UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

NATIONAL SERVICES POLICY REVIEW

UGANDA

UNITED NATIONS

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FOREWORD

For many years, UNCTAD has been emphasizing the importance of developing countries strengthening and diversifying their services sector. Since 1990 the share of services in GDP in developed countries grew from 64 percent to 72 percent. By contrast, in developing countries the share of services in GDP grew from 46 percent to 50 percent, with services accounting for only 35 percent of formal employment. These figures suggest a large un-tapped potential for developing countries to advance the development of their services sectors.

The Accra Accord states that "The services economy is the new frontier for the expansion of trade, productivity and competitiveness, and for the provision of essential services and universal access." The Accord calls upon UNCTAD to assist developing countries and countries with economies in transition to establish regulatory and institutional frameworks and cooperative mechanisms to strengthen the capacity, efficiency and competitiveness of their services sector, and to increase their participation in global services production and trade, including by "providing support in national services assessment and policy reviews." UNCTAD developed its tailor made National Services Policy Reviews (NSPR) in response to the Accra Accord.

The services sector in Uganda is now the largest sector in the economy. The aggregate contribution of services to GDP in 2008/09 was 51.2 percent with a growth rate of 9.4 percent, faster than the growth rates in the agriculture and industrial sectors for the same year. The Uganda NSPR focused on four future growth areas within the services sector, namely professional, insurance, accountancy and construction services.

In conducting the NSPR a national team of experts, with technical assistance from UNCTAD, engaged with a broad group of stakeholders from government, industry, academia and civil society to identify challenges and opportunities in the abovementioned services. The UNCTAD team worked closely with Cyprian Batala, Assistant Commissioner, External Trade, Laurean Bategana, from the Ministry of Tourism, Trade and Industry, Dr. Francis Mangeni, Director of Trade, Customs and Monetary Affairs at the Secretariat of the Common Market for Eastern and Southern Africa, George Walusimbi-Mpanga, who formed the national team, and His Excellency Ambassador Arsene Balihuta and Mr. Elly Kamahungye, both of whom at the time were with the Permanent Mission of Uganda to the UN offices in Geneva. The review process included an analysis of the current policy framework for professional, insurance, accountancy and construction services; regulatory and institutional challenges inhibiting sectoral development; national development objectives; prospective policy options to strengthen domestic supply capacity and SMEs competitiveness; and the potential impacts of services and services trade liberalization on sectoral FDI, SMEs, efficiency, employment, access to foreign markets and universal access to basic services.

The resulting wide-ranging but concrete recommendations from the NSPR are set out in detail in the body of this report and include proposed measures to enhance the contributions of the professional, insurance, accountancy and construction services to Uganda's economy. In the professional services sector recommendations to leverage Uganda's large pool of medium and high skill workers and enhance professional services exports in the East Africa Community was stressed. In the accountancy services sector the need for legislative reform to grant a legal mandate to the Institute of Certified Public Accountants of Uganda as a means of increasing professional and ethical compliance was highlighted. In the insurance sector, the need for the proposed mandatory National Health Insurance Scheme to provide medical insurance cover to the majority of the Ugandan population, largely in the informal sector was considered important as was the need to create a body charged with the duty to advise Government on appropriate risk management policies. In the construction services sector, stakeholders were of the view that updating and adopting the draft National Construction Industry Policy would be key in addressing a large number of policy, regulatory, institutional and capacity gaps.

I hope that the contents of this publication will contribute to providing a strategic vision for the development of Uganda's services sector, and assist the country to continue to derive development benefits from trade in services.

Supachai Panitchpakdi
Secretary-General of UNCTAD

ACKNOWLEDGEMENTS

This publication presents the results of a National Services Policy Review (NSPR) undertaken by the Government of Uganda in cooperation with UNCTAD.

Part I presents a report prepared by UNCTAD to support Uganda's NSPR entitled "Strategies for Advancing Development of the Services Sectors of Uganda". The UNCTAD Report was prepared by a team led by Mina Mashayekhi, Head, Trade Negotiations and Commercial Diplomacy Branch. Team members included Deepali Fernandes and Robert Hamwey. Comments were provided by Alberto Gabriele and other TNCDB staff. The report draws on the ongoing substantive work of UNCTAD in the services sector.

Part II presents the NSPR Report of Uganda. It was prepared by a national team of experts with guidance and substantive support provided by UNCTAD. The national team included Francis Mangeni and George Walusimbi-Mpanga. Francis Mangeni is Director of Trade, Customs and Monetary Affairs at the Secretariat of the Common Market for Eastern and Southern Africa, with the main responsibility of policy and implementation of programmes on regional integration through trade and investment and on trade and economic relations with the rest of the world. George Walusimbi-Mpanga is Executive Secretary of the Uganda Services Exporters Association, Uganda's National Enquiry Point on Trade in Services. He has also been a member of Uganda's Trade Negotiating Team at the World Trade Organization (WTO), and other regional and bilateral organizations as well as a member of the High-Level Task Force that negotiated the Protocol to establish the Common Market of the East African Community. Inputs were also made by Cyprian Batala, Assistant Commissioner, External Trade, Uganda's Ministry of Tourism, Trade and Industry and Laurean Bategana, Senior Commercial Officer, Ministry of Tourism, Trade and Industry, who served as the national focal point for the NSPR.

Part III provides a brief report of the Meeting on National Services Policy Reviews convened in Geneva on 16 March 2010 and other annexes. UNCTAD convened this meeting to provide an opportunity for national teams from the Kyrgyz Republic, Nepal and Uganda to present their NSPR reports to each other, UNCTAD, Geneva-based United Nations delegates and trade negotiators, and the Department for International Development of the United Kingdom of Great Britain and Northern Ireland.

The views expressed herein are those of the authors and do not necessarily represent those of the Government of Uganda or those of UNCTAD.

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Laura Moresino prepared the cover page and Paula Genoud-Villegas performed the text editing and formatting for this publication.

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I

STRATEGIES FOR ADVANCING DEVELOPMENT OF THE SERVICES SECTORS OF UGANDA

A. BACKGROUND

A vast body of analytical and empirical research undertaken by UNCTAD clearly demonstrates that a thriving services sector is vital for all countries. [1] High rates of investment and economic growth associated with services can contribute to poverty alleviation and human development when the right policies are in place to overcome supply constraints and ensure economy-wide development gains from services and services trade. Domestic services supply and services export opportunities for developing countries therefore need to be supported and facilitated by well-designed national policies, effective regulatory and supervisory frameworks and multilateral or regional agreements relating to services trade, with an emphasis on creating an enabling environment for small and medium-sized enterprises (SMEs), which account for the bulk of developing country firms in the services sectors.

The recent expansion of global trade in services has provided broad economic gains to a relatively small set of developing countries that have developed modern, high value-added services-oriented economies over the past decade. By virtue of an early mover advantage, these countries are now well positioned to benefit from growth in the key services sectors they have developed as distant service providers in global outsourcing markets and as emerging services hubs in regional markets. Examples are the outward-oriented service economies of India, Hong Kong (China), Singapore and the United Arab Emirates. Other countries just steps behind these leaders include Mauritius, Jordan, Tunisia and Cost Rica. Among the key growth sectors are tourism, information technology-enabled services, business process outsourcing, transport and logistics services, financial services and multimedia services.

Empirical evidence indicates that national governments, in consultation and coordination with the private sector and civil society, have played a formative role in the development of services economies in both developed and developing economies. [2] They have done so directly, by developing human, capital and institutional infrastructure, and designing and implementing supportive policy frameworks and financial incentives; and indirectly, by demonstrating the political will needed to drive the development of services sectors, a record of macroeconomic and political stability, good governance, transparency and the rule of law. All of these factors are essential in creating the environment needed to attract and sustain investment in the services sectors. However, while all are necessary for the development of a vibrant export-oriented services economy, they are certainly not sufficient; liberalized markets and high levels of foreign demand for services remain prima fasciae requirements.

Given the enabling and driving role that government plays in the development of services economies, it is useful for policymakers to devise national services development strategies. Moreover, to ensure buy-in and support, as well as to generate desirable spill-in and spillover effects among related economic sectors, strategy development should take place through participative consultations at the national level with all key actors, including parastatal institutions, potential and existing foreign and domestic investors, the private sector, labour groups and academia. The inclusion of the latter two stakeholder groups are particularly relevant to the development of services strategies, since adequate labour transformations and enhanced levels of human capacity are necessary to promote growth of the services workforce.

Uganda currently seeks to enhance national experience in developing national services development strategies through multi-stakeholder consultations and in subsequently owning and driving these strategies with necessary government actions. The exercise at hand thus aims to survey some of the achievements Uganda has already made in developing particular services sectors; examine what can be done to further enhance their development, including through regulatory, institutional and trade policy reform; and identify what can be done to promote the accelerated development of other selected services sectors.

B. ECONOMIC PANORAMA

Uganda's economy is based primarily on agriculture with coffee as its main export. According to a 2008 mid-year estimate, some 80 per cent of Uganda's 29.6 million citizens rely on agriculture for their livelihoods and income. The country's dependence on fluctuating prices in the world commodities market, and its high degree of export concentration in a handful of commodities have motivated stakeholders to pursue opportunities to diversify the national economy, including within the agricultural sector by expanding the production and export of flowers, fruit and vegetables, and by building national supply capacity in industry and services.

In his 2008 New Year's message to the nation, President Yoweri Museveni said that Uganda's economy had grown by 7 per cent in 2007, despite power shortages and floods in the north and east of the country. He stated that economic prospects for 2008 were even brighter, with gross domestic product (GDP) expected to continue at the same pace. He attributed this success to rising demands for services and industry.

He further outlined economic priorities for 2008. These included enhancing economic development opportunities not only in major urban centres, but throughout the country. Towards this goal, the Government would develop an industrial park in every regional centre in Uganda to support investors with workspaces, serviced with the necessary facilities such as electricity and water. Industrial parks would be set up in Arua, Lira, Gulu, Soroti, Moroto, Mbale, Tororo, Iganga, Jinja, Luwero-Nakaseke, Nakasongola, Bushenyi, Kabale, Kasese, Fort-Portal, Hoima, Rakai and Mubende. Another priority would be developing the energy infrastructure by the speedy construction of Bujagali Dam and the development of the Karuma Hydropower Project.

Although Uganda is a landlocked, least developed country (LDC) with a predominantly rural population, it has made considerable progress in diversifying its economy over the past decade. [3] Recent GDP growth reflects an ongoing restructuring process that has been in place in Uganda over the past two decades since the introduction of the National Economic Reform Programme in 1987.[4] Restructuring seeks to reduce the country's reliance on agricultural output in favour of production in both industry and services. As a result, the share of the industrial and services sectors combined in real GDP increased from 53 per cent in 1996 to around 68 per cent in 2006. The services sector is now the largest and most dynamic sector in the Ugandan economy. Its share of GDP has risen from 37 per cent to over 46 per cent today. It has been buoyed by rapid growth in telecommunications, tourism and financial services. However, although restructuring has seen agriculture's share of GDP decline to 32 per cent, farming still engages about 80 per cent of the country's workforce. As such, the improvement in workers' incomes has been largely limited to urban population groups engaged in the new economy.

Over the last decade and a half, Uganda has implemented significant economic reforms, including a wide-sweeping privatization, investment facilitation and trade liberalization.

A policy of privatization was launched through an improved public enterprise reform and divestiture programme in 1995 that targeted 143 government-owned parastatals for privatization. All have now been partly or fully privatized. The only remaining public enterprises that enjoy monopoly rights are Uganda Railways and the National Postal Service (for certain categories of letters). While the State continues to have major interests in the energy sector for electricity generation and distribution, it no longer maintains a monopoly.

The Government has consistently implemented policies aimed at enhancing the investment climate by reducing bureaucracy, streamlining the legal framework and fighting corruption. Investment law was liberalized to facilitate the repatriation of profits and a capital market was created in 1998. Foreign investors may form 100 per cent foreign-owned companies and majority or minority joint ventures with local investors with no restrictions. Uganda offers various tax incentives, including import-duty concessions and accelerated depreciation for plant and machinery, and value-added tax deferral. Investment licensing requirements include a minimum capital of $100,000 for foreigners and $50,000 for Ugandans. The Uganda Investment Authority was created in 1991 to help foreign ventures set up domestic operations as well as to facilitate domestic investment. The country also enjoys a liberal foreign exchange regime, with a stable, market-driven exchange rate. These features of the economy have attracted foreign direct investment, mainly in manufacturing, but increasingly in the services sector, and thereby propelled continued economic growth.

Uganda has also liberalized its trade policy.[5] Reforms include eliminating all quantitative restrictions; applying a customs valuation method based on the transaction value; simplifying its tariff structure by reducing the number of bands from five in 1995 to three (zero, 7 per cent, and 15 per cent) and substantially lowering maximum ad valorem tariff rates from 60 per cent to 15 per cent. Some 16.4 per cent of all tariff lines are duty free, while 39.3 per cent carry the maximum rate of 15 per cent. Moreover, although Uganda has limited market access in tourism and telecommunication services under the WTO General Agreement on Trade in Services (GATS), it continues to support a high level of autonomous liberalization in the services sector.

In step with these privatization, investment and trade policy reforms, the Ugandan economy has enjoyed strong and sustained GDP growth, with particularly robust expansion over the past decade. Since 1995, Uganda's real GDP has risen positively every year at an average rate of 6.1 per cent. Over the same period, however, real per capita GDP has only increased from $280 to $350, largely owing to the country's high 3.3 per cent population growth rate.[6] Nevertheless, government statistics indicate a steady decrease in the proportion of Ugandans living in absolute poverty – from over 50 per cent in 1995 to just over 30 per cent in 2006 – making Uganda's performance in reducing poverty among the best in sub-Saharan Africa.

Trade has expanded the Ugandan economy beyond national markets. Over the past decade, exports of goods and services have more than doubled from $565 million in 1995 to over $1.4 billion today, while services have increased as a share of total exports from 18 per cent to 32 per cent. Trade-led growth is indeed a reality experienced in Uganda, where the State is increasingly effective as a promoter and facilitating agent in the country's development process.

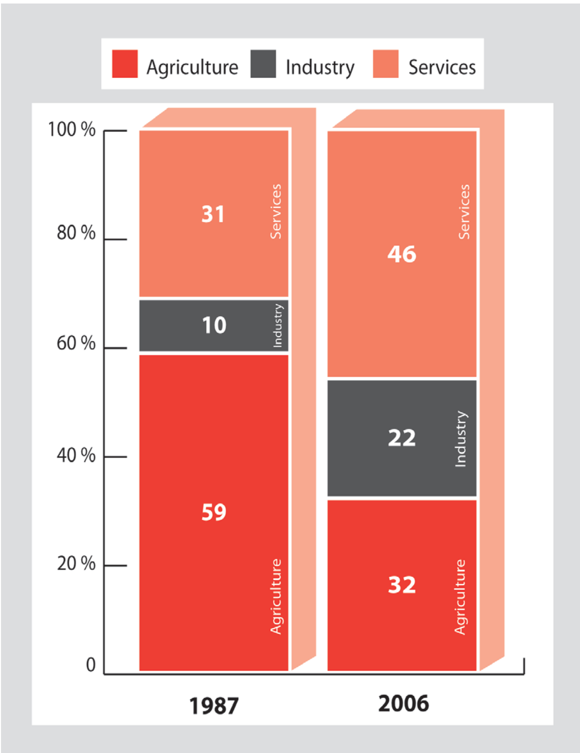
Despite recent progress, however, Uganda continues to run a large trade deficit. Merchandise imports are typically twice the value of merchandise exports. Uganda also runs a sizeable shortfall on the services account, which notwithstanding increased services exports, has grown significantly in recent years, owing to substantial imports associated with infrastructure investments. Donor support, debt and increasing foreign direct investment cover most of the current accounts deficit, and the former are also drivers of imports for the infrastructure projects they finance. Boosting national supply capacities to both reduce and finance services import requirements is thus a national objective.

However, many impediments to the realization of the country's full foreign trade potential remain. Insufficient physical infrastructure, electricity shortages and high transit costs continue to impair the growth of its exports and overall economic progress. Both impact negatively on producer costs, which remain high across all economic sectors. Domestic supply capacities for producer services also remain low, and the Government realizes that additional efforts are needed to stimulate entrepreneurship and domestic investment in the services sector.

With its emphasis on creating an open economic environment, the Ugandan economy has changed considerably since 1987. Agriculture has declined significantly as a component of GDP, while services output has expanded. Figure I.1. shows the evolution of the economy since 1987. Whereas services accounted for only 31 per cent of total output in 1987, this figure has grown to over 46 per cent today. Figure I.2 shows the sectoral contribution to GDP in Uganda. The dominance of services' contribution to GDP is clearly discernable.

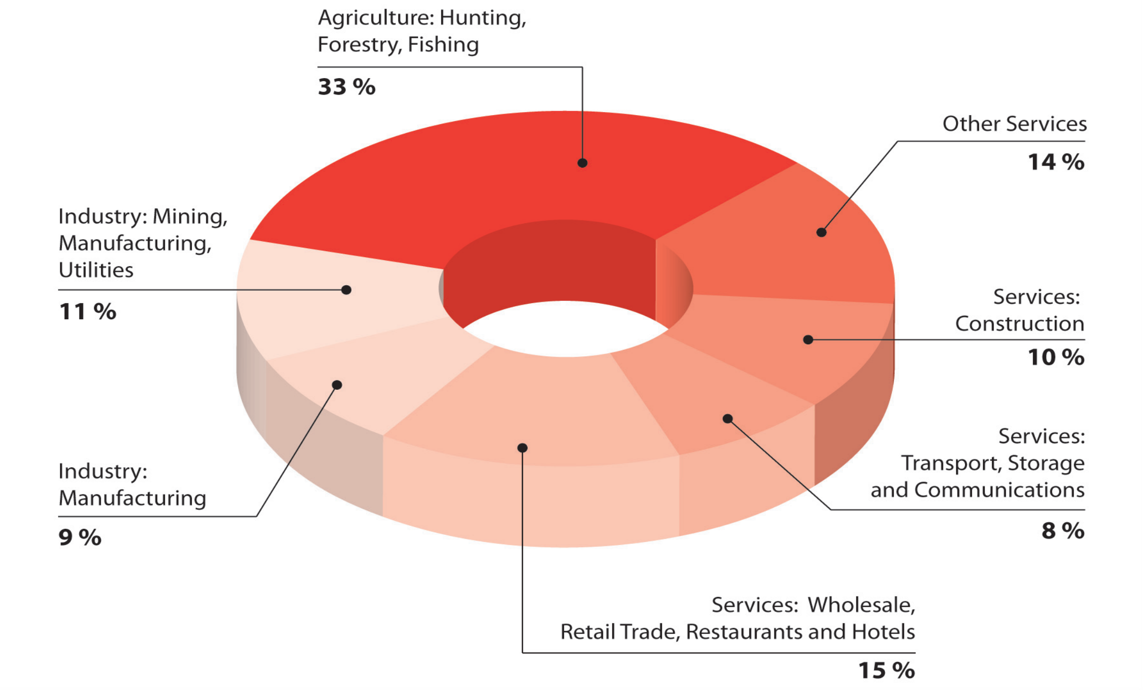
Figure I.3, which shows the relative performance of merchandise and services exports, indicates that services exports have out-performed merchandise exports by a factor of better than 2 to 1. Average annual growth over the 1995–2006 period for services exports were 13.3 per cent, but only 4.8 per cent for merchandise exports.

Figure I.1. Structure of The Ugandan Economy in 1987 and 2005



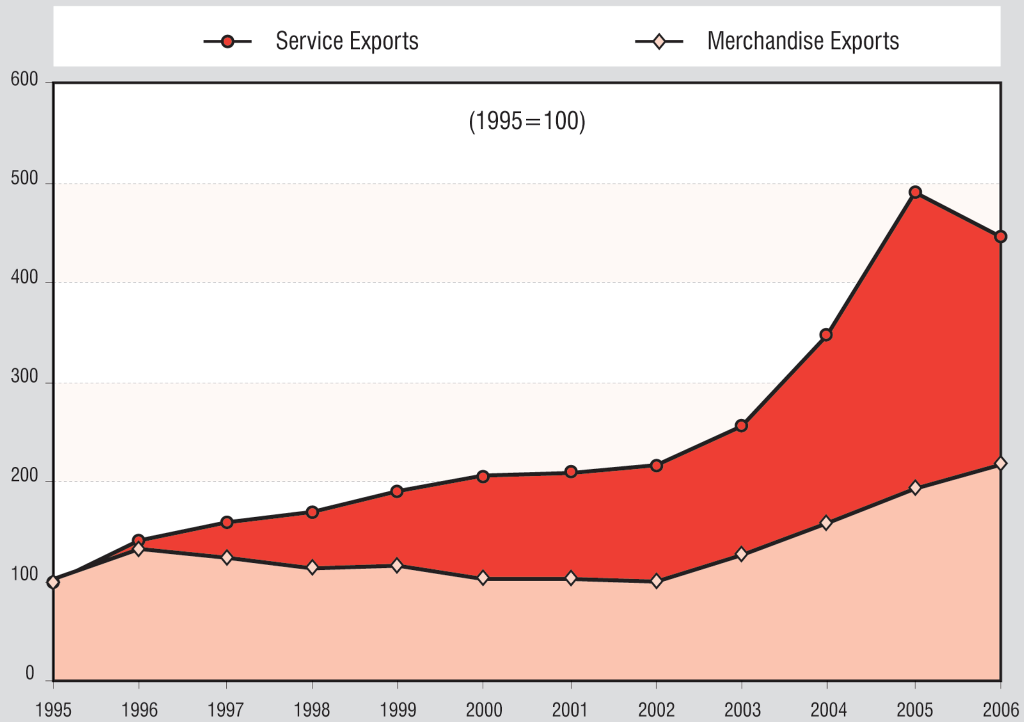
Source: UNCTAD Handbook of Statistics, 2008.

Figure I.2. Sectoral Composition of Uganda's GDP in 2005



Note: Pie shares not exclusive.
Source: National accounts data reported to the United Nations/UNCTAD.

Figure I.3. Relative Performance of Uganda's Services and Merchandise Exports Over the Past Decade



Source: UNCTAD Handbook of Statistics, 2008.

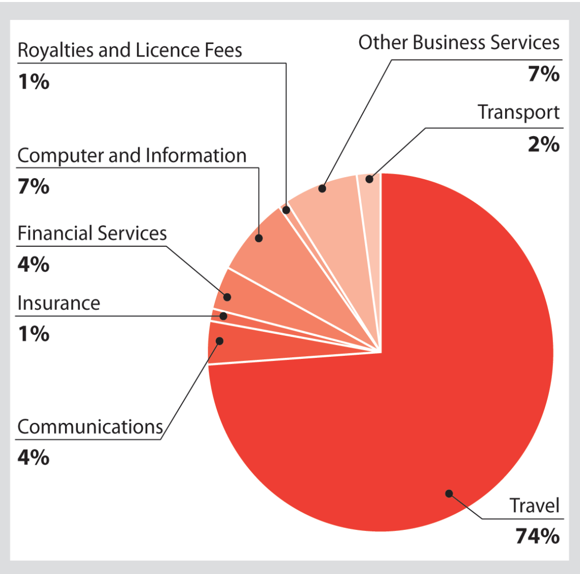
At 72 per cent of total commercial services exports, travel (and tourism) remains Uganda's dominant services export. However, exports in other categories such as financial and insurance services, computer and information services, communication services and other business services are all emerging export sectors. Figure I.4. presents a breakdown of services exports by category. It indicates that each of these emerging sectors' contribution to total services exports was significant in 2006: together they accounted for around one quarter of Uganda's commercial services exports.

Figure I.5 shows that among the services sectors in Uganda, the best export performance is revealed for the following sectors: computers and information, other business services, and insurance services. Exports from all of these sectors are growing significantly faster – although their export volumes are substantially smaller – than for travel, which is growing at a 22 per cent annual rate.

Uganda's participation in numerous international organizations and agreements helps ensure its success in attracting foreign demand and investment to its services industries. For example, Uganda's participation in the World Tourism Organization and the International Air Transport Association facilitate tourism, its adherence to the international regulations and standards of the International Organization of Securities Commissions builds investor confidence in the financial services sector and recent steps taken at the national level to improve compliance with provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights encourage engagements relating to information technology-enabled services and business process outsourcing. However, Uganda's membership in several regional trade blocs such as the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), and its participation in preferential trading arrangements under the African, Caribbean and Pacific States-European Union and the African Growth and Opportunity Act agreements continue to make Uganda an increasingly attractive site for investment in production facilities by multinational firms.

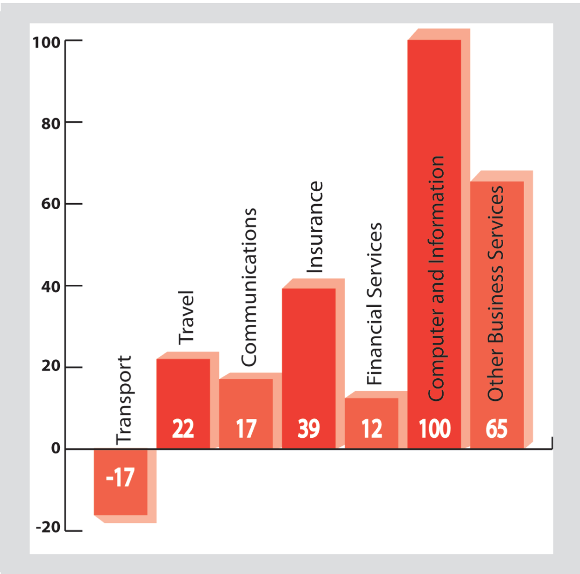
As the structural transformation of the Ugandan economy from its traditional sectors of coffee, tea, fish and gold to new services sector industries has unfolded over the past decade, evidence from recent years suggests that it may not be changing

Figure I.4. Breakdown of Uganda's Commercial Services Exports in 2006 (Total = $450 Million)



Source: UNCTAD Handbook of Statistics, 2008.

Figure I.5. Export Performance of Selected Commercial Services Sectors, 2002–2006



Source: UNCTAD Handbook of Statistics, 2008.

quickly enough. Growth of GDP has been uneven over the past decade, although consistently strong since 2002, as shown in figure I.6. Figure I.7 reveals that Uganda's performance in boosting per capita GDP remains unsatisfactory. At only $350 per year, Uganda's per capita GDP remains among the world's lowest, highlighting the need for improved policies to more broadly generate employment opportunities and distribute the benefits of an improved economy to the population.

A number of strategies have been devised to bring new sectors online, promote greater product diversification, increase value added through vertical integration in Uganda's traditional agricultural commodities sectors, enhance production efficiencies and diversify export markets. While these strategies have sustained annual GDP growth rates above 4 per cent over the past decade, per capita GDP growth has grown only half as fast (see figure I.6) because of Uganda's high rate of population growth. The challenge to boost GDP growth even further to reduce poverty will continue to confront policymakers in the coming years.

In response to this challenge, the budget for 2007/08 aimed to "reorient government expenditure towards prosperity for all" in line with the Government's Poverty Eradication Action Plan.[7]Under the budget, expenditures are slated to rise substantially, especially in the energy sector. Recently introduced reforms also aim to develop economic policies that will involve efforts to improve infrastructure and solve the electricity crisis, improve financial intermediation, which remains low, and promote good governance to address corruption excesses. Domestic revenue is also expected to improve significantly, given expected strong economic growth, improvements in the security situation of neighbouring countries, enhanced tax revenue as many economic agents enter the formal sector and buoyant exports.

More recently, in the 2008/09 budget speech delivered by the Minister for Finance, Planning and Economic Development in June 2008, the Government reiterated its desire and determination to transform Uganda into a country of opportunity and prosperity for all Ugandans, announcing that expenditure would therefore be focused on areas that would increase employment opportunities and on the critical infrastructure and institutions of Uganda.[8] Priorities include:

- Setting up a new road development and maintenance programme to improve transportation infrastructure, including through further development of the national rail network;
- Investing in mechanization to increase agricultural production;
- Commencing construction of the Karuma Hydropower dam and critical power transmission lines to meet growing electricity demand in the country;
- Providing financial, organizational and technical know-how and support to agroprocessors to speed up industrialization and increase value-added processing;
- Implementing minimum service delivery standards in the health centres for reproductive health and child health services, including immunization and control of communicable diseases.

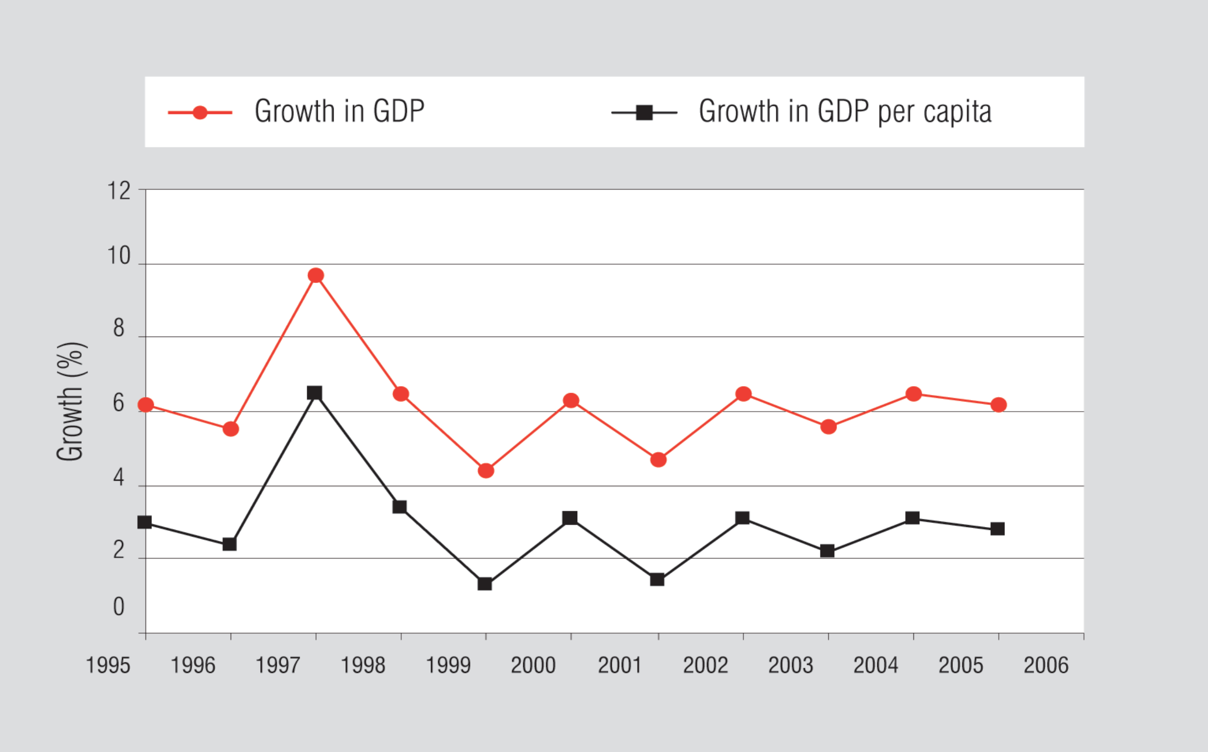
Importantly, the Minister for Finance, Planning and Economic Development announced revised national economic growth figures for the 2007/08 fiscal year, stating that the national economy had grown by 8.9 per cent in real terms. This is the highest level recorded during the past decade. He announced government projections on the real growth rate for the fiscal year 2008/09 to top 8 per cent.

He further announced the following:

- Private investment had grown strongly over the fiscal year 2007/08 – at 15 per cent in real terms – consistent with private investment growth over the last five years. As a percentage of GDP, private investment had risen from 13.7 per cent in the 2001/02 fiscal year to 21 per cent in the fiscal year 2007/08. Public investment grew by 23 per cent in the fiscal year 2007/08, much higher than in the previous five years;
- Total export earnings for both goods and services were projected to increase by 15 per cent to $2,293 million in the fiscal year 2008/09, up from $1,998 million in the fiscal year 2007/08; an increase of $295 million, or 15 per cent, in one year;
- Remittances from Ugandans working abroad were estimated at $1,392 million in the fiscal year 2007/08, up from $646 million in the fiscal year 2006/07.

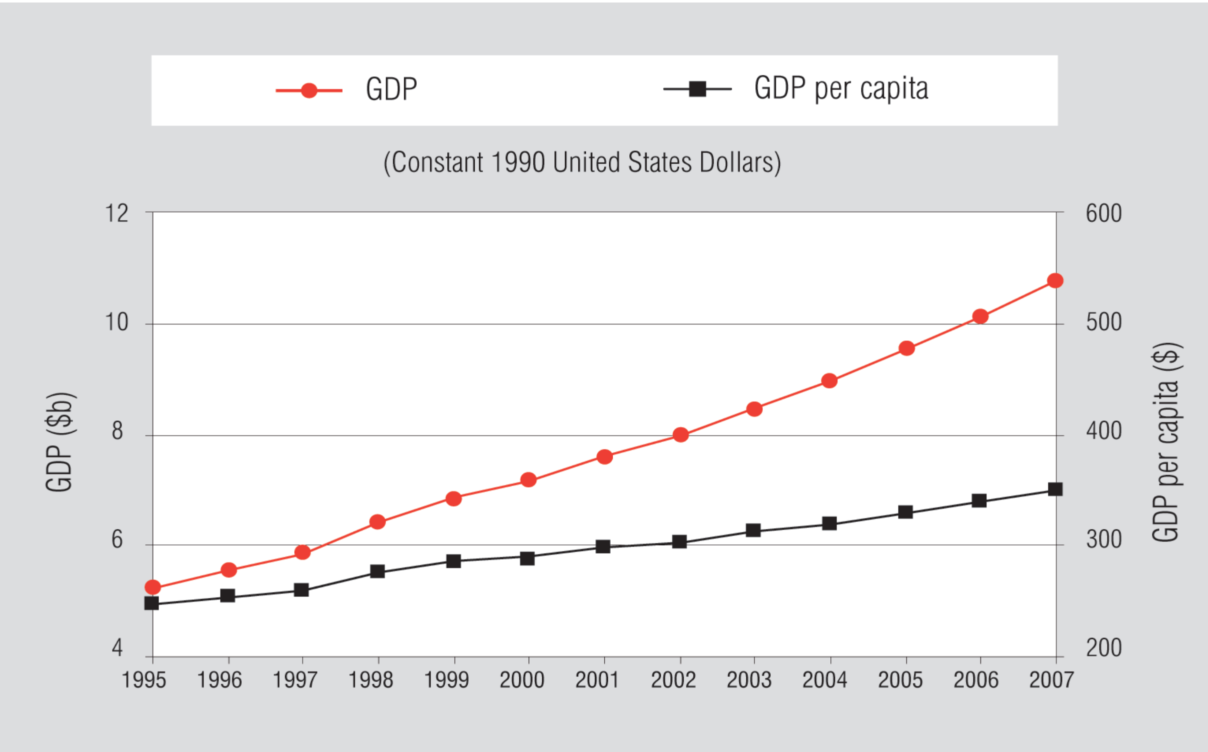
These figures point to the rapid and sustained economic performance achieved by Uganda over the

Figure I.6. GDP Growth in Uganda



Source: UNCTAD Handbook of Statistics, 2008.

Figure I.7. Evolution of GDP in Uganda in 2005



Source: UNCTAD Handbook of Statistics, 2008.

past decade and point to the country's potential to advance a wide range of national development goals over the coming years, including continued progress in advancing the Millennium Development Goals.

Progress in Meeting the Millennium Develoment Goals

Since 1997, Uganda has been implementing the Poverty Eradication Action Plan. The Plan is Uganda's national development framework and medium-term planning tool. It serves as a complement to the Poverty Reduction Strategy Paper of the United Nations Development Programme (UNDP), guiding the formulation of government policy and the implementation of programmes through sector-wide approaches and a decentralized system of governance. The Plan is revised every three years with a view to incorporating new evidence and lessons pertinent to Uganda's development objectives. The current Plan expired in July 2008 and thus the Government is currently engaged in the revision process.

Alongside the National Development Plan, the Poverty Eradication Action Plan seeks to advance national achievement of the Millennium Development Goals,[9] particularly in human development: health, education, and water and sanitation. However, given the country situation, some of the Goals differ from the targets of the Poverty Eradication Action Plan. For instance, the Plan's poverty target is more ambitious, while targets for child mortality and maternal health are lower.

Uganda has made substantial progress towards achieving some of the Millennium Development Goals.[10] The country is on track to meet the universal primary education goal, with 84 per cent of school-age children enrolled in primary school in 2005/06, compared with 62 per cent in 1992. Poverty has declined and Uganda is on schedule to meet the MDG on income poverty. The population living below the poverty line fell from 56 per cent to 31 per cent between 1992 and 2006. Uganda's Universal Primary Education programme substantially increased gross enrolment by 132 per cent from the pre-universal primary education total of 3.1 million in 1996 to 7.2 million children in 2006. The gender gap has also been narrowed in Uganda. Since 1990, Uganda has exercised affirmative action in favour of women with regard to admission into university, increasing the proportion of females to the total student enrolment from 31 per cent in 1994 to 42 per cent in 2004. Moreover, at the national level, every district has an elected woman Member of Parliament. Access to water has also improved dramatically. Water services coverage grew nationwide from a little over 20 per cent in 1991 to almost 68 per cent in 2006. Progress has also been made in health. The rise in the proportion of children immunized rose from 41 per cent in 2000 to 89 per cent in 2005. However, further progress is needed if the targets for maternal mortality and under-five mortality are to be reached by 2015.

Improved capacity and efficiency in the services sector contribute considerably to meeting Millennium Development Goals in developing countries, including Uganda, in key sectors such as health, education and environmental services. Moreover, the labour-intensive nature of the services sector more broadly ensures that growth of the sector generates higher levels and an extended geographical distribution of employment needed to help reduce poverty. Exploring the potential of specific services sectors and their linkages with other sectors to generate employment, particularly among lower-income and skill-level workers is thus an important aspect of any assessment study of the services sector. Economic, regulatory, institutional and trade policy features of each sector also need to be examined to identify policy reforms with the potential to generate improved pro-poor outcomes.

C. ENHANCING GROWTH AND PERFORMANCE IN THE SERVICES SECTOR

A thriving services sector is vital for all countries. High rates of investment and economic growth associated with services can contribute to poverty alleviation and human development when the right policies are in place to overcome supply constraints and ensure economy-wide development gains from services and services trade.

A national consultation process has resulted in a master plan that outlines national strategies, defines a process and a series of practical steps through which strategic objectives can be pursued.

1. Building a Master Plan

A master plan to promote trade and investment in the services sectors is drawn up through multi-stakeholder consultations at the national level. Far from being a static instrument, it is a dynamic tool whose purpose is to guide the long-range development of services sectors in the national economy. However, to get started, an initial master plan must be prepared for consideration by national stakeholders. National consultations will then refine and adjust the master plan according to their shared perspectives and goals. Specifically, a master plan serves the functions outlined in table I.1.

An initial master plan is prepared addressing items 1–7 from table I.1. It is used to launch national consultations. Based on decisions taken in national consultations, a revised master plan is prepared that includes revisions to items 1–7, as well as a preparation of items 8 and 9. The revised master plan provides a roadmap for strategy implementation, as well as inputs into negotiations at the regional and multilateral levels. As implementation of the revised master plan proceeds, results are monitored and assessed by stakeholders. They may decide to refine the master plan further to improve results. The entire process is shown schematically in figure I.8.

2. Strengthening Existing Services Sectors

For a national services development strategy to be effective, it must not only look towards ways to support the development and/or expansion of new services sectors, but also examine those sectors that are already successful and identify ways to maintain and enhance their performance. Here, we review the dynamics of two major export-oriented services sectors in Uganda – tourism and telecommunications – that have been liberalized under GATS and explore ways in which their performance may be enhanced. Ideally, a master plan will be drafted by national actors to promote ways forward.

2.1. The Tourism Sector: Further Diversification to Propel Growth

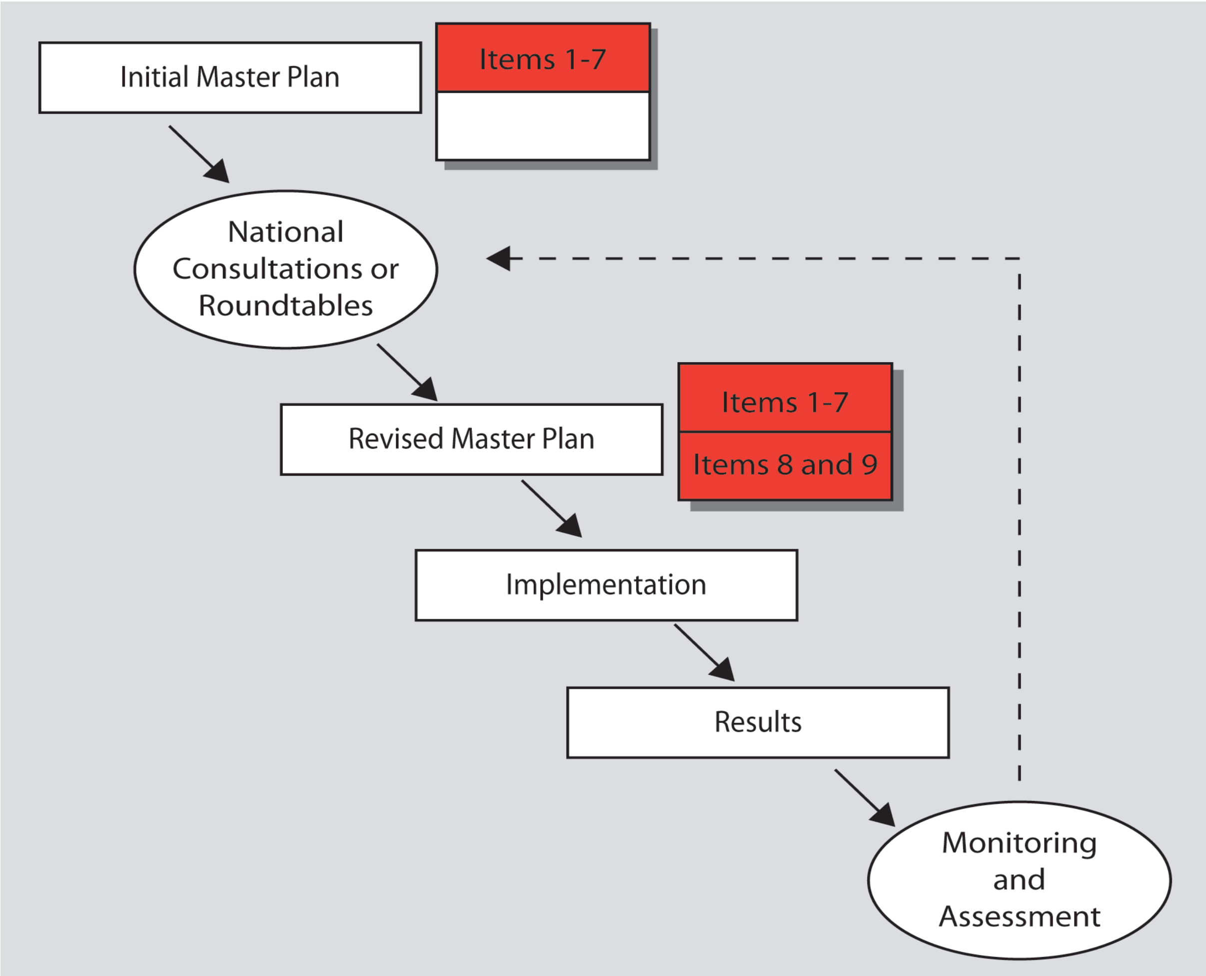
Overview of the Sector

Uganda enjoys a natural comparative advantage in recreational tourism by virtue of its unique cultural and historical heritage, along with a rich endowment of biological diversity. It is also home to three World Heritage Sites. Tourists can visit these natural environments through Uganda's well-established infrastructure of safari lodges and tented camps strategically located at national parks and along safari routes. Much of the tourism in Uganda is ecotourism by its very nature, and as such, the country is a highly sought-after destination by ecotourism enthusiasts. However, business travel is also an important component of Uganda's tourism industry, particularly

Table I.1 Main Functions Served by the Master Plan

Item	Functions
1	Defines a national vision for the long-range development of the services sectors and expectations for objectives that can be achieved.
2	Consolidates available economic data on national services sectors to identify trends, opportunities and constraints related to their future development.
3	Highlights the expected positive and negative economic and social impacts of privatization and trade liberalization of national services sectors.
4	Presents options for trade liberalization of services sectors – bilateral, regional, interregional and multilateral – and examines their respective economic and social implications.
5	Examines potential synergies, as well as potential threats, that arise, inter alia, as services sectors develop.
6	Projects how trade liberalization of services may stimulate and support merchandise trade.
7	Identifies areas where improved policies are needed to advance sectoral objectives, including in the areas of providing support to SMEs, streamlining national regulatory frameworks and enhancing trade and investment.
8	Defines policy reforms to be introduced and a timetable for their introduction.
9	Provides clear, practical steps that various stakeholder groups should take to advance agreed objectives for the future development of key services sectors.

Figure I.8. Process for Master Plan Development



in Kampala, and accounts for some 40 per cent of total tourism receipts.

Over the past 10 years, Uganda's tourism sector has achieved remarkable growth, making tourism one of Uganda's fastest-growing industries and its principal source of foreign exchange. International tourist arrivals rose from 160,000 in 1995 to 540,000 in 2006, while receipts increased from $78 million to $330 million over the same period. Both arrivals and receipts grew at an average annual rate of over 12 per cent during this period, and even more rapidly over the past five years. In 2007 the tourism sector accounted for 4.5 per cent of GDP, directly, and 9.2 per cent of GDP if contributions from linked sectors – that is, the wider tourism economy – are included. The tourism sector represents 3.6 per cent of total employment (203,000 jobs) and the wider tourism economy, 7.4 per cent (420,000 jobs), or 1 in every 13.6 jobs. Moreover, the tourism economy is estimated to account for 27 per cent of total goods and services exports.[11]

Traditionally, and until now, Uganda's has targeted adventure tourists lured to the scenic beauty and rich wildlife of Uganda. Most vacationing tourists include stays in one or more of Uganda's 10 national parks as part of their visit. The parks received nearly 130,000 visitors in 2005, with more than two thirds visiting the Queen Elizabeth and Kabalanga Falls national parks. In 2005 it was estimated that 46 per cent of international tourists were from neighbouring African countries, 14 per cent from other developing countries and 40 per cent from developed countries. The latter are dominantly from Europe (65 per cent) of which about half are from the United Kingdom.[12]

As its mandate, the Ministry of Tourism, Trade and Industry seeks to sustainably maximize the economic values of the tourism, wildlife, historical and cultural heritage sectors of the economy by promoting foreign and local investments to ensure that tourism becomes a key means of poverty eradication in Uganda. The Ministry responds to this mandate through sectoral objectives to achieve the following:

- Initiate and formulate policies, plans, strategies and legislation for tourism development;
- Oversee the implementation of sectoral policies, plans, strategies and legislation;
- Collect, process and disseminate information on global and national tourism trends;
- Inspect, classify, register and monitor tourism facilities and businesses;
- Monitor and enforce related international conventions, treaties and protocols;
- Promote Uganda as a holiday destination among local and international tourists;
- Manage and conserve wildlife in Uganda;
- Promote public participation in tourism, historical and cultural heritage, as well as wildlife management, through community-initiated development programmes;
- Promote and create public understanding of the need for conservation of biodiversity and historical and cultural heritage, particularly among the youth;
- Ensure the protection of rare, endangered and endemic species of wild plants and animals;
- Enhance economic benefits from wildlife, historical and cultural heritage management, through the promotion of tourism.

In close cooperation with sectoral stakeholders, these activities are carried out by the staff at the Ministry's headquarters, as well as those at the affiliated institutions of the Uganda Wildlife Authority, the Uganda Wildlife Education Centre, the Uganda Tourist Board and the Museums and Monuments Agency, and are closely coordinated through inter-ministerial coordination.

Operationally, promotion of the sector is delegated to the Uganda Tourist Board – a statutory organization established in 1994. The Board's mandate is to promote and popularize Uganda as a viable holiday destination both locally and internationally in order to increase the contribution of tourism earnings and GDP, improve Uganda's competitiveness as an international tourism destination and expand Uganda's share of Africa's and world tourism market.

Real-time coordination of the sector is also pursued to build a shared understanding of the challenges facing the tourism industry in order to develop a common vision and an agreed programme of action. Established by the Ministry of Tourism, Trade and Industry in 1994, the Uganda Tourist Association – a small, specialized agency focusing on development of the tourism sector – plays an important role in coordinating and communicating sectoral actions by ensuring that its members (tourism operators) operate ethically, professionally and profitably and that they meet the needs of tourists, and by providing effective advocacy for the industry through training, education, marketing and communications. The Association therefore works to unite, supervise and coordinate the activities of its members; publicize, encourage, promote and expand the travel and tourism industry; mediate and arbitrate any disputes among members, resolving them with the consent of both parties concerned as well as with consumers and customers of members through codes of ethics; and to seek affiliations with other organizations connected with the tourism and travel industry.

Recent Developments in the Sector Promise to Increase Quality and Turnover in the Sector

The Uganda Tourism Bill 2007 was approved by Parliament in February 2008. It brought together three laws in a major reform aimed at boosting and developing the tourism industry in the country. The new law combines and improves the hotel laws, the tourists' agents licensing law and the Uganda Tourist Board. These laws are geared towards improving the country's hotel sector, tour operation businesses and the tourism industry itself. Importantly the new legislation requires accommodation operators to be licensed to ensure minimum levels of lodging quality. It also introduces a tourism development fund to be financed by new taxes to be levied on visiting tourists and tourism operators. The fund will be used solely for training, research and tourism promotion.

Air Uganda started its operations out of Entebbe International Airport as its base in November 2007. The airline provides regular scheduled service between Entebbe, Nairobi, Dar es Salaam, Kilimanjaro and Juma. The establishment of Air Uganda is welcome news to the travel industry and has been long overdue, according to aviation experts. Since the collapse of Uganda Airlines in the early 1990s, Uganda has not had a home-based airline, which has negatively impacted the tourism sector and the wider economy in many ways.

In July 2008, EAC Ministers in charge of immigration advanced their consideration of a plan for a common tourist visa, which if adopted, would allow member States to market East Africa as a single travel package. A common tourist visa would allow tourists to sample the unique attractions in all the East African countries on a single visa.

Another COMESA member, Egypt, has recently expressed formal interest in investing in Uganda's tourism sector. The two countries agreed to form a partnership to develop agricultural tourism in the tourism sector of Uganda similar to wildlife tourism, which has been extremely successful in Uganda to attract foreign visitors interested in this new vacation theme.

Challenges and Opportunities

Uganda has recently completed implementation of the Uganda Sustainable Tourism Development Programme, which began in 2003 and ended in 2007. The main objective of the programme was to contribute to the growth, development and diversification of the Ugandan economy through sustainable growth and development of the tourism sector, including by creating additional sustainable economic and financial benefits to stakeholders in the tourism sector. The programme produced a 10-point plan of action for the implementation of the tourism policy.

Although programme results were mixed and a revised programme is currently in preparation, a number of initiatives were launched to overcome sectoral challenges and improve progress in seizing emerging opportunities in the tourism sector by:

- Encouraging and identifying channels for financial support for the development of new tourism products and the improvement of existing products;
- Improving national tourism marketing efforts;
- Developing public- or private-sector partnerships in the sector;
- Launching new human resource development programmes for workers in the tourism sector;
- Developing and supporting community-based tourism programmes;
- Improving transportation and energy infrastruture in the country.

As a result of the Uganda Sustainable Tourism Development Programme, many steps have been taken to innovate and diversify the tourism sector. Both sources of tourists, that is, their countries of origin and tourism products, have been diversified through the marketing of tourism in new global markets and through the promotion new tourism themes and of related shopping, recreation and business activities. These efforts have met considerable success, as growth in the sector and in tourism-related sectors has increased in recent years.

Nevertheless, it is widely recognized that opportunities for broader diversification remain substantial.

Diversifying Product Offerings in the Tourism Market

Although the main selling point of tourism in Uganda is focused on adventure and wildlife tourism, or ecotourism, there is growing recognition within the sector of potential demand for new and additional tourism products. Many operators aim to market these new products for the current segment of tourists who visit Uganda, as well as for entirely new market segments of tourists originating in regional and more distant global markets. New tourism products being promoted or considered for promotion include wellness tourism, educational tourism, community tourism, sporting vacations (golf and tennis, for example), cultural and ethnic tourism, and business conferences. Initial progress has already been made in introducing some of these products. Expanding on them could provide significant opportunities for employment and enterprise development in the personal, cultural, recreational and education services sectors.

In response to tourist demand, cultural tourism is now being vigorously developed by Ugandan tourism operators. In addition to its main attraction of national parks, Uganda also has numerous cultural sites for tourists interested in cultural tours. These include Amabere Ga Nyinamwiru in Fort Portal district, Ssezibwa Falls in the Central district, Kasubi Tombs where the royals kings of Uganda are buried, Karambi Tombs, Namugongo martyrs shrine and Bahai temple. One of these, the Kasubi Tombs, is a World Heritage Site. Another growing market is adventure tourism, which includes mountain climbing, white water rafting and hiking safaris. Community tourism operators are now burgeoning in the locales of cultural tourism sites.

Diversification efforts are also focusing on expanding education and study tours. A number of international universities are sending their researchers and students to Uganda as a part of study tours in the area biodiversity, zoology and anthropology. Many of these tours are conducted in collaboration with Makerere University and relevant government ministries. These tours last from several weeks to several months and provide employment and income opportunities to local communities, often in rural areas of the country.

Diversifying the Tourist Base – Income Class and Geographical Origin

Promotion of the regional middle income tourist market segment could generate significant income and employment benefits. The segment could be promoted selectively during the up-market tourism off-season when hotel and airline occupancy rates are low. During the off-season, the growing offering of recreational activities, such as ecotourism, adventure tourism and cultural tourism, currently focussed on higher-income tourists during the high-season, could benefit from increased marketing efforts through discount packages targeting middle-income tourists. The development and promotion of lower-cost vacation packages during the off-season could significantly reduce seasonal business fluctuations and give a boost to the tourism sector. Even during the high season, lower-cost vacation packages offered in the region could bring in additional tourists.

The pool of potential tourists could also be expanded by attracting tourists from non-traditional markets. Regarding the geographical origin of tourists, data indicate that over 43 per cent of extraregional tourist arrivals are from Europe, nearly half of which are British. Stronger efforts could be made to attract tourists from other developed countries, as well as from developing countries in Asia, particularly as new airline links to these regions have recently improved.

Possible Next Steps

Increased coordination between hotels, airlines, tour operators and other tourism service suppliers to undertake marketing studies could be beneficial to all. Such studies could determine how to best design and price vacation packages so that seasonal excess capacity is reduced, and stronger linkages among suppliers in the tourism value chain are created. Studies could also assist with the identification of ways to further support diversification of product offerings in the sector.

In addition to the options above aimed at raising tourism revenues, the industry could look towards ways to decrease costs through e-tourism. Providing increased opportunities for tourists to book vacation packages online, in a one-stop shop regrouping a wide range of tourism service providers, could allow Uganda's tour operators to greatly reduce leakage (the share of tourist receipts paid to foreign agents), thus allowing them to offer lower-cost packages to consumers.

At this relatively early stage of development of the sector, greater attention could be given to reducing the negative environmental impacts of tourism in Uganda to ensure the long-term stability of biodiversity in the country upon which the success of the sector currently rests. Finally, the need to continue improving transportation and energy infrastructure in the country cannot be over-emphasized.

2.2. The Telecommunication Sector: Reforms Have Stimulated Strong Growth

Overview of the Sector

In 1993 Uganda licensed a private firm, Celtel Uganda,[13] to provide mobile services, thus establishing Uganda as one of the first countries in the region to adopt telecommunication liberalization policies. Subsequently, the Ministry of Works, Transport, and Communications adopted Uganda's revised Telecommunication Policy in January 1996 with a view to meeting growing demand for telecommunication services (including through the introduction of new services such as mobile cellular phones, electronic mail, Internet and paging); improving the quality of telecommunication facilities and service; and increasing the geographical coverage of telecommunication services throughout Uganda[14].

To support these policy objectives, the Uganda Communications Act of 1997 further liberalized the communication subsector, separating in 1998 fixed-line telecommunications from postal services, regulating competition and creating the Uganda Communications Commission as the regulatory body for communication activity. Its main functions, as outlined in the Communications Act, are to set

Box I.1. Tourism Sector: Strengths, Weaknesses, Opportunities and Threats

Strengths	Weaknesses
• Natural assets • Wildlife and cultural assets • Three World Heritage Sites • Acquired image as an adventure and cultural theme tourism destination • Business travel • Expanded air access to major markets • Wide array of ecotourism offerings • Incentives and quality initiatives arising out of the Uganda Tourism Bill 2007	• Lagging capacity expansion relative to targeted volume of tourists • Infrastructure limitations in rural regions: utilities, telecom, water treatment. • Road network limitations and traffic congestion • Moderate levels of leakage • Foreign-based local businesses do not repatriate profits towards Uganda • Lower quality service provided by small restaurants, guest houses, taxies • Limited access to new investments and financing
Opportunities	**Threats**
• Strengthen intersectoral linkages • Potential for intraregional (EAC, COMESA) expansion, including of air routes • Strengthen community-based tourism • Restored in-country stability, safety and security • Restored political stability • Improve tourism and transportation infrastructure and service • New tourism themes: wildlife and adventure, business and conference tourism	• Environmental degradation in high-traffic areas • Increasing incidence of theft and violence targeting tourists • Global economic crisis • Overdevelopment may damage the image of the destination • Competition for land between tourists and local needs

Required spill-ins from other sectors: requires improved supply of services from the transport, financial, information and communication technology (ICT), recreation, health-care, utilities and security services sectors.

Anticipated spillovers into other sectors: Provide improved market for services from the transport, recreation and health care sectors; conservation and improved land-management-related environmental benefits; expanded offering of infrastructure in tourism zones; propagation of quality standards to other sectors.

Key stakeholders: relevant government ministries and parastatals; tourism sector firms – hotels, restaurants; transport firms – airlines, taxies, car-rental; local communities; labour unions; recreation and sports firms and interest groups; advertising agents and e-tourism suppliers.

national telecommunication standards and ensure service quality, ensure equitable distribution of services throughout the country, establish tariff systems to protect consumers, promote competition, and license and monitor communication services. Universal access objectives are being promoted by the Government's Rural Communication Development Policy of 2001. In 2006, Uganda redefined its telecommunication policy environment by opening the telecommunication sector to full competition for both service and infrastructure provision. In the same year, a separate Ministry of Information and Communications Technology was established to boost the development of the sector.

With economic reforms and an improved regulatory framework, Uganda's telecommunication sector has registered double-digit growth since 2000 and grew by 33 per cent in 2007 alone.[15] The number of firms in the sector has increased to include 4 mobile operators and nearly 20 Internet service providers.

Exports rose at an annual rate of 17 per cent from 2002 to 2006, reaching almost $20 million in 2006. Growth in the sector has generated employment opportunities. Government statistics indicated that direct employment in the sector stands at 6,000 while over 350,000 people are indirectly employed.

Development of the sector has been supported by substantial infrastructure improvements. Most national and regional transmission links are digital. Optical fibre links connect major economic centres with expansion in progress. There is extensive use of microwave transponders in the domestic backbone infrastructure and of very small aperture terminal, or VSAT, satellite communication services for international communications.[16] Although international gateways in Uganda are still based on satellites, connection to the world optic fibre network is expected soon.

Private investment has been the main driver of improved telecommunications infrastructure and greatly enhanced capacity. Investment inflows have been very strong and in 2006, the sector drew in more than $73 million. Moreover, current figures show the larger ICT sector attracted investments exceeding $350 million between 2001 and 2005 and generated revenues of U Sh1.22 trillion over the same period. This represents a 4.2 per cent contribution to GDP by the ICT sector for the period 2001–2005.

Ease of access and/or subscription to telephone communication services in Uganda has resulted from the expansion of GSM (global system for mobile communications) cellular networks, public fixed phones, public phone booths and public access through fixed wireless, which is the most common and affordable for most people. Between 2003 and 2007, the number of telephone subscribers increased by over 150 per cent, from 65,793 to 165,788 for fixed-line telephones, and by over 560 per cent from 777,563 to 5,163,414 for mobile telephones, supporting an overall increase in talk time of 130 per cent (see table I.2). Moreover, although only 18 per cent of the population have subscriptions, more than 40 per cent of the population regularly access telephony using public pay phones or phone kiosks set up by private businesses. The number of public payphone installations continues to increase at a brisk rate of about 100 per cent annually with over 20,000 installations in the country in 2007.

Challenges and Opportunities

In meeting both a challenge and an opportunity, Uganda currently seeks to build on its dynamic and well-capitalized telecommunication sector by advancing the development of its emerging information technology (IT) services sector. From a trade perspective, the telecom services sector offers only limited export opportunities, essentially only those arriving from tourists' roaming charges; however, by supporting IT services, the telecom sector provides a strong platform for export development. The IT services sector is discussed separately in 3.1.

An analysis of the strengths, weaknesses, opportunities and threats concerning the telecommunication sector is outlined in box I.2.

Table I.2. Uganda Telephone Subscribers and Talk Time, 2003-2007

Item	2003	2004	2005	2006	2007
Fixed Telephone lines	65,793	82,495	100,777	129,863	165,788
Mobile Cellular Subscribers	893,035	1,165,035	1,525,125	2,697,616	5,163,414
Telephone Traffic ('000 Minutes)	1,308,194	1,559,162	1,723,964	2,307,391	3,004,738
Payphones	3,456	4,634	10,263	n.a.	n.a.
Mobile Cellular Operators	3	3	3	3	4
Internet Services' Operators	18	18	17	17	n.a.
Private FM Radio Stations (registered)	125	148	145	145	n.a.
Private TV Stations (registered)	23	31	34	34	n.a.
Courier Services Operators	19	19	22	22	n.a.

Source: Uganda Commission

Box I.2. Telecommunication Sector: Strengths, Weaknesses, Opportunities and Threats

Strengths

- Dynamic and competitive commercial environment
- Liberalized and privatized sector
- Modern, high-quality telecommunication infrastructure in major cities
- Rapidly expanding domestic capacity
- Migration to international global fibre optic network by 2010
- Proven legal and regulatory base supportive of future investments
- Openness of government to public- and private-sector partnerships
- Sectoral actors able to meet universal service obligations

Weaknesses

- Many rural areas still lack telecommunication infrastructure or access
- Some remote markets not yet commercial
- Tariffs remain too high in some service areas
- Expanding services in rural areas is subject to progress in advancing rural electrification

Opportunities

- High levels of demand for telecom services in currently un-serviced rural areas
- Development of the IT services sector will stimulate substantial increases in demand for IT-related telecom services

Threats

- None

Required spill-ins from other sectors: IT services, education sector, energy sector (rural electrification).

Anticipated spillovers into other sectors: IT services, education sector, direct benefit to all economic sectors and to supporting international trade.

Key stakeholders: relevant government ministries, parastatals, telecommunication sector firms, labour unions, IT service providers.

3. Maturing the New Emerging Services Sectors

Uganda has made initial progress in developing other export-oriented services sectors. Other sectors emphasized by the Government for focused support and development include IT services, insurance services, professional services and construction services.

3.1. Information Technology Services: a Rapidly Rising Sector

Overview of the Sector

Information technology services have been identified by the Government of Uganda as a rapidly growing area that is essential for economic and social development. These services facilitate progress at all levels in the economy, from poverty reduction in rural communities to the integration of national SMEs into the global economy. As such, the sector provides a platform for Uganda to accelerate its beneficial integration into the global economy as both an emerging producer and exporter of goods and services. E-commerce, e-government and other IT-based services have been earmarked as priority areas for export development, particularly through the Strategic Partnership Programme between the Government, private investors and development partners.

In its endeavour to create a vibrant IT industry as a strong pillar of the economy and to build on the successful development of the telecom sector, the Government has recently undertaken a number of initiatives. These include the following:

- Introducing the National ICT Policy Framework (2003), which recognizes information as a resource for development. Policies aiming to promote human development and good governance are accelerated by the efficient application and use of ICTs, including timely access to information;
- Establishing the Ministry of Information and Communications Technology in 2006 to provide political and technical leadership in the overall coordination and harmonization of policy development and implementation for IT services;
- Promoting Uganda as a source of IT-services in international markets through the activities of the Uganda Investment Authority.

The National ICT Policy Framework recognizes that IT services provide the following benefits:

- Offer an extensive range of applications that span across various sectors of health, education, agriculture, industry, e-government and e-commerce;
- Enhance economic growth by boosting competitiveness and facilitating increased trade and investment;
- Create opportunities and empowerment by provision of access to local and global markets and promotion of rural development;
- Improve the delivery of social services, lessen vulnerability to natural disasters, reduce isolation of communities and provide immediate linkage to the modern world;
- Enhance transparency and good governance through availability and use of ICT;
- Provide new management and control methods in both public and private sectors, hence facilitating enterprise resource management;
- Support the private sector through improved market access, sales, trade and knowledge of business trends;
- Facilitate research and development.

For Uganda therefore, embracing ICT generates advantages that not only will enable it to improve and sustain development, but will also lead to poverty reduction. In addition, the already successful liberalization of telecommunications services provides a major impetus to the ICT sector overall, and the IT services sector in particular.

Already, significant progress has been made in developing the IT services sector. A survey conducted in June 2007 by two Ugandan non-governmental organizations (DENIVA and I-Network) demonstrates the rapidly increasing use of IT services in both urban and rural areas of the country.[17] This can be attributed to a favourable policy environment, reduction of tariffs on electronics, increase in the use and availability of refurbished computers, affordable costs of new electronic equipment compared with the previous years and a growing number of initiatives from non-governmental organizations and the private sector. However, the countrywide survey also indicated that IT development has tended to increase income inequality within the country and among population groups with lower levels of income, education and English language skills, indicating that additional efforts will be required if a large segment of the population is to cross the digital divide.

Internet use is a good proxy for the relative increase in IT capacity of a national economy. Uganda's Internet market had long shown slow growth of subscribers largely due to non-affordability. However, Internet usage has recently grown significantly, reflecting private and government initiatives in the deployment of wireless access infrastructure based on WiFi hot spots. There are now some 30 hot spots in the country; however, over 90 per cent of these are in the Kampala metropolitan area. Increasing access in other parts of the country remains a priority.

The Uganda Communications Commission estimates that the number of Internet users in Uganda rose from 234,000 in 2002 to 1,800,000 in 2006, representing a growth rate of 212 per cent. The penetration rate thus grew rapidly from less than 1 per cent in 2002 to over 6 per cent in 2006. Moreover, a comparative study on IT development in East Africa using data from 2000 to 2005 indicated that in 2005 Uganda accounted for 1 per cent of African Internet users and ranked thirteenth on the continent. More recent Internet usage statistics from 2007 suggest that Uganda's share of continental Internet users may have risen to nearly 2 per cent. The recent introduction of general packet radio service, or GPRS, will further propel penetration rates by enabling mobile operators to offer Internet service provision.

Recognizing the potential of IT-enabled services as a sector in its own right and as a sector capable of supporting broad-based economic and social development, the Government of Uganda has introduced incentives to promote their increased use. In 2002 the Government reduced, and under certain conditions, waived taxes on computers and computer-related equipment to encourage the growth of the ICT sector and IT services. In addition, ICT companies are provided with tax credits by deducting ICT-related capital expenses from their income. However, additional incentives are needed to accelerate sectoral development. Options include educational allowances, scholarships, government employment opportunities, grants, subsidies, tax holidays and investment promotion assistance.

Prompted by these incentives, an improved business environment, a modernizing ICT infrastructure, a large labour pool with native English language skills and advanced education levels, and low labour costs relative to other developing countries, Uganda's IT services industry has already demonstrated substantial growth. To date activity in the sector has focused on IT-enabled business process outsourcing. A number of small business process outsourcing firms established earlier in this decade have grown and firmly established their operations and international presence. Among these is Cayman Consults Ltd., founded in 2000 in Kampala and specializing in data entry and accounting services, which has become one of the leading business process outsourcing firms in the East Africa region.

Export-oriented business process outsourcing call centres are fast becoming a key activity in Uganda's IT services industry following the success of the KenCall call centre in Nairobi. Uganda has a comparative advantage in the call centre industry based upon Ugandans' clear-accented speech, and their cultural disposition to be patient in dealing with customers. Makerere University's Faculty of Computing and Information Technology announced in 2008 plans to spend $1 million to set up a modern call centre.[18] The call centre will provide national directory services, and in the near future attract offshore work.

Importantly, Uganda seeks not only to position itself in the IT services industry as a low-cost business process outsourcing provider but also to develop high value-added IT services, including software development. Towards this goal, Makerere University's Faculty of Computing and Information Technology has launched the National Software Incubation Centre to spur Uganda's software industry. The realization that Uganda lacks software developers, despite the University's graduating computing students, led to the Centre's creation. It is the first incubation centre on any university campus in East Africa. It is anticipated that the Centre will improve international market confidence in outsourcing software development activities to Uganda. Already, a number of top IT companies such as Google and IBM have expressed interest in collaborating with the Centre.

Challenges and Opportunities

As the sector matures, it is expected to make a major contribution to employment creation and export growth. Dynamic export growth has already been recorded in the sector. In just 5 years from 2001 to 2006, annual IT services exports jumped from less than $1 million to over $30 million. There is substantial national and international market demand for IT services to be captured in maturing the sector. These include the following areas:

- Business process outsourcing, including electronic data entry and processing;
- Call centres;
- Software development;
- Data disaster recovery services and centres;
- Engineering design services;
- Online education and high-end ICT training;
- Technical documentation;
- Website development services.

However, sustained growth of the sector is already encountering a range of problems. These include regular and unpredictable electricity outages, the need for fibre-optic connection to international networks, high Internet connectivity costs, skill shortages for higher value-added IT services, weak intellectual property right laws, few government initiatives to promote and support the sector and limited sources of investment.

Strategic Options for the Sector

To sustain growth in the sector, efforts are needed to attract more Ugandans to the field and to enhance educational and training opportunities to generate a skilled workforce for the ICT industry with the following objectives in mind:

- Promulgating greater national use of computers and the Internet;
- Broadening government incentives to attract investment in the sector;
- Obtaining government support for vocational educational programmes to train business process outsourcing services workers;
- Liberalizing immigration policies and incentive plans for skilled foreign workers;
- Building stronger alliances with foreign ICT companies, particularly in India, through joint projects;
- Encouraging greater investment in the sector;
- Increasing broadband capacity and reducing currently high Internet connectivity costs.

An analysis of the IT services sector is summarized in box I.3.

3.2. Insurance Services: Demand Growing in Step with Economic Development

Overview of the Sector

Uganda's insurance industry has steadily burgeoned from an insignificant contributor to the economy into a key component of the financial sector. Growth has risen with increasing economic activity, heightened consumer awareness and the introduction in new and improved products responding to consumers' needs. The industry wrote U Sh 102 billion in gross premiums in 2006, a significant increase, compared with the U Sh 53 billion of gross premiums written in 2002. These figures indicate a strong 17 per cent annual premium growth rate.[19] Recent data show this trend continues. In 2007 gross premiums rose to U Sh 126 billion and annual growth reached 23 per cent.

Uganda's financial services sector accounted for 3 per cent of GDP and 4.2 per cent of total national employment in 2007. Dominated by the banking sector, it also comprises microfinance, insurance and the Uganda Stock Exchange. In total, there are 15 registered banks, over 100 microfinance institutions and 20 insurance companies in the country. Despite their large number, microfinance institutions represented only 1 per cent of the financial sector turnover, while other non-bank financial institutions, including insurance, accounted for 7 per cent (2005).

Following the autonomous liberalization of the banking sector, many foreign banks entered the Ugandan market, and today most banks in the country are foreign owned, including major international institutions such as Barclays, Citibank and Standard Chartered. However, a number of locally owned banks have been established, including DFCU Bank, Nile Bank and Cerudeb. The largest bank, the successor to the state-owned Uganda Commercial Bank, was purchased by a South African bank in 2002. Three other foreign banks account for approximately 75 per cent of Uganda's banking sector assets.

On an autonomous basis, market access in Uganda's insurance sector is liberal, as is the exchange control system. Foreign companies are allowed to operate on a licensed basis with a maximum foreign ownership of 100 per cent. Like the banking sector, over the years Uganda has attracted several foreign insurance firms from the Eastern and Southern Africa region into its domestic market with significant mergers and acquisitions activity. The insurance company UAP Kenya bought a majority share holding in United Assurance Company, the second biggest insurance firm in Uganda. Imperial Assurance Limited was taken over by Malawian-based NICO Holdings Limited, and Pan World Insurance is currently controlled by Zimbabwean-based Lion Assurance. A subsidiary of the American International Group, AIG Uganda is one of the largest insurance companies in the country.

The insurance sector remains a small part of the financial services system. The 20 licensed insurance companies active in the sector are under the supervision of the Uganda Insurance Commission. The Commission was established in 1996 by the Insurance Statute (now the Insurance Act of 2000) to serve as the supervisor and regulator of the insurance industry in Uganda. Reporting to the Ministry of Finance, Planning and Economic Development, its functions are as follows:

- To establish standards for the conduct of insurance and reinsurance business;
- To license all persons involved in or connected with the insurance business, including insurance and reinsurance companies, insurance and reinsurance intermediaries, loss adjusters and assessors;
- To safeguard the rights of policyholders and insurance beneficiaries to any insurance contract;

Box I.3. Information Technology Services Sector: Strengths,Weaknesses, Opportunities and Threats

Strengths • Dynamic commercial environment • Modern, high-quality telecommunication infrastructure in major cities • Rapidly expanding domestic capacity • Migration to international global fibre-optic network by 2010 • Large skilled labour force with good educational background • Fluent English-speaking population with clear speech • Geographical location provides advantageous time difference favouring business process outsourcing with Asia in the morning and North America in the afternoon • Young population suitable for call centre works	**Weaknesses** • Regular and unpredictable electricity outages • High Internet connectivity costs • Fibre-optic connection to international networks still a few years off • Limited government initiatives to promote and support the sector • Limited sources of investment • Weak intellectual property right laws that discourage business process outsourcing and software development businesses • Skill shortages for higher value-added IT services
Opportunities • New IT services facilities launched by Makerere University • Large world market for business process outsourcing and call centre services • Relatively low costs for business process outsourcing and call centre services compared with other developing countries such as India • Excellent native English language skills of Ugandans	**Threats** • Competition from other countries in the region • Possible delays in fibre-optic link to international networks

Required spill-ins from other sectors: telecommunication services, education sector, energy sector (improved electricity supply).

Anticipated spillovers into other sectors: direct benefit to all economic sectors and to supporting international trade.

Key stakeholders: relevant government ministries and parastatals; academia, telecommunication sector firms; labour unions; IT service providers.

- To provide a bureau to which complaints may be submitted by members of the public;
- To promote a sound and efficient insurance market in the country;
- To supervise and control transactions between insurers and reinsurers;
- To ensure strict compliance with the provisions of the Insurance Act and regulations made under it and any other law relating to insurance.

Challenges and Opportunities

Recent developments in the sector include the successful privatization of the National Insurance Company in June 2005 and preparations by the Uganda Insurers Association for the establishment of Uganda's first reinsurance company. The industry currently remits about U Sh 40 billion annually, almost half of the total premiums collected, to foreign reinsurers in countries like Kenya, Zimbabwe and Europe. In Kenya, this figure is less than 20 per cent. Through a domestically owned reinsurance company, this money will be invested within Uganda, a move that will expand the job market and ultimately spur investment and boost the insurance industry.

There are also developments that may provide new opportunities for the sector in mandatory health insurance and pension schemes. Motor vehicle insurance and workers' compensation insurance are now mandatory. Uganda plans to adopt a compulsory national health insurance scheme that will require workers in formal employment to make compulsory contributions to insurance plans in exchange for health-care benefits from gazetted health centres. As with health insurance, consideration is also being given to establishing mandatory worker pension funds and the Ministry of Finance, Planning and Economic Development is currently working on guidelines for the establishment of a regulatory body for Uganda's pension sector.

There are also initiatives under way for reform of sectoral legislation. The Uganda Insurance Commission has recently submitted proposals for the amendments of national insurance legislation aimed at increasing the efficiency of supervision in the insurance industry, by taking the following measures:

- Filling in loopholes, correcting mistakes and enhancing clarity in legislation;
- Enhancing corporate governance;
- Accelerating development of the sector, and public access to insurance products by allowing banks and other financial institutions to market and distribute insurance policies.

According to industry reports, Uganda's insurance industry is growing and is currently outpacing growth of its regional counterparts in Kenya and the United Republic of Tanzania. East Africa's largest and most developed sector is that of Kenya. If Uganda's high economic growth rate and macroeconomic stability are maintained over the next decade, its insurance sector could grow to eclipse Kenya's. While Kenya's insurance sector expanded rapidly over several decades of relative political stability and sustained economic growth, it has since grown stagnant, providing an opportunity for Ugandan firms to catch up.

Strategic Options for the Sector

To sustain growth in the sector, efforts are needed at the domestic level to attract more Ugandans to become consumers of insurance products, and at the national level, to boost exports. Strategic options include the following:

- Continuing successful campaigns to inform and educate Ugandans about the relevance of insurance services. Currently, only a small segment of the population knows what insurance is, while some that are knowledgeable lack confidence in the industry;
- Providing new innovative products for individuals and businesses. Current offerings include fire insurance, business interruption insurance, theft electronic equipment insurance (computers), workers' compensation or employers liability, group and personal accident insurance, public liability insurance, travel insurance, property insurance, automobile insurance, group and individual life insurance, and health insurance;
- Allowing insurance to be sold through banks and other financial institutions that have closer contact with individuals and businesses;
- Increasing cooperation with the education sector to ensure training of insurance sector professionals, including actuaries and sales forces;
- Expanding efforts to export insurance products to neighbouring countries, such as Rwanda, Burundi, the Democratic Republic of the Congo, the Central African Republic and Sudan, where the industry is less mature, and in some cases virtually absent. Given the landlocked nature of Uganda and its neighbours, this should include expanded efforts to capture the market for insurance of the transit of goods.

A summary analysis of the insurance services sector is provided in box I.4.

3.3. Construction Services: Calls for Protectionism by National Stakeholders

Overview of the Sector

The construction industry accounts for around one tenth of the world's GDP, 7 per cent of employment, 50 per cent of resource usage and up to 40 per cent of energy consumption. It accounts for the construction of buildings, power and environmental utilities and distribution systems, roads and bridges, railways, airports and ports. Construction and related engineering services are important for the creation of employment, human resource development and capacity-building as a way of achieving technology transfer and enhancing indigenous know-how.

Uganda's construction sector has experienced tremendous growth over the past decade, owing to an improved and rapidly growing economy that has led to increased demand for residential and commercial

Box I.4. Insurance Services Sector: Strengths, Weaknesses, Opportunities and Threats

Strengths	Weaknesses
• Dynamic commercial environment • Liberalized and privatized sector • Significant sector growth in national market • Rapidly expanding domestic capacity • Demonstrated interest of foreign investors • Legislation requiring insurance coverage is evolving in many domains • A geographical situation largely free from natural disasters	• Lack of consumer awareness of the availability, affordability and benefits of insurance products • Lack of a domestic reinsurance company
Opportunities	**Threats**
• With personal incomes rising for urban professionals, many now seek a range of insurance products • Significant export opportunities to neighbouring countries • Increased cooperation with education sector to support staffing requirements • Multilateral liberalization could attract further investment	• Competition from other countries in the region, particularly Kenya, the United Republic of Tanzania and South Africa • A prolonged economic slowdown could negatively affect industry growth

Required spill-ins from other sectors: financial services, education sector, health sector, labour associations.

Anticipated spillovers into other sectors: direct benefit to insured individuals and businesses.

Key stakeholders: relevant government ministries and parastatals, academia, labour unions, consumer groups, exporters.

buildings and infrastructure. As a result, construction is one of the largest and fastest-growing sectors in the Ugandan economy. In 2007 the sector constituted 15 per cent of GDP and grew by nearly 16 per cent. However, real growth is lower, as overall material and labour input prices in the construction sector rose by 12 per cent in the same year. The sector accounts for about 3 per cent of direct employment in Uganda.

Challenges and Opportunities

The major segment of the construction market is private construction, which accounts for over 80 per cent of the market. Demand for housing is high, with the number of dwellings having increased by 35 per cent from 2002 to 2008. Local construction firms capture most of the residential construction market. The demand for housing is greatest in Kampala, Entebbe, Mukono and Wakiso.

Firms in the sector are actively involved in servicing government contracts for buildings and infrastructure projects. In 2007, over 17 per cent of government expenditures were allocated to such projects. An important share of financing for these projects is also secured through donor financing and debt. Larger projects generally involve the participation of larger foreign construction firms, particularly for transport and energy infrastructure projects. Many of these firms have established associate companies locally, including some on a joint-venture basis, and have been contracted for major public-sector projects. Nevertheless, there has been increasing concern that foreign firms are capturing an excessive share of government contracts. The Uganda National Association of Building and Civil Engineering Contractors has recently come on record stating that only two foreign companies were doing 60 per cent of the available construction jobs with a plea to the Government that a national construction policy should be developed to give preferential treatment to local contractors when awarding public tenders.

Many national firms are also concerned about current negotiations to create a common market under the auspices of the EAC Agreement. Numerous pleas have been made by the private sector for another decade of protection from competitors in other East African Partner States, as the country is currently involved in a second round of negotiations. The private sector has argued that better-placed construction firms from Kenya are likely to swarm into the market and take over work of local contractors; however, the Government has rejected their plea.

Other key challenges for the industry involve reducing its dependency on imported building materials, improving building standards, enhancing the quality of work by small artisanal firms and further developing the pre-fabricated housing industry in order to meet the high demand for low-cost housing for the poor in rural areas.

Strategic Options for the Sector

It is important to note that while increasing import competition, an EAC agreement which opens members' construction markets will also provide Ugandan firms with considerable export opportunities. Market research is needed to further explore these opportunities and training programmes are required to raise awareness and capacity among domestic firms to export construction services. Preparations for future openings under COMESA should also be made.

Market demand is already stimulating local production of a wide variety of building materials. Government incentives and support for firms producing these inputs should be further strengthened.

To enable Uganda to meet its development goals, positive measures should be taken to ensure that local Ugandan firms participate in the design and implementation of construction projects in Uganda funded by donor agencies.

A summary analysis of Uganda's construction and engineering services sector is outlined in box I.5.

3.4. Professional Services: Improving Prospects for Circular Migration

In the last decade many Ugandans – skilled and non-skilled alike – have left the country in search of employment. Japan and the Middle East have attracted mainly workers with business skills, while the United States of America, Canada and Europe have tended to attract workers with professional skills. There is a significant portion of South–South movement as well, and a number of highly skilled Ugandans have moved to other African countries, notably to South Africa and other South and East African States.

The Bank of Uganda balance of payments accounts indicate a noticeable growth and impact of recorded workers' remittances. The potential of orienting the services provided by Ugandans living abroad homeward for national development is immense, yet far from being realized. However, there is no strategic mechanism in place to effectively mobilize or tap into the huge acquired resource capacities of Ugandans in the diaspora. Policies are needed to encourage circular migration in which Ugandans learn, earn and return.

Challenges and Opportunities

Well-educated, young, unemployed graduates: Uganda's potential labour force is estimated to be growing at an average rate of 3.4 per cent per annum, which means that on average 340,000 people join the labour market every year. Assuming this growth rate continues, the country's labour force will reach 11.8 million in 2005 and 13.9 million by the end of the decade. Unfortunately, the national economy does not provide enough jobs to satisfy the employment requirements of the population. As a result, an estimated 4 million people are currently unemployed or underemployed.[20] Movements of persons across and within the region, if effectively implemented, is one means of generating employment.

Curriculum and skill development system: The curriculum and training regime in Uganda is not adequately geared to produce workers who do not meet international, domestic or regional labour market needs. This has minimized the extent to which Ugandans have penetrated the international job market in comparison with other developing countries. Uganda's education system continues to supply labour that targets white-collar jobs in the formal public sector, despite fundamental indicators that the private sector requires workers with technical

Box I.5. Construction and Engineering Services Sector: Strengths, Weaknesses, Opportunities and Threats

Strengths	Weaknesses
• High level of domestic demand for construction services • Partially liberalized sector • Rapidly expanding domestic capacity • Demonstrated interest of foreign firms • Large backorder of building projects • Large inventory of infrastructure projects, current and planned	• High dependence on imported inputs • Low level of capacity for export • Poor quality of work in some market segments
Opportunities	**Threats**
• With personal incomes rising, the high demand for housing is set to continue for years to come • Significant export opportunities to neighbouring countries • Multilateral liberalization could attract further investment	• Competition from other countries in the region, particularly Kenya, the United Republic of Tanzania and South Africa • Prolonged economic slowdown could negatively affect industry growth

Required spill-ins from other sectors: financial services, transportation sector, manufacturing sector, education sector, labour associations.

Anticipated spillovers into other sectors: wide economy benefits with direct benefit to individuals and businesses.

Key stakeholders: relevant government ministries and parastatals, donor agencies, financial sector, manufacturing sector, academia, labour unions, exporters.

skills. Addressing these skill gaps and redesigning curricula to fit workplace requirements will help match workers with the employment market and thus boost national economic performance.

Language and IT Skills: Most highly skilled Ugandans with a good chance of finding employment in a number of countries can only be employed in Uganda because of their language deficiencies. This limits them to English and their mother tongues. In terms of regional movement, without a good knowledge of Swahili, Ugandan workers are not well positioned to take advantage of the larger market of the EAC region; instead most job opportunities will continue to be taken up by Kenyans and Tanzanians with better Swahili proficiency. If Uganda's labour force is to be outward looking, the educational system should encourage language diversity to suit regional marketplace needs. Similarly, IT competence is a basic qualification for both national and international job placement.

Lack of comprehensive labour market information: Ugandans are disadvantaged by a lack of comprehensive labour market information, namely availability of jobs in a particular receiving country, requisite skills needed by the labour market abroad, immigration and labour laws and the culture in the recipient countries. Licensed employment bureaus and Uganda's embassies should endeavour to access and disseminate such market information to the relevant authorities in Uganda, who in turn should effectively disseminate this information.

Lack of an appropriate institutional support framework: An effective regulatory and institutional framework and licensing system to regulate private-sector participation in the recruitment and overseas placement of workers is absolutely necessary, considering that overseas recruitment for both international and public jobs is outsourced through private agencies. The institutional framework would have elements including a flexible regulatory mechanism that responds to the dynamics of the labour market and its trade cycles, protects workers (their terms of service and contracts) and meets recipient countries' regulatory requirements for overseas employment. This would include the promotion of common standards and compliance with educational, technical and professional qualifications, the resolution of immigration issues, placement and work permits (workers' rights and terms) and a monitoring and tracking mechanism for remittances.

Uganda's professional, skilled and semi-skilled personnel leave the country every year in great numbers in search of greener pastures. To minimize the disruptive effect on national manpower capacity and development and to ensure returns to the Ugandan economy of such migration, there is a need to adopt a formal labour-export strategy and mechanisms to subsequently tap into the wealth of capacities and experience gained by returning workers. The Ministry of Gender, Labour and Social Development is implementing a government-approved programme on the externalization of labour that aims at formalizing labour exports under the National Employment Policy.

4. National Trade Policies for the Expansion of Key Services Sectors

4.1. Trade Liberalization of Services Through the General Agreement on Trade in Services

Since 1995, the entry into force of the Uruguay Round Agreements has facilitated an increase in trade and investment for the services sectors in many countries which undertook specific GATS commitments to open their services economies. These commitments were undertaken as part of the first round of GATS negotiations – an integral part of the Uruguay Round – which commenced in 1986. Uganda was among those developing countries assuming specific commitments under GATS, with commitments to open its telecommunications and tourism sectors.[21] The GATS agreements have stimulated considerable investment in the Ugandan economy, locked-in key national policy reforms needed to ensure the competitiveness of the sectors and helped promote high levels of growth in the exports of these sectors. The two liberalized sectors have witnessed substantial growth in Uganda over the past 10 years. The tourism and telecommunications services sector has demonstrated consistent year-on-year growth.[22]

The story of growth of the telecommunications and tourism services sectors in Uganda, and more broadly, recent growth of the economy as a whole, is consistent with results from a recent multi-country study of trade liberalization in these sectors providing econometric evidence that openness in services influences countries' long-run growth rates by improving efficiency in national economies.[23] Specifically, the study shows that countries with fully open telecommunications and financial services sectors grow up to 1.5 percentage points faster than other countries. It is to be noted here that Uganda has already autonomously liberalized financial services to a large extent, even though it has no GATS commitments in the sector.

However, not all countries liberalizing these sectors have experienced increased growth. In this context, UNCTAD's work to assess the impacts of trade liberalization in developing countries finds that not only the quantity, but also the quality, of opening is important, that is, how various elements of complementary national policy measures influence entrepreneurship, ease of entry, labour recruitment and investment in liberalized sectors. Specifically, UNCTAD finds that "the issues of the pace and sequencing of reforms and the impact of regulatory frameworks on the final outcome of trade liberalization have received increased attention as they seem crucial for assuring development gains from services trade liberalization. There is also a need to identify flanking policies to strengthen domestic capacities in services. Trade liberalization alone does not guarantee that services needed for growth and development will automatically emerge in developing countries".[24]

In addition, UNCTAD emphasizes: "While analysis of such experiences is increasing, to date there is still a lack of understanding about the functioning of the various policies, and there is even less understanding about the ways in which these options may play out in different economic and social scenarios. In order for privatization and liberalization to deliver their expected benefits, there is a need for more analytical work on types of flanking policies (which are in themselves not cost-free), their pros and cons, the range of situations in which they produce desirable results, and their potential for failure (their costs and who pays the costs). Finally, relying on flanking policies to make privatization and liberalization work may – in certain cases – foreclose the more fundamental question about whether or not private-sector and foreign operators' involvement is the most suitable option in the first place. Even in developed countries there are sensitivities, particularly in respect of health, education and water services. All these complex issues need to be taken into consideration prior to deciding on whether or not privatization is the best option".

Uganda's Commitments Under the General Agreement on Trade in Services

Uganda is a founding member of WTO. Uganda's schedule of commitments under WTO is in two sectors: tourism services and communication services, mainly telecommunication services. (See table I.3.) However, the depth of Uganda's overall GATS commitment is low, suggesting ample room for bargaining leeway in its multilateral trade negotiations. This is a very different picture from Uganda's unilateral liberalization commitments which are extensive, leaving only the water sector untouched. However despite this largely open unilateral regime, it has been noted that anticipated foreign direct investment flows have not been very encouraging, except in limited sectors such as banking and insurance, telecommunications and partially in tourism.

The current round of market access negotiations under GATS article XIX launched in 2000, aims to achieve progressively higher levels of liberalization of trade in services through the reduction or elimination of the adverse effects on trade in services of measures in order to provide effective market access. These negotiations provide developing countries with an opportunity to achieve commercially meaningful market access commitments in sectors and modes of interest to them and a progressive opening market access consistent with their development situation. This includes the flexibility to open fewer sectors and liberalize fewer types of transactions, that is, Modes 1–4. Key objectives for developing countries, including Uganda, should be not only to maximize flows of services exports, but also to ensure developmental gains from increased services trade to contribute to building a competitive services sector and maximization of overall level of development at the national level. Accordingly, of the sectors where liberalization is currently possible under GATS,[25] those selected for early liberalization should contribute to the following goals:[26]

- Strengthening of the sector itself by introducing competition, efficiency and transfer of technology;
- Strengthening other goods and services sectors (producer services);
- Expansion of exports of goods and services;
- Infrastructure building (telecommunication, transport and financial services);
- Attracting foreign direct investment where no

Table I.3. Summary of Uganda's Commitments under the General Agreement on Trade in Services

Sector	Commitments
Telecommunication services	
Basic voice services	√
Private voice and data for closed user groups	√
Other telecommunication services	√
Mobile cellular voice and data	√
Data services TCP/IP (Internet Protocol suite)	√
Paging services	√
Private mobile radio and trunked mobile radio	√
Global mobile personal communications by satellite operations	√
Tourism services	
Hotels and restaurants	√
Travel agencies/tour operators	√

or only limited service capacity presently exists and therefore, opening a commercial presence with appropriate limitations and performance requirements could contribute to domestic capacity-building;

- Developing sectors in which the country has achieved considerable capacity and competitiveness;
- Locking-in the process of domestic reform.

Each of the candidate sectors for liberalization by Uganda should be screened against the above benchmarks by stakeholders. This process also needs to be accompanied with the identification of potential regulatory barriers in major trading partners, which may prevent greater outsourcing or delocalization of services of export interest to developing countries. Moreover, supportive SME policies providing financial incentives – including government-sponsored mechanisms providing start-up financing on attractive and easily accessible terms – to firms in targeted sectors could be designed and put in place to facilitate SME entry and growth.

Uganda's Initial Offer in the Current Round of the General Agreement on Trade in Services Negotiations

In the bilateral request and offer approach, the European Union made a bilateral request to Uganda which covered financial services, construction and engineering services, professional services, telecommunication services and Mode 4.[27]

The current round of market access negotiations under GATS article XIX, launched in 2000, aims to achieve progressively higher levels of liberalization. These negotiations provide developing countries with an opportunity to achieve commercially meaningful market access commitments in sectors and modes of interest to them and a progressive opening market access consistent with their development situation. This includes the flexibility to open fewer sectors and liberalize fewer types of transactions, that is, Modes 1–4.

Overall, Uganda, like other LDCs, could benefit from liberalization under GATS; however, a number of market access barriers do not allow for full exploitation of the potential for trade in services.[28]

As a developing county and especially as an LDC, Uganda can avail of GATS provisions that take into account the special situation of developing countries and LDCs. Articles IV and XIX of the Agreement call for greater participation of developing countries in world trade, including through the liberalization of market access and in sectors or modes of export interest to developing countries. Development benchmarks can also be found in the LDC modalities, the inadequate implementation of which was highlighted at a Special Session of the Committee on Trade in Services.[29] The introduction of a draft LDC waiver in the WTO, which accords special priority to LDCs, including with respect to sectors and modes of supply of interest to them could depending on the outcome of negotiations, result in meaningful services trade opportunities for Uganda.[30] In addition, paragraph 15 of the GATS Negotiating Guidelines calls for an evaluation of the implementation of article IV, to be followed by suggestions for additional means to achieve its goals. As such, preserving the right to regulate for the public interest, for example, policy flexibility for development and meaningful commitments in sectors or modes of interest to developing and LDC countries, is a key development benchmark.[31]

The Hong Kong Ministerial Declaration recalls many of these criteria, clearly flagging development-oriented objectives, for example, the economic growth of all trading partners, the development of developing and LDC countries and due respect for the right to regulate. Among the key development achievements of the Hong Kong meeting is the clear acknowledgement that LDCs are not expected to enter into any commitments. However, favourable language on objectives and certain flexibilities do not yet – in itself – ensure pro-development outcomes.[32] Discussions on an LDC waiver available to all WTO members of most-favoured-nation obligations in respect of preferential treatment benefiting LDC members is currently under discussion. Negotiations on domestic regulation under GATS article VI.4, disciplines are being negotiated to ensure that qualification requirements, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. The main challenge remains in striking a balance between the need for national regulatory autonomy and international disciplines to eliminate unjustifiable market access barriers, particularly for Mode 4.[33]

4.2. The European Union-Africa Economic Partnership Agreement, Uganda and the Eastern African Community Configuration

Uganda falls under the Eastern African Community configuration region for its Economic Partnership Agreements (EPAs) with the European Union (hereafter referred to as EU-EAC-EPA). Regional GDP per capita of $266 is mirrored in Uganda and Rwanda, while that of Burundi is only $104. Among the majority of the EAC members, travel is the most significant services export sector, with annual tourism exports currently above $300 million in the United Republic of Tanzania ($914 million in 2006), Kenya ($579 million in 2005), and Uganda ($328 million in 2006). The importance of the travel sector is closely interlinked with that of the transport sector.

Service negotiations between the EAC and the EU, though, not mandated under the Cotonou or the GATS requirements, have been requested by the EU. The EAC members initialled an interim agreement on November 2007. As far as commitments to liberalize the services sector are concerned, parties to the interim EPA agree to establish a framework and scope of potential negotiation in relation to other issues including trade in services. The parties further agree to conclude negotiations towards a comprehensive EU-EAC-EPA, which would include the subject matter of services, by July 2009. The negotiations in respect of cooperation in trade and investment, services and free movement of persons are therefore expected to intensify further.

Some issues that will need to be considered in the EAC context are as follows:

- Overlapping membership of EAC members with other regional groupings, such as COMESA and the Southern African Development Community, could lead to a lack of harmony in objectives, policies, and regulations. For instance, COMESA services negotiations are much ahead of services negotiations in EAC. In this context some progress has been made towards putting in place a coordination mechanism for EPA negotiations by the African Union;
- How to match EU-EAC-EPA commitments with WTO commitments and rules, specifically in respect of GATS article V and LDC modalities? A specific issue for Uganda is that since LDCs are not required to make market access commitments under the Hong Kong Ministerial Declaration, it may, in a sense, be contrary to expect them to do so within the EPA context;
- As set out below, how to sequence services liberalization that is, taking into account intra-EAC, EU-EAC-EPA and WTO negotiations in services? Greater exchange of information and more coordinated action in all levels of negotiations may not only guarantee that the outcomes of both processes is mutually compatible, but may lead to the identification of positive synergies in both negotiations;
- The EU-EAC-EPA agreement has a strong economic and development cooperation component, aimed at addressing supply-side constraints, impediments to business and enabling EAC Partner States to build capacity to exploit the trade opportunities created by Agreement. This can be effectively used in the context of EAC efforts in setting up effective regulatory and institutional frameworks;
- How to ensure the development of robust regulatory frameworks, including on a sectoral basis for individual EAC countries and on a regional basis, prior to liberalization?
- Determine objectives clearly. This is especially important given that Uganda as an emerging services exporter exports a growing proportion of its services to other African countries. This growing trade potential could be threatened by liberalization. A clear analysis has to be made of objectives winning and gaining sectors and subsectors within the Ugandan services economy, including in the EU-EAC-EPA context the value of Modes 1 and 4, as well as the potential impact of development cooperation;
- The EU-EAC-EPA negotiations could focus on producer services, construction and tourism. While the Interim Economic Partnership Agreements can follow a phased-in approach, EAC countries should consider engaging in a fully fledged liberalization process covering as many sectors as possible;
- Other challenges facing the EAC include making the Framework Agreement operational and preparing for the next phase of negotiations, both of which require substantial financial and human resources.

4.3. Sequencing of Commitments Under Varied Trade Agreements

The pressures brought about by the multilateral services liberalization agenda as well as the EPA negotiations with the European Union highlight the need to accelerate regional liberalization, that is, within the EAC in particular and the wider regional African configurations, including COMESA. Therefore in terms of sequencing, the priority for the EAC countries should be the development of a regional framework agreement on trade in services to provide the basis for which progressive liberalization with the EU can be undertaken. The liberalization in trade in services is expected to be undertaken on a progressive basis using a positive list approach adapted to the development of the EAC countries concerned both in overall terms and in terms of their services sectors and subsectors and to their specific constraints.

In terms of approaches to trade negotiations, intra-EAC services liberalization should ideally run ahead of or in parallel with liberalization with the EU, building on the basis of unilateral reforms already conducted or in the pipeline. From a negotiating and regional integration perspective, there is clearly a need for the regional agenda to get up to speed in order to keep up with the EPA negotiations and should ideally provide for more liberalization at a faster pace than the one regional countries will offer to the EU with a view to multilateralizing key commitments in the GATS negotiations. This is critical – otherwise the regional agenda runs the risk of being overtaken by events and becoming irrelevant. Timely intraregional services liberalization would enable these countries to have coordinated positions with respect to third parties and gain clout at the multilateral level.

However, it is possible that the EU-EAC-EPA process may proceed ahead of the EAC negotiations. If so, it may be prudent for EAC countries to simply take on board what has been offered to the European Union under the Economic Partnership Agreements and then use those commitments as a benchmark for making deeper commitments to one another. Member States should also ensure that whatever is offered to the EU is automatically offered to other States of the Southern African Development Community if deeper integration is to be promoted. Consideration of negotiations in other forums, including within the context of the Caribbean Forum of African, Caribbean and Pacific States and the Southern African Development Community, could provide some idea as to what commitments will be requested of Uganda under the EAC configuration.

4.4. Ways Forward

Recognizing the stance taken by the Government and major parastatal and private stakeholders in key services sectors to increase privatization in, and in some cases to liberalize, key services sectors, all must now agree on the best way forward to advance the liberalization process – subregionally through EAC, regionally through COMESA and multilaterally through GATS and transcontinental EPAs. Whether, how and with whom Uganda should pursue services liberalization remain crucial decisions that need to be taken carefully and on the basis of national economic, social and developmental objectives and circumstances. The challenge for Uganda will be to ensure coherence between its national development policies on the one hand, and regional, interregional and multilateral trade negotiations on the other.

Trade liberalization options are varied yet clear: multilateral, interregional, regional, bilateral or autonomous. National stakeholders must examine which options, or combinations thereof, have the greatest potential to meet agreed objectives. Each option has its advantages and disadvantages, some of which are briefly outlined below:

- Opening services sectors to a global market under multilateral liberalization under GATS may provide the greatest opportunities for investment and employment, but will limit opportunities for ownership and control, and potentially introduce significant competitive shocks, which, if they occur too abruptly and/or in the absence of adequate flanking policies, may negatively impact national SMEs and consumers. Moreover, GATS liberalization will expose Ugandan firms to considerable foreign competition, particularly from developed country firms, and it is legally binding and very difficult to reverse. Pursuit of multilateral liberalization should thus include carefully designed restrictions on market access and national treatment that include performance requirements and economic needs tests where necessary to ensure development gains;
- Interregional and bilateral options may be difficult to manage administratively and may not provide sufficient levels of competition among foreign entrants;

- In the absence of a complementary multilateral agreement, bilateral, regional and interregional agreements may reduce the number and diversity of potential market entrants;
- Regional liberalization has the advantage of being among more similar economies; however, opportunities for foreign investment from regional markets would be more limited than under multilateral liberalization. At the same time, options for Uganda within the agreements it is currently a party to – EAC, COMESA – do not currently have integral services trade agreements, and advancing these existing agreements or developing entirely new agreements with other parties will take time to initiate, negotiate and conclude;
- Hybrid solutions should be considered. Regional liberalization, for example , in the context of EAC and COMESA, could complement liberalization at the multilateral level and provide a number of export opportunities. Liberalization at the regional level could also serve as a stepping stone towards liberalization at the multilateral level, whereby, after generating regional supply capacity and trade in certain services sectors, particularly sensitive sectors, Ugandan service suppliers would possess a strengthened ability to venture into global markets;
- Autonomous liberalization could be effected quickly through national reforms and laws, but national stakeholders may resist such moves, and autonomous reversible reforms would not send a strong signal to foreign investors that Uganda's liberalization commitments are firm, and for all practical purposes, irreversible and permanent. Without sufficient confidence, foreign investors may be less willing to make investments in liberalized sectors.

Which liberalization options are best for Uganda? Does the best way forward depend on the sector in question? What practical considerations must be assessed: timing, sequencing or administrative burden? Any assessment of how to best liberalize a services sector must be considered against the aims of the liberalization process. [34] [35] For each sector in which liberalization is being considered, several important questions need to be answered:

- Is Uganda seeking to enhance export opportunities or improve prospects for inward investment?
- Is Uganda seeking to attract investment from regional players from other developing countries, international players from developed countries, or both?
- Is Uganda seeking to encourage players from selected countries to enter its market as investors, or rather a much larger varied mixture of players that would enter the market under more competitive conditions?
- What opportunities for regional cooperation are provided by EAC and COMESA?
- How important is it for Uganda to demonstrate that it will not backtrack on its market-opening commitments? What experiences have been gained from autonomous liberalization in this regard?
- What sequencing of market opening is desirable based on future expectations for a given sector, both in Uganda and in the East Africa region more generally?

These questions should be considered in the light of the shared aims defining the country's stance in developing each of the candidate sectors (IT, insurance, construction and professional services):

- To promote growth in the sector by providing incentives for new services providers to enter targeted sectors of the market alongside public-sector players in public-private partnerships;
- To attract investment from top international players from both developing and developed countries;
- To encourage the most competitive players from a large varied mixture of players to enter the market;
- To demonstrate that market-opening commitments are firm and permanent to boost investment.

Opening national markets will encourage inflows of investment to subsequently expand services activities, including through outward investments in regional markets, as a regional services hub. There is a need to move quickly for two reasons: first, to ensure that these sectors open fast enough to generate national employment opportunities lost in declining sectors such as agriculture and second, to secure an early mover advantage in these sectors, relative to other countries in the region, in order to establish Uganda as a regional hub for each of these emerging sectors.

UNCTAD is currently working with EAC countries, including Uganda, to assess approaches and options for regional and multilateral services trade liberalization, including through a comprehensive questionnaire-based study. These assessments aim to help each country determine which approaches to liberalization are best suited to meeting national development objectives and generating gains from trade in each of the sectors selected for liberalization and in the wider national and regional economies.

D. RECOMMENDATIONS FOR NATIONAL CONSULTATIONS

National dialogue and consultations on how to proceed in developing the new candidate services sectors discussed above have been undertaken in Uganda. However, additional dialogue and consultations are now needed to meet negotiating objectives and strategies for the current round of GATS negotiations, as well as those of the ongoing EU-EAC-EPA, EAC and COMESA negotiations. All relevant stakeholders from government, parastatals, the private sector, labour groups, civil society and academia should work together to draw up a national master plan to develop the services sector (see I.C.1). In national stakeholder consultations aimed at developing a master plan, stakeholders should seek to answer the following questions in a spirit of cooperation:

- Is there too much, or not enough, GATS opening in the telecommunication and tourism sectors, and in other autonomously liberalized sectors? Will Uganda's new or current GATS offer reflect these perspectives?
- When the telecommunication and tourism services markets were opened up through GATS, were their regulatory frameworks sufficiently robust?
- Are regulatory frameworks sufficient in autonomously liberalized services sectors?
- To what extent was additional regulation needed and how quickly was it developed and implemented?
- Should binding openings be made in other sectors such as IT, insurance, construction and professional services?
- What are the development advantages and disadvantages of further liberalizing the IT, insurance, construction and professional services sectors?
- What are the outstanding development concerns associated with liberalizing the IT, insurance, construction and professional services sectors?
- What positive linkages with merchandise trade are anticipated?
- What limitations on market access and national treatment, horizontally and by sector and subsector, can be devised to maximize development gains from the services sectors?
- Are current regulatory frameworks for the IT, insurance, construction and professional services sectors sufficiently developed and robust for these sectors to now be opened up through the GATS and other frameworks (EU-EAC-EPA, EAC, COMESA)?
- What positive and negative interactions exist between liberalized services sectors?
- What concessions do stakeholders desire from Uganda's trading partners? What sectoral liberalization requests should Uganda make, and to which countries?

In responding to these questions, stakeholders should be better placed to decide upon the best approaches – autonomous, bilateral, regional, interregional or multilateral – to achieve liberalization of the IT, insurance, construction and professional services sectors.

II

INSURANCE, LEGAL, ACCOUNTING, AND CONSTRUCTION AND ENGINEERING SERVICES

A. INTRODUCTION

This study was prepared for UNCTAD's Trade Negotiations and Commercial Diplomacy Branch of the Division of International Trade as part of UNCTAD's Assistance to Developing Countries on Services, Development and Trade Negotiations Project. It was conducted in the framework of the UNCTAD National Services Policy Review project for Uganda, which aims to examine the economic, social, regulatory, institutional and trade dynamics of the services sectors in that country.

This study was designed with the following objectives:

- To survey some of Uganda's achievements Uganda in developing particular services sectors,
- To examine what can be done to further enhance the development of these services sectors, in particular through regulatory, institutional and trade policy reform;
- To determine what can be done to promote the accelerated development of other selected sectors.

UNCTAD, in collaboration with Uganda's Ministry of Tourism, Trade and Industry, convened the first national multi-stakeholder services workshop from 8 to 10 September 2008, to facilitate discussions among national stakeholders on strategic approaches to further the development of Uganda's services sector, including within a collaborative intersectoral and trade policy context.

1. Methodology

The national workshop subsequently resolved that the National Services Policy Review would build on services studies that have been or are in the process of being conducted in Uganda's specific context, including those carried out by UNCTAD, International Lawyers and Economists against Poverty, the Department for International Development and other organizations. The workshop recommended that the methodology to be utilized in performing the study in the NSPR framework should include an extensive review of all existing work on services, in addition to conducting detailed interviews with key stakeholders, such as government agencies, quasi-governmental bodies, regulators, business support organizations and associations from the public and private sectors. It was further agreed that the findings from the study would be presented at another national workshop with a broader spectrum of participants for consideration. The workshop to make and adopt the final recommendations from the NSPR Project was held on 18 and 19 November 2009.

Therefore, in compiling this report, the consultants reviewed an extensive body of reports, studies, policy documents, statutes, regulations and laws listed in the References section of this report. A total of 25 wide-ranging interviews with 17 key respondents in 12 institutions and organizations from the 4 selected sectors were conducted using the interview guide, annexed to this report as annex 2.

The consultants' approach to the study was guided by Uganda's National Trade Policy, which notes the importance of services in development and earmarks them "for deliberate exploitation". To emphasize this, the President of Uganda made specific proposals: "Deliberate interventions will be made in areas such as regulation, including the elimination of trade-distorting policies and practices locally and internationally. Government recognizes that trade policies will be most effective when complemented by effective and efficient institutions, in particular those responsible for policy formulation, implementation and monitoring; a supportive legal regime; adequate and efficient trade-facilitating infrastructure and appropriate human capital and skills in both the private and public sectors. It is Government's intention to ensure that all these are in place". [36] This emphasis is reflected in the extensive coverage devoted to regulation and regulatory institutions and policies in the study.

2. Sectoral Coverage

The study covers four sectors selected on the basis of the guidance of the national workshop referred to above. It is expected that additional sectors will be selected and included in the subsequent phases of the NSPR. The choice reflects the importance Uganda attaches to these sectors and the need to upscale the performance of these services sectors, especially in the context of Uganda's regional trade services liberalization commitments in the EAC and COMESA. Uganda's schedule of Commitments in the EAC Common Market Protocol indicates transitional time frames for accounting, insurance and legal services. These time frames for the progressive implementation of Uganda's liberalization commitments in regard to these sectors are indicative of the readiness of both the regulators and players in the sectors in addition to the importance the country attaches to the sectors. Therefore, the choice of sectors and any recommendations made in the NSPR framework should be viewed in this context.

The selection of key respondents to this study has been deliberate to ensure buy-in and support for the recommendations made as part of the NSPR exercise by regulators and policy institutions on the one hand and the players on the other.

The study has revealed many overdue regulatory and policy gaps requiring immediate attention by both parties.

B. ECONOMIC OVERVIEW OF UGANDA'S SERVICES SECTOR

1. Background

In Uganda, the services sector has become increasingly important, as demonstrated by its contribution to economic growth in general, and to poverty-eradication programmes in particular, through employment generation, remittances from abroad and through its forward and backward linkages with other sectors. Services have consistently over the last 15 years demonstrated the highest growth potential than any other sector in the Ugandan economy (Atingi Ego, 2003). Over this period, the sector has been growing at an estimated annual rate of 6.8 per cent, ahead of the agricultural sector. For a more detailed outlook, see table II.1. The contribution of agriculture to GDP continued to decline from 15.7 per cent in 2007/08 to 15.1 per cent in 2008/09, despite being reported as still employing over 80 per cent of the population. In 2008/09 the services sector was reported to have grown by 9.4 per cent, compared with 7.2 per cent and 2.6 per cent for industry and agriculture, respectively. The aggregate contribution of services to GDP in 2008/09 was 51.2 per cent, which is more than the total contribution to GDP of all the other sectors, namely, 24.5 per cent and 26 per cent for industry and agriculture, emphasizing the importance of the sector as a key driver of overall economic growth for Uganda in the medium to long term. [37]

Uganda's services imports have increased considerably since 2003, reaching an all-time high in 2007. Transportation, other business, travel and insurance services are the main imports as illustrated in table II.2. Understandably, for a landlocked economy, dependent on transportation for all its trading activities, transportation is Uganda's leading service import.

In contrast, Uganda's exports of services have been erratic, having hit an all-time high in 2005, declined the following year before rising again in 2007.

A careful scrutiny of real GDP growth rates of a cross-section of Uganda's services sectors indicates that the communication sector, which was typically among the smallest contributors until the 1998/99 fiscal year, has consistently increased to be one of the main contributors to Uganda's national GDP. Since 2002/03, communications has been the fastest growing sector in Uganda. Total revenues generated in the ICT sector experienced a twenty-fold growth in the five years between 2001 and 2006. [38]

A breakdown of Uganda's exports in services from 2003 to 2007 is provided in the table II.3.

Uganda is one of Africa's better performers in the export of ICT-related services; they are reported as having grown from $0.7 million in 2003/04 to $31.5 million in 2006/07, a forty-five-fold increase;[39] this makes the ICT sector one of Uganda's best export performers.

The primary export market for most firms in the ICT and telecommunication sectors is EAC. The Services Capacity Report [40] reported all its respondents as quoting at least one of the EAC countries as being among their top three principal export markets. The report further reveals that all respondents indicated an EU country among their primary export markets except one, whose export markets included an Eastern European country.

Uganda's imports of services have been growing at a faster rate than its exports as seen in Figure II.1 represented as traded values for the period 2003–2007. Exports have shown positive growth and remain on an upward trend. The balance of trade data, however, shows a widening divergence in imports and exports.

Available data shows that the tourism and travel subsector has been the top export for Uganda since 2003. In 2007, the export value for the travel subsector accounted for $398 million.

Table II.1. Economic Structure and Performance, 2003–2008 - (GDP Growth Rates in Percentage)

Sector	2003/4	2004/5	2005/6	2006/7	2007/8
Agriculture, forestry and fishing	1.6	2.0	0.5	0.1	0.7
Cash crops	7.3	-5.5	10.6	5.4	2.2
Food crops	-1.5	-0.2	-0.1	-0.9	2.4
Livestock	4.7	3.0	1.6	3.0	3.0
Forestry	3.1	6.5	4.1	1.9	2.6
Fishing	9.6	13.5	5.6	-3.0	-12.4
Industry	8.0	11.6	14.7	9.9	6.4
Mining and quarrying	1.7	27.2	6.1	19.4	0.8
Manufacturing	6.3	9.5	7.3	4.3	8.1
Formal	8.3	11.8	7.8	4.0	9.5
Informal	1.7	3.6	6.0	5.2	4.3
Electricity supply	7.7	2.1	-6.5	-4.0	6.0
Water supply	4.2	3.9	2.4	3.5	5.0
Construction	10.0	14.9	23.2	14.3	6.0
Services	7.9	6.2	12.2	8.8	13.0
Wholesale and retail trade; repairs	6.3	7.2	12.3	9.9	17.5
Hotels and restaurants	9.5	6.5	8.7	11.3	4.4
Transport and ICT-related sectors	15.8	9.8	17.1	17.7	18.8
Road, rail and water transport	8.9	6.7	12.8	9.4	21.7
Air transport and support services	13.8	19.7	6.9	13.8	20.8
Posts and telecommunication	28.6	11.8	26.2	29.1	15.4
Financial services	0.0	13.0	31.7	9.9	29.6
Real estate activities	5.5	5.5	5.6	5.6	5.6
Other business services	7.0	9.2	12.5	10.0	10.4
Public administration and defence	7.7	-5.4	15.8	-8.3	18.4
Education	9.1	4.4	9.4	10.6	5.5
Health	0.9	5.6	12.9	2.7	15.2
Other personal and community services	16.1	15.0	14.1	13.4	12.8
GDP at basic prices	6.4	6.6	10.3	7.4	8.9

Note: May not add exactly due to rounding off.
Source: Background to the Budget FY 2008/09, June 2008, p. 12.

Other business services, the second-highest performing sector, accounted for $38 million. According to WTO statistics for 2007, Uganda's major exports are transportation (3.1 per cent), travel (73.6 per cent) and other commercial services (23.3 per cent). These sectors are also the major imports: transportation (53.8 per cent), travel (9.7 per cent) and other commercial services (36.5 per cent).

Historically, core infrastructural services were considered the domain of government policy and ownership. Over time however, infrastructural services have performed dynamically. In 2008, they accounted for approximately 35 per cent of all services, with trade driven largely by North–South foreign direct investment flows. An analysis of the investment patterns by transnational corporations indicates that infrastructural services have featured prominently in their overall investment portfolio over the last decade, with over 20 transnational corporations featured among the top 100 companies in 2006, compared with only 7 in 1997 (UNCTAD, 2008).

Table II.2. Services Imported by Uganda, 2003–2007 (US Dollars at Current Prices and Current Exchange Rates in Millions)

Service Sector	2003	2004	2005	2006	2007
Transport	229.9	267.8	353.1	468.1	619.5
Other business services	115.6	31.2	30.1	61.6	92.2
Travel	-	108.1	124.4	122.9	132.0
Insurance	29.9	39.2	47.9	56.9	75.5
Government services	14.8	16.9	15.5	14.6	19.4
Communications	10.1	11.4	10.9	14.7	19.1
Financial services	2.3	2.8	3.3	3.3	4.2
Royalties and licence fees	7.9	1.4	1.5	10.6	4.8
Total services	410.5	478.8	586.7	752.7	966.7

Source: International Trade Centre; International Monetary Fund Balance of Payment Statistics.

Table II.3. Services Exported by Uganda, 2003–2007 (US Dollars at Current Prices and Current Exchange Rates in Millions)

Services Sector	2003	2004	2005	2006	2007
Transport	8.9	9.6	11.0	11.8	18.4
Other business services	28.4	33.9	20.8	32.4	38.0
Travel	184.2	267.0	379.9	345.9	398.3
Insurance	3.2	4.1	7.4	8.8	10.9
Government services	10.3	11.9	13.3	15.0	21.4
Communications	16.6	18.7	17.9	24.2	27.8
Financial services	6.5	9.2	11.3	11.9	14.7
Royalties and licence fees	0.6	...	7.4	2.4	0.5
Total services	258.7	354.4	469	452.4	530

Source: International Trade Centre; International Monetary Fund Balance of Payment Statistics.

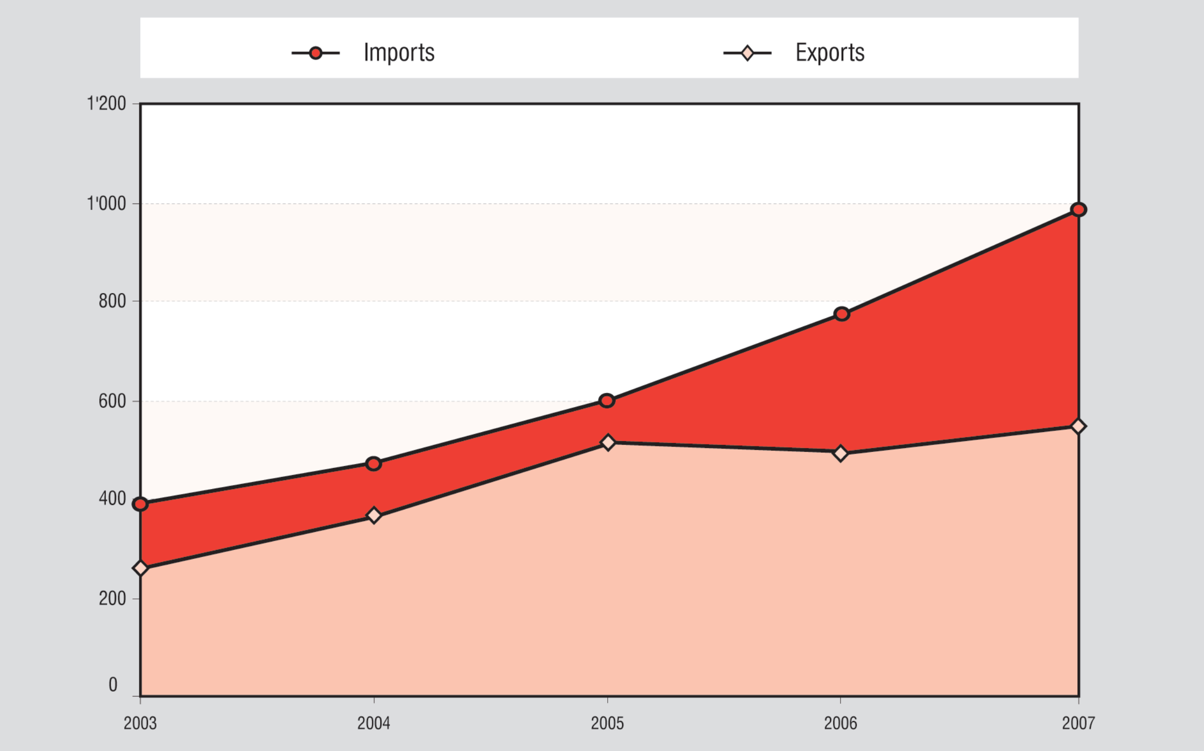
The development of Uganda's infrastructural services in general, and its transport and insurance services, in particular are especially important in light of Uganda's landlocked status. Uganda incurs high costs on transport and insurance services, which are necessary to bring its exports to the market (UNCTAD, 2008). Its landlocked situation fundamentally accounts for the country's colossal expenditure on transport, making transportation Uganda's leading service import (Hub and Spokes, 2009). Transportation, other business, travel and insurance services have been Uganda's main service imports over the last decade (See table II.2).This explains why liberalization, coupled with policy making and regulatory reform in transport and the equally important insurance sector, is central to all efforts to take up the considerable challenges faced by Ugandan traders.

The Ministry of Tourism, Trade and Industry proposes to respond to this constraint by focusing on attracting inward flows of foreign direct investment through the Economic Partnership Agreement into key services sectors that have strong backward and forward linkages to the wider economy (manufacturing and agriculture), also called infrastructural service,[41] thereby stimulating economic diversification, business development, economic growth and regional and global competitiveness.

2. Professional Services

Globally there is a demand for both highly and lower-skilled persons. Traditionally, going back to the 1990s, there has been a very high movement of persons from Uganda to Europe, the United States,

Figure II.1. Balance of Trade in Services, 2003–2007 (US Dollars at Current Prices and Current Exchange Rates in Millions)



Source: UNCTAD, Handbook of Statistics, 2009

Japan and the Middle East in sectors such as health care and education services with a number of beneficial impacts, in particular in terms of remittance flows.[42] Uganda benefits from high remittance flows, which are constantly on the rise. In 2003, Uganda's remittances were double its total official development assistance flows. Remittance inflows increased by over 200 per cent from $646 million in 2006 to $1,392 million in 2007.

Remittances from Ugandans working abroad have for several years been a leading source of foreign exchange, and they continue to rise dramatically; for instance, from $646 million in 2006 to $1,392 in 2007, a twofold increase (Mangeni, 2008).The significance of remittances as a strategic source of foreign exchange for Uganda explains the importance the Government attaches to this emerging foreign exchange avenue with the establishment of the specialized Labour Externalization Unit at the Ministry of Gender, Labour and Social Development as a focal point to initiate institutional arrangements to facilitate the pursuit of opportunities abroad.

The importance of remittances as a critical source of foreign exchange is not unique to Uganda, as revealed by data from selected African countries showing that almost all countries have registered inward remittance growth since 2000. The average yearly growth rate among these countries is well over 10 per cent, with Ethiopia, Uganda, Rwanda and Ghana boasting well over 20 per cent annual growth rates over the last 10 years (World Bank, 2007).

A comparison of inward and outward remittance flows for the East African countries for 2003-2007 indicates that Uganda's remittance outflows have averaged about 70 per cent of its inward remittances since 2003, while Kenya's level of remittance outflows is the lowest in the East African Community with its percentage of outflows to inflows averaging 4 per cent since 2003. In the case of Rwanda and the United Republic of Tanzania, remittance outflows exceed inflows. The high level of Uganda's remittance outflows suggests in part that to maximize the development impact from inward remittance flows, improve the domestic economy and reduce poverty levels, there is a need to significantly increase the levels of inward remittances beyond current levels (Investment Climate and Business Environment Research Fund, 2009).

This is a sector of major offensive interest for Uganda. It has a large pool of professionals in nearly every sector, and the export of temporary labour has been identified as being central to contributing positively to increased remittance flows, enhanced knowledge and exposure to new technologies and methodologies. A briefing paper on Uganda's position in the ongoing EAC-EC EPA negotiations from the Ministry of Tourism, Trade and Industry recommends seeking commitments from Uganda's trading partners, including the European Union in all professional services sectors (accounting and bookeeping, engineering, architecture, integrated engineering, medical and dental, nurses and midwives) as a priority of Uganda's future trade in services requests ("Hub and Spokes" Project, 2009).

C. ACCOUNTING SERVICES SECTOR

1. Trend Analysis

1.1 Contribution of the Accounting Services Sector to GDP

The problems associated with aggregated statistics make it hard to quantify and track the contribution of accounting to Uganda's GDP. However, the achievements of the Institute of Certified Public Accountants of Uganda in its first decade of active existence suffice to measure the role of the regulated accounting services in the transformation of Uganda's economy. It is more critical to note that without accountants it would have been impossible to record Uganda's impressive economic performance over the last decade and a half.

1.2. Employment Trends in the Accounting Services Sector

The records at the Institute of Certified Public Accountants of Uganda indicate that the number of registered accountants in Uganda has grown more than 10 times, from 79 in 1995 to over 827 by 30 October 2009. The number of accounting firms increased from 12 to 171 over the same period. In addition, the student membership of the Institute rose from 44 in 1997 to a total of 8,732, including 6,492 and 2,240 Certified Public Accountant (CPA) and Accounting Technicians Certificate (ATC) students respectively. [43] To date the Institute has garnered a total of 1,398 graduates in its ATC (1,052) and CPA (346) programmes (Institute of Certified Public Accountants of Uganda, 2009). The Association of Chartered Certified Accountants estimates the total number of accountants in Uganda at 950 (Association of Chartered Certified Accountants, 2009). There has been a surge in the number of young people pursuing accounting careers, as demonstrated by a nearly twenty-four-fold increase in the number of student members of the Association of Chartered Certified Accountants in Uganda. The Association's Uganda Country office reported that programme enrolment had increased from 200 in 2000 to 4,112 in 2009. The number of graduates[44] has similarly risen from a mere 49 to 451 over the same period. The Association's Uganda database indicates that in the last decade the number of Ugandans who have successfully passed to become full members had increased by over 220 per cent from 410 in 2000 to 916 by 2009. This means that apart from the challenges of quantifying its contribution to the economy, the sector has a solid and rapidly growing foundation upon which a vibrant future will be built. Uganda's accounting services sector is presently estimated at slightly over 2,000 individuals offering accounting and auditing services, and its related services as full-time employees (Institute of Certified Public Accountants of Uganda, 2008).

2. Regulation in the Accounting Services Sector

The Accountants Act, Cap. 266, is the applicable law that governs the accounting and auditing practice in Uganda. The Act establishes the Institute of Certified Public Accountants of Uganda as the competent authority in Uganda with the mandate to regulate and maintain the standard of accountancy in the country; and to prescribe or regulate the conduct of accountants in Uganda, Part II, section 3 (a) and (b).

The Act in Part IV, section 18, designates the Auditor General as the Registrar of Accountants in Uganda. In section 21 it sets licensing requirements for accountants, and without any regard for GATS and its conventional four modes of supply specifically, restricts the practice of accounting to individuals to the detriment of firms.[45]

The Act defines what constitutes accounting services for purposes of trade and regulation by the appropriate law and authorities. Persons offering accounting services are defined as those who (a) offer to perform or performs services involving the auditing, verification or certification of financial accounting or related statements; (b) render professional service or assistance on matters of principle, accounting procedure or certification of financial facts or data; or (c) render any service which in accounting principles or bylaws made by the council are services amounting to practising accountancy, among others.[46]

The Accountants Act, section 5 (2), sets out both eligibility and qualification requirements for persons that can practice as accountants in Uganda. The Act provides for registration with the Institute of Certified Public Accountants of Uganda and disciplining of accountants and the approval and maintenance of their professional standards.

Respondents from the Institute indicated that given how increasingly competitive the accounting profession is becoming, there was a need to amend the qualification requirements with a view to making them more stringent and consistent with the increasing market demands on the accountants, both for the present and the future.

Uganda's accounting services sector is presently estimated at slightly over 2,000 individuals offering accounting and auditing services and its related services as full-time employees.

In contrast, only 827 of these were enrolled, registered, licensed, properly certified to practise as such and allowed to use the titles, "Certified Public Accountant of Uganda" (CPA (U)) and "Associate Accountant of Uganda" (AA(U)) with their names as explicitly provided for in sections 9 [47] and 25.[48]

3. Uganda's Accounting Services Sector – Regional Status

A review of the Annual Report of the Eastern Central and Southern African Federation of Accountants – 2008, of which the accounting fraternity in the region are members, indicates a disadvantaged position for Uganda.

The Institute of Certified Public Accountants of Uganda reported a membership of 699 persons, compared with 3,620, 1,353 and 2,938 members reported by the Institute of Certified Public Accountants of Kenya, the National Board of Accountants and Auditors of the United Republic of Tanzania and the Zambian Institute of Certified Accountants, respectively, at the end of 2008. The South African Institute of Certified Accountants reported a membership of 19,502 for the same period, a number almost 4 times the total membership of all 3 EAC members put together.

The recommendations by the Institute of Certified Public Accountants of Uganda to introduce more stringent qualification and professional development requirements for the accounting industry do not seem misplaced, given the apparently lower level of accounting in the EAC.

4. Accounting Services and Professional Development

The Accountants Act establishes a Public Accountants Examinations Board to (a) determine the syllabi and curricula in respect of examination in the subjects of study; (b) conduct public accountants examinations;(c) appoint examiners and moderators of examinations; and (d) make rules governing the public accountants examinations.[49]

4.1. Public Accountants Examination Board

At its inception the Institute of Certified Public Accountants of Uganda realized that it could not effectively discharge its statutory duties and fulfil its mandate without an internationally reputed accounting training programme. With the support of the World Bank through the Uganda Institutional Capacity-Building Project and technical assistance from the Institute of Chartered Accountants of Scotland, the Institute established a Public Accountants Examination Board.

The Institute of Certified Public Accountants initiated a twinning arrangement with an accountancy body in the region and carried out study visits across select accountancy institutes across the region to explore the set-up of their institutes and establishment of their examination schemes.[50]

Over the last 10 years, the Institute has developed and successfully conducted two specialized training programmes of international repute, namely the Certified Public Accountants of Uganda (CPA-U) for Certified Public Accountancy practice and the Accounting Technicians Certificate of Uganda (ATC-U) for Government Accounting Practice. The Institute's Public Accountants Examination Board had successfully examined 1,398 graduates including 1,052 and 346 ATC-U and CPA-U candidates respectively by October, 2009 (Institute of Certified Public Accountants of Uganda, 2009).

The Institute of Certified Public Accountants of Uganda's training programmes and the success of its Public Accountants Examination Board are the underlying factors behind the tremendous growth in the number of registered accountants and the dramatic increase of the accounting fraternity's student membership. The success of these training programmes has had a lot to do with the number of people in full-time accounting-related employment (auditing, verification and certification of financial statements or related financial reports) in Uganda currently estimated at over 2,000.[51]

4.2. Accounting Services - Continuing Professional Development and Education

A comparative analysis of the Annual Continuing Professional Development and Education Returns of the Eastern Central and Southern African Federation of Accountants for 2008 reveals the need for Uganda and EAC in particular to critically examine their efforts in this essential aspect of professional development for accounting if they are to catch up with the best in the region.

The Federation's 2008 Returns, indicate that the South African Institute of Certified Accountants boasted the largest numbers of accountants and the best continuing professional development and education returns, with 84 per cent of its members meeting the Federation's minimum requirements for continuing professional development and education.

Despite Kenya's superior numerical strength in the region (3,620 members) the EAC reported the lowest continuing professional development and education returns with a marginal 40 per cent of its members meeting the Federation's minimum requirements; the United Republic of Tanzania (1,353 members) reported the highest results with 71.2 per cent, and Uganda (699 members) reported a close second, with 65 per cent.

Despite what seem to be detailed provisions in the Accountants Act, there is a need to amend it to effectively respond to the onerous regulation function required of the Institute of Certified Public Accountants of Uganda. Of particular concern in this regard is the need to extend the scope of the Institute's jurisdiction to cover the entire spectrum of the accounting practice in Uganda. The present legislation, while purporting to designate the Institute Uganda's competent authority on all accounting matters, including auditing, and therefore the statutory regulator of these services in Uganda, restricts the Institute's effective jurisdiction solely to its members. This lack of coherence between the statutory roles of the Institute and its jurisdiction explains the disparity between the employment figures in accounting and the number of its members. Once achieved, such coherence will make the Institute more effective in its regulatory role. The Association of Chartered Certified Accountants has approximately 92 per cent and 49 per cent share of the member and student markets respectively.

4.3. Accounting Services and the Millennium Development Goals

Although it does not have specific programmes designed to respond to the Millennium Development Goals, the Institute of Certified Public Accountants of Uganda seeks to ensure that the conduct of its members in particular and the accounting fraternity (including auditors) in general positively impacts Uganda's performance in respect of the governance dimensions of all the Goals.

The design of the Accounting Technicians Certificate of Uganda for Government Accounting Practice was informed by this objective to improve government accounting practices. The training modules were developed with the active participation of both the Auditor General and the Accountant General and deliberately benchmarked against World Bank public procurement requirements to emphasize elements of value for money audits and forensics.

The graduates of this programme have been instrumental in the procurement, accounting and audit processes of the School Facility Grants, which are the primary financing vehicles of Uganda's Universal Primary Education Programme and recently, its Universal Secondary Education Programmes, both of which are at the centre of the country's strategy to achieve Goal 2.

In response to Goal 3 on promoting gender equality and women empowerment, the Institute of Certified Public Accountants of Uganda reported that, having noted the comparatively smaller number of female members among the accounting fraternity, the Institute had introduced in all its training programmes, including the Accounting Technicians Certificate of Uganda and the Certified Public Accountants of Uganda, Special Recognition Awards for female graduates and participants.

As part of the mandatory Continuing Professional Development Programme for all its members, the Institute, in its efforts to contribute towards achieving

Goal 6, combating HIV/AIDS, malaria and other diseases, introduced a compulsory continuing professional development requirement to attend an HIV/AIDS module. In addition, a dedicated session of the Institute's Annual General Meeting and Annual Seminar has been reserved for HIV/AIDS and tuberculosis since 2005.

The Institute adopted the Environment Accounting Standard as part of Uganda's Statutory International Accounting Standards to ensure that Uganda's accounting fraternity continues to observe international good environment practices well beyond the 2015 Millennium Development Goal deadline pursuant to Goal 7, that of ensuring environmental sustainability.

5. Trade Liberalization in Uganda's Accounting Services Sector

Uganda's accounting services sector is fully liberalized, allowing for cross-border practice, which has opened up the domestic market to eligible foreign practitioners. The Accountants Act, Cap. 266, section 49, Fifth Schedule, lists the recognized institutes in Uganda and abroad for first enrolment whose members meet the eligibility requirements of the Institute of Certified Public Accountants of Uganda.[52]

There are 171 licensed accounting and auditing firms in Uganda, including 6 foreign ones locally incorporated in Uganda.

At its inception, the Institute was set up to operate in a liberalized dispensation. Unlike its older partners in the region, it has not had to deal with extreme liberalization adjustment challenges. As reported previously, the Institute was kick-started through a twinning arrangement with the Institute of Chartered Accountants of Scotland, which gave the infant Institute a mindset predisposed to international partnerships and best practices. This arrangement, aimed at laying a training and examinations framework for the Public Accountants Examination Board of the Institute of Certified Public Accountants of Uganda, set the ground for a firm international orientation for the Institute and therefore, for the accounting services sector in Uganda.

Despite its predisposition to foreign practice, the Accountants Act has been found short of full compliance with the EAC Common Market Liberalization Requirements. The EAC Common Market Protocol states that business services, including accounting and bookkeeping services, are among the seven sectors to be initially subjected to the freedom of movement of services on a progressive basis according to schedules by EAC Partner States. The Act was found in breach of these requirements because the accounting institutes in Burundi and Rwanda were not included in its list of recognized institutes (Reference to the Fifth Schedule of the Acccountants Act).

An EAC study on the state of liberalization in trade in services highlighted that by recognizing accounting institutes outside the Region, the Accountants Act was "according better treatment to third parties than to Partner States of the EAC (Burundi and Rwanda), whose Institutes are not recognized."[53] The Fifth Schedule of the Accountants Act will have to be amended to address these concerns and comply with the EAC's Common Market liberalization commitments for business services.

International Financial Reporting Standards – The Accountants Act charges the Institute of Certified Public Accountants of Uganda with the responsibility of approving accounting and auditing standards in Uganda.[54] Despite its short life span, the Institute has been proactive in its deliberate orientation of Uganda's accounting services in general, and its members in particular, to have a global reach in standards, regulation, conduct and practice.

This is reflected in the Institute's decision to adopt without any modifications the International Financial Reporting Standards developed by the International Auditing and Assurance Standards Board for application in Uganda as the country's National Accounting Standard, unlike all the other EAC accounting regulators. This means that Ugandan financial statements and reports meet international reporting standards and would not require adjustment, as those from jurisdictions applying local standards and practices. The emerging global trend of adopting and committing to International Disciplines and Standards, especially in accounting, which is gathering momentum including at WTO, will find Uganda's accounting sector already compliant. Non-compliant members, who unfortunately include all the other EAC Partner States, are facing increasing adjustment costs in the effort to comply, which Uganda has avoided.

International Public Sector Accounting Standards – In the exercise of the mandate referred to above, the Institute's decision to adopt International

Financial Reporting Standards has not been limited to corporate and private business reporting, but has been extended to include public accounting standards with the adoption of the International Public Sector Accounting Standards developed, with no modifications, by the International Public Sector Accounting Standards Board as Uganda's National Public Reporting Standard for government accounts and audit processes and reporting. The Accounting Technicians Certificate of Uganda Course of the Institute of Certified Public Accountants of Uganda was designed to facilitate and fast-track the public-sector accounting reforms with the effective application and enforcement of these standards by the Government of Uganda.

Audit monitoring and quality assurance programme – The Institute of Certified Public Accountants of Uganda is one of the three regulators of accounting and audit practice in Eastern, Central and Southern Africa certified to run audit monitoring on behalf of the Eastern, Central and Southern African Federation of Accountants in the quality assurance programme of the Federation and the Association of Chartered Certified Accountants. This programme requires all audit firms under the Federation's jurisdiction to maintain quality-control systems in accordance with the International Standard on Quality Control 1. The Institute of Certified Public Accountants of Uganda has since February 2008, established a dedicated audit monitoring team and recruited full-time staff to exclusively conduct these mandatory audits under the scheme.

6. Uganda's Accounting Services Sector: an Analysis of Strengths, Weaknesses, Opportunities and Threats

6.1. Strengths

Institute of Certified Public Accountants of Uganda – The main asset of Uganda's accounting and auditing services sector is the well-established, professional and independent regulator, the Institute of Certified Public Accountants of Uganda. The Institute has been accepted by both the professionals in accounting and audit practice and their clients in the private and public sector, which has increased its credibility and effectiveness as a legitimate regulator for the sector.

The Accountants Act, Cap. 266 – This Act provides an elaborate legal framework for the accounting services sector. The law has detailed provisions on enforcement and its processes, and designates enforcement agencies. The Institute has taken advantage of this legislation to increase its effectiveness.

Public Accountants Examination Board - Certified Public Accountants of Uganda and Accounting Technicians Certificate of Uganda – Through its Public Accountants Examination Board, the Institute of Certified Public Accountants of Uganda, in partnership with an internationally reputed accounting institute, the Institute of Chartered Accountants of Scotland, has established recognized local qualifications, namely the Certified Public Accountants of Uganda and the Accounting Technicians Certificate of Uganda. These qualifications provide a basis for a locally grown cadre of accountants and auditors to meet both Uganda's domestic accounting requirements in the private and public sectors. For reasons explained previously, the members of the Institute of Certified Public Accountants of Uganda are better placed than their compatriots in the EAC region to export accounting services to the region and beyond.

Goodwill from the Government of Uganda – The Institute enjoys much good will and support from the Government, which is its biggest client. Notably, the Accountants Act designates the Auditor General as the Registrar of Accountants in Uganda. Therefore although the Institute is an independent body, the Government has a very big stake in it.

Donor support – The Government's development partners have identified a strong and well-resourced accounting sector as the most effective tool to address the country's financial governance issues. This explains the support the accounting sector enjoys from the donor community.

The seed money for the Institute of Certified Public Accountants of Uganda was a $980,000 grant from the World Bank under the Uganda Institutional Capacity-building Project.[55]

6.2. Weaknesses

In comparison with other countries, Uganda's accounting services sector is relatively young and still small. The Institute of Certified Public Accountants of Uganda has a mere membership of 699 accountants, compared with that of the Institute of Certified Public Accountants of Kenya (3,620 members), the National Board of Accountants and Auditors of the United

Republic of Tanzania (1,353 members), the Zambian Institute of Certified Accountants (2,938 members) and the South African Institute of Certified Accountants (19,502 members).

The narrow scope of the jurisdiction of the Institute of Certified Public Accountants of Uganda restricts the Institute's regulation role to its members while purporting to designate the Institute to serve as the statutory regulator of all accounting practitioners in Uganda. This lack of coherence between the statutory roles of the Institute and its jurisdiction undermines its effectiveness as the national accounting regulator. As a result of this narrow scope, the majority of people offering accounting services are not regulated. Judging by the Institute's estimates of people offering accounting services in Uganda in 2000, the unregulated players are almost twice the number of the regulated accountants.

6.3. Opportunities

There is a large pool of potential trainees in the accounting and auditing professions which the sector can draw from in an effort to bridge the gap and catch up with the bigger accounting and audit fraternities, especially in Kenya and the United Republic of Tanzania.

International Financial Reporting Standards – The deliberate strategy to adopt these standards as Uganda's National Accounting Standard, unlike all the other EAC accounting regulators in addition to the advantages indicated earlier, has given a global dimension to the horizons of Uganda's accountants in general and the members of the Institute of Certified Public Accountants of Uganda in particular. The employment prospects for Ugandan accountants are as wide as the extent of application of these standards. The anticipated successful conclusion of the WTO negotiations on international disciplines and standards in accounting based on these standards will broaden these prospects even further.

Growing importance and emphasis on corporate governance – The increasing need for compliance with good corporate practices means that compliance is essential for virtually everything from creditworthiness in financial markets to performance guarantees in procurements and other related decision-making processes. This has taken the demand for regulated accounting to a new level. The Uganda Securities Exchange has added a positive spin to the accounting profession. The buzz around the Ugandan Bourse with successful initial public offerings and a growing number of blue chip corporate listings at, and floating bonds on, the Uganda Securities Exchange has increased the domestic demand for accountants. Uganda Securities Exchange compliance requirements include audited accounts and other accounting requirements that can only be offered by regulated accounting and audit practitioners certified by the Institute of Certified Public Accountants of Uganda.

The recent launching of the Credit Reference Bureau has added to this governance-fuelled demand for Institute members.

6.4. Threats

Delayed amendment to the Accountants Act – Despite the consensus around the obvious gaps identified in the Accountants Act, the Government is not acting fast enough to amend the inadequate legislation. Unfortunately, presenting the proposed amendments for appropriate action is beyond the mandate of the primary drivers of the regulation function in the accounting sector, namely the Institute of Certified Public Accountants of Uganda. The amendments have not been presented to Parliament for almost five years since the text was finalized.

Reduced government sponsorship – Until the private sector achieves its full potential, the Government is likely to remain the main client of the accounting sector. The Institute of Certified Public Accountants of Uganda reported that the Government was its biggest benefactor because of the large number of public-sector accounting trainees. In the recent past the Institute has observed a reduction in the Government's sponsorship of its employees to full completion of the Institute's professional course. The Institute originally designed its Accounting Technicians Certificate of Uganda course as a fast-track programme to full professional enrolment to practitioners in both the private and public practice. The Institute's observation is that the Government seems to be satisfied with accounting trainees and not keen to sustain their sponsorship to full professional enrolment, which is detrimental to both the trainees' accounting careers and the success of the Public Sector Accounting Reforms currently under way. This has a negative impact on the Institute's revenue streams and will certainly affect the full implementation of the International Public Sector Accounting

Standards, owing to an inadequate supply of fully qualified accountants with the appropriate skills.

D. INSURANCE SERVICES SECTOR

1. Trend Analysis

Contribution of the Insurance Industry to GDP

The industry wrote U Sh 167 billion ($84 million) of gross premiums in 2008, of which non-life accounted for 91 per cent, and life premiums, 9 per cent.[56] This represents a dramatic increase of over 300 per cent in premiums written by the domestic industry over the past 7 years, compared with 2002 when a marginal U Sh 53 billion in gross premiums was written. In 2007, gross premiums rose to U Sh 126 billion, hitting an annual growth rate of 23 per cent.[57] See table II.4 for a more detailed picture.

This impressive performance is consistent with other economy-wide indicators resulting from increasing economic activity. However, for the insurance sector, this can be attributed to increased consumer awareness and the introduction of new and improved products tailored to consumer needs.

The insurance sector's contribution to Uganda's GDP remains at about 0.6 per cent. Table II.5 provides a breakdown of the contribution of the insurance sector to GDP and its market penetration.By all accounts, the major hindrances to the growth of the insurance industry are as follows: (a) a lack of insurance awareness among the insuring and would-be insuring public; (b) generally low incomes of the majority of prospective customers, giving rise to an inability to afford insurance because of non-possession of valuable insurable property; and (c) inadequacy of products that would be ideal for rural prospective customers who form the bulk of the population.

Whereas there has been positive growth in the insurance sector in Uganda, the country's insurance penetration still lags behind industry averages in other African countries. Uganda accounted for only 0.14 per cent of the total African gross premiums for 2007, while South Africa, Africa's insurance giant, accounted for 80 per cent. See table II.6.

Between 2003 and 2007, overall employment in the insurance sector increased gradually, as indicated in table II.7.

2. Uganda's Insurance Services and the Millennium Development Goals

Microinsurance

The study has found no deliberate efforts for the insurance industry to make a contribution to Uganda' efforts to achieve the Millennium Development Goals, However, the Uganda Insurance Commission reported that its push for microinsurance, which is especially designed for the poor, would make a positive contribution to Goal 1, the eradication of extreme poverty and hunger. Despite the low premiums generated from microinsurance, 6 out of 21 companies in the industry reported offering microinsurance products in 2008. [58]

As part of this microinsurance initiative, the industry regulator has designed and co-ordinated training of insurance company staff on microinsurance to increase its uptake by the industry and encourage product innovation on microinsurance by the insurance players.

The Uganda Insurance Commission is obtaining assistance from the International Association of Insurance Supervisors to develop a regulatory framework for microinsurance aimed at increasing health insurance coverage for the poor.

According to the Commission, private health insurance – although still not widespread – has contributed towards reducing child mortality, improving maternal

Table II.4. Life and Non-Life Reinsurance Trends, 2003–2007

Employment Category	2003	2004	2005	2006	2007
Gross written premiums	64,798	80,755	90,179	102,295	128,857
Reinsurance premiums	25,799	35,135	37,638	40,813	48,049
Percentage	39.81	43.51	41.74	39.90	37.29

Source: Uganda Insurance Commission, 2009.

Table II.5. Contribution of the Insurance Sector to GDP and Market Penetration, 2000–2007 (Ugandan Schillings)

Year	Life and non-life premiums UGX Millions	GDP at cost UGX Millions	Premiums (percentage)
2000	39,140	8,655,881	0.45
2001	47,220	9,257,899	0.51
2002	53,598	9,792,429	0.55
2003	64,798	12,756,541	0.51
2004	80,755	14,081,557	0.57
2005	90,179	16,268,320	0.55
2006	102,295	18,608,430	0.55
2007	128,857	23,009,170	0.56

Source: Uganda Insurance Commission, 2009.

Table II.6. Insurance Premiums and GDPs of Selected African Countries - (Million of United States Dollars)

Country	Life and non-life premiums	GDP (billion dollars)
South Africa	7,749	42,676
Morocco	1,437	2,153
Nigeria	574	1,090
Kenya	936	949
Kenya	493	721
Algeria	666	711
Tunisia	621	694
Namibia	178	601
Botswana	113	418
Uganda	68	74
Total	**13,522**	**50,901**

Source: Swiss Re, Sigma Report No. 3/2008.

Table II.7. Employment Trends in Uganda's Insurance Industry, 2003–2007 - (Number Employed)

Employee Category	2003	2004	2005	2006	2007
Insurance companies	487	487	553	563	598
Insurance brokers	199	189	183	150	173
Insurance agents	302	310	351	436	515
Uganda Insurance Commission staff	15	15	21	21	22
Total	**1,003**	**1,001**	**1,108**	**1,127**	**1,308**

Source: Uganda Insurance Commission, 2009.

health and curbing HIV/AIDS, malaria and other diseases.

Draft legislation to establish a national health insurance scheme is at an advanced stage and if adopted, aims to expand health coverage for poor Ugandans and increase Uganda's chances of meeting its Millennium Development Goal health targets. Unfortunately, the scheme's proposed first-track beneficiaries are civil servants who do not exactly match Uganda's category of the extreme poor, who according to the Uganda Insurance Commission, will be covered through adequate adoption of microinsurance programmes.

The Uganda Insurance Commission has proposed several amendments to the Insurance Act and Regulations to reflect the priority it attaches to Millennium Development Goals relating to health in general and health insurance in particular. The Commission has proposed an amendment to section 5 (b) of the Insurance Act to specifically provide for health insurance. Currently, while section 5 (b) of the Act lists the non-life insurance classes, it does not explicitly include health insurance.

As a result, insurance companies that apply to transact health insurance are licensed to do so under section 5 (b) (xiv) of the Act, under "any insurance other than specified above". The Commission has proposed insertion of sub-section (xvi) to specifically provide for "health insurance".

In addition, the Commission has proposed the inclusion of the operations of health management organizations under the purview of the Act and therefore, the regulation function of the Uganda Insurance Commission. This is designed to improve the monitoring of the operations of those organizations. Adopting the proposal to bring them under the regulation of the Commission is expected to lead to better health facilities. This will help reduce child mortality, improve maternal health and contribute to the national overall effort to combat HIV/AIDS, tuberculosis, malaria and other diseases.

The microinsurance plans of the Uganda Insurance Commission are an innovative way for the industry to reach out to the extreme poor. It is hoped that the success of these plans will be evaluated in the future for possible consideration by other insurance regulators and countries with poverty challenges similar to those facing Uganda.

3. Trade Liberalization in Uganda's Insurance Services Sector

On an autonomous basis, market access to Uganda's insurance industry has been fully liberalized together with the capital account. There are no restrictions to foreign players to operate in Uganda as long as they meet the requirements in the Insurance Act, to which all, including Ugandan insurance firms, are subject.

The Uganda Insurers Association noted with concern that the East African Community Treaty did not contain any specific provisions on insurance services. The only reference to insurance in the Treaty is in regard to its relationship with transportation.

In contrast, the Treaty gives wide coverage to other financial services, especially banking. This has made it difficult for relevant insurance stakeholders in the EAC Partner States to establish regional structures. However, a number of attempts have been made to set up structures with regular periodic meetings between insurance regulators in the EAC.

The Protocol on the Establishment of the East African Community Common Market states that financial services, including insurance services, are among the seven sectors to be fully subjected to the freedom of movement of services when the EAC Common Market comes into effect.

Uganda's schedule of liberalization commitments in the EAC Common Market Protocol indicates a five-year transitional period from the coming into force of the Protocol.

This transitional period is designed to allow both the regulator and the players to increase their readiness prior to being fully subjected to the freedom of movement of insurance services as foreseen in the EAC Common Market. [59]

Among the reasons advanced for the five-year transitional period was the need for the industry to increase its professional proficiency both at the operations and regulatory levels. Cross-border provision and regulation of insurance services will come along with new challenges for regulators and providers that require adequate time for preparation, hence the need for progressive implementation of such actions.

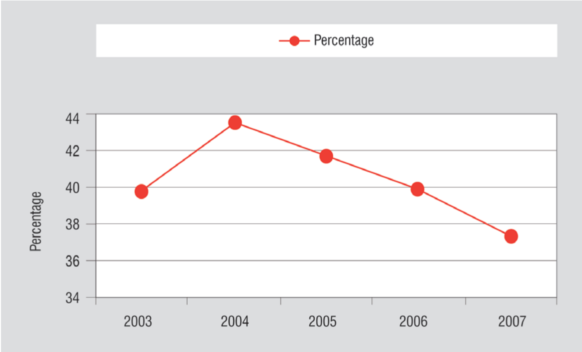
Harmonization of Insurance Legislation and Regulations in the EAC – There is need for a comparative review of applicable insurance legislation and regulation across all Partner States with the Partner States agreeing on common minimum capital levels, solvency requirements and investment guidelines that would apply to all companies licensed to provide insurance services in all their categories in the future EAC Common Market. This will ensure a level playing field for all insurance companies in East Africa in addition to guaranteeing consumer rights in each of the Partner States by avoiding regulatory competition among them.

Revising insurance legislation and regulations in Uganda – Uganda will not be ready to subject its insurance market to full liberalization in the framework of the EAC Common Market until the proposed amendments to the Insurance Act 2000, submitted to the Ministry of Finance in 2004, have been considered and implemented. The Insurance Act in its present form is riddled with shortcomings that must be corrected before insurance companies in Uganda can face the competition across the EAC Common Market. The adoption of these amendments and reforms should be considered and implemented as part of a comprehensive harmonization approach to the progressive implementation of the EAC Common Market liberalization commitments.

Establishing a domestic reinsurance regime similar to those of Kenya and the United Republic of Tanzania - Uganda Reinsurance Company Limited (Uganda Re) – Unlike Kenya and the United Republic of Tanzania, Uganda does not have a local reinsurance provider. As a result, the local insurance industry is forced to reinsure with foreign reinsurers, which bleeds the industry of capital. For instance, from 2002–2006, nearly half of the annual non-life premiums – 42 per cent – generated in Uganda left the country; in 2006 this represented an outflow of $25 million.

Figure II.2 is a graphic illustration of the portion of reinsurance premiums ceded to foreign reinsurers as a percentage of the total written premiums in millions of Ugandan shillings over a four-year period, 2003–2007.

Figure II.2. Reinsurance Premiums Ceded as a Percentage of Gross Premiums, 2003–2007



Source: Uganda Insurance Commission, 2009.

To implement the reinsurance reforms and build domestic capacity in the reinsurance industry, the Uganda Insurers Association incorporated Uganda Re on 7 November 2000 to be fully operational by the end of 2009. The requested five-year transitional period will allow for the full establishment of the proposed Uganda Re to compete with other EAC reinsurers at the end of the transition period.

Inadequate professional capacity – Uganda's insurance industry is not technically prepared to compete on an even ground in a free insurance market. Only 40 individuals in a workforce of 1,100 persons in Uganda's insurance industry have insurance qualifications. In comparison, the Kenyan insurance industry has a clear advantage over Uganda with its College of Insurance.

Ugandan universities only started offering undergraduate training in actuarial sciences in 2007. At present there are only three Ugandan actuaries, only one of which is currently deployed in Uganda.

These capacity constraints are not limited to the players but extend to the sector regulator as well. For almost a year now, the Uganda Insurance Commission has not had a substantive commissioner in place and has instead been run by the Commission secretary in an interim capacity.

If granted, a five-year transitional period will allow the industry to scale up its human resource professional and technical capacity before Uganda's insurance industry is subjected to full liberalization as envisaged in the EAC Common Market.

Mortality tables – Mortality tables are the basis on which risk levels are computed and the prices for life insurance policies are set. Unlike some EAC Partner

States, Uganda has no locally developed mortality tables. These tables make it possible for companies to accurately evaluate risks and price life insurance policies. In order to have a level playing field, the Ugandan insurance industry needs to construct similar tables. The construction of mortality tables for Uganda will take between three and five years. The Kenyan insurance industry concluded a five-year project with donor support on deriving such tables for Kenya. The adoption of these recent domestically derived mortality tables gives Kenyan companies a clear competitive advantage over other insurance players in other EAC Partner States because they are better equipped to price the risks.

Currently, premiums used in Uganda are based on mortality tables derived in Scotland and Wales more than 60 years ago, in 1948 (Ruuskanen, 2009) [60]. In order to have a level playing field, the Ugandan insurance industry would need to construct similar tables. The successful construction of mortality tables for Uganda would take about five years.

Implementation of the Financial Markets Development Plan (2008–2012) – Uganda has just started implementing the five-year Financial Markets Development Plan, an EAC Central Bank programme with an elaborate capacity-building component for the insurance industry. When fully implemented, the Plan will provide the best starting point for the harmonization of the insurance market in the Region.

4. Regulation of Insurance Services in Uganda

The Insurance Act (Cap. 213), Laws of Uganda, 2000 - the Uganda Insurance Commission – The establishment of the Uganda Insurance Commission by the Insurance Statute, 1996, since referred to as the Insurance Act (Cap. 213) Laws of Uganda, 2000, is the most fundamental measure to introduce sound regulation undertaken this far in Uganda's insurance services industry.

The provisions of this Statute, which came into effect on the 4 April 1996, had as their main objective the establishment of an autonomous insurance regulator, originally meant to report to the Central Bank, but now reports to the Ministry of Finance, Planning and Economic Development. The Uganda Insurance Commission was set up to ensure effective administration, regulation and control of Uganda's insurance industry.

In addition, the Act requires the Uganda Insurance Commission to put in place prudential and industry conduct measures to ensure a competitive insurance market for Uganda. It increased minimum capital requirements to improve underwriting capabilities in the market. The particular characteristics of the insurance industry and the premium the industry attaches to the protection of insurance policyholders demands extensive and stringent insurance regulation in almost all countries. Regulation must impose minimum overall capital and solvency requirements for companies (Skipper et al., 2007). [61]

Hence, the Uganda Insurance Commission has undertaken specific measures to achieve a fully liberalized insurance regime; the Commission has removed all measures previously considered discriminatory against foreign insurance providers as long as those providers have complied with incorporation, registration and licensing requirements under both the Insurance and Company Acts, including on capital requirements, which were hitherto were set at different rates for Ugandan and foreign insurance providers.

Certificate of Proficiency in Insurance – In 2007, the Uganda Insurance Commission passed a regulation making it mandatory for all 500 insurance agents in the country and all insurance agents to be licensed in future to pass and poses the Certificate of Proficiency as a minimum qualification by 2010. This regulation is aimed at increasing the professional level of insurance services in Uganda and help Uganda's insurance workforce offer higher quality services to their customers.

This regulation was a timely intervention, considering that out of a workforce of slightly over 1,300 in 2007, only about 40 had insurance qualifications of any kind. Two years since the regulation was passed, 150 persons have passed the Certificate of Proficiency in Insurance, almost four times the country's total two years earlier in 2007 (Ruuskanen, 2009). The Certificate of Proficiency in Insurance has been a good stop-gap arrangement, given that Uganda which boasts less than five actuaries, has just started offering university level education in actuarial sciences.

Uganda Insurers Association

The Uganda Insurers Association was founded in 1965 by insurance companies as their umbrella trade organization through which to meet the challenges of an emerging competitive and growing industry. It is composed of insurance companies incorporated and licensed to operate in Uganda. The Insurance Act makes it mandatory for all insurance companies licensed to operate in Uganda to be members of the Association in order to operate. Some 21 licensed insurance companies were operating in Uganda at the end of 2008.

The overriding objective of the Uganda Insurers Association is to promote the development and expansion of sound insurance and reinsurance activities in Uganda. Other objectives include the following:

- To advance the interests of insurance and reinsurance companies incorporated or licensed in Uganda and promote close cooperation between the said companies;
- To encourage and influence the enactment of legislation in Uganda that will promote a smooth operation of insurance and reinsurance business in Uganda;
- To represent member views to the Government, quasigovernment and private bodies;
- To adopt a common goal towards the development and expansion of insurance and reinsurance in Uganda and to encourage and facilitate the exchange of information, knowledge and experience among members with the aim of improving services to the public;
- To carry out research and publish in the area of insurance and reinsurance;
- To encourage and promote the exchange of insurance, co-insurance and reinsurance business among member companies.

The Association is run by a Secretariat with a staff of 13, expected to increase to 14 with the recruitment of a life insurance technical manager. It also hosts the Financial Literacy Foundation, FINSCOPE II Projects and the Insurance Institute of Uganda.

The Insurance Institute of Uganda

The Insurance Institute of Uganda is an independent institute that has its own constitution, board and secretary. The Institute trains insurance professionals by holding seminars in Uganda and administrates professional examinations on behalf of various foreign insurance training bodies. There has been an increase in the training given by the Institute. Since the Commission issued new requirements for licensing agents, over 170 people have participated in lectures. The Uganda Insurers Association is supports the Insurance Institute of Uganda's mission by providing both financial and technical assistance. The Institute is currently being housed by the Association in the annex of the Insurance House.

In addition to the regulation requiring all insurance agents to hold the Certificate of Proficiency in Insurance, the Uganda Insurance Commission intends to make efforts aimed at scaling up the Insurance Institute of Uganda and enhancing the level of professionalism in Uganda's insurance industry to match the Region's better performers in Kenya and the United Republic of Tanzania.

The Institute is the foundation on which efforts are based to broaden the scope of insurance, make it more relevant, accessible and affordable to the poor. The successful uptake of microinsurance in particular and all other insurance products in general is premised on an effective Insurance Institute of Uganda, with an emphasis on increasing the readiness of providers to offer more pro-poor products and run effective insurance outreach campaigns to broaden awareness of the non-insured public to seek insurance coverage.

Uganda Re – Currently, Uganda does not have a domestic reinsurance company; Rwanda is planning to set up one as well. The lack of a domestic reinsurance company is putting local insurance companies at a disadvantage compared with other insurance companies operating in countries with reinsurance companies. Uganda Re is a limited liability company that was incorporated on 7 November 2000 with the support of the Uganda Insurers Association.

However, the company has not been operational since its incorporation. On 18 June 2008 the Board of Uganda Re signed a Memorandum of Understanding with ZimRe Holdings Limited, a Zimbabwean financial holding company, to raise the necessary capital and provide management and technical skills to operationalize Uganda Re.

Uganda Re has applied for a licence to the Uganda Insurance Commission to set up a licensed and fully operational local reinsurance company by January 2010. The Uganda Insurance Commission plans to develop a policy whereby a working and well-established national reinsurance company can stop capital flight caused by the lack of such a domestic provider.

Legislative reforms – Amendment of the law is necessary to cover loopholes, further strengthen the Commission and entrench its autonomy. Given the infancy of Uganda's insurance industry, reforms should improve the Commission's ability to oversee the growth and consolidation of the market, encourage mergers to ensure financial soundness without compromising its independence and maximize consumer protection.

The Commission has proposed a number of amendments to the Insurance Act, including prohibiting composite companies, which transact both life and non-life insurance in conformity with the recommendation of the International Association of Insurance Supervisors of which the Commission is a member.

5. Uganda's Insurance Sector: an Analysis of Strengths, Weaknesses, Opportunities and Threats

5.1. Strengths

Backing of Uganda Insurance Commission's activities by the law – The Uganda Insurance Commission was established by the Insurance Statute, 1996 (now referred to as the Insurance Act (Cap. 213), Laws of Uganda, 2000), the provisions of which came into effect on 4 April 1996. This gives it an elaborate statutory mandate for carrying out its regulatory functions with a high degree of independence from political interference.

Entry of new players – The revival of the East African Community and the widening and deepening integration to evolve into an East African Common Market with the freedom of movement of services is expected to lead to the entry of new players from other EAC Partner States. Insurance is among the seven priority sectors to enjoy the full freedom of movement of services in the EAC Common Market Protocol. This development is envisaged to result in expansion of the insurance subsector by implementing the following measures:

- Introducing new products on the Ugandan insurance market;
- Increasing insurance business volume;
- Nurturing insurance business competition;
- Promoting good corporate governance practices;
- Improving compliance among insurance players.

In recent years, three new players, some with extensive experience, have launched operations in Uganda: Liberty Life from the Standard Bank Group, APA Insurance and Pax Insurance, a new local player closely associated with the Centenary Bank.

Increasing liberalization – The Government of Uganda plans to liberalize the pension sector in the near future to break the monopoly currently enjoyed by the National Social Security Fund. This move is expected to boost the life and pension business of the insurance services sector, whose performance is currently poor.

Once implemented, this reform will release funds previously under government control for long-term investment by the industry and increase the premiums locally written by domestic players.

Potential donor support – There is growing interest from the donor community in the financial services sector in general. The low level of public appreciation of insurance compared with the emerging need for development of insurance products suitable for poverty reduction initiatives such as rural microfinance and leasing is attracting donor interest. Yet, the insurance industry's capacity is still low.

5.2. Weaknesses

Inadequate enforcement of statutory insurance lines – Both motor third-party liability and workers' compensation are statutory insurance lines. However, their enforcement in the country is very weak. The Uganda Insurers Association highlighted a number of reasons limiting the implementation of these lines. These include the following:

- ***Lack of awareness*** – The intended beneficiaries of the Acts are not always aware of the existence of these laws, and even if they are, they do not know the benefits. Motorists have continued to believe that motor third-party insurance cushions them from the police instead of safeguarding them against their liabilities to third parties. Likewise, most employers do not take out workers' compensation insurance because they are not aware of its existence or its benefits. Victims are often not aware of the existence of such Acts, even when they suffer accidents eligible for compensation under the relevant Act. [62]
- ***Lack of regulations to operationalize the Acts*** – Since the Workers' Compensation Act was enacted in 2000, the regulations to operationalize it have not been passed.

- ***Lack of incentives on the part of enforcement agencies*** – Whereas compliance with statutory insurance directly benefits insurance companies, since they are the ones that collect the premiums, the statutes do not empower insurance companies to enforce compliance. On the contrary, the designated enforcement agencies have no direct benefits, even if they incur operational costs related to the enforcement of statutory insurance lines such as salaries and transport.

  This has tremendously reduced the enforcement and effective utilization of these mandatory insurance lines. This sharply contrasts with similar legislations such as the National Social Security Act, which empowers the implementing, or collecting, agency to enforce them, resulting in higher compliance levels.

- ***Unrealistic compensation limits and procedures*** – The statutes stipulate benefits for the victims that are either too low to make any economic sense, or too high and punitive. The maximum of U Sh 1,000,000 per person in the case of motor third-party insurance is a mockery of compensation when compared with loss of life; yet such a situation leads to an arduous process requiring provision of support documents which is costly in terms of time and money. Errant motorists and their victims have typically opted for roadside settlements to avoid the costly, long and poorly rewarding compensation process.

  With regard to workers' compensation, the limits are too high (60 months' earnings, with unlimited medical and burial expenses) and have proven punitive to employers. Consequently, the Act is either commonly abused or frequently ignored. The Uganda Insurers Association has reported incidents where workers have deliberately injured themselves to obtain compensation, just as some complementary service providers such as doctors have been known to collude with claimants to exaggerate claims and defraud insurers. This has ultimately defeated the rationale for drawing up the statutes.

- ***Technological advances*** – Advances in technology have made implementation of the Act difficult. Most of the work is now automated and done by or with computers, but the health effects of this emerging trend were not anticipated and accordingly provided for in the Acts. The emphasis on physical geographical location, as is the case with the Workers' Compensation Act, has partly been rendered redundant by the new trend of off-shoring and outsourcing with companies having their work done in Uganda without being physically domiciled in Uganda. Are such workers covered under the Workers' Compensation Act?

- ***Lack of specialized service providers*** – The Workers' Compensation Act empowers doctors to assess and determine levels of incapacity. However, there is a shortage of specialist doctors to assess some incapacities with accuracy. The tendency to rely on general practitioners leaves much to be desired. In spite of the good intentions of statutory insurance companies, they have been resisted by the parties they are supposed to serve and somehow ignored by the enforcement agencies because of inadequate power, capacity and lack of incentives. The misinterpretation and lack of awareness by stakeholders, in addition to the vagueness of legislation maintains compliance and enforcement at minimal levels, and the objectives of the statutes are not fully met.

- ***Lack of proper interpretation of the Acts*** – It is common to find that some stakeholders, including insurers, misinterpret these Acts. Some sections of these Acts, especially those dealing with awarding damages, are vague and subject to misinterpretation. Likewise, the Acts are not exhaustive. The Workers' Compensation Act spells out the schedule of occupational diseases. However, it is not exhaustive, leaving room for disputes and misinterpretations.

- ***Rigidities to the Amendments*** – The amendment process to both the Motor Vehicle Insurance (Third-Party Risks) Acts and the Workers' Compensation Act (2000) is time consuming and has proven frustrating to the industry. The proposals to amend the act to address the gaps identified have not been considered for a long time.

- ***Inconsistency of the Insurance Act with government policy*** – The Insurance Act gives certain mandates to the Uganda Insurance Commission which run contrary to some government policies, especially on liberalization. For example, while the Insurance Act empowers the Commission to ensure that all goods and services imported into Uganda must have their insurance cover underwritten locally, the policy of liberalization would not ideally allow this. While the

Insurance Act should take precedence in guiding the Uganda Insurance Commission in its regulatory operations, implementation of such a mandate is difficult under such circumstances. There is an immediate need to reconcile the provisions of the Insurance Act with government policy.

- ***Insurance services that fall outside the insurance regulatory framework*** – There are some commercial services in the economy whose nature of contracting and operation exhibit the characteristics of insurance services, in fact in more developed markets these services are in the purview of insurance. However, in the relevant legislation in Uganda, the Insurance Act does not include these services explicitly as insurance services and as such are being provided outside the regulatory framework. These services include health services programmes, health management organizations and funeral services plans.

  There is an immediate need to either amend the Insurance Act to include these services and bring them into the scope of the Commission's regulatory mandate or to establish an alternative regulatory framework for them, which may be a more onerous task.

- ***Inadequate provisions in the law regarding the takeover of distressed companies*** – A number of companies often fail to comply with the minimum eligible requirements during the course of their business operations. The Uganda Insurance Commission's remedies are limited to the denial of operating licences.

There is no provision in the law that allows the Commission to take over these distressed providers with a view of either winding them up or turning them round. However, amendments geared towards empowering the Uganda Insurance Commission to effectively intervene have been proposed and they are awaiting approval by the Minister of Finance, Planning and Economic Development.

While the Uganda Insurance Commission has pointed out the gaps in the Insurance Act and proposed amendments thereto, the Government does not seem to be keen on presenting and adopting the amendments for appropriate action. The drafts have remained as such for nearly five years, which hinders the regulator and the growth prospects of the industry.

- ***Lack of a policyholders' compensation fund*** – The Uganda insurance industry lacks a policyholders' compensation fund that would protect policyholders against an insolvent company and cover against contingencies such as catastrophes, as is the established best practice.

- ***Corruption*** – One of the main problems in the country that affects the insurance industry is the high level of corruption. This makes it very difficult to ascertain whether claims are valid and reported insurable events have actually occurred. The insurance industry largely depends on a judiciary and law enforcement services that should be non-corruptible. Unfortunately this is not the case.

5.3. Opportunities

Potential for rapid growth of the insurance industry and significant sector growth in the national market – The insurance industry in Uganda is relatively underdeveloped and there is still relatively little public appreciation and awareness of its services. Education and awareness building of the public as well as the privatization and liberalization of the Ugandan economy provide a big potential for the development of the insurance subsector and make it more competitive and compliant.

The effect of mandatory statutory insurance schemes – If approved, the proposed amendments to the current mandatory insurance lines, namely motor vehicle insurance and workers' compensation, will make these lines more effective. Among other changes, the amendments include proposals to increase premiums in these two categories of coverage.

Health insurance – Uganda plans to adopt a mandatory national health insurance plan requiring workers in formal employment to make compulsory contributions to insurance plans in exchange for health-care benefits from gazetted heath centres.

The Uganda Insurers Association is concerned about the likely effect the plan may produce if it is to be run by a government parastatal institution. However, the plan's positive effect cannot be underestimated if it takes the form of a public–private partnership with the active participation of the industry players.

5.4 Threats

Narrow insurance subsector – The insurance subsector in Uganda is still small with an average gross premium of less than 1 per cent of GDP, making it a country where insurance is still underdeveloped. The narrowness of the insurance subsector can, inter alia, be attributed to inadequate innovation among the players, low public awareness, insufficient insurance professionals and low levels of disposable income.

Low financial base – The current underdeveloped level of insurance thwarts the Uganda Insurance Commission's efforts to live up to the Government's expectations for the Commission to be financially independent. The Uganda Insurance Commission is therefore compelled to source funding from donors in the short-term while it works on a long-term self-sustenance strategy.

Low level of insurance professional capacity in the industry – There is a low level of professional insurance capacity in the insurance subsector. Insurance professionals are still few in number: presently there are less than 30 practising chartered insurers, brokers and agents in Uganda. There is a need to provide further technical training for insurance professionals, including insurance brokers and agents. Ugandan universities only started offering undergraduate training in actuarial sciences two years ago. At present there are only three Ugandan actuaries with only one currently deployed in Uganda (EAC, 2009). [63] This state of affairs has led to a low level of appreciation of insurance services by the public and of compliance with best insurance practices by the players.

Scant public appreciation of insurance – The potential for growth of the insurance industry is also hampered by the prevalence of a massive public with little knowledge about insurance services. There is a general lack of consumer awareness of the availability, affordability and benefits of insurance products.

Even some of those who are aware of insurance services have lost trust in insurance providers as a result of common unprofessional practices by some insurance providers before the establishment of the Uganda Insurance Commission.

Limited number of new insurance products – Most of the products on offer by the insurance providers are traditional non-life insurance products. While the economy has increased in sophistication with the advent of e-commerce and electronic transactions, rural microfinance schemes and lease financing, there has been little innovation and development of new insurance products by the industry to service these economic developments. This is also partly attributed to limited training among the players.

Global liberalization trends – A global trend was sparked by WTO's drive for deeper and wider liberalization riding on the General Agreement on Trade in Services. However, the compliance requirements of these commitments placed an obligation on WTO members – especially developed countries – to open up their service economies to the rest of the world in general, but to the developing country sectors of export interest in particular. This wave of opening up was preceded by the so-called "autonomous liberalization" forced upon poor countries, including Uganda, by the World Bank and the International Monetary Fund through structural adjustment programmes in the late 1980s and early 1990s, which forced Uganda to open itself up to the rest of the world and privatize many of its State corporations, including in the insurance sector. Moreover, liberalization driven by structural adjustment programmes was not based on strong regulatory frameworks or policy. This has given big international insurance providers an opportunity to cream off the insurance business from the local infant and weak insurance players. This development could stifle development of business capacity among the domestic insurance industry and explains why the bulk of Uganda's insurance industry has been ceded to foreign control, to the point that the insurance industry is local only to in that the providers are locally incorporated. For all intents and purposes, however, the industry is foreign dominated.

Existence of small marginal insurance providers in the industry – The insurance industry still has a number of small marginal insurance providers with a rather narrow investment base to support the insurance risks they underwrite. Their turnover is also small, putting to question their economic viability. This problem has been exacerbated by endemic poor corporate governance practices and the low level of growth of the insurance industry.

Lack of specialized insurance skills – Specialized insurance skills, in particular actuarial skills, are necessary for the development of the insurance industry. However, there are currently no professional actuaries, not to mention loss adjusters, risk managers or claim-settling agents in Uganda.

E. LEGAL SERVICES SECTOR

1. Trend Analysis

Supply Capacity for Legal Services Sector in Uganda

The Uganda Law Society has the most accurate record of people presently providing legal services in Uganda. Their records indicate a total of 1,191 fully paid-up practising members as at 31 December 2009. The Society estimates that 1,500 to 2,000 individuals provide legal services without the statutory requirement of belonging to the Uganda Law Society. This category of practitioners includes persons who have legal training, but have not entered on the advocates roll, namely in government, corporate and institutional law firms and academia. The records of the Law Council, the statutory regulator of the legal profession in Uganda, indicate that by the end of 2008, 400 law firms had been inspected and their chambers approved to offer legal services – an increase of 15 per cent over the 277 firms inspected and approved in 2006.

Committee on Legal Education and Training

The Committee on Legal Education and Training was established by the Advocates (Amendment) Act, 2002, following a recommendation in the Odoki Report on the need for the Council to regulate the provision of legal education and provide for continuing legal education by practising advocates.

Before the Odoki recommendation, the Uganda Commercial Justice Sector Study of July 1999 had explained why the Commercial Justice Sector had consistently failed to adequately serve the needs of private-sector stakeholders: "Lawyers in Uganda lacked ethical standards and provided an inefficient service and … the legal professionals lacked commercial expertise". The Committee was therefore expected to keep the lawyers abreast of contemporary legal issues and improve the quality of legal services they rendered to their clients. The Committee has broadened the Law Council's original mandate to exercise general supervision and control over professional legal education in Uganda to cover continuing legal education for practising lawyers as well (Uganda Law Society, 2008). [64]

In addition, the Committee approves law-degree programmes at universities in Uganda and recognizes qualifications of Ugandan citizens who obtain law degrees from foreign universities before they can begin training for the Bar at the Law Development Centre.

Since it was established in 2002 and commenced work in 2004, the Committee has in the exercise of this mandate inspected law faculties and programmes at a number of Ugandan universities and approved the following: Islamic University in Uganda-Mbale, Nkumba, Kampala International and the Uganda Christian University-Mukono. The Uganda Pentecostal University in Fort Portal had its law programme approved subject to a memorandum of understanding. As a proactive measure to avoid the practice of universities beginning law-degree programmes and applying for approval in the third or fourth year, the Committee also inspected other universities that had not offered law degree programmes. The universities were made aware of the need to apply to the Council for approval of such programmes before commencement.

One of the major functions of the Committee on Legal Education and Training of the Council is to establish the standards and courses for training and recognition of paralegals and their functions. A standardized training for paralegals would go a long way in enhancing their capacity to give secondary legal aid to indigent persons.

2. Regulation in the Legal Services Sector

The Advocates Act, Cap. 267, is the applicable law that governs legal practice in Uganda.

The Law Council

The Advocates Act establishes the Law Council and designates it as the overall regulatory authority for the legal profession in Uganda.

Composition of the Law Council – Section 2 of the Advocates Act sets out the composition of the Council consisting of the following members:

- A judge, appointed by the Attorney General after consultation with the Chief Justice, chairperson of the Council;
- The president of the Uganda Law Society, ex officio;

- The director of the Law Development Centre, ex officio;
- The head of the department of law of Makerere University, ex officio;
- Two practising advocates elected by the Uganda Law Society;
- One officer with legal qualifications in the service of the Government, appointed by the Attorney General.

The Advocates Act, section 3, spells out the functions of the Council as follows:

- To exercise general supervision and control over professional legal education in Uganda;
- To approve courses of study and provide for the conduct of qualifying examinations for any of the purposes of this Act, without prejudice to the generality of the previous point;
- To advise and make recommendations to the Government on matters relating to the profession of advocates;
- To exercise, through the Disciplinary Committee, disciplinary control over advocates and their clerks;
- To exercise general supervision and control over the provision of legal aid and advice to indigent persons;
- To exercise any power or perform any duty authorized or required by this or any other written law. [65]

The Uganda Law Society Act – In addition to the Advocates Act, the legal framework within which legal services are provided in Uganda includes the Uganda Law Society Act (also referred to as Chapter 276).

The Uganda Law Society

The Uganda Law Society Act incorporates the Uganda Law Society, and makes provision for its powers, duties and responsibilities.

In Part II, section 3, the Act outlines the Society's objectives as follows: [66]

- To maintain and improve the standards of conduct and learning of the legal profession in Uganda;
- To facilitate the acquisition of legal knowledge by members of the legal profession and others;
- To represent, protect and assist members of the legal profession in Uganda as regards conditions of practice and otherwise;
- To protect and assist the public in Uganda in all matters touching, ancillary or incidental to the law;
- To assist the Government and the courts in all matters affecting legislation and the administration and practice of law in Uganda. [67]

Membership of the Uganda Law Society is open to all persons eligible to practise as public and private advocates in Uganda and does not require admission fees. However, once admitted into the Society, members must pay annual subscription fees as periodically fixed by the Society. [68]

The Advocates Act, section 5 (2), prescribes both eligibility and qualification requirements for persons who can practice as advocates in Uganda. The Act indicates that only Ugandan citizens or residents and holders of a law degree granted by a university in Uganda or any other degree or relevant legal qualification granted by a university or institution recognized by the Law Council or applicants with an aggregate period of five years of prior legal practice from any country recognized by the Law Council can practise in Uganda.

3. Regulation Challenges in the Legal Services Sector

Legal reform – There is an overdue need to reform both pieces of legislation upon which the regulatory framework and institutions for the legal services sector are based, namely, the Advocates and Uganda Law Society Acts. The commencement date for the Advocates Act and the establishment of the Law Council was August 1970, when there were only a total of 189 enrolled advocates in Uganda, some of whom were civil servants. The mandate of the Council was therefore designed to meet the requirements of a much smaller legal fraternity then mainly practising within Kampala and the surrounding area. However, over time (almost 40 years), the liberalization of the economy and the development of the education system and legal practice have resulted in a high turnover of law graduates from Makerere University and other universities both in and outside Uganda. By the close of 2002, a total of 1,621 advocates countrywide on the Advocates Roll were being handled by the same structure set up in 1970 to cater for 189 advocates in Kampala and its surroundings. The Uganda Law Society Act is more antiquated than the Advocates Act, having been passed before independence in 1956. Uganda has had three constitutions in the life of this Act, and the members of this Society ironically were meant to interpret the supreme law for their clients. The 2008/09 President of the Uganda Law Society states in the Society's Annual Report: "The Uganda Law Society Act is archaic and is not alive to the metamorphosis of the profession since it was enacted". [69]

The Government should consider the proposed amendments to the Uganda Law Society and Advocates Acts to bring them and the structures they create in tune with today's demands made by a larger legal fraternity and a more demanding clientele. The new regulatory requirements likely to arise from the coming into force of the EAC Common Market Protocol and the related emerging challenges of cross-border provision, practice and regulation make these reforms more urgent.

Understaffing – The Council Secretariat, which carries out the Law Council's operational duties, is grossly under staffed. During this assessment, the Council Secretariat reported that a proposed administrative structure for the Secretariat with 32 staff (including 18 professional staff and 14 support staff) had been submitted to the Ministry of Public Service in March 2004 for approval to enable the recruitment of staff. However, several years since, no action has been taken in this regard. As a result, the Council Secretariat is currently run by an acting Secretary backed by four professional, and five support, staff, which is less than one third of the ideal staffing levels as indicated in the proposed organizational chart for the Council Secretariat.

At its current staffing level, the council Secretariat cannot carry out its work efficiently and effectively.

To meet the sector's current needs, in addition to the other operational demands on the Secretariat as anticipated with the EAC Common Market, immediate attention must be paid to the Council Secretariat's staffing situation. Adopting the proposed staffing levels as a stop-gap measure would be advisable. However, given the changes which have occurred since the proposal was tabled and those anticipated in the immediate future, a more comprehensive solution would require a complete review of these staffing levels with a view to increasing them beyond the current proposals.

Inadequate Funding

According to the Advocates Act, the Law Council is funded from the Consolidated Fund by a decision of parliament through the Ministry of Justice and Constitutional Affairs. [70] As with most government departments but especially those financed through the Consolidated Fund, the funding to the Law Council has hopelessly been inadequate, given the Council's broadened mandate and increased activities.

Key respondents from the Law Council reported that inadequate funding, like the staffing levels, had tremendously reduced the effective performance of the Council, its committees and staff. This has especially affected the performance of the Disciplinary Committee, whose routine schedule includes convening weekly to determine disciplinary cases. The funding constraints suffered by the Council have reduced the Committee's work; its proceedings take place only half a day per week and progress is often hampered because of a lack of a quorum. This, like elsewhere in Uganda's justice system, has resulted in a serious backlog of cases before the Disciplinary Committee.

To guarantee the effectiveness, impartiality and independence of the Committee, its operations should be adequately and promptly facilitated to ensure that they work above any temptation of compromise. Under the law, the Disciplinary Committee has the powers and status of the High Court. Many cases handled by the Committee involve colossal sums of money. Other statutory mandates, such as the regulation of legal aid service provision, and the pro-bono scheme, have equally been affected by the problem of underfunding and understaffing.

Lack of a Registry and Computerized Database

There is no proper registry for keeping Council records, though as can be deduced from its wide mandate the Council keeps a large number of files. Without a proper registry and cataloguing system, managing these files has posed many problems for the Council. In addition the Council handles matters concerning over 1,000 advocates in the Country without a database. Government offices and other organizations approach the Secretariat for information on advocates, which cannot be readily accessed.

Given its staffing problems, the Law Council should consider establishing a registry and a computerized database for all its business operations but in particular an automated advocates database is a priority. This catalogue and computerized database should be online access-enabled, so that in future, Council clients wishing to refer and consult these resources do not have to physically visit the Secretariat.

Small office space and lack of a court room – The office space allocated to the Council Secretariat within the Ministry of Justice and Constitutional Affairs is too small. If the proposed staffing levels submitted to the Ministry of Public Service several years ago were approved, the current space would not accommodate even a quarter of the staff.

In addition, the Council and its Committees do not have a proper meeting place. The space currently allocated to the Council at the Ministry of Justice and Constitutional Affairs does not include a board room. The meeting convened for the Secretary to the Council and all her professional staff to interface with the research team undertaking this study was held in her office, because the Ministry board room and library that would have been appropriate were not available.

This is not acceptable and was reported as being particularly problematic to the Disciplinary Committee, which sits as a court on a regular basis. Apparently, the availability of meeting space is one of the reasons that informed the decision for the Disciplinary Committee to meet weekly. Meeting more frequently would have saved the Committee from its present backlog.

Lack of autonomy – Currently the Law Council is a Department within the Ministry of Justice and Constitutional Affairs. This has created bureaucratic bottlenecks in its operations, resulting in funding and staffing challenges.

The Case for an Autonomous Regulator – the Law Council

There is a consensus among the respondents to this study on the need to increase the Law Council's autonomy. The Law Council has written extensively in pursuit of this autonomy.

The Uganda Law Society, too, is in full support and its Annual Report for 2008 accurately captures its conviction that autonomy would lay the foundation to overcoming the Regulator's current challenges: "We are of the considered opinion that the autonomy would enable the Council to overcome its current bottlenecks".[71] However, unlike the Kenya Law Society, which is an independent regulator, it is generally felt that the Law Council can remain a judicial public, but autonomous agency in the Ministry of Justice and Constitutional Affairs.

Perceived lack of independence of the Law Council – The Council's status as a department in the Ministry of Justice and Constitutional Affairs is viewed with a great deal of suspicion by many, including advocates in Uganda and international bodies. The issue of interference or perceived interference by the Government is constantly raised. The argument in favour of its autonomy is based on the international basic principles on the role of lawyers, which advocates for the independence of lawyers and the regulatory body.

The Council reported an incident in 2004 that caused international concern about its independence. The brief facts of the incident are as follows: an advocate who had filed a petition against the Government appeared on a live radio talk show to discuss the merits and demerits of a case in clear contravention of the sub judice rule. The Council responded by issuing a press release cautioning advocates against contravening that rule. The relevant section of the law was cited to strengthen the Council's argument. However, the whole issue was misunderstood and politicized to the extent that it attracted a query from the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression and the Special Rapporteur on the independence of judges and lawyers on the allegations that the Government of Uganda was using the Council to interfere with the rights of expression of opposition lawyers. Although there has never been any actual interference in the running of the affairs of the Council, the Council members are of the view that it should become autonomous to allay these fears.

Self-Accounting Law Council – Financial Independence

An autonomous self-accounting law council would be freed from the constraints of the Ministry of Justice and Constitutional Affairs medium-term expenditure framework ceiling. This would allow the Council to have its own vote outside the Ministry for budgeting purposes, and would make it possible for the Council to seek additional support to bridge the gap between its budget and the allocation from the Consolidated Fund. Moreover, any non-tax revenue the Council collects on Government's behalf could accrue directly to the Council among other revenue possibilities that this proposal may present to the Council. This has not been possible in the present set-up, as the Council was reported to have recently failed to access funds earmarked by the Legal Aid Basket Fund for carrying out some of its activities relating to legal aid on the grounds that it would affect the medium-term expenditure framework ceiling.

There was a consensus among the respondents from both the Council and Law Society that changing the funding relationship between the Council and the Consolidated Fund would enable the Council to access its funding allocation directly from the Consolidated Fund and not through the Ministry of Justice and Constitutional Affairs and would partly mitigate the funding situation the Council has faced. Making the Council self accounting with its own vote and a direct relationship with the Consolidated Fund would cushion it from what have become routine budgetary deductions on the Council's budget proposals to comply with the medium-term expenditure framework ceiling of the Ministry of Justice and Constitutional Affairs.

Once adopted, an autonomous self-accounting Law Council will not be a panacea for all the challenges facing the Council; it should complement the Government's commitment and willingness to increase its funding and support to the Law Council. Besides, the Government's previous inaction on recommendations of this kind has long frustrated its partners and other stakeholders. This frustration is echoed in the comments by the Uganda Law Society: "We have for over years attempted to lobby and push for the autonomy of the Council, but all in vain". [72] A case in point are the structural and staffing proposals referred to elsewhere in this report, which have not been considered for several years since they were authored.

Separating the disciplinary function from the regulatory and standard-setting mandates – It is recommended that in establishing an independent and autonomous Law Council, the Government should consider separating the disciplinary function from the regulatory and standard setting and enforcement mandate of the Law Council. Adopting the best practice in other common law jurisdictions where the disciplinary function is vested in the Bar Association and only the regulatory and standard-setting mandate is the responsibility of the governmental judicial authority may be the best way to proceed. This reform should empower the Uganda Law Society to be the body responsible for disciplining errant legal practitioners. The Law Council's disciplinary powers should be carried out as an appellate body.

Uganda's Legal Services and the Millennium Development Goals

Interviews of key respondents and reviews of all available policy documents and reports have revealed no specific plans concerning the Millennium Development Goals in Uganda's legal services sector, at least by its institutional players. Although they are not tailored to the country's efforts to achieve the Goals, however, two fundamental initiatives will make a massive contribution to Uganda's campaign to improve its governance indicators across the Goal-response areas. These two outstanding areas worth noting are the Legal Aid and Pro Bono Project, and the Anti-Corruption Court.

Legal Aid Project

This 18-year project of the Uganda Law Society is guided by its mission, which is to be the "leading provider of legal services of choice in order to ensure access to justice for the poor and vulnerable people so as to promote the socio-economic development of Uganda". While the Legal Aid Project, currently in its sixth three-year funding cycle, was developed long before the Millennium Development Goals, Uganda's Millennium Development Goals story and especially its governance (including justice) and poverty indicators would not be complete without the achievements of this amazing project. Moreover the policy and institutional changes the project has created will remain at the service of the poor many years after the Goals have been reached.

The Legal Aid Project is a joint project of the Uganda Law Society and the Norwegian Bar Association funded with support from the Norwegian Agency for International Development over the last 17 years. It has striven to promote pro-poor access to justice policies and spearheaded Uganda's access to justice efforts. The primary aim of this initiative is to identify effective ways of ensuring access to justice to all in a country where over one third of the population lives below the poverty line and cannot afford conventional legal services. Over the last two decades, the project has attempted to provide legal aid services to those who are unable to afford a lawyer on their own, targeting the poor, the indigent and the vulnerable groups of society to meet their legal service needs.

Poverty – Conflicts and insurgency, limited coverage of justice and law institutions, and archaic traditional social and cultural norms that typically disadvantage women and children have combined to deny quick and affordable legal solutions to the majority of the population (Uganda Law Society, 2008). The Legal Aid Project has surpassed the expectations of its benefactors; its contribution towards Uganda's achievement of the Millennium Development Goals relating to governance cannot be overemphasized, and luckily for its beneficiaries, the next three-year funding cycle will almost certainly be granted.

Establishment of a Pro Bono Scheme

Over a 15-year period, the project has attended to the personal legal needs of a diverse range of people among Uganda's poor communities, including offering free legal advice, guidance and counselling. Many others have been helped by the project to sort out their legal problems using alternative dispute resolution through the mediation of various disputes and claims as well as free court representation.

Through its paralegal prison-centred outreach and decongestion programme, it has offered legal advisory services to prisoners who otherwise could not afford the services of private lawyers. A total of over 20,000 people are projected to have benefited from the legal services of the project free of charge by the end of the current funding cycle in December 2009.

The Project has justified the establishment of a scheme designed as a form of corporate or individual social responsibility to provide a platform for lawyers, advocates and law firms outside the project scope to offer free legal services to the poor, who normally would not be able to afford their services. This was a bridging arrangement to make up the shortfall between the overwhelming need for legal services by the poor and indigent persons, and what the project could afford to extend within its limited resources. The scheme allows lawyers to offer free legal services in professional time to the poor. Since the amendment was made, the Uganda Law Society has enrolled over 150 advocates to handle cases from September 2008 to September 2009, with support from the Danish International Development Agency.

Pro Bono Fund

Law firms, advocates and lawyers who are unable or unwilling to take up cases as proposed under the scheme will have the option of contributing towards a fund which would then be used to finance free legal services for the poor and the indigent.

National legal aid policy – The Uganda Law Society has effectively used the Legal Aid Project and its membership in the Legal Aid Service Providers' Network to lead efforts to mobilize all legal aid service providers and other likeminded stakeholders in advocating for the formulation of a national legal aid policy. The policy would establish a framework dedicated to addressing issues of access to justice for the poor and the indigent. Once in place, the policy, "will cause some form of fiscal commitment by the Government to legal aid service provision, which will boost the efforts of legal aid providers in advancing the cause of access to justice for all". [73]

The National Legal Aid Open Week – In its efforts to advocate and pursue the formulation of a national legal aid policy, the Uganda Law Society convened a National Legal Aid Open Week, on 18–22 August 2008 under the theme, Supporting the right to legal aid in the justice system of Uganda. The Law Council presented the terms of reference for the development of the policy to civil society actors, and a civil society task force was formed that will work closely with the Council to develop the policy. It was resolved that a National Legal Aid Open Week would be held every year.

4. Trade Liberalization in Uganda's Legal Services Sector

Uganda's legal services sector is liberalized, allowing for cross-border practice to eligible foreign practitioners subject to a residence requirement. The Advocates Act, Cap. 266, section 8:5 (a) ii and (b) allows people with foreign legal qualifications to be considered for enrolment as advocates in Uganda, provided they meet the requirements set by the Law Council. [74]

The Advocates Act, Cap. 266, section 13, further allows the Chief Justice to issue special practising certificates to eligible foreign practitioners to represent their clients in Uganda subject to doing so in partnership with an enrolled certified Ugandan advocate. [75]

The Uganda Law Society is a member of the East African Law Society, whose current President, Allan

Shonubi, is a former Vice-President of the Uganda Law Society. [76]

Despite its openness to foreign practice, Uganda's legal services sector has been found to be complying inconsistently with the EAC Common Market full liberalization requirements.

The EAC Common Market Protocol has identified business services, including legal services, among the seven sectors to be immediately subject to the full freedom of movement of services when it goes into force. An EAC report on the state of trade in services liberalization noted that while, non-Ugandans were not excluded from practising law in Uganda, the recognized legal qualifications set out in the Fifth Schedule of the Advocates (Enrolment and Certification) Regulations, read together with the Advocates Act, were short of full compliance, and were obviously discriminatory. When listing the recognized law qualifications, the Schedule identifies only "degrees in law from either the University of Nairobi or the University of Dar-Es-Salaam or the University of Zambia". [77]

The Schedule does not recognize Burundi and Rwanda's law degrees in Uganda. In addition, the Schedule was noted for being oblivious to the other universities with accredited law programmes in both Kenya and the United Republic of Tanzania. By explicitly recognizing law degrees from the University of Zambia, the Schedule gives better treatment to third parties than to Partner States of the EAC.

Burundi and Rwanda's exclusion, as highlighted above, will demand a thorough review from an EAC context since it simply reflects the difference in legal systems among the EAC's Commonwealth and Francophone Partner States, common and civil law respectively. As part of their liberalization commitments in the Common Market Protocol framework, the EAC Partner States may need to agree whether they will adopt a common legal system before free movement of legal services across the region can be achieved.

The negotiations of the Mutual Recognition of Academic and Professional Qualifications and Harmonization of Education Provisions by the High-Level Task Force negotiating the EAC Common Market Protocol, Schedules and Annexes offer the best opportunity to address these issues and achieve coherence with respect to the recognition of qualifications.

Measures Undertaken

Advocates (Amendment) Act, 2002 – This amendment to the Advocates Act followed a recommendation in the Odoki Report on the need for the Law Council to regulate the provision of legal education and provide for continuing legal education for practising advocates. The Amendment established the Committee on Legal Education and Training under the Law Council to oversee this widened Council mandate.

The Committee's primary task is to keep lawyers abreast of contemporary legal issues and improve the quality of legal services they render to their clients.

Pro bono scheme – In its efforts to improve access to justice by all, the Law Council took advantage of this amendment to make explicit pro bono provisions by making it mandatory for every advocate in Uganda to give legal aid service to at least four indigent persons per year.

The Advocates (Continuing Legal Education) Regulations, 2004 – Owing to these regulations, advocates have been able to undertake continuing legal education in the key areas of their practice, hence improving the quality of the services offered to their clients.

The Advocates (Council Fees) Regulations, 2004 – These regulations set the fees that should be paid for the services offered by the Law Council. The fees are collected by the Uganda Revenue Authority on the Council's behalf as non-tax revenue for the Government. These fees are part of revenues proposed to accrue directly to the coffers of a self-accounting autonomous Law Council, as proposed by this assessment.

Anticipated Measures

The Advocates (Legal Aid to Indigent Persons) Regulations – These regulations are yet to be gazetted, but they give effect to the pro bono scheme provisions in the Act. They lay down the basic requirements and the minimum standards that must be met by the legal aid service providers and empower the Law Council to license providers and monitor their performance. This will go a long way in ensuring that indigent persons obtain quality legal aid service.

5. Legal Services Sector: an Analysis of Strengths, Weaknesses, Opportunities and Threats

5.1. Strengths

The Advocates Act and the Law Council – The law establishes the Law Council as a single recognized statutory regulator for legal services in Uganda with detailed provisions on various regulatory mandates. This has vested the regulatory responsibility for all professional legal practitioners, despite their multifaceted nature, in a single institution, by statute.

The Uganda Law Society Act and the Uganda Law Society – Like the Advocates Act, the Uganda Law Society Act establishes the Uganda Law Society to carry out a number of tasks, mainly the following: to develop and administer all matters regarding the conditions of legal practice and to maintain and improve the standards of the conduct of the legal profession in Uganda. By legally establishing the Society as a single platform to which all legal practitioners, or advocates, must belong, the Act has guaranteed the Society a big and rapidly growing membership base of the entire legal fraternity.

The Uganda Law Society is an autonomous, highly respected corporate institution with an executive council in charge of its policy formulation and guidance and a full-time secretariat of over 60 professional staff to implement the Society's programmes and the policies of the Council.

The Society has attracted the goodwill and strong support from a wide range of donors and development partners as demonstrated through the 16-year continuous relationship with the Norwegian Agency for International Development that sustains the Legal Aid Project. In addition, the Society has gained recognition as a key cooperating partner of the Justice, Law and Order Sector of the Ministry of Justice and Constitutional Affairs.

Common Law – The use of the English common law in Uganda is an asset to the extent that it is the recognized code of practice in many countries worldwide, especially those of the Commonwealth. This has widened the market horizons for Uganda's legal services providers and practitioners. The adoption of a hybrid code containing elements from both civil and common law by Rwanda will extend the reach of the players even wider. This mitigates the challenges of the mutual recognition of qualifications and simplifies any complications related to cross-border practice and its regulation as foreseen with deeper and wider regional integration.

5.2. Weaknesses

Archaic basic legal education system – The traditional basic legal training programme (LLB) is out of date and has not been responsive to the market dynamics making law graduates less relevant to the work place and the needs of their potential clients. The Uganda Law Society has pointed out that the curriculum is not attuned to the emerging legal issues of the digital age, including electronic evidence, identity fraud, and climate change issues such as carbon trading, petroleum, energy and environmental law. The curriculum is out of step with traditional aspects of the law. For instance, the company law being taught at the Law School is four generations behind.

Low uptake of technology – The key respondents noted that the legal profession in Uganda has been slow in embracing information technology and taking full advantage of the new possibilities of the digital age in the delivery of legal services and subsequently, the dispensation of justice and the court system.

This is reflected by the inadmissibility of electronic evidence in Ugandan courts and accounts for the backlog of cases the sector presently suffers. The digital divide constitutes a comparative disadvantage between Uganda's legal practitioners and their colleagues in other jurisdictions that have been more responsive to these technological advancements.

Separating the disciplinary function from the regulatory and standard-setting mandates – There is a general feeling that the Law Council would have been more effective had its mandate been restricted to a regulatory and standard-setting and enforcement, as is the common practice in other common law jurisdictions. Adding the disciplinary function to this traditional role has made the Council less effective and is a fundamental weakness of the sector. In other common law jurisdictions, this mandate is normally vested in the Bar Association, with the regulatory and standard-setting and enforcement mandate left to the governmental judicial authority.

It has also been reported that subjecting legal services providers in the civil service to a lower disciplinary standard than that to which lawyers in private practice are subject is unfair and creates double standards, which is a weakness. The Uganda Law Society reported that the Government Standing Orders to which civil servants offering legal services are subject does not measure up to the standards set for lawyers in private practice; yet both categories of practitioners owe the public the same degree of care and as such, should uphold the same professional standards.

5.3. Opportunities

Review of the Advocates and Society Acts – The long overdue review of the Advocates and Society Acts, which is presently ongoing, will be leveraged to make both institutions more effective, responsive to the needs of their stakeholders and key clientele and relevant to emerging trends. The review is timely, since it offers an opportunity to harmonize the provisions in both legislations, maximize the synergies between them and address their shortcomings. At the end of the review, each of the bodies should be better positioned to undertake its mandate and to complement each other.

Legal education curriculum review – The review of the basic legal training curriculum (LLB) is an opportune moment to address the gaps identified and make legal education more relevant to current, emerging legal market trends (local, national, regional and global).

Justice, law and order sector – The recognition and support the sector extends to the Uganda Law Society is an opportunity for the principal actors in legal practice to directly participate and be consulted on all matters related to justice, law, security and development in general and legal practice in particular in Uganda both in the present and in the future. The latter is particularly important given the sector's holistic approach that is designed to ensure that it will determine all aspects of the sector for a long time.

5.4. Threats

Educational system and low technology utilization – An outdated basic university legal training curriculum (LLB) in Uganda and the low utilization of technology has increased the vulnerability of Uganda's law graduates in comparison with their colleagues in the region from institutions that are more sensitive and adaptable to these trends, especially in view of deepening regional integration. The case backlog and the database challenges mentioned above are proof of a systemic challenge demanding a holistic approach, which if left unattended, constitutes a threat to the survival of the whole sector.

Absence of a standard basic legal education curriculum (LLB) – The proliferation of universities accredited to offer university legal training without a standard degree programme is a threat to the future of the sector. The introduction of a Bar entry examination for the Post-Graduate Diploma in Legal Practice in the face of an increasing number of failures testifies to the gravity of this threat, which requires a long-term solution and a possible departure from the common practice of allowing universities the freedom to design their own programmes.

F. CONSTRUCTION AND ENGINEERING SERVICES SECTOR

1. Trend Analysis

1.1 Contribution of the Construction and Engineering Services Sector to GDP

The contribution to Uganda's GDP of the construction and engineering sector, which covers public- and private-sector construction services, reflects the importance the Government has attached to the sector in its reconstruction and growth efforts over the last 15 years. This emphasis on construction and engineering explains the impressive GDP out-turns indicating that over the last five years, the construction sector has posted the highest contribution to GDP of any sector in the industry category of the national statistics with 14.8 per cent, 9.5 per cent, 12.5 per cent, 24.6 per cent, 10 per cent and 7.6 per cent from 2002 to 2007. Only mining and quarrying had better returns, with 18.2 per cent in 2006. The economic growth statistics over the same period illustrate a similar trend, reflecting the importance of the construction sector's increasing contribution to GDP, as demonstrated in table II.8.

1.2. Supply Capacity for Construction and Engineering Services Sector

It is the Government's strategic objective that 90 per cent of all services in the construction industry be provided by the private sector by June 2014 (Ministry of Works and Transport, 2008). [78]

It is estimated that 50 per cent of non-farm employment in Uganda is directly or indirectly provided by the construction industry (Ministry of

Works and Transport, 2008).[79] The policy and industry preference for labour-based technologies would have elicited higher employment returns than this estimate. However, the industry remains generally fragmented, without adequate support partly due to lack of both a definitive government policy and a strong institutional framework, which has encouraged the informal-sector mentality approach to business in the sector without a long-term view on work continuity on the part of local contractors and consultants. Consequently, the sector has not achieved its full potential for employment generation and the accompanying multiplier effect.

2. Regulation in the Construction and Engineering Services Sector

The regulatory framework for the construction and engineering services sector currently comprises two levels, namely, the statutory regulators of engineering and the professional self, or peer, regulators. The established statutory regulators include the Engineers Registration Board and the Architects Registration Board; the peer regulators include the Uganda Institution of Professional Engineers, the Uganda Association of Consulting Engineers, the Uganda National Association of Building and Civil Engineering Contractors and the Uganda Society of Architects.

Engineers Registration Board

The Engineers Registration Act, Cap. 271, of 1969 (amended, 1977) is the applicable law on the practice of engineering in Uganda. Part II, section 2 of the Act establishes the Engineers Registration Board as the competent authority in Uganda with the mandate to regulate and control engineers in Uganda and their activities and advise the government in relation thereto.

The Act, Part IV, section 16, Registration of Engineers, designates a registrar of engineers with the responsibility to register and publish in the Gazette all persons qualified and eligible to practise as engineers in Uganda.

The Engineers Registration Act, section 20, sets eligibility requirements for registration as engineers in Uganda, limiting the practice to 25-year-olds who are either members of the Uganda Institution of Professional Engineers or other institutes of engineers whose membership is recognized by the Engineers Registration Board. In addition, they must hold a degree, diploma or licence from a recognized university or school of engineering and have received at least two years' adequate postgraduate practical training as an engineer with two years' experience in a position involving responsibility as an engineer. In the alternative, any additional period in a position of responsibility as an engineer in excess of two years in substitution for the two years' practical training is also accepted (Engineers Registration Act, 1969, 1977).[80]

The Act requires all practising engineers to be registered with the Engineers Registration Board and has detailed provisions regarding who can use the title "Registered Engineer" and the prefix "Eng" before their name and the penalties for impersonating engineers for those who do not fully meet the requirements of the Act.

Table II.8. Industrial Sector GDP Growth Rates, 2003–2008 (Percentage)

Sector	2003/04	2004/05	2005/06	2006/07	2007/08
Industry	8.0	11.6	14.7	9.9	6.4
Mining and quarrying	1.7	27.2	6.1	19.4	0.8
Manufacturing	6.3	9.5	7.3	4.3	8.1
Formal	8.3	11.8	7.8	4.0	9.5
Informal	1.7	3.6	6.0	5.2	4.3
Electricity supply	7.7	2.1	-6.5	-4.0	6.0
Water supply	4.2	3.9	2.4	3.5	5.0
Construction	10.0	14.9	23.2	14.3	6.0
GDP at basic prices	6.4	6.6	10.3	7.4	8.9

Note: May not add exactly due to rounding off.
Source: Background to the Budget, Financial Year 2008/09, June 2008, p.12.

Uganda Institution of Professional Engineers

The Uganda Institution of Professional Engineers is a professional society for engineers. The Institution consists of the following classes of membership: fellows; members; honorary members; technologist members; technician members; graduate members and student members. As of 12 June 2009, it had a membership of 1,038 persons, broken down as follows: 25 fellows; 510 members; 6 honorary members; 54 technologist members; 26 technician members; 305 graduate members and 112 student members.

The Engineers Registration Act recognizes the Uganda Institution of Professional Engineers and makes membership of the Institution an eligibility and registration requirement for Ugandan engineers. [81]

The Uganda Institution of Professional Engineers is taking part in an ongoing study conducted by the Institution of Civil Engineers (United Kingdom) and funded by the Department for International Development. The study is aimed at increasing the capacity of the Uganda Institution of Professional Engineers and bringing professional standards in the country in line with development needs, global markets and international trade obligations. The obligations to work towards progressive liberalization, coupled with the need to remove national barriers to professional services as required under the WTO General Agreement on Trade in Services, demand that local professionals in general and engineers in particular boost their competence, skill and efficiency levels in their professional outlook and practices and meet internationally agreed best practices and standards in order to comply with cross-border practice requirements.

The Uganda Institution of Professional Engineers has positioned itself to implement such systems and procedures so as to facilitate Uganda's engineering fraternity to meet these requirements and the ensuing domestic challenges.

To date the Engineers Registration Board has only 390 registered engineers; yet the total number of practising engineers in the country is estimated at 2,500. The Board faces a clear challenge to enforce the Engineers Registration Act with due haste. This challenge is graphically illustrated by the large number of non-registered engineers in practice, more than 2,000, according to the latest reports.

Ineffective legislation and regulators have seriously undermined the authority of both the Engineers Registration Board and the Uganda Institution of Professional Engineers and compromised their effectiveness in performing their regulatory mandate. This will be exacerbated by the impending EAC Common Market Protocol, which will increase the demands on these regulators with the freedom of movement of services, including construction and engineering services, with a proliferation of cross-border practice, and with it the need for cross-border regulation.

Uganda Association of Consulting Engineers

The Uganda Association of Consulting Engineers was set up in 1994 by a steering committee of seven consulting firms and was officially recognized by the Government as the sole organization responsible for the promotion of the interests of consulting engineers in Uganda. It is affiliated with the International Federation of Consulting Engineers. The Association runs seminars and lunchtime meetings with guest speakers covering topics of interest to its members and networks with other national associations of consulting engineers in Africa and worldwide. It also lobbies the Government, international lending agencies, donors, the International Federation of Consulting Engineers and the private sector on matters affecting them. Over the last 15 years, the Association's membership has grown to 19: 6 small firms and 13 large firms out of about 50 albeit small consulting firms, companies and individuals. The most likely reason for the low membership is the relatively high annual membership fees of $800 for small firms and $1,200 for large firms.

Uganda National Association of Building and Civil Engineering Contractors

The Uganda National Association of Building and Civil Engineering Contractors is a voluntary association of companies bound by a constitution and directives authorized by the Association's National Executive Committee. Having ceased operations in 1973, it was revived in 1993 to identify, promote and safeguard the interests of building and civil engineering contractors.

The Association's major functions consist of lobbying government on policy issues that impact the national construction industry and advocating for capacity-building support from development partners and the Government. With financial assistance from the Norwegian Agency for International Development and government support, the Association has successfully organized occupational health and safety training for contractors and manufacturing firms. However, a shortage of operational resources has limited the extent to which it can deliver its promise and that has kept many potential member companies from joining the Association.

To date the Association has attracted only a small number of contractors. Its membership of 300, compared with an estimated 800 contractors in the country, implies that it needs strengthening. Relatively high annual membership subscription fees and a lack of direct, tangible benefits may have discouraged potential members from joining. Further, stiff competition for the few available contracts at a given time makes the Association ineffective, as the sector is perceived as being too insecure and many contractors find themselves going out of business (Ministry of Works and Transport, 2008). [82]

The Architects Registration Board

The Architects Registration Act, Cap. 269, of 1996 is the applicable law on architects' practice in Uganda. The Act establishes the Architects Registration Board as the competent authority on architecture in Uganda. Section 4 of the Act spells out the functions of the Board: to regulate and maintain the standard of architecture in the country; to register architects; to make bylaws for better carrying into effect the provisions of the Act; to prescribe or regulate the conduct of architects in Uganda; and to promote training in architectural sciences. [83]

The Act, Part III, sections 8 and 9, Registration of Architects, designates a registrar of architects with the responsibility to register, keep, maintain and publish in the Gazette all persons qualified and eligible to practise as architects in Uganda.

In addition, the Act limits architectural practice to corporate members and sets qualification requirements for registration as architects in Uganda to include a degree or diploma awarded by a recognized university or other institution, two years' practical experience and passing a professional examination conducted by the Board. [84]

Uganda Society of Architects

The Architects Registration Act recognizes the Uganda Society of Architects and reserves two thirds of the members to the Architects Registration Board for individuals nominated by the Society. [85]

The Uganda Society of Architects enrols architects according to their professional competencies and specific criteria. It establishes guidelines for enrolment and mentors, and sets examinations. The law makes membership of the Society compulsory for all Ugandan architects, and corporate membership of the Society is a registration requirement for eligible practitioners in Uganda (Architects Registration Act). [86]

The Uganda Society of Architects boasts 246 honorary members, 2 corporate members, 246 graduate members, 50 student members and 57 technician members. [87]

3. Construction and Engineering Services and the Millennium Development Goals

Universal primary education and universal secondary education – The introduction of universal primary education in 1997 led to a 132 per cent rise in gross enrolment compared with figures preceding universal primary education, from 3.1 million in 1996 to 7.2 million children in 2006. [88] The Government adopted the Education Strategic Investment Plan, which devises policy and strategies for development of the sector as a key vehicle for achieving quality universal primary education by 2005 (Ministry of Works and Transport, 2008). The Medium-Term Budget Framework of February 1999 estimated that to achieve the Plan's ambitious target of accommodating over 6 million primary school pupils, it would be necessary to build over 28,000 new classrooms and to expand a further 12,000.

This underlies Uganda's impressive record of meeting the universal primary education target of the Goals as indicated in a progress report issued by UNDP in 2007: "Uganda is on the right path to achieving the Millennium Development Goal target of 100 per cent by 2015" (UNDP, 2007). [89]

Construction of new district health centres and rehabilitation of hospitals – The District Health Services Project has enabled the Government to deliver health services to the communities through improved access provided at the new subdistrict health centres and at the rehabilitated government hospitals. Physical construction works to deliver these subdistrict health centres and rehabilitate government hospitals through the District Health Services Project and other projects was made possible by the participation of a sizeable number of local contractors. Uganda's infant mortality rate[90] was reported at 76 deaths per 1,000 live births by the end of 2007, having declined from 122 deaths per 1,000 live births in 1991. The under-five mortality rate measuring child deaths before the age of five, however, declined from 167 to 137 deaths per 1,000 live births from 1991 to 2007 (UNDP, 2007). [91] While Uganda's infant mortality rate is still way off the Millennium Development Goal target of 31 deaths per 1,000 live births by 2015, the progress made towards reducing both its infant mortality rate and under-five mortality rate cannot be denied. The contribution made by the sector towards this marginal but critical progress through the construction of new health centres, the rehabilitation of old facilities and the construction of new hospitals, both public and private (profit and non-profit), cannot be underestimated.

Remove restrictive practices to allow the participation of marginalized groups – None of the reports and policy documents reviewed as part of this assessment exercise have revealed any deliberate efforts to meet the other Goals, apart from those referred to above. However, the draft National Construction Industry Policy has specific proposals relevant to the gender and marginalized Goal indicators. The Policy proposes that the Government should continue to advocate for the removal of any restrictive practices prohibiting marginalized groups such as women, youths, physically challenged persons, elderly persons and children from gainful employment in the construction industry. In addition, it proposes the prohibition of child labour in the construction industry.

A proposal concerning the implementation of the draft National Construction Industry Policy focuses on the following points: (a) integrating issues of the marginalized groups; ensuring that their concerns are explicit and verifiable in the policies, plans and budgets of key stakeholders in the construction industry; and that "policies, plans and budgets will take cognizance of concerns of the marginalized groups"; and (b) incorporating needs of the marginalized groups in the design and execution of works and ensuring that their concerns are addressed in the design and execution of infrastructure works.

4. Trade Liberalization in the Construction and Engineering Services Sector

Uganda has a liberalized construction and engineering services sector with substantial foreign participation in all facets of activities in the sector. To demonstrate the extent of foreign presence in Uganda's construction and engineering sector, the draft National Construction Industry Policy reports that "the industry heavily relies on the services of foreign firms, even for repair and maintenance work that could otherwise be handled by local firms" (Ministry of Works and Transport, 2008).

However, despite this relatively liberalized regime, there is a general consensus among the stakeholders, which is not entirely wrong – that the sector was opened up to competition before its time. In the face of the likelihood of committing to this autonomous liberalization with the conclusion of the EAC Common Market negotiations, the stakeholders in the construction and engineering-related sectors requested the high-level task force negotiating the draft Common Market Protocol for a five-year transitional period for the sector to increase its readiness for full liberalization (EAC, 2009). [92]

Measures Undertaken

The applicable laws in the construction and engineering sector do not restrict the participation of foreigners in the sector. The Engineers and Architects Registration Acts have specific provisions to facilitate foreigners to register and practise as engineers and architects in Uganda.

Recognition of foreign professional institutes and societies – The qualification requirements set out in the Engineers and Architects Registration Acts, Part IV, section 20 (1) (a) and Part III, section 12, respectively, recognize foreign institutes and societies, provided they are recognized by the relevant regulators.

Temporary registration – In addition, both Acts have specific provisions on temporary registration in section 21 and section 12 to allow non-resident foreigners to be registered and allowed to practise as engineers and architects in Uganda.

Anticipated Measures

Adopting a national construction industry policy – Despite the importance of the construction and engineering services sector to Uganda's economy, the sector lacks a policy. The need for such a policy was identified several years ago when in September 1999, the Danish International Development Agency commissioned a preliminary study on the development of the local construction industry in Uganda. The study identified the necessary measures and made recommendations to the Government on how to strengthen the domestic construction industry. Following the study recommendations, a task force, comprising senior officers in the Ministry of Works and Transport, was established in October 2000 to prepare a policy framework, and to develop and strengthen the domestic construction industry.

A select team of experts from the task force and the private sector, namely, the Uganda National Association of Building and Civil Engineering Contractors, the Uganda Association of Consulting Engineers and the Uganda Institution of Professional Engineers, visited South Africa, the United Republic of Tanzania and Sri Lanka in August 2001 and 2003 to share experiences with countries having strong and well-established domestic construction industries founded on positive and enabling government policies and strategies. A draft National Construction Industry Policy, the outcome of this elaborate process, has neither been adopted nor implemented since 2005. The transitional time frame referred was established to allow for time to adopt and implement the National Construction Industry Policy before Uganda's construction and engineering services sector would be subject to the freedom of movement of services in the EAC Common Market Framework.

Establishment of the Uganda Construction Industry Commission

Among the many proposals of the National Construction Industry Policy is the proposal to establish a Uganda Construction Industry Commission by an act of Parliament with funding from the Consolidated Fund to regulate the construction industry.

If set up, the Commission would manage a construction levy that would supplement its allocation from the Consolidated Fund to run its programmes and initiatives aimed at developing the national construction industry. There is a gap for the Uganda Commission to fill. This assessment has revealed that the policy issues in construction in general and the trade dimension of the sector in particular have neither been attended to, nor is there a competent authority to play this important oversight role.

The existing regulatory framework is entirely dependent on professional councils, whose effectiveness has been demonstrated to be extremely inadequate. Experience from successful liberalization arrangements elsewhere has proven that the success of liberalization at whatever level – multilateral, regional or domestic – hinges to a great extent on the capacity to regulate and monitor the achievement of the set liberalization objectives. Without effective regulatory frameworks, services liberalization tends to run into difficulties.[93] Even when established by statute, professional councils may not be the best platforms for services regulation, and liberalization commitments premised on the existence of these professional councils may not be as effectively delivered as those founded on well-established regulatory institutions.

Independent government regulatory authorities have tended to be better streamlined, better funded, better staffed and more effective than professional councils and boards.[94]

Establishing a construction guarantee fund – The draft policy proposes the establishment of a construction guarantee fund, managed by the Uganda Construction Industry Commission, to assist contractors and consultants in obtaining bid securities, performance bonds and advance payment guarantees. It is planned that the Fund will also support the training centres and institutions to provide training for contractors and consultants.

If adopted, and implemented, the construction levy proposed above will provide seed money for the proposed construction guarantee fund. In addition, contractors and consultants will be compelled to contribute to the Fund using clauses built into standard tender documents and contract agreements for all construction procurements for both the public and private sectors.

The mandatory deductions should be implemented using the same formulae as withholding taxes or fuel levies, which has worked effectively to finance the Road Fund. Government should provide the fund with U Sh 500 million to start up the Fund.[95]

Strengthen and support regulatory, professional and business support organizations – The Policy proposes government support to strengthen both the regulatory and institutional framework for the construction and engineering services sector. This support should extend across the whole spectrum of the institutions and structures comprising the framework, including the statutory regulators and the recognized institutes, societies and associations and their operations. In this regard, the Government should increase its financial support by granting subsidies to the secretariats of these bodies to enable them to perform their regulatory functions more effectively. The bodies should be facilitated for full-time work with full-time professional staff. A robust construction sector cannot continue to be superintended by a one-person secretariat presently manning the Engineers Registration Board.

Enacting the Building Control Bill – The need for a legislative review in the sector is long overdue and has been identified by both the stakeholders and the Government as a top priority. The Building Control Bill, drawn up in 2001 and subjected to Cabinet scrutiny in June 2009, proposes to consolidate, harmonize and amend the law relating to the erection of buildings; it will also establish building standards. Among its objectives is the promotion of planned, decent and safe building structures developed in harmony with the environment. The Bill intends to establish a National Building Review Board and building committees. It provides for the establishment of a national building code with specific provisions on building standards, structural designs, plumbing and electrical installations.

Approval and gazetting of the Building Control Regulations – The Building Control Bill intends to establish a more effective regulatory regime in Uganda's construction sector and in Part VII, clause 53, specifically provides for regulations. The Ministry of Works and Transport, in association with SABA Engineering and FINNROAD, developed the draft Building Control Regulations in July 2004, which to date have neither been approved nor gazetted. Approving these regulations will go a long way in addressing the regulatory gaps to which the many collapsed buildings and shoddy construction works are widely attributed.

5. Uganda's Construction and Engineering Services Sector: an Analysis of Strengths, Weaknesses, Opportunities and Threats

5.1. Strengths

The Uganda Association of Consulting Engineers claims that local knowledge and the advantages that come along with proximity are a fundamental strength of the domestic players, including contractors and consultants. They possess a better understanding of the social dynamics in the country allowing them to deal more effectively with sociocultural issues; in a practical sense, they are better placed to more easily interpret the wishes of the clients. The Association further pointed out that, unlike foreign contractors, domestic firms can be depended upon for swift mobilization. Equally, collectively they can count on a range of skilled operatives and trades. This is important in a country where there is little or no formal training available for artisans and skilled workers in the construction sector. In addition, they are able to offer more competitive prices than their foreign counterparts.

Local construction contractors and consultants provide further training to young engineers at the start of their careers in the construction industry. The Uganda Institution of Professional Engineers reported that these training possibilities, coupled with the Government's privatization policy, which emphasizes the private sector and the reduction of staff in the public sector, were attracting young graduate engineers previously drawn to the public sector. This cadre of graduates has laid a firm professional foundation for the infant private-sector-driven construction industry.

Uganda National Association of Building and Civil Engineering Contractors and the Uganda Association of Consulting Engineers – The existence of established business support organizations, namely, the Uganda National Association of Building and Civil Engineering Contractors and the Uganda Association of Consulting Engineers (for contractors and engineering consultants) is a great asset to the sector. The Government's recognition of these business support organizations is an added advantage. Moreover, the Uganda Association of Consulting Engineers is a member of the International Federation of Consulting Engineers, a worldwide authority on engineering consulting. The Association has leveraged its membership to the International Federation to increase its profile, credibility and effectiveness. Both the Uganda National Association of Building and Civil Engineering Contractors and the Uganda Association of Consulting Engineers are a critical reference point for the private-sector players in the construction industry to dialogue with the public sector and promote their views and concerns to their clients.

The Uganda Association of Consulting Engineers has a strong relationship with the Uganda Institution of Professional Engineers and members of the

Association serve on the Board. This strengthens their advocacy role and their credibility with the public sector.

These industry platforms have proven to be an effective interlocutor between the domestic construction and engineering consulting industry with various players and stakeholders at the local, regional and international levels. The Uganda Association of Consulting Engineers recently hosted a conference and training workshop of the International Federation of Consulting Engineers in Uganda. The Federation's regional chapter, GAMA, offers its members the possibility to benefit from the experiences of other and better-established associations in the region. As part of this assessment exercise, the Uganda Institution of Professional Engineers reported that the two organizations have been very helpful in addressing safety concerns, which have been heightened by the recent increase in collapsing buildings and accidents on construction sites.

5.2. Weaknesses

Limited capacity – The key respondents to this study, in particular the Uganda National Association of Building and Civil Engineering Contractors, were concerned about the extreme capacity constraints faced by the domestic construction industry. As a result, most of the big construction projects are reportedly being carried out by a handful of international firms. Only a small percentage of the local firms are able to compete successfully, or work on joint-venture basis with international firms.

There is relatively little involvement of local contractors with their foreign counterparts, apart from some informal subcontracting. Therefore, local contractors are missing an opportunity to learn from them, enhance their skills and expand their market share to develop into medium-sized or large-scale companies. As a result, the small firms have been confined to undertaking only small buildings and occasionally minor civil engineering works, owing to their limited size and resources. Restricted access to equipment leads to poor performance and yet equipment enhances performance and is a criterion for the registration and classification of contractors (Ministry of Works and Transport, 2008).

Because the firms do not have comprehensive skill coverage, they are unable to cover more than one sector and even in that sector they may not have staff to cover the whole range of skills required. An additional factor is the short supply of specialist staff, making their hiring costly to firms. Consequently, most construction firms do not have the resources to retain this calibre of staff on a long-term basis. It was reported that there are only some four or five materials engineers in the whole country (Uganda Institution of Professional Engineers, 2009). One of the practical problems, as reported by the Uganda National Association of Building and Civil Engineering Contractors, is the acute shortage of plant operators and mechanics. There are no vocational training courses for these skilled workers. As a result, skilled workers rarely stay with one company, as their unique skills are in very high demand. In addition, because some unskilled workers are employed as plant operators, they may end up working inefficiently or under dangerous working conditions.

The Uganda Institution of Professional Engineers reported that consulting firms lack business skills, often leading to poor financial management. The Institution attributed the high mortality of local engineering consulting firms to poor managerial and financial management skills. The records of the Institution indicate that firms are set up, and while they may be successful, they split into smaller less efficient companies, mainly sole proprietorships. Moreover, the lack of succession planning means that when proprietors retire, firms more often than not go out of business.

Limited access to credit – Limited access to credit and loan facilities is identified as a fundamental weakness for Uganda's construction industry, requiring specific measures in the draft National Construction Industry Policy. The draft policy states that the industry has a critical need for short-term bridging finance for project implementation and long-term capital to cover the cost of business establishment and growth, which are turning into a serious barrier to the capacity development of private construction and consulting firms.

The Uganda National Association of Building and Civil Engineering Contractors reported that the credit situation had been worsened by a common practice, especially in the road construction category to delay payment of monthly invoices, an issue which the Uganda National Roads Authority is committed to addressing. The study has revealed that contractors are considered to be high-risk clients by commercial banks; as a result, performance guarantees for construction contracts are typically issued against the deposit of equal sums, in a process negating the whole purpose of obtaining guarantees. High interest rates, coupled with late payments, means that often the interest charged wipes out any profit that could be made on these contracts.

Lack of access to equipment – One of the biggest issues within the industry in general and in the road sector in particular is access to equipment. In 1994 the Government commissioned a study to determine the feasibility of establishing a plant hire pool as a way of supporting the industry, initially starting with road construction and maintenance, and subsequently, to support the entire industry. The Uganda Institution of Professional Engineers reported that contractors have tremendous difficulty in obtaining equipment, which is made worse by the infrequent work flow. There are only two equipment suppliers in the whole country: Caterpillar and Komatsu. There is no plant pool and leasing is not financially feasible. The study recommended the creation of a plant hire pool run on commercial principles. [96]

Weak regulatory and business support institutions – The Uganda Association of Consulting Engineers highlighted its frustration with the small number of registered consulting firms or consultants, compared with the net demand for design and supervision of construction projects. The inference is that in the consultancy industry there is an informal sector to cope with the overwhelming demand for consultancy services. This is largely attributed to practical difficulties faced by the respective Statutory Registration Boards in enforcing their mandate. These difficulties have been mentioned above.

There is a general consensus that the ineffectiveness of the regulators is a reflection of the shortcomings of the laws that established the institutions and defined their mandates. A combination of laws that do not empower institutions to act and a narrow scope of mandate have rendered them even weaker. The preliminary reports on the recent spate of collapsed structures and accidents on construction sites have revealed the underbelly of a regulatory regime without any specific provisions on structural design and construction project supervision.

The Architects Registration Board pointed out that the Architects Registration Act limits the Board's regulation mandate solely to registered architects who constitute a mere 40 per cent of those in business, leaving unregulated the bulk of those who in practice offer architectural services. The Board reported further that the limited scope is worsened by inadequate provisions on sanctions against professional misconduct.

These difficulties are not limited to statutory regulators but extend to business support organizations, as well. While it has credibility, the Uganda Association of Consulting Engineers has several weak points.

It has a small membership and a limited capacity to attract members because it is not seen as providing much benefit to its members, other than being a club of likeminded companies. It is estimated that there are at least another 10 companies outside the Association operating in the road sector. The Uganda Association of Consulting Engineers does not have regulatory powers, even though it is officially recognized by the Government.

Moreover, its ability to lobby for its members is compromised by a fear that to be seen to complain to the client will result in an inability to win jobs. Although the Uganda National Association of Building and Civil Engineering Contractors is operational, it has relatively little interface with the public sector. This has generally excluded the Association from discussions on the most lucrative sector in construction, namely, the road sector, at the expense of the domestic construction industry in general and its members in particular. The Association, however, feels it has a legitimate claim as the recognized private-sector voice of the industry to be represented on the boards of both the Uganda National Roads Authority and the Road Fund.

The limited budget of the Association has severely limited its ability to carry out its defined mandate and has weakened its case to attract contractors to seek membership in the Association.

A weak regulatory framework and the delayed enactment of the Building Control Bill – The weak regulatory framework in the construction sector is one of the fundamental weaknesses in the sector demanding immediate attention. There is a consensus that the Public Health Act is too generic and out of date to address the sector's special needs. The Uganda Society of Architects reported its frustration with the delayed enactment of the Building Control Bill, which like the construction policy, has remained on the drawing board since 2001.

The Building Control Bill proposes to address the shortcomings of the Public Health Act by consolidating, harmonizing, and amending the law relating to the erection of buildings and establishing building standards. Among its objectives is the promotion of planned, decent and safe building structures developed in harmony with the environment. The Bill intends to establish a National Building Review Board and building committees. It also provides for the establishment of a National Building Code with specific provisions on building standards, structural designs, plumbing and electrical installations.

As part of this policy review exercise, the Uganda Association of Consulting Engineers emphasized the need to make construction regulations more effective and to explore the possibility of introducing specific provisions on structural design and construction project supervision. This would include the establishment of a separate institution to regulate design and engineering consulting with a specific role for the Association in line with the best practices of public-private partnership.

Building control regulations – In addition to the Building Control Bill, the Uganda Society of Architects proposed the adoption of the Building Control Regulations developed by the Ministry of Works and Transport in 2004 as part of a more comprehensive regulatory review.

Tendering – Respondents to this study were unanimous about the effect of the lack of an agreed approach to tendering and procurement of construction and engineering services. Both the Uganda Association of Consulting Engineers and the Uganda National Association of Building and Civil Engineering Contractors were apprehensive about the current classification of contractors and consultants in government departments without a legal basis. The draft National Construction Industry Policy is specifically critical of the classification scheme presently in use, which does not differentiate between foreign and local firms to minimize unfair competition for jobs.

Local contractors are often disbarred from tendering for rehabilitation work on the grounds that they do not meet technical capacity requirements. Paradoxically, however, they will not obtain that technical capacity if they are not allowed to tender for these works. Under the current scheme, government departments carry out registration and classification of firms using differing criteria and review periods. Further, the criteria are not stringent enough to bar ill-equipped and inexperienced firms (Ministry of Works and Transport, 2008).

The lack of a common approach to the tendering and procurement of construction and engineering services has led to the extensive use of the least-cost approach as the widely preferred criteria for the award of tenders. This approach is oblivious to associated problems, including underpricing and failure to do the work; it typically leads to too many claims, which are often cumbersome to evaluate and agree upon; does not allow growth of providers, often leading to insolvency and bankruptcy; and moreover, the Public Procurement and Disposal of Public Assets Regulations do not clearly state how to avoid underpriced bids.

According to the Uganda National Association of Building and Civil Engineering Contractors, the lack of a clear approach to tendering and procurement of services in the sector has resulted in several contracts being awarded to businessmen rather than to actual contractors without any long-term commitments to the industry.

Often these transient firms deliver substandard work, which damages the credibility of the whole industry, especially for those firms that are committed to the industry. The situation is worsened by the limited capacity of local contractors to prepare qualifying bids that meet requirements. This is also reflected in their poor understanding of the conditions of contract.

5.3. Opportunities

National Construction Industry Policy – All the study respondents from the construction sector and the institutions (regulators and business support organizations) considered the implementation of the draft National Construction Industry Policy and its package of proposals to be a great opportunity for the construction industry. Of particular significance are the institutional proposals in the policy, especially the establishment of the Uganda Construction Industry Commission, which would fill the current massive policy and regulatory gap regarding business in the construction industry.

The Building Control Bill and the Building Control Regulations – The consensus among the respondents is that enacting the Building Control Bill along with the gazetting of the Building Control Regulations by the Government is a timely opportunity that should not be missed.

Moreover, the Bill and Regulations have already been subject to Cabinet scrutiny and the challenge for the industry is sustaining the momentum to have both instruments adopted to address the regulatory gaps identified in the sector.

The Road Fund and the establishment of the Uganda National Roads Authority – The present Government's consideration of the road sector as a priority, as indicated by a phenomenal increase in funds to the road sector (U Sh 1 trillion was allocated to the sector in the 2008/09 fiscal year alone), is seen as a major opportunity for local contractors and consultants to expand their businesses and improve their own business and technical skills. If sustained over time, the injection of these large sums of money into the sector could conveniently be used to fast-track the introduction of both the construction levy and the construction guarantee fund, as proposed in the draft National Construction Industry Policy. The Uganda Institution of Professional Engineers considers the creation of the Uganda National Roads Authority and of the Road Fund as having the potential for improved continuity of work.

The Uganda National Roads Authority is expected to adopt a professional approach to the contracting of work, as the Road Fund will provide a predictable and continuous flow of funds into the sector in general and road maintenance in particular.

The draft National Construction Industry Policy identified limited work continuity as a critical weakness of the construction industry requiring appropriate measures to "continuously generate work for the contractors". The Road Fund offers an opportunity to meet this challenge.

The respondents were impressed by the setting up of a task force to standardize consultant fees as a step in the right direction to regulate the consulting industry. Of particular interest to both the Uganda Institution of Professional Engineers and the Uganda Association of Consulting Engineers is the proposal that membership of the Association should be required for engineering consultants to tender for jobs and take advantage of the additional proposal to have 30 per cent of the cost of all internationally tendered consultancy work reserved for local consultants. A comprehensive legal reform with a statutory provision for an Association role in the regulation of consulting engineering in general and structural design and supervision of construction projects in particular would make these proposals legally binding and easier to enforce.

5.4. Threats

The focus of bid-evaluation procedures on the least cost is viewed as a major impediment to the development of a core of qualified and committed consulting companies. Donor-funded projects are considered to provide the highest potential for substantial work. However given the scarcity of staff with the requisite skills, the qualifications required for local consultancy staff are often prohibitive for the local Ugandan consultants to break into what is a lucrative domestic segment of the engineering consulting market.

Given the high demand for engineers in the region, coupled with their scarcity, there is a migration of engineers out of the country. In addition, there is a lack of national agencies and institutions capable of providing in-service management and technical training for practising engineers.

The lack of a common, recommended approach to tendering and processing construction procurements is not only a weakness, but also a threat to Uganda's construction and engineering services sector. While it is a common requirement for bidders to specify that they have a registered engineer on the project team, this is rarely followed through and not normally monitored in the implementation of the works. This has been reported to have contributed substantially to the rise in construction site accidents and collapsed buildings the industry has recently suffered.

As a result of this relaxed attitude to this staffing requirement, contractors have tended not to attach the requisite importance to having registered engineers among their ranks, and this is reflected by the quality of their work and the reputation of the industry both locally and in the region.

In addition, unit rates for works are considered to be comparatively unrealistically high possibly due to collusion between dominant foreign contractors who are taking advantage of both the lack of an effective competition and anti-trust legal regime in addition to the lack of a recommended approach to tendering and procurement of construction and engineering services in Uganda. The Uganda National Association of Building and Civil Engineering Contractors reported its concerns about an emerging tendency to award large maintenance contracts to foreign contractors;

yet these contracts are the best affirmative opportunity to build the capacity of the local contractors.

G. RECOMMENDATIONS

As provided for in the methodology of the National Services Policy Review, a second national workshop was convened on 18 and 19 November 2009 at the Metropole Hotel in Kampala to validate the assessment report by (a) reviewing the findings of the National Assessment Study and (b) proposing and adopting the final recommendations for Uganda's National Services Policy Review. The workshop participants were drawn from all the key stakeholder institutions from the public and private sector covered in the scope of this exercise, including government agencies, regulators, business support organizations and associations from the accounting, insurance and construction sectors reviewed in this National Services Policy Review exercise. The list of participants in this national workshop is included in this report as annex 7.

In addition, separate arrangements were made after the national validation workshop took place to allow stakeholders, especially those from the legal services sector who could not participate in the workshop, to make further input to the recommendations of this National Services Policy Review, The construction sector leveraged this opportunity to widen its validation with two consultative meetings with the Uganda National Association of Building and Civil Engineering Contractors and a Special Session of the National Council of the Uganda Society of Architects on 5 December 2009 and 13 January 2010, respectively.

These recommendations were developed and adopted by the Workshop and subjected to further consultation and scrutiny by the meetings referred to above.

1. Accounting Services

Accounting Services Legislative Reforms

Coherence between the statutory responsibilities and jurisdiction of the Institute of Certified Public Accountants of Uganda – The Accountants Act should be amended with a view to achieving coherence between the statutory responsibilities of the Institute of Certified Public Accountants of Uganda and its jurisdiction. Once achieved, this coherence will effectively compel all accounting practitioners in Uganda to seek membership of the Institute and accept its control and code of practice. This will increase professional and ethical compliance in the country by granting a legal mandate to the Institute's regulatory authority over the accounting sector in Uganda.

Amending financial reporting legislation for coherence with the reporting requirements of the Institute of Certified Public Accountants of Uganda – The Institute has adopted the International Financial Reporting Standards developed by the International Accounting Standards Board for application in Uganda as the country's National Accounting Standard without any modifications. As a result, Ugandan financial statements and reports meet international reporting standards and do not require adjustment, as compared with those from other jurisdictions applying local standards and practices. Although most reporting entities (companies) apply the International Financial Reporting Standards, the Companies Act does not require submission of financial statements complying with those standards. The Companies Act, Insurance Act (Cap. 213), Uganda Securities Exchange Listing Rules (2003), the Public Finance and Accountability Act (2003), the Value-Added Tax Act (Cap. 349), the Income Tax Act (Cap. 340) and other related legislation with elements of financial reporting should be amended for consistency with the Institute's reporting requirements to give full legal effect to Uganda's financial reporting standards.

Mutual recognition – Uganda should utilize the agreed five-year transitional period for progressive implementation of its liberalization commitments on trade in services to conclude a mutual recognition agreement with the competent authorities on accounting and auditing among EAC Partner States. Whereas the Institute of Certified Public Accountants of Uganda automatically recognizes members of the Institute of Certified Public Accountants of Kenya and the National Board of Accountants and Auditors of the United Republic of Tanzania, these bodies do not accord similar treatment to Uganda's members. The Fifth Schedule of the Accountants Act should be amended to include the accountancy institutes of Rwanda and Burundi; this will address the compliance issues raised against the Institute of Certified Public Accountants of Uganda in the EAC Common Market negotiations.

The Institute currently carries out audit monitoring and quality assurance on behalf of its members to meet the requirements of the International Federation of Accountants. Kenya and the United Republic of Tanzania each have their own quality assurance schemes. To fully achieve the free movement of accounting services, the competent accounting authorities among the EAC Partner States should work towards common regulatory and compliance programmes, including audit monitoring and quality assurance reviews across the whole region.

Government sponsorship of accounting students in public practice – The reduction in government sponsorship of accountants in public practice is likely to affect the full implementation of the International Public Sector Accounting Standards and the sustainability of the Public Sector Accounting Reforms currently being implemented because of the inadequate supply of qualified accountants with the appropriate skills. The Accounting Technicians Course was designed to provide a fast-track foundation for graduates of the course to progress to full professional qualification.

The Government needs to maintain sponsorship of its staff to gain full professional qualification in order to sustain the public financial management improvements that have been achieved so far and keep the Public Sector Accounting Reforms on track.

Apprenticeship and work experience – In order for accounting and auditing graduates to acquire the professional qualifications they will need in the workplace, they should be given the opportunity to gain practical work experience through internship and apprenticeship programmes. Employers should receive government incentives in the form of subsidies, levies and tax legislation to introduce those programmes.

2. Insurance Services

Statutory Insurance Lines

Motor third-party liability insurance – A comprehensive overhaul of the legislation relating to motor third-party liability insurance should be carried out with a view to increasing its enforcement and making the penalties more attuned to the current times. This review process should be informed by the growing number of motor vehicles on the road since the enactment of the legislation and the lessons learned by both the regulator and the industry since 1992.

Workers' compensation regulations – Since the enactment of the Workers' Compensation Act, the regulations to enable its enforcement have never been developed, hence its lack of effective enforcement. These enabling regulations should be developed and passed to allow for its enforcement. The process of drawing up the regulations should be informed by the lessons learned from the enforcement of other worker-related legislations, such as the National Social Security Act. In addition, the developments and dynamics of the sector over the last 15 years since the legislation was passed should be taken into account. This may require amending the Act if the enforcement of the regulations is to be effective.

Policyholders' compensation fund – The industry should utilize the five-year transitional period for progressive implementation of Uganda's EAC Common Market commitments in insurance to work towards standardizing the prudential and capital requirements, including the policyholders' compensation fund, with the other EAC Partner States. In achieving common EAC insurance prudential and capital requirements, the industry should specifically aim at improving and increasing the amount of the existing compensation fund.

Training - the Insurance Institute of Uganda – There is an immediate need for specific measures to address the dire professional and technical capacity constraints of the insurance sector (the insurance industry and the Insurance Commission).

These measures should comprise a consolidation of the industry's training activities and their transferral to the Insurance Institute of Uganda.

Insurance training levy – A mandatory insurance training levy should be introduced and charged as part of all premiums written by the industry ceded directly to and managed by the Insurance Institute of Uganda to make training sustainable in the long term. The training levy will make these measures sustainable and the Institute viable.

Dedicated training fund – The Uganda Insurers Association should consider establishing a special training fund as an interim measure in the medium term to bridge the funding gap before the above-mentioned training levy is introduced and fully established.

The insurance industry should leverage the wider and deeper penetration of other services sectors in general, and the service providers in particular, with a deeper and wider reach in the countryside to address the dominant perception of insurance as an urban service, which underpins the so-called trade-in-services divide between the urban and rural areas. This demands immediate attention. The prospects for microinsurance to piggyback-ride on the success of the microfinance industry and the mobile phone companies in penetrating the rural areas in Uganda were earmarked for special attention.

Integrating insurance into the education curriculum – There is a need to mainstream insurance into the education curriculum. This will introduce the industry to the next generation of its clientele and supplement the industry's efforts to increase awareness of the insurance sector in addition to laying a strong foundation for the industry's efforts to mitigate its human resource constraints.

National Health Insurance Plan – The proposed mandatory National Health Insurance Plan should be designed for long-term sustainability and aim at providing medical insurance cover to the majority of the Ugandan population, largely in the informal sector. Current proposals are targeting people in formal employment, most of whom have some type of medical coverage. The Plan should aim at improving medical insurance coverage with an inbuilt opt-out option for those who are members of approved existing medical programmes. To the extent possible, the Plan should complement, not displace, existing schemes.

When finally adopted, the Plan should be implemented on a public-private partnership basis with the Government's role limited to its regulation, and the actual running of the Plan left to the insurance industry.

Risk management – A body should be set up to advise the Government and other relevant authorities on appropriate risk management policies.

Alternative risk-transfer mechanisms such as catastrophic bonds ("cat bonds") and derivatives should be introduced by the capital market authority as a proactive effort towards alternative risk management.

Professional liability – It should be mandatory for professional bodies and associations to require their members to cover themselves and their professions through liability insurance.

3. Legal Services

Reforming the Law Council – The Law Council should be reformed with a view to developing its independence, autonomy and self-accounting. A self-accounting Law Council will have an opportunity to have its own budget and a separate vote from the consolidated fund. This will allow the Council the flexibility of seeking alternative sources of funds and assistance that it cannot currently utilize to mitigate the chronic funding gaps it has constantly suffered in the past.

Separating the disciplinary function from the regulatory and standard-setting mandates – Reforming the Law Council should include an overhaul of its mandate with a view to increasing its effectiveness. The regulatory role of the Law Council should be limited to standard-setting and enforcement.

The disciplinary role of enforcing the ethical and professional code of practice for all legal practitioners should be delineated from the Law Council and vested with the Uganda Law Society, as is the practice in other Common Law jurisdictions, where it is the responsibility of the Bar Association. Since membership of the Uganda Law Society is a legal requirement for all legal practitioners, and the Society is the de facto custodian of this code, it is the best-placed institution to enforce the code among its members.

A common ethical and professional code of practice – The standing orders of the civil service should be brought into line with the lawyers' professional code because lawyers practising in the civil service are subject to a lower disciplinary standard than that of their colleagues in private practice. Therefore, it is recommended that all legal practitioners, irrespective of their field of practice in the public or private sector, should be governed by the same professional and ethical code enforced by the Uganda Law Society to ensure that all legal services providers owe the public the same degree of care and service.

Review of the Advocates and Society Acts – The ongoing review of the Advocates and Society Acts presents the earliest opportunity to implement the recommendations made above.

A standard basic legal education curriculum – Without compromising the independence of the governing bodies of the universities and other institutions providing basic legal training, the Law Council, in exercising its standard-setting mandate, should develop a common training menu taking into account all market dynamics and emerging trends. This measure is aimed at updating the traditional basic legal training, increasing the utilization of information technology in legal training and practice, and adapting legal training and practice to the emerging legal issues of the digital age: electronic evidence, identity fraud and climate change issues such as carbon trading, petroleum, energy and environmental law.

4. Construction and Engineering Services

Adoption and Implementation of the National Construction Industry Policy

The draft National Construction Industry Policy, whose current version was issued in 2005, should be updated and adopted for implementation. The policy has a package of proposals, which when implemented, will address a large number of policy, regulatory, institutional and capacity gaps highlighted in this report.

Uganda Construction Industry Commission – Among the institutional regulatory proposals made in the draft National Construction Industry Policy is the establishment of the Uganda Construction Industry Commission as Uganda's competent authority on construction. The Commission should be established with a clear mandate over the construction industry with specific provisions for the Commission to work in partnership with statutory bodies in the industry.

As set out in the draft National Construction Industry Policy, statutory recognition should be granted to the Uganda National Association of Building and Civil Engineering Contractors and the Uganda Association of Consulting Engineers. While the Government appreciates and recognizes their roles, they have no legal status. If they are to fulfil their proposed mandate effectively, statutory status for each of these institutions is essential. Such recognition will make it easier for the Government to provide the mandatory subsidies, financial provisions and support referred to in this report.

Fast-tracking the construction guarantee fund – There is a need to expedite the formulation of an implementation framework for the construction guarantee fund to be managed by the Uganda Construction Industry Commission, once it is established. The lack of such a mechanism has made it impossible for the Road Fund to disburse funds it has put aside for this purpose under its research and training provisions. These allocations would conveniently kick-start the operation of the fund.

Establishing a State construction company – It was recommended that the Government reconsider its plans to set up a State construction company on the grounds that such a development is inconsistent with the existing government policy emphasizing a private-sector-driven economy that limits the Government's role to regulation. In addition, the establishment of such a company would contradict the Government's strategic objective enshrined in the draft National Construction Industry Policy to have 90 per cent of all services in the construction industry by June 2014 provided by the private sector. The draft Policy specifically provides that "Government shall decrease involvement of the public sector in actual service delivery and effectively disengage from implementation of physical infrastructure construction". [97] On the contrary, the draft Policy further states that "Government shall ensure that local contractors and consultants access equipment, credit and work". [98]

Partnerships – The Uganda National Association of Building and Civil Engineering Contractors reported that the bulk of the construction business in the country is undertaken by very few foreign-owned firms. These firms, which barely make up 2 per cent of all the players in the sector, currently carry out 85 per cent of the civil works in Uganda each year. This leaves 98 per cent of the industry striving for a marginal 15 per cent of the remaining share.

Mandatory subcontracting – amending the Public Procurement and Disposal of Public Assets Act – To mitigate this unfortunate scenario, it is recommended that the Government adopt a mandatory subcontracting policy to enable the local construction firms to participate in the country's lucrative construction market.

As part of this initiative, joint ventures between local and foreign firms and among local firms should be given a margin of preference over foreign contractors in the tendering process. This will lead to a genuine transfer of technology (expertise, experience and equipment) and increase the real market share of the domestic players in the construction industry.

Pilot projects – To take advantage of the proposed mandatory subcontracting, it is necessary to undertake aggressive capacity-building for the infant local construction industry dominated by SMEs and start-up contractors. Pilot projects should be specifically provided for as a portion of major civil works and other construction-related contracts and reserved for pre-qualified SMEs and start-ups. This commitment should be negotiated from the outset as part of the financing arrangements for construction works. Pilot projects will spur the growth of the infant local construction industry and eventually turn it into a viable base for joint ventures and other partnership opportunities.

Giving legal effect to these proposals requires an amendment to the Public Procurement and Disposal of Public Assets Authority Act, especially given that Government is the biggest consumer of these civil works.

Training – This assessment has revealed a fundamental capacity gap at all levels of the construction industry. The gap is at its worst at the lowest end of the industry, as explained by the lack of a machine operators institute in the country. The Uganda National Association of Building and Civil Engineering Contractors is in the process of establishing a training institute to address this shortage.

Supporting the Construction Training Institute – It is recommended that in the short term, the Institute should receive government support, including financial and technical assistance. In the long term, the Institute should be granted a specific allocation from the training levy provided for in the draft National Construction Industry Policy.

Regional vocational centres – The Government should establish regional vocational centres tailored to meet the construction industry's special needs. These centres should be developed and run in partnership with the industry to avoid a repeat of the recent developments in which, without any regard to industry wishes, the Government turned all public vocational training institutes into universities, exacerbating the capacity crisis the industry is presently facing.

Architectural technicians – The existing regulatory framework for architectural practice as established by the 1996 Architects Registration Act, Cap. 269, has no provision for architectural technicians. As a result, a significant number of people are offering unregulated architectural services, since the legal mandate is limited to architects. The Architects' Registration Act, Cap. 269, should be amended with new provisions to regulate architectural technicians with input from the Architects Registration Board.

Enacting the Building Control Bill – The need for a legislative review in the sector is long overdue and is considered by both the stakeholders and the Government to be a top priority.

Approval and gazetting of the Building Control Regulations – The Building Control Bill intends to establish a more effective regulatory regime in Uganda's construction sector; Part VII, clause 53, of the Bill specifically provides for regulations to give the Act regulatory effect.

Single-envelope quality-based bidding system – The Uganda Society of Architects has recommended the adoption of a single-envelope quality-based bidding system for tendering for consultancy services in the construction services sector, as opposed to the current quality and cost-based bidding system. Such a system could be based on the same principles as the recently passed Statutory Instrument on the Conditions of Engagement and Scale of Fees for Architectural Services of 2009. This legislation is premised on a standard scale of fees for procuring architectural services for all categories of building works. The system attempts to mitigate the shortfalls of the quality and cost-based bidding system, which puts a high premium on low prices and has encouraged firms to undercut the competition when bidding for consultancy contracts, including for architectural services. The recommendation seeks to ensure full implementation of the Statutory Instrument on the Conditions of Engagement and Scale of Fees for Architectural Services by all players in the construction sector, including the World Bank and other large financiers of the sector whose procurement guidelines fail to meet requirements of the Instrument.

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III

ANNEXES AND NOTES

Annex 1. Report on the Meeting on National Services Policy Reviews, Geneva, 16 March 2010

H.E. Ambassador Kiwanuka of Uganda expressed his appreciation to UNCTAD for its financial and technical inputs in the Uganda National Services Policy Review process. The process has been of great value to policymakers in Uganda, as it has focused discussion on the selected services subsectors, enabled sharing of information at the national level, created awareness of regional developments, including the process of the East African Community and the Common Market for Eastern and Southern Africa, the General Agreement on Trade in Services, stakeholder roles and how government can stimulate economic activities in the services sector. There is a need to consider additional key services sectors for the Ugandan economy, in particular, energy, distribution, tourism, ICT, inland waterways, railways works and airways. UNCTAD has helped develop and shape an overall master plan for the services sector in Uganda. United Nations programmes, UNCTAD and WTO should gear their efforts towards the LDC fight against poverty through initiatives such as the current one which would prepare LDCs and develop their capacity for trade.

Presentations were made by Mr. Cyprian Batala, Assistant Commissioner, Ministry of Tourism, Trade and Industry; Mr. Laurean Bategana, NSPR focal point and Senior Trade Advisor, Ministry of Tourism, Trade and Industry; and Mr. George Walusimbi-Mpanga, National Expert and Executive Secretary, Uganda Services Exporters Association. Mr. Walusimbi-Mpanga and Dr. Francis Mangeni were the national consultants responsible for the Uganda sectoral studies on the accounting, insurance, legal and construction services sectors. Following the NSPR methodology, a second National Workshop was convened in Kampala, Uganda, on 18 and 19 November 2009 to validate the assessment report by (a) reviewing findings from the national assessment study and (b) proposing and adopting final recommendations for the Uganda NSPR. Mr. Walusimbi-Mpanga presented the findings and recommendations made by national stakeholders in the sectors concerned. Mr. Batala and Mr. Bategana outlined the role of Uganda's Ministry of Tourism, Trade and Industry in the NSPR process and the Government's proposed actions.

A. Recommendations

Accounting services sector: The need for reforming legislation that grants a legal mandate to the Institute of Certified Public Accountants of Uganda was highlighted as a means of increasing professional and ethical compliance. Coherence should be achieved in financial reporting legislation and the Institute's reporting requirements, which are based on key international standards. If necessary, financial reporting legislation may need to be amended to ensure coherence. To develop human capacity in the sector, there is a need to equip accounting and auditing graduates with the requisite professional accounting skills, not just qualifications. There is also a need to obtain government support in the form of subsidies, levies and tax legislation, which would enable employers to introduce internship and apprenticeship programmes.

Insurance services sector: Plans to adopt a mandatory national health insurance plan requiring workers in formal employment to make compulsory contributions to insurance plans in exchange for health-care benefits from gazetted heath centres should be implemented in a sustainable manner so as to ensure coverage of the majority of the Ugandan population, largely in the informal sector. While industry is excited about new opportunities, it is also apprehensive about the possibility of establishing a governmental parastatal institution that could displace existing players to manage the plan.

A number of companies often fail to comply with the minimum eligible requirements during the course of their business operations. The law does not allow the Commission to take over these distressed providers with a view to either winding them up or turning them around; however, it allows it to withdraw their operating licence. The inadequate provisions of the law regarding the takeover of distressed companies should be addressed. Commercial services whose nature of contracting and operation exhibit the characteristics of insurance services, such as health services, management programmes and funeral services plans, need to be brought within the scope of the current insurance regulatory framework.

The insurance industry should utilize the five-year transitional period for progressive implementation of Uganda's EAC Common Market Commitments in insurance to (a) harmonize prudential and capital requirements including the policyholders' compensation fund with the other EAC Partner states and (b) conclude a mutual recognition agreement with the competent authorities on accounting among the EAC Partner States and on common regulatory and compliance programmes, including audit monitoring and quality assurance reviews, across the Region.

Legislation regarding motor third-party liability insurance should be comprehensively overhauled with a view to increasing its enforcement and taking into account changes the sector has undergone. This review process should be informed by the increase in cost, the number of automobiles on the road and penalties since the enactment of the legislation and the lessons learned by both the regulator and the industry since 1992.

Legal services: The reform of the Law Council was stressed as an important step towards strengthening its independence, autonomy and accountability. There is consensus that the Law Council would be more effective if its mandate were restricted to regulation, standard-setting and enforcement, as is the common practice in other common-law jurisdictions. The traditional basic legal training programme (LLB) should be updated.

Construction services: There is a need to expedite the establishment of the construction guarantee fund managed by the Uganda Construction Industry Commission in order to assist contractors and consultants obtain bids, securities, performance bonds and advance payment guarantees.

The need for a legislative review in the sector is long overdue and has been identified as a top priority by both the stakeholders and the Government. The Building Control Bill drawn up in 2001 and reviewed by the Cabinet in June 2009 proposes to consolidate, harmonize, and amend legislation relating to the erection of buildings and to establish building standards. A direct outcome of the NSPR process is the early harvest of the approval and gazetting of Building Control Regulations. The Building Control Bill intends to establish a more effective regulatory regime in Uganda's construction sector.

The Government should reconsider its plans to set up a State construction company, since such a development contradicts the existing government policy that emphasizes a private-sector driven economy and limits the Government's role to regulation. The existing regulatory framework for architectural practice as established by the Architects Registration Act of 1996 has no provision for architectural technicians, leaving a significant number of people offering unregulated architectural services, since the legal mandate is limited to architects. The Architects Registration Act should be amended with new provisions to regulate architectural technicians with the input of the Architects Registration Board.

B. Action Plan

The Government considers that the great potential of the services sector should be harnessed to increase private investment, build supply and competitive capacity to compete in international markets. While Uganda can develop export opportunities in the services sector globally, there are immediate opportunities in the region. Planning institutional responses and sequencing liberalization commitments in line with regulatory and institutional objectives is key. Coordination of inter-institutional processes – the Ministry of Tourism, Trade and Industry is taking the lead in coordinating trade-related aspects of the services sector to put in place policies, laws and regulations, and promote necessary reforms.

Negotiating increased market access presupposes the existence of products to supply; it is necessary to address supply-side constraints and build competitive capacity at all levels. Standards must be developed through appropriate institutional and regulatory frameworks. The demand-and-supply conditions for services and service suppliers must be ascertained in order to ensure export readiness. Remedial measures aimed at tackling regulatory and institutional challenges and supply-side constraints should be identified.

In order to build services exports, it is necessary to develop a matrix of exportable services products and an inventory of priority export countries. Further, market barriers should be removed and sectors where progressive improvements can be achieved should be identified. There is a need to pinpoint the interests at stake, focussing on the businesses that are involved in trade, their competitiveness and necessary complementary reforms. Interlinking the services sector with other economic sectors is critical. Against this background, it is important to project the possible impact of any additional commitments and current commitments in terms of their potential impact.

As far as bilateral and regional trade negotiations are concerned, services negotiations should lead to increased services trade in the region and regional programmes should build on sectoral, institutional and regulatory capacities in order to achieve a win-win situation for all participants. Uganda should utilize the EPA umbrella negotiations to provide sufficient levels of technical and financial assistance. Moreover, it should focus on capacity-building measures to strengthen and modernize its institutional and regulatory framework with respect to services supply and trade. Development assistance, including financial facilities, education and training, qualification recognition and regulatory reform assistance, is regarded as being integrally related to services liberalization commitments. In the absence of the assistance that is necessary to translate potential EPA services commitments into poverty alleviation, liberalization by the European Commission is inadequate.

At the national level, there is a need to reform existing policies, administrative requirements, and regulatory, legislative, and institutional frameworks of the services sectors. Laws and regulations need to be updated and modernized. Regulatory bodies must be improved and strengthened so as to be able to fully implement and enforce respective laws and regulations. Lastly, national institutional arrangements suffer from a capacity problem to monitor and coordinate services sector activities and policy issues, and to ensure compliance of services-related policies with international commitments.

In conclusion, the NSPR results have clearly shown that Uganda has the following needs: a development-oriented outcome for which retaining development flexibilities is important; secure retention of regulatory prerogatives and autonomy; protection of policy space; and binding commitments for technical assistance and support for capacity-building in services. In addition, there is a need to mainstream technical assistance to develop export and regulatory capacity. Uganda has to be equipped to develop its own home-grown solutions while remaining aware of its unique situation. It should not blindly follow other countries' models or adopt off-the-shelf generic solutions developed elsewhere.

C. Questions Raised

The delegations of Rwanda, the United Republic of Tanzania and Kenya expressed interest in undertaking an NSPR process of their own. Rwanda asked how to ensure implementation of the process, especially in terms of financial support. A question asked on how to reconcile common-law and civil-law jurisdictions, both of which form part of the regional processes in Africa.

The Kenyan delegation spoke of the regional EAC process and its development; it raised the issue as to how negotiations could be best sequenced at the bilateral, regional and multilateral levels. The delegation of the United Republic of Tanzania asked to what extent the NSPR process of Uganda contributed to the its EAC negotiating position.

In response, it was pointed out that the NSPR process had greatly assisted the EAC and other negotiations processes by bringing together stakeholders and ensuring that informed decisions and negotiating positions could be achieved. Implementation was key, much of which depended on financial assistance from donors as well as technical inputs from UNCTAD.

Annex 2. Interview Guide

1. The role and performance of the selected service sector in the national economy: Please examine the trends of trade, investment, employment, the contribution of the sector to the national development such as economic diversification over the last 8–10 years.

2. Contribution to Uganda's GDP: Review the sector's contribution to Uganda's GDP over the last 8–10 years. (Please indicate your authorities for ease of authentication and future reference.)

3. Supply capacity: Review the sector's efforts in building the supply capacity to meet both domestic and foreign market demands for services in the sector.

4. Millennium Development Goals
   (a) Evaluate the extent to which the national Millennium Development Goals are being advanced through economic activity in your sector;
   (b) Suggest policy recommendations that may improve the performance of the sector in achieving the Millennium Development Goals to which you have made reference in (a) above.

5. Regulation, institutions and policy measures: Identify to the extent possible the regulations, institutions and policy measures affecting your sector.

   How have the regulations, measures and institutions affected the competitive environment in the sector?

   How effective have these regulations, measures and institutions been? Make recommendations on how to improve the performance of the regulations, measures and institutions with a view to achieving the Millennium Development Goals referred to 4 above and other national economic development objectives.

6. Trade liberalization: Describe trade liberalization in the sector, including an account of trade liberalization measures (both undertaken and anticipated) in relation to regional and bilateral agreements (including at the EAC and Economic Partnership Agreements currently being negotiated between the EAC and the European Union). This section should also provide an evaluation of export opportunities and potentials to the sector presented by these emerging EAC, EPAs and bilateral developments.

7. A SWOT (strengths, opportunities, weaknesses and threats) analysis of the sector.

Annex 3. Key Respondents

Accounting services	
Mr. Gerard Mbalire-Kasanya Institute of Certified Public Accountants of Uganda	Mr. John Bosco Ntangaare Institute of Certified Public Accountants of Uganda
Mr. Naru A. Thakkar Vice-President and Chairman Education Committee, Institute of Certified Public Accountants of Uganda, A.H. THAKKAR and Sons	Mr. Mark Omona Technical Officer Institute of Certified Public Accountants of Uganda
Ms. Irene Kunihira Business Relationship Manager Association of Chartered Certified Accountants – Uganda	Ms. Lucille Isingoma Country Manager Association of Chartered Certified Accountants – Uganda
Insurance services	
Ms. Evelyn Nkalubo Commissioner Uganda Insurance Commission	Mr. George Okotha Deputy Commissioner Uganda Insurance Commission
Mr. Bernard Obel Assistant Commissioner	Ms. Rachel Kabala Senior Legal Officer Uganda Insurance Commission
Dr. Olli-Pekka Ruuskanen CEO Uganda Insurers Association	Mr. David Tumuhaise Technical Manager Uganda Insurers Association
Legal services	
Ms. Helen Obura Secretary Uganda Law Council	Ms. Stella Nyandria State Attorney Uganda Law Council
Mr. Tito Byenkya Executive Director Uganda Law Society	
Construction services	
Eng. Anania Mbabazi President Uganda Institution of Professional Engineers	Eng. Julius Musimenta President Uganda Association of Consulting Engineers
Mr. Pius Mugerwa Secretary General Uganda National Association of Building and Civil Engineering Contractors	Ms. Flora Ahaisibwe Runumi Association of Professional Societies of East Africa Calderia Architects
Ms. Harriet Nakisanja Ag. Registrar Architects Registration Board	Ms. Julliet Kasaija Administrator Uganda Society of Architects

Annex 4. National Services Policy Review - National Workshops and Participants / Agenda, First UNCTAD-Ministry of Tourism, Trade and Industry Uganda National Stakeholder Workshop on Services Kampala, Uganda, 8–12 September 2008

Day 1	
Time	**Session**
10.00 – 10.30	**Opening session** Opening remarks • H. E. Ambassador Arsene Balihuta, Uganda Mission • Mr. Silver Ojakol, Commissioner of Trade, Minister of Tourism, Trade and Industry, Government of Uganda Mr. Robert Hamwey, UNCTAD
10.30 – 11.15	**Session I – National Services Policy Review for Uganda** Chair: Mr. Cyprian Batala – Assistant Commissioner – External Trade • Mr. Laurean Bategana, Senior Commercial Officer, Ministry of Tourism, Trade and Industry • Mr. Robert Hamwey, UNCTAD UNCTAD will introduce its National Services Policy Reviews Country Projects. Uganda's NSPR Project will produce a country report, including an overall assessment of Uganda's services sector with a specific focus on the construction and engineering services, professional services and insurance services sectors. (15 minutes) The Ministry of Tourism, Trade and Industry will discuss the relevance of the project within the context of national development objectives and ongoing regional and multilateral trade negotiations. An overview of previous studies and other ongoing work will be provided. (15 minutes) The aim of the session is to provide an understanding of the project's scope, purpose and intended outcome, and open the floor for discussion or suggestions on approach and methodology. Interactive discussion encouraging comments and views of stakeholders.
11.15 – 13.00	**Session II – Uganda's Services Economy: Prospects and Challenges** Based on economic and market analysis, and taking into account national development objectives, this session will present its preliminary appreciation of issues and options for Uganda's services sector based on a draft UNCTAD study distributed to participants in advance of the meeting. (20 minutes) Chair: Mr. Cyprian Batala – Assistant Commissioner – External Trade H. E. Ambassador Arsene Balihuta, Uganda Mission, Linkages between the International Negotiations and Uganda's National Services Regime • Mr. Robert Hamwey, UNCTAD and Ms. Deepali Fernandes, UNCTAD • Mr. George Walusimbi-Mpanga, Executive Secretary of the Uganda Services Exporters Association • Mrs. Florence Kata, Executive Director, Uganda Export Promotion Board The working session will: (a) Identify overall challenges and opportunities for Uganda's services sector; (b) Make related suggestions for Uganda's NSPR Project. Interactive discussion encouraging comments and views of stakeholders
13.00 – 15.00	**Break for lunch**

(Annex 4. Continued)

15.00 –16.30	**Session III** – **Construction and Engineering Services** UNCTAD will provide an overview of the economic, development and regulatory issues for the construction and engineering services sector, including how progress can be made to build supply capacity. (20 minutes) Moderator: Mr. George Walusimbi-Mbanga • Eng. Paul Mwirumbi, Engineers Association • Mr. Robert Hamwey, UNCTAD • Ministry of Works The working session will: (a) Identify specific challenges and opportunities for construction and engineering services sector; (b) Make related suggestions for Uganda's NSPR Project.
16.30 –18.00	**Session IV** – **Professional Services** UNCTAD will provide an overview of the economic, development and regulatory issues for the construction and engineering services sector, including how progress can be made to build supply capacity. (20 minutes) Moderator: Mr. George Walusimbi • Ms. Deepali Fernandes, UNCTAD • Dr. Francis Mangeni, COMESA Secretariat • Mr. Laurean Bategana The working session will: (a) Identify specific challenges and opportunities for the professional services sector; (b) Make related suggestions for Uganda's NSPR Project.

(Annex 4. Continued)

Day 2	
Time	**Session**
10.00 – 11.30	**Session V – Insurance Services** This session will provide an overview of the economic, development and regulatory issues of the financial services sector focussing specifically on the insurance services sector. This will include suggestions as to how progress can be made to build supply side capacity. Moderator: Mr. Cyprian Batala • Ms. Deepali Fernandes, UNCTAD Chair, Uganda Insurance Commission • Mr. Solomon Rubondo - Uganda Insurers Association The working session will: (a) Identify specific challenges and opportunities for the insurance services sector; (b) Make related suggestions for Uganda's NSPR Project.
11.30 –13.00	**Session VI – Regulations and Institutions** This session will provide an overview of the findings of UNCTAD expert meetings on regulatory and institutional issues for the service sector, including in terms of best practices, lessons and sector-specific issues. The Ministry of Tourism, Trade and Industry will give a presentation on issues of concern and areas of possible inter-institutional cooperation, especially in the context of achieving coherence in policy, regulation, trade negotiations and enhancing intersectoral linkages. Chair: Mr. Cyprian Batala • Ms. Deepali Fernandes, UNCTAD • Mr. Laurean Bategana, Senior Commercial Officer, Ministry of Tourism, Trade and Industry • Dr. Francis Mangeni, COMESA Secretariat Interactive discussions, comments and views of stakeholders
13.00 – 15.00	**Break for lunch**
15.00 – 16.30	**Session VII – Building Supply Side Capacity and Export Potential** This session will focus on how supply capacity and export potential can be built in the context of Uganda's services sector. Moderator: George Walusimbi-Mpanga, Executive Secretary of the Uganda Services Exporters Association • Mr. Laurean Bategana, Senior Commercial Officer, Ministry of Tourism, Trade and Industry, on policy challenges in building supply-side capacity and export potential • Mr. Robert Hamwey, UNCTAD Interactive discussions, comments and views of stakeholders

(Annex 4. Continued)

16.30 – 18.00	**Session VIII – Considerations of Modes 1, 2, 3 and 4: Uganda's Experience** Mr. Elly Kamahungye, Uganda Geneva Mission Dr. Francis Mangeni, COMESA Secretariat Chair: H. E. Ambassador Arsene Balihuta, Uganda Mission to the United Nations Comments: UNCTAD Interactive discussions, comments and views of stakeholders
Day 3	
Time	**Session**
10.00 – 12.30	**Session IX – Considerations of WTO, Bilaterals and Regional, Uganda's Experience** Chair: H. E. Ambassador Arsene Balihuta, Uganda Mission Mr. Elly Kamahungye, Uganda Geneva Mission • Dr. Francis Mangeni Comments: UNCTAD Interactive discussions, comments and views of stakeholders
12.30 –13.00	**Session X – Next Steps for the Uganda's NSPR Project** UNCTAD will discuss the way forward in terms of timelines and peer review, outlining a date for the second national stakeholder workshop Chair: Mr. Cyprian Batala • Mr. Robert Hamwey, UNCTAD • Mr. Laurean Bategana, Ministry of Tourism, Trade and Industry Interactive discussions, comments and views of stakeholders
13.00	**Workshop adjournment** Closing remarks by a representative of the Ministry of Tourism, Trade and Industry

Annex 5. List of Participants: First UNCTAD/Ministry of Tourism, Trade and Industry Uganda National Stakeholder Wokshop on Services - Kampala, Uganda, 8–12 September 2008

#	Name	Organization
1	Mr. Patrick Okilangole	Ministry of Tourism, Trade and Industry
2	Dr. Francis Mangeni	Integration Africa
3	Mr. G. Mbalire Kasanya	Institute of Certified Public Accountants of Uganda
4	Ms. Elizabeth Tamale	Ministry of Tourism ,Trade and Industry
5	Mr. F. X. Mubuuke	Uganda National Association of Builders and Construction Engineers
6	Mr. Kavulu Musa	Uganda Network of Businesses
7	Mr. Medi Kawuma	Uganda Medical and Dental Practitioners Council
8	Mr. Olli-Pekka Ruuskanen	Uganda Insurers Association
9	Ms. Jane Nalunga	SEATINI (U)
10	Mr. Patrick Gitta	Ministry of Gender, Labour and Social Development
11	Mr. Aloysius O. Mugalu	Cayman Consults Ltd.
12	Mr. Shadraque M. Wasike	Ministry of Foreign Affairs
13	Mr. Aggrey Dhamuzungu	Ministry of Foreign Affairs
14	Ms. Grace Babihuga	Uganda Law Society
15	Mr. Peter Kikuyo	Ministry of Works and Transport, Entebbe
16	Mr. Ongemat	Uganda Network of Businesses
17	Eng. Julius Musiimenta	Uganda Allied Construction Engineers
18	Eng. Dr. Anania Mbabazi	Uganda Institute of Professional Engineers
19	Ms. Anne Teddy Awori	Ministry of Tourism, Trade and Industry
20	Mr. Huzaifa Mutazindwa	Directorate of Education Standards, Ministry of Education
21	Mr. Daniel Okello	Faculty of Economics and Management, Makerere University
22	Mr. Cyprian Batala	Ministry of Tourism, Trade and Industry
23	Mr. Laurean Bategana	Ministry of Tourism, Trade and Industry
24	H.E. Ambassador Arsene Balihuta	Uganda Mission, Geneva
25	Mr. Elly Kamahungye	Uganda Mission, Geneva
26	Mr. Kiyimba Musisi	Uganda Artists Association
27	Mr. George Walusimbi-Mpanga	Uganda Services Exporters Association
28	Dr. Geoffrey Bakunda	Makerere University Business School
29	Mr. Moses Khabi Lubangam	Institute of Public Relations and Management
30	Mr. Maurice Ndyanabo	Ministry of Justice and Constitutional Affairs
31	Mr. Samuel Komunda	Ministry of Internal affairs
32	Ms. Grace Nandutu	National Curriculum Development
33	Mr. George William Katatumba	Uganda Society of Architects
34	Ms. Georgina Nampeera	Ministry of Tourism, Trade Industry
35	Mr. Amos Tindyebwa	Uganda Exports Promotion Board
36	Mr. Alex Bigirwa	Cayman Consults Ltd.

(Annex 5. Continued)

#	Name	Organization
37	Mr. Frank Mature Mwebaze	Trade and Business Development Centre
38	Mr. Abubakar Muhammad Moki	Ministry of East African Community Affairs
39	Mr. Oscar Okwo	Ministry of Tourism, Trade and Industry
40	Mr. Stephen Kasangaki	Ministry of Information Communication and Technology
41	Mr. James Tibenkana	Ministry of Finance, Planning and Economic Development
42	Mr. Richard Wansambo	National Planning Authority
43	Ms. Carol Lwabi	Ministry of Foreign Affairs
44	Ms. Rachel Kabala	Uganda Insurance Commission
45	Ms. Grace Ssebugwawo	National Council of Uganda Small Business Organizations

Annex 6. Agenda - Second UNCTAD-Ministry of Tourism, Trade and Industry National Stakeholder Workshop on Services- Kampala, Uganda, 18-19 November 2009

Day 1	
Time	**Session**
09.30	**Registration**
10.00	**Session I – Opening statements** Opening statement of Mr Patrick Okilangole, Under-Secretary, Ministry of Economic Trade, Tourism and Industry Opening statement, Mr. Robert Hamwey, UNCTAD The role of the services sector in the economy of Uganda, • Ms Lisa Cummins, Trade Policy Analyst, Commonwealth Secretariat Impact of the economic crisis on the Uganda's services sectors, • Ms Deepali Fernandes, UNCTAD
10.30	**Coffee break**
	Session II – National Experts' presentations on the NSPR study Introduction by Mr George Walusimbi-Mpanga, National Expert and Executive Secretary of the Uganda Services Exporters Association The state of the accounting and legal services sector in Uganda and ways forward The state of the insurance services sector in Uganda and ways forward Mr George Walusimbi-Mpanga, National Expert and Executive Secretary of the Uganda Services Exporters Association
13.00	**Lunch**
14.30 – 17.00 (parallel sessions)	**Session III – Working Group discussions with the participants (led by Mr George Walusimbi-Mpanga)** Group 1: The accounting and legal services sectors of Uganda Group 2: The insurance and construction services sectors of Uganda

Day 2	
Time	**Session**
	Session IV – Presentation of Working Groups' resolutions
09.30	Presentations by Working Group Chairs
10.30	Perspectives of UNCTAD representatives
11.00	**Coffee break**
11.30	Perspectives of Ministry of Tourism, Trade and Industry representatives
12.00 – 13.00	General discussion of ways forward; development of action plan
13.00 – 15.00	**Lunch break followed by individual meetings**

Annex 7. List of Participants: Second UNCTAD-Ministry of Tourism, Trade and Industry National Stakeholder Workshop on Services- Kampala, Uganda, 18–19 November 2009

#	Name	Institution
1	Mr. Gordon Sentiba	Astor Finance
2	Mr. Bernard Obel	Uganda Insurance Commission
3	Eng. Julius Musimenta	Uganda Association of Consulting Engineers
4	Eng. Anania Mbabazi	Uganda Institution of Professional Engineers
5	Mr. Pius Mugerwa	Uganda National Association of Building and Civil Engineering Contractors
6	Ms. Flora A. Runumi	Association of Professional Societies of East Africa
7	Dr. Olli-Pekka Ruuskanen	Uganda Insurers Association
8	Mr. David Tumuhaise	Uganda Insurers Association
9	Ms. Miriam Magala	Uganda Insurers Association
10	Ms. Irene Kunihira	Association of Chartered Certified Accountants – Uganda
11	Mr. John Atenu	Bank of Uganda,Research Department
12	Mark Omona	Institute of Certified Public Accountants of Uganda
13	Mr. Naru A. Thakkar	Institute of Certified Public Accountants of Uganda
14	Ms. Lucy Palia	Consumer Education Trust
15	Mr. Patrick Okilangole	Ministry of Tourism, Trade and Industry
16	Ms. Lisa Cummins	Ministry of Tourism, Trade and Industry
17	Ms. Elizabeth N. Tamale	Ministry of Tourism, Trade and Industry
18	Ms. Georgina Nampeera	Ministry of Tourism, Trade and Industry
19	Mr. Richard Okot	Ministry of Tourism, Trade and Industry
20	Ms. Deepali Fernandes	UNCTAD
21	Mr. Robert Hamwey	UNCTAD
22	Mr. George F.Walusimbi-Mpanga	National Expert

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