

**REGIONAL MEETING ON PROMOTING SERVICES SECTOR DEVELOPMENT AND TRADE-LED GROWTH IN
AFRICA**

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**NATIONAL SERVICES
POLICY REVIEW**



UGANDA



Session III

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The Presentation

- Introduction - Services Policy Reviews.
- **SPR Findings: Policy, Regulatory, & Institutional Challenges - Accounting & Auditing, Insurance, Engineering & Construction Related Services & ITES and Logistics.**
- Actions & Lessons.
- Conclusion

Services Policy Reviews (SPRs)

- Systematic reviews of the economic, regulatory, institutional and trade policy environments, for selected services sectors.
- Designed to provide technical assistance to identify and construct effective institutional frameworks and policy reform packages to ensure development gains from services and services trade liberalization.
- Uganda's Ministry of Trade Industry and Cooperatives (MTIC) requested UNCTAD's assistance to undertake a SPR in 2008.

Services Policy Reviews (SPRs) (2)

- Besides an analysis of Uganda's overall services economy, the SPR I focussed on the **Accounting & Auditing, Insurance, Legal & Construction Services** (Engineering, Architectural and Real Estate services) services sectors.
- In 2012, Uganda requested UNCTAD for assistance to review the implementation of the recommendations of the 1st SPR and explore modalities for their effective implementation. Uganda also requested for help to conduct SPR II in **Distribution, ITES & Services Auxiliary** to all modes of transport.

SPR Findings: Policy, Regulatory, & Institutional Challenges - Accounting & Auditing

- Lack of coherence between the statutory role of the ICPAU and its jurisdiction as the national accounting regulator - the bulk of the accounting and audit practitioners are unregulated.
- **Delayed Amendment to the Accountants Act;** Despite the obvious gaps identified in the Accountants Act, the GOU had spent 12 years trying to amend the inadequate legislation.

SPR Findings: Policy, Regulatory, & Institutional Challenges (2): Insurance & Re-Insurance Services

- **Lack of Enforcement of Statutory Insurance lines** and the absence of regulations to operationalise insurance legislations
- **Lack of Awareness:** The intended beneficiaries of insurance legislations, often are not aware of the existence of these laws, nor their benefits.
- **Takeover of Distressed Companies:** In-adequate Provisions in the law regarding the takeover of distressed companies as well as the lack of a **Policyholders Compensation Fund** to protect policyholders in case of an insolvent company;

SPR Findings: Policy, Regulatory, & Institutional Challenges (2): Insurance & Re-Insurance Services Cont'd

- **Lack of Specialised Insurance Skills** and the Low Level of Insurance Professional Capacity in the Industry; E.g. In 2008, there were only three Ugandan actuaries with only one at that time deployed in Uganda.
- **Uganda Re:** Uganda was the only EAC Partner State without a domestic reinsurance company. The lack of a domestic reinsurance company was putting local insurance companies at a disadvantage *vis* other insurance companies operating in countries with re-insurance companies.

SPR Findings: Policy, Regulatory, & Institutional Challenges (3): Construction Services (Engineering, Architectural and Real Estate services)

- **Limited Access to Credit:** The SPR has revealed that Contractors are considered as high risk clients by commercial banks. Performance Guarantees for construction contracts are issued against deposit of equivalent sums.
- **Foreign Domination:** The SPR reported the bulk of the construction works in Uganda are undertaken by very few foreign-owned firms, which barely make up 2% of the sector, carry out 85% of the civil works in Uganda annually. This leaves 98% of the industry striving for a marginal 15% of the remaining share.
- **Non-registered Practitioners:** There is a very large number of unregulated non-registered practitioners and consultants in practice, reported at more than 2,000 from the latest reports (Dihel, 2010)

SPR Findings: Policy, Regulatory, & Institutional Challenges (4) - SPR II

- **Lack of Legislation to regulate Mobile Money:** SPR II has highlighted the need to regulate the mobile money sub-sector separately from traditional financial services. It has also taken cognizance of the need for a broad regulatory regime to accommodate the new phenomenon of convergence between ICTs and other services *vis* banking, financial intermediation, utility bills settlement (ITES).
- **Lack of a Dedicated Statutory Regulator for the logistics sector;** The CMA has no specific statutory provisions on a statutory sector regulator for logistics. As a result there is a multitude of regulators most frequently being the Uganda Revenue Authority, and sometimes the Ministry of Works and Transport.

Actions & Lessons

Actions & Lessons (1): SPR is a recipe for implementation of Overdue Reforms incl. Legal, etc.

1. The Accountants' Bill, 2011 :

- a) Repeals the Accountants Act, Chapter 266 ,
- b) Establishes the ICPAU as the competent authority for accounting practice in Uganda.
- c) Criminalizes practicing accountancy without a certificate issued by the ICPAU.
- d) Allows for the issuing of practicing certificates to firms.

Actions & Lessons (1): SPR is a recipe for implementation of Overdue Reforms incl. Legal, etc.

2) Insurance Amendment Act, 2011

- Establishes the Insurance Regulatory Authority of Uganda (IRA) as Uganda's autonomous independent regulator for the Insurance sector.
- Additional grounds for winding up or saving insurers from failure as the case may be.
- Establishes *Uganda-Re* as the national re-insurance company.
- Formally recognizes the Insurance Institute of Uganda (IIU) as a statutory provider for professional insurance training and makes membership to the IIU a statutory requirement for all licensed insurance professionals.

2. SPR Emboldens Stakeholders to **DEMAND** from Regulators and Statutory bodies to exercise their mandates.

- **The Construction Guarantee Fund:** SPR recommended fast tracking the establishment of a Construction Guarantee Fund (CGF). In its first 12 months of implementation ending Dec. 2012 the CGF had leveraged itself 7 times to a total portfolio of UGX 67 Billion (equivalent to GBP 14.8 Millions) from a fund of GBP 2 Million. A total of 30 contractors have so far benefitted from the fund's activities.
- **Joint Assessment Guidelines:** The Engineers Registration Board (ERB) and UIPE developed joint assessment guidelines to simplify and shorten the registration process for Engineers in 2010. These guidelines have shortened the registration process for engineers from 24 months to 9 months and are expected to increase the number of registered engineers in Uganda significantly.

SPR : EAC Trade Negotiations & Liberalisation

- Uganda carved Insurance and Re-insurance Services from its Schedule of commitments for financial Services in the EAC Common Market Protocol (Annex V) on account of the SPR report.
- Mutual Recognition Agreements (aka Mutual Reciprocity Agreements); The SPR I strongly recommended MRA's as necessary tools for cross border regional trade in professional services. The EAC's 3 MRA's in Accounting, Architecture and Engineering are among the SPR I focus sectors.

Conclusions

- The success of an SPR process depends on the level of government commitment, stakeholder participation and ownership of the SPR Recommendations. These are critical to mainstreaming the recommendations into other sectoral plans and securing the support of other development partners for implementation, which are both essential for long term sustainability.
- The best approach to successful implementation is as a package and not piecemeal.

Thanks for your patient
Attention!