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LIST OF ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific States
AGOA	African Growth Opportunity Act
APIR	Annual PEAP Implementation Review
BOU	Bank of Uganda
BTVET	Business, Technical and Vocational Education
CICS	Competitiveness and Investment Climate
COMESA	Common Market for Eastern and Southern
COREC	Coffee Research Centre
EAC	East African Community
EPA	Economic Partnership Agreements
EUREP GAP	European Good Agricultural Practices
FTA	Free Trade Area
FY	Financial Year
GOU	Government of Uganda
ICT	Information and Communication Technology
ISO	International Standards Organisation
JKIA	Jomo Kenyatta International Airport
JLOS	Justice Law and Order Sector
KRC	Kenya Railways Corporation
MDG	Millennium Development Goals
MFI	Micro Finance Institution
MoWT	Ministry of Works and Transport
MSME	Micro, Small and Medium Enterprises
MTTI	Ministry of Tourism, Trade and Industry
NAADS	National Agricultural Advisory Services
NES	National Exports Strategy
NPA	National Planning Authority
PAYE	Pay As You Earn
PEAP	Poverty Eradication Action Plan
PMA	Plan for the Modernization of Agriculture
PSCP II	Private Sector Competitiveness Project II
PSFU	Private Sector Foundation Uganda
SADC	Southern Africa Development Cooperation
SALL	Sameer Agriculture and Livestock Limited
UBOS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UFEA	Uganda Flowers Exporters Association
UIA	Uganda Investment Authority
UNBS	Uganda National Bureau of Standards
UPE	Universal Primary Education
URA	Uganda Revenue Authority
URC	Uganda Railways Corporation
UTB	Uganda Tourism Board
VAT	Value Added Tax

EXECUTIVE SUMMARY

There is a clear demonstration of Government's commitment today to support growth of Uganda's Private Sector. This is exhibited in the prioritisation of policies targeting improvement of the business climate and, in the alignment of national resources to the proposals for policy reform suggested by the business community of Uganda. The government has to date established an energy equity fund and a national road fund to address improvements in the transport and energy sub sector which have for some time been cited as the major cost drivers of doing business in Uganda. Significant reforms have also been undertaken in revenue collection to improve administrative efficiency and increase compliance levels through the Uganda Revenue Authority (URA). The challenge though, remains with ensuring timely execution of planned activities especially those targeting improvement of the business/investment climate.

Challenges of limited access to affordable business finance, a huge skills mismatch in addition to increasing demands on the energy and transport sub sectors still hamper productivity, growth and enhanced market competitiveness. Resolving supply-side constraints is a major priority for the Private Sector in Uganda today. Legal and regulatory impediments mainly faced by start up businesses and the narrow tax base that imposes an immense burden on complaint tax payers are among the issues that also need to be addressed. The Private Sector commends the efforts geared towards addressing these challenges but considers that execution must be speeded up. Uganda must align its Public Service Delivery system to the changing global market dynamics in order to ensure better performance, which in turn will leverage the economy's competitiveness positioning in the EAC region and the world.

Commitment to the economic strength of Uganda should go beyond focus on macroeconomic stability. There is need to pay even more attention to the laws, regulations, systems and institutional arrangements that are instrumental in shaping an economy's performance and particularly the drivers of the high cost of doing business at the micro and enterprise level. Important to note is that, through improved dialogue between Government and the Private Sector, the business environment over time has become more conducive for Private Sector Development. This notwithstanding, the pace at which global competitiveness challenges are evolving quite supposes the manner in which as a country, we are preparing to respond to the opportunities such challenges offer. Both Government and the private sector therefore, must reassess national planning and prioritisation, resource allocation and implementation.

Focusing on increasing avenues for domestic revenue collection to minimise resource gaps created by low foreign investment flows and reduced donor funds is critical in ensuring self sustenance and avoiding the cost of external borrowing. Domestic revenue as a share of GDP declined from 17.1% in FY 2007/8 to 15.8% in FY 2008/9 while the share of the national budget financed by donors increased from 26.6% to 40.6% over the same period. This means that over the year we looked more to the outside in executing our national agenda which is unsustainable. More so, Uganda recorded an overall balance of payments deficit of USD 179.5 million for the first time since 2000 following the departure of off-shore investors from the government securities markets [BOU Annual Report, 2008/9]. In view of the uncertainty of the global market developments, it is prudent for Uganda to explore options of increasing internal revenue generation mechanisms like; expanding the tax base, increasing efficiency of the identified productive sectors, creating a significant size of skilled, focused and competent manpower to effectively implement the national development plan and, putting in place an explicit strategy of utilising Uganda's profitable natural resource base.

Increased focus on commercialisation of agriculture should be the major focus of enhancing productivity in the sector, which currently employs about 92 percent of the total population in Uganda. Other major requirements to boost this growth of this sector include: construction of storage facilities to handle the bumper harvests and maintain phyto-sanitary and standard needs; introduction of irrigation mechanisms to deal with the increasing drought and; building feeder roads to allow for better access of farm produce to markets. Also, increasing crop varieties to deal with the climatic variations currently affecting productivity of some crop yields would mitigate food supply shortages and revenue losses thereby boosting farm incomes and ensuring food security. A Development Strategy and Investment Plan (DSIP) has been developed by MAAIF and is expected to address a number of agriculture related challenges.

The aggregate export value between 1998 and 2008, there is a clear indication of steady growth that is from USD 549.139 to USD 3,085.275 [BOU, Composition of Exports, 2009]. Specific interventions to support export sub-sectors in eliminating major competitiveness barriers would significantly increase productivity in view of the above. They include; Coffee, Cotton, Tea, Fish, Flowers, Apiculture, Livestock, and, Leather. For the non-traditional exports (cereals, root crops, oil seeds and pulses) the major productivity challenges that need redress are; post-harvest losses resulting from poor handling, lack of storage, weak regulation of the agricultural inputs market leading to increased counterfeit products, climatic changes and inadequate irrigation capacity.

The Tourism Industry as a major invisible export revenue source should be strategically positioned for better competition in the EAC region. To do this, the Tourism Act must be fully implemented with priority focus on improving competitiveness of the sector. Uganda is also strategically positioned to provide BPO services to other countries (such as USA, UK and Canada) thus the need to tap into this potential through specific interventions by the government. Most MSME's rely on mobile telephone services for transacting their operations and currently, the airtime charges are highest in Uganda compared to Kenya and Tanzania resulting from excise duty of 12%. Thus harmonising excise duty to 7% would ease on the cost pressures of local businesses.

Following the official launch of Uganda's National Development Plan (NDP), the Private Sector anticipates that the plan will have applicable microeconomic policies and structures backed by timely implementation of planned actions in order to realise results. Effective follow up and efficient accountability of resources is also critical in achieving outputs although however; it is also true that currently, there is slow implementation of agreed activities by government and, public funds continue to be misappropriated. There is need therefore to have political assent to the international fight against corruption (Transparency International Initiatives) to enable Uganda effectively control and eventually eliminate this problem.

EXECUTIVE SUMMARY

The contribution of women to Uganda's economic development is very evident but limited efforts have been made through Government programs to specifically focus on them as a strategy for increasing national production. For instance, over 80% of all women in Uganda depend on subsistence agriculture, using poor methods of production. Uganda has made some strides in empowering women politically through affirmative action. In addition gender inequalities are slowly but systematically being addressed in a number of public service delivery efforts (education, health, roads, water and sanitation) among others thus women in the Private Sector should also be empowered to be actively involved in advancing the national development agenda forward.

The EAC Regional Integration process is in tandem with the agreements in the treaty leading to the EAC (Implementation of Customs Union and now signing of the Common Markets Protocol). The Private Sector in Uganda as a key player in this process is yet to clearly assess how well – positioned the Ugandan economy is to optimally benefit particularly from the Common Market. While various studies have been carried out already, the dynamics of the integration are changing thus the need for continued evaluation. Competition is inevitable with the opening up of markets and Uganda's focus should be on how well our labour, goods and services are positioned to compete favourably in the EAC market. To do this, Uganda should have a strong dedicated team of technocrats actively participating in the negotiations and also identify ways that the economy can strategically benefit from the EAC integration. Uganda's skilled manpower is under-remunerated especially in the Public Service thus this is the time to look into options of retaining such a critical mass of resources.

It is against this background that the Private Sector through its apex body, PSFU continues to propose critical interventions through this policy document that will position businesses better for competition both in the region and on the global market, make substantial contribution to the creation of wealth through sustainable investment, job creation and income generation.

Below is a summary of the key recommendations for both cross-cutting and sector specific issues raised by the Private Sector members in 2010:

SUMMARY OF RECOMMENDATIONS

CROSS-CUTTING RECOMMENDATIONS

Infrastructure and Energy Development

Energy development

- Ensure timely completion of the Bujagali, Karuma and Nyagaki energy projects to increase electricity supply on the national grid which is needed to support growth of local industries as well as ease the high cost of energy is currently faced by businesses in Uganda.
- Fast-track the development of the power line to Moroto through Katketre to provide transport services for Limestone in the Cement Industry.
- Provide price incentives to Independent Power Producers (IPPs) willing to supply the national grid especially from alternative energy sources that are more eco-friendly and cost effective like, biomass, geothermal and solar energy.
- Install bulk metering for small businesses and install prepaid meters for domestic consumers to minimise on system losses and increase supply to the national grid.

Rail

- Expand rail gauge to Mombasa to ensure faster cargo movements
- Re-open the Tororo – Packwach 500 km line to facilitate trade movements to Northern Uganda and Southern Sudan;
- Up-grade the Kampala – Kasese line for goods coming Western Uganda particularly agricultural produce and;
- Up-grade the Kampala – Malaba to minimise transit costs for traders and local manufacturers.

Roads

- Avoid establishing a monopoly to manage handling Ugandan cargo from Mombasa to Tororo Inland port
- Continue with stay of application of CET to ensure that heavy transport trucks are duty exempt
- Finalise the Greater Kampala Metropolitan Master plan and rehabilitate all city roads while providing appropriate drainage and consider reintroduction of town service trains to help decongest Kampala traffic.
- Up-grade roads supporting the Tourism Industry that is; Kayunga – Wobuenzi, Kisubi – Kasanje – Mpigi, Ishasha – Bwindi, Bwindi – Kisoro and Murchison falls – Kyenjojo;
- Prioritise District and Community roads directly linked to major agricultural produce areas for purposes of averting losses resulting from poor access to markets caused by poor roads.
- Create a one-stop border post facilities at Malaba, Busia, Katuna and Mutukula to minimise delays related to border crossing;
- Fast-track the procurement of weighbridges expected to address the axle load regulation problems that are currently causing wear and tear of transit roads.

Air transport

- Improve airport infrastructure to align services with international standards. Major focus should be on runways and airport infrastructure as well as upgrading of handling services;

SUMMARY OF RECOMMENDATIONS

Labour Productivity

- Ensure demand driven training by getting the private sector input directly into the education curriculum and syllabi at all levels of the education system.
- Establish a dedicated directorate under the Ministry of Tourism Trade and Industry to oversee the implementation of the BTVET Act (away from the Ministry of Education);
- Extend Research and Development tax credits to manufacturers training technical staff as an incentive to both local and international investors;
- Support and encourage programmes to promote Industrial attachments for students at higher institutions of learning for purposes of creating relevant skilled human resources and;
- Expedite the process of formulating the SME Policy

Access and Cost of Business Finance

- Finalise the Pensions Bill to deepen the financial sector through capital markets;
- Fast-track enactment of the Chattels Securities Bill to allow for use of other collateral other than land for borrowing;
- Dedicate UDB funds to support agricultural, industrial financing and exports;
- Support companies through the listing process and reduce corporate tax to 25% for listed companies as an incentive for businesses to go public.

Legal and Regulatory Environment

- Fast track the enactment of the 17 prioritised commercial Laws that are listed in the Annexes at back of this report.
- Ensure full operationalisation of the URSB (company's registration)
- Support the Centre for Arbitration and Dispute Resolution (CADR)
- Expedite Government reforms at the Land Registry (computerisation of the Land Information System) to ensure sustained management of land related transactions as well as minimise land fraud.

Tax Policy Issues

- Institute an alternative turnover tax for loss declarations to discourage fictitious losses declared by businesses;
- Raise VAT threshold from UGX 50M to UGX 100M to ease cashflow for SME's;
- Explore the possibility of raising revenue through taxes on property and real estate as a way of increasing domestic revenues and ease cost pressures on compliant tax payers;
- Increase PAYE threshold from UGX 130,000 to UGX 250,000 to boost effective demand and as a result, indirect revenue collection and;
- Harmonize Withholding tax on dividends from 10% to 5% as is the case in Tanzania and Kenya for better competition.
- Stamp duty should be charged in lump sum of UGX 5,000 as opposed to the current 0.5% of bank loan security value
- Reduce Excise duty on airtime from 12% to 8%
- Remove either surcharge tax or inspection charges of UNBS on vehicles of over 8 years entering Uganda

SUMMARY OF RECOMMENDATIONS

Regional Integration

- Expedite the implementation of the plan to eliminate the existing Non-Tariff Barriers that are minimising healthy competition among business in the EAC region as well as, reduce the cost of doing business particularly in Burundi, Rwanda and Uganda.
- Involve and work with the private sector in pursuit of regional integration
- Ensure implementation of agreed policy decisions by all partner states
- Fast track enactment and implementation of the Pyto-Sanitary Policy to improve standards
- Uganda's list of raw materials and industrial inputs be upheld for a period of five years
- Expedite the industrial strategy and consider policies (Kampala agreement) which encourage production based on comparative advantage of respective partner states. Governments should facilitate investments in strategic sectors in partnership with the private sector
- Harmonize VAT to 16% in the EAC region
- Waive excise duty for essential items like bottled water
- Harmonisation of EAC standards should be expedited from the current 1080 to cover over 5000 standards expected

Public Private Partnerships

- Fast-track the completion of the Public Private Partnership (PPP) policy, which is expected to open up opportunities for Private Sector participation in the provision of Public Services for purposes of enhancing Uganda's competitiveness.

Budget Discipline and Timely Implementation of Agreed Activities

- Devise measures/mechanisms to avoid supplementary budgeting for less productive sectors such as, public administration;
- Ensure implementation of the agreed actions against misappropriate of public funds to deter future malpractices;
- Introduce more punitive and prohibitive action against corruption in the Public Service and;
- Embark on a comprehensive review and improvement of remunerations of public servants to bolster productivity and avert corruption.

The National Social Health Insurance Scheme_

- Allow the NSHIS to operate on multiple schemes to ensure better competition and also enable beneficiaries have the liberty to choose which scheme they prefer to subscribe to.

Managing Oil Revenue Expectations

- Review the 1993 Petroleum Act to allow for better regulation of Oil production in Uganda.
- Fast track the development of the rail, road and pipeline infrastructure to support growth of the Oil Industry and;
- Encourage transparency and openness on all Oil production and revenue utilisation related activities to avert the 'Oil Curse.'

SUMMARY OF RECOMMENDATIONS

Environment and Natural Resources

Given the challenges of global warming and climate change,

- Gazette a national tree planting day
- Support use of cleaner energy sources such as, solar to minimise on the use of wood as energy for cooking and;
- Develop and implement a national waste management policy to address the increasing waste that is currently posing a major threat to humanity and the climate.

SECTOR SPECIFIC RECOMMENDATIONS

Agriculture/Agribusiness

- Ensure timely execution of credit lines to avail the much desired long-term and appropriate finance to the agricultural sector and also ensure the lending process is transparent;
- Increase the scope of the Agricultural Loan Facility in size (to include MSMEs) and, provide clear guidelines on how commercial banks should operate the facility as well as, sensitize farmers at the grass root level on the availability of the facility;
- Expedite the formulation of policies to guide the growth and development of the Agricultural Sector. Special intervention is needed for the Coffee, Organic and Sugar policies.
- Ensure availability of adequate storage facilities at sub counties and mainstream functional warehouses to avoid post harvest losses as well as improve commodity pricing.
- Invest in the recovery and restoration of degraded eco-systems, especially wetlands and the protected forest lands;
- Develop and gazette an inventory of agricultural inputs that qualify for favorable tax treatment to avert the chronic unchecked spread of counterfeit agri- inputs;
- Rehabilitate the existing national irrigation infrastructure such as Doha in Butaleja, Olwenyi in Lira, Mubuku in Kasese, and Agoro in Kitgum to mitigate the increasing problem of drought across the country;
- Allocate funds to establish micro-irrigation schemes on all national major rivers and lakes;
- Establish a specific national fund to support SMEs engaged in agro-processing acquire processing equipments and machinery to raise production capacity, meet and exploit the high and increasing demand of Uganda's organic processed products.
- Extend incentives for agro processing industries located at least 30 Km outside Kampala to older industrial established to also benefit.

Coffee-Sub-Sector

- Review the UCDA statute and NARO Act to facilitate research and productivity of the sector;
- Develop and Implement the National Coffee Policy to guide growth of the sector;
- Promote farmer-ownership and encourage further value addition of Coffee;
- Re-align COREC within the Legal and Statutory Framework of UCDA and;
- Develop a PPP Policy to coordinate coffee organizations more effectively with UCDA.

SUMMARY OF RECOMMENDATIONS

Cotton Sub-sector

- Expedite the Implementation of the national Textiles Policy;
- Re-operationalise the CDO and;
- Create and market regional textile auction centres under the control of the Uganda Commodity Exchange.

Sugar Sub-Sector

- Review CET on sugar entering Kenya COMESA region;
- Harmonize power purchase rates of sugar producers with other suppliers to the national grid
- Register jaggery millers for VAT (as was the case in the past).

Flower Sub-Sector

- Remove levy on aviation fuel, and other levies by CAA (see Air transport issues) to reduce costs by at least USD 40 cents on airfreight costs or a compensation package for the industry to cover for loss of profits in order to make the industry more competitive in the region.
- Take into account that increase in fuel prices due to increased excise duty is going to have an impact on the industry; already KLM cargo increased its price to US $ 0.60 cents per kilo.
- Ensure sufficient Infrastructure Support - i.e. avail un-encumbered land on leasehold as well as other utilities such as, good road and adequate electricity supply.

Apiculture

- Expedite the enactment of the National Apiculture Policy to guide development of the sector;
- Support the establishment of a private sector - led national centre for Sustainable Apiculture development to enable key stakeholders access information, display of different apiculture products and a one stop centre for promoting apiculture business and research.

Livestock

- Avail long-term credit facility to support ranching for Increased Beef Production and;
- Construction of a standard export abattoir to promote export of beef/beef products.

Dairy

- Introduce a policy change for buying raw milk from the farmers to remove monopoly tendencies;
- Increase capacity of UNBS to support strengthening of standards and certification of dairy products in Uganda and;
- Sensitize stakeholders on the costs involved in the supply chain process

SUMMARY OF RECOMMENDATIONS

Leather Industry

- Remove import duty on machinery/spare parts purchased by the local industries engaged in value addition of Hides and Skins;
- Re-establish a tertiary training institute to provide skills to enable value addition;
- Allocate resources to UNBS to provide quality control and assurance to the leather industry;
- Review the Hides and Skins Act of 1964 to cater for changes and competitiveness issues.

Tea Sub-Sector

- Formulate a national policy to guide the tea sector
- Increase Capacity of Rwebitaba research station as a specialised tea research centre
- Establish tea-processing plants in tea growing areas.
- Tax exemption on new investments

Fish Sub-Sector

- Expedite the enactment of the Fisheries Bill, which entails the development and management of the sector;
- Operationalize the Fisheries Management Plan to minimise illegal fishing on national waters;
- Upgrade the landing sites where fishing is conducted to international standards.

Construction Sector

- Expedite the enactment of the construction policy to allow for development of the sector;
- Establish the Uganda Construction Commission as a regulator for the Industry and;
- Build the capacity of local contractors to be able to compete for national projects that are currently being implemented by international companies.

Pharmaceutical Industry

- Apply a 15% price differential to local companies participating in public sector tenders. This practice is already in countries like Kenya and Tanzania.
- The Counterfeits Bill currently being developed should take into account the TRIPS flexibilities and exemptions on Pharmaceutical products.

Beer Industry

- Maintain the current ad valorem rates of excise on beer i.e. 60% for malt beer (beer made from predominantly imported barley malt), 40% for beer made from locally grown and malted barley, and 20% for non-malt beer (beer made from 75% local raw materials) to boost productivity of the beer industry in Uganda;
- Harmonising tax policies with Kenya and Tanzania that is, change from ad-valorem to specific excise tax administration.

- Introduce tax stamps on spirits in Uganda to minimise tax evasion and unrealistic low prices of spirits in the market and;
- Eliminate unscrupulous producers of cheap spirits employing poor production practices, including adulteration of products with dangerous substances such as methanol.

SERVICES SECTOR

Telecommunications

- Excise duty on airtime should be reduced from 12% to 8% in line with EA partner states.

Banking Industry

- Maintain the nominal fee of Shs 5,000 on new loans rather than the 0.5% stamp duty.
- Government should expedite the implementation of the Anti-Money Laundering Bill

Insurance Industry

- Fast-track the amendment of the law on insurance to allow for the establishment of a national re-insurance company;
- Review the Insurance Act and other insurance related laws like Motor Insurance (Third Party Risks) Act to meet international insurance standards, including fair trade practices;
- Expedite the enactment of regulations to operationalise the Workers Compensation Act. For purposes of better compliance with this Act, the government should set precendent in implementing the law;
- Reduce the General Receipt Fees charged by the Uganda Police in cases where proof of accident or loss is required. The industry suggests a reduction from UG SHS 50,000 to UG SHS 10,000. Also, support the Insurance Industry to educate the relevance of proper and/or conclusive police reports to claims investigations and payments;
- Support the Industry to strengthen supervision capacity of insurance companies to ensure that all insurable risks are covered within Uganda by registered insurance companies in Uganda and;
- Enact a policy that will compel ALL public offices to insure their assets and employees as a means of prudent management of the public coffers.

ICT and Business processing outsourcing

- Expedite the completion of linking Uganda to the world through cyber space. However, government MUST evaluate the available communications access options for better competition;
- Put in place funds to the established national call centre unit and for ICT skills training now at the institute of computing;
- Fast-track the fibre optic connection to the SEACOM network and complete the Nakaseke Multipurpose Community Tele-centre wireless IP infrastructure to reduce Internet costs;
- Consolidate the existing tax waiver on imported computer accessories and extend

to gadgets and devices to encourage ICT diffusion to rural areas;
- Integrate the Clusters Initiatives concept in the Government strategy to enhance private sector competitiveness;
- Expedite the implementation of the ICT policy;
- Special funding to be targeted at supporting creative abilities in ICT including e.g. locally developed software which will enhance Uganda's export potential on the global market.

Arts and Crafts Industry

- Promote growth of the Arts and Crafts Industry through tax incentives as well as to encourage preservation of Uganda's culture;

Beauty Industry

- Fast track the operationalisation of the National Standard for hygiene requirements in commercial skin penetration, hairdressing, beauty and natural therapy;
- Ensure the anti-counterfeit bill adequately addresses the following; counterfeiting, adulteration and contra-branding of beauty products;
- Set up a national office at UNBS or MOH to enhance beauty standards across the country.

Tourism

- Establish a national portal to market and promote the image of Uganda abroad with a view of improving the tourism sector;
- Zero-rate the tourism services sold outside Uganda since its an invisible export
- Create a national portal to support Tourism marketing in Uganda
- Identify knowledgeable persons abroad to act as tourism ambassadors for Uganda
- Prioritize the upgrading of roads in the tourism circuit
- Create a centre of excellence and language training centre to enhance productivity of Uganda's hotel staff and in essence the service in this segment in view of the EAC Common Market developments and;
- Fast track the implementation of the Tourism Policy to enhance productivity of the Industry.

Women in Private Sector Development

- Support capacity building programmes targeting enhancement of production for enterprises (training for skill-development) owned by women;
- Gazette land which support women economic activities such as Art and Crafts markets.

1.0 INTRODUCTION

The Private Sector in Uganda remains largely underdeveloped with the majority of businesses concentrated in the Informal Sector. Such businesses are highly fragmented without meaningful value chains. The Formal enterprises constitute only 19% [Uganda Business Survey, 2007] of the firms operating within the economy and as a result, bear the bulk of the burden of the high cost of doing business. This cost is characterised by supply-side constraints mainly in Infrastructure, energy and the general business environment. The potential for growth in the Private Sector however, is enormous especially in view of the enterprising nature of Ugandans. The business community in Uganda resolved to produce an annual document (The Platform for Action) through which the advocacy agenda to support the Uganda Private sector would be articulated. Focusing on such an agenda with government would then help create an enabling environment for businesses to thrive and attain sustained growth. Section 1.1 presents the rationale for developing the PSFU annual policy document and also provides a brief background on how advocacy is conducted by PSFU on-behalf of the Private Sector.

1.1 Rationale for PSFU's Policy Document

In 2004, Uganda's business community through PSFU established a regular dialogue process with the Ugandan Government to discuss the major policy concerns of the Private Sector as well as suggest possible reforms to help improve the business environment in Uganda. It is then that the annual policy document *'Platform for Action'* was first developed[1]. This document provides a synopsis of the major growth challenges of Uganda's Private Sector, the interventions by Government and other stakeholders to mitigate these issues and, also proposes short to medium term interventions to address the impending barriers to growth of the sector. This document makes a significant attempt to integrate all sectors of the economy. The issues and facts raised here in are largely drawn from PSFU members through a wide consultative process, verified through research, parallel analysis with implementing agencies in Government and subsequently aligned to the priorities for resource allocation through the NDP. The parallel analysis is aimed at targeting and helping refocus more public resources towards wealth creation, away from consumption and public sector management.

1.2 PSFU's Advocacy Process

The success of PSFU's policy advocacy process today is mainly attributed to continued engagement of government and other major policy institutions through dialogue. The Public – Private Partnership dialogue process is the major advocacy channel through which the Private Sector engages these institutions and groups. The major focus of these meetings is to identify practical means of enhancing Uganda's competitiveness and improving the business/investment climate. Other major advocacy avenues include; the annual national budget forums (planning and performance review), annual sector review meetings, the Presidential Investor's Round Table (PIRT), Competitiveness Investment Climate Strategy (CICS) Steering Committee, the Parliamentary Committees and regular meetings with H.E the President organised by PSFU. The *'Platform for Action'* policy document is used to evaluate progress of implementation of policy reforms as well as identify emerging policy issues for the private sector. Therefore, PSFU's advocacy is not time pegged but rather a continuous process with annual evaluation activities with feed back mechanisms for the private sector.

1 Before we used to make independent policy submissions to government which quite often precipitated stand alone interventions with minimal impact on the various sectors.

1.3 PSFU'S Major Advocacy Milestones in 2009

In the past years, PSFU's role in advocacy has been to lobby and advocate for reduced costs of doing business to allow for better and favourable competition of the private sector both at home, in the region and internationally. PSFU has made use of relevant advocacy forums and processes to inform key policy institutions of the major growth challenges faced by Uganda's private sector today.
There has also been constant engagement of key policy making bodies directly involved in influencing and/or implementing policies and programmes aimed at improving the business environment in Uganda. Below are a few of the positive outcomes realised between 2007 and 2009;

- Government of Uganda has allocated an additional UG SHS 80billion[2] for road development and maintenance (increased resources to develop transport infrastructure);
- A UG SHS 30 billion agriculture fund has been instituted by government to be co-financed by commercial banks (UG SHS 60 billion) at less than 10% interest rate to farmers to specifically finance agro-processing and machinery;
- The agricultural extension services are to be consolidated to ensure provision of inputs to farmers through NAADS. To do this, an additional UG SHS 36 billion for agriculture is to be implemented through NAADS program;
- An additional UG SHS 85 billion has been allocated to the Energy Fund to support power generation to increase electricity supply to the national grid;
- A 10% energy tariff relief was granted by Government through ERA to ease cost pressures;
- Regarding the cost of Money, interest rates are beginning to reduce on account of increased competition in the banking sector; the establishment of the Credit Reference Bureau (CRB) and; reduction in deficit financing by Government;
- Accountability and monitoring procedures by Government have increased and, quarterly Public-Private Sector dialogues have been instituted to follow up implementation of policy reforms;
- Donor-funded projects in the Agriculture, Education and Health sectors were made VAT exempt and arrears written off. This is to ease the challenges associated with counterpart funding.
- Exemption of duty & tax payments on construction materials for hotels, hospitals & educational institutions was extended for yet another year i.e. June 2009 – June 2010.
- Excise duty on beer produced, grown and malted in Uganda (from local raw materials) was reduced from 60% to 40% to boost local farmer's produce that is used as raw material by the beer making industry.
- A commendable improvement in tax administration especially at Customs and border points. Improved tax education, awareness and compliance are also evident today.

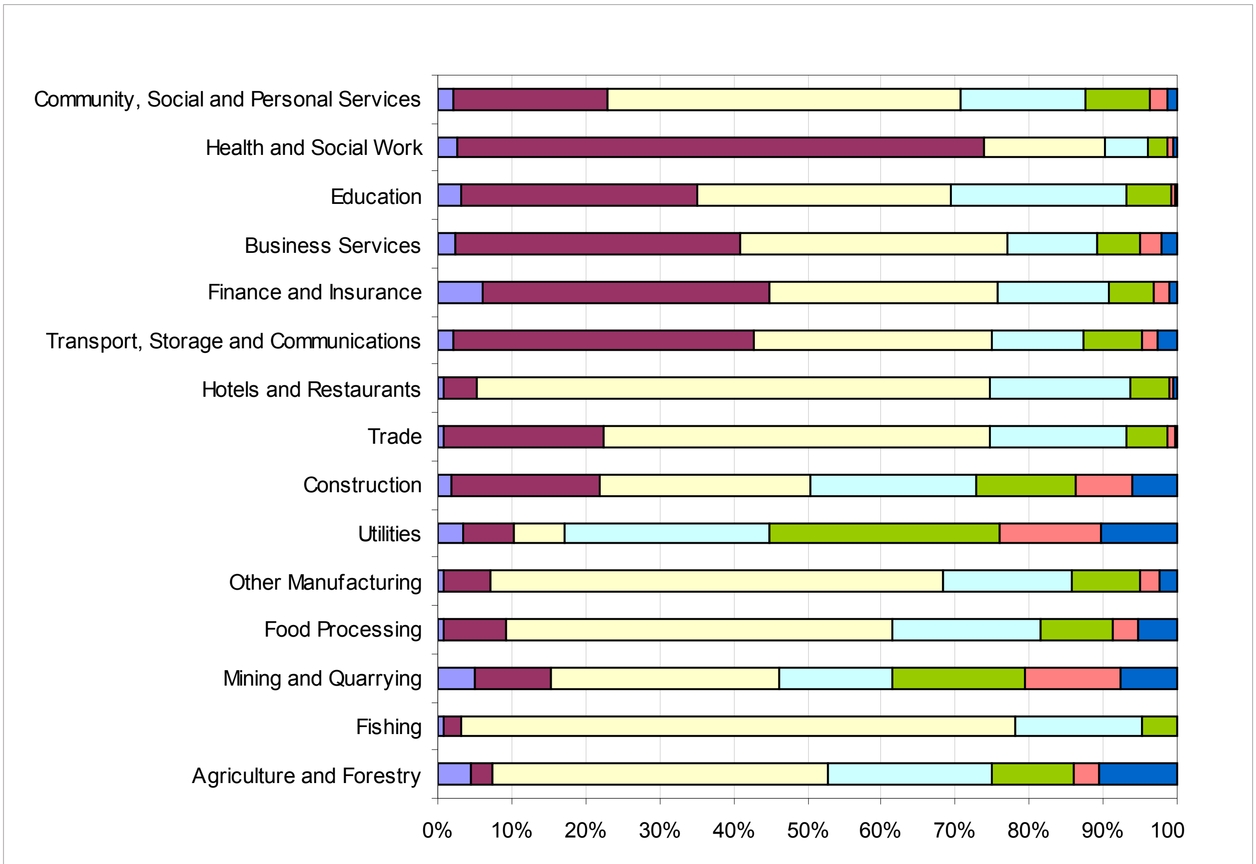
2 To the 1.1 trillion allocated towards development of transport infrastructure in FY 2009/10.

2.0 OVERVIEW OF UGANDA'S PRIVATE SECTOR

2.1 Structure and Key Features of the Private Sector in Uganda

Uganda's private sector is still under-developed with the bulk of businesses (over 800,000) falling in the category of small enterprises despite the fact that they constitute 92% of all firms in urban areas[3]. According to the Uganda Business Register for 2006/7, Uganda has about 25,400 formal business establishments. About 91% of all the businesses, are categorised as Micro, Small and Medium Enterprises (MSME's) in that they have less than 20 employees [See Figure 2.0 below]. The sectors that have at least 20 % of formal businesses employing 20 or more persons include: utilities (55 %); mining and quarrying (38%); construction (27 %); and; agriculture and forestry (25%).

Figure 2.0: Distribution of Businesses in Uganda according to Average Number of Employees in 2006/2007



Source: UBOS, Uganda Business Register 2006/2007

2.2 Potential for Growth

MSME's account for 90% of the non-farm employment in Uganda today yet only produce 28% of the total firm output and contribute 30% of the value-added products. The facts presented in section 2.1 above reveal the huge potential existing in the Private Sector that can be resourcefully explored through addressing the major growth challenges identified by the business community in Uganda mainly; increasing access to low cost business finance and elimination of the supply-side constraints particularly infrastructural and regulatory barriers.

3 World Bank CEM,2007

OVERVIEW OF UGANDA'S PRIVATE SECTOR

The Informal Sector is an important component of Uganda's Private Sector with a dynamic and growing sector. In 2003, about 1.8 million households operated an enterprise in Uganda [2004 Household Survey] many of which were informal to some degree. It can be deduced therefore that such ventures play an important role in absorbing surplus labor and providing cash supplements to households. However they can negatively impact on Government's ability to raise taxes and enforce regulations.

2.3 The Business Environment in Uganda

2.3.1 Competitiveness Positioning

Commitment to the economic health of a country should go beyond focus on macro economic conditions to paying attention to the investment/business climate. Critical focus should be on the laws, regulations and institutional arrangements that shape the daily economic activity of Uganda, which entails the cost of doing business. Overall, Uganda's business environment over time has become more conducive for Private Sector development and this is attributed to the improved dialogue between the Government Business Community in Uganda.

According to the 2009 Uganda Investment Climate Assessment Report, the burden of regulation is relatively low especially in the area of labor regulation, tax rates are comparable with other strong performing countries, and the burden of tax administration is reasonable. Trade and customs administration has also been improved. Similarly, there was an improvement in Uganda's 2009 Global Competitiveness Rankings according to the Global Competitiveness (GCI) Report of the World Economic Forum. The 2009/10[4] GCI findings show that, Uganda soared by 20 places in its overall competitiveness ranking to position 108 out of 133 countries surveyed, compared to position 128 recorded in 2008/9. There was notable improvement in relation to the burden of Government regulation and tax rates among others.

The key basic requirements for Ugandan enterprises to become more competitive as specified in the Global Competitiveness Report (GCR) for 2009 include; i) Sound Institutions and clarity of systems, ii) provision of adequate Infrastructure, iii) Solid macro economic framework iv) A healthy and skilled workforce and, good governance. Uganda's rankings indicate that the business environment is still un-competitive for investments – especially because of the under-developed infrastructure (119th), and poor quality of electricity supply. However, government is making efforts to curb these challenges.

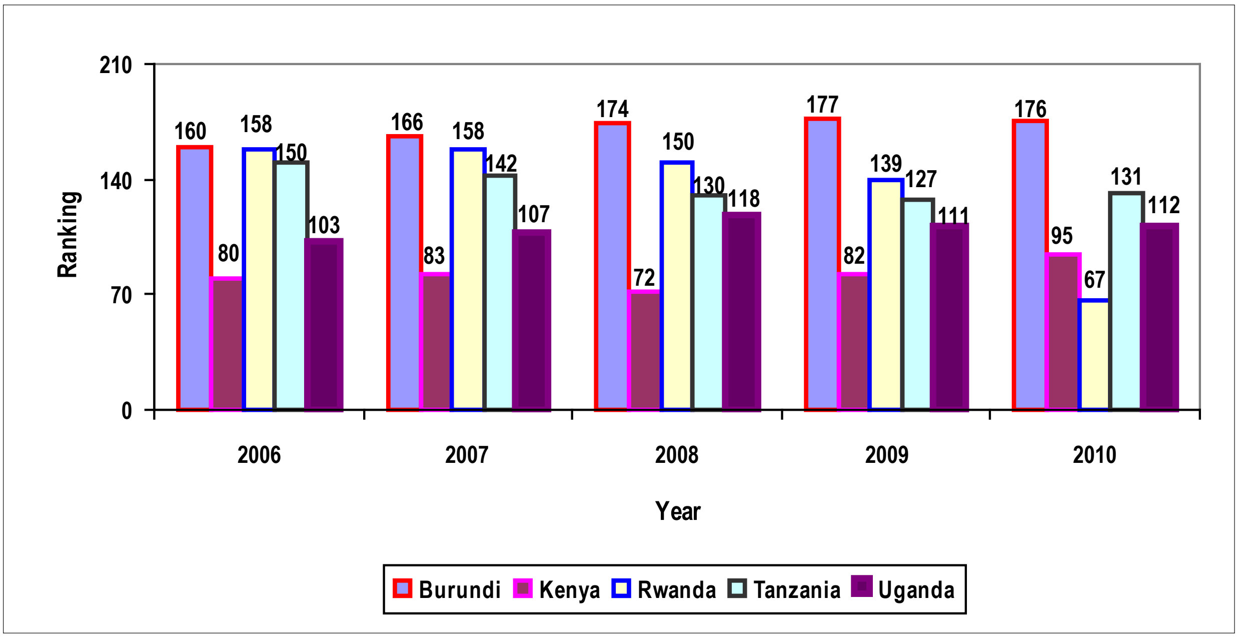
Tax administration Reforms

With regard to tax administration, significant reforms have been undertaken in revenue collection to improve administrative efficiency and increase compliance levels. Through the Uganda Revenue Authority (URA), Government has now developed modern systems and procedures for investor support, ranging from duty draw back policy, fast customs clearance and export information services to modernized registration procedures. The latest reform strategies include plans to establish the e-tax system. A number of systems have been developed to curb tax evasion, reduce revenue leakage and simplify compliance, such as; i) Improved taxpayer services e.g. a facility for direct banking, ii) Tax Identification Numbers (TINs) to reduce time filing returns, iii) IT supported revenue management, mainly for monitoring and control, iv) Corporate taxpayer self-assessment, v) Compliant taxpayer exemptions from withholding tax, vi) Customer care and taxpayer

4 Global Competitiveness Report 2009/2010,World Economic Forum

service functions in URA and, vii) Taxpayer's education services and faster complaints handling.

Figure 2.1: A Comparison of the Overall Doing Business Index for the EAC Region (2006 – 2010)



Source: World Bank Doing Reports 2006 - 2010

Figure 2.1 above compares the overall doing business indices of the five EAC Partner states. From the analysis, Uganda's continued weak performance is mainly attributed to regulatory costs that create unnecessary and additional charges that drive the cost of doing business further up. On the other hand,, despite her land-lockedness, Rwanda's doing business ranking improved remarkably from 139 in 2009 to 67 in 2010 [World Bank Doing Business Report, 2010]. This major change is as a result of the elimination of the key legal and regulatory barriers to investment. Kenya's stable performance is linked to the economies of scale existing in the industrial sector that tend to minimise start-up costs and as a result, attract more investors into the economy.

2.3.2 Cost of Doing Business

The cost of doing business in Uganda is still un-competitive compared to the other EAC regional Partners owing to the slow implementation of reforms aimed at enhancing the business environment and positioning the economy better for global competition. Table 2.0 below, provides a comparison of business costs between Uganda and Mauritius - an emerging and fast growing economy that has undergone many reforms to improve its business environment. Mauritius is currently attracting substantial foreign investments as a result of these transformations.

Table2.0: Comparative Analysis of Business Costs between Uganda and Mauritius (March, 2010)

UGANDA		MAURITIUS
A – TAX REGIME		
• Corporate Tax of 30% • 100% foreign ownership investments permitted • Exemption from customs duty on equipment. 25% duty is charged on items unlisted for duty exempt. • Free repatriation of profits, dividends and capital • Minimum foreign capital of USD 100,000 required • Computer equipment is duty free • Standing tax treaties with EAC, COMESA and particular international markets.		• Corporate and income tax of 15% • Up to 100% foreign ownership • Exemption from customs duty on equipment • Free repatriation of profits, dividends and capital • No minimum foreign capital required • 50% annual allowance on declining balance for the purchase of electronic and computer equipment • An extensive tax treaty network with several countries.
B – BUSINESS COSTS (Operational)		
Indicative Labour Costs		
Professionals 1457 USD/month[5](Less Taxes/Mandatory Fees)		1500 USD / month
Other[6] Secretary Administrative officer Receptionist Clerical staff House Help Driver	 380 USD / month 380 USD / month 242 USD / month 145 USD / month 24 – 200 USD / month 97 – 300 USD / month	 400 USD / month 500 USD / month 400 USD / month 400 USD / month 200 – 300 USD / month 200 – 300 USD / month
Communication Costs[7]		
Telephone/Fax Charges Installation Charges 70 USD Call charges (IDD Rate) 0.5 USD (International) **Cellular Telephone** Call charge (local) 0.24 USD/Minute/Pre Paid Call charge (international) 0.7 – 1.4 USD/Minute **Internet Access** Wireless Dial-up 50 USD / month Dedicated Bandwidth 113 USD / month		Installation charges 70 USD Rental charge 8 USD Call charges (IDD Rate) 0.5 USD (MRU – LON) Call charge (local) 0.1 USD Call charge (international) 0.5 USD (MRU- LON) ADSL Business 256kbps 66 USD / month ADSL Business 512kbps 113 USD / month ADSL Business 1Mbps 212 USD / month
Property Rates (Rent)		
Office space (unfurnished) USD 5 – USD 15 per/ square/foot/month **3 bedrooms (unfurnished)** Apartment USD 1200 - 2500/month Detached House USD 500 - 2500/month		Office space (unfurnished) USD 0.5 – USD 1.5 per square foot/month 3 bedrooms (Semi furnished): Apartment USD 300/month Detached House USD 450/month Beach House USD 1200/month

Sources: PSFU Database of Business Cost Indicators and Board of Investment – Mauritius

The use of selected cost indicators in the above analysis is based on the fact that Property and Communication have been identified as major cost drivers of the high operational costs

5 At March, 2010 exchange rate. PSFU has used the average professional rate offered by corporate companies in Uganda.
6 Same analysis as above
7 This analysis has considered average costs across the various cost indicators

incurred by Ugandan businesses today. Telephone and property rates are higher in Uganda. This is in addition to other costs like energy, transport to the sea and indirect regulatory costs, which when compared to Mauritius; make Uganda much less competitive for potential and long-term investments. Further analysis of the two economies shows that Mauritius embarked on an ambitious promotion campaign and rigorous reforms to improve the business environment for purposes of attracting foreign investments from across the world. Uganda is making progress in enhancing its investment climate with the ongoing business reforms under PSCPII and UIA but more still needs to be done to ensure better competitiveness of all sectors of the economy.

In view of the Common Market developments in the EAC region, PSFU also analyses the costs of doing business across the five EAC Partner States with the aim of identifying Uganda's standing as the economy prepares to open up its market to the region in July, 2010. Tables 2.1 and 2.2 below compare other selected business cost indicators[8] for the EAC countries

Table 2.1: An Analysis of Key Business Cost Indicators for the EAC Region (In USD as at March, 2010)

COST INDICATORS		KENYA	RWANDA	TANZANIA	UGANDA
INDICATOR	DETAIL(S)				
Taxes (%)					
	Corporate Tax	30	30	30*	30
	Value Added Tax	16	18	20	18
	PAYE** Thresh hold	150		85	65
Interest rates (% per annum)	Average lending rate	12.9	16.08	16.4	19.4
Cost of Energy (USD/Kwh)	*Exchange rate(1 USD to local currency)*	*76*	*574*	*1335*	*2045*
	Lifeline tariff	0.026	n/a	0.030	0.048
	Commercial tariff	0.116	0.194	0.079	0.173
	Medium Industry tariff	0.075	0.182	0.052	0.161
	Large Industry tariff	0.053	0.182	0.048	0.089
Cost of Transport***	(USD/40ft Container)				
Rail Transport					
	FROM MSA PORT - COUNTRY	350	n/a	n/a	3,000
Road Transport					
	FROM MSA PORT - COUNTRY	600	5,000	n/a	4,000
Regulatory Costs (USD)****					
	Business registration fees	245.24	416.67	311.51	319.13
	Property registration/ Transfer fees	1,074.58	98.43*****	940.92	966.88
	Stamp duty on value of security- 1,000,000	Nil		0.5	5,000
Labour Costs (USD)					
Average Monthly Minimum Income	Un-skilled worker	17.59	8.71	n/a	13.7
	Skilled worker	141 – 3,000	120 – 2,000	165 – 1,500	171 – 1,457
	Specialised worker	540 – 8,000	n/a	439 – 5,000	225 – 3,000
Mandatory Savings	NSSF (% of gross income)	5	3	10	10

Sources: - UBOS, URA, KRA, RRA, TRA, FUE, BOU, ERA, TANESCO & UFFA

8 These indicators have been identified by PSFU members whose business range from MSMEs to Large Corporations embedded in all the major sectors of the economy (Agriculture, Industry & Services).

Notes:

Burundi has not been included here because of limitations of access to data on the various cost indicators.

* Companies listed on Tanzania's stock exchange with at least 35 percent of its shares owned by the public pay 25% Corporate Tax.
** Respective Income Tax bands for the EAC are: - KEN - 10%, 15%, 20%, 25% & 30%; RWA- 0%, 20% and 30%; TZ - 18.5%, 20%, 25% & 30% & UG - 10%, 20 & 30%.
*** Rail and Road transport ways are the most commonly used means by businesses especially in the landlocked countries of BDI, RWA and UG and; in view of the capacities being transported.
**** These are the major cost drivers of the high cost of doing business after Transport and Energy costs.
***** This cost refers to a property whose value is estimated at USD 23,000

i. The Transport cost above excludes the destination customs clearance costs and any other charges at receipt point, which obviously vary from Partner State to another.
ii. The annual headline inflation rates for the respective countries at the time of the comparative analysis were: BDI, %; KEN %; RWA %; TZ &; UG %.
iii. In the case of Kenya, the Fuel Adjustment Cost and the Foreign Exchange Rate Adjustment provided above are included on the final bill for payment.
iv. A Generation Levy is charged by the Electricity Regulatory Bodies in the respective countries. For Uganda, the levy depends on the consumer category i.e. commercial consumers pay UGSHS/KWH 1.5 while Large Industries pay UGSHS/KWH 1.0.
v. Regulatory Costs apply to charges incurred by businesses within the Capital Cities of the Partner States. However, the costs borne by rural businesses in the respective economies vary from enterprise to another.

Table 2.2: Airport Charges related to Business (Kenya, Tanzania and Uganda)

AIRPORT	CHARGES IN USD			ANNUAL
	LANDING	HANDLING	USER	(IN MILLION)
ENTEBBE (CAA)	480	1100	50	0.9
DAR ES SALAAM (TAA)	250	729	38	1.3
JOMO KENYATTA – NAIROBI (KAA)	313	595	20	7.5

Source: Uganda Freight Forwarders Association (UFFA), PIRT Transport and logistics T WG Sector; March 2010

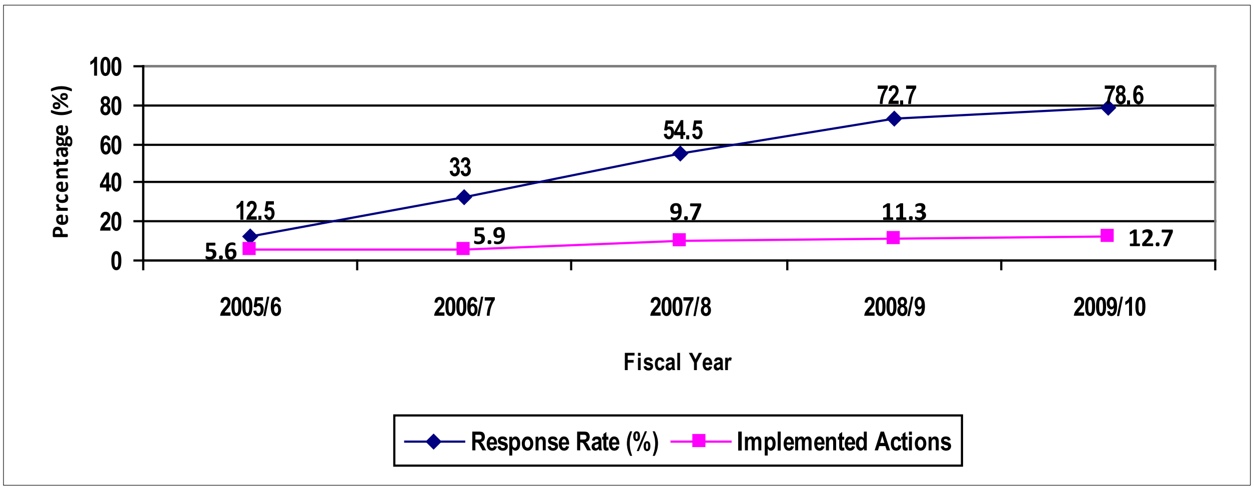
From the above table, Entebbe Airport charges are higher compared to neighbouring airports of Kenya and Tanzania. This certainly contributes to the low turnover of traffic among other things given that businesses will always consider options of minimizing costs especially if there are alternatives. Despite the delays associated with water transport, the majority of importers in Uganda rely on this means of moving goods into the country because; it is a much cheaper option compared to air transport thus if airfreight costs were more cost effective, some businesses would opt to move goods by air to save on time and costs related to delays.

3.0 GOVERNMENT'S COMMITMENT TO PRIVATE SECTOR GROWTH

Government's role in positioning the Private Sector to be Uganda's driving force of economic development is more visible today with the deliberate alignment of national resources to activities aimed at reducing the high cost of doing business in Uganda. There is clear demonstration of commitment to creation of an enabling environment for enterprises to thrive by the Government as evidenced through initiatives such as, the GoU/World Bank - PSCPII.

Uganda's Business Community wishes to commend government for prioritising policies geared at improving the investment climate and; in re-focusing the national development agenda to position the Private Sector to be the engine of economic growth in Uganda. Figure 3.0 below shows the rate of response by the government to Private Sector proposals for policy reform for the period 2005 to 2009. This increasing trend is evidence of the improved dialogue between the government and the Private Sector through the PPP. However, further analysis of this trend however reveals that implementation of planned resources and activities, is slow. This is attributed to a number of factors related to; late disbursements by the central government resulting from delayed accountability of previous funds by some public offices; procurement hold-ups and; the lack of capacity to absorb planned resources and effectively implement the priorities among others.

Figure 3.0: Government's Response in Budget Allocations to PS Proposals Vs Implemented Actions



Source: PSFU Policy Advocacy Unit November, 2009

Below, we highlight some of the reforms undertaken in line with the policy proposals suggested by the Private Sector;

3.1 Financial Sector Developments Related to Access and Cost of Business Finance

Uganda's financial sector has recorded sizeable growth with 22 operational commercial banks. Over 30 new branches of financial institutions have been opened since 2005 increasing the number of branches to over 300. The introduction of the Credit Reference Bureau (CRB) has also marked a significant step forward in improving credit risk management in the financial sector. The CRB has produced and issued through participating commercial banks over 26,799 financial cards with borrowers biometric information. Today, 349 out of 353 participating commercial bank branches and credit institutions have been hooked to the system. The banking sector has continued the roll out innovative products to ease business transactions including mobile money banking, e-banking, SMS-banking, internet banking, leasing and mortgage products. Mobile Money Transfer (MMT) using mobile phones is now functional, with MTN collaborating with Stanbic Bank to ensure services are fully compliant with financial services regulation among other telecommunication companies. To improve access to long term finance, principles of the Uganda Retirements Benefits Regulatory Authority draft Bill and Pension Liberalisation have recently been passed by Cabinet. The challenge now is for the Ministry of Finance to work quickly through the regulations to allow for expeditious debating and passing of the bill.

3.2 Support ICT for Competitiveness

In ICT, a number of interventions have been implemented to incorporate information communication and technology in policy making and implementing agencies. Key among these are; the creation of the Ministry of ICT, institution of the national ICT policy, laying of the optic fibre cable to reduce internet connectivity charges and, the introduction of ICT incubation centres to boost ICT development at universities. Government also removed taxes on computers and computer accessories. The Cyber bills are already before the Parliamentary committee responsible for ICT development. All these interventions should help create the much required skilled manpower in ICT.

3.3 Agricultural Sector Reforms targeting Productivity Increase

A number of agriculture Sector developments have been made as follows: release of UG SHS 30 billion to finance agribusinesses and acquisition of improved seeds and technologies (matched by another Shs 30 billion by Participating Commercial banks); Establishment of the Warehouse Receipt System (WRS), which has improved quality, volumes and standards at the farm level; removal of taxes prohibiting growth of domestic revenue such as export tax, tax on interest earned on loans to the agricultural sector, tax on imported packaging material used to cover export products; Review of the NAADS programme to provide better advisory services to farmers; incentives given for agro-processors establishing 20km outside Kampala, marketing enterprises have also been established across the country and crops to be commercialised for export purposes have been identified. Government's strategy to support the process of zoning the country into viable agricultural production areas as well as the Marketing and Agro Processing Strategy (MAPS) is now being implemented. Emphasis though will be required in emphasising clusters and the value chain approach to allow for informed interventions across sector based value chains in agriculture.

3.4 Regulatory Environment Upturns

On enhancement of the Regulatory Environment, the following achievements have been recorded: enactment of various commercial laws to minimize the costs related to legal delays and barriers - Audit, Dual Citizenship , National Information and Technology Authority Act, Contracts Bill, Copyright and Neighbouring Rights Act and, the Mortgage

Act; In addition, four prioritized commercial Bills have been passed by Parliament with the Companies Bill and the Insolvency Bill having been read for the first time in Parliament. Seven other Bills that have already been presented to Parliament among others include the Electronic (Digital) Signatures Bill, 2008, Contracts (Amendment) Bill,2008 and the Trade Marks and Services Bill, No. 9, 2009.

UIA has also been turned into a one stop centre (Investor can access Immigration, Land, tax, licensing through connections at one point). This helps in addressing the major regulatory issues related to business start–ups. The creation of a Budget Monitoring and Accountability Unit in the Ministry of Finance, to enhance monitoring efforts for effective implementation of Government programmes is already helping to improve the effectiveness of public spending while the computerisation of the Land Registry to remove the costs related to property transfers is beginning to reduce the costs of title verification.

3.5 Skills Development Efforts

In terms of Education/Skills Development, government has set out to promote science and technology in higher institutions of learning with a view to increasing human resources for industrial transformation; there is a deliberate campaign to expand agricultural and technical colleges and upgrade their syllabi to create competitive and skilled manpower. The recent enactment of the Business, Technical, Vocational Education and Training (BTVET) Act has greatly paved interventions at various levels of education and curriculum review both in the public and private institutions to allow for skills enhancement.

3.6 Infrastructure Development

Regarding Physical Infrastructure, the following key achievements have been made: Establishment of the Energy Fund to support financing of energy projects including the Bujagali and Karuma power projects; Up-grading of the Tororo - Gulu rail line ahead of the re-instating economic activity in Gulu; Completion of the Jinja – Bugiri highway, significant progress has also been made on the Kampala Northern By-Pass to ease city traffic; Removal of Import duty and VAT on all solar equipment as part of a campaign to promote installation of solar energy for rural based enterprises that have been faced with energy supply shortages and; creation of the Uganda National Roads Authority (UNRA) to upgrade and maintain road infrastructure.

3.7 Tourism Sector Development

Looking at the Tourism Sector, government enacted the Tourism Act in 2008 and allocated UG SHS 200 million to kick-start the implementation of the Act; Lake Katwe Wildlife Training Institute and the Crested Crane Hotel were also transferred from the Ministry of Education and Sports to the Ministry of Tourism, Trade and Industry to allow for better management and accountability; exemption of Tourism licensed vehicles (authenticated by URA) from import duty and; rehabilitation of some aerodromes upcountry to allow for increased air travel to tourism sites.

The above progress notwithstanding, the business/investment climate in Uganda is still significantly constrained by several supply-side limitations that render the economy less competitive in the global market. The major growth barriers include;

- An inadequate and uncompetitive infrastructure (Rail, Roads, Waterways, Air)
- Limited supply, reliability, and the high Cost of power
- An increasing skills gap and the low labour productivity.
- Limited access to affordable finance and the narrow scope of long-term financing,
- legal and regulatory barriers,
- A narrow tax base that imposes an immense burden on compliant tax payers and,
- Local private sector limitations to participate in public procurement markets

All these collectively explain Uganda's slow growth of investments, business and trade. In addition, segments within the Private Sector grapple with sector - specific challenges that limit their ability to compete favourably in the EAC region and the global market. Regional integration challenges are also commonplace especially the Non Tariff Barriers to trade and investment. Below we assess these in turn.

4.1 Infrastructure

4.1.1 Transport Infrastructure

The main constraints to improving competitiveness for the private sector relate to high transport and production costs. Transport currently accounts for 40%[9] of the total cost of production especially for firms engaged in import-export business. Such costs are inevitably transferred to the consumers thereby reducing the purchasing power and increasing the cost of living. There is therefore urgent need to address the challenge of high regional transport costs and the logistical difficulties caused by traffic congestion in Kampala. It is important that more effort be directed to ensuring cost-effective and reliable transport links to neighboring countries, especially Kenya and Tanzania, with a view to minimising the barrier created by Uganda's landlockedness.

Improved transport links will also allow Uganda to benefit from its comparably favorable geographical position in trade with Rwanda, DRC, and Southern Sudan especially since the country is strategically positioned to be a business hub in the East and Central African region. Figure 4.0 below shows the movement of goods to DRC, Sudan and Rwanda through Uganda in 2002 and 2006 respectively. The trend indicates an increased flow of goods in the period analysed. This supports the above observation on Uganda's potential to be a transit/ supply hub for the region.

Figure 4.0: Movement of Goods through Uganda to DRC, Rwanda and Southern Sudan (2000 – 2006)

Source: Bank of Uganda Statistics

9 PSFU conducted a comprehensive study to benchmark Transport Costs to the Sea. Details of the major cost drivers that form this 40% production cost can be found in the report.

There are already ongoing works on the Northern Corridor, which comprises of highways from Busia/Malaba border posts to Mbarara/Katuna, and Kampala to Nimule via Gulu as well as the attendant tributaries such as the link from Tororo – Mbale – Soroti. The Jinja- Bugiri reconstruction, a key section of the Northern Corridor route linking Uganda to the sea was finalized in September 2009. The Kampala Northern By-Pass although passable is still yet to be completed as dual carriage.

The implementation of key sector reforms like the creation of the Uganda National Roads Authority (UNRA), and an operational Road Fund all aim at increasing production, competitiveness and trade through improvements to the road network. The Road Fund is charged with ensuring adequate and stable funding for road maintenance.

a) **Rail Transport**

Rail transport is the most cost-effective and preferred means of transport for goods especially to and from the sea. The railway network has almost collapsed and efforts to attract a new investor have still not borne fruit after registering a raw deal with RVR consortium. The investment by RVR of US$ 11.5 million did not deliver the desired expectations of the business community. RVR increased freight charges by 10% and 14.8% in 2007 and 2008 respectively on account of operational constraints. This has increased prices of transporting a 40ft and 20ft container from Mombasa to $2,552 and $1,408 from $2,350 and $1,280 respectively. Before the concessioning of rail operation to RVR, URC used to transport up to 80% of Uganda Bound Cargo. Today, less than 15% of this cargo comes in by rail, because of the poor rail gauge, low speed and limited wagons. In addition the small rail gauge limits the quicker transportation of cargo from a speed of 40km/hr to that of 120km/h with wider gauge. As a result, Uganda continues to depend on even much less efficient rail transport for access to regional and overseas markets than it was in 2005.

Where should priority be?
Start with the implementation of planned interventions such as expanding the gauge to allow for faster movements. Consequently the turnaround time would reduce by nearly four times. At constant transit prices, this will result into a 75% reduction in transit costs. The total number of days for goods in transit from Mombasa to Kampala would then reduce from a maximum of two weeks to a minimum of about four days. It is further proposed that Government;

- Provides for a seamless train to increase the turn-around time.
- Re-opens the Tororo – Packwach 500 km line to facilitate trade movements to Northern Uganda and Southern Sudan.
- Ffinalises the feasibility study to identify the most cost effective rail connection to Sudan;
- Up-grade the Kampala – Kasese and the Kampala – Malaba line

b) **Road Transport**

Road transport provides a better alternative to Rail transport. Given that about 95% of the country's goods traffic is currently by road, [MoWT, 2009] it is important that focus is put on minimizing the road transport deficiencies particularly; pot-holes, traffic jams, axle load controls leading, poor road access to productive areas (agricultural products) and, delays caused by long travel times. Road maintenance will also contribute greatly to reducing the carnage on Uganda roads. The urban and peri-urban road network where most businesses are located remain overly neglected and have thus deteriorated; this coupled with the narrow and unplanned city roads has resulted into heavy traffic jams in the city causing on average a loss of 6 man hours per month and increasing the cost of transport[10]. This greatly impacts on productivity of the employees and reduces the competitiveness of the Uganda Private Sector. In spite of the heavy planned investment in the road transport sub-sector over the last decade, the road network remains poor and is a major hindrance to increased investment and access to markets. The poor state of roads is the second leading infrastructure constraint identified by private firms. For instance, while it costs between $1,400 and $1,700 to ship a 40 foot container from Dubai to Mombasa, the average transportation and clearing cost for the same container between Mombasa and Kampala via road is $3,800. A 20 foot container costs an importer $2,250. The internal road network is not any better and both farmers and industries continue to face the challenge of transporting raw materials for processing in major urban centres that have the privilege to enjoy grid power. Agro processing is still constrained due to limited power in rural areas. Government is therefore urged to prioritise implementation of road sector reforms with particular emphasis on the following;

- Avoid establishing a monopoly to manage handling Ugandan cargo from Mombasa to Tororo Inland port
- Continue with stay of application of CET to ensure that heavy transport trucks are duty exempt
- Finalise the Greater Kampala Metropolitan Master plan and rehabilitate all city roads while providing appropriate drainage and consider reintroduction of town service trains to help decongest Kampala traffic congestion;
- Create one-stop border post facilities at Malaba, Busia, Katuna and Mutukula to minimise delays related to cross-border movements;
- Prioritise District and Community roads directly linked to major agricultural produce and Tourism areas e.g Kayunga – Wobuenzi, Kisubi – Kasanje – Mpigi, Ishasha – Bwindi, Bwindi – Kisoro and Murchison falls – Kyenjojo;

c) **Water Ways and Ports**

Following the Kenya post-election violence of 2007, which significantly stifled businesses in Uganda, the government embarked on identifying an alternative viable and cost effective transit route. After exploring the various options along the Dar es Salaam – Kampala route, plans are underway to develop the Lake Victoria – Mwanza – Dar es salaam route. However, this will require more transport infrastructure to support trade activities along the route -especially Ports at the Shores of Lake Victoria (Jinja, Port-Bell and Bukasa) to improve transportation across the lake. Government is further urged to;

10 PSFU conducted a comprehensive study to benchmark Transport Costs to the Sea. Details of the major cost drivers that form this 40% production cost can be found in the report.

a. Develop a dedicated container terminal and provide storage facilities for fuel at Mwanza Port as well as a container terminal at Dar Es Salaam Port.
b. Rehabilitate the Mwanza – Dar es Salaam railway route to facilitate the movement of goods to Uganda through the Central Corridor.
c. Rehabilitate the two vesels, MV Pamba and MV Kaawa to provide the required transport especially between Portbell and Mwanza.
d. After rehabilitation, the vessels should also be insured to avoid the MV Kabalega catastrophe.

d) **Air Transport**

Air transport charges are rendered as the highest in the region yet key exporters (flowers, fish, and organic foods) rely on this means of transport as the quickest and safest way to the export markets. Many have found it difficult to sustain their businesses due to high operational costs. To increase the competitiveness of Uganda's exporting firms (by at least 0.40 USD cents/ Kg) as well as make Entebbe a competitive logistical hub, it is vital to review the following levies;

(a) **Fuel levy** (currently at *5 US cents per litre of Jet A1 Fue*l).
(b) **Handling Charges** *(CAA currently receives 10% of this charge)*.
(c) **Landing fees for Cargo Planes**. These are charged based on the weight of the Air Craft.
(d) **Security Surcharge** (Currently 14 cents per kg). It is proposed that this is borne fully by the Government for Cargo.

Specific interventions are required to cut-back on high airfreight charges to enable the export sector in Uganda thrive. To do this, the Private Sector further proposes the following;

- Improve airport infrastructure to align services to international standards. Major focus should be on runways and airport facilities;
- Fast-track of the development of the up-country airports mainly Yumbe, Pader, Rukungiri, Ntungamo and Rakai.

4.1.2 Energy Infrastructure

High energy costs resulting from high energy tariffs:

The cost of a medium industrial unit of electricity has increased by 206% from 108.85 UGX/kwh in 2005 to 333.2 UGX/kwh in 2010. Table 4.0 below shows the rise in power tariffs since 2009. Several industries continue to experience frequent motor failures as a result of power surge. This further increases the cost of doing business and limits competitiveness of Ugandan firms especially in light of the regional integration process. More so, Uganda electricity tariffs, especially for industrial and medium scale industries, still compares unfavourably across the East African region.

Table 4.0: Electricity Tariff Rates for 2009 - 2010

		Domestic	Commercial	Medium industrial	Large industrial	Street lights
2009	Average tariff (shs/kwh)	426.1	398.8	369.7	187.2	403.0
2010	Average tariff (shs/kwh)	385.6	358.6	333.2	184.8	364.6
	Percentage change (%)	-9.5	-10.1	-9.9	-1.3	-9.5

Source: Electricity Regulatory Authority (ERA)

To be able to compete effectively, reliable and low cost power supply to industries as well as convenient access to affordable basic production inputs needs to be ensured. Government is already looking to improving power generation and help reduce the cost of energy. Energy tariffs were artificially[12] reduced at the beginning of January 2010 by 10% for domestic, commercial, medium industries and street-lighting. Table 4.0 above presents the new tariff rates released by ERA in January, 2010. For the large industrial consumers however, there was only a 1.3% reduction. Government is pursuing the completion of the Bujagali project and commencement of the Karuma hydro power projects as well as promoting the diversification of energy sources. Reducing energy losses and increasing efficiencies in energy distribution by making more improvements to the aging network is pertinent. For the industrial users, a lot of efficiency in bringing down the power factors will be required to save energy. We therefore propose that government;

- Expedites the completion of Bujagali project
- Develops and implement policy on use of solar energy
- Provides price incentives to private sector investors who are willing to supply the national grid especially from alternative energy sources that are greener and cost effective for example, biomass, geothermal and solar. For example, Hima Cement has already taken a lead in this expects to achieve up to 50% replacement of heavy fuel with alternative sources in the next three years[13].
- Introduces tax waiver on all energy efficiency initiatives to help reduce power factors
- Improves efficiency at transmission and distribution of electricity to minimize power losses.
- Requires that prepaid meters be installed for domestic consumers
- Waives VAT on energy and ensure that this translates into affordable power

4.2 Labour Productivity and Skills Development

Productivity of human resource as a factor of production in all sectors has been identified as a key hindrance to private sector competitiveness. This is due to lack of technical and vocational skills in the middle and lower level managers who are critical resources in the production process relevant for private sector development. Skills development is a core issue, as the productivity of the MSME is hampered by lack of technical skills.

12 Artificial because of the large subsidies by government
13 ERA Sector Update Newsletter, Issue 4, Dec 2009

Unfortunately, the current vocational training system is no longer adequate, and there is a mis-match between what people are trained in, and what the market demands. The problem of inadequate technical skills is worse in the MSME's who are the largest employers. The impact of this is that low levels of education and specialisation cannot allow technology transfer and growth in production levels. As a result, firms in Uganda remain engaged in low value added, labor intensive areas of production. Although wages are low, productivity is even lower (i.e., unit labor costs are high) and, as a result, it is difficult for Ugandan firms to compete in international markets. Therefore, there is need to institute measures to address the current mismatch between the current trends in skills attainment/development and skills requirements. Such measures should include the following interventions;

- Review of the education system and increase investment in skilling and vocational training
- Set up an independent directorate to specifically focus on BTVET and help coordinate skills development across all sectors
- Equip schools/universities with laboratory equipment to promote science subjects
- Develop a programme to support internships, industrial attachments and apprenticeships
- Extend tax credits to manufacturers currently incurring costs to train technical staff, which costs are incorporated into the production costs
- Expedite the process of formulating an employment policy
- Establish a minimum wage policy and harmonize salary structures. The minimum wage should be determined on a sectoral basis with active participation of all key stakeholders.

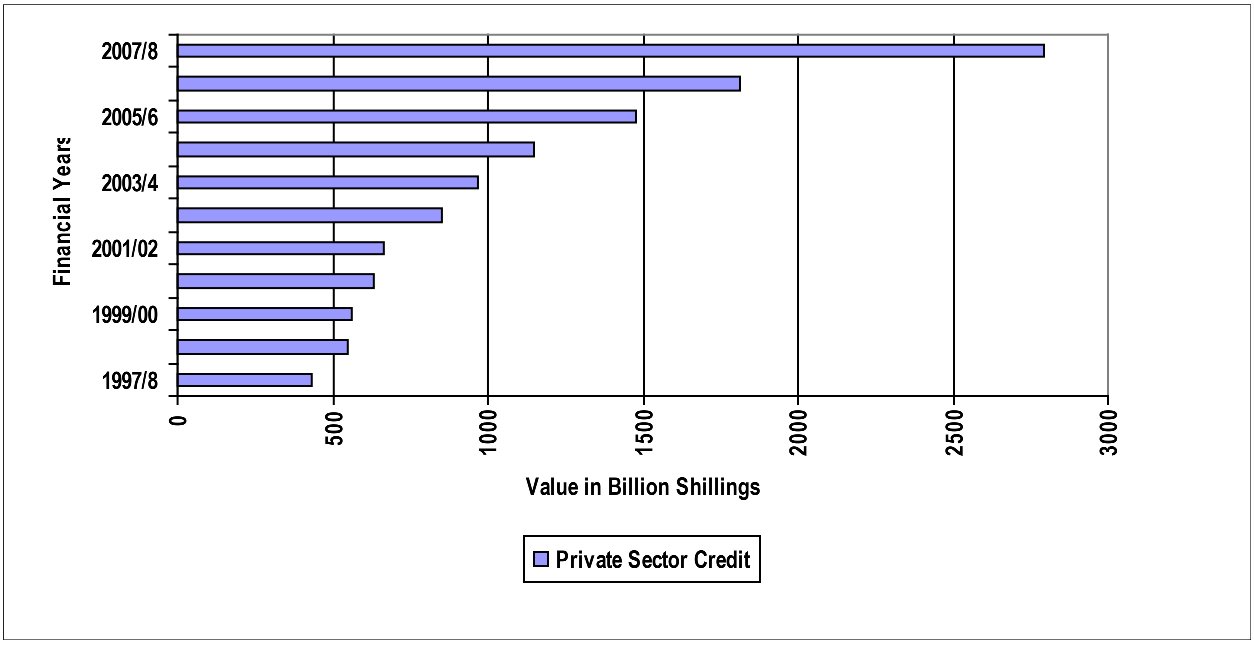
4.3 Improving access to credit and building a viable long term finance base

4.3.1 Credit to the Private Sector

Access to business finance is limited especially for MSMEs reporting on average that they finance about 13% of their new investment with bank financing[14]. Although this is similar to Tanzania, it is slightly lower than most other countries in East Africa and is far lower than in better performing economies. Firms in Thailand and Mauritius finance about 58% and 34% of their investments respectively with bank financing. Despite, the advances made in the banking sector, spreads remain high making the cost of finance high. As a share of GDP, bank credit to the private sector has doubled from 6% in 2001 to 12% in 2009[15]. This is at the same level as Tanzania but considerably lower than Kenya where the bank credit to the private sector stands at 20%. Table 4.1 below shows the trend of Private Sector Credit for the period 1997/98 – 2007/8 and there is a steady rise in the value of credit which when further analysed was found to be mainly going to the Services sector where borrowers have collateral (salaries, guarantees and land titles).The Agricultural sector where this service is much needed is yet to benefit from the available credit on the Ugandan market and this is mainly because of the risks related to agricultural financing.

14 An Assessment of the Investment Climate in Uganda, World Bank, April 2009
15 Bank of Uganda Statistics November, 2009

Figure 4.1: Trend showing Credit to the Private Sector for FY's 1997/98 – 2007/8



Source: Bank of Uganda Statistics, 2008/09

4.3.2 The Cost of Borrowing

Up to 55% of Ugandan enterprises particularly the small type, do not take part in the financial sector mainly because of the limited capacity to do business with financial institutions. A lot needs to be done on the demand side of financing to help prepare these enterprises to become good borrowers and bring down interest rates to manageable levels. Today, interest rates in Uganda have remained high, between 20 - 23 percent over the past twelve months. This is in spite of the reforms made in the financial sector. Uganda's interest rates are much higher compared to other African countries with comparable data, such as Rwanda, Kenya and Tanzania. In these countries, nominal interest rates range between 14 and 19 percent. Mauritius, South Africa and Swaziland firms have reported rates between 11 and 13 percent respectively.

The reasons for such high rates on borrowing are complex but most are related to risk perceptions, deficit financing and poor infrastructure. Commercial banks incur costs associated with the identification of creditworthiness, registration of collateral and the physical costs of doing business in areas with poor roads, electricity and other infrastructure as they struggle to establish upcountry. Furthermore some tax policies proposed such as the stamp duty of 0.5% on value of security is very high and not comparable with the practise in the region. These structural costs are passed on to the consumer via higher lending rates. This is a disincentive to borrow. According to the Investment Climate Assessment Report 2009, over 70% of micro enterprise managers interviewed rated access to finance as the 2nd in terms of limitations to doing business in Uganda. Many of them indicated they had not applied for a loan because of the high interest rates. In view of this, the Private Sector urges government to;

- Finalise the Pensions Bill to avail more resources for long-term financing to investors;
- Amend the 2009 Stamps Act to provide for a lump some charge of 5,000 instead of the 0.5% charge on the value of security
- Improve infrastructure to reduce Bank overheads emanating from establishment of rural branches and;
- Fast-track the enactment of the Shuttles Securities Bill to allow for use of other collateral other than land for borrowing;

4.4 The Legal and Regulatory Environment

Further reduction of the regulatory burden on businesses is essential to reducing the cost of doing business in Uganda. Even when regulations are uniform across the country, differences in implementation can mean that the burden varies significantly between regions. According to the Investment Climate Assessment Report 2009, the total time to complete the procedures to start a business varies quite significantly between cities and is often longer for the towns outside of Kampala. Since many of the procedures are centralized in Kampala—including business registration and the issuance of Tax Identification Numbers (TINs)—it takes longer to complete most procedures for firms located outside of Kampala (between 40 and 61 days outside of Kampala compared to 25 days inside Kampala)[16].

Operationalisation of the Uganda Registration Services Bureau (URSB) 2004 Act is finally underway. This is expected to make the Company Registry more efficient and business oriented. The structure and staffing have now been approved by the Ministry of Public Service. The new structure proposes the establishment of four regional offices that shall work as the liaison for all functions of the Bureau, which would greatly improve the business registration process in areas outside Kampala.

Business licensing is a major requirement for business start-up that still imposes a regulatory burden on enterprises in Uganda. There are 254 different regulatory approvals including licenses, permits, registrations and regulatory certificates required for businesses in different sector to operate. Some businesses have to obtain up to 10 regulatory approvals, visit up to 5 different institutions or obtain up to 6 different approvals from the same institution. [17]

Land is a critical element in business especially since it is a source of capital and a factor of production. However, only 18% of Uganda's land is registered. The Land Registry is still not yet fully automated to provide the economy with information needed to make informed decisions. Storage and management of existing records is archaic, manual and in a very bad shape. Search and verification of claims is slow and prone to errors, thereby creating opportunities for graft and corrupt tendencies. Despite progress in computerization through the PSCP II project, the following challenges still remain at the registry; limited Office Space, lack of adequate personnel to handle the volume of work at the registry, lack of adequate financial resources - the entire ministry accesses only 3% of the national budget, fraud and forgeries (impersonation, forged letters of administration, titles forging releases of mortgages, forging seals, hiding of records), unregulated and unlicensed land agents and, unethical conduct of some professionals. The Private Sector therefore proposes to Government as follows;

16 Uganda Investment Climate Assessment Report 2009
17 See CICS Mapping Exercise of Regulatory Costs, 2009

- Effectively expedite the implementation of the URSB to improve the company's registration process especially for businesses outside Kampala.
- Streamline licensing requirements to minimise the regulatory burden for the private sector.
- Sustaining reforms at the Land Registry is critical for the Private Sector to make use of land as a source of collateral and business growth.
- Provide attractive incentive packages such as; a good and regulatory environment with explicit start-up procedures, tax holidays and low cost investment capital to local and foreign investors establishing industries in the rural areas. Ensure that these incentives are clearly listed and are equitable in the allocation criteria for all investors.

4.5 Tax Policy Issues

The Uganda Revenue Authority has transformed itself into a more efficient tax administrator posting an improved tax collection ratio of 13% of GDP. Despite this improvement, the ration remains below the recommended one of about 21% of GDP. For this ratio to be achieved there is need to create enabling conditions for the Private Sector to become more competitive and profitable with the view of being able to generate more taxes. As the Private Sector strives to make adequate contributions to taxes, the following are some of concerns which Government should consider while choosing tax policy options.

- Competition resulting from the EAC integration process
- Tax burden for Compliant Tax Payers and the challenge of regional integration
- Widening the Tax Net

4.5.1 Competition resulting from the EAC integration process

Tax Policy should take into consideration the need for competitiveness of private sector firms. This is in the wake of the EAC integration process which demands that the effects of taxes reflect a level field competition. The main areas to achieve this include;

***Credit*- minimize** increasing operational costs of financial institutions in Uganda e.g. Stamp duty should be a lump-sum of UGX 5,000 as opposed to the current 0.5% of bank loan security value; This should be consistent with the practice in the region (See table 2.1).

***Communication*-** Ensure that the costs of communication in Uganda are comparable within the region. For instance, the current 12% Excise duty on air time is the highest (See table 5.3). This contributes significantly to the increased costs of production in Uganda and therefore limiting competition in the same market.

***Labour Productivity*-** Ensure the taxes (PAYE) on salaries and wages are comparable otherwise, business in Uganda would have to pay more to sustain same motivation of labour and its productivity compared to their counterparts. For example, the PAYE threshold in Uganda is one of the highest. (See table 2.1). This implies that a Ugandan producer has to pay more on labour which increases the costs of production and inhibits competition in the region.

Multiple taxation or charges of equivalent effect: There is need to avoid multiple taxes and charges which increase the costs of doing business and makes Uganda uncompetitive in the region. For instance, surcharge on cars of over 8 years was agreed upon under the framework of EAC. With the view of ensuring that cars of low quality are not dumped into the EAC market. However since January 1st 2010, UNBS is charging a pre inspection fee which also is targeting ensuring that cars imported in the country are of excellent quality. This is duplication and one charge may serve the purpose, while at the same time contributing to the reduction of transport costs as part of the overall costs of doing business.

4.52 The Tax burden for Compliant Tax Payers and the challenge of regional integration

Compliant tax payers have continued to complain of the very high tax rates as a major driver of the cost of doing business in Uganda today. According to the Uganda Investment Climate Assessment Report 2009, Uganda's total tax-to-profit ratio is 34.5% – higher than Rwanda, (33.7%), South Africa (34.2%) or Mauritius (22.2%). For Uganda, the dissatisfaction by the Private Sector is linked to the effectiveness and efficiently in public spending and the value for money. According to the 2007 Public Expenditure Review Report, both the tax base and compliance rates on major taxes remain very low, at 38%. Taxes on international trade (including VAT on imports) account for over 50% of total tax collection. This makes Uganda more vulnerable in the wake of regional integration. The developments in regional and international trade require that government shifts focus from trade taxes to domestic taxes and internally from indirect to direct taxes. Developed countries have been able to sustain their tax base on account of domestic direct taxes which are in their control. In the UK for example such taxes account for more than 90% of total tax revenues. The challenge for Uganda therefore is to reduce the tax burden and expand the tax base with special focus on domestic direct taxes e.g property taxes and user charges.

4.5.3 Widening the Tax Net

Uganda's informal sector measures in excess of 75% of the private sector and URA is only able to reach up to a proportion of the formal sector. A deliberate attempt to explore taxable sources has been made by the private sector through the PSFU/WB study of 2008, which was carried out to ascertain ways of broadening the tax base and increasing tax compliance in Uganda. The private sector has expressed concern that in addition to the regular taxes, they are required to pay taxes determined at the local governments including road tolls. This amounts to double taxation and increases the cost of doing business.

Improving Tax Administration

URA has gone a long way in making improvements to tax administration. Significant reforms have been undertaken in revenue collection to improve administrative efficiency and increase compliance levels. URA now has one Tax identification number for VAT, income tax and all other taxes. It is being implemented under the e-tax programme. This was piloted starting in June 2009 with taxpayer re-registration with the new TIN. In December 2009, URA moved on to pilot e-filing VAT, PAYE, and local excise duty returns and e-payment of taxes. URA plans to start e-filing of Income tax as part of the efforts to improve tax administration and services. The Private Sector urges government to give due consideration to the recommendations in the 2008 'PSFU study to widen the tax base' some of which include;

- Exploring the possibility of URA working together with the private sector in assessment and collection of rental tax;
- Instituting an alternative turnover (presumptive minimum) tax for loss declarations to discourage fictitious company losses by evasive businesses;
- Raising the VAT threshold from UG SHS 50 million to UG SHS 100 million while ensuring more stringent penalty provisions for non-compliance and fraudulent claims;
- Exploring the possibility of raising revenue through taxes on real estate transactions;
- Increasing PAYE threshold from UG SHS 130,000 to UG SHS 250,000 to enhance effective demand;
- Reducing Withholding tax on dividends from 10% to 5% to match Kenya and Tanzania (5%) for purposes of harmonisation and better competition;
- Duty exemption of industrial spare parts and all other crucial raw materials and inputs/ complements that cannot be sources locally should be maintained.

Table 4.1: Potential revenue from specific tax policy proposals

NO.	Recommendation	Implementation	Expected Revenue	Equivalent Tax Ratio
1	Rental Income Tax administration	Short term	126Bn	0.52%
2	W/tax on Real Estate transactions	Short term	90Bn	0.37%
3	Alternative Turnover Tax for persistent loss declarers for at least 3 years	Short term	216Bn	0.90%
4	Income Tax from undeclared income	Short term	120Bn	0.50%
5	Informal sector initiatives	Medium Term	181Bn	0.75%
	Total Estimate		**733Bn**	**3.04%**

Source: PSFU 2008 Study on Identifying ways of widening the tax base in Uganda

4.6 Public Procurement Issues

While it is recognized that Government established the PPDA, realigned major policies such as the National Trade policy[18], National Industrial policy[19] plus the East African Community treaties (i.e. one for the establishment of EAC[20]) to support and streamline procurement reform, the Private Sector (particularly SME's), has still not effectively seized the opportunities offered under public procurement. This is mainly due to the many barriers faced as they attempt to enter the public procurement market. Such barriers include; the cost, time and complexity of preparing bids as well as the inadequacy of skills and entrepreneurship. Such expertise rests largely with big companies that quite often have well-established management.

The public procurement market ought to be focused on the SMEs and government needs to address the constraints (delivery mechanisms) faced by SMEs in preparing bids. Increased participation usually occurs where there are more opportunities for subcontracting rather than direct tendering, where SMEs must compete directly with

18 Encourage the consumption of locally produced goods and services; as stated under Policy Actions (xviii) page 13
19 Emphasizes "promotion of 'buy local and build Uganda' strategy" in its conclusive remarks on page 39
20 All partner states are to promote the use, as much as possible, of local materials and resources; as evidenced in Ch.12 Article 80 (f) and Ch.15 Articles 90 (q) and 99 (e), all with a view to promoting the community as a single investment area

large firms who already enjoy economies of scale. There are also delays in payment (settling of contracts) by the public sector and uncertainty of guarantees. This constrains private sector cash flows as it ties up capital. Tendering procedures still continue to be unclear to small bidders. Political interference in the tendering process is common place especially at local governments. In the construction industry, awarding of tenders to local constructors is constrained under the pretext that they lack sufficient capital and the quality of work is sub-optimal. Limited transparency in evaluating bids and awarding of tenders especially at decentralized levels have continued to complicate the bidding processes., Regarding rating/pricing policy, although the public procurement market turns out to be a guaranteed market for private sector suppliers, the large enterprises are able to offer lower prices due to economies of scale.

While the private sector agrees that there are no quick solutions to the reform of procurement policies, there is need to start action on a wide range of issues to assist the private sector particularly SMEs to exploit existing opportunities. The following Government initiatives will invite more participation of the private sector;

- Realigning Government procurement policy to support local industries (i.e. Procurement procedures should provide for increased participation by local manufacturers in bigger projects in a manner that facilitates the use of locally sourced materials and products). In addition preferential treatment should be accorded to local manufacturers and service providers in all public procurement procedures. This is already implemented by Kenya and Tanzania;

- Government should accord a 15% preference to all local manufactures (just like in Kenya and Tanzania) in all public procurement procedures as long as such goods/ services meet the required standards;

- Government should also strictly adhere to the Commitment Control System (CCS);

- Improving the flow of information concerning public procurement contracts, and strengthening the role of the PPDA in supporting potential private sector tenders;

- Building capacity for the private sector suppliers to be able to supply high quality products at competitive prices and on time (i.e. The government should support capacity building for local contractors to be able to compete for the big projects);

- Mobilizing the private sector into supply groups (cooperatives) to be able to check quality and increase supply volumes;

- Encouraging sub-contracting: promote, by the use of incentives or regulation, the opportunities for subcontracting to small enterprises;

- Continuing to address the problem of delayed payments as this ties up private capital and;

- The Private Sector should be involved in reviewing contract bids and awarding of tenders for Government.

4.7 Regional Integration

4.7.1 Issues on the EAC - Customs Union and Common Market

The East African Customs Union entered into its final phase of full implementation on 1st January 2010, after five years of transitional arrangements. The end of this privilege to Ugandan firms implies additional costs in terms of input taxes thus the need to put in place measures to ensure that these changes do not significantly impact on the output prices and/or narrow profits.

The East African Common Market Protocol, proposing further liberalisation from goods into services, labour, capital and rights of establishment will come into force on 1st July 2010. The Private Sector's immediate concern is mainly on the preparedness of the Ugandan market for this transition given that the dynamics of the integration process are changing thus the need for continued evaluation. While competition is an inevitable pre-requisite for performance, it is imperative for all competitors to be in sound position to actively engage in this practice therefore; Uganda's focus should be on how well our labour, goods and services are positioned to compete favourably in the EAC market. To do this, the Government should have a strong dedicated team of technocrats actively participating in the negotiations and also identify ways that the economy can strategically benefit from the EAC integration. Uganda's skilled manpower is under-remunerated especially in the Public Service thus this is the time to look into options of retaining such a critical mass of resources.

4.7.2 Non-Tariff Barriers

The EAC member states agreed in article 13 of the EAC Customs Union Protocol to eliminate ALL forms of NTB's and not to impose the new ones. However, Uganda's business community continues to experience non-tariff barriers to trade from its neighbours particularly, Kenya through which Uganda accesses the sea. One of such hindrances is, the distinct difference in Transit Fees; Kenya's transit trucks into Uganda pay only **USD 43** as transit fees while Ugandan trucks pay **USD 200**. This obviously increases Uganda's transportation cost further. Also, Kenya's Transit Law (Clause Two) restricts Uganda's licensed transit trucks from transporting exports into Kenya for fear of dumping. However, Kenyan Registered transit trucks are permitted to transport goods back into Kenya after delivering cargo into Uganda. This definitely encourages unfair competition in the East African transport sub-sector. In order to effectively facilitate the identification, reporting and monitoring of the elimination of current and future NTBs, the EAC NTB monitoring mechanism should consider the following policy recommendations;

- Partner states need to consolidate and demonstrate their political goodwill to implement aspirations of the EAC Treaty.
- Put in place deliberate channels for awareness, creation and sensitisation that will not only serve as information awareness tools, but also encourage active participation by the Private Sector in the integration process
- There is need for regular monitoring of various decisions reached by the Partner States and particularly on NTB's, to ensure that they are implemented without undue delays
- Allocate and maintain a sufficient and specific budget line for NTBs related activities at the national and regional level.

4.8 Public – Private Partnership

Section 3.0 above highlights the benefits that have come from the PPP dialogue between Government and the Private Sector particularly, the alignment of national resources to activities aimed at enhancing the business/investment climate. PPPs have the potential to expand the net of benefits to the Ugandan economy. Key among the possible gains include: cost-sharing provision of public services to minimise costs to the government and also enhance productivity; implementation of projects targeting effective and efficient delivery of services aiding business growth in Uganda.

However, such a nexus requires a framework to operate effectively and explore all possible opportunities for partnership thus the government is in the process of enacting a law on Public Private Partnership (PPP). Once the law is put in place, it is anticipated that there will be improved and **speedy implementation** of projects in Energy, Value addition, Agro-processing and infrastructural development especially roads and railways. Therefore, the Private Sector is urging the Government to fast-track the completion of this law to open up potential areas for partnerships in the delivery of public services.

4.9 Weak Institutions, Poor Budget Discipline and, Corruption

Government's implementing institutions charged with supporting Private Sector growth continue to be limited by resource constraints in ensuring quality, efficient and effective delivery of services. Some of these include among others; Uganda Investment Authority (UIA), Uganda Export Promotions Board (UEPB) and Uganda National Standards Bureau (UNBS).

Despite public outcry on the level of public spending by Uganda, the overall national budget is still indicative of major loopholes that encourage indiscipline in the implementation process of allocated public funds and, poor accountability of resources especially at the local governments. Previous budget performance reports have indicated additional allocation of resources towards Public Administration and no evident supplementary budget for productive sectors.

Procurement related corruption and fraud continue to be a major deterrent to timely execution of public resources in Uganda today. Evidence of this is portrayed by the increasing cases of misappropriation of allocated funds to public institutions responsible for delivering public services.

Budget Discipline and Good Governance should be core values upheld by public servants across Uganda for purposes of ownership and responsibility of public resources. However, this would be effectively achieved if there was motivation (remuneration etc). The Private Sector proposes the following interventions to mitigate the above problems;

- Ensure political assent to the fight against corruption in the Public Service. This is particularly in regard to public servants that have been found guilty of misappropriating national resources and have not been penalised, despite overwhelming evidence against them.
- Introduce more punitive and prohibitive measures against corruption to deter further malpractices.
- In some instances, there is need to revisit remunerations of public servants that are involved in malpractices as a result of poor salaries particularly, the Police.

4.10 The National Social Health Insurance Scheme (NSHI)

The Private Sector has actively participated in the development of a suitable NSHI scheme for Uganda. However, the government is yet to conduct an economic and stakeholder analysis of the proposed NSHI. This assessment is relevant in ascertaining the economic impact of the NSHI and the status of the expected stakeholders of the scheme. More notably, the draft NSHI Bill establishes a single NSHI scheme as opposed to "**having multiple schemes**" which allows for competition in the sector. Therefore, the Private Sector wishes to make the following recommendations to the government regarding the NSHI development process;

- Conduct an Economic Analysis and Stakeholder Analysis of the **NSHI** to establish the economic impact of the proposed scheme and the status of the expected stakeholders of the scheme ahead of finalising the implementation plan.
- Plan on using multiple schemes to allow for competition and provision of better services.
- Support the Private Sector to utilise part of the NSSF contribution towards medical care of employees contributing to this savings fund.

4.11 Managing Oil Revenue Expectations

Uganda is expected to start massive oil production soon. Long term local oil production is expected to be in excess of 150,000 bopd against an estimated current local consumption of 11,000 bopd. The potential annual revenue from oil is expected to be in excess of US$ 2bn. The oil revenues are expected to re-vitalise the economy and reduce donor dependence to minimal levels.

We are confident that the oil dollars will be used in the most transparent manner void of any corruption tendencies. Taking into account the absorptive capacity of the economy, the oil revenue should be used to enhance the overall competitiveness of the economy while reducing the cost of doing business. This would therefore call for strategic investments in infrastructure (i.e. Transport, Energy, Storage, ICT, Research and Development, Irrigation), human resource development (i.e. health and skills). The Use of oil money for consumption related expenditure should therefore be restricted.

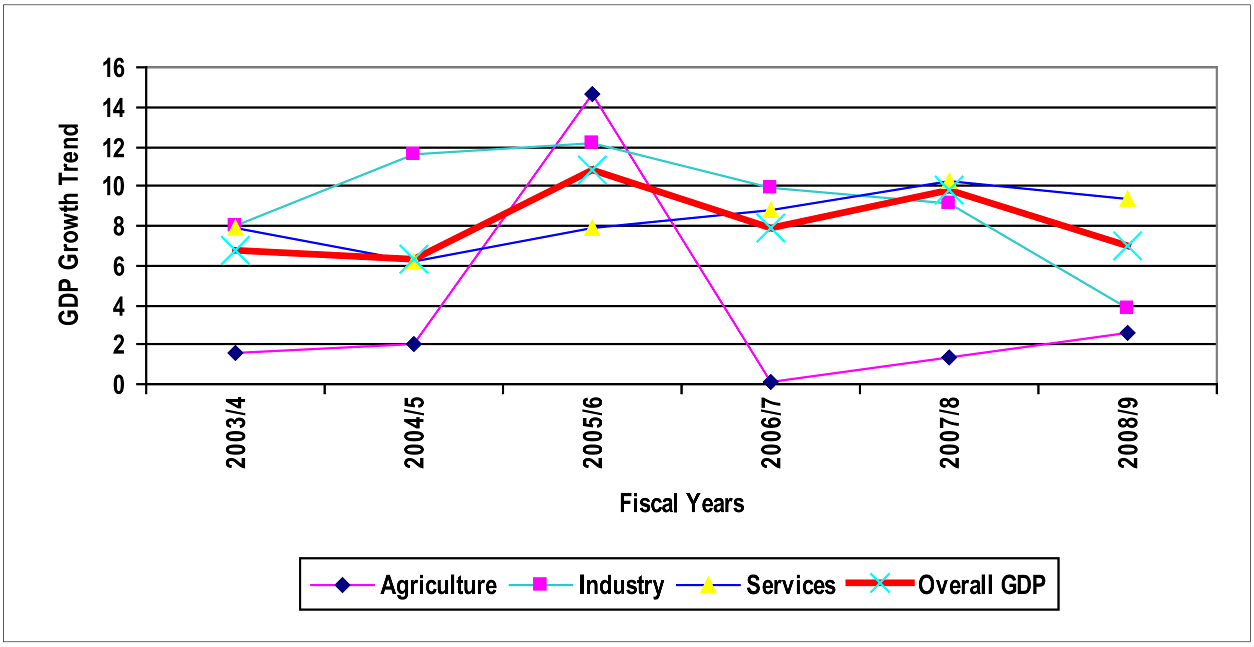
There are both positive and negative expectations from the oil revenue. The positive expectations are that the petrodollars will deliver substantial social, economic and infrastructural improvements. In addition, an estimated 200 MW additional power is expected to be supplied to the national grid in three years time. However, if not handled well, the expected oil revenues could potentially destabilize the economy. First, is the concept of the Dutch Disease. In theory, an increase in revenues from oil could de-industrialize a nation's economy by raising the exchange rate, which may affect export related sectors negatively. Second is the natural resource curse. This comes up in a number of ways including: repositioning Government as the key driver of growth to the detriment of the private sector; erosion of citizens' duties and obligations; political instability, corruption; the potential environmental damage; and finally the problem of exaggerated expectations. The private sector makes the following recommendations for consideration by the Government of Uganda.

- Expedite the formulation of a new legislation to guide the anticipated oil production to replace the current 1993 Petroleum Act which is inadequate to regulate oil production;
- Establish an independent body to manage the revenue expected from the country's oil resource to ensure transparency and effective management;
- Establish an oil fund to manage and invest the oil profits in anticipation of a future without oil exports and increased pension and health insurance costs;
- Develop a Public Private Partnership approach in the oil value addition chain;
- Develop the rail, road and pipeline infrastructure that is very key for the oil industry and;
- Expand the electricity transmission and distribution capacity to get the power to the consumers.

5.0 SECTOR SPECIFIC ISSUES

This section presents the major issues faced by PSFU members at the firm and sector levels. Given that Private Sector entities contribute to the national resource envelope through taxes and, employment among others; due consideration of the concerns raised here by government is critical in ensuring increased productivity and revenue generation.

Figure 5.0: Trend of Sector Contributions to National GDP (FY 2003/4 – FY 2008/9)



Source: UBOS and Bank of Uganda Statistics

Figure 5.0 above shows the sector growth developments in terms of contributions to the national GDP. The trend reveals that, despite the stable overall growth of the economy, the Agriculture sector GDP contributions continue to fluctuate from year to year and are unpredictable. This is partly due to factors related to climate and price changes as well as, the emergence of new sectors(services) within the economy that have proven more productive than Agriculture. Given the size of labour employed by this sector, identifying practical ways of enhancing productivity are crucial in reducing poverty among the very poor in the rural areas of Uganda.

The Services sector as the major driver of the economy today constitutes of a number of segments that have registered stable growth - telecommunications, financial services, transport, real estate, wholesale and retail trade and SMEs. The challenge remains with maximizing the vast potential for growth in this sector, which largely depends on availability of business capital to support business start-ups and, creation of an enabling investment climate to attract sustainable ventures.

The Industry GDP contribution also has potential for growth if optimally exploited especially in view of Uganda's natural resource base including but not limited to the oil reserves. However, for the economy to attract investments into this sector there is need to have in place support structures to enable ventures thrive (infrastructure, institutions and capital among others). Notably, there is growth within the various industrial sector segments mainly, manufacturing, export processing, construction, mining and quarrying

and, textiles. This is attributed to the growing regional demand particularly in Southern Sudan, DRC, Rwanda and Burundi.
There is potential for further expansion of these sectors to achieve the desired economic growth however, the specific issues impeding productivity must be adequately addressed first for better performance of these sectors. The subsequent sections highlight the issues faced by various sectors and also suggest possible interventions by government.

5.1 AGRICULTURE SECTOR

The major issues raised by this sector include: limited financing for agricultural activities despite allocation of UGX 30 billion in fiscal year 2009/10; the need for transparency in allocation of loans under the UDB credit lines; value addition promotion across the farming segments; market information and access constraints , quality assurance, standardisation and certification gaps, poor soil management mechanisms; lack of a policy to guide growth of the organic products sub-sector, incentives for domestic agri-businesses and specific agricultural sub-sector challenges.

5.1.1 Increase Agricultural Financing and Transparency in Lending

The Private Sector commends Government for responding to the 2009/10 proposals for dedicated credit facilities to boost agricultural financing through UDB. However, problems regarding transparency in the lending process have been cited by the Private Sector persons that have attempted to access this credit. Also, execution of allocated resources to the sector by Government is slow, which inevitably affects performance and growth. Therefore, the memorandum of understanding for instance for the 2009/10 (6o billion) agriculture credit facility should be revisited and its scope should be increased to include the target group mainly the SMEs engaged in agricultural activities.

Most indigenous companies engaged in agro-processing are mainly SMEs but lack the capacity to engage in large scale processing of the highly demanded organic products on the export markets like solar dried fruits, fruit pulp etc. Many cannot borrow because of lack of collateral and the high interest rates. The Private Sector therefore proposes the following interventions;

- Timely execution of credit lines to avail the much desired long-term and appropriate finance to the agricultural sector and also ensure the lending process is transparent.
- A special fund to support SMEs engaged in agro-processing is instituted to enable them acquire processing equipments and machinery to raise production capacity, meet and exploit the high and increasing demand of Uganda's organic processed products.

5.1.2 Value Addition, Market Information and Access

Value Addition

Uganda as a largely agro-based economy has embarked on promoting value addition in agriculture to enhance export competitiveness and increase incomes for farmers.

Government's strategy to support the process of zoning the country into viable agricultural production areas as well as the Marketing and Agro Processing Strategy (MAPS) are now being implemented. However, failure to meet the international quality, standards and certification regulations continues to affect growth of Uganda's exports markets. In addition, farmers' participation in the formulation and implementation of agro-processing policies is very low thus realising minimum productivity. The following interventions are therefore required;

- Encourage and support the development of Farm Level Organisations through NAADS
- Establishment of small scale agro-processing centres across the country to enable farmers reduce the post harvest losses especially in areas where there are no ready markets.
- Involvement of farmers in research and development of appropriate technologies that match international best practices.
- Keeping farmers in touch with information on new technologies, standards and markets through establishment of regional information centres.
- Extend incentives for agro processing industries located at least 30 Km outside Kampala to older industrial established to also benefit.

Market Information and Market Access and Storage Facilities

Agricultural marketing in Uganda is currently constrained by the lack of market facilities, information and infrastructure. The rural areas lack essential facilities such as, strong, spacious, safe and hygienic storage facilities and are characterised by poor road infrastructure. This constrains market access. The farmers also lack access to relevant and reliable market information to well position their products for competition in regional and international markets.

- Increase the budget for developing and maintaining community access roads in the rural areas particularly in areas with high export growth potential.
- Ensure availability of adequate storage facilities at sub counties and mainstream functional warehouses to avoid post harvest losses and improved commodity pricing.

5.1.3 Climate Change and Impact on Uganda's Farmers

Climate Change in Uganda is affecting the majority of small-holder farmers mainly because, agriculture is their main stay. It is anticipated that by 2020, between 75 and 250 million people in Africa shall be exposed to increased water stress due to climate change and; yields from rain-fed agriculture could be reduced by up to 50%. It is estimated that at least 4 percent to 12 percent of Gross National Product is lost to environmental degradation and other climate change effects[21]. In Uganda, many parts in the Eastern Region have been subjected to famine and hunger due to drought and in some instances floods. Therefore, UNFFE through PSFU urges the government to;

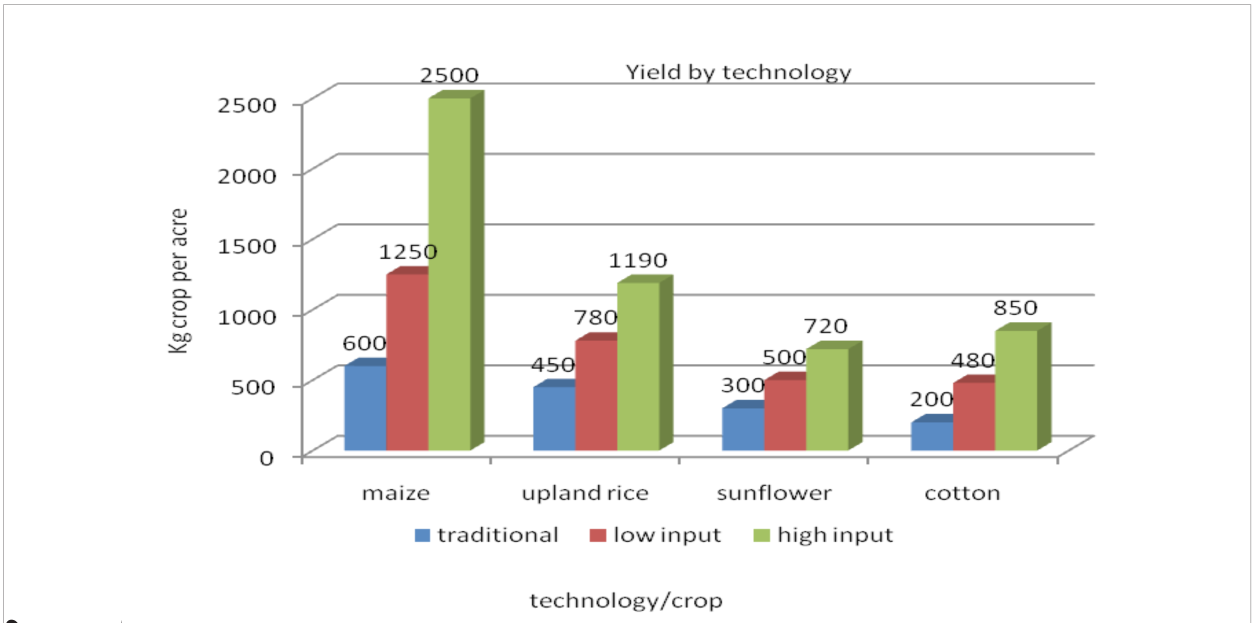
- Develop a clear strategy to tackle climatic changes that are affecting productive regions in Uganda and put in place dedicated resources to facilitate activities under this plan.
- Expedite the implementation of the national irrigation infrastructure and programmes like Doha in Butaleja, Olwenyi in Lira and, Mubuku in Kasese
- Rehabilitate Agoro irrigation scheme in Kitgum to support farmers in this area faced with drought
- Avail resources to set up micro-irrigation schemes on all major rivers and lakes in the country

21 Uganda National Farmers' Federation

5.1.4 Soil Degradation and Its Impact on Farm Yields

Reliance on rain water harvesting has created a lot of uncertainty in food production owing to the drastic climatic changes that have distorted the pattern of rains. Uganda would make at least three harvests with improved soil and reliable water management techniques and irrigation technologies however; poor agricultural methods have degraded the farming soils in most parts of the country. The soil is over leached through intensive farming thus soils are not as fertile as they were and in some areas, there is very low output in terms of harvests. Research shows that application of low input fertilisers can more than double agricultural output in basic staple food crops and high input fertilisers could more than quadruple output for the same. Figure5.1 below is an indication of how soil improvement mechanisms can positively impact on agricultural yields.

Figure 5.1: Soil Management Technology for Improving Agricultural Yields



Source: *Uganda National Farmers Federation (UNFFE), 2007*

In view of the above technology and the growing problem of soil degradation, the Private Sector is calling on the government to;

- Invest in appropriate soil improvement and management techniques to mitigate the problem of degradation that is posing a major threat to growth of the Agricultural Sector.

5.1.5 Dangerous weed invasion, Vermin and Encroachment by Wild Animals

Destructive weeds pose a major threat to agricultural production, food security and human life in Uganda today. Key among these is the Parthenium Hysterophorous weed, which has invaded various parts of the country. The weed produces up to 25,000 seeds, multiplies very fast and, colonises all surrounding land preventing other plants from growing. The identified effects of this weed include: reducing crop and animal production; taints milk and beef; causes severe allergies in humans and livestock. Parthenium Hysterophorous originated from Ethiopia has affected Uganda's districts along the main route through Busia, Jinja, Bugiri, Iganga and Tororo.

Another significant threat to agricultural yields in Uganda today is vermin and wild animals that rely on natural vegetation and surroundings for food. The most affected part of the population is the small holder farmers adjacent to protected areas, whose crops, habitats, livestock and in some cases lives have been lost as a result of invasions by pests and wild predators. The time spent guarding crops against vermin and animals disrupts children's education and other socio-economic activities. Some of the affected areas in Uganda are concentrated around major national parks or forest reserves with serious crop damage in Kasese, Kanungu, Rukungiri, Bushenyi, Kyenjojo, Kibale Amuru, Kisoro, Kalangala, Kabale, Budaka and Busia. Therefore, the Private Sector calls upon the Government to support these small-holder farms in alleviating the above problems through;

- Resettlement of affected families to safe and gazetted habitats that pose no threat to wild life
- Sensitisation Programmes aimed at educating farmers on how to handle pre-harvest vermin infestation. This can be incorporated into the NAADs for purposes of better coverage and minimising costs.

5.1.6 Quality Assurance, Standardisation and Certification

Uganda as a leading exporter of organic produce has the potential to realise sustainable income from organic exports especially if the underlying factors affecting these prospects are eliminated. To do this, Uganda's producers must comply with the international standards set by both ISO and consumers to enable products penetrate the global market. The existing accredited quality check and certification mechanisms are costly to the small scale farmers. The importance of standardization of export products is also not clearly perceived by the majority of farmers and exporters in Uganda thus they only realise the problems when trying to access international markets. The Warehouse Receipt System (WRS) has improved quality and standards at the farm level and for this reason; the government is commended for this initiative. The Private Sector proposes the following;

- Assist producers/exporters to initially accredit their products. Subsequent procedures will then be financed by the respective producers. However this will require a well equipped and internationally recognised accreditation plant at UNBS.
- Support farmers to improve post harvest handling.
- Expedite the completion of the National Standards Policy currently being developed.

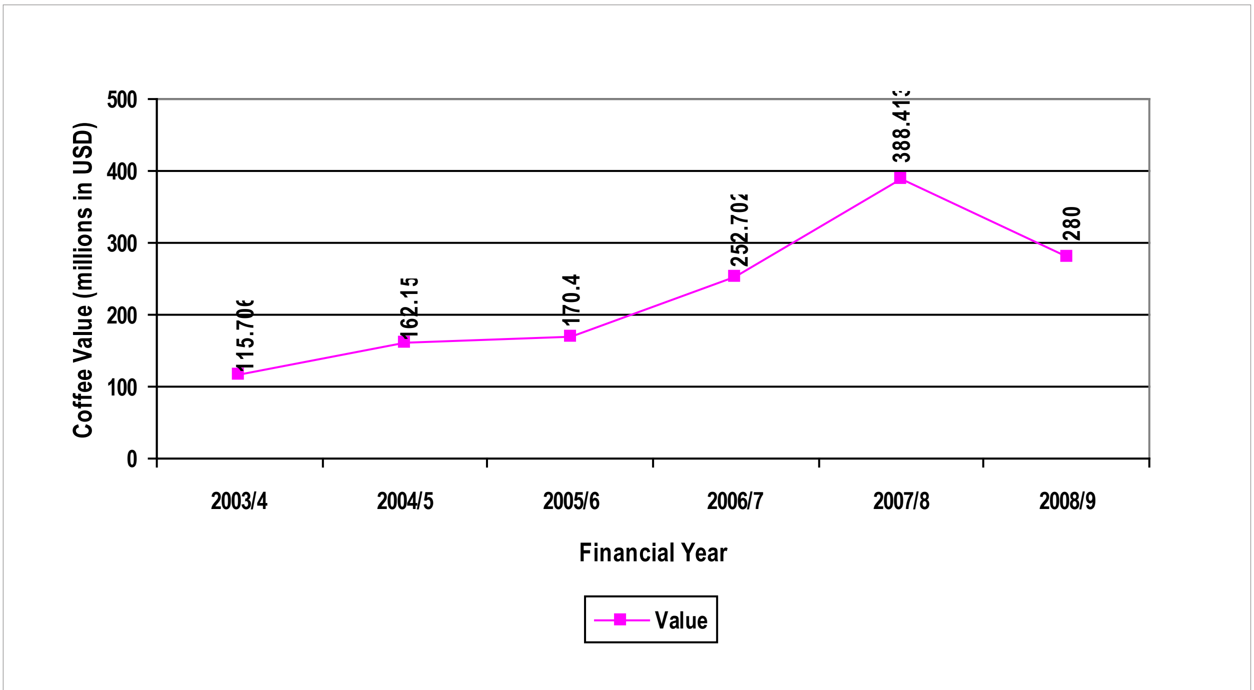
5.1.7 Promote Production of Organic Exports

The current value of certified organic exports to Europe from Uganda is USD 10.3 million and there are 50,000 certified organic exporters across the country.[NOGAMU, 2009] However, growth of organic exports largely depends on the availability of a relevant organic policy to guide the rapid expansion of the sector. Also, there is need to target support towards groups of farmers involved in growing organic food for export to acquire certification to enable their products access international markets. Commitment to engage in organic research is also critical in the development and positioning of the sector to take the lead in export of organic products. This requires research and improved technology as well as, elimination of constraints minimising Uganda's potential to develop a competitive edge in production of organic foods. The Private Sector therefore urges the government to fast-track the enactment of the Organic Policy to enable the sector implement its growth strategy.

5.1.8 Specific Sub-Sector Interventions

a) Coffee

Figure5.2: Uganda's Coffee Export Performance (Value) for FY 2003/4 – FY 2008/9



Source: Uganda Coffee Development Authority, 2009

Uganda's coffee export performance declined by 27.8% in 2009 compared to the 2008 turnover and this drop is attributed to the prolonged dry spell that affected coffee bean development. [UCDA, 2010] This led to very low out-turn (between 35% – 45%) for the initial harvest in most parts of the country where coffee is grown. In addition to the climate issue, the sector is faced with challenges of ensuring quality, food safety and traceability of coffee from the farm to the cup, which are affecting productivity of the industry. The absence of a national law to regulate the coffee sector; inadequate resource capacity at UCDA to engage in biological research and production and; the lack of sustainable resources to fund dedicated research on coffee disease also limit performance of the sector. Therefore, the coffee industry through PSFU recommends the following interventions by Government to support the sector in alleviating the above barriers to growth;

- A review of the UCDA statute and NARO Act. Through UCDA, it is envisaged that resources shall be made available for research aimed at enhancing productivity and; enforcement of best practices for better outputs will be easy.
- Support the industry to implement the National Coffee Policy to guide the sector in market requirements; social, economic and environmental dimensions for sustainability.
- Promote farmer-ownership to enable farmers assume more roles in the coffee value chain.
- Re-align the Coffee Research Centre (COREC) within the legal and statutory framework of the UCDA and a dedicated funding mechanism from the central government.
- Develop a PPP Policy to coordinate the coffee farm-organizations effectively with UCDA

b) Cotton

The textile sub-sector in Uganda has the potential to contribute to the national resource envelope if adequately resourced and positioned for better competition. Today, the industry is largely characterised by insufficient skills, inadequate raw cotton lint and, a poor domestic market, which significantly limits its productivity and ability to compete well with other textile industries in the world. The cotton industry through PSFU proposes the following interventions by government;

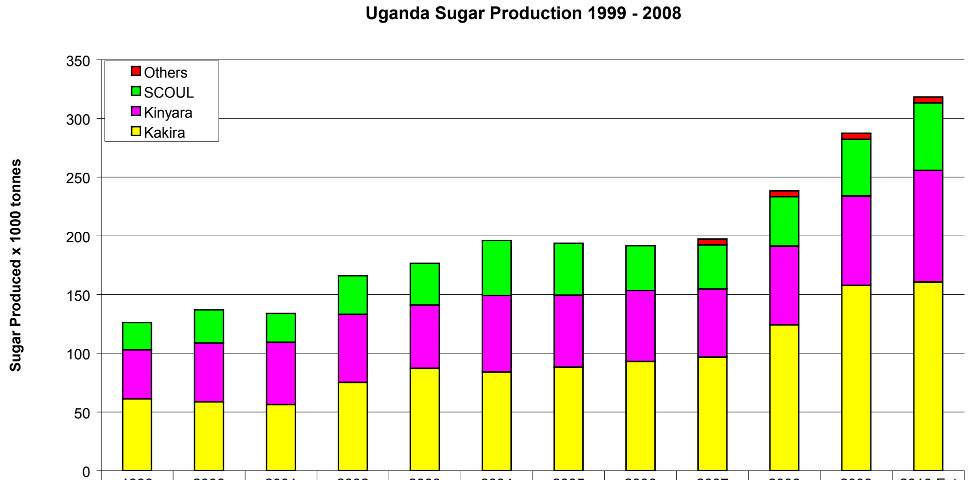
- Revamp the entire operations of the CDO and most especially stop the communication of the non-binding indicative prices;
- Organize cotton farmers into groups to enhance the development of the value chain;
- Fast track the enactment and Implementation of the Textiles Policy;
- Create and market regional auction centres under the control of the Uganda Commodity Exchange to enable more buyers bid for farmer produce, with the mid-term intention of allowing buyers enter forward contracts with organised farmer groups to ensure price stability and;
- Outlaw the geo-monopolistic tendencies of the cotton-buying ginneries

c) Sugar

Exploring the sugar sector

The sugar sector has made a remarkable recovery following near total collapse in the 1980s. In 2009, Uganda produced another record amount of centrifugal sugar with a combined production of 281,000 tonnes from the 3 main sugar mills and 2 small new ones. This was a 20% year on year increase for the second year running and predictions for 2011 indicate that a further increase of 10% to 320,000 tonnes is achievable.

Fig 5.3 Uganda Sugar Production 1999 - 2008



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 Est
Others	-	-	-	-	-	-	-	-	5,000	5,000	5,000	5,000
SCOUL	23,248	28,091	24,528	32,795	35,579	46,819	44,137	38,178	37,520	42,062	48,334	57,440
Kinyara	41,700	50,209	52,948	57,900	53,799	65,137	61,299	60,201	58,062	67,053	76,139	95,000
Kakira	61,234	58,650	56,504	75,268	87,296	84,160	88,292	93,182	96,786	124,210	157,914	160,800

Calendar Year

Source: Uganda Bureau of Statistics and USCTA 2009

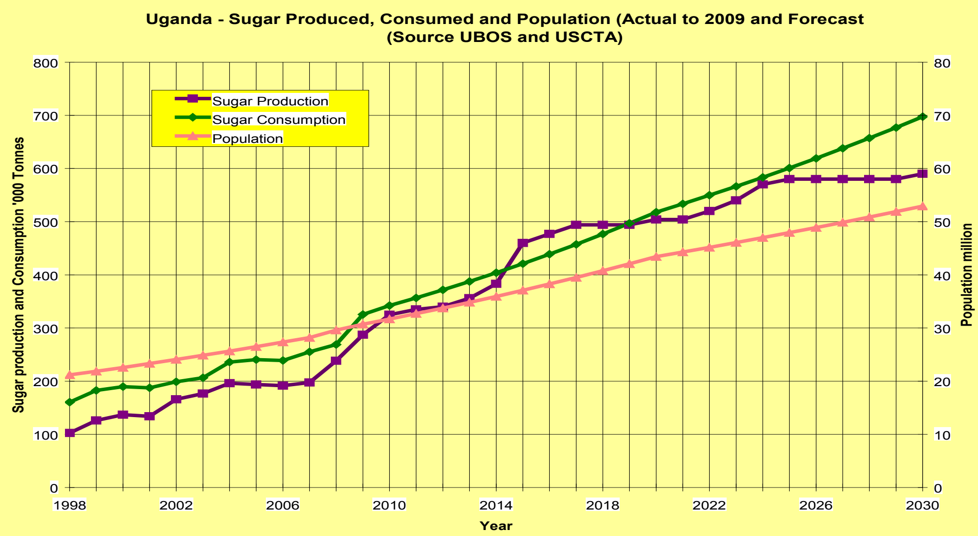
Collectively the sugar industry is one of the largest employers in the country, providing both direct and indirect employment. Such employment is mainly in rural areas where more than 80% of Uganda's population lives. Together with the thousands of outgrower farmers more than 35,000 people are directly engaged in the sugar manufacturing process from field to factory gate and with the usual multiplier norm for dependants, the industry is actually supporting over 250,000 people. There are many more who also participate in the downstream activities of manufacturing products using sugar as a raw material or in the growing food and beverage service sector.

The sugar sector therefore continues to be one of the largest tax payers in Uganda, after the Fuel, Communications, Breweries and Banking sectors. It is the largest organized agriculture sector in the country and is based on sustainable development activities. This industry is mostly a carbon neutral one, apart from land preparation, cane transport and delivering the finished product to market. During the growing of sugarcane 1.45 tonnes of carbon dioxide are removed from the atmosphere for every tonne of sugar made. There is also a continual improvement in energy efficiency, a reduction in water consumption and an increase amount of recycling of waste products. Furthermore the industry is producing electricity for captive consumption and export to the national grid.

Growing demand for Sugar

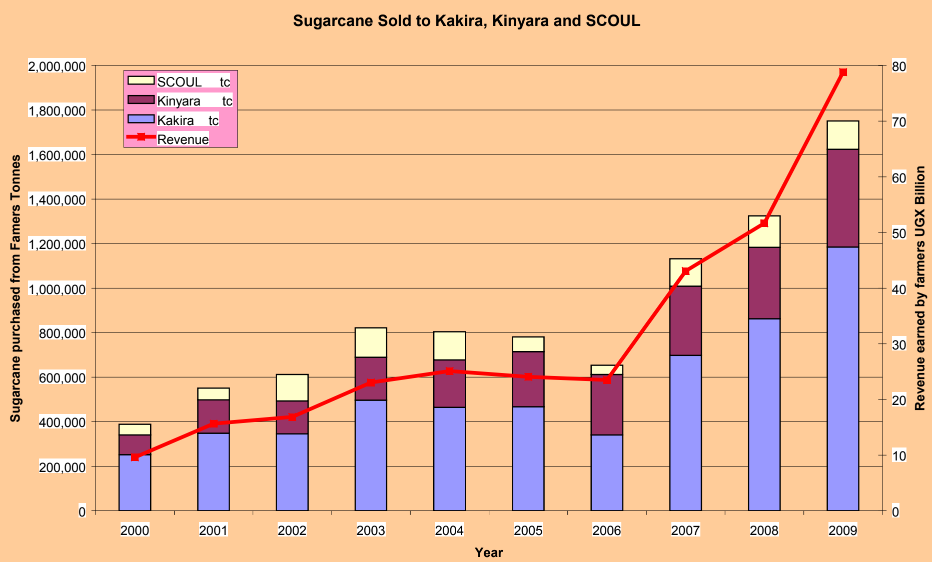
Demand for sugar in Uganda will grow even more rapidly than in the past due to; high population growth at 3.25% per annum and the per capita consumption that is expected to rise as the economy improves. In mid 2009 the population of Uganda was 32.7 million and by 2030 it is expected that the population will have risen to above 50 million, even by factoring in a reduced population growth rate of 2%. Per capita consumption, which today is 9 kg, could rise to 16 kg by 2030. The net effect of these two forecasts is an increase of sugar consumption from 290,000 tonnes today to 830,000 tonnes of sugar in 2030, an increase of almost 200%. This presents an opportunity for Uganda to grow more sugar cane and process this into more sugar for domestic needs rather than importing foreign produced sugar to the detriment of the economy in terms of foreign exchange cost and lost employment opportunities.

Fig 5.4 Uganda Sugar Production 1999 - 2008



The volume of cane that millers are purchasing from farmers has trebled in 8 years to over 1.3 million tonnes per annum, creating an expanding economy of 52 billion shillings into the outgrower areas immediately surrounding the mills. A sugar mill is a catalyst for rural development.

Fig 5.5 Uganda Sugar Production 1999 - 2008



Source: Uganda Bureau of Statistics, 2009

How the sugar sector is addressing energy challenges

With the current energy shortages the sugar industry is playing a crucial role in providing additional power to the grid. The installation of steam turbo-alternators has helped to produce almost 20 MW of power for distribution to the national grid. Kakira Sugar Works commissioned their new generating plant in December 2007 and is currently exporting 12 to 14 MW of power to the national grid, while Kinyara has recently connected 4 MW and has plans to add another 5 MW in 2011. SCOUL in the meantime are energy self sufficient and are also in the process of planning for grid power export in the next two to three years. In fact the 3 main sugar mills are power self sufficient, thus freeing up a further 15 MW of UMEME power for other consumers.

The Sugar pricing

The price sugar is sold for on the world market is a distorted one and does not reflect the true cost of production. Many countries provide input subsidies of one kind or another or sell sugar at incremental cost of production, which creates this distortion. However this past year the global production / consumption shortfall has caused prices to rise to levels not seen for over 30 years. Uganda, and indeed East Africa, will never be among the least cost producers of sugar mainly because of the terrain. The East African sugar industry is currently so important economically and politically that it must have safeguard measures in place. Apparently these are being threatened by the Kenyan treatment of COMESA sugar. Table 5.0 below shows URA's records on sugar transactions for 2009;

2009 URA Sugar Transactions					
Sugar Type	Direct to Market	Taken out Bond	Exported	Re-Exported	Taken in to Bond
Data	C4	C5	E1	R3	S7
Tonne	29,966	16,021	7,919	80,378	101,419
Value	28,836,873,488	16,904,651,522	11,144,962,629	74,836,358,184	101,650,121,581
Duty	2,318,206,167	1,693,981,512	0	0	100,720,212,557
Excise	310,076,362	6,924,185	0	0	3,609,365,950
VAT	5,577,241,805	3,166,318,069	0	0	35,703,344,283
WTax	72,310,705	4,511,920	0	0	6,043,219,837

Source: Kakira Sugar Works, 2010

The issue of COMESA sugar is a serious one. Kenya has a special agreement with COMESA that was accepted when the EAC Customs Union was entered into. This agreement permitted Kenya to initially import 200,000 tonnes of duty free sugar as "gap" sugar, all other COMESA sugar is to be taxed at the CET rate of 100%. The details of this agreement, the import volume and residual duty rate were to be relaxed in steps until any amount of COMESA sugar can enter Kenya at 0% rate of duty in 2012, as shown in the table below. The only reason why the problem is not being acutely felt today is that the high international price is more attractive for the COMESA producing countries to sell their sugar elsewhere other than in Kenya at this moment. This situation is likely to end thus it is important that the Uganda Government understands its likely repercussions on Uganda's economy.

Table 5.1: Kenya Sugar COMESA Agreement

Year (Beginning March)	COMESA sugar Duty Free Quota	COMESA sugar import above quota duty rate
2005/06	200,000	100%
2006/07	200,000	100%
2007/8	200,000	100%
2008/9	220,000	70%
2009/10	260,000	40%
2010/11	300,000	10%
2011/12	340,000	0%
2012/13	unlimited	0%

Source: USCTA 2009

The sugar industry lauds Government policy on renewable energy and is enthusiastic to participate in developing bio fuel (anhydrous ethanol) production from molasses. This is an environmentally friendly fuel that can be mixed with petrol and reduce by as much as 10% the foreign exchange component of the cost of importing petrol. However, Government is required to take the initiative and obtain commitment from the fuel companies to mix this clean fuel additive, and to be clear on a pricing policy before any large investment commitment can be made to construct costly distillation columns. We therefore recommend that Government takes the following actions:

- Carefully review treatment of COMESA sugar entering Kenya as the current lifting of their restrictions for duty free sugar quota and residual duty levels will have serious consequences for the local sugar industry.
- Support infrastructural improvements in the sugar cane out-grower areas, especially with improvement of the road network by allocating donor funds for cane feeder road improvement.
- Support outgrower farmers with improved access to cheaper loans and subsidies on fertilizers.
- Encourage Jaggery mill to operate in separate zones, similar to those made for other crops.
- Register jaggery millers for VAT as has been before.
- Review the land tenure system to discourage farms from becoming fragmented
- Enlist the support of fuel companies to commit to purchasing anhydrous ethanol.

d) Tea

Uganda is among the top 25 world exporters of Tea, taking the 11th position in 2006. Among the exporting African countries, Uganda comes second after Kenya. Uganda has no direct Tea market to the World and over 99.8 % of Uganda's Tea is sold through the Mombasa Tea auction market in Kenya as indirect exports, this is later rebranded by the auctioneer in Kenya[22]. The challenge here is that Kenya is likely to benefit more minimising Uganda's potential of gaining from adding value. Tea industry is the third largest foreign exchange earner in the Agricultural Sector. In 2008, the sector earned about USD 76 million from export sales and it currently employs over 58,000 people (average of 2.5 people per hectare). More notably, these people are based in the rural areas where poverty levels are highest thus involvement in tea activities has minimized the growing rural-urban migration.

22 Sub sector Profiles; PSFU; 2008

However, Uganda has only utilized about 13% of its tea production potential and very little has been done to promote research for further development of the sector. For example, Government had transformed Uganda's major tea research centre (Rwebitaba) into a public agricultural zone for crop research, which action would compromise the efforts to enhance growth of the tea industry through specialized research. Therefore, the Tea Industry through PSFU proposes the following government interventions;

- Stamp the tea brand in the foreign market by exporting directly to foreign consumers
- Formulate a national policy to guide growth and activities of the tea sector
- Increase Capacity of Rwebitaba research station as a specialised tea research centre
- Establish tea-processing plants in potential tea growing areas. This can be easily achieved through partnership with the private sector
- Promote development of the Tea Industry through Tax exemption on new investments in the Sector i.e., help expansion of existing establishments.
- Mobilize more farmers to engage in tea production so as to increase the overall tea production.

d) Flowers

Lack of branding and streamlined investment incentives, high air freight charges, fuel and electricity continue to make Uganda less attractive to flower investments. This unless addressed, will minimise the potential of new flower businesses, which are anticipated to enhance rural incomes particularly in those areas of Uganda with conducive weather for flower farming. Government's policy of exempting international air carriers from paying corporate tax has not reduced the cost of transporting flower exports by air. Therefore, the flower sector through PSFU urges the government to;

- Remove levy on aviation fuel, and other levies by CAA (see Air transport issues) to reduce costs by at least USD 40 cents on airfreight costs or a compensation package for the industry to cover for loss of profits in order to make the industry more competitive in the region.
- Take into account that increase in fuel prices due to increased excise duty is going to have an impact on the industry; already KLM cargo increased its price to US $ 0.60 cents per kilo.
- Empower the Ministry of Agriculture Industry Animal and Fisheries especially the Crop protection Unit with trained and motivated staff in order to ensure phyto-sanitary standards
- Put in place an accreditation body in order to reduce the high costs of certification
- Ensure sufficient Infrastructure Support - i.e. avail Un-encumbered land on leasehold as well as other utilities such as, good road and adequate electricity supply.

e) Apiculture

Through The Uganda National Apiculture Development Organisation (TUNADO), the promotion and development of bee keeping among rural communities across the country is being encouraged for sustainable growth and poverty reduction. However, there is no policy in place to guide development of the sector and also uniquely position the industry for competition on the international market.

The sector specific challenges currently faced by bee farmers are; inadequate extension service delivery to beekeepers in the rural areas due to lack of Entomologists at the local levels; poor information flow between support mechanisms in the apiculture industry particularly, the donor projects thus there is duplication of efforts and poor out puts in areas of training and technical advisory services as well as, limited access to appropriate beekeeping equipment, which all lead to poor farmer response. TUNADO has already embarked on a plan to ensure formation and strengthening of beekeepers associations; development of honey standards as a tool for quality assurance and trade promotion and, the development of research, marketing and policy advocacy skills. The sector therefore urges the government to;

- Expedite the enactment of the National Apiculture Policy to position the apiculture industry as a viable and sustainable income source for the rural poor.
- Support the establishment of fully fledged private sector led national centre for Sustainable Apiculture development to enable key stakeholders access information, display of different apiculture products and a one stop centre for promoting apiculture business and research

f) Livestock

The livestock industry exhibited modest growth over the last three years recording a GDP growth rate of 3% for each of the last three financial years (i.e. 2006/07-2008/09)[23]. The major long standing challenge of the beef sector is lack of a modern abattoir that complies to export market standards, the abattoir will also serve as the link between the farmers and the market. Other challenges include: lack of a national animal database, neglected ranching schemes, insufficient water and water dams for the animals and animal diseases.One of the long standing challenges of the beef sector has been the lack of a modern abattoir that can comply with export standards. An abattoir facilitates linkages within the meat industry. This industry through PSFU urges the government to consider the following;

- Availing long-term credit facility to support investment in ranching for Increased Beef Production to ensure adequate capacity for the growing market demand for Uganda's beef.
- Construction of a standard export abattoir to promote export of beef and beef products

g) Dairy

Uganda's total milk production per year is estimated at 1.3 billion litres, of which 40% is consumed on the farm and 40% marketed through informal channels. 20% is consumed by the formal market. Milk production is largely dependent on rainfall, the quantity and quality of pasture. Given that the rainfall pattern is bi-modal across most of the country, with two distinct dry seasons, out-put levels fluctuate significantly. DDA reports reveal that during the dry season of 2009, raw milk supplies declined by 75% for a period of approximately two months.

The Dairy sub-sector also has a limited number of commercial dairy farms with large herds of exotic dairy cows (Holstein-Friesian, in particular) in addition to being fragmented in nature. This coupled with fluctuations in farm gate prices puts dairy farmers at a less advantage of benefiting from growth in the sector. Dairy farmers and Sameer Agriculture and Livestock Limited (SALL) have each expressed dissatisfaction in the manner in which milk is exchanged at the farm level. Major concerns relate to the quality and testing equipment for the raw milk, which calls for regular interventions by the UNBS. Other unresolved issues that call for immediate Government intervention include;

23 See Back ground to the Budget, MoFPED, 2009/10

SECTOR SPECIFIC ISSUES

i) Unilateral decision on farm gate prices

Much as product prices are determined by market forces, there is an alarming difference between the price paid by the consumer and the farm gate price. For instance a litre of milk at farm gate price is UGX 330 compared to UGX 1,500 for pasteurized milk at retail market price, implying that farmers only earn 22% of the consumer price[24]. It will be useful that the Dairy Development Authority (DDA) establishes the costs incurred along the milk value chain and help farmers to understand why they benefit only marginally from the milk proceeds.

ii) Deductions from the farmers payments under the guise of added water

SALL receives milk from bulking centres after it has been certified as good quality milk, but eventually claims that the milk usually has water in it. This results into losses to the farmers' dairy unions. UNBS needs to distribute authenticated testing instruments at the point of milk exchange to avoid any subsequent claims that the milk is substandard or adulterated.

iii) Transport costs

SALL charges the unions UGX 75 per litre of milk from bulking centres to Kampala. This is more of exploitation to the farmers who are complaining of incurring transportation costs for goods that belong to their producers/buyers.

iv) **Unilateral revision of prices and violation of agreements** by SALL; this creates conflict between the societies, unions and farmers.

v) Ownership of milk from bulking centres

One assumes full responsibility for the milk once he/she has received, tested and accepted milk as good quality milk, hence should pay for it. It should be noted that SALL has been using un-calibrated weighing equipment leading to farmers' milk being under graded (this continues to frustrate the farmers). If the milk does not meet the accepted industry standards using DDA/UNBS calibrated lacto scans, the buyer then ought to reject it.

vi) Milk Quality

Cooperatives provide better quality milk compared to middle men and evidence of this is reflected in the amount of milk bought from the cooperatives by the processing company. However, the farmers still think they can obtain a more valuable price from selling through cooperatives and do not see the necessity of having middle men.

The Dairy sector through PSFU proposes the following interventions;

- Introduce a policy change for buying raw milk according to butter, fat and protein content and not volume as is the case today
- Streamline the operations of the industry (to satisfy interests of all key stakeholders)
- Increase capacity of DDA/UNBS to support strengthening of standards and certification required to enhance productivity and market access of dairy products.
- Sensitize all stakeholders on the costs involved in the supply chain process

24 Uganda Crane Creameries Cooperative Union Limited

The Leather Industry

Uganda's leather industry, which is dominated by micro and few small enterprises, has the potential to expand through value addition. This is portrayed in the annual national production statistics of hides and skins estimated at 1.2 million bovine hides and 2.1 million goat and sheep skins. Hides from Ugandan livestock are recognized as high quality products on the international market. Currently, the annual loss of revenue due to non-collection, rejection of poor quality of raw products and, failure to add value is estimated at USD 150M. The sector does not have a national policy and certification agency to enhance the quality of hides and skins for promotion of value addition thus is unable to effectively explore growth potential. Nevertheless, the leather sub-sector wishes to recognise government's efforts in enhancing productivity particularly, the introduction of a levy on exports of raw hides and skins (40 cents per kilo), which has encouraged local investors to explore options of adding value to these raw materials; Establishment of four tanneries have been revamped in Jinja, Busia and, Masaka and it is anticipated that by 2011, three tanneries shall be erected in Kawolo and Jinja. Through PSFU the sector further urges the government to;

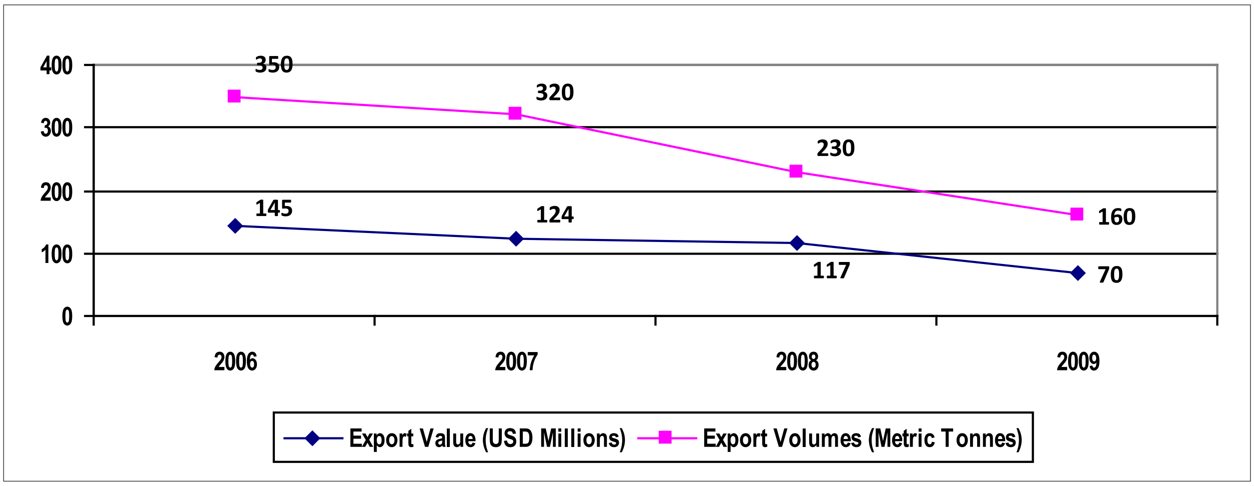
- Remove import duty on machinery spare parts used for processing leather products to reduce on the cost of production and the price of the end products.
- Re-establish a tertiary tanning institute to provide capacity for value addition and, expand the existing training institution (TCFC) for shoe and leather goods.
- Allocate resources to UNBS to provide quality control and assurance to the leather industry.
- Review the Hides and Skins Act 1964 to make it more punitive for quality adulteration.

i) **Fish**

The Fish Industry in Uganda is still faced with the challenge of fish resource management. As a result, there is over fishing and harvesting of immature fish, which has depleted the fresh water fish resources mainly in Lake Victoria. UFPEA attributes this problem to unregulated and illegal fishing, which has led to the underutilisation of the processing capacities of fish processing companies. There is an increasing number of undersized illegal fishing equipment mainly, gillnets of less than 5 inches, beach seines and cast nets which capture immature fish that ends up either being buried or sold on the local markets and across borders to neighbouring countries.

Currently, there is no capacity to control illegal fishing and trade in undersized fish. Efforts to curb these malpractices have been so-far been futile despite the fact that it is regularly reported to the relevant authorities and exposed in the national media. Fish processing companies through UFPEA also used an independent team of inspectors to try and minimise the catching of fish less than the legal size of 20 inches but illegal fish is still finding its way into regional markets especially in the DRC. Table **5.6** below shows the sharp decline of fish export revenue and volumes for the period 2006 to 2009. Six factories have closed since 2008 and the remaining are operating between 15 -30% of installed capacity. Uganda therefore continues to register a decline in Fish export revenue and volume, which threatens one of the economy's promising revenue source.

Figure 5.6: Uganda's Fish Volumes and Export Revenue (2006 – 2009)



Source: Uganda Fish Processors and Exporters Association
Note: Fish Volumes are in hundreds (00's) metric tonnes, Export Revenues in Millions of USD

In order to mitigate the above problems faced by the fish sub-sector in Uganda, the following interventions by government are called for;

- Expedite the enactment of the Fisheries Bill to guide development of the sector and also address the impending issues faced by the industry today;
- Operationalisation of the fisheries management plan in particular, the Nile Perch Recovery plan;
- Support the industry to train and sensitise communities engaged in fishing to adopt good hygiene in handling practices for purposes of meeting international standards requirements;
- Establish a well trained resource to monitor and control illegal fish trade across border posts;
- Support the fisher folk in acquiring legal fishing nets through credit facilities;
- Curb the rampant corruption among local fisheries officers and Beach Management units which supports illegal fishing and illegal trade;
- Provide adequate funding to the Department of Fisheries Resources to enable it carry out its mandate of inspection and regulating fishing activities and;
- Upgrade the landing site to acceptable standards in line with the EU

5.2 Manufacturing

The Manufacturing as a segment of the Industrial sector in Uganda contributes about to the national GDP. (The other segments include; mining and quarrying, construction and, utilities). Manufacturing is still small although diverse in nature ranging from agro-processing to pharmaceuticals industries. Of these, 39% are engaged in processing of major agricultural export raw products (Coffee, Cotton, Tea, Tobacco, grains, dairy and fruit juices) and, SME's account for over 90% of the establishments in the Manufacturing sub-sector. Table 5.2 below presents the composition of Uganda's manufacturing sub-sector by industry;

Table 5.2: Composition of Uganda's Manufacturing Sub-Sector as at 2007

Industry	Number of Enterprises
Agro-processing	
Coffee	185
Tea	38
Beef, Dairy and Fish	92
Grain Milling	599
Textiles and Leather	220
Beverage and Tobacco	83
Bakeries and Other Food Items	203
Other	
Chemical and Chemical Products	83
Plastics	178
Metal Works	484
Saw milling, Printing and Publishing	385
Furniture and other	730

Source: Uganda Business Survey, 2007, UBOS

The major policy cross-cutting concerns highlighted by the manufacturing sector and which have already been discussed in detail in section 4.0 of this policy document were;

- Lack of a comprehensive Investment Incentives Package to boost domestic investments,
- Lack of an effective law to combat the problem of counterfeit products that pose a major threat to growth of many infant industries in Uganda today,
- Unpredictable and high power tariffs,
- High transportation costs to the sea
- Lack of affordable business finance

a) **Pharmaceuticals Sub-Sector**

There are currently five large and six small-scale pharmaceutical manufacturing companies in Uganda. Considering the population of Uganda, the number if functioning at full installed capacities, is capable of meeting the demand for supply of essential drugs in the country. The medicine market in Uganda is worth around $267 million. It is estimated that over 90% of the products are imported from countries like China and India.

However, despite the potential of the pharmaceutical sector in Uganda, the sector is experiencing challenges that hinder its growth and development and these include: importation of highly subsidized pharmaceutical products, no access to donor funds, inadequate research and development, low purchasing power and operating under excess capacity. These challenges have the following undesirable effects on business and the general populations: unfair competition, closure of business and lack of access to affordable drugs by the general population.

The Pharmaceutical Industry through PSFU urges the Government to;

- Apply a 15% price differential to local companies in public sector tenders. This practice is already in countries like Kenya and Tanzania.
- The current Counterfeits Bill should incorporate the TRIPS flexibilities and exemptions on Pharmaceutical Products.

b) **The Beer Industry**

The Beer Industry in Uganda is taxed basing on ad valorem excise regimes that are difficult to administer. This is because ad-valorem excise per case is converted to a specific rate per litre, by dividing the case/litre rate. Given that the new specific excise rates for the different categories of beer (malt, local malt and non-malt), are likely to be affected by annual headline inflation rate, the budget process must take this into consideration ahead of revising taxes.

The proliferation of cheap spirits in Uganda also poses major threats to the health of the population, government tax revenue from alcohol, and legitimate players in the Ugandan beverage alcohol market. Artificially low prices arising from tax evasion, coupled with poor production practises and adulteration of spirits with dangerous substances like methanol which have resulted in many deaths of consumers, demand urgent solutions from the government. The Beer sub-sector through PSFU proposes the following interventions;

- Ensure no changes are effected on the current ad valorem rates of excise on beer i.e. 60% for malt beer (beer made from predominantly imported barley malt), 40% for beer made from locally grown and malted barley, and 20% for non-malt beer (beer made from 75% local raw materials)
- Change from administering ad-valorem to specific excise tax as is the case in Kenya and Tanzania for purposes of harmonisation.
- Introduce tax stamps on spirits in Uganda that will firstly reduce tax evasion and artificially low prices of spirits in the market, and secondly eliminate unscrupulous producers of cheap spirits employing poor production practices, including adulteration of products with dangerous substances such as methanol.

c) **Plastics Industry**

Uganda has licensed several industries in the plastics sector, some of them as recent as March in 2009. During the 2009/10 national budget however, a ban was instituted against plastic conveyance bags and a duty of 120% levelled against all other plastic materials save for woven bags. While Uganda agreed to implement these measures the other EAC partner states did not heed. As a result the Uganda manufacturers and packaging industries have been rendered uncompetitive both locally and in regional markets. This is a contradiction to the industrialization drive that Government embarked on to help stimulate investment, create jobs and generate tax revenues. The Private Sector believes that industries can co-exist with a clean environment and that the solution is different from merely banning plastic bags[25]. Following the tremendous impacts (i.e. Increase in the cost of doing business, discouraging purchase of locally produced products against imported products and loss of Government revenue and employment opportunities among others).Several Industries using plastic materiels for packing their products for export are experiencing difficulty due to lack of comparable and cost effective substitutes for eample the coffee and flower industries. The Private Sector proposes the following for Government intervention;

- The total ban on plastics conveyance bags and the 120% excise duty on other plastics should be lifted;
- Introduce the green levy to replace the total ban and the 120% excise duty

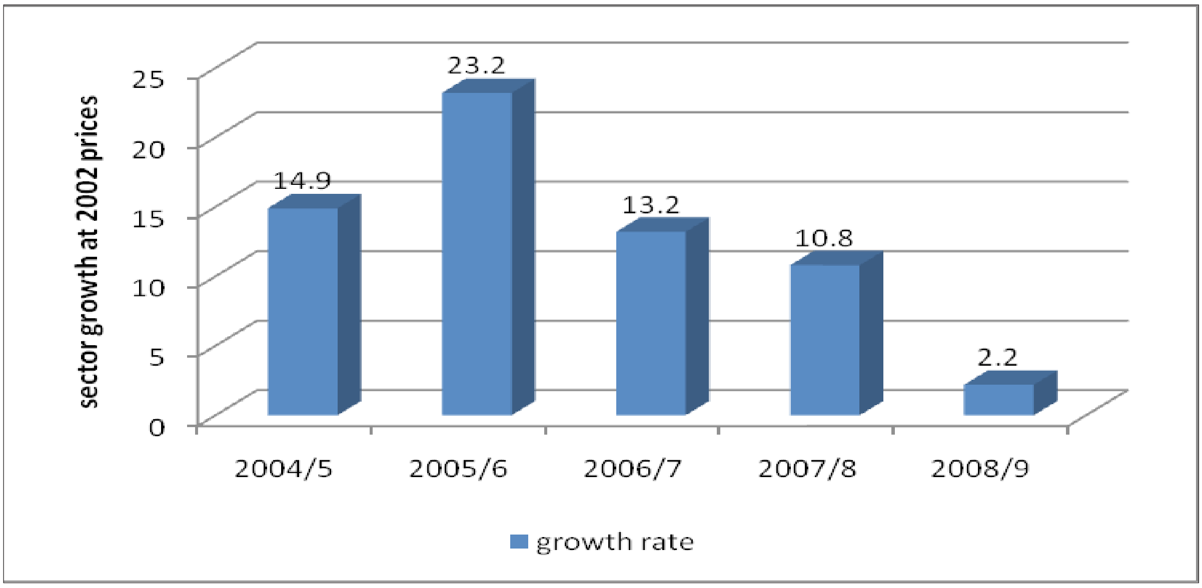
25 The Uganda Manufacturers Association (UMA) prepared a separate proposal on how to handle the challenges of kavera and the plastics sector in general and circulated to the relevant Government departments for consideration.

- Lobby EAC Partner States to harmonise policy such adopting the green levy as opposed to instituting a punitive tax;
- Support the fight against smuggling of plastic products into Uganda to protect local industries;
- Design and implement a waste management policy to protect the local environment against degradation by plastic products.

d) **Construction Sub-Sector**

The Construction sub-sector in Uganda has been the fastest growing since the 1990's until the financial crisis that caused an immediate reduction in migrant remittances. Private construction is estimated to have declined to 15.9% of GDP in FY 2009/10 from 17.0% of GDP recorded in FY 2008/09. Figure 5.7 below shows the performance of the construction industry over a five year period and there is a sharp slump in growth of the sector that has been linked mainly to the decline in remittances and, the cost of construction materials that is currently limiting many Ugandans from engaging in construction activities. However, the construction sector still faces long standing challenges that include; lack of a national policy to guide development of the industry, inadequate capacity for the local contractors to compete for lucrative projects among others.

Figure 5.7: Construction Sector Performance (Growth) – FY 2004/5 – FY 2008/9



Source: Uganda Bureau of Statistics, 2009

In view of the above, the construction sub-sector through PSFU urges the Government to;

- Expedite the approval and enactment of the construction industry policy;
- Invest in building the capacity of local construction companies to enable them compete favourably for local and regional projects and;
- Establish the Uganda Construction Commission as a regulator for the construction industry.

SECTOR SPECIFIC ISSUES

i) **Cement Industry**

The cost of cement in Uganda is expected to reduce in June 2010 with the establishment of a new plant in Kasese (Hiima Cement) that is anticipated to raise production capacity. This implies that Uganda's cement import bill will also reduce[25]. Currently, Uganda spends over Shs 2 trillion on the importation of cement and about 500, 000 tonnes of cement are expected to be produced by Hiima Cement annually. 150 new direct jobs and over 1,000 indirect jobs are expected to be created with this new cement industry, which positively impacts on the economy through reduction of un- employment and poverty levels. Cement exports are also expected to rise from the current 25, 000 tonnes per year particularly in the regional markets (Southern Sudan, Rwanda, DRC and Burundi).

ii) **Steel Industry**

The steels segment is also faced with a number of challenges that mostly impede on its competitiveness and ability to grow. Some of these include;

High Cost of Raw Materials

In 2004, this sector requested the Government of Uganda to consider three raw materials on the Uganda List of Raw Materials for import duty exemption under the Customs Union CET for the EAC (Galvanised coils, Pre-painted coils and cold rolled coils). The steels industry commends the Government for implementing the above proposals and for allocating land for a dedicated industrial park in Namanve in 2008 (KIBP funded by the PSCPII). However, the challenge faced by the industry is introduction of import duty (10 – 25 percent) on the raw materials that have been exempted from taxes under the Uganda List. This in real terms implies additional costs, which inevitably are transferred to the product price making Uganda's construction materials more expensive than the competitors in Kenya and Tanzania.

Therefore the industry urges the Government to;

- Negotiate for an extension of duty free status of the above raw materials by another five years to allow for completion of the local manufacturing plants being established at Namanve;
- Propose to the EAC the introduction of import duty on galvanised wire (HS Code 7217.20.00) and cutting coils (HS Codes 7208.51.00 and 7208.52.00 respectively) that are currently zero rated under the CET of the EAC Customs Union. These products are to be locally manufactured by Roofings Rolling Mills thus the proposal is aimed at creating room for the emerging infant industries to break even.

Availability and Cost of Energy

The availability and cost of energy is a major concern for the construction sub-sector in Uganda today. The steel industry for example is expected to consume 25 mega watts with the new projects being established at Namanve thus through PSFU, the construction industry urges the Government to;

- Expedite the completion of the energy projects (Bujagali and Karuma), which are expected to increase availability of energy on the national grid for support of the growing local industries.

26 Hima Company officer Interviewed, February 2010 (Business, Daily Monitor Wednesday, 24th)

Transport Constraints (Railway)

The railway network in the EAC region is dilapidated and requires major overhauls to enable local industries across the region access a more cost effective alternative means of transport. Notably, Uganda's steels industry relies on rail transport to move raw materials and finished products for export however, the rail line to Kasese and Pakwach cannot provide efficient transport to the regional markets. In view of the above, the construction industry urges the Government to;

- Expedite the rehabilitation of the Kasese – Pakwach rail network to avail more cost effective transport to the regional markets.

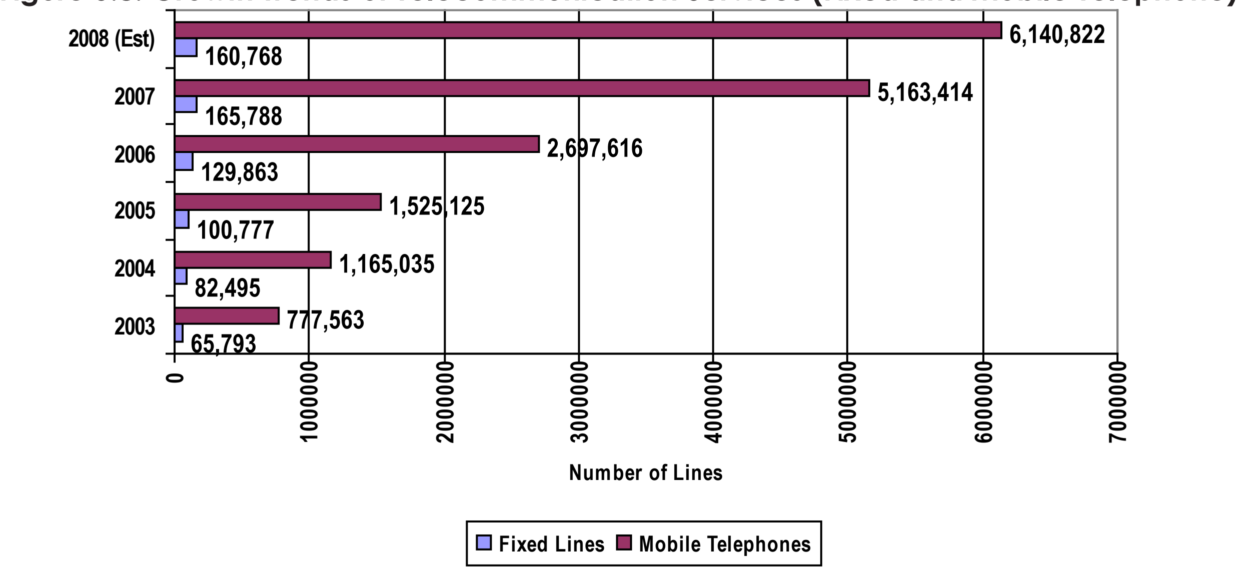
Skills Gap

The local capacity to provide trained manpower for the construction sub-sector especially for the medium and heavy industries is very inadequate. The technical institutes should be facilitated well enough to provide these manufacturers with the desired technical resources.

5.3 Services Sector

a) **Telecommunications**

Figure 5.8: Growth Trends of Telecommunication Services (Fixed and Mobile Telephone)



Source: Uganda Communications Commission, Market Review, 2007/8

Despite the significant increase in the number of mobile phone subscribers indicated in the table above, Uganda charges the highest excise duty on mobile phones, which explains the high tariff rates on airtime. [27] The current tax is 12% compared to Kenya's 10% and Tanzania's 7% and Rwanda 5% as shown in the table below, which implies that Ugandans pay over 25% taxes compared to the average rate of 17% in Africa. The Telecommunications sector contributed about 4.6% to last year's national GDP and has eased business cost pressures through the wide network coverage especially for the small entrepreneurships. It is therefore recommended that excise duty on airtime be reduced from 12% to 8% in line with our EA partners.

27 A recent study by Deloitte and Touche revealed that a reduction in excise duty on airtime in Uganda from 12% to 8% would boost government revenue by UGX 117 billion by 2017. This study was done for the GSM Association, a global trade association of 700 mobile operators in 218 countries.

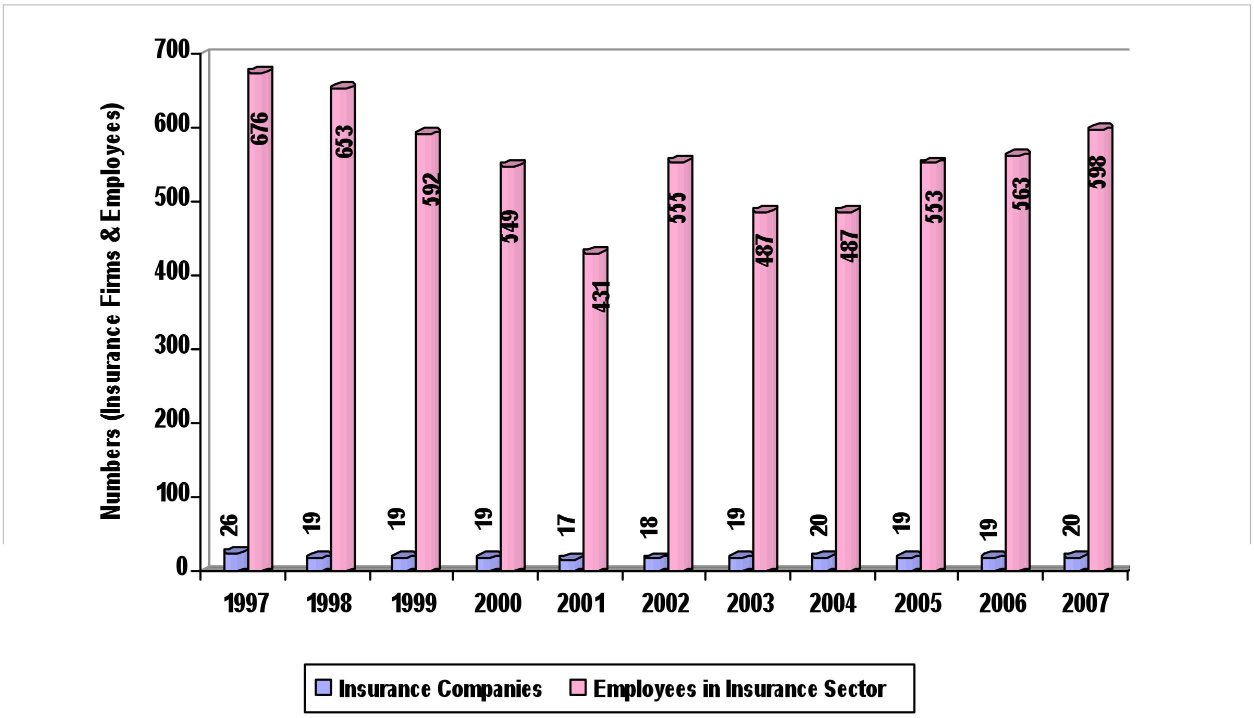
Table 5.3 Comparison of Exercise duty on Air time in the EAC Region

Country	Exercise duty on Airtime
Kenya	10%
Uganda	12%
Tanzania	7%
Rwanda	5%

PSFU Policy Advocacy Unit, Data base/doing business cost comparisons

b) **Insurance**

Figure 5.9: Size of Uganda's Insurance Industry



Source: Uganda Insurance Commission, Annual Market Survey Reports

The insurance industry in Uganda is still under-developed though with potential to make valuable contribution to the national GDP.[28] Figure 5.9 above represents the size (Firms and Employees) of Uganda's Insurance sub-sector, which indicates slow productivity between 1997 and 2007. Despite this slow growth, an Insurance Association (UIA) was established to strengthen the sector and also promote insurance services in Uganda. Also, most companies are capitalised to the amount of UG SHS 1 billion thus the potential for realising tangible benefits from the Insurance Industry does exist and needs to be tapped. However, this sector is faced with the challenge of bringing Ugandans to appreciate insurance policies and be encouraged to subscribe for long-term benefits. **Below are some of the sector – specific problems that continue to limit growth of the industry**

28 According to MFPED; Background to the Budget, 2009/10 this Industry contributed 1 percent of the total GDP realised.

i) Absence of a Re-insurance Company

Uganda is the only East African country that does not yet have an operational reinsurance company to among others provide extra underwriting capacity. As a result the country loses UG SHS 60 billion every year to foreign re-insurance companies. The main objective of establishing the UgandaRe is to; Preserve foreign exchange through reduction of outflows by way of Reinsurance Premium. In 2007 reinsurance premiums stood at nearly UG SHS 123 billion; mobilise investible funds for the economy by taking on bigger insurance risks and therefore retaining as much premium as possible here in Uganda, which would retain the much-needed foreign exchange; bring reinsurance services closer to the Uganda insurance market and; build local insurance and reinsurance capacity.

ii) Establishment of compulsory cessions

Many countries have legislated for compulsory cessions to support the starting Reinsurance Companies to grow their business, stabilise and be able to compete favourably on the global market. However, Uganda is yet to establish a local Re – Insurance Company thus is unable to explore the benefits arising from obligatory cessions.

iii) Other binding constraints for the Insurance Industry

The General Receipt Fee charged by Police to obtain accident reports as a general insurance requirement for proof of accident/loss is very high and not affordable for many claimants or parties to the insurance contracts. VAT charges from other insurance related costs such as actuary, risk assessment and valuation plus delayed or non- provision of proper and/or conclusive accident reports, impede equitable and prompt settlement of claims as it denies/delays justice to the poor. In 2006, Government introduced a 6% service charge on commission of insurance brokers and agents. However, the administration of the policy was given to a few licensed insurers and collecting agents, this had created unfair competition for unlisted insurers. The threshold of UGX 1,000,000/= from which the tax applies cannot be easily determined thus encourages non-compliance.

The Insurance Industry through PSFU is therefore urging the government to;

- Fast-track the amendment of the law on insurance to allow for the establishment of a national re-insurance company.
- Review the Insurance Act and other insurance related laws like Motor Insurance (third Party Risks) Act to meet international insurance standards, including fair trade practices.
- Exempt Insurance Services from VAT, such as actuary, risk assessment and valuation
- Expedite the enactment of regulations to operationalise the Workers Compensation Act. For purposes of better compliance with this Act, the government should set precedent in implementing the law.
- Make life and pension contributions income tax deductible
- Reduce the General Receipt Fees charged by the Uganda Police in cases where proof of accident or loss is required. The industry suggests a reduction from UG SHS 50,000 to UG SHS 10,000. Also, support the Insurance Industry to educate the relevance of proper and/or conclusive police reports to claims investigations and payments.
- Support the Industry to strengthen supervision capacity of insurance companies to ensure that all insurable risks are covered within Uganda by registered insurance companies in Uganda. Enact a policy that will compel ALL public offices to insure their assets and employees as a means of prudent management of the public coffers.

d) ICT and Business Processing Outsourcing

The recent developments in the field of ICT directly impact on the livelihood of people across the world. Countries with developed ICT platforms are able to keep pace with technological advances. In order to realize proportional returns on investment in ICT while supporting enterprises, special emphasis should be placed on developing the business processing capacity of our labour force. Given the slow down in the world economy, firms around the world and region will likely act towards reducing costs as much as possible. Outsourcing of services will take a centre stage and this will be done across countries, regions and continents.

Better alignment of labour force ICT skills for business processing is urgently required to take advantage of opportunities internationally as we head to the full implementation of the EAC Customs Union in 2010 and implementation of the Common Market thereafter. Training institutions should therefore tailor their existing ICT-infrastructure and software development related courses to match the growing needs of business enterprises, which are increasingly undertaking automated processes and providing a base for service outsourcing. This would eventually attract more firms to Uganda and ensure that Uganda-based firms are not overly reliant on foreign firms for Business Process Outsourcing (BPO). Uganda is strategically positioned to provide BPO services to other countries (such as USA, UK and Canada) and this immense (export) potential could also be tapped.

e) **Cultural Arts/Crafts Industry**

The culture, arts and crafts industry in Uganda is one of the fastest growing industries, even though it is still in its nascent stage, hence should be accorded support by the Government. The culture industry includes: music, performing arts, visual arts and crafts such as baskets. Therefore, the industry recommends the following to Government;

- Arts and crafts should not be taxed to promote growth of the culture industry in Uganda.

f) **Beauty Operators Industry**

On the other hand, the beauty operators industry is still largely informal but plays a crucial role especially in regards to health and hygiene of the population, which is a very critical factor for building human capital. However, the nascent industry faces serious challenges including lack of a mobile beauticians' policy and lack of an operationalised beauticians' national standard for hygiene requirements. This segment of the Services sector therefore calls for Government intervention in;

- Fast track the operationalisation of the National Standard for hygiene requirements in commercial skin penetration, hairdressing, beauty and natural therapy
- Increased sensitization to the communities on National Standards
- Enact policies for mobile beauticians, tattooing, manicure and pedicure.
- Develop special policies to safeguard school going children
- Enforcement of the anti-counterfeit bill, so as to reduce counterfeiting, duplication and contra-branding of beauty products
- Set up and facilitate beauticians office at either UNBS or MOH to enhance Standards

5.4 Tourism Sector

Uganda's potential to significantly tap resources from the Tourism Industry is yet to be optimally explored. This is clearly portrayed in the sector's contribution to national GDP, which currently stands at 3.8% for FY 2009/10.[29] The sector also employs about 430,000 people across the country and growth within the different segments of the Industry is also growing particularly, Hotel and Restaurants as well as, wildlife based tourism. The total tourist flow to Uganda has increased by 65% since 2004 i.e. 512,000 tourists in 2004 to 844,000 tourists in 2008. This growth is linked to the increased number of service providers in the industry that have invested in marketing the country abroad. Kenya's Tourism Industry currently contributes 10.8% (USD 3,463.6 mill) of the national GDP and as a major competitor; Uganda's Tourism sector must re-position its products for better competition in the EAC region and the world. The following issues have been identified as the key barriers to growth of the sector;

5.4.1 Competitiveness Barriers

The Tourism industry has achieved success in some critical areas that directly influence the sector's competitiveness (tax exemption on tourist vehicles and the UGX 2 billion budgetary support to the sector provided in 2009/10 FY). However, many factors that render the sector uncompetitive in the region still persist. These include, poor road networks in the tourist circuit; inadequate technical skills for tour guides and hotel; Uganda's bad/poor image in the international tourism market; uncompetitive hotel charges and ungraded hotel facilities; lack of an operational tourism policy; and 17% VAT levied on Safaris to Uganda among others.

5.4.2 Infrastructure to facilitate Tourism Service Provision

Uganda's abundant biodiversity ranks among top ten most endowed in the world. However, most of the tourist attractions are far from the major cities and the airport which necessitates an efficient and convenient transport system to reach these places. Currently, it takes tourists 13 hours to travel a 480 kilometre distance on the Murchison Falls – Kibale route. The same journey could take 6 hours or less if the road infrastructure was better. It is also necessary to have alternative routes that connect from Entebbe directly to the tourism centres without necessarily going through the city centre.

5.4.3 Marketing Tourism

The World Travel and Tourism Council (2009) estimates the Uganda Tour and Travel Industry to contribute 3.8% directly to GDP in the 2009/10 fiscal year. If measures to improve the competitiveness and to market Uganda and her abundant tourism potential to the international community are not prioritized, this could shrink to 3.5% by 2019. The same would have direct adverse effects on employment in the tourism sector shrinking from 6.6% to 6.2% of total employment.

In view of the above issues, the Tourism Sector actors urge government to;

- Take the lead in marketing and promoting the image of Uganda abroad with a view of improving the tourism sector other than overly leaving it to the private sector
- Zero-rate the tourism services sold outside Uganda since its an invisible export
- Create a national portal to support Tourism marketing in Uganda
- Identify knowledgeable persons abroad to act as tourism ambassadors for Uganda
- Prioritize the upgrading of roads in the tourism circuit
- Prioritize the upgrading of roads in the tourism circuit. We propose the following roads
- Create a centre of excellence and language training centre specifically for tourism.
- Fast track the implementation of the Tourism Policy

29 World Travel and Tourism Council (2009)

6.0 THE CONTIBUTION OF WOMEN IN PRIVATE SECTOR DEVELOPMENT

The contribution of women to Uganda's economic development is invaluable with significant input especially through the agricultural sector, small manufacturing, trade and commerce. Over 80% of all women in Uganda are involved in subsistent agriculture and agro-processing and post harvest handling, using poor methods of production and technologies for processing. Within this sector, 94% are in non-wage employment (UNHS 2006). A large number of women are also engaged in the services and cottage industry, which directly depend on locally available resources.

Uganda has made some strides in empowering women politically through affirmative action. In addition gender inequalities are slowly but systematically being addressed in a number of public service delivery efforts (e.g education, health, roads, water and sanitation). A lot however remains to be done to promote and involve women in national development programmes.

Women are faced with challenges that include; Lack of awareness and entrepreneurship/ technical skills, Lack of markets for their products, Lack of capital base to start and sustain businesses, little access, control and ownership of resources (Assets)to provide for collateral; and limited access to Credit. The private sector therefore urges Government to:

- design an Incentive scheme to Institutions employing women and help build capacity to enhance production of their enterprises through training and skills development
- Incorporate special consideration to women –owned enterprises in such programmes as the Agricultural guarantee Fund, interventions at Local Government level such as NAADS.
- Gazette land in support of women economic activities such as Craft-markets.
- Encourage development of environment related policies to avert climatic changes

7.0 REGIONAL INTEGRATION AND TRADE ISSUES

In November, 2009, the Heads of State of the five EAC Partner States signed the Common Markets Protocol with the objective of setting up open, liberal and transparent investment policies that contribute to economic progress through Private Sector-led development. These policies include; rights to private ownership and establishment, full protection of property rights and liberalised foreign exchange markets among others. Significant to Uganda's Private Sector in the whole EAC integration process is the expansion of the market to 130 million people [World Economic Outlook, 2008], formation of a regional bloc to promote trade and negotiate for better terms of trade in the global market and; development of a multiplicity of investment opportunities.

7.1 Private Sector Concerns on the EAC Customs Union

The East African Customs Union entered its final phase of implementation effective 1st January 2010, after five years of implementing transitional policies, which have now become redundant. Specific to the Customs Union, Uganda's Private Sector has not been effectively protected by the phased asymmetric tariff reduction policy in Intra-EAC trade. This is mainly due to unpredicted circumstances like the Energy Crisis of 2004, Kenya's post election violence in 2007 and the 2008/9 financial predicament. As a result, the trade deficit has widened from US dollars 913.5 million in FY 2007/8 to 936.3 million in FY 2008/9. Secondly, the Common External Tariff increased taxation of intermediate goods from 6% to 10%. Many Ugandan manufacturers have not been able to benefit from zero-rating their raw materials owing to the limitations set by the Uganda List of raw materials, which did not cater for classification of many goods and services imported as raw materials thus were subjected to 10% import duty. This ultimately translated into increased cost of production and product price. Therefore,

7.2 Preparing for the EAC Common Market

On the implementation of the Common Markets protocol, the Priority concern of Uganda's Private Sector is the preparedness of the economy to open up for free movement of labour, goods and services and, capital. The local manufacturing industry still has some major concerns how to effectively position their products for competition when borders are opened in July, 2010. Therefore, there is need for a comprehensive risk/benefit assessment of Uganda's market being opened to other EAC Partner States. This will provide a better understanding of the likely changes, allay any fears related to this aspect of the integration process as well as, suggest clear interventions for strategically placing Uganda on the EAC regional market.

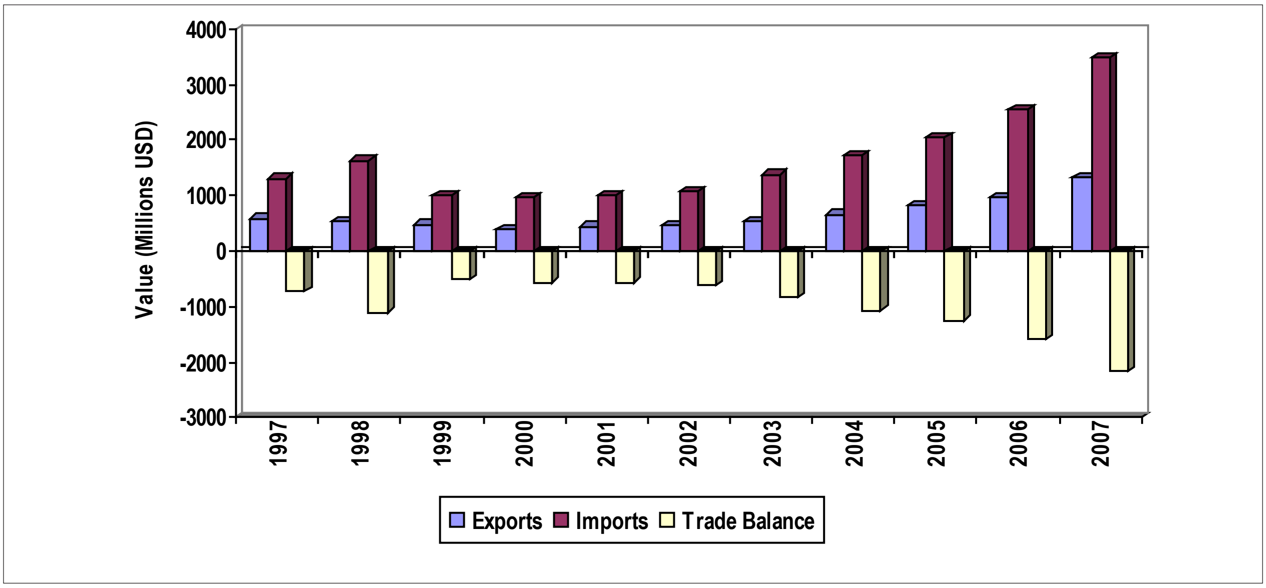
The Private Sector in Uganda wishes to make the following proposals for priority consideration by the government ahead of the execution of the Common Markets protocol;

a) Carry out a comprehensive risk/benefit assessment of Uganda opening up its market to the other EAC Partner States.
b) Increase capacity of Ministry of East African Affairs in the future negotiations of the EAC Common Market with particular expertise on Trade matters.
c) Advocate for satisfactory functioning of the EAC NTB Mechanism before the Common Market comes into full force.
d) In conjunction with the Governments of the Partner States of Burundi, Kenya, Rwanda and, Tanzania negotiate for the inclusion of sensitive goods in the EAC Common Market Protocol as well as clear safeguard trigger mechanisms such as quotas and deterrent tariffs in cases of proven economic damage.
e) Uganda's list of raw materials and industrial inputs be upheld for a period of five years
f) Expedite the industrial strategy and consider policies (Kampala agreement) which encourage production based on comparative advantage of respective partner states. Governments should facilitate investments in strategic sectors in partnership with the private sector
g) Harmonize VAT to 16% in the EAC region
h) Waive excise duty for essential items like bottled water

7.3 Trade Related Issues

Uganda's Trade sector is characterised by exports and imports with significant export markets in the following regions; COMESA (Including EAC), European Union, Middle East, East Asia, Non-COMESA Africa and North America. Of these markets, Uganda enjoys or expects to enjoy by 2011, duty free quota free market access for all goods with only EAC and the European Union. Notably, the import sector is the fastest growing although this expansion inevitably widens the trade balance gap further as shown in the figure below;

Figure 6.0 below shows the export/import performance (value) for the period 1997 – 2007



Source: UBOS Statistical Abstracts for 2002 – 2008

i. **Trade Imbalance**

Analysis of the above trend of trade activities in Uganda clearly reveals an increasing gap in trade balances between exports and imports. Notably, export earnings have been steadily rising from USD 594.5 million in 1997 to USD 1,336.7 million in 2007. This significant growth has been attributed to the increase in export trade activities between Uganda and various economies as mentioned in the above section (mainly non-traditional exports). However, import receipts have also grown rapidly from USD 1,307.5 million in 1997 to USD 3,495.4 million in 2007. For Uganda to eliminate this overall trade deficit there is need for deliberate strategic interventions that will significantly raise export revenues further while limiting the growth of import receipts (e.g. import substitution).

Government has made progress in supporting growth of trade (liberalisation, export diversifications etc) but still needs to do more to increase Uganda's share in global trade activities, which is currently small (In 2007 Uganda accounted for only 0.01% of the global exports).

ii. **Infrastructure, Regulatory, Finance and Skills Constraints (Already discussed in section 4)**

- The absence of a strong policy, legal and institutional framework to support growth of the sector has significantly limited smooth trade activities between Uganda and potential markets.
- The MSME sector is still very fragmented and lacks a policy to guide its development.
- High cost of business finance coupled with limited access also contribute to the slow growth of export trade in Uganda today

- Skills gap and mismatch – labour market not sufficient to meet demand for skilled manpower.
- Inadequate Physical Infrastructure (mainly transport and energy)

iii. **Phyto-Sanitary, Metrology Standards and Accreditation**

The Standards and Phyto-Sanitary requirements of the European Union on Uganda's export products continue to limit growth of exports owing to issues related to cost. Many exporters have expressed concern over the lack of a local centre for accreditation of goods and services thus are forced to incur high costs to certify their products for international markets. More so, exporters usually buy the commodities from a long value chain containing several middlemen. With the small-scale out-grower mode of agriculture in Uganda and the existence of middle-men, it is now very critical to increase quality awareness and quality-promoting behaviour among the farmers.

iv. **Information gaps and inadequate negotiating capacity for better terms of trade**

Inadequate data and information on trade has significantly contributed to the sector's weak performance. These gaps create misinformation and obscure strategies making it difficult to project performance or better still suggest interventions that will yield valuable results. Uganda's negotiating capacity at the World Trade Organisation also plays an instrumental role in ensuring the economy benefits from the trade regulations formulated at the institutions. However, the absence of a strong, witty and dedicated team at such negotiations will certainly affect Uganda's positioning and gains.

In view of all the above, the Private Sector urges Government to;

- Formulate a PPP policy to support infrastructure development (Physical Infrastructure);
- Strengthen and increase the human resource capacity at the National Trade Negotiation Team and related forums that impact on Uganda's trade positioning on the global market;
- Invest time and resources in establishing an active Trade Information Centre that will not only provide traders with the relevant information on global activities but will also support the planning department of Government on how to best position the economy for competition;
- Dedicate funds towards the creation of an internationally recognized accreditation centre to ease on the cost related barriers to export growth;
- Reviews the impact of liberalization of services committed to WTO and suggests measures to regulate the various service sectors not committed at the WTO such as, insurance and education. For this reason, Government should not commit any more services at the WTO until the review process is finalized and;
- Through NAADS, provide market-oriented quality awareness to farmers and middlemen in conformity with the existing product protocols to ensure that the farmers and the middlemen engage in growing, harvesting and post harvest handling that maximises quality.
- Fast track enactment and implementation of the Phyto-Sanitary Policy to improve on standards for better trade in the region.
- Harmonisation of EAC standards should be expedited from the current 1080 to cover over 5000 standards expected

Uganda's economic growth largely depends on its ability to attract both local and foreign investments and, there is no better timing than when the focus of international investors is on emerging markets such as those in Africa. Given the country's distinctive natural resource base; the growing interest in emerging markets by international investors; the expansion of the market created by the EAC integration and; the enterprising nature of Ugandans, priority focus should be put on creating an enabling business/investment environment for the sector to boost domestic and foreign investments.

Amidst an evolving global market and conditions, the Private Sector in Uganda must compete favourably to realise the anticipated benefits to the sector and the economy. To do this, the major barriers to growth mainly; inadequate infrastructure supply, lack of access to affordable finance, high regulatory costs partly driven by corruption, a defined skills gap, limited tax receipts resulting from a narrow tax net and, the non-tariff barriers arising from the EAC integration, must be adequately and urgently addressed.

Uganda has already achieved macro-economic stability and has withered external '*shocks*' like the food crisis of 2007 and the global recession of 2008 among others. The challenge for government remains with maintaining a sound economy backed by a strong macroeconomic policy structure; ensuring sustainable and efficient labour markets especially in view of the EAC common market and making certain that there is timely implementation of policy interventions aimed at enhancing the business/investment climate in Uganda.

Moving forward, the Private Sector proposes that the overall focus of government should be on positioning the economy for competition in the EAC region by minimising the major barriers to investment growth and, in ensuring optimal utilisation of the natural resource base for wealth creation. To do this, there is need to have in place a relevant and dedicated human resource ensuring that the limited national resources are efficiently used and; that planned funds and activities are implemented in time. The proposed workforce would also be instrumental in identifying gaps in execution of public services for purposes of ensuring better and quality services in the future. This calls for strengthening of the planning sections in each sector of government and, engagement of the Private Sector in the planning process to ensure that the business environment issues are prioritised and adequately resourced. Corruption must also be effectively eliminated if planned national funds are to be resourcefully utilised.

9.1 SUMMARY OF IMPENDING POLICY ISSUES FOR FOLLOW UP

ANNEX I: PSFU PENDING ADVOCACY ISSUES FOR 2009

ISSUES	SHORT-TERM INTERVENTIONS	MEDIUM – LONG TERM INTERVENTIONS
CROSS CUTTING PROPOSALS		
Physical Infrastructure & Utilities 1. **Transport**	1. Expedite the implementation of actions agreed upon in the Joint Communiqué signed between the governments of Kenya and Uganda in December, 2006[4]	1. Up-grading roads supporting the Tourism Industry 2. Consider the concessioning of the Tororo – Pakwach sections of the railway network.
2. **Energy**	1. Fast-track the implementation of the Oil pipeline construction project in order to reduce the high transportation costs of fuel, with price effects on the final pump price. 2. Ensure sufficient fuel reserves across the country	**1.** Continue to prioritise & support private investment in renewable energy such as Biomass and Bio Diesel generation through provision of incentives.
Financial Sector	1. Encourage the use of credit guarantee schemes to underwrite commercial bank risks. 2. Re-capitalise the Uganda Development Bank. 3. Fast track implementation of the pensions Sector Reforms 4. Harmonise withholding tax on dividends of listed firms from 10% to 5% in line with EAC partners Kenya and Tanzania.	1. Support the improvement of collateral management such as the issuance of insurance bonds in order to encourage more bank lending to the agricultural sector. 2. Establish fiscal incentives for rural bank networks. 3. Support companies to leverage costs incurred through the listing process.
Technology & Skills 1. **Technology**	1. Fast track the Implementation of the Industrial Policy with regard to acquisition and transfer of appropriate technology.	1. Establish a technological information centre that provides regular updates on new technologies that can boost Uganda's industrial growth process. 2. Establish exchange training programmes with similar and more technologically advanced economies to better enhance the skills of domestic industries.
2. **Skills**	1 Ensure Uganda's education system is realigned to the existing labour market requirements. 2 Increase funding support to Business Training, Vocational and Technical Education (BTVET) institutions	3. Separate the management of BTVET from Ministry of Education 4. Implement business linkage program to promote skills and technological transfer within the Private Sector.

Public Integrity – Corruption	Fast-track the amendment, implementation and enforcement of the anti-corruption law	1. Amend the anti-corruption law to allow Judges and Magistrates to order the accused to refund monies embezzled, as well as the confiscation of assets and properties of convicted individuals. 2. Increase budgetary allocations to anti-corruption institutions to enable them perform efficiently and effectively in accordance with their respective mandates
Taxes	1. Reduce withholding tax on dividends from 15% to 5% to match other EAC members. 2. Reduce excise duty on airtime from 12% to 8% to harmonize with other EAC partner states 3. Reduce excise duty on carbonated soft drinks from 13% to 10%. 4. Raise the PAYE threshold to Shs 250,000 in line with other EAC partner states 5. Review and waive some CAA related levies/charges	
Counterfeits & Smuggling	1. Expedite the amendment and enactment of the Counterfeits law 2. Conduct country-wide awareness campaigns to sensitise Ugandans on the danger of consuming/ selling counterfeit goods.	
Budget Discipline	1. Ensure stringent adherence to planned allocations of public resources and target the budget towards wealth creating sectors. 2. Make a firm commitment to efficiently implement policy decisions.	1. Ensure effective and efficient planned public expenditures in order to minimize the fiscal deficit realized every financial year. 2. Ensure implementation of effective M&E frameworks to monitor progress of resource allocation and implementation.
Legal and regulatory framework	1. Fast track the completion of the 17 commercial laws 2. Require that all Ministries (and private members) prepare cost benefit analyses for any new laws introduced.	1. Increase consultation with the private sector as one of the key tenets to regulatory best practice. 2. Ensure that the law making process has the confidence of the public, is highly professional, timely and cost effective.
Regional & International Trade Issues	1. Fast-track the implementation of the Trade policy 2. Transport Imbalances i.e. disparity in Transit charges and Tax Policies	1. 1. Build strong capacity for private and public sectors for effective participation in MTAs

Technical Barriers to Trade in Export Markets/ Standards & Quality Management	1. Ensure dissemination of quality information to the small scale out-grower farmers for purposes of ensuring best practice. 2. Expedite the completion of the National Standards Policy to ensure accreditation, certification, testing, inspection and quality management services in line with international best practice requirements.	
Investment Climate	1. Fast track the enactment of the Industrial Policy 2. Expedite the enactment of the Investment Code	
Institutional capacity development	Review budget support to key institutions such as, UIA, UNBS, UEPB, CADR to ensure better service provision to the private sector	
II SECTOR SPECIFIC PROPOSALS		
AGRICULTURE 1. **Agro-Processing & Marketing**	1. Ensure full participation of farmers in the formulation and implementation of agro-processing policies. 1. Establish small scale agro-processing centres across the country to provide farmers with up-to-date information on post handling skills, developing technologies and market trends.	1. Establish agronomy laws to check counterfeiting in this sub-sector. For example, there is no policy for planting seeds and many farmers have been victims of counterfeit seeds that are on the market.
2. **Comprehensive Land Policy**	Allocate more resources to this sector to fund the formulation of the national Land Policy.	
3. **Extension Services**	Support the formation of farm-level organizations and groups with related sub-sector enterprises to provide increased extension services to rural farmers.	
4. **Organic Policy**	Expedite the enactment of the Organic Policy to guide growth of this sub-sector.	

SPECIFIC AGRICULTURAL SUB-SECTOR INTERVENTIONS		
Coffee	1. Support farm organizations to formulate and operate as businesses, add value to their produce and position them for better price negotiations. 2. Strengthen small holder coffee farmers with skills to control risk especially disease and bad weather.	1. Re-focus export financing to salvage ailing coffee companies. 2. Support the industry to implement the National Coffee Policy to guide the Sector in Market requirements; social, economic and environmental dimensions for sustainability 3. Develop a PPP Policy to coordinate the Coffee farm-organizations effectively with UCDA
Cotton	Implement the Textiles policy strategy	1.Revamp operations of the CDO
Sugar	1. Review treatment of COMESA sugar entering Kenya as the current lifting 2. The safeguard measures agreed by the EAC must be robustly defended 3. Register jaggery millers for VAT as in the past.	1.Introduce sugar milling zones, 2.Harmonize power purchase rates of sugar producers with other suppliers to the national grid
Tea	1. Formulate a national policy to guide the tea sector 2. Increase Capacity of Rwebitaba research station as a specialised tea research centre 3. Stamp the Ugandan Tea brand in the foreign market by exporting directly to foreign consumers	
Flowers	1. Reduce airport-landing fees to lower freight costs. 2. Grant an EPZ status to the industry to attract its fair share of foreign investors.	1. Develop an incentives package similar to the Ehtiopia Flouriculture Incentives Package in order to attract more investors into this sub-sector.
Livestock	1. Allocate funds to make a strategic investment in export abattoirs 2. Re-vitalise the breeding program to increase farm livestock productivity.	1. Establish a long-term credit facility to finance beef ranching projects 2. Support farmers in multiplying and exporting hybrid goats to the Middle-East countries.
Dairy	Remove import duty on machinery spare parts used for processing leather products to reduce on the cost of production and the price of the end products	Re-establish a tertiary training institute to provide capacity for value addition and, expand the existing training institute (TCFC) for shoe and leather goods
Apiculture	1.Expedite the enactment of the National Apiculture Policy to position the apiculture industry as a viable and sustainable source of income for the rural poor	1.Support the establishment of fully fledged private sector led national centre for Sustainable Apiculture development to enable key stakeholders access information, display of different apiculture products and a one stop centre for promoting apiculture business and research
Leather	1. Review the Hides and Skins Act of 1964 to ensure more punitive measures against quality adulteration.	

Fish	2. Expedite the enactment of the Fisheries Bill. 3. Introduce surveillance and monitoring of fish activities on water bodies to curb fish smuggling. 4. Upgrade the landing site to acceptable standards in line with the European Union	1. Invest in research and technology to ensure fish products development. 2. Ensure prioritisation of Eco-Labelling of Lake Victoria in resource allocation.
MANUFACTURING **CONSTRUCTION**	1. Ensure power tariff predictions for at least a year 2. Expedite the resolutions agreed upon in the Joint Communiqué signed between Kenya and Uganda on reducing transport to the sea. 1. Enactment Of the Construction Policy to ensure better regulation of the sector 2. Establish Uganda Construction Commission as a regulator for the Industry	1. Ensure a comprehensive Investment Incentives Package 1. Build the capacity of local contractors to be able to compete for big projects
SERVICES 1. **Financial Services** 2. **Insurance**	1. Support the removal of structural constraints in the financial sector in order to improve financial intermediation. 1. Fast track the operationalisation of the UgandaRe to reduce on costs of using regional Res and mobilize investible funds for the economy. 2. Waive tax on insurance reserves since reserves are part of the annual premiums already taxed. 3. The annual (compulsory) contributions to the Insurance Commission (UIC) should be given a tax allowance given that the annual gross premium is already taxed.	1. Establish a deliberate policy to educate the population about insurance polices and existing classes. 2. Strengthen supervision capacity in the industry to ensure that all insurable risks are covered within Uganda by registered insurance companies of Uganda. 3. Insure Government Assets through Local insurance companies

9.2 COMMERCIAL LAWS – REFORM UPDATE

ANNEX II: STATUS OF THE PRIORITIZED COMMERCIAL BILLS AS OF APRIL 30TH 2010

	LEGISLATION	OBJECTIVE	STATUS
A. Enacted into Law			
(i)	**Copy Rights and Neighboring Rights, No 19 2006**	Seeks to repeal the outdated copyright Act, (Cap 215) passed in 1964 and to provide for greater protection of literary scientific and artistic intellectual works and their neighboring rights.	This was passed and enacted into law.
(ii)	**Audit Act, 2008**	Aimed at giving greater autonomy to the office of the Auditor General in the execution of functions and responsibilities.	The Bill was passed,assented to and commenced in 2008
(iii)	**The Hire Purchase Act No. 3, 2009.**	To provide for the regulation and registration of hire purchase agreements and the licensing of persons carrying out hire purchases business and for related purposes. Hire purchase refers to a method of buying goods by paying periodic installments and only gets full ownership after completing full payment.	Bill assented to and published as Act No.3 of 2009. Date of commencement 12/6/2009. **Next Steps:** Preparation of Regulations to operationalise the Act (MoJCA, ULRC) Advocacy/Dissemination of the Act to the users/ general public. (Seminars, workshops, meetings with various groups)
(iv)	**Trade Secrets Protection Act, No 2 2009.**	To provide for the protection of undisclosed information in commercial transactions and provide for related matters. A trade secret is information that must be legally protected against disclosure, acquisition or use by others in a manner contrary to honest commercial practice.	Bill assented to and published as Act No. 2 of 2009. Date of commencement 12/6/2009. **Next Steps:** Preparation of Regulations to operationalise the Act (MoJCA, ULRC) Advocacy/Dissemination of the Act to the users/ general public. (Seminars, workshops, meetings with various groups)
(v)	**Partnerships Bill, 2008(MOJCA)**	To repeal and replace the existing Partnership Act Cap. 114 which is based on the laws of England. A Partnership is the relationship that subsists between individual persons or corporations carrying out business in common with a view to making profits.	The Bill was passed by Parliament on 6th May 2009. It was assented to by the President and was published as Act No 2 on 26th Feb 2010 **Next Steps:** Preparation of Regulations to operationalise the Act (MoJCA, ULRC) Advocacy/Dissemination of the Act to the users/ general public. (Seminars, workshops, meetings with various groups)

(vi)	**Mortgage Act, 2009 (MLHUD)**	To abandon and replace the Mortgage Act Cap 229 and some provisions in the Registration of Titles Act Cap. 230. To enhance and maintain the law in line with the market developments and practices. A Mortgage is a binding agreement for banks to lend money to persons holding property/land on terms and conditions for the money to be paid back at an agreed period with interest.	Bill assented to by the President, now an Act of Parliament **Next Steps**: Preparation of Regulations to operationalise the Act (MLHUD, ULRC) Advocacy/Dissemination of the Act to the users/ general public. (Seminars, workshops, meetings with various groups)
B. Bills Passed and Awaiting Assent by the President			
(vii)	**The Contract (Amendment) Bill, 2008(MOJCA)**	To repeal and replace the current Contract Act Cap 79, to consolidate the law relating to contracts. A contract is an agreement made with the free consent of parties with capacity to contract, for a lawful consideration, with a lawful object and with the intention to be legally bound.	Bill passed by Parliament and sent to President for Assent. **Next Steps:** Publication of the Bill (Parliamentary Commission, MOJCA)
C. Bills before Parliament or with Relevant Parliamentary Committees			
(viii)	**Electronic Transaction Bill, 2008 - New**	To promote operation and development of electronic transactions. To regulate websites, and contractual agreements resulting from e-commerce transactions. Ensure harmonization of ICT regulations with international regulations to avoid market distortions.	Bill read for the first time in Parliament on 18th March 2009 and committed to the Parliamentary Committee on ICT
(ix)	**Insolvency Bill, 2009.**	The Bill is intended to provide a comprehensive law covering both individual bankruptcy and corporate insolvency.	Bill committed to the Legal and Parliamentary Affairs Committee in July 2009. The Committee to present the Bill to Parliament for 2nd reading.
(x)	**Electronic (Digital) Signature Bill, 2008**	Aimed at recognizing technology of digital signatures and guaranteeing their security.	Bill before the Parliamentary Committee on ICT as of Sept. 2009.
(xi)	**Computer Misuse Bill**	To promote the development and use of ICT. To ensure legal protection of computers is harmonized internationally.	Bill before the Parliamentary Committee on ICT.
(xii)	**Geographical Indications Bill 2008(MFPED)**	The bill provides for the regulation and registration of geographical indications and remedies for infringement for their use. Geographical indications are a sign used on goods that have a specific origin and possesses qualities that are due to their place of origin e.g. Swiss watches.	Bill before the Legal and Parliamentary affairs Committee.

(xiii)	**Trade Marks And Services Bill, No.9, 2009(MOJCA)**	To repeal and replace the existing Trade Marks Act (Cap 217), to incorporate new developments in trademarks law to support a competitive economy. Trade mark means a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate a connection in the course of trade between the goods and some persons having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person.	Bill was read the first time in Parliament on 2nd September, 2008 and committed to Legal and Parliamentary Affairs Committee. Committee to prepare final Report and submit the report to the whole house for the 2nd reading after advocacy meting to explain provision of Bill held.
(xiv)	**Industrial Property Bill, 2008 (MOJCA)**	To replace the Patents Act with the new Industrial Property law in order to upgrade the ground for promotion of inventive and innovative activities therefore create a base for the advancing technology in Uganda, regionally and globally.	Bill was published in the Gazette in 2009, The Bill was introduced for 1st reading on the 9/07/2009 Now before the Legal and Parliamentary Affairs Committee
(xv)	**Companies Bill, 2008(MOJCA)**	To reform the current outdated law relating to incorporation. Management, regulation and administration of companies and other associations.	The Bill was read for the 1st time in Parliament and committed to the Legal & Parliamentary Affairs Committee in December 2009.
(xvi)	**Chattels Securities Bill, 2008**	To regulate the making and enforcement of security interests in chattels, to repeal the Chattels Transfer Act Cap 70.Chattels security deals with the giving of personal property or chattels other than land as security for a loan or debt	The Bill was read for the 1st time on 20/10/2009 The Bill is before the Legal and Parliamentary Affairs Committee.
D. Bills before Cabinet.			
(xvii)	**Sale Of Goods And Supply Of Services Bill, 2008 (New)**	To repeal and replace the Sale of Goods Act Cap 82, and improve the quality of services rendered to the public, e.g. banking. Sale of goods is defined as the contract where the seller transfers or agrees to transfer the property in the goods to the buyer for a price.	Bill is with UPPC awaiting Publication in the Gazzette. MTTI to follow up with UPPC.
(xviii)	**Free Zones Bill, 2008 (New)**	To provide for the establishment, development, management, marketing, maintenance, supervision and control of free zones.	The draft Bill was tabled before Cabinet in October 2009 but referred back to MFPED for aligning several inconsistencies. MFPED is due to complete the consultations and resubmit to Cabinet.
(xix)	**Accountant Amendment Bill, 2008**	To repeal the old act and to realign the legislation with the current practice. To regulate registration of accountants and to enforce professional standards.	The principles for amending the Law are before Cabinet.

(xx)	**Capital Markets Authority Bill, 2008**	To accommodate the growing market and stock exchange requirements.	The Capital Markets amendments were resubmitted to Cabinet after approval by the Attorney General.
E. Bills under Drafting Stage			
xxi	**Investment Code (Amendment) Bill, 2008 (MoFPED)**	To amend the Investment Code, 1991 and provides for registration of investors, making UIA a one-stop centre for investment.	The principles for the amendment were approved in May 2009. The new draft bill is the Investment Code 2010 and was submitted to MFPED on 16th/04/2010 for comments by the FPC
(xxii)	**Counterfeit Goods Bill, 2008 (MTTI)**	To curtail trade in counterfeit goods by empowering authorities concerned to seize and detain suspected counterfeited goods.	The Bill was submitted to Cabinet Secretariat for vetting. Comments from MTTI have been submitted to 1st Parliamentary counsel for incorporation in the Bill. Draft is being finalized.

9.3 PRIVATE SECTOR REPRESENTATIVES CONSULTED 2009/10

No.	NAME	DESIGNATION	ASSOCIATION
1	Akiiki Rukarakiiza	Chairman	Uganda Quarries Operators' Association
2	Amos Wekesa	President	Uganda Tourism Association
3	Andrew Luzze	Policy officer	Uganda Manufacturer's Association
4	Anne Binayisa	National Treasurer	Uganda Informal Sector Transformation Org
5	Anne Mulindwa	Operations Dept Head	Uganda Finance Trust
6	Annick Uytterhaegen	Managing Director	Chemiphar
7	Augustine Mwendya	Dir. Agribusiness Dev't	Uganda National Farmers' Federation
8	B. W. Rwabogo	Chief Operations Mgr	Mukwano Group
9	Barbara Masete	Accounts Assistant	National Association of Women Organisations in Uganda
10	Ben Asiimwe	National Chairman	Uganda Informal Sector Transformation Org
11	Betty Namwagala-	Executive Director	UCTF
12	Birantana Gumisiriza	Chairman	Uganda Nat. Assoc of Building and Civil Eng Contractors
13	Charles Basajja	Executive Secretary	ICT
14	Clayton Arinaitwe	Program Coordinator	UCCCU
15	Dan Muhumuza	General Manager	Shumuk Group of Companies
16	Dan Pius Kogoye	Vice Chairman	Beauty Operators Association and Training Network
17	Daniel M. Ssubi	Chairman	Uganda Small Scale Industries' Association
18	David Baguma	Executive Director	Association of Microfinance Institutions of Uganda
19	*David T. Baguma*	*Executive Director*	*AMFIU*
20	Dr. Olli-Pekka R.	Chief Executive Officer	Uganda Insurers' Association
21	Eldad F. Ntanda	Vice Chairman	Uganda Commercial Farmers Association
22	Emmanuel Kikoni	Executive Director	Uganda Bankers' Association
23	Emmanuel Kimbowa	Chairman	Uganda Renewable Energy Association
24	Emmanuel Mwebe	General Manager	Uganda Leather and Allied Industries Assoc. Ltd
25	Eve Kasirye Alemu	Board Member	Private Sector Foundation Uganda
26	Faith Eunice Oyella	Membership&Info.Admn.	Uganda Women Entrepreneurs Association Ltd
27	Fred Tumwesigye	Treasurer	Uganda Dairy Processors' Association
28	George M. Walusimbi	Executive Secretary	Uganda Service Exporters Association
29	Gilbert Ojok	Internal Auditor Officer	Uganda National Bureau of Standards
30	Godfrey Ssali	Secretary General	Kampala City Traders' Association
31	Gordon. Sentiba	Director	Astor Finance Plc Ltd
32	Harriet Kiwanuka	Head – Trading, R&M	Uganda Securities Exchange
33	Harriet Ssali	Chairperson	Uganda Floricultural Association
34	Isa Nsereko	Head of Strategy	DFCU (U) Ltd.
35	Ismail Sekandi	Executive Director	Uganda Hotel Owners' Association
36	James Kawooya	Ag.Executive Secrtetary	Uganda Small Scale Industries Association
37	James Zziwa	Coordinator	Beauty Operators Association and Training Network
38	Jennifer Mwayi	Student Affairs Officer	ACCA
39	Jennifer Mwijukye	Member	Uganda Freight Forwarders' Association
40	Jesca Ssendagire	Commissioner for Finance	Buganda Tourism Centre
41	John Joseph Otim	President	Agricultural Council of Uganda
42	John Keru		Citi bank
43	Joseph B.M. Ssekandi	Programme Coordinator	Uganda Small Scale Industries Association
44	Joseph Lutwama	Senior Research Officer	Capital Markets' Authority
45	Joseph Nkandu	National Coordinator	National Union of Coffee Agribusiness & Farm Ent.
46	Jotham Katumusiime	Chief Executive Secretary	Uganda National Farmers' Federation
47	Jude Kansiime	Business Devt Officer	Bank of Africa
48	Juliet Musoke	Executive Director	Uganda Flower Exporters Association

49	Kaijja Vincent	Ag. CEO	Uganda Insurers Association
50	Kateu Kepher Kuchana	Quality Assurance Mngr	Chemiphar (U) Ltd
51	Kiyimba Musisi	Chairman	Uganda Theatrical Group Association
52	Leonard Msemakweli	Secretary General	Uganda Cooperative Alliance
53	Lucy Nyachwo	Employment Relations O	Federation of Uganda Employers
54	Martin Owiny	General Manager	Stanbic Bank
55	Mary K.Odongo	Director, Finance&Admin	Enterprise Uganda
56	Milton Muyodi	Chairperson	Kamuli Community Development Foundation Ltd
57	Mona Muguma	Investment Manager	African Alliance
58	Moreen Kobusingye	Administrative Officer	The Uganda Association of Private Vocational Institutions
59	Morison Rwakakamba	Policy/R& advoc Mngr	Uganda National Farmers Federation
60	Moses Ssebiranda	Chairperson	United Engineers & Traders Association
61	Nanteza Catherine	Administrator	Association of Real Estate Agents (AREA) Uganda
62	Naveen Krishan	General Manager	Roofings Ltd
63	Nick Jenkinson	Managing Director	Nile Breweries Ltd
64	Nuwa W. Nyanzi	Vice Chairperson	National Arts and Crafts Association of Uganda
65	Ojok Reagan Ronald	Program Assistant	Uganda Consumer Protection Association
66	Olli Ruuskanen	Former ED	Uganda Insurers' Association
67	Ovia Katiti Matovu	Chief Executive Officer	Uganda Fish Processors & Exporters' Assoc
68	Pafra Mutambuzi	Co-ordinator	Uganda Floricultural Association
69	Patrick Mugenyi	Programme Coordinator	Uganda Small Scale Industries Association
70	Pauline Ofongo	Publicity Secretary	Uganda Women Entrepreneurs' Association Ltd.
71	Peace Kyamureku	Secretary General	National Association of Women Organisations in Uganda
72	Philip Odera	Executive Director	Stanbic Bank Uganda Ltd
73	PIRT Committees		
74	Prosie Kikabi	Investment executive	Uganda Investment Authority
75	Proscovia Nankya	Executive Secretary	National Organic Agricultural Movement of Uganda
76	Rashida Nakabuga	Policy and Research Offr	National Union of Coffee Agribusiness and Farm Ent.
77	Ray Bruno Agong	M & E Officer	Uganda Oil Seed Producers Association
78	Richrd Orr	General Manager	Kakira Sugar Works Ltd.
79	Robert Kakande Ashe	Head of Finance &Admin	Uganda Finance Trust
80	Robert Musenze	Information Officer	National Union of Coffee Agribusiness and Farm Ent.
81	Robert Musisi	Secretary	Uganda Leather and Allied Industries Assoc. Ltd
82	Robert Ndyabarema	Executive Director	The Uganda National Apiculture Devt Organisation
83	Rosemary Ssenabulya	Executive Director	Federation of Uganda Employers
84	Sam Kizito	Chairman	Uganda Beef Packers Association
85	Sam Niiwo	Chairman	Uganda National Association of SMMEs Organizations
86	Sam Oketch	President	Uganda Veterinary Association
87	Sam Semakula	Executive Member	Horticultural Exporters' Association
88	Samson Emong	Program Officer	Uganda Coffee Trade Federation
89	Sekitoleko George W.	Executive Secretary	Uganda Tea Association
90	Ssebagala M. Kigozi	Executive Director	Uganda Manufacturers' Association
91	Stephen Wakida	Chairperson	Uganda Printers' Association
92	Stuart Mwesigwa	Business Devt Manager	Roofings Ltd
93	Sulaiman Y. Lubowa	Chairman	The Carpenters and Joinery Association Ltd
94	Sylvia Nalubwama	Secretary	Uganda Veterinary Association
95	Thembo Mwesigwa W.	Executive Secretary	Uganda National Agro-Input Dealers' Association
96	Tibamwenda Tom W.	Chairman, BOD	Uganda Cooperative Alliance
97	Tibyasa William	Administrative Assistant	Uganda Fish Processor and Exporters' Association
98	Walter Odongo	General Manager	Grofin (U) Ltd.
99	Wilson Chemisto	Chairman	Uganda National Agro-Input Dealers' Association
100	Yusuf Bachu	General Manager	The Uganda Association of Private Vocational Institutions

ANNEXES

SPECIFIC UPCOUNTRY STAKEHOLDERS CONSULTED

No.	District	Organization	Name
1	Abim	Abim Unity Group	Owiny Obin De Paul
2	Abim	Kony Kwoo Vsla Association	Ayen Franco Ogwang
3	Abim	Thur Sacco	Akena Patrick
4	Amuria	Amuria Development Initiative	Atiku Joseph
5	Amuria	Oimai Youth Development Organization	Omagor Moses
6	Amuria	Orungo Youth Dev't Organization	Epachu Samuel
7	Amuria	Amuria Integrated Women Association	Anyait Mary Agnes
8	Arua	Arua District Elders Sacco	Afayoa Simon
9	Arua	Arua Farmers Sacco	Andam Harison Sese
10	Arua	Westnile Teachers Association	Abejoa Nichael Banya
11	Arua	Micu Youth Poverty Alleviation Association	Mr . Angu Toko Vincent
12	Arua	St Philomena United Women Association	John Kato Nyakubiiha
13	Arua	Ewavu Community Action For Development	Drasiku Robert
14	Arua	Fur Ber Youth Group Yr 2004	Okum Aldo
15	Arua	Alioatizu Fish Mongers Association	Amadroru Anna
16	Arua	Ambatuku Cooperative Sacco	Avuru Joyce
17	Bududa	Bududa Farm Mt Coffee Farmers Association	Mugoya Gilbert
18	Bududa	Shunya Yetana Community Based Association	Bwaya Godfery Lawrence
19	Budaka	Twenkana Women Association	Gwaku Lovisa
20	Bugiri	Ussia - Bugiri Zone	Musobya Bashir Abdullah
21	Bukedia	Uganda National Agro Input Dealers Association	Akol Anne Grace
22	Bukedia	P'kwi Farmer To Farmer Cooperative	Norah E Asiyo
23	Bukedia	Anyoun Organic Farmers Group(Sacco)	Aling Peter
24	Bukedia	Emono Iteso Agriculture Business Association	Okello Nelson
25	Bukedia	Poolo Na Angor	Moses Aisia
26	Bushenyi	Ankole Private Sector	Kicoco Allen
27	Bushenyi	Bushenyi Paultry Farmers Association	Alex Yebangire
28	Bushenyi	Tigebwa Development Association	Kajumba Faith
29	Isingiro	Mbarara Dairy Farmers Cooperative Union	Rukiddi Sam
30	Isingiro	Isingiro District Farmers Association	Karegire Elly
31	Gulu	West Acholi Cooperative Union	Ocan Sabino
32	Gulu	Gulu Chamber Of Commerce	Dick Nyelo
33	Gulu	Gulu District Farmers Association	Anyalo Janet
34	Gulu	Gulu Motorcycle Boda Boda Association	Ochan Job Nico
35	Gulu	Gulu Numa	Cissy Ojok
36	Gulu	Gulu Women Mobile Caterers	Christine A
37	Gulu	Natinal Chamber Of Commerce	Eng Eponya
38	Iganga	Iganga District Farmers Association	Balirare Joseph
39	Iganga	Namasumba District Farmers Association	Kyeyi Moses
40	Jinja	Ussia -Jinja	Sekalala David
41	Kabarole	Kabarole District Farmers Association	Baguma Joseph
42	Kaliro	Kaliro District Farmers Association	Ibanda John
43	Kaliro	Rural Community Development Program	Balumuka Wadwoka Christopher
44	Kanungu	Kihihi Sacco	Muronde Aramura
45	Kapchorwa	Kapchorwa Commercial Farmers Association	Kissa David
46	Kasese	Foundation For Urban And Rural Advancement	Muhindo Peter
47	Kasese	Nyakatonzi Cooperative Union Limited	Adam A Bwambale
48	Kasese	Kasese District Farmers Association	Nkojo Jonathan

49	Koboko	Koboko United Womens Association	Aigulia Rachel
50	Koboko	Tukaliri Famers Cooperative Society	Amule Bosco
51	Koboko	Koboko United Sacco	Natana Florence
52	Koboko	Jabara Association	Yeka Charles Musa
53	Koboko	Lobule Famers Savings & Credits	Amabin Bin Fred
54	Kyenjojo	Rwenzori Region Development Organisation	Kaddu Silver
55	Kyenjojo	Kyenjonjo District Farmers Association	Muzoora Kenneth
56	Kyenjojo	Development Foundation Rural Areas	James Ssekatawa
57	Lira	North Eastern Chilli Producers Association	Acham Hellen
58	Lira	Lira District Farmers Association	Opio Victor
59	Lira	Acap Young Farmers Association	Adyeke John David
60	Lira	Baar Sacco	Aapenyo Douglas
61	Lira	Lira Rice Promoters	Lemo Patrick
62	Lira	Yuventino Obong	Lira Bee Cluster
63	Lira	Mid North Private Sector Promotion Center	Julius Motto
64	Lira	Northern Uganda Manufactureres Association	Achen Cyprian
65	Lira	Acanakwo	Betty Odongo
66	Lira	Tuyodi	Abwang Tony
67	Masaka	Masaka Disabled Persons Association	Lukwago S
68	Masaka	Masaka Cooperative Union Ltd	Emmanuel Ssenyonga
69	Masaka	Masaka District Farmers Association	Nankya Rose
70	Mbale	Mbale Union Of Disabled Persons	Mugamba Ally
71	Mbale	Eastern Private Sector Development Centre	Nelson W Kyagera
72	Mbale	Masaaba Cooperative Union Ltd	Murombo Charles
73	Mbale	Lwabusano Urban Farmers Association	Watika Allen
74	Mbale	Mbale Garage United Asociation	Byansi Twaibu Kisubi
75	Mbale	Bugisu Cooperative Union Ltd	Wabulo William Isaiah
76	Mbale	Mbale Farmers Association	Patrick Mupalya
77	Mbale	Bugisu United Farmers Group	Esther Mujasi
78	Mbarara	Mbarara District Farmers Association	Mbaziira Aden
79	Mbarara	Uganda Crane Creameries Cooperative Union Limited	Clayton N
80	Mbarara	Banyankole Kweterana Cooperative Union Limited	Beingana Lauben Geoffrey
81	Mbarara	Ankole Farmers And Traders Sacco	Nahamya Wycliffe
82	Mpigi	Mpigi District Farmers Association	Ssewankambo Damiano
83	Moyo	Moyo District Farmers Association	Moses Isia
84	Moyo	Moyo Cooperative Savings And Credit Society	Mr. Lirri - Imbadi Fred
85	Moyo	Moyo Bee Keepers Association	Kefa John
86	Mubende	Kiterede Youth Development Association	Kazibwe Emmanuel
87	Mubende	Mubende District Farmers Association	Seruga Serapio
88	Mubende	Mubende Network Cooperative Sacco	Makuruki Serapio
89	Mubende	CAWODISA	Muhindo Sylvester
90	Mubende	Bageza Beekeepers Association	Bukenya Joseph
91	Nakasonola	Nakasongola District Framers Association	Magado Ronald
92	Nebbi	Association Of Nebbi Youth Vigilant	Maliamungu Robert
93	Nebbi	Dikiiri Kabucan Sacco	Mr Ocowun Alfred
94	Nebbi	Nebbi Town Sacco Limited	Otim, Christine
95	Nebbi	Nebbi Association Of Women With Disability	Nimungu Claire Doreen
96	Oyam	Ngai Women And Men Produce	Olombo Lawrence
97	Oyam	Can Maki-Weki Group	Okot Abel
98	Oyam	Obanga Ber	Ogom Alex
99	Soroti	Teso Private Setor Development Centre	David Akalebo Onyoin

ANNEXES

PSFU MEMBERS --- MARCH 2010

CORPORATE MEMBERS

1. Agricultural Council of Uganda (ACU)
2. Astor Finance Plc Ltd
3. Bank of Africa -Uganda
4. Barclays Bank of Uganda Ltd
5. Bank of Baroda
6. British American Tobacco Uganda (B.A.T.U)
7. Bujagali Energy Ltd
8. Celtel Uganda Limited
9. DFCU Bank
10. East African Development Bank
11. Enterprise Uganda (EU)
12. Metrocomia East Africa
13. National Agricultural Advisory Services (NAADS)
14. Nile Breweries Ltd.
15. Roofings Ltd
16. Shoprite Checkers (U) Ltd
17. Simba Group of Companies
18. Southern Range Nyanza Ltd
19. Standard Chartered Bank (SCB)
20. Uganda Breweries Ltd
21. Unilever Uganda Limited
22. Shumuk Group of Companies
23. Icemark Africa Ltd
24. Kakira Sugar Works Ltd
25. Century Bottling Company Ltd
26. Kaizen Institute Africa
27. National Housing & Construction Company Ltd
28. Stanbic Bank Uganda Limited
29. Quality Chemicals
30. Grofin Uganda
31. Citi Bank
32. Alpha Oil
33. Multiple Industries Limited
34. Green Computers

ORDINARY MEMBERS

35. Association of Microfinance Institutions of Uganda (AMFIU)
36. Eastern Africa Association (EAA)
37. Investment Management Association of Uganda (IMAU)
38. National Arts and Crafts Association of Uganda (NACAU)
39. Uganda National Association of SMMEs Organizations (UNASO-SMMEs)
40. Teso Private Sector Promotion Centers (TESOPS)
41. Uganda Association of Insurance Brokers
42. Uganda Bankers' Association (UBA)

43. Uganda Clearing & Forwarding Agents' Association (UCIFA)
44. Uganda Coffee Trade Federation (UCTF)
45. Uganda Co-Operative Alliance (UCA)
46. Uganda Crane Creameries Cooperative Union
47. Uganda Finance Trust (UFT)
48. Uganda Fish Processors & Exporters' Association (UFPEA)
49. Uganda Grain Traders Ltd.
50. Uganda Insurers Association
51. Uganda Leasing Association
52. Uganda Manufacturers' Association (UMA)
53. Uganda Motor Industry Association (UMIA)
54. Uganda National Farmers' Federation (UNFF)
55. Uganda National Vanilla Association (UNVA)
56. Uganda Organic Certification Ltd
57. Uganda Securities Exchange Limited (Use)
58. Uganda Tourism Association (UTA)
59. Federation of Uganda Employers (FUE)
60. Institute of Corporate Governance Of Uganda (ICGU)
61. Association of Ugandan Tour Operators
62. National Outdoor Contractors Advertising Association
63. The Uganda Association of Private Vocational Institutions
64. Association of Chartered Certified Accountants (ACCA)

ASSOCIATE MEMBERS

65. Agro-Genetic Technologies Ltd. (AGT)
66. Association of Courier Companies of Uganda
67. Association of Management Consultants In Uganda
68. Association of Uganda Professional Women in Agriculture & Environment (AUPWAE)
69. Beauty Operators Association and Training Network (BOATNET)
70. Buganda Youth Resource and Job Centre
71. Capital Market Authority (CMA)
72. Chartered Institute of Purchasing And Supply (CIPS)
73. Chempihar (U) Ltd
74. Federation of Uganda Employers (FUE)
75. Uganda Gatsby Trust
76. Horticultural Exporters' Association Of Uganda (HOTEXA)
77. Information and Communication Technology Association
78. Institute of Corporate Governance of Uganda (ICGU)
79. Kampala City Traders Association (KACITA)
80. Kamuli Community Development Foundation
81. Kibaale District Private Sector Development Organisation
82. Literacy and Adult Basic Education (LABE)
83. MUBS Entrepreneurship Centre
84. National Organic Agricultural Movement of Uganda (NOGAMU)
85. National Association of Women Organisations in Uganda (NAWOU)
86. National Small Holder Business Center (NSBC)
87. National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE)
88. Northern Uganda Manufacturers Association
89. Poultry Development Association of Uganda

90. Procurement & Logistic Management Association (PALMA)
91. Public Relations Association of Uganda
92. The Association of Uganda Securities Brokers Dealers
93. The Carpenters and Joinery Association Ltd
94. The Institute of Certified Public Accountants of Uganda (ICPAU)
95. Uganda Association of Consulting Engineers (UACE)
96. Uganda Association of Private Vocational Institutions (UGAPRIVI)
97. Uganda Beef Producers Association (UBPA)
98. Uganda Cocoa Association
99. Uganda Commercial Farmers' Association Ltd (UCFA)
100. Uganda Consumers' Protection Association (UCPA)
101. Uganda Dairy Processors Association (UDPA)
102. Uganda Export Promotion Board (UEPB)
103. Uganda Floricultural Association (UFA)
104. Uganda Flower Exporters' Association (UFEA)
105. Uganda Forest Industries Development Association
106. Uganda Freight Forwarders' Association (UFFA)
107. Uganda Hotel Owners Association (UHOA)
108. Uganda ICT Outsourcing Services Association
109. Uganda Importers, Exporters & Traders Association (UGIETA)
110. Uganda Investment Authority (UIA)
111. Uganda Law Society (ULS)
112. Uganda Leather and Allied Industries Association Ltd.
113. Uganda Micro-Entrepreneurs' Association (UMEA)
114. Uganda National Agro-Input Dealers' Association (UNADA)
115. Uganda National Association of Building and Civil Engineering Contractors (UNABCEC)
116. Uganda National Bureau of Standards (UNBS)
117. Uganda National Marketers Forum
118. Uganda Oil Seed Producers and Processors Association (UOSPA)
119. Uganda Printers' Association (UPA)
120. Uganda Private Midwives Association
121. Uganda Quarries Operators' Association (UQOA)
122. Uganda Renewable Energy Association (UREA)
123. Uganda Service Exporters Association (USEA)
124. Uganda Small Scale Industries Association (USSIA)
125. Uganda Tea Association
126. Uganda Theatrical Artiest Association
127. Uganda Veterinary Association
128. Uganda Women Entrepreneurs Association Ltd (UWEAL)
129. United Engineers and Traders Association
130. Uganda Co-Operative Transport Union Ltd (UCTU)
131. The Uganda National Apiculture Development Organisation
132. Management Training & Advisory Center
133. Institute of Chartered Secretaries and Administrators (ICSA Uganda)
134. Crop Life Uganda
135. Uganda Informal Sector Transformation Org
136. ICT – Cluster Association Initiative
137. Maddu Farmers Co-Operative Society Ltd
138. Uganda Tropical Plants Association
139. Association of Real Estate Agents –Uganda (AREA-Uganda)