THE MINISTRY OF TRADE, INDUSTRY & COOPERATIVES

The TRADE JOURNAL

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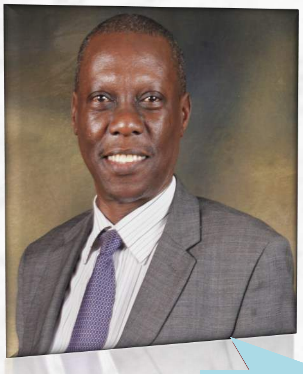

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MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES

The Trade Journal

Note from Editor-in-Chief

Dear readers,

I am proud to present to you our second issue of the Trade Journal, a quarterly online newsletter from the Ministry of Trade, Industry and Cooperatives.

In this edition, we are excited to feature the latest developments in the Trade, Industry and Cooperatives Sector, including a special feature on the role of cooperatives in agricultural financing. The article explores the meaning of agricultural financing, how it can benefit small holder farmers, and how cooperatives make agricultural financing easier.

This issue also lights a torch into the pending EAC ban on second hand clothes, examining the status of Uganda's textile sector to see if the ban is feasible in Uganda. Other areas of interest in this issue include services trade and how it can enhance economic development, the new electronic single window system of clearance of goods and technology and inter regional trade.

On the lighter note, read about the first ever Management Training and Advisory Centre (MTAC) Guild Council and the package it has for MTAC Students. Do not miss a short prayer from a statistician.

The "Trade Journal" is published online every end of quarter and distributed through the various platforms including but not limited to the Ministry website.

We'd like to thank you for your readership and positive response to our maiden issue. We hope that you enjoy this second edition.

STATISTICS PRAYER

Our Father, who art in Statistics

Hallowed be your Figures

Your Policy Formulation come

Your Decision Making be done in

Ministry of Trade, Industry and Cooperatives

As in other Government Ministries

Give us our daily Numbers

And forgive us not Collecting Data

As we forgive others for Under Funding

Lead us not into Being Disappointed

But give us the Enthusiasm to compile the Statistical Abstract

For thy is the Planning

The Analysis and Dissemination

Now and Onwards.

AMEN

INSIDE THIS ISSUE

TRADING IN SERVICES: A NEW GLOBAL MOVE TO ENHANCE ECONOMIC DEVELOPMENT

By Gina MUGERWA—Senior Commercial officer , MTIC

.IN the past decade, services were left in the hands of Governments and this created a huge demand for the growing populations but with limited resources. Up to this day some traditional services are too a large extent in the dominance of Government bodies. These among others include; security, health, transport, and telecommunication services.

This trend is changing in many developing countries and Uganda is not an exception to this. It is evident that many economies have pursued private sector led strategies to allow for fair trade and competition which ultimately enhances service delivery. Of recent, the private sector is engaged in a vast spectrum of services that transcend beyond country borders. For instance, a heart surgeon from India can provide diagnosis to a Ugandan patient through ICT enabled services (ITES) without him flying to Uganda to provide the medical service.

Services are becoming more tradable in their own right and the increase in digital technology is making it easier to export services like education, professional services, health, tourism, and those affiliated to business process outsourcing (BPO).

Several global studies have shown a connection between trade in services and higher wages compared to other sectors like manufacturing and agriculture. Many countries are appreciating the role of services and its linkage to industrialization and agricultural productivity. In Uganda, for instance, the agriculture sector employs over 70% of the population, however its contribution to GDP is lower than services which employs about 30% of Ugandans.

Nevertheless, services contribution to other sectors of the economy cannot be ignored. Agricultural producers will suffer if they do not have access to efficient logistic and transport services. Similarly, companies will face multiple delays and obstacles if communication networks and services are sub-standard. Manufacturers will also not be competitive if they have no access to the best and cheapest available finance. In a nutshell, Transportation, communication, and financial services provide the necessary support for any type of business.

One of the International Trade Centre (ITC) Publication states that education, health, and recreational services influence the quality of labour available for firms. On the other hand, professional services provide specialised expertise to increase firms` competiveness. It is therefore undisputed that tradable services employ workers with high education levels and skills and thus attracting significant wages.

One may ask, *Why Trade in Services?*

The new notion is moving beyond just providing a service but rather trading in the service. This is why the Government of Uganda through the Ministry of Trade Industry and Cooperatives (MTIC) is spearheading and coordinating processes to enhance export, production, and innovation of the services sector. The Ministry is developing a National Trade in Services Policy and Plan that will assist the services industry to embrace and enhance tradability of the services sector. The draft policy and strategic plan employs key Government Agencies, regulators, and private sector (service providers) or service exporters to harness the potential of trading competitively to achieve economic growth and development. The policy and plan will put an emphasis on sectoral reforms for key services sectors that have potential for trade, export, and investment.

The tradability of services looks at the trade potential of the services sector and how trade can improve domestic and international supply of services. For example, in the past, legal services were considered country specific and embedded in a country's legal heritage and culture. Today, international law has led to use and adoption of common rules in areas such as investment law, trade law, and transportation law. In addition, legal advisers are providing cross border services that require expertise in international law.

The ensuing steps to assist private sector to tap into global-services trades requires a sequence of trade reforms such as designing and implementing policies and regulatory frameworks, establishing institutional structures, creating an enabling environment for entrepreneurship, and building competitive services supply capacities.

In trade, the domestic supply of well-trained workers is often as relevant from an import perspective as it is from an export perspective. Therefore, Professional bodies are an important impetus for preparation and development of professional services. They set standards for qualifications, specialized ethics, and licensing requirements. Professional bodies should engage educational bodies to ensure curriculum reflects the current market demand of the service. They effectively manage and are largely involved in mutual recognition agreements (MRAs) that facilitate trade in services.

Under the East African Community negotiations, MRAs have been signed for Engineers, Accountants, and Architects. In this case Ugandan professional in those areas have accepted to mutually recognize their education qualifications and skills to freely operate,

establish or provide temporary services in the EAC region. In the same vein, bilateral Memorandum of Understanding (MOUs) were concluded for lawyers and medical boards.

Where to trade - What preferential markets are open for Ugandans?

MTIC is involved in trade negotiation forums that provide market access opportunities for services trade. The East African Community Common Market protocol (EACCMP) allows four freedoms and two rights which allow for freedom of movement Services, Capital, Persons, and Labour. It also allows right of establishment and residence. In the case of trade in services, it allows for temporary movement of workers and service providers within the EAC. Ugandans can export services and establish services firms or joint ventures in any EAC Country. The EACCM opportunity covers seven services sectors i.e. Business and professional (legal, accounting, architectural and engineering), Communication, Financial, Education, Tourism, Road Transport, and Distribution services. Under the Common Market for East and Southern Africa (COMESA), Ugandans can access the domestic market of 19 Partner States for the provision of four services sectors that compriseof communication, Transport, Finance, and Tourism.

Similarly, Ugandans can access 162 domestic markets of World Trade Organization (WTO) membership. The sectors of preference differ from country to country and are quite diverse. Further information can be obtained from the MTIC and UEPB. In addition, as part of the Least Developed Country(LDC) group members, Uganda is enjoying preferential market access in specific developed and developing markets under the WTO-LDC services waiver preferential scheme. In the same manner, the sectors are different, and the magnitude of preference differs. The Ministry is developing a simplified information booklet for the private sector to enable them take advantage of LDC waiver offers.

Observably, the opportunities to generate wealth, economic growth and trade opportunities - are massive even with emerging services sub-sectors like mobile money and environmental health services. Uganda needs to place greater emphasis on moving towards the provision of sophisticated services where there is greater value addition, with opportunity for technology transfer and linkage development with other sectors of the economy.

Electronic Single Window System to ease clearance of goods

By Hadija NAKAKANDE—
Public Relations Officer , MTIC

Delays in the clearance of goods remains as a major challenge affecting the business community in Uganda and East Africa at large. However, these delays will soon become history especially with the introduction of the Electronic Single Window (e-SW) System. The new system will provide a platform for business community to deal with the different regulatory agencies in the process of clearance of international cargo for export, import and transit.

Electronic Single Window (e-SW) System is majorly a trade facilitating tool aimed at expediting clearance of cargo. It is, an initiative of the Ministry of Trade, Industry and Cooperatives. With the system in place, Regulatory agencies with a role in international trade will issue permits online, a development meant to expedite the clearance of goods for home consumptions, Transit and exports.

In the initial stages, the system will be developed on the ASYCUDA World platform, a Customs management system currently used by URA. According to the Francis Koluo, a Principle Commercial Officer and National Coordinator for the project in the Ministry of Trade, all agencies with a role in international trade will be linked to the system so that the business community can access services from different agencies at a single point (a single electronic window), without moving from one institution to another.

"With the system in place, most regulatory agencies including the private sector will be able to see that a request for clearance by another institution is pending and after issuance, the clearance will be transmitted electronically without the applicant having to physically visit to collect the clearance," says Koluo.

The same system can give feedback in form of any queries for the applications.

Currently, the perception by the traders is that all delays are caused by regulatory agencies including customs, but when the system becomes operational, it will drastically improve transparency and accountability as it will be possible and easy to ascertain how long each government agency has taken to complete its process. The system will also enhance accountability of public officials in respect to any assignments allocated to them.

The E-Single Window system will be implemented in phases with the first phase covering key government agencies that play a role in handling goods in international trade and these will include; the National Drug Authority (NDA), Uganda National Bureau of Standards (UNBS), Ministry of Foreign Affairs (MoFA)- diplomatic cargo section, Ministry of Agriculture, Animal, industry and Fisheries (MAAIF)-certification section. Ministry of Trade, Industry and Cooperatives – Licensing section, Uganda Revenue Authority (URA) and Uganda Export Promotion Board (UEPB)

Importers and exporters have hitherto had to move from one institution to another seeking permission ,a tiresome practice that causes delays and inhibits movement and clearance of merchandise.

The project Governance structure has been put in place with the High Level Task Force composed of Ministers at the top. Steering Committee composed of Permanent Secretaries and Executive Directors from both private and public sector institutions. At the lower level is the Technical Working Group (TWG) composed of members from the public and private sector. The TWG works closely with the Project Implementation Team (PIT) again composed of members from the private and public sector and housed at URA.

Working with the pilot agencies, system development is currently on-going to set up the "infrastructure". The first tests have started in March 2016, and piloting is scheduled before end of 2016.

URA, which is already highly automated, was selected as the lead implementing agency and already has 70% of all data requirements, according to Francis Koluo the National Coordinator of the project in the Ministry.

The innovation is being implemented by the government in partnership with development partners- TradeMark East Africa (TMEA), a trade facilitation Agency. The project will also include building the private sector, capacity of other Government agencies to enable them deliver their respective mandates including issuance of online clearance and permits.

With linkage with other related initiatives such as single Customs Territory clearance of goods and Electronic Cargo Tracking among others, the single Window system will reduce the cost of doing business and ultimately improve Uganda's worlds' competitiveness ranking in respect to doing business. Once fully implemented, the E-SW system will link government, clearing agencies and local traders easing/speeding up international trade.

PICTORIAL

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1. Addressing press at media center on the Uchumi crisis Feb 2016

2. Hon. Kyambadde and Hon. Werikhe take a group photo with small sugar millers

3. Hon. Minister at the exhibition to award certificates to SMES which were supported to meet international standards

4. New US Ambassador to Uganda Deborah R. Malac visits MTIC.

5. Kyambadde exchanges gifts with Russian Deputy Minister for Telecomunications and Mass Communication , Alexey Volin

6. Briefing the media on the status of cooperatives in the country, February 2016

MTAC

MANAGEMENT TRAINING AND ADVISORY CENTRE

Building Capacity for Enterprise Development

THE REPUBLIC OF UGANDA

FIRST EVER MTAC GUILD CABINET SWORN IN

By Faith Kinani - Communications Officer

The Management Training and Advisory Centre (MTAC) started the New Year 2016 on a high with the student body all geared up for a new era, with a fully-fledged Guild Council. Having inaugurated the guild in September 2015 and campaigns and voting that took place without incident, the last step of swearing in has finally been taken.

Charles Okoth, Guild President being sworn in

It is certainly not business as usual for MTAC's first ever guild president and officials, sworn in on Friday 15th April 2016 at the Nakawa main campus. The team of eight students have got a no less than mammoth task ahead of them as pioneers to lead, direct and innovate in the area of leadership at the Institute.

Charles Okoth was on Friday elected MTAC guild president 2016/2017 after beating three other candidates that were running for the post. He leads the eight-man team of Ministers for Finance - Julian Nakalembe, Health - Joseph Mulima, Academic Affairs - Simon Obonyo Owori, Culture, Sports and Social Affairs - Edison Opit, Students with Disabilities – Violet Khisa and the Chief Editor of the MTAC Students' Publication – Charles Osuna.

Including students and faculty members, the event was attended by MTAC management and staff comprising the Executive Director Mr Soteri Nabeeta and the Registrar Mr Ronald Hiirya, as well as Administrative Officers. Management urged the student council to be diligent in their duties and use this as an opportunity to reach heights beyond the present, that could later catapult them into future leadership even at national level.

This exercise gives the students an avenue to tackle issues with a clearer understanding of official processes as well as the authority to make decisions that can be debated in an open and authentic manner, for the benefit of all concerned.

It has also paved the way for official interaction by MTAC student officials with colleagues of similar station in other institutions of higher learning.

Management Training and Advisory Centre (MTAC) is a body corporate under the Ministry of Trade, Industry and Cooperatives. The Centre was inaugurated on 14th July 1964 as a project of the Government of Uganda (GoU) funded by the United Nations Development Programme (UNDP). The International Labour Organisation (ILO) was the executing agency

BEYOND THE OUTREACH CENTRE

A practical soap and vaseline making session in Kinyasano

MTAC has not only targeted young adults at secondary school level through its outreach centres, but also trains different groups in different areas of the country. During the first quarter of 2016, the team has so far carried out entrepreneurship, administrative and practical business training in Iganga, Rukungiri, Nakasongola and Luweero with over two hundred participants in attendance. The skills-based sessions in the job creation awareness training attracts a cross-section of people in both private business and the unemployed.

In line with MTAC's vision and mission respectively, emphasis is placed on job creation and employability skills training, and improvement in management performance and enterprise development.

MTAC regularly visits schools in various parts of the country to provide information to staff and students about options in terms of career choices for students and the programmes offered by the institution. A tour of the Eastern region between 9th to 12th March, 2016 included visits to the schools listed below:

- St. Thomas Comprehensive Secondary Sch, Mbale
- Nabumali Secondary School, Mbale
- Nyondo Senior Secondary School, Mbale
- Victoria High School, Iganga
- Sula High School, Iganga
- Busoga College, Kigulu
- Nakigo Senior Secondary School, Iganga
- Crane High School, Bugiri
- Bukooli College, Bugiri
- Greenhill Secondary School, Bugiri,
- Bugiri High School

MTAC applies a holistic approach in reaching both the informal and formal sectors of Uganda in order to achieve the institution's mandate of providing advisory services, as well as the larger goal of skilling Uganda for employability and entrepreneurship.

MTAC Administrators, Davis Wambwa and Hillary Asiimwe speaking to students at Nyondo Senior Secondary School, Mbale and Nakigo Senior Secondary School, Iganga

Market Access opportunities for Ugandan Products

By Siraj WAKABU—Senior Commercial officer , MTIC

One of the priorities of the National Trade Policy is Securing and maintaining improved market access to the regional and international markets for Uganda's goods and services. This can be done through bilateral, regional and International engagements. Negotiations and commercial diplomacy are some of the ways to open gates of market access for Ugandan products in all these fora. The Ministry has been instrumental in using these avenues to increase market access for Ugandan products. However, it is one thing to negotiate market access and it is the other to take advantage of it and be able to benefit. The Ministry has been bringing these market access opportunities to Ugandans with a view to ensuring that they benefit from them. Today, the Ministry has put the spotlight on the preferential treatment offered by China and India to Least Developed Countries like Uganda within the framework of the WTO, the Economic Partnership Agreement (EPA) and the WTO services waiver to LDCs.

On October 14th 2014, Uganda and the other EAC Partner States and the EU initialled the Comprehensive EPA that is WTO compatible. This helped to avoid loss of duty free and quota free market access in the EU even with expiry of the Cotonou trade regime. In the concluded EPA, the EU grants us duty free and quota free market access for all our exports except arms and ammunitions. This means that Uganda producers can produce and export to the EU all products regardless of whether they are raw materials, processed; semi processed, or manufactured products.

The other important market access avenue that Ugandans need to take advantage of is the Duty Free Quota Free (DFQF) market access scheme offered by developed and developing country Members of the WTO. At the 2005 WTO Ministerial Conference in Hong Kong, developed countries, and developing-country members (in a position to do so), agreed to provide duty-free and quota-free (DFQF) market access for products originating from LDCs. Developed Country members were required to provided DFQF Market access up to 97% of their tariff lines. In 2015, the WTO circulated communication from India indicating that effective from 1 April 2014 (vide Customs

Notification No. 8/2014 dated 1 April 2014), the the india DFQF scheme now provides duty free/preferential market access on about 98.2% of India's tariff lines (at HS-6 digit level of classification). Similar schemes are available in China, Canada and Chile among others.

Trade can act as an engine of growth and as an enabler of development. At the heart of the Ministry of Trade, Industry and cooperatives, is a resolve to put trade at the service of development and assist Ugandans to trade their way out of poverty into wealth and prosperity. The Ministry seeks to achieve this objective by ensuring that all products produced by Ugandans find market both locally and internationally. This is the driving force behind our engaging in regional arrangement like the East African Community (EAC), the Common Market for Eastern and Southern Africa) COMESA and multilateral arrangements like the World Trade Organisation.

Ugandans are called upon to take advantage of all these market access opportunities. We have assisted many traders in understanding these markets. Any one is free to seek more information on these markets from our team of experts at the Ministry.

Michael Werikhe appointed Minister of State for Industry

Michael Werikhe Kafabusa has been appointed the new State Minister for Industry replacing James Mutende who died in October 2015. Werikhe is a Member of Parliament representing Bungokho County South in Mbale District, a position he has held since 1996.

Werikhe is not new in the Trade Ministry as he once served as a Minister of State for Trade after appointment in 1999. He also held ministerial positions at the level of State Minister in the Ministry of Land, Housing and Urban Development, and the Ministry of Energy and Mineral Development.

Werikhe Kafabusa holds a degree of Bachelor of Arts in Social Science, obtained, in 1979, from Makerere University and a Master of Arts in Physical Planning from the University of Nottingham, in the United Kingdom. In 1988 he received the Diploma in Leadership & Management from the University of Minnesota, in the United States. He also holds two certificates, both obtained in 1980; one in Environmental Management, from the *International Institute of Technology* in New Delhi, India, and another in Environmental Information Management from the University of London.

Uganda can survive without Second hand clothes

By Hadija NAKAKANDE—
Public Relations Officer , MTIC

The debate on whether to ban second-hand clothes commonly known as "mivumba" is not new in Uganda, with many calls especially from local textile manufacturers and activists to Government to pass a law that would impose the ban.

The East African Community (EAC) of which Uganda is a member has moved to put into action the proposed ban on second hand clothes in order to boost the manufacturing industry, and help grow the region's economy. The EAC plans to phase out imports of second hand clothes by 2019.

However, the question remains whether this ban is practicable in a country like Uganda, where over 80% if not all Ugandans have second hand clothes in their closets.

Indeed the ban on second hand clothes is very crucial for the development of the textile industries in Uganda; however, a number of steps need to be taken to avoid occurrences like in Zimbabwe where the ban on second-hand clothes was reversed in 2015, after the National Assembly said the policy was unrealistic.

The textile sector in Uganda still faces a number of challenges among which is the stiff competition from cheaper second hand imports. Other challenges include exportation of produced cotton as lint, low spinning and weaving capacities with existing mills, high energy costs and unfavorable competition from leading textile manufacturers in some Asian countries (China and India).

However, the good news is that Government through the Ministry of Trade, Industry and Cooperatives has moved to address the above challenges, focusing on the following intervention areas;

Government is implementing the ***National Industrial Policy*** with emphasis on exploiting and developing natural domestic resource-based industries among which are textiles and garments.

Government is also implementing the ***National Textile Policy*** that was approved by Cabinet in 2009. The Policy aims at stimulating and supporting sustainable value addition through the textile value chain with the ultimate objective of creating employment, enhancing human resource skills and capabilities, product up-gradation and diversification through research and development, increasing exports and contributing to the economic growth and prosperity of the country.

Government is also focusing on the implementation of the Buy Uganda Build Uganda (BUBU) Policy which promotes consumption of local goods and services. There are specific interventions within the BUBU policy which are directly related strategies to revamp the textile industry for value addition and employment creation.

The ministry is also working on a strategy to revamp the textile industry for value addition and employment creation. The strategy has the following proposed interventions;

Mainstreaming public sector procurements; Government should mainstream public sector procurements so that Government institutions procure from local textile companies. It is estimated that Government institutions spend UGX 32.6 billion annually on uniforms for the army, police, prisons, health workers and Uganda Wildlife Authority.

Fiscal incentives; Government should implement the fiscal incentives proposed within the National Textile policy;

Within the policy, new vertically integrated cotton textile mills were accorded 10 years Corporation Tax Holiday and 5 years Value Added Tax exemption on all in-puts/raw materials. However, the VAT exemption has always been annualized and therefore not predictable. Textile investments are capital intensive and thus, require a predictable investment regime. Therefore, Incentives should be made predictable (at least five years) to facilitate investment and expansion.

The policy provided for provision and mainstreaming of annualized technology up-gradation funds for the textile sub-sector in the sums of US$ 5 Million that should be availed to commercial banks/Uganda Development Bank for on-ward lending to vertically integrated textile mills doing cotton value addition at a maximum 10% interest rate per annum to enable further mills rehabilitation and value addition.

The policy provided for subsidized electricity charges for vertically integrated textile mills to not more than US$ 5 Cents per KWH.

Financing for investment

- ⇒ Government should avail concessional financing for investment. Increased investment in spinning and weaving is necessary to increase both the volume and quality of yarn, fabric and eventually garments. To establish a meaningful spinning or weaving unit requires an investment of at least USD 10 million which creates a major entry barrier into the sector.
- ⇒ Government should explore opportunities to invest in spinning, weaving, and knitting capacities through Uganda Development Corporation under a Public Private Partnership (PPP) arrangement.

If the above interventions are implemented, they will boost the local textile industries and thus provide quality clothes to Ugandans, create employment, and reduce poverty in the long-run.

With a robust textile sector and increased local consumption, the phase-out strategy for the importation of second hand clothes will be feasible. Uganda has the potential to grow sufficient cotton to clothe the whole East African Community, there is no reason, whatsoever, as to why this country should spend billions on second hand clothes every year.

MTIC

The Ministry of Trade, Industry and Co-operatives the Policy making and implementation organ of the Government of Uganda in the Trade, Industry and Co-operatives sector.

The Ministry is headed by the Minister of Trade, Industry and Co-operatives with two State Ministers, the Minister of State for trade and Cooperatives and the Minister of state for Industry.

Implementation of Government Policies is done with the aid of affiliate agencies and institutions i.e Uganda Industrial Research Institute, Management Training and Advisory Centre, Uganda Development Corporation, Uganda National Bureau of Standards, Uganda warehouse Receipt Systems Authority, Uganda Export Promotion Board, Training and Common Facilities Centre, textile Development Agency and Uganda Cleaner Production Centre.

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