OFFICE OF THE CLERK TO PARLIAMENT
29 MAR 2022
RECEIVED
P.O. BOX 7178, KAMPALA

OFFICE OF THE
LEADER OF THE OPPOSITION

ALTERNATIVE POLICY STATEMENT

TRADE, INDUSTRIES AND COOPERATIVES

FOR THE FY 2022/2023

PRESENTED BY

HON MWIJUKYE FRANCIS

SHADOW MINISTER FOR TRADE AND INDUSTRIES

AND HON ADEKE ANNA EBAJU

SHADOW MINISTER FOR COOPERATIVES AND MICROFINANCE

MARCH, 2022

Table of Contents

1.0 BACKGROUND TO ALTERNATIVE POLICY STATEMENT 4
1.1 Legal Provisions 4
1.2 Sector Overview 4
2.0 BUDGET ANALYSIS 5
2.1 Budget Allocation 5
3.0 EMERGING ISSUES AND ALTERNATIVES 8
3.1 Trade and Industry. 8
3.2 Cooperatives 13
4.0 CONCLUSION 17

LIST OF ACRONYMS AND ABBREVIATIONS

FY	Financial Year
GOU	Government of Uganda
LOP	The Leader of the Opposition
MFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Industry and Cooperatives
NBFP	National Budget Framework Paper
NDP-III	National Development Plan III
NTBs	National Tariff Barriers
PSFU	Private Sector Foundation Uganda
SACCOs	Savings and Credit Cooperatives
UCA	Uganda Cooperative Alliance
UDC	Uganda Development Cooperation
UEPB	Uganda Export Promotion Board

UGX	Uganda shillings
UIA	Uganda Investment Authority
UNBS	Uganda National Bureau of Standards
USD	United Slates Dollar

EXECUTIVE SUMMARY

Under Rule 147 in the Rules of Procedure, the Shadow Minister shall submit their Alternative Policy Statements to Parliament by the 29th of March every year. In light of the above legal frameworks, as Shadow Minister for Trade and Industry, and Shadow Minister for Cooperatives and Microfinance, we hereby present the Alternative Policy Statement for Trade, Industry and Cooperatives for FY 2022/23.

The Trade, Industry and Cooperatives sector is allocated UGX 78.274 billions as proposed budget for FY2022/23, which is a reduction of UGX 22.554 Billion in comparison to the budget allocation for FY 2021/22 which was UGX100.828 billion. Despite the overall theme NDP III being sustainable industrialization, government has been allocating less than 0.4% of the national budget to manufacturing since the start of the NDP III yet the programme is capital intensive. Under funding is a major challenge facing the programme, in addition below are other emerging issues and the proposed alternatives.

The non- alignment of some Trade and Investment agencies to MTIC must be corrected, UIA and FTZA be moved under MTIC to ease the formulation and implementation of trade related policies and regulations, coordination and supervision.

Limited capacities of Small and Medium Enterprises attributed to challenges faced by SMEs that include inadequate collateral to secure loans; information opaqueness; low level technical and management skills; lack of professionalism; competition; inability to afford long term financing and unreliable markets among others. We propose revision and implementation of an SME friendly policy to include reduced collateral requirements and cost of doing business, ensure proper information flow and protection of SMEs.

Due to Inadequate laws and policies to support and protect local traders and manufacturers, a competition law should be enacted to address unfair competition between traders and ring fence small scale businesses for local traders

Enact a comprehensive consumer protection law and empower UNBS to address counterfeit products and standardization to reduce the number of fake and harmful products on the market.

Limited development and mismanagement of Industrial parks, they don't have the necessary infrastructure to attract investors and allow production. UIA must be transferred to the Ministry in charge of trade and industries and investment in development of services and infrastructure to facilitate industrialization

Cross border trade conflicts such as export bans and insecurities, we propose MTIC should formulate a trade insurance policy for traders and empower farmers to add value to their produce

UDC governance and management issues, we propose formulation and implementation of a government investment policy.

War cooperatives victim's claims, these cooperative unions lodged in claims to government for compensation, however there is no publically approved criteria followed to verify claims yet some Cooperatives have been verified and paid. We propose the MTIC must publish the criteria for approving cooperatives war victim claims for transparency.

Inadequate cooperative officers and facilitation due to restructuring of government departments which left co-operatives with very few staff especially at local government level, there is need for recruitment of district cooperative officers and training commercial officers in cooperative management.

Inadequate knowledge and information about cooperatives on how to start and manage cooperatives in the public hence the need to strengthen cooperative institutions to offer specialized cooperative skills and trainings to cooperative leaders and members.

Inadequate legal and regulatory framework of cooperatives, the Cooperative Societies Act is inadequate on issues of governance, dispute settlement, offences and penalties, we therefore propose to amend the Cooperative Societies act to include provisions that address governance and dispute resolution.

1.0 BACKGROUND TO ALTERNATIVE POLICY STATEMENT

1.1 Legal Provisions

In line with section 6E (4) of the Administration of Parliament Act (2006 ,"The Leader of the Opposition shall study all policy statements of government with his or her shadow ministers and attend committee deliberations on policy issues and give their party's views and opinions and propose possible alternatives."

Under Rule 147 in the Rules of Procedure, the Shadow Minister shall submit their Alternative Policy Statements to Parliament by the 29th of March every year.

In light of the above legal frameworks, as Shadow Minister for Trade and Industry, and Shadow Minister for Cooperatives and Microfinance, we hereby present the Alternative Policy Statement for Trade, Industry and Cooperatives for FY 2022/23.

1.2 Sector Overview

The goal of the manufacturing programme is to increase the range and scale of locally manufactured products for import substitution and increased exports. This contributes to NDP III objective one which is to enhance value addition in key growth opportunities and the NDP III overall theme of Sustainable Industrialization for inclusive growth, employment and sustainable wealth creation.

However, despite the overall theme NDP III being sustainable industrialization, government has been allocating less than 0.4% of the national budget to manufacturing since the start of the NDP III yet the programme is capital intensive.

Government has on top of less funding, frustrated the sector by failing to align all MDAs that contribute to trade and industries under one ministry for proper service delivery, supervision and accountability. The programme is further frustrated by trade conflicts at key border points such as Rwanda, Kenya and South Sudan which is negatively affecting the Uganda's balance of trade. There is also a great challenge with certification and standardization of products by UNBS which has led to rise in the number of substandard, counterfeit and fake products on the market. These and many more challenges expounded in this alternative ministerial policy statement should be addressed as proposed in the alternatives to achieve the full potential of the programme.

2.0 BUDGET ANALYSIS

2.1 Budget Allocation

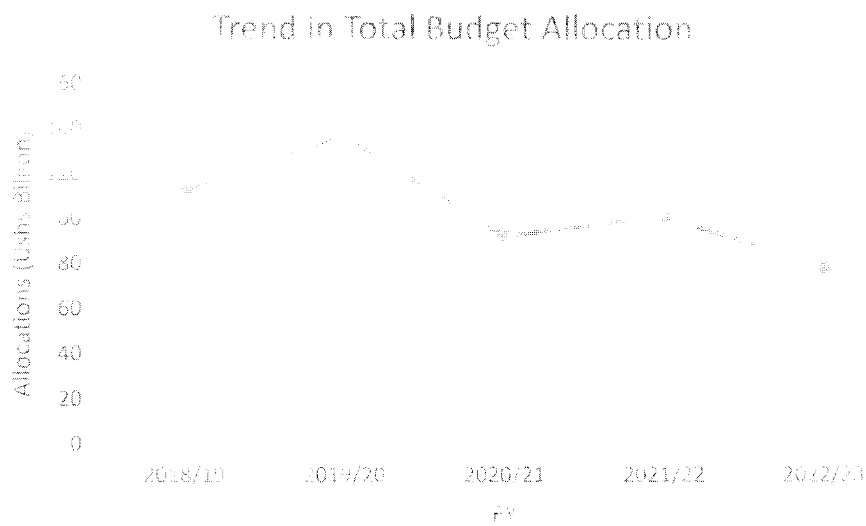
Table of showing budget allocations for FY 2018/19- FY 2022/23.

Ministry of Trade, Industry and Cooperatives

FY	2021/22	2022/23	Variance
wage	2.558	2.558	0
Non-wage	67.725	72.839	-5.114
Devt. GoU	14.784	2.055	12.729
Devt. Ext. Fin	10.397	0	10.397
GoU Total	10.397	77.452	-67.055
Grand Total	100.828	78.274	22.554

Source: Data from MoFPED and MPS for Ministry of Trade, Industry and Cooperation FY 2022/23

In the FY 2019/20, budget approved for the Ministry of Trade, Industry and Cooperatives increased from Ushs 112.366 billion in FY 2018/19 by 17.7% to Ushs 136.541billion and since then, it has been following a negative trend (see figure below) and it has come to the least value observed in the last 4 FYs of Ushs 78.274 billion proposed in the FY 2022/23.



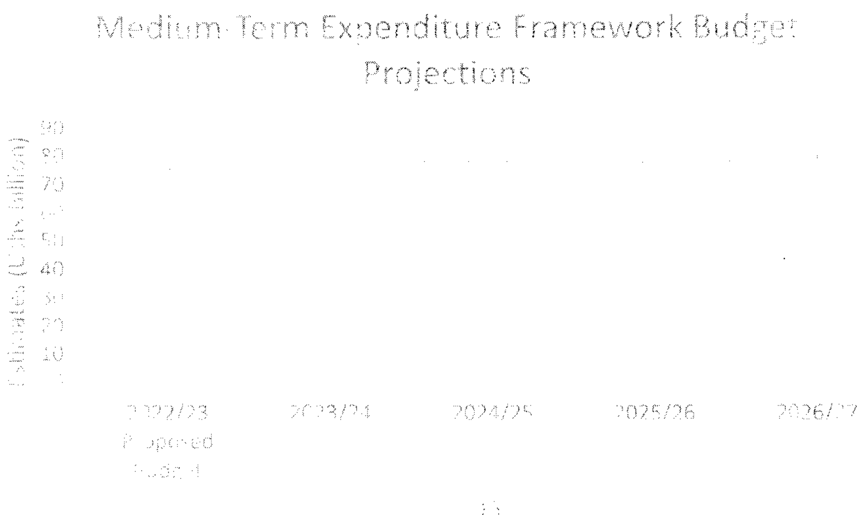
Considering the financial year 2021/22 budget execution for the vote performance report of the Ministry of Trade, Industry and Cooperatives, out of the approved Ushs 100.828 billion, Ushs 62.483 billion had been released by the end of the 2nd Quarter and Ushs 58.806 billion had been spent. This means that 62.0% had been released, 58.3% spent and 94.1% releases spent by the end of the second quarter.

Basing on the above budget execution, at the end of the 4th Quarter (at the end of the Financial Year), estimates of Ushs 117.612 billion will be spent creating a deficit of 16.784 billion something that will automatically lead to a Ministry to seek for supplementary budget to cover up the observed deficit. This mode of budgeting will then lead to bad practices in Budget execution as far as budget discipline is concerned.

So, due to such an observed budget cut in the proposed FY 2022/23, the Ministry must prepare for the worst in executing its mandate of formulating, reviewing and supporting policies, strategies, plans and programs that promote and ensure expansion and diversification of trade, cooperatives, environmentally sustainable industrialization, appropriate technology development and transfer to generate wealth for poverty eradication.

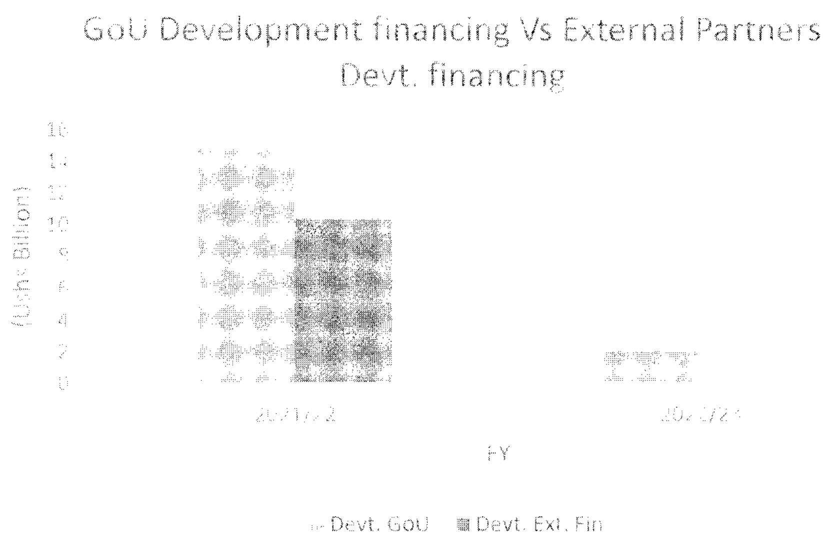
Medium-Term Expenditure Framework Budget Projections

As indicated in the challenges faced by the Ministry, inadequate Budgetary Provisions (MTEF), Budget cuts and shortfalls for the manufacturing programme hinders Programme Implementation Action Plans. In addition, this flat estimates for the next four financial years shows stranded growth of the sector and this gives no hope of getting away with the problem that the ministry of Trade, Industry and Cooperatives has been grappling with for some time.



Such challenges are therefore crosscutting across all other votes i.e., Uganda Export Promotion Board, Uganda National Bureau of Statistics and Local government with such high cost of funding for business growth.

Government should therefore take priority in funding developments of its own Ministry for the good of its people and lobby for external partners to extend development since zero financing from external partners have been noticed with Ushs 12.729 billion cut off from government side of financing developments to Ushs 2.055 billion in FY 2022/23. (See figure below)



3.0 EMERGING ISSUES AND ALTERNATIVES

3.1 Trade and Industry.

1. Failure to align all Trade and Investment agencies under one Ministry. Various agencies and institutions that regulate trade and investment are not aligned properly in the right Ministry. For example, the Free Trade Zones authority[1] and the Uganda investment authority[2] are supervised by the ministry of Finance. All these institutions would join synergies if they were under the same roof.

[1] Free Zones Act, 2014
[2] Uganda Investment Code Act, 2019

Alternative

Alignment of all trade and investment related agencies under one ministry. There is a need to align various trade and investment regulatory agencies such as free trade zone authority, the Uganda chamber of commerce, the Uganda investment authority, and Uganda Development cooperation under the ministry of trade, industry and cooperatives to ease the formulation and implementation of trade related policies and regulations. This will enable these agencies to combine synergies for better policy coordination and governance.

2. Limited capacities of Small and Medium Enterprises (SMEs). SMEs are the engine behind proliferation of economic growth in Uganda[3]. Scholars like Tusubira, & Nabeta (2013) explain that SMEs contribute 75% of GDP and constitute 90% of the private sector, improving standards of living and ensuring social and political stability[4]. SMEs are therefore responsible for entrepreneurial development, poverty alleviation and improved quality of life, resource mobilization, business adaptability and sustainability[5]. SMEs count for about 95% of the business establishment in Uganda, generate over 80% of the country's manufactured products and account for 42% of the total employment in the country[6].

However, over 50% of SMEs in Uganda close before they celebrate their first birth day. It is attributed to challenges faced by SMEs that include inadequate collateral to secure loans; information opaqueness; low level technical and management skills; lack of professionalism; competition; inability to afford long term financing and unreliable markets among others[7].

---

[3] Kisaame, J., Financing of SMEs, 2003

[4] Tusubira, N., F., & Nabeta, I., N,Income Tax Compliance among SMEs in Uganda: Taxpayers' Proficiencies Perspective, 2013.

[5] Tushabomwe, C.K, Small and Medium-Sized Enterprises in East Africa, 2010

[6] https://www.ugandainvest.go.ug/smes-driving-economy/, last accessed on 22nd March 2022.

[7] challenges faced by small and medium enterprises in raising finance in Uganda, Everest Turyahikayo, 2015

Alternative

Revision and implementation of an SME friendly policy to include reduced collateral requirements and cost of doing business, ensure proper information flow and protection of SMEs.

SMEs are also encouraged to develop social capital through networks, improvement of management skills and utilize alternative sources of finance available to SMEs that include; investment into capital markets, long term financing, leasing and franchising.

3. Inadequate laws and policies to support and protect local traders and manufacturers. There is an increase of retail foreign traders and small scale manufacturers around the country that have exposed Ugandan local traders' and manufacturers' to vulnerability and unfair competition due to weak regulations and liberalization policy.

Furthermore, Government laws and policies empower foreign investors at the cost of local investors, for example the qualifications of incentives according to clause 12 of the investment Code Act disqualifies most local traders and manufactures to access government incentives.

In 2017 the Ministry of Trade in a bid to promote local manufacturing and trading launched Buy Uganda Build Uganda (BUBU) policy to ensure utilization of local raw materials in manufacturing process and consumption of local produced products[8]. However, since BUBU is not backed by a serious regulation and law, the population in Uganda has continued to import goods even when local goods are of high quality than what they are importing.

[8] MTIC, BUY UGANDA BUILD UGANDA POLICY, 2014.

Alternatives

Create a competition law to address unfair competition between traders and ring fence small scale businesses for local traders.

Amend clause 12 of the investment code act to make and include provisions that enable local investors or traders qualify to get incentives.

4. Counterfeit products and standardization. The certification of all products produced in the country was made mandatory effective July 2018, and a statutory instrument to effect it was issued. However, UNBS has failed at its mandate of protecting consumers from substandard and counterfeit products given the high quantity of counterfeit products on the market. We also note with concern that UNBS is understaffed to be able to exercise its mandate.

Alternative

Formulate and pass a comprehensive consumer protection law. Presently there are a number of legislations that have provisions for consumer protection however, they don't address all consumer rights abuses hence the need of a consumer protection bill that comprehensively covers consumer protection. The law must be clear on how to address the

- Protection of consumers from unfair and deceptive trade practices by producers and suppliers.
- Promotion and enforcement of consumer rights
- Prevention unfair contracts
- Compensation of consumers

5. Limited development and mismanagement of Industrial parks. The UIA which is mandated to oversee industrial parks is supervised by the MFPED instead of MTIC which is in charge of industries, this has brought about management, supervision and coordination challenges which have stilled development and completion of the parks.

Furthermore, the parks don't have the necessary infrastructure such roads, reliable electricity and water to attract investors and allow production. This has turned the parks into assembling instead of manufacturing plants, falling short of their intended purpose.

Alternative

UIA must be transferred to the Ministry in charge of trade and industries for proper planning, coordination, supervision and management.

Development of industrial parks was identified as a key priority of the Budget for FY 2022/23 but has remained unfunded under priority areas. Investment in development of services and infrastructure to facilitate industrialization will attract investors and enable production.

6. Cross border trade conflicts. Currently there are trade conflicts between Uganda and some of her neighbors such as Rwanda, Kenya and South Sudan. This is one of the reason behind poor balance of trade of the country. There was a maize and sugarcane ban on top of dairy products imports from Uganda which led to loss of market for the commodities[9]. The borders of Rwanda were closed to Uganda hence no trade going between Uganda and Rwanda, however even with the reopened borders, trade is still restricted. In addition, the insecurity in DRC and South Sudan is unfavorable for trade.

Alternative

MTIC should formulate a trade insurance policy for traders especially those involved in cross border trade. This will protect the traders from huge losses and encourage more investment.

---

[9] PSFU, Trade and commerce sector proposals, 2022

Empower farmers to add value to their produce to attract better markets and higher prices.

7. UDC governance and management issues. The government investment and business arm which is mandated to facilitate the industrial and economic development of the Country is crippled with governance and management challenges that have caused the country enormous losses. For more than a Year UDC didn't have a functional board and all decisions were made by the Executive Director without supervision and accountability. In addition there is no government investment policy upon which UDC premises its decisions to invest, a reason most of the investments cannot be justified and operating below breakeven point despite huge government investments. Most of the joint ventures were abandoned by other partners for only government to do more investments.

Alternative

Formulation and implementation of a government investment policy to guide the operations of UDC, this will reduces on losses government makes in investing in unclear ventures.

3.2 Cooperatives

1. War cooperatives victim's claims. During the 1978-79 and 1981-86 wars, a number of cooperative unions lost their productive assets in form of stocks, vehicles, factories and buildings vandalized or destroyed or livestock taken. The properties were looted and at times the soldiers demanded for them promising to bring them back but to no avail. These cooperative unions lodged in claims to government for compensation, however there is no publically approved criteria followed to verify claims yet some Cooperatives have been verified and paid. This has dented the image of cooperative movement creating difficulty to attract new and energetic members to the co-operative movement[10].

[10] MTIC, National cooperatives' policy, 2011.

Alternative

The MTIC must publish the criteria for approving cooperatives war victim claims for transparency and MFPED must budget for payments instead of always seeking for supplementary budgets for a foreseen issue. This will revive the affected cooperatives and give hope to the new ones.

2. Inadequate cooperative officers and facilitation. Due to restructuring of government departments which left co-operatives with very few staff especially at local government level, there is inadequate human resources, in terms of numerical strength, skills and experience, this is one of the major weaknesses facing the cooperative movement[11]. There are few cooperative officers to support and guide upcoming cooperatives, most district local governments use commercial officers that not trained in cooperative management and not well facilitated to support cooperatives in the district. This was witnessed during the Emyooga programme where we saw even RDCs mobilizing and organizing cooperatives with no or very little knowledge of cooperative management, no wonder the failure of the programme.

Alternative

Recruitment of district cooperative officers and training commercial officers in cooperative management. There is need of officers with expertise in cooperative management to mobilize and organize masses into cooperatives and revive the fallen cooperative movement. In the meantime all commercial officers must be trained in cooperative management and facilitated to do their work.

3. Inadequate knowledge and information about cooperatives. There is a wide deficiency of knowledge and information on how to start and manage cooperatives in the public, this is attributed to the low numbers of cooperative professionals. Limited knowledge and information on the formation of co-

[11] ibid.

operatives, leadership and governance, markets, supply sources and cost analysis, capitalizing the co-operative, member investment, sources of debt capital and conduct of member meetings leads to member exploitation, low patronage and poor accountability[12]. Most cooperative leaders run them as associations and don't fully practice and potential of cooperatives.

Alternative

Strengthen cooperative institutions. The Uganda Co-operative Colleges of Kigumba and Tororo must be empowered to offer specialized cooperative skills and trainings to cooperative leaders and members. They must add degree courses to match the ever changing global cooperative business on top of the certificates and diplomas being offered so that cooperatives can hire qualified persons to manage the cooperatives. Cooperative education, in particular, is vital for cultivating a cooperative spirit, building internal organizational values, entrepreneurship, strong corporate governance (leadership and management) that are critical for survival of cooperative enterprises[13].

4. Inadequate legal and regulatory framework of cooperatives. The Cooperative Societies Act is inadequate on issues of governance, dispute settlement, offences and penalties[14] yet most of the problems faced by cooperatives arise due to bad governance and poor leadership[15]. This makes it difficult to rely on cooperatives as safe vehicles for Social Economic Transformation in Uganda.

Furthermore the National Cooperatives policy 2011, has tended to favor promotion of financial services over producer and marketing cooperatives, more than three quarters of the strategy is about SACCOs and the others are more or less added as an afterthought[16]. This may be the reason why registration of

---

[12] ibid.

[13] NPA, Strengthening of Cooperatives for Social Economic Transformation in Uganda, 2018.

[14] Action Aid, The cooperative movement and the challenge of development, 2013.

[15] MTIC, National cooperatives' policy, 2011

[16] Action Aid, The cooperative movement and the challenge of development, 2013.

cooperatives was transferred to Uganda microfinance regulatory authority which reduces the image and role of cooperatives to mere microfinance establishments

Alternative

Amend the Cooperative Societies act to include provisions that address governance and dispute resolution. This will increase the public's trust and hope to form and join cooperatives.

Amend the Tier Four Microfinance and Money Lenders Act 2016 to remove any kind of cooperatives from the management and regulation of Uganda microfinance regulatory authority to the registrar of cooperatives. This will improve on supervision and management of cooperatives making them more efficient.

The policy should promote producer, labor, market and service cooperatives by providing a strategy on how to revive and form them since they speak directly to the public demands especially agricultural production, storage and marketing, health and education services and labor issues.

5. State initiation and domination of cooperatives. The National Cooperatives policy of 2011 violates the principle that cooperatives are voluntary associations that are member initiated. Its language reveals state doing it for co-operators, at best amounts to control and at worst ownership that would make cooperatives state institutions, with the attendant problems[17] and not address critical problems facing cooperatives such as embezzlement of funds of the cooperatives by technocrats and any other manipulators, political interference and state "parastatalization". This has been witnessed in various cooperatives such as the Wamala union cooperative.

Furthermore, majority of the cooperatives whose formation is motivated by handouts from Government and Development partners succeed only to the

---

[17] ibid

extent when these handouts are in place and thereafter collapse[18] because they are not initiated by the members.

Alternative

The Cooperative Societies act should be amended to provide for protection of cooperatives from state interference. This will limit political interference, encourage participation from all groups of people and enable beneficiary cooperatives retain their autonomy.

The policy should ensure organic bottom up formation of cooperatives that are voluntary, democratic with a shared purpose, creates social cohesion and mutual trust that are necessary for the sustainability of cooperatives. Formation of cooperatives should not be incentivized by handouts from the government or development partners.

4.0 CONCLUSION.

The Trade, Industry and Cooperatives sector is one with high potential of delivering Uganda to the middle income status if it's MDAs, policies and budgets are aligned to NDPIII. In line with achieving middle income status, we propose the implementation of the alternatives in here.

We beg to submit.

[18] NPA, Strengthening of Cooperatives for Social Economic Transformation in Uganda, 2018.