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Trade Policy Review Body
19 and 21 December 2001

TRADE POLICY REVIEW

UGANDA

Minutes of Meeting

Addendum

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ANNEX I

ADVANCE WRITTEN QUESTIONS BY MEMBERS

EUROPEAN UNION

Secretariat Report (WT/TPR/S/93)

SUMMARY OBSERVATIONS

(2) INSTITUTIONAL FRAMEWORK

Trade policy issues are the responsibilities of various departments in several Ministries. There seems to be a lack of co-ordination among Government stakeholders, and, at the same time, a lack of capacity to manage trade arrangements effectively and to fully implement the necessary reforms, resulting in a fragmented trade policy. How is the Government going to address this constraint, e.g. does the Government envisage a clearer leadership role for trade policy within MTTI and/or is it planning to improve the institutional co-ordination among these stakeholders? Does the Government have any concrete plan to mainstream trade policy at institutional level? Will the Government develop a strategic programme for its contribution to better trade policy awareness and ownership among the stakeholders?

Although trade policy seems to be an important priority on the Government's agenda the budget accorded to the leading Ministry is largely insufficient to assume its basic tasks, without even talking of a more active role in the preparation of trade negotiation. Could Uganda please elaborate further on the Government's intentions in this regard? Is the next Mid-Term Expenditure Framework going to reflect these priorities by providing more recurrent and more development resources to MTTI?

The Government is in a process to reorganise the institutions in charge of Trade policy by increasing the terms of reference of the Inter-Institutional Commission established initially to oversee WTO. The IIC would have to supervise the implementation of other International agreements. We would like to know when this role will be actually extended? How is the Government going to ensure, together with the private sector and the civil society, that sufficient capacity be allocated to the IIC to allow it to actively contribute to the process by increasing ownership of the non-state stakeholders?

I(5) para. 27

Despite the current privatisation programme it appears that the Government still considers that it should in some cases substitute itself to the private sector. The "export strategy" presented by the executive earlier this year seems to focus on such interventions instead of addressing the "enabling environment" constraints identified in the Medium Term Competitive Strategy. To overcome this ambiguity, the Government could put more emphasis on the implementation of the MTCS and demonstrate to the private sector stakeholders that it recognises its role as a "public sector". Could Uganda please indicate how the Government envisages the implementation of the MTCS in the near future?

II(2)para. 12

A general remark: It is stated in the report that the Government of Uganda intends to exploit non-reciprocal preferential treatment. Therefore, there should have been a reference in this context not only to AGOA and Cotonou but also to the EBA scheme (which is taken up in para., 59, page 29).

(5)(ii) Trade-related technical assistance

Technical assistance is viewed to be essential for Uganda to come into full compliance with its WTO obligations. In this respect, what are the Government's plans to strengthen the IIC's role in order to ensure a better coordination of trade policy matters, in particular regarding financing from national budgetary outlays to provide for the coordination and management of national trade policy mechanisms for the implementation of WTO agreements?

(iii) Regional agreements

The EC welcomes regional integration in Southern and Eastern Africa under COMESA and EAC. However, we would like to receive some clarifications in this context:

- *How is Uganda, being member to both arrangements, facing the problem that both, COMESA and EAC, intend to set up a CET by 2004?*
- *The maximum ad-valorem rate in Uganda is 15%. Will Uganda increase maximum and other tariffs when participating in a CET under COMESA or EAC?*

Uganda is also member of the Regional Integration Facilitation Forum (RIFF), the former Cross Border Initiative (CBI). This is not mentioned in the report. The CBI/RIFF was established primarily with the aim of creating conditions for more beneficial integration of the countries of Eastern and Southern Africa and the Indian Ocean into the regional and world economy by facilitating the dismantling of barriers to the cross-border flow of goods, services, persons and capital. It has been quite successful in a number of countries as was pointed out in the TPR for Mauritius and Madagascar. We would therefore be interested to know what objectives Uganda pursues under this initiative? And, what role does the national Technical Working Group, set up under this initiative, play in the context of economic and trade reforms in Uganda?

One general comment

Para. 56

The phrase in brackets "other than those covered by the CAP" should be deleted as it is wrong: Declaration XXII, annexed to the final act of the Cotonou Agreement, specifies the preferences for agricultural products from ACP countries.

III(2)(vii) para. 46

The new system of procurement in Uganda places emphasis on transparency. Could Uganda please elaborate on how transparency is ensured in Ugandan procurement law and practices? Namely:

- *How do prospective international bidders have access to information about Ugandan procurement procedures and rules?*
- *Do international tender notices include information about bidding procedures and award criteria?*
- *Do unsuccessful bidders have access to information as to why their bid was refused?*
- *Does the Central Tender Board evaluate and respond to complaints by international bidders?*
- *What are the challenge procedures against any decision taken by the Central Tender Board or any other procuring entity?*

Para. 47

With regard to the procurement procedure, we would be grateful for some further information, namely: In which cases are open tenders international? Is this specified by procurement regulations? In which international print media are tender notices published? Are international bidders treated equally regardless of origin? Are procedures (other than for submitting bids, e.g. prior registration) required from international bidders? Are these requirements, if any, notified in tender notices or specified in the procurement regulations?

Para. 50

Other than preferential margins, are international bids/bidders treated equally to domestic bids/bidders?

Para. 51

Does Uganda foresee becoming an observer or member of the GPA in the future?

III(4)(ii) Para. 5

In relation to conformity assessment under the Uganda Standards Certification Mark we would like to enquire whether the system in Uganda allows the possibility of acceptance of manufacturers declaration of conformity. In addition, we would like to know whether the system includes a clear definition of products subject to certification in order to avoid the inclusion of low-risk products and to avoid repetitive certification procedures applied to similar products.

Para. 87

As far as the TBT Enquiry Point is concerned we would like to flag the positive progress achieved by Uganda in setting up the Enquiry Point and the plans to ensure that all enquires are answered on-line. Could the Ugandan Government indicate its concrete plans to become operational?

(4)(iii)

As a least-developed country Uganda benefits from the special and differential treatment in TRIPS agreement implementation afforded by art. 66.1. Nevertheless, in the perspective of the implementation of the TRIPS agreement by 1st January 2006, it would be appreciated if Uganda could inform us of any concrete steps to be undertaken in order to achieve this objective.

HONG KONG, CHINA

A. Other Duties and Charges

(WT/TPR/S/93) Secretariat Report

P. 37, para. 22

It is mentioned that special protection is provided to the sugar and textile industries. We would like to know the details and the reasons for such protection.

P. 41, para. 50

We would like to know whether the preferential margins of 15% to 20% for local goods suppliers and 5% to 7% for local services providers have been reduced or abolished. If not, we encourage Uganda to consider removing this preferential treatment to local suppliers so as to provide a level playing field for all potential suppliers.

P. 71, para. 85 and GATSC/SC/89/Supp.1/Rev.1, p. 4

The rapid growth in the mobile telecommunication market is attributed to increased competition. However, according to Uganda's Schedule of Specific Commitments under GATS, there will be a maximum of only three operators up to 2003. Would the Ugandan authorities consider increasing the number of operators? If so, what are the procedures for foreign participation?

CANADA

(WT/TPR/S/93) Secretariat Report

II(5)(ii) para. 34

According to para. 34, supply-side needs are one of Uganda's major obstacles in trade expansion and have hindered Uganda from expanding trade and from attracting foreign direct investment. Para. 34 notes that JITAP has provided assistance with a view to overcoming some of those constraints to the expansion of Uganda's trade. Is the Government of Uganda considering further mainstreaming JITAP into Uganda's trade policy-making process? If yes, what steps are you taking to accomplish this?

IV(2)(ii) para. 17

Para. 17 notes the various fees paid by coffee collectors, processors, and exporters, which range from U Sh. 50,000 per year for collectors to U Sh. 1.5 million for exporters. To what extent do these registration fees have a negative impact on the farm-gate price of coffee experienced by smallholder farmers?

IV(3)(ii) para. 55

Para. 55 notes that the average customs tariff on petroleum products is 8.4% with rates of up to 15% for miscellaneous petroleum products. At the same time, fuels accounted for over 12.3% of Uganda's imports in 1999 or US \$125 million (according to Table I.5). Further, the current account deficit for Uganda was 7.5% of GDP in 1999. In this context, what is the impact of tariff escalation in the petroleum sector on aggravating the current account deficits in Uganda?

IV(5)(ii) paras. 87-89

According to para. 87, Uganda has made substantial progress in developing its information technology (IT) infrastructure and establishing a legal and regulatory framework for IT. IT is one of the activities emphasized by Uganda's Big Push Strategy for faster economic growth. Becoming a signatory to the WTO Information Technology Agreement (ITA) could have a positive influence on attracting greater foreign direct investment in IT. Is Uganda considering becoming a signatory to the WTO ITA?

IV(5)(iv) para. 112

Para. 112 notes the potential of the Tourism Sector in Uganda and suggests that special incentives for new investments and closer regional collaboration (for example a single joint entry visa for Kenya, Tanzania and Uganda) may help Uganda take advantage of the benefits offered by a growing tourism sector. Has Uganda considered using techniques like the ones mentioned in the report to strengthen and expand the tourism sector?

IV(5)(iv) para. 116

Para. 116 mentions that the Government in its Budget speech for 2001/2002 brought forward a proposal to combine the Uganda Tourist Board (UTB), the Uganda Investment Authority and the Uganda Export Promotion Board into a single entity. What is the status of this proposal? Is it still under consideration?

JAPAN

Secretariat Report (WT/TPR/S/93)

II(5) Investment, p. 20, para. 18

Although Uganda has made some efforts to encourage foreign direct investment, Japan considers that the current preferential treatments to foreign enterprises, such as offering rent-free land and preferential treatment for customs duties, are still not sufficient. Japan request Uganda to consider further investment incentive measures for the purpose of promoting foreign direct investment. Please comment on this.

III(2) Customs procedures, p. 32, paras. 8, 10 and 11

The time needed for completing customs procedures is quite long, thus creating a heavy burden on traders. Japan requests Uganda to make efforts towards establishing a more efficient system for its customs procedures. Please comment on this.

Tariffs, pp. 33 and 35, paras. 16 and 19

The bound rates of Uganda are high, while the applied rates are relatively low. Japan requests Uganda to reduce its bound rates in order to improve the predictability on tariffs. Japan also requests Uganda to increase the coverage of binding, which is currently 15.4% of all tariff lines. Is Uganda considering any measures in this regard?

Protection of the domestic industry, p. 31, para. 2, p. 33, para. 12, p. 37, para. 22

The Report states that special protection is provided to the sugar and textile industries. Please provide a detailed description of the protection granted to these industries. How can Uganda explain the consistency of such protection with the WTO agreements?

(3) Intellectual property rights, pp. 50 and 51, paras. 99 and 102

According to the Report, the Government has established a task force under the Uganda Law Reform Commission for revising the law on intellectual property rights. Furthermore, the Copyright Act of 1964, which governs the protection of copyrights in Uganda, is now under comprehensive review. Japan appreciates such efforts by Uganda to improve the protection of its intellectual property rights,

and would like to know the current situation on the progress of the task force, as well as the planned schedule for revising the law. Japan would also like to know the current situation of reviewing of the Copyright Act.

General questions not based on the Reports

It has been announced this year that the Uganda Export Promotion Board, the Uganda Investment Authorities and the Uganda Tourist Board will be integrated into one organization. Please provide an explanation on the current situation regarding this integration. What objectives does this new organization have?

NORWAY

As an active donor and a development partner, Norway sees a strong need to clarify the relationship between the Ministry of Tourism, Trade and Industry (MTTI) on the one hand, and the Ministry of Finance, Planning and Economic Development (MFPED) on the other. Could Uganda's delegation explain the division of roles and responsibilities between these two ministries in the overall trade-related development strategy?

UNITED STATES

SUMMARY OBSERVATIONS (Secretariat Report WT/TPR/S/93)

(1) The Economic Environment, Para. 5

Insufficient infrastructure, coupled with Uganda's landlocked status has impaired the growth of its exports and its economic progress. What is Uganda doing to try to overcome these obstacles?

(2) Institutional Framework, para. 13

The Secretariat's report notes that Uganda is slowly mainstreaming trade into its developmental framework. However, its various institutions dealing with trade policy, including the MTTI, do not have sufficient capacity to manage trade arrangements effectively and to fully implement the necessary reforms. At the same time, at least partially due to the Government's fragmented institutional structure dealing with trade matters, coordination among development partners is less than ideal. What is the Government doing to change this situation?

I(1) para. 6

The Secretariat's report notes that although Uganda has undertaken a number of structural reforms, further liberalization is recognized as being necessary to continue on its path of economic progress. What is the government doing to liberalize the services sectors?

Para. 7

The Secretariat's report notes that high production costs in Uganda which are evident across all economic sectors are the result of poor delivery of utility services, poor transportation, weakness and corruption in tax administration and commercial justice, the high costs of accessing capital, the lack of skilled labour and low labour productivity. What is the government doing to reduce costs by liberalizing its services sectors?

(5) para. 26

The Secretary's report notes that the current Poverty Eradication Action Plan addresses more directly the need to integrate export competitiveness and trade liberalization into a broad poverty-alleviation effort. How is government trying to achieve this integration?

Para. 27

The Secretary's report notes that Uganda has placed great emphasis on private sector development as a major engine for economic growth. What steps has the Government taken to encourage the private sector?

Para. 33

The Secretariat's report notes that the Government has expressed a desire for more technical assistance from donors, which would facilitate the process of reaching decisions related to further trade liberalization. In what areas is technical assistance most desired?

II(3) para. 13

The Secretariat's report notes that a deregulations program has been launched to dismantle "unnecessary" licensing and regulatory procedures. What is the status of this program?

(5)(iii) Regional agreements

The Secretariat's report notes that implementation of the East African Community free-trade area has been postponed with implementation now expected by 2004. What steps are being taken now to prepare for this?

III(2)(ii)(b) Nature and level of MFN tariffs

The Secretariat's report notes that Uganda's tariff bindings cover 15.4 percent of all its tariff lines and 2.7 percent of total lines for non-agricultural products. Is the Government considering increasing the coverage of bound tariffs which would further increase the predictability of market access conditions?

(d) para. 22

The Secretariat's report notes that "special protection" is given to the sugar and textile industries. Could you please provide details as to what "special protection" measures are being taken? Are there any other industries that receive similar protection?

(e) para. 28

The Secretariat's report notes the Manufacturing Under Bond Scheme is intended to meet the immediate needs of the 100 export companies. Could you please provide more details on it? What type of "immediate needs" does The Manufacturing Under Bond Scheme provide for? How does the program meet the "needs" of exporting companies?

(iii) para. 33

The Secretariat's report notes that since July 2000 customs valuation has been based on the transaction value as provided for by the WTO Agreement on Implementation of Article VII of GATT 1994. Uganda's implementation of the WTO Agreement is an important step towards meaningful customs reform techniques considered to be "best customs practices" and also diminishes discretionary practices in the valuation area that often serve as a starting point for corruption. We encourage Uganda to notify its domestic implementing legislation and the WTO checklist to the Committee on Customs Valuation. Notification of the legislation and the checklist will advance the efforts of the WTO committee to operate as a constructive, problem-solving body

(vii) Government Procurement

The Secretariat's report notes that since September 2000 government procurement is now decentralized and is self-contained within each procurement entity and also notes that the new system places an emphasis on transparency. How does the system encourage such transparency?

(3)(iv) para. 62

The Secretariat's report notes that Uganda is in the process of developing export-processing zones. What types of incentives will be offered to companies (i.e. direct/indirect) located in these zones?

(v) para. 63

The Secretariat's report notes that the Export Refinance Scheme provides some export finance support for non-traditional and non-perishable products. Can you please explain how the interest rates are determined under the export refinance scheme?

(vi) para. 69

The Secretariat's report notes that Uganda does not have any export subsidies. However, the European Investment Bank-Uganda Apex Export Loan Scheme offers interest-free loans to exporters. Is this an interest rate subsidy specific to exporting? What are the eligibility criteria to receive funding?

(4)(i) Incentives

The Secretariat's report notes that the Investment Code of 1991 encouraged investors to use locally sourced materials. Could you please clarify how investors are encouraged to use local products? Has the Investment Code been updated to make the "encouragement" to use locally sourced materials mandatory? If so, please explain how.

Trade Policies and Practices by Measure (generally)

The Secretariat's report does not mention any sectoral-specific subsidy programs. If Uganda maintains any sectoral-specific subsidy programs, could you please provide further details on any such programs or incentives?

KOREA

IV(5)(ii) Telecommunications and other communication services

As para. 82 (page 70) of the Secretariat's Report points out, the Uganda Communications Commission (UCC) issues all the minor licences in the subsectors, while the Minister responsible for communications issues the major licences. Please provide illustrative lists distinguishing the minor and major licences.

As para. 84 (page 71) of the Secretariat's Report states, the communications operators are renegotiating interconnection and universal services agreements, and new arrangements are expected to be in place by the end of 2001. Please explain to us in detail the obligations that are being imposed on the operators.

As para. 91 (page 71) of the Secretariat's Report points out, there are few limitations on national treatment and market access in the basic telecommunications services. Please provide a detailed description of the existing limitations including specific indicators such as the maximum foreign ownership equity ratio.

ANNEX II

WRITTEN RESPONSES BY THE DELEGATION OF UGANDA

A. ECONOMIC ENVIRONMENT

The Ministry of Tourism, Trade and Industry is principally responsible for co-ordinating all trade and trade related issues. The government of Uganda recognizes the challenges met in execution of this mandate. These have been largely due to lack of adequate budgetary allocation and personnel stemming from lack of appreciation of trade in national development strategy.

Government is in the process of mainstreaming trade issues in national development plans like the Poverty Eradication Action plan (PEAP); Medium Term Competitive Strategy (MTCS); and the Plan for Modernization of Agriculture (PMA).

In further effort to revamp the Trade Ministry there is support from the EU towards the development of a comprehensive trade policy, which should spell out clearly the lead and coordination role of the Ministry, the medium to long term programme, the strategic vision of the Ministry and therefore the needed resources to undertake the required activities. Through this support The Department of Trade will be re-organised to take on board the capacity concerns.

Plans are under way to extend the scope, mandate and capacity of the IIC to handle all trade initiatives for the country. The IIC has benefited a lot from JITAP in terms of capacity building but a lot still needs to be done to build the capacity of government and other non government actors to handle trade issues effectively and efficiently. We hope that the JITAP and other such capacity building programmes will continue. The proposed WTO implementation Bill provides for the funding for IIC from national budgetary outlays.

Government recognises that the private sector has to play a leading role in economic growth with the public sector providing an enabling environment through provision of the necessary infrastructure such as transport and communication networks; including the regulatory, legal, institutional, fiscal policy reforms in support of private investment.

In the implementation of MTCS, focus is mainly on putting up the necessary infrastructure to provide the enabling environment for the private sector to do successful business in the international competitive environment. The MTCS is a multi sectoral framework designed to identify and address the bottlenecks that impinge on the private sector's competitiveness. Sectoral sub-committees on the identified areas of intervention have been created and given qualified work plans; these committees periodically meet to monitor and review progress to ensure that the MTCS implementation plans are on schedule

(Para. 12) The remark is appreciated, but the mentioned preferential arrangements were just as examples.

Regional Agreements

The East African Community is regarded as a fast track for achieving the benefits and objectives of wider regional integration. The issues raised about the COMESA and EAC Common External Tariff (CET) will be determined after the results of the study that has been commissioned on the implication of CET under the COMESA NA DTHE East African Community.

The maximum ad valorem and other tariffs will be determined after the findings of the CET study.

While the former Cross Border Initiative (CBI) was focusing on Non-Tariff and Tariff Barriers to trade, Regional Integration Facilitation Forum (RIFF), focuses on facilitation and attraction of investment, in addition to tracking the implementation of policies to facilitate cross-border movement of good and services. The Technical Working Group of RIFF comprises representation from both Government institutions and the private sector and has been instrumental in ensuring that the above studies relating to Rules of Origin and the Common External Tariff, are carried out.

Qn 4: Discussant: Appreciation of Exchange Rate

Uganda is in the process of refining its foreign exchange policy to assure the markets of the steady availability of foreign exchange in order to reduce incidences of speculation.

Non-traditional exports like flowers that are currently constrained by an appreciating exchange rate will benefit from implementation of the Government's Medium Term Competitiveness Strategy (CMTCS) for the private sector 2000-2005. The implementation of the MTCS will contribute to improving product competitiveness by reducing transaction costs of doing business and guaranteeing product quality.

Initiatives that have been undertaken through donor –government collaboration for improving competitiveness of the private sector include:

- Competitive Private Enterprise and Trade Expansion (COMPETE) Project designed to respond to Uganda's urgent need to improve export competitiveness of its private enterprises in foreign markets.
- Support for Private Enterprise Expansion and Development (SPEED) is designed to meet the needs of SMEs, increase access to finance and provide business development services.
- Investment in Developing Export Agriculture (IDEA) is aimed at increasing the value of selected Non-traditional Agricultural Exports (NTAEs), increasing production of selected food products, and improving access to trade finance.
- Trade Policy Capacity Building, has been designed to enable Uganda's private and public sectors to address current and upcoming trade policy issues such as those arising from the WTO and other regional trading arrangements through provision of training, technical assistance and research.
- Sensitisation seminars have been held by Bank of Uganda in several upcountry towns for potential beneficiaries of the various export promotion financing schemes.

Export Finance

A major impediment to access by potential importers has been the high threshold of some of the facilities. There are concrete plans to reduce these as has already happened under the current European Investment Bank EIB-Uganda Apex. III. The establishment of the ECGS will enable commercial banks to lend to more marginal borrowers. At the same time, the list of Approved Financial Institutions (AFIs) through which these funds are channelled, is constantly being expanded.

The resumption of the operations of the Uganda Development Bank, a development financing entity, will further extend coverage to potential exporters at more favourable terms.

Government will continue to maintain sound macro-economic and financial policies in order to ensure

stability of prices, exchange rates and interest rates, which is conducive for sustained economic growth in general and a viable export sector in particular. Financial stability reduces transaction costs, promotes a longer-term perspective and strengthens the savings-investment process. It also facilitates the mobilisation of domestic savings and the inter-mediation of these savings at lower transaction costs (i.e. interest rates).

This is being addressed under the Medium Term Competitiveness Strategy for Private Sector where one of the priority actions is the expansion of infrastructure and utilities thereby reducing cost of production. In addition, the development of infrastructure networks (roads, rails and telecommunications) is one of the priorities under the EAC.

Government continues to liberalise and the focus is directed at infrastructure development as already mentioned above. The Privatisation program is on going, the tax administration is being reorganised, the Commercial Justice Reform Programme is an on-going process, technical institutions are being revamped.

Para. 56 (General Comment-EU) The comment is welcome and the correction should be made in the report.

B. TRADE POLICES AND PRACTICES BY MEASURE

Government Procurement

The Public Finance (Procurement) Regulations 2000

The Procurement Regulations provides for international competitive bidding. Advertisement is through international and local media. Advertisements are placed in the Economist magazine of London and the Development Business of the World Bank.

The Central Tender Board is currently in the process of developing a web site to be accessed by all Procuring Entities and international bidders.

Any decision taken regarding the bidding process is communicated to every bidder who has submitted a bid.

The Regulations provide for administrative review of the decisions of the procurement entity by the Central Tender Board in the event of a complaint by any bidder. If the affected bidder is not satisfied by the decision of the Central Tender Board, he is free to seek judicial redress.

MEASURES AFFECTING PRODUCTION AND TRADE

Standards and other technical requirements (paras. 85 and 87)

Below are some of the key achievements:

- (a) The National Enquiry Point (NEP) on TBT is located at the Uganda National Bureau of Standards and is operational. The e-mail address for the National Enquiry Point (NEP) is unbs@afsat.com
- (b) An information leaflet on the services of the NEP is in its final stages of completion
- (c) A data base for Uganda Standards and Technical Regulations has been developed

with the assistance offered by ITC/WTO/UNCTAD under the Joint Integrated Technical Assistance Programme (JITAP).

Improving Legal Framework

The government of Uganda recognizes the link between effective institutional support and attraction of foreign direct investment. It has placed high priority on the Commercial Justice Reform Programme that covers the following areas:

- Set up of a Commercial Court, a specialized division of the High Court for expeditious disposal of civil cases especially commercial/ contract cases;
- Revamping the Land and Company Registries;
- De-Regulation project for dismantling unnecessary licensing procedures;
- Retraining programme for lawyers on emerging areas of the law;
- Establishment of a centre for arbitration and dispute settlement;
- Reform of commercial and trade laws in response to the Medium Term Competitiveness Strategy and regional and international obligations.

Government has set up several taskforces under the Uganda Law Reform Commission to address different aspects of the law. The taskforces listed under a, b and c below have completed their work –

- (a) Taskforce on the reform of business laws covering companies, bankruptcy, co-operatives, joint ventures and partnerships;
- (b) Taskforce on the reform of selected trade laws covering competition, special economic zones, sale of goods and services, consumer protection, trade licensing and anti-dumping;
- (c) Taskforce on the reform secured transactions covering mortgages, hire purchase and personal securities also addressing issues on access to credit;
- (d) Taskforce on the reform of intellectual property laws including copyrights is underway and will finalise its work before the end of this financial year.

Other taskforces will be set up at the beginning of 2002 to deal with the codification of contract and tort law; review of civil and criminal procedures affecting trade transactions; and legislation on subsidies and countervailing measures.

REPLIES TO THE DISCUSSANT'S PAPER

Uganda is an Agro based economy and while the terms of trade have been worsening at the international market, the economy is also susceptible to natural vagaries. However to mitigate the above and recognising the inevitable need to focus on industrialisation, we have nurtured our manufacturing sector to a 17% contribution to GDP from, 15% three years ago. The current market focus for manufacturing is domestic and regional.

Secondly under the Plan for Modernisation of Agriculture, a sub-committee on marketing and Agro processing is working out modalities and strategies for processing primary agriculture product to value added exports. The success of these efforts will depend on a vibrant private sector and to a large extent on market access conditions, particularly in view of the tariff peaks and escalation that afflict processed exports to markets of our developed partners.

Government has embarked on measures to increase processed high value exports that include:

- A deliberate scheme by U.I.A to promote and attract investors in Agro-processing industries for value addition
- Revamping Uganda Development Bank in order to increase access to long term finance.

The Government in implementing the above will continue to work with development partners in enhancing value addition.

Trade Policy and Surcharges

Our trade policy is *Trade Liberalisation*. However the liberalisation process has to take into account development concerns like employment, improved standards of living of our people, market access opportunities. This policy is implemented through tariff rates for purposes of transparency and predictability.

Tariff rates and surcharges are trade regulatory instruments. They are used to provide protection to infant industries with progressive reduction to opens these to competition. In this regard, trade and tax policies are completely harmonised.

EAC is a fast track for the three Member countries and in this framework they are harmonising trade and related policies, including taxation, standards, customs procedures as a means of promoting regional trade.

Surcharges were used to address unfair address unfair trade practices or non-compliance to tariff reduction. However, Uganda does not ordinarily maintain surcharges.

There is no specific study on surcharges as such but the studies on competitiveness address the subject.

Private Sector, MTCS and the Big Push

Involvement of the private sector in the MTCS

Technical Working Groups have been formed comprising representation from the donor community, relevant government institutions and the private sector, for purposes of monitoring the implementation of the MTCS. The process is co-ordinated through the Ministry of Finance, and reports are issued on a quarterly basis.

The “Big Push” strategy identified 8 potential sectors in which Uganda’s Comparative Advantage can be developed, including agriculture and cotton, printing and publishing, education, among others. The focus of the strategy is to build capacity in the private sector, as well as market these sectors as potential areas of FDI.

COMPETE (Competitive Private Enterprise and Trade Expansion), a Project funded by USAID has identified 3 sectors which are being developed to enhance their competitiveness in the export market. These are: coffee, cotton & textiles, fish. These were identified following strategic analysis of several sectors, considering factors such as contribution to forex, employment, level of development, etc. Strategies and action plans are developed and implemented with involvement of the key stakeholders in the relevant sector.

Concrete measures and incentives in place for Uganda's private sector to take advantage of opportunities offered by AGOA, EBA, etc.

Through the Trade Policy Capacity Building Project funded by USAID, capacity building is being carried out to sensitise the business community on the opportunities and market access requirements for the EU and AGOA, and policy advocacy to elicit the required institutional technical response from policy makers/implementors. Additional assistance is being sought from the EU to supplement existing capacity. There is need to broaden the agenda to include provision of market information and handholding services to business firms, research and analysis, and developing strategic alliances with firms in the U.S. and EU.

Regional Integration

EAC is a fast track for COMESA and, the ultimate objective of these regional initiatives is zero tariffs and a liberal trade regime. The Government is committed to both EAC and COMESA. However a CET under the EAC will have to overcome the problem of its Members belonging to two Regional groupings. This is being taken up at a political level. The protocol on custom union of the East African Community is being negotiated and other protocols will also be negotiated separately. The establishment of the East African Assembly and the Court of Justice are indicative of the political will.

The establishment of an EAC Customs Union is expected to be progressive. Article 75(7) of the Treaty establishing the East African Community provides that – "...Partner States shall within a period of four years conclude a protocol on the Establishment of a Customs Union. The Treaty came into force in 2000 and implementation slated for 2004 is within the dates stipulated by Treaty.

The process of negotiating the different components of Protocol is under way and will be concluded as scheduled. This process may be hastened if Council so determines (Art. 75(2)).

The government of Uganda and its 2 partners are well aware of the need for the community to be owned by the people of the three member countries.

The EAC treaty, article 127 provides for the creation of an enabling environment for the private sector and civil society to take full advantage of the community.

Article 128 of the treaty also charges the Secretary General to provide a forum for consultations between the private sector, civil society organisations and other interest groups and appropriate institutions of the Community.

A protocol on the granting of observer status to members of the civil society has been concluded. This protocol outlines the rights, obligations and procedures for participation of the civil society in the activities of the Community. Simplified material providing information on the EAC are being developed to enhance understanding and appreciation of the community and also to encourage greater participation of the people.

At the national level , the Ugandan Civil society and the private sector played an active role in the recently ended elections to the East African legislature. They heavily influenced the guidelines for the election process. Two of the representatives to the East African Legislative Assembly are from a women's NGO and the private sector respectively.

There is also in place an East African coalition of NGOs, which is a platform for NGOs in East Africa to engage the East African Legislature. An NGO, Kituo Cha Katiba (East African center for

Constitutionals is actively involved in the East African Community Activities including development of sensitization material for the general public and civil society. An East African business council composed of major business Associations in East African is also in place with an office in Arusha.

Cotonou Agreement

Under the ACP-EU partnership agreement, civil society and private sector have put in place a non-state actors steering committee to participate in the implementation of the agreement and in the trade negotiations due to begin next year. The steering committee is working with the EU in the areas of capacity building.

C. SECTORAL POLICIES

The autonomous liberalisation process is on-going and some of the services sectors have been liberalised such as financial services, Telecommunications, education and energy, other sectors are being considered.

The increase of coverage of bound tariffs as well as the wide disparity between bound and applied tariffs will be a subject for negotiation under the Development agenda reached at Doha recently.

Duty and tax Exemptions

Manufacturing under Bond scheme is intended to facilitate growth of the export sector.

Customs valuation

Due notification will be made.

Measurers directly affecting exports

The establishment of the Export Processing Zones is in process. Draft legislation is under preparation

Export Finance, Insurance and Guarantees.

Export Promotion and Market Assistance Loan

This is a loan of about \$3000 to an exporter, to assist in overcoming some of the problems associated with market access. It is repayable in one year. Eligibility criteria are proof of having exported commodities worth \$5000 in the preceding year. A capacity to repay should also be demonstrated.

The interest rates accruing in the Export Refinance Scheme are subject to negotiation between the exporter and his Commercial Bank, through which the Bank of Uganda will release the funds.

Measures affecting Production and trade

The Investment code encourages the use of locally sourced materials but it is not mandatory.

Uganda does not maintain any sectoral specific subsidy programmes.

Other Duties and changes

There is no special protection on any sector. Correction should be made in the report.

The increase of the number of national operators after 2003 shall be considered in light of the performance of the sector.

Foreign investors can access land only under lease-hold and not rent-free land. More investment incentives will be considered based on experience.

Customs Procedures

The decision by Uganda to implement the WTO customs valuation Agreement and the introduction of ASYCUDA system has hastened the previously slow customs procedures.

The integration U I A, U E P B and U T B is still a proposal and consultations are going on.

D. GOOD GOVERNANCE

Uganda recognizes good governance as a prerequisite to economic growth and development, and it is therefore committed to putting in place democratization processes. Good governance is one of the 4 pillars of the Poverty Eradication action Programme PEAP/PRSP. A new constitution was promulgated in 1995. It guarantees the protection of internationally recognized human rights, decentralization, and the holding of free and fair periodic elections for the President, Parliament and Local Councils.

Through the decentralization policy, many responsibilities have been progressively decentralized from central government to local governments, opening opportunities for the people to participate in their governance. A number of central government agencies, complimented by NGOs and private sector are involved in strengthening district planning and budgeting. There is still a need to build further the capacity of civil society at district and local levels for them to effectively participate in local development plans and implementation and also to demand accountability from their leaders.

The constitution establishes an independent Judiciary. The Human Rights Commission has been strengthened and given more powers as exemplified in the Human Rights Commission Act of 1997. The office of the Inspector General of Government (IGG) has been strengthened with powers to investigate and prosecute corrupt public officials.

We totally agree on the link between instability and trade in the Great Lakes region. The security problems in the region are real and arise from a number of factors. Without delving into the well-known causes of these problems, many members will probably know about the genuine efforts underway in addressing and resolving them.

As you know, President Mandela has been actively involved in the peace process in Burundi that culminated into the signing of a peace agreement in Arusha and the subsequent installation of an interim government of national unity in that country.

As far as the problems in the DRC are concerned, Uganda is fully cooperating within the framework of the Lusaka accords and within the UN Security Council resolutions. Other regional initiatives within the East African Cooperation as well as within the African Initiative endorsed in Lusaka by the African heads of state and government should also go some way in addressing security problems on the continent.

However, as we have previously stated elsewhere, one of the root causes of instability in the region is grinding poverty, and with it, marginalisation. We are aware that as individual countries, including our own, we bear the primary responsibility of addressing the multiple challenges of poverty. This we have tried to do through such policies as trade liberalization and privatization. But in our ever increasingly globalizing world, our efforts alone cannot be enough.

We therefore call upon our trading and development partners to support our efforts towards achieving the development targets through full implementation of the operational parts of the LDC III conference as well as providing market access to products of interest to developing countries. These measures would go a long way in addressing the root causes of instability in the region, and hence, enhancing trade.

The PRSP/PEAP main focus is to eradicate poverty through actions to increase the ability of the poor to raise their incomes and having a sound macroeconomic stability in the country as some of the main goals. We also recognize the rationale of the PRSP in achieving debt sustainability through reduction of debt levels and increasing exports. As mentioned in the TPR, Uganda has already benefited from debt relief under HIPC, mainly because of the sound macroeconomic policies. This is partly as a result of trade policies to liberalize the agriculture sector and elimination of monopolies by cooperative/marketing boards. It has enabled farmers directly benefits more from agricultural trade and increase their incomes due to better prices.

Additional initiatives to improve the conducive economic environment are being put in place, including revision of the Investment Code to expand investment portfolios both for local and foreign investors, liberalization of the communication sector, and the development of the national ICT policy (to be finalized before end of this financial year). With improved communication and other infrastructure like road which are priority within the MTEF, costs of production will be lowered and there will be increased market information flow.

Implementation of the Plan for Modernization of Agriculture is on, with the main focus of improving agricultural productivity and diversification of agricultural produce. There is also emphasis of marketing and Agro-processing to improve product value. This will partly aim at overcoming the supply constraints, increase Uganda's potential to take opportunity in benefiting from the already existing trade agreements like AGOA, ACP-EU, COMESA and EBA.

Harmonisation of PRSP objectives within the East African region will be realized within the partner states. Uganda and its regional partners recognize the need of mainstreaming trade in their poverty reduction programs and in this regard, benefits from economic regional integration and increased trade among members will not only increase national economic prosperity but also aim at reducing poverty levels of its people by directly eliminating any trade barriers between the member states.
