect means that the tax burden continues to be shouldered by a few formally established enterprises. The private sector believes that it is in the interest of both the Government and of the formalised businesses that the informal sector is gradually reduced with a clear target for the longer term. The Government has done well to ease the burdens of establishing a company at the Uganda Registration Services Bureau (URSB). However, the informal sector does not seem to diminish, and one gets the impression that it continues to grow. It is proposed here to approach this using the following measures:

- i. Sensitisation: some enterprises tend to remain informal because they lack information on how to formalise. Other enterprises choose to remain informal to escape the tax net. Yet others are motivated by the perception that tax revenues are not used to the benefit of society. The private sector proposes a partnership to mount a sensitisation campaign with a target to reduce the informal sector by 30% in the next 10 years. This will involve the PSFU, its member associations and public institutions such as URSB and possibly URA. Such a campaign would focus on the advantages of formalisation, the virtues of sharing the tax burden and highlighting the positive contributions of taxes to society at large.

18 During the recent bailouts by government for those affected by the pandemic, it was difficult for informal enterprises to access funding or any other assistance.

- ii. In addition, the private sector proposes a strict adherence to the guidelines for supplying goods and services to public institutions so that only formally established and tax-paying enterprises benefit from contracts to Government entities including local governments of all levels.
- iii. All MSMEs (in selected sectors) that become formalised and tax and URSB compliant¹⁹ should qualify for a subsidy to put in place measures that ensure their products meet with quality standards set by the Uganda National Bureau of Standards. The PSFU and its members on their part would promote the linkages between those MSMEs with larger enterprises in (and depending on) the specific value chain.

2.21. MSME Development:

MSME's constitute about 90% of private sector enterprises, and are both formal and informal in terms of operation. With a great role SME's play in economic development, they are faced with many obstacles to competitiveness including but not limited to: high cost of finance and constrained access to credit; lack of acceptable collateral; limited sources of long term finance; and limited information on financing products. Therefore, to maximise the contribution made by these SME's to Uganda's development, there is need to: build firm capacities, confidence, transparency and responsiveness to policy and the market systems and to make it easier, cheaper, faster and more user-friendly for new businesses to register. Schemes targeting SMEs should be developed to enable them to improve, expand and prosper. The private sector has the following proposals to Government:

Quality & Standards: UNBS should be empowered to support quality development, monitoring and ensure a quality regime is maintained in Uganda to spur competitive and safe environment in the economy. The inspection function of UNBs should be privatized, while UNBS concentrates on the regulation part. This is more sustainable and efficient.

Public Procurement: Support SME's to participate in the public procurement processes through training and sensitization on public procurement. The PSFU for its part is prepared to consider involving eligible SMEs in its linkage programmes such as special purpose vehicles, proposed elsewhere.

Standardize Business Development Service Provision: The economy has over the years received several BDS providers who have contributed significantly towards the development of MSMEs, however their contribution does not seem to be addressing the key MSME challenges of access to credit, ease of tax payment among others. Several BDS providers are following different principles and there are no standards on BDS provision.

- a) Increase budget for UIRI to stimulate more innovations especially in value addition. this could be put at establishing new outlets in the industrial parks to be accessed by the wider MSMEs.
- b) PSFU is implementing the lead firm model that strengthens the business linkages to support BDS, mentorship, training and market guarantee to various MSMEs
- c) PSFU is working with UNBS to develop standards for BDS service provision and also develop a team of BDS service providers that will be working with several MSMEs to support them address their challenges.

3.0 SECTOR-SPECIFIC CONCERNS

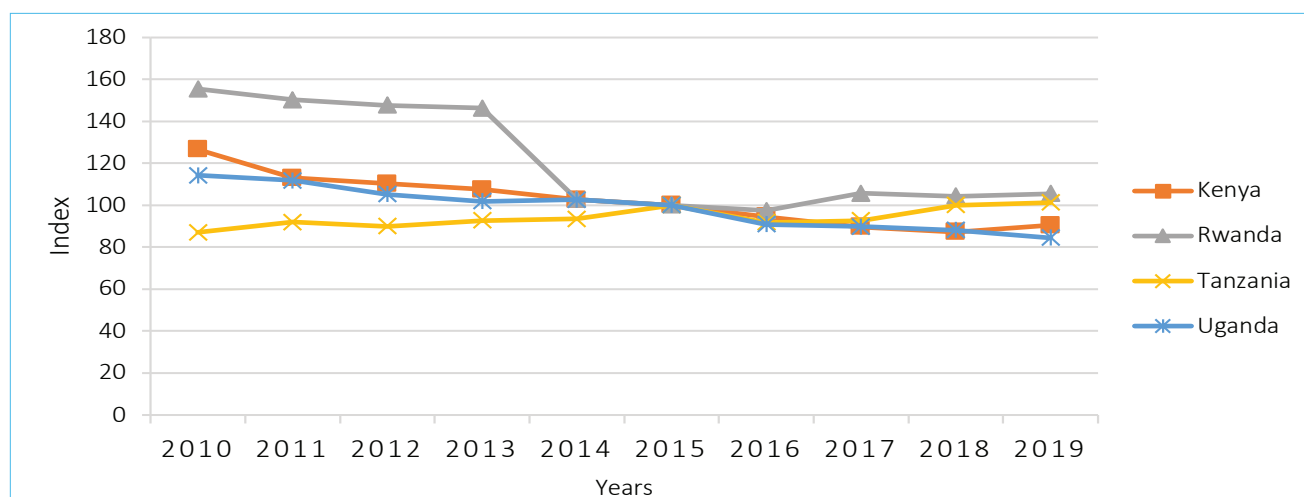
3.1. Agriculture, Agribusiness and Forestry Sector

The agricultural sector plays a central role in Uganda’s economy, generating some 24 per cent of the Gross Domestic Product (GDP) and accounting for more than half of the country’s export earnings (54%; World Bank, 2019). Almost 70% of the working population is engaged in agriculture which also provides the first job for three-quarters of those aged between 15 and 24 years.



Even when Uganda’s growth has remained service sector dominated over the years, the agriculture sector remains an important stay of the economy. It is the source of livelihood for 68 percent of households. It employs the largest proportion of the population and is the leading sector where the private sector is anchored especially at the sub-national level. Since Agro-processing occupies a very important place in the agricultural value chain, creating backward and forward linkages between the farm and the market, the future of agro industrialization and manufacturing will partly depend on commodity value chains. Government policy on agriculture fully recognises the sector’s indispensability and is currently pushing for greater commercialisation of agriculture by encouraging the use of irrigation and mechanised farming²⁰. However, the sector is still dogged by numerous impediments that tend to hamstring its full potential in contributing to socioeconomic transformation of the nation.

Figure 10: Agricultural Total Factor Productivity Index for EAC countries

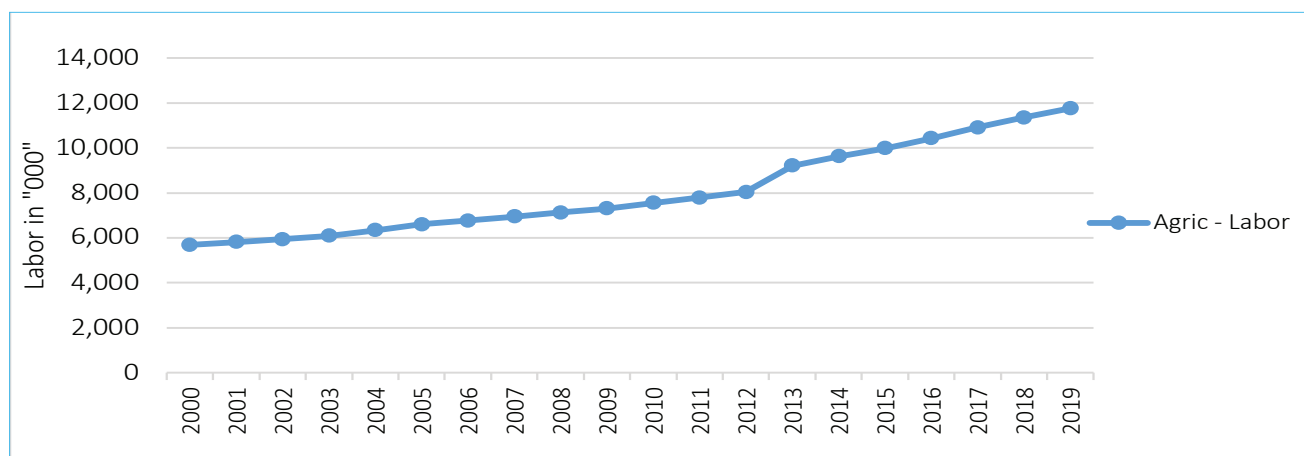


Source: USDA International Agricultural Productivity database

20 <https://www.ugandainvest.go.ug/why-uganda/opportunities/agriculture-value-addition/>

A key impediment in agriculture, a sector housing a significant percentage of the private investors, is the lack of productivity and growth in the sector. Even when regional peers have managed to improve productivity in the sector, Uganda’s total factor productivity in the sector has been on a diminishing trend, falling below that of regional economies since 2015. Moreover, economically active labor-force in the sector continues to surge (Figure 2.4) and reached close to 11.8 million by 2019. This has held back the creation of more and better jobs, and stalled poverty reduction efforts, especially for the many smaller-holder farmers and tends to hamstring commercialization of agriculture. All this inhibits competitiveness of the private sector in agriculture and is a fundamental barrier to private sector development programme’s aim of driving sustainable and inclusive growth as treasured in NDPIII.

Figure 11: Persons economically active in agriculture, 15+ years, male & female



Source: USDA International Agricultural Productivity database

The National Development Plan III identifies, “natural resource-led industrialisation, especially agro-industrialisation” as one of its priority programs with an aim to increase commercialisation and competitiveness of agricultural production and agroprocessing. These efforts also enjoy support at the highest political level, with the President declaring that in order to “eliminate hunger, famine and poverty (...) you must restructure traditional subsistence agriculture into modern commercialised agriculture” (IGC report, 2020).

The Parish Development Model, a key economic growth strategy for Government in FY 21/22 to FY 25/26 also prioritizes the transformation of the 39% households in subsistence agriculture to commercial levels. The goal of the PDM; to increase household incomes and improve quality of life of Ugandans with a specific focus on the total transformation of the subsistence household into the money economy as well as eradication of poverty and vulnerability in Uganda points to the role of social protection



Table 7: The NDP III expected results for the agro-industrialization programme.

No.	NDP III Targets	FY 20/21	FY 24/25
1.	Agricultural sector growth rate.	3.8 %	6.0 %
2.	Proportion of households that are food secure.	60 %	90 %
3.	Percentage of h/holds dependent on subsistence agriculture as a main source of livelihood.	68.9 %	55%
4.	Number of jobs created in agro industry along the value chain.	N/A	180,000
5.	Labour productivity in the agro-industrial value chain (value added, USD per worker).	US\$ 2212	US\$ 3114
6.	Total value of imported cereals and cereal preparations, vegetable fats and oils, and sugar preparations.	US\$ 931.1million	US\$500 million
7.	Total export value of processed agricultural commodities; coffee, tea, fish, dairy, meat, and maize (and its products).	US\$ 0.935 Billion	US\$ 2.7 Billion

Private Sector Agricultural Investments:

For the Private Sector to gainfully and efficiently invest in agriculture, a favourable enabling environment must be in place as one of the key pre-conditions for a take-off of the agricultural sector²¹. i.e. Private Sector investments in agriculture are now taking on the entire value chain process right from Pre-production; research, (i.e. tissue culture in Coffee, seeds, fish fingerlings, hatcheries), to production (opening land, planting, weeding, harvesting), to post-harvest handling (storage facilities), processing (milling, packaging and value addition) and marketing (distribution and placement to buyers/consumers).



The Private Sector has also invested in other services including Transport facilities e.g. cargo space for horticultural products; cold trucks, ordinary trucks, Credit facilities in Banks/ Micro Finance organizations, Insurance among others. The Private Sector agricultural investments can further be illustrated in the matrix below:

21 Proposed plan to operationalize the Non-ATAAS component of the agriculture sector DSIP, MAAIF, 2012

Table 8: Private Sector Investments; Value Chain Analysis

	Pre-production	Production	Post-harvest handling	Processing	Marketing
Crop husbandry	<ul style="list-style-type: none"> <input type="checkbox"/> Seeds <input type="checkbox"/> Seedlings <input type="checkbox"/> Fertilizers <input type="checkbox"/> Irrigation services <input type="checkbox"/> Research <input type="checkbox"/> Veterinary services <input type="checkbox"/> Quality control services <input type="checkbox"/> Tractor hire services 	<ul style="list-style-type: none"> <input type="checkbox"/> Opening of land <input type="checkbox"/> ploughing <input type="checkbox"/> Fertilizers <input type="checkbox"/> Planting <input type="checkbox"/> Weeding <input type="checkbox"/> Irrigation services <input type="checkbox"/> pruning <input type="checkbox"/> Irrigation services 	<ul style="list-style-type: none"> <input type="checkbox"/> storage <input type="checkbox"/> silos <input type="checkbox"/> warehouses <input type="checkbox"/> driers <input type="checkbox"/> cleaning <input type="checkbox"/> sorting <input type="checkbox"/> harvesting <input type="checkbox"/> cold chain management systems/rooms 	<ul style="list-style-type: none"> <input type="checkbox"/> Millers <input type="checkbox"/> Grinders <input type="checkbox"/> Blending <input type="checkbox"/> Quality control services <input type="checkbox"/> Equipment building-driers, planting material, boat building, spared parts production etc. 	<ul style="list-style-type: none"> <input type="checkbox"/> Market Research <input type="checkbox"/> Branding <input type="checkbox"/> Distribution <input type="checkbox"/> Maritime services <input type="checkbox"/> Freight and forwarding <input type="checkbox"/> Transportation <input type="checkbox"/> Credit facilities <input type="checkbox"/> Insurance services
Animal, Poultry, Fisheries	<ul style="list-style-type: none"> ▪ pasture preparation ▪ Semen ▪ Fingerlings ▪ Hatcheries ▪ Breeding ▪ Extension Services 	<ul style="list-style-type: none"> ▪ feeding ▪ Fisher catching ▪ Animal feeds 	<ul style="list-style-type: none"> ▪ Slaughter houses ▪ Butcheries ▪ Milk and meat coolers 	<ul style="list-style-type: none"> ▪ Production of milk and products ▪ Beef products ▪ Pork products ▪ Fish products-fresh, smoked 	<ul style="list-style-type: none"> ▪ Market Research ▪ Branding ▪ Packaging distribution

Despite the pivotal role the private sector, they are still existing cross cutting challenges which inhibit the operations of the business community and the performance of the sector; (i) low agricultural production and productivity; (ii) poor storage infrastructure; (iii) limited market penetration levels in domestic, regional, continental and international markets; (iv) low levels of value addition; (v) limited access to agricultural financial services and critical inputs; (vi) prevalence of pests and diseases, (vii) climate change related constraints and (viii) poor coordination and inefficient institutions for planning and implementation of agro-industrialization. While Government has created an enabling environment for the agro-industrialization agenda to thrive, the following obstacles continue to constrain agro-industrialization. Low levels of agricultural production and productivity: Despite Government's efforts to modernize the sector through extension of financing to farmers, extension services, machinery and market access, production and productivity still remains lower than the potential levels. This contributes to 39% of households at subsistence level. The Low levels of production and productivity is largely because of limited skills for maximizing land productivity such as proper spacing, planting of high yielding crops, fertilizer use, irrigation, soil and water conservation, water harvesting, timely planting, disease and pest control, crop and animal improvement and management through appropriate breeding and feeding. Also, adoption of improved agricultural technologies remains low.

In addition, there is a wide gap in yields between research stations and farmer fields. Increase in total production is largely attributed to increase land size and labour use in agricultural production than to technical change (see table below). This is more pronounced in dairy, fish and fish products, cassava and maize subsectors.

Table 9: Comparison of Yields on Farm Versus Research Stations.

Commodity	Average Yields (tons/ha)	Potential Yields as at research stations (tons/ha)
Maize	2.3	8
Coffee (output-million 60kg bags)	1.4	2.5
Tea	1.65	2.05
Fish and fish products	1.5	23.2
Cassava	3.3	20
Dairy (milk in million litres)	1.5	24
Beef	0.15	0.855
Fruits and vegetables	18	20
Tomatoes	45	80

Source: Author's construct from the available secondary data

Weak Support services (Extension, entrepreneurial training, R&D, innovations, regulation of agricultural inputs, and reliable weather information):

Extension services: Despite the results from the National Agricultural Extension services Strategy 2015/16 to 20/21 which created extra 3000 extension workers contributing to the reduction in the extension worker farmer ratio from 1:5000 in 2014 to 1:1800 currently. This gap is still very wide and many instances the quality of extension service is also very low. In addition, about 35% and 40% of the farmers were willing to pay on average Ugandan shillings 3,400 (US\$ 1.8) and 3,700 (US\$ 2) per trip for extension services in crop and animal husbandry respectively (MAAIF study,2020). Worse of, the operation of the private extension workers is affected due

to absence of required regulations to ensure quality service. The several available extension services lack specialization, for example the district entomologists are responsible for bees, but also tsetse flies, house flies, ticks among others. This affects the quality of service provision received by the farmers.

Research and Development: Diffusion of agricultural knowledge is vital to food security and capacity building in the developing world. Many developing world farmers still do not have access to extension and advisory services (EAS), and poor agricultural practices still exist. Diffusion of agricultural knowledge could lead to improved productivity, higher obtained prices, and increased incomes, but it is made more difficult in the developing world by poor infrastructure, high illiteracy rates, and too few extension agents. The rapid spread of mobile phones throughout the developing world has sparked many EAS programs that incorporate mobile technologies. Although they offer great potential for knowledge diffusion, research has not yet identified strong positive impacts of mobile technology-based interventions. Agroindustrialization requires research and innovative technology to drive production and productivity. In spite of the limited funding for R&D by the Government, the several of the newly researched technologies are still in the auspices of the research agencies such as NARO and therefore they are not accessible to farmers and most cases they are very expensive which affects their adoption by the farmers. This is because several of these technologies are not commercialized. PSFU proposes that research agencies should pursue a demand driven approach to R&D where the technologies are geared to address the challenges facing communities but also promote transfer of such related technologies. Intellectual property also requires promotion among innovators in order to protect their patents abut also promote commercialization which reduces the access costs and improves access to the technology.

Irrigation: In 2020, total area equipped for irrigation for Uganda was 11 thousand hectares. Total area equipped for irrigation of Uganda increased from 4 thousand hectares in 1971 to 11 thousand hectares in 2020 growing at an average annual rate of 2.40%. Irrigated land produces 40% of global food (IFAD, 2015). Currently, Uganda's ratio of cultivated area under irrigation to the irrigation potential is only 0.5%. This compares lowly to 3.6% for Tanzania, 2.0% for Kenya and 1.6% for Burundi. The comfort of receiving rains to sustain two cropping seasons in a year has provided little impetus to Government to invest extensively in irrigation. Little attention has been accorded to technological and human capacity development in irrigation. Despite the advantages that the country holds in the ease of undertaking irrigation development, the potential has not been harnessed. Uganda's rain-fed agriculture has progressively been constrained by frequent threats of, and actual occurrence of, droughts and floods affecting efforts for increased



production; the fight against hunger and poverty. Uganda's vulnerability to climate change is exacerbated by a rapidly growing population, a factor that has increased pressure on natural resources (mainly wetlands and forest covers) leading to environmental degradation.

Regulations of agriculture input:

Presence of poor-quality inputs on the market has been a challenge affecting the industry for a decade now. Key studies have explained that

it is actually the biggest driver for low productivity and production across the various value chains in the country. In fact, according to the study by IGC, farmers are quite rational in relying on their traditional methods, as allegedly modern inputs too often yield poor results. In other words, Uganda has a maize seed and fertiliser market problem, and that farmers respond rationally: they refuse to buy bad products. Low agricultural productivity is the logical result. This emphasizes that there's a major quality problem in the agricultural inputs market at retail level. Input producers, wholesaler, and retailers may be guilty of negligence and fraud. Regulation for the agriculture input markets is not done to a level which can cause the desired change. The public, private and donor sectors need to work together to pin it down and find solutions.

Fertilizer Usage and uptake in Uganda: Only 4% of all Ugandan farmers use a package of production enhancing technologies (a combination of fertilisers and improved seeds) and supportive services. In addition, most farmers do not practice farming as a business due to limited entrepreneurial skills and have limited risk mitigation measures such as agriculture insurance and irrigation. Often, agricultural products are not of the right quality and variety. Consequently, production remains low, hindering the sustainable supply of raw materials to agro-industries. Therefore, in addition to strengthening the agricultural extension system from the research stations to the farm, cooperative colleges and colleges of commerce should be engaged to inculcate entrepreneurial skills to the farmers and the communities at large.

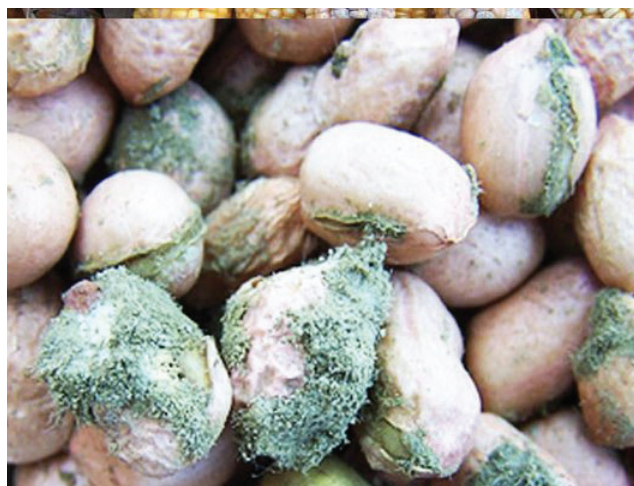


Limited Access to agricultural financial services and critical inputs:

Considering the supply side of development finance, public funding for agro-industry is inadequate. There are various government initiatives meant to support AGI development. However, these initiatives are scattered among different agencies, are uncoordinated and non-transformative. Another important supply of development financing is through the development partners. However, increasingly the support is channelled through projects rather than programmes. Project financing is short term in nature. As such, it cannot be a source of a sustainable AGI agenda. Additionally, financial institutions are focusing on the low risk, high cash flow and well collateralised segment of the value chain i.e. agro-manufacturing, leaving the high-risk agricultural production under-served. This partly affects the capacity to finance investment for raw material production and in turn the linkage between production and agro-industries.

Post-harvest handling and storage of agricultural commodities still a challenge:

Even though World Food Programme is conditioned to purchase at least 10% of its food from LDC small holder farmers, Ugandan farmers can only meet 2% of this target and this is attributed to use of rudimentary methods, loss of up to 70% through the entire production chain, only 30%



of the produce is utilized. Uganda's postharvest losses range from 30 to 40 percent for grains and other staples, and 30 to 80 percent for fresh-fruits and vegetables. Low quality and low standard inputs (seeds, pesticides, chemicals, etc.) banned substances still used. Highly regulated chemicals in the EU territory such as dimethoate carbendazim, carbofuran, chlorpyrifos are still registered for use in Uganda.

PPP approach for investment in this area needs to be encouraged through subsidies to the private sector. Support for the establishment of an Agricultural Export Zone at Entebbe and Kabale Airport with modern appropriate technology that is internationally accepted while conserving our competitive advantage as an organically certified country.

Uncoordinated efforts in agriculture production:

According to the World Bank report, 2017, Uganda loses between 4 and 12 % of GDP due to inefficiencies in the agricultural sector. This is largely explained by lack of well coordination of efforts to be able to achieve efficiency. Investments such as OWC funds, Youth Funds, Women Funds and lots of donor funds including the CEPD, cluster program, Abi-Trust, other funds from USAID, UKAID, EU-FUNDS, UN Support, AFDB support, Skills development, Private Sector investments – big and small companies, idle assets including land, Government assets for agriculture are all not well coordinated. These have continuously grappled the sector growth due to limited production and productivity.

Policies and Regulations:

After liberalization process, business practices in the sector are not contributing positively to agricultural development. Appropriate policies need to be put in place to guide the research, production and marketing of various products. These policies should help answer lots of the challenges like research, disease/ quality control, marketing, inputs supply. This could take into consideration possible synergies with the Private Sector. The policies should lead to laws and the laws should be implemented based on a clear framework. Some of the quick ones are could include apiculture policy, Tea policy and acaricide policy, Fisheries and aquaculture Law, animal feeds and Seed and Input Law. Additionally, the available policies form a cobweb of un implemented policies that limit the achievement of the intended objectives thus affecting sector growth.

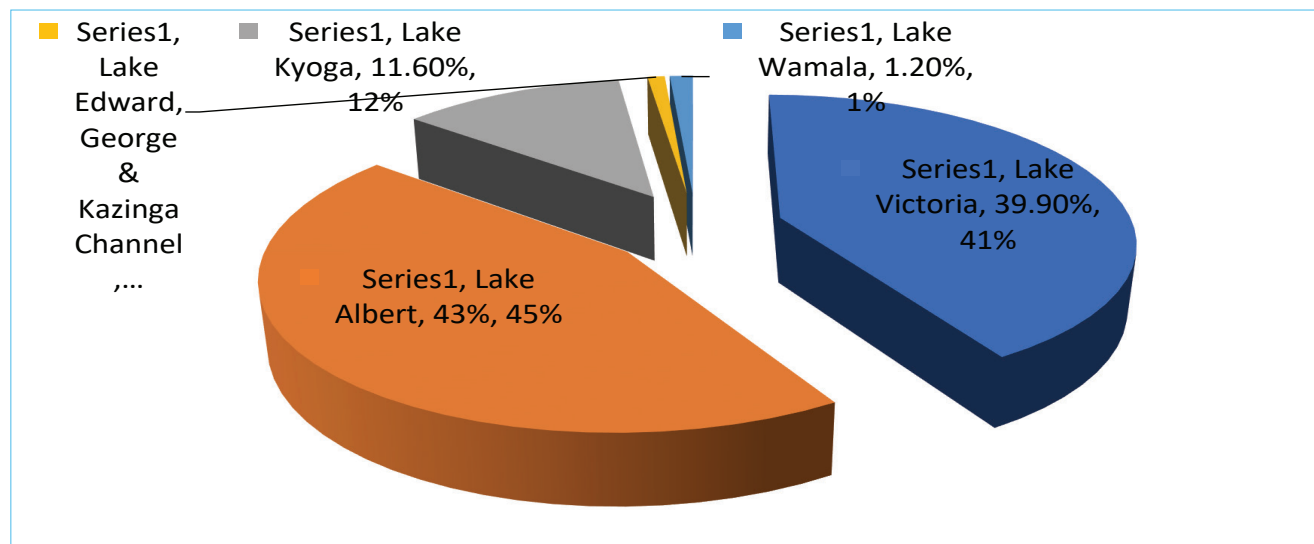
3.1.0. Sub-Sector Specific Submissions

3.1.1. Fisheries and Aquaculture Sector

Fisheries activities are mainly carried out in open waters and provide an important source of livelihood for many people in Uganda. Open Water covers 37,495.81 square kilometres of Uganda’s total surface area (15.5 percent). Lakes Victoria, Albert and Kyoga are the three major contributors to fresh water fish production in the country.

Since 2017, Lake Albert has continued to be the biggest contributor to fresh water fish production, accounting for 43.0 percent in 2018. This surpassed Lake Victoria (39.9%) which was the biggest contributor in the earlier years for the period under review while Lake Kyoga was the third largest contributor to fish catch (11.6%).

Figure 12: Proportion of fish catch by water body, 2018



Source: UBOS Abstract 2020

It is estimated that one million Ugandans were involved in fisheries directly and five million people across the country depend on the sector for welfare. (FAO report, 2021). Aquaculture sector is estimated to employ 24 434 people. Large quantities of smoked and sun-dried fish originating from Lake Victoria are traded - legally and illegally into western Uganda and in the Democratic Republic of Congo.

Fishing activities declined by 8.8 percent in FY2020/21 compared to a small growth of 0.3 percent in FY2019/20. The sector contributed 23.8 percent to GDP in FY2020/21 compared to 23.9 percent in FY2019/20. (UBOs 2021). Total fish production from capture and aquaculture increased by 8% from 501,973 MT in 2017 to 543,091 MT in 2018²². (see graph below). This increase is attributed to fish stock recovery/ increase especially for Nile perch

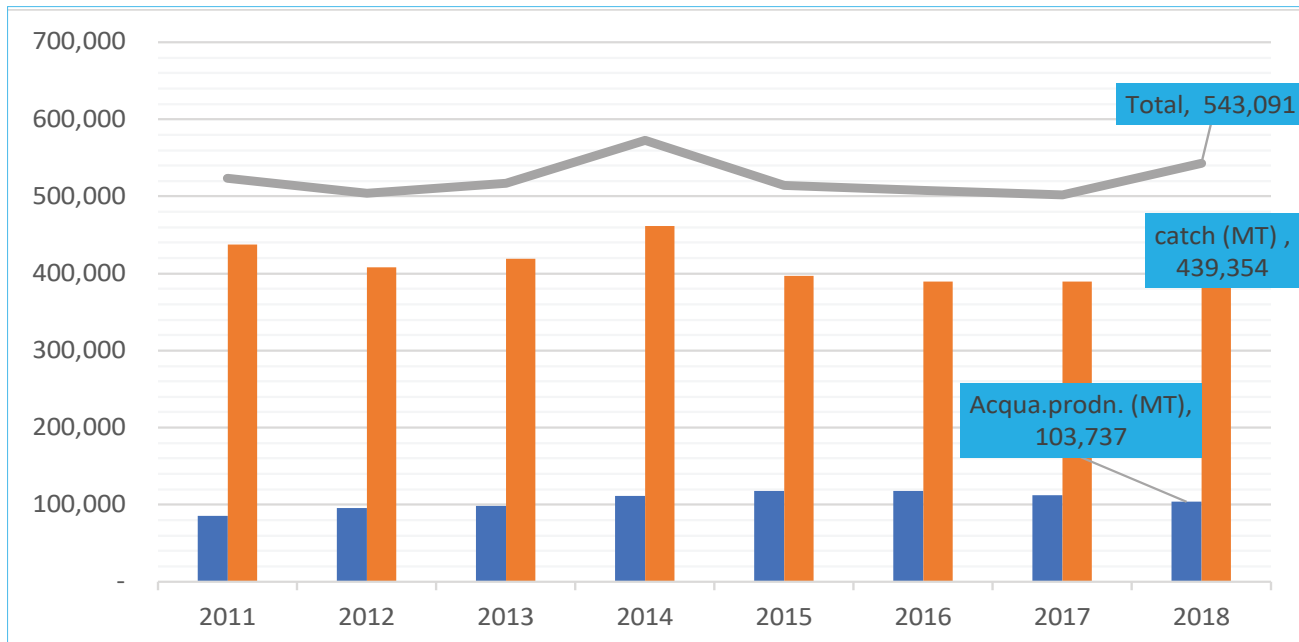
due to army enforcement activities on illegal fishing. Capture fisheries production alone increased by 13% from 389,629 MT in 2017 to 439,354MT



22 UBOS statistical Abstract 2021

in 2018 due to army enforcement activities on illegal fishing. Capture fishing remains the major contributor to total fish production of about 77% of the total fish production. The main commercial species caught include Nile perch, tilapia and mukene. On the other hand, aquaculture is also increasing steadily. Aquaculture production increased by 21% from 85,713 MT in 2011 to 103,737 MT in 2018.

Figure 13: Trend in aquaculture and fisheries production (metric Tons)- 2011 – 2018.



Source: UBOs 2021

Presently, Uganda is the second largest aquaculture producer in Sub-Saharan Africa after Nigeria. Aquaculture production in Uganda increased from just over 800 tonnes (2000) to 117 600 tonnes in 2015. Production was mostly composed of catfishes (51 percent) and Nile tilapia (49 percent).



In addition, nearly 15 000 tonnes of fish from aquaculture²³, including production from small-scale fish farmers, emerging commercial fish farmers and stocked community water reservoirs and minor lakes is produced annually from an estimated 20 000 ponds throughout the country. The average surface area per pond is 500 m² and the production ranges between 1 500 kg per hectare per

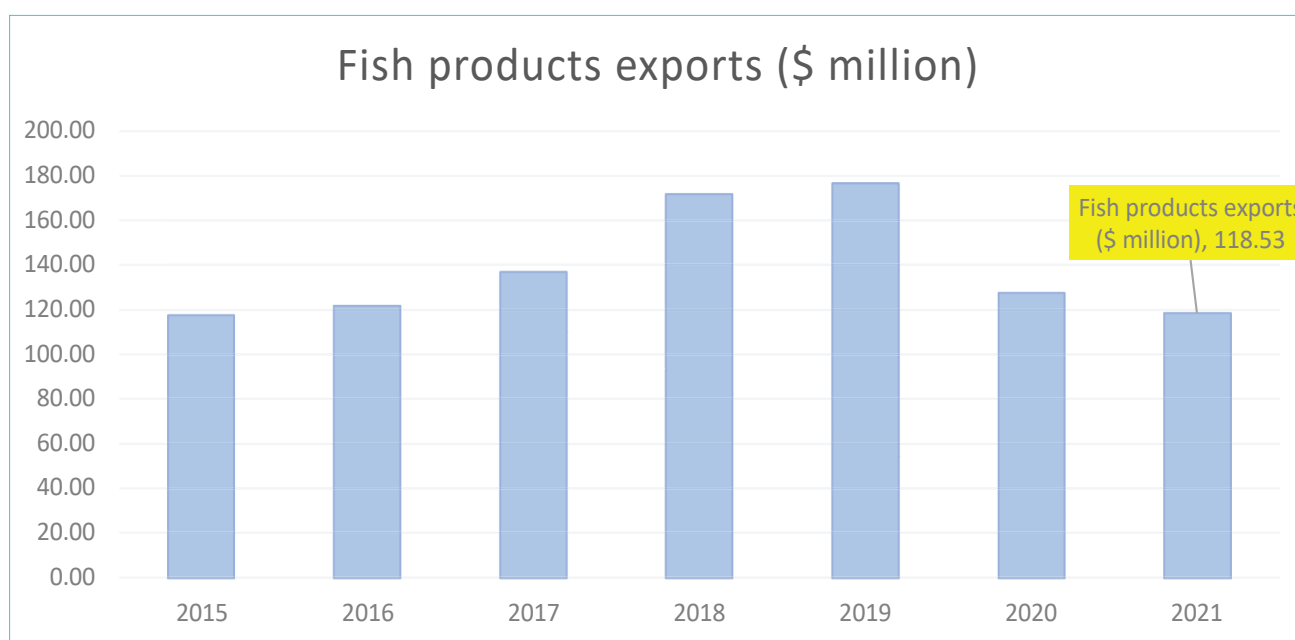
year for subsistence farmers to 15 000 kg per hectare per year for emerging commercial fish farmers. It is estimated that there are 2 000 such farmers who own nearly 5 000 ponds, with an average pond size of 1 500 m² per pond. With improved market prices for fish, government intervention for increased production and stagnating supply from capture fisheries, aquaculture has begun to attract entrepreneurial farmers seeking to

exploit the business opportunity provided by the prevailing demand for fish. This recent expansion in aquaculture has also resulted in the transformation of 20 percent to 30 percent of the smallholder subsistence ponds into profitable small-scale production units through developments in management as well as scale of production.

Fisheries activities contribute 3% to the GDP and 12% to agriculture GDP in Uganda. The sector targets to increase annual production to 674,028 MT by 2020, valued at approximately USD 6.4 billion. Annual exports are projected to increase to USD 200 million. The annual per capita consumption of fish was estimated at about 12.5 kg in 2013, higher than the African average of 10.1 kg (FAO report, 2017). Consumers generally prefer fresh fish, but smoking, sun-drying and salting by artisanal processors (many of whom are women) is done to prolong shelf-life. The most popular fish commodity is dried lake sardine (mukene).

In the figure below, we see a 7 percent reduction in the export value of fish from USD 127.63 million in 2020 to USD 118.53 million in 2021 due to climate change related issues which reduced catchment of the Nile perch.

Figure 14: A graph showing the fish export trend from 2015-2021



Source: Bank of Uganda statistics, 2022

Despite the good growth trajectory, the fisheries and aquaculture sector are faced with challenges ranging from limited access to water for production, high cost and access to quality inputs (feeds, and fingerlings), inadequate management skills, limited access to market, loss of biodiversity, inadequate facilities for seed multiplication and artificial propagation for restocking and stock enhancement²⁴. Other challenges have been inadequate capacity of BMUs in fisheries management, the resurgence of water hyacinth and the emergence of new weeds, lack of species-specific management plans, prevalence of HIV/AIDS in the fishing communities, inadequate mechanisms for fishing communities to save and invest, and lack of feeds to sustain the real opportunities in aquaculture.

24 According to the Agricultural Sector Development Strategy and Investment Plan 2010/11-2014/15

Table 10: The issues raised by the private in the agriculture, agro-industry and forestry

Challenges affecting the Private sector Investment	Implications to investment, growth, tax revenue and employment of young people	Private Sector Proposals
<p><u>Reduced capture fishing production volumes caused by:</u></p> <p>The resurgence of water hyacinth and the emergence of new weeds such as kariba (Nankabirwa) on Lake Victoria:</p> <p>According to reports from MoWE, over 34,420 kms on both Lake Victoria and Lake Kyoga has been eaten up by water weeds. The weeds are more evidenced on Lake Kyoga, covering 20 percent of the water.</p> <p>Illegal importation of the fishing gears which has contributed to reduction of fish stocks as they capture young fish at the expense of the industry.</p> <p>Climate change related issues such as water over flow which contributes to death of fish</p>	<p>This cuts off oxygen supply in water which causes death of fish. It increases fishing operational costs since destroys fishing nets and limits access to fishing areas as fishermen cannot navigate wider areas of the lake hence reduced catchment, reduced household incomes.</p> <p>It increases costs of water transport especially rural communities for example sailing costs to Buyende and Pallisa rom Kaliro have increased from Shs3,000, to between Shs30,000 and Shs40,000 which has increases costs of transport and distribution.</p> <p>Limited access to the Nile perch in the processing factories due to reduced fish stocks in the Lake Victoria. Hence factories are operating at excess capacity levels.</p> <p>Reduces fish reproduction since it breeds many diseases.</p>	<p>i. In the short term, prioritize adequate funds and coordination across the EAC partner states to continue fuelling the weed's monitoring and control mechanisms and set up well-equipped special units to deal with the weed.</p> <p>ii. Promote Research & development and commercialization for the establishment of the biodegradable plastic plant which utilized water hyacinth as a raw material. This will be cost effective and also generate opportunities for the fishing communities.</p> <p>iii. Promote industrial domestic production of appropriate fishing gears and equipment to avail to fishermen.</p> <p>iv. Establish the evaluation mechanism for the policy on enforcement of legal fishing gears by the URA and FPU (Fisheries Protection Unit) to facilitate policy review.</p> <p>v. Government should support the demarcation of the fish breeding areas for the Nile perch. Projects for GLZ are doing something. This helps in biosecurity in case of a disease breakout. It also helps planning based on climatic conditions available.</p>

Table 10: The issues raised by the private in the agriculture, agro-industry and forestry

<p>The fish levy was introduced in 2013/14 at 5% of invoice value of exports with an objective of supporting research and development and fighting illegal fishing for the industry. To date over 20 billion shillings have accumulated however, the industry has not benefited from this cost.</p> <p>The fish levy that was initially introduced for the purpose of fighting illegal fishing and supporting research and development is not yielding any results according to fish exporters. This is because they are not involved in the critical processes of planning, implementation and evaluation of activities which are supported by the levy.</p>	<p>It has increased the cost of doing business since the costs are borne by the industry players which undermines the export promotion strategy for the country.</p>	<p>MoFPED should appropriate the funds existing in the consolidated fund to the Department of Fisheries to promote research and development, fight illegal fishing and address the issues of water weeds to promote the industry and create jobs. Plough at least 1% of the money fish generated by government as revenue, fish levy from exports to be used for research, developments and enforcement on the lakes among others</p>
<p>High post-harvest losses in small pelagic fishery (Mukene- L. Victoria, Lagoge and Muziri- L. Albert) this is over 60% of the total fish catch.</p> <p>According to FAO, 2019, post-harvest losses are estimated to range from 30–40 per cent and sometimes even higher.</p>	<p>Shs5b is lost to poor handling every year, FAO report 2019. Post-harvest losses of small fishes (Mukene) range from 10 per cent in dry season to 90 per cent in the rainy season. Uganda loses US\$1.5m (about Sh3 billion) to Mukene post-harvest losses alone. Fresh tilapia traders also lose about 5.2 percent of their catch to quality issues.</p>	<p>Promote multimedia awareness campaigns on the importance of hygiene and quality in handling of fish in small scale fisheries while direct involvement of small-scale fishers, fish traders and consumers to educate their peers on the importance of hygiene to preserve fish along major landing sites.</p>

Table 10: The issues raised by the private in the agriculture, agro-industry and forestry

<p>Limited access to affordable fish farming inputs (fingerlings, water for production, quality feeds, extension services and power)</p> <p>Inadequate facilities for seed multiplication and artificial propagation for restocking and stock enhancement.</p> <p>High cost and access to quality inputs (feeds, and fingerlings). Locally made feeds are available to farmers and are cheaper with a price range between 3,650 to 7,000 Shillings however, they are not of good quality and therefore farmers concentrate on imported feeds which are priced between 6,000 to 8,000 shillings.</p>	<p>This increases the cost of operation of fish farms due to limited access to quality inputs, water for production, quality extension services, power and feeds.</p> <p>Reduces profitability for fish farms due to high cost of feeds (60 percent of the costs are feeds) which are imported. In addition, reliance on imports affects local manufacturing industry but also increase volatility of the industry should any shock happen on supply chains.</p> <p>Reduces the employment opportunities through out the value chains which also reduces the tax base for the Government.</p>	<ul style="list-style-type: none"> i. Enact the animal feeds bill to promote local fish industry through research and development, BDS and regulations. ii. Develop a national aquaculture strategic development plan to <u>organize the fish farmers, promote fish farming technologies, establish sector statistics, promote value addition.</u> iii. Promote Eco labelling and MSC certification program. This promote access to the international markets. iv. Prioritize infrastructure for water for production and its allied services of water testing, technologies and extension services.
---	---	--

3.1.2. The Apiculture Sub-Sector

Bee keeping in Uganda has been practised for ages as a tradition among an estimated number of 1.2 million bee keepers. Given its compatibility with crop production, Uganda produces approximately 2,600 metric tons of honey per year with 95% being consumed locally²⁵. This increased demand can be attributed to the heightened awareness about healthy living. However, due to limited use of improved transitional hives, productivity has stagnated at approximately 3.9 kg per year per hive as well as failed to meet the demand for organic honey. Uganda currently harvests only 1% of a potential 500,000 tonnes of honey per year. Despite being only one of five countries in sub-Saharan Africa licensed to export honey to the EU, Uganda is still failing to meet home-grown demands for honey, let alone export to this potential market.

Besides honey, the sector produces propolis, beeswax and bee venom for cosmetic, medicinal, food and other purposes. These products are mostly produced for the internal market and largely informal export predominantly to the neighbouring countries of Kenya, Democratic Republic of Congo, and South Sudan. Much of it finds its way onto the informal market or cross-border trade through traders that buy directly.

Value addition to beehive products requires special equipment and inputs such as wax melters for beeswax products, honey settling tanks and honey extractors. Entry points in value-adding activities for newcomers without assets or specialised skills are scarce. Beekeeping itself remains the most important avenue for these entrants, which makes the most sense in rural or peri-urban settings.

Beekeeping is an attractive additional source of income for youth, as starting up a beekeeping business is typically low investment, does not require much capital or land, and the time costs to benefits ratio is relatively beneficial. Women may combine it with care responsibilities or other expected roles, especially in rural households. With local means at their disposal, an entrant can construct their own hives, set up an apiary, and with some basic knowledge about bees, one can start a self-sustaining beekeeping business with 10 colonies (15 hives) or more. What is important are colonies and not so much the number of hives.

Youth and women commonly face similar challenges of lack of land ownership and (modern) basic beekeeping equipment. Young women, especially, need to negotiate with their own families or their husbands' to be allowed to use land for their apiaries, which can be a stretch as not everyone likes the prospect of stinging bees in their backyards. No land, no apiary. The transient lives of young women in rural settings – implying that they move to another homestead upon marriage – also makes families reluctant to bestow land on their female household members.



25 FAO report 2012; no reliable recent statistics

This sector is constrained by many factors including: the lack of a policy and legislation to address issues such as setting market criteria and quality standards, lack of training on better bee keeping and processing practises coupled with low access to information, quality of honey and bees wax which is compromised during harvesting. Farmers do not know how to separate bees wax from honey therefore the mixture between broken wax, honey comb, pollen, larvae and honey lowering the quality, the limited access to production credit i.e. low capital to invest in bee keeping as a business as well as the expensive machinery, Pests and predators that attack the hives, High cost of equipment especially overalls and frame hives, Poor perception of beekeeping as a worthwhile activity. Some individuals do not regard it as a business, while others fear bee-stings (attitude towards the activity).

1. For Uganda to achieve the potential honey production, small scale farmers would need more support in terms of protective clothing and equipment and on-going practical training and support to enable them to benefit fully from these donations of modern more productive hives. The private sector further proposes the following recommendations;
2. Develop the National Apicultural Policy together with its implementation plan to guide the sector generate production statistics, promote production and productivity, promote quality and standards, promote extension services and provision of business development support to support MSMEs and start-ups.
3. Privatize the entomology section of the extension to shift the available entomologists to concentrate on subsistence farmers and regulation of private actors. This is a sustainable solution to extension services. The National extension services bill needs to be enacted.

3.1.3. Dairy Sub Sector

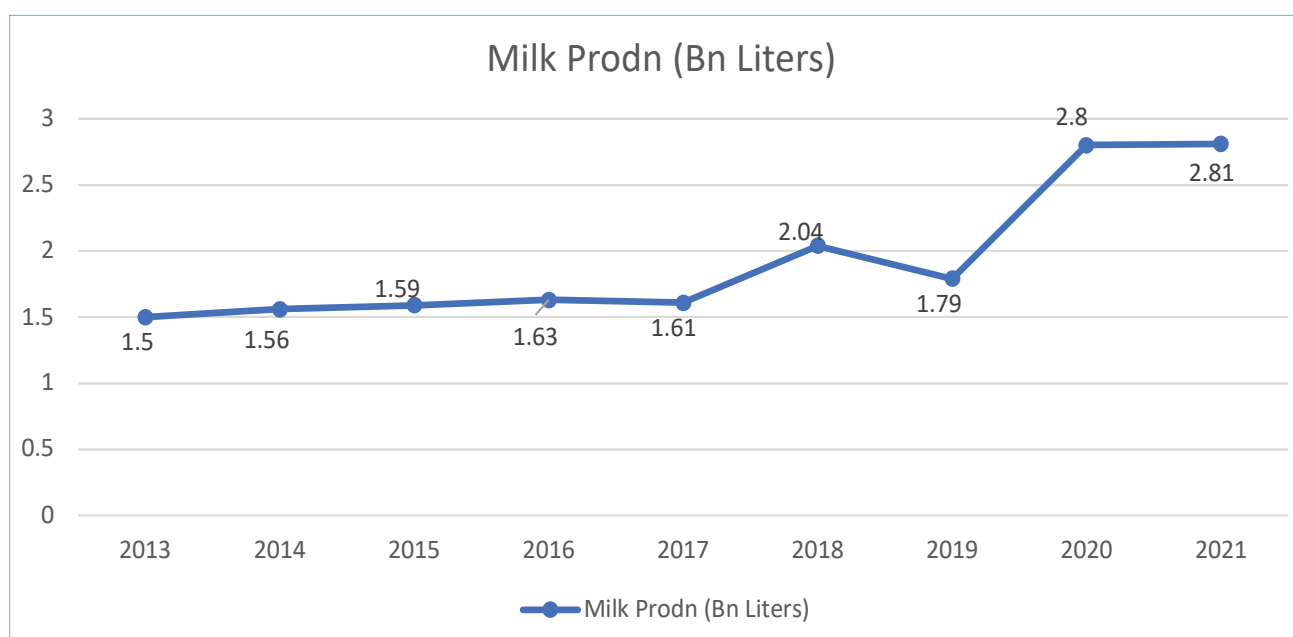
Uganda's dairy sector plays a vital role in household nutrition income levels. It represents 6.5% of the countries agricultural Gross Domestic Product (GDP). Dairy production is dominated by rural small-scale farmers with varying levels of quality and only around 20% of milk being processed into higher value products. According to the DDA, Uganda's revenue from export of dairy products has risen sharply, by 63% in three years (2018-2020). Dairy now accounts for accounts for 8% of total export value. The time is ripe to help the sector to reach its full potential. In the East African Community, Uganda ranks third in milk consumption, behind Kenya and the United Republic of Tanzania, with each Ugandan consuming 64 litres per year on average. In comparison, the recommended intake by World Health Organization and FAO is around 200 litres. Milk consumption is highest in central region at 91 litres per year, western region the second highest at 51.7 liters and with the northern region the lowest at 15.6 liters per person per year (K-2 survey, 2002). The developments of the cross-border trade and market policies have led to milk producers earning prices around 7% below international equivalents since 2013, but down from around 50% less in 2005. Nevertheless, dairy farmers were penalised by excessive market access costs – 40% of producer price – such as transport, informal fees and high profit margins by traders. Improving transport infrastructure and logistics services, diversifying export opportunities and promoting cooperatives are a few policy recommendations shared (FAO report, 2022).



Due to increasing demand for milk and meat in the local market, livestock production has experienced a steady increase of 3% over the years. There has been a steady increase in the milk production for the past decade. According to the DDA report 2022, milk production increased by 210 million litres, growing from 2.6 billion in the same period ended July 2020 to 2.81 billion litres. Milk production has tremendously increased over the last seven years, growing by 74 percent from 2.08 billion in 2015 to 2.81 billion, according to DDA data. However, on average only 30 percent of the total annual production is processed, which means that there is a lot of wastage and low levels of value addition.

During the period under review, according to DDA, processing plants (large, medium, small and cottages) increased from 100 with installed processing capacity of 2.7 million litres in 2018 to 116 in 2021 with estimated total processing capacity of 3.1 million litres. “This increment is contributed by dairy cottages in south west and central milk sheds adding value to the milk as the sector strives to reduce post-harvest loss, improve milk marketing and create jobs along the dairy value chain,” the report reads in part.

Figure 15: Trend of Milk production 2013-2021 in billion litres



Source: FAO statistics, 2022.

As illustrated in the figure above, milk production in the dairy sector has been gradually increasing over the years. However, according to the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), there is potential for increase if profitable markets can be developed given Uganda’s natural resources. The Ministry continues to state that 75% of the land (18 million square kilometres) could be used for crops or grazing but currently only 5 million hectares is used for pastures and grazing land.

Uganda exports UHT pasteurized milk as the main dairy product to regional markets such as Rwanda, Kenya, Tanzania, DR Congo, South Sudan, Egypt and Mauritius. Although the export values have been growing, the recent trade war between Uganda and Kenya has greatly affected the industry. This is because Kenya was the biggest market for Ugandan processed milk and related products. The sector is still facing challenges such as non-tariff barriers on dairy products accessing Kenya, high cost of milk processing machinery and limited knowledge in developing more value-add products out of milk. To address these challenges, the Private sector proposes;

1. Enact a National Acaricide policy to support farmers in the pest and disease control
2. Enact Animal feeds policy and law to promote supplementary feeding which is required to increase productivity of dairy animals.
3. Promote domestic consumption of milk and its products through public procurement for schools, hospitals, Government institutions and airlines. This will provide an alternative market for Uganda milk products.
4. Enhance the budget for research and development of NAGRIC to enable it expand the community breeding program. This program however should take a private sector approach.
5. In the short term, conduct bilateral engagements with the Government of Kenya to resolve the Non-tariff barriers on dairy products from Uganda.

3.1.4. Beef Sub-Sector

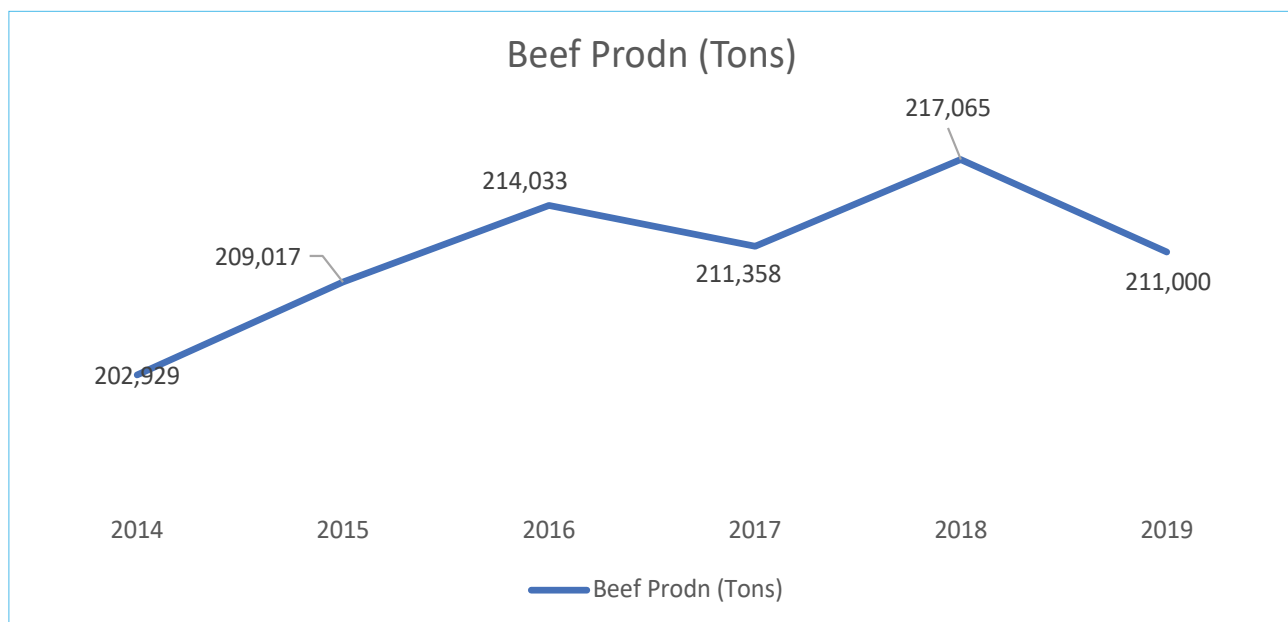
The number of cattle increased from 14.2 million in 2017 to 14.6 million in 2018, registering a 2.7 percent increase. In 2018 the goat, sheep, pigs and poultry numbers increased by 2.4 percent, 3.1 percent, 3.3 percent and 2.8 percent compared 2017 increase of 1.97, 3.20, 0.54 and 2.8 to respectively.



The indigenous breeds continue to be dominant over the exotic ones for both cattle and poultry. Out of the 14.6 million cattle in Uganda, 9 in every 10 (13.6 million) are indigenous. And out of the 42.9 million poultry in the country, (87.7%) were indigenous while the rest were exotic. The beef industry is one of the industries earmarked to drive the country's agro-industrialisation agenda due to its enormous potential for growth and employment and numerous forward and backward linkages. Although the sector has registered some improvement in the recent past, as seen by the increase in meat and offal production, its performance remains below the country's targets.

For instance, by 2018, the country had a deficit of 121,271 MT to reach the target of 360,000 MT in beef production as articulated in the Agriculture Sector Strategic Plan (2015/16-2019/20). Furthermore, value addition in beef products remains low, resulting in less foreign exchange earnings. Therefore, transformation of this value chain is essential for attaining the NDP III goals. Beef production has registered an upward trend in the past four years with 197,019 metric tons in 2013, 202,929 metric tons in 2014, to 217,065 metric tons in 2018. In addition, cattle increased by about 3% between 2013 and 2014. Higher rates of growth are anticipated as Government pursues its policies of modernizing and commercializing agriculture. To restore the livestock industry, the Government of Uganda has put in place livestock productivity improvement plans and policy frameworks.

Figure 16: Beef production trend between 2014 and 2019



Source: PSFU own construct using data from UBOS Statistical Abstract, 2021

Breeding services and enforcement of standards highly underpin the performance of the beef value chain. On the one hand, ensuring the right breeds is essential for boosting productivity and fostering linkage between farmers and beef processors. On the other hand, ensuring and enforcing the right standards is vital for penetrating high-end export markets. Upon this basis, this policy brief highlights the importance of improving breeding services and enforcement of standards in the transformation of the beef value chain.

- Several beef processing plants in Bombo and Nakaseke have since been commissioned however, information reaching PSFU is that they are not yet effective in supporting the sector grow.
- Infrastructure to handle transportation of milk: milk transportation trucks, good quality milk tankers for transportation Surveillance trucks are a key priority for the Dairy sector (Mobile Laboratories)



Table 11: Challenges affecting the Private sector and private sector proposals

Challenges affecting the Private sector	Implications to investment, and employment.	Private Sector Proposals
<p>Limited access to high quality breeds/genetics has hindered growth in beef productivity, albeit increased production: Farmers have limited access to improved breeds and other productivity-enhancing technologies. Whereas NAGRIC DB disseminates some of the technologies, the channels used undermine uptake of the technologies. Low yields are primarily attributed to the reliance on indigenous breeds raised under extensive systems with inadequate nutrition and poor animal health management.</p>	<p>This has contributed to stagnated levels of productivity/ low yields in the industry. In fact, between 2016 and 2018, the beef industry's productivity stagnated at 1,496 hg/animal, despite the increase from 1,490 hectogram per animal in 2013 to 1,497 hg/animal in 2015. Stagnation in productivity suggests that the registered increase in meat and offal production was driven by the rise in the number of animals slaughtered.</p> <p>For instance, the number of animals slaughtered increased from 1.2 million in 2010 to 1.6 million in 2018 (FAO 2020). However, the stagnation of productivity at a lower level than earlier recorded (between 2010 and 2012) suggests room for improvement.</p>	<p>Strengthen breeding services and the linkage between processors and farmers to align the interests of different actors. Whereas the government has established NAGRIC & DB to undertake breeding, its capacity to reach all the farmers is limited. Therefore, the government can partner with the private sector to establish breeder societies at different levels to complement the efforts of NAGRIC & DB in supplying high-quality breeds for beef animals. Notably, commercial breeding and grazing practices need to be guided by industrial requirements to ensure that processors get the required animals. Therefore, there is a need to undertake a thorough assessment of the requirements and specifications of the processors to align interventions (breeding and grazing) towards meeting these specifications.</p>
<p>Limited supply of high-quality beef meat is partly responsible for the underutilisation of processing capacity. The few available beef processors in the country reported gross underutilisation of installed capacity, which deprives them of economies of scale. In addition, the decline in products demands as a result of COVID-19 led to a reduction in processing.</p>	<p>This limits the companies to benefit from economies of scale, limits access to high farm gate prices, affects Government revenue and employment.</p> <p>For instance, Fresh Cuts Uganda Limited—the largest meat processor in Uganda, reportedly processes 70 tons of meat (approximately 150-200 carcasses) per week against 400 carcasses per week. According to EPRC s</p>	<p>i. Strengthen enforcement of standards: There is a need to enhance laboratory testing for chemicals in the meat and enforcement of other standards along the beef value chain. Currently, laboratory tests are mainly for diseases, which are also not strictly enforced.</p>

<p>Other challenges at processing include; lack of sufficiently high-quality abattoirs; skills gaps among workers; poor transportation, which affects the quality of the meat, business environment constraints.</p> <p>MOBIP Promote Supplementary Feeding project by PSFU, EU has contributed towards promoting supplementary feeding technologies with in a interest of increasing productivity and improvement of market requirements</p>	<p>tudy 2021, the underutilisation of the installed capacity is partly attributed to the limited supply of cattle that meet processors' requirements. That is: "Fresh Cuts Uganda Limited demands that animals supplied for slaughter are Boran breeds or crosses of Boran and Friesians, of not less than 280 Kgs (live weight) and not more than three years old while <u>Egypt-Uganda Food Security Company</u> Limited required only male beef animals, less than three years old with a live weight of 300 Kgs per animal. These requirements are hard for farmers to meet.</p>	<p>ii. Relatedly, the quality of the meat can be improved by establishing modern abattoirs along the cattle corridors. The government needs to explore Public-Private Partnerships to establish these abattoirs to minimise cattle movement before slaughter.</p> <p>iii. Prioritize investment in improved breed technologies and embryo transfer.</p> <p>iv. Review, ease and simplify livestock movement regulations to provide for continued movement for livestock with proven, electronically verifiable valid movement documents and from certain long distance beyond a threshold of 70km</p>
<p>Inability to meet international quality and standards continues to hamper penetration of external markets for high-value products: While Uganda dominates destination markets for live cattle, it serves a minimal share of the destination markets for beef. Thus, suggesting room for expanding export shares for processed beef products. Penetration into these markets is still hampered by; inability to meet Sanitary and phytosanitary requirements, and lack of traceability for Uganda's beef products, limited enforcement of standards, Lack of refrigerated Transportation and Standardization and digitalization, and tracking of imports and exports.</p>	<p>Uganda mainly exports live cattle-valued at about USD 1.6 million compared to processed beef (frozen beef and fresh or chilled beef) - valued at less than USD 1 million as of 2018. Noteworthy, export markets for Uganda's beef products are highly geographically concentrated (within the neighbouring countries), which poses a considerable risk in case of a shock in these destination markets.</p> <p>Penetration of high-value international markets requires stringent enforcement of quality and hygiene standards right from the farm to processing since international orders require samples to test for antibiotics.</p>	<p>i. Consider Scaling the Promote Supplementary Feeding technologies piloted under the MOBIP project in a jointed manner to increase access to water for production, pasture varieties, mechanization (such as bailors), biosecurity, skilled labour and finance.</p> <p>ii. Invest in promoting the consumption of quality beef products through international exhibitions in countries such as Algeria, China, Vietnam among others. Taste and meat fairs domestically can also be utilized.</p>

<p>High prevalence of Pests and diseases. Tick Resistance and Foot and Mouth Disease and the negative impacts on the control mechanisms.</p> <p>FMD is a global concern in the OIE²⁶ which requires that countries with FMD outbreaks take extreme control measures²⁷. Adopted practices have not been effective: inefficient and inadequate veterinary extension system, insufficient vaccines and the difficulty of controlling animal trade across borders.</p>		<p>iii. Support and Develop a Livestock Traceability system to improve export compliance, proper animal disease surveillance and compliant supply from the farm to consumers.</p> <p>iv. Develop an automated Livestock movement documentation to ease and curb livestock theft and simplify movement restrictions day and night depending on Distance.</p>
<p>The cost of FMD is two-fold: death of animals and low milk production in infected animals; and loss of export trade due to rejection of products from a disease-infected country.</p> <p>Commercial farms with proven levels of bio security and are free from FMD are disadvantaged since ban on animal movement is implemented at a geographical location level.</p> <p>Loss of money regarding the in effectiveness of acaricides which undermines the efforts of the farmers.</p>		<p>i. Consider establishment of disease-free zones and let all the vaccination programs be executed within the zones. The DFZ strategy has been successfully used in other beef exporting countries including Botswana, Namibia and Brazil.</p> <p>ii. Enact a National Acaricide policy to support pest and disease control</p> <p>iii. Enact the quarantine act and policy promoting private certification of farms with the requisite bio safety to curb Foot and Mouth Disease.</p>

26 Office of international animal health which requires that countries with FMD outbreaks take extreme control measures. such as routine vaccination campaigns and restricting animal movements.

27 Disease Free Zones fulfils the WTO rules-of-origin or geographical labelling requirements by informing consumers of the production methods and sites in order to mitigate uncertainties on product quality and safety.

3.1.5. The Grain Sector: Case study of Rice and Maize

The grain sub-sector occupies a strategic position in ensuring the country's food security alongside other crops such as bananas, cassava, and sweet potatoes. This sub-sector provides producers, produce buyers, transporters, processors, and exporters with income from business transactions undertaken along the value chain. Grains are also the most important source of raw materials for livestock feeds. Grains are therefore important crops for both food security and income-generation and thus directly affect women in agriculture in addition to men. The three most common types of disposition for cereal crops are; sale, consumption and storage. A significant percentage of Maize production (40.5 percent) and Rice production (54.5 percent) is sold while most of the Finger millet (37.7 percent) and Sorghum (46.9 percent) is consumed by the producing households (UBOs Abstract, 2021). For all the four cereals crops in the table below, less than 10 percent of production was used for other purposes²⁸.

Table 12: Cereal Production (Mt) and Disposition by percentage, UCA 2008/09

Crop	Production (Mt)	Sold	Human Consumption	Stored	Used for other purposes
Maize	2.8	40.5	34.3	19.3	5.9
Millet	4.3	19	37.7	33.5	9.8
Sorghum	375,795	14.3	46.9	30.1	8.7
Rice	190,736	54.5	24.1	12.4	9.0

Source: UBOS, Abstract 2020

Maize and Rice are major food crops consumed by the biggest percentage of the people in Uganda. In addition, they are also a big base for animal feeds and trade across the EAC region. Production of both maize and rice has been recorded to be rising with a more than double in production of rice from 1660000 metric tons in 2019 to 373,000 metrics in 2020 and a 65% increase in the production of maize from 2,760,000 metric tons to 4560,000 metric tons of maize between 2019 and 2020. (UBoS Statistical 2021).

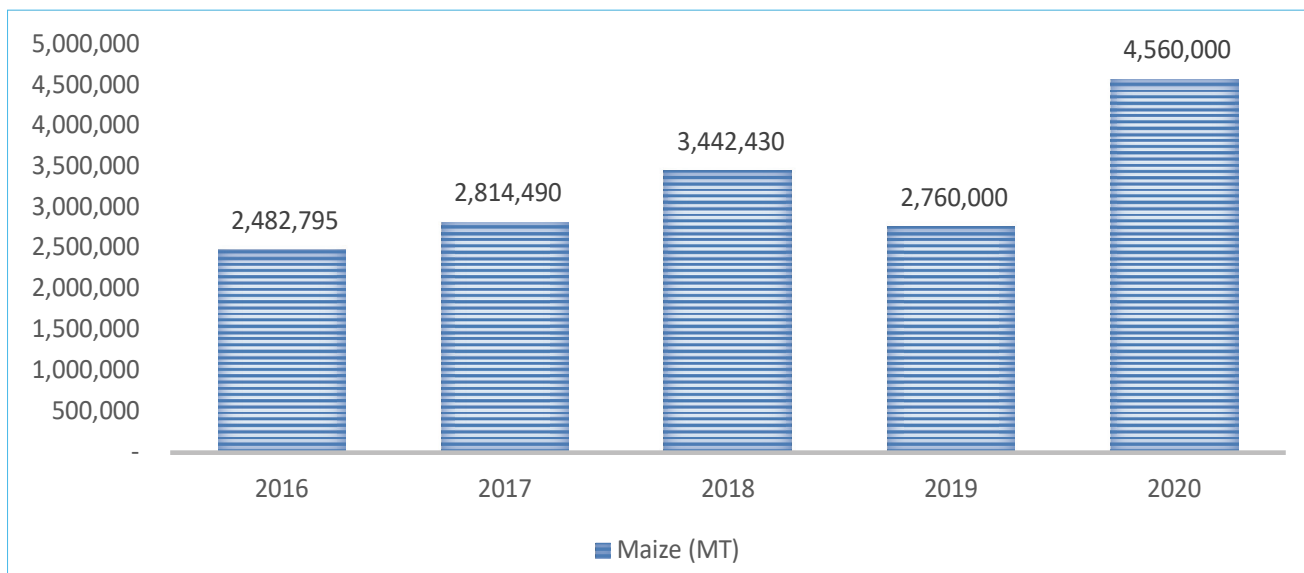
Maize Sub sector: Uganda is the eighth largest producer of maize in Africa and third in East Africa. The production area for maize is 1.15 million hectares with a production of 2.7 million metric tons. An estimated 75 per cent of maize production and 70 per cent of marketable surplus attributed to smallholder farmers. Maize as the 3rd most cultivated crop after banana and beans is a growing source of livelihood and foreign exchange through exports in Uganda. It is grown by



small-scale farmers who for so many years have cultivated it for food and income generation. Maize acts as a livelihood to over 1000 traders, 50 exporters and about 3 million Ugandan farm households. It is grown by small-scale farmers who for, so many years have cultivated maize for food and income generation. Maize acts as a livelihood to more than 1000 traders, 20 exporters and about 3 million Ugandan farm households.

Figure 17: The trend of maize production

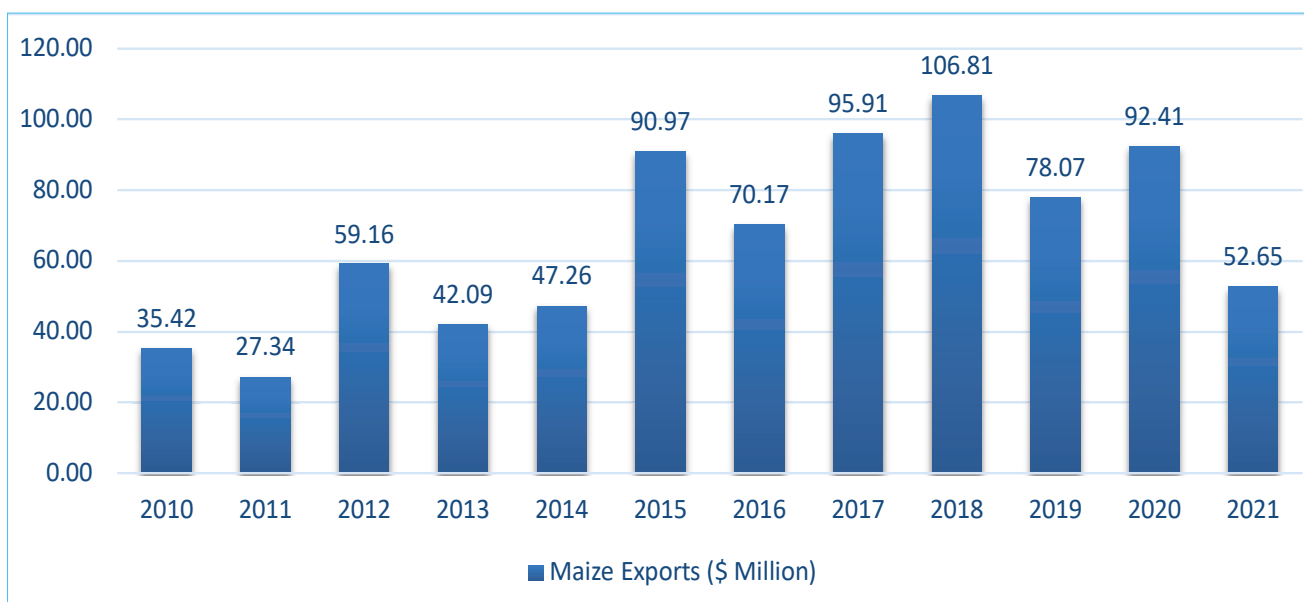
(metric tons) from 2016 - 2020.



Source: PSFU own construct using data from UBOS Abstract 2021.

Due to the high demand at the regional market, Uganda exports maize to mainly go to Kenya, Southern Sudan, Democratic Republic of Congo, Rwanda, Tanzania and markets within Eastern and Southern Africa. Therefore, increasing maize yields and quality would go a long way in strengthening its position in the regional and international markets. However, the accuracy of data on volume and value of exports is in question due to the high rate of informal trade at cross-border level mostly to Kenya and Rwanda. Consequently, Uganda has only been able to formally export half of the estimated 66,671 tons to her neighbouring countries and the rest is left unknown.

Figure 18: Value maize export (\$ million) 2010-2021



Source: PSFU own construct using data from Bank of Uganda 2022.

Therefore, Uganda Exports of corn (maize) to Kenya was US\$49.07 Million during 2020, according to the United Nations COMTRADE database on international trade. Failure of the country to control commodity flow then makes cross-border trade a challenge. This reflects a low level of penetration into the regional market due to poor infrastructure on mostly the Ugandan side. The recent trade disputes between Uganda and Kenya on maize poses a great risk towards to these

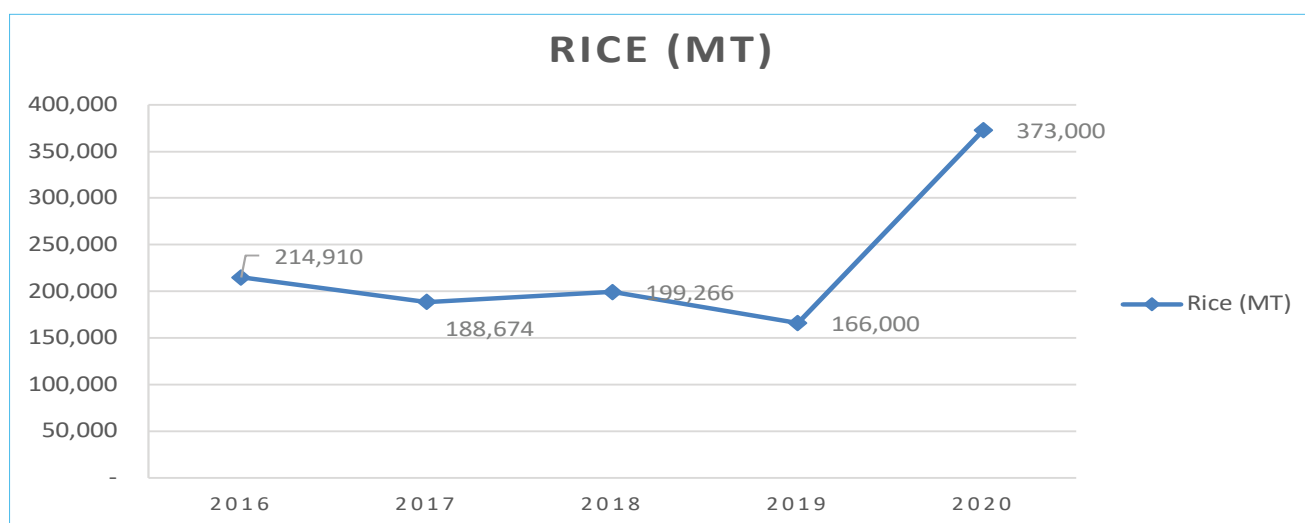
export numbers. The Government of Uganda should therefore find viable measures to ensure control of commodity flow at the borders as well as increase productivity. Maize farmers often have a number of production constraints such as lack of improved maize varieties, low soil fertility and erratic rainfall patterns thereby leading to low yields and high prices hence low returns. Other challenges deterring increasing returns from exportation of maize include; Poor storage and handling practises i.e. poor quality (wet and unclean) maize which is usually traded directly from producers. Quality is also affected by high moisture and fungal disease. The Grain Policy to guide the sector dealers has also remained in draft for so long now.

Trade relationships between Uganda and Kenya are expected to bring prosperity and better trade relations for both countries. The two countries partnered up to balance out the surplus of grain produced in Uganda, with the growing demand coming from Kenya. This partnership is expected to allow more effective, efficient trading of popular grains, including green grams and soy beans. The East African Community (EAC) states have finally agreed on the recommended moisture content for cereals and grains in the region. Cereal traders in the region can now sell their produce with ease. As Ugandan standards of moisture content stands at 15%, far below the required standard, negative short-term impacts are expected in the Ugandan grain exports.

Rice Sub sector: In 2004, EAC partner states introduced the Common External Tariff (CET) on imported milled rice to boost locally produced rice and to protect the smallholder farmers. This policy triggered a phenomenal transformation of the sector.

Rice is now a staple crop that is consumed by more than two thirds of the country. In areas where it is grown, it has a very high economic multiplier effect. Rice farming is the backbone of many rural communities. Over 85% of the rice produced in the country is from over 450,000 smallholder farmers with acreage of 0.5 - 2 acres each. The sector supports over 3,000,000 people across the country. The country produces both upland (46%) and lowland rice (54%). Eastern Uganda is the backbone of rice production accounting for more than 70% of the total production. The size of the sector in terms of investment at its height is estimated at US\$608 million. Over 90% of the national rice output of Uganda is produced by smallholder farmers in Eastern, Northern, and mid-Western parts of Uganda under rain fed and irrigated rice systems. Uganda is currently producing 373,000 metric ton (MT) of rice, 2020 which represents more than double rise in the volumes compared to 2019 at 166,000 metric tons. This trend has however been rising at a decreasing rate of 5 percent between 2017 and 2019. The Government through the National Rice development Strategy had set a target to produce 680,000 MT by 2020 however, the target was not met.

Figure 19: The Rice production trend (metric tons) 2016-2020



Source: PSFU own construct using data from Bank of Uganda 2022.

From 2015 onwards, the dilution of the CET was a standard practice. New and ad hoc policies were introduced and the sector lost its stable and predictable growth trend and in fact fell behind the regional competition in both terms of volumes produced and agricultural technologies applied. Agriculture is a long-term project that requires sustenance of more than 30 years. It took the developed world more than 100 years to attain the level of agriculture productivity they now enjoy. Special import concessions were granted to a select new player in 2015 and withdrawn after 11/2 years, then reintroduced in 2017 with 100% duty waiver and later followed up with concessional brown rice imports in 2018. Imports of milled rice/smuggling increased dramatically.

Consequently, imports from Tanzania risen and have continued to undermine the efforts of Ugandan farmers. The daily import average volume of rice from Tanzania is 415 MT per day.

Table 13: Showing imports of rice from Tanzania to Uganda as presented by the Millers.

Year	2017	2018	2019	2020	2021 (Jan to Sept)
Volume (MT)	37,000	86,000	85,000	468,000	415,000

It was noted that all permits issued by the Ministry of Trade are time based (six months) and with specific volumes aimed at regulating quantities. All current permits expire on 30th below shows rice imports from Tanzania in 2020.

Table 14: Distribution of imports by companies

Permits	Number of Companies	Imports
Imports by companies under Court Order	14	283,500
By Companies with import permits MTIC	61	131,500
Total	75	415,000

Source: Rice Millers Council

A combination of all the above and coupled with the heavy subsidies provided by the Republic of Tanzania, they are now enjoying the lowest production cost per kg of paddy in the region (NOTE, this is cost of production for an ordinary farmer. He/she can now sale direct to a miller or to a trader with a markup) see table below.

Table 15: Comparison of unit cost of producing paddy

Country	Unit cost/kg of paddy (Ush)	Comment
Tanzania	300	Is the lowest in the region
Kenya	1,100 - 1,200	Is the highest in the region
Uganda	600 - 800	Is more than double that of Tz

Source: Rice millers' council of Uganda

Despite the progress registered, the sector is still grappling with the following challenges and the private sector proposes the following measures which if implored could foster growth of the private sector investment.

Table 16: Issues affecting the grain sub-sector and private sector proposals

No.	Challenges affecting the Private sector	Implications to investment, and employment.	Private Sector Proposals
1	<p>Maize Subsector:</p> <p>Post-harvest losses and storage challenges along grain value chains; Limited availability of suitable storage facilities and high cost of post-harvest handling products and equipment contributed to serious PHLs. The Country's suitable storage capacity for grains stands at a mere 7.4% (EAGC, 2018) leading to high levels of aflatoxin infestations to up to 45% of total production (Makerere University, 2018).</p> <p>A case for maize, Post-harvest losses are predominantly caused by poor grain handling due use of rudimentary tools, pest infestation and poor storage facilities. Post-harvest losses (PHLs) account for 17.6% translating to 465,419 MT of the total production (APHLS, 2016).</p>	<p>An analysis of post-harvest losses at school storage facilities in rural primary schools in Kamuli District, Uganda revealed storage losses of 53%, with the affected schools by losing maize enough to feed the pupils for 26 more school days (Brumm et al, 2017). This is clearly unacceptable loss of public funds.</p> <p>Aflatoxin contamination is estimated to reduce the value of agricultural exports by approximately \$16 million (PACA, 2015)²⁹ and cost the economy USD 577 million annually as a result of aflatoxin-induced liver cancer cases (estimated using the transferred value per statistical life (VSL) method).</p>	<p>Zero-rate VAT on all post-harvest equipment, machinery and products and construction of grain storage facilities such as warehouses. These include; <u>Grain shellers, Tarpaulin, Grain dryers, Grain storage silos, Hermetic storage products such as PICS®, AgroZ® and Grain Pro® bags, Testing equipment such as moisture meters, Aflatoxin testing kits.</u> This would reduce post-harvest losses in maize and puts an extra 232,709 MT in the Food basket which can either feed over 8.3 million Ugandans and earn approximately USD 41,215,579 (considering Uganda's per capita maize consumption of 28Kg a year and a current maize price of UGX 650/KG). Affordability of machinery will support adoption of EAS grain standards.</p>
2	<p>High Energy costs in grain processing; Uganda faces the highest power tariff cost in EAC with costs increasing at an annual rate of 22% per annum (Budget speech, 2018; Independent magazine, 2017). SME grain milling companies incur a tariff bill of up to UGX 100 million per month.</p> <p>High prevalence of counterfeit seeds; According to Uganda Seed and Traders Association (USTA), counterfeit seeds accounts for 20% of the seed on the market. This has tremendously affected grain yields and dis-incentivized farmers' productivity.</p>	<p>This increases the costs of value addition which translates into high price for the final products making it uncompetitive. The high-power tariffs have also been reported to cause the shutdown of some enterprises.</p>	<p>Create a well-structured, market-friendly public-sector procurement of grains. Engagements with stakeholders found that some public institutions particularly the military, police force and boarding schools are major consumers of grains in Uganda. However, their procurement practices contribute to unstructured trade as elaborated by other grain sector report. Given their significant footprint in grain markets in the country, the participation of key institutions in structured grain trade can "pull" more grain through certified warehouses, thus promoting organized grain trade and creating a business case for greater investment in warehousing, aggregation and commodity trade financing.</p>

29 PACA (2015). Economic Impact of Aflatoxins to Africa: The case of Malawi, Tanzania and Uganda. Presentation at the First Africa Symposium of Mycotoxicology on 26-28 May 2015 in Livingstone, Zambia

<p>1</p>	<p>Rice Subsector: Redundant mills. Mills such as, Adony Ltd, Peyero millers Sunad, Upland Rice, Royal Rice, Eastern Rice, Haka Rice, Domazo, and 3 Agro have virtually stopped operations since 2019. Some of these Companies have resorted to what is called “toll milling” that is also done occasionally on a very small scale. Plans are underway for Royal Rice to relocate to Tanzania if the situation persists.</p> <p>Shift in land use from rice production to other crops</p> <p>Some farmers both small and large are shifting from rice production to other crops due to the fall in prices of rice since 2018. For example, before 2018, Northern Uganda Agricultural Centre (NUAC) used to cultivate 4,000 Hectares of rice and now cultivating 2,000 hectares and using the rest of the land for other crops like sesame on 50, soya beans on 70, maize on 200 and shea seed. Amatheon Agri Uganda Ltd used to cultivate rice on 12,000 hectares and of recent has shifted to growing chili on 70 hectares, Moringa on 25 hectares, soya beans on 100 Hectares, maize on 200 hectares, rice on 200 Hectares and Shea seed on 206 hectares.</p> <p>Un-utilized rice farms. Farmers are not motivated to open up more land for rice farming, for example, Amatheon Agri Uganda Ltd with 12,000 hectares but using 200, NUAC with 4,000 hectares but using 2,000 hectares, Otema with 5,000 acres and using 2,000 acres for rice, OBN 2000 acres but using 600 acres, SWT 5000 but using 2,500.</p>	<p>Loss to the Government. Combined, these companies have a milling capacity of approximately 40MT per day, employing 30 workers on average and engaging out grower farmers on supply agreements with acreage of about 25,000 that have since 2019 been cancelled.</p> <p>Loss of revenue to Millers: Millers cannot sell their locally milled rice as Tanzania rice lands here cheaper than the local rice. This means loss of income and livelihood.</p> <p>Loss of revenue to farmers: Smallholder farmers produce over 85% of the crop yet they have nowhere to sale the crop as the Millers are unable to buy.</p> <p>Loss of revenue to the Government: With nowhere to collect taxes from the sector, Government also loses revenue.</p> <p>Loss of employment opportunities: With millers operating at below capacity or not at all they will be forced to shed off workers.</p> <p>Loss of income and ripple effect to other value chain actors: Traders, input dealers, transporters are all affected as the volume of rice business decreases.</p>	<p>(i). Introduction of a quota system. Introduce a quota of no more than 30,000 – 40,000 MT/year of rice is imported annually. This rejuvenates the “lost” market dynamics and restores confidence in the sector. Strict adherence should be done, lest the sector never recovers (haphazard issuance of import permits should be discouraged).</p> <p>(ii). Quality assurance. Even under the quota system EAC standards must be strictly observed. Clearly one key factor why imported Tanzanian rice is cheaper apart from no taxes is the fact that rice with over 30% of broken is being imported. Strict import of only rice that meets the EAC standard (max 25% broken). Further restrictions to 5% broken could help prevent dumping and reduce import volumes in favor of local production.</p> <p>(iii). Import restriction. Preference to import should be given to those who can prove that they are engaged in verifiable large scale growing of rice and/or are engaged with verifiable large out-grower cooperative systems. As there is no tangible support to large scale growers this preference is to enable the players plough back the profits into agriculture. Permits issued to pure traders do not have an impact on the development of the agricultural sector.</p> <p>(iv). Investment in Sector. Modernization, development of technologies and ideas to improve farming methods and yields with a focus on long term food security for the farmers and the country at large need to be effectively studied, made available and implemented.</p>
----------	--	---	--

In conclusion:

Why is Tanzania doing better in rice production? It is worthwhile to examine why Tanzania has better comparative advantage than Uganda in rice production. Arguably, Tanzania is a large low-cost producer of rice in the region. Rice growing involves a series of labour-intensive activities which include land preparation, transplanting, weeding, bird scaring, harvesting, post-harvest handling etc. The keys to success are embedded in:

- i. Reduction of cost of production through usage of simple labour-saving technologies (usage of simple mechanization tools)
- ii. Usage of better-quality certified seed
- iii. Usage of fertilizers
- iv. Better water management/agronomy/PHH, etc.
- v. Better post-harvest handling practices

The reason for this success is simple. Tanzania put in place a dedicated policy to develop/re-invest in the rice sector USING the tax revenues derived from the sector (CET and other tax revenue). This was not rocket science; it was mere determination, consistent/predictable policies and a positive look ahead Uganda can learn from the interventions by Tanzania and has the potential to reverse the declining trend and boost rice production for both the local and regional markets like South Sudan, DRC and Burundi.



3.1.6. Leather, Hides and Skin Sector.

The global leather value chain is estimated at USD100 billion; however, raw hides and skins constitute a relatively small and declining proportion of total value of trade globally. At international level between 1993-95, raw hides and skins constituted 12 percent of the total value of exports of hides, skins, leather and footwear. By 2009 this proportion had dropped to 8 percent. The leather value chain includes the rearing of animals to ensure that quantity and quality of hides and skins is prioritized right from the farms. Value addition to the hides and skins starts with flaying where the hides and skins are separated from the carcasses. The raw hides and skins are then preserved by drying or wet salting for tanneries to process. There are a series of chemical and mechanical processes which the raw hides and skins go through in tanneries to get to semi-processed leather (wet blue). Wet blue is further processed into leather crust and finally into finished leather. Finished leather is mainly used for the manufacture of footwear, bags, upholstery (for furniture), belts and wallets. Other products include accessories used in textile and basketry industries.



Despite of Uganda having the largest quantity of high-quality hides, high texture and heavy substance in East Africa, weighing at 16 kg, making it suitable for upholstery. The Uganda's leather industry is still in its infancy stage of development characterized by poor production equipment and limited value addition. The exported hides and skins from Uganda are usually in their raw and semi-processed forms. Over 90% of leather products are imported from outside Africa, despite the huge potential in

the Common Market for Eastern and Southern African region. Of the estimated 25 million pairs of shoes annually demanded in Uganda, one million are produced locally and the 24 million are imported mainly from Europe, North America and Asia. Out of the total import of shoes, only about 500,000 pairs are leather shoes. Despite this potential, most of the finished leather products are imported into the country from Asia, European Union and North America. In spite of the gains recorded in the recent few years, the sector is still challenged with a number of constraints that need to be tackled for the leather sector to develop further. Approximately 95 percent of the Ugandan processed hides and skins are exported as partly processed leather (wet blue). Prior to 2007, 90 percent of these hides and skins were being exported in raw state. For the period 2008-2012 Uganda was estimated to have produced on average 1.6 million hides and 4.7 million skins per annum, equivalent to 25,600 metric tons and 9,400 metric tons, respectively. Over 40% of these hides and skins were exported in their raw form, which was dry or wet-salted, with associated lost revenue due to little value-added equivalent to US\$ 249.7 million per annum.

The export of raw hides/skins, wet blue and crust entails forgone opportunities of jobs, foreign currency earnings and other indirect benefits, which could have been attained in Uganda. The value addition margins increase significantly as we move up the leather value chain. The losses which are incurred due to lack of value addition are illustrated in the Table 17 below.

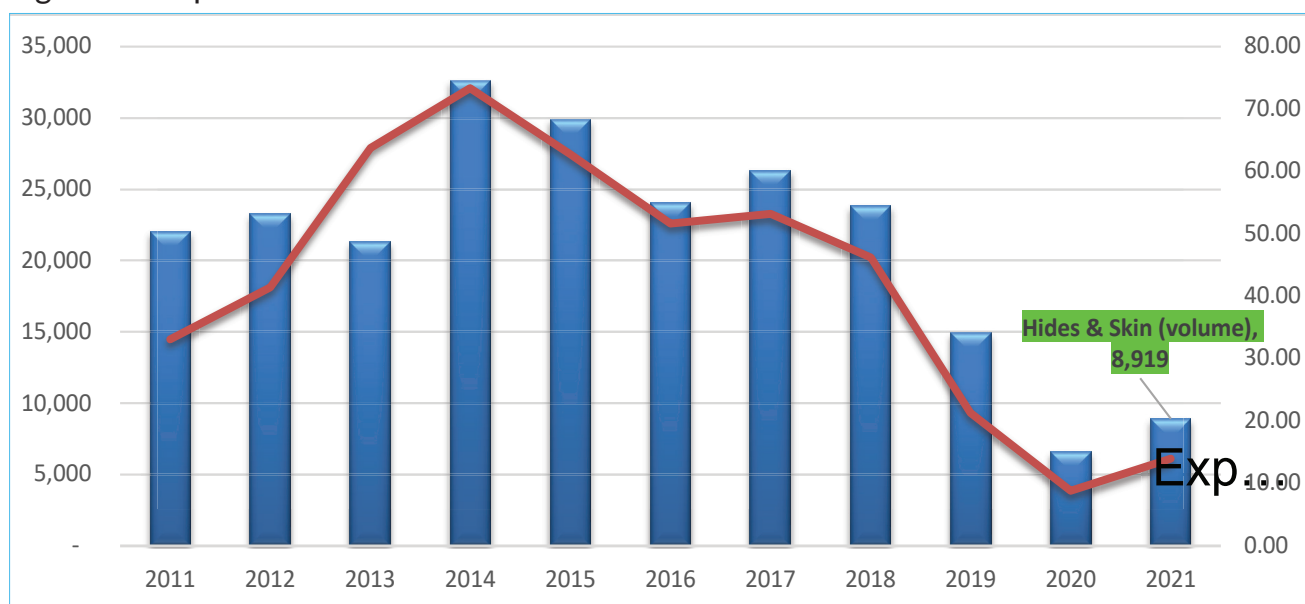
Table 17: Value Addition Potential and Estimated Losses per annum

Stage of Processing	Potential Earnings (USD)	Current Earnings (USD)	Estimated Loss (USD)	Value Added Factor
Raw Hides/Skins	22,829,111			1
Wet Blue	45,658,222	41,530,085	4,128,137	2 times
Crust	68,487,333	684,873	67,802,460	3 times
Finished Leather	79,901,889	799,019	79,102,870	4 times
Finished Product	273,949,332	2,739,493	271,209,839	12 times
Cumulative Loss			271,209,839	

Source: Leather and Textiles policy, 2015

The sector export volume increased by 35% from 6589 million tons in 2020 to 8919 million tons in 2021 (Bank of Uganda statistics, 2022). Uganda’s leather hides and skin sector however processes only 150,000 hides and 300,000 skins. This only means that the sector is being highly unexploited. It is important to note that many tanneries export hides and skins in either raw or semi-processed form (wet blue stage) with only one Jinja-based leather industry processing hides and skins up to finished stage. Therefore, to encourage local production, the Government of Uganda introduced a 20% export levy in 2002 which increased to 40% in 2007 and later on a cess of USD 0.25/kg in order to discourage the export of raw and unprocessed hides and skin. Introduction of these levies slowly decreased the hides and skin share of Uganda’s total export down from 7% in 1997 to less than 0.8% in 2009. This was therefore a way of encouraging other industries to start processing leather, hides and skin ready for the local market, hence boosting production, increasing returns and increasing levels of employment in the sector. See figure 20 below;

Figure 20: Export trend of hides and skins between 2011 and 2021 in Million USD



Source: PSFU own construct using data from Bank of Uganda, 2022.

Uganda Exports value of raw hides and skins (other than fure-skins) and leather to however has been greatly affected by the reduced international prices. Prices have fallen to sh150 from sh1,600 as of November last year. Consequently, they are adequate supplies of hides and skins but the processing plants have no adequate capacity to process them.

This has lowered the value of our exports. Hides and skins are classified according to weight and length. The fresh hides/skins fall in the categories of cattle hides; light weighing 10.7kg, medium 25-22kgs while heavy category starts from 22kgs and above. The goat/sheep skin is categorised in small ranging between 50-60cm long, medium ranges from 60-70cm while large starts from 70cm. Faisal said that increment in taxes levied on hides and skins exports to \$0.4 per kilogramme up from \$0.25 was forcing some of the processors and tannery to buy the products at low prices for them to stay in business. Uganda has four leather industries: Uganda Leather and Tannery Industries and Sky Fat both located in Jinja; Balawi Hides and Skin in Busia and Novelty Tannery in Masaka.

Some of the challenges facing private sector investment include exportation of high-quality hides and skins (1st, 2nd, 3rd) what is left is only 4th grade which gives low quality leather, high cost of production of leather products in Uganda as compared to Kenya and this makes us less competitive with the neighboring countries, high import bill of shoes worth 125 million pairs annually against the annual local production of only 2.5million pairs of shoes and yet there is capacity for import substitution and absence of high technology finishing capacity for wet blue hence the increased import bill for finished leather and its products.

Although, the National Leather and textiles policy, 2015 was launched, its implementation has not been felt to level that supports competitiveness of the industry. To actualize this growth, the private sector recommends;

1. Promote the hides and skin extension services to improve quality and standards.
2. Extend industrial power to tanneries and other industries with direct lines of electricity to reduce the cost of fuel used to run generators. This will reduce operation costs and decrease prices of locally made products hence boosting industrialization in Uganda.
3. Reduce the cost of power to support sector development and further export competitiveness.
4. Fast track the process of setting up a Leather factory to support processing industry to fully stop exportation of raw hides and skin which normally yields low returns. The PPP approach could be used.
5. Through UIA attract FDI to invest in the processing of wet blue into finished leather products at competitive levels to drive the shoe making industry and create jobs for the youth.

3.1.7. Oil Seed Sector

With support from various actors, the Ugandan vegetable oil sub sector has over the years gradually registered increased growth. This growth has been attributed to increase in raw materials for oil seed production (soya beans and palm) and increased investment in the processing industries by the private sector. Other factors include the improvement in quality of seeds, coordination and formation of farmers' organizations, diversification of farming activities and value addition, training and capacity building of farmers to bargain for better prices among others. The oil seed sub sector directly influences livelihoods of over 12 million Ugandans mainly in North-Eastern region of Uganda and also accounts for over 70% of vegetable oil production in the country. Many experts consider oilseeds to be the strategic commodity for Uganda with the potential for import substitution and export to the regional market. Additionally, the increased demand for cholesterol-free oil has improved farmers' welfare through increased production. Due to the availability of vast land, cheap labour and agro-ecological conditions, groundnuts, sesame, and soya beans are grown mainly in the northern, north-western and north-eastern parts of the country. Although Uganda's land is arable and suitable for growing edible oil seeds such as sesame, soya bean, and sunflower, production of the same has remained low.

It has been estimated that sunflower can satisfy approximately 60% of Uganda's edible oil manufacturing needs worth 200,000 MT/yr by 2017. If sunflower were to supply 60% of this, there would be a need for 120,000 MT of sunflower oil. If expanded, sunflower production would generate agro-based industrial activities and would create employment, increase household incomes. Sunflower production of Uganda increased from 1,500 tonnes in 1971 to 275,000 tonnes in 2020 growing at an average annual rate of 46.66% (UN Trade Map, 2022).

Statistics from the Ministry of Finance, Planning and Economic Development (MoFPED) show that Uganda imported 84 per cent of crude palm oil from Indonesia and Malaysia in 2021. Over the last two years, the prices of crude palm oil have doubled because of; the growing importation by China and India which are the largest buyers, and the export restriction introduced by Malaysia and Indonesia. The escalating prices have been exacerbated by a decrease in global sunflower and soya bean oil exports from Brazil and Peru which are close substitutes for palm oils, effectively increasing the demand for palm oils and subsequently propping up its prices.

According to the Uganda Investment Authority, the annual aggregate demand for edible oil in Uganda is 120,000 metric tonnes against a production capacity of 40,000 metric tonnes.

This leaves a deficit of 80,000 metric tonnes which is a great investment opportunity in the edible oil sector. The variance between the aggregate demands and production of raw materials for edible oil, as well as, the escalating price of cooking oil and laundry soap brings to bear the urgent need to scale up the production of oil crops.

In 2022, the approximate price range for Uganda Sunflower Seeds is between US\$ 0.56 and US\$ 0.17 per kilogram or between US\$ 0.25 and US\$ 0.08 per pound(lb). The price in Uganda Shilling is UGX 1997.29 per kg. The average price for a tonne is US\$ 559.24 in Jinja and Kampala.

The sector is dominated by small holder farmers who lack access to credit, thereby hindering the growth of the sector. Other challenges include: poor access to agro-processing hence forcing farmers to sell unprocessed seeds, fragile linkages throughout the chain also hinder competitiveness of locally sourced oilseed versus imported palm oil, high taxes on seed imports, difficulties in technology adoption, access to inputs market, access to agro-processing facilities, high transport costs due to poor infrastructure in the hard to reach villages of Uganda, storage facilities. The private sector recommends;

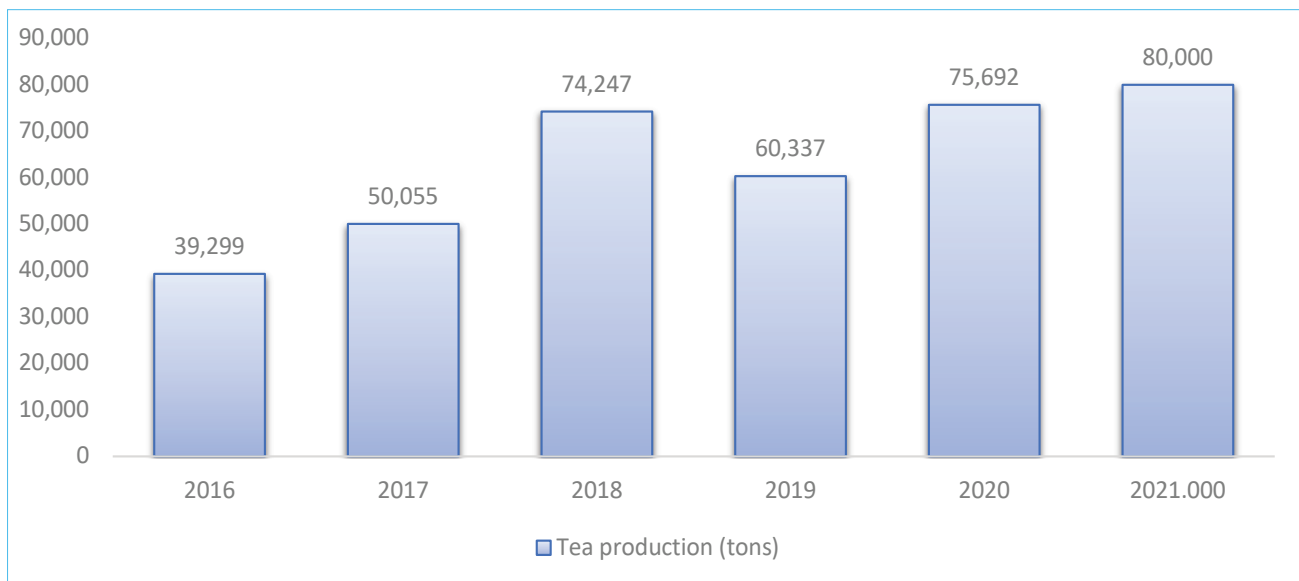
1. Government needs to increase availability to credit for small holder farmers leading to increased accessibility to agro inputs.
2. Increase business development support in form of portable value addition equipment for oil milling.
3. Put emphasis on employing more extension officers to train farmers on the existing technologies and their benefits, training on record keeping and financial management.
4. Invest and improve (in) research for seed multiplication under NARO to address limited access to quality sun flower seed to the industry players.
5. Increase the Common External tariff rate from 0% to 10% to encourage local production of quality sun flower seeds in the country and the region.

3.1.8. The Tea Sub-Sector

Tea is the third agricultural export earner for Uganda with a potential to become number one export earner. The crop still has a big potential for expansion because only about 20% of the suitable land is under tea presently. Almost 100% of this is owned by the smallholders. The sector supports over 80,000 farming households and supports 150,000 skilled and unskilled workers.

About 1,000,000 people directly derive their livelihoods from tea growing. Tea production is labour intensive, and the industry provides jobs to the youth in remote rural areas where majority depend on tea picking and processing. Over the years, tea production in Uganda has unsteadily increased. Tea industry production has now responded back to an upward trend with a historical 80,000 metric tons in 2021, representing more than double increase in production volumes recorded in 2016. This rise is mainly explained by increased acreage and volumes registered during COVID 19 lockdown.

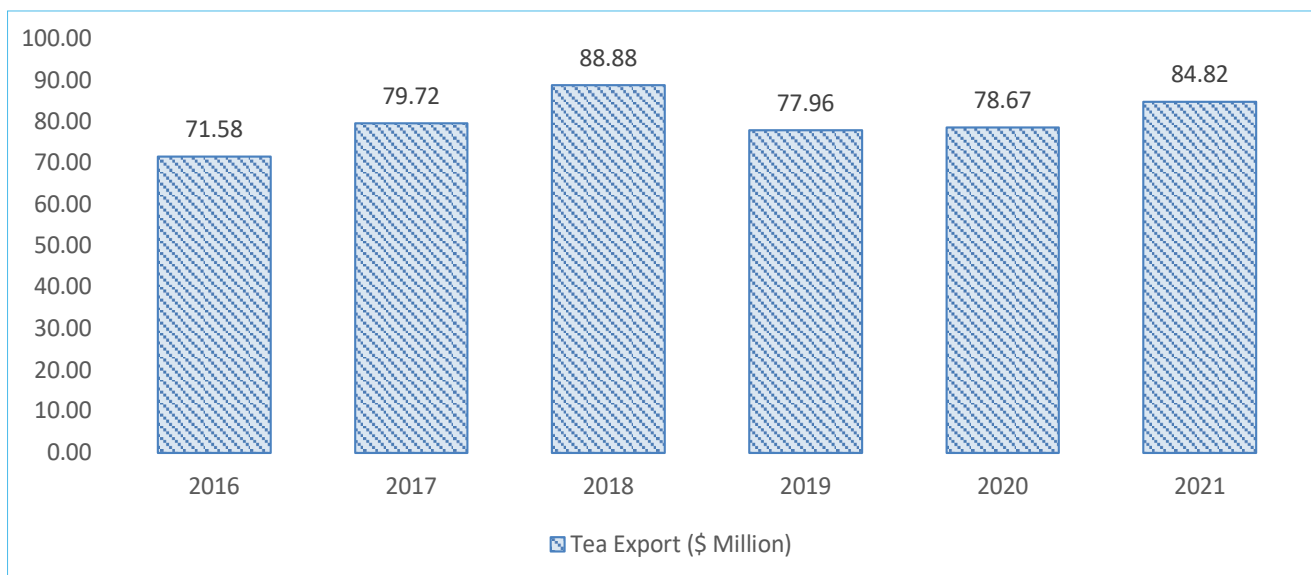
Figure 21: Trends of tea production 2016 to 2021



Source; UBOS statistical abstract, 2022

Annually, Uganda earns about \$60-90 million in the export of tea. Europe, Kenya, the Middle East, Russia, and America are the major export destinations for Uganda’s tea. Presently Uganda gets 84.82 million USD in form of tea exports which reflects a continued rise in the export value received in 2019, and 2020.

Figure 22: Tea export statistics 2016 to 2021 (MUSD)



Source: UBOS Statistical Abstract, 2022



The low quality of Ugandan tea has hindered its competition in both regional and international markets worldwide. For example, when Uganda tea is exported to Kenya, it is mixed with other varieties and hence ceases to be Ugandan tea. It passes through the Kenyan auction market. One of the issues affecting its quality is the use of machines like pickers in harvesting instead of manual plucking. The disadvantage with the use

of machinery is that the machine does not select which one to pluck and which one to leave, hence affecting quality of the overall production. Different discussions have been undertaken to brand Uganda tea so that it is exported directly but this initiative is still challenged by the many players producing different brands of tea. The sector is exposed to several challenges including;

15% PVoC charge on fertilizer imported from Kenya: The charge makes the fertilizer too expensive for the ordinary farmer. Fertilizer purchased from the local market is most times fake hence a loss to the farmers who unfortunately happen to buy it. Tea production cannot be sustained for a long time without the use of fertilizers since the leaves removed contain the nutrients from the soils. Such nutrients must be replenished for the continued growth of the leaves and its good quality.

Tea marketing: Lack of Bilateral Agreements with big tea consumers like Sudan. There is a need for more direct tea sales/markets for Uganda tea instead of depending on Mombasa auction market heavily. This will increase the demand for Uganda teas and better prices.

Failure to recognize the importance of the tea sector's needs for wood by NFA: The tea industry depends heavily on fuel wood. Tea factories are already known to be good an environment preserver and they are also engaged in the production of a tea crop which of national economic importance. They need to be self-sufficient in much of their energy requirement to decrease their cost of production and hence be competitive at the market.

Delays in VAT refunds to tea exporters by URA: The delays go up to 3 or more years. There are companies where accumulated refunds are over Ushs. 500 million. This is a medium exporter. Companies resort to borrowing from commercial banks which are very expensive. There are many other bad financial repercussions because of delayed VAT refunds that come as a result and in many different forms. This money is for business development and should not be locked up there that long.

Tea Policy: The above issues coupled with lack of a national Tea policy to guide the sector, Uganda risks losing the contribution of one of the key export earner products. The Private Sector therefore recommends the following for Government intervention.

The private sector therefore recommends;

1. Fast track enactment of National Tea Policy
2. Government should waive the 15% PVoC charge on fertilizers so that the tea industry does not suffer serious shortage of good fertilizers. There is need for by setting up an affordable revolving credit fund, with cost effective interest rate not exceeding 5% per annum for tea producers and processors to procure fertilizers and other inputs.
3. Government should conclude bilateral agreements with potential consumers of Uganda tea.
4. NFA should give priority for tree planting to the tea factories wherever such opportunity exists for land use.
5. URA should speed up VAT refunds to exporters. In the interim Government is requested to

urgently exempt all the tea producing/exporting companies from VAT by them stopping paying VAT to URA on their imports and local purchases meant for the tea sector for a period.

6. Set up a requisite financing package with cost effective rate of interest and easier terms and conditions in banks like Uganda Development Bank (UDBL), from where it can be accessed by potential investors. A revolving fund of at least US\$ 100 m to begin with is sufficient. This should be accompanied by 10 years corporation facilities.
7. Power tariffs are still on a higher side for the tea sectors hence a need to have them lowered.
8. There is an urgent need for tea commodity specialized approach to tea extension that will oversee improved production practices at the farm level through the entire value chain at the entire level of production.

3.1.9. Horticulture (Fruits & Vegetables and Floriculture) Sub-sector

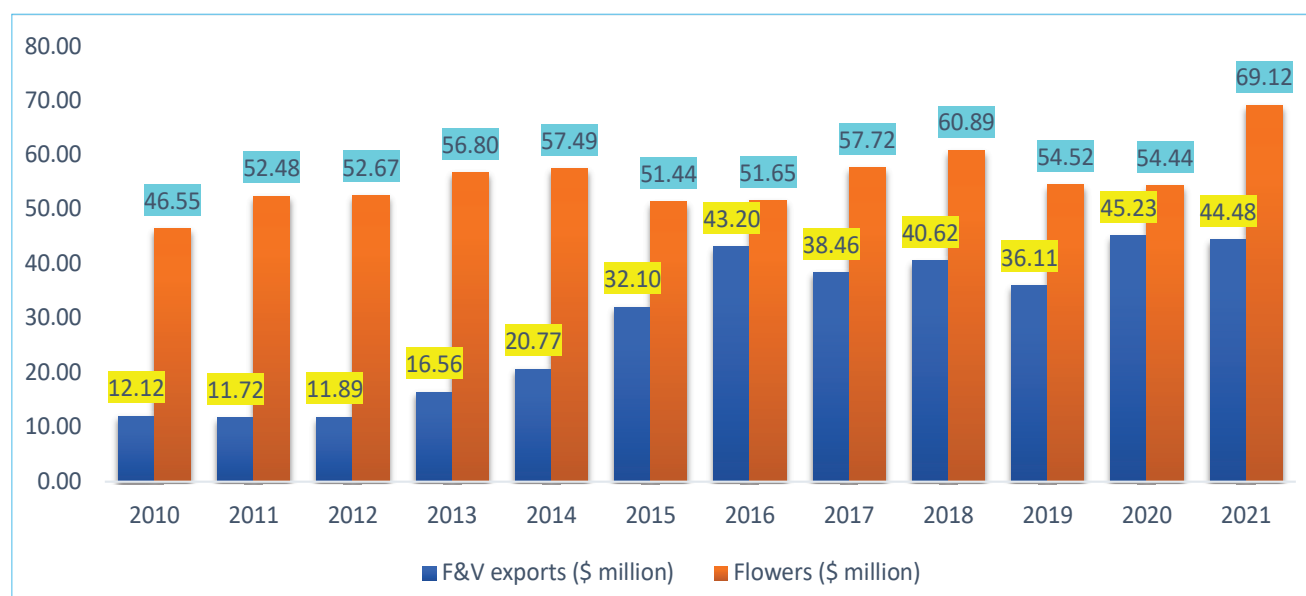
Uganda is the second-largest producer of fresh fruits and vegetables in Sub-Saharan Africa, after Nigeria, producing about 11 million tonnes per year. In Africa, Uganda has the highest number of smallholder farmers (206,803) engaged in organic agriculture and a relatively high level of its farm land area under organic cultivation (88,439 hectares or 0.71 per cent of farm land). Nonetheless, there are still opportunities to improve the value of horticultural and floricultural exports. To experience growth, significant investment must be made in the industry. Most of Uganda's FFVs are exported to the EU, particularly Netherlands, UK and Belgium. Despite the costs of shipping, organic agriculture has grown in value from US\$7.7 million in 2005 to US\$22.5 million in 2008. Because of the price premiums offered by organic agriculture the sector presents good prospects for future growth. The sector is growing at nearly twice the rate of the country's agriculture sector as a whole, capitalizing on demand from the growing middle class in both Uganda and neighbouring countries. The production of crops like onions, avocados, carrots, tomatoes, mangoes, and pineapples represents an opportunity to improve farmer livelihoods and generate good jobs in rural communities. Production in the fresh fruit & vegetables (FFV) sector is 40 percent undertaken by smallholders, suggesting there is room for the sector to increase production and aggressively target commercial markets overseas. The horticulture sector, contributes 14.4 percent of the national Gross Domestic Product (GDP). It also provides one of the most promising areas for increasing incomes in the rural areas, improving the nutrition of the people, diversification of exports, provision of raw materials for agro-based industries, and creation of employment, especially for the youth owing to the fact that horticultural crops are high-value crops with wide market opportunities locally, regionally and internationally.

Uganda is second to Nigeria as far as the export of fresh fruits and vegetables is concerned with current exports worth 44.48 million dollars of fresh fruits and vegetables in 2021. This represents a 2 percent fall in the export values from 45.23 million USD in 2020 to 22.48 million USD currently. On the other side, Flowers contribute 53% of the export value, followed by fruits and vegetables (36%) and lastly vanilla. It is critical to note that flower export volumes contribution to total volumes are the least with 7%, vanilla 24% and fruits and vegetables at 64%. This justifies the country overwhelming



export potential in floriculture. Flowers export value for 2021 was 69.12 million USD which is 27 percent increase in the flower export value between 2020 and 2021.

Figure 23: Export Trends of FFV and Flowers 2010-2021



Source: BoU, composition of exports, 2022

Much as there have been Government interventions through CEDP, Consultations done within the Private Sector operators reveal that Government incentives for investment are insufficient. In comparison to Kenya, Uganda produces 40 cm stem roses and sells at 8 cents a stem while the former produces 50 cm stem roses, and sells at 12 cents a stem. This already leaves Uganda a step back compared to Kenya regarding the value of the rose. There is therefore need to support production in areas of colder night time temperatures to improve on the rose quality. The sector is grappling with several challenges including; need for production of planting materials, the need for appropriate production technology to meet buyer requirements, Very weak post-harvest systems, such as pack houses and cold stores, High HIV & AIDS prevalence rate among floriculturists, among others. The other challenge is the growing number of investments than what can be locally absorbed, Fortunately the consumption of fruits appears to be increasing but the supply will most certainly out strip demand. Information reaching PSFU secretariat is that some fruits like avocados, passion fruits may be overwhelming Hotels. While most required fruits and vegetables are still lacking. The Market for fruits is most lucrative in the fresh market followed by the industrial market.





The fresh one is taken locally but also exported. Average production remains low, while limited access to finance makes it difficult for producers and value-chain actors to make needed investments. Producers and exporters also often struggle to meet quality standards, limiting potential markets for crops. The disruptions caused by the COVID-19 pandemic and the intensifying impacts of climate change pose additional obstacles. To fulfill its potential to generate income and employment growth, the sector must become more inclusive, resilient, and competitive.

There is need to plan well especially with the opportunity of reintroducing the Uganda Airlines, this need to target Cargo especially for Europe and Middle East Markets. This will stimulate production to an extent that will take care of local regional and export market. Kenya has developed a supply of this sector of benefiting about 5M persons and now Ethiopia is following suite.

The Government should therefore refocus on the following recommendations for the sector to flourish;

- a) Develop a Horticulture policy together with its implementation plan to guide the stakeholders in the sector.
- b) Empower Uganda airline to establish cargo routes such as Germany which are highly required to support transport of our exports
- c) Invest in support services, such as research and training, and basic infrastructure to make private investment in production and marketing worthwhile.
- d) Enforcement of regulations on counterfeit inputs on the market to support sector production
- e) Promote Global GAAP certification which supports the private sector access premium markets in exports.

More other sector challenges and policy proposals/ recommendations are detailed in the matrix below;

Table 18: Horticulture (Fruits & Vegetables and Floriculture) Sub-sector issues and recommendations.

S/N	Challenges	Implications	Proposals
1	<p>Fruits and Vegetables sector:</p> <p>High occurrences of interceptions on major export products due to;</p> <ul style="list-style-type: none"> ✓ Maximum chemical residue limits (MLRs) and Contaminants. ✓ Limited adoption of mandatory and Private Standards/ (Government and private) ✓ Inadequate Technical capacities of the Growers and Exporters especially in effective production, agronomy and quality control ✓ Pest incursions and escalation of new quarantine pests. 	<p>This is led to increased market interceptions which lead to reduction in revenues generated by firms but also, I deter premium market access especially with the EU countries.</p>	<ol style="list-style-type: none"> 1. Strengthen e-certification given by URA and MAAIF to avoid interceptions due to documentation errors. - (URA, MOFPED). 2. Increase inspection and enforcement by government and self-regulation by the exporters. 3. Strengthen farmers organizations so that self-regulation along the value chains is enhanced. 4. Include truck scanners and fast coolers and treatment facilities at the points of exit. 5. Continuous implementation of the NPPO developed pesticide residue monitoring plan and developing sampling protocols at farm/ fields and packhouse level. 6. Develop the National policy on SPS to guide the implementation of the GAP.
2	<p>Floriculture sector:</p> <ul style="list-style-type: none"> ✓ Stringent Export requirements/ regulations especially in the EU, China and Middle East. This is partly caused by lack or inefficient representation in meetings were decisions are made regarding export restriction. ✓ Difficulties to access; led research (no research on high value crops). 	<p>These have contributed to the reduction in export volumes for the sector.</p> <p>Ugandans capacity to meet the EU export standards; high cost of compliance with EU and other market access standards-Phytosanitary and private standards.</p>	<ol style="list-style-type: none"> i. Increase self-regulation at all stages to avoid interceptions. ii. PPP arrangements on research on the management of pests, especially FCM () and other pests and diseases of economic importance. iii. Government to support in acquire land for investment and access to affordable financing³⁰. iv. Promote Local flower exhibitions through the export's promotion board and trade missions of flower growers to Uganda.

30 Increasing production area from current 250ha to at least 1000ha through.

3.1.10. Coffee Sub-Sector

Coffee is the most important cash crop of Uganda, grown by 1.7 million households; employing over 5 million people along the Coffee value chain and contributing an average 17-20% of the country’s foreign exchange earnings. Trade in coffee is dominated by Latin America and Caribbean countries which account for about 57% of world exports while African countries account for about 14%, mainly of the Robusta type. In Uganda, which is the 2nd largest exporter of coffee in Africa. There are two types of coffee grown commercially in Uganda; Arabica, grown in highland areas and Robusta Coffee in lowland areas. Robusta coffee accounts for 80% of the Coffee grown in Uganda. Currently, 104 districts grow coffee; 66 grow only Robusta, 25 districts grow both Robusta and Arabica and 13 districts grow only Arabica.



According to the Uganda Coffee Development Authority (UCDA) report of March 2022, Uganda’s coffee exports for the month amounted to 478,023 60-kilogramme bags valued at US\$ 80.99million for an average weighted price of US\$ 2.82 per kilogramme (kg). That was 14 cents higher than the US\$2.68 per kg in February 2022 and

US\$ 1.26 higher than the US\$ 1.56 per kg in March 2021. The March 2022 performance represented a 16% decrease in quantity but an increase of 51% in value compared to the same month last year. Coffee exports for 12 months (April 2021-March2022) totalled 6.52 million 60-kg bags worth US\$ 790.33 million compared to 5.65 million 60-kg bags worth US\$ 522.91 million the previous year (April 2020-March 2021). This represents an increase of 15% and 51% in both quantity and value respectively. During March 2022, ten out of 44 companies that exported were responsible for 87% of the total volume; compared to the 79% attributed to the ten companies during February 2022.

Figure 24: Coffee Export Trends 2022



Source: UCDA, March 2022 Report

Coffee production is dominated by small holder farmers who, with the help of middle men market the coffee to primary processing factories. However, coffee production has grown at around 3 million bags 60kg bags per year over the last 40 years. There is low estate production

due to low input use hence harvesting low yields currently estimated at an average of 369kg/ha. Robusta is the major grown variety. With leading world coffee producers such as Brazil and Vietnam harvest a ton of coffee from every two acres of land¹⁹. So, when Ugandans produce 1 ton of coffee, Brazilians and Vietnamese produce 3 tons. Majority of Uganda's Robusta exports are to the US, Europe, Russia, India among others. Currently, Uganda has over 77 registered qualified buying and exporting private sector companies although only 40 are active. These companies are engaged in coffee processing, packaging and exporting and have invested heavily in building export processing factories as well as in country relationships with farmers, traders, and processors through lines in credit, extension services, establishing nurseries and community-based activities. The NDP III programme of agro-industrialisation, Uganda National Export Development Strategy 2011 and the National Coffee Development Plan III, National Coffee Act and the National Coffee Strategy 2015, all emphasise the need to promote value addition at all stages of the coffee value chain. That value addition is necessary for the sector to respond effectively to both national and international market requirements and to create more opportunities. Promoting investments in a soluble coffee plant is one of the key strategies for value addition recognized in these strategies.

Key Highlights in the Industry:

The Government of Uganda signed an agreement with the Uganda Vinci Coffee Company Limited on the 10th February 2022. The agreement amends and replaces the initial agreement signed in April 2015, addendum No.1 signed in December 2015 and Addendum No.2 signed in October, 2017. The agreement contains several clauses which have a negative implication on the sector performance, investments and job creation. Some of the controversial clauses include:

- ii. **Section 4.2:** coffee supply, government shall take all the reasonable measures to give priority of supply of coffee to the company before registering any contract or acknowledging any arrangement for the export of coffee beans so that the company has ample supply of coffee to sustain its operations. This will disorganise the existing players in sourcing coffee beans, exporting coffee and processing coffee. This is because of the expected disruptions the licensing regime will cause within the existing coffee companies.
- ii. Section 6: Project support by Government provides for various incentives³¹ for this company at the expense of the other industry players. As PSFU has indicated elsewhere, enterprise-specific incentives are discriminative and distort the market. Therefore, these incentives will not only distort the industry business environment but will also act as a disincentive for new investments in the industry by both the existing and potential new investors.

The private sector players including exporters, farmers, traders, processors and allied service providers have all registered several comments about the implications on the agreements on their businesses, investments and jobs.

Since increased value addition to coffee, is one of the pillars of the National Coffee Development Plan III and strategy which we have agreed to as the country, the Government should:

- i. Remove section 4.2 of the agreement which emphasizes on supporting the company in coffee supply because this distorts the sector.
- ii. Put the incentives provided for in this agreement in the National Budget FY 23/24 so that all sector players benefit from the incentives not just one individual company. This will spur new investments by both the existing and potential investors in the coffee value chain.

31 Tax holiday for 10 years, exemptions on VAT, Excise Duty, employment related taxes (PAYE), exemptions of import levies on foreign labour, local service tax, export cess, electricity rebates-5%, electricity infrastructure among others.

The Government of Uganda through the UCDA, on the 2nd February 2022, Uganda withdrew her membership from ICO for a period of 2 years. Based on the consultation from industry players the PSFU position as follows;

- i. Based on the reasons raised cited for the Uganda's withdrawal withdraw of the from membership of Uganda the ICO, securing results on the said issues is would be more likely to be received happen when with the Uganda is as a member than when we are not members of ICO it is not. Therefore, the business community proposes that through UCDA, MAAIF and MTIC should continue to negotiate with ICO to ensure that the above raised issues can be amicably resolved.
- ii. There is need to address the barriers which inhibit competitiveness of the existing and future investments in the sector in Uganda. Issues such as quality management, increase in production and productivity, access to credit to attract investments in value addition, progressive tax regime, and promoting coffee education through partnerships with the existing incubation centres.
- iii. There is need to increase the promotion of local consumption of coffee to take advantage of the emerging market opportunities arising out of the exploration of oil and gas sector. Key aspects of business development services such as packaging, branding, promotion, marketing and standards are required to promote development of the industry.
- iv. There is need to continue negotiation through the existing trade blocs in Africa such as AU ECOWAS, EAC, COMESA, SADC and now the AfCFTA to establish a central body like ICO only for African countries. This would better coordinate the producer countries on the continent and also strengthen our ability to lobby and effectively influence the coffee development agenda, and provide information to the producer countries that may have no little knowledge idea on how ICO works.

Despite of the progress made, the sector is still grappling with low productivity which is caused by a number of factors including: inadequate funding for research to enable the development and dissemination of new technologies; high costs involved in the importation of machinery given the taxation on agricultural machinery, poor agronomic practices, lack of a comprehensive National Coffee law which will promote value addition technologies among farmer organizations, inefficient research extension farmer linkages, inadequate Infrastructure such as the absence of good roads, cost of power, railway and the incidence of the Coffee Wilt Disease (CWD) among others.

Despite the difficulties involved in accessing markets abroad for processed coffee, it is important to put into consideration that exportation of instant/ready to drink coffee would greatly increase our export earnings as compared to exportation of unprocessed coffee beans. The Government therefore needs to encourage value addition by supporting farmers add value to their coffee. This would in turn increase their incomes and livelihood hence decreasing poverty in the long run. On average 6.8 per cent of all coffee produced during 2004-2010 was consumed domestically while approximately 93.2 per cent was exported. There is therefore need to address the reasons behind low consumption levels of coffee at the local/domestic market.

The private sector therefore recommends;

1. Promote domestic consumption of coffee to enhance the coffee industry competitiveness.
2. Strengthen the coffee research system: Put in place sustainable funding mechanisms for the Coffee research Centre in Kituuza, and develop technologies to avert climate change and Coffee wilt disease.
3. Provide support towards strengthening the Coffee farmer organizations i.e. a percentage from the cess levied on Coffee exports need to be channelled in this direction.

3.2. Construction and Real Estates Sector

The construction industry contributes over 12% of Uganda's gross domestic product (GDP) and has witnessed steady growth for the last 20 years and despite the recent upsurge in inflation, the sector has remained on a steady path of growth and development (UBOs 2021).

Over the last 25 years when infrastructure development³², especially the national road network, has been a shared responsibility of the public (in form of funding) and private sector (in form of execution), the Local Construction Industry has been and continues to be dominated by foreign firms. In fact, according to the National budget estimates, 60% of the national budget is developmental and currently 80-90% of the 60% goes to foreign companies. This has seen all the profits accruing from the construction projects being repatriated at the expense of local investments. The existing BUBU policy, PPDA Guide lines and reservation schemes and the Local content bill, 2020 are all aimed at promoting local participation of the local construction industry players. Unfortunately, Local companies are facing capacity related challenges regarding implementation of key government programs. The professional services sector contributes the least towards growth in the services sector in the past 8 years. This is because of the limited capacity of local professional services to benefit from the services sector growth. The Government's concern however that is the private sector does not have the capacity to execute the big road networks and other construction projects. Several challenges affect the number of jobs for Ugandans in construction works. Further, there are skills gaps in roles affecting workers' ability to access those jobs.

Buildings: There is a lack of business and soft skills among medium-skilled workers (technicians). Workers are usually informally trained and many access jobs through word of mouth or referrals, limiting the stability of work.

Oil & gas: There is a lack of specialist skills among high and medium skilled local workers. Oil & gas requires high quality precision work, which is difficult to source locally. The majority of local education institutions do not have access to technology and quality instructors, constraining their ability to train students well.

Roads: About 96% of contracts in the roads sector have been awarded to foreign companies – suggesting a low capacity for local firms to participate in these contracts.

PSFU is organizing the local industry players to enable them raise capacity to meet the expectation of the public procurement market. The existing big construction projects include;



Karuma, Isimba, Ayago, the Green extension project Kampala-Jinja Express High Way, Southern by Pass, Kampala-Bombo Express high way etc.

The challenge of weak individual construction companies/contractors that fail to take on construction related contracts in the country is being addressed through the SPV. Where gaps are still evident, international partners are engaged to work together and take on available opportunities.

32 Since 2008, the GoU has contributed about 51% to the total road financing. The Chinese Exim Bank contributed 20%, and the African Development Bank has contributed 15% of total funding for roads

Table 19: Issues and Proposals for the Construction and Real Estate Sector

No.	Challenge	Effect	Proposed Interventions
1	Lack of regulation of the Construction Industry	This has largely contributed to the underdevelopment of the Construction Industry. Moreover, the industry is the 2nd biggest employer after Agriculture and contributes more than 12.7% to the Gross Domestic Product. It relies heavily on the services of foreign firms and briefcase companies at the expense of the genuine nationals and this threatens the country's balance of payment position and continues to render many youths unemployed.	Government should fast track and finalize the enactment of the Uganda Construction Industry Commission (UCICO) Bill whose major mandate is to regulate the construction industry that remains fragmented and dominated by briefcase companies. UNABCEC also advocates for the <u>Registration and Classification of contractors focusing on their available capacities</u> . This system would serve to promote fair and transparent competition in procurement of works; as well as to improve work continuity among genuine contractors, which is critical for their growth.
2	Absence of The National Local Content Act	The delayed enactment of The National Local Content Bill has arguably limited the participation of Ugandan citizen owned companies in public procurement.	Government should expedite the enactment of the National Local Content Bill into law to help promote employment of Ugandans, utilizing Ugandan entities in public procurement and use of local goods in all undertakings where public funds are being used.
3	Escalating prices of construction inputs	The Skyrocketing prices of major construction inputs like fuel, cement, reinforcements which are currently much higher than at the time of bidding and/or contract award have made many contractors operate at serious losses that will potentially force them to go bankrupt, and/or failure to deliver on their contractual obligations.	To curb the issues associated with escalating construction costs, government should treat the prevailing circumstance as "exceptional and justifiable" against which entities may renegotiate all ongoing contracts, since they were signed before the current steep escalations. Accordingly, we also propose that moving forward, a Price Variation Clause be included in all government procurement contracts regardless of their contract period to cater for unforeseen circumstances like this.

4	High Cost on Financing	The cost of financing for local firms is currently over 20%, which makes it difficult for them to favourably compete with foreign and/or “indigenized” foreign firms that come with high financial strength and technical capabilities owing to support from their home governments.	Establish a Construction Industry Development Fund in Uganda Development Bank that would offer fair and affordable financing at an interest rate of say 7 – 12% P.a. In this case, government would invest a minimum of <u>UGX 200Bn in UDB as a revolving fund accessible by hundreds of SMEs.</u>
5	Delayed payments	Delayed payments for services rendered continues to severely hurt contractors executing government projects. Some companies have not been paid for up to 2 years and this can potentially run a firm into bankruptcy since companies are faced with the accumulated tax penalties and are unable to meet their financial obligations with banks and suppliers.	Government should prioritize payments for all outstanding arrears to contractors and moving forward, always make timely payments for works executed by contractors to reduce challenges that come with constrained cash flows due to delayed payments.
6	Contractors' Cash Flow Constraints	These constraints are majorly brought about by unrealistic bid qualification requirements. For instance; i. the requirement of Bank Guarantees that are very expensive compared to Insurance Guarantees that serve the same purpose but are currently not recognized by the procuring entities; and ii. requirement of Annual Turnover and works of similar nature that is twice or thrice the value of works being procured.	We request government through the respective procuring entities to look into the aspect of accepting Insurance Guarantees issued by a Local Insurance Company instead of Bank Guarantees with a 100% reinsurer backup and to be cleared by the insurance regulator. ii. PPDA should issue guidelines to all PDEs on fair determination of bid qualification requirements especially on average annual turnover and works of similar nature on previously executed projects. Our proposal is that this should be at minimum 0.5 (half) and at maximum not exceeding the estimated value of works being procured.
7	Lack of comprehensive programs for Contractors' development	There is lack of comprehensive programs and tools to assist in contractors' development in terms of, inter alia, assessments, trainings and mentoring. Despite government efforts to grow domestic capacities in the industry, the Law remains “convenient” to large foreign contractors.	Government, through the Ministries responsible for Finance and Works, in partnership with private sector associations should develop a specific National Contractors Development Plan to improve the national provider performance in the identified development areas, which allocates resources and monitors progress in relation to improved performance.

3.2.1. The Real Estate Sub-Sector

Real Estate sector is one of the key sectors in development of Uganda's economy. This sector has exponentially been growing at a rate of 6% over in the last years and has had a great contribution to national GDP and employment of the country. Uganda is experiencing increasing housing demand particularly in the urban areas. The real estate market in Uganda is sufficiently advanced to significantly benefit from interventions that will help streamline and make the markets more efficient. There is substantial housing demand that will require a concerted effort on behalf of the Government to help develop the supply of useable, available land that can be purchased in a transparent manner. The Private Sector brokerage, values and development community has a number of strong players, but lacks the best practices and depth to meet the demands of the market. Also, the numbers of practitioners is insufficient to sustain on-going training and the executive support required for allowing associations to be self-sustaining.

Current contribution of housing to Uganda's economy is estimated at an annual average of 5% of GDP over the last decade. According to National Housing Policy Uganda has about 7.3 million households living in 6.2 million housing units with an average household size of 4.7 persons. The national occupancy density is estimated at 1.1 household per housing unit, giving a total backlog of 710,000 housing units. There is also an estimated backlog of 900,000 housing units as a result of sub-standard houses and structures which were never meant for human habitation. Out of a total backlog of 1.6 million housing units, about 210,000 units are in urban areas while 1.395 million units are in rural areas. The annual need for new housing for the entire country is estimated at 200,000 (two hundred housing units) of which 135,000 are in rural and 65,000 in urban areas resulting from the population growth of 3.2% and 5.1% urbanization rate. The estimated construction rate of reasonably good houses is estimated at 40,000 housing units in the rural areas and 20,000 in urban areas. This creates a deficit of 140,000 houses nationally of which 95,000 are in rural areas and 45,000 in urban areas. This shortage does not include the backlog of 1,600,000 housing units carried forward.

Real estate activities include; real estate on own or lease and real estate on fee or contract. The activities grew by 6.5 percent in FY 2017/18 compared to a growth of 5.6 percent in 2016/17. The growth in the activities is the highest since 2014/15 when real estate activities grew by 6.5 percent. In nominal prices, the activity recorded a value addition of 4,451 billion in 2017/18 compared to 4,154 billion in 2016/17. Real estate activities contributed 4.4 percent to GDP in 2017/18 as compared to 4.5 percent contribution in 2016/17.

Challenges:

1. Absence of laws regulating the real estate sector, hence all real estate sector players are carrying out their businesses in any manner they deem fit. There is lack of professionalism among the real estate agents or brokers, the developers are developing anywhere without proper coordinated planning. These need to be streamlined to make the sector more efficient.
2. Land is the basis of financing in Uganda and there a great determinant of economic growth. However, there is need to speed up land transaction processes.
3. High interest rates hence increasing the cost of capital which eventually makes housing less affordable and thus low business for stakeholders.

Private sector in the real estate's sector recommends:

1. Expedite the enactment of the Local content bill, 2020 and Uganda Construction Industry Commission Bill to support the regulation of the sector.
2. Support the private sector to effectively participate in the local content policies through capacity building initiatives and business development models such as Special purpose vehicle.

3. Fast track the enactment Real Estate Act to regulate the real estate sector players.
4. Improve the land registration system by speeding up the process and computerization of the registry.

3.3. Information Communication Technology Sector

For decades, the ICT sector in Uganda has been revolving around the Telecommunications, Postal and Broadcasting services. This has been mainly voicing, very limited data handling and mail deliveries. The 1996 policy framework that liberalized telecommunication sub-sector resulted into radical changes that have given birth to an ICT service sector. The sector has been growing at a phenomenal rate over the last decade, especially in the areas of mobile devices, computer applications, information processing, storage and dissemination (Broadcasting and Internet Points of Presence at district levels) as well as m-finance, e-finance, global connectivity and online trade.

The Private sector plays a lead role in developing Uganda's ICT infrastructure, often in partnership with the Government. For example, NITA has laid over 3,000 km (1,864 miles) of fiber optic cable around the country to connect the second tier of administrative units (sub-counties) within each district. Google (through its C-Squared entity) has laid over 1,000 km (621 miles) of fiber optic cable in the Kampala metro area since 2015. Facebook (through its partnership with Airtel Uganda) has laid over 800 km (497 miles) of fiber optic cable throughout Uganda, primarily in the northern town of Gulu. MTN Uganda, the largest telecom company in Uganda has also laid about 6,000 km (3,728 miles) of fiber optic cable. Multiple wholesale internet providers continue to offer access through fiber optic cables into Uganda. From 2017 to July 2022, the cost of commercial internet (25 Mbps+/mo) service dropped from an average of approximately \$300 to \$40. Effective July 1, 2021, the Government scrapped the \$0.05 daily Over The Top tax to access social media and messaging services due to inefficiencies in collection, replacing it with a 12% excise duty on each internet data service purchase. In May 2021, Raxio, a company owned by U.S. investors, opened its \$15 million tier III data center – Uganda's first tier III center – in the Kampala Industrial and Business Park. It also plans to build a second data center in the Free Zone set up near the Entebbe International Airport. Despite the rapid growth of the ICT sector, Facebook has remained banned in Uganda since January 2021 elections.

Uganda's Information and Communications Technology (ICT) sector contributes 9% of the country's Gross Domestic Product (GDP) and could contribute to the country's socio-economic transformation through innovation and food security, access to markets such as for agricultural produce, and improved service delivery. However, a new Policy Brief by CIPESA shows that universal, affordable access remains largely unattained due to the high and multiple taxes on digital products and services. According to UBOs 2021, the total volume of letters handled by Posta Uganda decreased by 43 percent in CY2020, from 819,574 letters in CY2019 to 467,508 letters.



The biggest contributing factor to the decrease was volume of ordinary letters received from East Africa, Europe and America, which recorded a decline of 29 percent. Correspondingly, the volume of domestic letters decreased by 76.46 percent from 267,620 to 63,116. It was also noted that the volume of domestic registered mails and volumes of Express Mail Services (EMS) items dropped by 54.2 and 52.7

percent respectively. In the same way, the volume of incoming ordinary parcels handled, volume of registered letters posted and volume of registered letters received reduced by 53 percent, 50 percent and 73.2 percent respectively.

Additionally, the total number of mobile money registered customers increased by almost 5.1 percent, from almost 26.7 Million customers in CY2019 to 28.0 Million customers in CY2020. The number of transactions (information exchange) increased by 25 percent, from 2,840.9 million transactions in CY2019 to 3,549.8 million in CY2020. The value of the transactions increased by 27.2 percent, from 73,091 trillion shillings in CY2019 to 92,977 trillion shillings in CY2020.

Table 20: Mobile Money Transactions, 2016-2020

	2016	2017	2018	2019	2020
Mobile Money registered customers (number 000)	21,585	23,363	24,466	26,691	28,045
% change	9.9	8.2	4.7	9.1	5.1
Transactions (number '000)	974747	1,206,845	1,878,736	2,840,934	3,549,850
% change	40.5	23.8	55.7	51.2	25
Transactions (Value in Shs)	43,831	63,093	71,100	73,091	92,977
% change	34.8	43.9	12.7	2.8	27.2

Uganda communications Commission, 2021

Internet and mobile Penetration: According to the Uganda Communications Commission (UCC), by September 2021, the country had 29.1 million telephone subscriptions that translate into a national penetration of seven connections for every 10 Ugandans. However, the proportion of Ugandans who actually own or use mobile phones is less than 70% due to multiple SIM card ownership. Internet subscriptions stood at 22 million, or a penetration of 52%, yet the percentage of the population that actually uses the internet is much lower, as many users have multiple subscriptions. Internet and mobile telephone penetration are still low in Uganda in comparison to Kenya with 122% internet penetration and 133% mobile penetration, Rwanda with 64.4% internet penetration and 84.2% mobile penetration, and Tanzania with 50% internet penetration and 91% mobile penetration. The average phone subscriber in Uganda spends just UGX 10,500 (about USD 2.8) per month on voice, data and SMS services. This average revenue per user (ARPU) in Uganda is significantly lower than in other African countries. According to the GSMA's Mobile Connectivity Index, which measures key enablers of mobile internet adoption such as infrastructure, affordability, content and services, Uganda lags behind its neighbors Kenya, Rwanda and Tanzania.

Despite the progress made, the private sector players still face several challenges including;

High cost of internet and internet appliances/ devices: Uganda levies a direct 12% levy on the net price of internet data, after which a Value Added Tax (VAT) of 18% applies. There is also a 12% excise duty on prepaid airtime, post paid airtime, and value-added services, as well as a 10% import duty on devices. This multiple taxation translates into high cost of services, devices, hardware and software, with suppliers and service providers passing on the financial burden onto consumers, thereby aggravating the affordability challenge. With one of highest mobile data rates in the region, with **1 GB of data costing up to 16.2% of an average Ugandan's monthly income**, digital exclusion has also been perpetuated with the groups most excluded from the digital economy being the elderly, rural communities, persons with disabilities, the youth, refugees and migrants. It also means that e-governance, e-services and e-commerce cannot achieve full scale, citizens' access to information and public participation is undermined, and the innovation ecosystem remains frail.

Limited access to internet: The poor internet access hinders knowledge creation and stifles innovation in Uganda where FinTech's, mobile payments and a growing array of e-services and e-trade are getting mainstreamed. Similarly, freedom of expression and access to information continue to be undermined despite consistent calls upon the government by the private sector to government to refrain from blocking access to the internet and some social media sites such as Facebook, a practice that undermines citizens' access to information and freedom of expression, and which also cripples business operations. Limited participation of the private sector in public procurement: Government remains as the biggest market which the private sector can ride on to create the much-required jobs and tax revenues. Unfortunately, the Ugandan business community do not effectively participate in public procurement due absence of affirmative action to promote local content where quality and quantity can be proven. Additionally, more than 300 developed software but they are not being implemented. This is mainly attributed to the cost of the software and lack of promotion.

The private sector therefore proposes the following;

- i. Repeal all retrogressive legislation such as the Excise Duty (Amendment) Act of 2021 which provides for a 12% levy on the net price of internet data.
- ii. Lower the Value Added Tax on ICT services from the current 18% to not more than 12%, and reduce by 50% the import duty on ICT devices as well as the excise duty on airtime and value-added services.
- iii. Refrain from implementing measures that disrupt access to the internet and social media, and if any such measures are taken, they should be absolutely necessary, proportionate and for a very limited period of time.
- iv. Complete the NBI (National Backbone Infrastructure) to support the sector
- v. Reduce tell density; since the telecom industry is the broadest distributor in tax, if taxes are reduced, there will be more consumption of the products, thus higher GDP.
- vi. Focus business development services support towards the BPO sector through increased investment in infrastructure, market linkages, skilling and accreditation to grow the industry and generate jobs for the youth.

3.4. Financial Services Sector



The functioning of Uganda's economy is underpinned by the soundness and efficiency of the financial system and its processes. The financial system comprises of financial institutions, financial markets, and the payment systems, which enable the exchange of goods and services and the allocation of capital. Financial and insurance services include; Bank of Uganda, commercial banks, financial auxiliaries, credit institutions and

micro-deposit taking institutions as well as other financial corporations. The sector grew by 8.3 percent in 2017/18 from a growth of 2.3 percent registered in 2016/17. In nominal prices, the activity recorded a value addition of 3,342 billion in 2017/18 compared to 3,029 billion in 2016/17. Financial and insurance activities contributed 3.3 percent to GDP in 2017/18 similar to the contribution in 2016/17.³³

33 UBOS Abstract, 2018

Additionally, Uganda's capital market industry is characterized by under capitalization and limited investment opportunities... equity markets are poorly developed, and only large and well-established firms can realistically raise finance in equity markets. As a result, most firms seeking finance for investment on the domestic market must rely on loan finance, for which the most important source is the banking system. In addition, there is limited knowledge and reach of capital markets; perceptions of lack of safety of capital markets; low number of listed entities (8 companies); low public float of some listed entities; and laissez faire attitude and change aversion. To address these challenges, Government has developed a capital markets development master plan 2016/17 – 2026/27 underpinning the need to improve access to, and the supply of long-term finance to both public and the private sector in Uganda.

As part of wider and far reaching reforms, Uganda liberalized the financial sector and allowed for competition in the banking industry. Consequently, the provision of financial services has expanded in scope and depth. Many regulatory reforms in the past few years have also played a critical role in easing the barriers to accessing credit. While the Chattels Securities Bill that allows for the use of movable personal property or chattels other than land as security for a loan or debt was passed in 2009, the regulations to operationalize the bill have been delayed. In addition, Uganda enhanced access to credit by establishing a credit reference bureau (CRB) in 2008. The CRB is meant to among others, reduce information asymmetry between borrowers and lenders hence improving access to credit information and expanding borrower coverage. Subsequently, over the past few years,

Uganda has improved in the rankings relating to the measurement of obtaining credit in the World Bank Doing Business Rankings. The current ranking of 42 out of 189 in this parameter now outperforms many of its regional and African peers. Despite these achievements, however, access to formal financial services remains low. The latest available statistics from the 2013 FINSCOPE survey indicate that only 20 percent of the population has access to formal regulated financial intermediation services. While the number of commercial banks and bank branches increased from 12 and 84 in 1987 to 25 and over 500 in 2016, respectively, the financial sector is still highly concentrated. The largest 3 or 4 banks control more than 70 percent of the entire market share. Bank concentration affects competitive lending to the private sector. Consequently, important but high-risk sectors such as agriculture do not attract financing in the domestic credit markets.

While the financial sector is strong and sound going by the recent statistics published by the industry players and Bank of Uganda³⁴, its strength has not translated into an ability to stimulate growth through affordable credit as would be expected. This is attributed to the several challenges facing the industry including; low levels of savings; rising non-performing assets; high interest rates; high operating costs; and financial indiscipline of some borrowers among others. The high interest rates are hampering production, growth and development. For some time now, interest rates for most borrowers have averaged about 23%. While high inflation is usually associated with high interest rates low inflation in Uganda is not pulling interest rates any lower. The Bank of Uganda on occasion has intervened through a reduction in the Central Bank Rate (CBR), which intervention has not led to a significant reduction in commercial interest rates.

Besides, the commercial banking sector is dominated by three players controlling 35% of all bank assets. Many borrowers have for some time cited the issue of the high cost of money as a disincentive for investment. Commercial banks however attribute it to high Government borrowing, risky borrowers, and high operational costs and return expectations and high reserve ratio requirements by the central Bank. Further, the miss-match in the structure of the financial market in the economy (as elaborated below) plays a critical role to the interest rate challenge.

34 BOU, supervisory report, December 2016

Short Term	Medium Term	Long Term
Markets for overdrafts, trade finance, and personal loans. Sources:- Current Accounts and Savings Accounts	Purchase of machinery and repayment periods within 3 – 8 years. Sources: - UDB	funds for investments such as in capital markets Sources:- pension funds and some insurance companies
15 Trillion	500 Billion	9 Trillion

Regarding long term savings in the economy, as below;

Working population is 15 million Ugandans
 About 4 million people are employed in the formal sector
 About 11 million works in the informal sector
 Of the 4 million formal sector employees, about 500,000 are civil servants
 NSSF has a membership of about 1.5 million of whom only about 800,000 are active savers.
 Implying that about 2 million formal employees do not contribute to mandatory savings,
 2 main voluntary schemes, KACITA & Mazima
 In addition, the 500,000 civil servants do not contribute to mandatory savings.

To counter the above-mentioned challenges, the banking industry proposes the following recommendations;

1. Develop mandatory savings and pension scheme for civil servants should become mandatory and contributory.
2. The National Social Security Fund (NSSF) act should be amended to provide for easier access to savings by members rather than wait until the age of 55 as is the case now.
3. The NSSF law 9as amended should permit the fund to design schemes to attract members from the informal sector as well as the self-employed.
4. Address the rigidities involved in agriculture credit facility to promote agriculture sector financing.
5. Promote financial literacy to support reduction in the non-performing assets Adopt and implement the draft EAC regional Payment System roadmap to reduce costs for cross-border transactions.

3.4.1. Insurance Sub-sector

The insurance industry is a major component of the economy by virtue of the amount of premiums it collects, the scale of its investment and, more fundamentally, the essential social and economic role it plays by covering personal and business risks. In Uganda, licensed players in the industry as at end of 2020 were as follows: 131 insurance players, comprising 2 Reinsurers, 21 non-life insurers, 9 life insurers, and 2 Micro insurers licensed perpetually. Licensed intermediaries, 42 were Insurance Brokers, 28 Loss Assessors, 2 Reinsurance Brokers, 5 HMOs, and 20 Banc assurance Agents. In terms of market composition, non-life accounted for 62.41% of the aggregate industry written premiums, 1.4% lower than the market share index of 63.80% in 2019. Life business on the other hand 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 against 7.74% in 2019. The insurance penetration rate was 0.77% in 2020, slightly down from 0.772% in 2019.³⁵ In terms of market size and penetration, the EAC Partner States are at varying stages of insurance market development.

35 IRA Annual Insurance Market Report 2020. Accessed from [https://ira.go.ug/cp/uploads/N_Web_IRA_Annual%20report%202021%20\(1\).pdf](https://ira.go.ug/cp/uploads/N_Web_IRA_Annual%20report%202021%20(1).pdf)



As its development is closely linked to the economic power of consumers, the low level of per capita income in the region is reflected in the key insurance performance indicators, such as penetration rate, gross written premiums, number of insurance providers and brokers, among others. At the regional level, in 2013, EAC states began working toward a common insurance market and Partner States have agreed to harmonize their regulations around the 26 Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS). Such reforms are being advanced through the EAC Insurance

Bill 2018, which has been approved by the Council of Ministers, but is yet to be enacted. To enhance the regulatory framework across the EAC, a key consideration is to continue to strengthen the regulatory environment as well as compliance in line with global practices. The main benchmark is the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS). The ICPs provide a globally accepted framework for the supervision of the insurance sector. A 2016 assessment of the status of implementation of the ICPs³⁶ showed that on average, EAC Partner States are only fully or largely implementing 9 of the ICPs. The insurance industry is still trying to find its feet, considering the low understanding and appreciation by the public. The insurance industry has Overall, remained on a positive 2-digit growth trajectory growing from US\$ 859.8bn in 2018 to US\$ 973.58bn in 2019 and posting 13.22percent growth over the reporting year (17.51percent in 2018). Increased acquisition of agriculture, life, bonds, public liability and engineering insurance products contributed to the growth in gross premiums from US\$321 billion (\$86.9 million) by June 2016, to US\$360 billion (\$97.5 billion) in the first half of 2017. This promises a much better year than 2016 when growth was just 3.6 per cent. The insurance industry has had to deal with three changes in the recent past. Stamp duty was increased from UGX 5,000 to UGX 35,000. The insurance sector in Uganda has great potential for valuable contribution to economic growth. The major challenge though is that Ugandans are still yet to appreciate the rationale for insurance and mitigation of risk. The absence of a national policy on insurance, the lack of skills, increases in stamp duty, among others are some of the major challenges in the sector. Other related laws hindering performance of the sector include; the Motor Third Party, the Workers Compensation Act among others, which if passed would foster development of the insurance industry. Other challenges include:

Low uptake of insurance - only 2% of the adult population (representing an estimated 349,000 adults) used formal insurance products in 2013 while 55% “do not know about insurance and how it operates”; Some 11% of the adult population had never heard about any formal insurance product.³⁷, limited supply of local specialized professionals resulting into outsourcing labour resources which increases the cost of doing business in Uganda, enforcement of statutory insurance products and provisions - Workers compensation, and Motor Third Party Insurance, Requirement to exhaust local insurance capacity before seeking it abroad, Taxation – VAT and stamp duty will not allow the growth of micro insurance yet the low income cohort of the population is highly exposed to risk. There is also lack of a broad frame work on risk management in Uganda therefore Government doesn’t insure most of its assets, projects, activities and employees. There is also need to ensure that the law for establishing the NHIS does not make it difficult for players already providing health services.

36 IMF, 2016. East African Community: Financial Sector Regulatory and Supervisory Architecture

37 FinScope III Survey 2013

The sector Proposes;

- i) There is need for joint effort between the regulators and the insurance companies to deal with the high incidences of fraud in the sector.
- ii) Develop a Mutual Recognition Agreement among insurance players to facilitate the recognition of qualifications for insurance professionals and insurance policies issued in all EAC Partner States.

Table 21: Insurance Sub-Sector issues and proposals

Sn.	Issue	Recommendation	Implications
1.	<p>Enforcement of local underwriting of marine insurance</p> <p>On 8th June, 2017, Government of Uganda through the Background to the Budget FY 2017/18 made key pronouncements, one of them being empowering locally licensed insurance companies to issue all policies relating to domestic marine cargo insurance effective 1st July 2017 and that the Insurance Regulatory Authority administratively enforce and implement the provisions in the Insurance Act under Section (3) (2) (now section 9 of the Insurance Act, 2017). However, URA has not been appointed a co-enforcer, and is necessary for the implementation of this Government Directive.</p>	<p>Appoint URA as a co-implementing agency in the local underwriting of marine insurance with authority to impose penalties.</p>	<p>Currently URA imposes a 1.5% charge if the goods are imported on cost & freight basis & there is no penalty if the goods are insured by a foreign company. Enforcement by URA is therefore critical to ensure that goods are insured by local providers.</p>
2	<p>Low uptake of agriculture insurance</p> <p>Uptake of agriculture insurance policies evidently still slow (regardless of subsidy) due to the high taxes (VAT & Stamp duty of UGX. 35,000/-) makes cost of tax higher than the premiums which are as low as UGX. 12,500/-). This leads to slow absorption of subsidy; less investment by farmers as they cannot afford insurance protection and production</p>	<p>Zero rate VAT on Agriculture Insurance</p>	<p>This if adopted would lead to growth of insurance penetration as more small holder farmers take up insurance, improve food security, grow exports and eventually contribute to poverty reduction due to increased house hold incomes.</p>
3	<p>Stamp Duty on motor vehicle policies and agriculture insurance</p> <p>The Motor Vehicle Insurance (Third Party Risks) Act Cap 214 and Motor Vehicle Insurance (Third Party risks) Regulations S.I 214-1 lay down the premium rates for Motor Third Party</p>	<p>Review the stamp duty for MTP policies and Agriculture insurance Ugx.5, 000/=.</p>	<p>The example here below elaborates on the above points; - MOTOR THIRD PARTY INSURANCE: Basic premium for Private: - 22,000 Stamp duty (SD): -35,000 VAT: -5, 059</p>

<p>3</p>	<p>insurance. It provides for the insurance premium ranges for bikes, taxis, ordinary vehicles as between Ugx. 3.260- Ugx. 60,000/- (excluding trucks, trailers, bullion vans and similar heavy carrying vehicles).</p>	<p>Training Levy: - 110 TOTAL: - Ugx. 62,169/-</p>
<p>The tax and levy impositions are more than the Premium. Average premium charged for an agriculture insurance policy;</p> <ul style="list-style-type: none"> <input type="checkbox"/> Premium: - 25,000/- 	<p><input type="checkbox"/> Stamp duty: -35,000/- <input type="checkbox"/> VAT: - 4500/- <input type="checkbox"/> Training Levy: - 125 <input type="checkbox"/> Total: - Ugx. 64,625/-</p>	<p>The tax and levy impositions are more than the Premium. Average premium charged for an agriculture insurance policy;</p> <ul style="list-style-type: none"> <input type="checkbox"/> Premium: - 25,000/-
<p>4</p>	<p>Workers compensation insurance: In Uganda on average 2,000 cases of work related accidents are reported annually. Very few employers provide a safe and healthy working environment for decent work. These incidences are contributing to very low productivity, disabilities and loss of life at many work places across the country. The Government of Uganda is not enforcing the Workers Compensation Act, 2000 that mandates that;</p>	<p>LGs & Municipals; at the point of application or renewal of trade licenses should ensure that; -Workers Compensation Insurance (WCI) is a requirement to license companies -The certificate is a mandatory requirement on the renewal of trade/Business licenses.</p>
<p>Reforms in the NSSF bill The bill doesn't provide for already existing retirement benefits products that are provided by the insurance companies</p>	<p>a) Recognize insurance products as part and partial of the pensions sector products b) Saving incentives (tax exempt) to induce people to save</p>	<p>With compliance the insurance sector can attain; 58BN in WCP premiums 21BN in Stamp Duty revenues 10.4BN in VAT revenues Corporate Tax with additional business underwritten</p>
<p>With children below 18yrs constituting 55% of the population and the Youth (18yrs to 35 yrs) constituting 23% of the population, this leaves less than 30% of the population in the adult earning category. This therefore implies that the less than 30% of the population must support the more than 70% which isn't sustainable.</p>	<p>With children below 18yrs constituting 55% of the population and the Youth (18yrs to 35 yrs) constituting 23% of the population, this leaves less than 30% of the population in the adult earning category. This therefore implies that the less than 30% of the population must support the more than 70% which isn't sustainable.</p>	<p>With children below 18yrs constituting 55% of the population and the Youth (18yrs to 35 yrs) constituting 23% of the population, this leaves less than 30% of the population in the adult earning category. This therefore implies that the less than 30% of the population must support the more than 70% which isn't sustainable.</p>

3.5. Professional Services Sector

Professional services encompass a wide range of knowledge-intensive activities that often require a high level of training and where practitioners usually need some type of license, certification or registration to practice. It covers many services that are often provided both to final consumers as well as to businesses as intermediate inputs. As noted earlier, professional (and other business) services play a key role in boosting firm productivity, and thus driving competitiveness and participation in value chains.

Professional services are usually highly tradable, in that they tend not to require proximity between the producer and the consumer (e.g., many such services can be delivered electronically; i.e., via mode 1). Under the WTO's W/120 services classification list, professional services include: legal services; accounting, auditing and bookkeeping services; taxation services; architectural services; engineering services; integrated engineering services; urban planning and landscape services; medical and dental services; veterinary services; services provided by midwives, nurses, physiotherapists and para-medical personnel; and (the residual) 'others.

Professional services are key in enhancing firm level productivity and represents a necessary input in all economic sectors. These services play a key role in national economies through their direct and indirect contribution to economic growth by adding new skills and methods of production and thus lowering production cost and creates spill-over benefits to other sectors of the economy³⁸. Even though the share of business services in the GDP of Uganda and other East African countries is small, the sector is among the most dynamic.

3.5.1. Accounting Services Strategic Priorities:

According to the W/120 sectoral services classification, accounting services are classified as a sub-sector of business services, and more specifically professional services. The sub-sector is further defined as follows:

- a) Accounting and auditing services (CPC 8621), which comprises financial auditing services (CPC 86211); accounting review services (CPC 86212); compilation of financial statements services (CPC 86213) and other accounting services (CPC 86219).
- b) Bookkeeping services, except tax returns (CPC 8622), which covers Bookkeeping services, except tax returns (CPC 86220)

Data on the accounting services' contribution to GDP is not available. At the global level, a market report by Fortune Business Insights, 2019, valued accounting services at USD 11.1 billion in 2018 and was projected to reach USD 20.4 billion by 2026, growing at a CAGR of 8.01%. Growth is largely fuelled by rising demand for computerised accounting. Looking specifically at the EAC, available data on the sector, although a bit dated and not covering all the EAC Partner States, provides a good insight into the sector. A 2012 report by the World Bank established that 17% of firms which exported professional firms were exporting accounting services.³⁹

From a market structure perspective, the following are the salient characteristics of the sector in Uganda and the EAC:

38 Sawere V., (2019) *Priority Sectors in the AfCFTA Trade in Services Negotiations – Business Services: Study Report Part I – Professional services AUC*

39 Dihel, Goswami (2016) *The Unexplored Potential of Trade in Services in Africa*

Table 22: Salient characteristics of the accounting sector in Uganda and the EAC

Characteristic	Uganda	Kenya	Tanzania	Rwanda	Burundi
Number of accounting firms	247	668	226	43	46
Number of professionals	2,581	21,691	5,969	334 ⁴⁰	402

Majority of professional service firms are privately and locally owned. This is because they are traditionally subjected to regulatory restrictions. Entry regulation includes educational and professional qualification requirements, exclusive or shared exclusive rights to provide services, ownership restrictions, and restrictions on the numbers of providers⁴¹. While data on inbound FDI into the accounting sector is difficult to obtain, as noted in the above sections, the major international accounting firms have all established a presence in the regional market.

From a trade perspective, there is no available data on the level of trade in accounting services in the EAC. However, a World Bank study established that professional services present a potential avenue for expanding regional trade in services. Based on 2,200 companies surveyed for the study, on average, 6% of firms declared that they exported some services to neighbouring countries. For accounting services, this figure was significantly above average at 17%.⁴²

The sector is regulated at both National level by ICPAU and at EAC level through the East African Community Institutes of Accountants (EACIA) as a framework for developing, regulating and facilitating regional integration of the accountancy profession.

In addition to the MRA, an EAC syllabus framework has been developed under the EACIA and approved by the joint governing council. EAC partner States are expected to benchmark to this syllabus. For graduate level education, harmonisation is under the ambit of the Inter-University Council of East Africa (IUCEA). In 2013, IUCEA developed the benchmarks for business related studies as part of the framework of the East African Common Higher Education Area. The benchmarks provide a basis for harmonisation of business and related studies in order provide a baseline for comparability in business and related curriculum within the region.

In terms of regulatory practice, all EAC Partner States allow practice by professionals and firms from across the EAC. In Uganda holders of accountancy qualifications from EAC Professional Accountancy Organisations (PAOs) receive national treatment and are eligible to provide audit and tax advisory services so long as they are members and have the required practical experience. Foreigners with qualifications from EAC PAOs are also given national treatment in terms of obtaining membership and practising certificates. There are some restrictions however, relating especially to fees payable by foreign practitioners. In addition, there are nationality requirements for domestic audits in Kenya and Tanzania.

The sector proposes the following recommendations to both Uganda and the EAC;

- a) Undertake review of the MRA on Accounting, Auditing & Book-keeping to address the various trade related aspects such as licensing and registration requirements for firms, as well as the procedures.
- b) Based on above review, undertake harmonisation of the administrative requirements and thereafter support corresponding reforms to align national laws with the CMP commitments.
- c) Support PAOs to strengthen their capability to support the sector and sector professionals, including through better regulatory practices and enforcement of adequate accreditation. This is particularly needed in Burundi and South Sudan.

⁴⁰ Only 61 of them are registered practitioners

⁴¹ Ibid

⁴² Dihel, Goswami (2016) *The Unexplored Potential of Trade in Services in Africa*

- d) Establish a regional database for all EAC registered accountants in order to ease their recognition across the region. Professional bodies are therefore required to sensitize CPAs and non-CPAs to register.
- e) Invest in training programs to produce more and higher-skilled accountants, including through incentives to attract and retain high-quality professors and possible subsidies for existing accountants to upgrade their skills and certifications.
- f) Working with EAC, regulators and BMOs in the sector, implement the proposed Manual for collection of statistics in order to collect data and information on domestic and cross-border activities within the sector.
- g) Promote the registration of unregistered practitioners to promote self-sustainability of accountancy regulatory bodies for their effective performance.

3.5.2. Architectural Services Strategic Priorities:

Under the W/120 classification the scope of architectural services is not elaborated. Under the UN Central Product Classification 2.1, architectural services comprise the following: Architectural services and advisory services (CPC 8321) which consist of architectural advisory services (CPC 83211), architectural services for residential building projects (CPC 83212), architectural services for non-residential building projects (CPC 83213), and historical restoration architectural services (CPC 83214); urban and land planning services (CPC 8322) which consist of urban planning services (CPC 83221), rural land planning services (CPC 83222), and project site master planning services (CPC 83223); and landscape architectural services and advisory services (CPC 8323), which comprise of landscape architectural advisory services (CPC 83231) and landscape architectural services (CPC 83232).

The sector's contribution to GDP and employment is currently not collected. Just like other partner states, Uganda poorly resourced in terms of number of architects. As at October 2021, Uganda had about 300 architects and quantity surveyors, Kenya had 873 architects; 189 architectural firms; 543 quantity surveyors and 133 quantity surveyors' firms⁴³. Rwanda has 148 registered architects and 62 quantity surveyors.⁴⁴ and Tanzania 1169 registered architects and quantity surveyors.⁴⁵ The country is currently in the middle of a construction boom that is transforming the region's-built environment. According to Deloitte's 2018 African Construction Report, the total number of building projects in East Africa rocketed up by 96-percent between 2017 and 2018, with a substantial increase of 167% in the total value of projects. The report also notes that China is directly funding 25.9% of the construction projects in the region, far outweighing investment from the various East African governments, which is valued at 12.9%.

Value of imports and exports: There is also evidence of intra-regional FDI in architecture, Kenyan firms provide architectural consulting services such as master planning, urban planning, land use planning, site planning, but also interior planning, and project management. As earlier noted from the World Bank study, professional services present a potential avenue for expanding regional trade in services. Of the 2,200 companies surveyed for the study, on average, 6% of firms declared that they exported some services to neighbouring countries. For architecture services, this figure was significantly above average at 12%.⁴⁶

Under the CMP, Burundi, Kenya, Rwanda and Uganda have fully liberalised architectural services across all modes of supply (except for Uganda, which left national treatment for mode 3 unbound). In relation to these commitments, Burundi, Kenya, Rwanda and Uganda signed an

43 <https://boraqs.or.ke/about-us/message-from-the-registrar/>

44 <https://ria.rw/member-directory/>

45 https://ors.aqrb.go.tz/professionals_list

46 Dihel, Goswami (2016) *The Unexplored Potential of Trade in Services in Africa*

MRA in architectural services in 2011. The MRA establishes the conditions under which an architect shall have their qualifications recognised so as to be eligible to practice in another Partner State. It also focuses on the development of the architectural profession by setting standards for education and practice in the region. At the Regional level, as part of the Architects MRA, the East Africa Institute for Architects (EAIA) was established as the competent authority to coordinate market integration, harmonisation and mutual recognition of the architectural profession in the region. The EAIA regulates recognition of architect's qualifications by Partner States and sets standards for education and practice. It also foresees some regional initiatives inter alia, a Regional Code of Ethics and Professional conduct, and regional training between the Partner States. The sector recommends:

- a) Revise the MRA to consider trade related aspects of architectural services and facilitate the establishment of the Regional MRA Steering Committee.
- b) Develop a regulatory framework for allied professionals related to architecture services, such as landscape architects (where applicable)
- c) Develop an EAC local content framework to enhance skills transfer from foreign professionals / firms.
- d) Harmonise CPD requirements and recognition across the region in order to support cross border learning and transfer of knowledge. (recognition provided for under the MRA).
- e) Establish a publicly available database of practitioners who have faced disciplinary measures due to professional misconduct.
- f) The definition of the sector needs to be broadened to include lower level experts in the profession

3.5.3. Engineering Services Strategic Priorities



Engineering services include: advisory and consultative engineering services (CPC 8672), engineering design services for the construction of foundations and building structures (CPC 86722), engineering design services for mechanical and electrical installations for buildings (CPC 86723), engineering design services for the construction of civil engineering works (CPC 86724), engineering design services for industrial processes and production (CPC

86725), engineering design services not elsewhere classified (notably other specialty engineering design services) (CPC 86726), other engineering services during the construction and installation phase (CPC 86727), and other engineering services (CPC 86729). Market size and structure: Data specific to the EAC on the size of the market, the structure and FDI is not available nor systematically collected. Determining size is also a challenge as Partner States have different categories of engineers they register. Kenya has 19, 291 graduate engineers; 150 consulting engineering firms; 482 consulting engineers; 2408 professional engineers and 208 temporary professional engineers;⁴⁷ Rwanda has 793 professional engineers; 61 Technologists and 114 firms;⁴⁸ and Tanzania has 528 graduate engineers; 178 professional engineers; 78 temporary professional engineers; 3 consulting engineers; 3 temporary consulting engineers; 8 local consulting engineering firms; 4 foreign engineering consulting firms; 1 material testing laboratory; 2

⁴⁷ <https://ebk.go.ke/> (as at 26 May 2022)

⁴⁸ <https://engineersrwanda.rw/membership> (as at 26th May 2022)

incorporated engineers; 57 engineering technician Level I and 55 in Level II.⁴⁹ Uganda has 1516 registered engineers and 156 temporary engineers;⁵⁰ while the number in South Sudan is not known.

Value of imports and exports: There is evidence of intra-regional trade in engineering services, albeit not quantified. As earlier noted from the World Bank study, professional services present a potential avenue for expanding regional trade in services. While on average 6% of firms that declared that they exported some services to neighbouring countries, for engineering services this figure was significantly above average at 11%.⁵¹ At the Pan African level, the regulators from Kenya, Rwanda, Tanzania, and Uganda are members of the Federation of African Engineers Organisations (FAEO), which comprises 34 national organisations representing its members at the World Federation of Engineering Organisations (WFEO). The sector proposes the following;

- a) Where applicable, the regulatory framework on engineering services should be broadened to cover engineers, technologists and technicians. Where different regulatory bodies exist, they should be harmonised as provision of engineering services often involves all of them at the same time.
- b) The EAC MRA application should be broadened to cover trade aspects of engineering services such as registration and licensing of firms. In addition, its scope should be broadened to cover engineers; technologists and technicians.
- c) EAC Partner States should harmonise registration categories and fees.
- d) EAC Governments to support regulators to implement the Washington Accord on International Mutual Recognition of Engineering to support recognition of EAC engineers globally.
- e) Govts to support the regulatory board to establish / operate Engineering Academy: focuses on specialised engineering training that would make our engineers competitiveness. This is critical for exports, especially under AfCFTA.
- f) A diagnostic study for the engineering sector should be undertaken to identify gaps and needs in the sector. Capacity Building and Skills Development: programs need to be put in place to support
- g) Undertake capacity building and skills development among engineers, technologists and technicians:
 - Fresh graduates to get internship and mentoring programs leading to employment and registration. The target should be 100% transition into employment and registration.
 - Encourage the exchange of young workers across the region
 - Support professionals to have the skills necessary to provide the services required by the national, regional, continental and international markets.
- h) Address differences in the levels of accreditation of engineering training programmes.
- i) A regional association for engineering regulators in East Africa should be established with a mandate to spearhead harmonization of engineering professional regulatory framework.

3.5.4. Legal Services Strategic Priorities

The W/120 Services Sectoral Classification List lists legal services as a broad category (CPC 8211) under professional services. CPC Version 2.1 however gives a much more detailed classification, as follows: Legal advisory and representative services concerning criminal law (CPC

8211); Legal advisory and representation services concerning other fields of law such as advice, representation and other related legal services in judicial and quasi-judicial procedures concerning civil law, administrative law, constitutional law, international law, military law and other fields of law, except criminal law (CPC 8212); Legal documentation and certification services (CPC

49 <https://erb.go.tz/index.php/registered/reg-engineers> (as at March 2022)

50 <https://erb.go.tz/index.php/registered/reg-engineers> (as at 26th May 2022)

51 Dihel, Goswami (2016) *The Unexplored Potential of Trade in Services in Africa*

8213); Other legal services (CPC 8219) under which there are arbitration and conciliation service (CPC 82191) and other legal services (escrow services) (CPC 82199).

There is evidence of both local and international legal companies in all Partner States. According to the Law Society of Kenya, there are 17,000 practicing advocates in the country and more than 3,000 paralegals in Kenya.⁵² In Rwanda, the bar's current membership exceeds 1,073 advocates after the fusion between the Judicial Defenders Association and the Kigali Bar Association.⁵³ According to the Tanzania Law Society, there are 10,436 registered advocates in the country⁵⁴, while Uganda has 5,004 advocates.⁵⁵ The number of firms / lawyers in Burundi and South Sudan is not known

Although data on cross border trade in legal services is not currently captured in the region, the 2016 World Bank study established that over 50% of the companies surveyed regularly used legal services and over 23% of forms that exported were in legal services, significantly higher than the 6% average of surveyed forms.

The legal system in Uganda is based on English Common Law. The Advocates Act (Cap 267) Amended 2002 establishes the Uganda Legal Council as the regulatory authority. The Act also establishes the committee on legal education and training.

The Uganda Law Society Act 2016 establishes the Uganda Law Society as the bar association of the country. The role of the Uganda Law Society is to maintain and improve standards of conduct and learning in legal profession, etc. Members of the ULS pay annual fees and must be entitled to practice. The Law Development Centre Act establishes the Law Development Centre - an educational institution that offers the Bar Course leading to the award of the post-graduate Diploma in Legal Practice. Admittance into the LDC requires one to have a degree in law granted by a university in Uganda whose programme has been accredited by the Law Council, or be a Ugandan citizen who holds a foreign degree from a country operating a common law system. The sector proposes;

- a) Negotiate an MRA for legal services – as a first stage in addressing issue related to qualifications, their equation across the region etc. (discussion on what is holding this back).
- b) Pursue the enactment of the proposed EAC Cross Border Legal Practice Bill (discussion on what is holding this back).
- c) Working with EAC, regulators and BMOs in the sector, implement the proposed Manual for collection of statistics in order to collect data and information on domestic and cross-border activities within the sector.
- d) There is need for harmonization of legal education in the PS to facilitate mutual recognition of qualifications
- e) There should be more coordination and consultation between the East African Law Society and the East African Legislative Assembly on the enactment of the proposed EAC Cross Border Legal Practice Bill
- f) A statutory mandate should be developed on the East African Law Society so that it is grounded in the law
- g) There should also be more consultations between the East African Law Society and the Partner States Bar Associations.
- h) A regional database for the collection of information on legal practice should be created drawing lessons.

52 <https://lsk.or.ke/about-lsk/>

53 <https://www.rwandabar.org.rw/about-rba>

54 <https://tls.or.tz/>

55 www.uls.or.ug

3.5.5. Distribution Sector Strategic Priorities

Under the WTO's W/120 sectoral services classification, distribution services include four major services: commission agents' services; wholesale trade services, retailing services, and franchising services, alongside the residual fifth category - other. Commission agents are distinguished from wholesale and retail trade in that they trade on behalf of others (i.e., they do not own the products they are trading). Wholesale trade services consist of selling bulk merchandise to retailers, industrial, commercial, institutional, or other professional business users, or to other wholesalers. Retailers break up the bulk items to sell goods for personal or household consumption. In that, commission agents, wholesalers and retailers are essentially engaged in some form of re-selling merchandise, and with increasing vertical integration, often waded into multiple segments of doing so, they are treated here collectively as 'distribution services' (and only distinguished separately as needed).

This contrasts with the conceptually distinct franchising services, i.e., a type of contractual arrangement through which a distributor is allowed to use specific rights and privileges, for instance, the right to use a particular retail format or a trademark. This is treated in its own sub-section below.

Wholesale and retail:

According to the 2020 Diagnostic Study of the Distribution Sector in the EAC⁵⁶, the market structure of the distribution sector is diverse, taking various forms such as fixed local stores, e-commerce, door to door sales and open markets. Most retail distribution in both urban and rural areas is done by independently-owned small shops and kiosks that are stocked with similar basic products. The sector, especially retail, is highly informal with many independent, informal small outlets and street vendors targeting low-income consumers in rural and urban areas. With the widespread use of mobile money, the online retail sector in the region is growing, especially in Kenya, but it has yet to disrupt existing distribution channels.

The rising middle class has driven the establishment of medium-sized and large shops like supermarkets and hypermarkets, the majority of which are chains with operations in one area in urban centres. In all countries, the Diagnostic Study established that there are more than two dominant players, with most countries having more than four dominant ones. None of the retail outlets has a clear monopoly: for example, the largest supermarket chain in Kenya – Naivas, controls about 32% of the market, the largest in the region.

Although statistics on the value of inflows is not available, the Diagnostic Study established that the region has received a steady flow of foreign investors over the last two decades, particularly in the retail sector. As such, the retail sector appears relatively open for non-domestic players. Some of the foreign investors include Carrefour (France / Dubai), Game (South Africa) and Choppies (Botswana), as well as various food chain like Sub-Ways, KFC, Steers, Cold Stone and clothing stores like Woolworths, LC Waikiki and Mr. Price. In terms of intra-EAC FDI, two

EAC-owned supermarkets operate elsewhere in the region - Kenya's Tuskys in Uganda⁵⁷ and Tanzania's Village supermarket in Kenya. In the food retail industry, two EAC-owned brands have operations elsewhere within the region - Kenya's Java House which has outlets in Uganda and Uganda's Café Javas which has an outlet in Kenya.

Distribution services contribute significantly to both GDP and employment, among others. Regarding GDP, distribution services contributed between 4% and almost 12% of GDP in 2017/2018, across the EAC Partner States. The contribution is highest in Uganda at 11.7%,

⁵⁶ EAC, Diagnostic Study for EAC Partner States focusing on Distribution, Insurance and Accounting Services Sectors. 2020 (unpublished)

⁵⁷ It should be noted that Tusky's has been experiencing financial challenges and may close its branch in Uganda

followed by Tanzania at 9.1%. In Kenya and Rwanda, contribution is at 7.4% and 7% respectively, while in Burundi, available data suggests the contribution to GDP at almost 4%. Except in Kenya, the sector contributes more to GDP than does manufacturing or transport.

Overall, these figures likely underestimate the contribution quite significantly, given the that a large portion of retail activities are part of the informal sector and therefore not captured in official statistics. The sector's significant contribution to GDP throughout most of the region suggests that boosting the competitiveness of the sector is likely to deliver meaningful welfare enhancements.

Contribution to employment: The distribution sector is also amongst the largest contributors to employment, especially considering its extensive role in the informal sector. Partner State data⁵⁸ shows that in 2017/2018, wholesale and retail trade contributed over 12.7% of total formal employment in Tanzania, second only to agriculture, which employed 66.9%. In Kenya, the contribution of the sector to formal employment in the same period stood at 13.4%, second only to agriculture, which employed 15.3% of all formal jobs. In Rwanda, the sector contributed 14.9%, against 39.4% for agriculture. Uganda showed the highest contribution at 22.9% of all formal jobs, second only to agriculture which employs 35.7%.

The sector's contribution to employment in the informal sector provides a better sense of the full magnitude of employment in the sector. For example, in Kenya, available data for 2018 suggests the sector contributed 60% of all informal jobs⁵⁹, while in Tanzania, wholesale & retail distribution contributed 47.9% of all informal jobs in 2014.⁶⁰ The concentration of female employment and ownership in the informal distribution sector imparts a strong gender dimension, especially in the retail sub-sector.⁶¹ Data from the region bears this out. For example, in Uganda, the sector employs 28.6% of all employed female population, against 18.3% for males⁶².

In terms of openness, commitments to liberalise the sector under the CMP varies across the EAC, with Burundi, Rwanda and Uganda making commitments in all the 3 sub-sectors (wholesale, retail and commission agents). Kenya did not make any commitments in retail services, while Tanzania did not commit either wholesale trade and retailing services

- a) Undertake a baseline survey of the distribution sector in the EAC to establish, among others, the actual size of the sector, number of people it employs, contribution to GDP and growth (specifically which segments of the distribution sector drive what growth), informal trade flows, as well as the challenges facing the sector.
- b) As part of the baseline, agree on a common categorisation of supermarkets across the region. Put in place measures at the regional level to create a competitive and fair practice environment in the distribution sector.
- c) Undertake a mapping of the various administrative practices, both discriminatory and non-discriminatory that affect the distribution sector and then support partner states to rationalise them. This could be undertaken as part of the baseline study above, or separately.
- d) Support the enhancement of professionalism in the retail industry, through among others, accreditation of curriculum for the sector.
- e) Provide targeted support to build the capacity of middle level SMEs, to grow them to achieve consistency in quality and quantity that would enable them to upgrade from supplying informal outlets to developing linkages with supermarkets, and entering into long term contracts. This can be achieved through targeted supplier development programmes.

58 EAC National Bureaus of Statistics and Labour Force Surveys

59 Kenya National Bureau of Statistics. 2019. "Economic Survey 2019"

60 National Bureau of Statistics Tanzania 2014, and. Tanzania Integrated Labour Force Survey 2014

61 WTO (2019).

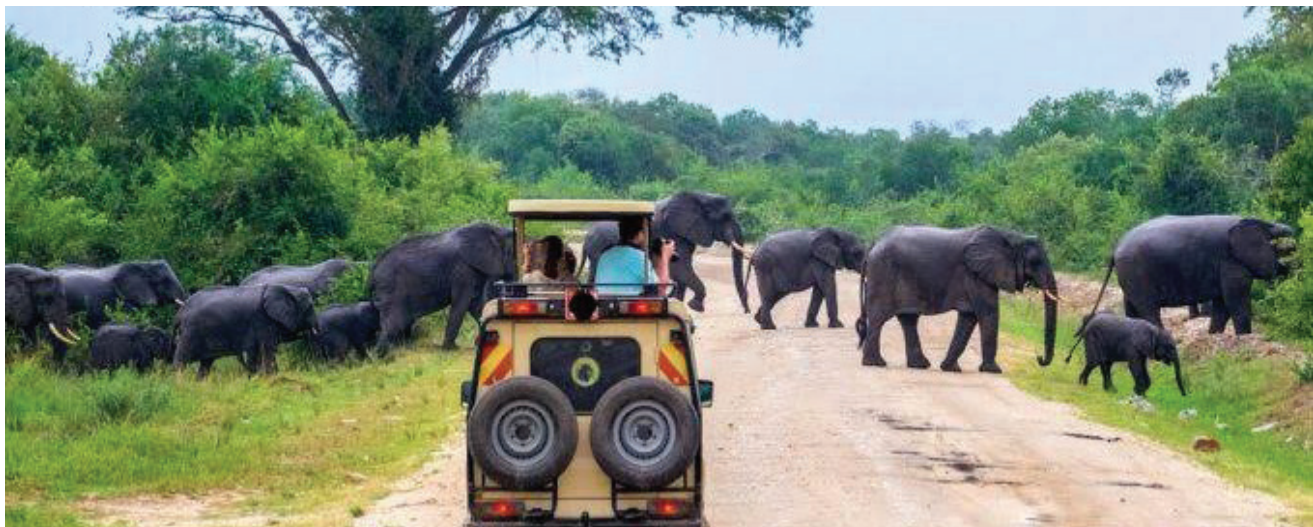
62 Uganda Bureau of Statistics. 2019. "Uganda Statistical Abstract 2018"

3.6. Tourism Sector

Uganda is a multicultural Country with diverse landscapes. It is also home to the highest remaining number of endangered mountain gorillas (Hickey et al., 2019). The great ape is one of Uganda's main tourist attractions, along with Chimpanzees and other primates, and more than a thousand bird species (Muresherwa et al., 2020). Tourism in Uganda is an increasingly important contributor to its economy. The 1.5 million international arrivals, combined with a growing number of domestic tourists, generated 7.75% of GDP and 6.7% of total national employment in 2018 (CBI, 2020). COVID-19 has been a disaster for the tourism industry in Uganda. From March to June 2020, tourism suffered a decline of approximately 55%, while other sectors suffered only moderate drops (UBOS, 2020). The travel and tourism sector contributed 2.5% to Uganda's GDP in 2020 (WTTC, 2021).

Despite the small size of 241,038 square kilometres, Uganda is endowed with an impressive quantity of world-class tourism resources. The country has the world's largest population (54%) of mountain gorillas existing in mainly two of the country's national parks: Bwindi Impenetrable National Park (BINP) and Mgahinga Gorilla National Park (MGNP). In addition, the country contains 24 species of primates. Uganda's national parks contain 38 carnivores and 30 antelope species. The most visited safari destinations are Queen Elizabeth National Park (QENP) and Murchison Falls National Park (MFNP). The country has beautiful mountain ranges including the snow-capped Ruwenzori Mountain ranges, second largest fresh water lake (Lake Victoria), third deepest lake (Lake Bunyonyi) in the world and as well as the source of the world's longest river (River Nile) gifted with beautiful waterfalls and unique water scenery. Uganda is also blessed with a lot of water bodies and hot springs that could spur water-based tourism as well as a wide range of cultural heritage attractions like Namugongo Martyrs Shrine, Kasubi Tombs, Museums and a number of Kingdoms. New products like Golf tourism, Culinary tourism (Rolex Festival, Cultural food festivals etc) have also been developed. Uganda is also home to several species whose global range is mostly confined to Uganda, such as mountain gorillas, Rothschild giraffe, Uganda has potential to position herself as a high-value destination that offers exceptional wildlife, adventure and cultural experiences which match or exceed those of its neighbours. Prioritising Tourism among Key Growth Opportunities indicates Government's commitment towards tourism development.

The country has made some modest investments in the diversification and development of tourism products, some tourism marketing in the United States, Germany and the United Kingdom, and in the improvement of tourism infrastructure particularly hotels and transport. As a result, the country has registered some success in terms of increasing tourist arrivals and revenue as well as creating jobs along the tourism value chain. The vast majority of tourists are from African countries and there are increasing trends in visitors from Asia and the rest of the



world. In terms of leisure tourism, the country remains dependent on traditional tourist source markets in America and Europe. As such, the quality of tourists and the expenditure per tourist is low compared to Uganda's comparators.

In addition to wildlife, Uganda's protected areas host the continent's largest variety of bird species (1,082 species). This attracts birders from around the globe to BINP, QENP, KNP, MFNP, Semliki National Park (SNP), and several forest reserves. The snow-capped Rwenzori Mountains, topped by the 5,100-meter Margherita Peak, is the highest mountain range in Africa and another UNESCO World Heritage site. Rwenzori Mountains National Park (RMNP) offers top-notch trekking and climbing experiences. The volcanic Virunga mountains and Mount Elgon also offer excellent trekking opportunities. Other adventure activities can be practiced in Jinja, which is considered by many to be the continent's second-best adventure tourism destination after Victoria Falls. Activities on offer include white-water rafting, bungee jumping, jet boats, river surfing, and zip lines. While nature-based tourism is the country's primary draw, Uganda also contains some notable cultural and heritage tourism resources. The Kisubi Tombs, burial grounds for four Buganda Kings, is a UNESCO World Heritage Site. Other noteworthy cultural sites are the Karamoja Culture Museum and Kumi (rock art). Over a million visitors (mostly Ugandans) flock to Catholic and Anglican Martyrs Shrines in Namugongo for the annual Martyr's Day pilgrimage. In 2019, Uganda ranked sixth in Africa in terms of international conferences and events hosted.

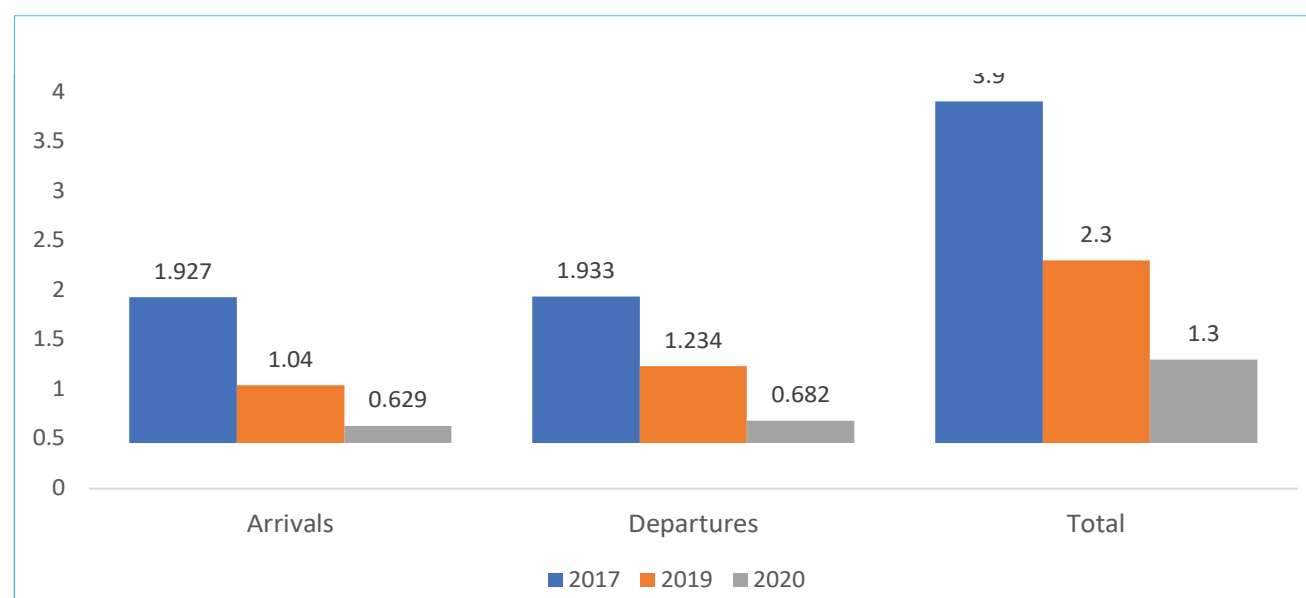


The current Ugandan National Development Plan (NDPIII) aspires to make Uganda one of the top five tourism destinations in Africa by 2025, given the sector's important role for economic growth and employment generation. Until the COVID crisis started, the sector had grown exponentially, with visitors arriving to the country increasing from 200,000 in 2000, to over 1.5 million in 2018. With the COVID pandemic, the arrivals dropped to 156,000 in 2020, and the hospitality sector suffered great losses

from 2019 to 2021. Before that, the sector contributed to 7.7% of GDP and earned USD 1.6 billion annually, twice as much as the forex income earning from the largest export, coffee (UNDP, 2020). According to Ministry of Tourism, the tourism and hospitality sector accounts for around 667,600 staff, with 90% employed in the hospitality sector; the sector contributes to about 6.7 % of the total national employment. The spill-over effects on auxiliary services includes banking, manufacturing, telecommunication, utilities, trade, etc. The influx of tourists is also the main financier of the Uganda Wildlife Authority, in their efforts to preserve the natural treasures of Uganda, including the endangered Mountain Gorillas. The country has a very limited number of direct flights into the country thus making the international transport cost more expensive in comparison to the region comparators (Table 8.1). There are no direct flights to Asia and only a few to the Middles East. The costs of services such as landing fees are also still key inhibitors to the growth. Other issues of concern include; ICT readiness, hygiene and health, tourist service infrastructure and air transport service infrastructure. Infrastructure is limited due to: unavailability of electricity, water, ICT in key tourism sites, and lack of tourist stopover facilities.

Uganda registered about 1.3 million people arriving into and departing from the country in CY2020 compared to 2.3 million travellers recorded in CY2019, reflecting a decrease of 43% in movements. There were about 0.629 million persons entering the country (arrivals) and about 0.682 million leaving the country (departures). The number of departures was slightly higher than that of arrivals in CY2020. Similarly, tourist expenditure in Uganda dropped threefold in the year 2020. A total of US\$1.60 billion was spent by tourists in Uganda in 2019 compared to US\$ 0.44 billion spent in the year ending December 2020. COVID-19 hit Uganda tourism hard with a 72.7 percent decline in earnings. Tourists Average Expenditure per day was US\$ 111, and the Tourists' average length of stay in Uganda was 8.7 days, according to the Tourist Expenditure and Motivation Survey 2019.

Figure 25: Tourist arrivals 2017 to 2020



Source: PSFU own construct using data from UBOS Statistical abstract, 2022

The East African Community (EAC) Common Market Protocol guarantees free movement of persons who are citizens of Partner States within the EAC territory. Statistics on arrivals and departures within the region are, therefore, important in monitoring the implementation of the EAC Common Market Protocol. The number of arrivals in 2019 from EAC member states to Uganda was 403,000 and departures were 308,000 travellers. In 2019, most of the arrivals and departures were from Kenya (60%) followed by Rwanda (15%). The two countries accounted for 75 percent of the arrivals and departures. 72.6% of the visitor arrivals in 2019 were from the African continent followed by Asia (10%), Europe (9%) and America (5%). On the other hands, visitors from the EAC countries accounted for 61 percent of all visitor arrivals, Kenya accounted for 37 percent followed by Tanzania with 9 percent and the least number of visitors from the EAC was from Burundi. Very significantly in a country with very high youth unemployment the sector employs a high proportion of youth and women. It is therefore important that the Government continues to prioritize tourism as a growth sector and to address the major challenges it faces. These include: human resource capacity development, management of Uganda's image, ICT. More investment should however be made to ensure that major roads in the main tourism circuits are attended to and maintained.

3.6.1. COVID-19 Pandemic and its implications to the Tourism Industry.

Global perspective

Global tourism experienced a mild 4% upturn in 2021, with 15 million more international tourist arrivals (overnight visitors) than in 2020 but remained 72% below the levels of pre-pan-

demic year 2019 according to preliminary estimates. This follows a 73% plunge in international travel in 2020, the worst year on record for tourism due to the COVID-19 pandemic. For the second half of 2021, the International tourism rebounded moderately, with international arrivals down only 62% in both the third and fourth quarters (July to September and October to December respectively), compared to the same periods in 2019. Rising vaccination rates combined with softer travel restrictions due to increased cross-border coordination and protocols, all helped release pent up demand in 2021. Europe and the America recorded the strongest results by region relative to 2020 with arrivals up 19% and 17% respectively, though both remained 63% below 2019 levels. Africa saw a 12% increase in 2021 compared to 2020, though remained 74% below 2019 levels.

Domestic perspective

The pandemic impacted the tourist arrivals causing cancellation of bookings by tourist both domestic and foreign. Before COVID-19, Each Tourism establishment, on average registered an average of 152.7 and 113.9 bookings by the end of December 2019 and February 2020 respectively. By end of June 2020, Tourist Bookings had declined by 93% from the number recorded at the end of December 2019. The pandemic caused foreign bookings to decline by 97.8% and likewise domestic bookings declined by 88.7% between the end of December 2019 and end of June 2020. Reduction and cancellation of bookings within the Hotel industry and the Tours and Travel sector was registered translating into a 92% decline in the bookings within Accommodation and the Tour and Travel sector. Studies revealed that at least 7 in 10 of all tourism enterprises registered cancellation in Bookings. Losses due to cancellations just in the months of March to June 2020 were estimated at US\$ 367.2 million (UGX 1.37 trillion). Tremendous pressure on tourism entities to refund clients was experienced.

The Meetings, Incentives, Conventions and Exhibitions (MICE) industry is an important and growing segment of the tourism sector with a great potential. MICE industry was strongly affected by the disruptive effects of COVID-19. Since the onset of the pandemic, the Government of Uganda moved to minimize the importation of COVID-19 by cancelling all International conferences that were to be hosted in Uganda. Results reveal that at least 3 in 10 tourism establishments were expecting to host a conference in the year 2020. These entities mainly consisted of accommodation facilities, tour operators and tour and travel agencies. The anticipated average capacity of each conference was estimated at 330 individuals per conference/meeting. Due to the COVID-19 pandemic, 85% of booked conferences to be hosted in Uganda in 2020 were reported to have been cancelled.

For hotel industry: According to the study by UHOA 2022, hotels suffered huge financial and physical setbacks.

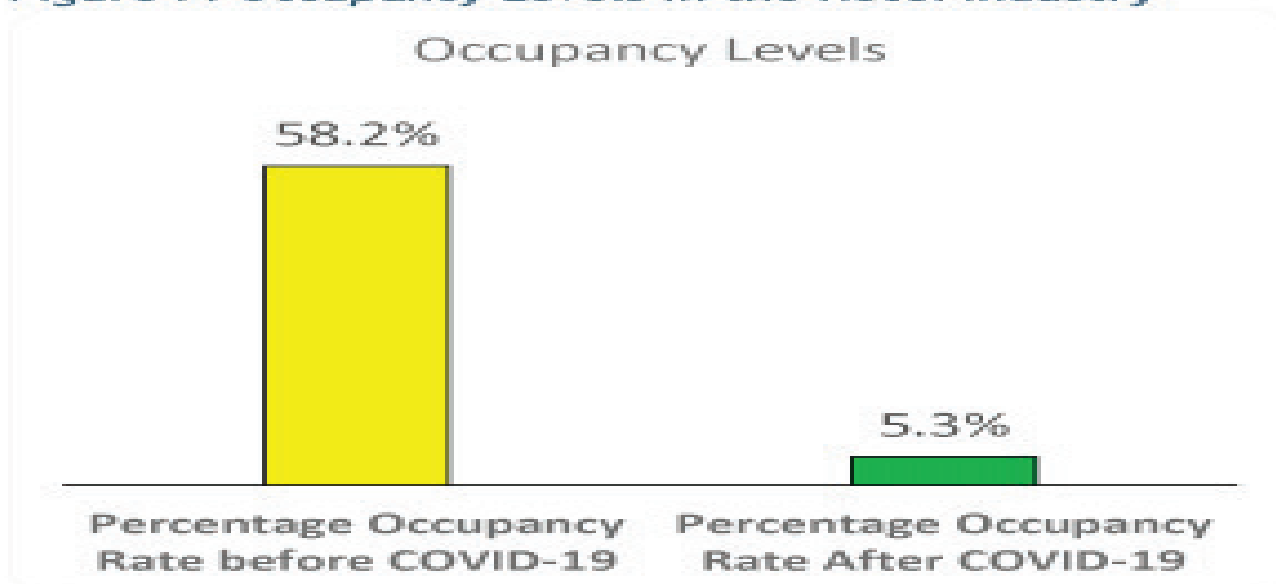
Notably:

- 8 in 10 cancellations in reservations in the period March – June 2020.
- Hotels lost USD 320M between March 2020 and June 2020 in business.
- 85% of all booked conferences were cancelled in 2020.

Study findings further reveals that before the pandemic struck, hotels boasted an occupancy rate of 58.2%. However, between March 2020 and June 2020, hotels operated at an average occupancy rate of 5.3%. Estimated occupancy between July and December 2020 was 10% - 20% (see figure 25 below)

Figure 26: Graph showing occupancy levels for Hotels during and after COVID 19

Figure 7: Occupancy Levels in the Hotel Industry



Source: UHOA report, 2022

The Employment Status in the hotel industry during the period of lockdown and immediately after is as follows:

- 156,718 (57.2%) of all staff on unpaid leave.
- 94,512 (34.5%) of all staff experienced pay cuts.
- Only 20,059 (7.3%) remained on full pay.
- 2,705 (1%) were officially laid off.

3.6.2. Challenges facing the Tourism Industry

A lot of progress has been realized towards development of the sector however, the sector is faced with the following challenges that should be addressed;

Inadequate marketing, promotion and publicity of the country:

Uganda as a tourism destination is still blurred in most wider travel markets due to inadequate budgets allocations to the MDAs e.g. Uganda Tourism Board (UTB) that is in charge of marketing and promoting the country worldwide receives less than ten (10) billion shillings for marketing. This has hindered advertising and public relations, travel inland, travel abroad and printing among other items that help out in marketing and promoting the country' gifts of nature. In addition, even with the small funds available, they are not effectively utilized to a level that can cause significant impact to the private sector. For instance, Support for out ward exhibitions is dominated by civil servants and not business people.

Low levels of product development:

Due to low levels of product development to keep the tourists much longer and spend more i.e. wildlife is the most sold tourism product yet Uganda is endowed with a diversity of tourism products. Niche products such as culture tourism, faith-based tourism, MTN Marathon etc have not been fully developed and the country does not effectively benefit from them. The average length of stay for leisure tourists was 8.3 days, and the average spending per visitor per day was

USD 111. The tourist expenditure and length of stay are largely varied by the availability and variety of competitive tourism products and facilities which trigger tourists' decision to spend.

Poor human resource/capacity building skills:

According to industry practise, one certified tourist brings 3 more tourist in the country and because the sector sells experience, the quality of service provision is very key. According to Labour market skills audit report (LMNA) and a skills audit in the hotel sector confirmed that there is a clear skills gaps with in the human resources as allocated in the sector. The Skills Needs Assessment report, 2019 also confirms that the sector has huge skills gaps which affects the profitability and performance of the industry. The hotel industry does not have adequately sourced and trained staff working in hotels, which challenge is further complicated by the changing requirements of the industry and the constantly changing workforce, customers, and expectations of the industry. Careers in the hotel industry can be extremely rewarding, however, they are also challenging and fast-paced, which can be overwhelming for most people due to the diverse number of people they deal with, changing and different expectations, varying demands, challenging customers, long work hours, endless days, low reward and remuneration, among others.

The BTVET policy provides for Tourism Skills Councils which is established in the Ministry of Education and Sports however, it suffers from funding prioritization and efficiency to serve the interest of the business people. It is also short on labour governance mechanisms to avail data on the existing gaps in the job markets and the required specifications such that education can be demand driven.

Informal sector out-competing the formal sector:

The current system allows for persons to open up websites for unregistered tourism businesses. Tourism licenses have not been issued for the last 4 years and this has partly contributed to the defrauding of tourists, some hotels not being paid for services consumed by "briefcase tour companies" etc. There is the absence of a clear tourism regulation and follow-up procedure for such cases, and the country's image and revenue are continuously at stake thus hindering development campaigns. Absence of quality Data for the creative industry. This is required to support the various sector players in proposing actions that are evidenced based in order to grow the whole industry further.

Very high Bank interest rates:

Most hotels are built using loans and the extremely high bank interest rates have affected the growth of the sector. Many hotels are also on the verge of collapse having failed to pay back bank loans.

Taxes and licenses:

The tax burden on the tourism industry is still heavy which needs to be lessened and the many small taxes (e.g. Local Government Tax - US\$2 per bed night, Employee Service Tax - 5%, UWA taxes - US\$10 per bed night / 15%, Corporate Tax - 30%, Community Taxes - US\$40 per bed night) should be consolidated and charged under a single levy. Levies and Licensees are not established for regulatory purposes but rather income generation from Government. These increase the cost of doing business for the industry. The industry pays the following levies/ licenses;

- i. Hotel Tax of 2\$ per room per night paid to district leaders and not being used for tourism marketing as required in the tourism levy
- ii. A local service tax that differs from district to district
- iii. Service charge of 5%

- iv. Property Tax in excess of 200,000 Uganda Shillings
- v. A service charge of 55 of total restaurant bills
- vi. Trading licenses payable to local governments
- vii. Accommodation license payable to Uganda Tourism Board [Only waiting for gazetting before UTB starts to collect]
- viii. Night fees of \$5 to \$30 per person per night
- ix. Restaurant License payable to local government
- x. Restaurant License payable to Uganda Tourism Board [Only waiting for gazetting before UTB starts to collect]
- xi. Bar License payable to local government
- xii. Swimming pool license

Infrastructure:

Uganda's infrastructure mainly the roads leading to the tourism circuit, Air transport, hotels, internet, and electricity among others await urgent prioritization. Key roads within the tourism circuit e.g. Karugutu –Ntoroko, Mpigi,-Kasange –Kisubi Mpigi to Buwaya, 22km (Road) and Buwaya to Nakiwogo (by Ferry), Kisubi, Kisoro – Mgahinga National Park gate 62km, Kanungu – Ruhija, Katunguru – Ishasha – Kihhi – Butokota – Buhoma, Mubuku – Ibanda – Nyakarigija, Kyenjojo – Kagadi – Hoima – Masindi, Masindi – Kimanyombo (Murchison falls gate) Kidepo – Kabong – Kotido – Moroto, Kumi – Serere (Road) Bugondo – Namasagali (Ferry), Gayaza – Wobulenzi road among others in the country are in need of the urgent attention and prioritization by the Government of Uganda.

Proposed Recommendations:

- 1) Review the tourism act, 2008 to address, Sector regulation to ensure the maintenance of sector standards at regional and international required levels, Create a Tourism Fund with 2% contribution from the tourism levy and other from the government and other agencies.
- 2) Promote self-regulation of tourism businesses through mandatory association. Government should require all tourism Businesses to belong to Association before legally being permitted to operate tourism businesses in Uganda.
- 3) Consider Marketing at both the domestic and international levels by promoting tourism products such as; the mountain climbing and outward-bound programs as well as water sports like canoeing, fishing, rafting among others. This can play a big role in exploiting Uganda's famous and abundant mountains and water resources.
- 4) Promote Eco tourism to unlock its development potential. The link between community as focal points and policy makers should also be enhanced and proper planning to teach more equally emphasized. Proper planning which helps communities learn more about tourism should also be encouraged in Uganda. Other activities here include; bird watching, wild life, cultural heritage Tourism should also be developed and promoted following Uganda's cultural wealth and diversity that globally fetches over 1Billion).
- 5) Consolidate licenses, levies and fees in to a single levy. For instance, tourism levy collected at source and banked in a tourism development account for purposes of marketing the country and providing more affordable financing to players in the industry through Uganda Development Bank or Corporation.
- 6) In the immediate term, the government through its responsible agency, should design, validate and implement product development plan, using effective Private-Public Partnerships [PPPs] where applicable to improve visitor experiences such that they can be encouraged to stay longer and spend more.
- 7) To improve the skills for on the job employees in the industry, a specific intervention

is required. Through its agencies, the Government should implement the BTVET policy which caters for the Sector Skills councils. No compressive studies carried out to understand the tourism culture or behaviour of Ugandan tourists.

- 8) Development and strengthening of tourism standards, hotel and restaurant classification and grading systems, including harmonisation.
- 9) Enhancing free movement of tourism workers and visitors, harmonisation of procedures, documentation, and removal/liberalisation of free movement restrictions.
- 10) Tourism destination promotion and joint marketing of regional destination.
- 11) Mutual recognition of tourism qualifications, collaboration on tourism-related education and training. Develop transboundary / trans-frontier tours; and

3.7. Culture and Creative Arts Sector

The creative economy refers to the socio-economic activities that trade with creativity, knowledge, and information to generate income, and to create jobs and revenue for the Country. In addition, these activities promote social inclusion, cultural diversity, and human development. At the heart of the Creative Economy are creative industries which include folk art, festivals, music, books, paintings, performing arts, cuisine, fashion, crafts, traditional medicine, film, broadcasting, digital animation, video games, architectural and advertising services. According to UNESCO, creative Industries represent about 3 % of Global GDP. Based on recent analysis, an estimate of about UGX 11.3 billion is derived from cultural enterprises and according to a baseline study, it is estimated that there are approximately 12,460 SMEs in this sector in Uganda. Culture and creative arts are estimated to generate approximately UGX 3.18 trillion to the economy, in total business income, based on analytical estimates.

In the year 2004-2008, Uganda's exports of cultural goods and services were valued at US\$239 million (approximately Ug.shs.427 billion). The sector of Culture and creative industries contributed US \$ 6.7 Million (approximately Ug. shs12.6 billion). In fact, according to the 2009 and 2014 Mapping Study of Culture and Creative Industries in Uganda, the culture and creative industries are among the most dynamic emerging sectors in world trade, Uganda inclusive. Further still, the few organized groups are micro and small enterprises with few employees. The Study indicates that the contribution of Culture and creative industries to direct employment is a merger 4.5% of employment. This could be explained by the reality that many operators are unregistered enterprises operating at an informal level (45% of the enterprises). (National Action Plan on Culture Industries of Uganda 2015/16-2019/20)

The culture and creative industries have long been side lined from the mainstream sectors of growth in Uganda even though they are recognized as a significant contributor to the economies



of developed economies such as Canada, the United Kingdom and Australia. Culture and creative industries form the heart of the Creative Economy. In 1990 the creative industries in Organization for Economic Cooperation and Development countries grew at an annual rate more than twice that of services industries and more than four times that of manufacturing (Hawkins: 2001). Although these industries in Uganda are largely informal, it's potential to contribute

to the growth of the economy, employment creation and income generation needs to be tapped into urgently by addressing the following challenges:

- i. Inadequate policy and legal environment including the infrastructural support has impeded the growth of the sector. There are a number of obsolete laws, e.g. while enforcement of regulations is still lacking.
- ii. Informality of the sector has contributed to the small tax base, unregulated employment because of lack of code of conduct or practice.
- iii. Limited funding source affects the development and growth of the sector because the players have little mandate and expertise to attract funding because of their informal structure in governance and markets. Furthermore, the access to, the cost of finance and absence of incentives limit domestic and foreign investment in the culture and creative industries in the country. limited access to finance because the sector lacks aligned collateral to secure loans from a commercial bank.
- iv. Poor infrastructure development due to lack of prioritization of the creative arts during the budget, funding and planning process at both central and local government has denied the players a common voice on issues ranging from economic, social protection and labor.
- v. Inadequate professional capacity in the sector to produce quality products and services. Majority of the sector players don't have formal training, limited impact on global market, inadequate knowledge about the sector etc.
- vi. The absence of statistical information on the culture and creative industries contribution to the economy as a significant contributor to development. Comprehensive and comparative data is not readily available thus hindering programming for the culture sector.

According to UNESCO, 2010, world exports of creative goods and services reached \$592 billion in 2008 with an annual growth rate of 14% during the period 2002 – 2008, while South to South trade of creative goods amounted to nearly \$60 billion. Between 2004 - 2008, Uganda's exports of cultural goods and services were valued at US\$239 million (approximately Ug.shs.427 billion). The Culture and creative industries contributed approximately US\$6.7Million (approximately Ug. shs12.6 billion).

Intervention or recommendations

- i. Conceptualize the legal regime for the creatives.
- ii. Streamline the legal framework by ensuring the laws and guidelines developed promote compliance to Uganda' socio and cultural values as well as the sector at large.
- iii. Establish appropriate standards regulatory framework to support production and development of quality goods and services within the sector.
- iv. Enhance conceptualization of the sector for appropriate classification of creative goods/ services.
- v. Regulate the content produced and broadcasted by the sector.
 - i. Regulate the sector to reduce the informality gap, raise the income levels of the players as well as the revenue for government.
 - ii. Encourage self-regulation through associations by funding the associations, empower the mandates of the structures of the culture and creative arts sector etc.
 - i. Establish a fund e.g. catalytic or revolving fund for the creative sector.
 - ii. Support creation of a market strategy to streamline markets.
 - iii. Incorporate the creative sector in the design of the government funding through schemes like; Emyooga, youth livelihood fund etc.
- iv. Encourage bankers to design tailor made products for the sector players as this will widen the funding sources.
 - i. Strategic investment in the infrastructure like cinemas, museums etc.
 - ii. Invest in regional creative hubs to boost the rich culture and creativity at local government level.
 - iii. Emphasize standards and regulations within the sector.

- iv. Encourage public and private sector partnerships.
- v. Design or provide incentives to enable film making sub sector less costly.
 - i. Carryout capacity building for the culture and creative sector players by designing deliberate trainings throughout the value chain.
 - ii. Establishment of a scheme of service for the sector players.
 - i. Research and Development i.e. invest resources in studying the culture and creative arts to support the development and growth of the sector, its contributions to the economy, work with the private sector to establish mechanisms of growing the sector.

3.8. Manufacturing Sector

The Industrial Sector in Uganda covers Manufacturing, Mining and Quarrying, Electricity Generation and Water Services, and Construction both monetary and non-monetary. Uganda's manufacturing sector is small and characterized by production of basic simple consumer goods: beverages, tobacco, textiles and apparel, leather and leather products, wood products, metallic products, clay products, cement and chemicals and small-scale processors of agricultural products (food processing). Agro-related industries account for 39% of total establishments. Capital goods industries are few. Capacity utilisation has been very low, at less than 50% of installed capacity for most industries¹. This is compounded by the fact that most industries are high-cost producers.

Uganda's economic recovery strategy in the past has to a large extent involved the restoration and rehabilitation of productive capacity. Going forward, growth now needs to come from new investments or new activities, which will require more investment, more intensive acquisition of modern technology, and more strategic alliances between local and foreign partners. Uganda's manufacturing sector is comprised of several industries in the agro-processing, pharmaceuticals, plastics, beverages, construction sub-sectors and serves both the local and the wider export markets in the East African trade block – Kenya, Tanzania, Southern Sudan, Rwanda and Democratic Republic of Congo. The industry sector is dominated by small and medium enterprises (SMEs), which make up some 93.5 percent of firms operating in the sector. These are usually not able to reap the benefits of economies of scale and, given the strong correlation between firm size and export capacity, consequently have difficulties competing internationally. Of the top 500 firms in Africa in 2017, Uganda has only three companies on the list, and pointedly, none are in the manufacturing sub-sector. Manufacturing primarily engages in end-product assembly and raw materials processing, producing low value-added goods such as food and beverages, wood and wood products, textiles, leather, and metallic and non-metallic fabrication. Furthermore, manufacturing value-added per capita remains low at around USD 27 compared to USD 57 for low-income countries and USD 1,277 for the global average. In addition, medium and high-technology activities do not play a major role in manufacturing exports, constituting just 13.8 percent of total manufactured exports, lower than regional neighbours Kenya and Tanzania.

Uganda's manufacturing sub-sector consists of about 20685 firms² with over 90 percent of these categorised as Micro Small and Medium enterprises based on the size of their workforce. The main challenges facing domestic and foreign manufacturers operating in Uganda include; poor infrastructure and high costs of electricity, limited availability of technical and managerial skills and lack of financial sources, especially in terms of longer-term financing³. Table 2.2 summarises some of the key features of the manufacturing subsector and the challenges.

¹ UMA report on capacity utilization

² UBOS, 2021

³ Linda Calabrese, Frederick Golooba-Mutebi and Maximiliano Mendez-Parra (2019): Industrial development Uganda

Table 23: Manufacturing Sector Issues

Sector	Subsector	Status	Key Issues
Heavy manufacturing	Cement	<ul style="list-style-type: none"> <input type="checkbox"/> Plays one of the biggest roles in construction <input type="checkbox"/> About 6 to 9% of global carbon emissions are blamed on the cement industry. <input type="checkbox"/> To achieve global temperature, increase below 2% as stipulated in the 2016 Paris agreement, carbon emissions ought to reduce by 80 to 90% by 2050 (Buchwaldt, 2020) <input type="checkbox"/> Four cement factories are operative within the country; Tororo Cement Limited, Hima Cement Limited. Kampala Cement Company Limited and Simba Cement Uganda Limited. <input type="checkbox"/> 10% import duty on clinker removed, leading to lower cost of production for manufacturers who use it as a raw material. 	<ul style="list-style-type: none"> <input type="checkbox"/> Research on how to reduce carbon emissions. <input type="checkbox"/> Profitability of cement factories affected by imported raw materials and fuels. <input type="checkbox"/> Unstable power supply.
	Iron & Steel	<ul style="list-style-type: none"> <input type="checkbox"/> Considered as one of the nation's lifeline industries. <input type="checkbox"/> Commercial quantities of about 500 million tonnes of iron ore deposits were confirmed. <input type="checkbox"/> Iron core mainly found in two areas; <ul style="list-style-type: none"> <input type="checkbox"/> Hermatite iron ore in Muko in Kabale and Kisoro districts, and Mugabuzi in Sembabule district. <input type="checkbox"/> Magnetite iron ore in Sukulu and Bukusu in Tororo district. <input type="checkbox"/> Market value, currently, is about USD one billion and growing (Rupiny, 2021) 	<ul style="list-style-type: none"> <input type="checkbox"/> Surveys for the deposits are not extensive enough. <input type="checkbox"/> Disruption of the global production and supply chain by the COVID-19 pandemic. <input type="checkbox"/> Inadequate skills development within the sector. <input type="checkbox"/> Industrial steel making activities mainly take place in greater Kampala and Jinja metropolitan areas. There is therefore opportunity to set up shops in the iron ore-rich regions.
	Construction	<ul style="list-style-type: none"> <input type="checkbox"/> Uganda's roads, especially within and around cities, are burdened. <input type="checkbox"/> Entebbe International Airport expansion is expected to be complete by May 2022. <input type="checkbox"/> As of July 2021, Kabaale International Airport was 55% complete. <input type="checkbox"/> According to NPA, Uganda is faced with an eight-million-unit housing shortage. <input type="checkbox"/> 16.2% of the 2020/21 budget was allocated to infrastructure (International Trade Administration, 2021) 	<ul style="list-style-type: none"> <input type="checkbox"/> Inadequate investment within the construction sub sector. <input type="checkbox"/> Poor maintenance of the roads.

Light manufacturing	Plastics & Packaging	<ul style="list-style-type: none"> <input type="checkbox"/> About 8 Plastic, Packaging & Containers companies in Uganda. <input type="checkbox"/> Increased number of single-use plastics. <input type="checkbox"/> Most recycled plastic in Uganda is PET. It is turned into PET flake for export to China and India to be used in polyester fabric making. <input type="checkbox"/> Other recycled plastics include; polythene and polypropylene <p>(Globa Green Growth Institute, 2020)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Plastic pollution. <input type="checkbox"/> Inadequate partnerships with plastic recycling companies. Such partnerships will culminate into green jobs.
Food & Beverages		<ul style="list-style-type: none"> <input type="checkbox"/> One of the essential components of the Ugandan economy. <input type="checkbox"/> Accounts for 21% of the GDP, 46% of total export earnings, and employs over 65% of the population. <input type="checkbox"/> The food subsector consists of processed food products and food crops, while the beverage subsector covers tea, coffee, cocoa and processed alcoholic and non- alcoholic drinks <p>(Open to Export)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Price fluctuations of the raw materials. <input type="checkbox"/> Inadequate value addition.
	Processing	<ul style="list-style-type: none"> <input type="checkbox"/> A big proportion of the manufacturing output is accounted for by processed agricultural commodities. <input type="checkbox"/> Food processing accounts for 40% of the manufactured output 	<ul style="list-style-type: none"> <input type="checkbox"/> Shortage of working capital and credit. <input type="checkbox"/> Competition from imports.
Pharmaceuticals		<ul style="list-style-type: none"> <input type="checkbox"/> Over 10% of the country's manufacturing value added is accounted for by the chemical sector, which is inclusive of pharmaceuticals. <input type="checkbox"/> As of 2018, there were over 30 pharmaceutical and medical device manufacturing companies. <input type="checkbox"/> Over 173 pharmaceutical products are manufactured in Uganda. <input type="checkbox"/> Import of medical consumables in Uganda grew by over 60% in 2017, compared to 6% within the Sub-Saharan region(Uganda Investment Authority) 	<ul style="list-style-type: none"> <input type="checkbox"/> Insufficient regulatory capacity. <input type="checkbox"/> Reliance on imports to be used as raw materials. <input type="checkbox"/> Supply chain disruptions. <input type="checkbox"/> Need for some essential medicine is not met.

Source: Private sector development Strategy 21/22- 25/26

The Key issues here are mainly to do with the cross-cutting issues mentioned. Other issues however include but not limited to; -

a. Proliferation of substandard goods on the market

Unscrupulous traders are exploiting the relaxed trade regime in Uganda to import fake goods on the local market, or even producing these items. The cost of complying with standards is as high as 0.07 – 0.1% of turnover compared to acceptable levels of 0.02% of turnover. Worse still, other competitors do not comply with standards. The Pre-export Verification for Conformity to Standards (PVOC) was established and it has also registered minimal impact. There is direct need to devise other means of fight substandard goods by making the market very hostile. Taking the amendments of the law, which have increased the punishment of the sub- standards goods producers and marketers, UNBS needs to be empowered more through budgetary support.

b. Counterfeits

Apart from sub-standard items, there are also counterfeits which involve illegally replicating the well-known brand names and designs on their packaging and labels with cheaper and sometimes substandard versions e.g. fake electronic appliances, shoes, adulterated coffee, rice, agricultural inputs, locally made soft drinks mainly water and Juices, among others⁶³. Major investors now look out on how counterfeits are managed before investing in any country. For over 10 years now, Government has been promising a law to fight counterfeits. To date this law has not been passed by Parliament. The Private Sector would appreciate if both Parliament and the Executive would sort this urgently.

c. External Trade Policy

Government should evolve an External Trade Policy that avails Sovereign Endorsement backing for distinguished manufacturers to be able to access new markets especially in South Sudan, Somalia, Central African Republic and DR Congo. Bilateral Trade Protocols arising from Trade Missions need to be concluded with the objective of enabling Uganda export on priority basis her sugar, steel, textiles, stationery, milk, processed food, oil products and juices among others. All major exporting countries say China, India, South Africa and Kenya (at a Regional level) have such policies that see their Governments lead the private sector to establish, galvanize and “protect/ring fence” their new markets.

Relatedly, there is a lack of an incentive regime for exporters of local produce such as edible oils from local seeds. The edible oil sector has grown significantly into backward integration. Such incentives encourage other sectors that have not ventured into backward integration especially agro processing. This supports Government policy on Value Addition. Government should therefore develop a special incentive regime for such exporters. This can be in form of exemption from paying corporate tax.

d. Buy Ugandan Build Uganda:

This has been provided for in both the Industrial Policy and the Trade Policy approved by Government in 2008. PSFU has annually been running proudly Ugandan Campaigns and we are thankful to Government for reviewing the PPDA Act to allow for a preferential arrangement for Ugandan manufacturers. It is also important to note that the Ministry in charge of Trade and Cooperatives launched the BUBU Policy in 2014. However much as policies and legal provisions have been put in place, implementation continues to lag. Government needs to come out with a deliberate effort to support local production and consumption. The rationale for this campaign is to change the general consumer perceptions that Ugandan products are of poor quality. The

63 Soft Drinks in Uganda, A case for Excise Tax Reduction, 2014, Coca-Cola & Pepsi

benefits of changing our perceptions include the increased consumer preferences towards Ugandan products, increased capacity utilization, higher employment and incomes. Purchasing power will increase and the market will grow, resulting into enhanced profitability for all our businesses. The Private Sector therefore urges that if Ugandan made products meet the required standards Public Procurement should be skewed towards these goods and services. A lot therefore ought to be done to ensure standards are met.

e. Supportive Policies and Legislations

Uganda has moved to use its Iron Ore, Oil and Gas reserves for value addition in Steel, PVC, PPR, HDPE and other Construction Plastic Materials. At the advent of this, we see proliferation of the Ugandan market with substandard goods. As we are developing capacities, it is important that Uganda is known for high quality materials and a market of trust to avoid incidences of collapsing structures both in Uganda and in our export markets. The Private Sector in the manufacturing sector therefore urgently calls for Policies to regulate the Construction, Steel and Plastic manufacturing, trade and use in Uganda.

The Government should also finalize with a National Competition Policy. This will bring about a levelled play field hence fair play in the business environment and provide the consumers with real quality choice. Other unnecessary costs to resolve unfair competition will immensely reduce.

f. Digital Tax Stamps

Digital Tax stamp (DTS) was introduced in 2nd half 19/20 with an exemption for payment for local products. In the FY 20/21 the private sector was requested to incur the installation cost which has increased the cost of doing business especially in comparison with other EAC countries. The industry needs to compete favourably with its EAC partners. Republic of Tanzania presents a similar business environment for Uganda. Private sector proposes;

- a) Consider DTS cost as net excise duty payable (handle it as tax administration)
- b) Reduce DTS costs by 70% on beer, spirits, and soft drinks.
- c) In the long term, consider phasing out DTS for products where no under declaration, counterfeit or smuggling will have been proved by DTS
- g. High prevalence rate of Illicit trade:

By its nature, illicit trade involves a chain of illegal activities such as unlicensed production, smuggling, fraudulent marketing and tax evasion, often requiring money laundering, corruption, various frauds and related syndicate organised crimes, to move the illicit goods and money through various transit and financial systems. As such, not only does illicit trade undermine the principles of free and open marketplace which are key in promoting competitiveness, investment, job generation and ultimately growth of government revenue, but also presents a major threat to national security and consumer protection.

Reports indicate that illicit trade is mainly common in alcohol, water, cigarettes, steel products, detergent products, ball point pens, electrical appliances, cosmetics, pharmaceuticals, agrochemicals, and computer software and hardware spare parts. According to the latest industry surveys, illicit trade constitutes 24% of the tobacco market and 62% of the alcohol market resulting in a loss of over Ugx. 30 billion and Ugx. 1.9 trillion respectively in tax revenue annually from tax evaded products. Although illicit trade is not a new concept in Uganda, it is often overlooked as a non-crucial threat, yet it continues to grow exponentially each passing day, putting the sustainability of legitimate business and the economic growth at large is at risk. The growth of illicit trade is largely driven by high profitability of the business and facilitated by public ignorance (sometimes acquiescence), poor border controls, and lack of enforcement.

Carry out campaigns and high policy dialogues with different private sector players and MDAs to jointly agree on the possible ways of reducing the practice on market.

The private sector proposes the following recommendations which can be implored;

- i. Enact the Government Pensions bill to boost local long-term savings with in the economy. NSSF can then be used to capitalize and the East African Development Bank which then allows the sector to borrow at concessional rates on a long-term basis
- ii. Other pension funds other than NSSF as well as insurance Companies should be incentivized by tax policy to lend more aggressively, on longer term approach unlike commercial banks. This will further increase competition even within the development finance tier to reduce cost of capital.
- iii. Through Tax Policy reforms, GoU should revisit the current Capital Gains Tax (CGT) regime to allow for indexation of business assets so as to allow for updating of real business value. This should also include share stock values. once this is done, the predominantly family-owned businesses that define private sector in Uganda shall be able to embrace the listing of shares on the Stock Exchange so as to raise capital without having to borrow expensively. Currently, the CGT regime does not favor listing as historical values for shares across businesses would mean that all monies realized in sale of shares would be whipped out by taxation.
- iv. GoU should establish tax administration reforms that can enhance compliance in addition to broadening the tax base with relative ease. While Uganda Revenue Authority (URA) is doing its best through especially automation to drive compliance, there are still gaps that can be plugged to drive both compliance and tax revenue growth. Key proposal is to the amendment of the Tax Laws to allow URA to recruit Certified Public Accountants (CPAs) as Tax Auditors so as to augment URA audit capacity that is too low to support private sector optimal development. In this, like bank of Uganda (BoU) and or Office of the Auditor General (OAG) does, URA can pre- qualify CPAs authorized to undertake audits on URA's behalf. Such CPAs should not be Tax Advisors and or Statutory Auditors to avoid conflict of interest. This innovation shall be able to ensure that when tax payers file Final Financial Statements, they are also able to file Final Tax Returns and meet their obligations as opposed to now, when tax payers are waiting for 3-5 years to be able to have URA conduct comprehensive tax audits! URA shall never have ample staff to carryout audits. She must embrace the power of strategic partnerships in delivering its mandate.

3.9. Human Resources (Health, Education, Skills and Attitude) Sector

Uganda has a predominantly young population, which forms a broad base of the country's population structure. About 16.6 million people (47.9%) are aged 0-14 years, while 17 million people (49.2%) are aged 15-64 years, constituting the economically productive age group and only 34,856 persons (2.9%) are aged 65 years and above. Having a predominantly young population creates a high population momentum which means that the country's population will continue increasing because of the large cohorts of young women entering their childbearing years, with 53.9% beginning child bearing by age 19.6. The dependency ratio remains unfavourably high at 103, indicating a heavy burden on the economically productive population as well as impacting government's efforts to provide adequate and quality social services. However, a young age structure can create an opportunity for economic growth if well nurtured to offer required labour force.

According to the NDP III, a well-educated, skilled and healthy human resources are essential to facilitate development. In particular, adequate investment in science, technology and innovation (is critical for a country to industrialize and achieve sustainable development. The availability

of appropriate and adequate human capital facilitates increase in production, productivity and technological growth. Investing in population health; nutrition, early childhood development, sanitation and hygiene basic education and tackling vulnerabilities helps set the foundation for the required human capital.

However, Uganda's human capital is characterized by low labour productivity (38 percent low human development (HDI at 0.516) and fewer STEI graduates (2 out of 5 are STEI graduates). This is mainly attributed to: (i) weak foundation for human capital; (ii) lack of appropriate knowledge skills and attitudes; (iii) weak talent and sports nurturing; (iv) high youth unemployment (v) poor population health and safety; (vi) food and nutrition insecurity (vii) inadequate population management including child marriages, teenage and unwanted pregnancies; limited information on Sexual and Reproductive Health (viii) insufficient coverage of social protection; (ix) gender and other inequalities and (x) lack of institutionalized and integrated human resource planning and development. (NDP III Human Capitalization Program report, 2020)

Although education and health services remain a social service which ordinarily should be provided by Government. The Private Sector has made significant contribution in these sectors. Efforts by Government should therefore be geared towards supporting the Private Sector make more of this contribution and increase its scope in-terms of geographical coverage to cover the whole country (not concentrate in Greater Kampala and municipalities of Jinja, Tororo, Masaka and Mbarara) and also to invest in competence-based education.

3.9.1. Health Sub-sector

Uganda's health system comprises public, private-not-for-profit (PNFP) and private-for profit (PFP) providers as well as traditional and complementary medicine practitioners. Private providers are considered to play a major role in health care delivery in Uganda, reaching a wide client base. Although Uganda's Ministry of Health does not have accurate numbers on PFPs, reliable estimates put the number at over 2,000 with the vast majority being in Kampala and the central region. Based on USAID survey 2020, private health providers are considered more readily accessible and provide a higher quality service to the people than the public sector.

Uganda's private health sector plays an important role in delivering services to Ugandan citizens, however, critical gaps still remain. Significant numbers of Ugandans do not have access or cannot afford health services; lack of health services is particularly acute in rural areas due to the dearth of health facilities in more remote locations. PNFPs play a critical role in the delivery of health



services to rural areas but face significant challenges to hire, employ and retain qualified staff. Compounding these challenges is Uganda's 3.2% annual population growth rate which puts continued strains on its current health system. Uganda's health system faces challenges to not only expanding its health care coverage but to improve its quality and efficiency, lowering costs and improving health outcomes. Private sector health delivery systems will be critical to meeting these challenges.

Health insurance: The proposal needs to be interpreted well and made to work as a viable health insurance service on a basis of contribution from users and cross contributor subsidy in particular sectors. The popularization and equating the planned health insurance to universal health care need to be clarified, especially the implication to the national treasury. Further the operationalization of the health insurance should avoid risks of forming management structure which is new but use the current institutional and operational structures both public and private. The retirement's benefits regulator should require benefits managers to provide medical insurance and not crowd up the pay roll with the 8% proposal. This will enable introduction of a working health insurance system and will encourage the local people to contribute to retirement schemes if such benefits are expected.

Support the health sector with affordable credit similar with the Agricultural Credit Facility.

Taxes: There should be no taxes levied to Health sector, more especially if are they carrying out a role which is traditionally for Government.

Also, on health there is need to help the private sector to invest in diagnosis, treatment and care related facilities. This will require incentives to investment over and above the normal ones provided by UIA, as will be proposed shortly.

Table 24: Health Sub-Sector Issues and Proposals

No	Private Sector Challenges	Private Sector Proposals
	<ul style="list-style-type: none"> i. Poor interpretation of the available policies and health interventions by the population ii. Failure to recognize/track the private health sector contribution in the District Health Information system (DHIS2). iii. Inadequate financial support to industry iv. Very low adherence and implementation of health policies, for example the Public Private Partnership in Health policy. v. Limited access to government supports the health to the private sector i.e. vi. Limited prioritization of Life style diseases vii. Limited involvement of the private sector to handle outbreaks and emergencies. 	<ul style="list-style-type: none"> i. Consider developing a Medical Credit guarantee scheme in partnership with development partners to improve access to credit for the private health facilities. ii. Increase Private health facilities participation in Immunization programs especially the rural areas and recognize the participating facilities in the (DHIS2). iii. Provide more incentives to local manufacturing capacity to produce locally medicines and commodities such as HIV/AIDS, malaria and TB. iv. Establish contract referrals between public and private lab and diagnostic facilities to decongest Ministry of Health laboratories. v. Jointly tackle counterfeit drugs through strengthening surveillance mechanisms with support from strong regulations. vi. Scale up health financing mechanisms such as maternal voucher schemes and roll them out nationwide to cover sectors such as oil and gas. vii. Strengthen the Public Private Partnership strategy in health care provision. viii. Support local capacity in production of essential goods and services that improve the health of the population. ix. Engage in continuous public health education for communities on public health challenges such as Non-Communicable Diseases, accident prevention/control, waste community hygiene, malaria control, air quality and pollution etc. x. Encourage the health insurance, especially for Government servants to help boost these sectors.

3.9.2. Education and Skills Sub - Sector

The Government of Uganda recognizes that education of its population is a priority. This is reflected in the nation's Universal Primary Education (UPE) and Universal Secondary Education (USE) programmes which have led to a significant increase in the number of students enrolling in schools at both primary and secondary levels. Additionally, Government introduced BTJET (Business, Technical, Vocational Education Training) to absorb young people who drop out of school or who may want to attain specific skills. Despite all these efforts, the average years of schooling in Uganda has remained very low at 4.2 (AFIDEP 2019). Both UPE and USE are characterized by very high dropout rates. Although, many students enrol in primary, the majority do not complete primary education. Girls are especially affected by the high dropout rate due to child marriages and teenage pregnancies. More so, the type of education on offer in Uganda largely focuses on theory as opposed to building practical and entrepreneurial skills which has contributed to growing youth unemployment. The Education sector in Uganda accounts for about 5% of the country's GDP.

Uganda boasts of being the hub of formal education given the high influx of foreign students from the regions. It consists of primary level education, secondary level, tertiary and vocational level education. There has been tremendous growth in investment in the education sector as a result of Government's deliberate effort to liberalize the economy and further creating a favourable environment thereby encouraging private sector investment. The government retains the regulatory and supervisory function as well as curriculum development.

Uganda is home to 9 public universities and 38 private universities. In terms of TVET, the country has 146 Government TVET Institutions and over 800 privately owned Institutions. (TVET UG). Other reports break down these institutions as follows: 6 are Technical Colleges, 73 are Technical Institutes, 29 are Community Polytechnics, and 25 are Technical Farm Schools.⁶⁴

The global market for educational services was valued at USD1.2 trillion in the year 2020, and is projected to reach USD1.9 trillion by 2027, growing at a CAGR of 6.6% over the period 2020-2027. Higher education accounts for a 47.6% share of the global educational services market. In Africa, growth in higher education has been most significant, rising from 2.7 million USD in 2000 to an estimated 7.8 million USD in 2017.

In the EAC, in terms of market size, the education sector is also a significant contributor to GDP. In Burundi, the tertiary sector (which includes more than education services) contributed 3.95% of the total GDP. In Kenya, education services 4.2% of GDP (2019), a 5.4 % growth from 2018. Higher and other education services contributed 0.9%, primary education services 2.1% and general education services 1.3%. In Rwanda, education contributed 2% of GDP in 2020, down from 3% in 2019. In Tanzania, it contributed 2.4% of GDP in 2019, and had grown by a 6.9% from 2018 figures. Contribution was highest in Uganda, at 9.7% to total services value-added in 2019/20 (4.0% decline Vs 7.4% growth in 2018/19.)⁶⁵

The Skilling Uganda Strategic Planning framework demands the training institutions to use heavy-duty, specialized tools and equipment in training in order to achieve the objective of the curriculum and competence levels demanded by the industrial sector. Most of these tools and equipment are sourced from more developed countries mainly in Europe and North America in form of donations. These donations have been subjected to excise tax and withholding duty tax something that has made their importation very exorbitant due to the high taxes.

⁶⁴ UniRank

⁶⁵ Institut de Statistiques et D'études, Economiques du Burundi, Comptes de la Nation 2016, 2019; Kenya National Bureau of Statistics, Economic Survey 2020; National Institute of Statistics of Rwanda, Statistical Yearbook 2020; National Accounts Statistics of Tanzania Mainland, 2013-2019 and the Uganda Bureau of Statistics, 2020 Statistical Abstract.

According to the PSFU/EU Skills Needs Assessment, the skills gaps that exist in the labour market mainly relate to the absence of proper foundation and cognitive skills in the population and proper human capital planning. There is need to therefore implement the Early Childhood development Policy to improve the employability of the skilled labour force.

Private Sector Challenges deterring the achievements of the set objectives	Private Sector Proposals
<ul style="list-style-type: none"> i. The education system has no clear guidelines for ECD. Currently, children in the age group of 3-6 are not covered in the 10+2 structure as Class 1 that begins at age 6. ii. Vocational education is undermined. This is because there is no clear remuneration system in form of minimum wage. iii. Limited private sector consultation in education sector policy development process. iv. Discriminatory salary payment structures. The current wage structure is discriminatory and was introduced without a scientific study on how it motivates pupils to do sciences. This is distorting motivation and affects supervision. v. Presence of weak inspection and monitoring system of education facilities at ECD, primary, secondary and Tertiary levels at Local Government level. vi. Inadequate prioritization and budget allocation to sports sector hence limited supplies of sports instructional materials & equipment. vii. Limited access to sports facilities, worsened by private schools that have none. 95% of schools have one sports facility which in most cases is a football pitch. Many of these facilities are not even to the desired standards. 	<ul style="list-style-type: none"> i. Exempt 30 percent income tax on the following; <ul style="list-style-type: none"> ● All infant development classes given the importance it provides as a foundation for learning ● Primary and secondary education outside the greater Kampala metropolitan and major municipalities / aspiring cities. ii. Continue to Sponsor Students through government in the vocational schools in the Private Sector and sponsor patients to Private Hospitals. iii. Realign Sector skills Councils from MoES to Private sector for better governance, efficiency and fundraising. iv. Incentivize the establishment of incubation Centers such as the 'Raiz Corp' model in South African to equip the youth with entrepreneurship and business skills. v. Uganda Investment Authority should attract in ward FDI targeting Investment in the sports sector to establish sport sports activity. vi. Design a fair and balanced remuneration/ reward policy that attracts and motivates the workers and teachers. vii. Prioritize the review of the education sector Curriculum to suit the ever-changing market requirements, align student assessment, integrate career guidance, and introduce skills development programs. viii. Enact the National Graduate Scheme bill into law to introduce a mandatory National Service Scheme.

3.10. Logistics Sector



Over recent years, Uganda has been playing a wider logistics role in the Great Lakes region despite its landlocked position. For instance, importers in South Sudan and DRC keep supplies in bonded facilities in Kampala and bring them into either country when needed, with shorter lead times. As a result, Uganda has seen transit volumes grow, which in turn has led to the emergence of a distribution industry especially in Jinja and Kampala. However,

Uganda faces higher trade and transport costs than its coastal partner Kenya and Tanzania.

A well-functioning logistics sector is crucial for businesses, to ensure timely and predictable supply of goods and contributes to making the economy more dynamic through generating new trade, investment and employment opportunities. Uganda's logistics industry has changed over the last decade on account of EAC and COMESA regional integration initiatives and improvement in information technology. It currently comprises of (a) trade and transport infrastructure (roads, railways, inland and marine port facilities, container freight stations, inland container depots, warehouses, liquid bulk storage facilities, grain and cement silos, etc.), (b) transport services (road, air, rail and inland water transport services); (c) storage and warehouse and bonded facilities; (d) Customs agencies; (e) financial services and ICT service providers and infrastructure; and Packaging.

In Uganda, and East Africa more widely, logistics bottlenecks and inefficiencies are present at multiple stages in the supply chain, including during loading, delivery, warehousing, packaging, and waste management. Traffic congestion, particularly along key transport corridors, roadblocks and checkpoints push up time and costs of logistics, which are passed onto the shippers and ultimately borne by the consumers. The results of these inefficiencies are high logistics costs in Uganda - logistics inefficiencies in import and export of goods are estimated to cost US\$827 million to Uganda each year and logistics costs account for 18% to 20% of the sale price of goods sold in Uganda. The Government of Uganda has ambitious plans to improve transport and logistics infrastructure, but there is no existing logistics policy.

The Ministry of Works and Transport has recently introduced dedicated units to holistically address the issue of logistics. While there are a number of references to 'sustainability' in the National Transport Master Plan, the specific concept of 'green transport' is new to Uganda. With a growing population and economy, the direct consequences for Uganda of not adopting a sustainable green transport and logistics policy are further congestion and pollution which will have negative effects on all three pillars of sustainability.

The sector directly employs over 210,000 people & set to double with oil and other related projects, industrialization, opportunities from the African Continental Free Trade Agreement, peaceful neighbors and growth in skills.

Table 26: Investment opportunities for the Logistics Sector

Sector	Opportunities for Ugandan Logistics
Coffee, Tea, Maize, Cold chain (Fish & cut flowers)	<ul style="list-style-type: none"> i. Transport ii. Storage iii. Handling & packaging iv. Clearing and forwarding contracts from v. Humanitarian aid relief aid Logistics needed for regional crises, vi. agro processing for domestic and regional markets vii. freight, cargo handlers and pack houses
Cement, Oil & Gas, Mineral development	<ul style="list-style-type: none"> i. Supply chain Management Services ii. Freight Forwarding iii. Customs Brokerage iv. Warehousing v. Transporting of Goods vi. Lifting services vii. Vehicle Fleet Management viii. Waste Transportation ix. Infrast
Light Engineering	<ul style="list-style-type: none"> i. Development of Free zones ii. Boost in freight volumes iii. Distribution hub status iv. Logistics outsourcing opportunities v. Inbound, inventory, outbound and reverse logistics management

While Uganda is striving to improve trade logistics, high transportation costs resulting from poor infrastructure and logistics systems prevent it from exploiting its revealed strategic position as a logistics distribution hub. Uganda's central position in both Northern and Central Corridors needs to be developed more zealously.

Uganda's logistics Industry is faced by a number of challenges. Despite Uganda's competitive position as a Logistics hub, businesses still face a variety of high-level logistics risks including fragmented logistics operators; poor coordination among stakeholders in the freight and logistics industry; low quality of trade logistics operators; low rates of technology and information dissemination; weak adoption of modern logistics practices; and a high level of trade bureaucracy.

The following are the key reasons as cited by stakeholder experts as to why Uganda performs poorly in logistics:

Table 27: Logistics Sector Issues, Implications and Proposals

No	Private Sector Challenges	Implications	Private Sector Proposals
1.	Weak adoption of modern logistics practices: The Logistics sector in Uganda has not adopted modern logistics practices such as 4PL and 5PL Logistics. A fourth-party logistics provider (4PL) is an independent, singularly accountable, non-asset-based integrator who will assemble the resources, capabilities and technology of its own organization and other organizations, to design, build and run comprehensive supply chain solutions for clients	These are firms which offer specialized management of most, if not all, of a company's supply chain needs. They are more efficient which reduces the time spent in facilitating trade while also reducing the associated costs.	<ul style="list-style-type: none"> i. Support the sector through business development services focusing on adoption of modern logistics practices such as 5PL Logistics. A fourth-party logistics provider (4PL) ii. Reduce the cost of finance to facilitate access to finance for the sector.
2	Low quality of trade logistics operators: The efficient flow of international trade relies on a wide range of skilled service providers working together effectively, including shipping lines, port terminal operators, customs officials, operators of off-dock container yards, land transport agents, and clearing and forwarding (C&F) agents.	<p>The relatively low quality of trade logistics operators in Uganda limits the potential for growth in trade, which in turn limits the potential for economic growth and development to take place throughout the region.</p> <p>Logistics enterprises require staff with experience in trading, transportation, logistics, IT competence, operational and modern management skills, and sometimes foreign language and international trade skills. By 2020 East Africa will need 20,000 logistics professionals but local universities produce zero logistics graduates a year</p> <p>Government passes policies & laws without private sector engagement</p>	<ul style="list-style-type: none"> a) Involve private sector in policy formulation b) Lift ban for 5 years, then conduct a study to determine why locally manufactured products are more expensive than imported products and propose interventions c) Identify strategic areas with multi-modal transport to position hubs. d) Align exciting and planned free zones with upcoming hubs e) Prioritize skilling of logistics professionals with more advanced skills to meet the industry demand.

3	<p>Low exploitation of Uganda's Waterways: Uganda is unique in East Africa as about a fifth of Uganda's 241,038 square kilometers land area is covered by swamps, lakes and rivers, most of which are navigable. Almost all of Uganda's water resources are Trans- boundary in nature and shared with her neighbors such as Kenya and Tanzania (Lake Victoria) and the Democratic Republic of Congo (Lake Albert and Edward).</p>	<p>Water transport could be used as a viable and cheaper transport module. Lake Victoria should be leveraged for an alternative transport route for Uganda. And also, railway line developed to link transport inland. This will not only reduce on the transportation cost for the players in the logistics sector but also help to link with other countries like DRC, South Sudan, and Burundi.</p> <p>Absence of a legal framework to govern marine operations</p>	<p>a) Table the draft Water Transport Bill before Cabinet and Parliament</p> <p>b) Establish legislation, incentives and infrastructure to promote the private sector investment in marine transport</p> <p>c) Update feasibility study of 'Shortest Route' Tanga-Arusha-Musoma-Portbell corridor</p> <p>d) URC should increase capacity along the central corridor i.e. rehabilitate MV Pamba & add two more vessels</p>
4	<p>Inadequate warehousing Infrastructure: Uganda also lacks modern warehousing facilities. Much of the warehouse capacity is rather dated, lacking computerized stock supervision systems or the ability to use multiple racking systems. Many warehouses have unsealed loading platforms which expose food products to ambient air temperatures during loading/unloading.</p>	<p>It is estimated that Uganda loses 30% of its major staple crops harvest which is damaged every year by the inability to store and move it appropriately.</p> <p>Directive to ban warehouse and export of sugar, oil, rice and other commodities has caused loss of jobs & revenue yet Uganda is strategically placed to serve as distribution hub.</p> <p>Lack of national strategy for hub development</p>	<p>a) Create Business Parking centers along major highways & plan for wider roads that can accommodate safe roadside parking in the event of truck failure</p> <p>b) Procure modern weighbridges to reduce delays, fully automated & integrated sharing information</p> <p>c) Develop upcountry warehousing facilities to decongest the city, create jobs and promote urbanization of upcountry towns</p>
5	<p>Fragmented logistics operators: Uganda's domestic logistics sector is fragmented⁶. The sector is dominated by small operators. The largest trucking firm has only 200 trucks. No single company commands more than 2% of the market or provides nationwide inter-modal transport service.</p>	<p>Small firms are not in a position to take full advantage of information technology, achieve economies of scale, or ensure optimal loading levels. There would be benefits from some sector consolidation and the emergence of more sector leaders with sufficient resources and geographic 'reach' to offer world class service across East Africa.</p>	<p>a. Government should develop the National Logistics Policy to support organization of the sector.</p> <p>b. PSFU should strengthen the existing sector associations to better organize the industry.</p>

6	<p>Dilapidated rail: Lack of maintenance of tracks and trains on the existing line in Uganda has left a dilapidated railway network, and much of the freight from Mombasa is moved around by road.</p>	<p>No competitive alternative to the Northern Corridor</p>	<p>a) Revamp goodwill in the central corridor by investing in rolling stock & other marine assets i.e. investing in sufficient rolling stock and other assets such as marine vessels. b) Replace old year 1904</p>
7	<p>Concentration of Logistics services in Kampala: Fair logistics infrastructure is concentrated around Kampala where there is some level of integration between the transport networks, warehousing and distribution facilities</p>	<p>However, the same cannot be said for the rest of Uganda particularly Northern Uganda where logistics is hampered by poor quality infrastructure, organizational inefficiencies, and a poor uptake of technology. These areas also suffer from inconsistent supply of energy leading to interruptions to communications through power outages.</p>	<p>a) Rehabilitate Jinja and Portbell ports pending development of Bukasa port b) Ensure the reopening of the kiasion offices in both Dar es Salaam & Mwanza c) TPA should formulate port community charters for the Central Corridor to ease trade facilitation.</p>
8	<p>Air transport: Insufficient Airport infrastructure is a hindrance to Uganda's economic growth potential particularly in Fresh Fish, Floriculture and horticulture. Uganda's land-lockedness amplifies the importance of air transport to the country's development</p>	<p>The platform should consider policy issues concerning Uganda's Master plan on Air Transport that covers issues to do with how Uganda designs its airports to drive cargo handling capacity and attracting international airlines.</p>	<p>It is necessary to improve and modernize Entebbe International Airport in order to provide better service to passengers, carriers and users of the airports.</p>

3.11. Trade and Commerce Sector

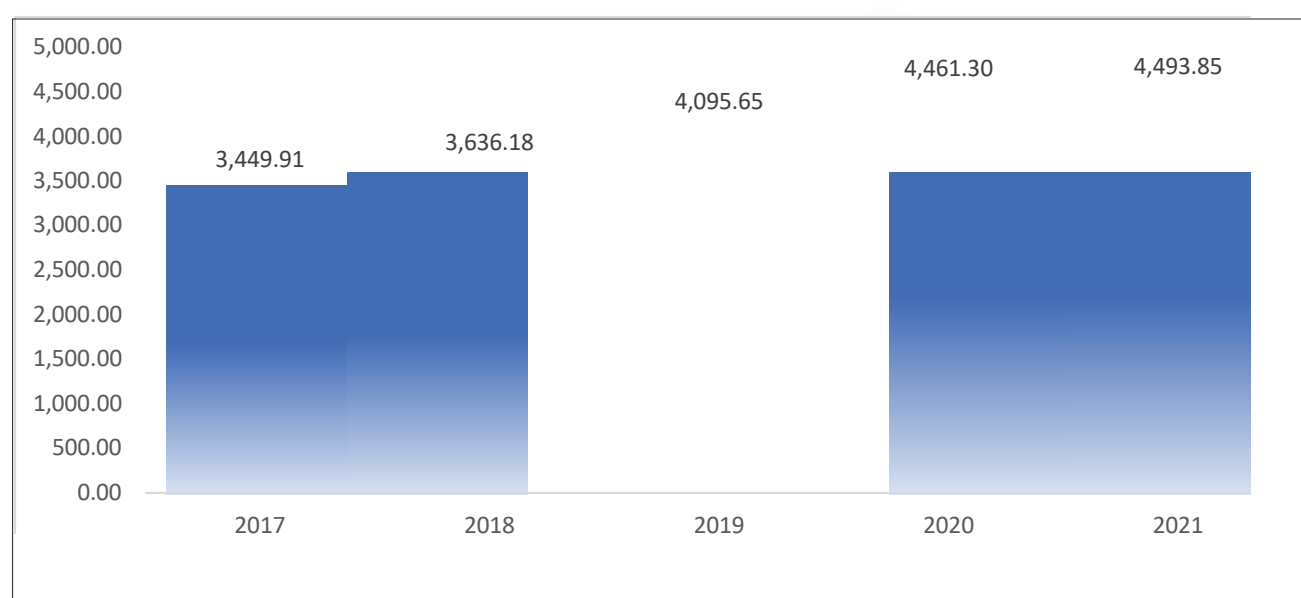
3.11.0. Trade & Development: Integration Issues

Uganda is a member of several trading blocs including the East African Community (EAC), Common Market for East and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD) and now the Africa Free Continental Free Trade Area. It is also a signatory to the World Trade Organization and participates in various trade negotiations as part of the various trading blocs and bilaterally. The Common Market for Eastern and Southern Africa (COMESA) regional bloc remained the main destination for Uganda's exports throughout the last five years under review.

In 2020, formal exports earnings were USD4,149.0 million while informal exports earnings were worth USD137.8 million. The informal export earnings were greatly affected by the COVID-19 pandemic which led to the suspension of the surveys for the months of April to December 2020. The closure of the borders did not affect the formal exports since cargo that goes through Customs offices was allowed to move. For the period under review, formal exports progressively increased from USD2,482.3 million in CY2016 to USD4,149.0 million in CY2020. Gold and Gold compounds were Uganda's leading commodity export. Their revenue increased to USD 1,819.3 million in CY2020 from USD1,257.8 million in CY2019. Its share to the total formal exports increased from 35.3 percent in CY2019 to 43.8 percent in CY2020. Coffee was the second most exported commodity. Its value increased to USD515.5 million in CY2020 from USD438.5 million generated in CY2019. Coffee contributed 12.4 percent to total formal export earnings in 2020, from the 12.3 percent recorded in CY2019. Fish and Fish products were the third highest 129 value of exports, although their value decreased from USD174.2 million in CY2019 to USD 124.9 million in CY2020. Petroleum Products came fourth, with their export receipts decreasing to USD72.7 million in CY2020 from USD127.1 million generated in CY2019.

Total informal trade for the months of January to March 2020 was USD155 million of which Informal exports were USD137.8 million while informal imports were USD17.2 million in CY2020.

Figure 27: Graph showing the trend of Uganda's export 2017-2021



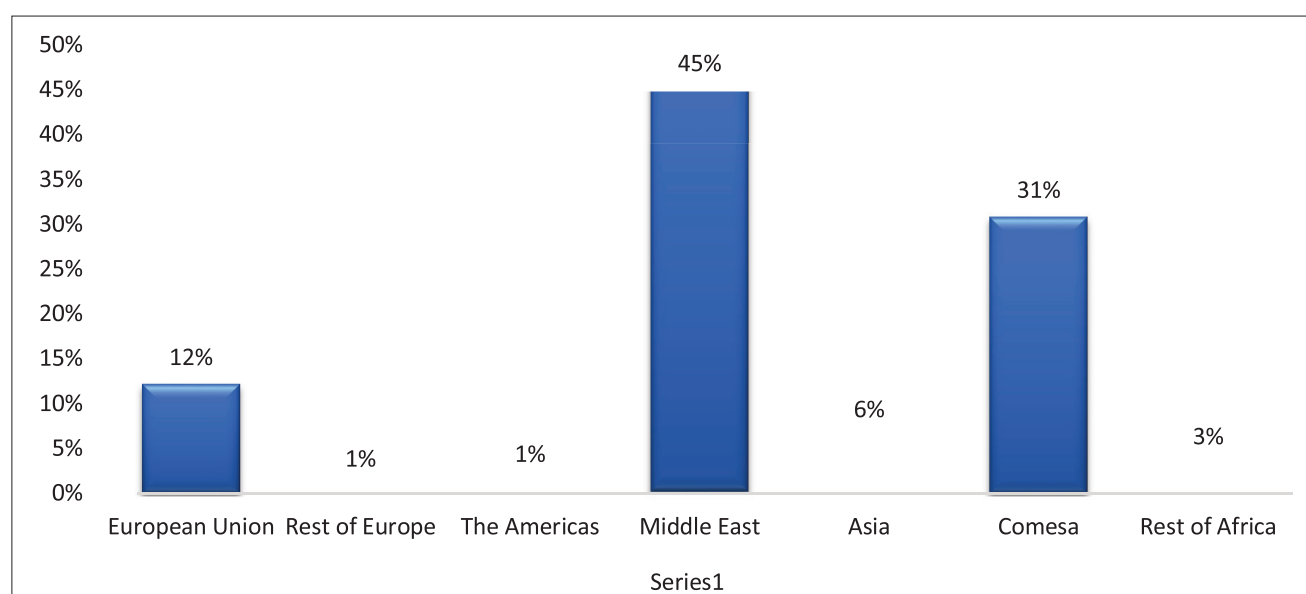
Source: Author using data from Bank of Uganda, 2022

3.11.1. Destination of Exports

The Middle East was the leading region of final destination of Uganda’s exports, accounting for 43.6 percent of exports in CY2020. This compared to 30.1 percent registered in CY2019. The main country of destination within the Middle East sub-continent was United Arab Emirates and its export revenue increased from USD1,196.0 million in CY2019 to USD1,844.8 million in CY2020, accounting for 43.0 percent of total exports. The African continent was the second destination of Uganda’s exports, followed by Europe and then Asia for the period under review. In CY2020, total exports to the African continent were worth USD1,556.2 million, accounting for 36.3 percent of total exports in comparison to USD1,873.4 million recorded in CY2019. The Common Market for Eastern and Southern Africa (COMESA) regional bloc was the main destination, accounting for 23.8 percent of total exports revenue. In the COMESA bloc, the leading country of destination for Uganda’s exports in CY2020 was Kenya, accounting for 11.4 percent. This was followed by the Democratic Republic of Congo (D.R.Congo), accounting for 8.0 percent. See Appendix Tables 4.3 F and 4.3 G. European continent was the third destination of Uganda’s exports, accounting for 12.4 percent of the total exports in 2020 compared to 16.0 percent registered in CY2019. The European Union (EU) bloc was the main destination for Uganda’s exports in Europe. However, its market share decreased slightly to 11.6 percent during CY2020, from 12.5 percent registered in CY2019. The major destination countries in the EU bloc were Italy, Netherlands, Germany and Belgium, representing about 8.9 percent of the market share in CY2020. See Appendix Table 4.3 G. The average market share for the Asian continent for the period under review (2016 to 2020) was 6.6 percent, with main export destination countries in CY2020 being India (1.3 percent), Hong Kong (0.9 percent) and China (0.9 percent). It is important to note that, with proper export promotion strategies these countries could absorb more exports since they are among the main sources of Uganda’s imports and hence a need to narrow the trade deficits.

In addition, most of the informal exports were destined for the D. R. Congo and for Kenya (55.9% and 17.4% respectively). The biggest composition of the informal exports in CY2020 was manufactured goods (62.7%) followed by agriculture (38.2%). Most of the manufactured commodities were destined to the D. R. Congo and South Sudan (68.2% and 12.5% respectively) while most of the agricultural commodities were exported to DR. Congo (77%) and Kenya (24%).

Figure 28: Graph showing the destination of Uganda’s formal exports in 2020.



Source: UBOS statistical Abstract, 2021

Imports: The total imports bill increased by 6.6 percent to USD8,267.7 million in 2020 from USD7,753.8 million registered in CY2019. The Formal and informal import bills in CY2020 stood at USD8,250.5 million and USD17.2 million respectively, from USD7,696.0 million and USD57.8 million recorded in CY2019.

During the period under review, the Asian continent was the main source of Uganda's merchandise imports, with an import bill of USD3,339.2 million in CY2020 compared to USD3,043.7 million recorded in CY2019. Its market share to total imports increased to 40.4 percent in CY2020 from 39.3 percent in CY2019. The African continent was the second main source, with imports worth USD2,897.1 million in CY2020 (35%) of total imports compared to USD2,099.4 million in CY2019. Imports from the COMESA regional bloc increased by 31.2 percent to USD1,327.1 million in CY2020, from USD1,011.4 million in CY2019, while those from other Africa (besides COMESA) increased from USD1,088.0 million in CY2019 to USD1,570.0 million in CY2020. The Middle East was the third biggest region of origin of Uganda's imports, although its market share to total imports decreased to 10.5 percent in CY2020 from 17.1 percent realized in CY2019.

The EU bloc was forth with import expenditure increasing from USD559.5 million in CY2019 to USD785.6 million in CY2020. The European Union (EU) represented 9.5 percent of market share of total imports in CY2020 in comparison to 7.2 percent in CY2019. China, India, Kenya, Tanzania and United Arab Emirates (UAE) were the main countries from where Uganda imported her merchandise in CY2020. They constituted a market share of about 52.4 percent. China was the leading country of origin for Uganda's merchandise imports (USD1,352.0 million) in CY2020, representing a share of 16.4 percent of total imports compared to United States Dollars 1,256.6 million recorded in CY2019. India was the second biggest country of origin (USD959.1 million) in CY2020 compared to USD855.1 million recorded in CY2019. This represented a market share of 11.6 percent in CY2020. Kenya came third (9.4%) though its import bill slightly decreased to USD780.4 million in CY2020 from USD792.0 million in CY2019. Tanzania followed (9.0%) and its import bill increased from USD476.2 million in CY2019 to USD743.7 million in CY2020. Imports from United Arab Emirates declined from USD822.4 in 2019 to USD495.9 million in CY2020.

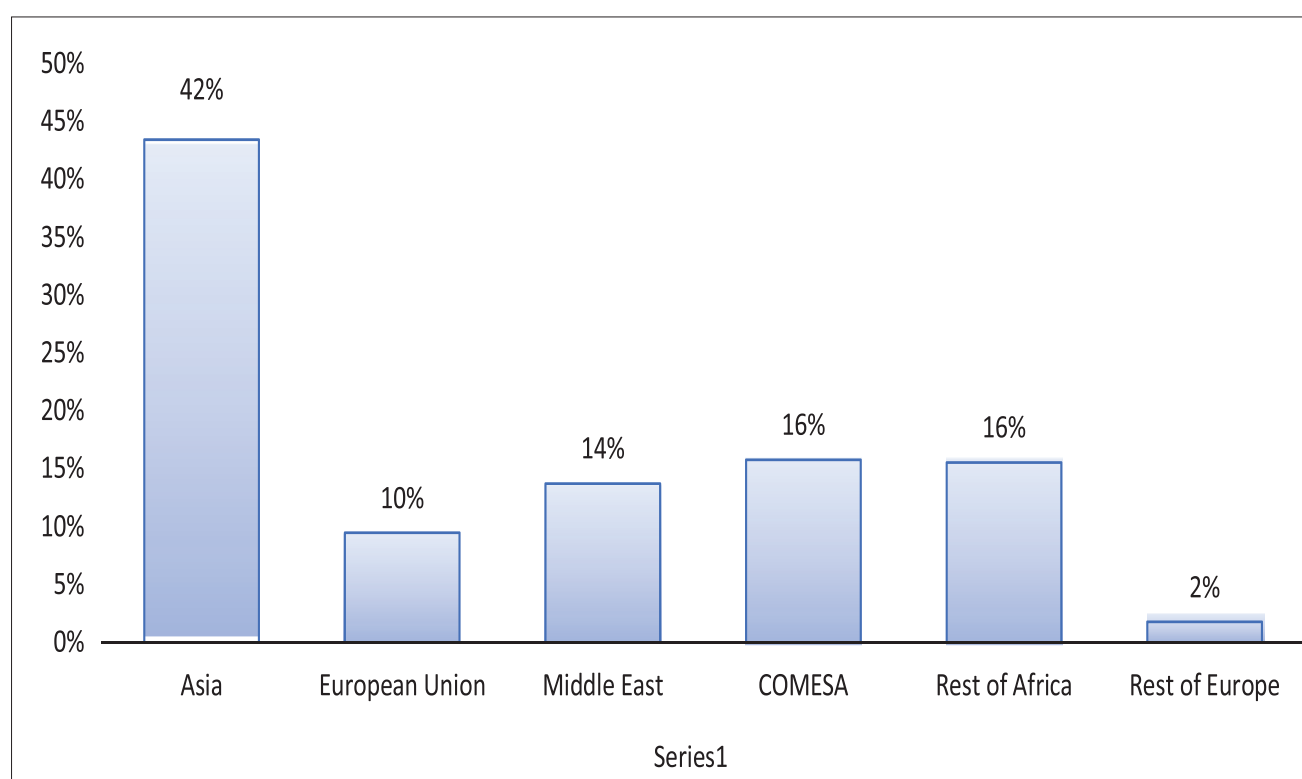


Non-monetary gold was the main imported product into the country, with the import's expenditure increasing from USD1,317.3 million in CY2019 to USD1,841.9 million in CY2020. The proportion of Non-monetary gold imports to total formal imports was 22.3 percent in CY2020 compared to 17.1 percent recorded in CY2019. Petroleum products (which include petrol, diesel, paraffin, aviation fuel etc.) came second, with an import expenditure decreasing from USD1,227.6 million in CY2019 to USD950.8 million in CY2020. The proportion of petroleum products to total imports stood at 11.5 percent in CY2020, compared to 16.0 percent in CY2019.

Road vehicles (including air-cushion vehicles) were the third most imported commodities, with an import bill slightly decreasing to USD513.4 million in CY2020 from USD514.8 million recorded in CY2019. The increase in vehicle imports have direct implication on demand for petroleum products, hence the need to build a refinery in Uganda to curtail future demand for these products. Iron and steel imports came fourth, although their imports bill decreased to USD341.1 million in 2020 from USD356.2 million registered in CY2019. The other products which contributed significantly to the country's import bill during 2020 were Medical and pharmaceutical products (USD359.3 million), Plastics in primary forms (USD293.4 million), Cereals and cereal preparations (USD292.6 million), Machinery specialized for particular industries (USD263.4 million) and vegetable fats (USD274.4 million)

The D.R. Congo was the leading source of Uganda's informal imports in CY2020, followed by Kenya. Informal imports from Rwanda increased from USD1.7 million in CY2019 to USD3.2 million in CY2020. The increase was mainly attributed to the re-opening of the Rwanda-Uganda borders. Informal imports from South Sudan remained generally low with values estimated at USD0.2 million in 2020 compared to USD5.3 million recorded in 2019.

Figure 29: Graph showing the origin of imports for 2021



3.11.2. Regional Integration & Economic Partnerships

Other Specific Regional Trade related proposals are detailed in the tables below;

Table 28: Regional Trade Issues and Proposals

Sn.	Issues Identified	Implications	Recommendations
1	<p>Activation of the EAC disputes settlement mechanism</p> <p>Article 24 of the EAC Customs Union (EAC CU) Protocol provides for the establishment of the EAC Trade Remedies Committee. The Committee is supposed to handle matters of Rules of Origin, antidumping measures, subsidies and countervailing measures, safeguard measures and Dispute Settlement Mechanism.</p> <p>The Committee has not yet been established due to non-ratification of the Amended Article 24(2) of the EAC CU Protocol to accommodate Burundi, Rwanda and other new members. Currently, only the Republic of Burundi has ratified Article 24 (2) of the EAC CU Protocol</p>	<p>The delayed ratification of the Article makes it impossible to implement the EAC Elimination of NTBs Act, 2017 especially section 12(2), (3) and (4) which allows the Council of Ministers to refer matters on elimination of NTBs to the EAC Committee on Trade Remedies.</p> <p>Additionally, the delay is ratifying this article implies that handling disputes such as those related to Rules of Origin, imposition of NTBs, other charges of equivalent effect and discriminatory tax practises prohibitively becomes more expensive for traders as it may involve litigation or negotiation among EAC Partner States after an alleged violation of trade measures has occurred.</p>	<p>The summit should implore partner States that have not yet ratified the amendment Article 24 (2) of the EAC CU Protocol to do so to pave way for the operationalization of the Trade Remedies Committee by November, 2022.</p>
2	<p>(a) EAC CET tariff book.</p> <p>Unsolicited distortion of the value chain-based tariff determination for Chapter 72: i.e. <u>Wire rods have long been considered a raw material and there are no substantive capacities build to supply the region but their tariff has been moved from 0% to 25%. The HS code is 7213.91.90 and 7213.91.10.</u> On the contrary, Galvanised Wire where capacities have been developed in the EAC region, the EAC CET has been lowered to 10% from 25%. The HS Code is 7217.20.00.</p>	<p>Products made from wire rods (galvanized wire, BRC, nails, welded mesh, etc) will become expensive as the wire rod to make them has to be imported due to lack of capacities (both in quality and quantities). Yet galvanized wire where capacities have been developed will be imported at a lower tariff thereby leading to closure of the developed capacities.</p>	<p>a. The wire rod EAC CET be moved back to 0%</p> <p>b. The galvanized wire tariff be moved to 35% or US\$ 350 per ton whichever is higher.</p> <p>This issue is cross cutting, especially in Uganda and Kenya and requires urgency as the manufacturers are faced with high duties of their incoming and bonded wire rod consignments for wire rods. For galvanized wire, if the tariff is not moved up the plants making galvanized wire become uncompetitive and face capacity underutilisation which affects growth of business.</p>

	<p>(b) EAC CET on Industrial sugar.</p> <p>The Beverages Sector has raised concerns about industrial sugar being listed in the sensitive list and yet there is insufficient production to cater for the whole industry across East Africa.</p>	<p>While it is recognized with the interest of boosting local production of industrial sugar, they are still existing capacity gaps (both quality and quantity). The policy will increase the cost of doing for beverages sector which will also undermine the welfare of the Ugandan consumers.</p>	<p>We therefore are pushing for a hybrid solution that caters for both local purchase of all industrial sugar being produced while allowing the deficit to be imported under Duty Remission at 10% as it is a raw material for authorised manufacturers. (a quota system can be agreed upon)</p>
<p>3</p>	<p>Local content in the EAC region: Most of the EAC Partner States are currently undertaking or planning to embark on mega infrastructural projects. Some of these projects include; Standard Gauge Railways, Oil and gas pipelines, hydropower dams, Highways etc.</p> <p>Whereas these projects have been envisaged to boost the economies of the EAC countries on the one hand, it has been reported that the region's local firms have been left behind and are hardly benefitting from them in terms of supplies of raw materials and services.</p> <p>Contractors prefer procuring most of their raw materials/products and services from outside the region which leaves the nascent manufacturing sector in the region to produce at less capacity at a time when each of the EAC countries' key focus is embarking on boosting the manufacturing sector for employment creation and economic growth.</p>	<p>Application of local content requirements can strengthen industrialization in the following ways: -Creation of an indigenous production platform focused on domestic value-added and promotion of local industries;</p> <ul style="list-style-type: none"> - Strengthen the linkages between large industries and small and medium enterprises and the services sector; -Rapid growth of the SMEs through initiatives like subcontracting to meet the set target market advantages through licensing or sub-contracting; -Enable the region to "leap-frog" existing barriers to technological transfer. 	<p>a. The summit should request the EAC secretariat to develop a local content policy and law which provides for affirmative action in public procurement for goods and services procured using public funds.</p> <p>The Law should provide for; <u>prioritize the use of public procurement in creating demand for locally manufactured products as well as promoting technology-based business start-ups, ensure at least 40 per cent of local content (labour, goods and services) used in the construction of the mega projects i.e. Standard Gauge Railway (SGR) should originate from EAC region;</u></p> <p>b. All EAC Partner States to mainstream local sourcing of goods and services for public sector at their national level as prerequisite for mainstreaming at regional level after EAC has harmonized public procurement processes.</p>

4	<p>Harmonization of product standards The region has few harmonized regional standards which are around 1800 Product standards coupled with low adoption rates of harmonized regional standards. In addition, members of the private sector have reported challenges related to non-mutual recognition of products by some Partner States.</p> <p>The lack of a regional technical regulation framework has contributed greatly to the application of national technical regulations which do not have a common administrative approach neither in process nor in the list of standards declared as mandatory. This situation is exacerbated by a frequent misunderstanding amongst stakeholders on the different roles of regulatory authorities and National Bureaus of Standards and the lacking of coordination among those institutions.</p>	<p>The lack of mutual recognition coupled with the slow pace of harmonizing regional standards has led to costly and time-consuming re-testing processes or denial of market access for EAC products hence impacting on businesses which have to incur additional costs implying to conformity assessments imposed by a similar or equivalent agency in another Partner State.</p>	<p>a) Harmonization of product standards should be prioritized according to the top 50 most traded products in the EAC;</p> <p>b) Partner States should finalize and implement the Standardization; Accreditation and Conformity Assessment (SACA) Bill, 2017 and start developing a regional technical regulations framework;</p> <p>c) East African Committee on Standards should shorten the lengthy process of harmonization of standards</p>
5	<p>Free Movement of Services- Professional Services</p> <p>To be competitive, the private sector in the EAC requires efficient banking, insurance, accountancy, telecoms and transport services to deliver quality services at competitive rates. To enhance competition and quality of services, the accountants, architects, engineers, and veterinary doctors negotiated and signed Mutual Recognition Agreements (MRAs); however, these are still not enforced. The professionals continue to incur high work permit costs and regulatory barriers limiting the free movement of services.</p>	<p>Limiting the free movement of professional services denies the EAC access to cheaper and better-quality services and diversity while at the same time denying consumers and end-users a broader choice of service providers. Some of the</p>	<p>a) EAC Partner States should adopt and operationalize the enforcement mechanism of the signed MRAs.</p> <p>b) Partner States should finalize MRAs for Legal services and land surveyors by November 2022.</p> <p>c) Align National laws and regulations to EAC Common Market Protocol in relation to professional services by February 2024.</p> <p>d) EAC Partner States should fast-track finalisation of The EAC Common Market (Mutual Recognition of Academic and Professional Qualifications) Regulations 2011 (Annex VII of the EAC-CMP) by Feb 2023.</p>

6	<p>Telecommunications and Broadband Internet</p> <p>High charges and taxes contribute to high telecommunications and broadband internet costs in the regions. These, together with high licensing and numbering fees, unharmonized inter-operator tariff rates and the non-adoption of the One Network Area (ONA) model across the EAC Partner States contribute to the high costs of doing business.</p>	<p>High telecommunications and broadband internet increase the cost of doing business and limit competitiveness in the region.</p>	<p>a) Republic of Tanzania and Burundi should join One Network Area by June 2022.</p> <p>b) EAC Partner States should remove charges and taxes on roaming.</p> <p>c) EAC Partner States should to harmonise VAT and Excise taxes on telecommunications to lower the high cost of telecommunication.</p>
7	<p>Prevalence of Non-Tariff Barriers (NTBs):</p> <p>Uganda Private sector continue to face several non-tariff Barriers. This increases transaction time and costs of doing business which contributes to low intra-regional trade volumes. Various studies have established NTBs as one of the key factors contributing to the decline in intra EAC trade currently standing at about 15%. Most of these NTBs undermine the provisions on the free movement of goods as enshrined in the EAC Customs Union and Common Market Protocols.</p>	<p>Several studies on investment and trade from the region indicate that intra EAC trade is below 15% and this is attributed to the prevalent NTBs. The following reasons for the prevailing NTBs include;</p> <ul style="list-style-type: none"> ✓ Lack of a legal framework for the elimination of NTBs due to delay in finalization of the amendment of the EAC Elimination of Non-Tariff Barriers Act, 2017 and its Regulations. ✓ The existing mechanism for elimination of the NTBs is time-consuming, unpredictable, costly in terms of both human and financial resources. <p><u>In Uganda, more than 9 million people have made loses arising out of restrictions in milk, poultry, maize among others.</u></p>	<p>a. The Partner States should expedite the finalization of the Amendment of the EAC Elimination of Non-Tariff Barriers Act, 2017 and its regulations to bring into force the Act by 1st October, 2022.</p> <p>b. EAC summit heads of state should prioritize the elimination of the existing NTBs as they impend trade (see annex- NTBs matrix).</p>

8	<p>Air Transport Services</p> <p>The growth of intra-EAC air traffic has remained low and slow due to the existing restrictive Bilateral Air Service Agreements (BASAs), numerous and high taxes, tariffs as well as lack of cooperation/consolidation of EAC National carriers.</p> <p>The EAC Common Market Protocol (CMP) through Article 38 (4) (d) provides that the Council shall within three years upon entry into force of this Protocol, make regulations applicable to air transport. However, over 12 years of the implementation of the CMP the region has failed to put in place regulations to guide the liberalization of the air transport services.</p>	<p>Worse of, the expensive air tickets have contributed to the high cost of doing business in EAC. It is estimated that 43 percent of air ticket prices in the region comprise taxes and regulatory fees and charges.</p> <p><u>These issues have resulted in limited connectivity (outside of capitals), low frequencies and reduced capacity on cargo volumes and passenger seats available leading to high air transport costs.</u></p>	<p>a) The EAC Partner States should urgently implement the Single African Air Transport Market (SAATM) agreement, which will lower the cost of air transport in Africa and in turn boost development. Airlines on the continent are consolidating and pushing for hop, pick and drop.</p> <p>b) The EAC Partner States should negotiate the EAC Multilateral Air Service Agreement (MASA) to replace the existing Bilateral Air Service Agreements in the region.</p> <p>c) The EAC Partner States should finalise the EAC Regulations for Liberalisation of Air Transport Services by November 2022.</p>
---	--	--	---

Table 29: Matrix of Non Tariff Barriers affecting the Private Sector operations in the East African Community Region.

Sn	Non-Tariff Barrier	Implication	Proposal
1.	<p>Sugar Exports- Uganda to Kenya & Tanzania: Kenya subjects sugar imports from Uganda to limited permits and through numerous bilateral meetings, it was agreed that Uganda would export 90,000MT annually to Kenya. This has not happened. From January to October, 2021, only 37,000MT were exported instead of 5,000MT.</p> <p>Tanzania allows Uganda to export her sugar only in April /May every year and also gives limited Quarters. This year 2021, only 35,000MT was allowed in April/May 2021. While in 2020, only 20,000MT were allowed in the same period.</p>	<p>Inability to supply the remaining volumes affects the sectors growth and job creation drive.</p> <p>This also limits the spirit of the EAC integration process</p>	<p>Republic of Kenya should allow 90,000 MT of sugar as had been agreed in line with the EAC common market protocol</p>
2.	<p>Milk exports from Uganda to Kenya</p> <p>Some Ugandan Dairy Products are still being blocked from freely accessing the Kenyan Market, as the number of import permits issued by Kenya Dairy Board (KDB) in 2020 and 2021 declined to 8 %-10% of the number of permits issued in 2019. Implies that, if in 2019 KDB was issuing 100 permits it reduced to 8 or 10 in 2020 and 2021.</p> <p>In 2019, Ugandan dairy sector earned close to \$150M in export revenue which has reduced to less than \$50M in 2020 and 2021 stands at less than \$40M. With Uganda losing over \$200M from dairy exports alone within the last 24 months, the knock-on effect on the economy is enormous.</p> <p>KDB also stopped issuing any permits to Ugandan B2C milk powder.</p>	<p>This has led to major losses to the dairy sector in Uganda, the sector supports more than 6m people and this blockade has caused more than 10,000 direct job losses and more than 30,000 indirect jobs.</p> <p>This blockade is not only hurting Ugandans but also Kenyans. For example, 700 -800 Kenyans lost jobs due to the closure of many distributors, Kenya Revenue Authority lost more than \$8M USD in VAT revenue from powder products in the last 2 years, Kenyan packing industry lost business worth circa \$7 M and Kenyan logistics companies lost revenue in the region of \$4M USD over the last years.</p>	<p>Kenya should adhere to the EAC protocol of free markets but also realize that it benefits from the milk imports from Uganda</p>

<p>3.</p>	<p>Business pass: Ugandan Professionals undertaking trade-in services and scale traders in Tanzania are being charged a fee of US\$ 100.</p>	<p>This violate the freedoms under the EAC CMP which prevails for free movement of labour and people. It also increases the cost of doing business which limits the capacity for Uganda private sector to compete favourably with Tanzanian private sector</p>	<p>Uganda's private sector requests that the US\$100 Business Pass being levied on Ugandan Professionals undertaking trade in services, be exempted as highlighted in the EAC Common Market Protocol; and small-scale traders.</p>
<p>4.</p>	<p>Treated Electricity Poles Partner states do not prioritize procurement of timber from EAC partner states against other trading blocs (SADC, COMESA) which violates the EAC Treaty.</p>	<p>This limits the Ugandan private sector players in access markets with in the EAC.</p>	<p>There is need to promote the BEABEA campaign with respect to timber products and quality wooden electricity poles especially those sourced from sustainable sources given the stated commitment to the green economy and climate change mitigation by the EAC.</p>
<p>5.</p>	<p>Poultry Products Kenyan importers of poultry products are facing delays in accessing required import permits to import poultry products from Uganda. Although the system is automated, it takes more than 30 days to access this permit.</p>	<p>Poultry products are perishables and any delays in accessing markets constrain earnings of the business persons both with in Kenya and Uganda. This matter is affecting our farmers because 70 per cent of eggs are exported to Kenya.</p>	<p>Government to engage the Government of Kenya to reduce the time required to get import permits for poultry products to less than 5 days. This will promote trade between both countries.</p>
<p>6</p>	<p>UCHUMI Indebtedness to the Private Sector: UCHUMUI supermarket closed operations in Uganda in August 2015 with over 13 billion shillings due to Ugandan suppliers, land lords and employees. This issue also spilled over in the other supermarkets with Kenyan ownership/management. Engagements over this issue were initiated at a bilateral level with Government of Kenya but issue remains unresolved.</p>	<p>This contributed greatly to be rise of the non-performing loans in the financial market. Most of the SMEs which were supplying to this market collapsed.</p>	<p>Private sector recommends that the Republic of Kenya work with Republic of Uganda to create a payment framework to settle the Uganda creditors. This needs to be done in a timely manner as it is long over dew.</p>

7	<p>South Sudan Arrears Payments: Very many private sector players are still awaiting payment for supplies made into South Sudan. The Government of Uganda catered for some payments made between two specific years yet for many other years there is a wide range of pending payments. South Sudan also makes it difficult for private business to operate there because of the implementation of restrictive laws and policies.</p>	<p>This contributed greatly to be rise of the non-performing loans in the financial market. Most of the SMEs which were supplying to this market collapsed.</p>	<p>Private sector recommends that the Republic of South Sudan to work with Republic of Uganda to create a payment framework to settle the Uganda creditors. This needs to be done in a timely manner as it is long over dew.</p>
8	<p>2007/2008 Kenya Post-election violence: During the 2007/8 post-election violence in Kenya, Ugandan businesses lost their goods worth 20 billion shillings in vandalism and theft. Discussions over the compensation of these traders have been ongoing since 2008 but the issue is yet to be resolved. Resolving of this issue needs to be concluded to help promote the spirit of East African Community Integration and instil confidence in the general private sector.</p>	<p>Several of the participating businesses closed shop which negatively contributed to unemployment and reduction in tax revenue.</p>	<p>Republic of Kenya working with Republic of Uganda needs to formulate a settlement mechanism where the Government of Kenya can be able to compensate the aggrieved parties (traders).</p>

4.0. Conclusion

The private sector is the reliable engine of growth world over. To harness the power of this sector, increase growth and reduce poverty is not an ideological aspiration, but one that has been proven elsewhere. Government must therefore take advantage of the cooperation from the private sector by providing sound policies that support private initiative, innovation and hard work. It is only the favourable policies that can get the private sector to anchor the economy through investments, employment, paying taxes, exports and sustained household incomes. Government needs to address the challenge of institutional bottlenecks, dysfunctional or cumbersome systems as well as work on changing the mind-set of civil servants in serving the private sector. Whereas the external factors may be out of control of Government, measures can be taken to ease doing business by addressing the domestic factors and reducing the impact of the external factors.

Therefore, Government should consider policy actions geared towards increasing productivity and production in agriculture, while cushioning the farmers against the adverse effects of weather variability and climate change. To do so, Government could consider fixing problems along the entire value chain including research and development for seeds and inputs, irrigation, fertilizer supply, agricultural extension, credit, rural infrastructure, storage and connection to markets. Other growth sectors such as tourism, minerals among others should be also prioritized in order to unleash Uganda's growth potential and enhance competitiveness. Issues of infrastructure; transport, energy, ICT, water for production among others should be prioritized in order to turn around the economy. Good Governance issues plus ensuring value for money, accountability, monitoring and evaluation, budget discipline together with emphasis on implementation of all agreed on policy actions and private sector recommendations as proposed raised and discussed in this Platform for Action, will lead to a transformed Uganda

Being competitive is critical for the Ugandan economy to sustain its growth. The private sector in Uganda highly appreciates Government's response to the suggestions for prioritisation of national resources towards improvement of the overall business environment. The business community also recognises the challenges faced by the Government in trying to implement its policy actions. Therefore, these deliberate policy actions as recommended above to alleviate the identified competitiveness and growth challenges must be implemented if the private sector is going to be the driving force of the economy.

5.0 Annexes

Annex 1: Commercial Bills to be Tabled by Government Before Parliament for Consideration in the New Session

1. Government Pension Scheme bill
2. Agriculture Extension Bill
3. Amendment of the NAADS Act
4. The Engineers Registration Act (Amendment) Bill
5. Uganda Wildlife 2015 Amendment Bill
6. Uganda Land Commission Bill
7. Consumer Protection Bill
8. New Sugar Bill
9. Amendment of Universities and other Tertiary Institution Act (2011)
10. Micro Finance Deposit Taking Institutions (Amendment) Bill.
11. Financial Leasing Bill
12. Motor Third Party Insurance Bill.
13. Uganda Construction Industry Commission (UCICO) Bill.

Annex 2: Private Sector Tax Proposals for FY 2022/23 National Budget

Sn.	ISSUES	PROPOSALS	JUSTIFICATION
VALUE ADDED TAX (VAT)			
1.	Standard VAT rating at 18% VAT rates at 18% for Uganda, is high compared to Kenya ⁶⁶ , 16% which makes the private sector less competitive.	Align the VAT rates to Kenya at 16%. This also aligns to the average rate for African countries participating in the AfCFTA.	It will improve the level of competitiveness of the business community in EAC and AfCFTA which eventually contributes to widening the tax base through increased volumes of trade.
2.	VAT on processed milk. In the FY 2019/20, Government moved inputs for processed milk from zero rated inputs to exempt VAT at 18%. This automatically raised the cost of production by 18% making processed milk along with related products such as butter, Ghee and Yoghurt more expensive on the market in comparison to imports.	Milk Products to be under Zero-rated products as opposed to Exempt category. This will reduce costs and the price reduction benefits can be passed on to the end consumer. This will ensure some level of playing field with the informal market and increase in processed milk consumption. In line with the dairy production policy, the URA working with DDA should register existing informal players in the market to promote fair competition.	Increment in cost of production for milk affects the farmers by reducing uptake for milk, reduces disposable income of consumer and reduces government revenue from taxes. This will ensure effective competition within the players in the industry.
3.	Informality in the dairy sector encroaches on the market of the formal milk processors and yet do not contribute to tax revenue collection. While processors are within the bracket of income tax, PAYE, NSSF, LST, compliance costs related to UNBS, DDA, NEMA, etc. ⁶⁷	In liaison with DDA which licenses operators in the dairy sector, the government should scrap VAT on healthy processed milk, and instead introduce a presumptive tax of 20% on all milk dealers outside the tax bracket.	The 20% presumptive tax would generate UGX 320.76 billion tax revenue. This will create level playing field and government would instead earn more revenue in form of Income Tax, PAYE and other non-tax revenues that accrue from formalization. Will attract more Foreign Direct Investment (FDI)

⁶⁶ Kenya is Uganda's main trade partner.

⁶⁷ According to DDA, Uganda's Yearly Production is 2.7 bn litres, of which farm losses and internal usage stands at 10% (270 m litres), 34% (826.2 m litres) is processed, while the rest 56% (1.608 bn litres) is loose unprocessed milk. The unprocessed milk usually goes for Ugx. 1000 per litre on average, which amounts to approximately Ugx. 1.608 Tn which is untapped

4.	Private Sector Associations having to register for VAT yet its mandate and programs are aimed at aiding the private sector development for Uganda as a key imperative for National socioeconomic transformation.	In line with NSPSD II, and NDP III program of Private sector development, amend the third schedule of the VAT Act to include the supply of services from the Private Sector associations among the zero-rated supplies. Supplies such as conference facilities are aimed at generating resources that the associations use to coordinate, engage and strengthen the capacity of the business community.	<p>i) This will strengthen the capacity of the private sector, especially at the sub-regional level.</p> <p>ii) Enable reduction in operational costs by 18% to enable them to invest these monies into activities such as policy research, business development services and mindset change.</p>
5	Designation of VAT withholding agents to financial institutions Most of the Banks are not VAT registered and those that are registered, the component of taxable supplies among their total supplies is marginal.	Do not designate Banks as VAT-withholding agents	Having to account for VAT withheld creates an extra administrative burden and system design costs on the financial institutions without a reward to their efforts, as they are not VAT registered.
6	VAT exemption for debt collection and factoring by financial institutions. Currently, the VAT Act exempts the supply of financial services from VAT apart from debt collection and factoring. However, the Financial Institutions Act defines financial institution business to mean the business of;	Include Factoring in the Second schedule 2(b) (ii) of the VAT Act, CAP 349 as an exempt financial service since Factoring is provided by a Financial Institution.	<p>Charging of VAT discourages this Factoring⁶⁸ as a form of financing, as it is an added cost on top of the financing cost that is being charged to the borrower.</p> <p>Financial institutions have developed initiatives to enhance financial intermediation through the formation of the Asset Reconstruction Company (ARC).</p>

68 Factoring is a form of financing similar to any form of lending or extending of credit or working capital finance that banks provide to their customers.

	<p>(a) acceptance of deposits; (b) issue of deposit substitutes; (c) lending or extending credit, including— (i) consumer and mortgage credit factoring with or without recourse; (ii) the financing of commercial transactions; (iii) the recovery by foreclosure or other means of amounts so lent, advanced or extended; (iv) forfeiting, namely, the medium-term discounting without recourse of bills</p>	<p>Amend Paragraph 2 (b) (ii) of Schedule 2 to the VAT Act so that the definition of financial services does not exclude debt collection and factoring carried out by financial institutions.</p>	<p>One of the primary activities of the ARC will be to facilitate the purchase of debt of distressed companies as part of financial restructuring. Charging VAT will stifle this badly needed financial service at its infancy in the Ugandan economy where we are seeing an increasing level of non-performing assets (NPA) in the banking system.</p>												
INCOME TAX ACT															
7	30% Income tax rate is too high for the private sector	Reduce the rate from 30% to 25%	This will reduce the cost of doing business especially during the COVID 19 pandemic. This will also improve tax compliance which increases tax base.												
8	Increase the PAYE thresholds to improve the purchasing power of the population thus stimulating demand for goods and services produced by the private sector.	<p>Revise the Threshold as;</p> <table border="1" data-bbox="1009 844 1496 1425"> <thead> <tr> <th>From;</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>0- 235,000 = Nil</td> <td>0- 500,000 =</td> </tr> <tr> <td>235.001 -350,000= 10%</td> <td>500,001-1,000,000 = 10%</td> </tr> <tr> <td>350,001- 410,000=20%</td> <td>1,000,001- 2,000,000 = 20%</td> </tr> <tr> <td>Above 410,001 = 30%</td> <td>2,000,001- 9,000,000 = 30%</td> </tr> <tr> <td>Above 10,000,000 = 40%</td> <td>Above 9,000,001 = 40%</td> </tr> </tbody> </table>	From;	To	0- 235,000 = Nil	0- 500,000 =	235.001 -350,000= 10%	500,001-1,000,000 = 10%	350,001- 410,000=20%	1,000,001- 2,000,000 = 20%	Above 410,001 = 30%	2,000,001- 9,000,000 = 30%	Above 10,000,000 = 40%	Above 9,000,001 = 40%	<p>CIEA studies by BoU confirm that there is limited effective demand with in the population. This proposal will increase the disposable incomes of the majority salary earners which stimulates both savings and investments as a result of increased levels of consumption of goods and services.</p> <p>Tax revenue will also increase as a result of widened tax base but also increase in consumption.</p> <p>This contribute to the achievement of the FY 23/24 budget strategy, NDP III and the Vision 2040 which targets to modernize the economy.</p>
From;	To														
0- 235,000 = Nil	0- 500,000 =														
235.001 -350,000= 10%	500,001-1,000,000 = 10%														
350,001- 410,000=20%	1,000,001- 2,000,000 = 20%														
Above 410,001 = 30%	2,000,001- 9,000,000 = 30%														
Above 10,000,000 = 40%	Above 9,000,001 = 40%														

9	<p>Sec. 25 (3) as amended; for all debts owed by a taxpayer who is a member of a group, the amount of deductible interest (including banks) in respect of all debts shall not exceed 30% of the tax earnings before interest, tax, depreciation and amortization (EBITDA).</p>	<p>We propose that the interest paid to banks should be allowed as a deduction expenditure</p>	<p>a) The provision limits deduction for a realistic business expense of interest on loans from a commercial bank. b) The limitation of interest deduction will affect both foreign and local group companies unlike thin capitalization that only affected foreign-controlled companies. Local banks could prove unattractive due to the high interest rates and companies opting for cheaper loans from outside Uganda after all there is reduced incentive since the whole of the interest expense is not allowed. This would not be good for the economy.</p>
10	<p>Withholding tax on corporate bonds.</p>	<p>Remove 15% WHT on interest arising from corporate bonds.</p>	<p>This tax stifles Governments efforts of creating a sound and competitive financial sector in the country. Removal of WHT on the corporate bonds will promote an alternative of raising capital in the financial sector and boost production and growth of the economy.</p>
11	<p>30% Capital Gains Tax (CGT) on sale of shares by companies having Ugandan majority shareholding for agro-processing. CGT rate is high and limits public involvement to capitalize such entities which encourages agro-industry and financial market development.</p>	<p>Reduce CGT rate to 5% for agro-processing industries as it is aligned to the CGT in Kenya.</p>	<p>This will encourage acquisition of shares by the public and more earnings inform of dividends hence more withholding tax at 15% to the government. It will also attract more investors to invest in agro-manufacturing which is key for the modernization of agriculture that employ about 70% of Ugandans.</p>
12	<p>Inflation or valuation should be considered in assessing CGT</p>	<p>Amend Law to provide for indexation and or valuation before disposal as the determinant of actual value based on which capital gains are assessed.</p>	<p>This will eliminate over taxation of taxpayers and encourages acquisition of capital for investment in the country</p>

13	<p>Limited reinvestment of corporate profits into production due to absence of compelling incentives.</p>	<p>Reduce corporation tax to 10% for companies that re-invest at least 75% of their declared profits. This should be limited to only situations where the investment happens in the next 12 months of the declaration of profits.</p>	<p>There is need for the country to come up with innovative ways to retain declared profits within the economy to cause economic expansion. This can be a major revenue mobilization bonanza.</p>																								
14	<p>Domestic Corporate taxes incentives for private sector</p> <ul style="list-style-type: none"> a) Reduction in corporation tax for manufacturers; b) Allowance on capital expenditure incurred on buildings and machinery used for manufacturing c) Fast tracking of applications for income tax exemptions for qualifying members of the private sector 	<p>We propose that the Corporation tax rate for manufacturers be reduced to 25%</p> <p>We propose for a 50% deduction in the first year of use and 25% of the residual value per year on reducing balance</p> <p>There is need to fast track the applications for income tax exemptions for qualifying private sector</p>	<p>This will make Uganda more competitive locally and regionally. The proposed rate change will also align to Kenya thus promoting the sector</p> <p>This will allow for better recoup of the investment by manufacturers and further promote the sector</p> <p>This will allow for better realization of the investment undertaken and encourage more such investments in the country</p>																								
15	<p>Corporate taxes incentive for exports</p> <p>The incentive for exporters under Section 21(y)(ii) (aa) of the Income Tax Act CAP 340, where a threshold of 80% exports should be made, not easily attainable for the local manufacturers in Uganda neither is it sustainable for the economy. For manufacturers to benefit from this incentive, we request for a sliding scale with strata of percentages of exports attracting strata of Corporate Tax incentives</p>	<p>Consider the sliding scale below;</p> <table border="1" data-bbox="1024 834 1477 1411"> <thead> <tr> <th>Exports as percentage of sales revenue</th> <th>Corporate application (in-centive)</th> <th>tax (in-centive)</th> </tr> </thead> <tbody> <tr> <td>80% and above</td> <td>0%</td> <td></td> </tr> <tr> <td>70%-79.9%</td> <td>5%</td> <td></td> </tr> <tr> <td>60%-69.9%</td> <td>10%</td> <td></td> </tr> <tr> <td>50%-59.9%</td> <td>15%</td> <td></td> </tr> <tr> <td>40%-49.9%</td> <td>20%</td> <td></td> </tr> <tr> <td>30%-39.9%</td> <td>25%</td> <td></td> </tr> <tr> <td>Below 30%</td> <td>30%</td> <td></td> </tr> </tbody> </table>	Exports as percentage of sales revenue	Corporate application (in-centive)	tax (in-centive)	80% and above	0%		70%-79.9%	5%		60%-69.9%	10%		50%-59.9%	15%		40%-49.9%	20%		30%-39.9%	25%		Below 30%	30%		<p>The 80% rate is too high and poses a risk of deficiency in the local market thereby denying the local consumers access to locally manufactured goods.</p> <p>The proposed rates will promote a gradual growth of the export markets as eligible players enjoy the benefits of the income exemption.</p> <p>Terms of trade improvement for Uganda is very critical too as a means of reducing the negative trade balance that the country suffers from.</p>
Exports as percentage of sales revenue	Corporate application (in-centive)	tax (in-centive)																									
80% and above	0%																										
70%-79.9%	5%																										
60%-69.9%	10%																										
50%-59.9%	15%																										
40%-49.9%	20%																										
30%-39.9%	25%																										
Below 30%	30%																										

16	Interest on Government securities	Exempt taxes on interest earned from Government securities	This will make the pensions sector more attractive to savers due to higher returns. These increased long term savings will then be invested in development banks at affordable rates for the private sector to borrow.
17	Manufacturing Under Bond. manufacturers should not be allowed to import raw materials which are locally available	Restrict the inputs used in the manufacturing under bond facility to only those that are not available within the EAC.	To increase the macro value addition in Uganda as well as allow intra-EAC trade as well as increase capacity utilization of the available factories manufacturing industrial inputs.
EXCISE DUTY			
18	12% excise duty on internet data, except data for provision of medical services and education services	Exempt excise duty on internet data. Rather charge income tax on the investments which are created by the use of internet. VAT earned on consumption of airtime will also grow.	The COVID 19 error, internet has become more less a public good for doing business, communication and way of life of the population. Uganda already has the most expensive internet in the EAC. Presently the cheapest source has 1 GB sold at 3,200 shs. A 12% tax has increased the cost of internet by an extra 384 shs. Per GB.
19	Cost of Doing business and regional competitiveness: DTS <ul style="list-style-type: none"> ✓ Digital Tax stamp (DTS) was introduced in 2nd half 2019/20 ✓ In the financial year 2020/2021, DTS implementation led to additional operational costs for the sector thereby increasing the cost of business. This also translated to increased product prices. ✓ No provision for process losses 	<p>Administrative: Improve efficiency in stamp delivery to minimize crippling effects of delays on business.</p> <p>Proposals:</p> <ul style="list-style-type: none"> a) Reduce DTS price costs by 70% on beer and spirits. b) Intensify enforcement against illicit alcohol manufacturers c) Harmonize the Uganda cost of DTS with Tanzania. The business environment with Tanzania is similar to Uganda. 	<p>Delays in the supply of DTS stamps causes distortion in the production timelines causing inconsistency in the supply chain which is detrimental to business.</p> <p>The benefit to the Government is not commensurate with the loss to private sector companies in these costs. Companies can present increased costs vs. increased Excise Duty payments to illustrate this. The cost of the individual stamps should also be lowered so that the impact on Government coffers is lower.</p>

		<p>d) Consider DTS cost as net excise duty payable (handle it as tax administration). Amendment of Regulation 9 of the Tax Procedures Code (Tax Stamps) Regulations - Allowance for wastage and damages to provide for an allowance for process losses for specific manufacturers gazetted by the Ministry of Finance.</p>	
		<p>Allowance for wastage or damage</p> <p>I. Damaged excise stamps shall be preserved for verification by an authorized officer.</p> <p>II. Where a manufacturer or importer of excisable goods cannot account for any excise stamps issued to him by the Commissioner, the Commissioner shall compute the excise duty and other taxes on the unaccounted for stamped based on the highest excise rate applicable to goods manufactured or imported by the manufacturer or importer as the case may be</p> <p>III. In computing excise duty in the case of unaccounted for excise stamps, the Commissioner shall, allow for wastage and damages which shall not exceed one percent of the quantity of the issued stamps.</p>	<ul style="list-style-type: none"> • Currently, taxpayers are required to account for all stamps purchased and used in the manufacturing process. Where stamps are alleged to be damaged, the taxpayer is required to request URA's validation of the damaged stamps before an offset can be made against stamps purchased by the taxpayer. • For manufacturers who use breakable packaging, it is very difficult to collect broken bottles and contents that have been affixed with a DTS stamp. Thus, it is not possible for such manufacturers to account for all the stamps that have been used in the manufacturing process. • The process loss can be flexed depending on the manufacturers' average losses in the packaging process. Any losses incurred in excess of the allowable threshold must be accounted for and explained.

		<ul style="list-style-type: none"> • Allowing for process losses in the DTS process is provided for in other EAC countries such as Kenya. This will go a long way in simplifying the DTS process. • There would be no revenue loss to the Government since the VAT charged is claimable; however, zero rating DTS stamps would go a long way in improving DTS compliance as cost of the stamp would reduce from a cash flow perspective. 																																										
		<p>The table below shows the different rates SICPA charges in each of the EAC markets.</p>																																										
		<table border="1"> <thead> <tr> <th colspan="7">EAC COUNTRIES COMPARATIVE DTS PRICES PER BEVERAGE BOTTLE IN UGX EQUIVALENT</th> </tr> <tr> <th>COUNTRY</th> <th>UGANDA</th> <th>KENYA</th> <th>TANZANIA</th> <th>RWANDA</th> <th>AVERAGE EAC PRICE</th> <th>% UG EXCESS Vs AVERAGE</th> </tr> </thead> <tbody> <tr> <td>SPIRITS</td> <td>110</td> <td>83</td> <td>75</td> <td>55</td> <td>81.7</td> <td>35%</td> </tr> <tr> <td>BEER</td> <td>35</td> <td>45</td> <td>31 (locally produced) 37 imported</td> <td>0</td> <td>33.5</td> <td>64%</td> </tr> <tr> <td>Soda</td> <td>20</td> <td>18</td> <td>0</td> <td>10</td> <td>12</td> <td>67%</td> </tr> <tr> <td>Mineral water</td> <td>15</td> <td>15</td> <td>0</td> <td>0</td> <td>7.5</td> <td>100%</td> </tr> </tbody> </table> <p>Source: Uganda Alcohol Association</p>	EAC COUNTRIES COMPARATIVE DTS PRICES PER BEVERAGE BOTTLE IN UGX EQUIVALENT							COUNTRY	UGANDA	KENYA	TANZANIA	RWANDA	AVERAGE EAC PRICE	% UG EXCESS Vs AVERAGE	SPIRITS	110	83	75	55	81.7	35%	BEER	35	45	31 (locally produced) 37 imported	0	33.5	64%	Soda	20	18	0	10	12	67%	Mineral water	15	15	0	0	7.5	100%
EAC COUNTRIES COMPARATIVE DTS PRICES PER BEVERAGE BOTTLE IN UGX EQUIVALENT																																												
COUNTRY	UGANDA	KENYA	TANZANIA	RWANDA	AVERAGE EAC PRICE	% UG EXCESS Vs AVERAGE																																						
SPIRITS	110	83	75	55	81.7	35%																																						
BEER	35	45	31 (locally produced) 37 imported	0	33.5	64%																																						
Soda	20	18	0	10	12	67%																																						
Mineral water	15	15	0	0	7.5	100%																																						

20	Capping of interest charged by URA on excise duty as was done in VAT and Income Tax.	Amend the Excise Duty Act to provide for the capping of interest on Excise Duty	Motivates tax payers with heavy outstanding interest to pay which enables URA achieves its collection targets.
21	12% Excise Duty on carbonated soft drinks is very high/too high to allow the sector to be sustainable or competitive both on the market and to increase investments.	Reduce rate to 10% to harmonize with EAC Region. And to meet promise made in 2017 that led to increased investments of US\$300m since then, which will not yield returns, at this point.	This will expand the tax base due to increase in compliance. It will also continue to encourage more investments in this sector and ensure job creation.
22	2(a) Malt beer 60% or UGX 2,050 per litre, whichever is higher	2(a)(i) Imported beer - made from local raw materials originating from the EAC partner states whose content excluding water is at least 75% by weight of its constituents 30% or UGX 650 per litre, whichever is higher. 2(a)(ii) Imported beer – Other 60% or UGX 2,050 per litre, whichever is higher 2(b)(ii) Locally manufactured beer – Other 60% or UGX 2,050 per litre, whichever is higher.	<ul style="list-style-type: none"> To address current ambiguity in application of 2(a), 2(b) and 2(c). Distinction should focus on whether the raw materials are locally sourced or imported; and /whether final product is locally manufactured or imported. To align with the spirit and principals of the EAC which recognize raw materials sourced from EAC partner states as local.
23	Excise duty on beer produced from barley grown and malted in Uganda 30% or Shs. 1115 per liter whichever is higher is so high	Reduce excise duty to 30% or Shs. 950 per litre whichever is higher to support the industry and BUBU	<ul style="list-style-type: none"> 85% of the barley used in beer is grown in Uganda. Is not aligned to BUBU Increases the costs of production. Affects household income for farmers.
24	Excise duty on the wine made from locally produced raw materials 20% or Shs. 2,300 whichever is higher	Maintain the current regime at 20% or Shs. 2,000 per litre whichever is higher	<ul style="list-style-type: none"> Nascent sector and yet it supports value addition of products which are under bumper harvest currently. Increases the market prices of products Affects HH income

25	<p>Excise Duty is currently charge on all ledger fees, ATM fees, withdrawal fees and periodic charges and other transaction and non-transaction charges, excluding loan related charges periodically charged by financial institutions.</p> <p>This currently includes charges on the use of new digital infrastructure developed to promote digitization in Uganda</p>	<p>We propose that Item 14 of the Schedule 2 of the Excise duty act is amended to exclude excise duty charges on the use of online platforms; online banking for a period of 5 years to provide for predictability of investment plans.</p>	<p>This will promote the use of the digital infrastructure which contributes to reduction in lending rates since operating expenses is a big driver for interest rates in Uganda.</p>
26	<p>Excise duty on Non-alcoholic beverages not including fruit or vegetable juices 12% or Shs. 250 per litre whichever is higher</p>	<p>i. Reduce the current excise duty to 10% or 166 Shs. per liter whichever is higher.</p> <p>ii. Rework Act to cater for local content 30% composition at 0% as URA also agreed; Income Tax & PAYE. And pre-processing.</p>	<p>Maintaining the rate at 12% renders the business non-viable in Uganda especially where neighboring countries are offering much lower rates. Also, the increase of the Specific Rate by 50/= is not justifiable. Currently Carbonated Soft Drinks pay Ushs20 per bottle, so the increment of Ushs50 per bottle is further unjustifiable. Align soft drinks at 10%</p>
27	<p>2.5% or \$70 per ton, whichever is higher Excise Duty on plastic granules</p>	<p>Remove the 2.5% or \$70 per ton, whichever is higher Excise Duty on plastic granules and rather charge it on production volumes of single use plastics which have proven a challenge world-wide and as best practice.</p> <p>Plastic granules are a raw material used in the production of a wide range of plastics most of which are food grade utensils used by the masses.</p> <p>UMA is in receipt of a communication from the Ministry of Finance to URA concurring on the parameters for this and would request expeditious conclusion.</p>	<p>Charging excise duty on raw materials increase not only the cost of all plastic products basically used by the low-income masses, but also the packaging materials which are required for export promotion.</p> <p>This tax is currently stifling imports of plastic raw materials which are not available in the EAC Region yet are essential for manufacture of high-quality plastic products.</p>

		<p>The tax is creating serious administrative huddles for URA but also distress in the sectors which produce plastic related products.</p> <p>The exemption regime around this tax has not been effective as many members have not been streamlined for exemption.</p> <p>Instead introduce the extended producer responsibility policy that would require proactive actions from producers to ensure environmental sustainability and plastic production</p>	<p>More revenue will be collected from the produced volumes of single use plastics.</p>
COMMON EXTERNAL TARIFF			
28	25% CET on Labels (Hs code 4821.10.90)	Increase import duty on this item to 35% hence making it sensitive item under CET	Uganda has enough capacity to produce this Finished product
29	35% import duty tax rate on garments	Reduce the 35% import duty tax rate on garments to 25% and scrap off paying based on the weight of the garments.	Uganda's textile industry still lacks the capacity to produce the market required quality and quantities which are competitive at both domestic and foreign markets
30	10% CET on Labels- others (Hs code 4821.90.00)	Increase import duty on these items from 10% to 35%	Some of Leading companies alone have invested USD 15 million to produce these paper labels. 10 more players are in Uganda, with this capacity.
31	35% CET on self-adhesive film (Hs code 3919.10.00)	Consider this item at 10%	This is a Raw material for Printing Industry

<p>32</p>	<p>Introduction of retrospective measures affecting planning and productivity. Recall the current demand notices that have been served onto the steel manufacturers for materials from COMESA on originality criteria given that this contravenes Rule 10 of the COMESA Protocol on the Rules of Origin.</p>	<p>Information to the TAT that a decision was reached on the matter related to Boron Content in the Steel Sector imports and that URA is not interested in pursuing the matter further. A consent judgement can be agreed on this.</p>	<p>This will create certainty in the sector that will cause the much-needed sector growth and creating a bigger tax base.</p> <ul style="list-style-type: none"> • The requirement for members to re-examine past imports causes deep planning challenges and re-moves predictability from the tax system. This is made worse by delayed conclusion on agreed items as is the case for the outstanding boron content invoices issued upon UMA members that today has not seen resolution with a TAT Case still ongoing by URA.
-----------	--	--	---

Annex 3: List Of Private Sector Foundation Members as of March, 2022

	MEMBER NAME	SECTOR
1.	AGRICULTURE AND AGRI BUSINESS	
1	AGRICULTURAL COUNCIL OF UGANDA	Agriculture
2	AGRO-GENETIC TECHNOLOGIES LTD. (AGT)	Agriculture
3	ASSOCIATION OF UGANDA PROFESSIONAL WOMEN IN AGRICULTURE & ENVIRONMENT (AUPWAE)	Agriculture
4	CROP LIFE UGANDA	Agriculture
5	ENTEBBE LIVESTOCK MARKETING COOPERATIVE SOCIETY LIMITED	Agriculture
6	FARM SUPPORT LIMITED	Agriculture
7	HORTICULTURAL EXPORTERS' ASSOCIATION OF UGANDA (HOTEXA)	Agriculture
8	ICEMARK AFRICA LTD	Agriculture
9	MADDU FARMERS CO-OPERATIVE SOCIETY LTD	Agriculture
10	NATIONAL AGRICULTURAL ADVISORY SERVICES	Agriculture
11	NATIONAL ORGANIC AGRICULTURAL MOVEMENT OF UGANDA (NOGAMU)	Agriculture
12	NATIONAL SMALL HOLDER BUSINESS CENTER	Agriculture
13	NATIONAL UNION OF COFFEE AGRIBUSINESSES AND FARM ENTERPRISES (NUCAFE)	Agriculture
14	POULTRY DEVELOPMENT ASSOCIATION OF UGANDA	Agriculture
15	THE GRAIN COUNCIL OF UGANDA LIMITED	Agriculture
16	THE UGANDA NATIONAL APICULTURE DEVELOPMENT ORGANISATION	Agriculture
17	UGANDA BEEF PRODUCERS ASSOCIATION (UBPA)	Agriculture
18	UGANDA COCOA ASSOCIATION	Agriculture
19	UGANDA COFFEE TRADE FEDERATION (UCTF)	Agriculture
20	UGANDA COMMERCIAL FARMERS' ASSOCIATION LTD (UCFA)	Agriculture
21	UGANDA CO-OPERATIVE ALLIANCE	Agriculture
22	UGANDA CRANE CREAMERIES COOPERATIVE UNION	Agriculture
23	UGANDA DAIRY PROCESSORS ASSOCIATION (UDPA)	Agriculture
24	UGANDA FISH PROCESSORS & EXPORTERS' ASSOCIATION (UFPEA)	Agriculture
25	UGANDA FLORICULTURAL ASSOCIATION (UFA)	Agriculture
26	UGANDA FLOWER EXPORTERS' ASSOCIATION (UFEA)	Agriculture
27	UGANDA FOREST INDUSTRIES DEVELOPMENT ASSOCIATION	Agriculture
28	UGANDA MEAT PRODUCERS COOPERATIVE UNION	Agriculture
29	UGANDA NATIONAL AGRO-INPUT DEALERS' ASSOCIATION (UNADA)	Agriculture
30	UGANDA NATIONAL FARMERS' FEDERATION (UNFF)	Agriculture
31	UGANDA NATIONAL VANILLA ASSOCIATION (UNVA)	Agriculture
32	UGANDA OIL SEED PRODUCERS AND PROCESSORS ASSOCIATION	Agriculture
33	UGANDA ORGANIC CERTIFICATION LTD	Agriculture
34	UGANDA SEED TRADE ASSOCIATION	Agriculture
35	UGANDA TEA ASSOCIATION	Agriculture
36	UGANDA TROPICAL PLANTS ASSOCIATION	Agriculture
37	ZEUS AGRO LTD	Agriculture

38	YALELO UGANDA	Agriculture
39	UGANDA FRUITS VEGETABLE EXPORTERS AND PRODUCERS ASSOCIATION	Agriculture
40	UGANDA CROP CARE LIMITED	Agriculture
41	THE RICE MILLERS COUNCIL UGANDA	Agriculture
42	TESO PRIVATE SECTOR DEVELOPMENT ASSOCIATION	Agriculture
43	OAK SEED ASSOCIATION	Agriculture
44	NEGONJA ORGANICS	Agriculture
45	HORTIFRESH	Agriculture
2.	ENGINEERING, CONSTRUCTION, TELECOMMUNICATIONS AND ICT	
46	ASSOCIATION OF REAL ESTATE AGENTS -UGANDA	Constructions
47	GREEN COMPUTERS	ICT
48	ICT - CLUSTER ASSOCIATION INITIATIVE.	ICT
49	ICT CONSULTS LIMITED	ICT
50	INFORMATION AND COMMUNICATION TECHNOLOGY ASSOCIATION	ICT
51	NATIONAL HOUSING & CONSTRUCTION COMPANY LTD	Construction
52	UGANDA NATIONAL ASSOCIATION OF BUILDING AND CIVIL ENGINEERING CONTRACTORS (UNABCEC)	Engineering
53	UNITED ENGINEERS AND TRADERS ASSOCIATION	Engineering
54	HORYAL INVESTMENT HOLDING COMPANY	Engineering
55	DOTT SERVICES (U) LTD	Engineering
3.	BANKING, FINANCE AND INSURANCE	
56	AFRICAN ALLIANCE	Finance
57	AIG UGANDA LTD	Insurance
58	ASSOCIATION OF MICROFINANCE INSTITUTIONS OF UGANDA	Finance
59	ASTOR FINANCE PLC LTD	Finance
60	BANK OF AFRICA UGANDA	Finance
61	BANK OF BARODA	Finance
62	BARCLAYS BANK OF UGANDA LTD	Finance
63	CAPITAL MARKET AUTHORITY	Finance
64	CENTENARY BANK	Finance
65	CITI BANK	Finance
66	DFCU BANK	Finance
67	DIAMOND TRUST BANK	Finance
68	EAST AFRICAN DEVELOPMENT BANK	Finance
69	GROFIN UGANDA	Finance
70	HOUSING FINANCE BANK LTD	Finance
71	INVESTMENT MANAGEMENT ASSOCIATION OF UGANDA	Finance
72	KCB BANK UGANDA LIMITED	Finance
73	NIKO INSURANCE UGANDA LTD	Insurance
74	POST BANK UGANDA LIMITED	Finance
75	STANBIC BANK UGANDA LIMITED	Finance
76	STANDARD CHARTERED BANK	Finance
77	THE ASSOCIATION OF UGANDA SECURITIES BROKERS DEALERS	Finance

78	THE INSURANCE INSTITUTE OF UGANDA	Insurance
79	UGANDA ASSOCIATION OF INSURANCE BROKERS	Finance
80	UGANDA BANKERS' ASSOCIATION (UBA)	Finance
81	UGANDA FINANCE TRUST (UFT)	Finance
82	UGANDA INSURERS ASSOCIATION	Insurance
83	UGANDA LEASING ASSOCIATION	Finance
84	UGANDA SECURITIES EXCHANGE LIMITED (USE)	Finance
85	UGANDA THEATRICAL ARTISES ASSOCIATION SACCO	Finance
86	UNITED NATIONS STAFF SAVINGS & CREDIT SOCIETY	Finance
87	Y-SAVE COOPERATIVE SAVINGS & CREDIT	Finance
4.	MANUFACTURING AND CONVERSION INDUSTRIES	
88	ALLIANCE ONE TOBACCO UGANDA LIMITED (A.O.T.U)	Manufacturing
89	BRITISH AMERICAN TOBACCO UGANDA (B.A.T.U)	Manufacturing
90	CENTURY BOTTLING COMPANY LTD	Manufacturing
91	CONTINENTAL TOBACCO UGANDA LIMITED	Manufacturing
92	KAKIRA SUGAR WORKS LTD	Manufacturing
93	LEAF TOBACCO AND COMMODITIES UGANDA LIMITED	Manufacturing
94	M. M. INTERGRATED STEEL MILLS UGANDA LIMITED	Manufacturing
95	MEGHA INDUSTRIES UGANDA LIMITED	Manufacturing
96	MUKWANO INDUSTRIES LTD	Manufacturing
97	MULTIPLE INDUSTRIES LIMITED	Manufacturing
98	NESTLE EQUATORIAL AFRICAN REGION LIMITED UGANDA	Manufacturing
99	NILE BREWERIES LTD.	Manufacturing
100	NORTHERN UGANDA MANUFACTURERS ASSOCIATION	Manufacturing
101	PRAMUKH STEEL LIMITED	Manufacturing
102	QUALITY CHEMICALS	Manufacturing
103	ROOFINGS GROUP	Manufacturing
104	SHUMUK GROUP OF COMPANIES	Manufacturing
105	SOUTHERN RANGE NYANZA LTD	Manufacturing
106	THE CARPENTERS AND JOINERY ASSOCIATION LTD	Manufacturing
107	UGANDA BAATI	Manufacturing
108	UGANDA BREWERIES LTD	Manufacturing
109	UGANDA LEATHER AND ALLIED INDUSTRIES ASSOCIATION LTD.	Manufacturing
110	UGANDA MANUFACTURERS' ASSOCIATION (UMA)	Manufacturing
111	UGANDA PRINTERS' ASSOCIATION (UPA)	Manufacturing
112	UGANDA SMALL SCALE INDUSTRIES ASSOCIATION (USSIA)	Manufacturing
113	UNILEVER UGANDA LIMITED	Manufacturing
114	THE CARPETERS AND JOINERS ASSOCIATION	Manufacturing
115	LIGOMARC	Manufacturing
116	JENA HERBALS	Manufacturing
5.	ENERGY, EXTRACTIVE INDUSTRIES/MINING, OIL AND GAS	
117	ALPHA OIL	Oil
118	BUJAGALI ENERGY LTD	Energy

119	TULLOW UGANDA OPERATIONS PTY LIMITED	Oil
120	UGANDA CHAMBER OF MINES AND PETROLEUM	Oil
121	UGANDA QUARRIES OPERATORS' ASSOCIATION (UQOA)	Mining
122	UGANDA RENEWABLE ENERGY ASSOCIATION	Energy
123	TOTAL ENERGIES	Energy
124	KYELEGWA RURAL ELECTRICITY	Energy
6.	HUMAN RESOURCES (SKILLS, HEALTH, EDUCATION)	
125	ENTERPRISE UGANDA	Skills
126	FEDERATION OF UGANDA EMPLOYERS	Skills
127	ICON WOMEN & YOUNG PEOPLES' LEADERSHIP ACADEMY	Skills
128	INNOVATION SYSTEMS AND CLUSTER PROGRAMS	Skills
129	KAIZEN INSTITUTE AFRICA	Skills
130	KAMULI COMMUNITY DEVELOPMENT FOUNDATION	Skills
131	KIBAALE DISTRICT PRIVATE SECTOR DEVELOPMENT ORGANIZATION	Skills
132	LITERACY AND ADULT BASIC EDUCATION	Education
133	LUCKY FAMILY BUSINESS	Skills
134	MANAGEMENT TRAINING & ADVISORY CENTRE (MTAC)	Education
135	MUBS ENTREPRENEURSHIP CENTRE	Education
136	NATIONAL ASSOCIATION OF WOMEN ORGANIZATIONS IN UGANDA	Skills
137	NATIONAL PRIVATE EDUCATIONAL INSTITUTIONS ASSOCIATION UGANDA	Education
138	TECHNO SERVE	Skills
139	UGANDA ASSOCIATION OF PRIVATE VOCATIONAL INSTITUTIONS	Skills
140	UGANDA GATSBY TRUST	Skills
141	UGANDA HEALTH CARE FEDERATION	Health
142	UGANDA HOME BUILDERS ASSOCIATION	Skills
143	UGANDA INFORMAL SECTOR TRANSFORMATION ORGANIZATION	Skills
144	UGANDA MEDIA WOMEN'S ASSOCIATION	Skills
145	UGANDA MICRO-ENTREPRENEURS' ASSOCIATION	Skills
146	CHEMIPHAR (U) LTD	Health
147	UGANDA NATIONAL ASSOCIATION OF PRIVATE HOSPITALS	Health
148	UGANDA WOMEN ENTREPRENEURS ASSOCIATION	Skills
7.	PROFESSIONAL ORGANISATIONS (ENGINEERING, ACCOUNTING, CONSTRUCTION, LEGAL AND RELATED SERVICES)	
149	ASSOCIATION OF MANAGEMENT CONSULTANTS IN UGANDA	Professional Organizations
150	CHARTERED INSTITUTE OF PURCHASING AND SUPPLY (CIPS)	Professional Organizations
151	INSTITUTE OF CHARTERED SECRETARIES & ADMINISTRATORS	Professional Organizations
152	INSTITUTE OF CORPORATE GOVERNANCE OF UGANDA	Professional Organizations
153	INSTITUTE OF PROCUREMENT PROFESSIONALS OF UGANDA	Professional Organizations

154	PROCUREMENT & LOGISTIC MANAGEMENT ASSOCIATION (PALMA)	Professional Organizations
155	PUBLIC RELATIONS ASSOCIATION OF UGANDA (PRAU)	Professional Organizations
156	THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUTANTS (ACCA)	Professional Organizations
157	THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA	Professional Organizations
158	UGANDA ADVERTISING ASSOCIATION	Professional Organizations
159	UGANDA JOURNALISTS ASSOCIATION	Professional Organizations
160	UGANDA LAW SOCIETY (ULS)	Professional Organizations
161	UGANDA NATIONAL MARKETERS FORUM	Professional Organizations
162	UGANDA PEST CONTROL ASSOCIATION	Professional Organizations
163	UGANDA PRIVATE MIDWIVES ASSOCIATION	Professional Organizations
164	UGANDA VETERINARY ASSOCIATION	Professional Organizations
165	EAST AFRICAN MEDICAL VITALS	Professional Organizations
166	EASTERN, CENTRAL AND SOUTHERN AFRICA GROUP OF CONSULTANTS LTD (ECASA)	Professional Organizations
167	ELBEUNO TECHNOLOGIES LTD	Professional Organizations
168	KALIKUMUTIMA AND COMPANY ADVOCATES	Professional Organizations
8. TOURISM AND HOSPITALITY		
169	ASSOCIATION OF UGANDAN TOUR OPERATORS	Tourism
170	BUGANDA TOURISM CENTRE	Tourism
171	NATIONAL ARTS AND CULTURAL CRAFTS ASSOCIATION OF UGANDA	Tourism
172	UGANDA HOTEL OWNERS ASSOCIATION	Hospitality
173	UGANDA TOURISM ASSOCIATION	Tourism
174	THE UGANDA ASSOCIATION OF TRAVEL AGENTS (TUGATA)	Tourism
175	ROLEX INNIATIVE	Tourism
176	INSURANCE TRAINING COLLEGE	Tourism
177	INTERNATIONAL UNIVERSITY OF EAST AFRICA	Tourism
178	INVESCO UGANDA LIMITED	Tourism
179	INVESTMENT MGT ASSOCIATION	Tourism
180	INTERNATIONAL UNIVERSITY OF EAST AFRICA (IUEA)	Tourism

9. CLEARING, TRANSPORT AND HAULAGE		
181	BOLLORE AFRICA LOGISTICS	Transport and Haulage
182	FRESH HANDLING LTD	Transport
183	UGANDA CLEARING & FORWARDING AGENTS' ASSOCIATION (UCIFA)	Clearing
184	UGANDA CO-OPERATIVE TRANSPORT UNION LTD (UCTU)	Transport and Haulage
185	UGANDA FREIGHT FORWARDERS' ASSOCIATION (UFFA)	Transport and Haulage
186	UGANDA CARGO CONSOLIDATORS ASSOCIATION (UCCA)	Transport and Haulage
187	SPEDAG-INTERFREIGHT UGANDA LTD	Transport and Haulage
188	SCINTL	Transport and Haulage
189	PROCUREMENT AND LOGISTICS MANAGEMENT ASSOCIATION	Transport and Haulage
190	PLANEX GROUP OF COMPANIES	Transport and Haulage
191	MARINETIME COMPANY LTD	Transport and Haulage
192	BODAWERK INT LTD	Transport and Haulage
10. TRADE AND COMMERCE		
193	ASSOCIATION OF COURIER COMPANIES OF UGANDA	Trade and Commerce
194	BEAUTY OPERATORS ASSOCIATION AND TRAINING NETWORK	Trade and commerce
195	CORONET GROUP LTD	Trade and commerce
196	KACITA UGANDA	Trade and commerce
197	NATIONAL OUTDOOR CONTRACTORS ADVERTISING ASSOCIATION	Trade and commerce
198	SHOPRITE CHECKERS (U) LTD	Trade and commerce
199	THE INDIAN ASSOCIATION UGANDA	Trade and commerce
200	UGANDA CONSUMERS' PROTECTION ASSOCIATION	Trade and commerce
201	UGANDA ENTERPRISE NETWORK	Trade and commerce
202	UGANDA EXPORT PROMOTION BOARD (UEPB)	Trade and Commerce
203	UGANDA IMPORTERS, EXPORTERS & TRADERS ASSOCIATION	Trade and commerce

204	UGANDA INVESTMENT AUTHORITY (UIA)	Trade and Commerce
205	UGANDA OVERSEAS CHINESE ASSOCIATION	Trade and commerce
206	UGANDA SERVICE EXPORTERS ASSOCIATION	Trade and commerce
207	UGANDA MOTOR INDUSTRY ASSOCIATION (UMIA)	Trade and commerce
208	UGANDA MOTOR SPARE TRADERS ASSOCIATION LTD (UMOSTA)	Trade and commerce
209	UGANDA HAIR AND BEAUTY ALLIANCE (UHABA)	Trade and commerce
210	UBODA ACADEMY	Trade and commerce
211	ASASIRA TRADERS	Trade and commerce
11. INFORMATION COMMUNICATION TECHNOLOGY		
212	THE INNOVATION VILLAGE	
213	ORANGE TELECOM LTD	Telecommunication
214	SIMBA GROUP OF COMPANIES	Telecommunication
215	SMILE COMMUNICATIONS UGANDA LIMITED	Telecommunication
216	SMS MEDIA UGANDA LIMITED	Telecommunication
217	UGANDA ASSOCIATION OF CONSULTING ENGINEERS	Engineering
218	UGANDA BUSINESS PROCESS OUTSOURCING ASSOCIATION (UBPOA)	ICT
219	UGANDA ICT OUTSOURCING SERVICES ASSOCIATION	ICT
220	BROAD BAND COMPANY LTD	Telecommunication
221	AIRTEL UGANDA	Telecommunication
222	NEXT MEDIA SERVICES LTD	
12. CREATIVE ARTS SECTOR		
223	NATIONAL CULTURAL FORUM	
224	NATIONAL COUNCIL OF SPORTS	

ADVERT

THEME: *“An Economic Growth Strategy that Restores Macroeconomic Stability, Stimulates Effective Demand, and Builds a Resilient Economy that Supports Private Sector Growth and Job Creation”*

