A SYNOPSIS OF THE CURRENT STATUS OF UGANDA'S EXPORTABLE SERVICES IN RELATION TO THE WTO AND REGIONAL AGREEMENTS

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1.0 Preamble

The General Agreement on Trade in Services classifies services into 13 distinct categories all of which are present in Uganda and all of which were covered in a Baseline survey we have just concluded through the Private Sector Trade Policy Capacity Building Project.

Using Government's "Big Push Policy" as a yard- stick we have picked three of these sectors and two additional sectors namely tourism and communication where Uganda has already made commitments to be the basis for this paper on "Uganda Trading in the future – Challenges and opportunities"

2.0 Selected Sectors

2.1 Tourism and Travel-Related Services Industry in Uganda

2.1.1 Sector Overview

The Tourism and Travel Services industry has been one of the fastest growing sectors in Uganda, with the sector growing, according to GOU official records, at an annual rate of 21% between 1992 and 2000. Although the general trend remains positive, the sector has suffered some set backs in the past four years 1998-2001, resulting from the political instability in the Great Lakes region, which negatively affected the country's image and made some tourist attractions inaccessible. The tourism and travel sector in Uganda remains highly dependent on international visitor arrivals with very limited growth in domestic tourism.

However, the Tourism and Travel services industry continues to benefit from the special position attached to the sector by the Government and is one of the key sectors its promoting. In the year 2000, for instance, the tourism industry contributed 30% of the total planned investment in Uganda. Investments in tourism have been primarily directed to the expansion of the capacity needed to meet the growing tourist influx. Between 1998-2000, a total of 26 investment projects in the sector were registered. These included hotels, lodges, tented camps, services apartments tour operators, casinos, cinemas, restaurants, and white water rafting companies with total planned investment totaling over US$ 460 million.

2.1.2 Profile of the Tourism and Travel Services Industry in Uganda

Consistent with the GATS classification, the tourism and travel services sector in Uganda has four broad categories of firms or services. These are

Hotel and Accommodation services
Tour and Travel Operators
International Conferences
Tourism Auxiliary Service Providers

The last category includes producers of tourism promotional materials, organizers of international and internal travel markets and trade fairs, as well as local art and crafts shops selling items from the various fine artists and cultural groups in the country.

The size of the Tourism and Travel services industry in Uganda is still small by international comparison, dominated mainly by the accommodation services sub-sector in terms of number of operating firms, their capitalization and the overall service capacity available. A total of 234 firms are active in the accommodation services sub sector providing a broad range of accommodation services from single-occupant budget rooms to five-star world class accommodation. The accommodation products available target almost all categories of clients with rooms priced from as low as US $ 8* per night for the lower end of the market to US 300* per night for the presidential suite-type accommodation.

The next major service category are the Tour and Travel firms who arrange and sell tour packages to mainly international visitors. A total of 27 (140) firms are currently licensed and operational. Because of the current level of business, all the firms in this service category find it better to combine both tour operations and travel services. The auxiliary services include Art and Crafts sales to international visitors. The size of the Tourism and Travel services industry is summarized in the table... below.

Table: The size of the Tourism & Travel Services industry based on number of firms and service capacity.

Service Category	Firms (Number)	Average Service Capacity	Total Available Capacity
Hotel & Accommodation services			
Economy & Budget hotels	185	25 rooms	4625 rooms
Back-Packers hostels & camp sites	11	50 persons per day 20 rooms	550 persons per day
Apartments	8	120 rooms	160 rooms
Superior hotels	12	45 beds	1440 rooms
Game Lodges	18		810 beds
Tour & Travel Operators	27(140)	$ 25,000*	-
International Conferences	1	2300 seats	2300 seats
Auxiliary services	56	$ 12, 860*	

2.1.3 Performance of the Tourism and Travel Services industry in Uganda

The contribution of the tourism and travel services industry, according to GOU official figures, remains a major contributor to foreign exchange earnings and to over all GDP. Estimates from the survey indicate that this sector employs about 9000 people directly and about four times more people indirectly. The number of jobs will continue to grow with growth in this industry. With an estimated annual growth of 21% , this figure will double in the next five years. Regarding tax contribution, the sub sector contributes about Ushs. 8.0 billion annually to government revenues through various taxes payable including PAYE, Corporate tax, and others. At the same time, the sub-sector generates foreign exchange receipts of about US $ 43.0 million annually into the Ugandan economy. The assessment of the sector in terms of employment, tax contribution, foreign exchange receipts and leakages is presented in the table below

Table2: The Performance of the Tourism & Travel Services industry in Uganda.

Service Category	**Firms (Number)**	Employees*	**Annual tax Contributions (Estimates) UGX.Billions*** **	**Annual Foreign Exchange Receipts (Estimates) US $ Millions**
1.Hotel & Accomodation	234	8,000	8.0	26.1
2. Tour & Travel Operators	27(140)	270	1.0	15.7**
3.International Conferences	1	50	0.5	
4. Auxiliary services	56	560	0.5	1.5

** The estimate of employees does not include persons employed in regulatory institutions and other governmental agencies like the national parks.*

*** Estimate of foreign exchange includes only estimated average annual expenditure by non-Ugandan non-resident visitors*

**** Estimates of annual tax contributions exclude VAT which was scrapped in Financial Year 2001/2002*

2.1.4 Challenges

Leakages

Uganda experienced particularly strong growth, with arrivals growing by 123% from 1992 to 1999. However, this phenomenal performance only resulted in a marginal 16% growth in tourist expenditures (incomes) over the same period. This disparity highlights the impact of leakages and uneven distribution of tourist incomes. Vertically integrated distribution channels, Central Reservation Systems (CRS) and the Global Distribution Systems (GDS), for tour and travel services run by multinational tour and travel agencies in the EU and North America are currently being used to hold up most tourist incomes at their home bases, in the process denying Uganda access to these foreign exchange earnings.

Air travel

Air travel still remains one of the biggest components of most travel packages especially for tourists from the North. Uganda's lack of a national carrier unlike her neighbors or even a locally licensed operator flying these routes implies that we are locked out of the most lucrative component of a tour and travel package.

Being landlocked most Ugandan travelers and business tourists travel by air and by flying foreign airlines, this worsens our leakages.

2.1.5 Tourism and the WTO – The General Agreement on Trade in Services

The current GATS classification of tourism is inadequate, not giving due attention to Uganda's tourism export interests, such as: environmental issues, cultural values and heritage, community interests, crafts and the entire curio industry. These are the areas from which our people and the economy make any money at all from tourism.

Air transport still remains largely excluded from the GATS, yet its what gives Uganda access to its tourist markets given that Uganda is landlocked. In its current bilateral form air

transport is a bastion of uncompetitive practises steeped against poor countries reducing our competitiveness and maximising tourist leakages

The statistical system currently used by most countries (including developed countries such as the EU and USA) does not capture all pertinent information regarding tourist markets. As a result, Uganda cannot be in position to evaluate the full impact of its previous GATS commitments and that of its WTO partners, on the performance of the tourism sector and especially on the impact of the latter on its local economy. Such information on tourist markets would help in the identification and classification of sectors and products within the respective markets so as enable Uganda position herself and exploit these tourist market opportunities.

In addition the **Ministry of Tourism, Trade and Industry** and other stakeholders using current statistics systems cannot accurately identify genuine tourists, the arrivals figures cannot be relied on.

2.1.6 Assessment of Tourist Attraction Performance in Uganda

An attempt has been made to assess the performance of different types of tourist attractions in Uganda with a view to obtaining their relative contribution to tourist inflows as well as their growth potential. While it would have been better to obtain data for at least five years to assess attraction potential, this was not possible due to limitations of time and the fact that data was not readily available.

Table 3: The performance of different tourist attractions in Uganda

Attraction type	Attraction sites currently used	Number of visitors in year 2000
Flora & Fauna National parks	7	54,960
Natural beauty attractions	3	
White water rafting	1	2,700
Cultural/heritage sites	1	(foreign visitors)600
Historical sites	1	(foreign visitors)11,000
Community attractions	1	300
Wildlife education center	1	200

The table clearly indicates that, currently, Uganda's main tourist attractions are nature based, relying mostly on the flora and fauna diversities in national parks. On the other hand, the cultural, historical, and community tourism attractions are yet to become major contributors to tourist demand. It was also found that marketing efforts and investment directed towards these potential attractions are still inadequate.

2.1.7 Way forward

Further liberalisation of tourism and a review of Uganda's schedule of commitments on tourism under the current round should aim at achieving even and equitable distribution of tourist incomes.

The sustainability of tourism will depend largely on the creation of a competitive and liberalised tourist environment for Ugandan tourism businesses (especially SMEs). Government, technical support programs and subsidies targeting the community and SMEs will be essential for effective delivery in this regard.

The Tourist Satellite Account, which captures most of the elements not captured by current data systems, should be adopted at the ongoing GATS negotiations across the board and by all members as a basic principle on capturing tourist data.

The GATS negotiations should start the multilateralisation of air transport into the ambits of the GATS. Real market access to tourists will remain elusive without free-skies in the aviation industry.

Given the size of Uganda in market terms and her partners in both the EAC and COMESA, and the complimentarity and similarity of their tourist attractions, regional cooperation on tourism issues among the member countries should be promoted as a way of minimising external leakages. Furthermore, negotiating market access, technical assistance, and Special and Differential Treatment as a region could increase Uganda's benefit of the negotiations.

Recommended areas of action
a) Open up and invest in more sites of historical significance. Examples are
Bishop Hannington site in Iganga
Bigo bya Mugyenyi of the Chwezi dynasty in Sembabule district
Others potential sites

Open up and invest in more Cultural sites. At present, the major cultural attractions are the Kasubi tombs and to some extent the Uganda Museum. Other examples are:

Sites, shrines of other old kingdoms and chieftaincies
The Bunyoro kingdom and the heritage of Omukama Kabalega

Re-positioning and marketing the Ugandan tourist product as a rich and diversified product that includes nature and beauty attractions as well as a rich cultural heritage and fascinating history.
Increase marketing in the region for the Religio-historical attractiveness of Uganda

2.2 Recreational Services Industry in Uganda

2.2.1 Sector Overview

The recreational services sector in Uganda is still a small but fast growing industry, growing in tandem with the general growth in the economy and with the growth in the tourism industry in particular. The increase in the urban population coupled with improved incomes has resulted in a modest increase in the demand for leisure services. As a result, there has been increased investment in facilities such as Casinos, cinemas, discotheques, theaters and theatrical groups, cultural troupes, and film production. In Uganda, this sub sector has traditionally been bundled together with the mainstream tourism and travel services. As such, the sub sector has received limited distinct attention from government and other support agencies as a potential area of service exports. Nonetheless, the sub-sector continues to benefit from general investment promotion for the tourism sector.

2.2.2 Profile of the Sector

The composition of the recreational, cultural and sporting services industry is reasonably diverse covering cultural based entertainment and recreational services to those involving

modern sport and entertainment services. Although nation wide information about this sub sector is scanty, efforts have been made to capture firms and facilities in and around Kampala city where most services are located. The data collected is presented in table... below: The current data shows that the recreational services sector comprises a total of 182 firms; of which 172 offer printing and publishing services.

The sector is composed of the service types specified under the GATS classification, Casinos, Cinemas, Theatres and theatrical groups, Cultural troupes, film production firm, sports clubs providing sports entertainment, music and dance groups and printing and publishing firms. It is important to note that a very negligible portion of the printing and publishing services in Uganda are for recreational and entertainment. Newspaper printing and publishing of scholastic materials for educational purposes dominate the majority of printing and publishing.

Table: The composition and size of the Recreational Services sector in Uganda.

Service Category	**Firms (Number)**	**Average Service Capacity (Investment, US $)**	**Total Available Capacity (US$ Millions)**
Casinos	1	1 million	1.0
Discotheques	5	200,000-500,000	1.35
Theatres & Theatrical groups	7	40,000	2.8
Cultural troupes	10	10,000	0.1
Film Production	1	100,000	0.1
Sports Clubs	12	20,000	0.24
Printing and Publishing			
Small firms	51	50,000-100,000	1.1
Large firms	72	1million+	
Music, Dance & Drama	20	50,000	1.0
Cinemas	3	350,000	1.35

Although still small, the contribution of the Recreation, Cultural and Sporting services industry to the economy of Uganda is growing and cannot be ignored. The estimated contribution of the sub sector in terms of employment, taxes, foreign exchange receipts as well as foreign exchange leakages is summarized in the table below.

Table: Performance Assessment Of The Recreational Services Sector In Uganda.

Service Type	**Employees (Estimates)**	**Annual tax Contributions (UGX.Billions) (Estimates)**	**Foreign Exchange Receipts (US$ Millions) (Estimates)**	**Annual Leakage (imports) US $ Millions (Estimates)**
Casinos	93	0.6	0.1	-
Discotheques	150	0.775	0.05	-
Theaters	200	0.4	-	-
Cultural troupes	300	0.3	0.3	-
Film production	30	0.1	-	0.1
Sports clubs	480	1.2	-	0.3

Printing & Publishing	3,000	40.0	0.3	27.3
Music, dance & drama	500	0.9	0.05	-
Cinemas	42	0.06	-	-
SECTOR TOTAL	**4,795**	**44.36**	**0.8**	**27.7**

Source: Primary data

The above data shows that the recreational services sector employs about 4,800 people and contributes about UGX. 45 billion in taxes to government. However, as the figures clearly indicate, the printing and publishing services currently dominate the recreational services sector in Uganda. This sub sector accounts for 62.5% of total employment in the sector and pays 90% of the taxes. It however, accounts for almost 100% of the sector's total import payments. The other service types available are still young and small with average age of less than five years. Nonetheless there is evidence that incomes, employment levels and over all contribution to the economy is growing very rapidly.

2.3 Health Services Sector in Uganda

2.3.1 Sector Profile

The composition of the health-care sector is varied with institutions of different sizes and nature.Its composed of about 20 Referral hospitals (public, private and NGO),several specialised private Clinics and Public Institutions (including research Institutions).

The Government's **Health Sector Strategic Plan (HSSP)** is spearheading efforts to focus on reducing morbidity and mortality from the largest causes of ill health among the population increase infrastructure and access to health services at the grassroots nationwide. Under this initiative, 210 new health facilities at the subcounty have been built nationwide.

Uganda's two Medical Schools at Makerere and Mbarara Universities have produced 610 qualified medical doctors over the last 5 years and their annual output is set to double over the next 5 years

In an effort to increase access to professional and skilled healthcare to the poor, the Government is behind an aggressive training program for Nursing Assistants, which this year alone has yielded 2300 graduates.

2.3.2 Leakages

Surprisingly, findings point at a growing number of persons seeking medical care for a range of medical services from obstetric care for normal deliveries, HIV/AIDS care to complicated heart surgery and sophiscated medical tests that can be done effectively at times even better in Uganda.
Out of 106 Ugandan corporate bodies (public and private) surveyed in William Bazeyo (1998)'study*, 21% had their top executives seeking treatment abroad. Most of them referred to Kenya, South Africa, India, and to the EU (especially the UK and the Deutchland in that order).

* William Bazeyo,1998, **Extent of Health Insurance in Uganda**, Consultancy Report, (unpublished)

Data on individual referrals for treatment abroad is limited by doctor patient privacy provisions, which we found impossible to penetrate. Though media reports show an increasing number of these cases.
Mulago hospital on average refers 23 patients abroad monthly, for diagnostic tests such as Computerised tomography (CT) scan and Magnetic resonance Imaging (MRI) etc costing upto US$ 25,000 per case treated in Europe.

Despite the high cost for the Scan, (UGX.150,000) it attracts an average of 80 patients per month despite Mulago's famous power outages

Rotary Clubs and other charities involved in medical support have long lists of applications for simple reconstructive operations (Plastic surgery & Eye Cataract removals). Records indicate, that the **Interplast Program** a tripartite initiative of **The Rotary** Club of Rubaga , Nsambya Hospital and the Dutch attracts an average total of 130 cases annually each estimated at a cost of US$ 22,000.

Records at the Uganda Medical Council show that the council annually approves an average 93- 100 from entitled civil servants and public figures for treatment abroad. Among the top twenty five being cancer, 21% eye, heart 12% nervous system 12% and 10% for injuries (though mentioned terminal care is not allotted a percentage!).The average cost to government per person treated abroad was US$ 22,000.

Table: Annual cost for Specialised Medical Tests and Treatment

Institution	**Reason**	**Number of Cases**	**Cost /Case US$ or UGX**	**Annual Cost US$ or UGX**
Mulago Hospital	Diagnostic tests	23 p.m	US$25,000	US$ 6,900,000
Interplast	Plastic surgery	130 p.a.	US$ 22,000	US$ 2, 860,000
Uganda Medical Council	Treatment abroad for entitled Civil servants	97 p.a	US$ 22,000	US$ 2, 134,000
Mulago Hospital	CT Scan	80 p.m	UGX.150,000	UGX.144,000,000

Source:Medical Facilities' Taskforce on the Big-Push
Note: p.a – Per Annum p.m – Per Month

Though an indictment of the level of leakages in the sector, this figure is indicative of a potential export market that could be exploited by the medical sector with the right policy options in place.

2.3.3 Challenges
The diagnostic capacity of most medical facilities including referral hospitals is limited. This explains the big number of case referred abroad and later while there attended to by Ugandan based doctors.

There is no legal framework for institutional autonomy of public hospitals[1].The most viable and fast track approach to refurbishing these underutilized facilities in readiness to export health care services would be encouraging the private sector to invest in these institutions either as joint ventures, between government and local authorities on one hand and the

[1] Joseph Konde- Lule , 1996, **Barriers to Private Health Sector Development in Uganda**.

private sector on the other or through management contracts for these public facilities. Building on existing facilities other than setting up new ones is smarter.

Locally, the high cost of specialized care including for HIV/AIDS related complications is hampered by the lack of a health insurance mechanism. A successful export focused healthcare system cannot blossom on out of pocket expenditure.

In addition the lack of portability of insurance cover from developed countries to LDCs means that healthcare providers in Uganda cant utilise export markets in the developed countries since insurance companies in these markets limit their policies to their own countries or to related countries where their policies are admissible.

Although the tax policy offers zero tax on medical equipment, its definitional scope of medical equipment is very limited, so that most medical supplies, medical furniture, laboratory chemicals are subject to taxation. Thus increasing the cost of medical equipment.

Ugandan healthcare providers are constrained in their capacity to exploit export opportunities in the developed countries due to Uganda's cash based payment system. This will also affect the extent to which telemedicine will benefit this expertise if the inadequacy of or complete lack of telecommunication infrastructure is discounted.

2.3.4 Health Services and the GATS (WTO)

The health sector reform which will result from the ongoing negotiations and the subsequent involvement of the private healthcare providers and multinationals in the sector following the reforms should take into consideration the universal health care principles namely: Universal access, fair cost of healthcare given Uganda's situation as poor country.

Uganda should seek and negotiate mutual recognition of qualifications of its medical professionals its unlikely that patients will seek treatment in a country whose qualifications their governments do not recognize.

2.3.5 Health Services in the EAC and COMESA

It was unanimous from all respondents (in both public referral hospitals and private clinics) that their biggest is in Rwanda, the Southern Sudan, Tanzania and Eastern DRC.
On the other hand it was apparent that a lot of the institutions studied had referred cases to Kenya.

A deliberate initiative to promote the export of healthcare services must start here, efforts in both Arusha and Lusaka should seek to consolidate this market and ease the movement of patients (read clients!) within the region.

2.3.6 Way Forward

Telemedicine should be harnessed as an opportunity to reconcile Uganda's genuine fears of a brain drain of its most qualified medical expertise especially in HIV/AIDS resulting from excessive liberalization and the lure of higher incomes. This risks the sustainability of a rare public healthcare success story in a poor country, given our low doctor to patients' ratio.

Telemedicine offers the sector an opportunity for Ugandan experts to offer high quality services online without the need to relocate abroad to deliver these services. This will depend to a great extent on the level of information technology that will be found in Uganda.

Government should grant autonomy to public hospitals as a prerequisite for private sector investment in public hospitals. Management contracts with the right private operators will attract capital and skills from the private sector. Capital injection by the private will therefore not be wasted on construction of new hospital premises but on equipping and refurbishing already existing ones.

2.4 Education Sector

2.4.1 Sector Profile

Primary Schools

There are 12, 280 primary schools in Uganda, 75% of them owned by the government and the rest by the private sector.

The demand for primary education has radically increased from 2 million pupils in 1986 to, 8.3 million pupils are currently enrolled in both public (7.2m) and private (1.1m) with a teacher /pupil ratio of 54: 1. 29% of primary school children are girls.

Presently, there are four international Schools namely: Kabira International School, Hertage Academy Lincoln International School and Rainbow Academy.Greenhill Academy,Kampala Parents' School, City Parents' School ,Sir Appollo Kaggwa Primary School and Taibah Junior school are some of the local schools around Kampala which have excelled , attracting a sizeable portion of foreign enrollment already.

Secondary Schools

There are 1,850 secondary schools in Uganda 62% of them owned by the private sector and the rest by government and other community establishments. **The St. Lawrence Group** alone owns 4 first class Secondary Schools) while Vienna College a joint venture between Austrians and their Ugandan partners is a US$ 4 million investment.
Out of these there are 58 boarding senior secondary schools in urban Jinja, Kampala, Wakiso and Mpigi Districts.

Teacher Training

There are 37 government aided Technical Colleges, 10 National Teachers' Colleges and 41 Primary Teachers' Colleges, the latter producing 400 primary school teachers per annum

The education service sector employs over 32% of all people formally employed in Uganda

2.4.2 Opportunities

Stringent licensing requirements recently introduced and the newly established Education Standards Agency will be handy for a sector teeming with export potential, this will give an edge to the sector.

The curriculum for primary education has been revised to improve the capacity of the pupils to easily integrate into the world of work with emphasis on problem solving skills skills.

Conducive investment incentives by both UIA and The Ministry of Education and Sports especially for Secondary Schools have encouraged investment in better facilities and infrastructure.

Using English as a language of instruction at all levels of education and training gives an edge to Ugandan schools over their counterparts in the region where vernacular and Swahilli are used.

2.4.3 Challenges

Lack of a well-defined regulatory framework for the education sector. The Inspectorate of Schools in the Ministry of Education is inadequate.

Low levels of computer and Internet usage by most schools.

Adapting the national Curriculum to international Standards to increase the market scope.

Inadequate infrastructure.

2.4.4 The Education Sector and the EAC & COMESA

Its unanimous that the export potential for the sector lies in the region particularly in Rwanda, Tanzania , Congo, southern parts of the Sudan.

Government should not stop at licensing and regulating education but promote it as a viable export business sector and treat it as such.

2.5 The Engineering and Construction sector in Uganda.

2.5.1 Sector Profile

The Engineering and construction sector is arguably the most specialized and developed sector in Uganda with numerous sub-components such as Planning, Interior Design, Architecture, Civil Works, Construction, Mechanical, Electrical as well as Tele-engineering.
A survey of business establishments carried out by **Uganda Bureau of Statistics (UBOS)** in 1998 revealed that the engineering service sector, contributed almost 10% of total employment with most of the firms in the engineering service sector employing between 5 and 20 employees. Which given its size fairly compares with the education service sector that contributed about 32% of total employment (see table below).

Table 1: Employment Status of Selected Business/Service Sectors

Selected Sector	Employment Size (Number)						
	5-9	10-19	20-49	50-99	100+	Total	%
Building & Construction	15	16	8	8	10	57	1.26
Electricity, Gas, & Water	0	1	2	0	3	6	0.13
Motor Vehicle & Fuel Sales	189	130	41	7	3	370	8.20
Real Estate Renting	78	35	21	3	8	145	3.21
Other Commercial & Social Services	34	11	10	4	3	62	1.37
Health & Social work	11	23	6	0	1	41	0.91
Education	688	598	125	16	4	1,431	31.71

There are over 2000 Engineering graduates who have qualified from Makerere University since 1974, only 700 of these are Registered Engineers and therefore members of the **Uganda Institute of Professional Engineers (UIPE).**

There are over 53 Registered Engineering Consulting concerns in Uganda but only 18 members to the **Uganda Association of Consulting Engineers (UACE)**
Only registered professionals can export engineering services one of the most lucrative areas in business to day and as long as Ugandan Engineers shy away from seeking UIPE's membership they miss out on the only available and recognised professional development opportunity. UIPE is the port of first call for the engineering discipline.

The small number of firms compared to the Engineering fraternity highlights the low level of corporate development in this area. Engineers are almost entirely employed in government ministries and parastatals as individuals .The only way to excel as an exporter is to go corporate.

Small Engineering firms give credibility to their industry when they join associations, affiliated to well established International professional organizations like FIDIC to which the UACE is a member