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THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT-SECOND SESSION

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

REPORT ON THE TRADE DEVELOPMENT FORUM

FROM 28<sup>TH</sup> FEBRUARY TO 1<sup>ST</sup> MARCH, 2018

KAMPALA, UGANDA

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DECEMBER 2018

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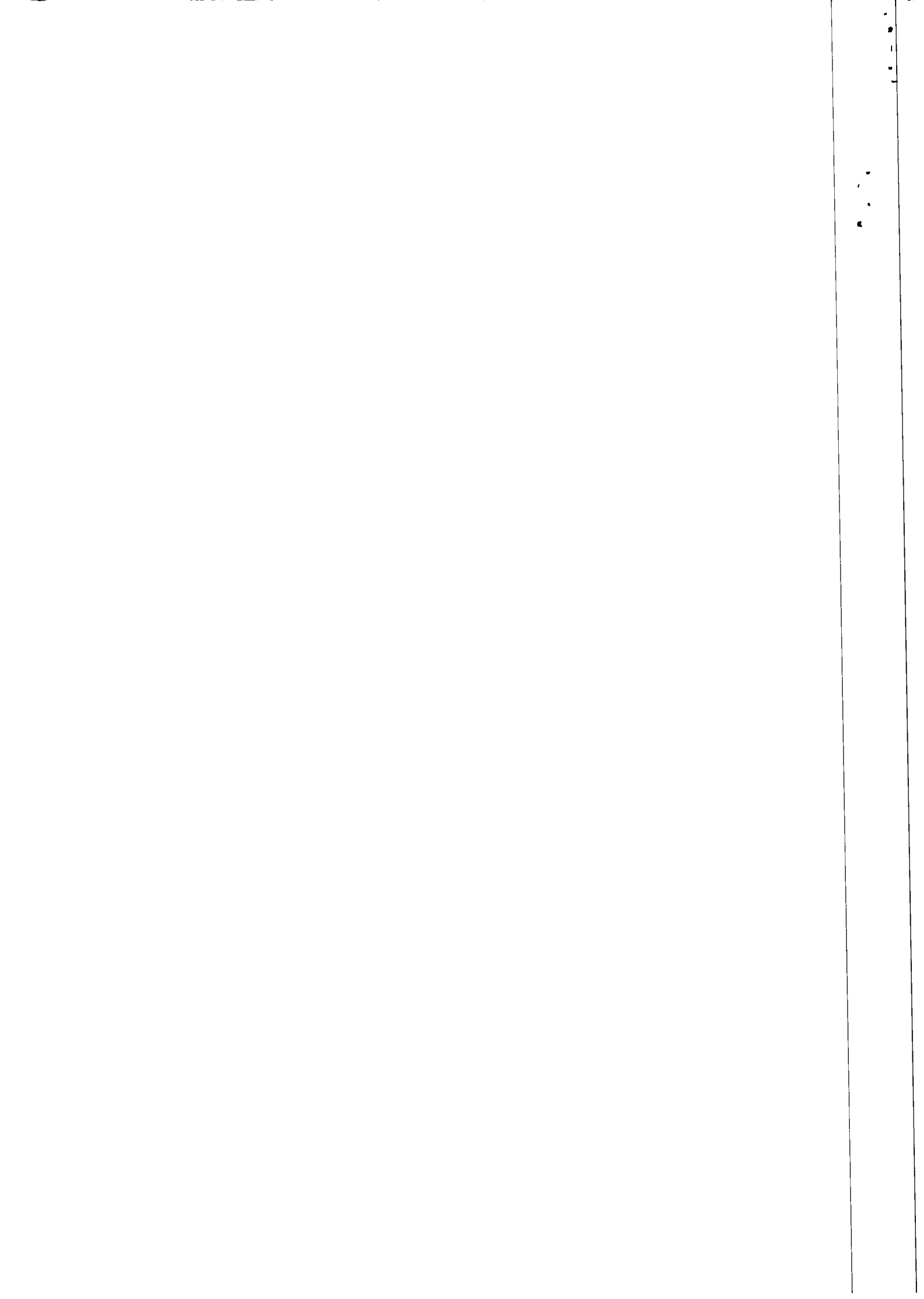
Wednesday PM

TABLED  
BY:

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## **1.0 INTRODUCTION**

### **1.1 Establishment of the Committee**

The Departmental Committee on Trade, Industry and Cooperatives is one of the fifteen Departmental Committees of the National Assembly established under Standing Order 216 whose mandates pursuant to the Standing Order 216 (5) are as follows:

- a) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
- b) To study the programme and policy objectives of ministries and departments and the effectiveness of their implementation;
- c) To study and review all legislation referred to it;
- d) To study, access and analyze the relative success of the ministries and departments measured by the results obtained as compared with their stated objective;
- e) To investigate and inquire into all matters relating to the assigned ministries and departments as they may be deemed necessary, and as may be referred to the House;
- f) To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments); and
- g) To make reports and recommendations to the House as often as possible, including recommendations of proposed legislation.

### **1.2 Mandate of the Committee**

In accordance with Second Schedule of the Standing Orders, the Committee is mandated to oversee:-

Trade, securities exchange, consumer protection, pricing policies, commerce, industrialization including special economic zones, enterprise promotion and development including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and co-operatives development.

In executing its mandate, the Committee oversees the Ministry of Industry, Trade and Cooperatives.

### 1.3 Committee Membership

The Committee on Trade, Industry and Cooperatives was constituted by the House on Thursday 14<sup>th</sup> December, 2017 and comprises of the following Members:-

<b>Chairperson</b>	Hon. Kanini Kega, MP
<b>Vice Chairperson</b>	Hon. Cornelly Serem, MP
<b>Members</b>	Hon. Alexander Kimutai Kigen Kosgey, MP
	Hon. Alois Musa Lentoimaga, MP
	Hon. Anab Mohamed Gure, MP
	Hon. Andrew Mwadime, MP
	Hon. Bunyasi John Sakwa, MP
	Hon. Daniel Maanzo, MP
	Hon. Wanyonyi Ferdinand, MP
	Hon. James Mukwe, MP
	Hon. Jones Mlolwa, MP
	Hon. Kipruto Moi, MP
	Hon. Murungi Kathuri, MP
	Hon. Gichimu Robert, MP
	Hon. Kimani Patrick Wainaina Jungle, MP
	Hon. Korir Generali Nixon Kiprotich, MP
	Hon. Nduati Joseph Ngugi, MP
	Hon. Wachira Rahab Mukami, MP
	Hon. (Dr.) Wilberforce Oundo, Phd, MP

## 2.0 BACKGROUND

Trade Mark East Africa (TMEA) is funded by a range of development agencies with the aim of growing prosperity in East Africa through trade. It believes that enhanced trade contributes to economic growth, a reduction in poverty and subsequently increased prosperity.

Trade Mark East Africa (TMEA) works closely with East African Community (EAC) institutions, national governments, the private sector and civil society organizations to increase trade by unlocking economic potential through:

1. Increased physical access to markets
2. Enhanced trade environment
3. Improved business competitiveness

TMEA organized a Trade Development Forum which took place over a period of two days. The Forum format was high-level, interactive and participative. It combined a mix of experiential, complete and breakout sessions spread over the two days. The experiential sessions included a 'Wall of Trade' depicting EAC trade Corridors, real-time cargo tracking; and women-in-trade live exhibits. Break-out session topics covered areas of trade facilitation such as information and communication technology for trade; trade logistics; trade infrastructure, logistics and transport corridors; industrialization and jobs through cluster development; women in cross-border trade, and new ways of funding trade development.

### 2.1 Composition of the delegation

A delegation of the Departmental Committee on Trade, Industry and Cooperatives took part in the East Africa Trade Development Forum. The delegation comprised of the following Members:-

1. Hon. Kanini Kega, MP- **Leader of Delegation**
2. Hon. Jones Mlolwa, MP
3. Hon. Robert Gichimu, MP
4. Hon. (Dr.) Wilberforce Oundo, MP

The parliamentary staff who accompanied the delegation were:-

1. Ms. Nuri Kitel Nataan-**Clerk Assistant/ Delegation Secretary**
2. Mr. Joseph Motonu – **Fiscal Analyst**

## **3.0 TRADE DEVELOPMENT FORUM**

### **3.1 Experiential Sessions**

The participants were taken through presentations on the experimental session as follows, that:-

#### **3.1.1 Trade, Aid, and the Future – TMEA’s Development Partners**

Africa’s economies ended 2017 with an average annual growth rate of 2.6% and projected increases in 2018 and thereafter. Reinvigoration of commodity prices, and upward trends in global growth and trade; negotiations for the Continental Free Trade Area (CFTA) are progressing. Regional economic blocks have made substantial progress in eliminating trade barriers, but a lot more needs to be done. There is an urgent need for all African countries—especially commodity-dependent ones—to diversify, boost value-added, and industrialize to ensure sustained and inclusive growth and development. Concurrently, the region will need to urgently address the challenge of a growing unemployed youth population, and a demographic trend that could undermine income growth and exacerbate inequality.

#### **3.1.2 Empowering Women Powering Trade: Lessons on What Really Works**

Women play a key role in trade in East Africa and could potentially contribute towards boosting trade in Africa as drivers of growth, employment and poverty reduction. Eliminating gender-based inequalities and advancing women’s equality could potentially result to a one-off increase in as much as 4.3% of GDP growth followed by year on year increases of between 2-3.5% points. The session explored the impact of the TMEA Women and Trade Programme on increasing the participation of women and their economic contribution to trade across the EAC. The session featured lessons and examples from interventions that have enhanced women’s representation and decision making, increased access to markets and how information has directly transformed lives through increased incomes, food security and improved well-being at the household level. The session also highlighted the role partnerships and innovation in trade facilitation play, in catalyzing the participation of women in trade.

#### **3.1.3 The Importance of Transport in Trade**

Trade means transport. Goods can’t be traded if they can’t be moved from seller to buyer. And in an increasingly interconnected world, the trade routes are becoming ever more complex. Notwithstanding all the high-tech requirements of a modern trade economy – from ICT to fuel-efficient equipment – there is no getting around the need for physical infrastructure: ports, roads,

railways, airports, warehouses, border posts, weighbridges, sidings, interchanges, etc. East African leaders understand this completely, and for more than a decade have been putting substantial resources toward upgrading the region's transport network. In every EAC country, modern new transport facilities are enabling soaring growth in trade volumes, and bigger projects are on the way. Yet challenges remain. Ambition requires financing, and debt is already straining the region's economies. The growing complexity of the network shows in the bottlenecks at the main logistics nodes. Maritime transport must interconnect seamlessly with surface transport, both road and rail; surface transport with logistics and waterways; and everything with the ICT networks. TMEA has designed its transport programme in recognition of all these factors: the tremendous opportunities, the scale of the ambition, and the reality of the challenges. In Strategy 1. TMEA helped all six EAC countries knit the regional economy together with a network of one-stop border posts; supported major modernization initiatives at Dar es Salaam and Mombasa Ports; and helped prepare Africa's first logistics PPP in Kigali. This transport programme will continue in Strategy

2. With the arrival of SGR, TMEA will work to help integrate the new railway into the broader transport network. TMEA will also put more resources into lake transport, as the prospects for regional intermodal transport improve. And TMEA's OSBP programme will increasingly focus on the EAC's borders with its neighbours such as Ethiopia, DRC and Zambia. In these activities, TMEA will continue to work closely with all our development partners including the World Bank, the AfDB, the EU, JICA, the EIB, AFD, and others as appropriate.

#### **3.1.4 Improving the Performance of East African Logistics Industry**

Statistics around the transport and logistics sector in the EAC are hard to come by. However, by looking at the size of logistics sector in other developing countries and extrapolating the same to EAC, the size of the logistics sector can be estimated to be between USD 15-25 billion dollars per annum. Also, based on evidence from other countries, the sector is also likely to be one of the largest employers of people of all skill levels in the EAC. Despite this large contribution to both economy and employment, the industry is low profile and largely not professional. There are several issues with the sector and these issues contribute to a high cost to serve the EAC and international markets. The high cost to serve impacts the poor more than others. Logistics costs on basic commodities used by the poor can range from anywhere between 30-60% of commodity



value while the logistics costs penalty on high-value items are considerably lower. The rewards of cost effective logistics services are many. Evidence from around the world shows that decrease in logistics cost leads to significant increases in employment opportunities. It also helps in increasing the trade flows by increasing the inherent competitiveness of the economy. Finally, decrease in logistics costs leads to a decrease in poverty levels in the country through increased earnings for the poor.

### **3.1.5 East African Ports – The Principal Gateways to International Trade**

The East Africa maritime ports, just as others in the world, are gateways to international (import and export) trade. The main East African ports of Mombasa and Dar es Salaam in 2016 handled 26.2 and 14.9 million tons respectively, which was about 92% of the countries' total East Africa's international trade of around 44.6 million tons. This makes the ports very critical in sustaining the desired or projected trade growth and, thus, development of East Africa. Any inefficiency and inadequacy in capacity of the ports results in high cost and impediment to trade growth and development. East Africa has also the advantage of large bodies of inland waterways, Lakes Victoria and Tanganyika that play an important role in providing potentially cost competitive intermodal transport for the respective riparian countries. Thus, the major inland Lakes ports of Mwanza, Kisumu and Port Bell on Lake Victoria and Bujumbura, Kigoma, Kalemie, Uvira and Mpulungu on Lake Tanganyika also play an important role to facilitate international/regional and national trade and development. A corridor diagnostics study for Northern and Central corridors (2010/2011) determined that the ports were responsible for most of the delays. For example, the ports of Mombasa and Dar es Salaam were responsible for over 71% of the transit times for imports to Kigali of 17.6 and 18.9 days respectively.

Ports improvement programmes by Governments, with TMEA and other support, have secured substantial improvements. For example, in 2016 transit times for imports to Kigali from Dar es Salaam and Mombasa had been reduced to 13.6 and 9.4 days respectively, with the ports responsible for 58.5% or 5.5 days for Mombasa and 60.5% or 8.3 days for Dar es Salaam. However, this improvement is still significantly below global average of 1-2 days dwell time at ports, with the best such as Singapore and Hong Kong achieving even lower than this. These dwell times comprise cargo handling, customs and other clearances and removal of cargo from port, involving many stakeholders.

### **3.1.6 Improving Hinterland Connectivity by Rail in E. Africa - A Pathway to Growth &**

#### **Jobs**

With a fast-growing market of about 200 million people in the EAC region, a sustained growth of 5.5% annually over the last decade with a forecast growth of 5-6% for the next decade, the EAC is the highest performing regional block in Africa. This reflects strong political will and leadership to deepen regional integration, particularly around the development of large investments in big ticket infrastructure projects such as the Standard Gauge Railway while also making significant improvements to the business environment. The transport sector can accelerate and intensify trade in Africa. Rail Transport in particular, because of its energy efficiency, reduced greenhouse gas emissions and lower cost per ton kilometer, has the potential to play an increasingly important role in conveyance of freight over long distances. The new Standard Gauge Railway (SGR) presents a major new opportunity to reintegrate rail into the Northern Corridor transport system. The SGR represents a very large investment in a new technology that avoids many of the technical issues that held back the original meter gauge system. The first phase of the network (Mombasa to Nairobi) is now operational, and further extensions are at various stages of development. Even so, regaining market share for rail after so many years of low volumes will be a challenge. Governments and operating agencies in the region recognized these challenge and opportunities and have started to articulate strategies for the transport sector that will insulate the business environment and ensure it derives maximum competitive benefits for the rail sector to kick start growth and job creation.

What are these new opportunities emerging for East Africa to set up rail infrastructure logistics facilities? What government policies are being articulated to attract investment? What challenges and opportunities are the private sector facing to invest in East Africa? What are TMEA's Rail Logistics Hubs and how can such be developed not only to promote the lowering of the competitiveness of transporting cargo by rail as well as promote export Trade and facilitate job creation in the hinterland of East Africa?

### 3.2 Break-Out Session

The participants were taken through presentations on the break-out session as follows, that:-

#### 3.2.1 E-Government for Trade

E-Government can simply be defined as the utilization of ICT to improve or enhance efficiency and effectiveness of service delivery in the public sector. This normally applies to provision of services and information with the objective of enhancing efficiency, transparency and participation by the population. Utilization of ICT has over the years revolutionized intra-Government (G2G) operations and improved interaction between Government and the population. Indeed, e-Government has proved to be an effective tool for achieving good governance and destroying the environment in which corruption thrives. Given that trade is based on a framework of rules and regulations and requires exchange of information between the different players – private sector, regulators, enforcers, service providers etc., coherence and coordination along the chain greatly enhances efficiency and predictability thereby reducing trade costs. In East Africa, there is a growing adoption of ICT in the provision of services, exchange of information and regulation of domestic and international trade, and a lot of progress has been realized. E-Governance infrastructure and regulatory frameworks that have been put in place through the support of national governments and development partners are showing positive results in bridging the gap that has existed between government and business in the trade environment. There is more openness and improved customer-centered approach by government; service delivery in some agencies has improved with businesses spending less time and money to navigate government bureaucracy courtesy of ICT. Actually with ICT, service provision ceases to be location based which has greatly contributed to reduction in time and cost of trade.

While progress has been realized, there are still gaps to be addressed and lessons learnt from missed opportunities as the region journeys towards the E-Trade Environment. We must raise and answer the fundamental questions about issues that ail our government institutions involved in the trade chain and come up with solutions through participatory and partnership-based initiatives. In some cases, business has progressed way ahead of regulatory laws and policies. The panacea goes beyond simple amalgamation of ICT-systems to an environment of collaboration and cooperation where government and private sector adopt a common vision towards achieving economic development through enhancing trade, while using ICT as an

enabler. An effective E-government for trade environment will result in lowering the cost of trade to businesses and the cost of government operations in accomplishing their regulatory roles.

### **3.2.2 Harnessing ICT for efficient and Inclusive Trade**

Innovations in ICT have revolutionized trade processes over the years and ICT has become a major contributor and enabler of socio-economic development. For example, use of mobile money technology has been credited with lifting 2% of the Kenyan population out of poverty, and moving 185,000 women from subsistence agriculture. This kind of evidence has been used to increase investments in ICT by governments, development partners and the private sector in East Africa. Mobile and internet penetration has increased year-on-year at unprecedented rates; a testament that East Africans have embraced ICT in their daily lives. Access to digital devices (mobile phones, TV, radio, computers) has become easier with reduced tariffs and other costs relating to end user devices. At the same time, the economies of the EAC Partner States have had steady GDP growth over the years averaging 6% between 2010 and 2015. However, this growth has been accompanied by a widening digital divide and increasing inequalities. This then poses the question: how can we harness ICT to improve efficiency without compromising inclusivity in trade? As we look at applying complex ICT concepts such as block chain technology, internet of things, big data etc., we must not lose sight on developing appropriate technologies for small scale businesses such as cross border traders. ICT improves coordination, cooperation and exchange of information between the different government agencies involved in regulation of trade, and different players within the private sector. ICT also provides an effective avenue through which the private sector can provide feedback on different aspects of trade and governance so as to enhance relevance and ease of application. As governments focus on enhancing efficiency of trade, interventions should be as broad as possible to create impact at all levels of the value chain. This will ensure that change is transformational and inclusive.

Using ICT, adaptive and transformational solutions such as mobile payment platforms have been developed and these have proved very beneficial to small traders. In addition, financial sector liberalization in the region has simplified cross border payments and specifically facilitated small cross border traders. However, more needs to be done to simplify the trade regulatory environment in order to increase the benefits of ICT innovations. On the whole, ICT is a

necessary but not sufficient tool for socio-economic empowerment. It is through the people who own it and apply it, supported by the right policies that ICT innovations will complement and interconnect with other efforts to increase prosperity through trade. ICT for trade is one of the paradigms that aims to achieve the objective of implementing technologies that are pro-poor through disrupting the existing ways of doing business and mindsets. It is the proper utilization of ICT in a sustainable and inclusive manner to support and enhance the socio-economic development through trade.

### **3.2.3 Export Led Industrialization – A pathway to growth and jobs**

Brief With a fast-growing market of about 200 million people in the EAC region, a sustained growth of 5.5% annually over the last decade with a forecast growth of 5-6% for the next decade, the EAC is the highest performing regional block in Africa. This reflects strong political will and leadership to deepen regional integration, particularly around the creation of a Single Customs Territory, but also to make large investments in big ticket infrastructure projects such as the Standard Gauge Railway while also making significant improvements to the business environment. However, despite these promising developments, East Africa industrialization remains elusive and the region continues to be heavily import reliant to drive economic growth, while intra trade is still relatively low. While much progress has been made in driving down the time and costs of trade in the region, for instance the time for a 20 ft container to move from Mombasa to Kampala has dropped from 21 days to 6 days, there has been a muted 'supply side' response at firm level to trade and produce more. Lack of a response is also reflected by the high rate of unemployment across the region, particularly with youth. With the prospect of high population growth and more young people entering the job market, this demographic dividend could become a demographic liability unless the economy can create more jobs.

There is an emerging opportunity to facilitate economic transformation in Africa by promoting labour intensive, export-oriented industrialization. With labour costs rising in Asia, there are many industries now looking to relocate their manufacturing base into countries in Africa to take advantage of low cost inputs and access to consumer markets in Europe and USA. This trend has started most notably in Ethiopia where many garment and shoe manufacturers have started to relocate their operations. Governments in the region have recognized these challenges and opportunities and have started to articulate export oriented industrialization strategies to kick


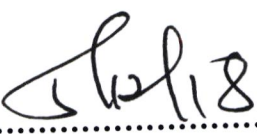
start growth and job creation. While donors are also responding to this challenge with programmes aimed at helping governments implement such policies. Under its new strategy TMEA is also setting up a programme to support job creation through the creation of Trade and Logistics Hubs in sectors and regions with high growth and job creation potential.


#### 4.0 OBSERVATION

The delegation observed that developing countries face a range of supply-side and trade-related obstacles that constrain their ability to engage fully in international markets.

#### 5.0 RECOMMENDATIONS

The delegation recommends better facilitation of trade to create economic growth and new jobs since most of the developing countries need financial and technical support to help create the right environment for trade, to remove barriers to business, and to become more internationally competitive.

SIGNED..........DATE.....

 HON. KANINI KEGA, M.P (CHAIRPERSON)  
DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVE