TRADE, INDUSTRY AND COOPERATIVES SECTOR

SECTORAL ISSUES PAPER FOR THE LOCAL GOVERNMENT BUDGET CONSULTATIVE WORKSHOPS FOR FY 2016-17

PREPARED

BY

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AUGUST, 2015

THE TRADE AND COMMERCIAL SERVICES GRANT

BACKGROUND

The contribution of the Trade and Industry sub sectors to Uganda's Gross Domestic Product (GDP) has risen from 37.2 percent in FY 2004/05 to 43.3 percent in Financial Year (FY) 2011/12, growing at an average 7.7 percent per annum. Government recognizes the increasing relative contribution of the sector to the national economy and has identified Tourism and Manufacturing as primary growth sectors in the National Development Plan 2010/11 – 2014/15 (NDP) while the Trade and Cooperatives subsectors are recognized to be complimentary sectors by the same Plan.

The NDP also recognizes the following constraints to performance in the Tourism, Trade, Industry and Cooperatives (TTIC) sector;

1) An absence of market opportunity response strategies such as a deliberate effort to link the productive and trade sectors.
2) Inadequate knowledge on cooperatives: the majority of the current cooperatives membership is not adequately educated and trained in cooperative matters. This has led to member exploitation, low patronage and poor accountability; factors which negatively impact on cooperative business.
3) General weak public administration and management manifested through delinked institutions, structures and systems; understaffing; overlapping and duplication of roles; protracted institutional infancy; and weak client responsiveness.
4) A private sector that is fragmented, small and lacks sufficient public sector support for Tourism Development.

Some of the proposed interventions in the NDP to support the sector achieve its full potential include;

1) Strengthen trade – related institutions including implementing agencies and Local Governments to support sector

development.

2) Enhance coordination within TTIC Sector Working Group and build synergies with Production Sector Working Groups.
3) Strengthen and harmonize market information systems and dissemination mechanisms as well as deepen outreach coverage by establishing regional trade information centers.
4) Support community based tourism enterprises around wildlife protected areas.

The functional analysis of the Ministry (2004), the Diagnostic Trade Integration study (World Bank, 2006) and the Study on the effectiveness and efficiency of District Commercial Offices (DCOs) conducted in 2008 all noted that after devolution, the Ministry of Trade, Industry and Cooperatives (MTIC) was operating in isolation from the districts which are the centers of production. This created a significant gap in the efficiency of the trade value chain, as well as the integration of sectoral issues into overall economic policy implementation for Government.

In the FY 2011/12, this Ministry started extending to Local Governments (LGs) financial support for the delivery of Commercial Extension Services at the DCOs. Due to budgetary constraints, the scope of the intervention only allowed the Ministry to extend this support to 15 pilot districts.

STRENGTHENING THE DELIVERY OF DISTRICT COMMERCIAL EXTENSION SERVICES

The Ministries of Trade, Industry and Cooperatives (MoTIC) and that of Tourism, Wildlife and Antiquities (MoTWA) are the lead public institutions mandated by the Constitution of the Republic of Uganda (1995) to formulate and support strategies, plans and programs that promote and ensure expansion and diversification of tourism, trade, cooperatives, environmentally sustainable industrialization, appropriate technology, conservation and preservation of national natural and cultural heritage, to generate wealth for poverty eradication and benefit the country socially and economically.

The Ministries deliver on this mandate together with their affiliate institutions namely; Uganda Development Corporation, Uganda Export Promotion Board, Uganda Commodity Exchange, Management Training and Advisory Center, Uganda Industrial Research Institute, Uganda National Bureau of Standards, Uganda Tourism Board, Hotel and Tourism Training Institute, Uganda Wildlife Education Center, Uganda Wildlife Training Institute, and Uganda Wildlife Authority. The two Line Ministries also operate through the Commercial Officers in the DCO housed in the Production and Marketing Department.

After the Graduated tax was abolished in 2001, locally generated revenue is too meager for Local Governments to finance all their planned activities and given that Conditional Grants from the Central Government constitute more than 90 percent of resources available to Local Governments, TTIC sector plans and budgets implemented through the DCO are rarely considered because they have had no reliable source of funding like some other sectors. To address this challenge, in the FY 2010/11, the Central Government through the MTIC resolved to start sending a conditional grant to the LGs to facilitate the implementation of the NDP sector specific strategies and the sector's Strategic Investment Plan (2009/10-2013/14) at the grass root level principally through mainstreaming Tourism, Trade, Industry and Cooperatives issues in the District Development Plans and Budgets.

After the consultative process of selecting the beneficiary Districts, the Conditional Grant was eventually made equitably accessible to the following 15 Districts; Arua, Masindi, Mbale, Busia, Kisoro, Kasese, Kanungu, Kabarole, Kayunga, Bushenyi, Rakai, Nwoya, Kitgum, Wakiso and Gulu[1].

[1] See tentative Conditional Grant Utilization Guidelines for FY 2014-15

ISSUES FOR THE LOCAL GOVERNMENTS' ATTENTION

1. Sector performance indicators and standards for MoTIC have been included in the Minimum National Service Delivery Standards and the revised National Assessment tool by the MoLG with the help of a team of Consultants. The Ministry of Trade, Industry and Cooperatives appreciates that it should step up performance monitoring of the District Commercial Offices. The District leaders and administrators should also interest themselves in this document for inspection and performance assessment purposes.
2. Guidelines for the utilization of the Trade and Commercial Services Conditional Grant in FY 2013-14 were disseminated. Therefore, the Districts should endeavor on their part to provide timely and accurate data on their plans, achievements and status on programme implementation to the MoTIC as well for stronger cooperation.
3. There is an urgent need for the District Service Commissions to recruit staff for the District Commercial Office. This will enhance the effectiveness and efficiency of the Office during programme implementation.
4. The collaborative efforts and funding arrangements between the Ministry of Trade, Industry and Cooperatives, Ministry of Local Government and District Local Governments should be strengthened by all parties to facilitate coordinated interventions of Government to maximize effectiveness and eliminate duplication of activities. This is the responsibility of all stakeholders.
5. Local Governments should deliberately build the capacity of staff in the DCO to deliver on the Sector's mandate effectively and efficiently.

6. Local Governments should acquaint themselves with the legal and policy framework which guides the Trade, Industry and Cooperatives Sector as these documents are readily accessible through the MoTIC website on www.mtic.go.ug . The District Commercial Offices should be effectively utilized for this purpose to promote trade and local economic activities at the Local Government with technical support (on request) from the Ministry responsible for Trade, Industrialisation and Cooperatives Development.
7. Local Governments should also endeavor to collect and store data on Sector activities as the Focal point for this is the District Commercial Office. This data and statistics will readily inform the Ministry and the Sector Working Group on budget and policy decisions to effect for the the promotion and development of the Sector. Such sector data to collect in their routine operations is provided for in the revised National Assessment Tool.

ACHIEVEMENTS SO FAR IN DISTRICTS UTILISING COMMERCIAL SERVICE GRANT.

1. DCOs have been able to train technical officers, councils and the business community on the trade Policies, Laws and regulations most especially the Trade Licensing Act.
2. DCOs have been able to mobilize non tax revenue (Travellers wholesalers Licence country wide and hire purchase)
3. DCOs have been able to establish a data base on the business entities in the districts which facilitate planning and decision making.
4. Sensitization on business entrepreneurship has been done for business communities.
5. Collection of market information and dissemination locally and regionally.
6. Groups have been mobilized to form Cooperatives and registration facilitated.
7. Supervision and technical support to cooperatives has been done using the grant.
8. There has been the development of data bases of potential tourism sites and facilities in the district.

ISSUES RAISED DURING NEGOTIATIONS FOR THE GRANT UTILISATION AGREEMENT IN FY 2015/16

1) Commercial Services and Trade at the Local Government

It was noted that, the DCOs currently fall within the Production and Marketing department at the District. The Ministry of Trade should advocate for the development of a structure to sufficiently cater for the mandated responsibilities i.e. trade promotion, marketing, cooperatives revitalization, as well as industry and tourism promotion.

Agreed Position:

MOTIC shall follow and advocate for an independent department for commercial services and trade at the District and Municipal level to cater for the mandated responsibilities related to trade, marketing, cooperatives, industry and tourism.

Progress:

a) The Ministry's proposals for restructuring were adopted and a Department of Commercial Services has been approved by the MoPS.
b) Ministry of Public Service (MoPS) reviewed the Schemes of Service for the Commercial Officers in July 2013 and has recommended a split from the Production and Marketing Department at the LGs.
c) The restructuring exercise is still ongoing and is currently at consultation stage with MoLG and MoFPED.

2) Funding of Commercial Service and Trade Functions in Local Governments

It was noted that some of the issues observed in the last negotiations are still pending i.e. fifteen districts are the ones receiving the Commercial Services Grant as a pilot with funding that is still meager at Ugx 7.2 million per year per district given. The rest of the district commercial services and trade offices are funded on locally raised revenue. Unfortunately local revenue is minimal, and has many priorities attached to it, which means that the unfunded districts are not facilitated to play their role on wealth creation.

Agreed Position:

MTIC should lobby and advocate for the expansion in resources of the 501-850 District Trade and Commercial Services Grant and in its coverage to all districts and municipalities, to ensure improved commercial services and trade performance and commercial extension service delivery in Local Governments.

Progress:

A concept note on increment and expansion of the grant to all districts and municipalities has been submitted to Ministry of Finance.

3) On Trade Licensing

It was noted that the Bill amending the Trade Licensing Act has undergone the first reading in Parliament. The Local Governments argue that development of the Schedules to the Trade licensing Act which are already being implemented by Local Governments did not involve wide consultations of Local Governments.

There have been issues in implementing these regulations the main one being that some of the institutions listed there are refusing to pay the determined levies for example Banking Institutions and Telecommunication Companies, hence necessitating the need for review. It was also noted that at the time the schedules were made, the review of the Act had not been made and as such it in part affects what is contained in the Regulations.

It also noted that KCCA is no longer a Local Government and is currently governed by another law, the KCCA Act, therefore while conducting consultations with Local Governments; it should not be used to represent Local Governments.

Agreed Position:

a) The Trade Licensing Regulations should be revised in consultation with the Local Governments because Local Governments are better placed to assess and set the rates that should be paid in their respective jurisdictions.
b) The Trade Licensing rates should be reviewed regularly in response to the prevailing economic circumstances.
c) MTIC should ensure that local governments are widely consulted during the review.

Progress:

The Trade Licensing Amendment.

4) Involvement of the District Commercial Officers

It was noted that the Ministry engages LGs in their activities. However, it seems Municipal commercial officers are not accorded due recognition and yet they exist in the structures.

Agreed Position:

The Ministry of Trade, Industry and Cooperatives should continue to actively engage all Local Government commercial officers in their activities i.e. both District and Municipality commercial officers.

Progress:

The Ministry is continuing to involve DCOs in its activities.

All DCOs have been trained on mainstreaming Trade in the District/Municipal Development Plans under the EPA TAPSS project.

The Ministry through the District Commercial Services Support (DICOSS) project has renovated 25 District Commercial Offices and equipped them with furniture and computers. The project will also give direct budget support for the recently agreed work plans and budget.

Some DCOs have been recommended by the Ministry to participate in short courses within and outside the country to enhance their capacity in executing the sector's mandate.

5) Prosperity for All – SACCO Model

The meeting noted that there were issues discussed in the previous negotiations but were not attended to. Issues like the mandate of the Cooperative Department – MTIC to promote and regulate Cooperative Development in the country. However, the MoFPED was only involved in the development of SACCOs through the Rural Financial Services Project which closed

June 2013. This project was closely implemented alongside MTIC whose part is to register, supervise, inspect and audit the SACCOs receiving this support among others.

Ministry of Trade concurred with the Local Governments that although this issue is housed under Finance, the management of SACCOS is actually the mandate of the Ministry of Trade.

The Ministry is currently reviewing the Cooperative Societies Act to provide for more specific regulation of SACCOs among other issues. There have been proposals to set a threshold above which given SACCOs will be regulated by the Central Bank. This mandate currently rests with the Cooperatives Development Department in MTIC.

Agreed Position:

a) The MoTIC should expedite amendment of the Cooperative Societies Act to provide for the clear regulation of SACCOs.
b) MoTIC should also increase awareness creation in the Local Governments on its mandate to register and regulate Cooperatives of any nature as provided in the current Law.

6) Local Economic Development

Ministry of Local government has being working on Local Economic Development and now wishes to pass it over to Ministry of Trade Industry and cooperatives and that the Commercial officer takes lead.

Agreed Position

Ministry of Trade to take over LED on condition that the resources will be availed to implement it

ANNEX 1

SECTOR INDICATIVE PLANNING FIGURES FOR FY 2014/15[2]

Given that resources available for the conditional grant in the sector's MTEF have not yet been increased, the total Trade and Commercial Services Conditional grant is tentatively UGX 108,000,000 in the FY 2014/15.

S/N	District	Allocation Ratio	IPFs
1	Arua	1/15	UGX 7,200,000
2	Masindi	1/15	UGX 7,200,000
3	Mbale	1/15	UGX 7,200,000
4	Busia	1/15	UGX 7,200,000
5	Kisoro	1/15	UGX 7,200,000
6	Kasese	1/15	UGX 7,200,000
7	Kanungu	1/15	UGX 7,200,000
8	Kabarole	1/15	UGX 7,200,000
9	Kayunga	1/15	UGX 7,200,000
10	Bushenyi	1/15	UGX 7,200,000

[2] Formula used; IPF = Allocation Ratio (1:15) x TOTAL Trade and Commercial Services Conditional Grant.

11	Rakai	1/15	UGX 7,200,000
12	Nwoya	1/15	UGX 7,200,000
13	Kitgum	1/15	UGX 7,200,000
14	Wakiso	1/15	UGX 7,200,000
15	Gulu	1/15	UGX 7,200,000
GRAND TOTAL			**UGX 108,000,000**