



**EXECUTIVE FORUM ON
NATIONAL EXPORT STRATEGIES**

**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?
IMPLICATIONS FOR STRATEGY- MAKERS**

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**THE STATUS OF THE SERVICES INDUSTRY IN UGANDA AND
THE COUNTRY PROGRESS IN PROMOTING SERVICE EXPORTS**

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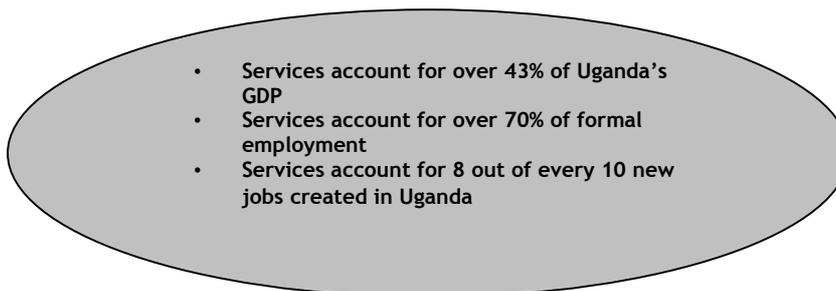
Overview

The services industry in Uganda has come of age as one of the fastest growing sectors in the economy. Although Uganda is an agro based economy with agriculture traditionally being the key sector, other sectors such as services have begun to gain momentum not only in generating foreign exchange revenue for the country but also in creating employment and tackling poverty which is a key development concern for Uganda.

According to Bank of Uganda (2005 est) services now account for over 43 % of GDP, and contribute over **70% of formal employment**. Uganda is pursuing export diversification strategy and the services sector is one strategic sector in which the country hopes to achieve this goal.

Widening Uganda's export base has since the early 1990s been a central policy objective of the Uganda Government economic programs. As a result, Uganda Export Promotion Board (UEPB) has keenly sought to develop strategies that would address the country's export diversification drive. The strategy for services was developed to understand the sector competitive potential based on the SWOT analysis, voice the sector areas that need immediate action to promote service exports and uncover trade barriers and impediments at government level and local level and abroad. For this reason, the Board has increasingly sought support from both government and her key export development partners to aid efforts directed at developing and promoting as many sectors as possible for the export market.

1 Contribution of Services industry to Uganda's economy



However, Uganda's challenge lies in fully exploiting services as an alternative source of foreign exchange. The available statistics indicate that Uganda is a net importer of services, a matter that needs to be reversed through a strategy to export services. UEPB is putting concerted effort in Service exports, provided the development and promotion of Service exports is mainstreamed into the National Planning Framework. The development of the services export strategy has enabled UEPB to showcase the trade potential in the services industry and this has attracted Government attention.

2 Developments in the Services Industry in Uganda

Against this background, in 2003, UEPB sought support from the Joint Integrated Technical Assistance program (JITAP) through the ITC, Geneva to support efforts at making several sectors export ready and the services industry was among these sectors. Key target sub sector priorities in the services industry were identified by a sector baseline survey carried out in 2002. These were;

- *Higher education*
- *Health expertise & management of communicable diseases*
- *ICTs for outsourcing of services*
- *Niche-ecotourism*
- *Migrant Labour (remittance)*

Services have been acknowledged as the potential source of foreign exchange for Uganda.

3 Services Exports

For the last five years, going by the Balance of Payment Accounts, Uganda's Service exports grew from US\$203million in 1999/2000 to US\$331million in 2003/4 (See Table 1 below), with the main sub sectors being transport, travel, communication, financial services and other business services.

Table1: Uganda Service Exports 1999/00 – 2003/04 (US\$ Millions)

	FY 99/00	FY 00/01	FY 01/02	FY 02/03	FY 03/04
Services Net	-241.01	-229.52	-316.13	-268.03	-226.67
Total Inflows (Credit)	203.34	219.04	224.99	258.39	331.35
of which					
Transportation	29.28	33.71	36.14	38.67	47.10
Travel	156.48	165.8	168.96	171.98	200.84
Communication	9.14	10.16	9.69	13.38	17.01
Construction	0	0	0	0	0
Insurance	0	0.93	1.76	0.82	1.34
Financial Services	0	0	0	7.71	22.83
Computer& information	0	0	0	2.88	5.69
Royalties and License	0	0	0	1.38	5.87
Other Business Services	0	0	0	12.53	19.16
Personal, Cultural & recreational	0	0	0	0	0
Government n.i.e	8.45	8.45	8.45	9.04	11.51

Source: Bank of Uganda

4 Remittances from abroad

The Bank of Uganda Balance of Payments accounts indicate a noticeable growth and impact of recorded workers remittances (See Table 2 below). The potential of the services of Ugandans living abroad, which could easily be oriented homeward for national development, is far from being realized. The reasons are that a significant number of transactions under this item, remains unrecorded and more significantly there is no strategic mechanism yet in place to effectively mobilize or tap into the huge acquired resource capacities of Ugandans in the Diaspora. The export strategy on services developed by UEPB and stakeholders has rightly pointed to the opportunities that the country can and will tap from this sub sector if clearly promoted as an export.

Table 2: Uganda: Unrequited private transfers 1999/00 – 2003/04 (US\$ Millions)

	FY 99/00	FY 00/01	FY 01/02	FY 02/03	FY 03/04
Transfers (Net)	61.88	80.36	171.96	160.13	284.22
Total Inflows (Credit)	337.97	256.50	542.19	420.25	483.31
Of which					
Workers remittances	249.53	189.81	401.22	283.67	323.91
Other thro' Bank of Uganda	0.77	0.00	0.00	0.00	0.00
Other (NGOs, IAA Insurance premiums)	87.67	66.69	140.97	136.58	159.40

Source: Bank of Uganda

In Uganda of the 12 Service sectors covered under the GATS, the services baseline survey for Uganda conducted in 2002 narrowed down to five (5) specific Service sub sectors, which "could generate a competitive advantage if systematically supported and promoted in the short- to medium-term for exports". These are namely ;

- *All services related to AIDS control and education*

¹ Baseline Survey of the Services Sector in Uganda –May-June 2002. USEA/Nathan Associates Inc. July 2002

- A rich and unique eco-tourism package combining Gorilla tourism, white water rafting, mountaineering, bird watching and the unique cultural, community and religio-historical experiences of Uganda
- A high quality education system in the EAC region based on the English language as the only language of instruction from the earliest stage of formal education and
- The “Migrant workers” services sub-sector, which is driven by Uganda’s aggressive population willing to take on odd jobs in affluent societies(Ugandans in the Diaspora)

Sector specific recommendations were made by the study and built on through an export strategy for services.

- ICTS for outsourcing was subsequently incorporated by UEPB

Out of 12 service sectors identified under the GATS, Uganda has competitive advantage in 5 namely ;
Higher education, health service expertise and management of communicable diseases; Niche eco Tourism;; ICTs for outsourcing and Migrant labor

5 Target export markets

The EAC and COMESA emerged as the first line potential markets for the Educational and Health sectors and UEPB is packaging marketing programmes to be implemented targeting these markets in 2006. Kenya, UK, Tanzania, USA, the EU, Rwanda, India, DRC the Middle East were considered as the key potential markets for the tourism sector while the affluent society are key markets for migratory labour.

6 The Government Policy on Export of Services

Although in the past there has not been a very articulate Government policy for promoting service exports, Trade in Services in Uganda has in recent times been acknowledged as a potential base for and contributor to economic development. Consequently, Government has emplaced sector policies and mechanisms for harnessing this potential.

- In the area of Tourism there has been the Uganda Integrated Tourism Master Plan (ITPM) developed for the period 1999-2002. A sequel to this is the National Tourism Policy, which directs actions to ensure that tourism development is socially, culturally and environmentally acceptable and a vehicle for poverty alleviation.
- In the area of ICT, there is a National ICT Policy propped up by other developmental initiatives in the sector undertaken by the Ministry of Transport and Telecommunications, Uganda Communications Commission, UIA and the Uganda ICT Outsourcing Services Association. UEPB is building on this policy to promote ICT enabled exports such as outsourcing services
- In the areas of Labour, the Ministry of Gender, Labour and Social Development is implementing a Government approved programme of *Externalisation of Labour*, which aims at formalizing labour exports under the National Employment Policy.
- On the educational front, the ongoing educational reforms have largely been inward looking and have underestimated the export potential of the sector. Research has pointed to huge export potential for education in Uganda and highlighted the need for government to make commitment through the WTO.
- In the health sector, Uganda is a success story in the management and control of the HIV/AIDS pandemic. It also has a commendable record in the management of communicable diseases. The enormous expertise developed by Uganda could easily be packaged and exported as a model for HIV/AIDS and communicable disease prone and plagued countries.

The development of the services export strategy was premised on these policies and programmes of Government geared at increasing services industry competitiveness for Uganda and thus exports.

7 Sectors for significant export potential for Uganda

UEPB adopted a Public-private sector partnership approach to undertake an export readiness mapping of the targeted sectors, developed an effective export strategy based on a bundle of services and has identified a national branding programme to increase Uganda's services exports based on the **5As** defining priority sectors as indicated below:

- **A-Academic Uganda** for higher education
- **A-Abroad Uganda** for the migrant Labour in the Diaspora
- **A-Ambulatory Uganda** for health management
- **A-Adventure Uganda** for niche tourism
- **A-Advanced Uganda** for ICTs

8 Services export Promotion Drives in Uganda

At the country level, UEPB has made significant progress in enhancing export readiness for the services industry. The work has been done in the following areas;

- Creation of the Services exports Association as a national body for potential and actual services exporters. However this association requires support and training in services export competences.
- A Websites Services Exporters has been developed with the support of ITC. It is interactive and linked to UEPB website. The website hosts services export associations, export companies and it is one stop center for services export information in Uganda.
- Services Export strategy; Through a public-private sector partnership approach, and with the support of ITC/Geneva, UEPB developed an Export strategy for services . The strategy was developed by borrowing experience of successful countries and was officially launched in July 2005. UEPB is now occupied with packaging a number of implemented components to present to different donors to support implementation phase.
- UEPB also has developed a database of potential and actual services exporters in Uganda to be linked to international databases such the ITC to market Uganda services providers.
- Services Sector promotion profiles were also developed in preparation for the marketing programmes to be implemented beginning with January 2006
- UEPB has also contacted the ITC Services division to provide services exports training kits to Uganda Missions Abroad. This effort is aiming at enhancing and promoting commercial diplomacy for the services sector.
- UEPB is developing a media strategy to increase awareness among the business community, the government and professionals on the trade potential in the services industry. Significant progress has been made in building partnership with the media houses and this has increased reporting on services export opportunities in Uganda.

9 Strategies Ahead

The Services Strategy for Uganda has been development to promote exports and the task remaining is to convince the donor community to support the implementation of the various recommendations. Tasks to be done include;

- UEPB has begun the process of building a database of Ugandans in the Diaspora and to be linked to local service providers in Uganda
- Strengthening national and regional coalitions to support and promote trade in services and also networking activities and programmes

- To exert concerted effort on strengthening advocacy and dialogue with government, development partners and the business community to support services export development in Uganda
- To stage marketing activities in target regional markets through trades fair participation, trade missions, event organization, road shows and exhibits for the service exporting associations
- The plans are underway to develop an award system for services export enterprises and association and ranking system for excellence in services provision. Other plans are focusing on developing a National Brand Image for Uganda's competitive services for exports.
- The need to build firm credibility in exporting services and country image

10 Challenges and Constraints

The challenges are still numerous from the country and individual enterprises point of view in Uganda. Some of the challenges include;

- The need to attract technical programmes to implement the various components of the services export strategy
- Low awareness and dissemination activities to promote trade opportunities in the sector.
- The need to strengthen policy dialogue between Government, the private sectors and professionals on services exports.
- Inadequate expertise in services export competences in the country
- Limited marketing programme specific to the services sector.

11 Concluding Note

As a strategy to enable the country increase its foreign exchange earnings, tackle poverty and attain the UN Millennium Development Goals by the year 2015, Exporting services offers a valuable contribution to this development agenda not only for Uganda but the entire developing economies. ITC has already acknowledged that developing countries are already exporting services and significant opportunities are in south-south trade of which developing countries account for 68% of service export markets. Trade has been accepted as an engine for economic growth and poverty reduction in Uganda. Uganda is now committed to put the export of services in the priorities of its trade development programmes. The major obstacle is the limited resources. Attracting technical assistance programmes of development partners is urgently needed to realize the benefits of this trade and in developing the sector for exports.