

DOMESTIC TRADE AND THE BUSINESS ENVIRONMENT IN UGANDA



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**RESEARCH
SERIES
NO. 159
May 2022**

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ABSTRACT

This study examines the status and trends of domestic trade in Uganda. Notably, the paper explores the performance of domestic trade — its contribution to GDP, revenues and employment and critically reviews the existing institutional operating environment to support domestic trade in Uganda. We analyse the Uganda National Household Surveys and examine the existing policy environment. The results indicate that domestic trade contributes significantly to economic growth, employment creation and domestic revenues. Relatedly, the government has established a supportive institutional environment. However, significant challenges remain, such as limited prioritisation of domestic trade in planning frameworks, inadequate funding, limited enforcement of standards and insufficient coordination of efforts by state and non-state institutions. To foster domestic trade, the government should further capitalise the Uganda Development Corporation (UDC), increase awareness of the need for standardisation, streamline the mandates and coordinate domestic trade-related activities to overcome institutional challenges. Also, there is an urgent need to fast-track the creation of a tracking system for the digital markets—as laid out in the National Trade Policy and the National Development Plans.

Keywords: Domestic trade, Institutions, Employment and GDP

ACRONYMS

BUBU	Buy Uganda Build Uganda
DCOs	District Commercial Officers
COBE	Census of Business Establishments
COVID-19	Coronavirus disease 2019
GDP	Gross Domestic Product
ISCO	International Standard Classification of Occupations
ISIC	International Standard Industrial Classification
KACITA	Kampala City Traders Association
LG	Local Government
MATIP	Markets and Agriculture Trade Improvement Project
MDAs	Ministries, Departments and Agencies
MTIC	Ministry of Trade, Industry and Cooperatives
NDP	National Development Plan
PSFU	Private Sector Foundation Uganda
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UGX	Uganda Shillings
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNHS	Uganda National Household Survey
UNIDO	United Nations Industrial Development Organization
URA	Uganda Revenue Authority
USD	United States Dollar
USSIA	Uganda Small Scale Industries Association

1. INTRODUCTION

Global export trade has grown tremendously from about USD 61.8 billion in 1950 to USD 19.5 trillion in 2019 (Statistica Research Department, 2021).¹ Despite possessing a big domestic market in Africa, the continent contributes about 2.6 per cent of the world's external trade through exports (UNCTAD, 2019).² In Uganda, they placed much emphasis on promoting external trade and less on domestic trade. Specifically, regarding external trade, total export earnings (formal and informal) increased by 4.7 percent from USD 4,095 million in 2019 to 4,287 million in 2020, while the total imports (formal and informal) increased by 6.6 percent from USD 7,753 million in 2019 to 8,268 million in 2020 (UBOS, 2021). The annual trade deficit also increased by 8.8 percent to USD 3,981 million in 2020 from USD 3,658 million in 2019 (UBOS, 2021). Overall, the decline³ in external trade performance is partly explained by the slowdown in economic activity, disruptions in global value chains and the stringent domestic, regional and global containment measures because of the coronavirus disease 2019 (COVID-19).

Domestic trade (wholesale and retail) has received limited attention in Uganda's policy discourse.⁴ Over 70 percent of Ugandans live in rural areas, with most operating farm/agricultural enterprises on less than four (4) acres. Therefore, most people produce their food and buy clothing for primary use with minimal dependence on commercial outlets (e.g. supermarkets, big departmental stores, restaurants and hotels). The majority buy necessities from small village shops (retail), given their little income. Even with urbanisation, few growing urban populations still demand high-quality commercial goods produced locally. This is because of the continued importance that the government has placed on imported goods and the export of high-quality goods with limited attention placed on domestically

traded goods, even with the Buy Uganda Build Uganda Policy in place. The poor state of internal transportation and storage systems has continued to be a barrier to the development of domestic trade in Uganda, especially trade in agricultural commodities that are highly perishable.

With a GDP per capita income of only USD 954 per annum in 2020/21 (UBOS, 2021), it partly brings to light that Uganda has a poorly developed domestic trade sector, which needs to be examined. However, the government has recently acknowledged the importance of promoting domestic manufacturing to reduce the trade deficit and meet the needs of the growing population, especially the demand of an ever-increasing urbanised class (receiving above-average government salaries). In other words, there is now recognition for supporting domestic trade, given the development of new regional internal markets and industrial parks (NPA, 2020). The government's resuscitation of cooperatives to facilitate production and domestic exchange is a key policy move as it has for long spent much of its limited investments in promoting Foreign Direct Investments more than directly facilitating domestic trade. To raise Uganda's per capita national income and steer the country to sustainable middle income status, the relative importance of employment in domestic trade at a tertiary level is crucial.

This study examines the status and trends of domestic trade in Uganda. Notably, the paper explores the performance of domestic trade, its contribution to gross domestic product (GDP), domestic revenues and employment (formal and informal). In addition, the paper critically reviews the institutional operating environment –from policies, laws, regulations, stakeholders and programmes that promote or support domestic trade growth in Uganda.

The study aims to understand the nature of domestic trade in such a low-income country. We answer the following questions. What is the contribution of domestic trade to GDP, revenue and employment? Which peculiar problems do the wholesalers and retailers face, and is the domestic institutional environment supportive of domestic trade activities? To answer these questions, we use data from various Uganda National Bureau

1 <https://www.statista.com/statistics/264682/worldwide-export-volume-in-the-trade-since-1950/>

2 UNCTAD (2019). Key Statistics and Trends in Regional Trade in Africa. UNCTAD

3 Total export earnings (formal and informal) increased by 12.7 percent to USD 4,095.7 million in 2019 from USD 3,633.9 million in 2018. The total imports (formal and informal) increased by 14.2 percent to USD 7,753.8 million in 2019 from USD 6,789.4 million in 2018. The annual trade deficit increased to USD 3,658.1 million in 2019 from USD 3,155.5 million in 2018 (UBOS, 2020).

4 Data on domestic trade is mainly captured through the System of National Accounts under the broader services sector with "trade and repairs" – a sub-activity recorded and activities aggregated at International Standard Industrial Classification (ISIC) 4-digit level.

of Statistics (UBOS) Statistical Abstracts, Uganda National Household Surveys (UNHSs) and the Uganda Revenue Authority (URA). Most data are from the same source, ensuring consistency in methodological data collection. In addition, we review relevant government and policy documents on the subject.

2. DATA

Different data sources were used to answer the study’s research questions while highlighting their limitations. For consistency, when identifying economic activities in domestic trade categories, this study utilises the International Standard Industrial Classification of all economic activities level 4 codes in all UBOS data sets. Occupations were categorised using the International Standard Classification of Occupations (ISCO) Level 1, which divides jobs into ten (10) major groups,⁵ classified by skills level and specialisation to perform tasks and duties of the occupations that cascade from Level 4, “occupations titles,” Level 3, “occupations class,” Level 2, “occupations category,” and Level 1 “occupation group.”

Using ISIC at 4-digit categorisation, domestic trade has been broken down into three broad categories, (i)

⁵ These are managers, professionals, technicians and associate professionals, clerical support workers, skilled agricultural, forestry and fishery workers, craft and related trades workers, plant and machine operators and assemblers, elementary occupations, and armed forces occupations.

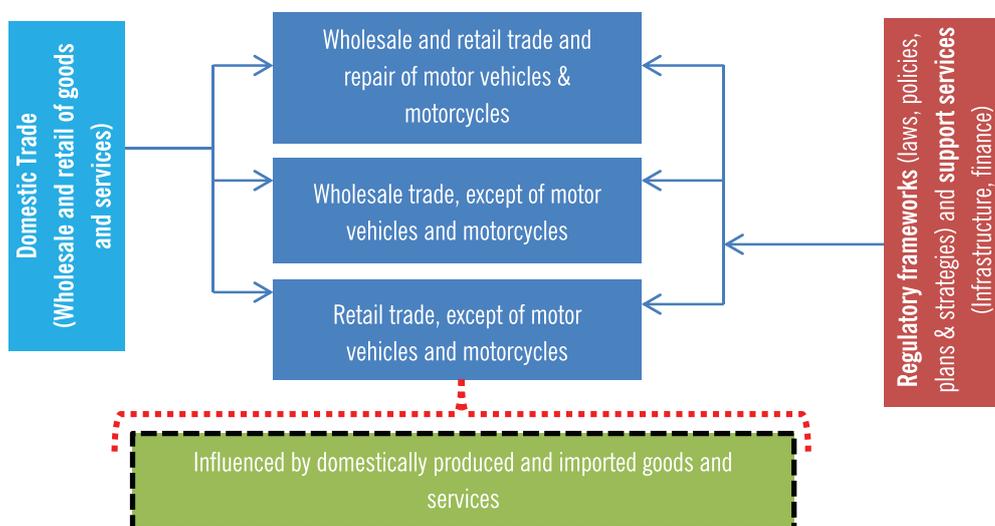
wholesale and retail trade and repair of motor vehicles & motorcycles; (ii) wholesale trade, except motor vehicles and motorcycles and (iii) retail trade, except motor vehicles and motorcycles. All these combined are reported as “trade and repairs” in UBOS’ annual Statistical Abstracts but can be constructed in the UNHSs.

The study largely relies on four rounds of the Uganda National Household Surveys (UNHS), i.e. the UNHS 2012/13, 2016/17 and 2019/20 data sets—especially the labour module — for information on domestic trade employment and skills. In addition to the UNHS survey, the study used administrative data from the Uganda Revenue Authority (URA) and reported it in the national statistical abstracts. For consistency, we used the same data sources as much as possible to reduce bias in the analysis.

3. CATEGORISATION OF DOMESTIC TRADE: AN ANALYTICAL FRAMEWORK

The study’s analytical framework for domestic trade is presented in Figure 1. The framework is grounded in a perspective that considers how the goods and services traded internally interact with the enabling environment

Figure 1 Analytical framework for domestic trade in Uganda



Source: Survey on standards (2021).

Notes:

1/3. Wholesale and retail trade and repair of motor vehicles and motorcycles comprise Sale of motor vehicles; Maintenance and repair of motor vehicles, sale of motor vehicles and accessories; and Sale, maintenance and repair of motorcycles and related parts and accessories

2/3. Wholesale trade, except for motor vehicles and motorcycles, comprises Wholesale on a fee or contract basis; Wholesale of agricultural raw materials and live animals; Wholesale of food, beverages and tobacco; Wholesale of household goods; Wholesale of machinery, equipment and supplies; Wholesale of machinery, equipment and supplies; Other specialised wholesale and Non-specialised wholesale.

3/3. Retail trade, except for motor vehicles and motorcycles, comprises Retail sale in non-specialised stores; Retail sale of food, beverages and tobacco in specialised stores; Retail sale of automotive fuel in specialised stores; Retail sale of information and communication equipment in specialised stores; Retail sale of other household equipment in specialised stores; Retail sale of cultural and recreation goods in specialised stores; Retail sale of other goods in specialised stores; Retail sale via stalls and markets; and Retail trade not in stores, stalls or markets

Source: Authors' construct 2021

(laws, policies, plans and strategies, institutions and support services). Also, the domestic goods and services traded are sourced either domestically or imported (Figure 1).

In this study, we define domestic trade as the exchange of domestic goods within the boundaries of Uganda, following widely known definitions. As categorised in Figure 1, this may be sub-divided into two categories, wholesale⁶ and retail trade.⁷

4. DOMESTIC TRADE'S CONTRIBUTION TO GROWTH, REVENUE AND EMPLOYMENT

4.1 How much is domestic trade contributing to GDP?

Uganda's growth, measured by GDP at constant market prices, has been volatile since 2009/10. While an average growth rate of 5.0 percent over the past 12 years is reasonable, this has not been steady. For instance, in 2010/11, Uganda had the highest GDP growth rate of 9.4 percent, but this declined almost threefold in 2011/12 to 3.8 percent. In 2017/18 and 2018/19, there was a recovery in which the economy grew by 6.4 percent in the latter year (Table 1).

Growth has mainly been driven by services that are also largely hinged on the performance of domestic trade activities defined as "Trade and Repairs". Support services to domestic trade, especially on transport and storage, partly contributed to the poor performance of domestic trade and the general services sector in 2019/20 and 2020/21. This is because domestic trade, transportation, and storage activities were severely affected by the COVID-19 pandemic-induced containment measures associated with total and partial lockdowns of the Ugandan economy in 2020 and 2021. This resulted in the poor performance of GDP growth at 3.0 percent (2019/20) and 3.4 percent (2020/21), down from 6.4 (2018/2019).

Specifically, domestic trade declined by 1.3 percent (2019/20) and 0.7 percent (2020/21) compared to an increase of 4.9 percent in 2018/19. For instance, according to UBOS (2020), the decline was because of losses registered in wholesale (3.5 percent) and the sale and repairs of motor vehicles (9.5 percent), which, when combined, contribute more than half to the domestic trade subsector while retail trade maintained a growth of 4.0 percent in 2019/20 (UBOS, 2020).

Transport and storage activities declined by 1.7 percent (2019/20) and 0.3 percent (2020/21) compared to an increase of 0.8 percent recorded in 2018/19, given the travel restrictions (e.g. road blocks in most areas) that limited the movement of internal goods and services. Only agricultural goods trucks were mainly allowed to travel.

6 Wholesale trade is concerned with buying goods from manufacturers or dealers or producers in large quantities and selling them in smaller quantities to others who may be retailers or even consumers. Wholesale merchants or commission agents undertake wholesale trade.

7 Retail trade is concerned with selling goods in small quantities to consumers. This type of trade is taken care of by retailers. In actual practice, however, manufacturers and wholesalers may also undertake retail distribution of goods to bypass the intermediary retailer, by which they earn higher profits.

Table 1 Contribution of domestic trade to GDP at constant 2016/17 prices (UGX Billion): 2009/10 2020/21

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<i>Panel A: in UGX Billion</i>												
GDP at market prices	76,626	83,822	87,039	90,161	94,765	99,681	104,536	108,518	115,359	122,787	126,410	130,683
o/w Services	32,226	35,999	37,456	39,491	41,632	43,633	46,441	47,182	51,200	54,189	55,546	57,070
o/w Trade and Repairs	8,425	9,222	9,286	9,545	9,361	9,654	9,956	9,832	10,567	11,089	10,945	10,869
o/w Transport and Storage	2,340	2,562	2,761	2,896	3,071	3,273	3,538	3,621	4,028	4,062	3,993	3,979
<i>Panel B: % change</i>												
GDP at market prices	5.6	9.4	3.8	3.6	5.1	5.2	4.8	3.1	6.3	6.4	3.0	3.4
o/w Services	7.0	11.7	4.0	5.4	5.4	4.8	6.2	0.1	8.5	5.8	2.5	2.7
o/w Trade and Repairs	1.6	9.5	0.8	2.7	-1.8	3.2	3.5	-1.3	7.5	4.9	-1.3	-0.7
o/w Transport and Storage	8.6	9.5	7.8	4.9	6.1	6.6	8.2	2.3	11.3	0.8	-1.7	-0.3

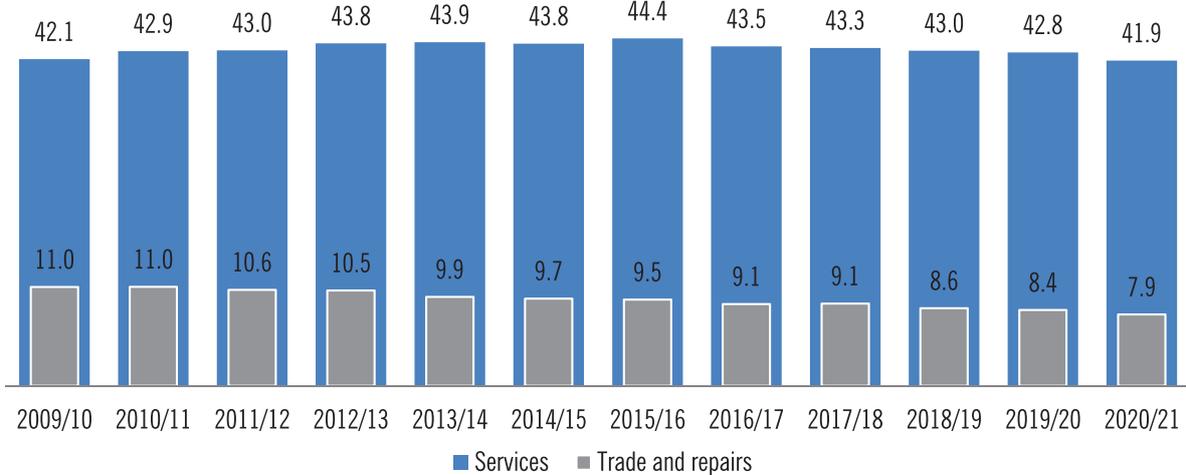
Notes: 1/3. Domestic trade here is represented by "Trade and Repairs."

2/3. Transport and storage are included because it's critical in facilitating goods and services movements within and across borders.

3/3. GDP categorisation was at ISIC "G" 4-digit categorisation for trade and repairs and "H" for transport and storage.

Source: Authors' construct using UBOS various statistical abstracts.

Figure 2 Services and domestic trade % contribution to GDP at constant 2016/17 prices: 2009/10-2020/21



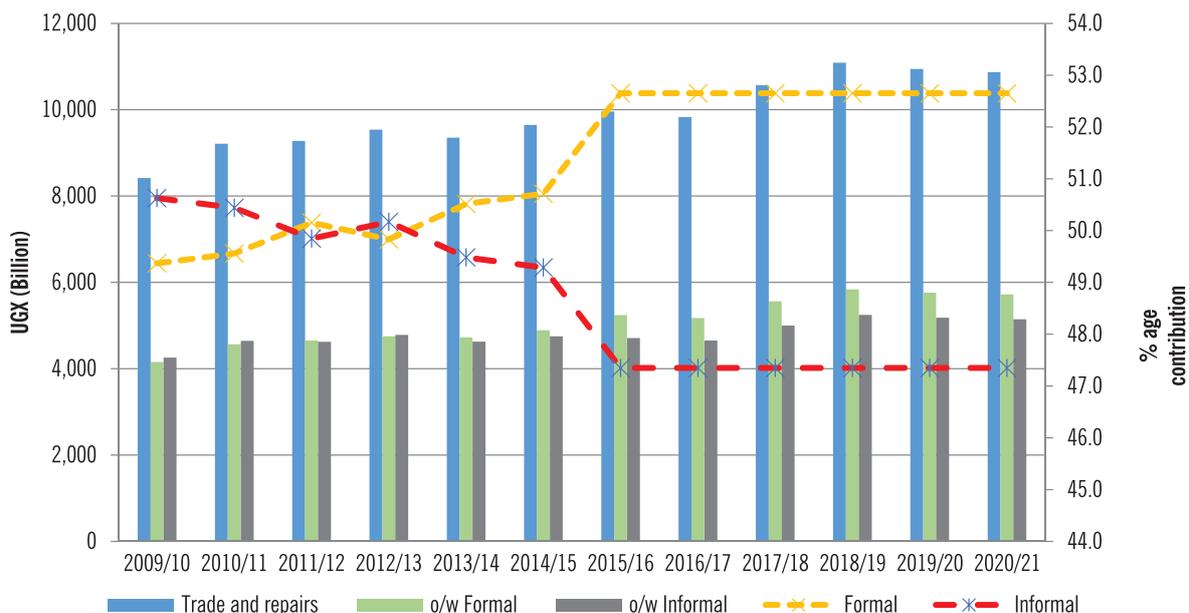
Notes: 1/2. Domestic trade here is represented by “Trade and Repairs.”
2/2. GDP categorisation was at ISIC “G” 4-digit categorisation for Trade and Repairs.

Source: Authors’ construct using UBOS various statistical abstracts

Figure 2 shows the contribution of domestic trade to GDP and the services sector. The services sector has been the highest contributor to GDP, with an average contribution of 43.2 percent between 2009/10 and 2019/20. Domestic trade has contributed about 9.6 percent to services and GDP. In other words, the significant importance of domestic trade in Uganda’s GDP share cannot be underestimated.

However, one key question remains “which specific domestic trade activity- informal or formal - contributes more to domestic trade and hence services and GDP? Figure 3 highlights this and shows the share of formal and informal activities in domestic trade. Two key insights can be noted. First, the value of domestic trade has increased steadily since 2009/10. Second, while informal trade and repair activities contributed more

Figure 3 Formal and informal sector contribution to domestic trade at constant 2016/17 prices: 2009/10 - 2020/21 (UGX Billion)



Notes: 1/2. Domestic trade here is represented by “Trade and Repairs.”
2/2. GDP categorisation was at ISIC “G” 4-digit categorisation for Trade and Repairs.

Source: Authors’ construct using UBOS various statistical abstracts

to domestic trade since 2009/10, there is an observed reversal of this which has continued to widen since 2012/13. That is, formal activities contributed about 52.7 percent to domestic trade compared to the 47.3 percentage share from informal activities. This is good and partly alludes to the fact that more domestic trade activities are increasingly formalising their businesses.

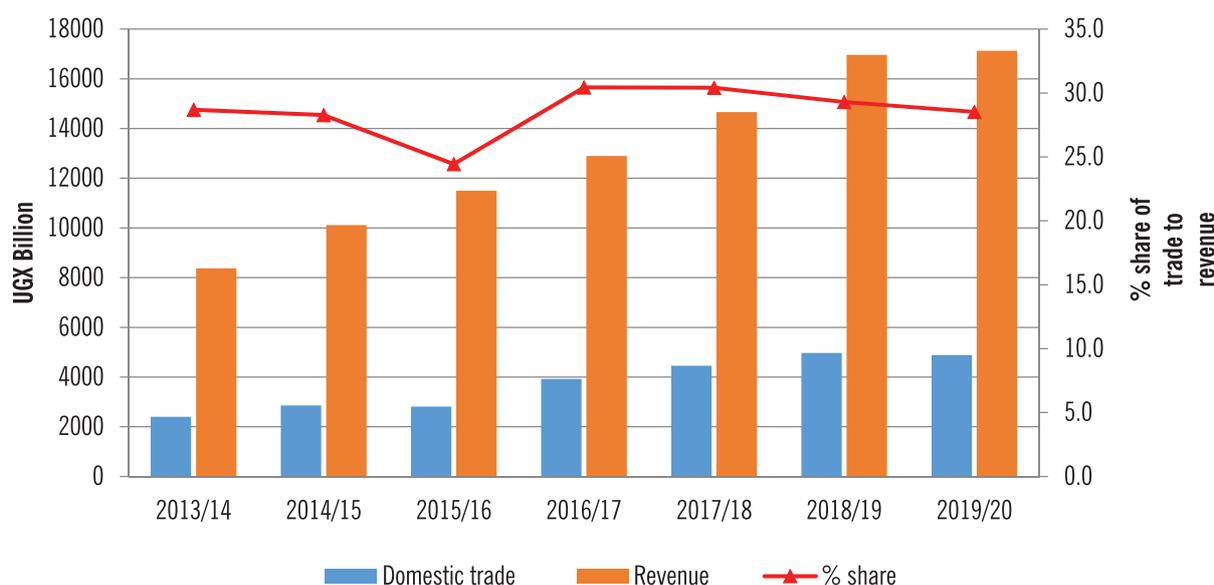
4.2 Domestic trade's contribution to revenue generation

Over time, domestic trade has contributed significantly to overall revenue generation efforts by the government. Besides, Figure 4 highlights that domestic trade has been among Uganda's leading contributors to revenue generation despite its decline in recent years in share terms. For instance, revenues from domestic trade activities increased from UGX 2,402 billion in 2013/14

to UGX 4,885 billion in 2019/20, while total revenues have increased from UGX 8,373 billion to UGX 17,126 billion over the same period.

The share of domestic trade to domestic revenues marginally increased from 28.7 percent in 2013/14 and peaked at 30.4 percent in 2016/17 and 2018/19 before declining to 28.5 percent in 2019/20. This recent decline in the share is partly attributed to the decrease in trade-related activities due to the COVID-19 pandemic and the associated containment measures that curtailed business activities. Relatedly, domestic trade revenues have grown at an average of 13.4 percent between 2013/14 and 2019/20, peaking at 39.7 percent in 2016/17, while a decline of 1.7 percent was observed in 2019/20, due to the already reasons mentioned above pertaining to COVID-19.

Figure 4 Contribution of domestic trade to revenue (UGX billion and share)



Source: Authors' construct using data from URA's Revenue Performance Report

Notably, the growth in revenues from domestic trade activities is largely driven by the increase in the number of businesses, especially wholesale enterprises. Table 2 provides the detailed contribution of specific domestic trade activities to revenues. Wholesale enterprises have the most significant contribution to domestic trade revenues. For instance, on average, between 2013/14 and 2016/17, wholesale trade contributed about 63 percent, retail trade about 31 percent and repairs of motor vehicles and motorcycles about 6 percent. This is because wholesale trade businesses sell goods in large quantities and are more compliant in paying taxes

Table 2 Revenues of Uganda's wholesale and retail trade (UGX millions, current values).

	2013/14	2014/15	2015/16	2016/17
Domestic trade sector				
Wholesale and retail trade and repair of motor vehicles and motorcycles	1,493,528	1,890,335	2,145,874	1,709,111
Sale of motor vehicles	932,599	1,267,530	1,257,451	948,481
Maintenance and repair of motor vehicles	70,022	84,304	100,421	85,396
Sale of motor vehicle parts and accessories	266,930	291,017	309,118	317,440
Sale, maintenance and repair of motorcycles and related parts and accessories	223,977	247,484	478,884	357,794
Wholesale trade, except of motor vehicles and motorcycles	15,185,581	18,187,380	16,944,819	24,329,635
Wholesale on a fee or contract basis	764,180	668,938	641,256	485,138
Wholesale of agricultural raw materials and live animals	474,856	684,268	802,303	904,433
Wholesale of food, beverages and tobacco	2,335,941	2,739,102	2,479,178	2,642,085
Wholesale of household goods	120,749	153,454	237,193	764,929
Wholesale of machinery, equipment and supplies	2,641,858	2,946,871	1,604,513	8,370,971
Other specialized wholesale	6,081,106	7,826,055	7,756,965	7,897,522
Non-specialized wholesale trade	2,766,891	3,168,692	3,423,411	3,264,557
Retail trade, except of motor vehicles and motorcycles	7,341,732	8,508,722	8,988,040	11,519,340
Retail sale in non-specialized stores	167,821	196,227	228,431	244,673
Retail sale of food, beverages and tobacco in specialized stores	981,338	1,040,237	1,769,084	1,470,588
Retail sale of automotive fuel in specialized stores	3,449,739	3,835,512	3,809,803	3,216,133
Retail sale of information and communications equipment in specialized stores	263,456	157,428	111,121	102,422
Retail sale of other household equipment in specialized stores	585,175	1,157,335	685,909	4,163,608
Retail sale of cultural and recreation goods in specialized stores	280,552	328,617	359,756	333,433
Retail sale of other goods in specialized stores	1,592,449	1,784,283	2,009,844	1,976,152
Retail sale via stalls and markets	16,930	4,067	2,856	7,089
Retail trade not in stores, stalls or markets	4,272	5,016	11,236	5,242
Total	24,020,842	28,586,434	28,078,733	37,558,086

Notes: Based on CIT declarations. Identification of sub-sectors through the ISIC codes revision 4: https://unstats.un.org/unsd/publication/seriesM/seriesM_4rev/4e.pdf.

1/3 Data: These are from CIT returns, which provide figures on the firm's declared revenues, costs etc. We used the revenue numbers' reported total sales/gross receipts of firms. These values are not deflated but presented in current million UGX.

2/3 Definition of domestic "trade": We define wholesale/retail sale as ISIC 4510 – 4799 (i.e. section "G" of the revised version four of the ISIC). We split the total for the sector up by the various sub-sectors.

3/3 Time frames: Firms normally submit these declarations for the financial years July 1st – June 30th. For a small number of cases, firms submit their declarations for calendar years. For those cases, we always counted the declaration to belong to the preceding financial year. E.g. a firm submits a declaration covering 1st January – 31st December 2017. Then we included that declaration under the financial year 2016 – 17, i.e. the period from July 1st 2016 – June 30th 2017.

Source: URA, 2018

The key takeaways from this subsection are that GDP growth is highly driven by services which are turn are driven by domestic trade activities from the formal sector. In addition, domestic trade “*trade and repairs*” are highly susceptible to global and national actions, such as lockdowns. Domestic trade is also highly hinged on the international trade of imported goods. So globalisation has influenced Uganda’s domestic trade. More so, the contribution of domestic trade to revenue generation, though still ranked among the highest, has been declining recently.

4.3 Domestic trade as an avenue for employment creation

This subsection shows the contribution of domestic trade to employment creation. Notably, after the agriculture sector, the largest percentage of the working Ugandans are employed in the domestic trade sector. Using the UNHS for 2013/13, 2016/17 and 2019/20 and categorising domestic trade at three broad sector levels by ISIC, the discussion looks at the distribution of employment by participation (formal and informal), gender (sex distribution), lifecycle (with emphasis on youth) and the skill set composition.

4.3.1 Patterns of employment in domestic trade

Table 3 provides a subsector breakdown of employment in domestic trade activities between 2012/13 and 2019/20. For the working-age group (14-64 years), *retail trade, except motor vehicles and motorcycle activities*, has the highest employment share (about 93 percent on average). Still, the lowest annual employment growth rate of 2.8 percent compared to other domestic trade sectors. Wholesale and retail trade and repair of more vehicles and motorcycles had an annual employment growth of 8.1 percent, and *wholesale trade, except for motor vehicles and motorcycles*, had a growth rate of 9.0 percent.

The high employment mainly drove the high employment share in retail trade activities (retail sale of automotive fuel in specialised stores activities), which employed over 56 percent of persons in retail trade, on average. Notably, this subsector employed 1.6 million people in 2012/13, and this increased to

about 2.5 million in 2016/17, but fell to 2.1 million in 2019/20, with an annualised growth rate of 3.8 percent. The rise in employment between 2012/13 and 2016/17 corresponds with the increase in automobile use, especially in the urban centres. Indeed, in 2017, 135,032 privately owned vehicles and motorcycles were registered (UBOS, 2019). The subsequent decline in employment in retail trade in 2019/20 could be attributed to the high competitiveness in the retail of automotive fuel, leading to the closure of some specialised stores, which resulted in lay-offs. A significant decline in employment in *retail trade, not in stores, stalls or markets* (vending or over internet platforms) was also observed, from 432,000 in 2016/17 to 187,400 in 2019/2020, with its employment share dropping to 5.2 percent.

Other specific retail trade activities that registered noteworthy declines in employment included the *retail sale of food, beverages and tobacco in specialised stores and retail sale via stalls and markets* (sale or resale of commodities, such as food, beverages, clothing, textiles and footwear, among other commodities) (Table 3). In contrast, employment in *wholesale and retail trade and repair of motor vehicles* was mainly driven by persons employed in the *maintenance and repair of motor vehicle* activities, which accounted for a 1.9 percent annual growth. This employed 36,600 persons in 2012/13, with additional 9,900 persons by 2016/17; the activity, however, exhibited a decline of 4,400 person by 2019/20. Furthermore, *wholesale trade, except of motor vehicles and motorcycles*, had *wholesale of food, beverages and tobacco*-specific activity employing more persons than any other activity in this chain of domestic trade. These findings reveal that retail trade and, more significantly, *retail sale of automotive fuel in specialised stores* contributed more to employment, with similar findings showing similar patterns among the youth (Table A1-Annex) but with no growth observed throughout the analysis. Based on the overall and youth employment patterns, almost half of the working-age group in retail trade are young.

Table 3 Employment by domestic sector, working-age (14-64 years)

Domestic trade sector of employment	2012/13		2016/17		2019/20		2012/13		2016/17		2019/20		Annualized % growth (2012/13-2019/20)
	Employment	Employment ('000)	Employment	Employment ('000)	Employment	Employment ('000)	Employment share						
Wholesale and retail trade and repair of motor vehicles and motorcycles	56.0	99.3	100.7	100.7	2.0	2.2	2.8	8.1					
Sale of motor vehicles	2.9	3.8	5.5	5.5	0.1	0.1	0.2	8.9					
Maintenance and repair of moto vehicles	36.6	46.5	42.1	42.1	1.3	1.0	1.2	1.9					
Sale of motor vehicle and accessories	10.1	9.4	13.0	13.0	0.3	0.2	0.4	3.6					
Sale, maintenance and repair of motorcycles and related parts and accessories	6.6	39.8	40.2	40.2	0.2	0.9	1.1	25.1					
Wholesale trade, except of motor vehicles and motorcycles	105.0	203.7	201.1	201.1	3.7	4.5	5.6	9.0					
Wholesale on a fee or contract basis	1.5	8.0	1.5	1.5	0.1	0.2	0.0	0.3					
Wholesale of agricultural raw materials and live animals	27.2	48.3	46.2	46.2	0.9	1.1	1.3	7.3					
Wholesale of food, beverages and tobacco	49.5	74.3	84.3	84.3	1.7	1.6	2.3	7.3					
Wholesale of household goods	6.3	4.0	4.5	4.5	0.2	0.1	0.1	-4.6					
Wholesale of machinery, equipment and supplies	1.8	2.5	3.9	3.9	0.1	0.1	0.1	10.9					
Other specialized wholesale	18.9	33.3	19.6	19.6	0.7	0.7	0.5	0.5					
Non-specialized wholesale	0.0	33.6	41.3	41.3	0.0	0.7	1.1	-					
Retail trade, except of motor vehicles and motorcycles	2,702.2	4,272.5	3,306.2	3,306.2	94.4	93.4	91.6	2.8					
Retail sale in non-specialized stores	218.7	406.2	358.4	358.4	7.6	8.9	9.9	6.8					
Retail sale of food, beverages and tobacco in specialized stores	70.2	230.8	148.8	148.8	2.4	5.0	4.1	10.4					
Retail sale of automotive fuel in specialized stores	1,589.0	2,530.9	2,086.8	2,086.8	55.5	55.3	57.8	3.8					
Retail sale of information and communication equipment in specialized stores	6.5	9.9	4.4	4.4	0.2	0.2	0.1	-5.5					
Retail sale of other household equipment in specialized stores	7.7	25.2	20.4	20.4	0.3	0.5	0.6	13.5					
Retail sale of cultural and recreation goods in specialized stores	17.1	5.1	1.4	1.4	0.6	0.1	0.0	-34.6					
Retail sale of other goods in specialized stores	128.9	167.6	149.5	149.5	4.5	3.7	4.1	2.0					
Retail sale via stalls and markets	323.6	465.3	349.4	349.4	11.3	10.2	9.7	1.1					
Retail trade not in stores, stalls or markets	341.0	432.0	187.4	187.4	11.9	9.4	5.2	-8.3					
Total	2,863.0	4,575.4	3,608.0	3,608.0	100	100	100.0	3.2					

Source: Author's computations using UBOS UNHS datasets

4.3.2 Employment in formal and informal domestic trade activities.

Table 4 presents employment analysis for the working-age group (14-64 years) and Uganda's youth (18-30 years) for formal and informal employment. Specifically, Table 4 highlights that employment in total informal trade almost doubled and increased from 2.6 million in 2012/13 to 4.3 million in 2016/17, representing a 64.1 percent increase over the five (5) years. However, the number of persons in informal trade activities reduced by 28 percent from 4.3 million in 2016/17 to 3.1 million in 2019/20. Conversely, formal trade employees more than doubled by 257,800 between 2016/17 and 2019/20. This is partly attributed to the awareness and embracing of incentives for formalising trade activities.

Overall, we note that employment growth is driven by employment growth in the retail trade-related activities irrespective of the status of participation for the period between 2012/13-2016/17. This alludes to a reduction

in major wholesalers or the diversification of wholesale trade into retail outlets. However, by 2019/20, the informal retail trade employment had declined to 2.8 million from 4.2 million persons in the previous period. However, more formalisation of retail activities was evident, with annualised growth of 0.08 percent. While formal employment in *wholesale and retail trade and repair of motor vehicles and motorcycles plus wholesale, except in motor vehicles and motorcycles*, had negative annualised growth rates of 0.7 percent and 0.4 percent, respectively, from 2012/13 to 2016/17, these trade sectors both showed growth in formal employment by 2019/20, with overall annual growth of 0.09 and 0.11 percent respectively.

Over the five years, *retail trade, except motor vehicles and motorcycles trade sector remained the largest employer for most Ugandans and the youth*. The most salient feature is that the overall formal and informal employment in domestic trade is driven by annualised employment growth in retail trade.

Table 4 Employment in formal and informal domestic trade

	2012/13		2016/17		2019/20		Annual % growth (2019/20- 2012/13)	
	Employment ('000)						Formal	Informal
	For- mal	Infor- mal	For- mal	Informal	For- mal	Infor- mal		
Broad domestic trade sector								
<i>All (14-64 years)</i>								
Wholesale and retail trade and repair of motor vehicles and motorcycles	6.2	49.8	0.1	99.2	15.3	85.5	0.09	0.05
Wholesale trade, except of motor vehicles and motorcycles	7.2	97.9	0.7	203.1	22.4	178.8	0.11	0.06
Retail trade, except of motor vehicles and motorcycles	214.6	2,487.6	251.3	4,021.2	472.3	2,834.0	0.08	0.01
Total	227.9	2,635.2	252.0	4,323.4	509.8	3,098.2	0.08	0.02
<i>Youth (18-30 years)</i>								
Wholesale and retail trade and repair of motor vehicles and motorcycles	4.0	33.5	0.0	50.4	1.6	34.6	-13.02	0.41
Wholesale trade, except of motor vehicles and motorcycles	1.4	46.6	0.7	81.9	4.9	61.9	17.29	3.91
Retail trade, except of motor vehicles and motorcycles	70.9	1,155.6	72.0	1,904.0	106.7	1,102.1	5.64	-0.65
Total	76.2	1,235.7	72.6	2,036.2	113.1	1,198.4	5.45	-0.42

Source: Authors' computations using UBOS UNHS datasets

4.3.3 Gendered participation in domestic trade

Table 5 presents employment in domestic trade from a gender perspective. Overall, for the aggregate (14 – 64 years) working-age category, domestic trade employment was more biased towards males (53 percent) than females (47 percent) between 2012/13 and 2019/20.⁸

Table 5 further shows that the number of males grew by 53 percent from 1.5 million in 2012/13 to 2.3 million in 2016/17 and declined by 15 percent to 2.0 million in 2019/20. Conversely, females grew by 67 percent from 1.3 million in 2012/13 to 2.2 million in 2016/17 and declined by 26 percent to 1.6 million in 2019/20. However, the annualised growth rate for males and females between 2012/13 and 2019/20 is less than 1 percent. It is important to note that much of the increase in the number of people (males and females) engaged in domestic trade is primarily driven by the rise in the retail trade, except for motor vehicles and motorcycles.

Notably, the observed employed working-age gender patterns in the three domestic trade sectors at the aggregate level are mirrored at a youth level, save for two crucial differences. First, unlike the dominance of males across all the three domestic trade sectors at the aggregate level, young women are more employed in *retail trade, except of motor vehicles and motorcycles*, than young men. This could reflect that young women find it relatively easier to work in the retail sector because it has lower demands than other sectors, requires less initial capital or investments and enables them to engage in unpaid care work.

Second, Table 5 shows that younger women (52 percent) are more engaged in domestic trade activities than young men (48 percent). Specifically, in 2012/13, about 51 percent of young women and 49 percent of young men were engaged in domestic trade activities. It maintained this pattern in 2016/17 and 2019/20, with more young women (53 percent) than young men (47

percent). This could be due to a large share of young females employed in retail sales via stalls and markets and retail sales in non-specialised stores.

Overall, the annualised growth rate for employment in domestic trade for young men (-0.44 percent) and young women (0.41 percent) are low. For young men, it is because of the decline in males engaged in *retail trade, except for motor vehicles and motorcycles*, especially in 2019/20. Conversely, for young women, it is because of the decline in the females engaged in *wholesale and retail trade and repair of motor vehicles and motorcycles*.

The key insights from this subsection are that retail trade is the dominant source of employment for men and women, employing 3.6 million males and females in 2019/20 (Table 5). *Wholesale and retail trade and repair of motor vehicles and motorcycles* employed the least, with 100,700 males and females in 2019/20. As of 2019/20, 663,300 female and 545,500 male youth were employed in retail trade. More youth opt for retail trade because the cost of entry into this sub-sector is relatively low, does not require high levels of education or skills, and attracts fewer taxes.

⁸ Specifically, in 2012/13, about 53 percent of the workers were male and 47 percent were female. In the later survey period (2016/17), this pattern was temporarily upended with the share of women increasing to 49 percent while, males decreased to 51 percent. By 2019/20, the dominance of males in domestic trade was restored to 54 percent while that of women decreased to 46 percent. This reversal in shares demonstrates that women traders were more affected than their male counterparts during the COVID-19 pandemic.

Table 5 Employment in domestic trade by gender and age group

	2012/13		2016/17		2019/20		Annual % growth (2012/13- 2019/20)	
	Employment ('000)							
Broad domestic trade sector	Females	Males	Females	Males	Females	Males	Females	Males
<i>All (14-64 years)</i>								
Wholesale and retail trade and repair of motor vehicles and motorcycles	3.2	52.8	7.2	92.1	2.2	98.5	-0.03	0.06
Wholesale trade, except of motor vehicles and motorcycles	19.0	86.0	53.0	150.8	60.9	140.3	0.11	0.05
Retail trade, except of motor vehicles and motorcycles	1,319.9	1,382.3	2,187.9	2,084.6	1,586.9	1,719.4	0.02	0.02
Total	1,342.1	1,521.0	2,248.0	2,327.4	1,649.9	1,958.1	0.02	0.02
<i>Youth (18-30 years)</i>								
Wholesale and retail trade and repair of motor vehicles and motorcycles	2.2	35.3	4.2	46.2	0.6	35.6	-19.48	0.10
Wholesale trade, except of motor vehicles and motorcycles	9.6	38.5	22.3	60.3	25.6	41.2	13.52	0.97
Retail trade, except of motor vehicles and motorcycles	657.6	569.0	1,084.1	891.8	663.3	545.5	0.12	-0.58
Total	669.3	642.6	1,110.5	998.3	689.3	622.2	0.41	-0.44

Source: Authors' computations using UBOS UNHS datasets

4.3.4 Skills profiles of persons in domestic trade

Table 6 shows the skills profile of employment in domestic trade by broad domestic trade sectors. Across all the three years (2012/13, 2016/17 and 2019/20), for the aggregate (14–64 years) and the youth (18–30 years) categories, the highly skilled are majorly employed in *retail trade, except motor vehicles and motorcycles*. On the other hand, the skilled are mainly employed in *wholesale trade, except for motor vehicles and motorcycles*. In contrast, the low-skilled are largely engaged in the *wholesale and retail trade and repair of motor vehicles and motorcycles*.

Specifically, at the aggregate level, the proportion of the highly skilled in *retail trade, except for motor vehicles and motorcycles*, increased from 13.6 percent (2012/13) to 15.3 percent (2016/17) and 17.1 percent (2019/20). Conversely, the percentage of the skilled engaged in *wholesale trade, except for motor vehicles and motorcycles*, increased from 78.1 percent (2012/13) to 88.6 percent (2016/17) and declined to 81.5 percent (2019/20). On the other hand, the low-skilled who are largely employed in the *wholesale and retail trade and repair of motor vehicles and motorcycles* decreased from 71.8 percent (2012/13) to 61.4 percent (2016/17) and increased to 64.6 percent

(2019/20).

For the youth, the proportion of the highly skilled in *retail trade, except for motor vehicles and motorcycles*, increased from 11.3 percent (2012/13) to 13.4 percent (2016/17) and 14 percent (2019/20). Conversely, the percentage of the skilled youth engaged in *wholesale trade, except for motor vehicles and motorcycles*, increased from 71.8 percent (2012/13) to 83.3 percent (2016/17) and declined to 77.4 percent (2019/20). On the other hand, the low-skilled who are primarily employed in the *wholesale and retail trade and repair of motor vehicles and motorcycles* decreased from 74.5 percent (2012/13) to 71.3 percent (2016/17) and increased to 75.9 percent (2019/20).

Notably, at both the aggregate and youth level, there is evidence of a skills transition across the employment sectors of domestic trade. For instance, there is a shift from low-skilled to high-skilled, especially among those employed in *retail trade, except for motor vehicles and motorcycles* and *wholesale and retail trade and repair of motor vehicles and motorcycles*. In other words, the proportion of the highly skilled is increasing, albeit at a marginal level.

From Table 6, most of the occupations in the sectors are comprised of low-skilled workers, both in the total working-age population (14-64 years) and youth (18-30 years). The data also point towards scarcity of high skilled labour across the sector, age categories and time. However, between 2012/13 and 2019/20, there was a marked fluctuation in the low skilled (a decrease in 2016/17 and an increase in 2019/20) and skilled (grew in 2016/17 and fell in 2019/20) labour across all domestic trade activities.

motorcycles, the retail trade subsector also has a higher potential for employing skilled workers. Given that many youths cannot get jobs in the formal sector, especially government jobs, it is plausible to find many young degrees and diploma holders in the retail-related domestic trade activities such as the sale of goods in stalls, and markets, sale of automotive fuel in specialised stores, retail sale in non-specialised stores. Others are in sales/marketing positions for bigger well established businesses.

The key insights from the analysis are that beyond *wholesale trade, except for motor vehicles and*

Table 6 Skills structure of persons employed in domestic trade by activity (%)

	2012/13			2016/17			2019/20		
	High skilled	Skilled	Low skilled	High skilled	Skilled	Low skilled	High skilled	Skilled	Low skilled
<i>All (14-64 years)</i>									
Wholesale and retail trade and repair of motor vehicles and motorcycles	0.0	28.2	71.8	2.1	36.5	61.4	1.4	34.0	64.6
Wholesale trade, except of motor vehicles and motorcycles	2.8	78.1	19.1	1.7	88.6	9.7	2.0	81.5	16.5
Retail trade, except of motor vehicles and motorcycles	13.6	57.5	28.6	15.3	62.7	22.0	17.1	55.1	27.8
<i>Youth (18-30 years)</i>									
Wholesale and retail trade and repair of motor vehicles and motorcycles	0.0	25.5	74.5	0.0	28.7	71.3	0.0	24.1	75.9
Wholesale trade, except of motor vehicles and motorcycles	3.1	71.8	25.1	1.2	83.3	15.5	1.6	77.4	20.9
Retail trade, except of motor vehicles and motorcycles	11.3	59.1	29.5	13.4	61.8	24.7	14.0	56.4	29.6

Notes: Skills categorisations are based on the International Standard Classification of Occupations (ISCO): https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_172572.pdf#374

1/3: *High skilled* includes: Managers and Professionals.

2/3: *Skilled* includes: Technicians and Associate Professionals; Clerical Support Workers; and Service and Sales Workers.

3/3: *Low skilled* includes Skilled Agricultural, Forestry and Fishery Workers; Craft and Related Trades Workers; Plant and Machine Operators and Assemblers; and Elementary Occupations.

Source: Authors' computations using UBOS UNHS datasets

5 IS THE BUSINESS ENVIRONMENT ADEQUATE TO FOSTER DOMESTIC TRADE IN UGANDA?

This section lays out the existing policies, laws, strategies and stakeholders governing the domestic trade operations in Uganda. More specifically, the review and assessment have been made on whether Uganda has the necessary institutions to support domestic trade growth and development

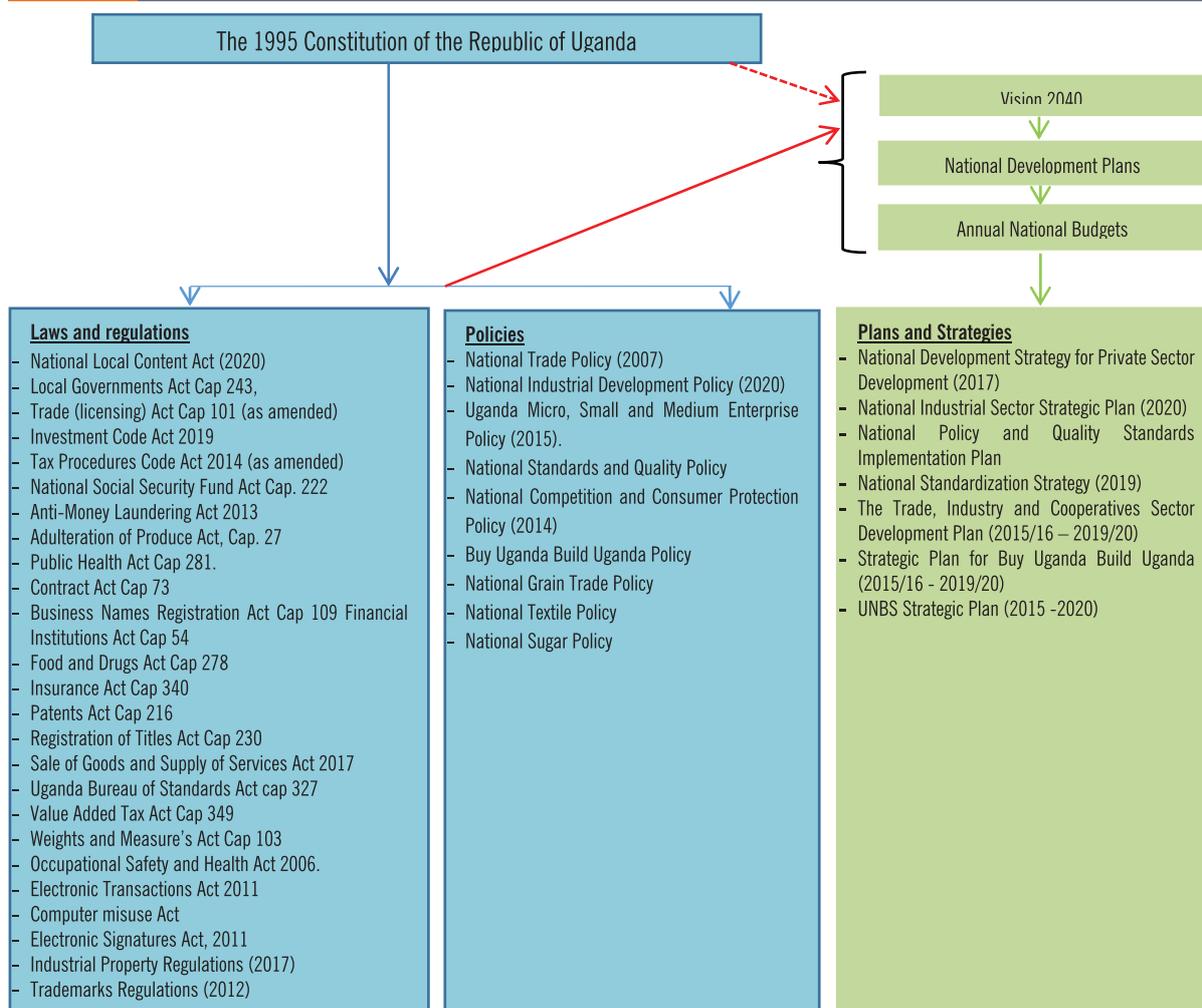
5.1 Regulatory, policy and planning frameworks for enhancing domestic trade

Considerable effort has been made to enact laws and

policies to enhance domestic trade activities in Uganda. Figure 5 shows these plans are designed to cover all aspects of domestic trade (goods and services). More succinctly, these laws and regulations govern domestic trade activities by the different actors, especially the interplay between wholesalers, retailers and their customers.

While the Constitution of the Republic of Uganda (1995, as amended) does not have specific domestic trade provisions, it commits to providing an enabling environment. Under Article XIV on General social and economic objectives, it states that “the State shall endeavour to fulfil the fundamental rights of all Ugandans to social justice and economic development and shall, in particular, ensure that— (a) all developmental efforts are directed at ensuring the maximum social and cultural well-being of the people.”

Figure 5 Legal, policy, and planning frameworks in domestic trade



Source: Authors' construct, 2021

Fostering domestic trade for Ugandans' well-being is also a constitutional mandate. Key transformative strategies have been laid out for steering domestic trade through the national Vision 2040 and the associated six-year implementation plans (National Development Plans [NDPs]).

The key policy and laws for the development of the domestic trade subsector are the National Trade Policy (2007) and the Trade (licensing) Act Cap 101 (as amended). The policy has been in place for over 14 years, with possible amendments. The policy is aligned with Vision 2040 and commits to developing domestic trade to boost production and as a springboard for participation in international trade. Other supportive policies and acts are available to ensure this is supported (Figure 5). Among these policies is the Buy Uganda Build Uganda (BUBU) policy, which is discussed below.

Though not identified, Vision 2040 articulates the strategic elements that could, if implemented, bolster domestic trade. For instance, the government commits to addressing the binding constraints that affect doing business, including poor access to finance, corruption, high tax rates, inadequate supply of infrastructure and government bureaucracy, among others (NPA, 2010). Also, to develop trade further, the government committed to investing, collecting and disseminating information to facilitate private investment decision-making.

Notably, the design and implementation of NDP I and II followed a sectoral approach. We had key core projects supporting domestic trade, including Phase two of the Markets and Agriculture Trade Improvement Project (MATIP II), revitalisation of Uganda Development Corporation (UBC) and recapitalisation of Uganda Development Bank (UDB). These interventions have

Box 1: Buy Uganda Build Uganda Policy

The Government of Uganda launched the BUBU policy in 2017 to promote domestic trade: the public and household consumption of local goods and services. This was to be achieved through promoting local content, innovation, quality standardization, and public private partnerships, among other aspects. Public procurement is an important component of BUBU; recently, the Government issued a directive requiring all MDAs and LGs to procure furniture from local suppliers. Furthermore, the recent Public Procurement and Disposal of Public Assets Authority reforms, such as the Reservation and Preference scheme, align with the BUBU policy. These reforms aim to promote local content by sourcing of services, goods and works domestically (MTIC, 2014). The National Trade Policy had previously referred to this as affirmative action for local suppliers.

SEATINI (2019) projected that BUBU would benefit local suppliers and manufacturers of Micro, Small, and Medium Enterprises, which account for 90% of Uganda's private sector and 80% of product value addition. The BUBU policy builds on many opportunities including, supermarkets' growth due to urban sprawl and a surge in the middle class (MTIC, 2014). Furthermore, as non-specialised retail points, supermarkets mainly source agro-produce locally, and imported merchandise from wholesalers. Nonetheless, locally manufactured commodities have limited shelf space in supermarkets due to poor packaging, high cost and irregular supply (ibid). Therefore, on the domestic front, the policy aims to increase shelf space by 50%.

Estimates by the Ministry of Trade, Industry and Cooperatives (MTIC) show that locally produced commodities such as shoes and school uniforms for secondary and primary schools have the potential to earn UGX 457 billion and 199 billion, respectively (MTIC, 2014).

Despite this progress, the full implementation of the policy has been fraught with challenges with some MDAs and LGs procuring furniture from foreign suppliers and the absence of a clear and strong monitoring, evaluation and learning framework to track progress and ensure compliance. This signals a lack of commitment and a political champion to spearhead the implementation of the policy.

partly facilitated domestic trade development by improving the marketplace's economic and social infrastructure and increasing access to affordable finance.

However, beneficiaries of these interventions have mainly been from large-scale enterprises. In addition, access and utilisation of the constructed markets under the MATIP project remain low in some areas because of payment of exorbitant rent and low demand for products in markets. Some traders have returned to selling on the roadside, where they do not pay for space and a more extensive customer base. Some premises lack basic infrastructure, such as electricity, sewerage and water, thus hindering business development. In addition, there is limited access to finance through Uganda Development Corporation and Uganda Development Bank because of the cumbersome procedures for accessing loans and the stringent requirements.

Through the Trade, Industry and Cooperatives Sector Development Plan (2015/16 – 2019/20), the policy has implemented some interventions and oversaw allocations to projects laid out in the NDP I and II period through its sector budget. These projects aimed to provide quality trading or marketing infrastructure and develop the domestic market system. In addition, the strategy also emphasised strengthening the capacity of the trade support institutions and strong inter-agency collaboration.

The current NDP III (2020/21-2024/25) follows a programme approach, which prioritises some of the core projects identified in the NDP II period. Unlike NDP I and II, NDP III envisions strengthening the government's role in exploiting the quasi-market and developing public-private partnership approaches. Notably, of the twenty (20) NDP III programmes, the programme that is mainly relevant for domestic trade development is Private Sector Development. This programme involves ongoing projects such as (i) Competitiveness and Enterprises Development and (ii) Capitalisation of strategic Public Corporations (UDB and UDC).

Other NDP III programmes highlight guidelines for promoting branding, quality assurance, product

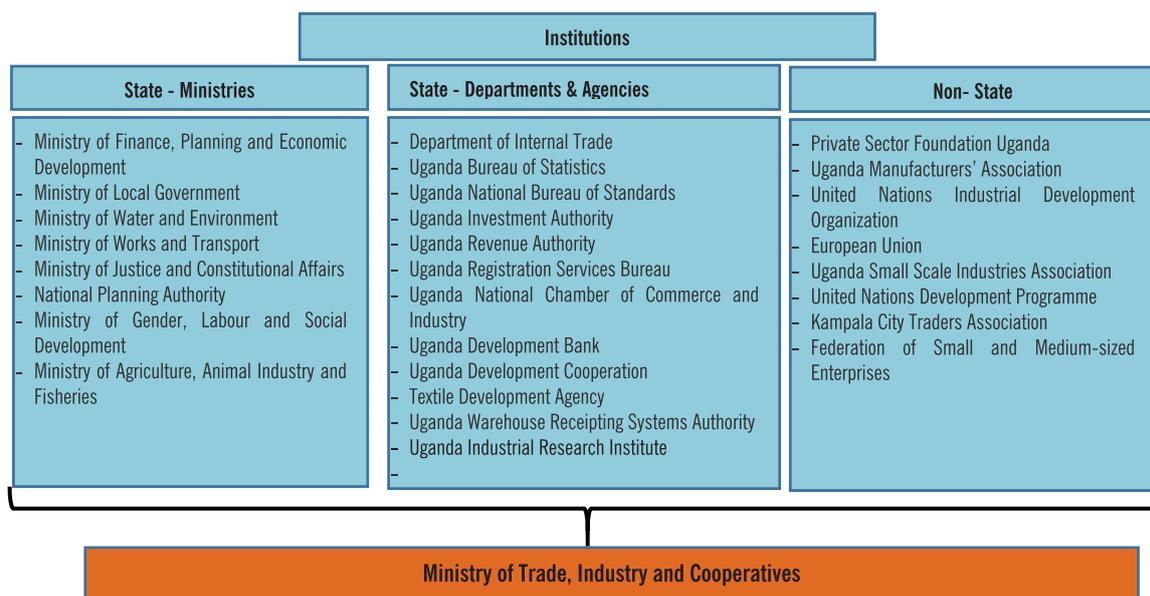
innovation, information access, formalisation of economic activities and credit acquisition. Furthermore, the government commits to facilitating domestic Micro, Small, and Medium Enterprises to produce goods for local and international markets.

In other words, the policy, regulatory and planning foundation for domestic trade growth and development are well-grounded. Despite this large number of policies, their overall impact on sustainably building a lucrative domestic trade space has been limited. For example, many policies do not have costed strategies for effective implementation and where they exist, they are not aligned to NDPs (EPRC, 2018).

5.2 Institutions facilitating domestic trade

This subsection examines the adequacy of the current institutional frameworks to provide the necessary support to enhance domestic trade. Figure 6 outlines the key institutions that contribute to the functioning of domestic trade in Uganda. These are categorised at the Ministry, Department and Agencies (MDAs) and non-state levels.

Overall, the Ministry of Trade, Industry and Cooperatives (MTIC) is the lead institution mandated to promote the development of domestic trade. More specifically, the internal (domestic) trade department at MTIC is responsible for developing, coordinating, regulating, promoting and facilitating domestic trade (MTIC, 2020). Some of its primary functions are to initiate and formulate policies, legislation and strategies for domestic trade development and to coordinate the design of policy interventions that promote the competitiveness of Ugandan products and services domestically and internationally. The District Commercial Officers (DCOs) play a crucial role in domestic trade development at the local government level. The DCOs are mandated to oversee matters related to domestic trade, such as establishing linkages between the trade and productive sectors of their respective districts and the collection, analysis, interpretation and dissemination of local trade information (MTTI, 2007).

Figure 6 Key institutional players in the domestic trade sector

Source: Author's construction, 2021

Other key *government ministries* supporting domestic trade development include the Ministry of Finance, Planning and Economic Development (for mobilising and allocating funding for internal trade interventions), Ministry of Justice and Constitutional Affairs (for dispute settlement and ensuring the rule of law in economic activities), Ministry of Gender, Labour and Social Development (enforce labour, employment and social protection measures) and Ministry of Local Government (ensure regulation of trade in upper and lower local government's). To some extent, these ministries have been able to perform their responsibilities, such as allocating funds for domestic trade interventions, ensuring the rule of law, and providing regulations to guide employer-employee relationships. However, much more must be done to ensure that sufficient funds are disbursed, laws are implemented, disputes are settled in time, and employment policies regulating domestic trade are implemented fairly and not in favour of foreign investors alone.

Among the *government agencies* supporting domestic trade are the Uganda Revenue Authority (licensing wholesalers and retailers and mobilising tax revenues), the Uganda National Bureau of Standards (mandated to formulate, promote and enforce the use of standards to promote quality and enhance competitiveness),

Uganda Registration Services Bureau (registration of wholesalers and retailers) and Uganda Development Cooperation (providing affordable credit to businesses). In addition, the UBOS also collects data on domestic trade activities in its UNHSs and the Census of Business Establishments (COBE). The key government agencies continue to underperform on their mandates for various reasons. For instance, because of the high informality of domestic trade activities (see section 4.3.2), most retailers and wholesalers are not licensed and continue to engage in pervasive tax avoidance and evasion activities. Further, the informal domestic trade businesses also have limited access to affordable credit from UDC and the adoption of quality standards. On the other hand, limited funding to the (i) UNBS has made standards enforcement difficult, and (ii) UBOS has made it challenging to undertake the COBE in time.

Non-state actors include private sector associations that bring together different wholesalers and retailers. These include Uganda Small Scale Industries Association (USSIA), Uganda Manufacturers Association (UMA), Private Sector Foundation Uganda (PSFU) and Kampala City Traders Association (KACITA). The development partners include the United Nations Industrial Development Organization (UNIDO) and United Nations Development Programme (UNDP). The

MTIC has made efforts to enhance the participation and effective involvement of non-state actors, especially at the central level, through consultations in meetings and workshops. In addition, other actors such as KACITA, PSFU and UMA are very active and instrumental in engaging the government about domestic trade issues.

6. CHALLENGES IN FOSTERING A SUSTAINABLE DOMESTIC TRADE SECTOR

Beyond the political economy willingness, the challenges primarily lie in the gaps in the laws, policies, strategies, and institutional mandates to drive the domestic trade activities as an engine for growth. Specifically, on the regulatory, policy and planning front, the challenges include;

- a. ***Inadequate funding to implement policy provisions and interventions under different strategies and plans:*** For instance, the National Trade Policy (2007) envisaged the establishment of an Information Management System that would provide trade information on relevant trade agencies, market prices, quality standards, certification and taxes. However, this proposal has fallen short over the years due to poor technological infrastructure and a lack of financial commitment from the government. Whereas NDP III proposes the establishment of an Information Management System, this will not be realised if the government does not commit sufficient resources to set it up.
- b. ***Delays in enacting the Consumer Protection Bill (2004) compromise the well-being of consumers:*** The Consumer Protection Bill (2004) that aims to protect consumers from consuming substandard goods has not been passed into law. Whereas some consumer protection laws exist, these are not comprehensive enough to cover the salient issues that are vital for protecting consumers against unfair and deceptive practices. Further still, efforts toward consumer protection are also undermined by the existence of a large

informal sector, which is unregulated and deals in substandard products.

- c. ***Domestic trade is not adequately prioritised in the National Vision 2040 and subsequent implementation plans:*** The National Vision 2040 acknowledges the importance of trade (domestic and foreign). However, most interventions⁹ aimed at facilitating and boosting external trade. In addition, there is limited attention to domestic trade in the annual budgets and the sector plans prioritising internal trade, such as the Trade, Industry and Cooperatives Sector Development Plan, were not adequately funded.
- d. ***The existing policies and strategies lack clear monitoring, evaluation and learning frameworks:*** For instance, the accountability system for the National Trade Policy does not have well-articulated and measurable priorities and targets for domestic trade. In addition, the funding mechanisms with budgetary provisions for individual policy areas and an action plan with a clear performance framework are non-existent.
- e. ***Enforcement and adoption of quality standards are low:*** The enforcement of quality standards by UNBS is hampered by factors such as the limited funding to establish more testing laboratories, inadequate human resources with the required skills, small presence of UNBS countrywide poor attitude/mindset towards standards. In addition, some businesses are unaware of the benefits of adopting quality standards. For instance, some businesses consider quality certification, inspections and testing a hindrance rather than an investment for their products to compete with other products.

At the institutional level, the gaps continue to lie in:

- a. ***Inadequate coordination of domestic trade activities by MTIC:*** There is weak coordination of domestic trade activities and interventions by the internal trade department. This is

⁹ These interventions include the review of trade policies to facilitate the efficient exchange and management of the quality and value of imports and establishment of appropriate policies and incentive schemes to attract capital inflows (Foreign Direct Investments, Short-term portfolio flows and remittances) thereby improving the capital account and (iii) establish key strategic trade zones to strengthen cross border trade among others.

- mainly because there is no clear mechanism of coordination under the MTIC and the lack of a strong and functional internal trade department. The department remains underfunded and understaffed to deliver effectively on its mandate. In addition, the department does not have the political power to move things. Consequently, the supervision and monitoring of the District/Municipal Commercial Offices' activities are undone. Furthermore, formal businesses, particularly those in urban areas like Kampala, are primarily monitored, while informal businesses are not, despite their importance.
- b. ***District Commercial Officers are not well facilitated to perform their mandate effectively:*** For instance, the DCOs are supposed to collect, analyse, interpret and disseminate local trade information. To date, these activities are not undertaken by the DCOs. This is explained by limited technical capacity, inadequate funding, and increasing workload (monitoring government programmes such as Youth Livelihood Programme and Uganda Women Entrepreneurship Programme and donor programmes). In addition, the DCOs are expected to increase public awareness about the Buy Uganda Build Uganda policy and report on product standards in the local markets. Therefore, the lack of strategic focus for DCOs often contributes to the greater administrative burden resulting in lower data collection and sharing levels, especially if the DCOs do not consider the activity useful.
 - c. ***Weak linkages between production and marketing at the national and regional level*** have resulted in some areas (with plenty of products) failing to sell to areas of scarcity. This is especially the case with agricultural products, which are highly perishable. This could partly reflect the limited coordination between institutions at the production and the marketing levels. Further, it could reflect the increasing support by the government and non-government agencies towards supporting the production value chain, especially in the agricultural sector.
 - d. ***Lack of a sound and unified domestic trade monitoring system:*** Whereas the government has established systems, including UBOS surveys such as the UNHS and the COBE, administrative data systems at the agency and department level (URA, UNBS) and the local government level (DCOs), they tend to operate in isolation. This is associated with a lack of data compatibility because of different data collection methodologies, monitoring periods and levels of disaggregation and poor information flow across MDAs and LGs because of inadequate dissemination activities or bureaucratic processes to obtain monitoring data. This hinders the design of effective policies and plans for trade development.
 - e. ***Limited inter-association coordination and cooperation:*** The sector has several umbrella associations that were formed because of regional concentration of enterprises (KACITA), value chain or product (Uganda National Dairy Traders Association and Uganda Manufacturers Association) and business size (Federation of Small and Medium-sized Enterprises and Uganda Small-Scale Industries Association) among other reasons. These are weakly coordinated, and in most cases, an association articulates issues for its members or business interests and not the interests of the entire wholesale and retail trade sector. The proliferation of small breakaway associations has further exacerbated the situation because of governance issues.
- Other cross-cutting challenges include:
- a. ***High transportation costs:*** Although the government has undertaken significant efforts to improve infrastructure connecting different trading centres, persistent infrastructure gaps still exist. Therefore, these gaps increase the cost of doing business, mainly because of the transportation of goods by road in rural and urban areas. Furthermore, poor road infrastructure in some areas is associated with delays in transporting goods to their destination and the breakdown of vehicles.
 - b. ***High cost of business finance:*** The Bank of

Uganda data shows an increase in the uptake of loans for trading activities compared to other economic activities. However, the cost of finance, especially loans, is still high, prohibiting further business growth and expansion. Relatedly, most businesses struggle to repay their loans since the domestic trade sector has the highest non-performing loans. In addition, most of the current government measures to increase access to business finance mainly favour formal businesses and exclude informal establishments.

- c. **High cost of electricity:** The government has made tremendous efforts to increase electricity generation countrywide by establishing several small and large hydropower stations. However, the cost of electricity is still high across the country, thus increasing the cost of doing business.

7. CONCLUSION AND POLICY ACTIONS

This paper examined the nature of domestic trade in Uganda. Domestic trade (wholesale and retail) is mainly captured under the System of National Accounts in the broader services sector with “trade and repairs.” The sector has received limited attention in Uganda’s policy space. However, it contributed about 9.4 percent to services and GDP in general between 2009/10 and 2020/21 and grew from UGX 8,425 billion to UGX 10,869 billion in the same period.

Using ISIC at 4-digit categorisation, domestic trade has been broken down into three broad categories, (i) wholesale and retail trade and repair of motor vehicles and motorcycles; (ii) wholesale trade, except motor vehicles and motorcycles and (iii) retail trade, except motor vehicles and motorcycles. The latter category has the highest employment share for the working-age group (14-64); this category also remained the largest employer of the youth.

Nonetheless, the government has recognised the importance of domestic trade and the need to support

it, given the development of internal markets and industrial parks. Particularly the resuscitation of cooperatives to facilitate domestic production and exchange and the enactment of laws and regulations that enhance domestic trade, key among these being the National Trade Policy (2007).

Despite this, the sector faces institutional challenges at the state and non-state levels, as well as regulatory challenges. These include inadequate funding to implement policy provisions and interventions; delays in enacting laws and regulations to protect consumers; inadequate prioritisation in national development agendas; lack of clear monitoring, evaluation and learning frameworks for existing policies; low commodity quality standards; inefficient coordination between MDAs; limited facilitation of DCOs; poor production and market linkages among others.

All the above call for strategic policy and regulatory interventions to boost the domestic trade sector. Therefore, the Government of Uganda should embark on:

- a. **Continuous capitalisation of Uganda Development Corporation with a major goal of boosting domestic wholesale and retail business to ensure their sustainability and survival:** This is aimed at increasing access to favourable credit for businesses engaged in domestic trade, which will facilitate the diversification of business and upgrading of value addition processes;
- b. **Increase awareness of the need for standardisation:** This should be done for the manufacturers to increase their domestic market share and the public to demand better quality products and services and ensure consumer safety for better health.
- c. **Streamline the mandates and coordination of domestic trade-related activities to overcome institutional challenges:** This will include the strategic coordination amongst all MDAs and revising existing policies and regulations clearly defining implementation roles. Additionally, increasing budgetary allocations to the key players, such as DCOs, enables them to implement their mandate. For

example, the establishment of a sound and integrated domestic trade monitoring system will ensure established government systems such as the UBOS surveys (like UNHS and COBE), administrative data systems at the agency and department level (URA, UNBS), and the local government level (DCOs) are well coordinated. Consequently, this will ensure streamlining and harmonisation of data collection methodologies, monitoring periods and levels across MDAs and LGs for developing better policies and plans.

- d. ***Fast track the creation of a digital market tracking system:*** The creation of a digital market tracking system is laid out in the National Trading Policy and the NDPs to support the easy flow of information between regional markets and manufacturers/producers and consumers. In addition, the state and non-state actors need to support the development of trade infrastructure, such as markets, storage facilities and roads to connect regional markets, among others. For example, a digital market tracking system will enable District Commercial Officers (DCOs) to perform on their mandate and strengthen the linkages between production and marketing at the national and regional levels. However, continuous technical capacity building to undertake the activities mentioned above. The local governments also need to minimise increasing the workload of DCOs if their facilitation to undertake additional roles is not guaranteed.

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ANNEX

Table A1: Employment by domestic sector, youth (18-30 years)

	2012/13	2016/17	2019/20	2012/13	2016/17	2019/20	Annualised % growth (2012/13- 2019/20)
Domestic trade sector of employment	Employment ('000)			Employment share			
<i>Wholesale and retail trade and repair of motor vehicles and motorcycles</i>	37.4	50.4	36.1	2.85	2.39	2.75	-0.5
Sale of motor vehicles	0.5	1.6	0.5	0.04	0.08	0.04	-2.0
Maintenance and repair of moto vehicles	24.3	26.2	14.2	1.85	1.24	1.08	-7.5
Sale of motor vehicle and accessories	7.5	4.2	2.6	0.57	0.20	0.20	-15.0
Sale, maintenance and repair of motorcycles and related parts and accessories	5.3	18.5	19.0	0.40	0.87	1.45	17.7
<i>Wholesale trade, except of motor vehicles and motorcycles</i>	48.0	82.5	66.8	3.66	3.91	5.09	4.5
Wholesale on a fee or contract basis	0.0	6.9	0.0	0.00	0.33	0.00	-
Wholesale of agricultural raw materials and live animals	12.5	20.5	7.1	0.95	0.97	0.54	-7.8
Wholesale of food, beverages and tobacco	21.4	31.5	32.5	1.63	1.49	2.48	5.8
Wholesale of household goods	4.0	0.3	2.2	0.30	0.01	0.17	-8.6
Wholesale of machinery, equipment and supplies	0.0	0.7	0.6	0.00	0.03	0.05	-
Other specialised wholesale	10.3	13.1	5.1	0.78	0.62	0.39	-9.8
Non-specialised wholesale	0.0	9.8	19.5	0.00	0.46	1.49	-
<i>Retail trade, except of motor vehicles and motorcycles</i>	1,226.5	1,975.9	1,208.7	93.49	93.70	92.16	-0.2
Retail sale in non-specialized stores	85.0	175.1	130.7	6.48	8.30	9.97	5.9
Retail sale of food, beverages and tobacco in specialised stores	23.9	94.4	58.4	1.82	4.48	4.45	12.3
Retail sale of automotive fuel in specialised stores	750.3	1,213.8	763.0	57.19	57.56	58.18	0.2
Retail sale of information and communication equipment in specialised stores	3.6	7.5	3.5	0.27	0.35	0.27	-
Retail sale of other household equipment in specialized stores	5.2	9.7	6.7	0.39	0.46	0.51	3.5
Retail sale of cultural and recreation goods in specialised stores	12.0	2.9	0.0	0.91	0.14	0.00	-
Retail sale of other goods in specialised stores	66.0	95.0	64.3	5.03	4.50	4.90	-0.4
Retail sale via stalls and markets	144.6	198.8	120.5	11.02	9.43	9.19	-2.5
Retail trade not in stores, stalls or markets	136.3	179.1	62.2	10.39	8.49	4.74	-10.8
Total	1,311.8	2,108.7	1,311.5	100	100	100.00	0.0

Source: Authors' computations using UBOS UNHS datasets



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