

# Trading out of Poverty, into Wealth and Prosperity

Strengthening Uganda's Trade and Industrial Policy  
Landscape

Ayokunnumi Aribidara

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**Uganda's trade policy objective, *'Trading out of Poverty, Into Wealth and Prosperity'*, seeks to create real wealth for its people. The country's new 5-year plan, the third National Development Plan (NDP III) 2020/21-2024/25, looks to 'sustainable industrialization' as a way to reach middle-income status<sup>1</sup>. This entails adopting strategies for agro-industrialization, fast-tracking oil, gas and mineral-based industrialization, import replacement and promotion of local manufacturing, export promotion, harnessing tourism potentials, and increasing local content participation. This note tells the story of how a new relationship between the Oxford Policy Fellowship (OPF) and the Ministry of Trade, Industry and Cooperatives has built the foundation for a strong legal capacity to implement this ambitious trade and industry policy.**

The Ministry of Trade, Industry, and Cooperatives' (MTIC's) mission is to develop and promote a competitive and export-led private sector, accelerating industrial development for economic growth<sup>2</sup>. The Ministry's sustained efforts over the years have helped to improve the country's export performance: over the calendar year 2019, total export earnings increased by 12.7 percent to US\$ 4.1 billion. However, the total imports bill increased further still – by 14.2 percent to over US\$ 7.7 billion in 2019. With the overall annual trade deficit rising to over US\$ 3.6 billion<sup>3</sup>, there remains much more to do to improve trade policy and its implementation. While there is a strong desire to formulate policies and regulations, by 2018 the Ministry had identified that the gap in its legal skills and personnel was a real bottleneck holding back progress: it had only one Legal Officer with an overwhelming workload.

This clear gap led the Ministry to request an Oxford Policy Fellow to be embedded inside the Ministry. The OPF Fellow arrived in September 2018 to work alongside MTIC's Senior Legal Officer, providing legal support across the Ministry's various Departments and Units on many trade and industrial policy negotiations, policies, and projects – and to assist with capacity building and skills transfer.

## **Including Uganda's refugee-hosting areas in value chains**

Uganda is currently home to about 1.4 million refugees – more refugees than any other country in Africa. Indeed, Uganda's policy of hosting refugees has been widely praised as progressive<sup>4</sup>. Most refugees live in 11 refugee-hosting districts where, over time, they have been able to gain rights and resources to engage in agriculture, agro-processing,

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<sup>1</sup> <http://envalert.org/wp-content/uploads/2020/06/NDP-3-Finale.pdf>

<sup>2</sup> <http://www.mtic.go.ug/background-and-mandate/>

<sup>3</sup> Pg. 118 2020 Statistical Abstract of Uganda

<sup>4</sup> <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/ugandas-progressive-approach-refugee-management>

and other economic activities. The Ministry realized that refugees have the potential to be economic agents, both for themselves and for Uganda, if refugee-hosting economic clusters became included in value chain processes. A new initiative to realise the trade potentials of refugee-hosting areas in Uganda has thus become a highly innovative component of the Ministry's contributions to Uganda's trade performance.

The Ministry is now a partner in the *Prospects Partnership*<sup>5</sup> of The Netherlands, together with the World Bank, the International Finance Corporation, UNICEF, UNHCR, and ILO. Other Ugandan actors include the Office of the Prime Minister, the Ministry of Finance, Planning and Economic Development (MoFPED), and the Uganda Investment Authority.

The partnership has been a highly positive response to the forced displacement crisis, aiming to shift the paradigm from dealing with refugee influx as a humanitarian exercise to actively hosting refugees in a developmental approach. It acts on the consensus of the Global Compact on Refugees – that helping refugees and their host communities to thrive, and not just survive, will reduce the risk of protracted stays and lessen refugees' dependence on humanitarian aid. In Uganda, the partnership has been able to mobilize local private sector actors in refugee-hosting districts and their environs for the mutual benefit of businesses and refugees alike.

Since January 2020, the OPF Fellow and his colleagues have assisted the roll-out of a *Private Sector Engagement for Uganda's Refugee Response Strategy* by collating business-specific information about economic activities in the refugee-hosting districts and testing means for extending private sector operations to these districts. This has involved outlining legal options for formalizing refugee businesses and economic activities, along the lines of cooperative societies, in order to upscale their businesses, to participate equitably in key-value chains, and to benefit from the trade-enhancing activities of the Ministry. For example, the Fellow and the MTIC Senior Legal Officer have advised on the provisions of the *Trade Licensing Act* and other licenses issued by the Ministry such as the Certificate of approval for Non-Citizens to conduct business in Uganda; Traveling Wholesaler License; Hire-Purchase License; and AGOA visa Card for exports to the US (the latter a way of helping refugee-owned businesses to navigate through the maze of compliance issues). The evidence they have generated is now coming together to inform the Ministry's planning, so refugee-hosting areas can be included in the Ministry's wider activities.

## **Improving Uganda's trade policy**

The world over, trade and industry policy contexts are highly dynamic. The Fellow has been able to provide rapid support for developing, implementing, and appraising key

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<sup>5</sup> [https://www.ilo.org/global/programmes-and-projects/prospects/WCMS\\_725066/lang--en/index.htm](https://www.ilo.org/global/programmes-and-projects/prospects/WCMS_725066/lang--en/index.htm)

policies within the Ministry's mandate. The world of E-commerce, for example, is moving very fast. The Fellow and the Ministry's focal person for E-commerce have supported Uganda's diverse E-commerce negotiations in the WTO, the African Continental Free Trade Agreement (AfCFTA), and the Tripartite Free Trade Agreement (TFTA). They drafted a preliminary negotiation agenda on E-commerce for Uganda by researching current trends in E-commerce trade and exploring the areas of policy disconnect.

The Fellow was also able to support the policy and planning unit of MTIC with an appraisal of the implementation strategy of MTIC's flagship '*Buy Uganda, Build Uganda*' (BUBU). They identified shortfalls in the legal and policy scope, explored successes achieved in the implementation phase ending in 2020, and made recommendations on how to improve performance in the next phase.

## **Supporting Pan-African trade initiatives**

Uganda has been playing a critical role in the ongoing negotiations of the African Continental Free Trade Agreement (AfCFTA) and the Tripartite Free Trade Agreement (TFTA). The Fellow assisted Uganda's AfCFTA negotiation teams with legal research and briefing notes throughout the first phase of negotiations on trade in goods and services, and joined in the technical working group on Dispute Settlement Body rules. With AfCFTA taking off as a central plank of trade governance, Ugandan stakeholders need to be fully aware of it. To help with this, the Fellow co-drafted a concept and work plan for sensitizing the private sector and civil sector organizations about AfCFTA, bringing them up to date with the negotiations and clarifying how they can benefit from the trade agreement. The sensitization process provides a continuing opportunity for the Ministry to engage with stakeholders as it moves into phase two of the AfCFTA negotiation.

## **Improving trade policy reporting**

As a member of the World Trade Organization (WTO), Uganda participates actively in its trade policy monitoring process. The core of this work is the WTO's Trade Policy Review Mechanism (TPRM) where, on a rotating basis, members undertake peer assessments of each other's trade policies and practices and their impacts on how the multilateral trading system functions.

Uganda's trade policy is set within the context of its active membership of the East African Community (EAC) customs union, and so Uganda's Trade Policy Review (TPR) under the WTO is undertaken jointly with the EAC. The third joint TPR of the EAC took place in 2019 at the WTO in Geneva, aiming to provide clarification from EAC members about the custom union's trade policies and practices. The review comprised reports by the WTO Secretariat and the EAC, along with policy statements submitted by Burundi, Kenya, Rwanda, Tanzania, and Uganda.

The OPF Fellow participated throughout the process for Uganda – supporting data gathering, the draft of the Ugandan chapter for the EAC report, and responses to requisitions raised by the WTO members about Uganda’s trade policy. He was also involved in capacity building for two staff at the Ministry (a newly-recruited senior commercial officer and a commercial officer). This aimed to help them contribute to WTO notification – where countries are required to report at least annually of any new or changed laws, regulations or administrative guidelines which significantly affect trade. Their training involved identifying suitable notification issues, practicing with previous notification documents, and afterwards working on actual notifications for the country on trade measures being undertaken by Uganda. The trainings have helped the Ministry to be able to undertake its notification in a timely and efficient manner.

As a direct outcome of the TPR process, Uganda is better engaged with the WTO, has been able to benefit from two technical capacity-building exercises with the WTO secretariat, and the frequency of its WTO notification has improved significantly, encouraging trade policy and data transparency and putting Uganda in good standing amongst other member countries of WTO.

## **A significant economic impact**

The COVID-19 pandemic has led to an unprecedented disruption in global trade, with both consumption and production scaling down. The World Trade Organisation estimated that trade volumes in Africa will decrease by 8% for exports and 16% for imports in 2020. Yet Uganda’s inward FDI flows reached \$1.3 billion in 2019 – a 20 percent increase on 2018 and the highest ever recorded amount of FDI flows. The country is indeed an increasingly attractive destination for foreign investment: in the World Bank’s Ease of Doing Business Index, Uganda jumped to 116/190 in 2020, a leap of eleven places since 2019. This was accredited not only to improved infrastructure but also to Uganda’s improved regulatory environment. OPF’s work to develop regulatory infrastructure within the Ministry of Trade over that time has allowed the country to mitigate some of the negative trade and commerce effects of the pandemic and will allow the country to take advantage of high FDI. Studies suggest that a one percentage point increase in the FDI to GDP ratio can increase real GDP growth per capita by up to 0.2 percent. So this increased FDI, invested under good enabling conditions, will surely foster inclusive growth and catalyse structural transformation – in turn creating more and better quality jobs, enabling better service delivery, improving livelihoods, and driving economic growth.

## Conclusion

Over the years, the continued lack of adequate legal support had proven to be detrimental to how the Ministry of Trade, Industry and Cooperatives carries out its functions. Recently, however, the relationship between OPF and the Ministry has started to turn the tide, with a notable improvement in legal inputs and how they are regarded in developing laws and policies.

The role of legal and policy support in the grand scheme of the Ministry's ambitious vision for trade and industry cannot be overemphasized. This is especially true as the AfCFTA – the flagship trade deal in Africa – is set to hit the ground running as soon as 2021. The success of Uganda's participation in this and other negotiation fora will depend largely on how much coherence can be achieved in the drive for rapid industrialization for export promotion while cautiously encouraging import replacement.

It is expected that the successes achieved by OPF and the Ministry – in such areas as the new Ugandan Competition policy framework, the expanded scope of the external trade legislation, and improved industrial licensing – will spur the country to act further, such as including vulnerable groups such as refugees in trade policy considerations. It is also expected that the trade notification framework which is taking shape will be extended to AfCFTA implementation, thereby improving transparency.

*"The support from OPF through the Fellow over the past two years has aligned with the core business needs of the Ministry by providing an extra layer of legal support. Before this, access to legal services was limited at the Ministry. Through its streamlined and flexible approach, the OPF support has been felt in more ways than one: besides the provision of legal assistance, the Fellow has been able to provide policy and other related support. Realistically, this is important in a dynamic institution like the Ministry as opposed to a 'one size fits all' approach."*

**Sandra Karyn Aneno**

Senior Legal Officer, Ministry of Trade,  
Industry and Cooperatives

## Fellow reflection

Working as a Fellow in an embedded capacity has provided me with a unique experience. I have both benefitted from the repository of knowledge at the Ministry while at the same time being positioned in a knowledge support role where my advice would otherwise have drawn purely from my own perspective. The fact that synergies have been found is testament to both the OPF Fellowship model and the enlightened approach of my Ugandan colleagues. It has been a privilege to learn and to further develop my knowledge of trade issues whilst offering support.

One of the major challenges for effective development assistance is the lack of late entry-level and early mid-level experience for young development practitioners. There is now a growing desire to deploy young development practitioners to work on developing countries' priorities. This has become especially evident during the COVID-19 pandemic, where expert and agile responses that truly understand local contexts are needed. Yet there is a huge skill gap as there are very few professional programmes through which young development practitioners can up-skill in this way, i.e., meeting in-country demands as opposed to general aid agency priorities. This is why the Oxford Policy Fellowship, which is designed to offer demand-led and embedded solutions, has proven to be of immeasurable value to meeting development challenges in developing countries.

Ayo Aribidara

**OPF is a demand-led Fellowship Programme that works with governments to deliver legal capacity support and development.** We do this through Fellows, networks, and learning. We source high performing legal advisors to work within current government systems and processes for two years so that their work contributes to ongoing policymaking, rather than creating parallel structures for getting things done. By providing governments with key support that they themselves have defined and requested, we deliver sustainable and locally-owned development impact. We also host a network of government practitioners working at the interface of law and public policy, promoting a culture of knowledge sharing and learning across governments and the wider community.

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Or, email us: [info@policyfellowship.org](mailto:info@policyfellowship.org)

