UGANDA NATIONAL E-COMMERCE STRATEGY

Contents

THE NATIONAL E-COMMERCE STRATEGY

1.0   INTRODUCTION

The landscape of trade is changing and has shifted to online market places in the modern world. Developing countries are also increasingly seizing the opportunities online market places avail such as expansion of markets and opening of overseas markets to local enterprises. Therefore, the general view among countries that have embraced e-commerce is that online market places offer enormous potential to drive economic growth. E-commerce is seen to have massive potential to create major shifts in cross border trade or exports and imports, widen markets, and enhance competitiveness of businesses and efficiency in delivery of goods and services locally and internationally. It also has the potential to cause emergence of new business models and removal of some traditional intermediaries while introducing other intermediaries that suit the online market place.

As a result, the global online sale and purchase of goods and services is growing at unprecedented rates and The United Nations Conference on Trade and Development (UNCTAD) estimates that 1.45 billion people or one quarter of the world's population aged 15 and older made purchases online in 2018 and that a growing share of these online purchases involve cross border sales (UNCTAD, 2018). Regionally, the e-commerce market is expected to grow at a rate of 17.1 % between 2020 –2024 and the ecommerce user penetration is expected to hit 37.1 percent by 2024 because an increasing number of people are making purchases online. A study by Trade Mark East Africa TMEA (2020) found that 91 percent of those sampled in Uganda had made purchases online in 2020, 86 percent in Kenya, 81.3 percent in Tanzania, 58.8 percent in Burundi and 50 percent in Rwanda and South Sudan, indicating a great potential for growth of online market delivery channels. However, these were mostly

domestic purchases and or purchases from international markets such as the United States of America, Canada, Asia and Middle East. Exports and cross border e-commerce sales and purchases within the EAC trade block were very low, but with great potential for growth. In Uganda, ecommerce revenue is projected to reach US$ 220 million in 2021, with an estimated annual growth rate of 17.6 percent resulting in a projected market volume of US$ 421 million by 2025 and user penetration is expected to hit 29.1 percent by 2025.

The magnitude of these statistics presents the justification for a deliberate e-commerce strategy that seizes the opportunities availed by e-commerce while minimizing attendant risks. Cognizant of the above and of the importance of e-commerce, Ministry of ICT&NG has developed this E-Commerce strategy to provide a framework that will ensure promotion of online trade and uptake of e-commerce in Uganda over the next five years.

1.1. Structure of the E-Commerce Strategy

This strategic plan provides a framework for development of e-commerce in Uganda. The constraints identified define what the strategy must overcome while the feasible goals and objectives are refined and actioned by the respective proposed strategic interventions.

The vision is defined in terms of goals for the development of e-commerce, these goals are further divided into specific performance related objectives that define what will be achieved. They specify the growth of e-commerce over the period of implementation of the strategy.

In addition to these objectives, the strategy specifies a set of e-commerce enablers which are intended to overcome the constraints influencing the development of ecommerce in Uganda and to stimulate the utilization of the country's inherent strengths and opportunities. It also

proposes two major projects that Uganda must immediately work on to prepare the nation seize the opportunities of e-commerce.

The strategy is intended to be implemented by Ministry of ICT & NG in conjunction with the Ministry of Trade and other stakeholders who will constitute the steering committee.

The remainder of this document describes the vision, goals, related objectives, enablers and proposed projects. It specifies the e-commerce strategies and responsibilities of individual bodies. An impact analysis will be developed periodically of the benefits that will arise from implementing the strategy and the subsequent sector action plans.

1.2. Rationale for the E-Commerce Strategy

This strategy is intended to promote the diffusion and use of e-commerce to enhance the provision of goods and services within the country, boost cross border trade and promote exports of locally produced goods and services through online markets. It is also intended to increase the efficiency and wealth generation capacity of the Ugandan economy, increase business productivity and profitability, and create jobs. It will do this through the following measures;

(i) The use of e-commerce as a channel for collaborative and commercial activities between businesses and between businesses and consumers;

(ii) The development of a national capacity in e-commerce covering ICT, financial services associated with e-commerce, logistics services for e-commerce, e-commerce skills, catalogue and other content services and contact center services associated with e-commerce.

2.0. DEFINITION OF E-COMMERCE

E-commerce is a term that applies to ways in which businesses can work together and interact with consumers and Government using electronic communications networks and services. Usually, it applies to collaboration between businesses in the supply of products and services, commerce or trading, and customer support both pre- and post-sales. E-commerce is defined in this strategy as: "Transactions between consumers and businesses or between businesses associated with the development or trade of goods and services over telecommunications networks."

The definition used in this strategy is intended to include collaboration in basic research and development, product development, production planning, and other pre-sales activities through for example exchange of designs, bills of materials and other documents that might be produced in a development or planning process that provide substantial benefit from the electronic exchange of such data. In the context of this strategy, e-commerce may be business to business or business to customer.

2.1   Business to Business E-Commerce

Business to Business (B2B) e-commerce refers to all forms of wholesale commercial transactions conducted over an exclusive digital network or an open digital network. In B2B, payment and ultimate delivery of goods and services can be conducted on- or off-line. However, B2B does not include such transactions as foreign exchanges, futures, derivatives, bill payments, unsuccessful online bidding, inter-bank transfers and other financial instruments trading.

2.2   Business to Customer E-Commerce

Business to Customer (B2C) e-commerce refers to all retail transactions conducted electronically over an open network, including the direct sale of products and services to customers over the Internet. The online payment of bills or transfer of money is not considered a part of B2C e-commerce given that the actual transactions are conducted offline. Similarly, transactions where products are purchased offline and paid for online are not considered B2C e-commerce transactions, nor are online payments of bills, including credit card, telephone and utility bills."

3.0   SITUATIONAL ANALYSIS:

E-commerce provides an avenue to enhance development of trade and in Uganda, the present drive towards e-commerce is enhanced by various facilitating factors or enablers. The National commitment to development of the ICT sector in the transformation of the economy is outlined under various frameworks including; the National Development Plan 2040, National ICT Policy 2014 and the strategic Investment plan for ICT 2015 among other documents. Government of Uganda is well cognizant that utilization of Information Communication Technologies such as E-commerce provides an avenue to enhance development of the country and specifically the trade sector.

3.1   Legal and Policy Framework:

A comprehensive legal and regulatory framework is important in establishing trust and protection of individuals, intellectual property owners, and intermediaries, which fosters business and consumer confidence in the establishment of a larger digital economy. The framework thus provides an enabling environment for the development of e-commerce and comprises of the following laws and regulations:

3.1.1 Vision 2040:

The National Development Agenda identifies the knowledge and ICT sector as having enormous opportunities that Uganda can exploit to transform the economy and peoples' lives through job creation, accelerated economic growth and significantly increased productivity. The following interventions have been identified: 1) Improving the ICT skill base, 2) Building robust ICT infrastructure across the country, 3) Enhancing internet connectivity within the country and globally, 4) supporting BPO businesses and e-commerce, 5) promoting innovation to exploit potential of the digital economy, 6) Improving service delivery by offering government services online, 7) Promoting the development of high technology industries by building hi-tech cities and Science and Technology parks, 8) Attracting hi-tech companies to such as google, Apple, Microsoft etc. to setup in Uganda and promoting local innovative startup firms to grow into global businesses, 9) Enhancing access to financing for tech start-up firms, and 10) Reviewing and continuously updating the legal and regulatory framework of the ICT sector to promote digitization and technology enabled businesses.

3.1.2 The National ICT Policy 2014:

The National ICT Policy 2014 is aimed at supporting the realization of the National Vision and further commits Government to take steps to encourage the adoption of efficient and effective technologies such as e-commerce within all sectors of the economy, in collaboration with the private sector, by adopting policies and infrastructure that will support these technologies, encouraging the preparation of advanced programs of education and training in telecommunications and information technology including e-commerce, and taking action to create a legal framework for electronic transactions, associated consumer protection and security of online transactions.

The broad policy objectives of the National ICT Policy 2014 are to;

a) Build a knowledge based human capital;

b) Promote innovation in economic and social systems;

c) Expand ICT infrastructure and its integration throughout the country;

d) Deepen utilization of ICT services by government, private sector, Non-Government Organizations and Citizenry;

e) Enhance research and innovation in ICT products, applications, and services; and

f) Improve ICT governance and environment in Uganda

3.1.3 The Sector Investment Plan 2015:

The Sector Investment Plan 2015 aimed at strategically positioning the ICT sector, promoting ICT as an industry and ensuring the use of ICT as a tool for transforming Uganda into a knowledge based economy in five years. The plan provided a coherent set of strategies, interventions, actions and attendant resource requirement to enable ICT play a pivotal role in the country's socio-economic transformation and development.

3.2 Strategic Thrusts towards the Adoption of E- Commerce:

3.2.1 ICT and ICT Enabled Services (ITES) Industry:

According to the World Bank's NESAP-ICT project, the current global potential of ICT/ITES outsourcing is estimated at USD500 billion annually, of which less than USD100 billion has so far been tapped. This potential is estimated to rise to USD1.6 trillion by 2020. The strategic intervention through development of e-commerce is expected to provide avenues to tap into the ICT and ICT enabled services industry.

3.2.2 Improvement of Productivity:

Government and business enterprises can be more efficient, effective and globally competitive. There is potential to improve availability of digital content and e-products through automation of Government processes and inter-agency connectivity. Innovation in the use of ICT has the potential to bridge the gap between industry and the academia and further enhance the commercialization of research and development.

3.2.3 Enhanced Market Access to Stimulate Manufacturing:

Currently, there is limited manufacturing of ICT products in Uganda and as such, there are no exports in this area consequently making Uganda a net importer of ICT products. This is in contrast to emerging economies that have relied on ICT to change export orientations with substantial increases in the proportion of ICT goods to total exports estimated at 56 percent in Philippines, 45 percent in Singapore, and 45 percent in Malaysia.

3.2.4 Business Automation

Expansion of trade through e-commerce is expected to greatly contribute to the national GDP and further create employment opportunities. The multiplier effect of associated secondary and tertiary businesses is expected to positively stimulate the economy. Uganda however experiences low levels of business automation, manufacturing of ICT products and further low local digital content.

3.2.5 Employment Opportunities:

E-commerce has the potential of creating employment opportunities by promoting export-oriented, labor intensive industries and education. Uganda has a large population of youths comprising 70% of the total population and has a well liberalized ICT sector and investments in key infrastructure. This is as an enabler for investment in all sectors that may utilize the trade potential of e-commerce.

3.2.6 Electronic Payments:

Electronic payments enable the overwhelming majority of citizens and businesses to make online payments over the internet. This is a pre-condition for any consumer e-commerce and small business e-commerce without it there will be minimal e-commerce. Platforms include for example all banks that will offer credit cards and debit cards which can be used to make online payments using the e-payment gateway.

3.2.7 Taxation Structure:

To ensure that taxation on e-commerce meets requirements for neutrality, efficiency, certainty and simplicity, effectiveness and fairness and flexibility and also to ensure that processes for taxation associated with e-commerce services promote rather than inhibit the growth of e-commerce. Failure to satisfy these criteria may make electronic contracts and transactions impractical, since tax may need to be calculated manually. Stakeholders will include Ministry of Trade and Industry and URA. There is need to develop guidelines for cross-border taxation taking into account international practice in taxation of digitized products and intangible products and services, and to continuously improve taxpayer services through the use of available technology and commercial developments in tax administration,

3.2.8 The ICT Infrastructure:

Enhance effectiveness, affordability, supply of fixed and mobile broadband internet service especially among SMEs, results into lower prices. Outsourcing is a low risk method of establishing an e-commerce business infrastructure. The availability of hosting services from outsourcing companies will have an impact on businesses that may wish to enter the market slowly without committing substantial resources.

3.2.9 Adequate Finance and Investment:

Provision of funds for investment in e-commerce startups and establishing linkages between entrepreneurs and potential investors. This will improve financial access and availability that will facilitate new e-commerce focused businesses. This may include providing entrepreneurs with access to relevant expertise for e-commerce business financing and development.

3.2.10 Review on E-Commerce Trends and Status

3.2.10.1 Global E-commerce Trends and Status

Globally, ecommerce is viewed as one of the components of the digital economy which covers goods and services purchased online (Digital Economy Report, 2019). Other components of the Digital Economy include internet networks and telecommunications, information technology sectors, and digital products and services, which are closely connected with leading edge technologies such as block chain, data analytics, artificial intelligence, 3D printing, Internet of Things (IoT), automation and robotics and cloud computing. The global value of e-commerce is estimated to have reached US$ 26 trillion in 2018 which accounted for 30 percent of global GDP and growing at an average of 13 percent per annum. (Digital Economy Report, 2019). Top twenty countries account for over 80 percent of global volumes of online trade. These countries include China, United States, United Kingdom, Japan, France, Republic of Korea, Germany, Spain, Canada, Hong Kong, Italy, Netherlands, Thailand, Mexico, Ireland, Australia, Russia, Malaysia, India and Brazil. ICT exports and exports of digitally enabled services more than doubled between 2010 and 2019 from US$1.87 trillion to US$3.19 trillion.

Business-to-business (B2B) transactions amounted to $21 trillion, or 83 per cent of aggregate e-commerce sales. The remaining $4.4 trillion arose from business-to-consumer (B2C) transactions. But the usage of e-commerce is not evenly spread across the world: the first top

10 countries listed accounted for 75 per cent of the global e-commerce sales in 2018 and all the top 20 countries listed accounted for over 80 per cent of the total B2C ecommerce sales, with China and the United States accounting for more than half. Cross-border B2C e-commerce sales was estimated to be around 10 per cent of the total B2C e-commerce, but the number of people engaged in cross-border e-commerce is increasing. Some 23 per cent of all on-line shoppers (or 330 million online shoppers) made e-commerce purchases from abroad in 2018, compared to 17 per cent in 2016 (Digital Economy Report, 2019). These statistics indicate that ecommerce is growing at a very fast rate and will, at some point, overtake local retail trade. This e-commerce boom has also been accelerated by the COVID19 crisis as more people opted to work remotely and more businesses shifted to sell online. The main payment methods used globally for ecommerce transactions are credit cards, debit cards, prepaid cards (smart cards), bank transfers, e-wallets, cash on delivery, mobile payments using apps linked to credit cards, cash on delivery and the little used crypto-currencies. E-commerce is heavily driven by technology and as such, technologies like big data, machine learning, Internet of Things (IoT), visual search, Augmented Reality (AR) and Artificial Intelligence (AI) are paving the way for robotics, automation, delivery drones and instant transfer of data and a variety of other noteworthy devices. Notably, most successful e-commerce business like Amazon, Alibaba, eBay, Rakuten, JD.com, Walmart, Shopify, Groupon and many others, have set the bar by implementing cutting edge technologies such as AI, AR, delivery drones, chat-bots, voice assistants, instant messaging and robotics. These technologies transform customer experience leading to enhanced customer satisfaction. They help in data management, business intelligence, and forecasting customer buying behaviors and needs, answering customer concerns, efficient delivery of goods and services, increasing brand and product awareness and differentiation. Because of these unprecedented growth trends, it is predicted that retail competition in the coming years will shift to online platforms and businesses that are able to

harness the power of these cutting edge technologies will attain considerable competitive advantage and become the dominant market leaders.

3.2.10.2 Status of Ecommerce in Africa

In Africa, the uptake of ecommerce is in its infancy but beginning to take root because of the expanding ICT connectivity, growing online consumer base, new e-commerce applications, platforms and services, proliferation of mobile payment systems enabled by USSD technology, emergence of new e-commerce companies like Jumia, HelloFood, Cheki, BrighterMonday and others, and a growing awareness. A report by TradeMark East Africa predicts a 40 percent annual growth in e-commerce over the next decade for Africa (TMEA, 2020). However, despite this positive outlook and the fact that e-commerce is inherently transformational and naturally reduces market entry barriers, the participation of African enterprises in global e-commerce remains very low at about 2 percent (ITC, 2015). Another study undertaken by ITC and Amsterdam University of Applied Sciences (2020), found that as of 2019, there were 631 online market places in Africa covering 58 countries. These market places together had a total traffic of 2.2 billion visits in 2019. This was way below the traffic received by sites such as Amazon (26.73 Billion), eBay (10.42 Billion), and EliExpress.com (6.66 Billion) in the same year. The study also found that 10 African countries accounted for 94 percent of the traffic to e-commerce sites in Africa, more than 13 countries in Africa had no e-commerce sites and 3 countries, namely; Nigeria, South Africa and Kenya account for more than 50 percent of the total B2C e-commerce revenue. Additionally, the study also found that while there is an increasing focus on e-commerce by policy makers in Africa, e-commerce traffic instead decreased by 5 percent from 2017 – 2019, going against the worldwide trend. These statistics paint the picture that if Africa does not rise up to the global trade shifts, it will be left behind again by the world. According to the Digital Economy Report (2019), Africa faces several

challenges that affect its participation in the digital economy such as limited access to ICT's, the small and fragmented local markets, inadequate entrepreneurial knowledge and skills, a lack of highly skilled and affordable workforce, limited access to finance, weaknesses in local e-commerce ecosystems and lack of interoperability among countries to support cross border e-commerce. The report also acknowledges the fact that most users of e-commerce platforms in Africa use those platforms to import products rather than export locally produced goods and services hence contributing to export-import imbalance. These findings are consistent with those of ITC and Amsterdam University of Applied Sciences (2020) which found that cross border e-commerce is very low and is constrained because of the lack of trade facilitation, use of a domestic country-focused model by the few e-commerce platforms operating in Africa and which are not integrated with sufficient payment solutions, a lack of information, skills and training to effectively utilize e-commerce platforms by African SME's and start-ups. Thus for Africa to participate in the global e-commerce and to benefit from the global markets made available by e-commerce, it must scale up access to affordable ICT infrastructure services, enhance payment solutions, enhance trade logistics and trade facilitation, create appropriate legal and regulatory frameworks, promote e-commerce skills, provide a database of e-commerce information, facilitate access to finance and insurance and devise ways to use global e-commerce for supporting domestic production and exports. Other emerging trends worth noting in Africa is the selling of goods and services through social media, purchasing goods sold online using mobile money payment systems and a growing number of e-market places.

3.2.10.3 Status of E-commerce in East Africa

In East Africa, the outlook is no better than the Overall African outlook on e-commerce. A report by TMEA (2020) found that while e-commerce in the region is increasing because of growing internet penetration, increasing availability of affordable smart devices, the explosion of mobile money payment system, a growing financial inclusion, improvement in availability

of trade information, existence of political goodwill, implementation of one stop border posts and a growing number of innovations, e-commerce is still in its formative stage and cross border e-commerce within the regional trade block is very low compared to purchases online buyers in the member countries made from outside the region, indicating that most local businesses are either not online and their business models are in country focused or there are significant barriers to cross border e-commerce which ought to be addressed. Other obstacles the report highlighted are low confidence levels in online transactions, a weak legal framework to address online offenses and protect intellectual property rights for cyber space, privacy concerns about online transactions, lack of a national addressing system, poor infrastructure and high cost of deliveries for items purchased online. To address these challenges, the report recommends that member states in the EAC trade block should formulate and implement national e-commerce strategies and regional guidelines to facilitate cross border e-commerce, implement an EAC level engagement platforms to collaborate on matters of policy, taxation, and payment systems for online transactions and cross border movement of goods purchased online. Other recommendations include harmonizing and implementing e-commerce policy legislation and regulation at both national and regional levels, enhancing collaboration and coordination of e-commerce ecosystem stakeholders, rolling out infrastructure programs that support the growth e-commerce, strengthening and or enacting online security laws, sensitizing the public on e-commerce, developing online innovative marketplaces and business models, enhancing the operational and innovative capacity of postal service providers as enablers of e-commerce, harmonizing transaction costs of payment systems across EAC partner states and encouraging interoperability of mobile money transfer systems, harmonizing e-commerce standards to protect consumers, and implementing E-commerce trade statistics unit for generating data on e-commerce across the region.

3.2.10.4 Status of E-commerce in Uganda

In Uganda, the Rapid eTrade Readiness Assessment Report by UNCTAD (2018) notes that though Uganda has largely been successful in increasing access to ICT services to consumers, which in turn attracted the entry of large foreign e-commerce firms, this effort, though positive, did not promote export of locally developed products using online platforms and development of local digital content, instead it facilitated the demand for foreign products. E-commerce only contributed marginally to exports and national economic growth, which is below the contribution of e-commerce to its neighbor Kenya's economic growth, indicating that a lot remains to be done to translate the increased internet usage, which stood at more than 20 million internet subscribers according to the Uganda Communications Commission Market Performance Report for Quarter 3 (2020), to improved sales and exports of locally developed products. However, Uganda is generally on a positive trajectory in promoting e-commerce and deepening access to ICT's because 70 percent of the population has access to a mobile phone and government has placed emphasis on improving postal network services and improving last mile delivery. It has also ratified the WTO trade facilitation Agreement which aims at simplifying and standardizing trade procedures related to import, export and transit, and there is a generally supportive legal and regulatory framework. Additionally, explosion of mobile money payment systems which has become the main mode of payment for online transactions, the interoperability between banks and mobile money systems and a deliberate focus on e-commerce in national development plans has enhanced the potential of e-commerce. To take the implementation of e-commerce forward and to position Uganda to harness the potential of e-commerce, there is need to improve the coordination in deployment of ICT infrastructure, enhance interoperability of systems, expand the National Backbone Infrastructure (NBI) to cover rural areas, develop policies that support the growth of digital economy, improve capacity of Uganda Postal Limited (UPL) to process goods faster and make home deliveries,

encourage provision of insurance services for e-commerce, enhance cross border payments systems, enhance the legal and regulatory framework to address issues of trust and fears of online transactions, implement information databases and awareness programs on e-commerce laws and regulations, introduce training programs for digital businesses such as digital marketing, packaging of goods for international shipment, formalization of digital businesses, managing online content, logistics, utilization of online payment systems, and improving funding opportunities for e-commerce. Finally, UNCTAD (2018) proposes the formulation of an e-commerce strategy that focusses on creating wealth by promoting exports and domestic trade of locally developed products and services through e-commerce and the development of local digital content.

3.3   Present State of Readiness

Currently, Ugandans are beginning to adopt e-commerce and are increasingly resorting to online market places such as Jumia and Social media platforms such as Facebook to sell and buy products. According to Uganda Communications Commission (UCC) Market Performance Report for Quarter 3 (2020), the telecommunications, media and technology sectors are growing at a rapid rate, attaining over 20 million internet subscribers, which translates to about 50 percent internet penetration, calculated against national population figures, with the majority of the internet subscribers using mobile phones to access the internet. Therefore Uganda is now ranked among the top seven African countries with the highest internet penetration and the second largest market for e-commerce in East Africa after Kenya. This is largely due to the growth of telecommunications which now stands at 64 percent telephone penetration and the wide spread of mobile money payment systems with over 27 million mobile money accounts. The mobile money system is now integrated with bank accounts enabling electronic transfer of cash between banks and mobile money systems. Additionally, many banks are now offering

VISA and Credit cards which enable payment for online transactions. Furthermore, the postal service sub-sector is also realizing growth fueled by home deliveries occasioned by corona virus pandemic and electronic innovations introduced by courier service providers such as UPL. These developments in digital payments, logistics services, and telecommunications have translated into a significant growth in the usage of e-commerce platforms for sales and purchases. Expectedly, cybercrime also increased with the increased usage of online platforms. However several aspects are limiting the growth of e-commerce due to a number of factors, some of which are explained below:

(i)   Limited deployment of international electronic payment systems.

(ii)   The lack of adequate enforcement of laws and to support e-commerce processes and protect consumers from cyber crimes

(iii)   A lack of awareness amongst stakeholders (both consumers and business) regarding ecommerce.

(iv)   The high cost of broadband access and of software and hardware which makes e-commerce out of the reach for many.

Whereas ecommerce uptake is on the rise, the number of people transacting online is still very small. This situation is made worse by the fact that there are only a handful of functioning internationally linked electronic payment systems, indicating that payments made between companies using online platforms are not significant in number.

Most of the electronic communication associated with B2B in Uganda is mainly by email engaging importers and exporters where they make orders and receive/accept quotations. This B2B activity utilizes letters of credit for payment, often arranged at the physical premises of a bank or sent to a bank via email or Fax.

Prevalent opinions about why consumer e-commerce has not happened are expressed in terms of peoples 'culture' and the lack of trust of e-commerce mechanisms. While these opinions may be valid in part, culture and lack of trust are not the whole story, and may not even be an important part of that story. However, it has been observed that a number of Ugandans are adapting to the culture of e-payments and e-money transfers especially through mobile money which casts a brighter future for e-commerce roll out.

The majority of youth in Uganda are high IT enthusiasts, just as they are in other countries. The difference between Uganda and some other countries is that the young, those under 30 comprise of the majority of the population. These are the biggest potential users of ecommerce, and the present users of mobile phones and e-banking services. They have trust in e-transactions and this trust is transferable to e-commerce should the facilities be made available for them.

Despite the limited e-commerce activity in Uganda, the country is rated relatively highly for ecommerce readiness on a regional basis. This is because some ICT infrastructure is in place to enable e-commerce adoption.

3.4   E-commerce Constraints:

The factors that constrain the development of E- Commerce are listed in the table below. This table also indicates the relevance and priority of these factors towards e-commerce.

Factor	Challenge	Relevance to e-commerce	Priority
The Law and regulation	Slow adaptation of the laws applicable to e-commerce	To varying degrees these are important in establishing trust and protection of individuals, intellectual property owners, and intermediaries for e-commerce. Gaps in the law will	Medium

		contribute to a lack of trust in ecommerce and should be remedied	
Information security and Risk	Fear amongst potential ecommerce traders for risk and information security	Visible and rigorous information security and risk measures are a pre-condition for consumer confidence.	High
Electronic payments	Slow adaptation of e-payments by consumers, organizations and businesses	This is a pre-condition for the functionality of e-commerce especially in small business. Without it there will be minimal e-commerce.	High
Tax compliancy	Tax compliancy might require Over-complex tax systems that are difficult to implement electronically	These limit the potential for electronic contracts and transactions, since tax may need to be calculated manually.	High
	Inability of the tax authorities to make tax assessments on e-commerce	A tax audit that can examine electronic records and make assessments to ensure compliancy should be sufficient.	High
Culture	Lack of trust in ecommerce	This limits uptake. It is likely that trust will increase as society becomes more familiar with e-commerce and proxies such as e-banking and electronic bill payment.	Medium
Awareness	Limited awareness of laws applicable to ecommerce amongst the legal profession	Lack of awareness leads to conservative legal advice from lawyers and poor decisions from judges.	High

Skills	There is a skills gap regarding applicability of e-commerce	Skills are very relevant in application and developing of software to support e-commerce	High
ICT infrastructure for businesses	Low uptake and high cost of the internet and broadband	The market size for e-commerce related consumer sales channels is limited. It is very likely that a substantial proportion of the target consumer market will not have broadband or even internet access	High
IT Sector	High cost of technology from abroad, and low levels of government sponsored IT R&D	This may be a critical factor in the adoption of e-commerce and may be reflected by the lack of training in ecommerce related technologies and standards.	High
Finance and Investment	High public sector deficit and debt which limits the resource envelop for ICT	E-commerce initiatives will need to be financed largely through the Public Private Partnerships.	Medium

3.5   SWOT Analysis

STRENGTH	WEAKNESSES
- Rapid growth of the global IT sector	-Limited absorption of ICT especially in SMEs
- Political commitment	
- Engineering and technology Talent	-Low developed ICT infrastructure in most parts of the country
- Presence of Tech-oriented Youth	
- Growing market	-Cash based economy
- The availability of e-banking services	-Limited and slow internet broad band
- Availability of broadband services	-Limited resource envelope at strategic and implementation levels
-Rapidly growing and increasingly sophisticated IT sector	

- High mobile phone penetration	-Limited and weak policies related to e-commerce
OPPORTUNITIES **-**Build on already existing structures by the private sector e.g Telecom companies. -Fast growing SMEs -Technological innovations among the youth -Strategic Partnerships -Strategy Implementation through Private Public Partnerships - High mobile phone penetration - The youth market for internet access	**THREATS** - ICT Risk Factors - Low developed economy - Shortages of ICT skills in the country - The over -zealous nature of tax administration which threatens start up businesses and increases the cost base for all businesses

4.0 VISION STATEMENT

To be a fully-fledged e-commerce economy by 2025, with the potential to boost regional, international and domestic trade, create jobs and promote innovations in the e-commerce ecosystem.

The vision statement identifies what Uganda should achieve through implementation of e-commerce strategic interventions. This vision statement has guided the development of strategic goals detailed in this document, which further define the overall purpose of this strategy.

The strategic objectives have been refined from the vision and goals and specify the intended achievements in terms of impact to the Uganda's economy.
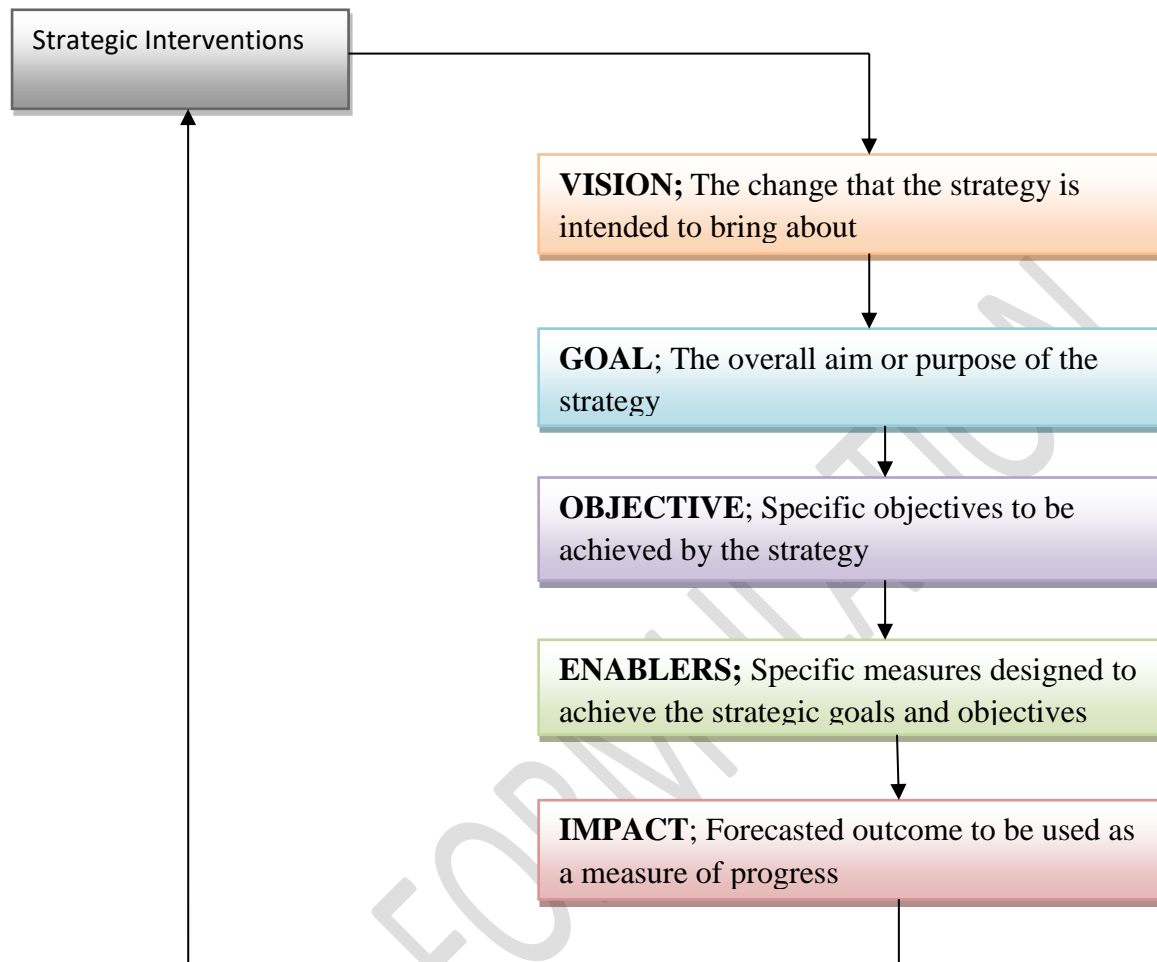
E-COMMERCE STRATEGIC FRAMEWORK

Figure 1: Strategic Framework

4.1   Strategy Enablers

Strategy Enablers are specific measures designed to bring about an environment suited to e-commerce.

Environmental and technological enablers promote the development of e-commerce.

The enablers lead through directly to a set of actions that will be specified in an action plan

which is to be produced once the overall strategy has been developed and approved.

The impact assessment process will give rise to particular targets that can be monitored during

the strategy implementation period. Subsequent feedback will allow refinement of the vision

and a statement of goals, objectives and enablers to meet changing circumstances and demands.

4.2 Broad Goals for the E-commerce Strategy

The goals define the overall outcome of the e-commerce strategy consistent with the vision for ecommerce and are refined from key interventions and objectives as defined in the National development Plan Vision 2040. The Goals of the E-commerce Strategy are as follows;

(i) Leverage e-commerce to increase the wealth of the nation through economic growth, export competitiveness and job creation.

(ii) To increase the incomes of the people through the development and exploitation of e-commerce. This will be achieved by creating an environment that generates business opportunities particularly for young people

(iii) To develop sustainable and robust IT systems, applications and services associated with e-commerce. This will be achieved by expanding the domestic and export markets for ICT products and services, increasing the gross revenue and gross value added by the sector, increasing tax revenues raised from the ICT sector.

(iv) To increase the number of Ugandan businesses trading online by increasing the range of e-commerce products and services.

4.3 Key Strategic Objectives

The strategic objectives provide focus for the strategy in terms of the particular outcomes that it is intended to deliver. The e-commerce strategic objectives are as follows;

(i) Empower businesses and exports through e-commerce.

(ii) Exploit the strengths and opportunities in the ICT sector for e-commerce.

(iii) Incentivize the formalization of informal MSEs through e-commerce.

(iv) Boost growth in the logistics sector in support of e-commerce.

(v) Stimulate growth in the payments sector in support of e-commerce and financial inclusion.

(vi) Build and protect the consumer market for e-commerce.

4.4 Implementing Strategy

During the Implementation of the Strategy, the Ministry of ICT&NG will work closely with designated Ministries and Agencies of Government to ensure the accomplishment of associated milestones in a timely manner. More specifically, for this strategy to be successful we will ensure:

(i) A multi stakeholder steering committee chaired by the Ministry of ICT&NG will be established and will be responsible for coordination, development and implementation of the sector action plans towards the implementation of the strategies identified in this document. The e-commerce steering committee will in addition oversee the monitoring and evaluation of the strategic interventions under this strategy.

(ii) The Ministry of ICT&NG will also collaborate with the private sector to track the growth of e-commerce locally by conducting an annual survey on the number of businesses with an on-line presence and actively engaging in e-commerce. Additionally, the Government will collaborate with the private sector and other similar organizations to encourage more firms to establish their presence on-line platforms created to grow businesses digitally. This will be an ideal avenue for local manufacturers and service providers to easily reach markets and entrepreneurs worldwide, and from the Government's perspective, an effective means to bring firms online and generate much needed foreign exchange for the economy.

Sectors that are well positioned to exploit e-commerce including: Financial services, particularly the insurance sector, Pharmaceuticals manufacture and distribution, Spare

parts (for example, the car repair business), Manufacturing component supply, Food manufacture and distribution, Raw materials from mining, Component supply and tendering in utilities, Utility account management and bill payment, Wholesale distribution.

(iii) The Government of Uganda through the implementation of this Strategy will aggressively seek to capitalize on the growth and development of e-commerce because it has the potential to expand exports, improve access to inputs, increase foreign exchange earnings and create more sustainable jobs. The Ministry of ICT&NG believes that partnerships with the private sector and other NGOs will be key to the success of this strategy. The Government will do its part to create the right environment for e-commerce to flourish and we invite entrepreneurs in every sector to exploit the opportunities.

(iv) Increased usage and utilization of the internet not only provides an opportunity for the country to diversify the economy and promote innovation and entrepreneurship; it encourages cost savings, increased efficiency, and can assist manufacturers and service providers in offering niche products and services to the local and global markets which they might have otherwise have difficulty accessing.

(v) The Ministry of ICT&NG will promote private-sector participation in e-Commerce in collaboration with other stakeholders such as the Ministry of Trade, to increase awareness about e-commerce and encourage domestic firms to use the internet as a platform to sell their goods and services, as well as to acquire market information and developing business networks.

(vi) The strategy will promote development of electronic payment systems which are engines to support e-commerce to flourish locally. Ministry of ICT will fast track Implementation of e-payments by the Government which would enable the government to make and receive payments electronically beyond the existing limited means. In this regard, the Ministry of ICT&NG will be working very closely with the Ministry of Finance (Treasury Division) to implement and further develop the Electronic Funds Transfer Framework.

(vii)   The strategy will build on entrepreneurial spirit and the desire of its young and educated citizens to buy and sell goods online. A significant pressure will come from the over 70% of the adult population who are currently between 15 and 34 and who will want to access a broader range of goods and services than their parent's generation.

(viii)   The strategy will need to stimulate the use of e-commerce as a channel for marketing by retailers and service providers. There will be a need to overcome skepticism that has arisen from the lack of progress in selling through an e-commerce channels. For this reason, it will be important for retailers to target innovators and early adopters. This means that first retailers who consider e-commerce will be those that sell to early adopters. Such retailers may include financial services companies, sellers of high technology goods, travel services, hotels and information, web search and social networking companies.

(ix) The strategy will also consider how to extend the opportunities for e-commerce in other sectors, particularly those sectors that have little access to IT in order to meet a wider policy objectives associated with increasing readiness of IT. The strategy will cause the raising of awareness of SMEs and further encourage the adoption of ICT for other functions in organizations.

4.5 Strategic Interventions

The strategic Interventions are categorized under two main focus areas of e-payment and Infrastructure.

4.5.1 Improved E-payment Strategies

(i)   Strengthen e-money products, including Mobile Money.

(ii)   Adoption of zero liability for customers in unauthorized transactions.

### 4.5.2 Strengthening of Infrastructure Strategies

(i)   Ensure access to cheaper, high speed broadband and continue improving fiber access.

(ii)   Release spectrum for 4G mobile broadband

(iii)   Reduce the price of international gateway licenses

(iv)   R&D for innovative e-commerce and continue growth of mobile apps.

(v)   Skilling and training of SMEs and information awareness campaigns

(vi)   Strengthen startup institutions and incubators

(vii)   Periodic studies to identify barriers to e-commerce and to provide data on growth e-commerce

4.6 Strategy Governance and Implementation

The Governing Body for this strategy will comprise the MDA's whose interests are directly affected by the strategy. It is anticipated that the Ministry of &NG will meet periodically with stakeholders to review the Action Plan and Governance processes. The meetings will also involve agreeing on programme management processes and the detailed Action Plan proposed by the E-Commerce Committee. The ICT Ministry will present quarterly reports to Government on progress in delivering ecommerce following progress meetings identifying key

successes overall, key challenges encountered, any action required by Government, and changes to the Action plan, strategic objectives and targets.

<u>DIAGRAMMATIC REPRESENTATION OF THE STRATEGY GOVERNANCE AND IMPLEMENTATION</u>
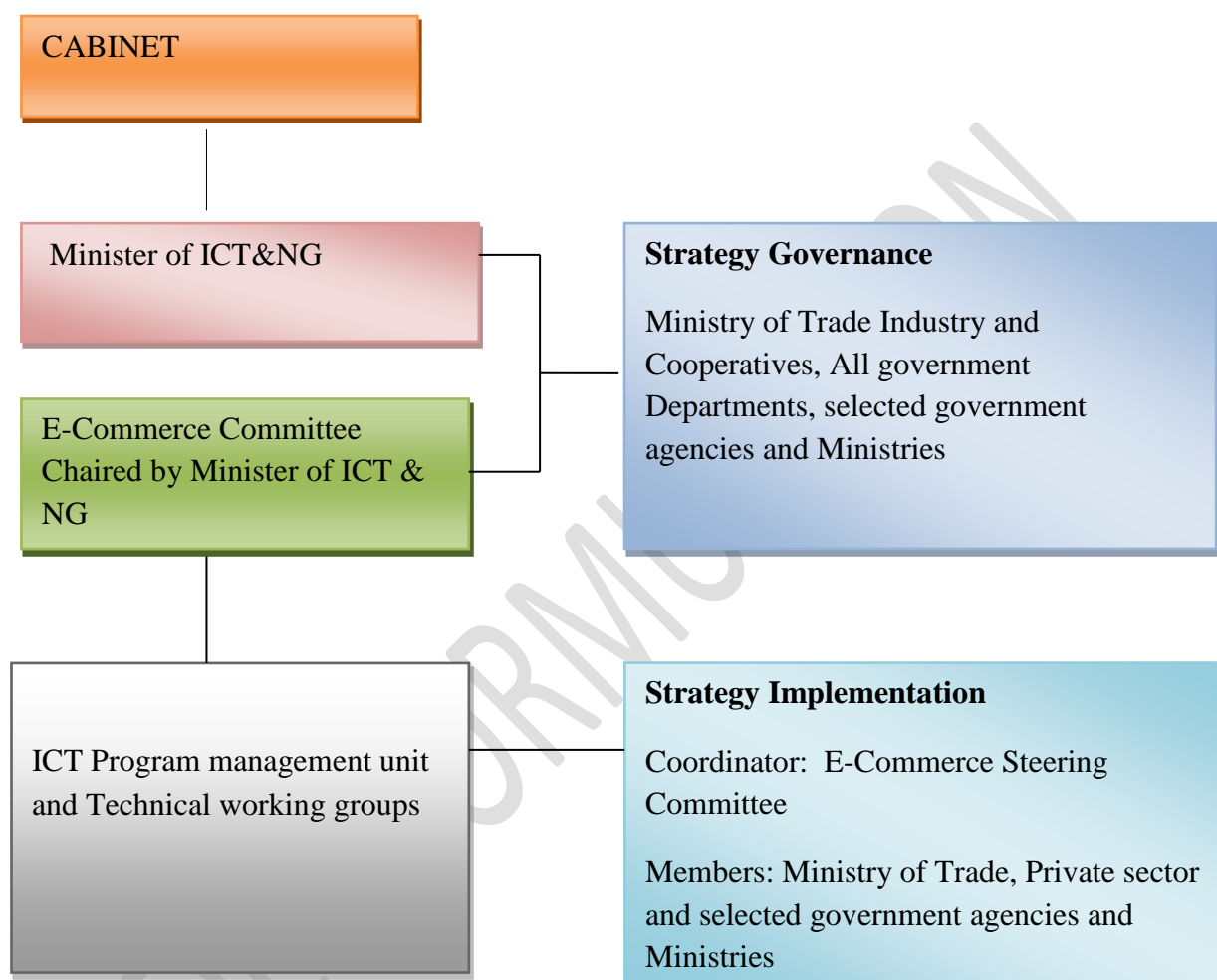
4.7 Strategy Monitoring and Evaluation

Implementation of the e-commerce strategy will be monitored and evaluated against the targets of strategic objectives associated with the goals. Progress towards the targets will be monitored using results of standard surveys by UBOS and surveys specific to the targets being measured.

For consistency with surveys in other countries it is proposed to use standard e-commerce related parameters and preferably those identical to the ones used regionally i.e the EAC .The

use of a common set of parameters will enable comparisons against benchmarks, hence it will be possible to characterize progress against strategic targets and also in comparison with progress in other countries.

At an action plan level, progress will be monitored against the project plan for each initiative. This will provide a task breakdown for the project with criteria for the completion of each task. Progress will be monitored by the programme manager from project reports provided by each of the project managers. Project plans for initiatives will indicate how the information for evaluating completion of tasks is to be collected and will provide budgeted resources for such evaluation.

Results of the strategy will be monitored and evaluated annually. The chairman of the E-commerce steering committee will commission the valuation exercise. The exercise will engage in the review of progress against strategic objectives and will in addition consider the performance of individual projects against plans. The exercise will conclude with the compilation of a written report that will be submitted to the steering Committee.

4.8   Risk Analysis

Strategic risks are those associated with the failure to achieve the strategic goals. The goals may not be achieved because of external factors or because of a failure associated with the enabling actions. This risk analysis considers the external factors that may influence the achievement of the goals and risks to the achievement of the enabling actions. This section reviews each of the strategic objectives and the enablers to identify the risks and potential actions to manage the risk.

Result area	Risk	Risk Mitigation Actions
Goals		
Leverage e-commerce to increase the wealth of the nation through economic growth, export competitiveness and job creation	Low Likelihood of no contribution by the e-commerce strategy.	Develop alternative strategies
To increase the incomes of the people through the development and exploitation of e-commerce.	Low Likelihood that e-commerce will not contribute to peoples incomes	Market research amongst e-commerce businesses to determine impact
To develop sustainable and robust IT systems, applications and services associated with e-commerce.	Medium likelihood that there will be Slow development of IT systems	Prioritize investments in ICT systems
To increase the number of Uganda's businesses selling online	Low risk that banks do not allow their credit, debit and ATM cards to be used for online transactions by target date	Prioritize the development of a fully operational payment gateway acceptable to all banks, with public reporting of adoption by the banks.
Objectives		
Empower businesses and exports through e-commerce.	High risk that no action will be taken by electronic payment service providers, mobile operators, or banks to develop an electronic purse for use with mobile phones.	Monitor the development of secure websites and promote awareness amongst businesses to achieve target

Exploit the strengths and opportunities in the ICT sector for e-commerce.	Medium risk that no action will be taken by electronic payment service providers, mobile operators, or banks because risks associated with the operation.	MoICT, to work with banks, mobile operators, electronic payment service providers, and the ministry of finance to encourage the development of a means of making e-payments and purchases.
Boost growth in the logistics sector in support of e-commerce	High risk that little investment is made in processes associated with logistics development	Min of Trade & Industry and other sector bodies to develop strategic policies to boost the development of the logistics sector.
Stimulate growth in the payments sector in support of e-commerce	Medium risk that banks do not allow their credit, debit and ATM cards to be used for online transactions by target date	Prioritize the development of a fully operational payment gateway acceptable to all banks, with public reporting of adoption by the banks.
Build and protect consumer market for e-commerce	Medium risk. Developments of ICT systems that will facilitate e-purchases and payments	Monitoring developments in consumer markets by ICT Ministry.
Enablers		
To provide an effective legal framework for the development of e-commerce	Medium likelihood that the legal framework will not be put in place in a timely manner	Develop clear project plan agreed by all Ministers who have ownership of relevant laws.

To ensure that there is a general awareness of the need for information and cyber security amongst companies that trade electronically	Low likelihood that general awareness will not be created	Support SMEs in the development of secure websites and encourage information sharing.
To ensure that taxation on e-commerce meets requirements for neutrality, efficiency, certainty and simplicity, effectiveness and fairness and flexibility.	High risk that no action is taken on taxation to meet requirements	Ministry of Trade and Industry, URA and other sector bodies to develop the case for changes in taxes to meet e-commerce requirements.
To create a general awareness of the concepts, processes, benefits and opportunities of e-commerce amongst the consumers, government, private sector and businesses	Low risk that general awareness raising measures do not happen.	The awareness of e-commerce needs only to reach innovator and early adopter categories of consumers.
To ensure that the ICT sector and the private sector and other sectors of the economy have the commercial and technical e-commerce skills	Low risk that the ICT sector does not develop capacity in e-commerce within specified timescales	Ministry of ICT to work with relevant stakeholders on additional measures to raise capacity.
Ensure that IT infrastructure for ecommerce in small business and for the consumer is available and affordable.	Medium risk that ICT infrastructure will not be affordable	MoICT to work with Distributers, ISPs, manufacturers to develop hardware and services to provide low cost devices.

4.9   Proposed Major Projects

In order to facilitate the uptake of e-commerce and seizing of the enormous opportunities such as the opening of international markets for exporting locally developed products, the following major projects are proposed.

4.9.1 Establishment of an E-commerce Business Facilitation Center

The e-commerce business facilitation center will serve as a central information repository on how local businesses can harness the opportunities e-commerce brings and to export locally produced goods and services. The business center will have an online portal and directory with all the relevant information on how to utilize online markets, how to market online, how to utilize payment systems, how to utilize trade logistics, how to formalize e-commerce businesses and how to package for international deliveries. The center will also provide legal information, advisory services, facilitate access to insurance for e-commerce transactions and many other things about e-commerce. It will be an interface between the many government institutions that have a role to play in enabling e-commerce and the entrepreneurs/businesses who wish to explore the online markets. Additionally, the center will engage in awareness raising campaigns on the benefits of e-commerce, the existing legal framework to protect online traders and consumers, training entrepreneurs and the general population on e-commerce digital skills and how to use e-commerce technologies. It will also conduct studies and research on e-commerce and its eco-system tax structures, and collect data on e-commerce trade.

4.9.2 Development of a National E-commerce Market Place

Whereas there are a number of E-commerce sites operating in the country, most of their business models are in-country focused and they concentrate on domestically facilitating the sale of imported products of urban retailers, leaving out locally produced goods such as crafts

and agricultural produce and denying local traders/entrepreneurs a chance to sell their products across the border and on international markets. Following the example of China with Alibaba and the direction taken by Kenya, there is a great need to build a national online market place with a focus not only on boosting domestic trade of locally produced goods and services, but also with a focus on selling local goods across the border and internationally to overseas markets.

Doing this would necessitate the implementation of the national digital addressing scheme proposed by Ministry of ICT & NG, setting up of e-commerce centers across the country, training of local producers not only on utilization of e-commerce but also to comply with international standards and quality, and a partnership with postal and courier providers and private sector.

4.10 Recommendations

To ensure net positive impact of e-commerce will require attention to both opportunities and challenges for example Cross-sector cooperation and effective collaboration within government and with private sector and others stakeholders.

The strategy needs to be owned. This strategy proposes ownership through a Governing Body with Ministerial level representation by a Council chaired by the Ministry of ICT.

There will be mechanisms for monitoring and evaluation of the strategy.

The development and use of e-commerce should ultimately be a commercial opportunity for the citizen and private sector enterprises who will be the primary beneficiaries.

Government will also be involved directly in e-commerce as a consumer. Like a citizen, Government will require pre-sales and post-sales support, and an ability to transact commercially with business.

While it is understood that e-commerce has to be driven by the private sector which owns and operates actual businesses, it is the role of the Government to ensure that businesses and consumers are afforded the necessary infrastructure to derive tangible benefits from e-commerce.

There should be continuous elaboration and update of the strategy which will involve close collaboration with MoICT & NG and other ministries and stakeholders involving desk research, Consultations with key stakeholders in public and private sector, surveys and focus group discussions, Collaboration with international agencies.

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