



**PRIVATE SECTOR
FOUNDATION UGANDA**

Your Partner in Private Sector led development

**PRIVATE SECTOR COMMENTS ON THE MINISTERIAL POLICY STATEMENT, MINISTRY OF TRADE,
INDUSTRY AND COOPERATIVES VOTES 105, 110 AND 154**

PRESENTED TO

THE PARLIAMENTARY SESSIONAL COMMITTEE ON TRADE, TOURISM AND INDUSTRY

BY

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A. Introduction

PSFU appreciates the invitation extended to the Private Sector by Parliament to support the legislative process which includes among others providing comments to this Financial Year's Ministerial Policy Statement of Trade Industry & Cooperatives. We believe this gesture is derived from Government policy to consult with the Private Sector among other stakeholders on matters of policy and Governance of our country, Uganda. PSFU further appreciates the renewed vigour in which the Ministry of Trade, Industry and Cooperatives is working to ensure service delivery particularly to the Private Sector for which PSFU and its membership is a major beneficiary. The intent of the Ministry's action in this financial year is eloquently covered in the Ministerial Policy statement of the Ministry of Trade, Industry and Cooperatives presented to Parliament. The statement clearly articulates the Ministries' Mission which is "to develop and promote a competitive and export-led Private Sector through accelerating industrial development for economic growth" plus vision of "sustainable cooperatives, competitive trade and World class industrial products and services" we concur with both.

The Policy Statement to be able to support the Private Sector to create wealth and in-turn contribute to the realisation of the vision of "Prosperity for all" will require meticulous efforts to implement this statement of intention. But more so, it will require the support of the Private Sector, the various Government Ministries and Parliament. We believe, the process of today is key to this success.

On the strength of the above, PSFU's contribution will concentrate on areas which we believe would strengthen the service delivery of the Ministry to the Private Sector. This contribution is informed by the views collected from the entire Private Sector and documented in the PSFU Platform for action prepared in March 2012 to guide advocacy of the Private Sector in 2012/2013.

The following are the comments of PSFU as the apex body of the Private Sector;

1. Implementation

Government usually has robust plans, however implementation most times fall short of supporting the Private Sector to create wealth. MTIC may not be an exception and we propose that the Ministry ensures that what is in their control for implementation is done. It is our view that the Ministry aims at achieving outcomes which reflect final improvements to the Private Sector. The level in the result chain needs to move further and the following are examples;

- **Standards being developed and implemented.** This needs to be measured by the actual existence of quality goods produced
- **Export Promotion:** This needs to be measured by the actual increase in exports attributed to actions under MTIC.
- **Capacity building for Trade facilitation:** Again this need to be linked to the actual increase in Trade

The Ministry may therefore consider a robust monitoring system which may involve other stakeholders and deploy some business-like measures in some areas. The quick actions include but not limited to the following; consider the ration between resources allocated and utilised on administrative related expenditure and technical activities; synergy with the Private Sector so as to pull resources to ensure implementation, etc.

The success of the Ministry will require a lot of support from other productive Ministries. Parliament should therefore ensure that this synergy is in place and is workable. Finances expected for them to operate need to be timely and where possible increased.

2. Trade Development

- i) **Liberalisation Vs regulation:** Trade liberalisation brought with it business freedom, but this freedom need to be regulated to ensure order, fair competition and a business environment which stimulates , encourages and sustains productivity. In Uganda's case the commercial related laws necessary to

improve businesses are still pending at various stages of development of laws and regulation. Specific to the Ministry, one of the pending one like the one to curb **counterfeits**, should be quickly enacted. Regulations and laws which articulate the type of businesses which aliens are authorised to engage in need to be managed satisfactorily. The list of the commercial laws requiring attention of Parliament is in the **Private Sector Platform for Action of March 2012 –Annex 2 here enclosed**.

Here we urge Parliament to support the Ministry in ensuring that commercial laws, both under this docket and those elsewhere are expeditiously acted on. In the process the spirit of promoting public and private partnerships in formulation, implementation and monitoring policies, regulations and laws should be maintained.

- ii) **Promote purchase of local goods & services by Government:** We note that the Ministry is developing a policy on Buy Uganda Build Uganda. This is very much appreciated. We believe Government could provide a market of over UGX 9,000 Billion from there budget. This by any standard is extremely large market which could stimulate the economy. It is bigger than all markets the private sector is exposed to. A part for the regulation under the procurement law and the policy being developed, we propose some quick administrative measures need to be put in place to compel accounting officers to purchase locally produced products which meet quality. This will augment initiative of buy Ugandan Campaign which PSFU and its members like UMA initiated.
- iii) **South Sudan Market:** This is an important trade partner of Uganda. All needs to be done to ensure South Sudan is stable. There is further need to ensure that it is made easier for our Private Sector to do business with South Sudan by removing impediments that exist. These include security and building trust for Ugandan business persons in South Sudan, improving Road infrastructure and supporting service providers like Ugandan Banks, trade consular services e.t.c in South Sudan. To this end we have prepared a paper which require a multi-sectoral intervention to help promote doing business with South Sudan. Again, this requires support from other Ministries and arms of Government including Parliament.
- iv) **COMESA FTA;** Uganda remains at 80% liberalisation within COMESA. This attracts a reciprocal arrangement from COMESA countries we trade with. For example we cannot not enjoy duty free entry into Markets like Sudan, Southern Sudan, DRC. And yet Kenya, one of our competitors can enter these markets duty free because they are in the COMESA Free Trade Area with 100% liberalisation. It means that we can easily be out competed in these markets or at least returns are reduced for exporting firms. This policy needs to be reviewed on the wake of the removal of internal duty with Kenya under the EAC Customs Union Protocol. PSFU recommends that Uganda joins the Free Trade Area with restriction only applying to the sensitive products as defined in the EAC Customs Union Protocol.
- v) **Non-Tariff Barriers at EAC;** The commitment to support removal of NTB's which our Business persons face at EAC and locally need to be support to ensure the NTB's are removed on a continuous basis. More innovative ways need to be implemented to supplement the NMC's under the EAC Non-Tariff Barriers Monitoring Mechanism.

3. Industrial Development

Among its strategic objectives, overseeing development of Micro, Small and Medium Scale Enterprises (MSME's), promoting the development of value added Industries especially the agro-industries, increase competitiveness of local industries, enhancing the development and productivity of the informal manufacturing sub-sector, enhancing applied research and technology development are all in line with the Private Sector priority areas of concern as documented in the attachment herewith¹.

- i) **Department of SME's;** the policy of MSME's is not yet completed and Government seem to be operating in an un-structured way to handle this. There are various action dotted in various Government

¹ Major Private Sector Policy Document the 'Platform for Action'- a synopsis of Private Sector growth challenges and proposals for policy reform

departments and Ministries which urgently require proper coordination. We believe that such scenario may have existed because of the Gap which may have existed in the Ministry. Since the Ministry has exhibited the will to seal this Gap, support is required by all other Government machinery to see this concluded in such a way that either the whole implementation of support to MSME's is centrally controlled or at worst the dotted support is well coordinated.

- ii) **Private Sector Development Policy /Program;** The EAC developed an elaborate EAC Private Sector development Policy and partner states are expected to domesticate this and have national private sector development strategies. Kenya has already developed one and is implementing it. We believe Uganda needs this comprehensive policy / strategy which have to be implemented meticulously. PSFU supports this and would be a willing Partner. We urge Government, through MTIC to develop and implement a clear strategy which will develop the private sector.
- iii) **Research at UIRI: We welcome the efforts of UIRI.** The actions which support business incubation are very key with the current low but promising level of business sophistication. UIRI should be supported to roll out and carry out research in a private sector or market driven manner rather than institution driven.
- iv) **Revival of UDC.** This remains an important statement of intent. The private Sector welcomes involvement of Government in investment especially in areas which are strategic and are not attractive to the Private sector as yet. An approach of PPP need to be adopted where possible but outright Government intervention should be an option.

Some of the areas Government may wish to consider may include the iron and steel sector to develop the sector starting with the Iron deposits at Muko. The meat sector with an up-to-date abattoir , development of a free trade area in West Nile region; Development of Storage Capacities- Silos for grain , Park Houses for Horticulture areas which require intervention.

The Ministry need to be supported to quickly start on this.

4. Cooperative Development

Cooperatives in Uganda are yet to be developed hence there is need to facilitate improved supply chain efficiencies and marketing (along the value chain) infrastructure. The national cooperatives policy was developed AND now requires implementation related action. To improve on cooperatives in Uganda therefore, the Private Sector recommends that Government plays an important catalyst role and avoid actual formation of these cooperatives to ensure that they are people who cherish the values for which these cooperatives are formed. Again regulation is key to help guide this process.

Well-functioning cooperatives could easily supplement lots of the service delivery demands which are sought from Government, this could make it easier and possibility cheaper to realise the Goal of prosperity for all through increased business in a competitive manner at local, regional and internal markets. As an example we are following and supporting one of our members, the Uganda Crane Creameries' Cooperative Union (Based in Mbarara) involved in the dairy sector. We believe that this cooperative through the dairy farmers will own the full value chain in the dairy sector. It will prove that farmers can do much more than most people actually think. It may therefore be reason to try and replicate this model. It begins with a strong and vibrant cooperative.

5. Agriculture

Liberalization calls for Uganda to concentrate on where it has competitive advantage. One such area is **commercialization** of agriculture. However, the supply capacity and the productivity in the sector remain low. Therefore, the Government ought to intervene in agriculture through; Promoting **Value addition** and agro-processing, establish agronomy laws to check counterfeiting in the agricultural sub sector (e.g. there is no policy for planting seeds and many farmers have been victims of **counterfeit seeds** that are on the market), Increase production by encouraging collective action such as cooperatives, financial extension

services to the rural farmers or any other collective action mechanism and put in place a National Food Security Policy. Also, **food storage** on a public-private partnership platform should be promoted. Special fund to support micro small medium enterprises engaged in agro processing should be put in place. There is also need to assist producers/exporters to initially accredit their products for improved trade. Subsequent procedures will then be financed by the respective producers; however, **this requires a well equipped and internationally recognized accreditation process by UNBS.**

Agricultural produce and products is one of the strategic areas where Uganda has comparative advantage for trade in the regional and international markets. The Ministry also plans to start on the construction of various strategic grain storage facilities; which will help **increase productivity** and stabilize farm gate prices, guaranteed food security through reserves and improved quality and standards, see para 33 and 34. This is in line with the Private Sector priorities as in the above. We urge that this should be a PPP can of project where the Ministry may develop the infrastructure but the management is Private Sector

B. What is good about this Ministerial Statement?

MTIC Spans the CORE of the Private Sector (largely MSMEs). MTIC is for instance in the processes of establishing the MSME development coordination office. Specifically, the Ministerial Policy Statement lays emphasis on the following;

- Reviving of UDC Reviving Cooperatives to improve post harvest handling transport and commodity marketing
- Renovation and opening up storage facilities across the country (But these must be guided by viable business plans)
- Pushing for Uganda to join the COMESA FTA
- Supporting the BUBU initiative –Build Uganda, Buy Uganda (Proudly Ugandan Campaign-PFU)
- Standards Development and Enforcement

C. Other General Remarks

1. MTIC (Is about Trade, Industry and cooperatives) – Each of the components should have a strong and resilient policy and subsequent regulations and guidelines to give directions in implementation of the various policies.
2. Action by other Government departments to ensure that MTIC carries out its mandate is key. The PSFU Platform for Action MARCH 2012 details itself on this, the cross cutting constraints include the following; Infrastructure (Energy, Railways, Roads, ICT Fibre optic cable, Storage Facility); Management of Macro policy environment, skilling labour, credit to private sector, Tax Policy and deregulations of cumbersome laws, regulation and administrative practises which make it hard to do business and Integration related issues.
3. There should be appropriate Budget support for Agencies that directly liaise and support the private sector.)I.e. UNBS, UIRI, UEPB, UDC, MTAC, UCE, UNCST) - see para 36, 38, 48 for instance.
4. There is need to for a well-developed M&E framework to monitor implementation and budget performance. It is always said that “Government is in the process of” (see para 35, 39). Can we have timelines for execution of these programmes?
5. Consistent with 4. Above, MTIC may consider laying the statement with a structure that includes the following;
 - What did MTIC set out to do (clearly indicating the priorities – agreed upon with the Private Sector under their Budget Sector Working Group)
 - What was the Ministry able to accomplish with the resources provided? What remained unattended and Why (Financial, technical or human resources?). What will be the impact of increasing resources based on results already achieved?
 - What are the new focus areas and why are these prioritized?

- How much resources are required and what are the corresponding outputs per result area?

D. Conclusion

Broadly, PSFU is in agreement with the Ministerial policy statement. However, more emphasis should be put on the following areas of concern;

- **Implementation of planned activities.** Government should establish and emphasise a robust monitoring mechanism which should not only ensure proper use of resources, but also that implementation is carried out on a timely basis.
- **Ministry of Trade, Industry and Cooperatives need to be supported by Government** in-terms of resources to implement their activities. In the meantime the Ministry may consider some business like measures as stop gap efforts to support its efforts to implement their Mandate. Furthermore other arms of government need to carry out their role to enable activities of trade to bear fruit and activity on the cross cutting areas which affect business
- **Parliament should support MTIC** to ensure synergy with other Ministries so that they can carry out their Mandate. Furthermore Parliaments should expeditiously process the relevant commercial related laws to help improve Businesses environment.
- **The Principle of Public Private Partnership** should always be encouraged in Planning, development, implementation and monitoring of Government Policies and Programs. Recourses need to be committed for this.
- Lastly, **Ministry need to act as the biggest advocate for the Private Sector** in Government (especially in hard to reach areas) to ensure a competitive environment exists for the Private Sector to create more wealth.
- **Approval:** We request Parliament to consider this Policy Statement and approve it.