POLICY**BRIEF**

BOLSTER TRADE POLICY THROUGH BUSINESS DEREGULATION AND ECONOMIC POLICY REFORMS

EXECUTIVE SUMMARY

Uganda has substantial trading potential and opportunities in her domestic, regional and international markets. However, most traders in Uganda, especially the indigenous small and medium scale entrepreneurs, operate under such a heavily regulated and highly liberalized economy that they find it difficult to cope with global competitors and realize sustainable growth. The cost of trading (doing business) in Uganda is relatively very high mainly due to unfavorable policies and regulations. Hence, there is crucial need for considered regulatory and policy reforms aimed at bolstering the competitiveness and suitability for Uganda's investment climate so as to realize sustainable trade development. This policy brief, thus, highlights some recommendable deregulation and reforms for improving the trade policy.

This policy brief proposes the following policy options:

a) Deregulating (easing) starting of formal businesses;

b) Bolster protection of Investors;

c) Easing payment of Taxes; and

d) Deregulation of Trading across borders (import and export trading)

THE RATIONALE FOR IMPROVING THE TRADE POLICY THROUGH BUSINESS DEREGULATION AND ECONOMIC POLICY REFORMS

Despite the prevalence of considerable trading prospects in Uganda's domestic, regional and international markets, the business regulations affecting business entities, especially the small and medium scale enterprises, in Uganda are relatively prohibitive to lucrative and globally competitive trade practices. According to World Bank (2012), Uganda ranked 120th out 183 countries on the Ease of Doing Business annual indices. Out of the these 183 countries, the World Bank (2012) reports that Uganda ranks 144th on the ease of starting a business; 139th on the ease of protecting investors; 93rd on the ease of paying taxes; and 159th on the ease of trading across borders (i.e. export and import trading). Such rankings substantially compromise the survival, competitiveness, and prosperity of especially the indigenous small and medium enterprises trading in Uganda. Hence there is need for competitive business deregulation and economic policy reforms as strategies for improving the trade policy in Uganda.

METHODOLOGY OF THE STUDY

These policy recommendations are based on the assessment and appraisal of Uganda's trade policy; analysis of the Doing Business annual report (World bank, 2012); and presentations, debates; observations, concerns and issues raised by academics and renown trade experts at a public dialogue on Trade Policy that was organized by the Uganda Development Policy Management Forum at Uganda Management Institute on October 16, 2012.

POLICY RECOMMENDATIONS

1. Deregulate (ease) Starting of Formal Businesses

The bureaucratic and legal hurdles faced by entrepreneurs wishing to incorporate and register a new firm in Uganda are very costly and prohibitive to doing good business, including trading, in Uganda (World Bank, 2012). In particular, the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the economy's per-capita gross national income in Uganda are globally unfavorable for trading by especially a conventional small and medium scale enterprise (World Bank, 2012).

Uganda ranks 144th out 183 countries in the ease of starting a business as starting a formal business by an average small and medium scale enterprise requires 15 official procedures, 33 working days, and 76.7 per cent of income per capita on average. In order to improve the investment climate-through the National trade policy, it is recommendable to competitively deregulate (ease/reduce) the number of procedures, time and cost of starting formal businesses in Uganda. Such deregulation will lead to establishment of more formally registered businesses that can easily access financial resources, pay taxes, and formally trade locally, regionally and internationally.

2. Bolster Protection of Investors

Levels of trade liberalization in Uganda are so high that her investors, especially the indigenous small and medium scale enterprises, are exposed to excessive global competition that usually inhibits domestic trading potential. Uganda ranks 139th out of 183 countries in protecting investors, especially in regard to their extent of disclosure, extent of directors' liability, ease of shareholder suits' and strengths of investor protection (World Bank, 2012). This compromises doing business, including trade competitiveness, survival and prosperity. Thus it is recommendable to implement policy reforms for strengthening the protection of especially the indigenous small and medium scale enterprises against global competition by revising the extent of disclosure, extent of director liability, ease of shareholder suits and the general strengths of investor protection.

3. Ease Payment of Taxes

Challenges and inconveniences experienced while paying taxes are one of the major factors inhibiting trade prosperity and competitiveness in Uganda. According to the World Bank (2012) Uganda ranks 93rd out of 183 countries on the ease of paying taxes; with a conventional small business paying 31 types of taxes, using 213 hours and incurring 37.1 percent of its profit as a tax rate per year. This scenario calls for serious improvement through globally competitive policy reforms so as to lower the cost of doing business, improve the investment climate and boost trade in Uganda.

4. Deregulation of Trading Across Borders

Uganda being landlocked naturally faces costly and slow export and import trade transactions. This situation, however, has been exacerbated by the comparatively unfavorable regulation of such international trade as the World Bank (2012) reports that Uganda ranks 159th out 183 countries on the ease of trading across borders. For instance it costs US$ 3050 on average to export a standard container of good from Uganda compare to the cost of only US$ 456 to export a similar container from Singapore (World Bank, 2012). Since ease of export and import trade is critical for any country's trade prosperity, it is imperative that Uganda embarks on diligent and competitive deregulation (ease/reduction) of the require number of documents, time (days), and cost of importing and exporting to improve on her global ranking in this regard.

CONCLUSION

Globally competitive business deregulation, especially in respect to starting formal businesses, protecting investors, paying taxes and trading across borders by indigenous small and medium scale enterprises, is crucial for improving Uganda investment competiveness and lower the cost of doing business. By implementing the above-stated recommendations, Uganda's trade policy is very likely to improve thereby advancing the economy's trading prospects, attractiveness and competitiveness.

RECOMMENDED FURTHER READING

Uganda government, 1995. Constitution of the Republic of Uganda

Uganda government, 2007. National Trade Policy: trading out of poverty, into Wealth, and Prosperity. Ministry of Trade, Industry and Cooperatives.

Uganda government, 2007. National Trade Sector Development Plan National Trade Policy: trading out of poverty, into Wealth, and Prosperity. Ministry of Trade, Industry and Cooperatives

World Bank (2012). Doing business 2012. Washington, DC: World Bank, International Finance Corporation and Palgrave Macmillan.

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Hon. Amelia Kyambadde, Minister for Trade and Industry with the & Ambassador Nathan Irumba listening to the presentation

The Director General (UMI) Dr. James Nkata & Secretary to cabinet Mr. Opio Lukone and other participants of the public dialogue on trade policy listening to the presentation

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