Uganda's participation in international and regional trade: Patterns, prospects, and policy

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1) *What are the characteristics of Uganda's trade structure in recent years?*

Uganda is less integrated in global trade than expected given its level of economic development. Exports and imports of goods as share of the country's GDP account for only about 37 percent (2016 - 2018 average). Uganda's exports have grown slower than those of selected comparator countries in the past decade. Only recently a spike in exports growth occurred due to a surge in gold exports.

The country's main source of exports is agricultural goods in processed or unprocessed form, which account for 64 percent of total merchandise exports. The export basket is mainly composed of cash crops, dairy products, fish and flowers. Although the composition of exports tends to vary across destination regions, it is more diverse at the regional level than in global markets.

The predominance of the agricultural sector in Uganda underscores its importance in the country's strategy to diversify its economy. Foodstuff and vegetables exports show the highest average annual growth rate of (15 percent each). In addition, more than 70 percent of the female and male labour force derives livelihoods from the agricultural sector, making it the most important sector in terms of employment.

Regional trade is key to Uganda's export success and the importance of immediate neighbours increases even further once small-scale trade is included. Uganda relies on its regional neighbours as export destinations with the Democratic Republic Congo (DRC), Kenya, South Sudan and to a lesser extent Tanzania absorbing most of the country's export. Crucially, Uganda also exports large volumes of goods to these countries informally: Small-scale cross border export to these destinations is as high as 40 percent of formal exports.

Exports to the EU are relatively small, accounting for only 20 percent of Uganda's total exports, and tend to be more concentrated on individual destination countries and products. However, this degree of concentration may be overestimated, as Uganda's exports to the EU consist mainly of cash crops or flowers, which tend to be shipped to specific markets that are used as hubs for re-distribution within Europe. An example for this are flower exports which are mostly shipped to the Netherlands, but then redistributed across the continent.

In terms of trade in services, Uganda's openness to trade is slightly higher than that of comparator countries, but still remains below the level expected given the country's economic development. Export growth rates in the services sector have stagnated in recent years, mainly due to lower export values in construction services and personal travel. Growth rates in the services sector are likely to be affected by the impact of the current pandemic and could further deteriorate Uganda's potential for trade in services.

In recent years, Uganda has become more diverse in terms of export products but more concentrated in terms of destination markets. Uganda's participation in the global trading system can be improved by supporting measures to improve export market and product diversification. Over the past decade, product and market diversification in Uganda has been driven by the agricultural sector, particularly vegetables and foodstuffs. While the foodstuffs sector improved market diversification in the early 21st century, expansion has been somewhat slower in the last decade, underscoring the potential need for further market expansion in the foodstuffs sector.

For countries to achieve sustained export growth and diversification, both successful entry into export markets and survival of export flows are crucial. However, Uganda's export survival rate is

low. The probability of new Ugandan export relationships (at the country of destination and product level) to survive past the first year is less than 30 percent, and the probability of the relationship to survive for more than two years is less than 17 percent.

Crucially, survival rates for Uganda's export products and firms tend to be higher for countries where trade preferences exist. Uganda's exports have a higher probability of survival in the EU-28, US-Canada and EAC markets than in Asia or the rest of the African continent. The results show a 40 percent probability of an export relationship surviving more than one year for EAC countries, North America or EU-28 countries. For Asian countries, the export survival rate is lower in the first year but then adjusts. Export relationships with non-EAC African countries have the lowest survival rate compared to other regions, 20 percent after one year and less than 10 percent after the second year. Therefore, the absence of preference schemes with Asia and non-EAC countries appears to have a negative impact on export survival in the long run. The entry into force of the AfCFTA could create a more adaptive environment to improve survival rates at the regional level.

Domestic firms in Uganda tend to be less competitive in international markets and have a low export survival rate, which reduces opportunities to secure export earnings and diversify production durably. As expected, Uganda's large and medium-sized firms have a relatively high export survival rate, unlike small and micro firms. Large and medium-sized firms have relatively similar survival rates with more than 75 percent of the firms surviving past the first year. Among small firms, the survival rate after the first year is high at about 60 percent, but after five years, one in four firms no longer exists. Finally, micro firms have difficulty surviving the first year, with less than 40 percent making it.

Without improving the survival rate of exporters and attracting more FDI, Uganda's participation in regional and global value chains is unlikely to become more complex and is going to hinder export diversification. Participation in backward-looking GVCs is important for economic diversification. The complexity of trade flows associated with backward-looking GVCs can multiply the impact of trade costs if transport and logistics bottlenecks have not been addressed, reducing the competitiveness of Ugandan firms. This makes it a priority for developing country policymakers to adopt the right domestic policies that can support investment promotion and export diversification, which in turn promotes a more inclusive and sustainable economic recovery from the Covid-19 pandemic.

Uganda will benefit from transforming its GVC participation from limited to high manufacturing. According to the taxonomy on GVCs used in the 2020 WDR, Uganda can be characterized as having "light GVC integration" in manufacturing. High-manufacturing GVC participation is more intensive in backward linkages, requires more domestic value-added content and is therefore likely to contribute more to economic growth. Nevertheless, Uganda has shown some success in terms of global and regional value chains which could be further developed to improve product quality and market participation. Uganda has successfully integrated into the global floriculture value chain, the regional dairy value chain, and to a limited extent the fish value chain.

2) What are the characteristics of key agricultural value chains in Uganda and their constraints to boost agricultural commercialization and growth?

Characteristics of agricultural exports and exporting firms

The predominance of agriculture in Uganda is a key element in setting the economy on the path of positive structural transformation away from traditional subsistence agriculture towards more complex GVC participation. Transformation in the agricultural sector, the backbone of the Ugandan economy, is likely to set the stage for overall diversification of the Ugandan economy. Regional trade integration and trade liberalization in the agricultural sector will be key elements in enabling the

commercialization of agricultural products and the development of existing and new value chains, both regionally and globally.

Agriculture continues to dominate Uganda's export basket, contributing about 64 percent to the country's exports. Agricultural exports have increased steadily and beyond the EU as the traditional destination for Uganda's coffee, which still represents more than 60 percent of agricultural exports from Uganda. Agricultural exports to regional markets (EAC and COMESA) have grown by almost 21 percent per year, with regional value chains in dairy and fish emerging in recent years, thanks to strong regional demand but also due to some degree of protectionism offered by the EAC-CET. However, with the advent of tariff liberalization due to the AfCFTA, preferential access to adjacent countries in the EAC are likely to erode in the coming years yielding more competition in the region for Uganda's agricultural exports.

Uganda's exports are market specific at the global level, mainly driven by coffee exports, while they are more diversified at the regional level. The country's export basket to the EU is dominated by coffee, which makes it seem less diverse compared to other regions. On the other hand, Uganda's exports to regional markets are more diversified as exports to these destinations are not dominated by coffee while also benefiting from preferential market access. In addition, preferential market access did not only provide new trading opportunities among members, but also had positive spillover effects to some more distant markets in Asia (i.e., the case of fish), improving the overall diversification of Uganda's export basket. The AfCFTA is likely to have a similar impact if policymakers create the right environment to enable Uganda's exporters to reach markets further afield than neighboring high-growth economies.

However, only 25 percent of Uganda's agricultural exports are processed (i.e., not raw produce), with a track record in dairy products and fish. This underscores the potential of boosting exports by expanding domestic processing capacity. Mainly dairy and fish products being by far the most important processed agricultural export products with 12.3 percent and 7.6 percent share of total agricultural exports. Expanding the transformation capacity of Uganda's producers is crucial and will depend on key imported inputs and technologies. Existing champions can set the stage for new entrants toward more domestic processing and expansion to foreign markets.

Generally, Uganda's agricultural exporters have higher export earnings than other sectors and operate both in regional and in global markets. Most of Uganda's agricultural exporters export more than US$1 million annually. However, the top 1% of these firms (measured by export volume) accounted for the bulk of Uganda's exports. Additionally, agricultural exporters are somewhat evenly distributed in their trading activities across regional and global markets which could make them more resilient to various exogenous shocks, while non-agricultural exporters mostly target adjacent markets in the EAC and COMESA.

Agricultural exporters involved in both exporting and importing activities are found to be larger. About 30 percent of firms in the agricultural sector that participate in export activities also import goods, and these firms tend to be of larger size. This highlights the fact that exporters are reliant on imports. Reducing access to globally sourced inputs could hinder firms' export success.

Moreover, survival rates of agricultural exporters are generally lower than in other sectors, as they tend to operate more in regional markets where higher volatility persists. The exporter survival rate in the agricultural sector shows greater discrepancies between regional and global markets than for other sectors, and between SMEs and larger firms.

The survival rate of larger exporters in Uganda is higher (as expected) while medium-sized firms have the same survival rate as micro firms. In the agricultural sector, it can be expected that larger firms experience less volatility than SMEs, as they tend to export mainly cash crops in the case of Uganda and maintain stronger business relationships with buyers.

With respect to exogenous shocks – including the COVID-19 pandemic – Uganda's agricultural exporters have been more resilient than non-agricultural exporters. Over the course of 2020, agricultural exports performance was not disturbed much by the pandemic and was in fact better than in March 2019. Coffee exports reached record highs.

Analysis of selected value chains

Concerning individual value chains, coffee continues to dominate the export basket as Uganda's traditional cash crop, but other value chains, such as dairy and fish are becoming increasingly important. Coffee contributes about 15 percent to total Ugandan export earnings in any given year and was barely affected by the Covid-19 pandemic, although a significant drop in prices was compensated by higher export volumes.

While the Ugandan coffee market is dominated by a relatively small number of exporters, these reveal a significant degree of diversification with respect to destinations served. In the medium to long run, the government could leverage the unique market structure of the Coffee value chain – consisting of many small-scale farmers that can only reach global markets through a small number of exporters – to incentivize quality upgrading along the value chain by working towards higher export quality at the export gate.

Despite being landlocked, Uganda is the fifth biggest fish exporter in Africa. Fish is not only exported to high-value markets in the EU and Asia, but also traded informally in large quantities to regional markets. Similar to the coffee value chain, a small number of exporters account for the bulk of the country's fish exports, which add substantial value locally before exporting (drying, salting, preparing as filets). Government priorities for the fish sector should be to prevent overfishing and to support adherence to quality standards. In the past Uganda has been subject to import bans by the EU (one of its key markets) in 2002, 2015 and in 2019.

Driven by strong regional demand and powered by Foreign Direct Investment, dairy has shown exponential export growth and has become a key export product for Uganda in the course of only a decade. Dairy exports are highly regionalized and predominantly shipped to the East African Customs Union (mostly Kenya), while markets outside of the EAC only absorb about 5 percent of the country's dairy exports. Given the dependence of the country on a handful of adjacent markets, dairy exports are highly vulnerable to disruptions in regional market access. Most crucially, Kenya has increasingly started to block Ugandan products, including maize, sugar and dairy, citing concerns that Uganda does not wholly produce these products itself.

3) How does domestic and regional policy affect Uganda's participation in trade?

Uganda is a signatory to several trade agreements that matter for the country's export performance at the global and regional level. Within Africa, the members of the EAC customs union are the most important destinations for Uganda's exports, followed by members of COMESA. For example, in 2019 as the last pre-Covid-19 year, EAC members Burundi, Kenya, Rwanda, South Sudan and Tanzania absorbed 51 percent of Uganda's total exports, excluding gold, which is almost exclusively shipped to the UAE and likely to not originate from Uganda.

The EAC is crucial for Uganda's export performance but faces several challenges that will require greater cooperation among members to preserve and grow intra-regional trade. While access to other members of the EAC is crucial for Uganda's export success, the integrity of the customs union is under threat as member states increasingly undermine the agreement's central element, its Common External Tariff. Additionally, political tensions in the region have a strong negative impact on intra-regional trade and threaten Uganda's prospects for exports growth under the EAC and the ACFTA. Beyond tensions internal to the EAC, the advent of the African Continental Free Trade Area (AfCFTA) as well as Kenya's graduation to middle-income status could have an impact on regional trade integration and make intensified collaboration among EAC members to preserve and enhance intra-regional trade an even higher priority.

Uganda has several trade-related policies and strategies. However, lack of cross-institutional collaboration is an obstacle hindering a concerted export push and many strategies are outdated and only weakly implemented. Additionally, domestic policies need to be better aligned with the country's aspirations for regional trade integration. Specifically, there is a tension between Uganda's ambitions to harness regional integration for greater exports and the country's attempts to shield its domestic market for local firms**.** For example, the *Buy Uganda Build Uganda* policy places a strong emphasis on enhancing "local content" in domestic production and procurement.

In recent years, Uganda increased tariffs through unilateral deviations from its primary tariff regime, the EAC-CET. However, so far these tariff increases do not seem to have achieved their goal of reducing imports of targeted products significantly. Further, Uganda is dependent on imports of essential medical products to combat Covid-19 and a net importer of certain food items. Nonetheless, the country continues to impose high tariffs on some of these goods (e.g., rice and wheat).

The time and cost of trading remain high in Uganda and hinder increased exports and Global Value Chain participation. In the aggregate, in 2018 Uganda's rank on the World Banks Logistics Performance Indicator was 102 out of 160 economies, lower than regional peers like Rwanda (57) or Kenya (68). Uganda scores particularly low in two categories: infrastructure (124th out of 160 countries) and tracking and tracing (123th out of 160 countries).

Uganda's real effective exchange rate (REER) has been increasing slightly over the past decade but effects on exports appear to have been minimal. While the REER increased slightly over the 2012-20 period, there have been no discernible effects on exports. More recently, Uganda's REER has started to decrease again (since 2018).

4) Firm-level correlates of GVC participation

Regression results suggest that firms engaged in agriculture, agribusiness and manufacturing have a higher propensity to engage in export activities than firms engaged in other sectors in Uganda. In addition, whether a firm imports inputs from abroad is highly predictive for export market participation, especially for agriculture and manufacturing firms: Firms that import and are engaged in agribusiness and manufacturing are 33.7 percent and 29 percent more likely to export, respectively, compared to firms that are active in other sectors and that do not import.

Uganda's larger firms appear to have a slight advantage in entering regional markets when they are active in agribusiness or manufacturing, while in the agricultural sector firm size matters more for whether or not a firm exports outside the region. Again, sourcing inputs from abroad matters for exporting, particularly so at the regional level (within SSA). Firms that import are between 23 and 34 percent more likely to participate in regional trade than their non-importing counterparts. In general,

regression results suggest that firms that import goods are more likely to also engage in exporting compared to firms that do not import, a finding equally true across all sectors.

5) What policies could Uganda adopt to foster trade growth?

As Uganda strives to transition from exporting unprocessed commodities to partaking in more sophisticated Global Value Chains, demands with respect to skills, logistics and transport, as well institutional capacity and business and investment environment will increase. The country's path toward greater integration into global and regional trade will require a multifaceted strategy that should aim at increasing the attractiveness of the country for domestic and foreign private investment, which can boost the country's export performance and diversification, and increase the role of trade in terms of job creation and economic transformation. The following summarizes key objectives for consideration by the government:

(i) Work towards a stronger unity within the East African Community through active participation in regional fora and by working closely with the Secretariat of the East African Community and its committees.
(ii) Improve access to imported inputs to facilitate globally competitive production and participation in Global Value Chains.
(iii) Reduce the time and cost of importing and exporting through targeted customs and trade facilitation reforms, both domestically and in collaboration with regional partners.
(iv) Strengthen the adherence of Ugandan exporters and farmers to international standards
(v) Provide sufficient opportunities for firms to certify their products.
(vi) Boost agricultural productivity by promoting the uptake of modern technologies (seeds, fertilizers) as well as improving extension services and storage and handling for agricultural inputs and final products.
(vii) Facilitate small-scale cross-border trade, for example by distributing border residency cards to small traders and improving security at border crossings

Introduction: Trade as a driver of growth and economic transformation

1. Participation in international trade is an important driver of growth and economic transformation in developing countries like Uganda. On the exports side, trade enables firms to overcome a small domestic market, grow in terms of output and employment and become more efficient due to having to compete on an international level. On the imports side, trade not only increases consumer welfare through access to a wider choice of consumer goods at lower prices but also enables firms to access new technologies. In addition, imports are critical for firms to access the means of production necessary to create jobs outside of subsistence agriculture and the informal economy. Examples for imported goods that make high-value economic activity possible include vehicles necessary for the provision of transportation services or agricultural inputs (fertilizers, seeds, packaging materials) that are necessary to produce high-value cash crops like cut flowers and fresh fruits and vegetables. For some of Uganda's most successful sectors (e.g., coffee or cut flowers), exporting is the only marketing option available due to low domestic demand. Access to global markets is therefore of pivotal importance for these value chains that provide employment and livelihoods for millions of Ugandan citizens.

2. While Uganda experienced sustained rates of economic growth averaging around 6 percent per year before the pandemic for about two decades, unemployment rates remain high. In 2016/17, the aggregate unemployment rate stood at 7.6 percent with the youth unemployment rate recorded at 13.9 percent, among the highest in Sub-Saharan Africa. About a third of all Ugandan citizens continue to generate their livelihoods exclusively from low-productivity subsistence farming (Guloba et al, forthcoming: 1-3).[2] While these figures already mark a significant improvement compared to findings in data collected just four years earlier, it is clear that especially against a population growth rate exceeding 3 percent per year on average (World Bank 2020: 42)[3], accelerated economic growth and job creation are key to generate livelihoods for the population.

3. Economic transformation in Uganda will rely on the development of the country's agricultural sector accompanied with sound and facilitative trade and investment policies. According to the World Bank Jobs Strategy for Uganda (2020), a realistic growth path for the country starts with the development of commercial agriculture which requires higher domestic value added in exports and higher productivity in the production of raw inputs that fuel the largely agro-based manufacturing sector. Beyond leading to better jobs in agriculture itself, higher productivity in the sector will also enable workers to pick up better jobs in sectors such as formal retail services, construction, tourism, ICT or financial and business services.[4] These more productive economic activities already employ about a fifth of Ugandan workers (Guloba et al, forthcoming: 6).

4. To assess Uganda's trade opportunities and obstacles for economic transformation, this paper examines the country's recent trade performance and patterns. The analysis includes but is not limited to Uganda's trade structure, characteristics of key agricultural value chains and constraints to their further growth, its global and regional trade integration efforts, and determinants of the participation of Ugandan firms in Global Value Chains.

[2] Guloba, M., Kakuru, M., Rauschendorfer, J. and S. Ssewanya (2021) "Employment creation potential, labor skills requirements, and skills gaps for young people: A Uganda case study. Brookings AGI Working Paper #37.
[3] World Bank (2020) "Uganda Economic Update, 16th Edition: Investing in Uganda's youth", December 2020.
[4] See link.

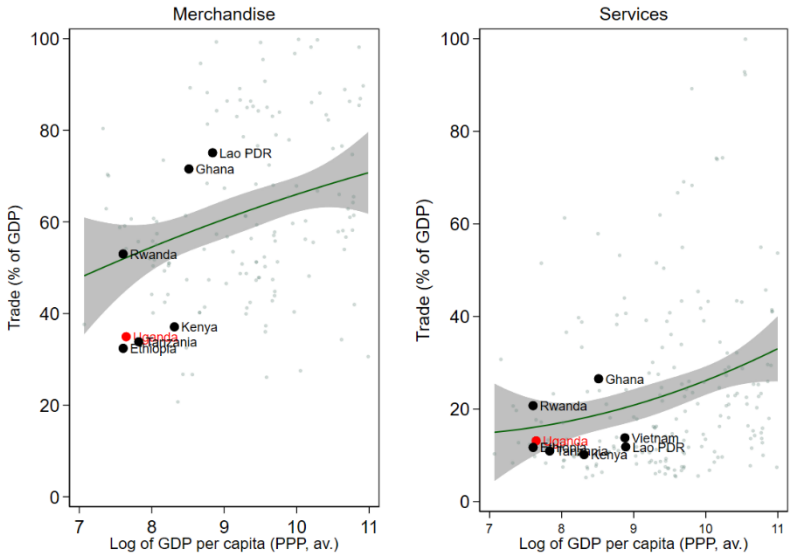
1. Uganda's trade structure

5. This section provides an overview of Uganda's trade structure and how it has evolved since the beginning of the 21st century in comparison to peer countries. In particular, the analysis focuses on trade growth and orientation for merchandise and services, trade diversification, export survival, and the degree of Uganda's participation in global value chains. In order to put Uganda's trade evolution into perspective, the country is compared with peers such as Ethiopia, Ghana, Laos, Kenya, Rwanda, Tanzania and Vietnam. Various sources of data are employed in this analysis: the World Development Indicators, UNComtrade mirror exports (i.e., imports from Uganda as reported by other countries), firm-level customs data from the Ugandan Government, and data on small-scale cross border trade (SSCBT) from the Bank of Uganda. A point worth of note is that similar to many other countries in Sub-Saharan Africa SSCBT accounts for more than 30 percent of Uganda's total exports, implying that Uganda's exports may be underestimated in official data, which only includes exports of firms formally registered with the government. Throughout the analysis, petroleum and gold are excluded as Uganda is either not a producer of these commodities or only produces them at low levels.

1.1 Trade growth and orientation

6. Uganda is less integrated in global trade than expected given its level of economic development. The country remains less open to trade in goods than its peers but is more open to trade in services. With respect to merchandise trade, Uganda has not demonstrated any significant increase in trade openness in the past decade and is trading less goods as a share of its GDP than expected, given its level of income per capita (left graph in Figure 1). With respect to services, Uganda's trade as a share of GDP is also lower than expected given its levels of economic development. In contrast to Ghana and Rwanda, Uganda did not experience an increase in its openness to trade in services in recent years and remains below what its economic development would suggest. Nevertheless, Uganda remains more open than its other peers (right graph Figure 1).

Figure 1: Uganda's trades less goods and services than expected (2016-2018 averages)



Source: *World Development Indicators, Authors' calulations.*
Note: *Trade Openness – the figure plots the value of exports and imports (merchandise and services) as share of a country's GDP against its GDP per capita for all countries in the world over the period 2016-2018. The curve shows the average of trade openness conditional on a given per capita income. The grey band represents the 95 percent confidence interval of that conditional average.*

7. Uganda's exports grew at a lower rate than most of its peer countries, except in recent years when a surge in gold exports boosted export growth. Figure 2 shows that the trade deficit has been slightly narrowing due to strong export growth since 2015. However, the trade deficit is not a good measure of competitiveness or economic health of an economy (please see Box 1 for an elaboration). More importantly – and in regional comparison – Figure 3 shows that Uganda's merchandise export growth is lower than most of its peer countries with the exception of Kenya. The recent surge in Uganda's exports shown in Figure 4 is mainly the result of high export values of gold, which is likely imported into Uganda from neighbouring countries and has a low potential for domestic value addition and job creation.

Figure 2: Uganda 's merchandise trade balance (2000 – 2018).

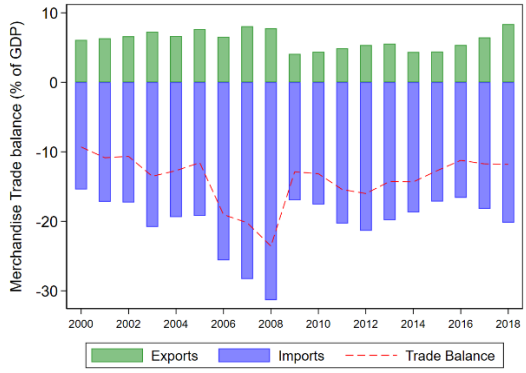
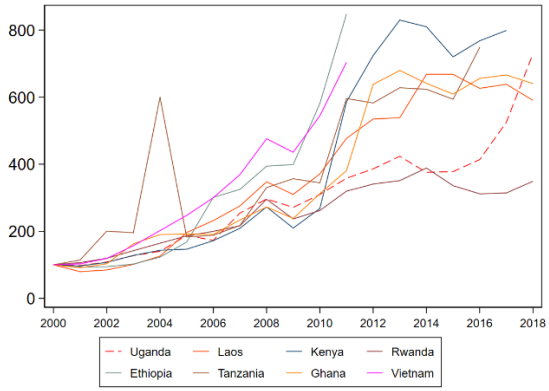


Figure 3: Goods exports evolution for Uganda and peers (2000 – 2018, 2000=100).



Source: *WITS exports mirror data and GDP from World Development Indicators, Authors' calculations.*

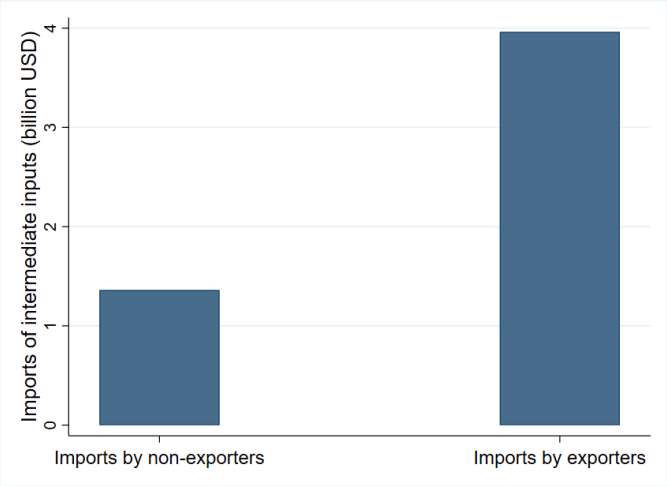
Box 1: The importance of imports for competitive industry

A country's trade balance is a misleading indicator for its economic health. The use of trade policy to offset a negative trade balance can hurt economic growth prospects. Since the outbreak of the Covid-19 pandemic, import substitution has become a buzzword in many countries, including Uganda, as a way of lowering dependence on imported goods and services, lowering the country's trade deficit and boosting demand for locally produced goods and services. However, reducing the trade deficit through import reductions fails to recognize that both exports and imports are beneficial to a country's growth. Imports generate important welfare gains for consumers and provide domestic firm with access to better technology and know-how from abroad needed to export.

Beyond their importance to consumers, imports are important for Uganda's exporters. To successfully compete in global markets, Ugandan exporters need access to high-quality inputs at competitive prices. International buyers make purchase decisions based on the quality and price of offered goods, which means that Ugandan exporters – especially of more sophisticated, non-agricultural goods – must realize price advantages by sourcing from the cheapest suppliers of inputs internationally. Beyond price, quality, and adherence to international standards of inputs play a crucial role in meeting the demands of buyers. Even for agricultural products such as cut flowers, buyers in the EU expect pre-packaging of international quality kraft paper. Figure 4 employs Ugandan custom data (2018) and compares the imports volumes of imported inputs of two types of firms. Firms that only sell domestically (left bar) and firms that also exports (right bar). As evident from this illustration Ugandan exporters account for the bulk of the country's imported inputs to

compete internationally. Undermining access to imports could therefore have a detrimental impact on the country's most productive firms.[5]

Figure 4: Uganda's exporters account for most of the country's imported inputs



Source: *Authors' calculations using transaction level customs data for 2018.*
Notes: *"Exporters" are firms that exported at least once during 2018. Intermediate inputs are identified through the UN's Broad Economic Categories Classification (BEC).*

8. Uganda has a strong Revealed Comparative Advantage (RCA) mainly in agriculture and foodstuffs and to a smaller extent in the stone and glass and hides and skins sectors. The RCA attempts to identify a country's competitiveness vis-à-vis other countries at the level of individual sectors, based on recorded trade flows. As such it should be carefully interpreted: Observed trade flows may for example be the outcome of distortive domestic policies (e.g., export subsidies) or natural resource discoveries (e.g., oil in the case of Uganda). Hence, observed trade flows may not be representative of a country's actual or natural competitiveness with respect to certain sectors or activities. In this paper, the RCA explores which sectors have driven economic growth, but the analysis does not conclude that these sectors are the most competitive or productive ones (see Box 2 for further methodological elaborations on the RCA).

9. The Ugandan sectors with the highest RCAs are live animals, vegetables, as well as foodstuff, the latter two also having relatively high average annual growth rates of about 15 percent. The three sectors collectively account for more than 64 percent of Uganda's total exports on average from 2016 to 2018. Stone and glass as well as hides and skins account for a further 25 percent of total Ugandan exports (Figure 5). Over the past decade, Uganda's exports of live animal products have shown a lower average growth rate, of 2 percent, than vegetables and foodstuff, which increased their share in the country's export basket and experience average annual growth of 15 percent (Annex 1).

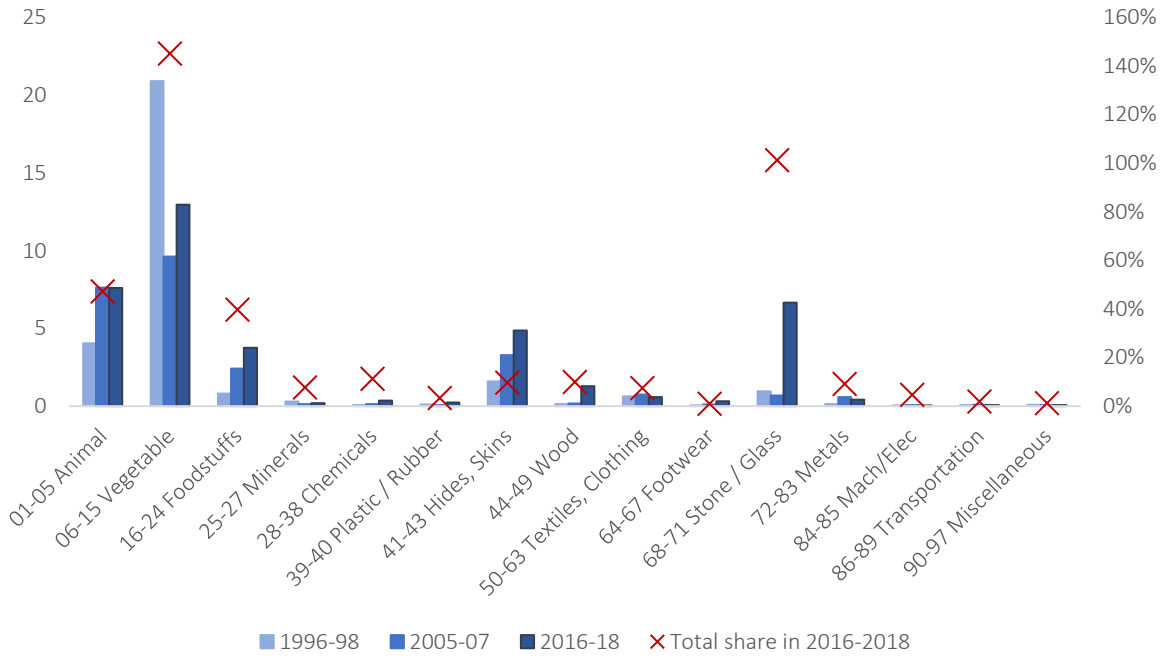
[5] Spray and Rauschendorfer (2020) provide a simulation for the effect of a permanent reduction of imports to the degree found at the outset of the Covid-19 pandemic. Their results suggest that import disruptions of this magnitude would lead to a closure of about 6.6 percent of all formal Ugandan firms and a 4.7 percent reduction in formal employment. Policy brief available online: link.

Box 2: Limitations of the RCA and its interpretation

The RCA indicates the competitiveness of an economy vis-a-vis other countries with respect to individual goods or services, based on observed trade flows. Due to its reliance on actually observed trade flows the indicator has several limitations. High export volumes can for example result from subsidies, under-evaluated exchange rates or other incentives provided to exporters and as such observed trade flows do not necessarily indicate a country's natural advantage in a given sector. Hence, RCA results should therefore be interpreted in a contextualized way. Moreover, a growing literature documents changes in a country's RCA over time, which are largely due to an improvement in the competitiveness of certain sectors relative to others, usually when new foreign direct investment has been attracted or due to domestic policies that improve competitiveness have been put into place. As a result, the country is likely to start exporting goods that were not previously part of its export basket. This leads to changes in the country's RCA which can shift from one sector to the other, i.e., weaken or strengthen over time. For example, Levchenko and Zhang (2016) find that the RCA has weakened over the past five decades for a sample of 75 countries, inferring that countries might lose their RCA over time.

10. The agricultural sector remains the main source of exports, accounting for more than 64 percent of Uganda's total merchandise exports. It also plays an important role for regional trade. There is evidence of growth within agricultural products, particularly with an increase in exports values of vegetables and food products, although the RCA in agriculture has been declining due to large shits in trade shares towards stone and glass exports. The agricultural sector is likely to drive the structural transformation of Uganda's economy due to exports that require higher domestic value addition and can lead to greater diversification of Uganda's export basket. Additionally, small-scale cross-border trade is not captured in official statistics. Including it would further increase the importance of the agricultural sector (for more information on SSCBT, see Box 3).

Figure 5: Uganda's sectoral RCA (RCA on left axis) and share of total exports by sector (share of total exports on right axis).



Source: *WITS exports mirror data, Authors' calculations.*

11. Although the export basket is mainly composed of unprocessed commodities, Uganda's exports are somewhat diversified and include tobacco, cocoa, coffee, tea, flowers, fish, cotton and maize. This diversification cushions the impact of global trade shocks. Coffee and fish[6] dominate Uganda's exports (Figure 6). Gold[7] and oil re-exports have also been significant but volatile in volumes over the past ten years (Figure 7) with little opportunities for domestic transformation and value addition. Although cash crop exports are diverse, they are also posing a risk due to price fluctuations or seasonality effects.

Figure 6: Uganda 's formal goods exports excl. Gold & Petroleum (US$ million, 2009-19)

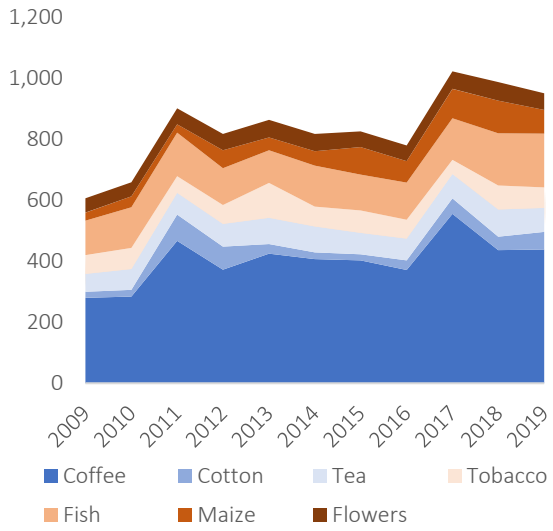
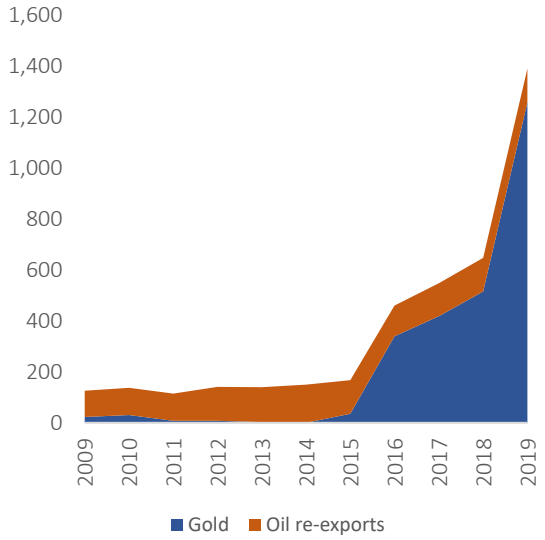


Figure 7: Uganda's Formal gold and petroleum exports (US$ million, 2009-19)



Source: *Bank of Uganda Statistics, Authors' calculations.*

12. Uganda's import portfolio is mainly composed of natural resources, machinery and vegetable products. Uganda is a net importer of food. The main food imports are frozen and fried vegetables sourced from Asia and other edible vegetables (potatoes, tomatoes, onions, shallots) which are also locally produced. In recent years, the government has made efforts to drive the import substitution agenda for agricultural produce through policies targeted at encouraging local consumption and by making imports more expensive through higher tariffs.[8] Uganda relies on imported factors of production such as fertilizers, petroleum products, machinery or vehicles (see Figure 8 and Figure 9).

[6] Fish exports do not include small-scale exports at the regional level.

[7] Gold is imported from the DRC and re-exported to the UAE (99% of Uganda's gold exports are going to the UAE).

[8] For example, in the Budget Speech for financial year 2020/21, the government announced "*In order to promote import substitution and the development of local industries, we have increased import duties on goods that are produced or can be produced locally. The import duty on agricultural products has been increased to 60 percent and other products to 35 percent*." For more information see link. Technically, changes of import tariffs in the framework of the EAC Customs Union are possible under so-called *Stays of Applications* from the *Common External Tariff*, enabling individual members to deviate from the communal regime for selected products. Rauschendorfer and Twum (2020) document these deviations published in the Gazettes of the EAC Secretariat and report that Uganda indeed increased tariffs on a number of consumption goods, but also final intermediate inputs over the last few of years. See link.

Figure 8: Uganda's formal goods imports excl. natural resources (US$ million, 2009-19)

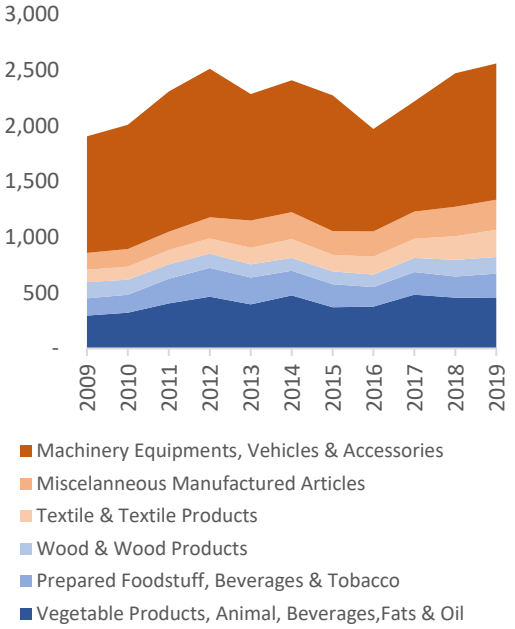
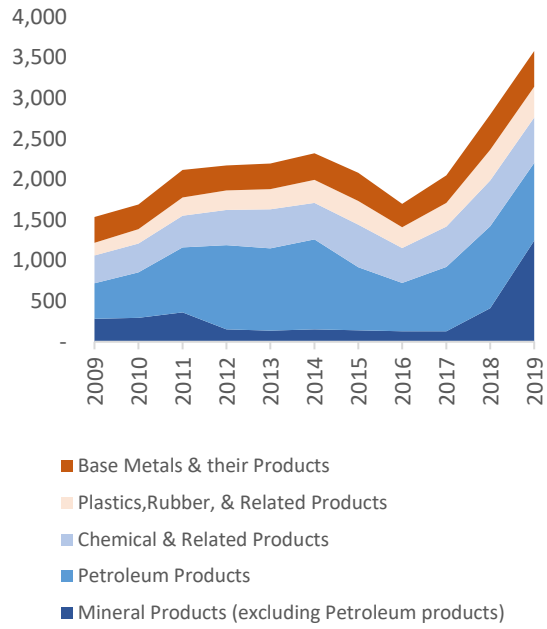


Figure 9: Uganda's formal merchandise imports of natural resources (US$ million, 2009-19)



Source: *Bank of Uganda Statistics, Authors' calculations.*

13. Uganda relies on its regional neighbors as export markets. Small-scale cross border trade with these countries is sizeable as well. Uganda's main export destinations are its regional neighbors, DR Congo, Kenya, South Sudan and to a lesser extent Tanzania, as well as some more developed economies in the EU and Asia (see Table 1). Again, gold and petroleum are not included in the analysis due to their low potential for domestic value addition. It should be noted that South Sudan and the DR Congo do not properly report imports from Uganda, so they do not appear in the top 20 export destinations in Table 1 due to our reliance on mirrored trade statistics. However, considering the top destinations reported by the Bank of Uganda instead shows that South Sudan and DR Congo accounted for US$355 million and US$250 million respectively in the 2019/2020 fiscal year. Uganda exports high volumes of merchandise to these countries, and values would be even higher if small-scale cross border trade was taken into consideration (see Box 3). In general, mirrored export data tend to be slightly higher in value terms because they are recorded including the cost of freight and insurance while exports are reported free on board, i.e., exclusive of these costs. Moreover, countries tend to report their imports more accurately to better apply tariffs. However, where regional trade agreements grant duty-free access or preferential tariffs, imports records might be subject to lower reporting standards from the customs office.

14. Although 20 percent of Ugandan exports are shipped to the EU, some of them are highly concentrated in single markets, reflecting limited diversification of Uganda's exports. However, market concentration does not always indicate an inability of domestic firms to diversify. For example, while over 90 percent of Uganda's flowers are exported to the Netherlands[9], the final consumers of these flowers are spread across the EU. In contrast, Uganda's imports come mainly from China and India, which account for about 37 percent of total imports. At the regional level, the main import origin

[9] The Netherlands appears among Uganda's top 5 export destinations due to its significant Ugandan flower imports.

countries are Kenya with US$419 million in 2018 (27 percent) and Tanzania with US$95 million (3 percent) in 2018.

Table 1: Top 20 destinations of recorded merchandise exports in 2018.

Rank	Country	Value (US$M)	% of total
1	Kenya	446	27%
2	Italy	138	8%
3	Germany	118	7%
4	Netherlands	91	6%
5	Hong Kong	80	5%
6	Belgium	70	4%
7	United States	62	4%
8	Tanzania	53	3%
9	China	47	3%
10	Spain	42	3%
11	Burundi	41	2%
12	India	38	2%
13	Portugal	32	2%
14	UAE	25	2%
15	Morocco	23	1%
16	Pakistan	22	1%
17	Vietnam	18	1%
18	UK	16	1%
19	Malaysia	16	1%
20	Israel	15	1%
Total		1393	86%

Table 2: Top 20 origins of merchandise imports in 2018.

Rank	Country	Value (US$M)	% of total
1	China	1,142	23%
2	India	677	14%
3	Kenya	419	8%
4	Japan	316	6%
5	South Africa	285	6%
6	Indonesia	210	4%
7	UAE	184	4%
8	Saudi Arabia	149	3%
9	Germany	121	2%
10	United States	115	2%
11	Russia	111	2%
12	Egypt	104	2%
13	Tanzania	95	2%
14	UK	80	2%
15	Thailand	69	1%
16	Netherlands	68	1%
17	Malaysia	67	1%
18	Pakistan	57	1%
19	Korea, Rep.	54	1%
20	Italy	53	1%
Total		4377	88%

Source: *WITS exports mirror data and imports data, Authors' calculations.*

Notes: *Gold and petroleum is not included. Gold represents 10 percent of total exports. If so, the main exports destination will be the UAE, where 99% of the gold is re-exported.*

Box 3: The role of Small-Scale Cross Border Trade (SSCBT) in Uganda

Small-scale exports play an important role for Uganda's regional trade growth, accounting for about 30 percent of total regional exports (formal plus unrecorded exports since 2013). In some years, SSCB exports reach up to 50 percent of total exports with the Democratic Republic of Congo (DRC), South Sudan and Tanzania (See Figure 10). Imports are also significant – for example, 97 percent of Ugandan imports from the DRC through the Bunagana border are small scale trade (Figure 11). Finally, SSCB exports with Burundi fell to zero since 2016, likely due to the prevailing security unrests, showing the reliance of such trade on regional peace and security. Similarly, Rauschendorfer and Shepherd (2020) show that the South Sudanese civil war reduced informal exports to South Sudan by about 80 percent.

SSCBT in the EAC matters from a social perspective as it provides livelihoods for many border dwellers and improves regional peace and security. Most cross-border traders are female and part of poor border communities with cross-border trade constituting their sole source of incomes. Brenton et al (2018) survey cross-border traders in the Great Lakes Region and conclude that cross-border trade is nothing more than a mode of survival for these women rather than an opportunity for growth and development. Violence in the DRC, Burundi, and South Sudan, but also politically imposed obstacles to SSCBT such as the politically motivated closing of the Gatuna border with Rwanda or Covid-19 related restrictions of cross-border movements can therefore have a significant impact on the source of livelihoods of some of Uganda's most vulnerable citizens.

It is worth mentioning Uganda's success in collecting SSCBT data, which has been incorporated into national statistics in recent years to better inform policy on poverty reduction and inclusive growth. The Ugandan authorities collect data at border crossings at different times of the year and on various information such as the type and the quantity of goods, the time period and the problems faced by small traders at border crossings. The data is of substantial importance as it provides policymakers with important information on the potential of trade in the region, particularly on how trade affects the most vulnerable communities and the role women play in this. However, it should be noted that SSCBT data from March 2020 to March 2021 is a projection as data could not be collected due to the unfolding of the global pandemic.

Figure 10: Share of total formal and SSCB exports with neighbouring countries (2013 – 2019).

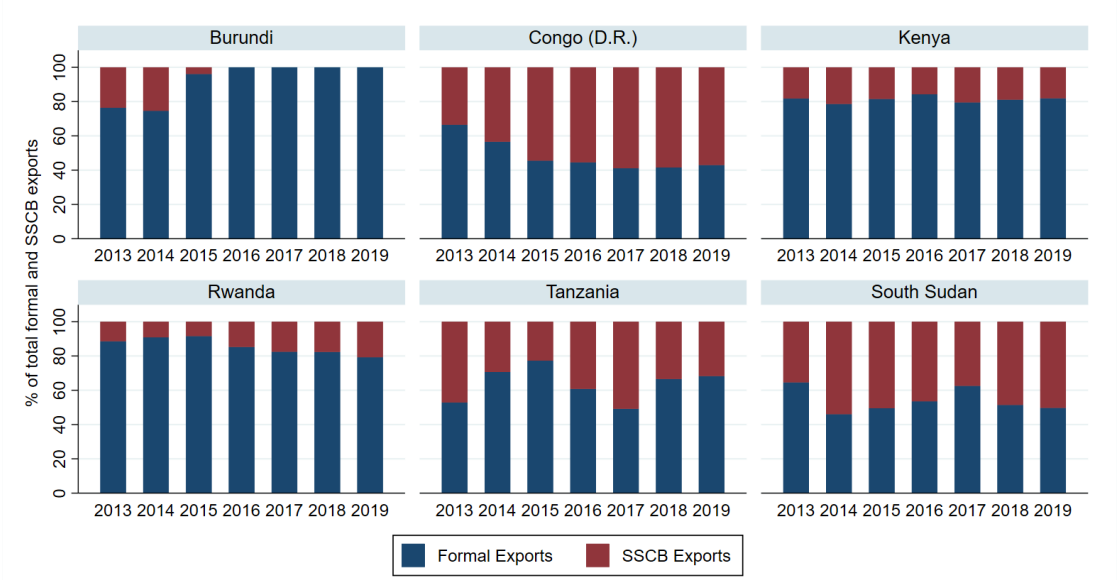
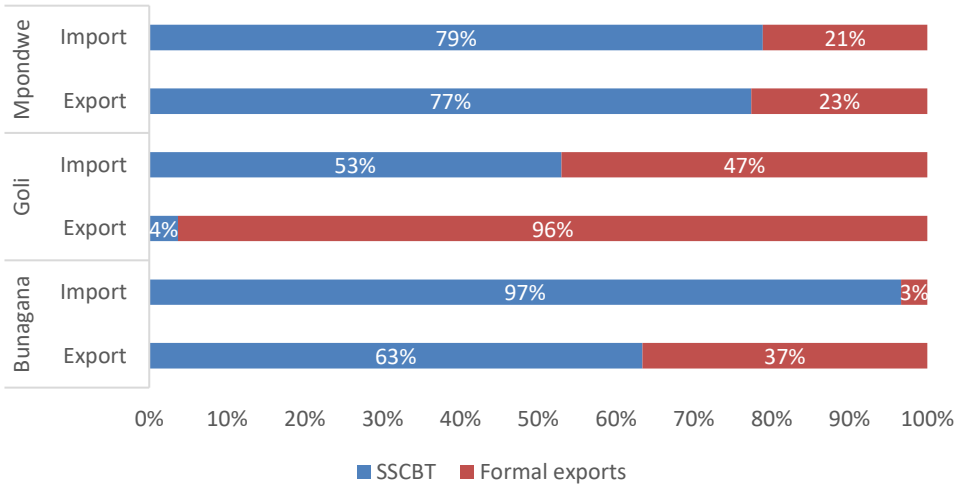


Figure 11: Share of SSCBT out of total formal and SSCBT trade between Uganda and the DRC at different border posts: Mpondwe, Goli and Bunanga (2019 data).



Source: *Bank of Uganda Statistics, Authors' calculations.*

15. Uganda's services exports growth has slowed down. Figure 12 shows that the trade in services deficit was at its lowest in 2016 and has since been widening slightly. Uganda's services export growth was positive from 2010 to 2014 (Figure 13) and reached a peak in 2014. From 2014 onwards, Uganda's services export growth declined significantly, but returned to growth again from 2017. The decline was mainly due to a drop in trade in construction services and personal travel.

Figure 12: Uganda's Service Exports (US$ M) 2010-19

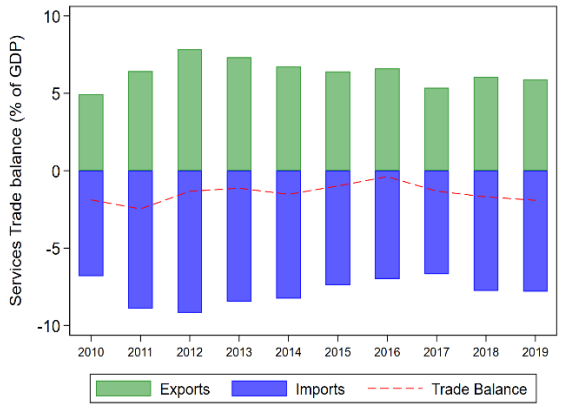
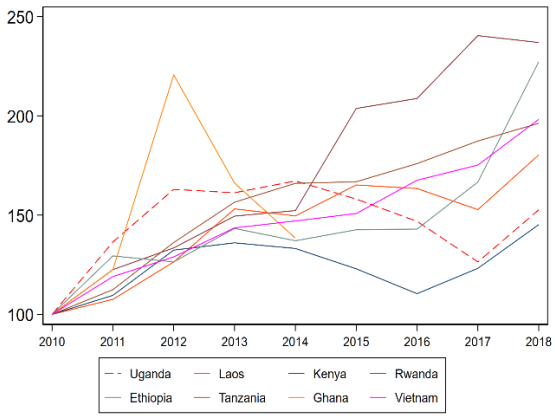


Figure 13: Services Exports Evolution for Uganda and Peers from 2010-18 (2010=100)



Source: *World Development Indicators, Authors' calculations.*
Notes: *Data for Ghana stop in 2015 as the country experience very high levels of services exports growth which are out of the graph-scale. Data for export evolutions stops in 2018 because 2019 data for peer countries is not available.*

16. Business and personal travel services (i.e., tourism) dominate Uganda's services exports, accounting for over 50 percent of total services exports.[10] Figure 14 shows that a combination of travel, transport, other business as well as construction services were the engine of services export growth between 2010 and 2014. The negative growth rate of services exports in 2017 was the result of a strong contraction in exports of construction services, and to a smaller extent, the decline of travel and other business services. In the meantime, transport services remained stable. Finally, financial and ITC services exports were low across the entire period 2010 to 2019.

17. With respect to services imports, Uganda mainly imports transport and other business services, inscribing to the geographical context of the landlocked country. Figure 15 shows that Uganda is a net importer of transport and other business services which are often required to import products in a country that is landlocked and highly dependent on its neighbours which have access to the sea (Kenya and Tanzania). Other services imports are not significant as per Figure 15.

18. Uganda's top service export destinations are the United Kingdom and the US, as well as Asian countries. Services exports are more diversified than goods exports and regional neighbors are not among the top export destinations. In 2019, Uganda's services exports to the UK and the US were US$493 million and US$420 million respectively. As expected, the main components of these services exports are travel and transport services. Figure 16 shows that the EU is the main destinations for services exports, followed by the Asian countries and the United States. Services exports to EAC

[10] These figures are likely to be an underestimate for the economic impact of tourism on the Ugandan economy. For example, the Uganda Bureau of Statistics (UBOS), estimates that in 2017 inbound tourism expenditure (on goods and services) was about US$1.453 billion in 2017 as. In comparison, in the same year, exports of coffee (BoU data)– the country's traditional export cash crop – totalled about US$ 555 million according to the Bank of Uganda. The figure from UBOS figure is accessible here (page 254).

remain low and are mainly composed of transport and travel services, as expected reflecting Uganda's geographical position and dependence on neighboring countries to access markets.

Figure 14: Uganda's Service Exports (US$ million, 2009-19)

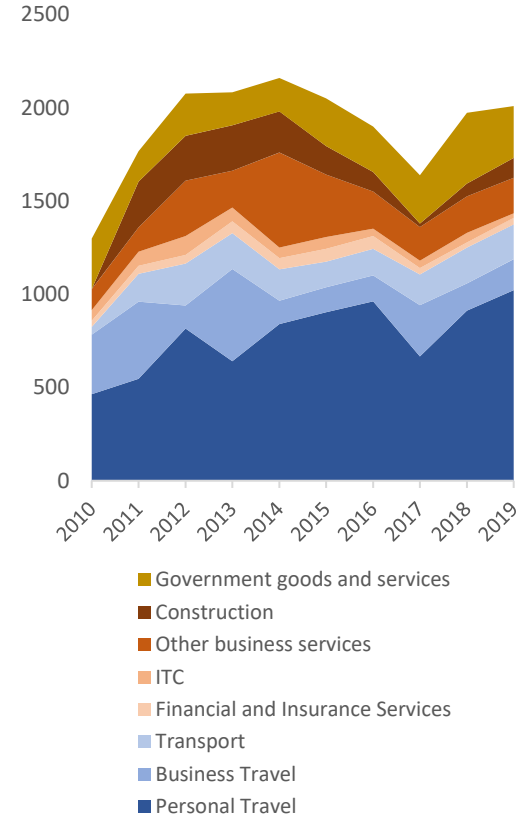
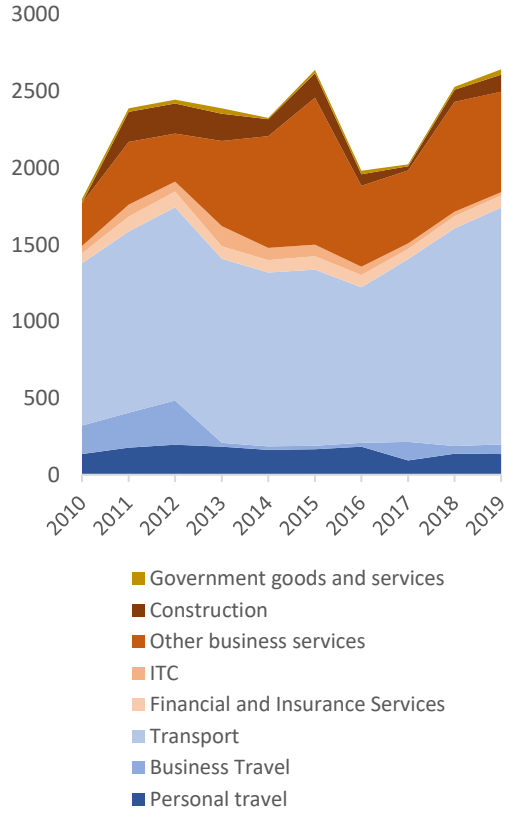
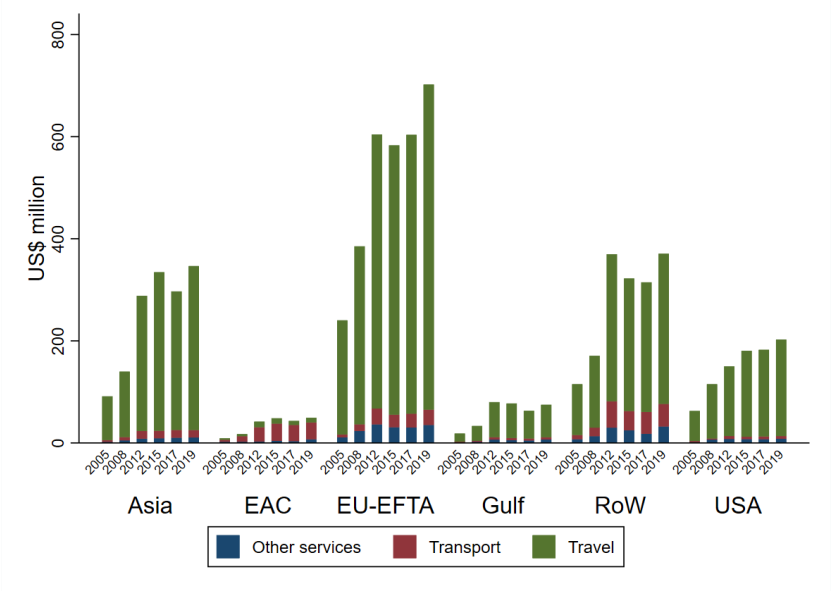


Figure 15: Uganda's Service Imports (US$ million, 2009-19)



Source: *WTO, authors' calculations*

Figure 16: Uganda's main destinations for services exports (2005 – 2019).



Source: *OECD-WTO BaTIS, Authors' computations.*

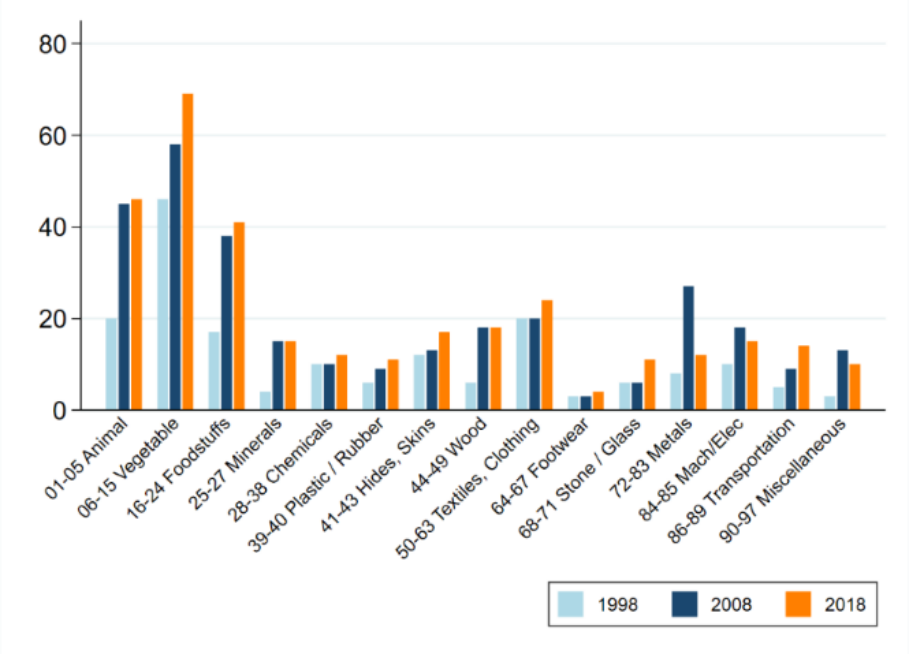
1.2 Degree of merchandise exports diversification

19. This section considers the diversification of Uganda's exports in terms of products and markets. The analysis is based on the number of exported products and markets, the concentration index as computed by Hirschman-Herfindahl Index, and the share of the top five products and markets in total exports. The section uses mirror export data (countries reporting imports from Uganda) and excludes gold and oil.

20. Over the past decade, product and market diversification in Uganda has been driven by the agricultural sector, particularly vegetables and foodstuff. While the foodstuff sector improved market diversification in the early 21st century, expansion has been somewhat slower over the course of the last decade, underscoring the potential need for further market expansion in the foodstuff sector. To advance export diversification, Uganda can leverage its participation in various regional trade agreements, advance necessary domestic reforms and improve coordination with other countries to open additional market access opportunities. The AfCFTA also offers Uganda the opportunity to diversify its exports on the continent.

21. Diversification gains of Ugandan exporters in terms of market access that were realized prior to the financial crisis did not last. The number of destinations for each product category of Ugandan exports increased significantly in the first decade of the 2000s, indicating an improvement in diversification. However, gains were not sustained in the second decade, which showed an increasing concentration in certain sectors and stagnation for most of them. Uganda's growth in terms of markets was significant in the agricultural sector between 1998 and 2008. However, in the period up to 2018, only the vegetable sector showed a significant improvement (Figure 17). Notably, Uganda's growth in terms of number of market destinations was lower or inexistant between 2008-16 when compared to the increase between 1997-2007. This could be attributed to the fact that the second period overlaps with the Global Financial Crisis and the Great Trade Collapse that followed.

Figure 17: Uganda's Number of Markets by Sector in 1996, 2007 and 2016



Source: *WITS exports mirror data, Authors' calculations.*

22. Uganda's annual number of exported products and markets shows a tendency towards deterioration since 2013 and 2016, respectively. The number of individual products exported in a period and the number of markets reached by these products is a useful indicator for a country's diversification with respect to exports. Figure 18 presents these figures for Uganda and its peers between 2010 and 2018. In 2018, Uganda exported 441 different products at HS 6-digit level and reached 87 countries, lower than previous years. In terms products, Ghana, Kenya, Tanzania, and Vietnam exported a higher number of individual goods than Uganda, while Ethiopia and Rwanda export a lower variety of goods. In terms of market destinations, Uganda follows the average trend when compared to its peer countries with the exception of Laos and Rwanda which have the lowest market reach within the peer group. Moreover, the number of markets reached is lower than estimated due to underreporting of exports flows of certain commodities such as coffee and tea, which are exported to large distribution hubs situated in a single country and then re-exported to other countries.

23. However, since 2013 Uganda's product diversification has improved, suggesting that Uganda's export growth is across many products rather than just a few. At the same time exports have become more concentrated in terms of destination markets since 2016. The *Hirschman-Herfindahl Index*[11] (HHI) allows to compare the export concentration of two or more countries that may be equal in terms of number of products (or markets) but may vary in terms of concentration. Figure 19 shows the HHI for products and destinations for Uganda and its peers between 2011 and 2018. In the case of Uganda, there is an increase in markets concentration since 2016. Yet, the concentration is stronger and higher than peers when looking at the product level. On the other hand, product concentration has improved in recent years, although the level of diversification in Uganda is lower than in Laos, Kenya, Tanzania and Vietnam, but higher than in Ethiopia, Ghana and Rwanda.

24. In addition, since 2016, Uganda has become less dependent on its top five exported products, but increasingly dependent on its top five markets. In terms of products, Uganda's dependency is lower than that of its regional peers except for Kenya, Tanzania and Vietnam (Figure 20). However, in terms of markets, the data suggests that Uganda's private sector tends to rely on existing markets. Such dependency – whether in terms of products or destination markets – renders Uganda more vulnerable to external shocks (e.g., exchange rate fluctuations or shifts in a destination's trade policy).

25. Uganda's participation in global trade could be improved by supporting measures to improve diversification in terms of export markets and products. In recent years, Uganda has achieved greater diversification of exported products, but shows a considerable concentration of markets. Although the number of individual exported HS 6-digit products has declined, diversification has taken place as Uganda's export basket has become less focused on a small number of products. On the other hand, the low degree of diversification in terms of markets suggests that Ugandan firms continue to export to the same markets and are hesitant to enter new markets. Improving diversification requires a multi-faceted approach and a range of interventions that enable firms to strengthen their competitiveness and knowledge of operating in new markets.

[11] The HHI is computed as the sum of squared shares of each product (market) in total export. A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country exporting only one export (market) will have a value of 1 (least diversified).

Figure 18: Number of Exported Products and Markets for Uganda and Peer Countries (2010-2018)

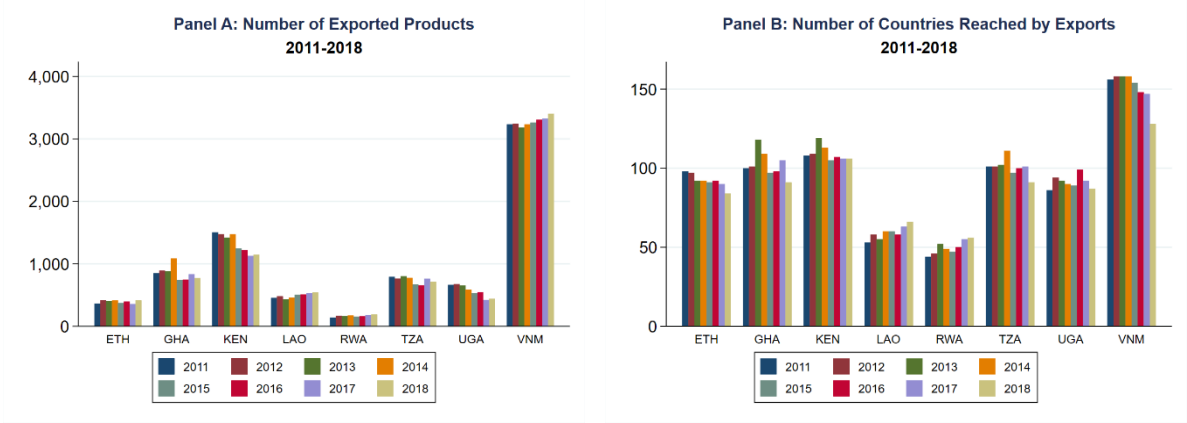


Figure 19: HH Index for Products and Markets for Uganda and peer countries (2010-2018)

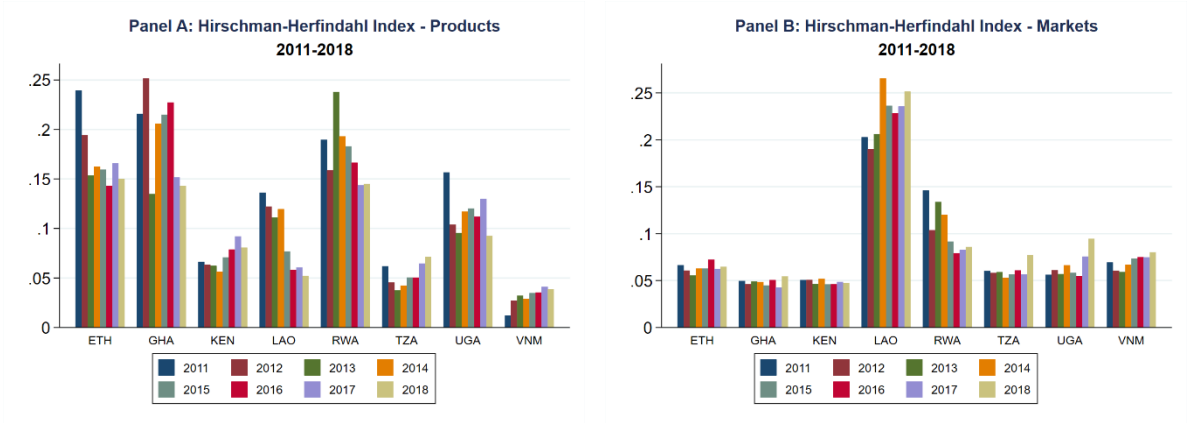
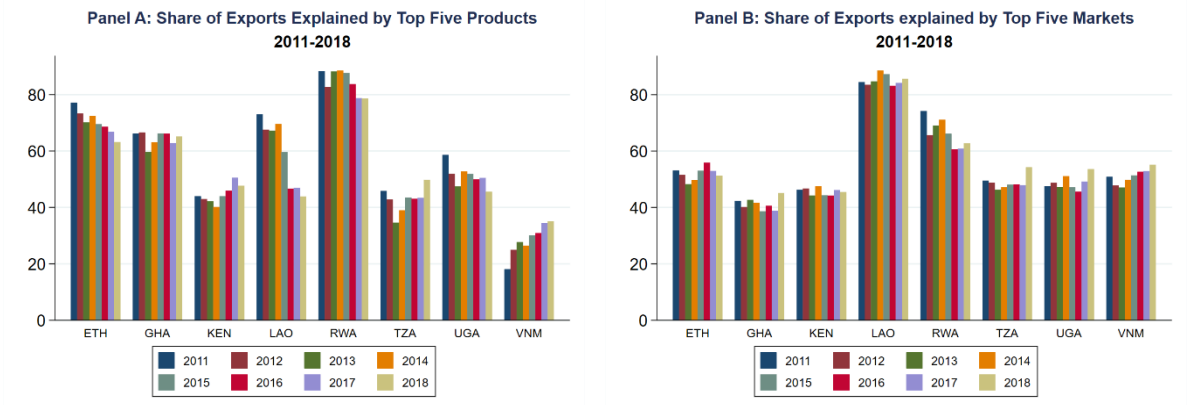


Figure 20: Share of Exports Explained by Top-5 Products and Top-5 Markets for Uganda and Peer Countries (2010-2018)



Source: *WITS exports mirror data, Authors' calculations.*
Notes: *Gold and petroleum are excluded. Data from 2019 not used because not all countries have yet reported the data.*

1.3 Merchandise exports survival

26. For countries to achieve fast export growth and diversification, both successful entry into export markets and survival of export flows are crucial. Most export relationships (at the product-country level) of developing countries do not survive more than a few years. Assessing the dynamics of export participation and survival is valuable for diagnosing the export competitiveness of a country. From a policy perspective, understanding the main challenges to export survival is key to promote growth and support diversification that is more inclusive and resilient. This section focuses on how Uganda's export flows have performed along the survival margin. For this purpose, we use product level mirrored[12] export data (HS-6 level) from UNComtrade over the period 2010-2018. We complement these data with customs transactions firm-level data at the firm level from 2015-2020. Although the product-level data only provides us with a rough approximation of the issue of export survival, it allows for broader international comparisons.

27. Uganda's export survival rate is lower than that of comparator countries -less than 30 percent of export activities initiated at the product country level remain active beyond the first year, compared to Ghana at 40 percent. Figure 21 shows that the probability of Ugandan export relationships surviving past the first year is less than 30 percent, and the probability of maintaining that relationship for more than two years is less than 17 percent. In comparison, survival rates of peer countries are slightly higher, and in the case of Ghana and Tanzania substantially higher in the first year, 40 percent and 30 percent higher.

28. Uganda's exports have a higher probability to survive in EAC, EU-28 and US-Canada markets than in in Asia or the rest of the African continent. Figure 22 compares survival rates of Uganda's exports in different groups of countries, including EAC countries, rest of Africa, the EU-28, North America (USA and Canada) and Asia (China, India, Malaysia, Indonesia and Vietnam). The results show a probability of 40 percent that an export relationship survives more than one year if EAC countries, North America or EU-28 countries. However, economic ties with the African countries other than EAC show the lowest rate of survival, 20 percent after one year and less than 10 percent after the second year, compared to other regions. Hence, the absence of preferences with Asia and non-EAC countries may have a negative incidence on exports survival in the long run. The entry into force of the AfCFTA could provide a more adaptive environment to improve survival rates at the regional level.

[12] Mirrored export data at HS 6 digit corresponds to import data from the reporter country as importers have a tendency to better report data to ensure collection of import duties or some advanced countries have more digitalized custom systems.

Figure 21: Survival Rates for Uganda and Peer Countries (2010-2018)

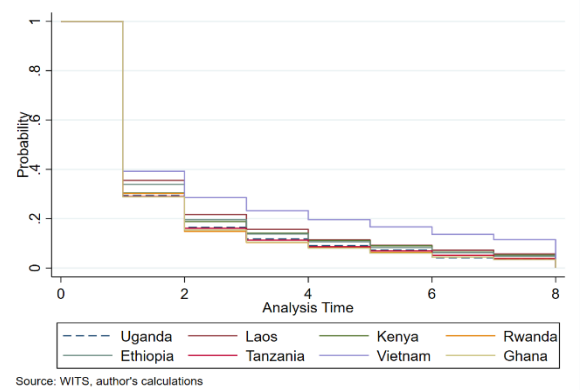
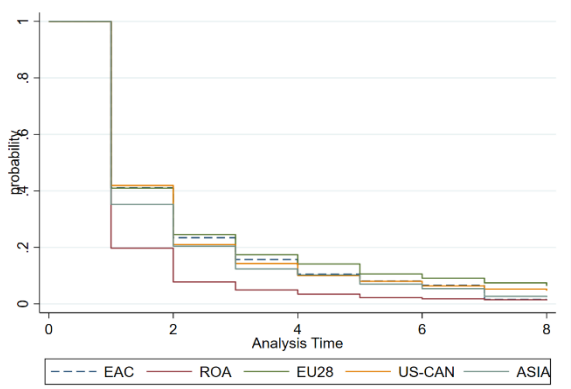


Figure 22: Survival rates by region for Uganda (2010-2018)



Source: *WITS mirror data, authors' calculations.*

29. Uganda's large and medium-sized exporters have a relatively high survival rate, in contrast to small and micro exporters. This is similar to other countries, where one in four exporters disappear after five years. Generally, this trend is also observed in other countries as larger firms tend to have a stronger capacity to operating in foreign markets and a more competitive. Figure 23 shows how Uganda's firms survive in their export relationships. The larger firms have a high survival rate, with more than 75 percent surviving the first year and 50 percent still in business after five years. While more than 75 percent of medium firms also survive the first year, more than half still disappear after five years. The small difference in survival rates between large and medium-sized firms is due to the fact that medium-sized firms export to many destinations markets regionally and globally, while large firms are clustered in a few destinations markets. Larger-sized firms are lower in terms of diversification of markets. Creating the right environment for medium-sized firms in terms of export promotion support and reducing the cost of imported inputs is likely to lead to export growth. Among small firms, the survival rate after the first year is high at about 60 percent, but after five years, one in four firms no longer exists. Finally, micro firms have difficulty surviving the first year, with less than 40 percent making it.

30. Less than 45 percent of Ugandan exporters survive past the first year, while less than 10 percent of exporters export after their third year in existence. Figure 24 shows that firms exporting to the EU have the highest survival rate after the first year at 44.5 percent, followed by the US and Canada, and Asian countries. The survival rate of firms in the EAC region after the first year is 38.5 percent. Policy makers should focus on creating a stable domestic policy environment that can improve firms' survival rate in regional and global markets, such as facilitating adherence to standards for agricultural commodities and food.. Barriers to trade and export biases need to be removed, while investment promotion strategies should target export diversification.

Figure 23: Survival Rates of Uganda firms by size from 2015 to 2020

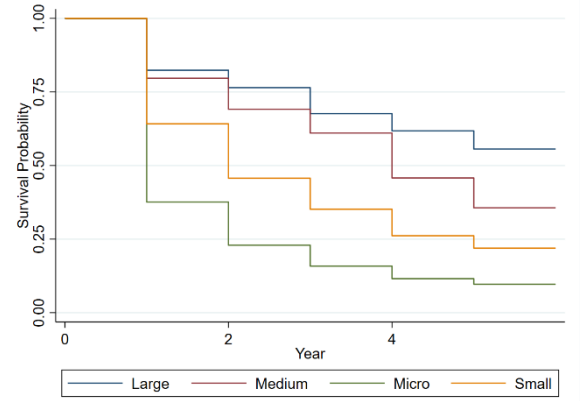
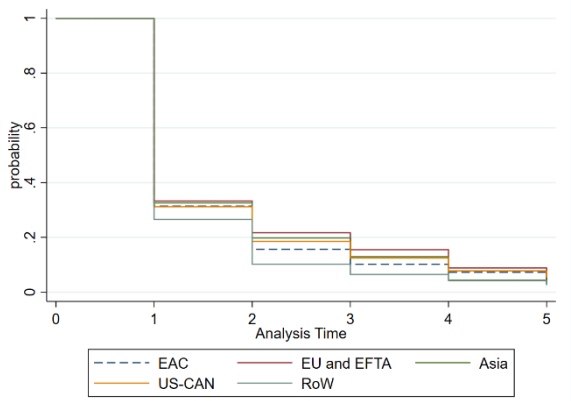


Figure 24: Survival rates by region for Uganda (2010-2018)



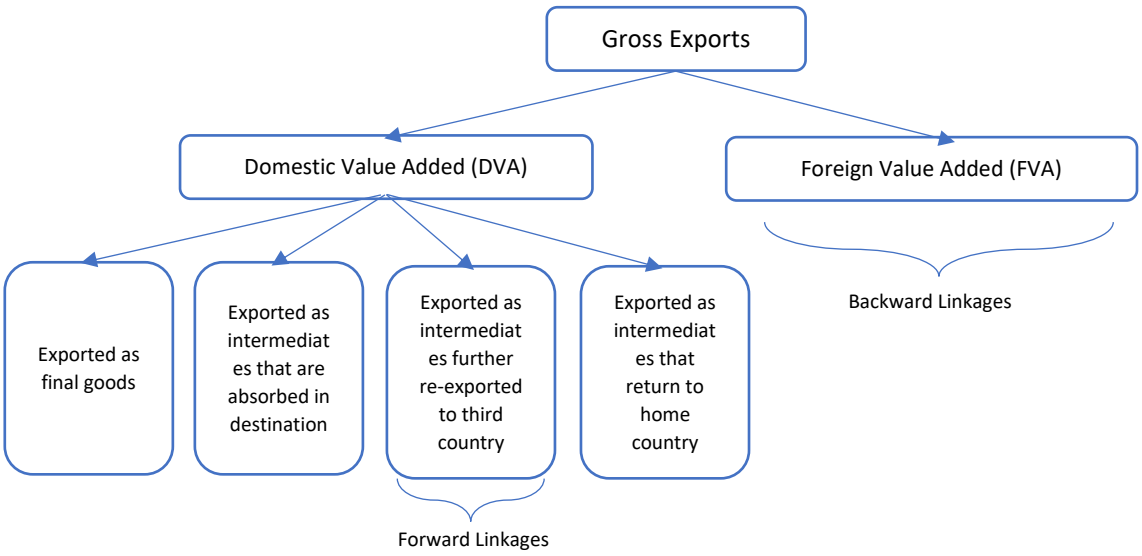
Source: *WITS mirror data, authors' calculations.*
Notes: *Micro firms <US$100,000; small firms < US$1,000,000 export value per year; medium firms < US$10,000,000, large firms > US$10,000,000.*

1.4 Global value chains and foreign direct investment

31. Uganda's participation in GVCs is light manufacturing-driven but still characterized by stronger forward than backward linkages as the country still exports a sizeable amount of unprocessed commodities. Backward linkages require products to cross multiple borders multiple times, as they are being imported to add domestic value and subsequently re-exported. For more information on backward and forward linkages see Box 4. The complexity of trade flows related to backward GVCs can multiply the impact of trade costs if transport and logistics bottlenecks have not been streamlined. By doing so, Uganda's firms are less competitive in the light manufacturing sector due to higher trade costs which hamper their financial capacity needed to transform their production output and become more competitive in global markets. Uganda's efforts to attract FDI that will reinforce domestic firms' participation in backward linkages, will create more sustainable jobs that require higher skills and stronger governance. In addition, GVC participation also requires a more complex set of services provisions that go along and enables the development of new services.

Box 4: Measuring Global Value Chains (GVCs) participation: Backward and Forward linkages.

Individual economies participate in GVCs by importing foreign inputs to produce the goods and services they export (backward GVC participation) and by exporting domestically produced inputs to partners in charge of downstream production stages (forward GVC participation). Indeed, in forward GVC participation a country's exports are not fully absorbed in the importing country and instead are embodied in the importing country's exports to third countries, as shown in the graph below.



Hummels, Ishii, and Yi (2001) and Aslam, Novta, and Rodrigues-Bastos (2017) define GVC participation as:

$$GVC_{participation} = \frac{FVA + DVX}{Gross\ Exports}$$

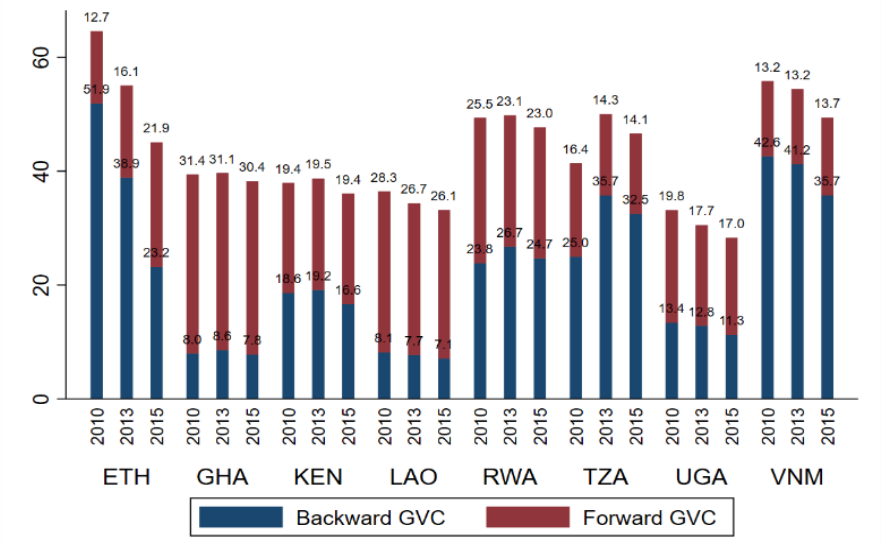
The larger the ratio, the greater the intensity of involvement of a country in GVCs. FVA captures "backward GVC participation", while DVX captures "forward GVC participation".

Source: Ignatenko, A., Raei, F., and Mircheva, B. 2019. "Global Value Chains: What are the Benefits and Why Do Countries Participate?" IMF Working Paper 19/18, International Monetary Fund, Washington, DC.

32. Uganda's participation in Global Value Chains shows a tendency towards deterioration since 2010 and is on average lower than that of its peer countries. Out of total exports, Uganda's backward linkages share is on average 12 percent and its forward linkages share is 17 percent. The average participation in GVCs is less than 30 percent, which is lower than that of the country's regional and global peers (Figure 25). Since the primary sector is the main engine of export growth in Uganda, the level of GVC participation is expected to be lower than some of its regional peers such as Ethiopia, Rwanda and Tanzania, which have embarked on the path of transforming their economies towards light industry and agribusiness. Moreover, although diversification in the case of Uganda occurred at the product level rather than at the market level, it is evident that diversification was not necessarily accompanied by backward linkages or complex GVC participation.

33. Following the taxonomy used in the 2020 WDR on GVCs, Uganda can be characterized as light manufacturing GVC integration.[13] Ideally, Uganda should upgrade from limited- to high-manufacturing GVC participation, which is heavier backward linkages and where domestic content is more likely to be added. The evidence shows that Uganda is less integrated into complex value chains through backward linkages than its regional peers and has a higher degree of forward GVC participation, underlining the fact that the country's exports are more concentrated in commodities.

Figure 25: Global Value Chains Participation of Uganda and Peer Countries (2010, 2013 and 2015)



Source: *EORA database, Authors' calculations.*

34. Uganda has successfully integrated in the floriculture global value chain, dairy in regional value chains, and to a limited extent in the fish value chain. Although comparatively more successful than other value chains, Uganda's flower exports have been stagnating or slowly increasing at an average annual rate of 1.3 percent since 2010. Declining productivity has mainly been due to the increasingly unfavourable climatic conditions in some parts, as well as weak policy environment, high production costs, including high energy and air freight costs, and the competition[14] from other East African countries, such as Kenya and Ethiopia. Additionally, issues around the safety of horticultural exports from Uganda to the EU - the main destination for cut flowers - have hindered export success (e.g., due to the false cuddling moth pest). With respect to dairy, regional value chains have developed, production improved and export growth has been significant (please refer to section 2.4.3 for more information). As for fish exports, the main export destination is the EU, but there are also some Asian destinations such as Hong Kong that have recently emerged. However, the industry continues to suffer from declining productivity and overfishing also remains a problem (see section 2.4.2 for more information). Finally, the apparel industry has traditionally been chosen by many developing countries to accelerate the process of industrialization and structural transformation. Uganda has been eligible to benefit from AGOA[15] provisions for apparel and textiles since October 2003 but has not been able to experience growth due to a low manufacturing capacity, and limited ability for farmers to produce cotton for the industry. Uganda's neighbors have performed better –

[13] Limited commodities: Primary goods' share of total domestic value added in exports is equal to or greater than 20 percent but less than 40 percent. High commodities: Primary goods' share is equal to or greater than 40 percent.

[14] See content under the following link.

[15] The African Growth and Opportunity Act (AGOA) is a piece of legislation is aimed at assisting the economies of sub-Saharan Africa and to improve economic relations between the United States and the region.

while Kenya exported goods worth $389.5m, and Tanzania $114million in 2012, Uganda managed to export only about $34.5m[16] under AGOA. Among the barriers for increased utilization of AGOA by Ugandan firms, high transport costs to regional ports in Mombasa and Dar Es Salam stand out, and render the country less competitive than regional peers like Tanzania or Kenya.

2. Boosting commercial agricultural exports: Characteristics of key value chains and constraints to further growth

35. The predominance of agriculture in Uganda is a key element in setting the economy on the path of structural transformation, away from traditional subsistence agriculture and towards more complex GVC participation. Transformation of the agricultural sector, the backbone of the Ugandan economy, is likely to set the stage for overall diversification of the Ugandan economy. Regional trade integration and trade liberalization in the agricultural sector will be key elements in enabling the commercialization of agricultural products and the development of existing and new value chains, both regionally and globally. The analysis is based on firm-level customs transaction data and UN Comtrade mirror export data. Beyond an overall assessment of agricultural exports characteristics, the analysis singles out three value chains with the potential for growth and commercialization.

36. Agro-industrialization is a top priority for the Government of Uganda. The Government of Uganda has declared agro-industrialization as one of the country's development programs to be pursued over the period 2020/21 - 2024 in its recent National Development Plan III. According to the plan "(…) agro-industrialization will be pursued to transform the subsistence agriculture sector to a commercial and competitive sector. This is required to increase household incomes of the majority (over 70 percent) of Ugandans directly and indirectly dependent on agriculture" (UNPA, 2020: 1). Increasing exports – enabling firms to overcome a limiting domestic market size - is a key component of Uganda's agro-industrialization program. While agriculture already contributes about half to the country's goods export earnings, ample scope exists to increase both value and the volume of agricultural exports. In this section we focus on three value chain of interest to the government – coffee, fish, and dairy – and identify constraints to enhanced exports of these sectors.[17]

2.1 The role of the agricultural sector

37. While non-agricultural products have played an increasingly important role in recent years, exports are still dominated by agricultural and food products which accounted for more than 64 percent of total exports in any given year. In the early 1990s, agricultural exports dominated Uganda's export basket contributing around 90% to aggregate exports.[18] The dominance of agriculture in the Ugandan economy remains strong, although there have been signs of growing exports of non-agricultural products in recent years, particularly into regional markets.

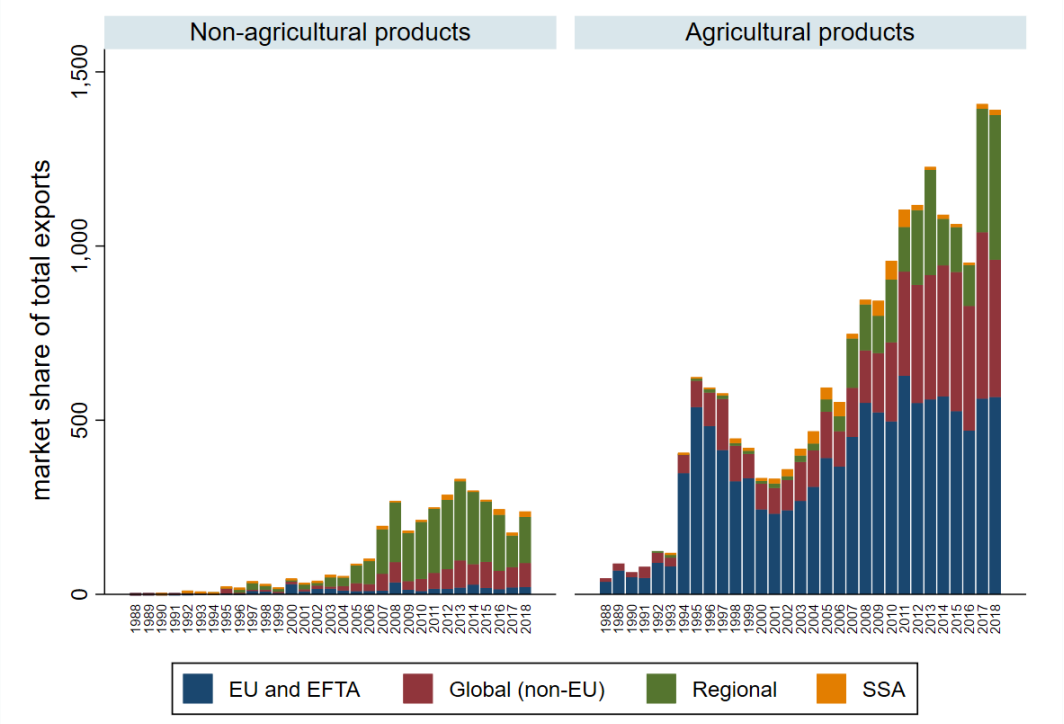
38. Global exports began to increase at the same time as regional exports (within EAC and COMESA), reducing Uganda's vulnerability to exogenous shocks in foreign markets. Agricultural exports to global markets other than the EU increased from US$101 million in 2006 to US$394 million

[16] Follow the link.
[17] All three value chains are included in the National Development Plan III for agro-industrialisation (UNPA, 2020 63).
[18] Based on UNComtrade mirror data.

in 2018 (Figure 26). For the regional market, the value of exports increased from US$43 million to US$415 million, representing an average annual growth rate of 20.8 percent, compared to the EU 3.7 percent and the rest of the markets, 12.0 percent. Overall, this would suggest that the formation of the EAC as well as COMESA could have contributed to this success. Uganda's growth in agricultural exports since 2016, took place at the regional levels as shows Figure 26, which lead to a concentration in terms of market as discussed in section 1.2 which looks at diversification of export more generally across all sectors.

39. The growth of agricultural exports has to some extent led to a concentration of Ugandan exports in specific markets, partly due to protection granted through the EAC-CET which shields regional firms from competition coming from outside of the region. This model will not be sustained in the near future and some market access privileges are likely to be lost due to the advent of the AfCFTA and other initiatives. It is therefore important to enable Ugandan exporters to meet the new challenges and take advantage of the opportunities inherent in the AfCFTA, which offers much wider market access and requires firms to export to more distant destinations. Reducing transport costs and removing bottlenecks at the borders could greatly enhance the ability of domestic agricultural producers to export beyond the borders of neighboring countries. Finally, preferential market access has not only enabled Uganda to improve its export growth to these partners, but also to diversify its export portfolio by shifting from cash crops to locally processed goods such as fish or dairy products. The gains are visible beyond preferential trade partners, in Asian countries.

Figure 26: Uganda's market share of non-agricultural and agricultural products 1988 - 2018



Source: *WITS mirror data, authors' calculations.*

40. Although the share of exports to the EU market has slightly declined in recent years, the value of exports remains at a similar level. The export basket to the EU is more concentrated than the regional export basket to EAC and COMESA and the global export basket for non-EU countries.

- **European Union:** Coffee accounts for 60 percent of total exports, followed by fresh or frozen fish exports. Flowers are the third most important export, but mainly to the Netherlands, where the EU flower market stands.
- **Regional trade in EAC and COMESA:** Dairy products account for 20 percent of total agricultural exports to the region, valued at US$94 million in 2018. Other regional products include maize, dried beans and tobacco. Tea is also exported regionally, but mainly to Kenya, where the auction market is located in Mombasa.
- **Global (non-EU countries)**: Coffee accounts for 25 percent of total agricultural exports to the rest of the world, followed by dried fish and cocoa beans. Other emerging products include sesame seeds, black tea, vanilla, and dried beans.

41. Uganda's trade is specialized by destinations. Overall, the EU export basket is more concentrated with coffee accounting for more than 60 percent by contrast to non-EU global and regional export baskets which are more diverse. See Table 3. In addition, exports to the EU are not further processed domestically and thus have relatively low domestic value added. At the regional level, however, products such as dairy and fish tend to dominate whether in processed or unprocessed form. Similarly, in Asian countries, dried fish and frozen fish are the main exports. Among the top 10 products exported regionally or globally are three products: coffee, fish and dairy products. The following section addresses the constraints and opportunities to expand domestic value chains for these three products.

Table 3: Top 10 exports to the EU, EAC and COMESA, and Global (other than EU countries)

A. European Union				
Rank	**HS code**	**Description**	**Value US$ M**	**Share**
1	90111	Coffee, not roasted or decaffeinate	338.06	59.6%
2	30410	Fresh or chilled fish fillets	38.25	6.7%
3	60310	Fresh cut flowers and buds	30.54	5.4%
4	60210	Unrooted cuttings and slips (plants)	29.61	5.2%
5	180100	Cocoa beans, whole or broken, raw o	21.38	3.8%
6	30420	Frozen fish fillets	15.77	2.8%
7	30269	Fresh or chilled fish, nes	13.13	2.3%
8	520100	Cotton, not carded or combed	8.74	1.5%
9	120100	Soya beans	7.24	1.3%
10	120740	Sesamum seeds	6.26	1.1%
		Total	508.98	89.8%
B. EAC and COMESA				
Rank	**HS code**	**Description**	**Value US$ M**	**Share**
1	40120	Milk and cream of >1% but =<6% fat,	72.87	17.5%
2	100510	Maize seed	69.38	16.7%
3	71339	Dried beans, shelled, nes	64.19	15.5%
4	240110	Tobacco, not stemmed/stripped	52.96	12.8%
5	230990	Other preparations of a kind used i	30.74	7.4%
6	230230	Brans, sharps and other residues of	20.47	4.9%
7	40210	Milk and cream in solid forms of =<	12.25	2.9%
8	90240	Black tea (fermented) and partly fe	11.06	2.7%
9	40229	Milk and cream in solid forms of >1	9.55	2.3%
10	230400	Oil-cake and other solid residues,	5.06	1.2%
			348.55	83.9%

C. Global other than EU and SSA				
Rank	**HS code**	**Description**	**Value US$ M**	**Share**
1	90111	Coffee, not roasted or decaffeinate	106.19	26.9%
2	30551	Dried cod, not smoked	78.38	19.9%
3	180100	Cocoa beans, whole or broken, raw o	45.20	11.5%
4	120740	Sesamum seeds	23.51	6.0%
5	520100	Cotton, not carded or combed	21.36	5.4%
6	30420	Frozen fish fillets	18.51	4.7%
7	90240	Black tea (fermented) and partly fe	12.38	3.1%
8	90500	Vanilla	11.15	2.8%
9	30410	Fresh or chilled fish fillets	10.93	2.8%
10	71333	Dried kidney beans, incl. white pea	9.71	2.5%
			337.32	85.6%

Source: *WITS mirror exports data, author's calculations.*

2.2 Processed and unprocessed agricultural exports

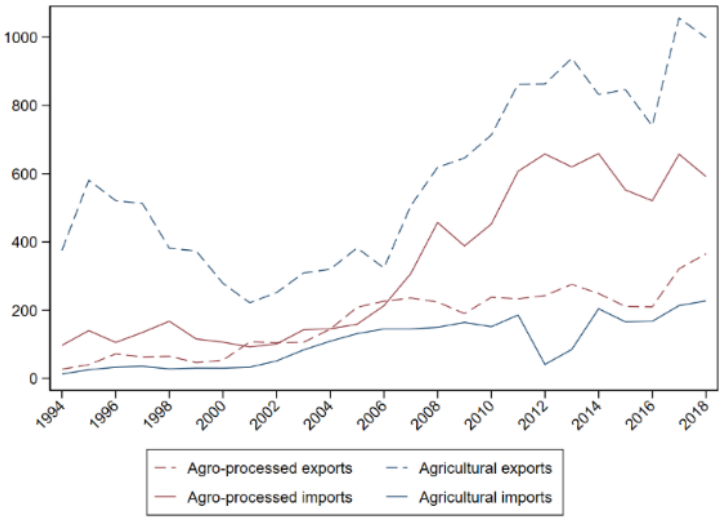
42. In this section, Uganda's exports of agricultural products, processed and unprocessed, are analyzed. For this purpose, this section uses export data with the International Standard Industrial Classification (ISIC) instead of Harmonized System (HS). The former classifies the activity of the economy into similar groups and enables for differentiation between processed and unprocessed ones. Subsequently, the section focuses firms' characteristics using transaction data at the firm level.

43. About 25 percent of Uganda's agricultural exports are processed goods compared to 75 percent that are non-processed. Among processed exports, fish and dairy products dominate when looking at the ISIC 4-digit level data in 2018 with 12.3 percent and 7.6 percent share of total exports respectively. Both value chains are well integrated at the regional level, while at the global level only fish is well integrated and diversified in terms of the product types and destinations markets. But, Table 4 shows that the main exported categories are growing of fruit (coffee and cocoa) and cereal crops (maize) which both account for more than 65 percent of Uganda's total exports, note that categories using ISIC differ from the HS 2-digit categories.

44. On the import side, about 60 percent of Uganda's total imports are processed goods while 27 percent of imports are non-processed agricultural products. The main import category is vegetable oil, which accounts for more than 30 percent of Uganda's total imports. Other processed goods such as grain mills, sugar, prepared animal feeds, cocoa and chocolate are also imported but to a smaller extent.

45. Uganda is a net importer of agro-processed products and a net exporter of fresh agricultural products. See Figure 27. However, the type of agro-processed products imported differs from the type of exports, suggesting that the agro-processed exports were produced domestically. On the other hand, some of the imported agricultural products are largely consumed by the population, such as oil and sugar, and could leave the poorest in particular vulnerable to price changes or imports, and tariffs would directly hit the household income of the poor (see Table 4).

Figure 27: Uganda's exports and imports of agricultural and agro-processed goods



Source: *WITS data, authors' calculations.*

Table 4: Uganda's top 10 exports (top) and imports (bottom) at ISIC 4-digit level in 2018

Exports ISIC 4 digit revision 3

Rank	ISIC	Description	Value US$ M	Share
1	113	Growing of fruit, nuts, beverage and spice crops	586.36	42.3%
2	111	Growing of cereals and other crops n.e.c.	322.54	23.2%
3	1512	Processing and preserving of fish and fish products	170.69	12.3%
4	1520	Manufacture of dairy products	105.66	7.6%
5	112	Growing of vegetables, horticultural specialties and nursery products	85.47	6.2%
6	1533	Manufacture of prepared animal feeds	30.75	2.2%
7	9999	Goods not elsewhere classified	27.76	2.0%
8	1514	Manufacture of vegetable and animal oils and fats	19.39	1.4%
9	500	Fishing, operation of fish hatcheries and fish farms;	13.49	1.0%
10	1549	Manufacture of other food products n.e.c.	10.61	0.8%
			1,372.72	98.9%

Imports ISIC 4 digit revision 3

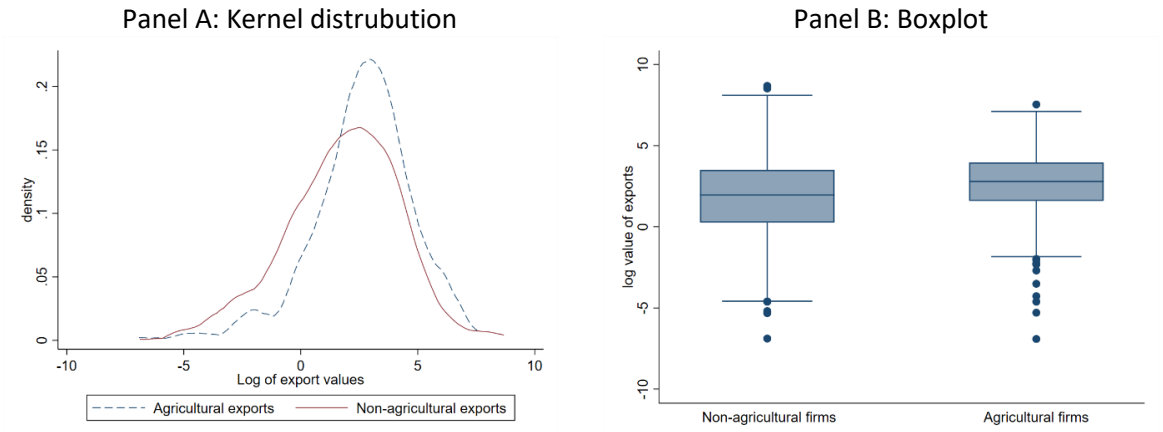
Rank	ISIC	Description	Value US$ M	Share
1	1514	Manufacture of vegetable and animal oils and fats	248.81	30.4%
2	111	Growing of cereals and other crops n.e.c.	175.60	21.5%
3	1531	Manufacture of grain mill products	77.23	9.4%
4	1542	Manufacture of sugar	76.25	9.3%
5	1549	Manufacture of other food products n.e.c.	36.72	4.5%
6	1533	Manufacture of prepared animal feeds	21.95	2.7%
7	1543	Manufacture of cocoa, chocolate and sugar confectionery	20.46	2.5%
8	113	Growing of fruit, nuts, beverage and spice crops	20.07	2.5%
9	112	Growing of vegetables, horticultural specialties and nursery products	19.64	2.4%
10	1551	Distilling, rectigying and blending of spirits;	15.96	2.0%
			712.69	87.1%

Source: *WITS ISIC exports, authors' calculations.*

2.3 Firm characteristics in the agricultural sector

46. Ugandan firms engaged in the agricultural sector tend to have higher annual export earnings than firms engaged in non-agricultural sectors. Most of these firms export more than US$1 million annually. However, the top 10 agricultural and non-agricultural firms export respectively 39.5 percent and 11.2 percent of total exports in 2020. All values are log-transformed due to the right skewness of the distribution. In Figure 28 (panel A), the zero value corresponds to US$1 million. The boxplot in Figure 28 (panel B), shows that exports in the non-agricultural sector (excluding gold and petroleum) are also driven by a handful of outlier firms at the top. 50 percent of the firms exporting non-agricultural products have an annual revenue of about US$1 million. Agricultural firms export higher value annually.

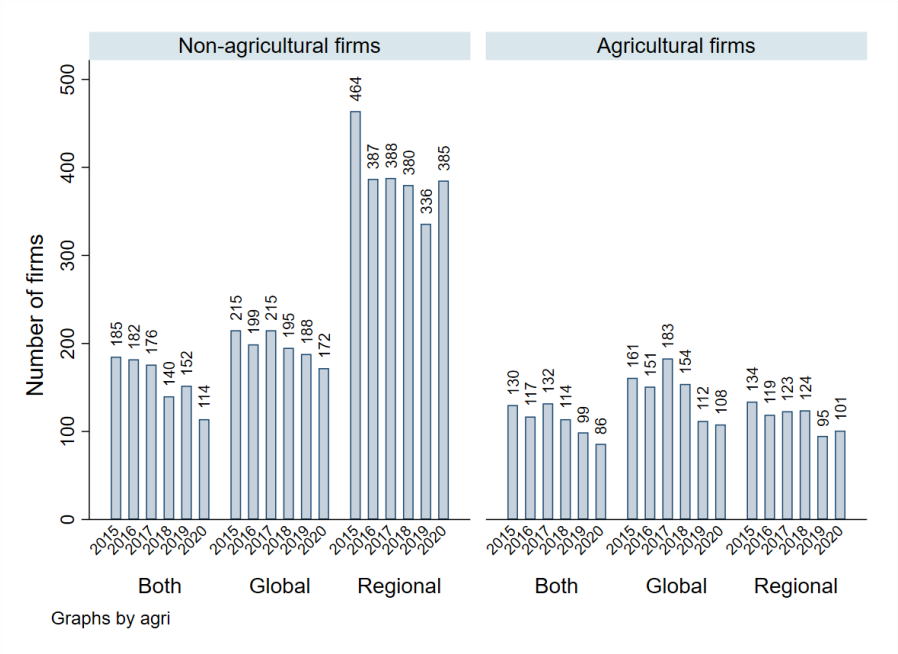
Figure 28: Kernel distribution and boxplot of agricultural and non-agricultural firms' export values



Note: Panel A shows the kernel density estimate function for the year 2020 of the logarithm of export values at the product level. Panel B shows the boxplot with 5 percentiles: "minimum", first quartile (Q1), median, third quartile (Q3), and "maximum". The oil sector has been excluded of the analysis (hs=27). The total number of agricutlral firms is 693 and non-agricutlra firms 295 in 2020.
Source: Uganda customs transactions firm level data, authors' computations.

47. Ugandan firms operating in the agricultural sector tend to be evenly distributed between the regional and global markets, as are the number of firms exporting to both markets. However, the non-agricultural sector appears to be much more embedded in the regional market (Figure 29). Moreover, many more firms are active in the non-agricultural sector, although its size (average export value) is much smaller than that of the agricultural market.

Figure 29: Number of firms in regional, global or both markets in the agriculture and non-agriculture sectors



Source: Uganda customs transactions firm level data, authors' computations.

48. About 30 percent of firms in the agricultural sector that participate in export activities also import goods and tend to be relatively higher in terms of exported volumes. Figure 30 looks at the number of firms that (i) import and export, that (ii) only export and that (iii) only import. While the largest number of firms are importers, the ones that export and export-import have the same importance. Evidence suggests that roughly 30 percent of the firms in the agricultural sector are dependent on imports, most likely technologies or inputs factors needed for their production. In contrast, firms that import are, as expected, much more diversified, as is the case for many net importers of food. Given that Uganda is unlikely to satisfy all domestic demand for agricultural products, it is likely that the existence of importers in the sector will persist, and it appears, as noted above, that imports are indeed relatively different from exports.

49. Agricultural exporters involved in both export and import activities show a tendency to be more be larger in exports values, as well as more resilience at time when export diminished. Comparing agricultural exporters that only export with those that both export and import, the latter tend to have a higher average annual export value. A plausible assumption behind the higher performance of firms engaged in both exporting and importing is the increase in their productivity and competitiveness as firms acquire new technologies and inputs factors of production. Moreover, as discussed earlier, export values declined in 2016, times at which export volumes of firms engaged in export and import activities continued to be high, while exporter-only firms values collapsed (Figure 31). This highlights that exporters need imports and the ones that import are more resilient that only-export companies as they are more likely to be involved in more complex value chains and gain form stronger business relationship in times of exogenous shocks. Finally, one should expect firms with higher export values to survive longer in foreign markets, underscoring the importance of looking at the survival rate of agricultural exporters.

Figure 30: Number of firms that are importers, exporters, or both.

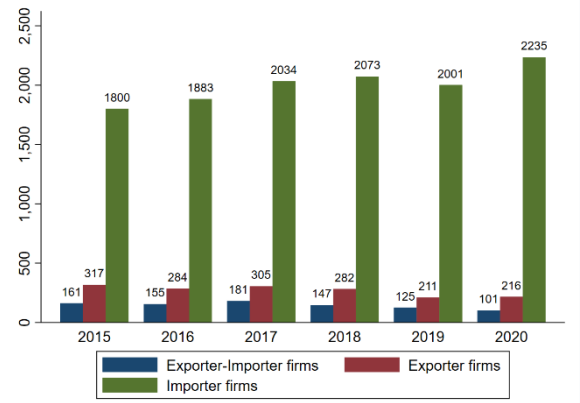
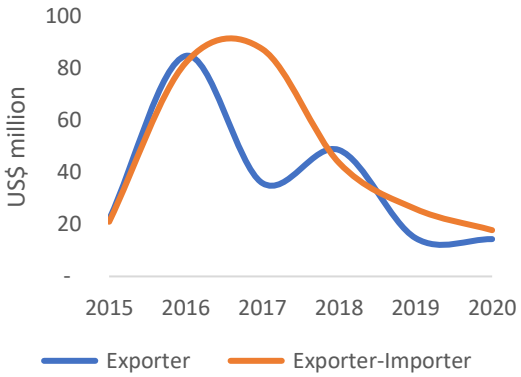


Figure 31: The average size of firms in the agricultural sector that only export (blue) or that export and import (orange) has been shrinking over the years.



Source: Uganda customs transactions firm level data, authors' computations.
Note: The average firms size (Figure 31) is computed as the average annual export value.

50. The survival rate of larger exporters in Uganda is higher, as expected, while medium firms have the same survival rate as micro firms, but a significant gap when compared to larger firms in the short run. Interestingly, Uganda's micro firms have a higher survival rate, similar to that of medium firms, after their first year of existence than small firms (about 48 percent). It is found that the largest firms survive the most, with about one in four firms surviving after 5 years of existence (Figure 32). However, the gap of survival between large and medium enterprise is much bigger than previously discussed in section 1.3 where survival rates were looked at across all sectors. In the agricultural sector, it can be expected that larger firms experience less volatility than SMEs, as they tend to export mainly cash crops in the case of Uganda and maintain stronger business relationships with buyers. On the other hand, in agriculture, about one in two micro or medium firms survive the first year. Finally, about 10 percent of medium firms survive after 5 years of activity. Improving the survival rate of firms will be an important factor in promoting export growth and diversification in the long run.

51. The relatively high survival rate of microenterprises beyond the first year indicates that the regional market plays the role of a stepping stone that enables firms to start exporting activities that last for about 2 years in about 50 percent of the cases. These results underline the important role of micro firms in agricultural export as they are mainly composed of small farmers who export to neighboring countries.

52. Uganda's exporters in the agricultural sector show higher survival rates in global markets than regional, where a few large firms operate and export the bulk of coffee production. To understand in which markets firms survive the most, it is worth looking at survival rates by export market or region (Figure 33). The survival rate of firms in EU and EFTA countries is the highest, along with the markets of Asia. However, this is mainly due to the composition of the basket, as coffee exports dominate more than 60 percent of exports to the EU and about 25 percent of exports to Asia, driving up the survival rates of this relatively stable market. Moreover, the survival rate gap between regional and global levels is much higher in the agricultural sector, than when looking at survival rates of firms across all sectors. Finally, SSA countries have the lowest survival rate among regions.

Figure 32: Survival of firms by size for agricultural exporters

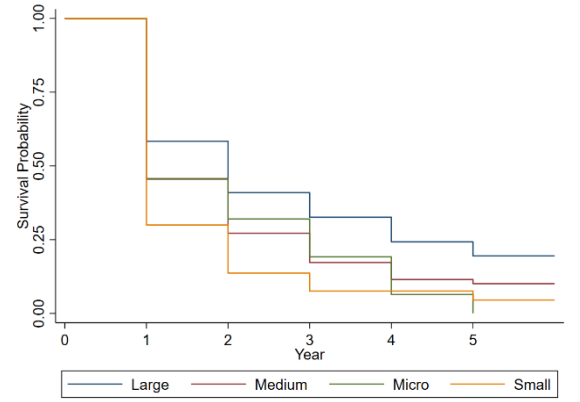
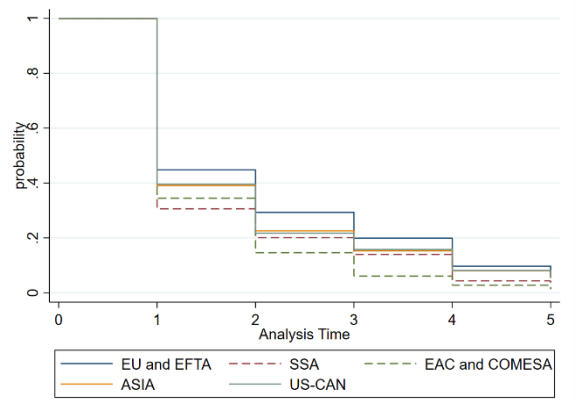


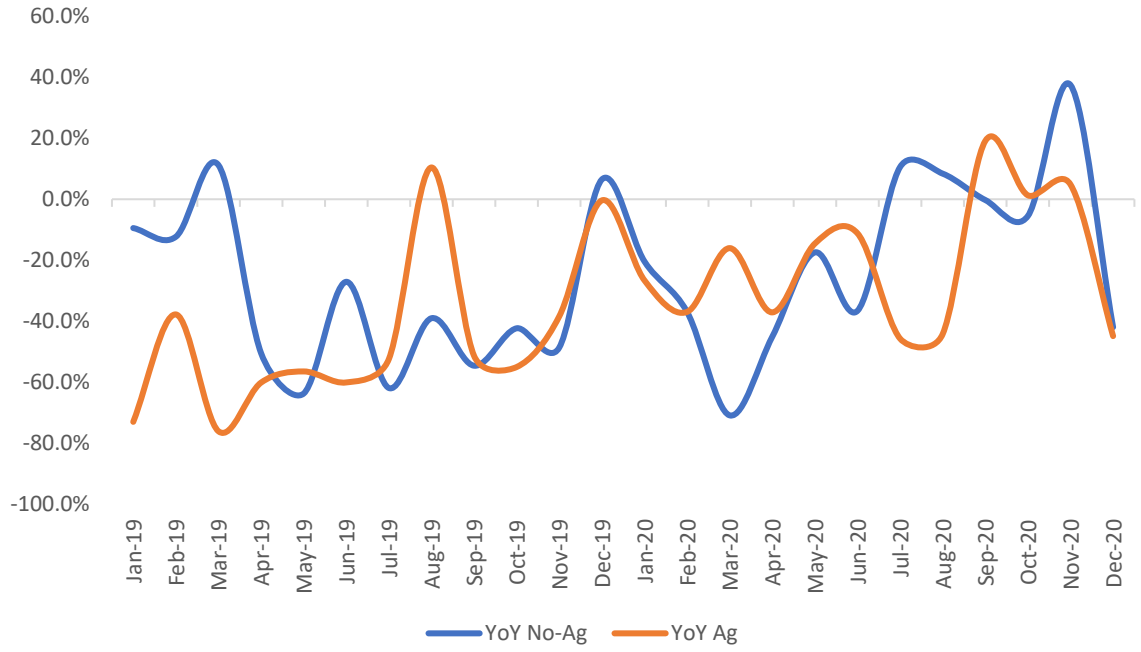
Figure 33: Survival of firms by markets for agricultural exporters



Source: *Uganda customs transactions firm level data, authors' computations.*

53. Agricultural exports tend to show smaller year-on-year monthly fluctuations and show evidence to be more resilient to exogenous shocks, including during the pandemic COVID -19. Indeed, Uganda is a larger exporter of cash crops at the regional level such as maize, or at the global level such as coffee. Regionally, the export of maize is relatively strong although highly vulnerable to domestic policies in neighbor countries. While maize benefits to a certain extent from a protection given by the common external tariff of EAC, the latter is likely to disappear with the establishment of the African Free Continental Trade Area. New ways and opportunities to export cash crops should be considered and the growth exports should not only be on the intensive margin (in terms of the quantities exporters), but also on the extensive margin (in terms of market destinations). In March 2019, exports performance was lower than in March 2020, just before the onset of the pandemic, which shows no significant impact on agricultural exports (Figure 34). The monthly growth rate tends to be negative throughout the year, until July and August 2020.

Figure 34: Year-on-year monthly growth of agricultural and non-agricultural exports



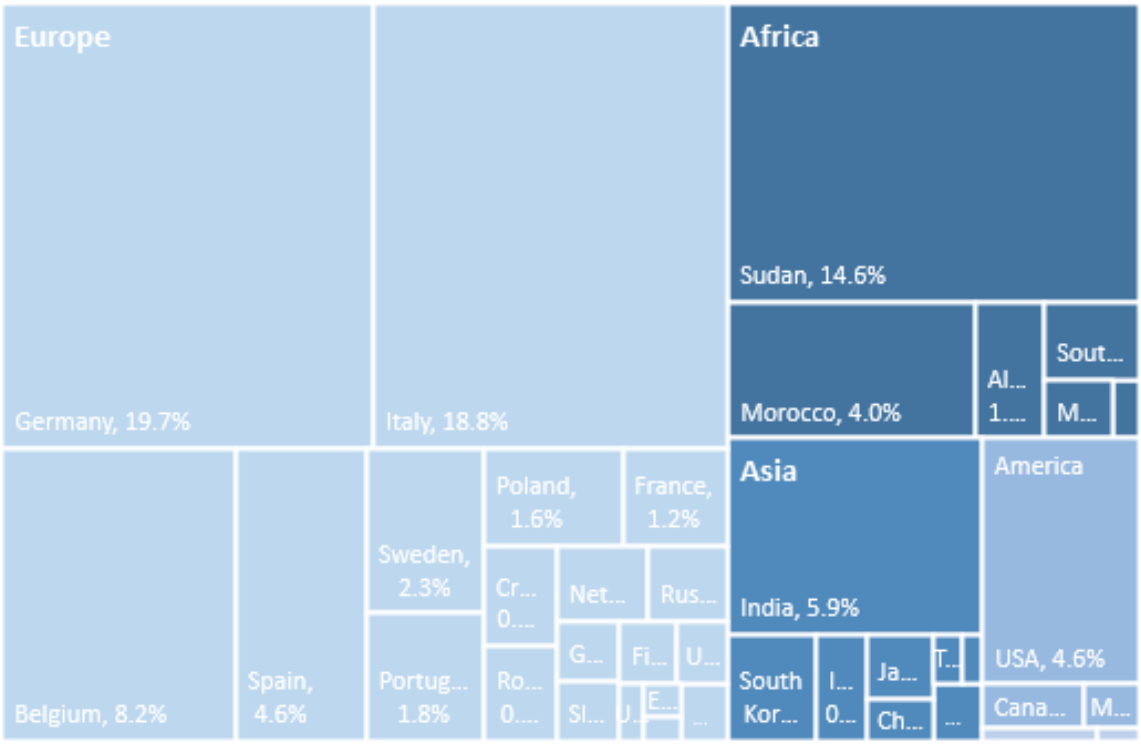
Source: *Uganda customs transactions firm level data, authors' computations.*

2.4 Characteristics of key value chains

2.4.1 Coffee

54. Coffee is Uganda's traditional export crop and contributes about 15 percent to the country's total export earnings in any given year. Coffee is almost exclusively exported. Coffee production and exports have been increasing steadily. According to the latest figures available from the *Uganda Coffee Development Authority* (UCDA), in February 2021, Uganda exported almost 563,000 bags of coffee with a total value of US$ 50.5 million. This constitutes a year-on-year growth in terms of export quantity and value of exports of 8.8 percent and 8.1 percent, respectively.[19] Considering data from 2018, Europe absorbs most of Uganda's coffee exports (66 percent), followed by Africa (16 percent). Within Europe, Italy (27 percent), Germany (13 percent) as well as Spain (7 percent) are leading importers of Ugandan coffee. Within Africa, Sudan (9 percent) and Morocco (5 percent) absorb a significant proportion of Ugandan coffee exports as well (Figure 35). While the country also grows higher-value Arabica, Uganda is mostly known for its Robusta coffee which makes up most of the country's coffee exports.[20]

Figure 35: Ugandan coffee exports by destination (2018 data)



Source: *Constructed from Ugandan customs data for the year 2018.*

55. The value of Uganda's coffee exports was not affected by Covid-19 but instead increased substantially over the course of 2020 although the price fell. Over the course of 2020 recorded coffee export growth was due to an increase in the volume of exports, compensating for falling unit prices. Uganda's exports of coffee were higher in 2020 than in 2019 and the 5-year average in in every but

[19] UCDA (2021). Report available online at the following link.

[20] For example, according to the UCDA in February 2021 Uganda exported coffee worth US$50.55 million, of which about US$40.9 million were Robusta and US$9.6 million were Arabica.

two months (Figure 36). However, this growth was only possible due to rising export volumes compensating for falling prices over the last five years and especially during the Covid-19 crisis (Figure 37 and Figure 38). The price decline prior to Covid-19 reflects the global trend in coffee prices, such as those derived from the Composite Index of the International Coffee Organization.[21] During 2020, global coffee prices for Robusta, Uganda's primary coffee variety, are estimated to have declined by 7 percent overall.[22] This price drop is reflected in the unit price for Uganda's coffee exports in 2020, although the decline of the unit price for exports appears to have been stronger than the decrease of global prices.

Figure 36: The value of Uganda's aggregate coffee exports was not affected by Covid-19

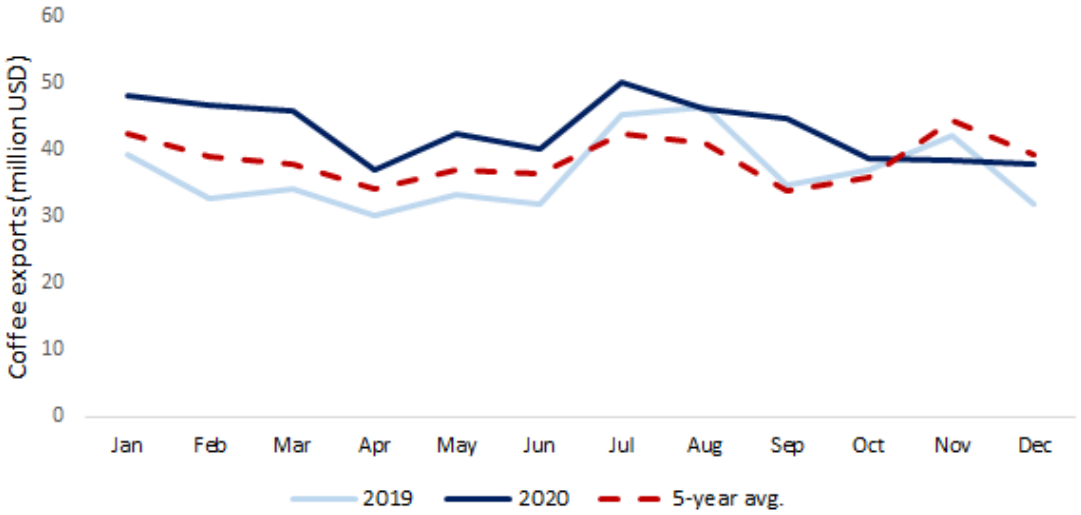


Figure 37: Unit prices for Uganda's coffee have fallen dramatically in 2020 ...

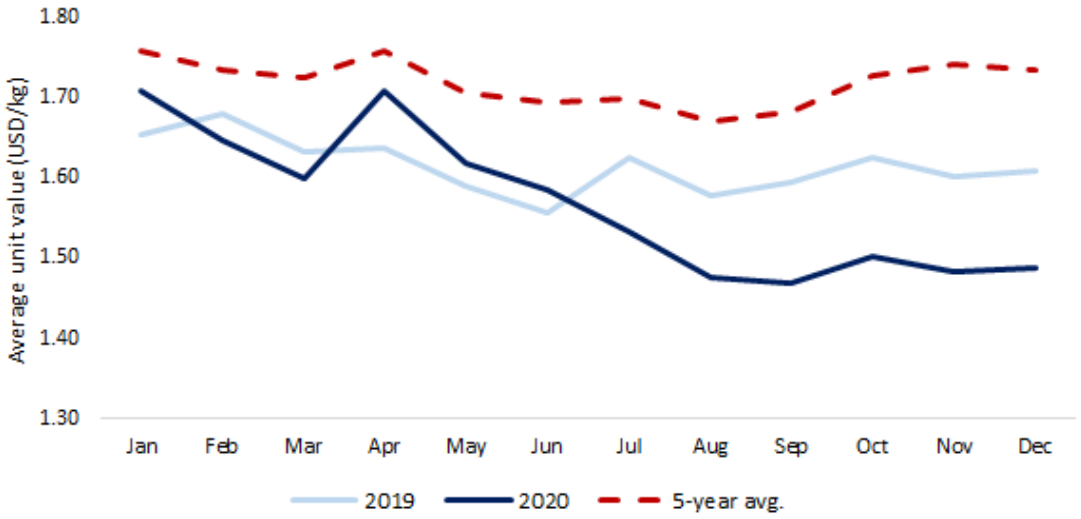
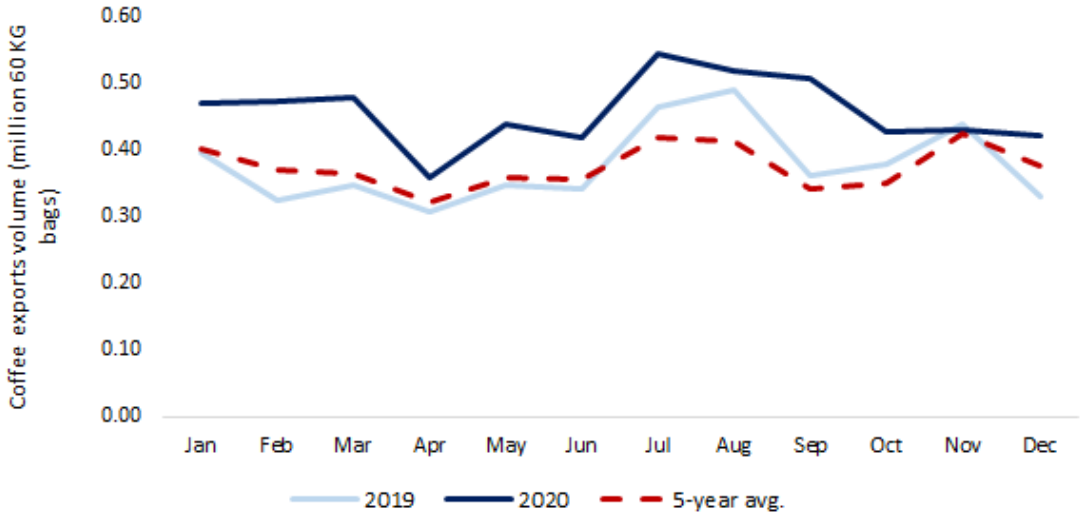


Figure 38: … and were only compensated by higher export volumes

[21] Information is available online under the following link.
[22] See blog post online here: link.



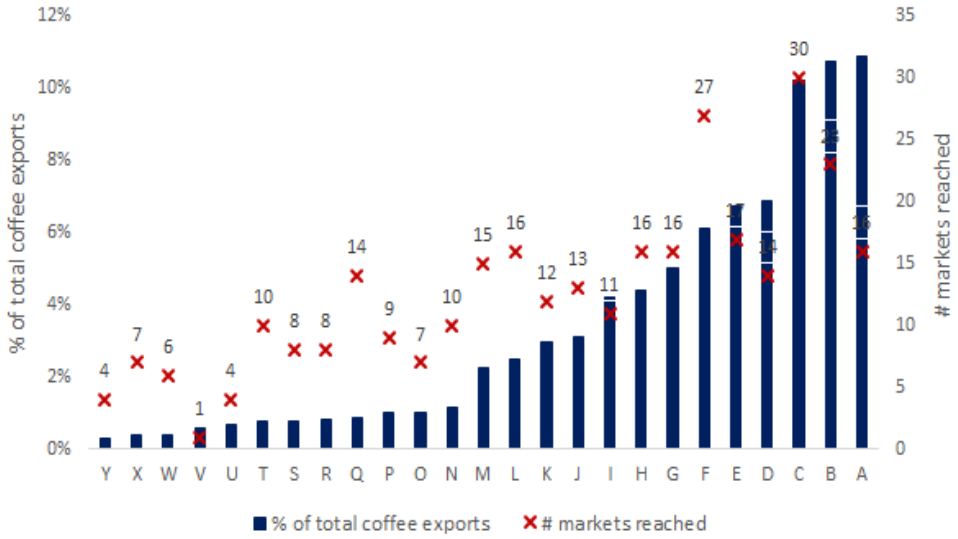
Source: *Uganda customs transactions firm level data, authors' computations.*

56. The Ugandan coffee value chain is characterized by a small number of large exporters and a domestic supply chain consisting of small-scale farmers and intermediary traders. Coffee is an important cash crop for subsistence farmers in Uganda's relatively populated rural areas. The country has one of the highest concentrations of coffee farmers in the world (Morjaria and Sprott, 2018).[23] Home consumption of coffee is negligible, rendering coffee a purely export-oriented commodity for the country. Crucially, coffee exports themselves are conducted by only a relatively small number of exporting firms. For example, in 2018, the ten largest Ugandan coffee exporters accounted for about 77 percent of the country's total coffee exports (Figure 39). While some of these firms are Ugandan operations, others are part of larger and globally active firms (e.g., the Louis Dreyfus Company).

57. Coffee exporters reveal a diversified set of client relationships and do not seem to specialize in individual export markets. Instead, firm-level data show a considerable degree of diversification with respect to the destination markets served by the individual firms. Not only is the total number of markets reached per single coffee exporter large, additionally data from 2018 shows that among the top twenty-five firms only three firms rely on a single destination for more than 50 percent of their respective export volume (Figure 39). Concentrating on the top 10 exporters, there is only a single exporter who shipped more than 50 percent of its exports to a single destination.

[23] For an overview see link.

Figure 39: Uganda's coffee exporters: Export shares and number of destinations reached (2018)



Source: *Uganda customs transactions firm level data, authors' computations. Each letter represents an individual coffee exporter. Exporters ranked in ascending order of their export volumes.*

58. Unit values for exported coffee do not differ significantly among Uganda's exporters. In 2018, the average price per KG yielded by Ugandan coffee exporters was about 1.60 USD/KG among the top twenty-five firms, with almost all firms realizing a price for their produce within one standard deviation of this value. The highest price at the firm level was 1.98 USD per KG and the lowest was 1.33 USD per KG. In line with the notion that exporting goods to high income markets allows firms to realize higher prices for their product, the firm with the highest unit-price exported most of its coffee to high-income destinations in Europe as well as Saudi Arabia and the USA, while the latter firm exported almost all of its coffee to India. When we calculate unit prices per destinations, we find that Ugandan coffee yields lower than average prices in India (1.42 USD/KG on average in 2018), but also countries like France (1.52 USD/KG) and Germany (1.55 USD/KG) and high prices in Sweden (1.74 USD/KG) and the Netherlands (1.92 USD/KG).

59. However, in international comparison Ugandan coffee sells at prices well below the global average. The *International Coffee Organization* (ICO) reports a global average price for the Robusta variety of 84.79 US cents per pound (or roughly USD1.87 USD/KG for 2018) - a price about 17 percent higher than the average price yielded by exported Ugandan coffee in the same year. This is despite the Ugandan average already including a considerable share of the Arabica variety which yields much higher prices internationally.[24] Among the key reason for this underperformance with respect to prices is that Ugandan coffee is not well known internationally and is yet to develop a strong brand. For example, Morjaria (2018) shows that based on Google search activity, consumers are far less aware of Ugandan coffee than they are of Ethiopian or Kenyan coffee.[25]

[24] According to the Uganda Coffee Development Authority monthly reports, Arabica makes up between 10 and 30 percent of Uganda's coffee exports, depending on the month under consideration. The average export price for Arabica is about 70 – 80 percent higher than the one for Ugandan Robusta. Many firms export both Robusta and Arabica, but some focus only on Robusta (see Annex 2 in the following document: https://ugandacoffee.go.ug/sites/default/files/monthly-reports/March%202021.pdf).

[25] Morjaria A. (2018) "Constraints to promotion and value addition in Uganda's coffee sector", PPT presentation delivered at the National Budget Conference and Economic Growth Forum 2018/19 on the 13th September in Kampala, Uganda.

60. In the medium to long-run, a key opportunity for Uganda to further increase both value and volume of its coffee exports is therefore through increasing global brand awareness of Uganda as an origin of high-quality coffee. While growth of Ugandan coffee exports has been impressive, lack of Ugandan brand awareness hinders ambitions for higher growth and has been identified as a major constraint limiting sales in foreign markets, despite Ugandan coffee being certified to be among the world's best. This is especially true with respect to Arabica coffee, which is traded globally at much higher prices than Robusta: Morjaria (2018) reports that Ugandan Arabica sells at a discount of up to 30 percent in comparison to coffee of similar quality from other destinations despite its quality.[26]

61. From the vantage point of direct government interventions, the structure of Uganda's coffee market could offer an opportunity to promote higher quality through mandatory standards at export gates. Among the key obstacles to higher quality coffee in Uganda are poor storage and handling, harvesting unripe cherries and poor drying techniques. Morjaria (2020) argues that one possible reason for farmers not exerting higher efforts into producing high quality coffee is that there is a thriving market for low-quality coffee and that intermediary traders may not pass on premiums for high-quality produce to farmers. Since Ugandan coffee is not consumed domestically in sizeable quantities and since access to international markets is only through a small number of exporting firms (vis-a-vis millions of coffee farmers and thousands of farmers), incentivizing export standards - if applied uniformly and consistently for all exporters - could be an effective lever to increase the quality and price of Uganda's coffee.[27]

2.4.2 Fish

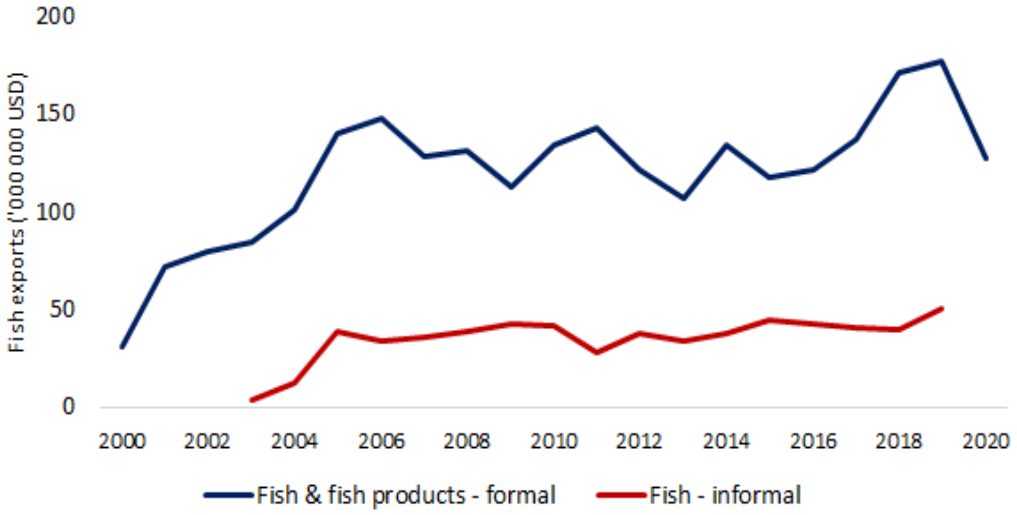
62. Despite being a landlocked country, Uganda is the fifth biggest fish exporter on the African continent (after Mauritania, Namibia, Senegal, and South Africa). According to the *Ministry of Agriculture, Animal Industries and Fisheries*, the sector contributes to the livelihoods of 1.5 million Ugandans or 4 percent of the population (UNCDF 2020). Like Uganda's dairy exports, fish exports have increased over the last two decades (Figure 40). In recent years, fish exports contribute about 5 percent to Uganda's formal export earnings per year with the aggregate volume exported totalling about 24,600 tons (Bank of Uganda 2021).

63. Formal exports are mostly shipped to high-income destinations in Asia and Europe, but fish is also exported in sizeable quantities "informally" to neighbouring countries in the EAC as well as the DRC. With respect to formal exports, in 2018 Hong Kong absorbed about a third of Uganda's fish exports, with the UAE accounting for another 8 percent. European countries (Netherlands, Belgium, Italy, Portugal, Spain, Greece) accounted for about 35 percent of Uganda's fish exports – partly reflecting declining stocks in Europe. Israel and Viet Nam import sizeable quantities as well. As a result of the closure of restaurants and hotels in much of the developed world in 2020, demand for Ugandan fish fell and resulted in a steep decline of export earnings from the sector in 2020 (cf. Figure 41). Beyond being exported formally, informal cross border exports of fish constitute an important source of livelihoods for small scale traders. In 2018, informal fish exports were valued at about US$40 million, in comparison to about 180 million formal exports (Figure 40).

[26] See link.

[27] Additionally, in August 2020, the Ugandan parliament passed the *National Coffee Bill, 2018,* which provides for the registration of all coffee farmers by the Uganda Coffee Development Authority. The goal of the registration (which will capture issues like the land cultivated by a farmer, the number of coffee trees and other particulars of the farmer) is to help provide better extension services, planning irrigation systems and the provision of planting materials.

Figure 40: Fish is a major formal export product but also traded informally



Source: *Bank of Uganda external statistics (2021). The BoU's informal cross border survey was not conducted since the outbreak of Covid-19 in March 2020; hence we do not report values for after 2019.*

64. Regional (unregistered) and extra-regional (formal) trade concern different fish species. About 95 percent of Uganda's total annual catch originates from three lakes: Victoria, Kyoga and Albert. Two species are formally exported, *Nile Perch* and *Tilapia*, with the former accounting for 90 percent of total formal fish exports (UNCDF 2020). M*ukene,* the other main catch, is mainly traded in the Great Lakes Region and sold domestically on local markets.

65. Formal exporting is conducted by a small number of fish processors which purchase raw produce from the fishermen and add considerable value prior to exporting. Currently, out of 21 fish processors, only 11 are operational. The remaining ones had to close due to declining stocks of fish available for export (UNCDF 2020). Fish processors mainly export products that already have undergone considerable value addition locally. According to the *Uganda Fish Processor and Exporter Association,* an umbrella organisation for the 11 fish processors, firms mainly export chilled or frozen value-added products like filets, loins, or headed and gutted fish. Correspondingly, out of a total of about US$170 million worth of fish exports in 2018, most was classified as either "fish fillets" or as "dried, salted or smoked" according to UNComtrade. The association also reports to employ 32'000 workers directly.

66. A key threat to continued export success of the sector has been overfishing resulting in a declining stock of fish over the past decade. The Government of Uganda responded to the threat by amending the fisheries act, now requiring all boats, including all people involved in the fishing activities to be registered. A new piece of legislature – the Fisheries and Aquaculture Bill, 2018 – is currently under review by the cabinet. The bill constitutes a comprehensive revision of an earlier act which only considered capture fish and would also address issues like post-harvest handling, transportation, fisheries research as well as surveillance and control monitoring of fisheries (UNCDF 2020).

67. Owing to poor fishing practices and stock management, low regulatory quality and unsatisfactory standards, the fish sector is missing out on the opportunity to expand exports in a sustainable way. For example, Uganda exports fish duty and quota free to high-value destinations in the European Union under the *Everything But Arms* agreement, but the exploitation of this opportunity is often threatened by Uganda's inability to meet stringent requirements with respect to

quality and safety for human consumption, such as uninterrupted cool chains. In the past, Uganda has been subject to fish import bans by the European Union in 2002, 2015 and 2019. Solving constraints with respect to handling of the catch as well as proper storage and cooling prior to exporting would be important. Above all, it is important that Uganda exploits the resource in a sustainable way so as to prevent overfishing.

2.4.3 Dairy

68. Uganda's dairy sector has grown significantly over the past decade, driven by both domestic and foreign demand. According to the *Uganda Dairy Development Authority*, annual milk production increased from 1.4 billion liters of milk in 2006 to 2.2 billion litters in the 2017/18 fiscal year. Increased domestic demand has been one driver of growth in the sector. In 2001/2, Ugandan citizens on average only consumed 12 litters of milk per person per year, doubling by 2012/13 (cf. van Campenhout et al. 2019). According to the Uganda National Panel Survey 2018/19 conducted jointly by the World Bank and the Uganda Bureau of Statistics (UBOS) out of 3,172 households surveyed, 36 percent reported that their household had consumed milk during the last seven days. The average milk consumption (through purchase only), stood at a sizeable 4.3 liters per household per week across the sample.

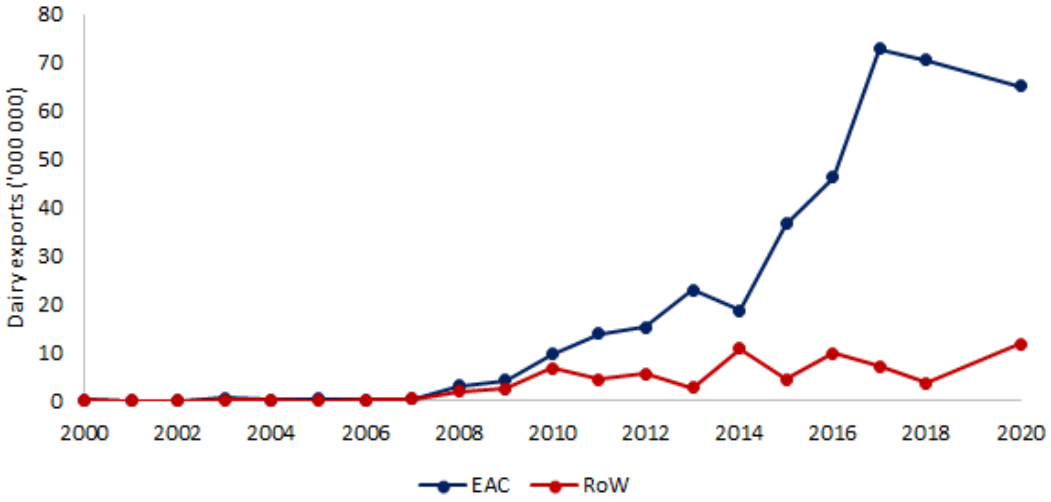
69. The Ugandan supply chain for milk is sub-divided into two separate milk sheds with important differences. In the "south-west milk shed", low prices for milk have attracted FDI over the course of the past decade with firms competing internationally on export markets. Consequently, the south-west has become the main supplier for Uganda's exports of dairy products (mostly milk) and has pushed the other main milk producing area, the "central milk shed", to produce for the domestic market (van Campenhout et al. 2019: 11). The milk supply chain in the export-catering "south-west milk-shed" outperforms the "central milk-shed" along a number of dimensions. First, the total number and density of milk-collection centers - which form a crucial part of the milk value chain by providing colling facilities prior to further transport - is considerably higher in the south-west than in central: Van Campenhout et al (2019) report that the average distance to a milk collection center is about half in the south-west milk shed compared to the central one. Second, in the south-western shed, the use of improved breeds that supply more milk is higher than in the central shed. Finally, milk famers in the south-west borrow significantly more to invest in their businesses, with borrowing per year being about twice as high than in the central shed (van Campenhout et al. 2019: 20).

70. Dairy products have become one of Uganda's fastest growing export commodities over the past decade. While in 2010 dairy exports accounted for only US$10 million, over the last ten years, dairy exports have increased substantially, reaching about US$70 million per year (Figure 41).[28] Dairy exports mostly consist of milk and milk powder, making up about 66 percent and 30 percent, respectively of total dairy exports (2018 values). However, Uganda also started to export more sophisticated and differentiated products, although still in somewhat insignificant quantities.[29] In terms of its importance in the export basket, dairy exports have become similarly important as long-established products like tea or cut flowers. In their review of the Ugandan Dairy Value Chain, van Campenhout et al. (2019: 9) conclude that "*Uganda's dairy exports are now similar to South Africa.*"

[28] To construct Figure 32, we prefer to employ internationally standardized data from the UNComtrade repository. Totals reported in the available Ugandan customs data are well below these numbers and the Bank of Uganda does not list dairy products as a separate category. Van Campenhout et al (2019) use reports provided by the Ugandan Development Authority and report an export value for dairy products of 130 million USD in 2017, about 80 million more than the total value reported on UNComtrade.

[29] For example, Uganda exported butter worth about 3.1 million USD in 2018.

Figure 41: Uganda's dairy exports have grown substantially over the last years.



Source: *Constructed from UNComtrade data (2021). Data for 2019 is missing. EAC = Kenya, Tanzania, Rwanda, Burundi and South Sudan. Dairy includes milk, milk powder, butter, cheeses, curd and eggs. Updated from Karingi et al (2016).*

71. Uganda's exports of dairy products are highly regionalized and predominantly shipped to the East African Customs Union. In 2018, Kenya alone imported 84 percent of Uganda's total exports of dairy, while the other four EAC members (Burundi, South Sudan, Tanzania and Rwanda) accounted for another 12 percent. While it is encouraging that Uganda also reaches global markets with products that are subject to stringent standards and regulations due to concerns over human health, markets outside of the East African Community customs union (for example Japan) currently only account for around 5 percent of the country's dairy exports.[30]

72. Dependency on a small number of regional markets renders Ugandan dairy exports highly vulnerable to shocks. Kenya has increasingly started to block Ugandan exports of dairy products (as well as sugar and maize), under the excuse that these products were not actually produced in the country but imported from third states and then re-exported tariff-free under the rules of the EAC customs union.[31] Additionally, Ugandan exports of dairy products to the EAC benefit from extremely high preference margins compared to dairy imports from other countries outside of the customs: Dairy products - including milk and milk powder - are declared "Sensitive Items" in the EAC's Common External Tariff and are subjected to a tariff of 60 percent ad valorem when imported into the EAC from third states.[32] As demonstrated by Frazer (2012: 27), before the establishment of the EAC in 2005, the average tariff for dairy products stood at around 22 percent ad valorem, while after the

[30] While these numbers are retrieved from the internationally standardized UNComtrade repository, it should be noted that figures reported in van Campenhout et al (2019: 7) are different. Specifically, they report" The *latest available data, obtained from the Dairy Development Authority, show that US$ 130 million worth of dairy products have been exported in 2017. The Dairy Development Authority reports that almost half of the export value, US$ 55 million, was exported by a single processor (See Table 1). This processor exports mostly milk powder to countries on the Arabian Peninsula, but also to Nigeria. About 20 percent of the total export value is exported to mostly neighboring countries through Brookside Ltd. Birunga Dairies Industries, located in the Southwestern tip of Uganda (and outside our study area), exports about US$ 18 million worth of milk to the Democratic Republic of Congo, Burundi and Rwanda. Amos Dairies Ltd focuses on casein exports to the United states (US$ 11 million). Smaller processors such as Lakeside Diaries Ltd. specialize in other locations such as South Sudan"* (van Campenhout et al (2019: 7)). While these figures are different from data reported by UNComtrade, dependence on regional markets remains a key characteristic of Uganda's dairy exports.

[31] See for example: link.

[32] A recent version of the EAC-CET can be found online under this link.

implementation of the CET, the average tariff on dairy products increased to about 46 percent. The maximum rate for the sector (including for milk and milk powder) increased from 30 to 60 percent ad valorem. The significant increase in dairy exports to the EAC after the introduction of these high tariffs towards non-EAC dairy products in 2007 (Figure 41) has likely contributed to the subsequent surge in dairy exports to the EAC. However, preference erosion in the coming years is likely due to the advent of trade liberalization under the African Continental Free Trade Area or if Kenya implements bilateral agreements with the USA or the UK, suggesting that Ugandan dairy firms need to further enhance their productivity.

73. At the firm level, Uganda's dairy exports are dominated by a handful of large and foreign owned exporters. In 2018, the top eight exporters accounted for about 95 percent of Uganda's exports of dairy products. Unlike in the case of Ugandan coffee, individual exporters seem to specialize in markets as well as specific products. As for example described in van Campenhout et al (2019: 7-8) one large firm almost exclusively exports milk powder to destinations India, UAE, Nepal and the COMESA countries. Three firms focus on milk and on regional markets, with one of them exporting only to Kenya. Finally, one company focuses on caseine exports to the United States. As highlighted above - and apart from one firm - these firms constitute FDI from different origin countries.

74. Given the importance of FDI in improving productivity along the domestic supply chain for milk which is a critical enabler of sustained export success, working towards a stable and investment-friendly climate both domestically and regionally seems critical for further expansion of dairy exports. As also described above, FDI-led export opportunities in Uganda's south-west milk shed have been critical for farmers to be incentivized to invest in better breeds, re-invest in their farms and organize in co-operatives to set up milk collection centers. Holding a stable environment in the region (which absorbs most of Uganda's milk destined for exports) seems therefore critical to continue attracting foreign investment in the sector. Especially in 2020 regional trading partners imposed non-tariff barriers on imports of dairy products from Uganda, thereby creating uncertainty and hindering export success, a point also emphasized as an obstacle to further growth in van Campenhout et al (2019) in their comprehensive review of Uganda's dairy sector.[33]

3. Uganda's integration into the global trading system: Policy factors

75. In this section we review several policy factors of relevance for Uganda's participation in international and regional trade. Specifically, we discuss Uganda's membership in trade agreements and the role of selected trading partners, Uganda's domestic policy with respect to trade and tariffs, trade facilitation performance as well as the country's real effective exchange rate.

3.1 Preferential trade agreements and trading partners

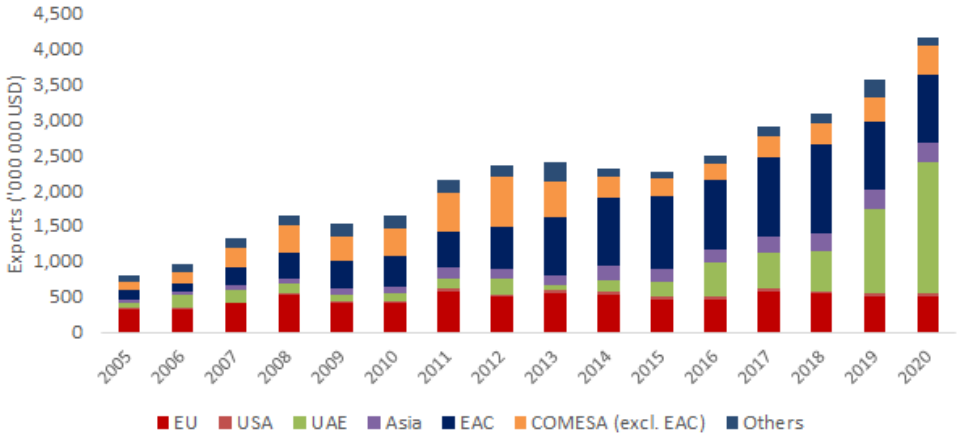
76. Uganda is a signatory to several trade agreements that matter for the country's export performance at the global and regional level. Beyond being a founding member of the World Trade Organization (WTO), on the regional level Uganda is a signatory to the EAC Customs Union protocol and a member of the COMESA Free Trade Area. The EAC protocol establishes free intra-EAC trade between members of the customs union. On the external side, the protocol also puts in place a

[33] See link.

Common External Tariff implementing the same tariffs on imports from third states into any of the EAC member states, except for those originating from countries that share membership in another preferential trade agreement with an EAC country. For Uganda specifically, the country is also a member of the COMESA free trade area. Imports from COMESA countries enter Uganda under rates that are generally lower than those imposed by the EAC-CET. Finally, Uganda was among the first countries to ratify the African Continental Free Trade Area on November 28, 2018, which came into effect on the January 1, 2021, although tariff liberalization by Uganda and other members under the agreement has yet to start.

77. Within Africa, the members of the EAC customs union are the most important destinations for Uganda's exports, followed by members of COMESA. For example, in 2019 as the last pre-Covid-19 year, EAC members Burundi, Kenya, Rwanda, South Sudan and Tanzania absorbed 51 percent of Uganda's total non-gold exports (Figure 42). The UAE became a top destination in 2020 due to the large amounts of gold exports. Within COMESA, Ethiopia, the DRC and South Sudan accounted most of Uganda's exports to this trade bloc. Countries within Africa absorb almost all of Uganda's agro-based manufactures like dairy and fish products, vegetable oils and beverages, but also staple foods.

Figure 42: Uganda's main destinations for exports (2015 – 2020): the role of trade agreements

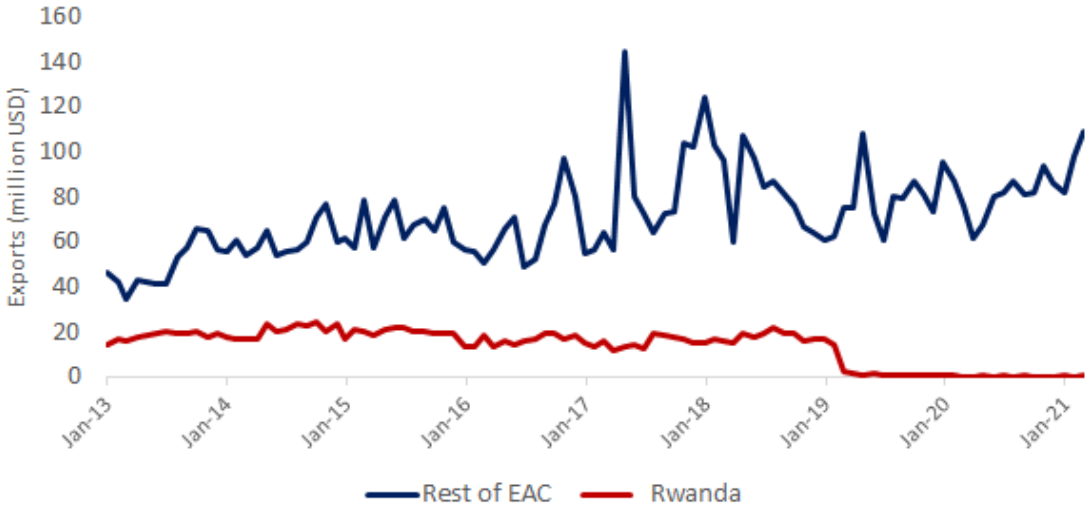


Source: *Bank of Uganda, Author's calculation.* ***Notes:*** *Category "Others" includes other destinations in Africa (e.g., South Africa and Nigeria), non-EU members, Australia, Iceland, countries other than the UAE in the Middle East as well as the Americas (Canada, Mexico, and others). EAC members Burundi, Kenya and Rwanda have dual membership with COMESA, but are only considered in the EAC group. Thus, COMESA in the figure excludes Burundi, Kenya and Rwanda.*

78. While access to other members of the EAC is crucial for Uganda's export success, the integrity of the customs union is under threat as member states increasingly undermine the agreement's central element, its Common External Tariff. Specifically, the Common External Tariff (CET) of the EAC customs union has been under review for the last four years, without member states being able to reach an agreement. As a result, EAC members increasingly implement their own tariff policy through unilateral deviations from the EAC-CET, so called "Stays of Application" from the CET. To illustrate, in the 2018/19 fiscal year, Uganda implemented tariffs different from the CET for a total of 247 highly traded tariff lines which together accounted for about 8 percent of the country's imports from outside of the EAC in the same period (see elaboration in Section 3.2.). This trend towards a less communal tariff regime threatens free-intra EAC trade by creating price differentials of imported goods that could trigger more rigorous inspections at border points thereby also slowing down intra-regional trade.

79. Additionally, political tensions in the region have a strong negative impact on intra-regional trade and threaten Uganda's prospects for exports growth under EAC and ACFTA. For example, since 2019 political tensions between Rwanda and Uganda have led to the closure of the Gatuna border with detrimental effects on Ugandan exports, which have dropped to zero (Figure 43). In the more distant past, the civil war in South Sudan also negatively impacted Ugandan exports. Kenya and Uganda increasingly deny each other access to their respective markets by imposing non-tariff barriers and trade taxes on each other's exports that are incompatible with the EAC customs union protocol.[34] Such type of unilateral policies are likely to have adverse effects on the integrity of the EAC customs union by compromising its legitimacy and reducing governance, as well as on the forthcoming free trade area under ACFTA.

Figure 43: Ugandan exports to Rwanda after the closing of the Gatuna border (January 2019).



Source: *Author's calculation using data from the Bank of Uganda data (2021)*

80. Beyond tensions internal to the EAC, the advent of the African Continental Free Trade Area (AfCFTA) as well as Kenya's graduation to middle-income status could pose challenges to regional trade integration. Specifically, due to graduating from LDC status, Kenya's preferential access to key markets in Europe and the United States, both of which the country used to access through the *Everything But Arms Agreement* as well as the *African Growth and Opportunity Act* are about to expire. Kenya is therefore in the process of negotiating and concluding bilateral agreements with these partners. The advent of these new agreements requires greater cooperation among EAC members so as not to impede intra-regional trade flows due to rising demand for stricter and more complex customs procedures. Cooperation at border crossings to streamline regional trade can be established, for example, through the introduction of green lanes, as is the case with CEFTA for regional trade. While extra-regional bilateral trade agreements are likely to create some new challenges at the EAC level, but trade diversion effects are unlikely. Instead, positive spillover effects in terms of knowledge, market information, and product standards can be expected for regional exporters as they will work with firms that have higher management and operating standards, while continuing to work in regional markets where they can start their adjustment process slowly. The EAC plays an important role not only when it comes to these additional bilateral free trade agreements, but also with respect

[34] For example, in 2020 Uganda implemented a 12 percent tax on the importation of Kenyan juices, despite this constituting a breach of the EAC customs union protocol. See link. Most recently, Kenya banned imports of maize from Uganda, allegedly due to high levels of aflatoxin in the Ugandan produce.

to the AfCFTA. Only Kenya, Rwanda and Uganda have so far ratified the agreement, bearing the question of whether tariff liberalization by these three countries with the rest of Africa would not undermine the unity of the block.

81. Outside of Africa, the EU, the USA as well as the Asian countries account for almost all of Uganda's non-gold exports, mainly driven by coffee exports. Uganda exports to the EU are duty and quota free under the Everything But Arms (EBA) agreement and the country enjoys free access for a variety of goods to the United States under the African Growth and Opportunity Act (AGOA). Exports to these countries are dominated by raw agricultural commodities (like coffee, cocoa beans or cotton), horticultural goods (like cut flowers, vanilla and vegetables) as well as fish and fish products.

3.2 Regional and national trade frameworks and Uganda's unilateral tariff policy

82. Uganda has numerous trade and trade-related policies, but many strategies are outdated or only weakly implemented. Cross-institutional coordination remains a key obstacle preventing a coordinated push for higher trade. Trade policy is under the auspices of a number of institutions with overlapping mandates and individual policies. For example, the Ministry of Trade, Industry and Cooperatives is responsible for the National Trade Policy (2007). The National Export Promotion Action Plan (2016) is a strategy put forward by the National Planning Authority. The Ministry of Finance, Economic Planning and Development, is responsible for the National Strategy for Private Sector Development (2017/18 – 2021/22), which builds upon previous strategies. In addition, there are several crop or product specific strategies in place that are normally developed by agencies focusing on individual value chains. For example, the Uganda Coffee Development Board (UCDA) launched a Coffee Sector Export Strategy (2012 – 2017), while the Ministry of Trade, Industry and Cooperatives has a strategy targeted exclusively at grains, the National Grain Trade Policy (2015).[35] Coordination between different institutions remains a key challenge, preventing a coordinated export push by the government. However, some cross-institutional arrangements on specific topics exist. For example, the National Task Force on the Review of the EAC Common External Tariff, comprising representatives from the revenue authority, the Ministries of Trade and Finance as well as private sector-led institutions like the Uganda Manufacturers Association.

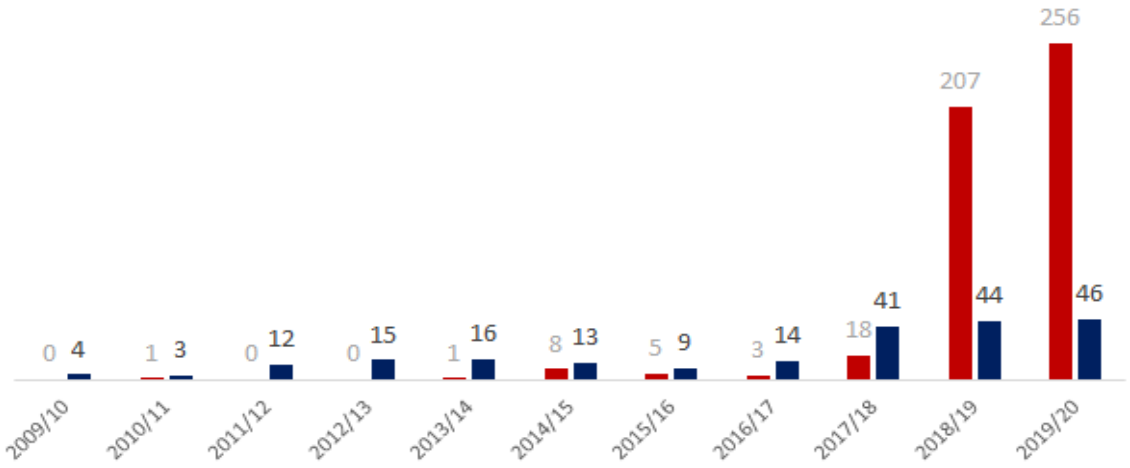
83. There is a tension between Uganda's ambitions to harness regional integration for higher exports and the country's attempts to shield its domestic market for local firms. To illustrate, the country's Buy Uganda Build Uganda policy places a strong emphasis on enhancing "local content" in domestic production and procurement. The corresponding legislation, the National Local Content Bill would have given preference to locally manufactured goods and services in government procurement. While the bill was passed by parliament in May 2020, President Museveni refused to sign the bill on the grounds that it contradicted the EAC's common market laws and regulations.

84. In recent years, Uganda increased tariffs through unilateral deviations from its primary tariff regime, the EAC-CET to shield domestic firms from external competition. Deviations from the EAC-CET through the Stays of Application apply to all imports from outside the customs union. Uganda employed this mechanism to increase tariffs on several highly traded products with the goal to offer increased protection to local industry from more competitive imports from countries like India and China. The products targeted for protection are mostly agro-based manufactures, like meat products,

[35] Additional sector specific policies exist on leather and sugar.

sauces, or beverages. Figure 44 tracks the number of Uganda's deviations from the EAC-CET that increased tariffs (in red) and that decreased tariffs (in blue). Most tariff increases pushed the ad-valorem rate for protected products from 25 percent to 35 percent. From an economic development perspective, tariff increases undermine competition in final goods markets – a key driver of productivity – and reduce consumer welfare through higher prices. Similarly, tariff increases undermine access to imported inputs that are often essential for exports.

Figure 44: Uganda increased tariffs on several goods (2009/10 - 2019/20).



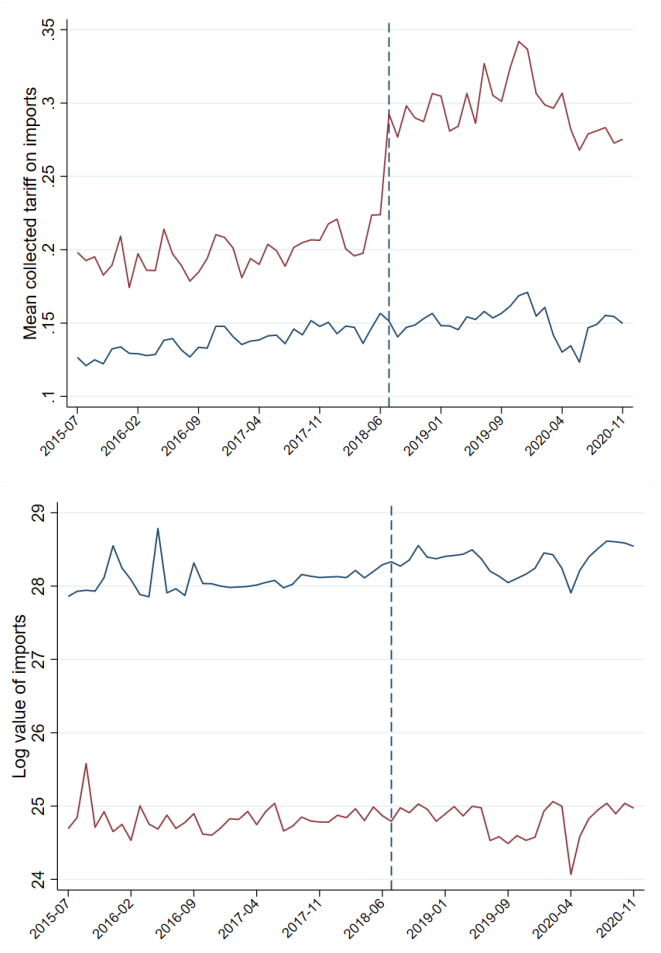
Source: *Adopted from Rauschendorfer and Twum (2020). The red bars count the number of products per fiscal year for which Uganda increased tariffs relative to the EAC-CET. Blue bars provide the number of tariff decreases.*

85. However, so far these tariff increases do not seem to have achieved their goal of reducing imports of targeted products significantly. In the top panel of Figure 45, we show collected average duty rates for products on which Uganda increased tariffs permanently in 2018/19 (red) and compare these to the collected average products that were not subject to tariff reform (blue). As evident from this illustration, following the increase of statutory tariffs in 2019/19, average collected rates for targeted products increased considerably. However, as visible from the top panel of the figure, these increases did not significantly affect import volumes. Import volumes (in logarithms) of both targeted products and products that were not subject to tariff increases did not react. This descriptive analysis suggests that Uganda's policy to reduce imports through higher tariffs was unsuccessful, likely only increasing the price of imported goods for consumers and firms.

86. Moreover, Uganda is dependent on imports of essential medical products to combat Covid-19 and is a net importer of certain food items. However, the country still imposes high tariffs on some of these goods. Although Uganda has not yet reported any trade liberalizing or trade restricting measures related essential medical goods and food staples, a key component of the country's strategy to combat the pandemic and its socio-economic ramifications should be to facilitate access to medical products and essential foods by reducing import tariffs to zero and issuing VAT exemptions at the product level.[36]

[36] For example, Uganda imposes exorbitant tariffs on staple foods like rice, sugar, wheat and wheat flour and vegetable oil, all products for which the country is a net importer. Liberalizing these products could be an effective way to ease the socio-economic burden of the pandemic (Rauschendorfer 2020).

Figure 45: Recent tariff increases were not accompanied by lower import volumes of protected goods.



Source: *Author's illustration based on Ugandan customs data covering the fiscal years 2015/16 to 2019/20 (and up to December 2020 inclusive).* ***Notes:*** *The top figure tracks average collected tariffs for 132 products which were subject to permanent tariff increases in the 2018/19 fiscal year (in red) and all other products. The bottom figure shows corresponding import volumes for both categories. The timing of the tariff reform is indicated through the vertical dotted line. The analysis is confined to products entering Uganda from outside the EAC customs union (e.g., China and India), because the tariff reform only targeted extra-EAC origin countries.*

3.3 Trade facilitation performance

87. Uganda's 2018 rank on the *Logistics and Performance Indicator*[37] (LPI) was lower than the one of its peer countries. Crucial areas for improvement include logistics infrastructure and tracking and tracing systems. Uganda's rank on the LPI was 102 out of 160 economies in 2018 (Figure 46), lower than Vietnam (39), Rwanda (57), Kenya (68) and Lao PDR (82) but higher than Ghana (106).[38]

[37] **Logistics Performance Index:** The World Bank's LPI, which is published every other year, analyses a county's performance in six areas crucial to trade: the efficiency of customs and border management clearance; the quality of trade and transport infrastructure; the ease of arranging competitively priced shipments; the competence and quality of logistics services; the ability to track and trace consignments; and, the frequency with which shipments reach consignees within scheduled delivery times. The LPI relies on an online survey distributed among logistics professionals who are best positioned to assess how countries perform. In 2018, the LPI ranked 160 economies.

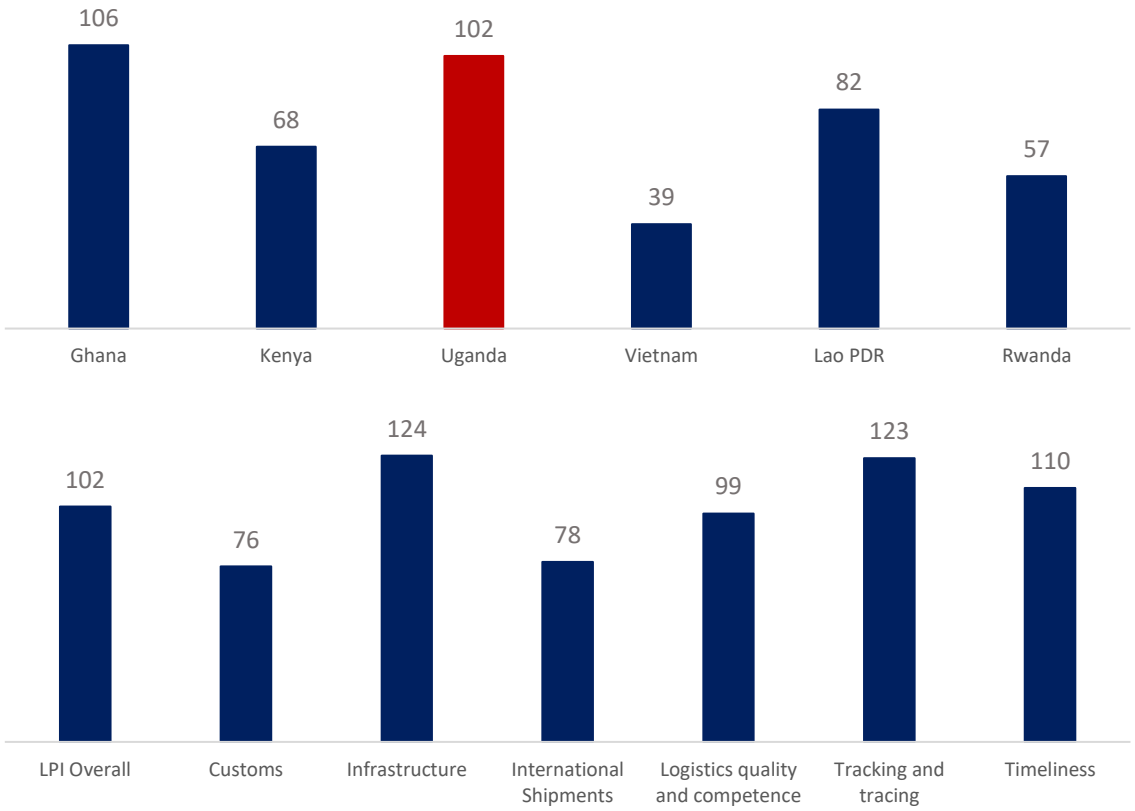
[38] Data for Ethiopia and Tanzania - two countries that would form suitable benchmarks - is not available.

There are two indicators in which Uganda scores particularly low: infrastructure (124th out of 160 countries) and tracking and tracing (123th out of 160 countries). A previous *Systematic Country Diagnostic* conducted by the World Bank in 2015 also identified infrastructure as a main constraint to broad-based growth as the country still suffers from poor transit and transport infrastructure.

88. Delays at border crossings and long document processing times have long been identified as an important Non-Tariff Barrier across Sub-Saharan Africa. However, Uganda and the EAC have started to vehemently address these obstacles through a variety of reforms and initiatives in recent years. Time to trade was further reduced by implementing the *Single Customs Territory*, as well as by developing the *Uganda Electronic Single Window* and the Centralized Document Processing Centre (Doing Business, 2019).[39]

89. Private sector traders also identify Non-Tariff Barriers related to export quality management as the most significant impediments to market access. According to a survey of 500 Ugandan exporters and importers conducted by the *International Trade Centre* in 2018, product certification and technical requirements are paramount hindrances to expanded export success in Uganda. For micro, small and medium-sized enterprises (MSMEs), competitiveness is reduced by inadequate quality testing facilities within the country allowing them to showcase the safety of their products for human consumptions. This includes an insufficient number of laboratories for testing and certification purposes (ITC 2018).

Figure 46: LPI for Uganda and peer countries (top) and rank per category for Uganda only (bottom).



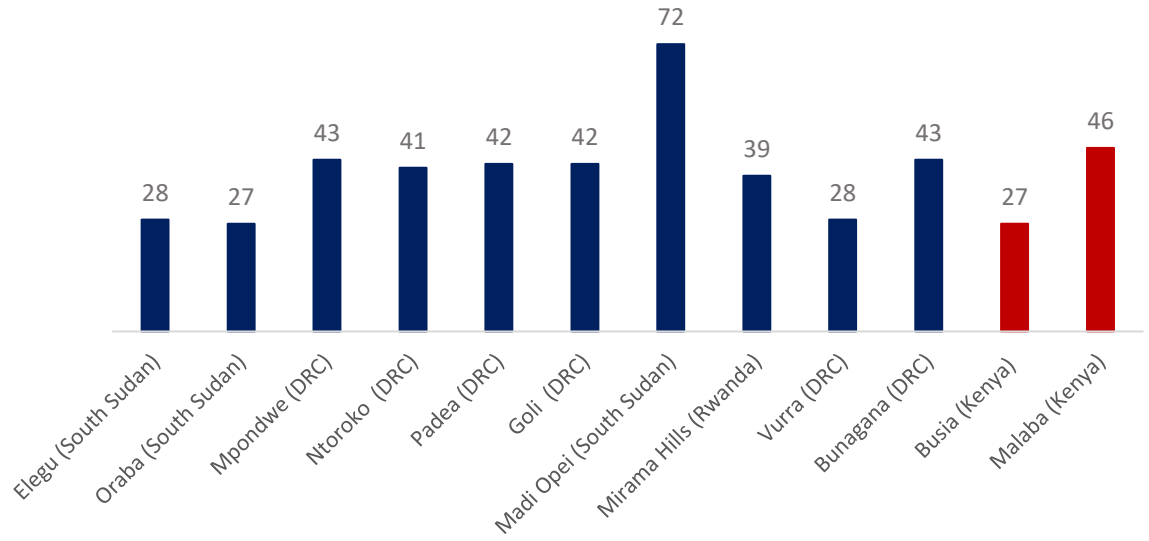
Source: *World Development Indicators, Authors' illustration.*

[39] For a recent account on the effectiveness of OSBPs and the Electronic Single Window see: https://thelocal.ug/busia-cross-border-traders-embracing-electronic-single-window/

90. Despite significant improvements in recent years, transport times remain high and impede on Uganda's trade. Uganda's main trade corridor is the Northern Corridor (anchored by the port of Mombasa in Kenya), which has several sub-corridors serving the country's neighbors (e.g., the corridor from Kampala to Gulu to the Elegu/Nimule border with South Sudan to Juba). Roads are generally poorly maintained, with other factors like frequent police stops and high traffic contributing to long transport times. A recent review conducted by the Northern Corridor Transport Observatory (NCTO) tracked the time it takes for trucks to move between key points within the East African Community utilizing data from the Electronic Cargo Tracking Systems maintained by the different revenue authorities.

91. Figure 47 provides median export transit times for a shipment from Kampala to selected borders with neighboring countries (2019 data). Given the geographical distance from Kampala to these border points this illustration implies that for example on the route from Kampala to Ntoroko or from Kampala Mpondwe (both borders with the DRC) cargo only travels at a median speed of 9 km/hour, and 10 km/hours, respectively. The fastest routes are from Kampala to Oraba with South Sudan at 21 km/hour and Bunagana with the DRC at 18 km/hours (cf. NCTO 2020: 54 - 56).[40]

Figure 47: Median transport time for an export shipment from Kampala to selected border points (hours, 2019 data)

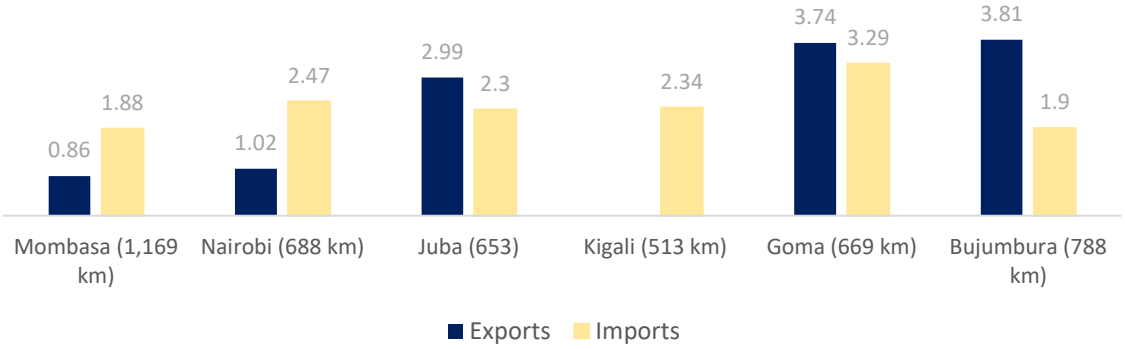


Source: *Author's illustration based on data on "transit times" presented in the Northern Corridor Transport Observatory (NCTO) Report, 15th Issue (March 2020, pages 54-66). Busia and Malaba are major borders with Kenya.*

92. Equally, transport costs in terms of USD per container and kilometer travelled are high, both for exports and for imports. Figure 48 presents recent data on the cost (in USD) per container and km travelled from and to Kampala for major urban areas and ports within the region for both exports and imports. Considering the cost of exporting, shipping a container from Kampala to Mombasa as the main port connecting the region to global markets, the figures imply a cost of about 1,005 USD per exported container. For an imported container the same cost is about 2,200 USD. These figures indicate the importance of transport costs for Uganda's private sector development prospects, as they determine the influence the competitiveness of Ugandan exports and increase the price of imported inputs (as well as consumer goods).

[40] Between 2018 and 2019 no significant improvements for these export transit times were realized.

Figure 48: Transport rates per container and km travelled between Kampala and major urban areas and ports (in USD, 2019 data).

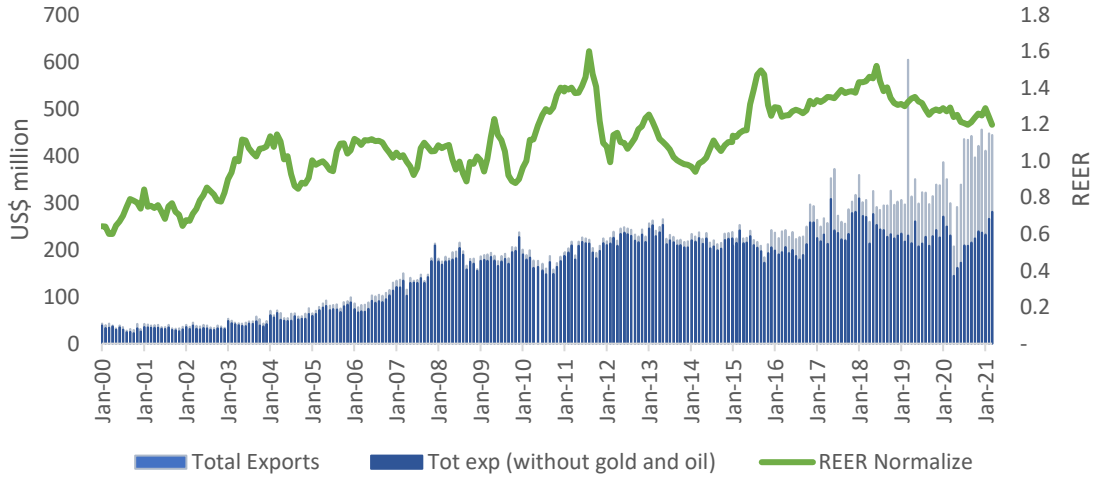


Source: *Author's illustration based on data presented in presented in the Northern Corridor Transport Observatory (NCTO) Report, 15th Issue (March 2020, page 51). Export rates for Kigali are missing. Distance is distance via road from/to Kampala from the different urban areas and ports. Rates are per container/km travelled.*

3.4. Real effective exchange rate

93. Uganda's real effective exchange rate (REER) has been increasing slightly over the past decade but effects on exports appear to have been minimal. The REER is calculated as weighted average of all exchange rates with Uganda's bilateral trading partners, with individual exchange rates weighted according to a partner's importance. An increase of the REER means that Uganda's exports become more expensive while imports become cheaper, hence indicating loss of export competitiveness. Figure 49 shows Uganda's normalized REER from 2000 to 2021, with 2010 being the base year (i.e., in 2010 the REER is normalized to "1" with values greater than "1" in earlier or subsequent years indicating a higher value of the REER). As evident from this depiction, the REER has been increasing slightly since 2010, indicating a loss of Uganda's export competitiveness. However, effects on export performance appear to have been minimal. Since 2018, Uganda's REER has been decreasing but is currently above 2010 levels.

Figure 49: Relationship between REER and Exports from 2000 to 2020



Source: *Bank of Uganda, Authors' calculations.* ***Note:*** *REER normalized to 1 in January 2010.*

4. Export market participation: Firm-level correlates

94. As a final exercise we provide a set of regressions investigating correlates of export market participation at the firm level. For this purpose, we combine data from three sources. First, a registry of non-individual taxpayers provides us with the sectoral affiliation of a firm (e.g., agriculture, foodstuff, manufacturing, construction, mining etc.). Second, from firms' Corporate Income Tax declarations we obtain the sales of a firm, the wage-bill, repatriated profits (if the firm is foreign owned) as well as the volume of imported inputs. Finally, we obtain data on a firm's exports from the customs data. We merge all three data sets at the firm-level using a masked firm identifier. We then take averages across 2015-2017, providing us with a cross-section of firms for the analysis. Finally, we drop observations for firms active in services sectors (e.g., accommodation services) as the customs data only covers goods exports.

95. Employing this merged dataset, we then estimate a Linear Probability Model where the dependent variable is a dummy equal to "1" if a firm engaged in exporting over the period 2015-2017, and "0" otherwise.[41] The regressors are variables we assume to be correlated with the exporting status of a firm. Table 5 provides results. From a descriptive perspective, it is interesting to note that export market participation in Uganda is low: Out of 20,551 firms that submitted a Corporate Income Tax declaration between 2015-2017 and that are not active in services sectors, only 1,529 firms engaged in exporting over the same period (7.45 percent).

96. First, in Column 1 of Table 5, we show that firms active in agriculture, agribusiness and manufacturing are much more likely to engage in export activities than firms that are active in other sectors of the Ugandan economy.[42] Compared to the excluded "other sectors" category, firms registered in the agricultural, agribusiness and manufacturing sectors are 3.8 percent, 16.1 percent and 7.8 percent more likely to engage in export activities, respectively. Next, in Columns 2 and 3 we add proxies for the size of a firm: sales and a firm's wage bill.[43] Both variables enter the specification highly statistically significant but are small. Referring to Column 3, controlling for sectoral affiliation, the size of the point estimates suggests that a 1 percent increase in a firm's sales increases the likelihood that it engages in external markets by 0.2 percent, while an increase in a firm's wage bill increases the likelihood of firm-level export market participation by 0.3 percent. The difference in the point estimates for our two size proxies could suggest that exporters pay higher wages due to requiring more skilled workers.

97. In Column 4 we keep our regressors on sectoral affiliation as well as both proxies for firm size and additionally introduce a dummy equal to "1" if a firm imported goods in the year under consideration and "0" otherwise. The import dummy enters highly statistically significant and the estimated beta coefficient suggests an economically large effect. Controlling for a firm's size as well as sectoral affiliation, importing raises the probability that a firm engages in exporting by 20 percent. Moreover, upon controlling for import behavior, our R-squared almost doubles, suggesting that

[41] We also estimated the model with a logit regression, which provides us with the same qualitative results.

[42] The excluded benchmark category includes 20 sectors as defined through ISIC Rev.4 codes but excludes services sectors that did not have any firm-level customs exports higher than one.

[43] Following the wider trade literature, we estimate with log(sales+0.001) and log(wages+0.001) in order to estimate our model with the full set of firms that submitted a Corporate Income Tax declaration, but did not report on sales or wages. Estimating with the subset of firms that report non-zero sales and wage-bills does not the affect qualitative results or significantly changes the size of the point estimates presented in Columns 2 and 3 of Table 5.

whether a firm imports or not is predictive for export market participation. In Column 5 we further explore the importance of imported inputs for export success at the sectoral level by interacting our dummies for sectoral affiliation with the import dummy. Firms that import and are engaged in agriculture, agribusiness or manufacturing are 22.9 percent, 33.7 percent and 29.0 percent more likely to export, respectively, compared to firms that are engaged in other sectors and that do not import.[44] Taken together, these results underscore the reliance of Ugandan exporters on imported inputs.

98. Finally, in Column 6, we investigate the effect of foreign ownership on export market participation. Firms that are wholly or partially foreign owned tend to be more integrated into global value chains and export a larger share of their output abroad (*cf.* Javorcik 2015: 81 - 82). To test whether this is the case in the Ugandan context, we introduce a dummy that equals to "1" if a firm ever repatriated profits over the period 2015-2017 and "0" otherwise.[45] Contrary to our expectations, the foreign ownership dummy does not yield a statistically significant estimate.

Table 5: Firm-level correlates of export market participation.

	The dependent variable is a dummy for export market participation					
	(1)	(2)	(3)	(4)	(5)	(6)
Agriculture	0.038***	0.051***	0.049***	0.068***	0.040***	0.040***
	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.007)
Agribusiness	0.161***	0.153***	0.146***	0.145***	0.083***	0.083***
	(0.018)	(0.017)	(0.017)	(0.016)	(0.016)	(0.016)
Manufacturing	0.072***	0.070***	0.065***	0.071***	0.025***	0.024***
	(0.007)	(0.007)	(0.006)	(0.006)	(0.006)	(0.006)
Log (Sales + 0.001)		0.004***	0.002***	0.001***	0.002***	0.002***
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Log (Wages + 0.001)			0.003***	0.002***	0.003***	0.003***
			(0.000)	(0.000)	(0.000)	(0.000)
Agriculture * Import					0.229***	0.230***
					(0.063)	(0.063)
Agribusiness*import					0.337***	0.337***
					(0.050)	(0.050)
Manufacturing*import					0.290***	0.290***
					(0.026)	(0.026)
Import dummy				0.200***		
				(0.008)		
Foreign owned						0.079
						(0.074)
Constant	0.058***	0.012***	0.019***	0.005***	0.024***	0.024***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Observations	20,551	20,551	20,551	20,551	20,551	20,545
R-squared	0.018	0.058	0.069	0.132	0.097	0.097

Notes: *Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The dependent variable is a dummy equal to "1" if the firm engaged in exporting in over 2015-2017, and "0" otherwise. Estimation via OLS on a cross section of firms.*

[44] Notably, agriculture also includes agro-processing and horticulture firms (e.g., cut flowers or dairy), firms that rely on imported materials and inputs such as packaging materials or fertilizers.

[45] This information is captured in a firm's Income Tax Declarations. It should be noted that Uganda levies a 15% tax on the repatriation of profits to foreign companies, making it likely that this is an imperfect measure of foreign ownership.

99. In Table 6 we expand on our initial findings on the firm-level correlates of export market participation. Here we employ a set of different dependent variables capturing various dimensions of integration into global markets. Since our sectoral affiliation dummies in Table 5 suggest that different sectors are integrated into the world economy to different degrees, we provide estimates for the three sub-sectors separately: Agribusiness, agriculture and manufacturing. The dependent variables are dummies for export market participation to (a) any destination country, (b) in EAC countries only, (c) in SSA countries only, (d) outside of SSA, and for firms exporting to (e) *both* types of markets (regional and global).

100. In Column 1 (panel a - c), we replicate the results from the previous table by using a dummy for any export participation. As explanatory variables, we introduce a dummy for whether or not the firm imports and the logarithm of sales as a proxy for firm size. In Columns 2 and 3, we replace the dependent dummy variable of export market participation with a dummy equal to "1" if the firm exported only to EAC countries and only to countries in SSA (including EAC), respectively. Lastly, results with a dependent variable indicating whether firms operate in markets beyond SSA are reported in Column 4, while in Column 5 the dependent dummy is equal to "1" if the firm simultaneously exports to both regional and global markets. A possible interpretation of this division is to consider firms operating in the EAC and SSA markets as regionally integrated, while firms that operate beyond SSA or simultaneously at the regional *and* global level can be considered integrated into GVCs.

101. With respect to firm size, for agribusiness, the coefficient on sales decreases when we move from regional to global market participation as defined above, suggesting that firm size is a greater advantage to entering regional markets than it is in markets outside SSA. In contrast, larger firms in the agricultural sector have a higher propensity to export to global markets. Finally, size is stronger predictor for manufacturing firms to export at the regional level than it is for export market participation on the global level.

102. Regarding the importance of imports, firms in the agribusiness and manufacturing sectors show stronger propensity to export to regional markets if they also import, in comparison to agricultural exporters. Firms in the agribusiness and the manufacturing sectors that import are 23 percent and 28.4 percent more likely to export to regional markets (EAC and SSA) than those that do not source inputs from abroad, while firms in the agricultural sector that import do not show a stronger propensity with respect to regional market participation (EAC) than those that do not. In sum, this analysis suggests heterogeneity across sectors regarding the importance of imports in in facilitating various dimensions of GVC participation.

Table 6: Predicting export market participation in various dimension of GVC integration.

	All exports	EAC exports	SSA exports	Beyond SSA exports	Regional and Global
(a) Agribusiness	(1a)	(2a)	(3a)	(4a)	(5a)
Log (Sales + 0.001)	0.016***	0.014***	0.015***	0.010***	0.010***
	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)
Import dummy	0.244***	0.223***	0.239***	0.009	0.003
	(0.054)	(0.053)	(0.054)	(0.042)	(0.040)
Constant	-0.062***	-0.064***	-0.068***	-0.050***	-0.056***
	(0.014)	(0.013)	(0.013)	(0.010)	(0.008)
Observations	557	557	557	557	557
R-squared	0.252	0.227	0.248	0.107	0.107
(b) Agriculture	(1b)	(2b)	(3b)	(4b)	(5b)
Log (Sales + 0.001)	0.009***	0.004***	0.005***	0.007***	0.003***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Import dummy	0.201***	0.081	0.175***	0.134**	0.108**
	(0.066)	(0.050)	(0.061)	(0.061)	(0.050)
Constant	-0.004	-0.007*	-0.009**	-0.004	-0.010***
	(0.007)	(0.004)	(0.004)	(0.005)	(0.002)
Observations	1,390	1,390	1,390	1,390	1,390
R-squared	0.117	0.053	0.085	0.083	0.058
(c) Manufacturing	(1c)	(2c)	(3c)	(4c)	(5c)
Log (Sales + 0.001)	0.007***	0.005***	0.007***	0.004***	0.003***
	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)
Import dummy	0.283***	0.260***	0.284***	0.078***	0.079***
	(0.027)	(0.026)	(0.027)	(0.019)	(0.018)
Constant	-0.009	-0.013**	-0.012**	-0.017***	-0.019***
	(0.006)	(0.005)	(0.006)	(0.003)	(0.002)
Observations	2,600	2,600	2,600	2,600	2,600
R-squared	0.165	0.157	0.168	0.060	0.063

Notes: *Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The dependent variable is a dummy equal to "1" whenever the firm engaged in exporting between 2015-2017, per different destination markets and "0" otherwise. Estimation via OLS on a cross section of firms.*

5. Policy recommendations: Realizing Uganda's trade potential

103. As Uganda strives to transition from exporting unprocessed commodities to partaking in more sophisticated Global Value Chains, firm demands with respect to skills, logistics and transport, as well institutional capacity and business and the more general investment environment will increase. The country's path toward greater integration into global and regional trade will require a strategy that should aim at increasing the attractiveness of the country for domestic and foreign private investment and by creating the right environment to improve exporter performance.

The following summarizes a number of key recommendations for consideration by the government.

(i) Work towards stronger unity within the East African Community through active participation in regional fora and by working closely with the Secretariat of the East African Community and its various vehicles.

104. The East African Community customs union is not only a crucial destination for Uganda's exports, but also forms the building block for Uganda's participation in future trade agreements such as the African Continental Free Trade Area (AfCFTA). Additionally, access to global markets is only by air or through vital regional ports in Mombasa and Dar Es Salaam. As such the functioning and unity of the EAC should be a key priority for Uganda's trade agenda and the government should work closely with regional partners and bodies like the *Secretariat of the East African Community* on issues related to customs, NTBs and a common industrial and trade policy.

(ii) Improve access to imported inputs to facilitate globally competitive production and participation in Global Value Chains.

105. A key insight from the analysis presented in this paper is that imports matter for Uganda's export success. Imported inputs are necessary for Ugandan firms to produce at global standards and competitive levels even for relatively simple agricultural exports (e.g., *Kraft* paper for cut flower exports). Importing helps Ugandan firms to partake in supply chain trade, where the production of a final good takes place in multiple countries and across multiple production stages. To help Ugandan exporters to maximize their potential in international markets, the government should consider the following actions:

- Since tariff policy is set at a regional level through the EAC Common External Tariff (CET), Uganda should partake in the review of the CET with a view to keep tariffs on imported inputs as low as possible. In this regard, increasing the number of bands in the EAC-CET or increasing tariffs through bilateral deviations from the scheme is not advisable. As a second-best solution, the government should expand their usage of the EAC's Duty Remission System to grant exceptions to more firms on a non-discriminator basis.
- Uganda should aim to reduce non-tariff measures at the borders to ensure that exporting firms have access to the imported inputs they need.

(iii) Reduce the time and cost of importing and exporting through targeted customs and trade facilitation reforms, both domestically and in collaboration with regional partners.

106. As a landlocked country Uganda's export competitiveness is affected by the time and cost it takes for shipments to reach crucial regional ports. While commendable progress has been made in this area, the government should work towards reducing the time as well as the cost of trading further through targeted initiatives at the domestic level and by working closely with regional partners. Specific suggestions include the following:

- **Revive and strengthen the cross-institutional *National Trade Facilitation Committee* tasked to periodically review and solve obstacles to trading.** The committee should include institutions such as the *Uganda Revenue Authority* and the *Ministry of Trade, Industry and Co-operatives* as well as private sector representation. The committee should focus on identifying and solving issues preventing expanded export success such as frequent police-checks along key trade corridors, border post operating hours, NTBs and steer the implementation of the WTO-TFA.
- **Conduct a comprehensive review of the documentary requirements for importing and exporting** (licenses and certificates) in close collaboration with the private sector, with a view to reduce the number of documents required to trading.
- **Strengthen electronic infrastructure that reduces the time and cost of submitting trade related documentation and limits the potential for the further spread of Covid-19.** This should especially include the roll-out of the *Uganda National Electronic Single Window*, with a view to ensure that all relevant institutions are embedded on the portal, the portal is updated in real time and that the initiative is adequately and sustainably funded.
- **On the regional level, Uganda should leverage its membership in the *EAC* to continue bringing down trade costs** through initiatives like One Stop Border Posts (OSPBs), joint investment into improved facilities along transport corridors (e.g., improved road surfaces or usage of time-saving cargo scanners) as well as improved collaboration and information sharing between revenue and port authorities.[46]

(iv) Strengthen the adherence of Ugandan exporters and farmers to international standards and provide sufficient opportunities for certification and quality upgrading.

107. Most of Uganda's high value exports (e.g., cut flowers, fish, fresh fruits, and vegetables) are agro-based consumables shipped to rich countries in the north that maintain stringent requirements with respect to the safety of imported goods for human consumption. To ensure uninterrupted access and further increase exports to high-value markets, Uganda should significantly expand opportunities for firms to test and certify the safety of their produce. Since most of these high-value products are transported out of the country via air-cargo, strengthening facilities at airports should be a first priority (e.g., fumigation centre at Entebbe). However, inland border posts also need to be

[46] An illustrative example of the importance of cross-regional collaboration is the successful attempt of the Uganda Revenue Authority to negotiate for an extension of grace periods for the clearance of Ugandan cargo at the port of Mombasa (from 7 to 14 days) at the outset of the Covid-19 pandemic. Non-clearance of cargo within a grace period results is subject to sizeable fines for the trader.

equipped with a sufficient number of officers and testing equipment to reduce the risk of import bans from trading partners.[47]

(v) *Boost* agricultural productivity by promoting the uptake of modern technologies (seeds, fertilizers) as well as improving extension services and storage and handling for agricultural inputs and final products.

108. As shown in this paper, agriculture continues to dominate Uganda's economy. Agricultural products not only contribute more than 64 percent to Uganda's annual export volume. The sector also provides the raw inputs needed for the country's higher value and agro-based manufacturing exports (e.g., beverages, flours, baked goods, vegetable oils, dairy products etc). To boost high-value agro-based exports, it is crucial that the country addresses its declining productivity in the agricultural sector by improving the quality of extension services, improving storage and handling for agricultural inputs and final products and by minimizing post-harvest loss.

(vi) *Facilitate small-scale cross-border trade, for example by distributing border residency cards to small-scale traders and improving security at border crossings*

109. Facilitate small-scale cross-border trade by establishing a system of border residency cards and improving lights and security at borders. Given the significance to Uganda's small-scale trade, borders should be equipped with higher security, especially to mitigate sexual harassment for female traders. A border residency card could be given to border dwellers safeguarding ease of passage. Investments in logistics infrastructure across borders would also give Ugandans the opportunity to expand their small trading activities, which could contribute to poverty reduction and improved livelihoods in a gendered way.

[47] For example, the recent ban of Ugandan maize by Kenya was justified by Kenyan authorities by reference to high levels of aflatoxins found in the Ugandan produce.

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Annexes

Annex 1: Uganda's Goods RCA by Sector for the averages 1996-1998, 2005-2007 & 2016-2018

	Sectors	Average 1996-1998			Average 2005-2007				Average 2016-2018			
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		Value	% of total	RCA	Value	% of total	RCA	CAGR (%)	Value	% of total	RCA	CAGR (%)
01-05	Animal	60.18	9.43	4.04	190.62	21.01	7.63	18%	300.66	11.79	7.6	7%
06-15	Vegetable	457.87	71.78	20.89	350.28	38.60	9.61	-4%	925.71	36.29	12.96	15%
16-24	Foodstuffs	16.98	2.66	0.81	94.21	10.38	2.42	28%	253.01	9.92	3.75	15%
25-27	Minerals	16.41	2.57	0.29	26.84	2.96	0.12	7%	48.83	1.91	0.18	9%
28-38	Chemicals	3.25	0.51	0.06	15.87	1.75	0.12	25%	71.64	2.81	0.36	24%
39-40	Plastic / Rubber	2.87	0.45	0.11	4.47	0.49	0.07	7%	21.22	0.83	0.23	25%
41-43	Hides, Skins	9.23	1.45	1.59	30.09	3.32	3.27	18%	61.21	2.40	4.86	11%
44-49	Wood	3.11	0.49	0.12	7.21	0.79	0.17	13%	62.93	2.47	1.29	36%
50-63	Textiles, Clothing	26.10	4.09	0.63	47.65	5.25	0.75	9%	47.15	1.85	0.58	0%
64-67	Footwear	0.31	0.05	0.04	1.25	0.14	0.11	22%	5.76	0.23	0.32	24%
68-71	Stone / Glass	19.14	3.00	0.95	28.82	3.18	0.68	6%	645.65	25.31	6.66	56%
72-83	Metals	5.48	0.86	0.12	69.66	7.68	0.59	44%	57.97	2.27	0.41	-3%
84-85	Mach/Elec	9.32	1.46	0.05	22.24	2.45	0.06	13%	29.82	1.17	0.05	4%
86-89	Transportation	4.27	0.67	0.06	13.07	1.44	0.09	17%	12.16	0.48	0.06	-1%
90-97	Miscellaneous	3.37	0.53	0.09	5.09	0.56	0.06	6%	7.38	0.29	0.06	5%
Total		638	100.0		907	100.0		5%	2,551	100.0		59%

Source: WITS exports mirror data, Authors' calculations.

Annex 2: Extra material on the impact of the Covid19 pandemic

Prior to the Covid19 pandemic, global trade growth had been slowing and trade tensions between the US and China were already having adverse effects on commodity prices and demand. Reduced demand in Uganda's key markets, such as the EU, particularly for primary commodities would weaken exports. Moreover, the instability in South Sudan, a significant small-scale cross border trading partner affected regional export growth. However, the onset of the Covid19 pandemic has disrupted the previous trends, and it is critical to understand the trade reactions, reassess the existing trade policies in order to address prevailing crises, reduce vulnerability to external shocks and increase potential for structural transformation.

I. Impact on trade facilitation

Regional logistics and transport facilities remained functional in the first six months of 2020 but with lower truck traffic. However, there is no sign of distress when looking at traffic along the corridor, cargo volumes and dwelling times at the port of Mombasa (see *Table 7*). As per the Northern Corridor Transit and Transport Coordination Authority (NCTTCA, 2020) further decline in port and road traffic is yet to be recorded in the month of April and May as the port received most of the notice cancelations in March 2020. Further data analysis can be performed using through the Northern Corridor Transit and Transport Coordination Authority.

Table 7: Northern Corridor data only available from January to March

	Jan-Mar 2019	Jan-March 2020	YoY, % Change
Average daily weighted truck[48]	2198	1,125	-48.8%
Cargo Dwelling Time (hours)	92	98.5	-2.2%
Cargo volumes	8,545,503	8,612,484	0.8%
Containerized traffic	348,204	340,812	-2.1%

Source: *NCTTCA April 2020, Authors' calculations.*

[48] Average daily truck traffic at the border Webuye Border. Data is not yet available for Busia border.

Logistics performance could be improved, especially during the Covid19 pandemic where truck congestion at border points has increased. Heavy border delays have been registered (for example eight hours at Malaba border post against two hours in December 2019). This situation has only been exacerbated by the Covid19 pandemic. Owing to fear of spread, and delays in producing results from testing truckers, trucks have remained stuck at border points for several days, with traffic lines running for many miles. In the short and medium term, it will be important to come up with more effective ways of carrying out testing and expediting clearances in a safe and sustainable manner based on the international best practices.

II. Trade flows of essential goods

Regional efforts aimed at facilitating the trade flow of essential medical goods to fight Covid-19 as well as food products will mitigate the impact of the pandemic. Since the pandemic is having regional and continental-wide impacts, a regional approach to disease preparedness and response is critical. Additionally, the region should ensure effective functioning of trucking and logistics services and minimal supply chain disruption by maintaining transit rights and expediting transit of medical goods, food and other essential items. Part of the recovery trade facilitation policies should also include automated exchange of information among member States participating in the Single Custom Territory (SCT).

Uganda is highly dependent on essential medical products to fight Covid-19, and yet the country still imposes high MFN tariffs on both medical products as well as food products (*Table 8***).** Tariff reduction of COVID19 related medical goods and food and other products heavily consumed by the poor is essential. Uganda's share of medical imports from the top-3 exporters is over 60% making the country vulnerable to price gauging and supply shortages (see table below). Moreover, food staples are likely to be consumed by poor people and yet Uganda's MFN tariff rates are extremely high for certain food staples. Notably, the share of food imports from top-3 exporters remains even higher than for medical products.

Table 8: Medical and food products MFN and Import share from top 3 exporters

Medical products	MFN (%)	Import share from top 3-exporter	Food products	MFN (%)	Import share from top 3-exporter
Apron	25.00%	61.80%	**Barley**	5.00%	95.10%
Hand sanitizer	25.00%	94.40%	**Cane or beet sugar**	75.10%	50.90%
Medical Masks	25.00%	61.40%	**Cheese**	60.00%	46.00%
Nitrile gloves	10.00%	77.90%	**Coconut oil**	19.64%	99.40%
Protective clothing	25.00%	92.90%	**Crustaceans**	25.00%	94.20%
Protective Goggles	5.00%	60.00%	**Meat of swine**	25.00%	96.40%
Ventilators	0.00%	60.00%	**Nuts, edible**	0.00%	89.10%
			Other oil seeds	25.00%	83.70%
			Palm oil	11.50%	95.80%
			Rape, Colza	25.00%	94.50%
			Wheat	5.13%	81.80%

Source: NCTTCA April 2020, Authors' calculations.

Hence, providing access to essential medical goods and services and food products to help contain the pandemic and treat those affected is necessary to limit the impact of the pandemic. This is through ensuring access to food throughout the world by providing farmers with necessary inputs (seeds, fertilizers, pesticides, equipment, veterinary products) for the next harvest; and supporting jobs and maintaining economic activity in the face of a global recession.

Uganda has not reported any trade liberalizing or trade restricting measures related to Covid19 essential medical and food goods, but the following are positive trade policy measures appropriate for this crisis[49]:

- **Import tariffs:** Facilitate access to essential medical supplies and food by reducing to zero import tariffs and exempting VAT on imports; and, committing to refrain from imposing import/export bans or taxes on COVID-19 medical goods or services and food items.
- **Trade facilitation measures**: Streamline regulatory and border procedures to facilitate access to COVID-19 related medical goods and food by removing the need for applications, permits, and licenses for products that do not pose significant risk to human health, environmental safety or consumer protection and streamlining procedures.

III. Impact on exports and imports

Overall, formal exports showed a higher drop at the early stage of the pandemic – reaching a peak of 53% – while SSCTB drop was deeper, up to 98%, but with a one-month lag (Figure 50**).** This initial "resilience" to the global shock could be attributed to the fact that SSCB exports are concentrated at the regional level. The main reason is that the border closure announcement by the government of Uganda was made at the end of March. The impact on SSCB exports was immediate showing a higher contraction of exports than the formal sector and a very slow or almost inexistent recovery. As a result, prices of essential food products have increased in the region when looking at the data for the Congo DRC on the Food Price Monitoring and Analysis (FPMA) tool of the FAO[50].Table 9, *Table 10* and *Table 11* show the average year over year change between January and July for formal exports, SSCB exports and formal imports. For more details on monthly YoY % change see *Annex 3*, *Annex 4* and *Annex 5*. It can be seen that the impact on SSCB was stronger over the entire period. However, we should note that SSCB exports might have been illegally crossing borders during the lockdown measures, thereby enumerators should not be able to capture such type of trade.

Uganda's average SSCB exports growth is higher in the first quarter of 2020 when compared to 2019, but is lower than 2018 (*Figure 50***).** Uganda's small-scale border exports are dominated by food crops, thus export values and volumes are highly volatile when observed annually. Looking at the first two quarters of 2020, *Table 10* shows that banana, fish and other agricultural commodities have been heavily impacted by the pandemic crisis creating risks of food security and livelihoods in the border regions.

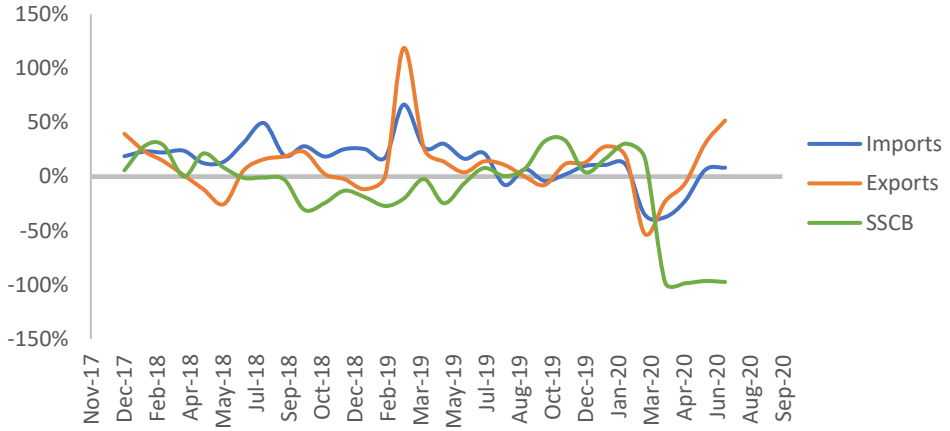
However, SSCBT traders are facing several challenges, particularly women, regarding insufficient knowledge on the pandemic and limited hygiene resources. A study on cross-border trade with South Sudan during the Covid19 pandemic raised the following issues being faced by women: (I) lack of income due to restrictions of movement across borders; (ii) rampant insecurity - some women traders are using porous border points exposing them to rape, violence and abuse; (iii) lack of knowledge about the COVID-19 has caused stigma among the traders; and, (iv) limited sources of water to enhance hand washing practices, and poor sanitation at the market centres.[51]

Formal imports have been generally less impacted with a 10% average decrease in 2020, but have drastically fallen in minerals and products, arms and ammunitions, textile, wood and animal

[49] Brenton and Chemutai (2020).
[50] https://fpma.apps.fao.org/giews/food-prices/tool/public/#/dataset/domestic
[51] https://www.trademarkea.com/wp-content/uploads/dlm_uploads/2020/05/TMEA-COVID-19-Trade-and-Transit-Border-Update-4-8th-May.pdf

products. After imports of mineral products, excluding petroleum products went up by over 1,300 percent in 2019, they experienced a sharp drop in the first months of 2020 by – 77 percent (*Table 11*).

Figure 50: Uganda Monthly Formal Exports and Imports and SSCB Exports YoY % change



Source: Central Bank of Uganda Statistics, Authors' calculations.

Table 9: Formal Exports – Average January to July (YoY % change)

Description	2017	2018	2019	2020
Beans	120%	18%	-64%	-57%
Coffee	49%	-21%	1%	-29%
Cotton	61%	-13%	31%	-62%
Electricity	163%	-35%	22%	-75%
Fish & its prod. (excl. regional)	13%	25%	3%	-59%
Flowers	12%	5%	-10%	-39%
Gold	23%	23%	144%	-34%
Hides & skins	3%	-13%	-54%	-76%
Maize	37%	11%	-27%	-27%
Oil re-exports	8%	2%	0%	-66%
Others	-1%	11%	-13%	-38%
Simsim	19%	54%	23%	-34%
Tea	11%	11%	-12%	-44%
Tobacco	-25%	70%	-14%	-73%
Total	**16%**	**7%**	**15%**	**-39%**

Source: Central Bank of Uganda Statistics, Authors' calculations.

Table 10: SSCB Exports – Average January to July (YoY % change)

Description	2017	2018	2019	2020
Bananas	26%	19%	6%	-79%
Beans	66%	-8%	-24%	-69%
Fish	-4%	8%	16%	-79%
Industrial products	25%	3%	-7%	-69%
Maize	227%	-58%	-19%	-47%
Other agricultural commodities	14%	39%	22%	-75%
Other grains	122%	6%	-33%	-52%
Other products	-43%	139%	-61%	-40%
Sugar	-19%	52%	-32%	-70%
Total	**31%**	**1%**	**-4%**	**-70%**

Source: *Central Bank of Uganda Statistics, Authors' calculations.*

Table 11: Formal Imports – Average January to July (YoY % change)

Description	2017	2018	2019	2020
01. Animal & Animal Products	39%	46%	8%	-15%
02. Vegetable Products, Animal, Beverages,Fats & Oil	27%	-4%	0%	10%
03. Prepared Foodstuff, Beverages & Tobacco	8%	-1%	19%	-7%
04. Mineral Products (excluding Petroleum products)	6%	46%	642%	-5%
05. Petroleum Products	35%	27%	-3%	-25%
06. Chemical & Related Products	6%	22%	1%	1%
07. Plastics,Rubber, & Related Products	18%	31%	6%	-11%
08. Wood & Wood Products	1%	26%	12%	-33%
09. Textile & Textile Products	6%	23%	16%	-25%
10. Miscelanneous Manufactured Articles	6%	7%	7%	-12%
11. Base Metals & their Products	39%	32%	0%	-11%
12. Machinery Equipments, Vehicles & Accessories	-5%	22%	10%	-11%
13. Arms & Ammunitions & Accessories	31%	-55%	1546%	-77%
Total	**13%**	**20%**	**29%**	**-10%**

Source: *Central Bank of Uganda Statistics, Authors' calculations.*

IV. The surge in Uganda's digital economy

E-commerce has proliferated owing to the onset of Covid-19 pandemic, presenting an opportunity for further innovation and job creation. E-commerce was already growing at a fast rate in Uganda – fuelled by a fast-growing internet penetration growth rate, although slower than some comparator countries. See *Table 12*. With the pandemic, both e-commerce platforms engaged in international shipping such as IntralineOnline, Masikini, Nile Cargo Carrier and Supaprice, and those engaged in domestic e-commerce such as Jumia, Odukar, Kilimall and UGUnlocked have seen transactions increase. The restrictions on movement have also spurred innovation from retailers such as Online Butchery which has seen orders jump up from 10 orders to 150 orders a day; and, Bringo Fresh (fresh organic products) which has seen a jump in orders by about 150 percent.[52] While these figures also show the vast potential for E-commerce in the country, Uganda would also greatly benefit from investing in data-related infrastructure investment for its external trade and goods in services

Table 12: Uganda's Internet Growth and Penetration

Country	Population (2020 Est.)	Internet Users (00)	Internet Users (2019)	Penetration (% Pop)	Internet Growth 00-19	Facebook subscribers 2019
Ethiopia	114,963,588	10,000	20,507,255	17.8 %	204,972 %	6,007,000
Ghana	31,072,940	30,000	11,737,818	37.8 %	39,026 %	4,900,000
Kenya	53,771,296	200,000	46,870,422	87.2 %	23,335 %	7,000,000
Rwanda	12,952,218	5,000	5,981,638	46.2 %	119,532 %	592,400
Tanzania	59,734,218	115,000	23,142,960	38.7 %	20,024 %	4,271,000
Uganda	45,741,007	40,000	18,502,166	40.4 %	46,155 %	2,471,000
Tot Africa	1,340,598,447	4,514,400	526,710,313	39.3 %	11,567 %	212,911,701
RoW	6,456,017,263	82.8 %	4,058,868,405	62.9 %	88.5 %	2,011,815,020
World Tot[53]	7,796,615,710	100.0 %	4,585,578,718	58.8 %	100.0 %	2,224,726,721

[52] https://etradeforall.org/itc-ugandan-start-ups-part-of-the-solution-during-covid-19/

[53] NOTES: (1) Africa Internet Statistics for Dec 31, 2019, updated as of March 21, 2020. (2) Africa Facebook subscribers are estimated for December 31, 2019. (3) CLICK on each country name for further data on individual countries and regions. (4) Africa Population numbers are mid-year 2020 estimates, based on data from the United Nations Population Division. (5) For definitions, navigation help and methodology, see the site surfing

Source: *Africa Internet Statistics, Authors' calculations.*

Main constraints to e-commerce growth include the numerous cross-border e-commerce trade barriers and the absence of insurance companies to reduce risk. According to Uganda's e-commerce readiness assessment, the absence of insurance companies providing services in this area increases the risk of e-commerce transactions. As such, encouraging the private sector to engage in insurance services could provide a much-needed boost. Across East Africa, e-commerce companies face many cross-border trade barriers, which are reflected in both their front-end (for example, websites) and back-end (for example, warehousing and logistics) operations. The analysis will also assess the efforts/progress made by the EAC, AFCFTA, the East Africa Communications Organization (EACO) and the Northern Corridor Integration Projects (NCIPs) on developing a regional digital market. It would also be important to strengthen the capacity of the Uganda Post Limited (UPL) and border agencies to increase faster processing and release of cross-border e-commerce goods, as well as continue coordinating with neighbouring countries on common procedures for customs and quality control. Innovative partnerships between existing delivery service providers and retailers could also be explored, to increase the coverage of goods-based e-commerce deliveries across the country.

guide. (6) Africa Internet usage information comes from, among others, data published by WWW, ITU, Facebook, and other trustworthy information sources. (7) For Internet growth comparison purposes, baseline Internet usage data for the year 2000 is also displayed. (8) Data from this table may be cited, giving the due credit to Internet World Stats and establishing a link back to www.internetworldstats.com Copyright 2020, © Miniwatts Marketing Group. All rights reserved worldwide.

Annex 3: Extra material on formal exports from Jan-July YoY % change

Description	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Beans	-89%	-78%	-55%	439%	-96%	-81%	-67%	61%	-44%	-44%	-82%	123%	22%	-21%
Coffee	-10%	-22%	-4%	-8%	-3%	-5%	11%	23%	43%	34%	23%	28%	25%	10%
Cotton	-40%	-31%	2%	178%	216%	169%	621%	42%	83%	-17%	-89%	-98%	-88%	-49%
Electricity	-19%	-23%	49%	202%	165%	64%	15%	-60%	-59%	-65%	-80%	-77%	-59%	-33%
Fish & its prod. (excl. regional)	42%	69%	49%	-9%	5%	-20%	-16%	-20%	-31%	-39%	-41%	-41%	-17%	-30%
Flowers	16%	-4%	-30%	2%	-18%	-2%	-23%	-6%	1%	-31%	-23%	-14%	-1%	17%
Gold	52%	259%	1350%	149%	99%	184%	226%	74%	28%	-83%	-32%	61%	99%	128%
Hides & skins	-41%	-57%	-64%	-48%	-41%	-54%	-53%	-68%	-45%	-67%	-84%	-78%	-73%	-32%
Maize	-74%	-70%	-54%	90%	-83%	-63%	-46%	199%	184%	51%	9%	36%	41%	40%
Oil re-exports	9%	-4%	0%	-4%	9%	4%	-3%	2%	18%	-24%	-73%	-70%	-57%	-66%
Others	-17%	-19%	-20%	-3%	12%	-25%	-24%	21%	14%	11%	-15%	-33%	15%	35%
Simsim	37%	-18%	30%	-44%	189%	-56%	-48%	-30%	31%	28%	118%	-50%	53%	-20%
Tea	3%	49%	59%	-42%	-7%	-11%	-31%	-23%	-17%	-26%	18%	-22%	-12%	14%
Tobacco	43%	23%	-57%	0%	538%	495%	119%	-16%	-29%	49%	81%	-67%	-71%	-19%
Total	**-12%**	**1%**	**119%**	**26%**	**14%**	**4%**	**14%**	**28%**	**19%**	**-53%**	**-23%**	**-6%**	**31%**	**52%**

Annex 4: Extra material on SSCB exports from Jan-July YoY % change

Description	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Bananas	3%	28%	58%	85%	2%	-27%	0%	-26%	-37%	-57%	-98%	-99%	-95%	-98%
Beans	-56%	-65%	-65%	41%	-88%	31%	140%	12%	64%	87%	-98%	-98%	-99%	-99%
Fish	-13%	-11%	-6%	19%	94%	51%	59%	-16%	-15%	-19%	-99%	-99%	-98%	-98%
Industrial products	-14%	-26%	-19%	-1%	-19%	-21%	-7%	13%	32%	17%	-98%	-98%	-96%	-97%
Maize	-74%	-88%	-90%	-90%	-92%	-56%	25%	580%	1223%	1429%	-84%	-88%	-89%	-92%
Other agricultural commodities	10%	9%	22%	43%	27%	18%	22%	7%	9%	-8%	-98%	-99%	-97%	-97%
Other grains	-72%	-33%	-60%	-62%	-67%	-50%	-63%	253%	42%	130%	-96%	-95%	-89%	-93%
Other products	-84%	-88%	-82%	-59%	-24%	-43%	-88%	353%	493%	356%	-95%	-99%	-92%	-95%
Sugar	1516%	1550%	1320%	-46%	677%	48%	-41%	87%	79%	95%	-96%	-98%	-97%	-97%
Total	**-19%**	**-27%**	**-20%**	**-2%**	**-25%**	**-6%**	**8%**	**17%**	**30%**	**17%**	**-98%**	**-99%**	**-96%**	**-97%**

Annex 5: Extra material on formal imports from Jan-July YoY % change

Description	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Animal & Animal Products	51%	21%	1%	27%	-9%	-5%	-13%	-23%	9%	-26%	-46%	-30%	32%	-15%
Vegetable, Beverages,Fats & Oil	-7%	-23%	-8%	5%	43%	-8%	11%	17%	33%	8%	-2%	-2%	32%	-13%
Prepared Foodstuff, Beverages,Tobacco	8%	-7%	38%	31%	3%	52%	24%	1%	24%	-9%	-19%	-34%	-18%	8%
Mineral (excluding Petroleum)	517%	779%	2374%	538%	775%	552%	137%	45%	27%	-80%	-53%	29%	75%	114%
Petroleum Products	15%	-5%	-7%	-2%	-6%	-21%	12%	14%	9%	-5%	-52%	-60%	-30%	-39%
Chemical & Related Products	-6%	10%	-3%	1%	5%	15%	-10%	-3%	8%	3%	-31%	-8%	15%	28%
Plastics, Rubber, & Related	14%	18%	3%	4%	6%	-2%	1%	-5%	-6%	5%	-25%	-21%	3%	-26%
Wood & Wood Products	35%	0%	25%	20%	0%	1%	3%	-32%	-23%	-27%	-40%	-38%	-37%	-38%
09. Textile & Textile Products	18%	32%	-21%	66%	22%	10%	4%	9%	-4%	7%	-58%	-45%	-42%	-40%
Miscellaneous Manufactured	25%	6%	-11%	8%	27%	-11%	12%	33%	8%	2%	-35%	-45%	-19%	-24%
Base Metals & their Products	-11%	-6%	-11%	-5%	15%	-7%	27%	4%	-5%	19%	-26%	-36%	-1%	-22%
Machinery Equip, Vehicles & Accessories	28%	8%	-8%	17%	6%	13%	14%	4%	14%	-1%	-36%	-40%	-11%	-6%
Arms & Ammunitions				-100%	-100%	-100%	165%	-31%	-100%	-100%				6889%
Total	**25%**	**18%**	**67%**	**27%**	**30%**	**17%**	**22%**	**11%**	**11%**	**-35%**	**-37%**	**-23%**	**6%**	**8%**