

Uganda
Aide Memoire for Preliminary Mission for
Diagnostic Trade Integration Study (DTIS) under the
Integrated Framework for Trade-Related Technical Assistance to
Least Developed Countries (IF)

A preliminary mission for the Uganda DTIS was fielded during May 16-20, 2005. It was led by Helena Tang (lead consultant), and comprised Leen Solleveld (World Bank), Panos Antonakakis (World Trade Organization), and Sari Laaksonen (United Nations Development Programme). The mission met with representatives from government ministries, the private sector, donor organizations, and civil society organizations (CSOs) (see Annex 1 for the list of institutions and representatives met). The mission accomplished the following.

First, the mission reviewed the **governance structure of the IF for Uganda**. The mission noted that the Government of Uganda (GOU) has appointed an IF focal point, Mr. Peter Elimu, Principal Commercial Officer/Project Director of the Ministry of Tourism, Trade, and Industry (MTTI), and has selected the European Union (EU) to be the IF facilitator. Discussions are ongoing within GOU regarding the IF Steering Committee for Uganda. In particular, the mission discussed two issues with GOU with respect to the IF Steering Committee. First, the mission pointed out that to date, the majority of the 10 countries (with Uganda being the 10th country) that are beneficiaries of both the Joint Integrated Technical Assistance Programme (ITC, UNCTAD, WTO) and the IF have the same steering committee for both programs. The mission suggested to GOU that it would be very useful if Uganda adopts the same model and uses the same steering committee for both programs, given the large similarities and complementarities between the two programs. In addition, the mission further recommends that the same individuals participate in both steering committees, to minimize capacity strains on representative organizations. GOU assured the mission that the same structure would be used for both JITAP and IF Steering Committees, with only minor differences in representation. Second, the objective of GOU's Medium Term Competitiveness Strategy for the Private Sector (MTCS) has a large overlap with those of the IF, which is aimed towards economic growth and poverty reduction. In this light, GOU might consider that the Steering Committee of the MTCS also functions as the Steering Committee of the IF *at the implementation stage of the IF*, given the very similar representations for both—inter-ministerial, private sector, donor, and CSOs.

Second, the mission reviewed the **institutional arrangement for facilitating the integration of trade into Uganda's Poverty Eradication Action Plan (PEAP)** (Uganda's equivalent of the Poverty Reduction Strategy Paper). To date, the PEAP has been coordinated by the Ministry of Finance, Planning, and Economic Development, but henceforth, this function will be given to the National Planning Authority (NPA). The NPA, which was introduced one year ago, has the mandate of producing a 5-10 year plan for the country, within which the PEAP would be subsumed. The mission notes that trade has already been incorporated into the current PEAP, and that the NPA will take into account the findings of the DTIS in future revisions of the PEAP.

Third, the mission agreed with GOU, in broad terms, on the **scope and content of the DTIS**. It is agreed that the Uganda DTIS will cover the issues outlined in the generic terms of reference of a DTIS, with emphasis on certain areas that are pertinent for Uganda, as follows.

- i. Economic Performance, Trade Performance, and Macroeconomic Environment. With respect to the macroeconomic environment, the authorities indicated that they would like to see the DTIS address the issue of aid flows and their implications on the real exchange rate and competitiveness of Uganda's exports.
- ii. Domestic Trade Policy and Regional Trade Arrangements. In addition to the impact of the EAC on Uganda, and issues arising thereof, particular attention will also be paid to the conflict arising from Uganda being signatory to both the East African Community and the Common Market for Eastern and Southern Africa which entail different Common External Tariffs.
- iii. International Trade Policy Environment. In addition to analyzing market access issues with respect to developed and developing countries, the DTIS will also analyze the issues and challenges with respect to Uganda's negotiations of the Economic Partnership Agreement with the European Union.
- iv. Trade Institutions. Currently, *trade policy-making* is fragmented, being undertaken by three different ministries: MTTI, the Ministry of Finance, Planning, and Economic Development, and the Ministry of Foreign Affairs. Trade policy negotiations, whether at regional or multilateral levels, do not seem to be underpinned by technical analysis. There also does not appear to be adequate consultation with the private sector. The DTIS will address all these issues with respect to trade policy making in Uganda. The DTIS will also look into the harmonization of *trade development institutions*, of which there appears to be many, mostly underfunded and mostly not performing their export promotion functions well.
- v. Education and Skills Needs. While GOU has made impressive achievements with its Universal Primary Education (UPE) program, there is a need to move beyond UPE to provide needed technical skills for private sector (and export) enterprises. The DTIS will review the skills needs with respect to exporting, focusing on the skills needs of the sub-sectors selected for more in-depth analysis (see (x) below).
- vi. Investment Climate. The DTIS will not go into depth in its treatment of investment climate, given the existing work done by the World Bank in this area, including the Country Economic Memorandum (CEM) that is under preparation. The DTIS will draw on the relevant parts of the CEM, the Investment Climate Assessment, and other relevant reports, in its discussion of the investment climate, which pertains to all aspects of the development agenda including education, health, infrastructure, financial sector, the legal framework, the business environment, governance, and so on. The DTIS will pay particular attention to the issue of energy given its importance for growth in Uganda, and its prominence in the government's development agenda.
- vii. Sanitary and Phyto-sanitary Standards (SPS). The rising prominence of SPS in international markets means that meeting these standards is increasingly becoming a challenge for Ugandan exporters. The DTIS will address this issue at a sub-sectoral level, focusing on those sub-sectors that will be addressed in more detail in the DTIS (see below).

- viii. Transport. The issue of transport costs is particularly pertinent for Uganda given its landlocked status. The DTIS will try to quantify the extent to which high transport costs are adding to the cost of production, which undermines the competitiveness of Uganda's exports. The DTIS will review the progress in the concession of Ugandan Railways, since improvements in railways should reduce transport costs in light of the high costs of road transport. The DTIS will also analyze the underlying reasons for the high cost of fuels—is it high taxes, lack of competition in distribution, or just plain long distances in transportation of fuels?
- ix. Customs. The DTIS will review progress already made in Uganda's customs modernization program, and the restructuring of the Uganda Revenue Authority. In light of the importance of transit for Uganda's trade, the DTIS will pay particular attention to the functioning of customs at Uganda's borders with its EAC partners.
- x. Sub-sector Studies. In light of the focus of the DTIS on the role of trade in poverty reduction, the DTIS will review the constraints and challenges facing the major traditional export crops—coffee, cotton, and tea. The DTIS intends to also review the constraints and challenges facing the main non-traditional exports—fish and floriculture. For all these exports, the DTIS will address the potential for value-addition. In light of GOU's interest in promoting the services sector, including services exports, the DTIS will also review the situation with respect to ICT, drawing on the ICT study that the CEM has just commissioned. The other service export that the DTIS will look into is tourism. Other sub-sectors that have been brought up by stakeholders as being of interest are maize, livestock/meat, fruits and vegetables, transport, and financial sectors. The DTIS will review the potential of these sectors in making its final decision of the sub-sectors to be covered, taking into account the budget constraints for undertaking the entire report.

For all the above areas, the DTIS will analyze and to the extent possible (data permitting) quantify the impact on poverty of the recommendations coming out of the report. Further, for all the above areas above, the DTIS will review existing work, drawing on it where relevant, and commissioning new work to fill gaps where necessary. In this context, MTTI has already commissioned a study, funded by the EU, to compile and collate all the relevant existing work. The DTIS will draw on this study.

Finally, GOU has just released the first draft of its National Trade Policy, and is in the process of formulating an Export Development Strategy and Industrialization Policy. The DTIS will aim to provide concrete recommendations where relevant and applicable for implementing these various government policies and strategies, as well as GOU's Poverty Eradication Action Plan (PEAP).

Fourth, the mission agreed on the following **processing schedule for the DTIS**.

Concept Paper	June 2005
Main Missions	July and September 2005
Draft Chapters for Review	September-December 2005
Summary Report	February 2006

Annex 1

List of Meetings Preliminary Mission for Uganda DTIS, May 16-20, 2005

Ministry of Tourism, Trade and Industry

Mr. Nathan Nabeta Igeme (M.P.), Minister of State for Trade
Ms. Namuyangu. J. Byakatonda (M.P.), Minister of State for Industry and Technology
Dr. Sam G. Nahamya, Permanent Secretary
Blandina J. Nshakira, Director for Tourism, Trade and Industry
Peter Elimu Elyetu, Principal Commercial Officer/Project Director
Davies M. Bamuleseyo, Principal Commercial Officer/Trade

Ministry of Finance, Planning, and Economic Development

Chris M. Kassammi, Permanent Secretary/Secretary to the Treasury
Lawrence Kiiza, Ag. Director Economic Affairs
Peter Ngategize, Secretariat, MTCS
Patrick Ocailap, Acting Director Budget
Kayondo Kalanguka, Commissioner Aid Liaison
Moses Kaggwa, Ag. Commissioner Tax Policy

Ministry of Agriculture, Animal Industries and Fisheries

Dick Nyeko, Commissioner Fisheries
Muhwezi Deus, Assistant Commissioner Agri Business
E.F. Nsimbe Bulega, Principal Fisheries Inspector/Coordinator Fisheries Development Project
Martin Fowler, Senior Policy and Programme Advisor

Ministry of Foreign Affairs

Ambassador J.B. Onen, Permanent Secretary
Nimisha J. Madhvani, First Secretary, Embassy of Uganda

Bank of Uganda

Louis Austin Kasekende, Deputy Governor
Michael Atingi-Ego, Executive Director, Research
David Asiimwe Kihangire, Director, Research Department

Uganda Revenue Authority

Peter Mbubi Malinga, Commissioner, Customs and Excise

National Planning Authority

Constantine Bitwayiki, Director
J.B. Kavuma-Kintu, Economic Analyst

Uganda Bureau of Statistics

Chris Ndatira Mukiza, Principal Statistician
Mayende John, Senior Statistician

Uganda Export Promotion Board

Kwesi Ahwoi, CFTC Senior Trade Promotion Adviser
William Babigumira, Senior Trade Promotion Officer
Tindyebwa Amos, Senior Trade Promotion Officer

Economic Policy Research Center

John Alphonse Okidi, Executive Director
Marios Obwona, Principal Research Fellow
Nichodemus Rudaheranwa, Senior Research Fellow
Fred Kakongoro Muhumuza, Research Fellow

Danida

Warrick Thompson, Senior Adviser, Agricultural Sector Programme Support

DFID

Jonathan Beynon, Senior Economic Adviser
Adrian Stone, Private Sector Development Adviser
Andrew Keith, Economist
Alan Tollervey

European Union

Tom Vens, Head of Section, Economics, Trade and Social Sectors
Estella Arriada, Trade Expert

Uganda Program for Trade Opportunities and Policy

Lindani B. Ndlovu, Technical Advisor

USAID

Jeff Levine

APEP (Agricultural Productivity Enhancement Program)

Clive Drew, Managing Director
Mark Wood, Commodity Commercialization Director

SCOPE (Strengthening the Competitiveness of Private Enterprise)

John Engle, Managing Director
Laurel Druben, Subsector Growth Specialist

Sweden

Maria Selin, First Secretary

United Nations Development Programme

Daouda Toure, Resident Representative
Alexander Aboagye, Economic Advisor
Wilson Kwamya, Assistant Resident Representative

Private Sector Foundation Uganda

Gabriel Hatega, Executive Director
Annet Ssemuwemba

Kaweri Coffee Plantation

Frank Bibby, Managing Director

Ibero Uganda

Jason Green

Oxfam

Monica Naggaga, Programme Coordinator
Robinah Nyapendi

African Centre for Trade and Development

Elly R. Twineyo-Kamugisha, Executive Director

Development Network of Indigenous Voluntary Associations

Prof. Jassy B. Kwesiga, Executive Secretary