UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

SERVICES POLICY REVIEW

UGANDA (II)

UNITED NATIONS

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FOREWORD

"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." These words from the 2008 Accra Accord adopted at UNCTAD XII highlight the increasingly important role services play, both directly as a source of income and employment and indirectly as productive inputs to other sectors. Indeed, the competitiveness of an economy today is directly related to the competitiveness of its services sector. At the same time, large portions of developing country populations do not enjoy adequate access to key services important for their health and welfare. This includes health, education, energy and transport. In the Doha Mandate adopted in 2012 at UNCTAD XIII, UNCTAD was called upon to continue this work on services.

Over the years, UNCTAD has implemented a comprehensive work programme on services, trade and development with a view to assisting developing countries in developing their services sectors, increasing their participation in services trade and realizing development benefits. This work reflects extensive complementarity between the three pillars of UNCTAD operations. The Doha Mandate re-emphasized the importance of the development of, and access to, services, supported by adequate regulatory and institutional frameworks, which are important for sound socioeconomic development. It called upon UNCTAD to continue its work on services and assist developing countries and economies in transition in promoting the development of key services sectors and determine the right policy mix, including trade policy and strategic liberalization, which can lead to the improvement of domestic service provision and increased trade. UNCTAD is pursuing this objective through the three pillars of its work – intergovernmental consensus-building, research and policy analysis and technical cooperation.

Services Policy Reviews are an important component of this work. A Services Policy Review examines economic, trade, policy aspects of selected services sectors identified by the Government and provides an evidence-based approach to policymaking on services by reviewing policy, regulatory and institutional issues and options with a view to assisting the beneficiary in developing a coherent and comprehensive strategic framework for services. In close partnership with the Government, research undertaken by UNCTAD and at the national level is integrated into the results of national stakeholder consultations to yield policy recommendations for action.

The keen interest of Uganda has led to the completion of two Services Policy Reviews. The first Review, completed in 2008, focused on the insurance, legal, accounting and construction and engineering services sectors and regional integration. UNCTAD reviewed the implementation of the recommendations of the first Review. The implementation review report indicated a mixed implementation record. In the legal services sector, none of the four recommendations put forth in the Review were implemented. The review of the Advocates Act and the Uganda Law Society Act on which implementation of the recommendations was premised is ongoing. In the other three sectors, implementation was partial. Of the five recommendations relating to accounting services, three were fully implemented, while two were not implemented at all. The report however highlights noteworthy developments which are positively impacting the sector (e.g. incentives were created to promote compliance with the International Financial Reporting Standards). Of the 10 recommendations relating to insurance services, 4 were fully implemented and 3 were partially implemented, while another 3 were not implemented at all. The insurance industry has undergone extensive reforms since the completion of the first Services Policy Review which were consolidated by the Insurance Amendment Act, 2011. However, the report notes that the reform package can only be fully realized when regulations giving full effect of the Insurance Amendment Act, 2011 are enacted. Of the 11 recommendations made with respect to construction services, only 1 was fully implemented and 4 were partially implemented, while 6 had not been implemented at all. The report concludes that although a number of interesting developments have taken place in the construction and engineering sector since the completion of Review, the lack of a statutory authority (i.e. the Uganda Construction Industry Commission) is the key factor which has delayed the implementation of several recommendations.

This second Services Policy Review examines distribution services, information and communications technology services, computer and related services and services auxiliary to all modes of transport. Both Services Policy Reviews yielded concrete recommendations to build supply capacities, strengthen policies and regulations and institutions and to improve public–private sector cooperation, including through the creation or strengthening of services associations and coalitions.

Among the conclusions of the study, the following are lessons which may be applicable to several sectors of the Uganda services economy:

- The need for coordination between various government entities in charge of a given sector and clear decisions on the line ministry responsible for policy oversight
- The opportunities for the development of an enabling environment for market development and production though East African Community region-wide initiatives (e.g. the East African Community Treaty requirement for the development of indigenous entrepreneurs and initiatives linked to the trade facilitation across borders in the East African Community)
- The need for Government to provide the necessary hard and soft infrastructure which supports all service providers (e.g. storage silos, modern market facilities, railway and water transport, transport infrastructure, and information and communications technologies)
- The benefits of limiting overlapping mandates among industry actors
- The importance of expediting the enactment of key legislative texts and amendments to address the existing gaps and inefficiencies
- The need for regulation to include the provision of a safety net for vulnerable and disadvantaged players in order to achieve poverty reduction and, in specific cases, local content provision if feasible
- In certain sectors, there is a case for the establishment of a dedicated statutory autonomous institution (e.g. proposal for a Uganda maritime logistics authority)
- The need for regulators to ensure compliance with licensing requirements (and in particular universal access obligations).

The second Services Policy Review was presented to national stakeholders for validation at a workshop held on 15 and 16 May 2013 in Entebbe, Uganda. It was also presented to a high-level international audience by Ms. Amelia Kyambadde, Ministry of Trade, Industry and Cooperatives of Uganda, during the Beijing edition of the Global Services Forum, held from 28 to 29 May 2013.

My hope is that the analysis and recommendations of this report will make a constructive contribution to the development of Uganda's services economy and trade.

Mukhisa Kituyi
Secretary-General of UNCTAD

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This paper consists of phase II of a Services Policy Review undertaken by the Government of Uganda, Ministry of Trade, Industry and Cooperatives, in collaboration with UNCTAD.

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ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific
BPO	business process outsourcing
COMESA	Common Market for Eastern and Southern Africa
CRS	computer and related services
EAC	East African Community
EPA	Economic Partnership Agreement
FDI	foreign direct investment
FEAFFA	Federation for East Africa Freight Forwarders Associations
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GSM	Global System for Mobile Communications
ICD	inland container depot
ICT	information and communications technology
IMF	International Monetary Fund
IT	information technology
ITES	information technology enabled services
ITU	International Telecommunication Union
LDC	least developed country
MATIP-I	Markets and Agricultural Trade Improvement Project
NDP	national development plan
NITA-U	National Information Technology Authority Uganda
SI	Statutory Instrument
SME	small and medium-sized enterprise
SMS	Short Message Service
SPR	Services Policy Review
SWOT	strengths, weaknesses, opportunities and threats
TLA	Trade Licensing Act
TNC	transnational corporation
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UCIFA	Uganda Clearing Industry and Forwarding Association
UFFA	Uganda Freight Forwarders Association
USC	Uganda Shippers' Council
UTL	Uganda Telecom Limited
VAT	value added tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

With the growing tertiarization of the economy over recent years, the role of services in terms of facilitating economic growth and enhancing productivity and competitiveness of the entire economy has become determinant. Also a dynamic service economy can also make significant contributions towards the achievement of national development objectives relating to economic diversification, investment, employment generation, poverty reduction and an overall improvement of social welfare. As the global economy continues to evolve, it is expected that the services sector will increasingly capture a greater share of economic activity all over the world, as evidenced by the general growth rate of the sector which surpasses those of both agriculture and industry. Also, the global crisis which began in 2008 shed light on the importance of services exports in mitigating adverse effects of sudden drops in external demand elsewhere.

The UNCTAD Uganda Services Policy Review (II) aims inter alia to examine the dynamics of the national services economy and to outline policy approaches in order to advance sectoral, and broader national economic and social objectives. It covers three sectors: distribution services, information and communication technology services and computer-related services, and services auxiliary to all modes of transport. It follows an earlier Services Policy Review for Uganda which was undertaken in 2008 and focussed on insurance, legal, accounting and construction and engineering services

Part I of this Service Policy Review (SPR) consists of a desk study prepared by UNCTAD which provides an overview of Uganda's services sector and analyses the performance of the sector to date in the regional and global context. In Uganda, the services sector is the largest sector of the economy, occupying 51.1 per cent of Gross Domestic Product (GDP) in 2012. While agriculture continues to play an important role in national income (23.5 per cent of GDP), during the last fifteen years, industry emerged as the fastest growing sector with 8.3 per cent average growth rate, followed by services at 7.3 per cent per annum. Uganda's services exports amount to close to 2 billion USD in 2012, and proved to be an important and stable source of external revenue as its merchandise exports declined considerably due to the global crisis.

The desk study also reviews the Government's development policies pertaining to the sector, explores the future prospects and opportunities for trade in services, and provides a preliminary analysis of the three focus sectors. The SPR shows that the services sector requires a comprehensive vision for the future in Uganda by taking into consideration the challenges resulting from liberalization and its social impacts. It further requires a comprehensive policy because as a landlocked country Uganda faces inherent infrastructure and competitiveness challenges. For instance, in the long run, if transportation costs remain relatively expensive, this will affect the country's capabilities to handle trade flows efficiently, including services exports.

Success of national reform processes crucially depends on active contribution of all segments of the economy including, the Government of Uganda (GoU), ministries and public sector representatives, academia, unions, non-profit organizations, as well private sector participants. Broader participation of different segments of the economy within the discussions will enrich the process and strengthen its effectiveness. Whether, how and with whom Uganda should pursue services trade liberalization, multilateral, inter-regional, regional, bilateral or autonomous, remain crucial decisions that need to be taken carefully and on the basis of national economic, social and developmental objectives and circumstances. National stakeholders must examine which options, or combinations thereof, have the greatest potential to meet agreed objectives. In this respect, this SPR provides a venue for active participation of national stakeholders in the reshaping of national policy objectives and strategies.

Part II consists of in-depth sector-specific research undertaken by a team of national experts which engaged with a broad group of national stakeholders to identify challenges and opportunities in the three focus sectors. The stakeholders were involved through interviews and provided inputs to the report. They also participated actively in two national stakeholder workshops, the second of which served to validate the findings of the SPR report as well as to refine and adopt recommendations.

The distribution sector is one of the sensitive and critical sectors in Uganda which provides a source of livelihood to many Ugandans. While the distribution sector is one of the largest individual contributors to GDP (with a 17.3 per cent contribution in 2011) the sector remains largely domestic and does not yet export services. At the East African Community (EAC) level, though full liberalization is yet to come there is already substantial participation of foreigners in Uganda’s distribution sector particularly in the wholesale and retail subsectors through the presence of large super markets with multiple outlets. Liberalization of distribution, even if limited initially as committed in the EAC, will require effective regulation as well as enforcement of existing laws to protect vulnerable players in the distribution sector.

Within the ICT services sector the consultations with stakeholders led to the identification of two key sub-sectors of interest to Uganda, namely telecommunication finance (i.e. mobile money) and business process outsourcing (BPO) services which include outsourcing front office and back office services. The tele-density of mobile lines increased dramatically from 2006 to 2010 (going from 9.86 per cent to 40.36 per cent of the population) largely due to increased price competition and new services like mobile money transfers and utility payment options. By December 2012, there were a total of 8.8 million registered customers on all Uganda's mobile money platforms. Because of the volumes of finance being handled off this platform, as well as the accessibility and growing preference of the platform as a payment mechanism in Uganda (besides the tremendous potential for job creation among the youth), there is a need to establish a robust dedicated regulatory and institutional mechanism for mobile money services. BPO has been identified as one of the key sectors that can propel Uganda's economic growth through employment opportunities for the youth and increased investment. While most players in this field have been in operation only in the last few years the deployment of information technologies in production and service delivery processes is widely credited with significantly increasing factor productivity and firm profitability. The contribution from Uganda's ICT sector to GDP increased from 2.5 per cent in 2005 to 5 per cent in 2011. In light of this growth and future potential Uganda's Vision 2040 has identified information technology-enabled services as a key growth pillar in Uganda's road map for transformation to a mid-income economy.

Among services auxiliary to all modes of transport Uganda was identified as having a particular interest in the services provided by transporters, freight forwarders, shippers and shipping lines, storage and ware housing, inland container depots operators, cargo handlers and clearing agents. Being a landlocked country Uganda has particular interest in ensuring efficient provision of such services and in promoting improved transport and trade facilitation more broadly. Pursing national policy objectives in these areas remains a challenge as there is no dedicated institution with the statutory mandate to monitor and oversee the general performance of the sector, but rather a number of ministries providing policy oversight to various aspects in the sector.

The following recommendations for the three sectors covered by the SPR were developed in consultation with stakeholders:

The distribution sector in Uganda mainly involves small and medium-sized enterprises (SMEs). It is one of the sectors where real impact on poverty alleviation is likely to be achieved because it enables the most vulnerable and disadvantaged citizens to participate effectively and support their families. Effective regulation is required not merely to ensure their participation but also to provide them with a safety net in case of failure. A meaningful reform in this sector should have as a key focus the objective of poverty reduction. The Bill amending the Trade Licensing Act should be passed– currently trade licenses are applicable for a year and valid until the end of the year, irrespective of when the provider applied for the license. The reform process to amend the Trade Licensing Act should ensure that the validity period for a Trade license is twelve months computed from the date of issue. Government needs to determine how to strengthen the enforcement of laws forbidding non-nationals from involvement in petty trade in a manner which is consistent with Uganda's regional commitments. Efforts should also go toward improving the infrastructure required by the markets as well as the security and sanitation standards.

As regards ICT services, including BPO services, the Uganda Communication Commission (UCC) should continue to play a role in regulating the sector alongside the National Information Technology Authority Uganda (NITA-U). In particular some key areas where UCC is best placed to develop the sector include regulating the pricing of telecommunication services, especially the broadband services to make the BPO sector internationally competitive, ensuring the high quality of telecommunication services provided by all licensed providers, and seeking to achieve a balance between the investments shouldered by telecommunication service providers and BPO service providers (as the latter tend to be smaller in size and have less resources than the former). Also the UCC should fulfil its statutory duties by ensuring that licensees in the telecommunications sector comply with their universal access obligations as the digital divide - particularly that between urban and rural areas - continues to impact negatively the sector.

In the area of services auxiliary to all modes of transport Uganda should pursue the establishment of a Maritime Logistics Authority as a statutory autonomous institution to regulate shipping lines, transporters, freight forwarders, clearing agents, warehouse and Inland Container Depot operators. The nascent efforts to establish a fully-fledged Uganda Shippers' Council should also be pursued and mainstreamed in the overall institutional review of the sector. This effort should be broad enough to include a decision on the line ministry responsible for policy oversight. Efforts should also be devoted to promoting a better coordination and distribution of roles between the two principal industry institutional actors (Uganda Freight Forwarders' Association and Uganda Clearing Industry and Forwarding Association) as the sector currently suffers from their overlapping mandates. Achieving greater coordination at EAC level by the implementation of the One Stop Border Post and by a harmonised road load regime would have a positive impact on the provision of services auxiliary to transport. Finally, Uganda should prioritize railway and water transport as a means to reducing the cost of freight– this could be realized through a revamp and prioritization of the railway and water transport systems.

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PART ONE

UNCTAD DESK STUDY

I. INTRODUCTION AND BACKGROUND

A. Using National Strategies to Promote the Development Benefits of Services and Services Trade

A vast body of research undertaken by the United National Conference on Trade and Development (UNCTAD) clearly demonstrates that services play an important role in facilitating economic growth and enhancing productivity and competitiveness of the entire economy. As the global economy evolves, the services sector is gradually capturing a greater share of economic activity all over the world. During the last 30 years, the sector achieved a 3 per cent annual growth rate and increased its share in gross domestic product (GDP) to 65.6 per cent (2011) by surpassing the growth rates of both agriculture and industry. The sector became the major contributor to economic growth in developing countries and developed countries alike as the share of services climbed to about 50 per cent in the former group of countries and about 75 per cent in the latter group. The services sector is also becoming a powerhouse for export growth in many countries. During the last 32 years, between 1980 and 2012, the growth rate for services exports outpaced that for merchandise exports, with the former registering 7.8 per cent annual growth. This led to an increase in the share of services of more than 3 percentage points in total world exports, rising to 19.6 per cent.[1]

The recent global crisis highlighted the importance of services exports in mitigating the adverse effects of a sudden drop in external demand elsewhere. During the onset of the global crisis, from 2008 to 2009, merchandise exports shrank by 22.4 per cent globally and by 20.7 per cent in developing countries. However, the drop in services exports was less than half of these figures, at 10.9 per cent across the world and 9.3 per cent in developing countries. Services exports proved to be a more stable source of external income for least developed countries (LDCs) as well. Indeed, in these economies merchandise exports fell by 23.5 per cent, as opposed to the 5 per cent drop in services exports.[2]

Liberalization of trade in goods as well as services, unbundling of commercial services, intensification of global competition and advances in information and communications technologies (ICTs) that allow geographical separation of production stages and expansion of global supply chains have been supporting foreign direct investment (FDI) inflows and the relocation of non-traditional services activities to developing countries.

Certain developing countries registered impressive success in attaining a large share of services activities which require skilled labour and have been traditionally supplied by developed countries. India became the leading exporter of computer and information services, supplying 23.9 per cent of the world total in 2009.[3] Mobile money – money stored using the subscriber identity module in a mobile phone as an identifier and that can be used to transmit money or make payment orders – is a new communications/financial service that boomed during the 2000s. By the end of March 2012 there were 130 mobile money deployments in the world, and African countries, particularly East African Community (EAC) countries, were leading the trend.[4]

Kuwait became a major exporter of communications services, exporting 3.5 per cent of the world total in 2010,[5] by expanding in regional markets as Middle Eastern countries continued to increase investment, including through FDI, and improve the region's infrastructure to become leading ICT economies. Kuwait's service providers have an estimated 27 million mobile subscribers in the Middle East and in sub-Saharan Africa.[6,7]

However, the benefits of the globalization of services activities have not been distributed evenly across developing countries. The share of services in GDP has been lingering around 41 per cent in LDCs during the last 30 years. Moreover, in LDCs the sector's share in total exports actually fell from 17.8 per cent in 1980 to 11.8 per cent in 2012, contrary to the global trends. As the competition among developing countries to become important players in services exports intensifies, serious deficiencies and constraints in physical infrastructure as well as legal and institutional frameworks became apparent. Poor

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[1] UNCTADStat database.
[2] UNCTADStat database.
[3] UNCTAD (2011b), *Information Economy Report 2011*.
[4] UNCTAD (2012), *Mobile Money for Business Development in the East African Community*.
[5] UNCTADStat database.
[6] World Bank (2008), Strengthening MENA's Trade and Investment Links with China and India.
[7] UNCTAD (2011c), *World Investment Report 2011*.

communications and transportation networks, insufficient access to electricity, financial and ICT services, lack of skilled personnel, outdated legal and institutional frameworks, and inadequate regulatory structures severely constrain the development of services sectors in many LDCs. However, the emergence of successful countries among developing countries has renewed interest in addressing these constraints. In this respect, UNCTAD is providing countries with technical assistance to identify and construct effective institutional frameworks and policy and regulatory reform packages needed to ensure development gains from services and trade liberalization of services.

A dynamic service economy can make significant contributions towards the achievement of national development objectives relating to economic diversification, investment, employment generation, poverty reduction and overall improvement of social welfare. As such, it can also make significant contributions to the achievement of the Millennium Development Goals and other internationally agreed objectives. The integration of developing countries into the global service economy through increased services trade, including through participation in global services supply chains, requires that developing countries design and implement appropriate policies and regulatory frameworks, establish institutional structures, create an enabling environment for entrepreneurship and build competitive services supply capacities.

However, the crisis which began in 2008/09 has shown that having adequate and functioning policy, regulatory and institutional frameworks for services is not an easy task and that Governments need to continuously adapt these frameworks to evolving economic, social and political conditions. Moreover, the economic crisis challenged prevailing economic orthodoxies and led to a reconsideration of the role of globalization as a driving force for growth and employment. This particular context underscored the need for active policies (requiring a greater role of the State) to foster profound structural changes in production, consumption and trade patterns. In this regard, to counter the effects of the crisis, countries adopted measures to promote the long-term competitiveness of industries, including human capital development, and sought to identify and produce competitively new products and new markets.[8]

Given the enabling and driving role that Governments play in the development of service economies, it is useful for policymakers to devise national services development strategies.[9] Moreover, to ensure buy-in and support, as well as to generate desirable spill-in and spill-over 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 actors are particularly relevant for the development of services strategies to ensure adequate labour transformations and the enhanced levels of human capacity needed to support growth of the services workforce.

In the context of the Services Policy Review (SPR) exercise that UNCTAD has developed, it is suggested that a “master plan”, which outlines not only national strategies but also defines a process and series of practical steps through which strategic objectives can be pursued, be prepared based on a national consultation process.

It is expected that countries would subsequently be in a position to develop a master plan to promote trade and investment in the services sectors through multi-stakeholder consultations at the national level. Far from being a static instrument, the master plan should be a dynamic tool whose purpose is to guide the long-range development of services sectors in the national economy. However, to get started, an SPR can be prepared for consideration by national stakeholders. Specifically, a master plan serves the functions outlined in table I.1.

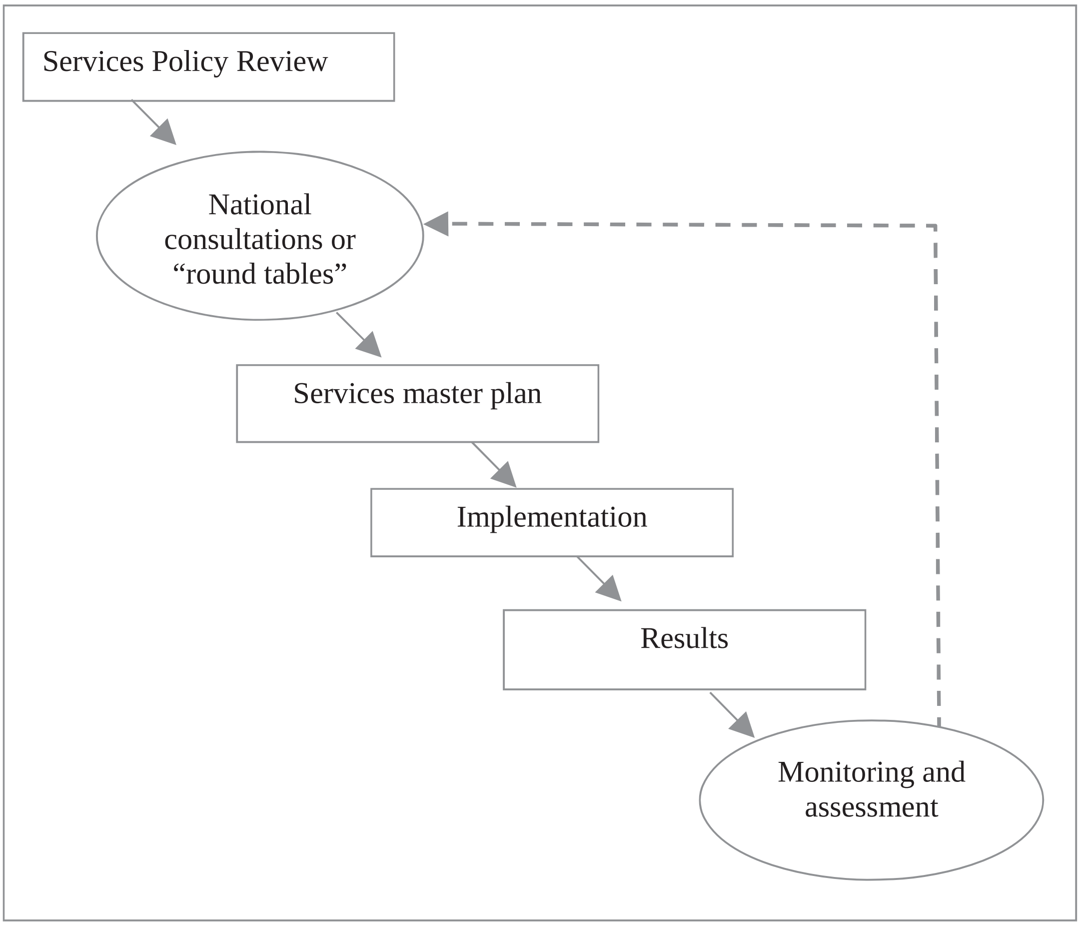
[8] UNCTAD (2010), Successful trade and development strategies for mitigating the impact of the global economic and financial crisis.
[9] For a detailed discussion of the role of the state in promoting economic transformation in Africa, see Economic Commission for Africa (2011), *Economic Report on Africa 2011: Governing development in Africa – the role of the state in economic transformation*. The report highlights that the experiences of successful countries in Asia, Latin America and Africa are to a large extent based on the central role of the State in guiding and promoting successful economic transformation, a role which may require a “developmental state” approach.

Table I.1. Main Functions Served by a Services Master Plan

Item	Functions
1	Defines a national vision for the long-range development of 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 small and medium-sized enterprises (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 and practical steps that various stakeholder groups should take to advance agreed objectives for the future development of key services sectors.

Once a services master plan is prepared that addresses items 1–7 from table I.1, it should be submitted to national stakeholders who will contribute to revising and further developing it. The revised master plan is subsequently implemented. As implementation of the services master plan proceeds, stakeholders monitor and assess results. They may decide to refine the master plan further to improve results. The entire process is shown schematically in figure I.1.

Figure I.1. Process for Master Plan Development



B. UNCTAD Services Policy Reviews

SPRs conducted by UNCTAD are designed to provide countries with the technical assistance to identify and construct effective institutional frameworks and policy reform packages needed to ensure development gains from services and services trade liberalization. SPRs examine the dynamics of specific national service sectors and outline policy approaches to advance sectoral and broader national economic and social objectives. SPRs also consider the regional trade context for each country and present a broad macroeconomic perspective with the ultimate goal of assessing trade prospects based on the regional and global environment. Such analysis reflects the fact that countries' trade policies are not developed in isolation, but rather are shaped within regional and global contexts.

Being able to construct reasonable scenarios on how changing underlying conditions and reforms are likely to impact sectoral performance requires the availability of timely and often detailed data, including that based on informal sectoral estimates, knowledge of the relevant regulations, institutions and policies affecting sectoral dynamics and consideration of the challenges and opportunities perceived by sectoral stakeholders. Collecting and synthesizing these various inputs is necessarily an empirical process specific to each country and sector, and for this reason, the SPR methodology employed by UNCTAD is based on a case-study approach to assessment that employs both qualitative and quantitative analyses. Moreover, in recognition of the difficulties of accessing sufficient data for assessments, the methodology relies on the use of various national and international databases, analytical tools and sector-specific questionnaires for use in surveys of national stakeholders. It further encourages national stakeholders to improve data collection, dissemination and analysis activities.[10]

[10] UNCTAD (2013), Services Policy Reviews: A detailed methodology for reviewing policy, regulatory and institutional frameworks for services.

Thus, the exercise to be undertaken is a systematic review of the economic, regulatory, institutional and trade policy environments that are characteristic of the sectors or services considered. The SPR is aimed at assisting beneficiaries in achieving four primary objectives:

- To manage a services reform process;
- To ensure sustainable development gains through services reform, including through the contribution of the services sectors to achieving national targets related to the Millennium Development Goals;
- To strengthen capacities related to services trade negotiations;
- To monitor results achieved through reforms in the services sector.

Ultimately, it is hoped that SPRs will assist countries in developing more coherent and consistent trade policymaking and strategies for the entire services sector and possibly to develop services master plans for their economies.

C. The Uganda Services Policy Reviews

Like many other developing countries and LDCs, Uganda is focusing on the services sector as a tool for diversification of the economy as the country continues on its development path. The Ministry of Trade, Industry and Cooperatives of Uganda requested UNCTAD assistance in undertaking an SPR in 2008.[11] In addition to a review of the overall Uganda services economy, the SPR focused on the insurance, legal, accounting and construction, and engineering services sectors. The choice of these four sectors reflected the importance that Uganda attached to these services and to improving their performance, especially in the context of Uganda's regional trade services liberalization commitments in the EAC and the Common Market for Eastern and Southern Africa (COMESA). National stakeholders, including government agencies, regulators, business support organizations and associations from the sectors reviewed, came together to propose specific recommendations aimed at promoting an enabling environment for the development of insurance, legal, accounting and construction, and engineering services.

Drawing upon the successful experience of the first SPR and after identifying three new sectors of development interest, the Ministry of Trade, Industry and Cooperatives requested early in 2012 that UNCTAD provide assistance in conducting a second SPR which would focus on distribution services, ICT services and computer and related services (CRS), as well as services auxiliary to all modes of transport. Additionally, the Ministry requested a review of the implementation of the recommendations of the first SPR as well as assistance in devising, where necessary, further modalities for their effective implementation.

D. Objective and Contents of this Paper

The objective of this paper is to provide an overview of the Ugandan economy and particularly its services sector and related national strategies and priorities, so as to determine the role and importance of services (and the sectors under review more particularly) in the country. The services sectors are first analysed in their regional and global contexts to assess the performance achieved to date and the future prospects and opportunities for trade in services. This analysis allows policymakers to compare the effectiveness of their strategies in promoting trade in services with respect to neighbouring countries and countries facing similar challenges, as in the case of LDCs or landlocked developing countries. It helps them to identify key advantages and obstacles to refine their trade in services strategy. Also, in the three priority sectors the following elements are analysed: the contribution of the sector to the national economy, the economic performance of the sector, trends in trade and investment in the sector and the sector's linkages with other sectors within the Ugandan economy. For each of the sectors, the economic overview is accompanied by an inventory of legislation, regulations, institutions and policy measures, regulations governing sector operators, an analysis of the participation of foreign service providers in the sector, trade liberalization commitments affecting the sector and an analysis of the existing strengths, weaknesses, opportunities and threats characterizing the sector in Uganda. Finally, recommendations are presented based on the findings drawn from desktop research and consultative engagements with key stakeholders.

[11] The report (UNCTAD (2011a)) is available at http://www.unctad.org/spr.

II. ECONOMIC PANORAMA[12]

A. Basic Facts

Uganda is an LDC in East Africa with an estimated population of 35.6 million in 2012. Agriculture continues to play a significant role in the economy as 81 per cent (2012) of the labour force still works in the sector. The transformation of the labour market has been rather slow even compared with other developing countries. During the last 30 years, agriculture's share in the labour force fell by only 5 percentage points, as opposed to a drop of about 17 and 14 percentage points in developing countries and LDCs, respectively, as a result of the gradual transition from agriculture to industry- and services-based economies. By the same token, the share of the urban population in the country is barely over 13 per cent, significantly lower than the developing country average of 46 per cent, as well as the LDC average of 30 per cent.

The slow pace of transformation is attributed to various factors, including a skills mismatch between the labour force and the demands of expanding sectors, and high population growth that could not be absorbed by the growing sectors.[13]

There have been signs of accelerated transformation in the Ugandan economy since 1995. The country also achieved a 6.1 per cent annual real GDP growth rate, higher than the average achieved by developing countries (5 per cent), African developing countries (4.1 per cent) and EAC countries (4.9 per cent) since 1995 (table II.1). This positioned Uganda above many African developing countries in terms of cumulative increase in real income and close to other developing countries and LDCs (figure II.1).

The high growth rate for Uganda, however, does not fully translate into real income growth for an average resident due to high population growth (table II.1). Population growth slashes half of the growth rate and brings it to below developing country and LDC averages. As of 2012, GDP per capita stood at US$662 in present-day terms for the currency. The current national development plan aims at increasing this number to US$900 by the 2014/15 fiscal period.[14] Yet these figures are still far from the official target for Uganda of becoming a middle-income country by 2017. Currently, the averages of per capita income for the world and developing countries are about US$10,132 and US$4,474, respectively.

The recent discovery of oil reserves can help Uganda to transform its economy. On the positive side, oil revenues can increase FDI inflows to the country and boost fiscal revenues that can be channelled into various productive uses such as infrastructure development and skill improvement of the workforce. On the negative side, oil revenues may also lead to the so-called "Dutch disease" or "resource curse" phenomenon which can hinder development of the manufacturing industry if wealth is not distributed equitably and intergenerationally, and if other economic sectors are not developed in parallel. In addition, the influx of new business interests could hamper efforts to fight against corruption in the public sector.

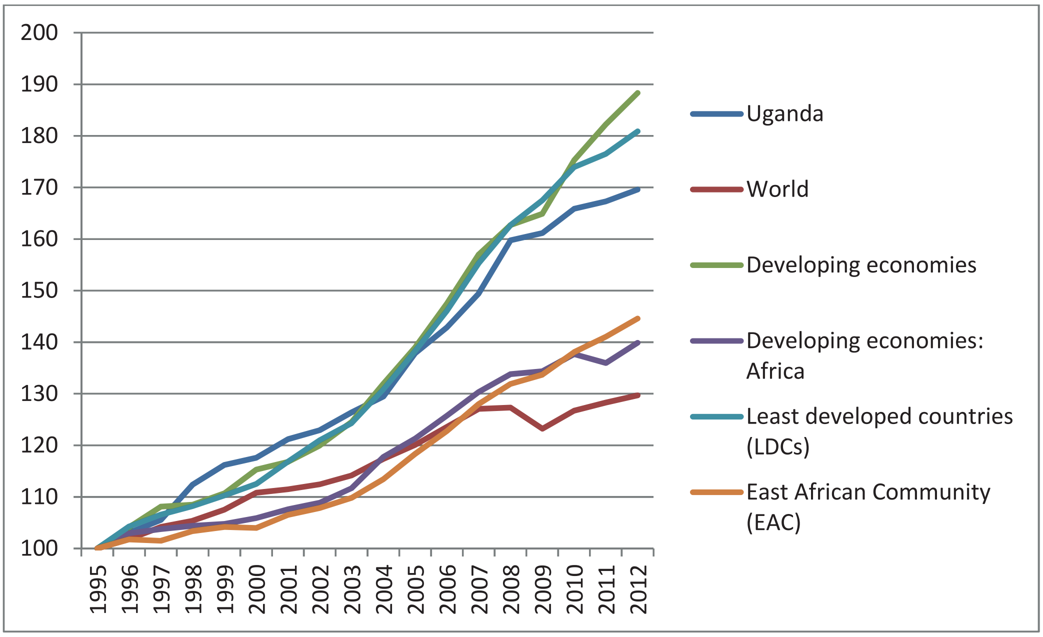
Table II.1. Total and per Capita Real Growth Rates of GDP in Uganda and Selected Country Groupings, 1995–2012 (Percentage)

	Total	Per Capita
Uganda	6.1	3.0
World	2.7	1.5
Developing economies	5.0	3.6
Developing economies: Africa	4.1	1.9
Least developed countries	5.7	3.3
East African Community	4.9	2.1

Source: UNCTADStat database.
Note: GDP measured in United States dollars.

[12] Unless otherwise indicated, all figures and statistics in this section were taken from the UNCTADStat database.
[13] Uganda, National Development Plan (2010/11–2014/15).
[14] Ibid.

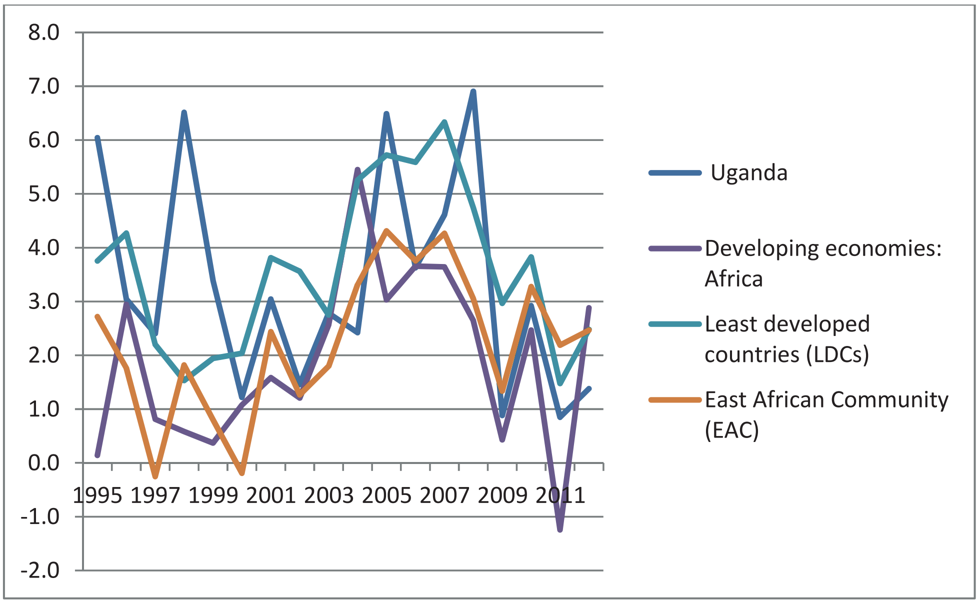
Figure II.1. Relative Real GDP Growth Performance of Uganda and Selected Country Groupings, 1995–2012 (1995=100; United States Dollars)



Source: UNCTADStat database.

There is notable co-movement among the output growth rates of Uganda, LDC and EAC countries (figure II.2). All accelerated gradually during the 2000s until the beginning of the global crisis. With the initiation of the "great recession", growth rates decelerated significantly before stabilizing at a lower level in Uganda, LDCs and EAC countries in 2010–2012, while the growth rate for developing countries in Africa decelerated further in 2011.

Figure II.2. Per Capita Real Growth Rates in Uganda and Selected Country Groupings, 1995–2012 (Percentage)



Source: UNCTADStat database.
Note: National incomes measured in United States dollars.

B. Structure of the Economy

The services sector is the largest sector in Uganda, accounting for 51.1 per cent of GDP in 2012 (table II.2). The sectoral composition of national income is very typical for an East African economy, as agriculture plays an important role in national income (23.5 per cent of GDP). In contrast, in developing countries agriculture accounts for less than 10 per cent of GDP.

During the last 15 years, industry emerged as the fastest growing sector with an 8.3 per cent average growth rate, followed by 7.3 per cent per annum by the services sector. The largest services subsector is wholesale, retail trade, restaurants and hotels which accounts for 20.9 per cent of GDP (figure II.3). Yet the transportation, storage and communications and the construction subsectors have been the fastest growing with, respectively, 11.4 per cent and 10.2 per cent annual average growth rates.

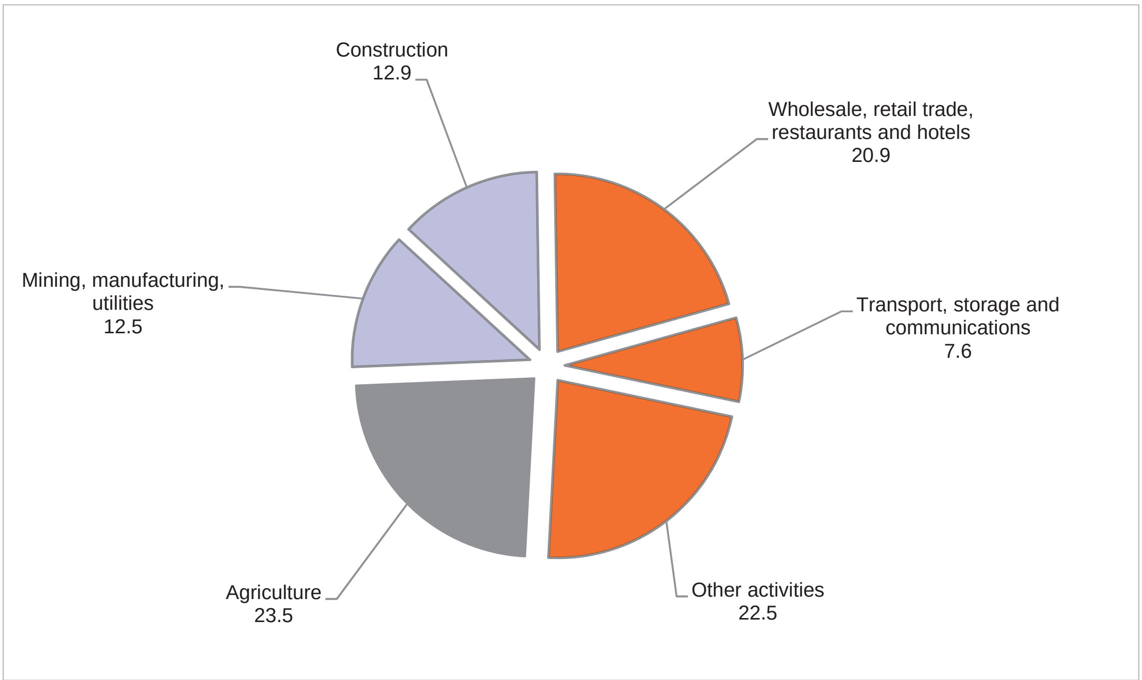
Among the subsectors covered by this SPR, distribution services alone accounted for more than 14 per cent of GDP in 2008/09.[15] The share for all transportation services including storage was around 3 per cent and for post and telecommunications around 3.3 per cent in 2009.[16]

Table II.2. Structure of GDP in Uganda and Other Developing Countries Groupings, 2011 (Percentage)

	Agriculture	Industry	Services
Uganda	23.5	25.4	51.1
Developing economies	9.4	39.5	51.0
Developing economies: Africa	16.3	37.0	46.8
Least developed countries	25.2	33.6	41.2
East African Community	27.7	20.9	51.5

Source: UNCTADStat.

Figure II.3. Distribution of Uganda's GDP by Sector, 2011 (Percentage)



Source: UNCTADStat database.

[15] N Dihel (2011), Beyond the Nakumatt generation: Distribution services in East Africa.
[16] United Nations Statistics Division, UNdata database.

C. International trade

Manufacturing and services exports have been buoyant in Uganda, especially from 2000 to 2012 (table II.3, figure II.4). Despite the global crisis, Uganda registered 16.9 per cent growth in merchandise and 18.3 per cent growth in services exports annually during the last 12 years. As merchandise and services exports climbed to US$2.9 billion and US$1.6 billion (2012), respectively, they surpassed the average export growth for developing countries, LDCs and EAC countries in both merchandise and services during the same period.

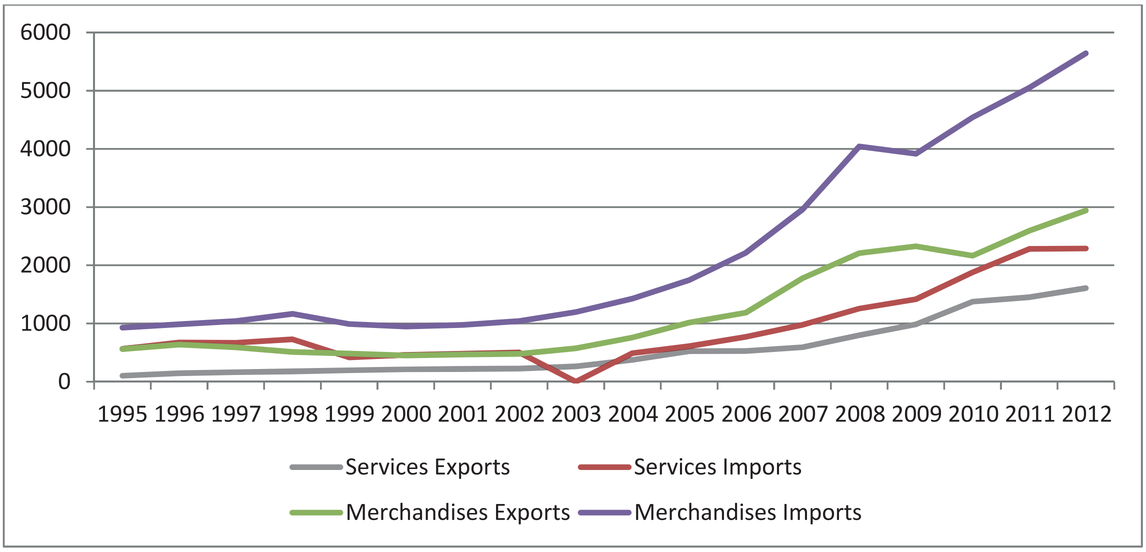
Nevertheless, successes in exports did not eliminate Uganda's trade deficit as the country also experienced fast import growth, especially compared with developing countries during the same period. During the economic boom from 2005 till the global crisis in 2009, the trade deficit widened in both merchandise and services. Particularly robust domestic demand boosted Uganda's demand for imported services. As of 2012, Uganda's total trade deficit stood at US$3.4 billion, about 27 per cent of its trade value.

Table II.3. Annual Average Trade Growth in Uganda and Other Developing Countries, 2000–2012 (Percentage)

	Merchandise		Services	
	Exports	Imports	Exports	Imports
Uganda	16.9	16.0	18.3	14.3
Developing economies	12.0	12.0	11.9	11.7
Developing economies: Africa	12.2	13.3	9.2	12.6
Least developed countries	15.7	15.4	11.9	14.3
East African Community	14.5	16.2	14.7	10.3

Source: UNCTADStat database.
Note: Calculations based on United States dollars at current prices and current exchange rates in millions. The figures for Uganda 2012 are estimated.

Figure II.4. Merchandise and Services Trade of Uganda, 1995–2012 (In Millions of United States Dollars)



Source: UNCTADStat database.
Note: Calculations based on United States dollars at current prices and current exchange rates. The figures for 2012 are estimated.

South–South trade has been increasingly becoming an important venue for Uganda's growth in international trade. In 2012, all top five merchandise export destinations were developing countries, of which four were African countries (table II.4). The list was topped by Kenya, with a 12.7 per cent share of overall Ugandan exports, and followed by neighbouring Rwanda and the Democratic Republic of the Congo. Similarly in imports, the main exporters to Uganda were developing countries, and India topped the overall list with a 14.3 per cent share.

Table II.4. Leading Importers from and Exporters to Uganda (2012) (Percentage)

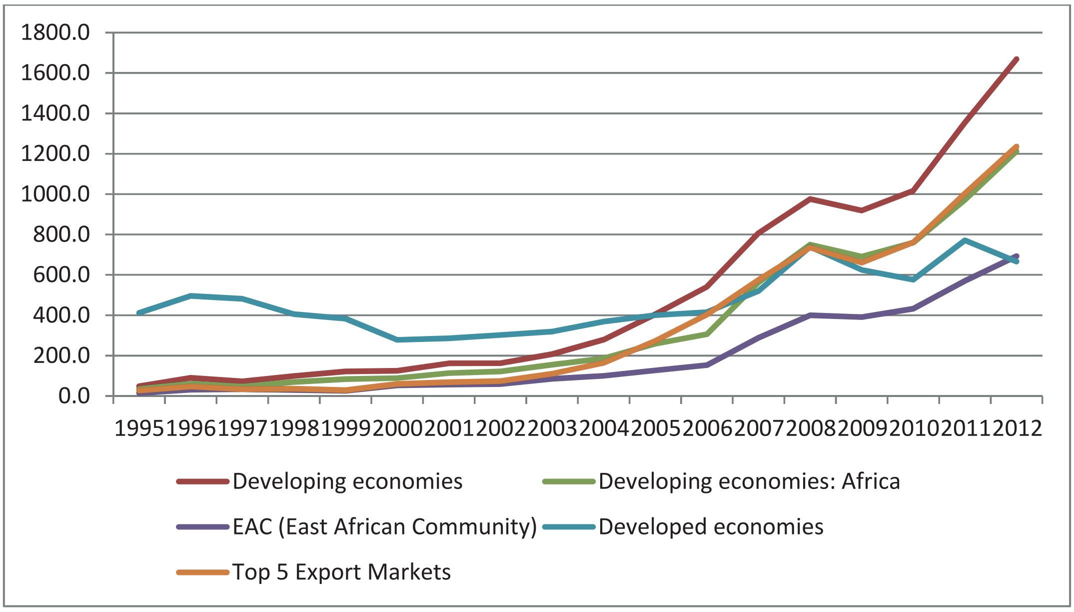
Leading importers from Uganda	Value (US$ millions)	Share
Kenya	300.5	12.7
Rwanda	269.3	11.4
Democratic Rep. of the Congo	248.0	10.5
United Arab Emirates	225.2	9.6
Sudan	192.8	8.2

Leading exporters to Uganda	Value (US$ millions)	Share
India	862.9	14.3
Kenya	857.4	14.2
China	743.5	12.3
United Arab Emirates	721.0	11.9
South Africa	264.4	4.4

Source: UNCTAD secretariat calculations based on the UNCTADStat database.

Uganda's neighbouring countries played an important role in mitigating adverse effects of the global crisis on merchandise exports (figure II.5). From 2008 to 2010, Uganda's total merchandise exports fell by 2 per cent, mainly due to shrinking external demand from developed countries. Exports to developed countries fell more than US$200 million, almost 25 per cent, during this period. A roughly 17 per cent (US$139 million) increase in exports to the Democratic Republic of the Congo, Kenya, Rwanda and the Sudan partially offset the lost export revenues in developed markets and helped Uganda to keep its total exports above US$2 billion. From a longer-term perspective, developing countries accounted for more than 75 per cent of Uganda's exports growth during the last seven years. Exports from Uganda to developing countries in Africa accounted for around 60 per cent of growth.

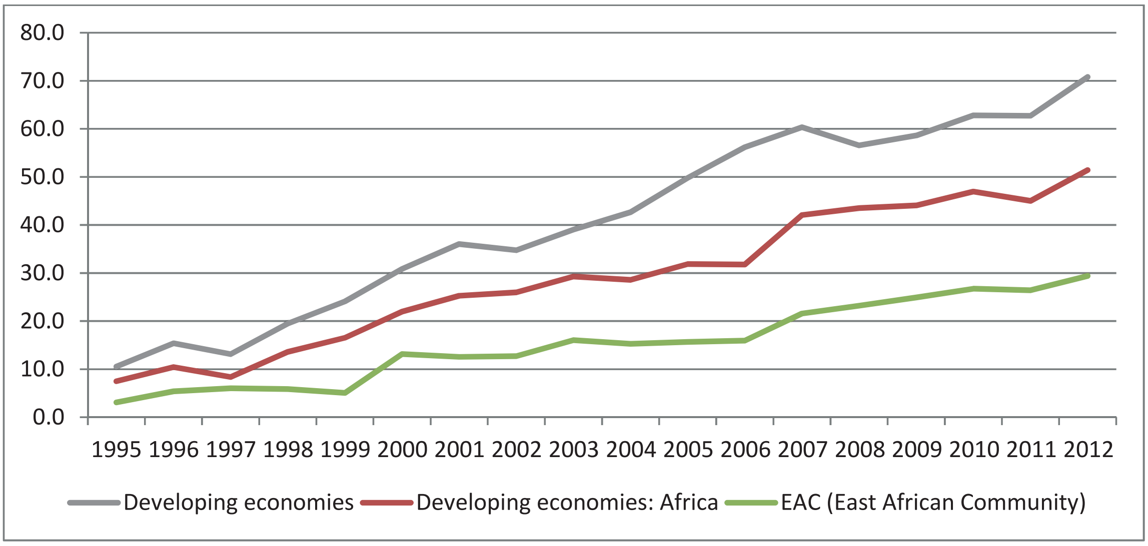
Figure II.5. Uganda Exports to Selected Regions, 1995–2012 (Millions of United States Dollars)



Source: UNCTAD secretariat calculations based on the UNCTADStat database.
Note: The "Top five export markets" category corresponds to countries listed as leading importers from Uganda in table II.4.

As of 2012, the shares of developing countries and of African developing countries in Uganda's exports are 70.8 per cent and 51.4 per cent, respectively, indicating a more than six-fold increase in their shares (figure II.6). In other words, Uganda's exports were mainly increased by exports to developing countries, especially African developing countries. On the other hand, the picture is less clear for imports as the share of developing countries in Uganda's imports increased from roughly 56.8 per cent to 69.8 per cent, while the share of both African developing countries and EAC countries fell considerably, from 35.7 per cent to 25.6 per cent and from 31.1 per cent to 17.2 per cent, respectively. Most of the increase in the share of developing countries came from Asian developing countries which raised their share from 19.8 per cent to 43.3 per cent.

Figure II.6. Share of Developing Countries in Uganda's Exports, 1995–2012 (Percentage)



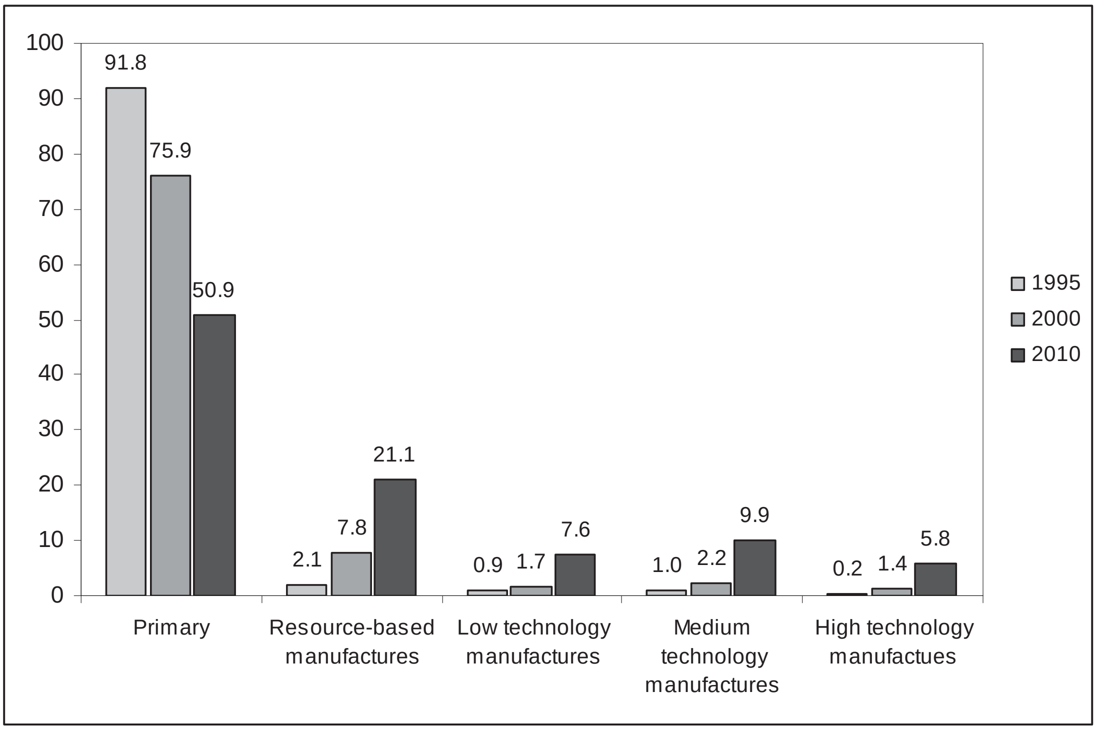
Source: UNCTAD secretariat calculations based on the UNCTADStat database.

Agricultural products, especially coffee, have been important to Uganda's exports (table II.5). Coffee exports alone accounted for 76 per cent of total merchandise exports in 1995. This figure fell to 38 per cent in 2000 and to 19 per cent in 2010. Yet cocoa and tea, in addition to coffee, still played an important role in Uganda's exports as together they accounted for 23 per cent of all merchandise exports in 2012.

Structural change affecting Uganda's exports is not only limited to coffee. From 1995 to 2010, Uganda sought to move away from relying on primary products to manufactured products with different levels of technological sophistication (figure II.7). As the share of primary products fell from almost 92 per cent to 51 per cent, the share of resource-based manufactured products increased from 2 per cent to 21 per cent. In other words, Uganda is moving from exporting unprocessed agricultural products to exporting processed agricultural products by climbing up the production value chain. There are gains in other non-agricultural manufacturing products as well, from low- to high-technology products. Indeed, telecommunications equipment ranks sixth among the country's top exported products in 2010.

Yet on the imports side, petroleum products hold 20.1 per cent, followed by road vehicles, specialized machinery, medicaments and telecommunications equipment.

Figure II.7. Uganda's Export Composition by Level of Technology*, 1995, 2000 and 2010 (Percentage)



Source: UNCTAD secretariat calculations based on the UNCTADStat database.
** Lall classification.*

Table II.5. Leading Exported and Imported Products of Uganda (2012)

Leading exported products	Value (US$ millions)	Share (%)	Leading imported products	Value (US$ millions)	Share (%)
Coffee, tea, cocoa, spices and manufactures thereof	541.9	23.0	Petroleum oils or bituminous minerals	1212.1	20.1
Telecommunications and sound recording apparatus	190.0	8.1	Road vehicles	494.4	8.2
Non-metallic mineral manufactures, n.e.s.	125.1	5.3	Specialized machinery	349.3	5.8
Textile fibres and their wastes	117.2	5.0	Medicinal and pharmaceutical products	293.5	4.9
Cereals and cereal preparations	111.1	4.7	Telecommunications and sound recording apparatus	292.9	4.8

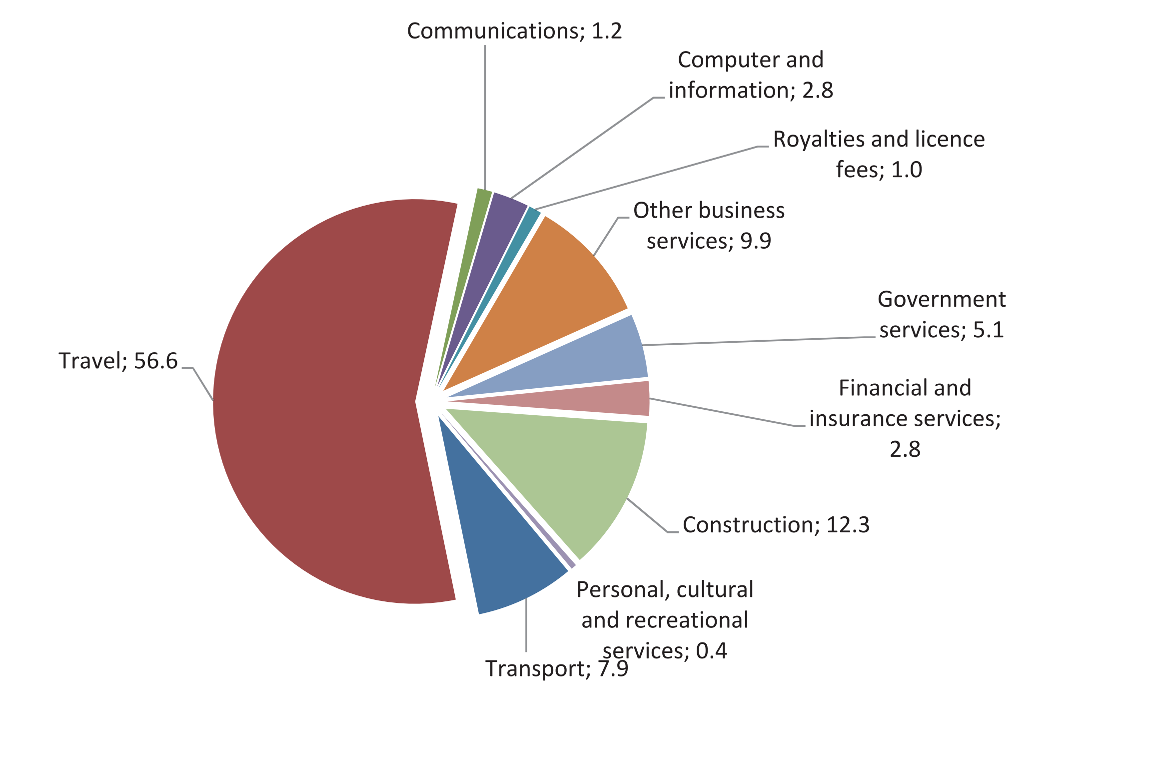
Source: UNCTAD secretariat calculations based on the UNCTADStat database.
Abbreviation: n.e.s., not available elsewhere.

Uganda achieved its strong export growth despite the deterioration of terms of trade during the early 2000s. With fuel Uganda's main import item, the global crisis eased global fuel prices considerably and boosted the terms of trade for EAC countries including Uganda.

Uganda has been successfully diversifying its export composition. From 1995 to 2011, the UNCTAD concentration statistics for Uganda fell from 0.74 to 0.21 as the number of exported items increased from

62 to over 200 during this period. This indicates greater dispersion of its exported products.[17] Uganda's concentration statistics not only declined during this period but also fell below the average for African developing countries of 0.41. Nevertheless, Uganda's exports are still less diversified compared with the developing country average (0.13).

Figure II.8. Composition of Uganda's Services Exports, 2012 (Percentage)



Source: UNCTAD secretariat calculations based on the UNCTADStat database.

Uganda's services exports amounted to close to US$2 billion in 2012 and proved to be an important and stable source of external revenue as its merchandise exports declined considerably due to the global crisis. With a value of US$1.1 billion, travel is Uganda's main services export (figure II.8). The sector accounts for more than 56 per cent of services exports, followed by construction with around a 12 per cent share. The rest of services exports are spread thinly across other categories. Uganda needs to diversify its services exports in order to achieve high and sustainable export growth.

The heavy burden of being a landlocked country is clearly visible in Uganda's services imports statistics, with transportation services accounting for 55 per cent of the country's total services. This figure is 35 per cent in other developing countries. Travel is another important item in Uganda's services imports with a 17.2 per cent share of the total, followed by financial and insurance services with a 5.2 per cent share.

D. Remittances

Remittances are an important source of external funding especially when they are channelled effectively to more development-oriented productive activities. Total remittances amounted to US$937 million in 2011. This is roughly 23 per cent of Uganda's total trade in goods and services, significantly higher than for developing countries (4.1 per cent) as well as the LDC average (13.4 per cent). Measured as a share of

[17] UNCTADStat database. The concentration index shows how exports and imports of individual countries or group of countries are concentrated on several products or otherwise distributed in a more homogeneous manner among a series of products. It has been normalized to obtain values ranking from 0 to 1. An index value that is close to 1 indicates a very concentrated market (maximum concentration).

GDP, remittances stood at 5.4 per cent of national income in 2011, again higher than the average for developing countries and LDCs.

E. Current Account and Capital Flows

According to International Monetary Fund (IMF) estimates, Uganda moved from roughly balanced current accounts in the mid-2000s to a US$2.3 billion deficit in 2012.[18] This has increased the country's need for external capital flows to finance the deficit which now accounts for 11.1 per cent of national income. Remittance receipts, which are an important factor in narrowing current account deficits, have been increasing at a relatively slower pace than trade in goods and services. Indeed, in 2011 the share of total remittances in total trade in goods and services had fallen to almost one-third of its share in 2002.[19]

F. FDI Flows and Business Environment

Table II.6. FDI Flows and Stocks in Uganda World and Other Developing Countries Groupings (2012)

	FDI inflows		FDI stocks	
	Per capita (US$)	Share of GDP (%)	Per capita (US$)	Share of GDP (%)
Uganda	48.3	7.3	229.9	34.7
World	193.0	1.9	3245.8	32.0
Developing economies	124.1	2.8	1360.9	30.4
Developing economies: Africa	47.6	2.6	595.0	31.1
Least developed countries	29.9	3.5	206.7	31.6
East African Community	26.3	3.7	215.6	25.2

Source: UNCTADStat database.

FDI inflows have partially helped Uganda to close its current account deficits (table II.6). In 2012 the country received US$1.7 billion in FDI inflows, roughly 37 per cent of its total trade in goods and services. The inflows are very crucial for Uganda's development, yet the country has been facing challenges in promoting its growth. The country currently receives US$48 in FDI per person, significantly less than the developing country average of US$124 and the world average of US$193 per capita.

In 2011, mining, manufacturing and finance sectors were the largest recipients of FDI flows. The sectors attracted FDI of U Sh 687 billion (38.4 per cent share, US$272 million), U Sh 403 billion (22.5 per cent share, US$160 million) and U Sh 306 billion (17.1 per cent share, US$121 million).[20,21]

Among the main subsectors covered by this SPR, ICT accounted for a small share, 4.3 per cent, with U Sh 76.97 billion (US$30 million) in investment flows, and the wholesale sector had a 5.9 per cent share with U Sh 105.91 billion (US$42 million)[22] in investment in 2011. Investment in the transportation sector amounted to U Sh 82.32 billion (US$32.6 million), representing a share of 4.6 per cent.[23]

Developed countries are the main source of FDI flows to the country. Australia and the United Kingdom of Great Britain and Northern Ireland top the list with shares of 34.5 per cent and 16.6 per cent of total 2011

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[18] IMF World Economic Outlook Database.
[19] UNCTADStat database.
[20] Converted into United States dollar figures by using UNCTADStat USD/UGX cross-exchange rates for 2011.
[21] Uganda Bureau of Statistics (UBOS), Bank of Uganda, Uganda Investment Authority (2013), Private Sector Investment Survey 2012.
[22] Converted into United States dollar figures by using UNCTADStat USD/UGX cross-exchange rates 2009.
[23] UBOS, Bank of Uganda, Uganda Investment Authority (2013), Private Sector Investment Survey 2012.

foreign direct investments flows. There are two African countries among the main FDI source countries: Mauritius with a 8.9 per cent share and Kenya with a 14.6 per cent share.[24]

Uganda's overall "state-of-the-business" climate is relatively favourable for investments. It ranked 123rd in the whole list and 12th among African countries in 2012.[25] Uganda is particularly successful in resolving insolvency and getting credit criteria, while trading across the border, starting a business and getting electricity are noted as main areas for improvement.

G. Millennium Development Goals

Poverty has been a major issue in Uganda, yet government policies managed to lower the poverty rate significantly during the last 15 years. The population living below US$1 per day has fallen from 70 per cent in 1992 to 38 per cent in 2009, in line with Millennium Development Goal targets. Similarly, Uganda improved its poverty gap ratio at US$1 per day during the same period. The number of people who are undernourished, however, is still very high at 6.7 million (2007) and has been hovering at about 20 per cent of the population since the 1990s.

Uganda is facing challenges in achieving its targets for the Millennium Development Goal related to education. Even though the primary education enrolment ratio is 91 per cent, the completion rate remained at around 57 per cent of pupils in 2010. In gender equality, Uganda managed to eliminate gender disparity in primary education and increased women's representation in parliament. Yet the gender parity index is 0.85 (2010) in secondary education and 0.79 (2009) in tertiary education and requires improvement.

Child mortality is still an important issue for Uganda as its under-5 mortality rate per thousand live births was at around 99 in 2010. Uganda also needs to improve immunization of children against measles as only 55 per cent (2010) of 1-year-old children were immunized. Uganda has been off track to achieve its targets for the maternal mortality rate. As of 2010, the maternal death rate is 310 per 100,000 live births. The share of births attended by skilled health personnel is around 42 per cent (2006) and also needs to be improved.[26]

Uganda has successfully reduced the HIV incidence rate, from 1.98 in 1990 to 0.74 in 2009, and the tuberculosis prevalence rate, from 526 persons per 100,000 in 1990 to 193 persons per 100,000 in 2010. However, less than 40 per cent of young men and women have comprehensive knowledge of HIV/AIDS (2006).[27]

Access to improved drinking water has been increasing in Uganda in urban areas, yet in rural areas more than 30 per cent of the population still does not have access (2010). Access to improved sanitation is also an issue among rural and urban populations as only one-third of the total populations has access.[28]

The Millennium Development Goal target on developing a global partnership for development requires increasing cooperation with the private sector and making available the benefits of new technologies, especially ICTs. Uganda showed noticeable improvement in access to mobile phone services as the number of cellular phone subscriptions per 100 inhabitants increased from 0 in early 1990s to 38.4 in 2010. The number of Internet users per 100 inhabitants has increased as well, from 0 to 12.5 in 2010. Though, mobile technologies supported access to ICT services, especially in rural areas, lack of sufficient physical infrastructure in the sector is significantly hindering the development of some other services.[29]

H. Government Development Policies and Services Sector

Uganda issued its national development plan (NDP) covering the period from 2010/11 to 2014/15 in April 2010. The plan details Uganda's medium-term strategic direction, development priorities and implementation strategies, as well as current development status, challenges and opportunities. The current NDP particularly emphasizes the need for consolidating efforts to achieve the country's national

[24] Ibid.
[25] World Bank (2012a), *Doing Business in a More Transparent World 2012. Economy Profile: Uganda. Comparing Regulation for Domestic Firms in 183 Economies.*
[26] UNStat Millennium Development Goals Indicators database.
[27] Ibid.
[28] Ibid.
[29] Ibid.

vision, transforming Uganda from an agriculture-based economy into a modern and prosperous nation within 30 years. The new plan is the first five-year development plan out of six that will be implemented in order to achieve the national vision.

The plan correctly emphasizes the importance of building a reform path best suited to the needs of Uganda and deals with the particular constraints of the country. Sluggish socioeconomic transformation of Uganda and thus slow productivity growth in agriculture were identified as major challenges due to structural problems in the economy. The dominance of primary commodities in the economy as opposed to industry, the inability of newly emerging sectors to absorb a rapidly growing labour force, hurdles to accessing finance and sluggish development of core production infrastructure, such as energy and transportation, have been delaying socioeconomic transformation.

The Uganda NDP identifies seven key binding constraints on the development objectives and details strategies to mitigate these constraints. In particular, the plan acknowledges inadequate financial services for both public and private sectors. Access to finance is a particularly severe problem in the rural private sector as only 16 per cent of the population holds bank accounts. Underdeveloped capital markets as well as high lending interest rates constrain the private sector's ability to raise funds for investment purposes. A low domestic saving rate has been inhibiting financial deepening in the county.[30]

Inadequate physical capital, especially in key services infrastructure has been recognized as a key constraint by the NDP. Among key infrastructure services, the energy, transportation, ICT and tourism sectors are prioritized. Uganda is aiming at significantly increasing its electricity generation capacity from 596 MW in 2010, to 8601 MW in 2020. After completion of recent projects, rural electrification coverage will increase to 20 per cent. The current transport master plan and other government commitments are aiming at rehabilitating and constructing railways as well as national roads. The national fibre-optic cable coverage will be extended to most districts as part of the ICT infrastructure improvement programme. Moreover, technology business parks will be constructed in order to stimulate business process outsourcing and e-government services will be promoted. Infrastructure in the tourism sector will be promoted, including hotel and restaurant capacity as well as the transportation network mainly used by the sector.[31]

III. NATIONAL TRADE POLICIES FOR THE EXPANSION OF KEY SERVICES SECTORS

When considering what policies to adopt so as to develop their services economy and to promote trade and investment in specific sectors, countries can contemplate the following options: autonomous or unilateral liberalization based on domestic reforms and taken outside of any trade forum, bilateral/regional liberalization or multilateral liberalization in the context of the World Trade Organization (WTO). In the case of services trade, the literature suggests that policy reforms have been mostly unilateral and that trade agreements have not been very successful in achieving services liberalization.[32] This may reflect the fact that in many services sectors, Governments wish to maintain policy flexibility to pursue key national policy objectives and to preserve the right to reverse a policy in the case of unexpected circumstances or if the expected benefits are not forthcoming. However, given the wide range of services and the numerous institutions and agencies in charge of related policymaking and regulation, reviewing the liberalization commitments of countries under various trade agreements is a useful starting point to get a sense of actual market access conditions. The following section describes Uganda's services liberalization commitments under various forums and the ongoing services negotiations in which the country is involved.

A. Uganda's Involvement in GATS Trade Liberalization

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 General Agreement on Trade in Services (GATS) commitments to open their services economies. Uganda undertook such commitments on trade in services at the multilateral level for the first time during the Uruguay Round. Where they exist, the commitments pertaining to the priority sectors covered by this SPR will be analysed

[30] Uganda (2010), National Development Plan (2010/11–2014/15).
[31] Ibid.
[32] J Francois and B Hoekman (2010), Services trade and policy.

later in this document. It can already be stated, however, that Uganda took commitments in two sectors, namely communications services (with commitments restricted to telecommunications services) and tourism and travel-related services (with commitments for hotels and restaurants and travel agencies/tour operators). Uganda did not opt to schedule any horizontal limitations or conditions that could have applied to trade in services in all the scheduled services sectors.[33]

The current round of market access negotiations under article XIX of the GATS, launched in 2000, aims at achieving progressively higher levels of liberalization of trade in services through the reduction or elimination of measures with adverse effects on trade in services 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 progressive opening of market access consistent with their development situation. This includes the flexibility to open fewer sectors and liberalize fewer types of transactions (i.e. modes 1–4).[34] Key objectives for developing countries, including Uganda, should not only be 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 maximizing the overall level of development at the national level.

As an LDC, Uganda can however avail itself of GATS provisions which take into account the special situation of LDCs. The provisions include articles IV and XIX of the GATS, which call for increasing participation of developing countries in world trade, including through liberalization of market access and in sectors/modes of export interest to developing countries.

The Hong Kong Ministerial Declaration recalls many of these criteria, clearly flagging development-oriented objectives (e.g. the economic growth of all trading partners; the development of developing countries and LDCs; and due respect for the right to regulate). Among the key development achievements of the WTO, the Hong Kong Ministerial meeting is a clear acknowledgement that LDCs are not expected to enter into any commitments.

Also of relevance for Uganda, at the WTO Ministerial Conference held in December 2011 a waiver was adopted which permits preferential treatment by WTO members for services and service suppliers of LDCs. The waiver in essence allows members to deviate from their most-favoured nation obligation and to provide preferential market access commitments in favour of LDCs. A few conditions are imposed regarding any such preferential treatment, for example the obligations of the granting member to submit a notification to the Council for Trade in Services, prior to granting preferential treatment, and the requirement that the preferential treatment be provided to all LDC members of WTO.

When the GATS services negotiations under the Doha Round resume, Uganda will therefore be in a position to put requests – individually or with other LDC members – to WTO members asking for LDC preferential liberalization in the services sectors of export interest to it. Uganda will also maintain the right to decide not to offer any liberalization commitments in the current round.

B. East African Community Regional Negotiations

The EAC, which consists of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania, in accordance with the Protocol on the Establishment of the East African Community Common Market ratified in July 2010, aims at developing the free movement of services within the region along with the free movement of goods, labour and capital. Part F of the Protocol in particular addresses the free movement of services. Article 16.1 clarifies that this covers both the free movement of services supplied by nationals of partner States and the free movement of service suppliers who are nationals of partner States of the Community.

In order to implement the article promoting free movement of services EAC, countries established schedules of progressive liberalization of services which were annexed to the Protocol. The current schedules are the outcome of the first round of negotiations and focus on seven key sectors: (a) business

[33] Typical examples of horizontal commitments include limitations and conditions relating to foreign investment, land acquisition and taxation measures.
[34] In the GATS, trade in services is described as taking place through the following modes: (a) supply of a service from the territory of one member into the territory of any other member (mode 1); (b) supply of a service in the territory of one member to the service consumer of any other member (mode 2); (c) supply of a service by a service supplier of one member, through commercial presence in the territory of any other member (mode 3); and (d) supply of a service by a service supplier of one member, through presence of natural persons of a member in the territory of any other member (mode 4).

services, (b) communications services, (c) distribution services, (d) education services, (e) financial services, (f) tourism and travel services and (g) transport services. The future rounds will focus on further liberalization of these sectors and of the five remaining sectors, namely, (a) construction and engineering services, (b) environmental services, (c) health-related and social services, (d) recreational, cultural and sporting services and (e) other services not included elsewhere.

Table III.1 summarizes Uganda's EAC services trade liberalization commitments per sector.

Table III.1. Uganda's EAC Services Liberalization Commitments

Business services	Professional services, CRS, research and development services, real estate and other business services
Communications services	Courier services, telecommunications services and audiovisual services
Distribution services	Commission agents services, wholesale trade services, retailing services and franchising
Education services	Primary, secondary, higher, adult and other education services
Financial services	Banking and other financial services
Tourism services	Hotels and restaurants, travel agencies and tour operators, tourist guide and other services
Transport services	Internal waterways transport, air transport, rail transport, road transport and pipeline transport services

Source: EAC (2009). East African Community Common Market: Schedule of Commitment on the Progressive Liberalization of Services, Annex V.

It is interesting to note that among EAC countries, in all sectors with the exception of financial services, Uganda took on as many if not more commitments as its EAC partners. In terms of the total number of commitments, Uganda together with Rwanda clearly stand out as the two countries in the region which opted to substantially liberalize access to their domestic services markets.

Table III.2. Total Number of EAC Services Liberalization Commitments, by Sector and Country

Services sector	Burundi	Kenya	Rwanda	Uganda	United Rep. of Tanzania
Business	31	15	32	33	7
Communications	6	17	21	21	17
Distribution	3	3	4	4	2
Education	4	4	5	5	4
Financial	9	12	15	11	16
Tourism and travel-related	4	3	4	4	4
Transport	17	9	20	20	9
Total number of commitments	**74**	**63**	**101**	**98**	**59**

Source: Based on JB Cronjé (2011), Is the liberalization of trade in services in the East African Community compliant with WTO law?

The EAC services liberalization schedules are similar in many respects to the GATS schedules of specific commitments. However, one particularity is that EAC services liberalization schedules include space for countries to indicate the date at which limitations and restrictions to the free movement of services will be removed. Also, for mode 4, instead of commitments at the horizontal level that are applicable to all subsectors, EAC members took on commitments according to the Annex on the Free Movement of Workers to the Protocol on the Establishment of the East African Community Common Market. Each member indicates, for a list of different categories of workers, under which categories it is undertaking commitments.

Finally, services liberalization among EAC countries is promoted by the right of establishment in all countries of the grouping for nationals – both natural and legal persons – of a member State. As concerns legal persons more specifically, article 13 of the Common Market Protocol provides that partner States shall ensure that all restrictions on the right of establishment based on the nationality of companies, firms and self-employed persons of the partner States are removed and that there are no new restrictions on the right of establishment in their territories, save as otherwise provided in the Protocol. The EAC Common Market (Right of Establishment) Regulations, which apply to self-employed persons seeking to enjoy the right of establishment in the territory of another partner State, provide regulations on how to implement the provisions of article 13 of the Protocol so as to ensure that there is uniformity among partner States in the implementation of the article and to ensure that the process is transparent, accountable, fair and predictable.[35]

C. East African Community–European Union Economic Partnership Agreement Negotiations

Though four of the five EAC countries (i.e. Burundi, Kenya, Rwanda and Uganda) were initially included in the Economic Partnership Agreement (EPA) negotiations with the European Union under the Eastern and Southern African configuration while the United Republic of Tanzania was part of the Southern African Development Community configuration, the countries later realized that they could not conclude the EPA under different configurations. They therefore decided in 2007 to conclude the EPA as a single block. Later that year the group initialled the Framework Economic Partnership Agreement with the European Union and a road map was agreed to for the negotiation of a full EPA on a series of outstanding issues contained in the *rendez-vous* clause, including trade in services.[36]

As in its negotiations with other configurations, the European Union seeks to have a model of commitments which combines both services and investment. The EAC for its part has proposed that services be negotiated separately. Other negotiating objectives of the EAC were for the EPA services text to take into account the Common Market priorities and follow the regional integration road map in this context. Moreover, capacity-building, technical cooperation and appropriate regulatory and institutional arrangements should be promoted. Finally, the EAC would make individual offers for liberalization while making a joint regional request to the European Union.[37] By opting to give clear preference to expediting regional services integration, the EAC decided not to give the services discussions priority status.

Since 2007, progress has been slow and the negotiations are now being conducted in the context of deepened difficulties following the economic and financial crisis and growing scepticism about the pro-development benefits of the EPA for African, Caribbean and Pacific (ACP) countries, generally, and Africa more particularly.[38]

While there was a target to conclude the full EPA by the end of 2011, the deadline was not met, including because the negotiations were at some point stalled due to objections by East African Legislative Assembly members. They objected to the use of Swedish International Development Agency funds to facilitate the EPA negotiations, on the basis that this would compromise the negotiations to the detriment of partner States and weaken any strong stance the latter may adopt on the negotiations.[39] This event can be considered within the broader context of what has been called “general EPA fatigue”. It has been suggested that “[a]s for many ACP countries and regions, the EPA process has in many cases tarnished the [European Union’s] reputation as a friendly partner. Meanwhile, emerging powers such as China, Brazil and India have become attractive alternative new partners. Such countries are often perceived as offering greater development prospects, with fewer conditions attached”.[40]

It was initially expected that, for the services negotiations under the EPA, EAC member States would make a joint request to the European Union while presenting individual offers for liberalization. However, at an EAC high-level workshop on the interaction between the WTO and EPA negotiations held in early 2012, the sentiment was clearly in favour of dropping the services negotiations from the EPA. The workshop, which was attended by East African Legislative Assembly members as well as national parliaments, EAC ambassadors from partner State missions in Brussels and Geneva, Permanent Secretaries, as well as representatives from the WTO, ACP countries, the East African Business Council and EAC civil society, made several recommendations to the Council of Ministers. The recommendations included that trade in services not be negotiated under the EPA, but rather only provisions for capacity-building of the EAC

[35] East African Community (2009), East African Community Common Market (Right of Establishment) Regulations, Annex III.
[36] I Ramdoo and A Walker (2010), Implementing the Economic Partnership Agreement in the East African Community and the CARIFORUM regions: What is in it for the private sector?
[37] A Njau (2009), Contentious Issues under EAC–European Union EPA Configuration.
[38] N Khumalo and F Mulleta (2010), Economic Partnership Agreements: African–European Union negotiations continue.
[39] M Julian and M Dalleau (2011), EPA update.
[40] S Bilal and I Ramdoo (2010), Which way forward in EPA negotiations? Seeking political leadership to address bottlenecks.

services sector which would be included in the economic and development cooperation chapter of the Agreement.[41]

D. Common Market for Eastern and Southern Africa Services Negotiations

COMESA, composed of 19 member States including four EAC countries but not the United Republic of Tanzania,[42] is also engaged in a process of liberalizing services. The end objective for the COMESA region is the creation of a fully integrated, internationally competitive and unified single economic space within which goods, services, capital and labour are able to move freely across national frontiers.[43] The Treaty Establishing the Common Market for Eastern and Southern Africa calls for the removal of obstacles to free movement of services, and COMESA member States adopted, in 2009, the Regulations on Trade in Services on which the COMESA services liberalization programme is based.

Services negotiations are taking place in the Committee on Trade in Services which was established by the Regulations. Several meetings of the Committee have taken place to date including in September 2009, May 2010, May 2011 and July 2012. Initially, COMESA countries identified seven priority sectors for the services negotiations, namely the business, communications, construction, energy, financial, tourism and transport services. In 2010, however, they opted to commence negotiations in four of these seven sectors as a starting point: (a) communications, (b) financial, (c) tourism and (d) transport services. The other sectors are to be included in the negotiations once countries have finished preparing their schedules of specific commitments in the first four sectors. By July 2012, 10 COMESA member States had submitted their schedules of specific commitments in the four priority sectors.[44] Uganda submitted an initial schedule of specific commitments in the four priority sectors at the July 2012 meeting of the Committee on Trade in Services.

E. Sequencing and Coordination of Commitments under Various Trade Agreements

Uganda's NDP also includes a section which deals specifically with trade development. Among others, the section includes the objective of increasing market access for Uganda's products and services in regional and international markets. The following four strategies are suggested as a means of getting access for Uganda products and services to regional and international markets: (a) negotiating better market access for Ugandan goods and services; (b) enhancing branding of products and services; (c) promoting effective positioning of Uganda's products; and (d) penetrating high-value markets in high-income countries such as Canada and the United States of America and in the European Union.[45]

In light of the above, it becomes increasingly important for the Government to strategically consider all trade negotiations it is involved in so as to sequence and coordinate its commitments under various trade agreements, but also its unilateral policies, in a manner which promotes the highest development dividend for the country.

A major objective will be to ensure coherence between trade and trade liberalization policies and other government policies, including policies promoting broader economic and social objectives such as pro-poor, labour market and sustainable development policies. The Government will also need to determine the optimal approach to trade liberalization, including identifying in which sectors to pursue liberalization at regional, interregional or multilateral levels so as to boost the country's involvement in services trade and its integration into regional and world markets.

It is in this context that an overview of Uganda's national economic, regulatory, institutional and trade policy environments affecting the services sector, and its competitiveness in selected sectors, is suggested in the next section.

[41] African Press Organization (2012), EAC high-level workshop on interaction between the WTO and EPA negotiations ends in Arusha/Participants say support EAC secretariat to become think-tank for EPA negotiations.
[42] The United Republic of Tanzania is a member of Southern African Development Community.
[43] See www.comesa.int.
[44] E Mburu (2012), COMESA Transport Services Experience: Policy and Strategy.
[45] Uganda (2010), National Development Plan (2010/11–2014/15).

IV. DEVELOPING KEY PRIORITY SECTORS IN UGANDA

A. Distribution Services

1. Definition and Scope of Distribution Services

Distribution services perform an intermediation role and encompass a number of different activities related to bringing together producers and consumers, dealing both with business-to-business transactions and transactions between business and the final consumer. Distribution services are also closely articulated with other services such as transport, packaging, warehousing, financial services and commercial real estate development. Distribution services are increasingly linked to the provision of other services, inter alia, credit advance, quality control and standard setting, advertising, management of inventories and after-sale servicing.

The WTO services sectoral classification list includes the following subsectors under the sector of distribution services: (a) commission agents' services, (b) wholesale trade services, (c) retailing services, (d) franchising and (e) other distribution services.[46]

Commission agents' services involve intermediaries, which also include brokers, auction companies and commission merchants. They handle products in bulk but do not own them, delivering them to wholesalers, retailers or other individual users. Intermediaries trade on behalf of others and, while some intermediaries handle the goods themselves as in the case of commission agents, others, brokers for example, sell products without even seeing them.

Wholesalers collate, store and disburse products. They cater to retailers and to other wholesalers and, for example in the food business, to what are called "institutional customers", such as restaurants, hospitals and catering services. They are either broad-line distributors, dealing with a wide range of products, or product-specialized wholesalers. Wholesalers perform both physical and trading functions. The physical functions include, inter alia, transport, which is often subcontracted; sorting, de-bulking and handling; stocking; processing; and delivery. Trading functions include sourcing and assortment of supply, selling, marketing and merchandizing, and managing financial and administrative flows, such as management of risk and stocks.

Retailers are distributors selling to end consumers. In addition, retailers provide a set of different services such as product assembly and display, supply of product information, customer services such as delivery, credit and implicit warranties, and production services such as packaging and processing goods in a suitable form for consumers. The retail sector includes store and non-store retailers, the two main types of retailers. While the first operates fixed point-of-sale locations, non-store retailers or retailers "away from a fixed location" reach customers and market merchandise with methods such as broadcasting "infomercials", paper and electronic catalogues, door-to-door solicitation and selling from portable stalls. Store retail services can be classified according to size, business format and product mix or specialization.[47]

Franchising is classified as a subsector of distribution services, but in practice it is a business format. It is a certain system for reproducing business of a franchiser, which involves a standardized approach to delivering a product or service. The franchisee sells goods or services that meet the franchiser's quality standards and operates under the franchiser's trademarks. Despite uniformity in appearance, a franchisee is independent from its franchiser. The growing trend is towards increasing use of franchising, including in services such as medical and professional services.

[46] WTO (1991), Services sectoral classification list.

[47] There are different retailing formats: corner store, cash and carries, convenience stores, specialized stores, department stores, discount stores, hypermarkets, superstores, supermarkets, warehouse clubs, supercentres, mail-order catalogue sales and virtual stores.

2. Importance of the Sector for Developing Countries, Including Least Developed Countries

a. Recent Trends in Production and Employment

Distribution services have a significant contribution to GDP, accounting for about 14 per cent of GDP in sub-Saharan Africa in 2002.[48] In Uganda they also accounted for 14 per cent in 2009.[49] The economic importance of distribution services arises from the sector's role in providing an essential channel between producers and consumers. In terms of social aspect, the relevance of these services is particularly pronounced with regard to employment for people with lower skill levels, which makes a direct contribution to poverty alleviation. Moreover, the productivity of the sector greatly affects the prices of a wide range of goods and services: 10 to 50 per cent of final consumer prices are often accounted for by distributors.[50] Distribution services are dominated by wholesale and retail services and, in developing countries, wholesale sales are generally considerably smaller in value terms than retail sales. The sector is dominated in terms of turnover by food retailing and consumer care products.[51]

Employment in distribution services accounts for a sizeable share of non-agricultural employment in developing countries, and for East African countries it is estimated that over 10 per cent of the active population is employed in the sector.[52] Another feature of distribution services in developing countries is the prevalence of non-structured distribution activities, which provide for an even higher level of employment and serve as a refuge for people in the lowest income groups. For example, in some countries informal traders – mainly street vendors – represent 73 to 99 per cent of employment in the retail sector and contribute a significant share of from 50 to 90 per cent of value added by distribution services.[53] Though the formal segment is growing, the informal segment of the distribution services sector still prevails in Uganda. It is estimated that 70–80 per cent of sales in East Africa still go through informal enterprises, while only about 20 per cent of sales pass through formal outlets.[54] The informal distribution sector provides income-earning opportunities and serves as a refuge for unskilled, female and part-time workers, who belong to the lowest income groups.[55] Informal retailers can be found in both urban and rural areas and are often the primary enterprises engaging in distribution services outside larger cities. Most businesses in the East African informal sector are engaged in the retail of food and basic retail household appliances and are single-shop sole proprietorships.[56]

Distribution services in developing countries are experiencing a rapid and profound transformation, which is manifested through the growth of domestic distribution networks. In the food retail business, there has been an impressive expansion of supermarket chains. Latin America has led the way among developing countries in the growth of the supermarket sector. The development of supermarket chains in Asia and Africa has followed a pattern similar to that of Latin America, but with a later take-off. The most recent venue for supermarket take-off is Africa, especially Eastern and Southern Africa.[57]

The compound annual growth rates of retail sales over the period 2006–2010 reached about 13 per cent in Uganda.[58] In Uganda, as with other countries in the region, the proliferation of supermarkets and large retail stores is a significant development in the distribution service sector. Retail sales in the region are expected to grow around 10 per cent annually over the next five years, with total retail sales increasing from $43 million in 2010 to more than $70 million in 2015.[59] As discussed in the following section, foreign direct investments might have played a significant role in the growth of the retail sector.

For the distribution sector to work well, it requires functioning transport, warehousing, packaging, information management, order processing and handling. A poor road network, inadequate cooling/storage facilities, unreliable power grid and poor communications technologies (an Internet penetration rate of only 4 per cent) are identified, however, as the major problems obstructing the development of the sector in Uganda.[60] Other substantial constraints identified are a shortage of adequate

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[48] UNCTAD (2005), Distribution services. Note by the UNCTAD secretariat, table 1.
[49] N Dihel (2011), Beyond the Nakumatt generation: Distribution services in East Africa, p.1
[50] J Arkell (2010), Market structure, liberalization and trade: The case of distribution services, in *International Trade in Services: New Trends and Opportunities for Developing Countries*.
[51] UNCTAD (2005), Distribution services, p. 7.
[52] N Dihel (2011), Beyond the Nakumatt generation, p.1.
[53] UNCTAD (2005), Distribution services, p. 9.
[54] N Dihel (2011), Beyond the Nakumatt generation, pp. 3–4.
[55] UNCTAD (2005), Distribution services, p. 3.
[56] N Dihel (2011), Beyond the Nakumatt generation, pp. 3–4.
[57] UNCTAD (2005), Distribution services, p. 9.
[58] N Dihel (2011), Beyond the Nakumatt generation, pp. 3–4.
[59] N Dihel (2011), Beyond the Nakumatt generation, p. 2.
[60] D Friday et al., Vertical collaboration and physical distribution service quality in Uganda's soft drinks demand chains, p. 43.

skills, lack of targeted training programmes, lack of market data, high transportation costs due to poor road networks conditions, especially in rural areas, traffic congestion in main cities, insecurity such as frequent hijacking of goods during transport, cumbersome importation processes due to overly burdensome bureaucracy and congestion at ports which increases the price of imported goods and complicates stocking and inventory planning, and limited availability of market data which constrains development of new products, marketing strategies, forecasting and strategic planning.[61]

b. Trends in Liberalization of International Trade in Distribution Services

Liberalization of trade in distribution services is being negotiated under the GATS negotiations in the Doha Round of multilateral trade negotiations. Distribution services are traded through the four GATS modes of services supply, commercial establishment abroad being the most significant one. The importance of cross-border trade has been recognized for some time, but with e-commerce growing and the related development of more reliable and versatile technology, as well as declining fixed and operating costs, among other factors, it is expected to gain further in prominence. Distribution services also involve the temporary movement of natural persons. This is particularly important for after-sales services and for intra-corporate transfers of large distribution networks. In addition, natural persons move abroad to provide franchising consultancy services and as sales representatives.

Only about one third of WTO members have made commitments in respect of distribution services, making the sector one of those with the least commitments. Uganda has not made any liberalization commitments for the distribution sector under GATS.

The LDCs which made liberalization commitments in the sector are Burundi, Cambodia, Cape Verde, the Gambia, Lesotho, Nepal and Senegal.[62] The market access conditions which developed countries and some developing countries have proposed to improve include local equity requirements, limitations on purchase and rental of real estate, joint venture requirements, minimum capital requirements, limitations on scope of operations, economic needs tests,[63] citizenship/residency requirements, export contribution requirements and local production requirements, overly burdensome administrative procedures (including burdensome fees), taxes and profit repatriation requirements, lack of predetermined, objective criteria for licensing requirements, barriers relating to the temporary entry of specialized, skilled personnel, transparency with respect to domestic regulation and product exclusions.

While the GATS liberalization commitments in distribution services are limited, many developing countries tend to extend market access on an ad hoc basis initially, with greater degrees of foreign competition being introduced only gradually so as not to undermine the viability of domestic distributors. Liberalization of trade in distribution services, under appropriate regulatory and policy frameworks, would be expected to contribute to enhancing global welfare through increased productivity, lower prices, greater choice of products and increased competition at the country level. The effects of liberalization and deregulation could be assessed along three dimensions: (a) the impact on the domestic distribution sector at large, including SMEs; (b) the effect on domestic suppliers of goods, in particular agricultural products; and (c) the impact on international trade in goods and services.

Major drivers of investment in East Africa include the adoption of the EAC Common Market Protocol and the harmonization of tax regimes and customs import regulations. The foreign presence in the distribution sector of East African economies has been made possible by extensive trade liberalization measures adopted by these countries.[64] At the same time, however, regional imports by modern retail chains face a number of non-tariff barriers related to standards and rules of origin, as well as delays due to bureaucracy and congestion at ports. These barriers raise the cost of importation and affect stocking of appropriate inventory levels, limiting the role of foreign distribution companies as regional integrators.

Uganda has made liberalization commitments under the EAC Common Market. The subsectors of “commission agents’ services” and “franchising” have been entirely liberalized for all modes of delivery except presence of natural persons, which will be liberalized in accordance with the Schedule on the Free Movement of Workers. For the subsectors of “wholesale trade services” and “retailing services”, market access through commercial presence is unbound. Foreign companies must register with the commercial

[61] N Dihel (2011), Beyond the Nakumatt generation, p. 8.
[62] WTO (2010a), Distribution services. Background note by the secretariat.
[63] Economic needs tests in distribution services typically subject access to an evaluation by authorities of what the market “needs” or “can bear”, sometimes without specified criteria.
[64] N Dihel (2011), Beyond the Nakumatt generation, p. 5.

registry and notify authorities. Multiple licences are a significant challenge in distribution services.[65] Also, foreign retailers are required to establish their outlets within the city area.[66] There is no restriction on the modes of cross-border supply and consumption abroad for the subsectors. As to national treatment, non-Ugandan companies are not allowed to have a commercial presence outside the city, municipality or town, and they cannot trade goods which are not declared in their licences. For the mode on presence of natural persons, the subsectors will be liberalized in accordance with the Schedule on the Free Movement of Workers.

As to the EPA negotiations with the European Union, while Kenya, Rwanda and the United Republic of Tanzania initially identified distribution as a priority sector in the negotiations,[67] Uganda did not do so.

The positive effects which modern imported retailing practices could bring are high quality products, more choice, competitive prices, job creation, higher wages, development of ancillary food processing, logistics, supply chain management, information technology-backed back-office and real estate development.[68] However, to achieve the full potential of a modern distribution sector, parallel improvements are often required in the infrastructure services, such as transport networks, electricity supply and telecommunications, on which distribution services depend.[69]

3. Participation of Foreign Services Providers in Uganda

Foreign-owned supermarkets, notably South African and Kenyan chains, are rapidly expanding in Uganda and dominating the segment of supermarket retailers in the country.[70] Kenyan supermarkets have been expanding within the EAC since 2002. In 2010, the three largest Kenyan supermarkets, Nakumatt, Tuskys and Uchumi, had a combined total of seven branches in Uganda.[71] They are expanding into the outskirts of Kampala and into other cities targeting middle- and upper-income earners. Foreign-owned stores are reportedly growing faster than local shops which has caused an outcry. Foreign-owned stores enjoy greater access to capital at lower interest rates and availability of tax holidays and rebates, through the Uganda Investment Authority, to promote foreign investment, ability of foreign companies to lease land at a low cost and credit and the names which multinational megastores have earned over the years.[72] Also, the large number of expatriates employed by the foreign stores has been noted as a source of concern. For example, one of the three largest Kenyan supermarkets has more expatriates than Ugandans as employees, accounting for 318 out of the 350 employees.

On the other hand, numerous middle-class consumers benefit from a greater variety of goods at affordable prices in modern retail outlets brought by foreign firms. It has been reported that the modern procurement systems and buying centres established by supermarkets have also improved the lives of many participating farmers. Studies focusing on procurement and marketing of fresh fruits and vegetables, dairy products and crops in Kenya, Uganda and the United Republic of Tanzania have documented the positive implications of the reorganization of supply chains and transformation of food systems for farmers, food security and rural poverty.[73]

4. Institutional and Regulatory Issues

Distribution services are affected by general laws and regulations as well as by specific domestic regulations targeting these activities (table IV.1).[74] General measures that are particularly relevant include those regulating establishment, operation of companies, the environment, foreign investment, taxation, building codes, real estate and land ownership. Regulation of distribution services is enacted by both central and local authorities, with municipalities, provinces and other sub-central levels of government being most likely to be involved in setting and enforcing conditions for the provision of distribution services. Developing countries often do not maintain specific regulations aimed at distribution services as such or seek to target trade in distribution services. One of the explanations is that Governments in developing countries tend to focus their attention on the development of manufacturing and agricultural activities and not those related to services.

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[65] Ibid., p.5.
[66] Ibid., p.5.
[67] Ibid., p.1.
[68] J Arkell (2010), Market structure, liberalization and trade: The case of distribution services, p. 147.
[69] Ibid.
[70] L Namono (2012), Kenyan supermarkets dominate as foreign retailers flood Uganda market.
[71] Ibid., p. 3.
[72] Ibid., p. 1
[73] N Dihel (2011), Beyond the Nakumatt generation, pp. 6–7.
[74] UNCTAD (2005), Distribution services, p. 12.

Table IV.1. Regulatory Measures Affecting Distribution Services

Establishment of commercial presence	• Land ownership and use • Limitations on FDI in distribution • Requirements for the operation of large-scale stores • Limitations on form of establishment • Licensing requirements and economic needs tests • Exclusive rights
Regulation of operations	• Building codes • Opening hours • Promotional activities • Price regulation • Taxation • Limitations on product categories • Limitations on the number of outlets • Zoning regulations • Limitations on vertical and horizontal integration • Incentives and government support measures • Use of commercial names
Regulations on movement of people	• Limitations on foreign employment • Work and residency permits • Economic needs tests • Visa requirements and other administrative procedures

Many developing countries, including Uganda, have two socially and economically equally important market segments in retail distribution services – the traditional and the modern segments – which appeal to different types of consumers. Policies and regulatory frameworks, as well as any regulatory reform, would follow different objectives in relation to these two segments. The traditional market, which provides employment opportunities and entrepreneurship at the grass-roots level, will need regulations to support and promote competition while ensuring at least a minimum degree of protection of consumers' interests. Other measures of support for traditional suppliers may need to be put in place, for example to provide better retail space and other consumer amenities. The modern market can include domestic and foreign providers, both SMEs and large companies. However, measures need to be put in place, including adjustment mechanisms, and liberalization needs to follow the proper sequencing to ensure that local providers still have a niche and an opportunity to grow.

Competition policy is one of the key regulatory aspects in the distribution sector. In the majority of developing countries, however, competition policy frameworks tend to be weak, and opening up the retail sector can lead to a concentration of providers in profitable segments of the country. Such a situation could further exacerbate the imbalance between urban and rural areas in developing countries.[75] Powerful and dominant distributors could resort to buying power malpractices and restrictive business practices such as (a) requiring payment for access to shelf space; (b) imposing conditions on suppliers' trade with other retailers; (c) applying different standards to different suppliers; (d) imposing an unfair imbalance of risk; (e) imposing retrospective changes to contractual terms; (f) restricting suppliers' access to the market; (g) imposing charges and transferring costs to suppliers; and (h) requiring suppliers to use third-party suppliers nominated by the retailer. Large retailers may also engage in selling below cost and predatory pricing whereby prices are cut aggressively to force competitors to sell at a loss, leading to an eventual market exit.

5. Uganda's Broad National Objectives and Policies in the Sector

National objectives for the sector

The NDP (2010–2015) established a strategic plan for enhancing the performance of the cooperative movement for production, distribution and marketing of farm products. The Government of Uganda views the cooperative movement as being central in mobilizing and organizing farm-level production, as well as distributing and marketing farm products. It is also a means through which indigenous and productive entrepreneurs can be built up in rural or urban areas. The cooperative movement is composed of an apex body, tertiary and secondary unions and primary societies formed by individual members. The Department

[75] Ibid., p.13

of Cooperative Development, under the Ministry of Trade, Industry and Cooperatives, guides and regulates the cooperative movement.

The NDP notes that lack of governance and leadership, weak advocacy and unreliable market and management information are the major reasons for the weak performance of the cooperative movement.[76] In this regard, the NDP identifies five causes for these shortcomings.[77] These include:

- Inadequate legal and regulatory framework. The current Cooperative Societies Act (1991) and Cooperative Societies Regulations (1992) do not adequately address some governance issues within the cooperative movement. Some sections of the law are inadequate on issues such as supervision and enforcement, the education fund, dispute settlement, offences and penalties, ethics and code of conduct.
- Limited skilled human resources for cooperatives.
- Poor and inadequate storage facilities and other infrastructure. Uganda is faced with an acute shortage of modern agricultural commodity warehouses.
- Low savings by members is constraining the ability of cooperatives to invest.
- Low capitalization.

To overcome these constraints, two policy objectives have been established:

- Strengthening the policy and legal framework of cooperative societies to promote good governance of the cooperative movement;
- Enhancement of the capacity of cooperatives to compete in domestic, regional and international markets.

Specific policy strategies have been developed under these objectives. For the first objective, establishment or improvement of the legal and policy frameworks – such as the Cooperative Societies Act (1991), the Cooperative Societies Regulations (1992) and the National Cooperative Development Policy – are proposed.

For the second objective, elaborate measures under particular goals have been identified as shown in table VI.2.

Table IV.2. Goals and Measures Identified to Enhance the Capacity of Cooperatives

Goals	Measures
To increase productive capacity and productivity of the members of the cooperative movement	(a) Supporting farmers in enterprise selection through provision of advisory services to the different categories of farmer organizations; (b) Supporting the re-establishment of the cooperative-based inputs delivery system to make quality inputs available to the members. A mechanism to guide supply of inputs will be put in place; (c) Supporting and facilitating cooperative society members to acquire mechanization and irrigation equipment and other appropriate technologies; (d) Facilitating cooperative society members in the acquisition of farm-level post harvest handling technologies, including packaging of commodities for marketing; (e) Supporting research and development in cooperatives; (f) Supporting farm exchange visits to increase exposure of cooperative members to new ideas and technologies.
To promote cooperative education and training	(a) Undertaking a comprehensive cooperative training needs assessment, the report on which will guide implementers on the training requirements for the different categories of cooperatives; (b) Reviewing, upgrading and strengthening Kigumba Cooperative College as a centre of academic excellence; (c) Reviewing and implementing an appropriate cooperative curriculum.
To promote value addition and collective marketing	(a) Strengthening the cooperative commodity marketing infrastructure through refurbishing, upgrading and equipping the existing cooperative storage facilities; (b) Supporting the establishment of warehousing facilities for all types of commodities at community level around the entire country;

[76] Uganda (2010), National Development Plan (2010/11–2014/15), p. 193.
[77] Ibid., pp.193–196.

Goals	Measures
	(c) Promoting and supporting the Uganda Commodity Exchange and the Warehouse Receipt System to increase cooperative trade through them; (d) Establishing collaborations between regional and international cooperative movements and other agencies to strengthen the marketing network; (e) Providing extension services to cooperative members to identify opportunities for value addition to different enterprise products; (f) Establishing an agricultural commodity marketing fund; (g) Restructuring and strengthening producer cooperatives as well as supporting certification of products of members; (h) Supporting certification of products of members; (i) Supporting cooperatives in accessing and acquiring intellectual property rights.
To improve access to financial services for the cooperative institutions	Establishing financial institutions at district or subcounty level that are tailored to the needs of cooperative institutions.
To strengthen the capacity of cooperative institutions	Building capacity and enhancing functionality of the offices responsible for cooperative development at the central Government and local government levels through recruitment, training and equipping.
To promote partnerships and linkages	Promoting partnerships and linkages through developing and operationalizing a framework for linking cooperatives and industries for purposes of supplying industrial inputs; accessing markets and promoting product research and development.
To establish and strengthen cooperative information systems	(a) Establishing and strengthening the cooperatives information systems by facilitating cooperatives to develop management and market information systems for decision-making, planning and marketing; (b) Developing and standardizing management and operational information systems for savings and credit cooperative organizations.

Source: Uganda (2010), National Development Plan 2010/11–2014/15.

6. Possible Issues of Interest to Uganda in this Sector

While this introductory section discusses the issues pertaining to the economic, policy, institutional and regulatory aspects of the distribution sector at the horizontal level, it also identifies possible issues of interest to Uganda which could be addressed in the SPR.

The scope and definition of distribution services concerned for the SPR must be clear as these services are quite different in terms of the products they distribute, clients they serve and business models they follow. Distribution services can be categorized into commission agents' services, wholesale trade services, retailing services and franchising. The SPR needs to assess which distribution services are priorities for Uganda considering their economic and social importance. The cooperative movement which is included in the NDP largely concerns agricultural products, and undoubtedly it has crucial importance in Uganda given the high density of the agricultural population. But are there other products or business models which have particular importance to the people or the businesses in Uganda and therefore merit examination in the SPR?

The preliminary analysis on the distribution sector in this note has suggested that the sector lacks comprehensive vision for the future in Uganda. The SPR, therefore, could establish a clear future vision for the distribution services concerned. Some relevant issues to be taken into account in shaping a future vision are the implications for small individual vendors including in the informal sector, the level of foreign participation, the balance between modernization and employment concerns and the potential for exporting distribution services from Uganda.

The distribution sector in Uganda faces several challenges. Local retailers are feeling increasing pressures due to competition from foreign companies. Also, the sector suffers from capacity and structural constraints such as a shortage of adequate skills, high transportation costs due to poor road network conditions, lack of adequate storage facility, cumbersome importation processes and insufficient energy and telecommunication infrastructures. These challenges are not new, and many studies have been undertaken to overcome the domestic constraints. The SPR, consequently, should examine the implementation and progress of these measures and analyse if further actions are required in order to advance the corresponding policy goals.

Reforms and liberalization in distribution services can lead to crowding out small stores and vendors, thereby risking severe social impact through the unemployment generated. In Uganda this has been an ongoing trend. In this respect, the impact of the market access commitments made in the distribution sector in Uganda need to be assessed. Given the large number of people with a minimum subsistence level engaged in distribution services, the impact of reforms and liberalization in the sector could lead to further impoverishment of these people. The SPR, therefore, needs to give full consideration to the issue of adjustment costs and social safety nets.

Reforms and liberalization can also bring benefits such as greater variety of goods at affordable prices, improved standard of living, job creation, higher skills and technologies and real estate development. In this regard, the SPR should identify opportunities to emerge from modernization and liberalization of the distribution sector and recommend ways and means to benefits from such opportunities.

Other issues such as gender and historical considerations should also be examined if they are relevant in the context of Uganda. Finally, the policy goals and measures which the NDP has established for the cooperative movement need to be assessed in terms of the progress and results obtained thus far. The issues noted above are indicative, and stakeholders and national consultants are invited to include any other issues of importance for the SPR on the distribution sector.

B. Information and Communications Technology Services and Computer and Related Services

1. Definition and Scope of Information and Communications Technology Services and Computer and Related Services

Defining the exact scope of ICT services and CRS can be a challenging endeavour for several reasons. First, by their very nature these services are constantly changing, and thus any attempt to reach internationally agreed definitions often requires more time than needed for the services to have evolved once more due to technological innovations and new business practices. Second, distinguishing between ICT services and CRS is difficult as there are important linkages between the equipment, software and communications components of the information technology (IT) market and developments in the computer services sector.[78] As stated in a background note by the WTO secretariat describing CRS, "[t]he IT industry has grown out of a convergence of telecommunications, computer technology and software as well as more content-oriented industries such as broadcasting and publishing. The blend can yield hybrid IT services difficult to categorize into any particular sector. For instance, there may be a fine line, if any, between certain online computer services and value added telecommunications services."[79] Finally, when it comes to the ICT sector, existing classifications normally include both goods and services.

However, the ICT services and CRS sectors are gaining increasing importance in today's economies and receiving increased attention from policymakers including trade negotiators. In this context, it can be considered useful to have definitions which allow for devising measures aimed specifically at the services segment of the ICT sector, including by clearly defining the various subsectors and services considered to be a part of the sector.

This paper adopts the classification of ICT services used by the International Telecommunication Union (ITU) – based on the United Nations' International Standard Industrial Classification of All Economic Activities (revision 4) and on work done in the Organization for Economic Cooperation and Development and in the context of the World Summit on the Information Society – to come up with a definition and classification of ICT services, including with a view to promoting the collection of information and data on such services.[80]One important element to note about the definition is that it includes telecommunications services and computer-related services. ICT services are considered to include (a) software publishing; (b) telecommunications; (c) computer programming, consultancy and related activities; (d) data processing, hosting and related activities, and web portals; and (e) repair of computers and communications equipment.

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[78] WTO (1998), Computer and related services. Background note by the secretariat.
[79] Ibid., p. 1.
[80] Data collection is useful, for example, for countries when preparing to conduct trade negotiations. It is noteworthy however that ICT services were not included as a specific category in the WTO services classification list which was used in the WTO Uruguay Round services negotiations. By extension, most trade negotiations which use the GATS model also do not include such a category in countries' lists of liberalization commitments.

Software publishing services include the publishing of ready-made (non-customized) software, i.e. operating systems, business and other applications, and computer games for all platforms.

Telecommunications services are defined as including wired telecommunication activities, wireless telecommunication activities, satellite telecommunication activities and other telecommunication activities. These services cover activities aimed at providing telecommunications and related service activities, i.e. transmitting voice, data, text, sound and video. The transmission facilities that carry out these activities may be based on a single technology or a combination of technologies.

Computer programming, consultancy and related activities consist of services that provide expertise in the field of information technologies: writing, modifying, testing and supporting software; planning and designing computer systems that integrate computer hardware, software and communications technologies; on-site management and operation of clients' computer systems and/or data processing facilities; and other professional and technical computer-related activities.

Data processing, hosting and related activities, and web portals include the provision of infrastructure for hosting, data processing services and related activities, as well as the provision of search facilities and other portals for the Internet.

As for **repair of computers and communications equipment**, they are considered to include services for the repair of computers and peripheral equipment as well as the repair of communications equipment such as cordless or cellular telephones, carrier equipment modems, fax machines, communications transmission equipment (e.g. routers, bridges, modems) and so forth.

For policy purposes it can be useful to distinguish between ICT services and ICT-enabled services, which consist of services ranging from call centres and customer contact centres, to data entry and transcription services and even more sophisticated services such as financial analysis, data mining, insurance claims processing, remote education and publishing, and medical diagnostics. ICT-enabled services may also be a sector of interest to Uganda but will not be the main focus of this introductory report due to space limitations.[81]

A classification of CRS used in the GATS negotiations suggests that this sector consists of the following: (a) consultancy services related to the installation of computer hardware, (b) software implementation services, (c) data processing services, (d) database services and (e) other CRS.

Consultancy services related to the installation of computer hardware consist of assistance services to clients in the installation of computer hardware and computer networks.

Software implementation services comprise all services involving consultancy on and development and implementation of software. "Software" is defined as the sets of instructions required to make computers work and communicate, which may include a number of different programs developed for specific applications (application software) and situations in which the customer may have a choice of ready-made off-the-shelf programs (packaged software), specifically developed programs for its requirements (customized software) or a combination of the two.[82]

Data processing services consist of "input preparation services" which include data recording services such as key punching, optical scanning or other methods for data entry.

[81] ICT-enabled services can be considered to be formed of three subcategories, namely front-office services (which comprise call centres and customer contact centres), back-office services (e.g. data entry, human resources, payroll, finance and accounting, procurement, transcription) and knowledge process outsourcing services (e.g. financial analysis, data mining, engineering, research and development, insurance claims processing, architectural design, remote education and publishing, medical diagnostics, journalism).

[82] The subcategories of software implementation services, based on the United Nations, Provisional Central Product Classification, are (a) systems and software consulting services (services of a general nature prior to the development of data processing systems and applications); (b) systems analysis services (analysing the clients' needs, defining functional specification and setting up the team, as well as project management, technical coordination and integration and definition of the systems architecture); (c) systems design services (technical solutions, with respect to methodology, quality assurance, choice of equipment software packages or new technologies, etc.); (d) programming services (the implementation phase, i.e. writing and debugging programs, conducting tests and editing documentation); and (e) systems maintenance services (consulting and technical assistance services of software products in use, rewriting or changing existing programs or systems and maintaining up-to-date software documentation and manuals and specialist work, such as conversions).

Database services comprise all services provided from primarily structured databases through a communication network. Specifically excluded are data and message transmission services, which are classified under telecommunications services, and documentation retrieval services, which are classified as library services.

Other CRS include data preparation services for clients that do not involve data processing and training staff of clients and other professional services.

Table IV. 3. List of Information and Communications Technology Services, Computer and Related Services and Information and Communications Technology-Enabled Services

ICT services	CRS	ICT-enabled services
• Software publishing • Telecommunications services • Computer programming, consultancy and related activities • Data processing, hosting and related activities, web portals • Repair of computers and communication equipment	• Consultancy services related to the installation of computer hardware • Software implementation services • Data processing services • Database services • Other CRS	• Front-office services (e.g. call centres, customer contact centres) • Back-office services (e.g. data entry, human resources, payroll, finance and accounting, procurement, transcription) • Knowledge process outsourcing services (e.g. financial analysis, data mining, engineering, research and development, insurance claims processing, architectural design, remote education and publishing, medical diagnostics, journalism)

Table IV.3 summarizes these distinctions. From this brief introduction it is already clear that ICT services and CRS are closely related, including because of technological convergence and the lists of services included in these two sectors are quite lengthy. A first recommendation relating to the analysis of these subsectors in the SPR, and particularly in the in-depth research to be undertaken by the national expert team, would be for more focused identification of the subsectors and services of current and potential interest to Uganda so as not to overextend the coverage of the research undertaken.

2. Importance of the Sector for Developing Countries, Including Least Developed Countries

a. Recent Trends in Information and Communications Technology Services and Computer and Related Services

Over the past few decades, ICTs have contributed enormously to economic and social progress in both developed and developing economies. The ICT sector is not only a means of achieving development and economic growth, but also a productive sector in its own right composed of both ICT goods and ICT services.

ICT services[83]

The ICT services sector, and particularly the telecommunications segment, underwent important reforms starting in the 1980s when a vast majority of countries pursued policies of privatization and market liberalization. While many of these reforms were based on the premise that market forces could be left to develop the ICT sector, in certain circumstances high investment was still necessary. Unregulated market forces did not automatically lead to acceptable outcomes, and Government intervention remained, at times, necessary. Also, more recently the financial crisis highlighted the importance of renewed State intervention in certain countries.

In LDCs in particular, the role of the State remained important in the main fixed-line telecommunications operator. In 2009, of the 49 LDCs, 27 still had operators that were fully State-owned and 14 allowed for private participation but maintained majority ownership. In only 4 countries had the State fully divested its

[83] This section is based mainly on ITU (2011a), *The Role of ICT in Advancing Growth in Least Developed Countries; Trends, Challenges, and Opportunities*.

ownership interests in the incumbent telecommunications service provider or reduced its stake to a non-controlling minority ownership. In the case of LDCs, continued State ownership may be the only viable solution where the domestic market is too small to attract private investors.

In contrast to the situation for fixed-line telecommunications services, in most countries mobile communications have always been a more attractive commercial proposition, and most newly issued licences are held by private investors, including very often foreign companies that have built a regional presence (e.g. Mobile Telephone Networks in Africa).[84]

The ITU's *Measuring the Information Society* reports that the year 2011 saw persistent growth in ICT uptake worldwide, with an increase in all key indicators except the number of fixed telephone lines, which has been in decline since 2005. In the mobile sector, the trend has been away from traditional mobile-cellular services (e.g. voice and Short Message Service (SMS)), towards mobile-web services. The movement from voice to data traffic will require, inter alia, more speed and spectrum and will therefore impact on elements such as price, revenue and investment. In developing countries in particular there has been growth in the mobile sector which is the result of increased competition and affordable services and devices. Mobile services continue to replace fixed-line services, which are often still dominated by the incumbent operator. One key element in the success of mobile services has been the availability of prepaid services which make the service accessible to low-income, low-user segments of the population.[85]

In general, the difference in terms of economic and social impacts that mobile technology has made is arguably the greatest in developing countries and particularly in LDCs. While mobile phones in developed and more advanced developing countries may represent an additional communications network (and sometimes replace the fixed line network), in many LDCs it is often the main network. By the end of 2010, LDCs had very low fixed telephone penetration rates (just above one per cent). In some LDCs, over 90 per cent of all fixed telephone lines are in urban areas, leaving most of the rural areas without fixed-line infrastructure. In contrast, thanks to mobile telephony LDCs have been partially able to tackle the infrastructure barrier and bring communications networks to the previously unconnected.

When it comes to broadband markets, uptake of both fixed-broadband (wired-broadband) and mobile-broadband services has continued to grow worldwide. Europe for now remains the leading region when it comes to broadband uptake. In developing countries, the increase in broadband subscriptions is also related to mobile services. Irrespective of these increases, mobile broadband continues to be expensive in most developing countries. While the market for mobile broadband can still be described as being in its infancy, it appears likely that once high-end consumers are covered, a number of offers targeting low-income, low-usage segments of the population will emerge. Fixed-broadband penetration is growing more slowly in developing countries. This is largely due to the fact that fixed-broadband infrastructure requires much larger investments. Thus roll-out of basic fixed-broadband infrastructure is still ongoing or at the planning stage.[86]

While there was an important increase in 2011 in the number of people using the Internet, which grew by 11 per cent worldwide, in developing countries 70 per cent of those under 25 years of age are not online yet. Efforts by developing countries to connect schools and increase school enrolment rates can have a significant impact on these figures.[87] In terms of Internet use, the gap between LDCs on the one hand and developing and developed countries on the other hand also remains important. By the end of 2010, only about 3 out of 100 people in LDCs were online, as compared to 21 out of 100 people in all developing countries. In developed countries the percentage of persons online has reached almost 72 per cent. Much more must be done to bring people in developing regions online and particularly those in LDCs.

Among the obstacles to the spread of Internet use and broadband penetration levels in LDCs are the lack of infrastructure/access, limited international Internet bandwidth, and relatively low educational levels and literacy rates. Most importantly however are the persistently high broadband Internet prices. Where these prices can be reduced, Governments and service suppliers can promote the use of mobile phones in LDCs as innovative service delivery platforms.

[84] Ibid., p. 9.
[85] ITU (2012a), *Measuring the Information Society 2012*.
[86] Ibid.
[87] Ibid.

Computer and related services

The demand for CRS stems mainly from the needs of businesses to process electronic transactions more efficiently and for higher productivity and improved customer service. Moreover, businesses rely on technologies to enhance their global competitiveness. Among the sectors utilizing CRS extensively are the finance industry, communications, professional services, the health sector and the tourism industry. Government is also an important consumer of CRS, ranked second in spending after the financial sector. The CRS sector is therefore affected by developments in user industries. Not surprisingly, the 2009 crisis affected the sector negatively, though long-term growth prospects remained good.[88]

Among the policies that Governments are currently adopting that affect the CRS sector are those encouraging the spread of broadband services, through the impacts of price competition on broadband, leased lines, mobile and satellite services, which are all means of delivery for CRS.

As will be discussed later, there is generally little sector-specific regulation relating to CRS. However, this does not imply that policies do not have a bearing on the sector. A variety of government measures can be shown to have an effect on the growth and development of these services including labour policies (work permits/visas, education and training), research and development support, protection of intellectual property rights to address software piracy, technical standards, tariffs on computer equipment and government procurement of information services. Also, as online supply of computer services becomes more common, issues of legal contract/software licence enforcement and many Internet/e-commerce related concerns such as authentification, encryption, protection of individual privacy and protection of the consumer assume ever greater importance for the industry. A country’s capacity to access global market access for CRS may hinge more on a diverse range of public policy issues than on what traditional trade or regulatory barriers its services and services suppliers may be facing.[89]

With the spread of the Internet and other forms of online supply of CRS, it has become even more difficult for Governments to police copyrights and patents. However, it is the very protection thereof that contributed to promoting an innovative culture in CRS. Governments’ efforts in the promotion of cybersecurity, Internet governance and the enforcement of intellectual property rights are encouraged and supported by industry associations. Governments also pursue some broader – trade and competition-related – policy issues that have a bearing on CRS. These policies address equipment trade and tariffs and the liberalization of markets for IT-enabled services and major IT-user industries.[90]

Support to SMEs is also an important policy tool for Governments. Indeed, although a few large firms in the industry are well known, CRS companies are mostly SMEs, often smaller than firms in other segments of the ICT industry. There is also a spin-off and incubator phenomenon in the industry that leads to the development of small companies.

b. Trends in Liberalization of International Trade in Information and Communications Technology Services and Computer and Related Services

Trade in CRS is growing rapidly and certainly for developing countries, and Uganda in particular, represents a venue for trade in services expansion. At the global level, although Europe and the United States still predominate, developing countries are gaining in importance in the sector. Their shares of computer and information services exports are expanding rapidly, rising from 4 per cent in 1995 to 28 per cent in 2005. In developing Asia and the Latin America and the Caribbean region, computer and information services exports grew at rates of 30 per cent and 19 per cent, respectively, between 2000 and 2005. Among the top 15 exporters of CRS are not only the usual countries such as the United States and India, but also emerging WTO member economies such as Argentina, Costa Rica, Hong Kong (China), India, Malaysia, the Republic of Korea and Uruguay. It is interesting to note that most major exporting markets are also among the major importers of computer services, a feature that reflects the global interdependence of the industry.[91]

Due to data collection difficulties, however, trade in ICT services generally, and computer software in particular, is probably underestimated. This is also due to the importance of intra-firm transactions in the sector. Also, measurement is particularly difficult for software, intra-firm outsourcing and ICT components that are incorporated into other products, which are often not included in statistics. Such measurement

[88] WTO (2009), Computer and related services. Background note by the secretariat.
[89] WTO (1998), Computer and related services.
[90] ITU (2011a), *The Role of ICT in Advancing Growth in Least Developed Countries; Trends, Challenges and Opportunities*.
[91] WTO (2009), Computer and related services.

difficulties are of course even more pertinent for the nascent global activities of emerging markets in trade in computer services and software.[92]

The prevalence of SMEs in the CRS sector needs to be taken into account when determining a country's trade policy positions, as trade impediments and regulatory obstacles may be particularly problematic for SMEs that are oftentimes less well equipped to address them than large companies.[93] Ugandan SMEs are no exception to these considerations.

3. Uganda's Trade Commitments for International Trade in Information and Communications Technology Services and Computer and Related Services

Communications services are one of the two services sectors that Uganda has opted to liberalize in the context of the GATS. In the WTO negotiations, the communications sector is considered to be comprised mainly of (a) postal services, (b) courier services, (c) telecommunications services and (d) audiovisual services.

Of these four subsectors, Uganda only took commitments in relation to a limited number of subsectors. A first group consists of basic voice services and includes basic voice services, including over value added networks such as the Internet, and private voice network services to third parties. For these services the commitment taken reflects the duopoly situation and prevents other service suppliers from providing these services. For a second subsector consisting of private voice and data for closed user groups (groups of people with stable common and long-term economic interests), Uganda took the commitment to allow provision through companies registered in Uganda. However, resale of excess capacity is not allowed. With respect to cross-border supply (mode 2) from abroad, the commitment indicates that the access alternative for voice should be through the duopoly major licence holders.

Finally, a group of services included under the category "other" and which comprises (a) mobile cellular voice and data, (b) data services TCP/IP (Internet), (c) paging services, (d) private mobile radio, (e) trunked mobile radio and (f) global mobile personal communications by satellite operations were also liberalized by Uganda. For most of these services, it is indicated that services must be provided by a company registered in Uganda, except for paging services where there is no limitation on commercial presence. With respect to cross-border supply there is generally an indication that services must be provided only via networks of a duopoly major licence operator or through some agreement with them.

For all of the above categories, the commitment relating to consumption abroad (mode 2) is with no limitation or conditions. The commitment to allow provision of services through the movement of natural persons (mode 4) is the same: (a) unbound except for technical personnel, unless Ugandans are or become available; and (b) entry and temporary stay of foreign service suppliers, subject to compliance with laws, regulations and guidelines in force in Uganda.

To date, Uganda has not taken any commitments for CRS.

In the case of its EAC commitments, Uganda was much more liberal than in its GATS commitments. For communications services, it fully liberalized courier services and all subsectors of audiovisual services. As for telecommunications services, Uganda opted to take a single commitment for all 15 subsectors which it liberalized fully with only one limitation for mobile operators. In this case, entry under commercial establishment is allowed only through acquisition of existing local entities owing to a moratorium on new licences for the next 10 years. These commitments entered into force in 2010. As for the four subsectors of CRS, Uganda opted to take commitments which liberalized modes 1, 2 and 4 but left mode 3 unbound. With respect to these services in particular, Uganda's commitments are less liberal than that of its EAC partners.

4. Regulatory and Institutional Issues

In parallel to the economic reforms mentioned earlier, countries put in place independent regulations for the telecommunications and ICT sectors starting in the 1980s. The focus of regulations for the ICT sector includes issues such as universal access to telecommunications, scarce resources management, interconnection, monitoring of competition and protection of consumers. As stated in the ITU *Trends in*

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[92] Ibid.
[93] Ibid.

Telecommunication Reform 2009, the main objective of regulators is to ensure that public policy objectives for the sector are met and even exceeded.[94]

The universal access objective is a very common one and regulators have been working on ensuring access to basic telecommunications services for many years. But regulators of telecommunications and ICT services face the challenge of continuously assessing, and adapting, regulations to exponential technological advances and new services to meet the divergent needs of stakeholders. Given the increasingly important role of Internet services, regulators also need to ensure that these services are available and affordable (including in remote and rural areas) and that networks are efficient and reliable.

Competition has been one of the key issues that ICT regulators have tackled over the past two decades, as they seek to ensure that no operator becomes a dominant player in the market. The absence of any competitor with significant market power is one of the factors which promotes healthy market growth and market development, which benefits all in terms of quality and choice of services, while lowering costs to consumers. In this area, ICT regulators have to collaborate with their competition authority if they do not have power to enforce competition policies.[95]

However, for example, in the case of Internet services – one of the areas of ICTs – the regulator must also protect consumers' personal data and privacy online. Regulators have therefore had to develop a security framework and put in place various measures designed to protect privacy. While self-regulation alone would probably not be sufficient to ensure full consumer protection (including because ICT providers do not necessarily share the same consumer and social protection agenda as the Government), it may be more efficient to pursue a "co-regulatory" approach between the competition authority and the ICT regulator to consumer protection wherever possible.

The computer industry evolved largely in an open and relatively unregulated competitive environment, which may be one of the causes behind its rapid growth. However, issues of concentration have arisen in some segments, and thus competition regulation has had an influence on the development of CRS.[96]

Today, regulators can clearly no longer focus on classically defined telecommunications services, but rather they need to seek to understand the scope of ICTs, including the evolving symbiotic relationship between computer processing and the transport of electromagnetic signals. In parallel, regulators need to understand the role of manufacturing in the development of technologies and management of networks. Finally, given the importance of standardization and patents, regulators also need to engage with standard-setting bodies and processes.[97]

The number of issues that ICT regulators must deal with seems almost endless, as ICTs today interact and intersect with every major social issue and sector of the economy. Among the issues that can be listed are the environment, cybercrime and cybersecurity, education, health and banking. Governments must therefore coordinate various interests in order to achieve large-scale national objectives, including promoting global environment policies and addressing transnational cybersecurity concerns. However, while it is only appropriate that regulatory frameworks are broad enough to allow the ICT regulator to consider relevant interrelated issues, regulatory frameworks should also remain focused on promoting innovation and development in the ICT sector.[98]

An interesting example of this for the EAC region is that of mobile banking. Regulatory issues that may arise in this sector include consumer protection, interoperability, roaming, subscriber identity module registration/know-your-customer regulations, universal access, accounting, tariff regulation and law enforcement access and compliance. Mobile banking services can potentially be dealt with by telecommunications, financial and competition regulators. Mobile-banking providers are therefore sometimes left to navigate the regulatory requirements from regulators of all three areas to ensure that their services comply with all relevant laws and regulations. Closer cooperation and coordination among the relevant regulators is therefore highly desirable.[99]

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94 ITU (2009).
95 ITU (2009), *Trends in Telecommunication Reform 2009*.
96 WTO (1998), Computer and related services.
97 ITU (2009), *Trends in Telecommunication Reform*.
98 ITU (2011b), *Trends in Telecommunication Reform 2010–2011*.
99 ITU (2012c), *Trends in Telecommunication Reform 2012*.

As in the case of more advanced economies, the vast majority of LDCs has separated regulation from operation and has endowed regulatory agencies with varying degrees of independence. Moreover, LDCs have adopted regulatory policies that support market entry and competition.

In Uganda, the institutional setting for ICT services and CRS is well developed with specific institutions for policy, regulatory and operational levels. The Ministry of Information and Communications Technology is in charge of policy issues, while the regulatory level is composed of Uganda Communications Commission (UCC) and the National Information Technology Authority (NITA-U). Finally, the operational level is composed of telecommunications, postal, IT and broadcasting operators.

The Ministry of Information and Communications Technology[100] was established in 2006. The mandate of the institution is to provide strategic and technical leadership, overall coordination, support and advocacy on all matters of policy, laws, regulations and strategy for the ICT sector. The Ministry also ensures sustainable, efficient and effective development, and the harnessing and utilization of ICT in all spheres of life to enable the country achieve its national development goals.

The Ministry of Information and Communications Technology comprises the Directorate of Communications and Broadcasting Infrastructure and the Directorate of Information Technology and Information Management Services. The first is further subdivided into the Department of Telecommunications and Posts and the Department of Broadcasting Infrastructure. The Directorate of Information Technology and Information Management Services consists of the Department of Information Technology and the Department of Information Management Services. In addition, a separate Department of Finance and Administration and a Division of Planning provide support services to the entire Ministry.

The UCC[101] was established in 1998 and mandated to undertake a range of functions in the following areas: (a) licensing and standards; (b) spectrum management; (c) tariff regulation; (d) research and development; (e) consumer empowerment; (f) policy advice and implementation; (g) rural communications development; and (h) capacity-building. The UCC is thus not only the regulator, but also a facilitator and promoter of coordinated and sustainable growth and development of Uganda’s communications sector.

It has been argued that while the UCC as sector regulator has been granted a number of powers by law (among which are the arbitration of disputes, institution of levies on the revenues of operators and imposition of fines for various breaches such as illegal operations and breach of licence), in some cases it could have used these powers more assertively (e.g. in the case of the imposition of fines). The failure to deal with violations by operators is likely to have a negative impact on the level of compliance in the sector and may have an adverse effect on investment. [102]

The mandate of NITA-U[103] which was established in 2009 is to coordinate, promote and monitor IT development within the context of national social and economic development. The main functions of NITA-U include the following: (a) providing first-level technical support and advice for critical government IT systems, including managing the utilization of the resources and infrastructure for centralized data-centre facilities for large systems through the provision of specialized technical skills; (b) identifying and advising the Government on all matters of IT development, utilization and deployment – the specific expertise shall include, but not be limited to, areas of networking, systems development, IT security, training and support; (c) setting, monitoring and regulating standards for IT planning, acquisition, implementation, delivery, support, organization, sustenance, risk management, data protection, security and contingency planning; (d) regulating the electronic signature infrastructure and related matters as used in electronic transactions in the country; (e) providing technical guidance for the establishment of e-governance in the country (including e-government, e-commerce, etc.); (f) being a regulator of the IT profession in the country for its effective promotion and development, in liaison with other relevant institutions or lead agencies and also acting as an authentication centre for IT training in the country; (g) providing advice on IT project management services to the Government; (h) providing an information management service through acting as a records management facility, i.e. an information depository; (i) providing guidance on establishing an infrastructure for information sharing in the Government and with related stakeholders; (j) providing guidance in IT audit services to the Government; and (k) undertaking or commissioning any necessary research.

[100] See www.ict.go.ug.
[101] See http://www.ucc.co.ug.
[102] N Mulira et al. (2010), *Uganda ICT Sector Performance Review 2009/2010: Towards Evidence-based ICT Policy and Regulation*.
[103] See www.nita.go.ug.

Several associations exist in Uganda which are relevant for the ICT sector. The Uganda Software Services Association, for example, was established with a view to promoting software development and services in Uganda. The Uganda Software Services Association has advocacy and advisory functions and disseminates information to its members about policies, markets and other relevant issues.

The Uganda National Academy for Computing and Internet Technologies is another organization with a focus on ICT. It brings together all computing professionals in higher education in Uganda. The organization is charged with quality assurance for all computing and ICT programmes at universities in Uganda. The organization assumes the role of implementing national certifications in all areas of computing and ICT to avoid recognition of certifications being awarded by institutions of a dubious nature.[104]

The Uganda Business Processing Outsourcing Association was created in 2010. The list of the association's members active in a number of business process outsourcing (BPO) sectors and the number of their employees are listed in table IV.4; this provides some insight on the potential of the sector in Uganda.

Table IV.4. Business Process Outsourcing Firms per Type in Uganda (December 2010)

Type	No. of firms	No. of employees
Call/contact centre	5	827
Software development	4	37
Human resource outsourcing	4	1 704
Financial and payroll services	3	35
Data entry conversion	4	158
Website design and development	4	30
ICT training and consultancy	4	49
SMS value added services	4	78
Data entry/processing and storage (backup)	7	219
Hardware sales and maintenance	6	60
Total	**45**	**3 197**

Source: Uganda Investment Authority (see ICT sector profile at www.ugandainvest.go.ug).

Also of relevance to the sector are the Private Sector Foundation Uganda, which is an umbrella private sector body comprised of business associations and corporate members, and the National Council for Higher Education-Uganda.[105]

In terms of training institutions, Uganda has as many as 20 universities (5 public universities and 15 private) which run programmes in the field of ICT. The most prominent, Makerere University, has a Faculty of Computing and IT which has positioned itself as one of the main ICT training centres in Africa, with the largest teaching and laboratory infrastructure on the African continent totalling about 15,000 m^2 of space. The Makerere University Faculty of Computing and IT has been designated the national ICT incubation centre, including a mandate to undertake software and business incubation.[106]

The Makerere University Faculty of Computing and IT launched the National Software Incubation Centre which is housed in a new $8 million computing facility. The Centre is open to graduates of recognized universities working on software development projects ranging from stand-alone applications to Internet-based/mobile applications. Among the software tools developed are a hotel reservation system, a centralized procurement system, a real estate management and maintenance system, a Bluetooth social network tool, an asset management system and a human resources/payroll system. Also, students have developed a university electronic directory and an inventory management tool, translated the Mozilla Firefox browser into a local language, and developed a mobile instant messenger, an iLab system (e-library system) and an e-government implementation tool for local governments. The success of the National Software Incubation Centre is demonstrated by the interest expressed by a number of top technology companies, such as Google and IBM, in working with the institution.[107]

[104] V Baryamureeba (2008), ICT-enabled services: A critical analysis of the opportunities and challenges in Uganda, in *Special Topics in Computing and ICT Research: Strengthening the Role of ICT in Development*.
[105] V Baryamureeba (2008), ICT-enabled services: A critical analysis of the opportunities and challenges in Uganda.
[106] Ibid.
[107] Uganda Investment Authority (see ICT sector profile at www.ugandainvest.go.ug).

Institutions relevant for the ICT and CRS sectors also exist at the EAC level. For example, the region established the Sectoral Council on Transport, Communications and Meteorology, and an East African Community Directorate of Information and Communications Technology was established as the coordinating agency for ICT regulation, growth and development in East Africa.

5. Uganda's Broad National Objectives and Policies in the Information and Communications Technology Sector

Major reforms of Uganda's ICT services sector date back to a telecommunications policy issued in a 1996 ministerial statement. The policy underwent an important process of stakeholder review during which new strategic objectives (e.g. a new licensing regime) were chosen.[108]

The Rural Communications Development Policy focuses on three key aspects for the development of Uganda as an information society, namely coverage, connectivity and content. The broadening of coverage was considered vital to reduce the percentage of Ugandans that are underserved and thus attain the World Summit on the Information Society target for access to basic information and communications services. Connectivity was included to address the country's goal of a broadband-enabled information society especially with respect to education institutions and the Government's service delivery plans. Finally, the focus on content emphasized local content production and utilization as these are essential for the entrenchment and consolidation of the information society in the country.[109] The Rural Communications Development Fund established under the UCC is charged with bringing access to the hard to reach areas. The Fund supports the deployment of relevant ICTs to communities that are not commercially viable to private players in the sector.

A baseline study was carried out in 2000 to come up with an appropriate policy and strategies. A policy aimed at universal access was developed in 2001 and the Rural Communications Development Fund was established in 2003. Among the objectives of the policy are to (a) provide access to basic communications services to each subcounty with at least 5,000 people, (b) support the establishment of an Internet point of presence in every district of Uganda by 2003, (c) increase the use of ICT in Uganda through at least one vanguard institution in every district and (d) promote provision of communications services in rural areas as a profitable business (table IV.5). The universal access targets of the Rural Communications Development Fund have evolved and, particularly following the 2005 stakeholder review of the telecommunications policy, the aim is not only to focus on voice alone, but also on bandwidth connectivity. Funding for the Rural Communications Development Fund comes from various sources, including a 1 per cent levy off gross annual revenues of operators supplemented by donor support and grants from organizations such as the World Bank, as well as other allocations by the UCC.[110]

Table IV.5. Projects Supported by the Rural Communications Development Fund (as of mid-2011)

Type of project	Number
Internet points of presence	76
Internet cafes	106
ICT training centres	78
Public payphones	4 099
District web portals	78
Multipurpose community telecentres	13
Postal projects	45
School ICT laboratories	708
Health ICT facilities	174
Voice network sites	90
Content development projects	106
Local governance projects	2
Other projects	31

Source: Association for Progressive Communications and Collaboration on International ICT Policy in East and Southern Africa (2012), Uganda Open Government data readiness study.

[108] N Mulira et al. (2010), *Uganda ICT Sector Performance Review 2009/2010: Towards Evidence-based ICT Policy and Regulation*.
[109] Uganda Investment Authority (see ICT sector profile at www.ugandainvest.go.ug).
[110] N Mulira et al. (2010), *Uganda ICT Sector Performance Review 2009/2010: Towards Evidence-based ICT Policy and Regulation*.

One of the key objectives of the draft ICT policy is to improve literacy and build human resource capacity. A number of strategies were set out to achieve this including, inter alia, integrating ICT in mainstream educational curricula as well as other literacy programmes and providing for equitable access by pupils and/or students at all levels; developing and managing ICT centres of excellence to provide basic and advanced ICT training; setting up mechanisms that promote collaboration between industry and training institutions to build appropriate human resource capacity; promoting twinning of training institutions in Uganda with those elsewhere to enhance skills transfer; promoting appropriate incentives to public and private sector partners in order to ensure contribution to skills development in the ICT sector; and designing and developing incentives aimed at attracting foreign-based Ugandan ICT professionals to the country. Although the coordination framework proposed for the implementation of this policy was never established, the provisions of the policy have been picked up by the respective sectors, in particular by ministries.[111]

As stated above, a stakeholder review of the telecommunications policy was undertaken in 2005. Though many of the policy objectives have been long achieved, the policy was not replaced. However, a number of strategies proposed in the stakeholder review were taken on board, including ministerial policy guidelines issued by the respective communications ministers in 2006 (in April and October).[112]

The Business Process Outsourcing-Think Tank Team of the Ministry of Information and Communications Technology prepared in 2008 a Business Process Outsourcing Strategy and Model for Uganda (2008–2011). The report sought to provide an analysis and evaluation of the current and prospective profitability and the overall economic, social and political benefits and challenges of the BPO industry in Uganda. In particular, the document provides a conceptual model for the BPO industry in Uganda, clearly defining the inputs and expected outputs. It looks at the costs and benefits of adopting the BPO industry in Uganda and proposes a mathematical model of the benefits as a function of inputs such as finance, policy, human resources, infrastructure, entrepreneurship and marketing that contribute collectively to produce the desired outputs.

More broadly, the NDP (2010/11–2014/15) includes, among its eight priority objectives for public intervention under the theme of “growth, employment and prosperity for socioeconomic transformation”, the objective of promoting science, technology, innovation and ICT to enhance competitiveness.

At the regional level, in addition to liberalizing services markets relating to ICT, Uganda and the other EAC partner countries are also taking actions aimed at improving communications within the region. Under the provisions of article 89 of the Treaty Establishing the East African Community, EAC partner States expressed the commitment to evolve coordinated, harmonized and complementary communications policies; improve and expand existing communications links and establish new ones. Partner States also committed to maintain, expand and upgrade communications facilities to enhance interaction between persons and businesses in partner States and promote the full exploitation of the market and investment opportunities created by the Community.[113]

The EAC region also has a Protocol on regional ICT networks.[114] The key objectives of the Protocol include:

- To secure the roll-out of broadband open access infrastructure through the establishment of a seamless integrated regional broadband infrastructure network
- To promote and facilitate the provision of ICT broadband infrastructure to support high-quality, high-speed and reliable electronic communications within the partner States and with the rest of the world at affordable prices
- To facilitate the incorporation and/or utilization of existing national and/or regional networks and private infrastructure networks into a seamless EAC broadband infrastructure network
- To address legal, policy and regulatory obstacles in relation to the provision of cross-border communications networks and services in the EAC and beyond, by encouraging and promoting harmonization of ICT policies and regulatory frameworks
- To encourage the use of the infrastructure developed to support dynamic, competitive provision of cross-border services and applications at affordable prices and increased volumes among EAC countries and with the rest of the world

[111] N Mulira et al. (2010), *Uganda ICT Sector Performance Review 2009/2010: Towards Evidence-based ICT Policy and Regulation*.
[112] Ibid.
[113] http://www.eac.int/treaty/.
[114] EAC, Protocol on Regional Information and Communication Technology (ICT) Networks. Available at www.eac.int/.

- To ensure that the infrastructure constructed is designed to contribute to the development and promotion of the economic, social and cultural integration of the EAC.

The main undertakings by members under the Protocol include requirements for:

- All partner States to undertake and commit to creating favourable conditions for the construction, operation and maintenance of the such regional communication networks
- Partner States to refrain from any unilateral and/or collective action or actions that may hinder the attainment of the objectives of the Protocol
- Partner States to start to take the necessary steps to harmonize their legal, policy and regulatory frameworks.

While Uganda's national and regional engagements may be aligned, the fact that policies are being developed at both levels may pose difficulties with respect to implementation and monitoring of progress. It would be interesting for the country to develop an implementation and monitoring plan which lists both sets of objectives and their respective timelines and indicates how they relate to each other.

Performance of the sector in Uganda

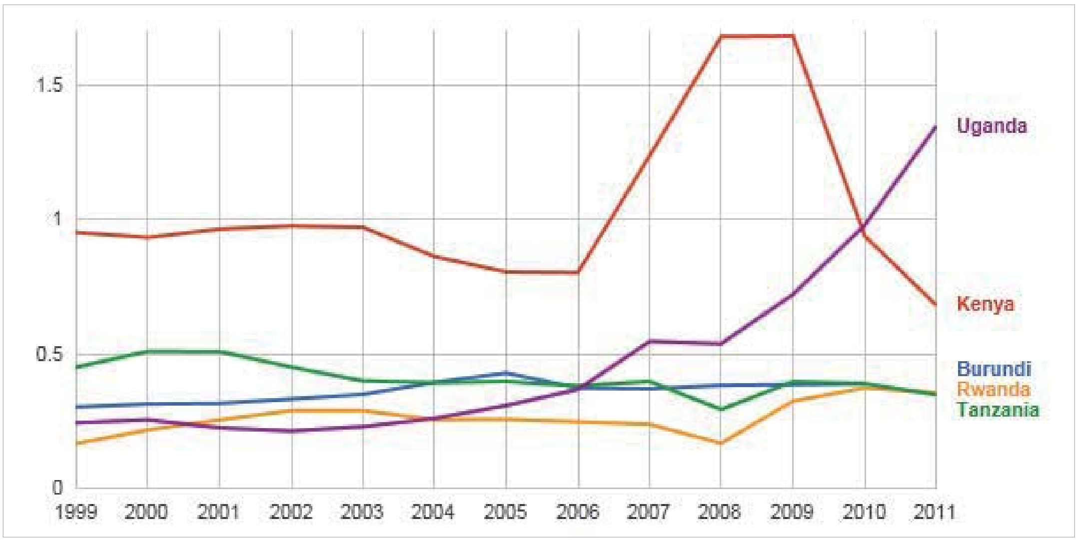
The posts and telecommunications subsector registered a growth rate of 30.3 per cent in 2009/10, up from the 19.8 per cent growth rate achieved in 2008/09. This high growth in the communications subsector can largely be attributed to increased network coverage and increased on-net price promotional campaigns by both old and new telecommunications companies. The sector also saw growth in the demand for telecommunications services following increased competition and investments which led to reduced costs for communications and handsets. Another important development has been the introduction of mobile phone banking services.[115]

Uganda has made much progress in recent years in the use of ICTs. Today, up to 99 per cent of the country is covered by the telephone network, and telephone density (tele-density) stands at 45 per cent. Up to 2009 Uganda relied on satellite connections to connect to the Internet. The country is now served by three submarine fibre optic cables, i.e. Seacom, Essay and Teams. This has resulted in a substantial lowering of the cost of access. Internet use is growing, with 850,200 mobile and 84,558 fixed Internet subscribers, fuelled by greater availability of fibre optics, affordability of Internet-enabled mobile phones and growth in service providers.[116] The UCC reported more than 4.5 million Internet users as of July 2011.[117]

Fixed-line telephony in Uganda is today mainly provided over wireless access networks, especially in the case of individual customers. The technologies used are mainly code division multiple access and the Global System for Mobile Communications (GSM), with Worldwide Interoperability for Microwave Access now starting to emerge. Despite the slow uptake of fixed telephony services beyond corporate customers, the number of fixed telephony services continues to grow. It is interesting to note that, in this area, the country is progressing faster than its neighbours (figure IV.6).

[115] Uganda, Ministry of Finance, Planning and Economic Development (2010), The Background to the Budget, 2010/11.
[116] Association for Progressive Communications and Collaboration on International ICT Policy in East and Southern Africa (2012), Uganda Open Government data readiness study.
[117] Uganda Communications Commission (undated), Post and Telecommunications Annual Market Review 2010/2011.

Figure IV.6. Fixed-Telephone Subscriptions per 100 Inhabitants



Source: ITU.

The mobile telecommunications operators in Uganda provide both voice and data services to the 15 million mobile subscribers that the country boasts. Citizens are using mobile phones for a variety of purposes including making voice calls but also for data, to access market information and for other services. The most prominent service has been mobile money. Uganda, like neighbouring Kenya and Nigeria, has more than 1 million mobile money account holders. Currently four mobile operators offer mobile money services which citizens use to make school fee settlements and pay for utilities such as water and electricity and for TV subscriptions. [118]

The Government of Uganda is also using mobile phones to deliver a number of key public services, as shown in table IV.6.

Table IV.6. Various Uses of Mobile Phones in the Delivery of Public Services in Uganda

Sector	Example of Uses
Health	• Sending of text reminders to patients to take medications • Reporting of health worker absenteeism • Monitoring of treatment of patients • SMS campaigns to create awareness about health-related issues, such as HIV/AIDS and tuberculosis
Education	• Monitoring of the quality and safety of schools • Reporting on teacher absenteeism • Reporting on violence against children in schools • Monitoring on water points in schools
Democratic processes	• Mobilization of voters • Registration of voters • Monitoring of elections • Reporting voting irregularities • Reporting on service delivery

Source: Association for Progressive Communications and Collaboration on International ICT Policy in East and Southern Africa (2012), Uganda Open Government data readiness study.

There are seven GSM mobile operators – Mobile Telephone Networks Uganda, Uganda Telecom Ltd., Mo Telecom International, Zain Uganda (formerly Celtel Uganda), Posta Uganda, Warid Telecom and Orange Telecom. Orange Telecom is the newest provider having only been launched in February 2009.[119] Mobile

[118] Association for Progressive Communications and Collaboration on International ICT Policy in East and Southern Africa (2012), Uganda Open Government data readiness study.
[119] http://www.ugandainvest.go.ug/index.php/ict (accessed 31 January 2014).

telephony services are available today using GSM in the 900MHz and 1,800MHz band. However, two of the operators have also rolled out Universal Mobile Telecommunications System services in limited parts of the country, and others have indicated plans to provide code division multiple access with an enhanced voice-data optimized channel and mobile services over the Worldwide Interoperability for Microwave Access standard.

The cost of international bandwidth has been reduced dramatically following the landing of the first international submarine fibre-optic cables on the east coast of Africa in 2009/2010. Landlocked Uganda is now connected to these cables via a national fibre-optic backbone that extends to its borders with neighbouring countries.

The ICT sector has witnessed double-digit growth over the last few years. In particular, growth in industry investment expenditure has led to the roll-out of mobile broadband solutions and other Internet-related infrastructure. Investment in the sector is expected to continue growing as new service providers expand their networks coupled with further expenditure for a new phase of the national backbone infrastructure network.[120] The country has started to export ICT services, thereby generating foreign exchange flows. With virtually no earnings in 2001, the sector now earns over US$10 million per annum.[121]

While this assessment tends to reflect a positive trend in the sector in Uganda, it would be useful to further investigate whether investment in the sector can be considered sufficient and whether domestic investment is playing its role or if it needs to be further boosted. As for trade, while it is encouraging to note the existing exports of services by Uganda, it will be important to contrast these figures with those of services imports. Policymakers may also wish to identify whether Uganda's export potential is in ICT services, in ICT-enabled services or in both.

6. Possible Issues of Interest to Uganda in the Information and Communications Technology Sector

When considering how to improve the sector's performance, its development and poverty reduction impacts and its trade potential, there are several elements that Uganda can take note of. A useful framework in this case is an analysis where strengths, weaknesses, opportunities and threats (SWOT) are identified.

While the basic policies, regulations and institutions have been put in place (and these can be considered strengths of the sector), it would be useful to determine if and to what extent they are fulfilling their stated purposes (i.e. where weaknesses may remain). While highlighting the progress achieved in ICT services and the CRS sector, a number of studies focusing on Uganda in recent years have sought to identify the remaining challenges that the country continues to face. For example, one ICT sector performance review for Uganda states that a total of 33 licences had been issued by December 2008 under the new, technology neutral, licensing regime to provide infrastructure, services or both. The review stated that less than half of the licensees had launched operations, while others had exited or were about to exit the market. This raises the question of whether the licensing regime was not sufficiently well-tailored to the country or if the operators exiting the market simply did not have the supply capacity.[122]

In terms of opportunities, given the fact that English is the official language of Uganda as well as of major developed countries (United States, United Kingdom, etc.) and that it is also a lingua franca for international business, the Government of Uganda has put emphasis on the development of ICT infrastructure and services, which could spur the development of ICT-enabled services. Government can further support this sector by putting in place the environment for ICT-enabled services and innovations, by not only putting in place appropriate policy, regulation and investment incentives, but also through the intelligent and widespread use of ICT as a tool of efficiency and transparency. As indicated above, Uganda is producing an important number of professionals with qualifications in ICT sectors. Makerere University alone produces over 1,000 ICT graduates per year which could lead to higher unemployment rates and/or a major brain drain if the country does not invest in capacity to absorb these graduates through the expansion of ICT-enabled services.[123]

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[120] Uganda Investment Authority (see ICT sector profile at www.ugandainvest.go.ug).
[121] E Olanya (2009), Sector report. Information and communication technology (ICT) Uganda.
[122] N Mulira et al. (2010), *Uganda ICT Sector Performance Review 2009/2010: Towards Evidence-based ICT Policy and Regulation*.
[123] V Baryamureeba (2008), ICT-enabled services: A critical analysis of the opportunities and challenges in Uganda.

Uganda has put in place several initiatives to develop the ICT/BPO industry. Initiatives through the "Big Push" strategy of 2000, the Strategic Exports Programme and the Presidential Investors Round Table have greatly contributed towards improving the BPO business environment. The most common examples of BPO that could be carried out in Uganda include call centres, human resource tasks, payroll outsourcing and technical support services. In 2002 already, the Government of Uganda reduced and also waived taxes on computers and computer-related equipment to encourage the growth of the ICT sector and its services. ICT companies also benefit from general government incentives related to initial allowances and deductible annual allowances, which are the highest for computer and data handling equipment (i.e. 40 per cent).[124] An assessment could be carried out as to whether the initiatives are sufficient or could be supplemented with more support measures.

Also, when considering its trade potential for ICT services and CRS, Uganda may first wish to consider what opportunities it would have in the EAC region before looking to COMESA and the rest of the world. One key element to consider is the country's competitiveness vis-à-vis its neighbours. In that context, the competitiveness of neighbouring countries could be considered a "threat". For example, it may be useful for stakeholders to note that both Kenya and Rwanda were identified in ITU's *Measuring the Information Society 2012* as among the most dynamic performers. Both countries have been singled out as being particularly dynamic regarding improvements in Internet access. The report indicates that Kenya stands out due to an increase in the percentage of Internet users, which doubled between 2010 and 2011 (up to 28 per cent of the population). The report acknowledges, however, that broadband penetration rates are marginal, at below 1 per cent, which suggests that most devices are shared among many people or that users do not access the Internet through a broadband connection. As for Rwanda, the report highlights that it is the only LDC to be among the most dynamic countries (as measured according to the ITU ICT Development Index). Rwanda is noted for having improved the percentage of households with a computer and with Internet access (both having almost doubled, to 2 per cent and 5 per cent respectively). Also, international Internet bandwidth per Internet user more than doubled. This jump is explained by the completion of the 2,500 km fibre-optic backbone roll-out in December 2010, linking landlocked Rwanda with neighbouring Uganda and the United Republic of Tanzania.

It will be useful to undertake a detailed SWOT for the ICT analysis of the ICT services and CRS sectors. Stakeholders – who have first-hand knowledge in various segments and focus areas (regulation, production, trade, etc.) – are encouraged to contribute their inputs to the SWOT analysis which will provide the basis for a thorough review of the sector upon which recommendations can be developed.

C. Services Auxiliary to all Modes of Transport

1. Definition and Scope of Services Auxiliary to all Modes of Transport

As indicated in the name itself, services auxiliary to all modes of transport are not associated with a single mode of transport (whether maritime, air, road or rail) but rather are services which are relevant across all modes. In the context of the Uruguay Round (1986–1994) GATS services negotiations, services auxiliary to all modes of transport were categorized[125] as including (a) cargo-handling services, (b) storage and warehouse services and (c) freight transport agency services as well as a final subcategory of "other services".

Cargo-handling services comprise container-handling services which consist of services provided for freight in special containers (e.g. services of freight terminal facilities – on a fee or contract basis – for all modes of transport, including stevedoring services (i.e. the loading, unloading and discharging of vessels' containerized freight at ports)). Also included are cargo-handling services provided for non-containerized freight or for passenger baggage which involve inter alia stevedoring services (i.e. the loading, unloading and discharging of vessels' non-containerized freight at ports) and cargo-handling services incidental to freight transport, not elsewhere classified, as well as baggage-handling services at airports and at bus, rail or highway vehicle terminals.[126]

Storage and warehouse services cover storage services of frozen or refrigerated goods, bulk storage services of liquids or gases and storage and warehousing services of other goods, including cotton, grain, wool, tobacco, other farm products and other household goods.

[124] Uganda Investment Authority (see ICT sector profile at www.ugandainvest.go.ug).
[125] WTO (1991), Services sectoral classification list.
[126] Detailed descriptions of the specific subsectors are found in the United Nations Central Products Classification (http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=9&Lg=1).

Finally, **freight transport agency services** include freight brokerage services, freight forwarding services (primarily transport organization or arrangement services on behalf of the shipper or consignee), ship and aircraft space brokerage services and freight consolidation and break-bulk services.

In the current Doha Round of negotiations there has been a change in the approach proposed by many WTO members. Increasingly, multi-modal transport and logistics services are considered the adequate concepts for analysing transport movements associated with a world economy that is ever more integrated and where door-to-door services are seen as a necessity to comply with the requirements of international trade. In this context, services auxiliary to all modes of transport have been integrated in the Logistics Services Checklist under the heading of "Core Freight Logistics Services".[127]

In the following sections of this paper, the analysis will refer interchangeably to logistics/logistics services or services auxiliary to all modes of transport, as the latter are considered to be an important part of modern-day logistics services.

2. Importance of Services Auxiliary to all Modes of Transport for Developing Countries, Including Least Developed Countries

a. Recent Trends in Production of Services Auxiliary to all Modes of Transport

There is no doubt of the relevance of services auxiliary to all modes of transport and logistics for enhancing the competitiveness of the production processes and exports delivery of countries. Analyses have shown that improved overall logistics performance and trade facilitation are strongly associated with trade expansion, export diversification, attractiveness to FDI and economic growth more generally. Though a logistics gap remains between the best-performing countries and many developing and least developed countries, the importance of policies – particularly those that promote hard and soft infrastructure – in supporting and promoting logistics performance should not be underestimated.[128]

Trends in the production of services auxiliary to all modes of transport are often specific to the transport subsectors. It is therefore difficult to provide an overview of these services without going into the specific details of each subsector. For example, warehousing varies as a function of the type of warehouse in question (e.g. closed warehouses, open air warehouses and, increasingly today, logistics parks and distribution platforms; the latter two encompass a combination of warehouses and multi-modal transport infrastructure). The warehousing services subsector is affected by the trend towards the greening of processes (with efforts to move towards using more sustainable materials for the construction of warehouses and building warehouses with "zero" emissions or which take into account shortages of land, e.g. multi-storey warehouses).[129]

Among the elements which have contributed to the transformation of services auxiliary to all modes of transport and logistics services are technological advances (both with respect to containerization and the use of ICT), improvements in infrastructure and more globalized production and manufacturing processes.[130] It will therefore be important, in considering what opportunities there are for developing and least developed countries, to determine the extent to which individual countries have managed to fill the gap that may exist in the availability of inputs for a modern transport and logistics sector.

A 2006 UNCTAD report said, however, the following:

> [I]t is worth noting that the logistics industry could be asset-based and non-asset-based and, as such, heavy capital investments are not always required to supply logistics services. Not all suppliers of logistics services need to be multinational giants. Operators in developing countries can differentiate themselves by establishing their own niche market and providing individualized services. Addressing drivers of cost levels, focusing on logistics services areas with low capital investment requirements, specializing in areas with a clear competitive advantage and tailoring commitments to reflect real commercial interests and national regulatory frameworks are many elements that could contribute to developing countries' active participation in the logistics services market. Therefore, under the right conditions, logistics services suppliers from developing countries could tap into global logistics markets where they could learn from their interaction with other business partners and exposure to the ways of modern logistics networks.[131]

[127] UNCTAD (2006a), Negotiations on transport and logistics services: Issues to consider.
[128] World Bank (2012b), *Connecting to Compete 2012, Trade Logistics in the Global Economy*.
[129] World Trade Organization (2010b), Logistics services. Note by the secretariat.
[130] UNCTAD (2006a), Negotiations on transport and logistics services: Issues to consider.
[131] Ibid, pp. 15–16.

The World Bank's *Connecting to Compete 2012* report highlights a number of trends that have emerged in the sector. The first is the enhanced attention devoted by the international community to assisting countries that are logistically constrained as it appears that certain countries will be unable to unilaterally improve their connectivity and logistics performance. The second trend is the increased complexity of reforms which not only involve several sectors of the economy but also several countries. The third trend is the evolving nature of logistics challenges and priorities.[132]

Landlocked countries, and in particular LDCs such as Uganda, face challenges for the provision of logistics. One particular challenge which has been highlighted for this group is the fact that they are dependent on the logistics of their neighbours, which are similarly constrained.[133] In the case of Uganda, the country's trade performance is slowed down by a range of factors, from its dependence on one port (Mombasa Port in Kenya), to additional costs stemming from customs bonds for all exports and imports transitioning through neighbouring countries and the absence of alternatives (roads being the main mode of transport in the absence of rail connections).[134]

b. Trends in Liberalization of Services Auxiliary to all Modes of Transport

An important challenge in analysing the liberalization of services auxiliary to all modes of transport is that the industry is not necessarily organized in the same manner as the classification list seems to suggest, and that it is not easy to distinguish between the services provided by different categories of suppliers. Moreover, data and information on existing regimes – as opposed to GATS commitments – are difficult to obtain.

It is, however, possible to look at the GATS liberalization commitments of countries to have some indications of bound regimes, which in turn may provide an approximation with respect to applied regimes. In a recent note by the WTO secretariat, the authors decided to focus on logistics services, under which they included the category of services auxiliary to all modes of transport.[135] The paper uses the classification of logistics services put forward by one negotiating proposal and which includes services auxiliary to all modes of transport under the heading of Core Freight Logistics Services. The note provides a description of the GATS commitments of WTO members as summarized in table IV.7.

Table IV.7. Current Commitments of WTO Members on Services Auxiliary to all Modes of Transport

Sector	Number of members with commitments
Cargo handling	19
Storage and warehousing	34
Freight transport agency	28
Other auxiliary transport services	24

Source: World Trade Organization (2010b). Logistics services. Note by the secretariat.

3. Institutional and Regulatory Issues

The Ministry of Works and Transport provides overall policy guidelines for the sector. Several other institutions have responsibilities with respect to specific subsectors, such as the Uganda National Roads Authority. Likewise, regulation of the sector is split among several entities. Licensing is typically performed by several bodies, such as the Uganda Revenue Authority (which provides customs licences for example) and local area councils (for trading licences for example).

In practice, regulation of services which constitute services auxiliary to all modes of transport is in many cases not done across all modes of transport but rather by sector regulators. For example, port regulators are typically in charge of the commercial regulation of ports and related auxiliary services. Similarly, regulators rarely take warehousing and storage activities into account as a separate sector.

The reality is therefore rather that the subsectors of services auxiliary to all modes of transport are often subject to a myriad of regulators. Moreover, these regulators are likely to be promoting a range of regulations that pursue very different policy objectives. In looking again at the example of warehouse and

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[132] World Bank (2012b), *Connecting to Compete 2012, Trade Logistics in the Global Economy*.
[133] Ibid.
[134] S Brar et al. (2011), *Science, Technology and Innovation in Uganda. Recommendations for Policy and Action*.
[135] World Trade Organization (2010b), Logistics services. Note by the secretariat.

storage services, the regulatory objectives range from town planning, to safety and security to economic development.[136]

One of the first decisions to be taken by regulators involves determining if competition will be allowed or not (e.g. if barriers to entry are removed for both domestic and foreign providers). This normally occurs for each service and only where regulators consider that there is no risk of market failure. If one looks at the very example of ports, the number of services providers – typically providing cargo handling, storage and warehousing – may be left for the competition to establish, whereas areas such as pilotage services may be regulated monopolies due to economies of scale or because of a scarcity of port space. Where competition is introduced in cargo handling, storage and warehousing services, providers may be required to obtain concessions from port authorities (e.g. through auctions or tenders).

In Uganda, institutional efficiency and effectiveness in transport was considered problematic, even while it is acknowledged that such efficiency and effectiveness would be crucial to service delivery. The transport sector was included in the NDP in the list of sectors where it was considered urgent to put in place new regulators and strengthen existing regulatory agencies within the Government to ensure proper and efficient regulation.

Among the elements identified in the NDP as constraints to the performance of the transport sector, the following are regulatory and institutional in nature:

- Regulatory constraints: a weak legal and regulatory framework characterized by absence of standards and codes and weak compliance resulting in substandard work
- Institutional constraints: an inappropriate institutional set-up that does not separate the roles of policy formulation, planning, implementation and regulation.

One development that may improve the situation in terms of allowing for the consistent treatment of services auxiliary to all modes of transport will be the establishment of a multisector transport regulatory authority which is already in the pipeline.

The private sector plays an important role in the development of standards and guidelines for the sector. Two associations can be mentioned in this respect. The first is the Uganda Clearing Industry and Forwarding Association (UCIFA) which is an umbrella and apex body of indigenous clearing and forwarding firms. The association has a membership of 226 companies (out of more than 380 companies licensed by the Uganda Revenue Authority). UCIFA members are active in the areas of warehousing, transporters, inland container deport and import-export companies. Many are SMEs.

The second is the Uganda Freight Forwarders Association (UFFA) which is an umbrella organization for companies offering shipping services, customs clearing, cargo handling, warehousing, transportation and other freight services. The association is involved in establishing a strong code of conduct and in calling for adequate training of people in the industry. Twelve companies founded UFFA.[137] The number of members has risen to 63, with companies representing foreign and local investors in the East Africa region and worldwide. Member companies follow a strict code of conduct aimed at ensuring quality of service. UFFA is related to sister organizations at the regional and international levels: the Federation for East Africa Freight Forwarders Association (FEAFFA)[138] and the International Federation of Freight Forwarders Associations, respectively.

An important contribution of the FEAFFA has been the design of a regional harmonized curriculum for freight forwarders and of an East African customs and freight forwarding practicing certificate that will ensure quality for practitioners at the regional level.[139]

These regional initiatives will contribute to promoting regional trade by allowing freight forwarders from all member States to transact business across the region. This should directly address some of the

[136] WTO (2010), Logistics Services, Note by the Secretariat, S/C/W/317.
[137] The companies are BTS Clearing and Forwarding, Across Africa Clearing and Forwarding, Jope Forwarders and Interfreight (U) ltd, Spenold (U) Ltd. Others are Kargo International, Kenfreight (U) Ltd, Lifeline (U) Ltd, Maersk Lines and Sealand, Kuehne and Nagel and Unifreight Cargo.
[138] FEAFFA has as members the five freight forwarding associations that represent Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania.
[139] Trademark East Africa (2012), Improving trade through training: East Africa customs and freight forwarding practising certificate, available at http://www.trademarkea.com/wp-content/uploads/2012/09/EACFFPC-Fact-Sheet-April-2012.pdf.

constraints of the freight logistics industry in the region which has in the past been characterized by poor business practices due to inadequate skills and limited use of modern technologies.[140]

4. Uganda's Broad National Objectives and Policies for the Sector

Being landlocked, Uganda has low trade integration as well as high transport and trade facilitation costs in external trade. As a result, transport services form a high percentage of Uganda's imports (54.6 per cent as of 2010).[141] There is also a critical dependency on neighbouring countries – Kenya and the United Republic of Tanzania – to provide access to the sea as well as trade and transport services such as road, rail, clearing and forwarding services.

The overall goal of Uganda's transport policy has been to achieve its transport objectives while supporting broader national and development aims. The Government of Uganda has sought inter alia to promote cheaper, more efficient and reliable transport services as a means of providing effective support to increased agricultural and industrial production, trade, tourism and social and administrative services. The NDP indicates that during the plan period (2010/11–2014/15) investment priorities will include physical infrastructure development in railway, waterways and air transport.

A draft transport sector policy and strategy paper was prepared in 2001 with the objective of developing a national transport policy, but this has yet to be finalized. Absent a national transport policy, each transport subsector has had its own sectoral policies.[142] The situation is not ideal for several reasons, including because services which are similar across sectors (e.g. services auxiliary to all modes of transport) are covered by various sectoral policies and regulations.

The Government of Uganda contracted international and local experts to prepare a national transport master plan for the country. The document prepared set out a framework for development of the transport sector over the next 15 years (2008–2023). The transport master plan aimed in particular at creating high trading links through the Northern and Central Corridors to the ports of Mombasa, Kenya, and Dar es Salaam, United Republic of Tanzania and contributing to regional cooperation in transport within the EAC and within COMESA. The document was developed specifically to ensure that the transport policy would support key national development targets and conform to goals set out in various key planning documents, including the Poverty Eradication Action Plan, the Millennium Development Goals for 2015 and the longer-term planning documents "Vision 2025" and "Vision 2035".[143]

Among the objectives for the sector outlined in the transport master plan are the following:

- The existing rail network will be rehabilitated and construction of a standard gauge rail line will commence from Malaba, Kenya, to Kampala, Uganda, including the branch to Port Bell;
- Construction, reconstruction, upgrading and rehabilitation of national roads will continue;
- Investment in road and rail transport infrastructure will create a more efficient transport system in the country; increase the proportion of rail cargo and passenger traffic; reduce transport costs, especially for bulky goods; and increase the lifetime for paved roads;
- Water transport on Lake Victoria will be improved by constructing piers and landing bays;
- Air transport infrastructure will be improved by increasing entry-exit ports and infrastructure at Entebbe International Airport.[144]

Of particular relevance for this policy review, in addition to objectives related specifically to transport sector infrastructure, strategies and specific measures have been identified to promote increased efficiency and improved effectiveness in service delivery of transport infrastructure and provision of transport services (table IV.8).

[140] E Onyango (2012), Freight forwarders to freely work in East Africa.
[141] Transport services as a percentage of service imports (IMF balance of payment statistics). The highest value over the past 30 years was 87.30 in 1984.
[142] See Transport Forum Group Uganda (2005), Analysis of links between poverty and transport and other related policies in Uganda.
[143] Uganda, Ministry of Works and Transport, National transport master plan (2008–2023).
[144] Uganda (2010), National Development Plan (2010/11–2014/15).

Table IV.8. Strategies and Measures Aimed at Improving Service Delivery of Transport Infrastructure and Provision of Transport Services

Strategies	Measures relevant for services auxiliary to all modes of transport
1. Strengthen policy, legal and regulatory framework and coordination among stakeholders in the sector	• Formulate and implement a national transport policy and master plan • Expedite the formulation of national public–private partnership policy to allow more private investment in the sector • Mainstream cross-cutting issues into the transport sector • Improve transport regulation by strengthening the Transport Licensing Board • Promote safety within the transport sector
2. Strengthen institutional and human resource capacity	• Separate the institutional roles of policy and planning, implementation and regulation • Create a separate administrative unit in the Ministry of Works and Transport to handle transport management • Reform the rail subsector to separate roles of commercial operations, infrastructure development and maintenance, and regulation • Improve the skills and numbers of technical staff in relevant public institutions in the transport sector • Improve coordination of institutional planning through reforming sector working groups to incorporate the key sectors affected and those that contribute to the transport sector

Source: Based on Uganda (2010), National Development Plan (2010/11–2014/15).

Uganda's national transport plan must therefore take into account services auxiliary to all modes of transport, but in particular services auxiliary to the most currently used modes of transport (e.g. roadways) and modes of transport which hold potential for the future (e.g. airways) or that Uganda is in the process of developing. Developing policies for transport services per se and policies for services auxiliary to all modes of transport in an integrated manner should become automatic as the demand for services auxiliary to all modes of transport will be directly impacted by the state of transport services. If transport services remain inefficient and expensive, this will lead to less imports and exports thereby limiting demand for services auxiliary to all modes of transport.

In terms of trade liberalization commitments, to date Uganda has taken no multilateral commitments under GATS relating to any transport services, including services auxiliary to all modes of transport. None of the other EAC countries opted to take GATS commitments in services auxiliary to all modes of transport, though Kenya did make commitments with respect to air and road transport services.

As for liberalization at the EAC level, in the context of the EAC Common Market Services negotiations, Uganda has yet to take commitments on services auxiliary to all modes of transport, though it has taken commitments on internal waterways transport, air transport services, rail transport services, road transport services and even pipeline transport services. Of the five EAC countries, the United Republic of Tanzania is the only one to have taken a commitment with respect to services auxiliary to all modes of transport. Among the four subsectors of this category, the United Republic of Tanzania committed to liberalize cargo-handling services.

In the context of the ongoing COMESA services liberalization negotiations, transport services are among the first four priority sectors where countries have started to present liberalization offers. This is in line with broader efforts that the region has undertaken with a view to developing and facilitating trade among COMESA countries. In 2011, ministers of infrastructure adopted two key documents for the transport sector, namely a regional transport policy and a regional transport strategy which are to be used by members in formulating their national policies and strategies. Moreover, in all key transport sectors, COMESA is developing regional instruments (e.g. a multilateral air transport agreement).

5. Performance of Uganda in Services Auxiliary to all Modes of Transport

The key modes of transport for Uganda are road, rail, air and water transport. Road-related transport accounts for 96.4 per cent of freight cargo, whereas rail accounts for only 3.5 per cent.[145] Airways are emerging as a key transport route as well. Over the period 1997 to 2007, total air cargo traffic increased by 137 per cent. However, the cost of cargo freight by road is three times more than the cost of using rail. There are no functional wagon ferries and the country has only one entry-exit airport. According to the NDP, transport costs remain a significant trade barrier, equivalent to effective protection of over 20 per cent, and impose an implicit tax on exports of over 25 per cent (and up to 50 per cent on air freight). As a result, the cost of doing business in Uganda is high, undermining economic competitiveness.[146]

While Uganda has no access to the sea, shipping is nonetheless an important activity which supports its trade with neighbouring countries thanks to the many ports in Lake Victoria. However, the ports are quickly becoming too small and they lack the required handling equipment and facilities needed to sustain ever-increasing cargo volumes. While the number of ships is increasing steadily, there may soon not be enough ports and landing sites available with adequate facilities and reasonable access. For example, Port Bell, which is Uganda's most important and busiest port, did not receive sufficient investments. It is today hampered by limited space, does not have any real cargo handling facility and has a lack of warehousing capacity. This causes delays and makes transportation of cargo more expensive.[147]

Air transport services are increasingly used for the movement of people, goods and services in the now fast integrating East African economies. Two companies offer handling services at Entebbe International Airport, including ground handling services that consist mainly of logistical support to airlines on the ground and inside aircrafts. Handling companies take passengers through the boarding process and deal with all ground equipment and in-flight cleaning of the aircraft, among many other services. Service providers can also offer other services such as bonded warehouses and cold storage facilities for the fish and horticulture sectors.[148]

6. Possible Issues of Interest to Uganda in this Sector

According to the *Doing Business in a More Transparent World 2012* report, Uganda ranks 158 in terms of trading across borders.[149] Apart from the trade facilitation angle, some of the reasons for this low ranking relate to the inefficiency of logistics services and services auxiliary to all modes of transport. These inefficiencies are described in the following paragraphs.

The logistical challenges currently faced by Uganda relate to a range of issues, including poor road conditions, multiple checkpoints and roadblocks and multiple taxes (state tax, value added tax (VAT), county fees), as well as non-tariff barriers such as product standards and import licences.[150] Costly logistics between the port at Mombasa and its common border points at Malaba and Busia eventually led to Uganda's search for alternative trade routes in the region.[151]

Transport-related delays are another important challenge. Uganda has consistently raised the issue of low capacity at the Mombasa port, which leads to sharp increases in the price of goods such as oil as well as long delays.[152] Owing to the clogging of the port and slow operating cranes to offload delivery vessels, offloading of cargo at the port of Mombasa is a difficult task for Ugandan importers, requiring a minimum of two weeks to one month to clear goods from the port.[153] Further, the clearance time is 14–30 days, and more when weekends are included, with an additional 7 to 10 days spent to transport goods from Mombasa to Kampala.[154] This in turn has led to enormous time spent to clear imports at the port and to transport them to Kampala.

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[145] Uganda (2010), National Development Plan (2010/11–2014/15).
[146] Ibid.
[147] B Andersen (2012), Urgent need to improve ports and cargo handling.
[148] E Kisambira (2006), DAS gets cargo handling deal.
[149] World Bank (2012a), *Doing Business in a More Transparent World 2012*.
[150] Y Yoshino et al. (2011), Enhancing the recent growth of cross-border trade between South Sudan and Uganda.
[151] A Odhiambo (2011), Uganda negotiates new trade routes with Tanzania, *Africa Review*, 5 October, available at http://www.africareview.com/Analysis/Uganda-negotiates-new-trade-routes-with-Tanzania/-/979190/1248360/-/format/xhtml/-/13g7scjz/-/index.html (accessed 31 January 2014).
[152] Ibid.
[153] C Tumuhimbise and S Ihiga (2007), A survey of non-tariff barriers that affect Ugandan imports and exports within EAC and COMESA countries.
[154] Ibid.

There are also long queues at weighbridges, which contribute to transport delays, and unpredictable procedures. Truck drivers often wait for over five hours to load at the port of Mombasa and one to two hours at each weighbridge along the Northern Corridor through Kenya to Rwanda. Given that there are six weighbridges in Kenya and three in Uganda, each truck on route from Mombasa to Kigali can lose the equivalent of an entire day idling at weighbridges alone.[155]
The major cause of high transport costs is from the logistical challenges set out above and in particular those relating to the East African region, specifically South Sudan,[156] parts of the United Republic of Tanzania and Ethiopia.[157] Such costs include charges for transport in Uganda along the Northern and Central Corridors, international road freight, rail transportation, airfreight, sea customs operations, clearing and forwarding, insurance, port services and telecommunications.[158] Consultations indicate that since Uganda does not have any access to the sea, it incurs additional distribution costs, estimated at 80 per cent of any locally manufactured price.[159] The poor condition of roadways, a key mode of transport in Uganda, leads to high truck maintenance costs, an issue of concern to freight companies.

As an example of the high cost, transporting a 20-foot container along the Northern Corridor from Mombasa, Kenya, to Nairobi over a distance of 485 km is between 58 per cent and 77 per cent of the cost of transporting the same container from Europe to Mombasa. On the other hand, the cost of transporting the same 20-foot container from Mombasa to Kampala over a distance of 1,170 km is 208 per cent of the cost of transporting the same container from Europe to Mombasa.[160]

The trade patterns between some of Uganda's trading partners particularly within the region can be asymmetric. For instance, South Sudan and Uganda are highly asymmetric in the sense that the quantity of goods exported from South Sudan to Uganda (or through Uganda to elsewhere) is significantly less than the quantity of goods exported from Uganda to South Sudan. The implication is clear: many trucks that transport goods from Uganda to South Sudan must return to Uganda empty, meaning that the cost of shipping goods from Uganda to South Sudan becomes much more expensive because it is one-way.[161]

Uganda could set itself up as a potential logistics services trade hub for the EAC, COMESA and the Intergovernmental Authority on Development trading blocs, including by acting as a link to resurgent lucrative markets in Burundi, the Democratic Republic of the Congo, Rwanda and Southern Sudan. Uganda could spur its logistics industry through several trade and investment measures. Suggestions include reducing landing, handling and other airport fees at Entebbe International Airport especially for cargo planes, cutting down taxes on aviation fuel, building more airports and waterways, renegotiating the Tororo inland port agreement to remove the exclusivity right that inhibits competition, urgently reallocating part of the 66 hectares of land, belonging to the Ministry of Agriculture Animal Industry and Fisheries, at the Entebbe airport to the Civil Aviation Authority as a means of enhancing development of a modern cargo centre, ferry port, standard airport hotel and car park.[162]

Uganda is negotiating new trade routes with the United Republic of Tanzania which may reduce its traditional reliance on Kenya's dominance in the movement of key goods within East Africa and the landlocked Great Lakes region. The construction of the Tanga-Musoma-Uganda railway is a key high-level point of discussion between the Presidents of Uganda and the United Republic of Tanzania.[163] Although a much cheaper form of transport, the railway handles less than 6 per cent of cargo to Burundi, the Democratic Republic of the Congo, Kenya, Rwanda and Uganda.

While planning documents have started to distinguish between strategies and measures aimed at promoting improvement of transport infrastructure and strategies and measures aimed at the development of transport-related services, this distinction should continue to be emphasized and more emphasis should be put on policymaking and regulation pertaining to the provision of services. Gains from such a focus on

[155] I Mills and NC Dihel (2012), Big Brother Kenya stands to benefit most from the EAC, but is barely trying.
[156] Y Yoshino et al. (2011), Enhancing the recent growth of cross-border trade between South Sudan and Uganda.
[157] A Odhiambo (2011), Uganda negotiates new trade routes with Tanzania, *Africa Review*, 5 October, available at http://www.africareview.com/Analysis/Uganda-negotiates-new-trade-routes-with-Tanzania/-/979190/1248360/-/format/xhtml/-/13g7scjz/-/index.html (accessed 31 January 2014).
[158] C Tumuhimbise and S Ihiga (2007), A survey of non-tariff barriers that affect Ugandan imports and exports within EAC and COMESA countries.
[159] Ibid.
[160] Ibid.
[161] Y Yoshino et al. (2011), Enhancing the recent growth of cross-border trade between South Sudan and Uganda.
[162] M Rwakakamba (2010), Give Uganda competitive edge as a logistics hub.
[163] A Odhiambo (2011), Uganda negotiates new trade routes with Tanzania, *Africa Review*, 5 October, available at http://www.africareview.com/Analysis/Uganda-negotiates-new-trade-routes-with-Tanzania/-/979190/1248360/-/format/xhtml/-/13g7scjz/-/index.html (accessed 31 January 2014).

services may stem inter alia from the fact that, while in some cases infrastructure may need to remain in the hand of Government or at least be promoted in the form of public–private partnerships, there is room to rely on the private sector to supply a number of services auxiliary to all modes of transport.

However, in assessing the extent to which the development of services auxiliary to all modes of transport may contribute to lowering trade costs and promoting trade, it would be important to scope the situation on the ground comprehensively. This may even imply that the categories identified as part of the category of services auxiliary to all modes of transport in the WTO Services Classification List may not be the most relevant for the purposes of sector development in Uganda. In particular, it would be useful to determine where policy and regulatory objectives will be relevant across sectors (e.g. for all cargo handling irrespective of the mode of transport) or if mode-specific policymaking and regulation remain more relevant.

While Uganda may decide to pursue the objective of becoming a logistics services trade hub, the characteristics of the sector (with the growing importance of multi-modal transport) and the requirements in terms of inputs (e.g. the increasing reliance on ICT), as well as the country's competitive position vis-à-vis countries in the region, should be taken into account in future policymaking and regulation.

V. THE WAY FORWARD

The success of national liberalization processes crucially depends on the active contribution of all segments of the economy, including Government of Uganda, ministries and public sector representatives, universities, unions, non-profit organizations and private sector participants. Broader participation of different segments of the economy in discussions will enrich the process and strengthen its effectiveness. Whether, how and with whom Uganda should pursue services trade liberalization – through a multilateral, interregional, regional, bilateral or autonomous approach – remain crucial decisions that need to be taken carefully and on the basis of national economic, social and developmental objectives and circumstances. National stakeholders must examine which options, or combinations thereof, have the greatest potential to meet agreed objectives. In this respect, this SPR provides a venue for the active participation of national stakeholders in reshaping national policy objectives and strategies.

The primary objectives of the SPR are to assist Uganda in managing a successful services reform process, ensuring sustainable development gains through services reform, strengthening its negotiating capacities in services trade negotiations and monitoring results achieved through reforms and adjusting related policies over time.

The role of the Ugandan services sectors in promoting the Millennium Development Goals and promoting poverty reduction is one issue that deserves greater focus. While government policies have contributed to lowering the poverty rate significantly during the last 15 years, it is important that policymaking related to services sectors continue to focus on the impact on poverty, including through targeting employment-generating sectors for government support. The focus on employment creation is also made necessary by the fact that Uganda has a young and one of the fastest-growing populations in the world.

The services sectors should also continue to be viewed as a means of export diversification. This is particularly the case given that services exports proved to be an important and stable source of external revenue, even when merchandise exports declined due to the global crisis. Within the area of services, further efforts need to be devoted to moving beyond the travel and transportation sectors. Uganda needs to diversify its services exports in order to achieve high and sustainable export growth.

Moreover, when seeking to address Uganda's trade deficit in services, it may be relevant for trade policymakers to consider opportunities that may arise from South–South trade, which has already proved to be (particularly as concerns trade with other African countries) an increasingly important venue for Uganda's growth in international trade.

Policymakers and trade negotiators should continue to look to trade agreements and negotiations, and particularly those within the EAC, COMESA and tripartite regions, as a means of increasing trade-related benefits. However, given that Uganda has already taken quite liberal liberalization commitments (as compared to its EAC partners for example), the emphasis in these negotiations should not only be on the market access issues, but also on issues such as regulatory cooperation, mutual recognition and other trade supportive measures and on the operationalization and implementation of existing commitments in the EAC Common Market, COMESA and those resulting from tripartite negotiations.

The preliminary analysis on the **distribution sector** in this note suggests that the sector lacks a comprehensive vision for the future in Uganda. Some relevant issues to be taken into account in shaping a future vision are implications for small individual vendors, including in the informal sector, level of foreign participation, balance between modernization and employment concerns and potential for exporting distribution services from Uganda.

The distribution sector in Uganda faces several challenges. Local retailers are feeling increasing pressures from competition with foreign companies. The sector also suffers from capacity and structural constraints such as a shortage of adequate skills, high transportation costs due to poor road network conditions, lack of adequate storage facility, cumbersome importation processes and insufficient energy and telecommunications infrastructures. These challenges are not new, and many studies have been undertaken to overcome the domestic constraints. Various policy and regulatory measures have been taken accordingly. The second part of this SPR examines the implementation and progress of these measures and analyses if further actions are required in order to advance the corresponding policy goals.

Reforms and liberalization in distribution services can lead to crowding out small stores and vendors, thereby risking severe social impact through the unemployment generated. Given the large number of people with a minimum subsistence level engaged in distribution services, the impact of reforms and liberalization in the sector could lead to further impoverishment of these people. Policymakers should give full consideration to the issue of adjustment and social safety nets.

Reforms and liberalization can also bring benefits such as a greater variety of goods at affordable prices, an improved standard of living, job creation, higher skills and technologies and real estate development. In this regard, the second part of this SPR identifies opportunities to emerge from modernization and liberalization of the distribution sector and recommends ways and means to benefits from such opportunities.

For **ICT services and CRS**, national policy objectives and strategies would probably gain from distinguishing between objectives related to increased availability of services and those related to increased use (adoption) of services at the national level. The objective of increased availability of services can be addressed through measures supporting national production of services and consumption of foreign services (e.g. by opening markets to foreign services and foreign services suppliers).

Also, while ICT services, CRS and ICT-enabled services may be related, it would be essential, given limited resources and high investment requirements for the country, to prioritize the objectives for these sectors. Particular focus should be devoted to putting in place policies to support SMEs, given the prevalence of smaller companies in the CRS sector and that they are probably characteristic of the positioning of Ugandan firms vis-à-vis international competition.

Policy development is occurring at the national and regional levels. Given the significance of the sector for both the national economy and the development of a regional market, it would be important for Uganda to consider developing an implementation and monitoring plan which lists both sets of objectives and their respective timelines and indicates how they relate to each other. This will be essential to ensuring coherence in policymaking.

The main area where Uganda could consider further liberalization options is that of CRS which for now have not been liberalized at the WTO or EAC levels. A preliminary assessment of the domestic CRS market would be useful to determine in particular whether there are any nascent industry arguments for continuing to limit foreign commercial presence (even from regional operators) in this sector. Here, as for the other sectors under review, a realistic evaluation of the country's potential vis-à-vis regional and international competitors would be necessary.

Strengthening regulatory institutions should remain a priority, particularly as the country further liberalizes its market, to ensure that regulators are in a position to adequately oversee both domestic and foreign-service suppliers. Regulatory cooperation at the regional level could be considered as one avenue for promoting the strengthening of regulatory institutions.

For **services auxiliary to all modes of transport**/logistics services, it will be important to identify which mode(s) of transport are currently most relevant to Uganda and which auxiliary services are relevant for this/these mode(s). But, looking forward and considering the country's broader trade objectives, it will also be important to determine which transport modes and services auxiliary to all modes of transport may be important to develop for the future development of the economy.

A review of the necessary inputs for services auxiliary to all modes of transport (i.e. availability of containerization products and technology and of ICTs) will be crucial in determining the prospects for development of the sector. If relevant, operators and the Government of Uganda could focus on developing the sector in several phases with an initial emphasis on logistics services areas with low capital investment requirements. When considering the opening of the domestic market to foreign operators, the Government of Uganda could also consider reserving the segments with lower capital investment requirements for domestic operators while opening other segments to foreign competition.

The review of the institutional set-up for policy and processes for the transport services sector should determine if mechanisms are in place which support the integrated development of policies for transport services per se and policies for services auxiliary to all modes of transport. Absent such a holistic approach, policy measures and initiatives targeted solely at services auxiliary to all modes of transport may be insufficient to promote sector development.

Finally, given the many forward and backward linkages that have already been identified between the three priority sectors (i.e. distribution sector requires inter alia efficient warehousing, cooling/storage facilities, while services auxiliary to all modes of transport require reliable ICTs) a holistic analysis of the services sector will be necessary. While this implies undertaking an analysis which may seem extremely broad, it is hoped that the involvement of all relevant stakeholders will ensure that the recommendations which are finally agreed upon are tailored to the multifaceted nature of the services sector.

The next section was prepared by a national team of experts. It provides further in-depth research and analysis of Uganda’s services economy and priority sectors. The analysis was deepened through interaction with national stakeholders to obtain policy documents, statistics, other data and information pertaining the priority sectors and feedback from the workshop stakeholders organized on 31 October–1 November 2012 in Kampala, Uganda.

PART TWO

RESEARCH BY NATIONAL EXPERT TEAM

VI. THE DISTRIBUTION SECTOR

A. Introduction

The distribution sector is one of the sensitive and critical sectors in Uganda. This is because it is a sector that has all sorts of players, from the highly educated and elite, to people with little or no education, people from rural areas, persons with disabilities, widows, foreigners and in some cases, children who sell food items such as boiled maize. The sector contributes to providing a source of livelihood to a large number of Ugandans. As such, the sector is considered to be key for economic development in the country.

B. Main Features of the Sector and Subsectors

Distribution services in Uganda are very broad in spectrum. To understand the institutional and regulatory mechanisms governing the distribution sector, one must first understand the categories of sector operators. There are three broad categories of players, namely wholesalers and retailers, franchisees, and commission agents. Within these three broad categories the players involved are discussed in the following sections.

1. Wholesalers and Retailers

The wholesalers and retailers in Uganda carry out business through various forms, as discussed subsequently. These different forms are dealt with differently in law.

Markets

Markets are one of the avenues through which wholesalers and retailers sell their goods to the consumers. The legislative framework that governs these wholesalers and retailers in the markets is principally focused on the market structure, as opposed to the individual players in the markets. Therefore, an analysis of the regulatory framework that governs the markets would present a clear picture of the state of play of the whole sellers and retailers, and the challenges they face as they supply their services.
Furthermore, of all the different forms of distribution through which wholesalers and retailers supply their services, the markets are one of the avenues through which the most vulnerable distributors are implicated. This is because the cost of renting a stall in a market is relatively low, compared to the shops and supermarkets. Consequently, the biggest percentage of players in the markets in Uganda are women. There are different types of markets, as seen below:

- Daytime markets (9 a.m. to evening);
- Early morning markets (farmer markets) – 5 a.m. to 9 a.m.;
- Flea markets (*obutale bw'omubuulo*) – these markets operate only on specified days.

Supermarkets

- Large multinational multiple-outlet supermarket chains;
- Medium-sized national multiple-outlet supermarket chains;
- Small, single-outlet supermarkets.

Shops

- Roadside kiosks;
- Market stalls and lock-ups;
- Lock-up shops in shopping malls;
- Subtenants – multiple independent businesses operating in a single shop.

Hawkers and street vendors (*abatembeeyi*)

- Individual sellers/persons stationed on streets after 7 p.m.;
- Persons walking with goods for sale in suburbs/communities;
- Trucks/vans selling in busy areas;

- Wheelbarrow sellers;
- Persons selling on bicycles.

2. Commission Agents

- Land-commission agents;
- Car dealers.

3. Franchisees

Automobile dealerships and automobile accessories include Mercedes Benz and Bosch (Spear Motors), and Nissan and BMW (Motorcare, Kampala–Nissan). Leading global cell-phone brands and their accessories, just like automobiles and car accessories, have large franchise holders in Uganda. Most prominent in this range is Nokia, with two franchisees namely – Simba Telecom and Midcom.

Car dealerships are included in both commission agents and franchises because there are car dealers that are operating as franchises, for example Spear Motors for Mercedes Benz. However, there are also car dealers that sell Mercedes Benz as commission agents, especially where used automobiles are sold on behalf of other private former owners in Uganda and large used car dealerships from overseas on their own accord, where the sellers simply earn commission from the sale.

The sector has a wide range of players regulated by different laws and institutions. These laws and institutions have been detailed in this report in annex 2.

C. Trend Analysis

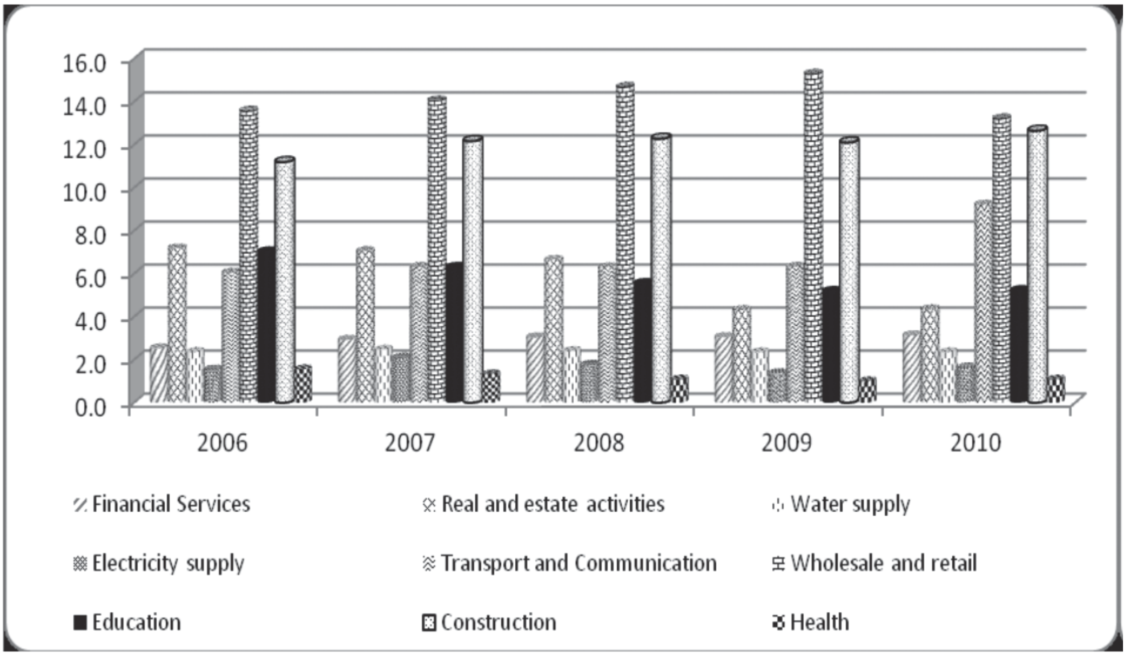
In terms of contribution to GDP by individual subsectors, distribution services account for the largest share on average, followed by construction services, transport and communication, and education services (table VI.1; figure VI.1). In 2011, distribution services (wholesale and retail trade) were the leading subsector, accounting for 17.3 per cent of GDP, followed by construction with 13.1 per cent, and transport and communication with 9.2 per cent. However, despite its dominant position, the various consultations during this study have demonstrated that distribution services remain largely domestic and are not export sectors yet.

Table VI.1. The Share of Key Services Subsectors in Total Gross Domestic Product (Percentage)

	2006	2007	2008	2009	2010	2011
1. Financial services	2.5	2.9	3.0	3.0	3.0	2.9
2. Real estate services	7.2	7.0	6.6	4.3	4.2	4.0
3. Water supply	2.4	2.5	2.4	2.3	2.2	1.9
4. Health	1.2	1.2	1.0	0.9	0.9	0.7
5. Electricity supply	1.5	2.1	1.8	1.4	1.6	1.3
6. Transport and	6.0	6.3	6.3	6.3	9.2	9.2
7. Distribution services	13.6	14.1	14.7	15.3	15.7	17.3
8. Education	7.0	6.1	5.6	5.2	5.3	4.0
9. Construction	11.2	12.2	12.3	12.1	12.0	13.1

Source: UBOS (2011). 2011 Statistical Abstract.

Figure VI.1. Key Services Subsectors in Total Gross Domestic Product (Percentage)



Source: UBOS (2011). 2011 Statistical Abstract.

D. East African Community Analysis

The EAC Common Market Protocol designated distribution services among the seven priority sectors in which all five partner states were required to make commitments. Uganda's Common Market Schedule of Commitments indicates a commitment to fully liberalize all the subsectors at the commencement of the Common Market Protocol implementation, except for wholesale and retail services, which are scheduled for full liberalization by 2015. Commission agents and franchising services were scheduled for immediate opening in 2010.

Table VI.2. Commitments Made by EAC Partner States in the Distribution Services

Country	Commission agents	Wholesale services	Retail services	Franchising
Burundi	To remove all restrictions on market access and national treatment for modes 1, 2 and 3	To remove all restrictions on market access and national treatment for modes 1, 2 and 3	To remove all restrictions on market access and national treatment for modes 1, 2 and 3	Not committed
Kenya	To remove all restrictions on market access and national treatment for modes 1, 2 and 3	To remove all restrictions on market access and national treatment for modes 1, 2 and 3	Not committed	To remove all restrictions on market access and national treatment for modes 1, 2 and 3
Rwanda	To retain restrictions on market access and national treatment for modes 1, 2 and 3 until 2013	To retain restrictions on market access and national treatment for modes 1, 2 and 3 until 2013	To retain restrictions on market access and national treatment for modes 1, 2 and 3 until 2013	To retain restrictions on market access and national treatment for modes 1, 2 and 3 until 2013

Uganda	To remove all restrictions on market access and national treatment for modes 1, 2 and 3 by 2010	To remove all restrictions on market access and national treatment for modes 1 and 2 by 2015 To retain restrictions on market access for mode 3 until 2015. National treatment, for mode 3 to non-Ugandans is limited to designated areas in the city, municipalities or towns until 2015	To remove all restrictions on market access and national treatment for mode 1 and 2 by 2010 To retain restrictions on market access for mode 3 until 2015. National treatment, for mode 3 to non-Ugandans is limited to designated areas in the city, municipalities or towns until 2015	To remove all restrictions on market access and national treatment for modes 1, 2 and 3 by 2010
United Republic of Tanzania	To remove all restrictions on market access and national treatment for modes 1, 2 and 3 by 2010	Not committed	Not committed	Mode 1 unbound* (Not technically possible). Mode 2 and 3, subsector is open by 2010 for mode 2 for market access and national treatment, and no elimination date for national treatment Mode 4 for national treatment is open with no elimination date

Source: The EAC Common Market Schedule of Commitments on the Progressive Liberalization of Services, Annex V.
** Commitments on mode 4 were to be in accordance with the Schedule on Free Movement of Workers.*
Note: Mode 1 refers to the supply of services through cross border; mode 2 – supply of services through consumption abroad; mode 3 – supply of services through commercial presence; mode 4 – the supply of services through temporary movement of natural persons.

Table VI.2 shows that on the surface, Burundi and Kenya are nominally the most liberal distribution markets of the EAC. However, the retail services subsector in which Uganda has the highest offensive interest with respect to Kenya is closed to foreign participation, without an indicative date when it might be liberalized. Furthermore, wholesale and retail services, the subsectors with the highest participation for East African nationals, are uncommitted by the United Republic of Tanzania.

Although full liberalization is yet to come, there is already substantial participation of foreigners in Uganda's distribution sector, particularly in the wholesale and retail subsectors through the presence of large supermarkets with multiple outlets. These foreign-owned locally incorporated distributors include Shoprite Checkers (from South Africa) currently with 3 outlets, NAKUMATT, Tuskeys and UCHUMI Supermarkets (from Kenya) with 3, 6 and 4 outlets respectively. The foreign distributors are the biggest players through their sheer size and footprint in the wholesale and retail multiple-outlet segment. However, this liberal regime is not subject to any WTO or EAC commitments, which implies that Uganda still has the flexibility to initiate any measures to mitigate shortcomings resulting from excessive liberalization. Uganda's distribution sector has historically been volatile and extremely sensitive. It was the trigger for the economic war in 1972 when British nationals of Asian origin were deported and their massive investments (with a substantive portion in distribution services) were expropriated. Uganda's past volatile treatment of foreign players in this sector largely informs the caution exhibited through the lack of full commitment by most of the EAC partner States, including Uganda itself.

E. Linkages with Other Sectors

Distribution services interface with several other key sectors in the Ugandan economy, including agriculture and manufacturing services, as seen in the following sections.

1. Agriculture

The distribution sector is one of the key supporting sectors for the agricultural sector. It links the agricultural producers with the buyers on a daily basis. Agriculture provides the livelihood for the majority of Ugandans, particularly women, and has long been of fundamental importance to Uganda's economy in terms of its contribution to GDP, export revenue and employment. Smallholder farmers with average farm sizes of 2.5 hectares account for 75 per cent of total agricultural output in Uganda.[164] Given the importance of relaying agricultural products to the markets, particularly from the rural population, and Uganda's high population growth, distribution has implications for poverty reduction and economic growth.

Markets and Agricultural Trade Improvement Project – I

The Government of Uganda, in partnership with 19 local governments with assistance from the African Development Bank, is implementing a five-year Markets and Agricultural Trade Improvement Project-I (MATIP-I) at a cost of US$55.8 million to finance the reconstruction of 21 markets around the country. An additional 24 markets identified in the feasibility study will be constructed and improved as additional resources become available in subsequent phases of the project.[165]

Under the MATIP-I, 3,100 lockups and kiosks, 8,200 stalls, 590 meat and fish units along with 90 cold storage units, restaurants, eating kiosks, paved pitches, seven hectares of spaces including vehicular parking and loading areas, water supply, washrooms, solid-waste bays, drainage, fire-fighting systems and day-care centres will be established and renovated in 19 municipal and town councils throughout Uganda's four regions. The municipal and town councils to be covered are Jinja, Entebbe, Masaka, Mbarara, Kabale, Fort Portal, Arua, Lira, Gulu, Moroto, Soroti, Mbale, Tororo, Kampala (three markets), and Hoima, Kasese, Busia, Kitgum and Lugazi, respectively. The components of the project are (a) market infrastructure development, (b) market management and trade enhancement (including capacity-building), and (c) project management and coordination. The project will be implemented on a private–public partnership basis between the Government of Uganda and the target local governments on one hand, and the beneficiary market vendor associations on the other, with the African Development Bank providing financial support through a grant over five years (2009–2014), the estimated cost being US$55.8 million.[166]

The overall objective of MATIP-I is to ensure the smooth functioning and efficiency of the agricultural marketing system for a wide range of agricultural commodities produced in rural areas and sold at the markets. Linking rural communities through rural markets with markets in urban areas is an important step in creating synergies, value addition and gainful employment for the rural small-scale farmers. The specific objective of the project is to improve marketplace economic and social infrastructure by inducing incremental production and marketing of agricultural commodities, to enhance the incomes of vendors, and to increase employment and customer satisfaction. The MATIP-I targets to benefit over 900,000 households – approximately 150,000–200,000 of the households being headed by women (approximately 4.5 million people) within the catchment area of the markets will benefit directly or indirectly from the project. This Project aims at facilitating the integration of small agricultural communities and markets into the distribution supply chain. The reconstructed markets will improve hygiene conditions, reduce post-harvest losses, install facilities to meet demand, such as through cold storage units for fish and meat, provide increased trade opportunities between rural and urban areas, and serve as wholesaling centres for intra-urban and cross-border trade, especially for agricultural commodities. These commodities constitute 40 to 50 per cent of products traded in the markets. In Uganda about 80 per cent of women are engaged in agriculture production and trading activities. Access to markets is a primary constraint to increasing their income and improving their livelihoods.[167]

Like agriculture, the goods that are manufactured in Uganda are principally accessed by the consumers through the distribution chain. As such, distribution plays a critical role in the success of the manufacturing

[164] African Development Bank Group (2009).
[165] Ibid.
[166] Ibid.
[167] Ibid.

sector. Most manufacturing in Uganda involves the processing of agricultural commodities, such as food processing, textiles, beverages and tobacco.

2. Transport and Logistics

The distribution sector in Uganda is almost totally dependent on the efficiency and effectiveness of the transport sector, and especially, road transport. The poor road network that Uganda has had for a very long time, the unpaved roads – especially from the areas where the produce sold in the markets is sourced – have been a real challenge to the players in the distribution sector.

The fact that there is principally only one type of transport mode (road transport) that is used to distribute goods is a further challenge for the sector. The absence of storage systems in the markets, and even rest areas on the roads, makes it very expensive for distributors if their distribution cars break down, and it takes longer than one day to have the cars ready to travel again. In such cases, distributors have lost perishable goods owing to the fact that there is nowhere to store them during distribution. The problem is being addressed by the construction of storage facilities in the new markets being built under the MATIP-I project. The adoption of a deliberate policy by the Uganda National Roads Authority, as recommended in this present report, according to which all new roads being built will mandatorily provide rest areas and roadside service bays will go a long way in providing a permanent solution.

F. Institutional, Legislative and Policy Measures in the Distribution Sector

1. Institutional Framework

The institutional framework that governs the aforesaid distribution players varies depending on the sector players. The following section is an analysis of the institutional framework that governs the different players in the distribution sector.

Shops, supermarkets and hawkers

Section 9 of the Trade Licensing Act (TLA) stipulates that the hawkers' licence is to be granted by the town clerk of the city, municipality or town council, or any person appointed for that purpose by the district administrators. In the city of Kampala for example, it is the Kampala Capital City Authority that is mandated (or its appointed agents) to issue the licence.

The shops offering specialized services such as pharmacies and drug shops, clinics and dental practices, in addition to the trade licensing authorities, are also regulated by statutory professional/trade bodies in their areas of interest. For example, mobile money and airtime credit retail shops are supervised by their telecommunications parent companies, these in turn being overseen by the Uganda Communications Commission. Shops running automated-teller-machine ("ATM") banking facilities are the responsibility of the licensed commercial banks that are regulated by the Central Bank (Bank of Uganda). Drug shops selling and dispensing prescription drugs are overseen by both the Uganda Pharmaceutical Society and the National Drug Authority from whom they are required to obtain practicing licences to operate, in addition to a trading licence. The scope of the TLA currently does not cover these specialist operators (section 8(2)(f) of the TLA).

Markets

The Market Act is implemented by the Ministry of Local Government. The Ministry of Trade, Industry and Cooperatives merely provides technical guidance. The different markets are administered by the relevant local authorities in the areas. For example, regulation 3 of the Markets (Bugiri Market) By-laws states that, except with the written permission of the market authority, no person shall sell any fresh meat, dried or fresh fish, vegetables, groundnuts or other foodstuffs at any place within a radius of two miles from the limits of the Bugiri Market otherwise than in a store in respect of which a valid trading licence has been issued under the TLA.

On the whole, the institutional regulatory framework is optimal and effective in the circumstances. For example, the decentralized framework for markets is an effective way of administering them because there are so many markets, of different forms and types, and widely spread all over Uganda, that it would only be effective for the local leaders in the areas in which they operate to govern their operations, as opposed to the Ministry of Trade, Industry and Cooperatives, with its centralized capital-based structures in Kampala. The hawkers, on the other hand, can only be monitored effectively by the municipal authorities in their principal areas of operation.

2. Legislative Measures

The legal framework governing the operation of shops, supermarkets and hawkers is the TLA, cap. 101. This Act is responsible for the conduct of internal trade in Uganda. The TLA is undergoing, at the time of writing, a review process, and a draft bill has been provided. The TLA amendment bill has been approved by cabinet and has gone through its first reading in parliament. The bill is at the time of writing undergoing scrutiny at the committee stage by the Committee on the National Economy, which includes public hearings.

The following are the key issues with respect to the provisions of the TLA, in relation to the operation of shops, supermarkets and for the sale of goods by hawkers and travelling wholesalers.

Zoning

Section 8 of the TLA prohibits the trading in goods or carrying on of a business without a trading licence. This licence is given for one year and expires on 31 December of each year. The cost of the trading licence depends on the type of trade that one is involved in. Suffice it to note, however, that the cost is relatively appropriate in the circumstances.

The TLA grants powers to the Minister of Trade to declare any area of a city, town or municipality to be a general business area, or an area in which a person who is not a citizen of Uganda is prohibited from trading. The Trade (Licensing) (Restricted Trading Centres) Order is an example of an order issued in exercise of these powers. The Act in section 1 stipulates that it is unlawful for non-Ugandan nationals either to trade outside any city, municipality or town that has not been designated a general business area, or to trade in goods that are not endorsed on the trading licence. The restricted trading areas where non-nationals are prohibited from trading are Lugazi Township in Mukono district, Orungo in Katakwi County and Mukongoro in Kumi District. The rationale behind this measure is to stop foreigners from competing with locals in areas where it was deemed to be highly populated by locals.

Hawkers are not allowed to offer goods for sale within one mile of any licensed store or any municipality, town or trading centre.[168] The policy motivation for these restrictive provisions at the time of their creation (1969) was affirmative action to promote the participation of indigenous Ugandans in areas where foreigners, particularly Asians, were disproportionately dominant. This measure is, however, no longer enforced in Uganda and as a result there are large numbers of non-EAC nationals, particularly from India and China, competing with Ugandans as petty traders. Even though the law governing zoning in Uganda is an old law and is not currently strictly enforced, the zoning principles are still relevant for the management of the distribution sector today, especially in light of the fragile nature of the sector, as already discussed. As such, more effective enforcement of the law needs to be addressed.

The hawker's licence

A hawker's licence is granted to a person who sells goods by retail other than in trading premises or in a market established by the Markets Act. This non-transferable licence is also valid for a year expiring on 31 December. Hawkers' licences are issued by local governments including city, municipal, town councils and boards, but the fees are set by the Ministry of Trade, Industry and Cooperatives. The fees are also quite reasonable in the circumstances, and depend on the area of jurisdiction sought by the hawker.

3. Legislative Gaps

(a) Trade Licensing Act

The Act is not in sync with current trade trends. The Act was enacted in 1969 and has never been amended to date despite the dynamics of the business trends in the economy.[169] In addition, the scope of

[168] Trade (Licensing) (Regulation of Hawkers) Regulations – regulation 2.
[169] For example, the Act exempts players who are trading in markets from having to obtain a trading licence, yet some of the current market areas have been transformed to include modern shopping structures, banks, restaurants, beauty salons, pharmacies and clinics. These businesses were hitherto confined to locations outside market areas. In fact, traditional open

the Act is limited to trade in goods, and yet the practice has grown to include services. In practice, trading licences are also required for persons dealing in services, though the Act does not expressly recognize this.

The Act both in its current form and the bill proposing its amendment does not clearly distinguish between its dual role as a regulatory instrument for distribution, and as a revenue-generating tool for local governments. Whereas the TLA is the relevant regulatory instrument for distribution services, its enforcers at the various local governments have the discretion to interpret the instrument to their advantage, which unfortunately is at the expense of its primary role. This failure to have a clear distinction between the two roles of the TLA as being to (a) regulate trading activities, and (b) collect levies and licence fees has resulted in a regulatory vacuum where the TLA continues to be narrowly interpreted as a revenue platform for local governments that seek to maximize their revenues at the expense of effective regulation. This vacuum will get worse if no mitigating measures are introduced in the amendment bill prior to full liberalization of wholesale and retail services in 2015, as indicated in Uganda's EAC Common Market Protocol commitments.

The TLA contravenes Uganda's EAC commitments. Article 74 of the EAC treaty requires partner States to develop and adopt an East African trade regime and to cooperate in trade liberalization and development. Article 21(1) of the Customs Union Protocol requires partner States to prohibit practices that adversely affect free trade, including any practice that prevents, restricts or distorts competition within the EAC.

Furthermore, in article 3(2)(a) of the Common Market Protocol partner States undertook to observe the principle of non-discrimination among nationals of the EAC partner States on the basis of their nationality. The current TLA contravenes this Common Market Protocol provision. Section 2 of the TLA prohibits non-citizens from trading outside a city, municipality or town, and for trade in certain goods, which contradicts Uganda's commitments in the EAC common market arrangement.

Under article 13(1) of the Common Market Protocol partner States guaranteed the right of establishment of nationals of other partner States within their territories. Article 13(3)(ii) of the Common Market Protocol on the "right of establishment" entitles nationals of a partner State to set up and manage economic undertakings in the territory of another partner State. In article 13(5) of the Common Market Protocol, partner States agreed to ensure that all restrictions on the right of establishment based on the nationality of persons from partner States are removed, and not to introduce any new restrictions on the right of establishment in their territories. According to article 13(11)(a) of the Common Market Protocol, partner States shall remove the administrative procedures and practices resulting from national laws that form an obstacle to the right of establishment. Thus, restrictions, cumbersome administrative procedures and practices created by the TLA that prevent establishment of businesses for East Africans should be removed.

The TLA requires hawkers and travelling wholesalers to obtain licences from each of the local governments in whose jurisdictions they operate,[170] but by the nature of their businesses these distributors traverse several local government regions within the same district. The Act requires hawkers to have several licences from the different local governments, which is not financially viable for these sector players. The common practice, however, is that hawkers obtain a licence from the local government in their principal business location, which is normally their place of abode. These licences are also normally used for identification purposes by hawkers. They then proceed to move as far as their feet can take them, which is usually beyond the jurisdiction of the licence-issuing local administration. Kampala Capital City Authority's decision to charge substantially higher fees for commuter omnibuses authorized to operate in the Kampala metropolitan area – which covers three local governments in Kampala, Wakiso and Mukono – is a good precedent that could address this situation for the hawkers' licence.

Currently, the trade licence is granted for one year ending on 31 December of a given year.[171] If one is issued a license towards the end of the year, they are required to pay the full amount for the license, which is unfair to the businesses.

The absence of a competition law is making trade difficult. The fact that manufacturers are free to participate at different stages of the distribution chain – either as wholesalers, or even retailers who sell

markets, such as Wandegeya and Shauriyako in Kampala, have been restructured into multi-levelled shopping malls with market stalls becoming a collection of lock up shops. This exemption seems not to take into account the changing trends that trading has undergone over the last 44 years.

170 Section 20 of the Trade Licensing Act.

171 Section 13, 17 and 21 of the Trade Licensing Act.

directly to consumers through their direct sale agents and agents subject to being issued trade licences – complicates the distribution business from a competition viewpoint. This is because the retailers who buy the products from the wholesale manufacturers are eventually outcompeted by the cheaper prices for the goods sold by the manufacturers, who also sell the same product to consumers as retailers, but at their manufacturing price, in addition to offering free delivering services to bulk purchases by consumers. In this respect, the manufacturers are both wholesalers and retailers, but use the wholesale price for retail, to the disadvantage of the smaller retailers.

The TLA lacks elaborate provisions on the subsectors immediately liberalized by Uganda's EAC Common Market Protocol on distribution services, namely; Commission Agents and Franchising Services contrary to the established best practices in other jurisdictions where these categories of distribution services have proven to be extremely lucrative with globalization and its inevitable effects on distribution.

(b) The Markets Act

The principal legislation that governs markets in Uganda is the Markets Act, cap. 94. This law was enacted in 1942 to provide for the establishment and management of markets.

The Market Act prohibits anyone other than a district administrator or a municipal or town council from establishing or maintaining a market. These bodies, however, may establish a market within their jurisdiction and are the ones to control and manage the markets so established.

The Market Act (section 2) delegates the role of making rules governing markets to the Ministry of Trade, Industry and Cooperatives. There are approximately thirty regulations that are applied under the Markets Act. These include, among others, regulations on the use of markets and market buildings, keeping order, preventing obstructions, prescribing goods that may be sold in the market, prohibiting or requiring vendors to obtain permits for the sale of certain goods, imposing rents, and the like. An inventory of market regulations is included in annex 2 of this report.

There are several provisions in both the Market Act and its accompanying regulations that are responsible for the maintenance of law and order in the markets. For example, the requirement that every person in any market engaged in selling meat or fish shall be clothed in a white or khaki, sleeved garment or suit extending from the neck to at least the knees, and that the garment or suit shall be clean each morning before the commencement of work.[172] The Market Act also has provisions prohibiting bicycles, lorries and other vehicles from entering markets.[173] However, currently bicycles, motorcycles (*boda bodas*) and lorries offload passengers and produce within markets, which significantly congests the markets and greatly affects the movement of buyers and the pitches put up by the sellers. Fortunately, all the markets being renovated under the MATIP-I project have a provision for offloading bays to address this problem.

Some of the provisions of the Markets Act and its regulations are outdated, with a number of gaps and weaknesses.

An obsolete law

The Markets Act was enacted in 1942 and has neither been amended nor repealed since that date, despite all the national, regional and global changes that have occurred. The obsolete nature of the law means that it suffers a number of defects, as discussed below.

The sanctions and penalties for the offences are too low and ineffective. For example, a fine of U Sh 500, which at present is equivalent to the cost of purchasing a sweet, is not deterrent in any way. There has been no real effort to address these outdated punishments because the market players have their guidelines/by-laws which are made by the players in the markets themselves for each specific market and which entail detailed rules on punishments.

Market hours provided for by some of the regulations are outdated and not adhered to today. For example, according to regulation 4(1) of the Markets (Kampala Markets) By-laws, Kampala markets shall be open Mondays to Fridays 7.30 a.m. to 6.30 p.m. and Saturdays 7.30 a.m. to 5 p.m.. The Markets (Arua Market) By-laws stipulate that the market working hours are Mondays to Saturdays 8.30 a.m. to 4.30 p.m., and Sundays and public holidays 8.30 a.m. to 2 p.m.. Regulation 4(1) of the Markets (Bugiri Market) By-laws

[172] Regulation 4 of the Entebbe Market By-laws.
[173] See regulations 12 and 13 of the Entebbe Market By-laws and regulations 18 and 19 of the Gulu Market By-laws.

stipulates that the Bugiri Market is to be kept open between 8 a.m. and 6 p.m. on weekdays except Saturdays, when it shall be kept open between 8 a.m. and 1 p.m.. Currently, markets typically operate in two different formats as follows: (a) farmers' markets, early morning markets (running from 5 a.m. to 9 a.m.) and the regular day markets (running from 9 a.m. to late at night); (b) flea markets, which are ordinarily evening markets operating on specified days.

Regulation 6 of the Mengo Municipality Market By-laws provides that no person shall bring into the market any commodity intended for sale in the market after 6 p.m.. This regulation was deliberately intended to ensure that market vendors would not offer for sale stale perishable products such as fresh vegetables and animal products (meat and fish). However, long-shelf-life commodities such as dried and processed grains (beans, maize and maize flour, millet and millet flour, and the like) cannot feasibly comply with this provision although they are, in volume, the principal products traded in the markets.

Most regulations made under the Markets Act prohibit certain businesses from being conducted in non-designated areas of the market. For example, Kampala markets are not supposed to sell the following: (a) hides and skins; (b) live animals other than poultry and fish (and poultry and fish shall only be sold in pitches provided for the purpose); (c) fresh meat and offal, except in a meat stall or shop licensed as a butchery; (d) food that has been cooked or otherwise prepared for immediate consumption, except in a licensed eating house; (e) cloth and manufactured goods except in pitches, stalls or shops set aside for that purpose; (f) meat which has not been approved for sale by the market authority. Some regulations designate specific areas within the market for specified business or businesses of a certain class. Some regulations go as far as prescribing particular goods for sale in certain markets. For instance, the Bugiri Market By-laws require that the sale of goods in Bugiri Market is restricted to agricultural produce and native crafts.

The market fees for livestock rules provide for the fees to be paid against the amount realized from the sale of livestock brought into the market, for example, cattle U Sh 100, chickens U Sh 5, goats and sheep U Sh 15. The Busoga Market By-laws state that for each head of cattle and goat brought into the market, U Sh 5 and U Sh 1 respectively are to be paid per transaction. For use of a stall or pitch for the sale of any goods except foodstuffs, a shilling per day would be paid, with a gratis charge for the use of a stall or pitch for the sale of foodstuffs. These market fees as provided in the Markets Act are too low. The current practice is for all vendors in markets to pay a fixed monthly/daily fee as rent for their stall to the market authorities in addition to a fixed daily or monthly levy paid to the local authority, usually a municipal or local government.

Weak enforcement system

It has been noted that the existing laws have outdated punishments and fees. However, even these weak provisions of the law are not being enforced. Normally, the mere fact that offenders are sued in a court of law would provide some degree of deterrence from committing the crimes. But where there is no enforcement of even weak laws, it suggests that even if effective laws are put in place, it is unlikely that they will be enforced. As such, during the second workshop[174] the stakeholders noted the importance of strongly advocating for a stronger enforcement mechanism as one of the first steps to improve sector performance.

The Markets Act does not define what a market is

The Market Act does not define the term "market". The meaning ascribed to "market" seems to refer only to local markets, whose principal business is restricted to the sale of goods. Today's markets are involved in the sale of both goods and services, and currently include beauty parlours with hair salons, banks and 24-hour automatic teller machines and telecommunications kiosks, among others. Thus, the scope of application of the Markets Act does not adequately cover the market activities.

Contradiction in law on who is to manage the markets

The Market Act designates a market authority as the person or body managing or controlling a market.[175] Section 1(2) of the Act also stipulates that "The administration of a district may establish and maintain markets within the area of its jurisdiction and shall control and manage such markets or vest their control

[174] The Uganda Services Policy Review: Second Stakeholder Workshop on Services, organized by UNCTAD and the Ministry of Trade, Industry and Cooperatives, in Entebbe, Uganda, on 15–16 May 2013.
[175] Section 1(4) of the Markets Act.

and management in such person or authority as it may deem fit". The Market Act further provides that in the urban areas mentioned in the schedule to the Act, markets shall be established, maintained, controlled and managed by the municipal or town council established in the area. However, section 1(3) stipulates that any authority specified in subsection (1) of the Act may at its discretion disestablish any market established by it. This confusion in the law has created a lot of uncertainty in the actual management and operation of markets in the country, to the detriment of market vendors who do not know who has the actual jurisdiction of their market.

G. Conclusion

The TLA, as the primary legal framework for distribution services, both limits the participation of foreigners in the sector to a few municipal locations and narrows the scope of the distribution activities to only goods, whereas services are increasingly emerging as an important item to both distributors and consumers. The TLA explicitly provides that "non-Ugandans are not allowed to trade outside the city, municipality or town or in goods not declared in his or her licence".

In addition, the TLA lacks elaborate provisions on the subsectors immediately liberalized by Uganda's EAC Common Market Protocol commitments on distribution services, namely commission agents and franchising services, contrary to the established best practices in other jurisdictions where these categories of distribution services have proven to be extremely lucrative with globalization and its inevitable effects on distribution.

Whereas the TLA and the Market Act are the relevant regulatory instruments for distribution services, the two laws have outdated provisions that are not in sync with the sector dynamics in Uganda and the East African regional context.

Furthermore, the enforcers of the TLA at the various local government and municipal levels do not appreciate the primary role of the trade licence as a regulatory instrument, but are more interested in its secondary role as a revenue-generating tool. This failure to have a clear distinction, by its principal enforcers, between the dual roles of the trade licence as being to regulate trading activities on the one hand, and collect levies and licence fees on the other, has resulted in a regulatory vacuum in which the TLA continues to be narrowly interpreted as a revenue platform for local governments that seek to maximize their revenues at the expense of effective regulation. This situation will get worse if no mitigating measures are introduced prior to full blown liberalization of wholesale and retail services in 2015, as inscribed in Uganda's EAC Common Market Protocol annex V commitments on progressive liberalization of trade in services. The review process leading to the amendment of the TLA provides an opportunity to clearly distinguish the two roles and provide adequate grounds for their realization accordingly.

The large number of proprietors engaged in distribution as a primary source of livelihood, particularly the marginalized, women, the disabled and people in rural areas means that opening up this sector fully without effective regulation will certainly have far reaching implications for these vulnerable players. Liberalization of distribution as has been committed in the EAC Common Market Protocol will demand effective regulation in face of the changing times, as well as the enforcement of existing laws, such as those concerned with zoning, to protect vulnerable players in the distribution sector.

The emergence of multiple-outlet wholesale and retail supermarkets as the preferred distribution platform by consumers, which is neither provided for in the TLA, nor fits any of the traditional categories provided for in the GATS classification for services, means that their proliferation and expansion in Uganda without an appropriate regulatory framework may have far-reaching consequences for poverty and rural development. This expansion is taking place without the safety nets necessary for the large number of vulnerable retailing players that the expansion will negatively impact. Supermarkets in this category seem to prefer sourcing fresh farm produce from abroad and commercial farmers to the exclusion of local small farmers. Moreover, these supermarkets are competing directly with traditional open markets where small farmers either participate directly through early morning farmers' markets, or are the primary suppliers. Supermarket expansion without deliberate efforts to facilitate small farmers will limit the impact that distribution can have on poverty-alleviation efforts for the majority of Ugandans, largely small farmers, in rural areas.

Distribution service reforms should deliberately aim at increasing opportunities for small farmers to access and participate in the distribution supply chain for the high growth segments of the distribution sector, especially with regard to supermarkets, which are increasingly emerging as the preferred platform.

Secondly, reviews of the Markets Act and other market development initiatives should seek to increase the participation of small farmers in particular, and the agricultural sector in general, and not their displacement in the distribution value chain. The licensing of both large foreign as well as locally owned multiple-outlet supermarkets should be subject to a commitment to source the bulk of their fresh farm produce (unprocessed), including fruits and vegetables, from local suppliers. Incentives can be factored into the tax regime for distribution including duty draw backs to support local farm suppliers. Supermarkets could also be encouraged to adopt contract farming as an industry procurement practice.

H. Distribution Services: The SWOT Analysis

<table>
<tr><th>STRENGTHS</th><th>WEAKNESSES</th></tr>
<tr><td>
• MATIP-I: US$55.8 million to finance the reconstruction of 21 markets including 3,100 lockups and kiosks, 8,200 stalls, 590 meat/fish units, with 90 cold storage units, restaurants/eating kiosks and paved pitches/spaces (7 ha), vehicular parking/loading areas, water supply, washrooms, solid waste bays, drainage, fire-fighting systems and day-care centres
• Zoning is already provided for in the TLA, even if it is not often enforced, making it easier to cushion the vulnerable nationals in the sector from outright foreign competition
• Many Ugandans are interested in joining the sector. This is because it does not require large capital investments to be a sector player
</td><td>
• Lack of storage facilities for entire sector
• Poor physical infrastructure in Uganda and especially in the markets. Cost of distribution very high as a result
• Lack of effective means for bulk transportation. Railway and water transport are not effective alternatives
• The laws operating in the sector are all old laws – not in sync with contemporary issues
• Unfair licensing system: the trade licence expires at the end of the calendar year, irrespective of the date of acquisition, as opposed to being a licence which runs for a year from the period of purchase
• Weak enforcement of existing laws
• Distribution chain is not respected. Suppliers are also wholesalers, as well as retailers
</td></tr>
<tr><th>OPPORTUNITIES</th><th>THREATS</th></tr>
<tr><td>
• Market construction taking place: six markets to be constructed by 2015; five more markets by 2017; will increase work space for markets
• Five artisan parks have been approved to be built in the next five years to facilitate the growth of the artisan industry
• Burundi and Kenya have relatively liberal distribution markets. Ugandans can take advantage of this
• Uganda to open up sector in 2015. Opportunity created by EAC competition
• Sector is the largest contributor to GDP, hence has potential to positively affect the economy
• Sector employs all sorts of people – therefore, it's an effective avenue to address poverty alleviation.
• Franchising is a good opportunity for Ugandans to create jobs
</td><td>
• High prevalence of foreign traders engaged in petty trade
• EAC laws forbidding national discrimination prevalent yet players in the sector are vulnerable
• Uganda has made a commitment to open up the sector in 2015. Without the requisite regulations, many SMEs in the sector are likely to be negatively affected by unregulated competition
• Kenya and the United Republic of Tanzania have not liberalized retail – one of Uganda's key areas of interest
</td></tr>
</table>

VII. INFORMATION TECHNOLOGY ENABLED SERVICES

A. Introduction

Information technology enabled services (ITES), as opposed to ICTs and computers, are defined as outsourcing of processes that can be enabled with information technology, and covers diverse areas such as finance, human resources, administration, health care and telecommunications, inter alia. Armed with technology and manpower, these services are provided from e-enabled locations.

Information technology enabled services are broader than CRS. Whereas CRS traditionally emphasize the technologies themselves (hence "information and communications technologies"), ITES are services that have been transformed by ICTs. Information technology has enabled services to be digitized, codified and fragmented, and therefore able to be supplied at long distances from the core business and final customer. These services include business processes (services), which are increasingly being outsourced (BPO), including accounting, financial analysis, call-centre services, architectural drafting, and health-record transcription, inter alia.[176]

This group of services is also variously termed "web-enabled services", "remote services" or "tele-working" and covers the entire range of operations that exploit information technology for improving efficiency of an organization. These services provide a wide range of career options that include opportunities in call centres, medical transcription, medical billing and coding, back-office operations, revenue claims processing, legal databases, content development, payrolls, logistics management, geographical information systems, human resource services, web services, and many others.

The EAC is the primary export market for most Ugandan firms in the ITES sector, while the European Union is among other primary export markets, which also include Eastern Europe (International Trade Centre and United States Agency for International Development, 2006). Uganda's imports of these services have been growing at a faster rate than its exports**.** Service exports have shown positive growth and have maintained an upward trend. However, the balance of trade data does not fully capture the divergences in imports and exports. Uganda's ITES exports seem to have grown from US$0.7 million in 2003 to US$53.4 million by 2012, representing a 70-fold increase.[177] The ITES sector recorded a 20-fold growth in total revenues generated in the period 2001–2006.[178] The fast growth and reach of "mobile money" in the EAC region in general and in Uganda in particular demonstrates the potential for the ITES sector. The ITES industry have enormous opportunities that Uganda can exploit to transform the economy and peoples' lives through job creation, accelerated economic growth and significantly increased productivity. According to the World Bank's New Economy Skills for Africa Programme – Information and Communication Technologies project, the current global potential of ICT/ITES outsourcing is estimated at US$500 billion annually, of which less than US$100 billion has so far been tapped. This potential is estimated to rise to US$1.6 trillion by 2020.[179]

B. Main Features of the Subsector

1. Services of Interest to Uganda

Part 1 of this SPR notes that the first recommendation relating to the analysis of the ICT and CRS subsectors in this part of the study should aim at a more focused identification of the subsectors and services of current and potential interest for Uganda, so as not to overstretch the coverage of the research undertaken. Accordingly, the interviews and meetings held with the relevant stakeholders have been informed by this consideration.

[176] See also Mann (2005).
[177] UNCTADStat
[178] International Trade Centre and United States Agency for International Development (2006).
[179] See http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTEDUCATION/0,,contentMDK:22335863~menuPK:617610~pagePK:148956~piPK:216618~theSitePK:282386~isCURL:Y,00.html (accessed 13 January 2014).

The field surveys conducted for this review reveal two key sectors of interest to Uganda, namely telecommunications finance (mobile money) and BPO, which includes outsourced front and back office services.

(a) Telecommunications Finance (Mobile Money)

The telecommunications subsector in Uganda has expanded rapidly in the last few years, especially with respect to the number of mobile subscriptions (see table VII.1).

Table VII.1. Uganda's Telecommunication Services, 2006–2010

		2006	*2007*	*2008*	*2009*	*2010*
Operators	National operators	2	2	2	2	2
	Mobile operators	3	3	4	6	6
	Infrastructure providers	-	-	-	23	26
	Public service providers	-	-	-	32	36
	Public service providers (capacity resale)	-	-	-	3	8
Services	Fixed line subscribers	129,863	165,788	168,481	233,533	327,114
	GSM* subscribers	2,697,616	5,163,414	8,554,864	9,383,734	12,828,264
	Pay phones	12,889	27,999	52,515	94,896	104,385
	Call traffic	2,307,391	3,004,738	4,268,705	7,146,567	10,037,722
Tele-density	Fixed lines	0.47	0.59	0.57	0.76	1.03
	Mobile lines	9.86	18.28	28.74	30.60	40.36
	Investment (US$)	73,499,693	367,809,156	326,563,198	270,751,740	N/A

Source: Uganda Communication Commission (undated).
***** Global System for Mobile Communications, originally Group Spécial Mobile.

Prior to full liberalization, Uganda's telecommunications sector had an institutionalized duopoly of national operators. MTN was designated a Second National Operator to compete with Uganda Telecom Limited (UTL), a privatized former state telecommunications monopoly. The two were the national operators, and competed as a duopoly, providing basic telephony services for a period of five years commencing 20 June 2000.[180] Since 2007, Uganda has opened up the sector fully to competition. There are two main categories of licences in the telecommunications sector under a licensing regime introduced in 2006. One is the public infrastructure provider licence, which allows operators to set up their infrastructure in any part of the country. The other is the public service provider licence, which allows telecommunications services to be provided using infrastructure deployed by public infrastructure provider companies. Under the new liberalization, 24 public infrastructure providers and 35 public service providers have been licensed. In addition, the UCC has encouraged the sharing of infrastructure and introduced a simplified licensing procedure to boost the entry of new companies into the market.[181]

As illustrated in the table VII.1, the tele-density of mobile lines increased from 9.86 per cent in 2006 to 40.36 per cent in 2010. This was attributed to increased price competition, an increase in multiple subscriber identity module handsets, and new subscription demand arising from new services such as mobile money transfers and utility payment options. In addition, the number of operators in the mobile sector has increased from three in 2007 to six in 2010. Telephone traffic increased nearly fivefold from 2006 to 2010. Over the same period, Internet usage grew nearly tenfold from 500,000 users in 2006 to 4.7 million in June 2011, which is more than 10 per cent of the population.

[180] See also Tusubira (2000).
[181] See also http://www.itu.int/net/itunews/issues/2009/06/31.aspx (accessed 11 January 2014).

One of the recent innovations by telecommunications companies in the EAC region is the transfer of money using mobile phones, commonly known in Uganda as "mobile money". Mobile money is the use of a mobile phone to transfer funds between persons, banks or accounts, deposit or withdraw funds, or pay bills. The term is also used to describe electronic commerce with the use of a mobile device to purchase items, either physical or electronic.[182] It is also defined simply as currency used on mobile devices, such as smartphones, mobile phones, and other handheld devices to buy or sell goods or services through mobile commercial transactions.

Mobile money services in Uganda include transactions of sending of money or instant settlement of financial obligations using handheld devices, particularly mobile phones (and not exclusively smartphones). By December 2012, there were a total of 8.8 million registered customers on all Uganda's mobile money platforms, with a total transaction value of U Sh 11.66 trillion (US$4.5 billion), compared with 1.68 million customers with a gross transaction value worth U Sh 962.7 billion (US$373.1 million).[183] This demonstrates the growing importance of this sector.

Furthermore, because of the growth and expansion of mobile telecommunications to the most remote parts of Uganda, mobile payments have become more credible than ordinary commercial banks, which require a lot of infrastructure to set up and as a result have not been able to penetrate the remote parts of the country. Mobile money is increasingly becoming the number one choice of payment method in Uganda, compared to the conventional banking system.

Telecommunications finance services are not unique to Uganda. They are also widely popular across the EAC in the other partner States. By the end of 2009, up to 65 per cent of Kenyan households were using "M-Pesa" – the equivalent of "mobile money" in Uganda. According to *The East African*, the total amount of money transacted by Safaricom's M-Pesa for its estimated 15 million users in Kenya is equal to a third of the country's GDP.[184] M-Pesa currently processes more transactions domestically in Kenya than Western Union does globally. It receives deposits from 70 countries around the globe, 25 banks are connected to the service and K Sh 1.8 billion (US$22 million) is moved between people daily.[185] As such, because of the volumes of finance passing through this platform, as well as the accessibility and growing preference for the platform as a payment mechanism and the tremendous potential for job creation among the country's youth, there is need to establish a robust dedicated regulatory and institutional mechanism for mobile banking in the country.

(b) Business Process Outsourcing

Business Process Outsourcing has been identified as one of the key sectors that can propel Uganda's economic growth through employment opportunities for the youth and increased investment. The NITA–U, in conjunction with the Ministry of Information and Communications Technology, is spearheading the process of promoting the ITES–BPO industry through several initiatives. These include the establishment of a government BPO incubation centre, designing an incentives scheme to attract investment into the sector, and improving national ICT infrastructure. In addition, the government has entered into a memorandum of understanding with Makerere University to train Ugandan youth in ITES–BPO courses. The first batch of 500 young people has already been trained. This is a great initiative, since an efficient human resource is a key factor for enhancing competitiveness in the industry.[186]

Uganda's BPO industry comprises three key pillars: (a) captive call centres of banks, telecommunications and other organizations operating in Uganda; (b) third party ITES–BPO service providers; (c) resourcing and staffing organizations involved in providing manpower staffing services to various sectors.

2. Employment Trends in the Information Technology Enabled Services and Business Process Outsourcing Sectors

"The ICT sector has become one of Uganda's leading sources of employment in the country... By December 2010, ICT employed 14,000 persons."[187] ITES firms on average employ about four persons per

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[182] See also http://www.businessdictionary.com/definition/mobile-money.html#ixzz2MHnFi6CI (accessed 11 January 2014).
[183] *The East African* (2013), Mobile money more accepted in Uganda than plastic cash, 6–12 July, p.56.
[184] Thomas (2012).
[185] Ibid.
[186] National Information Technology Authority Uganda (2012).
[187] *New Vision* (2011), ICT propels growth – World Science Day Supplement, 17 November, available at http://www.newvision.co.ug/news/30075-ict-propels-growth-world-science-day-supplement.html (accessed 12 January 2014).

business. The sector accounted for about 4,109 businesses in Uganda by 2012, employing a total of 14,401 full-time employees (UBOS, 2012). The Business Process Outsourcing Strategy for Uganda 2008–2011 estimated the BPO industry size at approximately 1,200 full-time employees. Three years following, the industry size has grown owing to the demand in the telecommunications sector and increasing awareness of the importance of customer service in other industries. According to the Uganda Business Process Outsourcing Association, the total BPO size is estimated at 3,000 people. The ITES–BPO industry, however, currently employs close to 2,000 people, mostly in the telecommunications sector, with firms like UTL having approximately 500 employees and MTN having 350 employees. Utilities companies such as UMEME have about 50 call-centre employees.

C. Institutional Framework for the Information Technology Enabled Services and Business Process Outsourcing Sectors

The ITES sector is divided into three key levels, namely, policy, regulatory and operational. The Ministry of Information and Communications Technology is in charge of the policy level, the regulatory level is composed of the UCC and the NITA-U, while the operational level is composed of the telecommunications, postal, IT and broadcasting operators. Details of these three key institutional players are outlined below.

1. The Ministry of Information and Communications Technology

The Ministry of Information and Communications Technology was established in June 2006 with a mandate for providing strategic and technical leadership, overall coordination, support and advocacy on all matters of policy, laws, regulations and strategy for the ICT sector. It aims at ensuring sustainable, efficient and effective development and utilization of ICT in all spheres of life to enable Uganda to achieve its national development goals. The Ministry provides policy oversight to the sector.

2. The National Information Technology Authority Uganda

The NITA-U, on the other hand, is the statutory regulator of the ITES sector in Uganda. Some residual regulatory authority still lies with the UCC, which hitherto had the statutory mandate over the whole communication sector including ICT and ITES, prior to the establishment of NITA-U.

3. The Uganda Communications Commission

The UCC is the regulator of the communications industry in Uganda. It regulates and promotes the developments in the communications industry. The UCC has also been instrumental in the development of the ITES–BPO sector by promoting the development of the telecommunications infrastructure. Although NITA-U has since been established for the ITES–BPO sector, the UCC still has an important supportive role to play in the future. The new phenomenon of convergence, as demonstrated through mobile money and other cross-over products, including utility bills payment solutions, where several unrelated services interface, requires regulatory cooperation and coordination between and among regulators of the services in question. Moreover, some of the new-age regulators such as NITA-U are comparatively younger and still finding their feet, as opposed to long-established traditional regulators such as the UCC and the Bank of Uganda in telecommunications and banking respectively. The effective regulation of ITES in general and its innovative and creative products (referred to as value added services by the UCC) will require coordination and cooperation between UCC and NITA-U.

4. The Uganda Business Process Outsourcing Association

The Uganda Business Process Outsourcing Association is the umbrella association for the ITES–BPO industry in Uganda. It serves as an advocacy platform for the industry with 60 companies registered as its members. The Association was established to promote, nurture and support the BPO sector in Uganda and (a) give the industry a single unified and strong voice, (b) grow the BPO sector and the companies in it, (c) strengthen and enhance the link between public and private sectors, and (d) influence constructive industry-friendly policy. The Association's services include advocacy on public policy, international trade development, research and market intelligence services and access to an international network of outsourcing associations across the globe. It aims at improving BPO performance standards and outcomes by establishing a code of conduct detailing acceptable behaviours and practices, and by developing an accredited training and development programme for industry practitioners (UCC, 2011).[188]

The institutional framework for ITES is still in its infancy given that NITA-U, the sector regulator, was only recently established and therefore does not have the benefit of experience. Prior to the establishment of NITA-U, UCC used to perform all the functions currently performed by the new Authority. Therefore, NITA-U would be well advised to take advantage of the experience of UCC. Furthermore, most ITES, including mobile money and financial intermediation (for example, utility billing) are a result of convergence between IT and other sectors. Thus, effective regulation of these services requires cooperation between NITA-U and other regulators, such as the Bank of Uganda (financial services), the Energy Regulatory Authority and the National Water and Sewerage Corporation (electricity and water bills).

The ITES sector is a nascent subsector in Uganda, with most players in this field having been in operation only in the last few years. The deployment of information technologies in production and service delivery processes is widely credited with significantly increasing factor productivity and firm profitability. Of the different ITES that have emerged in Uganda's economy in the last decade, mobile phone services stand out as having the widest reach and benefit to households and the business community. Mobile phone penetration has increased from 27 per cent in 2008 to over 41 per cent in 2010 (UCC, 2011), and is expected to reach 70 per cent by 2014. According to the Bank of Uganda, ITES exports have increased tremendously from a marginal US$0.2 million in 1997/98 to nearly US$25 million in 2004/2005. By 2004/2005, three-quarters of all ITES exports (US$19 million) were exports of communication services (telecommunications exports, namely telephone, electronic mail, faxes, teleconferencing, business network services, and the like). The remainder (US$6 million) were exports of core computer and other ITES (databases, data processing, software, and the like). The value of ICT export grows bigger every year, reaching US$68,461,692 as of 2010, despite the depression of global ICT markets (table VII.2).

Table VII.2. Ugandan Information Technology Enabled Services Exports and Imports, 2007–2010 (Percentage of all Goods/Services)

	2007	2008	2009	2010
ICT goods export	6.2	4.9	-	-
ICT goods imports	10	9.3	-	-
ITES exports (US$)	36,605,692	56,091,107	58,652,172	68,461,692
ITES exports	6.2	7	6.07	5.23

Source: International Telecommunication Union database, National IT Industry Promotion Agency (2012).[189]

5. Internet Subscriptions

Internet subscriptions in Uganda have shown a sharp increase over the last decade. The number of Internet users has increased from 40,000 (0.1 per cent of the population) in 2000 to an estimated 6.2 million users by December 2012, over 17 per cent of Uganda's population estimated at 35 million (UCC, 2013). The percentage of Internet users by global standards is still low, but its average annual growth rate at 2 per cent is comparatively high. It seems that the fixed and mobile infrastructure is insufficient to support data service. The amount and cost of bandwidth available to the number of Internet users is a good indicator of the potential domestic customer base for ITES. An Internet/data enabled smart-phone can consume and at the same time provide ITES services. The proliferation of Internet subscribers is an indicator of the potential of the ITES sector (table VII.3).

[188] See http://ubpoa.or.ug (accessed 12 January 2014).
[189] See 2012 Uganda e-Government Master Plan, p. 65. Available at http://www.google.ch/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=11&ved=0CCUQFjAAOAo&url=http%3A%2F%2Fwww.nita.go.ug%2Findex.php%2Fcomponent%2Fjoomdoc%2Fpublications%2Fdploads%2FUganda%2520eGov%2520Master%2520Plan%2520_0.pdf%2FJOOMDOC_ROUTE_DOWNLOAD&ei=n_D0UqTAE8fnygOSzYGYDA&usg=AFQjCNEB3Em12GHYeljspD-uVVJMDtq_Bw (accessed 10 February 2014).

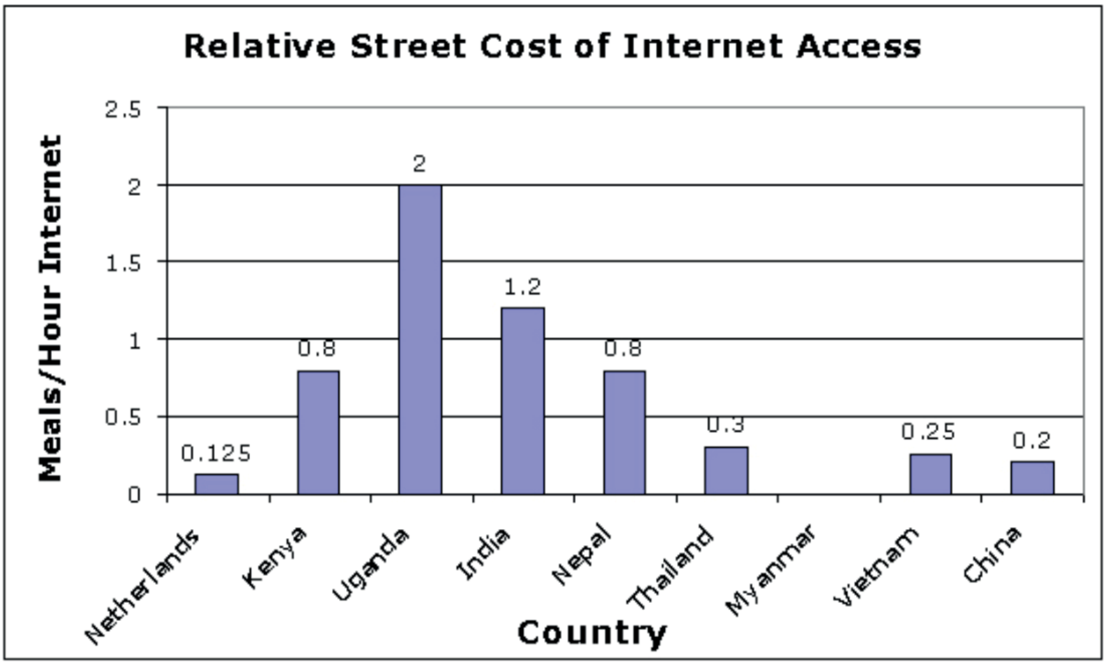
Table VII.3. Internet Utilization in Uganda, 2006–2010

Category		*2008*	*2009*	*2010*
Internet subscribers (thousands)	Total	195.2	269.5	515.9
	Fixed	26.7	36.0	188.8
	Mobile	168.5	233.5	327.1
Internet users in Uganda		2,475,812	3,165,581.5	4,178,085.38
Internet users (per 100 persons)		7.9	9.78	12.5
Secure Internet servers (per 1 million persons)		0.2	0.31	0.87
Secure Internet servers		7	10	29
International Internet bandwidth (megabits per second)		369.0	-	-
Bits per Internet user		149	-	822

Source: International Telecommunication Union database, National IT Industry Promotion Agency (2012).

Though Internet usage varies from region to region, Uganda, as is the case in many other sub-Saharan African countries, has more urban Internet users than in its rural areas. Whereas 85 per cent of the population lives in rural areas, 80 per cent of the Internet users in Uganda are urban residents. This Internet users' demographic spread has not been altered by the mobile Internet, which is considered a great equalizer in other broadband-scarce countries.

Figure VII.1. Relative Street Cost of Internet Access



Source: Gettelman (2003).190
Note: Relative street cost of Internet access for Myanmar is not available.

[190] Although this information looks comparatively out of date, it was presented as the latest available data in the Uganda e-Government Master Plan 2012, as well as by the National Information Technology Authority during interviews to compile this report.

Figure VII.1 illustrates a comparative analysis of the cost of Internet access in two EAC countries, Kenya and Uganda against selected Asian countries (India, Nepal, Thailand, Viet Nam and China) on one hand and the Netherlands on the other. Uganda has the highest Internet cost among all the countries sampled, demonstrating the country's comparative disadvantage and the need to address the cost of Internet connectivity as a key intervention in exploiting the export potential in the ITES sector. Kenya, which is considered as the most access-competitive country in the EAC, only compares with Nepal, which is the most costly among the South-East Asian countries reviewed in the sample. Higher costs are often associated with slower access speeds (refer to the speed and cost in China and Uganda on either ends of the scale). The Internet speed in Uganda is considerably low and the cost is high considering its poor quality. India's high access cost is proof that competitiveness takes more than a low cost, it also points to the poor quality of its connectivity. Being landlocked, Uganda until 2009 depended entirely on satellites for its international Internet connectivity. Since 2010, when several international submarine fibre-optic cables landed at Mombasa on the Kenyan coast, Uganda's international Internet connectivity has been established via a national fibre-optic backbone terminating at its borders. This implies that addressing high Internet connectivity costs in a regional context may be more effective than at a national context. This is particularly crucial considering that Uganda, as a landlocked country, relies on its coastal neighbours such as the United Republic of Tanzania and Kenya for its high-speed access to the undersea cables.

6. Vision 2040 and Information Technology Enabled Services

Vision 2040 is Uganda's road map for transformation to a mid-income economy in 30 years. It identifies ITES as a key growth pillar. Information and communications technology is also included among the eight main objectives of the Vision and is a primary growth sector in the National Development Plan (2010/11–2014/15). The Vision is conceptualized around harnessing opportunities, improving competitiveness and strengthening the fundamentals for transformation in the ICT business in general and ITES in particular. The Vision stipulates that by 2040, 40 per cent of Uganda's total exports will comprise of ITES. The target of the Vision is to make Uganda "the most attractive place in the region to start and invest in innovative technology companies". To achieve this, Uganda needs deliberate efforts to attract the world's leading technology corporations to provide ground for Ugandan ITES SMEs to grow into large global businesses. HTEC-Uganda[191] shall be a high concentration, in the same area, of ITES engaged in software development, Internet services, hardware assembly and manufacturing, and creative and media industries. It is intended that this ITES hub will be a centre for high-growth and highly innovative companies of the future, capable of creating hundreds of thousands of technology jobs.

7. Contribution of Information Technology Enabled Services to Gross Domestic Product

The share of ICT in GDP, measured by the share of posts and telecommunications, was 0.6 per cent in 1997 and increased to 3.8 per cent in 2008. Between 1998 and 2002 the sector grew at 22.8 per cent, and from 2004 to 2008 the sector growth was 26.2 per cent. By 2011, Uganda's ICT sector's contribution to GDP had increased from 2.5 per cent to 5 per cent in the space of six years (*New Vision*, 2011). The number of fixed and mobile lines per 100 people increased from 0.24 and 0.02 in 1996 to 0.56 and 27.68 in 2008, respectively. Internet usage has been slowed due to the lack of Internet support infrastructure of the country and the low rate of computer literacy in Uganda. However, telecommunications remain the biggest tax payers in the country, with several ongoing ICT projects, for instance, e-governance, e-education and e-health.

8. Trade Liberalization

Uganda is not a signatory to the Information Technology Agreement, nor has it made commitments at the WTO in computer-related services. However, it has made a commitment within the EAC Common Market Protocol framework to liberalize its computer-related services by 2015.

9. Current Status of Information and Communications Technology Development in the East African Community

Although the **Government** of Uganda has prioritized ICT in both the National Development Plan as well as Vision 2040, which places ICT at the heart of Uganda's efforts to become a mid-income economy by 2040, the national level of the extent to which the economy is ICT based ("informatization") remains low compared to Uganda's neighbours, owing to the satellite-based Internet service and wireless network.

[191] See http://htchub.co.ug/ (accessed 10 January 2014).

Table VII.4. Comparison of Various Information and Communications Technology Indices in the East African Community

Country	ICT Development Index, rank[1]	Networked Readiness Index, rank[2]	e-Government Rank[3]
Republic of Korea	1	11	1
Kenya	114	92	119
Uganda	132	110	143
United Republic of Tanzania	139	127	139

Source: ITU (2012a), World Economic Forum (2013), United Nations (2012).
[1] Out of 152 countries; [2] out of 142 countries; [3] out of 190 countries.

Uganda is ranked below Kenya and the United Republic of Tanzania in terms of the ICT Development Index and e-Government Rank, and is inferior to the other advanced African IT countries (table VII.4). On the other hand, Uganda's Networked Readiness Index ranking is above that of the United Republic of Tanzania. However, one of the most noticeable aspects is that recently Uganda has become well placed in the development of various ICT fields such as Internet and telecommunications (table VII.5).

Table VII.5 Information and Communications Technology Price Basket and Sub-Baskets in 2011

Country	ICT price basket value	Sub-baskets (% of gross national income per capita)		
		Fixed telephones	*Mobile cellular*	*Fixed broadband*
Republic of Korea	1.1	0.4	1.3	1.6
Kenya	28.6	21.5	6.8	57.4
Uganda	29.9	25.7	25.1	39
United Republic of	39.7	25.5	22.9	70.8

Source: ITU (2012a).

10. Investment Trends and Participation of Foreign Service Providers in the Information Technology Enabled Services Sector

The liberalization process of the national ICT sector has increased in tandem with competition in the global markets that started in 1994 in the telecommunications industry as well as the liberalization of broadcasting services in 2000. As a result, FDI in the ITES sector experienced tremendous growth between 2003 and 2008. Investment, in the communication sector alone raised the annual national average investment from US$43 million in 2003 to US$150 million in 2007.

Inadequate intellectual property protection due to weak laws or their enforcement is a common feature in relationships between foreign transnational corporations (TNCs) and Ugandan SMEs in the ITES sector (Bakunda et al., 2013). The ITES sector suffers rampant infringement of intellectual property and innovations by foreign TNCs to the detriment of SMEs in the sector. The ITES SMEs surveyed in this ICBE study (Bakunda et al., 2013) reported that foreign TNCs frequently dismiss inventions and innovative ideas from SMEs on grounds of being of little or no commercial value, only to turn round to put the innovations to commercial use without any compensation to the SMEs. Because of their vulnerability and the dependent nature of relationships between foreign TNCs and local SMEs to whom they outsource and typically collaborate with within the ITES sector, the SMEs cannot enforce their rights when TNCs breach their intellectual property rights. The UCC, the sector regulator for telecommunications, narrowly interprets its mandate as being primarily a regulator of the telecommunications companies (licensees), to the disadvantage of the SMEs, which can neither enforce nor secure their inventions and innovative ideas, and the welfare of consumers from infringement by foreign TNCs (Bakunda et al., 2013). Stronger enforcement of the existing intellectual property laws would address this problem.

D. Linkages with Other Sectors

1. Financial Services – Banking

The range of services provided through mobile phones has undergone exponential growth, the most notable being the mobile transfer service which begun in 2009. Since then, sources indicate “there are now more people registered on mobile money in three years than Ugandans with bank accounts in over five decades”.[192] This growth is what has spurred a recent development of the convergence between banking and telecommunications banking by the banking sector deliberately taking advantage of mobile money to increase its reach and match the widening footprint of the latter. Convergence between banking and telecommunications finance concerns transfers through the mobile platform between bank accounts, and also from a bank account to a mobile phone account using a mobile phone such as “Cente Mobile” or “DFCUMobile” at Centenary Bank and DFCU Bank, respectively. Mobile money has become so popular in Uganda that it has become the payment system of choice, easily comparable to the online payment platforms of some famous auction websites.

The Bank of Uganda has licensed four mobile money network operators to offer mobile money services, as a means of bringing about greater financial inclusion with the move towards branchless banking. By February 2012, telecommunications firms had registered 2 million mobile money clients and 13.2 million transactions worth U Sh 551.0 billion (US$206,468,000) had been processed between January and March 2012 (Kiwanuka, 2012).

2. Financial Intermediation

With the increasing penetration of mobile phones and the number of Ugandans using mobile money outstripping the total number of Ugandans with bank accounts, mobile money is increasingly becoming the preferred choice for financial intermediation and settling financial obligations. With the new trend of convergence, telecommunications firms are increasingly encouraging their subscribers to pay their utilities using mobile money as the more efficient and cheaper option.

3. Billing for Utilities

Information technology enabled services have enabled utility firms that hitherto suffered problems related to inefficient billing systems, with excessive default payments and bad debts to leverage ITES to develop pre-paid services with mobile money payment (e-payment) options. Instant billing and pre-paid pay-as-you-use payment options have resulted in a paradigm shift in the operations of utility firms. Large bad debts have been replaced with large amounts of money received from pre-paying consumers, for example, the YAKA pre-paid product of UMEME, the electricity utility firm.

4. E-Government

E-government has been earmarked as a key delivery tool to address corruption in Uganda and to improve the Government’s service delivery. E-government, via digital administrative and business processes for government and private enterprises, involves focusing on the use of ICTs to assist in the transformation of government structures and operations for cooperative and integrated service delivery. E-government is deliberately promoted to make the private sector more competitive by reducing the cost of transacting with the Government in such areas as tax assessment, payment, collection, and procurement. Advantages include the convenience created for the citizens, improved government productivity and efficiency of its agencies, creation of a more accountable Government, increase in transparency, empowerment of public access to information/records in possession of the state, and better governance.

5. Education

Uganda has positioned itself as an education hub within the EAC and COMESA. Previous studies done in this area have recommended e-learning as presenting an opportunity for growth. However, the extent to which educational institutions and other businesses in the education sector have taken advantage of this is limited. The National Council for Higher Education, the statutory regulator for higher education (including

[192] Uganda, Ministry of Finance, Planning and Economic Development, 2012. The background to the budget, 2012/2013 fiscal year. Priorities for renewed economic growth and development, p. 96. Available at http://www.finance.go.ug/index.php?option=com_docman&Itemid=117 (accessed 15 January 2014).

tertiary education) in Uganda has licensed and chartered two virtual universities, namely The Virtual University of Uganda and the Uganda Technology and Management University, to provide online accredited courses.

6. The Health Sector

The Integrated Intelligence Computer System is a locally developed IT system that, among other functions, tracks the distribution of drugs and other prescription products in health facilities. It was developed by IFE, a local firm, with support from the Presidential Initiative on Science and Technology, and is currently in use at Mulago National Referral Hospital. It is estimated that the Integrated Intelligence Computer System will reduce the costs of drugs by 30 per cent. Since its deployment, U Sh 800 million (US$0.3 million) has been saved in costs from the reduced use of paper during 2012 (Mugabe, 2012). The project was conceptualized to leverage technology to improve livelihoods and the quality of human life. It is designed to improve access to Malaria diagnosis in remote areas, improve drug management and monitoring, health workers management, health service supervision, health management information systems, and health facility assets management. The Integrated Intelligence Computer System seeks to address frequent ruptures in stocks of essential medicines and medical supplies due to hoarding of drugs, self-prescription and medication by patients and illegal trade in government medicines, poor supply chain management systems, and lack of proper patient information management systems in health centres. The system enables players in the health sector to collect, store, retrieve, analyse, interpret, transmit and manage different kinds of information from a highly reliable single source.

The Uganda Medical and Dental Practitioners Council has leveraged ICTs to establish a computerized database of all Ugandan registered medical and dental practitioners that is easily accessible online by the use of both computers and handheld devices, including simple mobile phones, anywhere by the public in Uganda free of charge and in some EAC partner States at a small cost. This cell-phone-searchable database is the most effective and cheapest solution to address the proliferation of quack, unqualified practitioners in the health sector with respect to medical and dental practitioners.

E. Legislation and Policy Measures in the Information Technology Enabled Services Sector

1. Legislative Measures

The ITC sector in general has very few laws that deal with ICT directly. However, this is an improvement from the situation in 2010 when a diagnostic study on strengthening the services sector in Uganda[193] pointed out that the ITC sector in Uganda had suffered from the lack of an appropriate legal and regulatory framework, which was one of the principal constraints on the performance and development of ITES. In addition, the Uganda Service Sector Export Strategy identified regulatory problems in the ICT sector – including the absence of an effective and internationally acceptable e-commerce law to provide for the legal basis of e-commerce, outsourcing of business processing and data confidentiality – as a key constraint to sector growth.[194] The previously mentioned notwithstanding, there are still some critical gaps and weaknesses in the existing legislative measures in the ITES sector.

2. Legislative Gaps and Weaknesses

(a) Mobile Banking

(i) There is no specific legislation that deals with mobile banking in Uganda

There are, however, laws governing mobile telecommunications with specific reference to voice and not data information. There are also other laws that govern mobile telecommunications usage, as seen in annex 3 of this report. Equally, there are laws that govern the financial services in Uganda, but at the time of creation of these laws, mobile banking had not yet come into existence. As such, mobile banking is outside the scope of financial services laws. This absence

[193] Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (2006).
[194] See Uganda Export Promotion Board, Uganda Service Sector Export Strategy, available at http://www.ugandaexportsonline.com/strategies/services.pdf (accessed 10 February 2014).

of legislation specifically addressing mobile banking is an issue, considering the volume of transactions, the amount of money exchanged, and the mobile-money agents involved.

(ii) Mobile money interconnect rates

Unlike voice telecommunications, for which interconnection rates are regulated by UCC,[195] mobile money interconnection rates are not regulated. Under the Telecommunications (Interconnection) Regulations, all network operators are obliged to interconnect with other operators and provide for number portability. The UCC sets interconnection rates and monitors compliance among operators. Interconnection rates, revised in June 2012, are currently set at U Sh 112 (US$0.04) per minute, a reduction from the previous rate of U Sh 131 (US$0.06) per minute established in 2011. These rates, however, apply to voice services but not data interconnection. When money is collected that has been received via one of the e-money telecommunications providers through another e-money telecommunications provider outlet, there is an interconnecting rate that is supposed to be paid by the first to the second provider.

(iii) Absence of a national competition law and competition regulatory body

Uganda does not have a national competition law and competition regulatory body. Bills for a competition law and a consumer protection law were drafted in 2004, but have still not been enacted, due to the slow process of enactment of laws in Uganda.

- Uganda is currently formulating a National Competition and Consumer Protection Policy (WTO, 2012). At present, matters relating to competition for telecommunications services fall under the Uganda Communications Act (1997) and the Fair Competition Regulations (2005) and are principally carried out by the UCC. These regulations contain extensive provisions relating to anti-competitive agreements between operators, abuse of dominant position and anti-competitive mergers, takeovers, consolidations or agreements.

- The Statutory Instruments 2005 No. 27, Telecommunications (Tariffs and Accounting) 2005[196] would also be relevant in controlling the pricing of telecommunications services. However, these also do not directly address competition issues. Despite these regulations, certain players dominate the market. This was also evidenced by predatory pricing practices, cross subsidization and other abuses that were seen in 2010, whereupon the UCC issued a directive under which operators are not allowed to charge same-network rates lower than 70 per cent of interconnection rates. These rates currently stand at U Sh 131 (US$0.049) per minute, so no operator is allowed to offer same-network calls below U Sh 91 (US$0.034) per minute, or not less than U Sh 2 (US$0.00075) per second. Failure to comply with the UCC directive could result in penalties of up to 10 per cent of annual turnover. The guidelines, however, will be effective as soon as they are gazetted.[197] According to the authorities, consultations are on-going following the completion of the interconnection review exercise.

- The Uganda Communications Tribunal, as provided for by the Uganda Communications Act 1997, has never been established.

(b) Business Process Outsourcing

(i) Absence of regulations to implement some key acts

Since 2011, three key laws have been enacted that facilitate e-government, namely the Computer Misuse Act, the Electronic Transaction Act and the Electronic Signatures Act. However, none of these Acts has had implementing regulations passed, which makes it difficult to execute the Acts themselves. The infrastructure of e-governance is an enabler for ITES as much as it provides the context for e-government; the lack of regulations is a barrier to both e-government and ITES.

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[195] See also the Telecommunications (Interconnection) Regulations of 2005.
[196] See http://www.ucc.co.ug/files/downloads/tariffs%20And%20Accounting%20Regulations%202005.pdf (accessed 10 February 2014).
[197] See http://www.telecompaper.com/news/uganda-puts-limits-on-promotional-tariffs (accessed 15 January 2014).

(ii) Missing framework laws

The e-Government Master Plan points out certain key laws that Uganda lacks but needs to promote ITES. These laws concern data protection, ITES infrastructure establishment and e-waste.

(iii) No legislation on data protection

- There is no dedicated law on data privacy and protection. Accordingly, companies lack the confidence to share sensitive data especially personal information with BPO companies because there is no law protecting the information given away. BPO thrives on data availed to it by clients. If the population is not willing to give away its information, the sector cannot grow.

- The lack of adequate data protection and privacy laws can have significant repercussions in terms of Uganda attracting BPO business, particularly from Europe. The European Union has directives in place that prohibit transfers of data between the European Union member countries and countries lacking adequate data protection rules and enforcement. This law, when created, should protect the personal information held by third parties including public and private institutions. It should also protect telecommunications secrecy, while promoting freedom by allowing access for only authorized persons subject to a prescribed procedure. Otherwise, Uganda risks missing becoming a potential exporter of data processing services due to its lack of appropriate data protection laws.

(iv) A law addressing the digital divide

The e-Government Master Plan further recommends the creation of a law to address the digital divide between rural and urban areas. This law would be deliberately crafted to mitigate the digital divide by providing ICT access to disadvantaged communities – namely those in remote places, and fishing and farming communities, and also women, the disabled and the elderly – in a similar way to the current universal access requirements for postal services in Uganda.

(v) No law on e-waste

There is no law governing e-waste for disused gadgets. The proliferation of ICTs goes hand in hand with increased usage of computers and consequently increased e-waste. This has both health and environmental implications.

3. Policy Measures and Issues

There are a number of policies, plans and strategies that are currently being formulated. These include a telecommunications policy, a broadcasting policy, an Internet Protocol version 6 transition policy, and a country code top level domain strategy, inter alia. The other policies that are already in existence are as follows:

(a) The National Electronic Government Framework (final draft, June 2011)

In July 2011, Cabinet approved the national e-Government Policy Framework with the overall objective of improving public service delivery through systematic transformation from manual to electronic-based systems and practices.

(b) The e-Waste Management Policy for Uganda (final draft, June 2010)

The policy goal is to ensure the safe management of e-waste in Uganda, with focus on human life and protection of the environment, globalization, community participation and public–private partnership.

(c) The Information Management Services Policy (draft version 8, February 2011)

The goal of this Policy is to guide the effective use of information management systems in all ministries, departments and agencies with focus on access to and protection of well-managed information, globalization, community mobilization, availability and public–private partnership.

(d) The National Information Technology Policy (final draft, February 2010)

The main goal of this Policy is to guide the optimal development and utilization of IT in Uganda with focus on universal access, importance of e-services, globalization, community mobilization, and public–private partnership.

(e) The 2010/11–2014/15 National Development Plan

The National Development Plan identifies ICT as promoting science, technology and innovation to enhance competitiveness. In the Plan, the ICT sector is divided into the telecommunications subsector, information technology, the information management services subsector, broadcasting subsector, the library and information services subsector, and the postal subsector.

(f) The National Information Technology Authority Uganda Strategic Plan 2012–2017

The NITA-U Strategic Plan 2012–2017 aims at promoting sector growth as mandated in the National Information Technology Authority Act of 2008. The strategic goal of the Plan is to harmonize IT services in government that are effective, efficient and coordinated, with focus on the following areas in the next five years:

- Coordinate, supervise and monitor the utilization of the information technology in the public and private sectors;
- Identify and advise the Government on all matters of information technology development, utilization, and deployment;
- Set, monitor and regulate standards for information technology planning, acquisition, implementation, delivery, support, organization, sustenance, disposal, risk management, data protection, security and contingency planning;
- Regulate and enforce standards for information technology hardware and software equipment procurement in all government ministries, departments, agencies and parastatals;
- Provide first-level technical support and advice for critical government information technology systems.

The e-Government Master Plan, 2012

The e-Government Master Plan bench marks successful cases of leading countries on e-government to help the Government of Uganda generate the most adequate e-government model to help the country become a leading e-government country in Africa.

(g) The National Information Security Strategy (published March 2011)

The National Information Security Strategy primarily deals with the implementation of information security at the national and international level and was published in March 2011 with the following objectives:

- Streamline the implementation of information security at the national and international level;
- Profile, classify, and protect critical information infrastructure from disruption;
- Establish a framework responsible for the monitoring of the information security; promote secure e-commerce and e-government services and other national IT projects;
- Safeguard the privacy rights of individuals through good information security governance;
- Development of a culture of cybersecurity awareness at national level and build human resource capacity;
- Uphold information security risk management and attain a good information security maturity.

(i) Compulsory IT courses

Information technology related computer course studies have been made compulsory for all students at A-level, preparing for the Uganda Advanced Certificate of Education as a direct measure to address computer illiteracy among university and college students. It's expected in the long run this measure will achieve the objective of universal computer literacy for Uganda's workforce and ultimately the entire population.

4. Universal Access

The Communications (Universal Service) Regulations, 2005, set out the universal service obligation imposed on holders of a facility-based licence. Universal service is defined as connection to a fixed communication network able to support voice telephony, fax and data transmission, but does not include mobile services.[198] Mobile data and 3G broadband services as well as mobile money transfer and m-banking services are at the forefront of this development in a country where less than 20 per cent of the population currently has Internet access or holds bank accounts. As of 2011, the number of fixed telephone subscriptions is more than 460,000, while that of mobile cellular is around 17 million, which means mobile service is dominant (ITU, 2012b). Furthermore, as of 2010, the average annual growth of mobile service is 10 per cent while that of fixed service is 0.2 per cent. Penetration is low in this sector but has seen a renaissance recently on the back of wireless local loop network rollouts, prepaid services, and an increasing demand for broadband access. Three per cent of fixed lines are using fibre for the last mile (NITA-U, 2012).[199] The UCC designates those operators that have an obligation to provide universal service and defines the supply-time and quality-of-service indicators.

The performance of operators required to meet the service targets are published; in case of failure to meet the service targets compensation is payable. Currently all licensed providers have an obligation to remit 1 per cent of gross revenues to the Universal Access Fund. On a competitive basis, any licensed operator can receive subsidy to extend services to underserved areas.

The Fund has recorded total annual receipts of up to US$3 million, utilization of which is around 85 per cent. Among the UCC's statutory duties is ensuring that licensees in the telecommunications sector comply with their universal access obligations. The digital divide is unfortunately being defined along urban–rural lines, whereas, 85 per cent of the population lives in rural areas, 80 per cent of the Internet users in Uganda are urban residents.

The "last-mile problem"

The "last mile" or "last kilometre" is a phrase used to describe the final leg of the telecommunications networks, to describe the technologies and processes used to connect the end customer, delivering communications connectivity to retail customers to a communications network. The last mile has often been stated in terms of the "last-mile problem", because this end link between consumers and connectivity has proved to be disproportionately expensive to establish. This is made more critical considering that most BPO entrepreneurs are vulnerable SMEs with relatively more serious resource constraints than their blue chip competitors in the telecommunications sector. The latter are better suited to achieve the industry's "last-mile" connectivity than the former.

Uganda still suffers challenges related to limited Internet coverage; some areas have no connectivity because infrastructure is still lacking and this worsens attempts at universal access. Until 2009, Uganda entirely depended on satellites for international Internet connectivity. In October 2011, Uganda inaugurated phase two of its national fibre optic Internet backbone infrastructure. A third phase, rolled out in 2012, when completed will result in 307 kilometre of optic fibre laid from Kampala to the Rwanda border to complete a link from Mombasa and the planned fibre optic submarine cable initiatives and domestic backbones to be developed over the next few years, and should enhance current bandwidth and connectivity constraints.

[198] The target for universal access to voice telephony was initially one per 5,000 persons, revised lower to 2,500 persons and further revised to include Internet access.
[199] See http://www.ugandainvest.go.ug/index.php/ict.

F. Information Technology Enabled Services: The SWOT Analysis

STRENGTHS	WEAKNESSES
• Computer-related course studies now compulsory in A-level curriculum for all schools: — Increasing penetration of telecommunications and Internet services — A liberalized competitive telecommunications regime **ITES specific** • Competitive labour costs differential to developed countries' companies • A large youthful working pool with good English skills • ITES–BPO sector identified as a focus area in the National Development Plan and Vision 2040 • Cyber laws and investment incentive guidelines to promote ITES–BPO investors have been promulgated	• Limited Internet coverage: there is no connectivity in some areas because infrastructure is still lacking • Limited power supply and distribution: ITES and BPO cannot be effectively conducted in rural areas without power supply • Affordability of ITES and BPO services still an issue • The combination of VAT and excise tax imposes a high cost on communications usage **ITES specific** • High cost and shortage of high quality buildings to host BPO business. • Shortage of high-speed connectivity through fibre optics which limits available bandwidth and results in comparatively high prices; Uganda's fixed-line infrastructure is also relatively undeveloped • Uganda is neither a signatory to the Information Technology Agreement nor made WTO commitments on computer and related services • Lack of adequate laws relating to data protection, privacy and security
OPPORTUNITIES	THREATS
• There is a national IT regulator – NITA-U • Five artisan parks have been approved to be built in the next five years to facilitate the growth of the artisan industry • Government is a strong ITES stakeholder and a big potential client, for example, through call centres, e-tax assessment and payment, car registration. There is a government directive for all ministries, departments and agencies to establish IT units • Digital migration **ITES–BPO specific** • Uganda can leverage its relatively stable political environment to establish itself as a regional hub for offshoring services and as a subcontracting hub for more established destinations • India is the largest BPO market among the emerging economies with years of experience; Uganda's ties with India can be leveraged to attract established Indian ITES and BPO brands • Makerere University – one of the oldest and largest in Africa – has ICT programmes which can be leveraged for training and linkages	• Slow development of infrastructure • Limited usage of ICT facilities and programmes • Limited power supply • Rapid technology growth all over the world **ITE–BPO specific** • Lack of participation at premier ITES–BPO business linkage events may not create visibility for "brand Uganda" • Proactive investment promotion of the ITES–BPO industry by competing regional destinations, such as Kenya's Khonza City and Rwanda • Currently there is a lack of synergy between the key stakeholders in the industry • Uganda is landlocked and therefore reliant on connections through other countries for international high-speed Internet connectivity • There is a risk that the new trend of inshoring as a counter force to offshoring in developed countries, particularly in North America, could intensify; this could lead to restrictions that impede the growth of the global ITES market • Uganda's high cost of Internet usage and inadequate Internet support infrastructure

with industry • Plans to expand the fibre-optic submarine cable and other fibre-optic initiatives and domestic backbone to be developed over the next few years should mitigate current bandwidth and connectivity constraints	

G. Conclusion

The analysis reveals Uganda's fundamental ITES–BPO issues as being a deep and wide digital divide, where despite the advantages both for job creation and poverty alleviation, ITES–BPO services are the preserve of urban areas to the exclusion of rural areas where the bulk of Uganda's population resides. This situation is made worse by a narrow definition of universal access, which presently excludes the GSM mobile technologies whose proliferation and comparative cost present the biggest opportunity of achieving universal access for the excluded. Redefining universal access and proactively working to bridge the digital divide may be the best approach for Uganda to fully exploit the ITES–BPO possibilities.

The analysis further identifies a lack of synergy between the public and private sectors. Whereas there is a lot of emphasis on ICT, e-government and other governmental processes, this is not the case on the private sector side. However, ITES–BPO are fundamentally driven by the private sector in terms of innovation and mobile money is the best testimony to what could happen when an appropriate environment is provided for the private sector to thrive. The emphasis the Government is putting on its processes needs to be mirrored by the private sector, especially by the SMEs, for this to be achieved. In this respect, whereas prioritizing the national fibre-optic backbone infrastructure is important, it is equally important to prioritize the last mile connectivity, since at the last mile that innovation and utilization of the infrastructure takes place. The failure to address the last-mile problem reduces the country's high speed infrastructure to a white elephant if the private players are not enabled to access it.

ITES–BPO efforts by Uganda ought to take into consideration the regional EAC context in which the country finds itself. Uganda may not be able to attract ITES outsourcing business without putting in place a robust world-class data-protection legal regime to ensure the integrity and safety of personal data and other intellectual property-rights assets of clients from developed countries, these clients attaching great importance to such issues. Given the priority attached to these concerns by other EAC countries, particularly Kenya and Rwanda, Uganda may miss out on its biggest ITES–BPO opportunity. Kenya and Rwanda seem to have better synergy between their public and private sectors with respect to ITES, with better legal frameworks and more price-competitive regimes with respect to high-speed connectivity. Full implementation of EAC liberalization commitments for computer-related services, in addition to signing other international and multilateral agreements, need to be prioritized. These commitments should allow, to the extent possible, for policy space to support Uganda's indigenous SMEs and rural communities, so that these may take advantage of the ITES possibilities, rather than merely opening up the country to international brands.

VIII. SERVICES AUXILLARY TO ALL MODES OF TRANSPORT

A. Introduction

Whereas part one of this report, focuses extensively on transport and logistics, this section focuses specifically on transporters, freight forwarders, shippers and shipping lines, storage and warehousing, inland container depots (ICDs) and ICD operators, cargo handlers and clearing agents.

Services auxiliary to all modes of transport deal with the export and import of goods and consignments, loading, shipping and forwarding of goods. The services involve collecting shipping consignments along with their relevant documents, processing and handling them on behalf of the shippers, consignees and the customs authorities up to their warehouse destination or as the instructions may specify.

Players in this business are usually conversant with the rules (including rules of origin), regulations, procedures and "incoterms" (international commercial terms) of international clearing and forwarding.

Clearing and forwarding firms are intermediaries between customs, importers and exporters. They carry out customs documentation and on behalf of importers and exporters and lodge customs entries. They advise clients on customs requirements, laws, regulations and procedures.

Through their various industry associations particularly, UFFA and UCIFA, clearing and forwarding firms update clients on changes that occur from time to time with regard to customs requirements, laws, regulations and procedures. This is especially true of clearing agents who facilitate import and export operations in the most efficient and cost effective manner for their clientele. The players in this sector also give advice on the most appropriate mode of transport and the transportation facilities.

There are over 500 licensed industry players, including 364 licensed clearing and forwarding agents who are members of the UCIFA, and over 200 companies affiliated to the UFFA.

B. Trend Analysis

Sectoral context for services auxiliary to transport

Being landlocked, Uganda is disadvantaged with respect to transport and trade facilitation. Studies have shown that the distance to a seaport affects a geographical area's economic growth performance adversely, with the effect being compounded if the country is landlocked (Gallup et al., 1998; MacKellar et al., 2000). Landlocked countries have significantly higher transport costs because of greater distances to a seaport and the need to cross national borders.

Transaction costs of crossing borders are generally high, and the existence of a border often also imposes further infrastructure costs if transport corridors on either side of it are not well coordinated (Hausmann, 2001; Raballand, 2003).The result is a lower volume of trade flows for landlocked countries compared to those not similarly handicapped, which has negative effects on economic growth. Not only does it have to incur additional costs arising from a longer distance to the sea ports of Mombasa and Dar es Salaam, Uganda also needs to bear costs arising from transport and trade facilitation issues in its littoral neighbours – Kenya and the United Republic of Tanzania, through which Uganda transits to access the sea – which are beyond Uganda's control.

A diagnostic trade-integration study trade-facilitation analysis conducted in 2006 revealed that trade-facilitation issues outside Uganda's control far outweigh those within its control.[200] Uganda's freight transport rates[201] are high even among landlocked countries. For a select group of sub-Saharan African countries, Ethiopia was the only one with a higher freight transport rate than Uganda during the period 1999–2003. Of the trade facilitation issues outside Uganda, the most important one is congestion at the port of Mombasa, which handles 95 per cent of Uganda's external trade traffic. Customs bonds add a substantial 4 per cent to the costs of export and import commodities transiting through Kenya.

The poor performance of rail transport in the region necessitates intensive use of higher-cost road services, the rates of which exceed those of rail by 38–56 per cent (International Finance Corporation and CANARAIL, 2004; Raman, 2006).

There are also several trade-facilitation issues within Uganda. First is the increasing congestion around and in Kampala. Kampala is the transport hub for most of Uganda's exports and imports and congestion and traffic jams are increasingly becoming a constraint to trade expansion. Second, the high cost of road transport due to high tariffs on freight vehicles (raised from 7 per cent to 25 per cent with the introduction of the common external tariff), and slow refund of VAT to freight companies. There is a need to expand air freight infrastructure and facilities. Third, the anti-competitive behaviour of Rift Valley Railways, the railway concessionaire of the Uganda–Kenya railways on the Northern Corridor, acts as a drag on trade.[202]

[200] Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (2006).

[201] Freight transport rate is given by (freight credit + freight debit + other transportation services credit + other transportation services debit + insurance credit + insurance debit) / (merchandise exports + merchandise imports), using IMF balance of payments statistics.

[202] The Northern Corridor refers to the road, rail (including rail ferry) and pipeline transport services link between the hinterland countries and the Port of Mombasa in Kenya. The Central Corridor comprises similar services, other than pipeline, from the port of Dar es Salaam in the United Republic of Tanzania to the hinterlands.

In addition to the railway services on the Northern Corridor, Rift Valley Railways was granted concession of the provision of all the ports, goods sheds and ICDs previously provided by Uganda Railways Corporation on the Ugandan side of the Northern Corridor and the Central Corridor.

Finally, rural roads classified as "community roads" have emerged as a road-transport equivalent of the so-called "last-mile connectivity", being poorly maintained with no direct government funding and outside the scope of local government road maintenance, which is limited to roads connecting sub-county headquarters. This approach to road maintenance is oblivious to the fact that agricultural production takes place at smallholder farms which are outside the government-supported road network in the belief that the most critical part of the network should be the responsibility of poor communities, hence the name "community roads".

Several of these trade-facilitation issues need to be addressed in conjunction with other partner States of the EAC. The first and most critical are port delays, including the use of electronic data interchange of transit-related information and improved cargo tracking (the global positioning satellite). Second is effectively utilizing the joint granting of concessions to the Kenya and Uganda railways to provide competitive pressures on road transport services and on the transportation of petroleum products. Third, is the reviewing of the common external tariff on heavy freight vehicle imports taking into account fiscal implications. Fourth is the reduction or removal of the requirement for customs bonds, particularly when major clearing and forwarding firms are involved. Given the many trade-facilitation issues that are beyond Uganda's control, the country must address as a priority the issues within its control: expediting the full implementation of the Transport Master Plan for the Greater Kampala Metropolitan Area; investing in freight infrastructure and facilities at Entebbe Airport; accelerating the rural road connectivity programme; ensuring the independence of the proposed Multi-Sector Transport Regulatory Authority to control the potential anti-competitive behaviour indicated above.

The proposals to develop new port facilities at the dry container depot in the Namanve Industrial Park and the planned new Bukasa inland port on the shores of Lake Victoria, as well as the inter-modal transport infrastructure being developed on the Central Corridor on the Tanga–Bukoba route in the United Republic of Tanzania, if implemented, will tremendously mitigate Uganda's current high transaction costs along its transit corridors, especially through the United Republic of Tanzania. Bonded warehouses and ICDs have limited capacity to meet Uganda's ambitious plans of becoming a regional distribution hub.

C. Institutional and Regulatory Framework

As noted in part one of this report, there is no dedicated institution with a statutory mandate to monitor and oversee the general performance of the sector.

There are a number of ministries providing policy oversight to various aspects in the sector. These include the Ministry of Finance Planning and Economic Development, the Ministry of Works and Transport and the Ministry of Trade, Industry and Cooperatives. At present, the only institutions with statutory responsibility in the sector are the Uganda Revenue Authority (on related matters), the Uganda National Roads Authority, the Transport Licensing Board and the Uganda National Bureau of Standards on tax, transit, transport and standards-related issues, respectively. Key government agencies in these ministries, notably the Uganda Revenue Authority, the Uganda National Roads Authority and the Uganda National Bureau of Standards, interface directly with the sector in the course of executing their various mandates. Some sector players have trade bodies that attempt to monitor the conduct of and advocate for their members' interests, but without a statutory basis for their mandates and actions. These bodies include UFFA, UCIFA and the Uganda Shippers' Council. The sector, however, has an EAC association, FEAFFA, to which all industry associations from Uganda, Kenya, the United Republic of Tanzania, Rwanda and Burundi belong.

The absence of a dedicated statutory regulator over a critical sector, given Uganda's landlocked state and its many associated transit and logistics challenges, has been identified as a fundamental institutional gap both at the policy oversight and operational (regulatory) levels which this Services Policy Review is intended to assist in addressing. The absence of a clear, dedicated oversight agency may partly explain the failure to eliminate non-tariff barriers, particularly on the Northern and Central Corridors, in the implementation of the EAC Customs Union Protocol.

The Uganda Shippers Council

The Uganda Shippers Council (USC) was established in 2010 within the framework of the Intergovernmental Standing Committee on Shipping, a Mombasa-based regional platform on maritime issues that has been in existence since 1966 with a brief to monitor, coordinate and improve shipping activities (shipping lines, freight forwarders, cargo owners and maritime authorities in Kenya, Uganda, the United Republic of Tanzania and Zambia). Uganda has traditionally been regarded as having the biggest stake and therefore the most strategic interest in the Intergovernmental Standing Committee on Shipping, considering that 68.7 per cent of the transit cargo through the port of Mombasa is Ugandan cargo.

To ease its task and increase the effectiveness of its mandate, the Committee resolved to cascade its operations downwards by encouraging its member countries to form shippers' councils which would be Committee focal points for each of the countries.

With support from the United States Agency for International Development and its East African Competitiveness and Trade Expansion Program (now renamed the USAID East Africa Trade Hub), the USC was formed by Ugandan cargo owners in 2010 to be a common voice for Ugandan shippers on all issues pertaining to the logistics supply chain. USC was formed with the aim of being the umbrella body to represent cargo owners in Uganda (exporters and importers). The Council's core objectives include: (a) encourage and persuade transport policymakers to develop open and competitive transport markets to enhance industrial competitiveness and efficiency; (b) promote efficiency and improvements in transport supply chains particularly along Uganda's key transit corridors; (c) providing up-to-date information on logistics and other related market developments to its members. Through these core objectives, USC's overall objective is to influence the development of measures aimed at reducing the cost of doing business (especially the logistics-related costs) along Uganda's transit corridors. The USC is a non-profit entity drawing its members from among exporters and importers in Uganda. It is run by a nine-member executive committee with four institutional representatives and five elected members. The institutional representatives are drawn from the Private Sector Foundation – Uganda, the Ministry responsible for Trade, the Ministry of Works and Transport, and the Office of the President.

The Uganda Shippers' Council, with support from the Ministry of Works and Transport, as a long term solution to the regulatory vacuum in the sector is advocating for the establishment of a Uganda Maritime Logistics Authority as a statutory autonomous institution to regulate shipping lines, transporters, freight forwarders, clearing agents, warehouse and ICD operators.

D. Trade Liberalization

Because of its autonomous liberalization measures triggered by the World Bank/IMF Structural Adjustment Programs to disband Transocean Uganda Ltd. and privatize the services hitherto provided by this State-owned logistics (shipping, haulage, warehousing, freight forwarding and clearing) parastatal, Uganda's logistics sector has more foreign participation than its own nationals, as well as locally owned or incorporated operators across the full diversity of services among those auxiliary to transport sector. However, Uganda has neither WTO nor EAC Common Market Protocol commitments with respect to services auxiliary to all modes of transport. This means that there is plenty of policy space which Uganda can take advantage of to pursue any policy measures it determines without any risk of contravening its multilateral and regional liberalization obligations.

As observed above, it should be noted that whereas Uganda and Kenya jointly granted concession of their railways to Rift Valley Railways for 25 years, this is not reflected in Kenya's schedule of commitments on railway transport services, though it is clearly reflected in Uganda's commitments. Kenya's schedule, in fact, does not include railway transport.

The Northern Corridor is Uganda's lifeline and this is one of the reasons the concession was granted jointly to last for a duration of 25 years. But when it is not scheduled in Kenya's commitments, Uganda should be concerned and as a policy measure should deliberately request Kenya to schedule the railways concession in its railway transport services commitment within the built-in agenda on trade in services under which additional commitments are scheduled to be made in the EAC Common Market Protocol.

The Central Corridor is supposed to provide competition to the Northern Corridor and consequently address the high prices associated with the Northern Corridor. However, the link from the United Republic of Tanzania through Lake Victoria presents new competition challenges. Except for the wagon ferries, concession to all the ports, goods sheds and ICDs were granted to Rift Valley Railways, which operates the only other alternative means on the Northern Corridor. If not specifically addressed, the Central Corridor may present an opportunity for Rift Valley Railways to consolidate its very dominant monopolistic position across all Uganda's transit corridors.

Participation of foreign service providers

In principal, Uganda is an open economy and any foreigners that wish to join the sector can do so. Uganda, however, has neither made commitments at the WTO nor the EAC. This means that government still has policy space to allow for flexibility to limit the participation of foreigners in areas that may be considered sensitive.

For a landlocked country (Uganda is the second-largest landlocked country in both population and land mass in the world after Ethiopia) Uganda has very few locally owned or even incorporated shipping lines. The majority of the shipping lines are foreign owned even when locally incorporated. The foreign-owned lines include multinational companies such as Maersk, DHL, FEDEX, TRANSAMI, Mediterranean Shipping Lines and UPS, among others. Examples of the locally incorporated shipping lines and forwarders are Three Ways, Union Logistics, Unifreight and DAKS Couriers, among others. UFFA, which draws most of its members from among shipping lines, transporters and ICD operators, is dominated by foreign players. The largest number of local players are clearing agents, and they are the members of UCIFA, most of which are SMEs and microenterprises.

There is a fight for control of the sector between UFFA and the local players belonging to UCIFA. This fight is fuelled by the overlapping mandates between the two rival industry platforms which surprisingly draw their members from different parts of the logistics chain. Ideally, UFFA and UCIFA should have had different mandates. One is principally dealing with shipping lines and haulage companies and the other with clearing agents, but the clearing agents argue that there is no reason why shipping lines should do the clearing.

UCIFA has very many members who are small and vulnerable. They are medium and micro operators and in some instances they are small family businesses operated by individuals, and they are competing with multinationals. Their argument is that multinationals should not control the entire logistics chain – an argument multinationals counter by claiming to give better value to their clients by providing a one-stop solution to ship, forward, freight, and clear. But when they do that, they force out the locals, who are the clearing agents.

With the digitalization of the logistics processes, there could be space in the short to medium term for clearing agents, but in the long term, with the advent of the EAC single customs territory, there may not be a role, because clearing will be done in Mombasa, Dar es salaam, and Tanga, the ports of entry, where multinationals are the principal players. With globalization, best practice is tending towards vertical integration. "One-stop-solution" shipping lines are increasingly doing everything, including clearing. The system that operates in Uganda involves the shippers passing documents to the clearing companies and the clearing companies delivering them to consumers. Maximizing the efficiency of the logistics chain may mean phasing out the small players, who unfortunately are locals. So the fight between UFFA and UCIFA is for the continued survival of the local professionals.

E. Linkages with Other Sectors

Agriculture and manufacturing

Services auxiliary to all modes of transport are critical for the import and export of all goods to be consumed, goods that have been used in the production process or goods that have been produced in Uganda. As such, this sector's linkage with agriculture and manufacturing, among others, cannot be overemphasized.

Revenue and taxation department

Part XVI of the East African Community Customs Management Act (2005) envisages the use of ICT in customs formalities. Currently, the Uganda Revenue Authority is technologically compliant in its processes, including document processing and customs clearing at borders. However, the integration of IT in the business processes of forwarding and clearing agents still has a long way to go. In addition to its ASYCUDA series solutions, the Uganda Revenue Authority, with support from the World Bank and TradeMark East Africa, is set to introduce an electronic cargo tracking system to track the movement of goods and give real-time updates in an effort to improve efficiency and bring down the cost of doing business.[203]

Laboratory facilities at border crossing points, including at the Uganda National Bureau of Standards, are inadequate. This worsens delays and slows down customs and excise processes, since samples must be brought to Kampala prior to release.

F. Legislation and Policy Measures

1. Legislative Measures

The fundamental legal framework in this broad sector of services auxiliary to all modes of transport is the East African Community Customs Management Act, No. 1 of 2005, as amended, and its regulations. It is enforced by the Uganda Revenue Authority, the default regulator of the sector. Its mandate is limited to taxation matters, which leaves a lacuna with respect to other aspects of regulation in the sector. However, the Customs Management Act covers all issues relating to services that are auxiliary to all modes of transport.

a. Gaps in the Legislative Framework

The principal law governing this sector is the East African Community Customs Management Act. It is a broad legislation of the Community that would have required some sort of domestication to respond to specific Ugandan interests. However in its current form, the Act lacks specific focus on the Ugandan situation. Such domestication would have greatly benefited the sector by providing country specific guidance on the operation of the activities of players in the sector. There is a law governing the operations of the Uganda Revenue Authority, revenue collection and even laws relating to transportation. This should apply to services auxiliary to all modes of transport.

b. Absence of a Statutory Regulatory Authority

The Customs Management Act has no specific provisions regarding a sector regulator. The experience of its implementation has produced different regulators, most frequently the Uganda Revenue Authority, and sometimes the Ministry of Works and Transport. Since all services auxiliary to transport in the pre-liberalization, or privatization, era were State functions provided through Transocean, a Government parastatal company, unbundling its various functions and roles to private providers should have required a deliberate effort to address aspects of unfair competition by emerging dominant entities without State control. Hitherto, such regulatory control was not necessary, given that the sole player was a State corporation. The new dispensation required a separate regulatory regime that the Customs Management Act does not provide.

c. Multiplicity of Licences

Sector stakeholders have complained of a multiplicity of licences to operate a business. A typical player in the sector must obtain a customs licence from the Uganda Revenue Authority, a trading licence from a local administration or municipal authority, such as Kampala Capital City Authority, and where necessary, a transit licence for cross-border trade, not to mention specific documents required for each consignment.

These licences are obtained from different authorities, at different costs. This creates unnecessary bureaucracy and has increased the costs of doing business in this sector, as pointed out in the World Bank *Doing Business Report 2013*, where Uganda is ranked 159 out of 185 for ease of trading across borders (World Bank, 2013) This is disadvantageous to Uganda, which is capable, as noted in part one of the study, of strategically positioning itself as a distribution hub for Sudan, the Congo and other African countries.

[203] See “URA introduces electronic tracking system”, *The East African*, No. 961, 30 March 30–5 April, p. 2.

d. Lack of Standards in the Sector

There are no clear guidelines on the standards and code of conduct of the players in the industry. The existing regime in the sector is voluntary and does not subject all players to the same code of conduct with regard to professional practice, even if all clearing agents are subject to the same licensing requirements. As a result, the sector is plagued with several underhand practices, which have left consumers cheated and exploited. Further, sector performance is hindered by the absence of emergency roadside rescue facilities, rest areas on the roads and roadside bays for storage of cargo when long-distance trucks break down en route. Climbing lanes have only been recently introduced to cater to the big amount of slow cargo traffic on Uganda's highways. These poor road standards affect sector performance.

However, there is a regional curriculum for clearing agents and an East African customs and freight forwarding practicing certificate which, in the absence of a clear regulatory authority on standards, ensures quality for practitioners in the clearing and forwarding subsector.

e. Weaknesses in the East African Community Customs Management Act

Unlike the Treaty for the Establishment of the East African Community, which states in article 7(1)(a) that "people-centred and market-driven cooperation" is the Community's first operational principle, the Customs Management Act does not cater to the rights of the private sector. Whereas it imposes legal tax obligations on the private sector, it does not have provisions the private sector can apply to redress failure of the tax authorities to do what they are required to do. For example, the Act does not provide for penalties when customs officers fail to provide services.

f. Weighbridges

There is a discrepancy between the legal framework in Uganda that governs transportation and that of Kenya, where the bulk of Uganda-bound cargo originates. While the basis for road weight in Uganda is axle load, in Kenya it is gross weight. This creates problems for sector players, who are subject to two regimes, whereby a truck would be cleared by one, but not by another. Uganda's overdependence on road carriage as the preferred mode of transport calls for a common approach to load limits on the region's roads.

g. VAT Tax Incentives

Players in the sector stated that the VAT tax on cargo trucks (3.5 tons and above), which had initially been removed in 2009 and restored in 2011, had greatly affected their ability to invest in the sector. This partly accounts for the fact that over 80 per cent of the trucks on Ugandan roads are either Kenyan-registered or -owned. This is exacerbated by the higher cost of commercial credit in Uganda, compared with Kenya.

2. Policy Measures

As stated in part one of the report, a draft transport sector policy and strategy paper was written in 2001 to develop a national transport policy. It is still in draft form, leaving sector players without clear policy guidance. Once implemented, it is expected that the policy will have a significant impact on the operations of sector players.

G. Services Auxiliary to all Modes of Transport: The SWOT Analysis

STRENGTHS	WEAKNESSES
• The Customs Management Act, a regional law, has simplified the harmonization of laws and policies. • The Uganda Revenue Authority, the de facto sector regulator, has become more technologically advanced in its processes, including document processing and customs clearing at the borders.	• Bonded warehouses and ICDs have limited capacity to meet Uganda's ambitious plans of becoming a regional distribution hub. • There is a lack of uniform and professional standards due to lack of proper regulation in the sector. • There are delays in customs clearance at the border points due to excessive bureaucracy, poor

• Two industry platforms, UFFA and UCIFA, monitor some licensed players on their membership rolls. • FEAFFA, to which all industry associations from Uganda, Kenya, the United Republic of Tanzania, Rwanda and Burundi belong, is a valuable asset. • UFC, a non-profit body of Ugandan cargo owners with members from among exporters and importers in Uganda, is also a strong card. • There is growing technical expertise and knowledge in the sector thanks to a recognized regional curriculum for clearing agents and the East African customs and freight forwarding practising certificate that ensures quality for practitioners done within the framework of the Customs Management Act with the full support of FEAFFA. • The Intergovernmental Standing Committee on Shipping, a regional platform on maritime issues that aims to monitor, coordinate and improve shipping activities (shipping lines, freight forwarders, cargo owners and maritime authorities) in Kenya, Uganda, the United Republic of Tanzania and Zambia, provides valuable services; it has been based in Mombasa since 1966. • The United States Agency for International Development, COMPETE and TradeMark East Africa provide valuable assistance to USC.	technology and lack of coordination among agencies. • Laboratory facilities at border crossing points, including at the Uganda National Bureau of Standards, are inadequate. This lengthens delays and slows down customs and excise processes because samples have to be taken to Kampala prior to release. • There are too many weighbridges and inconsistencies in the weight regime within EAC. Gross weight is used in some countries such as Kenya, yet Uganda uses the axle load and nearly all Ugandan-bound cargo, including transit cargo, originates from Mombasa. • There are no emergency roadside rescue facilities such as rest areas on the roads or roadside bays for storage of cargo when long distance trucks break down en route. • There is no effective means of bulk transportation. Railway and water transport are not good alternatives.
OPPORTUNITIES	THREATS
• Uganda is strategically positioned to become a distribution hub. • Intermodal transport infrastructure proposed to be developed on the Central Corridor on the Dar es Salaam and Tanga–Bukoba route through the United Republic of Tanzania. • The proposed development of a new container dry port at the Namanve Industrial Park and the Bukasa inland port on the shores of Lake Victoria.	• There is a danger of overdependence on Mombasa port. There is a need to develop another route so that Ugandans are not held at ransom. • Poor systems maintenance frequently results in network failures at the Uganda Revenue Authority.

H. Conclusion

It would be advisable to set up a maritime logistics authority as a statutory autonomous institution to regulate shipping lines, transporters, freight forwarders, clearing agents, warehouse and ICD operators in Uganda. Enacting a Ugandan law to establish such an institution would be a good start. It would address existing gaps and inefficiencies, including institutional issues, and should deal with standards and the existing regulatory vacuum, inter alia.

The review has established the existence of overlapping mandates between the principal institutional industry players, UFFA and UCIFA. These mandates need to be clearly defined to reflect their distinct constituencies and membership. This will have the benefit of reducing the apparent rivalry and conflict between them and provide ground for cooperation and complementarity where necessary.

Both institutions should be assisted to take advantage of the National Services Policy Review process to clearly define their respective membership bases and define their mandates accordingly to improve the services they are offering their members.

The one-stop border post should be adopted as a region-wide standard in EAC to mitigate the high cost of trade facilitation across borders in the Community as envisaged in section 10(2) of the Customs Management Act. In addition, a harmonized road load regime to address weighbridge discrepancies should be adopted for the Community. The one-stop border post would also deal with multiple licensing, through the single window document used for customs clearing, which would ease the burden of doing business in this sector.

It is important to prioritize railway and water transport to reduce freight costs in Uganda**.** Freight is a key component in the performance of this sector. A reduction in freight costs would result in lower operation costs for sector players. This could be achieved by revamping and prioritizing railways and water transport as the preferred alternatives to costly road haulage.

Emergency roadside rescue facilities should adopted as a standard highway requirements. To the extent possible, such facilities should be introduced on existing roads and considered a standard highway requirement on all new highways under construction.

IX. RECOMMENDATIONS

The following recommendations were made by stakeholders at the second National Stakeholders Workshop. The recommendations seek to offer inputs to the Government of Uganda for a national strategy and plan for the sectors with a view to promoting further development of the selected subsectors and their export potential.

A. Distribution

Distribution mainly involves SMEs in the economy. It is one of the sectors where a real impact on poverty alleviation is likely to be achieved because it enables society's most vulnerable and disadvantaged citizens to participate effectively in the economy and support their families. Women and persons with disabilities among the communities participate effectively in the distribution sector, particularly in markets and shops. In addition, there are many players in this sector. For example, there are over 76 markets in Kampala alone. In just one of the markets, St. Balikudembe Market in Kampala, over 10,000 people are employed directly as stall operators. Effective regulation is not necessary solely to ensure their participation but to provide them a safety net in case of failure. Hence meaningful reform in this sector will go a long way in achieving poverty reduction.

Article 79(c) of the Treaty for the Establishment of the East African Community requires Partner States to take steps that will encourage the development of indigenous entrepreneurs. Under article 127 of the Treaty, Partner States are required to provide an enabling environment for the private sector and civil society by removing barriers and constraints to market development and production.

The following are the recommendations suggested by the stakeholders in the distribution sector:

- The bill amending the Trade Licensing Act should be passed. At present, it has been approved by the Cabinet and has gone through the first reading. The process should be sped up;
- Whereas markets should continue to be governed by the Market Act, all shops operating within these markets should fall under the Trade Licensing Act and therefore be eligible for trading licences and regulated by the Government ministry responsible for trade;
- The reform process to amend the Trade Licensing Act should, inter alia, ensure that the validity period for a trade licence is 12 months computed from the date of issue;
- It is necessary to strengthen the capacity of the Uganda National Bureau of Standards to reach all the border posts to deal with substandard goods. The Bureau should be enabled to expand their budget to increase their manpower;
- It is important to tighten enforcement of laws such as the Trade Licensing Act that forbid non-nationals from involvement in petty trade. Specific emphasis should be put on the stringent requirements for class D work permits;
- There is a need to improve market structures. Best practice is that the Government builds storage silos for each market and hires them out to market vendors;

- It is necessary to speed up the development of alternative routes of the United Republic of Tanzania and strengthen customs enforcement against smuggling;
- Modern markets should be built by the Government to improve security and sanitation. At present, the process has started for a few, such as the Wandegeya market. This should be duplicated for all markets.

B. Information Technology Enabled Services and Business Process Outsourcing

UCC has helped shape up the ITES-BPO sector by promoting the development of infrastructure, especially in terms of telecommunications. Although NITA-U, a dedicated regulator, has since been established for the sector, the Commission will continue to play an important supporting role. The Commission is best placed to develop the ITES-BPO sector in the following areas:

- Regulating the pricing of telecommunications services, especially broadband services, to make the BPO sector internationally competitive. The ITES-BPO sector is a big user of broadband but broadband providers are telecommunications companies, all of which are the primary responsibility of the Commission. It would be presumptuous to expect NITA-U to be as effective as UCC in dealing with the telecommunications companies in this critical sector.

- Ensuring the provision of high-quality telecommunications services by all licensed providers, which is the fundamental role of the Commission. Because of the increasing strategic importance of the ITES-BPO sector, the role of the Commission in guaranteeing access to high-quality, competitively priced telecommunications services cannot be overemphasized.

- Encouraging development of last-mile connectivity by private sector players to reduce investment by BPO service providers. This is all the more important, considering that most BPO service providers are vulnerable SMEs with relatively more serious resource challenges than their blue-chip compatriots in the telecommunications sector. The latter are more suited to achieving last-mile connectivity than the former.

- Ensuring broad-based infrastructure development in areas outside Kampala to encourage developing the BPO sector not only in the cities. One of the statutory duties of UCC is to ensure that licensees in the telecommunications sector comply with their universal access obligations. The digital divide has typically been defined along urban-rural lines, not just in Uganda but in all countries where regulators have overlooked the importance of enforcing the obligation to provide universal access.

C. Services Auxiliary to Transport

- It would be advisable to set up a maritime logistics authority as a statutory autonomous institution to regulate shipping lines, transporters, freight forwarders, clearing agents, warehouse and ICD operators in Uganda. The enactment of a Ugandan law to address existing gaps and inefficiencies, including institutional issues, would be a good start. This law should deal with standards and the existing regulatory vacuum, inter alia. Efforts to establish a fully fledged UCC should also be pursued and mainstreamed in the overall institutional review of the sector. Such efforts should be broad enough to include a decision on the line ministry responsible for policy oversight.

- The review has established the existence of overlapping mandates between the principal institutional industry players, UFFA and UCIFA. These mandates should be clearly defined to reflect their distinct constituencies and membership. This will have the benefit of reducing the apparent rivalry and conflict between them and provide ground for cooperation and complementarity where necessary. Whereas UFFA emphasizes the role of clearing agents, UCIFA prioritizes that of clearing and forwarding, which, although an important service in the short run, will almost certainly be phased out in the medium to long term with the increasing integration of ICTs in the logistics value chain and the growing use of online solutions.

- Both institutions should be assisted to take advantage of the National Services Policy Review process to clearly define their respective membership bases and define their mandates accordingly to improve the services they are offering their members.

- The one-stop border post should be adopted as an EAC standard to mitigate the high cost of trade facilitation across borders in the Community as envisaged in section 10(2) of the Customs Management Act. In addition, a harmonized road load regime should be adopted for the Community to address weighbridge discrepancies. The EAC Sectoral Council on Legal and Judicial Affairs cleared the One-stop Border Posts Bill of 2012 and the Vehicle Load Control Bill of 2012 for consideration by the East African Legislative Assembly. The EAC Vehicle Overload Control Bill aims to give the EAC region a uniform axle load limit of 56 tons, while the One-stop Border Posts Bill, 2012 will allow the operation of one-stop border posts. This is a step in the right direction and its full implementation should be supported.

- The one-stop border post will also address the issue of multiple licensing through the creation of a single window (document) for customs clearing processes, which will ease the burden of doing business in this sector.

- It is necessary to prioritize railways and water transport to reduce the cost of freight in Uganda. Freight is a key component in the performance of this sector. A reduction in freight costs will result in lower operation costs for players in the sector. This could be achieved by revamping and favouring railways and water transport over costly alternatives such as road haulage. Currently, engineers from the Rift Valley Railways are rehabilitating the Tororo–Gulu–Pakwach railway line, which spans some 500 kilometres and has not been in use for over two decades. The Engineering Division of the Uganda People's Defence Force has also been commissioned to support those efforts. Work on the Mbale–Tororo axis has been completed, and services have resumed along that section. Repairs to the line include removing anthills, replacing missing slippers and demolishing houses previously built by encroachers within a radius of 30 metres from the railway line.

- Central Corridor. An intermodal transport infrastructure is being developed on the Central Corridor on the Dar es Salaam and Tanga–Bukoba route through the United Republic of Tanzania to provide an alternative to the Northern Corridor through Mombasa Port as the main port for Ugandan transit cargo. This, too, is a step in the right direction and should be encouraged and supported.

- Emergency roadside rescue facilities. These facilities should be adopted as a standard highway requirement. Where possible they should be introduced on existing roads, and built on all new highways, featuring roadside bays for storage, rescue trucks and ambulances.

- The regulations should restrict shipping lines with a requirement for all local clearance within Uganda to be handled by nationals. This local content provision will create an incentive for locals in a landlocked economy to increase their stake in a strategic sector. Whereas this is seemingly in contradiction with the principles of national treatment under article 17 of the EAC Common Market Protocol, the promotion of local lines would be an exception.

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ANNEXES

ANNEX 1: Uganda WTO Services Commitments

World Trade Organization

S/DCS/W/UGA
24 January 2003
(03-0495)

Trade in Services

Original: English

UGANDA

Draft consolidated Schedule of Specific Commitments [1]

Attached is a draft consolidated version of the Schedule of Specific Commitments of Uganda in Word format. This document is not a substitute for the legally binding commitments undertaken by Uganda in its Schedule of Specific Commitments (GATS/SC/89; GATS/SC/89/Suppl.1/Rev.1).

The draft consolidated version of the Schedule was prepared by the Secretariat, at the request of Members, to facilitate the process of negotiations, including the presentation of initial offers.

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[1] This document has been prepared, in English only, under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

Uganda – Schedule of Specific Commitments

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
2. COMMUNICATION SERVICES			
C. Telecommunication[s] services [1]			Uganda undertakes the obligations contained in the reference paper attached hereto.
Facilities-based public-switched telecommunication services on fixed network infrastructure:			
(a) Basic voice services, including over value added networks such as Internet (b) Private voice network services to third parties	1) International basic voice telephony traffic must be carried through networks of the duopoly major licence holders and other pre-existing licence holders, according to the terms of those licences. 2) None 3) Second national operator inaugurated service on 21 October 1998. Thereafter, Uganda Telecom Limited (UTL) and second national operator [2] duopoly exclusivity, subject to Uganda Government review after 2003. Neither UTL nor its affiliates shall hold interests in the second national operator or its affiliates nor shall the second national operator or its affiliates hold ownership in UTL or its affiliates. Company must be registered in Uganda.	1) None 2) None 3) None	"Major licence" and "minor licence" should be interpreted according to the definitions set out in the Uganda Communications Act 1997.[3]

[1] Excludes video and audio broadcast services.
[2] "Second national operator" means the first public operator other than UTL issued with a major licence.

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	4) Unbound except for technical personnel unless Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	4) Unbound except for technical personnel stipulated under market access	
Private voice and data for closed user groups (group of people with stable common and long-term economic interest)	1) None, except cross-border access alternative for voice should be through the duopoly major licence holders 2) None 3) Resale of excess capacity not allowed. Company must be registered in Uganda. 4) Unbound except for technical personnel unless Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	1) None 2) None 3) None 4) Unbound except for technical personnel stipulated under market access	
(o) Other - Mobile cellular voice and data	1) Roaming is allowed but cross-border access permitted only via network of duopoly major licence operator. 2) None	1) None 2) None	

[3] Major licence includes a licence for the provision of local, long distance or international telephone services, trunk capacity resale, rural telecommunications, store and forward messaging, cellular or mobile services; and minor licence includes all other licences not being major licences.

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	3) Two operators existing. Up to 2003 a maximum of 3 (three) operators to have cellular mobile licences as a service. The third operator will be UTL. Company must be registered in Uganda. 4) Unbound except for technical personnel unless Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	3) None 4) Unbound except for technical personnel stipulated under market access	
- Data services transmission control protocol/Internet protocol suite (Internet)	1) None, except international voice over Internet, not permitted during the five-year exclusivity period of the duopoly major licence holders. 2) None 3) Company must be registered in Uganda 4) Unbound except for technical personnel unless Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	1) None 2) None 3) None 4) Unbound except for technical personnel stipulated under market access	
- Paging services	1) Cross border permitted only via networks of duopoly major licence operator 2) None 3) None 4) Unbound except for technical personnel stipulated under market access.	1) None 2) None 3) None 4) Unbound	

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
- Private mobile radio - Trunked mobile radio	1) Cross-border supply only via networks of duopoly major licence operator 2) None 3) Company must be registered in Uganda 4) Unbound except for technical personnel unless Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	1) None 2) None 3) None 4) Unbound except for technical personnel stipulated under market access	
Global mobile personal communications by satellite operations	1) Permitted only with agreement with one or more duopoly operators as well as arrangements under the Memorandum of Understanding to Facilitate Arrangements for Global Mobile Personal Communications by Satellite, Including Regional Systems (1997) to which Uganda is a signatory. 2) None 3) Company must be registered in Uganda 4) Unbound except for technical personnel unless Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	1) None 2) None 3) None 4) Unbound except for technical personnel stipulated under market access	

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
9. TOURISM AND TRAVEL-RELATED SERVICES			
A. Hotels and restaurants	1) None 2) None 3) Government approval is required in accordance with the Investment Code and the regulations within it. 4) Unbound except for technical personnel except where Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	1) None 2) None 3) None 4) Unbound except for technical personnel stipulated under market access	
B. Travel agencies/tour operators	1) None 2) None 3) Government approval required through Investment Authority. 4) Unbound except for technical personnel except where Ugandans are or become available. Entry and temporary stay of foreign service suppliers subject to compliance with laws, regulations and guidelines in force in Uganda.	1) None 2) None 3) None 4) Unbound except for technical personnel stipulated under market access	

Reference Paper

Scope

The following are definitions and principles on the regulatory framework for the basic telecommunications services.

Definitions

Users mean service consumers and service suppliers.

Essential facilities mean facilities of a public telecommunications transport network or service that:

(a) Are exclusively or predominantly provided by a single or limited number of suppliers;
Cannot feasibly be economically or technically substituted in order to provide a service.

A *major supplier* is a supplier which has the ability to materially affect the terms of participation (having regard to price and supply) in the relevant market for basic telecommunications services as a result of:

(a) Control over essential facilities; or
(b) Use of its position in the market.

1. Competitive safeguards

1.1 Prevention of anticompetitive practices in telecommunications

Appropriate measures shall be maintained for the purpose of preventing suppliers who, alone or together, are a major supplier from engaging in or continuing anticompetitive practices.

1.2 Safeguards

The anticompetitive practices referred to above shall include in particular:

(a) Engaging in anticompetitive cross-subsidization;

(b) Using information obtained from competitors with anticompetitive results;

(c) Not making available to other services suppliers on a timely basis technical information about essential facilities and commercially relevant information which are necessary for them to provide services.

2. Interconnection

2.1 This section applies to linking with suppliers providing public telecommunications transport networks or services in order to allow the users of one supplier to communicate with users of another supplier and to access services provided by another supplier, where specific commitments are undertaken.

2.2 Interconnection to be ensured

Interconnection with a major supplier will be ensured at any technically feasible point in the network. Such interconnection is provided:

(a) Under non-discriminatory terms, conditions (including technical standards and specifications) and rates and of a quality no less favourable than that provided for its own like services or for like services of non-affiliated service suppliers or for its subsidiaries or other affiliates;

(b) In a timely fashion, on terms, conditions (including technical standards and specifications) and cost-oriented rates that are transparent, reasonable, having regard to economic feasibility and sufficiently unbundled so that the supplier need not pay for network components or facilities that it does not require for the service to be provided;

(c) Upon request, at points in addition to the network termination points offered to the majority of users, subject to charges that reflect the cost of construction of necessary additional facilities.

2.3 Public availability of the procedures for interconnection negotiations

The procedures applicable for interconnection to a major supplier will be made publicly available.

2.4 Transparency of interconnection arrangements

It is ensured that a major supplier will make publicly available either its interconnection agreements or a reference interconnection offer.

2.5 Interconnection: dispute settlement

A service supplier requesting interconnection with a major supplier will have recourse, either:

(a) At any time; or

(b) After a reasonable period of time which has been made publicly known

to an independent domestic body, which may be a regulatory body as referred to in paragraph 5 below, to resolve disputes regarding appropriate terms, conditions and rates for interconnection within a reasonable period of time, to the extent that these have not been established previously.

3. Universal service

Any Member has the right to define the kind of universal service obligation it wishes to maintain. Such obligations will not be regarded as anticompetitive per se, provided they are administered in a transparent, non-discriminatory and competitively neutral manner and are not more burdensome than necessary for the kind of universal service defined by the Member.

4. Public availability of licensing criteria

Where a licence is required, the following will be made publicly available:

(a) All the licensing criteria and the period of time normally required to reach a decision concerning an application for a licence;

(b) The terms and conditions of individual licences.

The reasons for the denial of a licence will be made known to the applicant upon request.

5. Independent regulators

The regulatory body is separate from, and not accountable to, any supplier of basic telecommunications services. The decisions of and the procedures used by regulators shall be impartial with respect to all market participants.

6. Allocation and use of scarce resources

Any procedures for the allocation and use of scarce resources, including frequencies, numbers and rights of way, will be carried out in an objective, timely, transparent and non-discriminatory manner. The current state of allocated frequency bands will be made publicly available, but detailed identification of frequencies allocated for specific government uses is not required.

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ANNEX 2: Inventory of Laws and Regulations Affecting Distribution Services

Particulars	*Name of law*	*Brief description*
Sector-specific legislation	Markets Act, cap. 94	Provides for the establishment and management of markets
	Bulk Sales Act, cap. 69	Relates to the sale of goods in bulk
	Adulteration of Produce Act, cap. 27	Relates to the adulteration of goods
	Shop Hours Act, cap. 99	Regulates shop hours for sale of certain goods and for certain businesses
	Specified Goods (Conveyance) Act, cap. 359	Controls means of conveyance of certain goods to and from Sudan, the Congo and Rwanda
	Trade (Licensing) Act, cap. 101	Governs trading areas, licences and the like
	Weights and Measures Act, cap. 103	Governs weighing and measuring for trade
Sector-specific regulations	Advocates (Remuneration and Taxation of Costs) Rules, Statutory Instrument (SI) 267—4	Contains provisions as to the commission to be charged by advocates when acting as commission agents
	Weights and Measures Dispensing Pumps, Bulk Meters and Bulk Measures Amendment Rules, SI 2011—26	
	Specified Goods (Conveyance) Regulations, SI 359—1	
	Trade Licences (Grading of Business Areas) Order, 2011	
	Trade (Licensing) (Restricted Trading Centres) (Revocation) Order, 2011	
	Trade (Licensing) (Restricted Trading Centres) Order, SI 101—1	Designates areas where non-citizens of Uganda are not to conduct trade
	Trade (Licensing) (Appointment of Licensing Authority), SI 101—2	Appoints licensing authority for travelling wholesalers' licence
	Trade (Licensing) (Grading of Business Areas) Order, SI 101—3	Establishes grading of business areas for licensing purposes
	Trade (Licensing) (Reduction of Fees) Order, SI 101—4	Reduces trading licence fees for specific areas
	Trade (Licensing) (Forms) Regulations, SI 101—5	Various licence application forms
	Trade (Licensing) (Prescription of Forms) Regulations, SI 101—6	Application for trading licence forms
	Trade (Licensing) (Regulation of Hawkers) Regulations, SI 101—7	Govern positioning of hawkers
	Trade (Licensing) (Hawking of Goods) (Exemption from Licensing) Order, SI 101—8	
	Specified Goods (Conveyance) (Exemption) Instrument, SI 359—2	Makes provisions that ensure law and order within a market
	Produce Protection (Dealers) Rules, SI 32—1	
	Weights and Measures Rules, SI 103—1	
	Markets Rules, SI 94—1	Govern operation of markets

Particulars	*Name of law*	*Brief description*
	Markets (Lira Market) Byelaws, SI 94—18	Govern operation of markets in Lira
	Markets (Arua Market) Byelaws, SI 94—3	Govern operation of markets in Arua
	Markets (Kampala Markets) Byelaws, SI 94—15	Govern operation of markets in Kampala District
	Markets (West Nile) Byelaws, SI 94—30	Govern operation of markets in the West Nile
	Markets (Tororo Market) Byelaws, SI 94—29	Govern operation of markets in Tororo
	Markets (Soroti Market) Byelaws, SI 94—28	Govern operation of markets in Soroti
	Markets (Nebbi District Markets) Byelaws, SI 94—27	Govern operation of markets in Nebbi District
	Markets (Mubende Market) Byelaws, SI 94—26	Govern operation of markets in Mubende
	Markets (Moyo Market) Byelaws, SI 94—25	Govern operation of markets in Moyo District
	Markets (Moroto Market) Byelaws, SI 94—42	Govern operation of markets in Moroto
	Markets (Mengo Municipality Market) Byelaws, SI 94—23	Govern operation of markets in Mengo Municipality
	Markets (Mbarara Market) Byelaws, SI 94—22	Govern operation of markets in Mbarara
	Markets (Mbale Market) Byelaws, SI 94—21	Govern operation of markets in Mbale
	Markets (Masindi Market) Byelaws, SI 94—20	Govern operation of markets in Masindi
	Markets (Masaka Market) Byelaws, SI 94—19	Govern operation of markets in Masaka
	Markets (Kitgum Market) Byelaws, SI 94—17	Govern operation of markets in Kitgum
	Markets (Kamuli Market) Byelaws, SI 94—16	Govern operation of markets in Kamuli
	Markets (Kampala Market) Byelaws, SI 94—14	Govern operation of markets in Kampala
	Markets (Kabale Market) Byelaws, SI 94—12	Govern operation of markets in Kabale
	Markets (Iganga Market) Byelaws, SI 94—11	Govern operation of markets in Iganga
	Markets (Kaliro Market) Byelaws, SI 94—13	Govern operation of markets in Kaliro
	Markets (Hoima Market) Byelaws, SI 94—10	Govern operation of markets in Hoima
	Markets (Gulu Market) Byelaws, SI 94—9	Govern operation of markets in Gulu
	Markets (Bugiri Market) Byelaws, SI 94—4	Govern operation of markets in Bugiri
	Markets (Fort Portal Market) Byelaws, SI 94—8	Govern operation of markets in Fort Portal
	Markets (Fees for Livestock) Rules, SI 94—2	Fees to be paid for livestock in markets
	Markets (Entebbe Market) Byelaws, SI 94—7	Govern operation of markets in Entebbe

Particulars	*Name of law*	*Brief description*
	Markets (Busoga) Rules, SI 94—6	Govern operation of markets in Busoga
	Markets (Busembatia Market) Byelaws, SI 94—5	Govern operation of markets in Busembatia
	Weights and Measures (Prohibition of the Derived System) (Kampala Wholesale Butchers) Order, SI 103—31	
	Various Weights and Measures (Prohibition of the Derived System) (Transactions by Weight and Measure) Orders, SIs 103	
Product-specific legislation	Cattle Traders Act, cap. 43	Regulates cattle trading in Uganda
	Phosphorous Matches Act, cap. 96	Prohibits sale of white phosphorous matches
	Liquor Act, cap. 93	Regulates sale of liquor
	Sugar Control Act, cap. 34	Controls produce and export of sugar
	Timber (Export) Act, cap. 151	Controls export, inspection, grading, marking and handling of timber in transit
	Petroleum Supply Act, 2003	Provides for supervision, transportation, processing, supply, storage, distribution and marketing of petroleum products and so forth
	Tobacco (Control and Marketing) Act	
Product-specific regulations	Tobacco (Control and Marketing) Regulations, SI 35—1	
	Potable Spirits Regulations, SI 97—1	
	Food and Drugs (Marketing of Infant and Young Child Foods) Regulations, SI 278—1	
	Fish (Permanent Closed Areas) Rules 2010	
General legislation	Contract Act, cap. 73	Governs contracts
	Investment Code Act, cap. 32	Governs investment in Uganda
	Trades Disputes (Arbitration and Settlement) Act, cap. 224	Provides for settlement of trade disputes generally and in essential services, regulating strikes and lockouts and so forth
General regulations	Business Names Registration (Amendment) Rules, SI 2000/5	
Bills	Trade (Licensing) (Amendment) Bill, No. 9 of 2012	Amends the Trade (Licensing) Act to streamline the procedures for the licensing of trade and to make them consistent with the Government policy on trade liberalization in the East African Community, inter alia
	Anti-Counterfeiting Goods Bill, No. 22 of 2010	
	Fish (Amendment) Bill, No. 7 of 2010	

ANNEX 3: Mobile Telecommunications-related Regulations in Uganda

Aspect	*Regulation*	*Key issues covered*
Licensing	Telecommunications (Licensing) Regulations, 2005	• Defines which networks and services require which type of licence • Establishes the application process for obtaining a telecommunications licence • Identifies the various conditions that may be imposed through telecommunications licences
Compliance	Uganda Communications (Enforcement Procedures) Regulations, SI 2004/41	• Ensure compliance in the communications sector by all people in Uganda • Define the tools for investigation of violations and prescribe penalties for non-compliance
Competition	Communications (Fair Competition) Regulations, 2005	• Monitor and enforce fair competition in the communications sector • Prohibit any practices and acts affecting fair competition, including unfair methods of competition, and unfair or deceptive acts or practices that distort competition in the communications market • Provide for enforcement procedures and guidelines for determining a breach of fair competition
Universal service	Communications (Universal Service) Regulations, 2005	• Provide for a list of the minimum set of services to be delivered as part of the universal service programme, including public access locales (e.g. pay phones and telecentres), emergency and free services, access for persons with disabilities and affordable basic services • Establish pricing controls for eligible services (e.g. price caps, geographical averaging or similar mechanisms) and mandate that two types of operators be designated as universal service providers: facilities-based operators and those with annual turnovers over U Sh 100 million (approximately $55,309) • Determine funding mechanisms, namely contributions (which may take the form of supplemental interconnection charges) and levies on gross sales revenues from communications, on designated universal service providers. It is not clear, however, whether contributions are imposed on all operators.
Interconnection	Telecommunications (Interconnection) Regulations, 2005	• Apply to the linking, accessing, sharing, interconnecting, harmonizing and interoperability of telecommunications network and systems, infrastructure facilities and services • Establish an effective and competitive framework for regulating the interconnection and interoperability to

Aspect	*Regulation*	*Key issues covered*
		telecommunications networks and systems, infrastructure facilities and services • Impose interconnection obligations on several service providers • Establish interconnection procedures • Grant UCC authority to resolve interconnection disputes via alternative dispute resolution mechanisms (e.g. mediation and arbitration)
Pricing and accounting	Telecommunications (Tariffs And Accounting) Regulations, SI 2005/27	• Provide for pricing of telecommunications services and accounting by telecommunications operators • Establish a framework for efficient and reasonable cost-based pricing of telecommunications services • Regulate rates, price caps and price cap baskets of telecommunications services
Procedures	Communications (Practice and Procedure) Regulations, 2005	• Relate to proceedings or acts of UCC in relation to application, and suspension for licences, dispute resolution, investigations by UCC and so forth • Establish rules and principles for conducting the same
Protection from equipment damage	Communications (Telecommunications and Radio Communications Equipment Type Approval) Regulations, 2005	• Provide for uniform standards for the protection of telecommunications networks and radio communications networks from harm caused by the connection of terminal equipment and associated with wiring • Set technical telecommunications standards • Ensure that the connection of equipment to the telecommunications networks, inter alia, does not damage or jeopardize the integrity of telecommunications networks
Access to information	Access to Information Regulations, SI 2011/17	• Establish the right to access information; defines the classes of information and the procedure for obtaining access to information

ANNEX 4: Laws Affecting Information Technology Enabled Services and Business Process Outsourcing in Uganda

Aspect	*Legislation*	*Key issues covered*
Computer misuse	Computer Misuse Act, 2011	Provides for safety and security of electronic transactions and information systems, preventing unlawful access, abuse or misuse of information systems, including computers, and makes provision for securing the conduct of electronic transactions in a trustworthy electronic environment
Electronic signatures	Electronic Signatures Act, 2011	Regulates the use of electronic signatures
Electronic transactions, e-government services	Electronic Transactions Act, 2011	Provides for the use, security, facilitation and regulation of electronic communications and transactions, and encourages the use of e-government services
Establishment of NITA-U	National Information Technology Authority, Uganda Act, 2009	Establishes NITA-U and its objects, functions, composition, management and finances
Access to records and information	Access to Information Act, 2005 Access to Information Regulations, 2007	Provide for the right of access to information pursuant to article 41 of the Constitution; prescribes the classes of information and the procedure for obtaining access to information
Management of public records and access to archives	National Records and Archives Act	Deals with management of Government and other public records and archives under the National Records and Archives Agency, for the preservation, utilization and disposal of such records and archives

ANNEX 5: Inventory of Laws and Regulations Affecting Information Technology Enabled Services

Legislation for Information Technology Enabled Services

1. Access to Information Act, 2005: provides for right to access information
2. Uganda Communications Act, cap. 106: provides for restructuring of the communications industry, to liberalize and introduce competition in the industry
3. Copyrights and Neighbouring Act, 2006: computer programs and databanks are eligible for copyright protection
4. Electronic Media Act, cap. 104: provides for the setting up of a broadcasting council to license and regulate radio and television stations, provides for the licensing of television sets and makes it possible to amend and consolidate the law relating to electronic media
5. Uganda National Council for Science and Technology Act, cap. 209: provides for the establishment of the National Council for Science and Technology, its constitution, management and functions
6. Uganda Posts and Telecommunications Corporation Act, cap. 107: establishes the Uganda Posts and Telecommunications Corporation
7. Uganda Broadcasting Corporation Act, 2005: provides for establishment of the Uganda Broadcasting Corporation, a successor to Radio Uganda and Uganda Television
8. Computer Misuse Act, Act No. 2 of 2011: ensures that electronic transactions are safe and secure and that information systems such as computers are not misused
9. Electronic Transactions Act No. 8 of 2011: provides for the use, security, facilitation and regulation of electronic communications and transactions, and encourages the use of e-government services
10. Electronic Signatures Act No. 7 of 2011: regulates the use of electronic signatures
11. National Information Technology Authority, Uganda Act, Act No. 4 of 2009: establishes NITA-U to coordinate, promote and monitor information technology development within the context of national social and economic development
12. Press and Journalist Act, cap. 105.
13. Regulation of Interception of Communication Act, No. 18 of 2010

Bills

1. Harmonization Act (Uganda Communications Regulatory Authority Bill): merges the Uganda Communications Act and the Electronic Media Act and includes telecommunications and postal services in a more extensive manner; approved by the Cabinet; currently before Parliament.

Regulations

1. Electronic Media (Cinematograph) Rules, SI 104—1
2. Electronic Media (Television) (Forms) Rules, SI 104—2
3. Electronic Media (Fees) Rules, SI 104—3
4. Communications (Establishment and Management of the Rural Communications Development Fund) Instrument 2002
5. Communications (Fair Competition) Regulations, 2005
6. Communications (Postal Service) Regulations, 2005
7. Communications (Practice and Procedure) Regulations, 2005
8. Communications (Radio) Regulations, 2005
9. Communications (Telecommunications and Radio Communications Equipment Type Approval) Regulations, SI 2005/22
10. Telecommunications (Interconnection) Regulations, SI 2005/25
11. Telecommunications (Licensing) Regulations, SI 2005/20
12. Telecommunications (Tariffs and Accounting) Regulations, SI 2005/27
13. Uganda Broadcasting Corporation (Vesting of Property, Rights and Liabilities of Uganda Television and Radio Uganda) Order, SI 2005/82
14. Uganda Communications (Enforcement Procedures) Regulations, SI 2004/41
15. Uganda Communications (Transfer of Asset) Instrument, SI 2004/57
16. Communications (Universal Service) Regulations, SI 2005/26
17. Access to Information (Commencement) Instrument, SI 2006/11
18. Access to Information Regulations, SI 2011/17
19. Computer Misuse Act (Commencement) Instrument, SI 2011/35
20. Electronic Signatures Act Commencement Instrument, SI 2011/37
21. Electronic Transactions Act Commencement Instrument, SI 2011/36
22. Regulation of Interception of Communications Instruments SI 2011/4

ANNEX 6: Inventory of Laws and Regulations Affecting Services Auxiliary to All Modes of Transport

Particulars	*Name of law*	*Brief description*
Sector-specific legislation	East African Community Customs Management Act, 2004	Provides for the management and administration of customs in the East African Community
	East African Community Customs Union Protocol, 2005	Provides for the free movement of goods within the East African Community
	Aerodromes Control Act, cap. 351	Provides for the control of aerodromes (area of land or water designed, set apart or commonly used for affording facilities for landing or departure of aircraft)
	Aerodromes (Control of Obstructions) Act, cap. 352	Provides for the control and removal of obstructions on land adjacent to and in the vicinity of aerodromes
	Civil Aviation Authority Act, cap 354	Deals with all aircraft operating in Uganda airspace
	Customs and Excise Act, cap. 335	Establishes Ugandan Customs and Excise Department to replace East African Community Customs and Excise Department
	Customs (Dumping and Subsidies: Rates) Act, cap. 36	Allows president to prescribe rates of duties of customs imposed where goods have been dumped or subsidized
	East African Community Customs Management Act	Relates to customs duties
	Customs Tariff Act, cap. 337 as amended	Provides for imposition of import duty on goods imported into Uganda
	Excise Tariff Act, cap. 338 as amended	Relates to excise duty
	Uganda Air Cargo Corporation Act, cap. 322	Establishes the Uganda Air Cargo Corporation
	Income Tax Act, as amended	Relates to income tax administration
	Inland Water Transport (Control) Act, cap. 356	Restricts and controls the carriage of goods and passengers by water within Uganda
	Warehouse Receipt System Act, 2006	Licenses warehouses and warehouse keepers to provide for a national system of warehouse bonding for the protection of depositors and to provide for the issue of warehouse receipts
	Traffic and Road Safety Act as amended	Relates to traffic and road safety
	Marine Insurance Act, 2002	Relates to marine insurance
	Excise Management Act, as amended	Relates to excise duty administration
	Vessels Registration Act, cap. 362	Relates to registration of vessels
Sector-specific regulations	East African Community Customs Management Regulations, 2010	Give effect to the East African Community Customs Management Act and govern the conduct of business relating to customs in the East African Community
	Traffic and Road Safety (Weighbridges) Regulations, 2010	Deal with traffic and road safety
	Vessels (Registration) Rules, SI 362—1	Relate to registration of vessels
	Traffic and Road Safety (Weighbridges) Regulations, SI 361—59	Deal with permitted axle load weights, and others
	Traffic and Road Safety Regulations	Relate to traffic regulations
	Customs and Excise (Specified Goods) (Conveyance) Instrument, SI 335—1	Defines customs rules for conveyance of certain goods
	Aerodromes (Control) Regulations, SI 351—1	Relate to aerodromes control
	Customs Tariff Regulations	Relate to customs tariff
	Exercise Tariff Regulations	Relate to exercise tariff
	Income Tax Regulations	Relate to income tax
Related regulations	Traffic and Road Safety (Speed Limit) Regulations, SI 361—13	Set speed limits in urban and rural areas

Particulars	*Name of law*	*Brief description*
	Value Added Tax Regulations, SI 349—1	Relate to VAT regime
General legislation	Contracts Act, No. 7 of 2010	Governs the use of contracts
	Investment Code Act, cap. 92	Governs investment in Uganda
	Trades Disputes (Arbitration and Settlement) Act, cap. 224	Relates to settlement of trade disputes, including regulation of strikes and lockouts
	Partnership Act, No. 2 of 2010	Relates to running businesses as a partnership
	Land Act, No. 1 of 2010	Relates to acquisition of land
	Companies Act, cap. 110, as amended	Governs the establishment of companies
	Occupational Safety and Health Act 2006	Relates to occupational safety and health
	Physical Planning Act, No. 8 of 2010	Relates to physical planning in Uganda
General regulations	Business Names Registration (Amendment) Rules, SI 2000/5	Relates to registering business names
	Investment Code (Acquisition of Land by Foreign Investors) (Exemption) Instrument, SI 92—1	Deals with companies exempted from section 10 of the Investment Code Act
	Capital Markets (Licensing) (Amendment) Regulations, SI 2003/94	Provides for licensing of brokers (securities commission agents)
	Land Regulations, SI 2004/100	Relate to land acquisition and use
Bills	Trade (Licensing) (Amendment) Bill, No. 9 of 2012	Amends the Trade (Licensing) Act to streamline the procedures for the licensing of trade and to make them consistent with the Government policy on trade liberalization in the East African Community, inter alia
	Income Tax (Amendment) Bill, 2010	Amends parts of the Income Tax Act

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