

REPORT



Unleashing Potential



FREEDOM ON SECOND HAND GOODS TRADE IN UGANDA



CC BY-NC 4.0



ATLAS
NETWORK

AUGUST 2025

Executive Summary

This report examines the economic and social relevance of the Second-Hand Goods (SHGs) sector in Uganda, with particular emphasis on second-hand clothes, shoes, and bags. Drawing on primary data from 332 participants across key markets in Kampala, Jinja, Masaka and Busia border, combined with secondary data and policy references, the study provides compelling evidence about the Second-Hand Goods (SHGs) trade in Uganda.

The study aimed to critically assess the impact of Uganda's taxation framework on the SHGs trade in Uganda, particularly focusing on clothing, shoes, and bags to inform inclusive and evidence-based policy reforms.

Primary data was collected using Key Informant Interviews (KIIs), Focus Group Discussions, Questionnaires and observation methods. Participants included: URA officials, Customs officers, KACITA representatives, SHGs traders (dealing in clothes, shoes, and bags), and customers.

Key Field Findings

Participation:

i) Sample Size Representation

- Traders in second-hand clothing: 68.3%
- Traders in second-hand shoes: 19.2%
- Traders in second-hand bags: 12.5%

This breakdown shows that clothes dominate the trade, followed by shoes and bags, reflecting market demand and product availability.

ii) Across Demographics

Gender: 61.7% of SHGs traders are male, and 38.3% are female.

Youth Dominance: 73.9% of traders fall within the youth age bracket (18–35 years), 22.6% are middle-aged adults (36–64), and only 3.5% are elderly (65+).

Educational Attainment: 95.8% of SHGs traders were educated (at least primary level and above), contradicting past stereotypes that second-hand business is for the uneducated or desperate.

iii) Level of Education

61% (175) traders had reached A-level up to bachelor's degree

31% (89) traders had studied up to O-level

4% (11) were Post-graduates

4% (12) had never attended school

Over two decades ago, it was believed that second-hand business, which is characterised by operating in open markets, malls or streets, was for the less educated or illiterate. However, due to the rampant unemployment rate in Uganda, this business does not currently segregate, as it has absorbed individuals with master's degrees, bachelor's and diploma holders. Findings revealed that it's no longer only for the illiterate.

Economic Impact and Livelihoods

UBOS (2024) report shows that Uganda's unemployment rate stands at 12.3%, with female unemployment higher at 14.2%. Thus, the SHGs sector serves as a lifeline, especially for educated youth, who have turned to this business as a stable livelihood amid a saturated formal job market. Further, the report shows that Uganda has 16.9% of its population living below the absolute poverty line, i.e. one US dollar a day, which is way below the international poverty line of \$ 3.00 per person per day¹. Thus, SHGs trade provides affordable alternatives for this population, especially in an economy where many can't afford first-hand goods.

¹ The new international poverty line stands at \$3.00 per person per day as stipulated by World Bank (<https://www.worldbank.org/en/news/factsheet/2025/06/05/june-2025-update-to-global-poverty-lines>)

Taxes Levied on SHGs per Kilogram:

The Common External Tariff (CET)²:

- Used clothes: USD 0.89/kg
- Used shoes: USD 1.41/kg
- Used bags: USD 2.34/kg

Why Traders Deal in Second-Hand Goods and not First-Hand?

- i. Low capital requirement for entry
- ii. High durability and consumer preference
- iii. Employment and livelihood opportunities
- iv. Ready and wide market
- vi. Variety and Uniqueness of Products
- v. The business accommodates inclusivity. It can be done by the educated, illiterates, People with Disabilities (PwDs), women, youth, and the elderly.

Challenges in Uganda's Bid to Promote Local Textile Industries

To promote locally manufactured textiles and protect domestic industries, the government of Uganda raised the import duty on textile fabrics from 25% to 35% in October 2020 and charged USD 5 per kilogram (KACITA, 2021). This policy was aimed at strengthening Uganda's cotton value chain and encouraging investment in local garment production to create employment opportunities. However, imposing high taxes on imports without first addressing the underlying weaknesses in local production, such as high electricity costs, low industrial financing, and inefficient supply chains, makes local textiles more expensive and less competitive. As a result, consumers and retailers often continue to prefer cheaper imported or second-hand goods, and the local industry remains stagnant despite protectionist policies.

² The Common External Tariff (CET) is a uniform tariff rate applied by all member countries of a customs union, such as the East African Community (EAC), on goods imported from outside the region.

A report by EPRC (2024a) indicates that Uganda produces approximately 150,000 bales of cotton annually, yet only 10% of this is processed domestically into finished garments and cotton lint products. The remaining 90% is exported as raw lint. This limited value addition severely restricts the sector's potential for job creation and industrial development.

Challenges Faced by SHGs Traders

- i) Harsh Tax Policies: High import taxes on SHGs reduce profit margins and increase end-user prices, discouraging trade and access.
- ii) Threat of Bans: Government discussions around banning second-hand clothes are causing fear, especially among traders who view the sector as their primary source of livelihood.
- iii) Limited Government Support: Despite their economic contribution, SHGs traders lack access to credit, formal recognition, and trade support like mainstream enterprises.
- iv) Absence of Inclusive Business Umbrella Associations for Small and Medium Traders: While traders have associations such as the Kampala City Traders Association (KACITA) and other trade bodies, these associations are largely dominated by large-scale traders and established importers, whose business models, financial capacities, and policy interests do not reflect the realities of smaller informal traders.
- v) Abrupt changes in tax rates without prior notice.
- vi) Uniform tax assessment despite variations in bale content.
- vii) Corruption and unclear tax enforcement mechanisms.
- viii) Absence of a clear system to handle traders' complaints.

Field Voices

A Shoes importer lamented that *“due to the tax increase, import taxes have multiplied. For example, a 20-foot container that used to be cleared at about 30 to 40 million Uganda shillings now incurs a fluctuating tax of between 300 to 400 million. As a result, many importers have abandoned their goods, appearing unwilling to clear them.”*

“I studied up to master's level, but second-hand trading has been more rewarding than my previous jobs. It's not a business for the desperate; it's a smart move for anyone who wants to survive in this economy.” Mr. Okumu, a shoe trader in Busia.

“The taxes are unbearable, yet we don’t get the support that formal businesses receive. We are not criminals; we are educated people working hard to earn a living.” Anonymous trader, Masaka.

“This business is what feeds my family and pays my rent. I found purpose here.” Male trader, Owino Market

Policy Contradictions

- i. Efforts to ban or overtax SHGs contradict Uganda’s National Development Plan IV 2025-2030 and Vision 2024 as strategised by NPA (2024), which promote inclusive economic growth, employment, and industrial transformation. Instead of suppression, strategic support and formalisation of the sector would better align with national goals.
- ii. The (East African Community Customs Management Act, 2004), which Uganda assented to as part of its obligations under the East African Community treaty, affirms invoice-based valuation. However, Uganda Revenue Authority (URA) applies a specific duty per kilogram on used clothing, footwear, and bags, violating the Act.
- iii. The URA (2024) report provides that Kampala City Traders’ Association (KACITA), Uganda Revenue Authority (URA) and Ministry of Finance, Planning and Economic Development (MoFPED) reached a consensus on harmonisation of customs valuation. Following trader protests dealing in used items, the meeting was convened to address matters of high taxes on SHGs such as clothes, shoes, bags, e.t.c. It was agreed to ban taxation per kilogram and URA promised to switch to invoice value taxation, though no official date was communicated for this to be effected. Since then, URA has not yet implemented the resolutions.

As reflected in the National Human Resource Development Plan 2020/21- 2024/25 report by NPA (2023) that the share of youths who are Neither in Employment nor in Education or Training (NEET) stands at 46.7%, the number is like to increase exponentially if the business environment continues to be unconducive for SHGs trade to thrive, a business which sustains many youth, consequently posing the country at stake. This is exacerbated by the government’s inability to fully support all the youth, even with initiatives such as Youth Livelihood Program, Parish Development Model (PDM), Emyooga among other wealth-creation support programs.

Recommendations

i. To Uganda Revenue Authority (URA):

- Adopt Value-Based Taxation: Replace weight-based taxes with a system based on goods' value, bale grade, and trader size.
- Simplify Licensing: Reduce license costs, offer waivers for startups, and establish one-stop centers for SHGs business registration.
- Digitise Processes: Create a SHGs Importer Portal with a cost estimator to improve transparency and reduce broker dependence.
- Engage Stakeholders: Hold regular forums with SHGs traders before changing tax policies.
- Increase Sensitisation: Run tax clinics and deploy mobile URA help desks in major SHGs markets.
- Use Friendly Tech Tools: Introduce mobile/ Unstructured Supplementary Service Data (USSD) platforms for tax filing and payments.
- Improve Grievance Handling: Set up and publicise a complaints system for traders' concerns.

ii. To Parliament:

- Enact SHGs Trade Policy: Harmonize regulation, clarify government stance, and support recycling.
- Mandate Regular Dialogue: Require quarterly meetings between MoFPED, URA, Trade Ministry, and SHGs associations like KACITA.

iii) To Ministry of Finance, Planning and Economic Development (MoFPED):

- Include SHGs in Planning: Recognize SHGs trade in national development to improve access to finance and support.
- Halt SHGs Ban Plans: Suspend any proposed bans and lead inclusive consultations on alternatives.

iv) To KACITA & Trade Associations:

- Unite Traders: Mobilize members for stronger representation and protection.

- Support Formalization: Partner with agencies to help traders formalize without losing flexibility.
- Conclusively, the second-hand sector is not a survivalist refuge but an entrepreneurial ecosystem employing thousands and enabling affordable access to goods for millions. Any policy that undermines this sector threatens not just livelihoods but Uganda’s broader goals of inclusive development. There is an urgent need for the government and stakeholders to uphold the freedom of second-hand goods as both an economic right and a development imperative.

Acknowledgement

We extend our heartfelt appreciation to all individuals and institutions that contributed to the successful execution of this study on the “Freedom of Second-hand Goods in Uganda.”

Gateway Research Centre is deeply indebted to Atlas Network for financially supporting this study. Your commitment to promote policy dialogue and economic freedom is instrumental in advancing policy reforms that safeguard livelihoods, protect informal sector enterprises, and ensure inclusive economic participation.

We sincerely thank the leadership and officials of the Kampala City Traders’ Association (KACITA) for their unwavering cooperation, technical guidance, and strategic support throughout the study process. Your insights and consistent engagement provided a valuable connection between policy and the realities faced by traders on the ground.

We are deeply indebted to the hundreds of Second-Hand Goods (SHGs) traders, men and women from various markets across Uganda, who generously shared their time, experiences, and perspectives. Your voices are central to this report. Your collaboration reaffirms the urgent need to protect and promote the second-hand goods sector as a key pillar of livelihood, dignity, and economic freedom in Uganda.

Special thanks go to the Uganda Revenue Authority (URA) officials for their openness and willingness to provide critical insights on taxation frameworks, trade facilitation, and regulatory challenges.

The consumers, especially from low-income households, who shared their views on the affordability, accessibility, and perception on second-hand goods, we acknowledge your priceless time and deliberate contributions to help this study achieve its intended objectives. Your feedback illuminated the indispensable role SHGs play in household economics and dignified living.

To Gateway Research Centre’s team, including field researchers, enumerators, and data analysts, your professionalism and diligence ensured the credibility and integrity of the data collected and analyzed. We also greatly appreciate Gateway Research Centre Management and advisors for their relentless support.

List of Acronyms

AfCFTA	African Continental Free Trade Area
CET	Common External Tariff
CoC	Certificate of Conformity
COVID-19	Corona Virus Disease 2019
CPI	Consumer Price Index
DRC	Democratic Republic of Congo
EAC	East African Community
EACCMA	East African Community Customs Management Act
ECLAC	Economic Commission for Latin America and the Caribbean.
ECOWAS	Economic Community of West African States
EFRIS	Electronic Fiscal Receipting and Invoice Solution
EPRC	Economic Policy Research Centre
EU	European Union
FGD	Focus Group Discussion
FY	Fiscal Year
GDP	Gross Domestic Product
GRC	Gateway Research Centre
HS	Harmonised System
ISO	International Standard Organisation
ITAC	International Trade Administration Commission
KACITA	Kampala City Traders' Association
KCCA	Kampala Capital City Authority
KII	Key Informant Interview
MINICOM	Ministry of Trade and Industry
MoFPED	Ministry of Finance, Planning and Economic Development
MSE	Micro and Small Enterprises
MSME	Micro, Small, and Medium Enterprises
NDP IV	National Development Plan IV
NEET	Neither in Employment nor in Education or Training
NGO	Non-Governmental Organisation

NPA	National Planning Authority
O-level	Ordinary Level
PDM	Parish Development Model
PP	Polypropylene
PVoC	Pre-Export Verification of Conformity
PwDs	People with Disabilities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SDGs	Sustainable Development Goals
SHC	Second-Hand Clothing
SHGs	Second-Hand Goods
SPSS	Statistical Package for the Social Sciences
TIN	Tax Identification Number
Tralac	Trade Law Centre
UAE	United Arab Emirates
UBOS	Uganda Bureau of Standards
UGX	Uganda Shilling
UK	United Kingdom
UN	United Nations
UN Comtrade	United Nations Commodity Trade Statistics Database
UNECE	United Nations Economic Commission for Europe
URA	Uganda Revenue Authority
US EAS	Uganda Standard East African Standard
USA	United States of America
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax
WTO	World Trade Organisation
YLP	Youth Livelihood Programme

Table of Contents

Executive Summary	ii
Acknowledgement	ix
List of Acronyms	x
List of Figures	xiv
List of Tables	xiv
1. Introduction	1
1.1 Background to the Study	1
1.2 Objectives of the Study	4
1.2.1 General Objective	4
1.2.2 Specific Objectives	4
1.3 Scope of the Study	4
1.3.1 Content Scope of the Study	5
1.3.2 Geographical and Sectoral Focus	5
1.3.3 Time Scope	7
2. Overview of the Methodology / Approach.....	7
2.1 Data Sources.....	8
2.1.1 Primary Data Sources	8
2.1.2 Secondary Data Sources	8
2.2 Study Design	8
2.2.1 Objectives of the Study Design.....	9
2.3 Sampling Strategy.....	9
2.3.1 Sampling Framework	9
2.3.2 Selection Criteria for Key Markets	9
2.3.3 Sample Size and Distribution.....	10
2.3.4 Inclusion and Exclusion Criteria	11
2.4 Data Analysis Procedures	12
2.5 Ethical Considerations	12
3. Overview of Second-Hand Goods Trade in Uganda	15
3.1 Global and Regional Comparisons	16
3.2 Regulations Impacting Second-Hand Trade in Africa.....	17
3.3 The Current Taxation Framework for Second-Hand Goods Trade in Uganda	19

3.4 Second-Hand Goods Revenue Contribution to Uganda’s Economy	21
3.5 Uganda’s Consumer Price Index on Clothing and Footwear	23
3.6 Government Justification for the Current Taxation Policy and Protectionist Arguments ...	25
3.7 Quality Standards for Second-Hand Goods Imports in Uganda	26
4. Field Findings	29
4.1 Proportion of Economic Inclusion in the Market	29
4.2 Compliance Levels among SHGs Traders	34
4.2.1 Awareness of Tax Obligations	35
4.2.2 Factors Affecting Compliance	35
4.3 Bale Grading.....	37
4.3.2 Importance of Bale Grading	38
4.4 Sorting Dynamics in the Second-Hand Goods Trade.....	38
4.5 Bale Pricing and Weight Variation.....	40
4.6 Why Traders Deal in Second-Hand Goods and not First-Hand?	41
4.7 Challenges Faced by SHGs Traders	43
4.8 Challenges in Uganda’s Bid to Promote Local Textile Industries	48
5. Challenges Faced During the Study	49
5 Conclusion.....	50
7. Recommendations	51
7.1 To Uganda Revenue Authority (URA)	51
7.2 Uganda’s Parliament.....	52
7.3 Ministry of Finance, Planning and Economic Development (MoFPED)	52
7.4 KACITA and Trade Associations.....	53
References	54
Appendices	57
A. Press releases on Second-Hand Goods	57
B. Areas Visited During the Study	58
C. Photo Gallery for Areas Visited During the Study	59

List of Figures

<i>Figure 1: Regional Share of Total Imports of Second-Hand Clothing by Value, 2021.....</i>	<i>16</i>
<i>Figure 2: SHC Tax Revenue Contribution to Uganda's GDP (2014/15 - 2022/23).....</i>	<i>22</i>
<i>Figure 3: Clothing and Footwear Annual Inflation Trends, 2022-2024</i>	<i>24</i>
<i>Figure 4: The Top 10 Exporters of SHC to Uganda Between 2004 and 2024 (USD Millions)....</i>	<i>27</i>
<i>Figure 5: Trends in SHC Exports to Uganda, 2004-2023 (million USD)</i>	<i>28</i>
<i>Figure 6: Gender Disaggregation</i>	<i>29</i>
<i>Figure 7: Level of Education.....</i>	<i>30</i>
<i>Figure 8: Bales ("Endibota")</i>	<i>38</i>
<i>Figure 9: Woman Sorting Clothes in Owino Market, Kampala.....</i>	<i>38</i>
<i>Figure 10: KACITA Uganda Petitions the Unfair Government Tax Increment.....</i>	<i>49</i>
<i>Figure 11: President Museveni Shows Interest to Ban Importation of Second-Hand Clothes.....</i>	<i>57</i>
<i>Figure 12: URA and MoEFPED engaging KACITA to Harmonise Valuation of SHC.....</i>	<i>58</i>

List of Tables

<i>Table 1: Summary of Study Participants.....</i>	<i>11</i>
<i>Table 2: Stakeholder Analysis</i>	<i>14</i>
<i>Table 3: Import Tax Rates.....</i>	<i>20</i>
<i>Table 4: Taxes Levied from Traders</i>	<i>21</i>
<i>Table 5: Value Trend of Uganda's Second-Hand Clothing Imports, 2017-2023 (USD millions) 23</i>	
<i>Table 6: Age Composition.....</i>	<i>32</i>
<i>Table 7: Second-Hand Goods Traders Representation</i>	<i>33</i>
<i>Table 8: Traders' Perceptions on Taxation and Fairness</i>	<i>34</i>
<i>Table 9: Main Grades of Second-Hand Items</i>	<i>38</i>

1. Introduction

1.1 Background to the Study

The second-hand businesses dealing in clothing, footwear, and bags in Uganda, particularly in urban areas such as Kampala, Masaka, and Jinja, are one of the most vibrant and accessible economic sectors for marginalised populations. For second-hand clothing alone, the Mitumba³ Consortium Association of Kenya, a trade body for SHC traders, estimates that 4.9 million people in East Africa make their living from the trade, the majority being women (MCAK, 2023). The report further indicates that between 2011 and 2021, the number of jobs in the Second-Hand Clothing (SHC) business increased from 388,000 to 699,000 in Uganda. Equally, it is undeniable that the sector has become a critical source of livelihood for millions of people in Uganda, the majority of whom are the youth, school dropouts, single mothers, widows, PwDs, and others from slum areas, especially the urban poor. Despite its immense contribution to self-employment and poverty reduction, second-hand trade in Uganda is severely constrained by multiple, overlapping, and often unfair tax policies, most of which are imposed by the Uganda Revenue Authority (URA) and municipal bodies like the Kampala Capital City Authority (KCCA).

The core issue lies in the heavily punitive import tax regime, which sees second-hand clothes, shoes, and bags taxed not according to their actual value (invoice-value), but instead by weight per kilogram. Currently, traders pay between \$0.89 and \$2.34 per kilogram on imported second-hand goods (clothes, shoes, and bags). This tax structure is not only excessive but also disproportionate to the actual selling price of many low-value goods. For instance, lightweight baby clothes and used sandals, despite fetching a meagre resale price in local markets, are subjected to the same high kilogram-based tax rate as heavy, high-end jackets or leather shoes.

In addition to import taxes, traders are subject to presumptive income tax, which is assessed based on the estimated size and location of a business, rather than its actual profit. This system unfairly penalizes small traders operating in downtown arcades or congested markets, who are required to pay fixed tax rates whether or not they made income that month or year. For many of these micro and small enterprises, profit margins are already meagre due to high rent, stiff competition, and

³ Mitumba is a Swahili term, literally meaning "bundles", used to refer to plastic-wrapped packages of used clothing donated by people in wealthy countries. It is similar to Ganda word "Mivumba", meaning second-hand clothes.

limited capital. The presumptive tax system, while meant to simplify tax compliance, often ends up pushing struggling businesses further toward informal operations or closure.

Another challenge is the Value Added Tax (VAT) regime. While second-hand goods themselves are technically exempt from VAT, businesses with annual turnover exceeding UGX 150 million are required to register for VAT, which imposes complex administrative obligations such as monthly filings, detailed invoicing, and record keeping. This discourages growth, as traders deliberately scale down their operations to avoid crossing the VAT threshold, a phenomenon commonly referred to as “growth avoidance” in the informal sector.

Beyond national-level taxation, traders also face a series of municipal taxes and operational fees, especially those operating within markets managed by KCCA or municipal councils. These include:

- Trading licenses, renewed annually at a fee determined by location and business category.
- Market dues, often charged daily or weekly for the use of stalls or market spaces.

These municipal charges, although individually modest, accumulate into a significant financial burden, especially for small traders. Worse still, street vendors, many of whom sell second-hand items on sidewalks and verandas, are frequently harassed, fined, or have their goods confiscated for non-payment or lack of licenses.

Compounding the problem is the prevalence of corruption and informal payment systems, particularly at border entry points and during city enforcement operations. Traders reported being forced to pay bribes to customs officers and enforcement agents to release confiscated goods or reduce tax assessments. The lack of transparency and the power imbalance between URA officers and uneducated or semi-literate traders make the environment ripe for exploitation.

These multiple tax obligations, when taken together, form a barrier to entry, growth, and sustainability for second-hand goods traders in Uganda. The economic impact is profound: high taxes shrink profit margins, discourage reinvestment, and force many traders to exit the sector altogether. With the government unable to generate sufficient formal jobs, these self-employment avenues must be supported, not strangled.

Gateway Research Centre (GRC), through this project, seeks to reverse this trend by advocating for rational, inclusive, and equitable tax reforms. Central to our campaign is the call for a shift from per-kilogram taxation to value-based taxation, which would allow traders to pay taxes relative to the actual value of their goods, just as other sectors do. This single reform would unlock significant benefits: encourage new entrants into the market, improve tax compliance, reduce smuggling, and ensure that Uganda's second-hand sector continues to provide jobs and affordable clothing to millions of people.

This project also aims to raise awareness and empower traders. Many second-hand traders operate with limited knowledge of their tax obligations and other economic policies, which exposes them to manipulation and unjust enforcement. Through media campaigns, policy dialogues, and direct engagement with the Uganda Revenue Authority, this project will raise awareness of traders' rights, promote fair taxation, and build pressure for the implementation of long-overdue reforms, such as those promised in meetings between KACITA and the Ministry of Finance but never fulfilled.

Ultimately, our “champagne-popping moment” will come when second-hand clothes, shoes, and bags are taxed based on their import invoice value rather than by weight. This shift would significantly reduce the tax burden on importers, promote fairness in valuation, and encourage greater compliance. It would also enhance transparency in customs processes and support the growth of the second-hand trade sector, especially for small-scale traders.

1.2 Objectives of the Study

1.2.1 General Objective

To critically assess the impact of Uganda's taxation framework on the second-hand goods trade, particularly focusing on clothing, shoes, and bags, in order to inform inclusive and evidence-based policy reforms.

1.2.2 Specific Objectives

- i. To examine how current tax policies affect second-hand traders' profits, stock, and business sustainability.
- ii. To assess traders' understanding and compliance with tax laws, and how enforcement and education gaps lead to non-compliance.
- iii. To explore how taxation impacts women, youth, and vulnerable groups in the second-hand trade.

1.3 Scope of the Study

This study is embedded within the broader objective of advocating for fair and inclusive tax policies affecting the second-hand clothing trade in Uganda. It examines the structure and application of current tax regimes imposed on second-hand clothing, shoes, and bags, with a focus on how these affect Micro, Small, and Medium Enterprises (MSMEs) that dominate the sector. The study also seeks to amplify the voices of marginalised groups such as women, youth, and low-income urban traders by documenting their experiences and perspectives. The outcomes are intended to inform evidence-based advocacy and policy reforms aimed at reducing over-taxation, enhancing economic freedom, and protecting livelihoods.

1.3.1 Content Scope of the Study

The content scope of the study is structured around three major dimensions:

1.3.1.1 Taxation and Policy Framework Analysis

The study explores the taxation structure on second-hand products in Uganda, particularly focusing on:

- Uganda Revenue Authority's current tax model (notably, charging per kilogram).
- The legal and regulatory instruments governing trade in second-hand goods (at international, East African and national levels).
- How traders calculate or miscalculate taxes, and the systemic issues leading to over taxation.

1.3.1.1 Socioeconomic Impact Assessment

This component assesses the real-life impact of taxation on:

- Business sustainability, profit margins, and stock volumes of second-hand goods traders.
- Employment, especially among vulnerable populations such as single mothers, youth, and school dropouts.
- Informal practices such as smuggling, bribery, and under-declaration at customs.
- Access to financing and capital reinvestment for small traders.

1.3.1.2 Policy Recommendations Based on Empirical Findings.

These will be addressed to URA, Parliament of Uganda, MoFPED, KACITA and Trade associations.

1.3.2 Geographical and Sectoral Focus

1.3.2.1 Geographical Focus

The research was conducted in three key urban districts and one country border district with a high concentration of second-hand goods trade, particularly clothing, shoes and bags. These selected areas offer a diverse perspective on regional trade practices, policy enforcement, and taxation effects at both the grassroots and border levels. Sample areas included:

a) Kampala District

Particularly in major business hubs such as:

- i. Owino Market (St. Balikuddembe Market) - the largest second-hand clothing market in Uganda.
- ii. Kagujje Shoe Centre - a central wholesale hub for shoes.
- iii. Discount mall-Kafumbe Mukasa Road. A wholesale hub for second-hand bags.
- iv. Urban arcades and roadside stalls in downtown Kampala.

Kampala was chosen as the focal point due to its national commercial significance and concentration of traders importing directly through URA's systems.

b) Masaka District

Masaka serves as a regional commercial hub in central Uganda. It has a growing number of women and youth engaged in second-hand retail trade, especially in smaller markets and town centers.

c) Jinja District

Jinja represents the Eastern region. The area has many local textile industries. It was selected to assess whether such an area, rich in locally made goods, especially clothes, still has a market for second-hand goods. It was also considered since it has many business terminals, attracting business people from other regions, such as the north.

d) Busia and Malaba Borders

It was included for its strategic proximity to Kenya, a major route for informal second-hand goods inflow. Traders in the area revealed insights on border dynamics, tax evasion, and informal business adaptation.

1.3.2.2 Sectoral Focus

The study strictly focused on the Second-Hand Goods trade, targeting businesses that import, distribute, and sell:

- i. Second-hand Clothing: includes all categories such as adult and children's wear, trousers, shirts, dresses, jackets, etc.

- ii. Second-hand Footwear: including leather shoes, sandals, sneakers, and boots.
- iii. Second-hand Bags: handbags, backpacks, travel bags, and school bags.

1.3.3 Time Scope

The study was implemented within three months, running from May to July, 2025. During this period, the following activities were conducted:

- i. Baseline survey
- ii. Preparation and testing of data collection tools
- iii. Field data collection (questionnaires, interviews, FGDs)
- iv. Consultative meetings
- v. Report preparation

2. Overview of the Methodology / Approach

This study adopted a mixed-methods approach, integrating both quantitative and qualitative research methods to comprehensively examine the impact of Uganda's tax policies on the second-hand goods trade, particularly clothes, shoes and bags. The approach was selected to provide a well-rounded understanding of the sector, blending statistical trends with lived experiences and stakeholder insights.

The methodology was grounded in participatory and evidence-based research principles, aimed at empowering traders and enhancing advocacy efforts for fairer taxation. The approach prioritised inclusivity, ensuring the voices of marginalised groups, including youth, women, PwDs, single mothers, elderly were captured. In line with the project's goals, the research also focused on generating practical policy recommendations to inform reform discussions with the Uganda Revenue Authority (URA), the Ministry of Finance, and other stakeholders.

2.1 Data Sources

The study relied on both primary and secondary data sources, categorised as follows:

2.1.1 Primary Data Sources

These were collected directly from the field through face-to-face interactions and included:

- i. Structured questionnaires administered to second-hand clothing, shoes, and bags traders across key urban markets.
- ii. Key Informant Interviews (KIIs) with policy makers and influencers, URA officials, KACITA representatives, customs brokers, and market leaders.
- iii. Focus Group Discussions (FGDs) with groups of traders disaggregated by business category and gender.
- iv. Direct observations of market activity, tax enforcement behaviour, and trade patterns.

2.1.2 Secondary Data Sources

These included reports, relevant literature, policies, laws, tax regulations, press releases, and official statistics on imports and trade that informed the design, contextual analysis, and interpretation of the findings.

2.2 Study Design

The research adopted a cross-sectional study design, collecting data at a single point in time across several districts. This design allowed for the capture of both current market realities and the perceived impact of tax policies on second-hand traders. It enabled comparisons across regions and business categories and provided a snapshot of the challenges, practices, and responses to taxation.

2.2.1 Objectives of the Study Design

- To understand the economic effects of taxation on second-hand traders.
- To document the lived experiences of traders across product lines.
- To generate disaggregated data (by gender, level of education, and trade scale).
- To inform policy recommendations with robust, field-based evidence.

2.3 Sampling Strategy

2.3.1 Sampling Framework

A purposive and stratified sampling strategy was used to select study participants. The strategy considered:

- Market size and economic importance.
- Volume of second-hand product trade.
- Level of URA enforcement presence.
- Representation across gender and goods categories.

2.3.2 Selection Criteria for Key Markets

The following key markets were selected for fieldwork due to their significance in Uganda's second-hand trade network:

a) Owino Market (St. Balikuddembe)-Kampala

- Uganda's largest second-hand goods market.
- Main source of wholesale and retail SHC nationwide.
- High trader density and tax enforcement activity.

b) Kagujje Shoe Center- Katwe-Kampala

- Central business area serving both locals and elites.

- Ideal for assessing mid-level urban consumer dynamics.

c) Kafumbe Mukasa Business Area (Discount mall) - Kampala

- Hub for wholesale transactions and importers.
- Traders here engage directly with clearing agents and customs.

d) Masaka Central Market

- Key urban market with growing SHC trade in Central Uganda.
- Includes many women and youth vendors.

e) Jinja Main Market

- Strategic location near the Kenya border; prone to smuggling dynamics.
- Access point for SHC entering through informal channels.

f) Busia and Malaba Markets

- These are border districts with customs points for imports and exports.

2.3.3 Sample Size and Distribution

A total of 332 respondents participated in the study. Data was collected using both structured and unstructured questionnaires, as well as through Focus Group Discussions (FGDs) and Key Informant Interviews (KIIs). Specifically, 287 individual respondents were engaged through questionnaires, 15 KIIs were conducted, and 3 FGDs, each comprising 10 participants were held in the target districts of Kampala, Jinja, Masaka, and Busia & Malaba borders.

Table 1: Summary of Study Participants

Summary of Study Participants by Method and Target Group		
Method	Target Group	Number of Respondents
KII		
	URA Officials	3
	Customs Agents	3
	KCCA Officials and Associated Leaders	6
	KACITA Officials	3
Sub Total		15
Questionnaires		
	Traders in Kampala Markets (Owino, Kagujje shoe center, Discount Mall)	87
	Traders in Jinja Markets	72
	Traders in Masaka Markets	72
	Busia & Malaba Boarder Traders	20
	SHGs consumers in Kampala, Jinja, and Masaka districts (12 participants in each)	36
Sub Total		287
FGDs	Kampala (1)	10
	Jinja (1)	10
	Masaka (1)	10
Sub Total		30
Total		332

Source: Primary Data, 2025

2.3.4 Inclusion and Exclusion Criteria

2.3.4.1 Inclusion Criteria

Participants were included in the study if they met any of the following conditions:

- Traders actively involved in the sale of second-hand clothes, shoes, or bags in selected markets (e.g., Owino, Kagujje shoe center, Discount Mall in Kampala; main markets in Jinja and Masaka; and at the Busia, and Malaba borders).
- SHGs consumers residing in Kampala, Jinja, or Masaka districts who regularly purchase second-hand items, particularly clothes, shoes, and bags.

- Officials from Uganda Revenue Authority (URA)
- Customs agents operating at key border points
- Kampala Capital City Authority (KCCA) officials and associations' leaders
- Leaders from KACITA (Kampala City Traders' Association)
- Individuals aged 18 years and above who were willing to provide informed consent.
- Participants who had lived or worked in the study area for at least 6 months prior to the study.

2.3.4.2 Exclusion Criteria

Participants were excluded from the study if they:

- Were below 18 years of age.
- Were not directly involved in the second-hand trade (as sellers, buyers, association representatives, consumers, or regulators), specifically, clothes, shoes, and bags.
- Declined to participate or did not provide informed consent.
- Were temporarily visiting the market or district and could not provide meaningful data.

2.4 Data Analysis Procedures

Quantitative data was coded and entered into Excel/SPSS for descriptive statistical analysis (percentages, frequency tables). Qualitative data from FGDs and KIIs was transcribed, thematically coded, and analyzed using content analysis techniques. Findings were triangulated to ensure validity and reliability, and field notes were cross-referenced with interview data.

2.5 Ethical Considerations

The study adhered to ethical standards and measures were taken to minimise potential harm, avoid deception, and respect cultural sensitivities throughout the data collection process. Below are the ethical standards exercised in the study:

Informed Consent: Informed consent ensured that participants voluntarily agreed to take part in the study after being adequately informed of its purpose, procedures, and benefits. Participants were allowed to opt out without consequences.

Confidentiality: This was ensured to protect participants' identities and personal information from unauthorised access or disclosure. Findings in the final research report have been presented in

aggregate form, ensuring that no specific trader or participant could be individually traced or identified from the data.

Data Protection: Data collected during the study from traders was protected against unauthorised access, misuse or breach. It was stored in password-protected systems, and physical records were kept in locked storage at GRC

. Data was only accessed by authorised research personnel and used strictly for the purpose of this project.

Impartiality: Maximum impartiality was exercised to ensure that the research process is free from bias or favouritism. The study ensured neutrality while engaging stakeholders. Discussions were facilitated in a non-partisan manner, and the research design allowed for diverse viewpoints to emerge without manipulation or predetermined outcomes.

Data Integrity: The research team utilised pre-designed data collection tools and employed trained field staff to collect and verify information from participants. Data was cross-validated during consultative meetings and further analysed for consistency before inclusion in the final report. This was to ensure the accuracy, consistency, and reliability of data collected and reported.

Gender Inclusion: This was critical to understanding the gendered impact of taxation, and informing advocacy aligned with Sustainable Development Goal 5 (gender equality) and youth economic empowerment. Special efforts were made to ensure representation of: Women traders, especially single mothers and widows, youth entrepreneurs aged 18-35 and vulnerable groups such as school dropouts, PwDs, and the elderly.

Table 2: Stakeholder Analysis

Stakeholder	Interest	Influence	Support/Opposition	Field Findings & Practical Observations	Recommended Engagement Strategy
Second-hand Clothing Traders	Fair taxation, business survival, protection from harassment/confiscation	High	Strongly supportive	Traders expressed fear of high taxes, limited profits, and harassment from URA officers. Many depend on second-hand business for livelihood.	Regular dialogue, tax education, advocacy training, and printed legal guides
KACITA (Kampala City Traders' Assoc.)	Policy reform, member protection, economic freedom	High	Supportive	Provided mobilization support. Acts as the umbrella voice of traders during consultative meetings.	Maintain partnership for broader outreach and policy advocacy
Uganda Revenue Authority (URA)	Revenue generation, regulatory compliance	Very High	Mixed	Field officers acknowledged gaps in communication and overzealous enforcement. Some admitted to unclear tax policies.	High-level policy dialogue and co-development of simplified tax frameworks
Youth & Women in SHC Sector	Income generation, self-employment, survival	Medium	Highly supportive	Expressed vulnerability and fear of SHC ban	Empower through media visibility, gender-inclusive policy proposals
Customs Agents and Brokers	Facilitation of trade, reduced complexity in clearance processes	Medium	Supportive but cautious	Complained about inconsistent clearance fees and confusion on bale classifications.	Engage in training and standardized cost/weight interpretation guidelines
Consumers (Low-income buyers)	Access to affordable clothing	Low	Indirectly supportive	Concerned about rising prices; unaware that taxes impact product pricing.	Sensitize via public messages linking SHC prices to taxation
Border Agents & URA Enforcement	Interception of illegal goods, enforcement of trade policies	High	Mixed	Some field officers admitted to pressure to meet revenue targets, while others showed empathy toward traders.	Advocate for clear guidelines, capacity-building on ethical enforcement practices

3. Overview of Second-Hand Goods Trade in Uganda

Secondhand clothes, locally known as “*Mivumba*”, shoes, and bags are largely imported from Europe, North America, and Asia. Major entry points include Mombasa Port in Kenya, then cleared at Busia and Malaba borders, and taxed at Uganda’s customs points. Major markets in Uganda include St Balikuddembe-Owino (Kampala), Jinja and Masaka markets. In 2023, Uganda’s imports of used clothing totalled \$95.9 million, surpassing the \$79.1 million for new clothing imports (EPRC, 2025), highlighting the growing reliance on second-hand garments.

This trade, however, is closely linked to global fashion waste where many developed economies their used products to developing countries, Uganda inclusive. Approximately, half of clothing items are left unused, with a large quantity discarded after brief periods of use, leading to significant environmental issues such as water pollution, soil contamination, and carbon emissions (EU, 2024; ODI Global, 2022). In parallel, ILO (2022) asserts that textile production contributes 20% of global clean water pollution from dyeing and treated products. Unfortunately, the fashion industry contributes 10 % of global carbon emissions, exacerbating global warming and posing a significant challenge to sustainable energy goals (EU, 2020). This substantial carbon footprint underscores the urgent need for sustainable practices in the fashion industry, aligning with the UN (2015) Sustainable Development Goals (SDGs), particularly SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action).

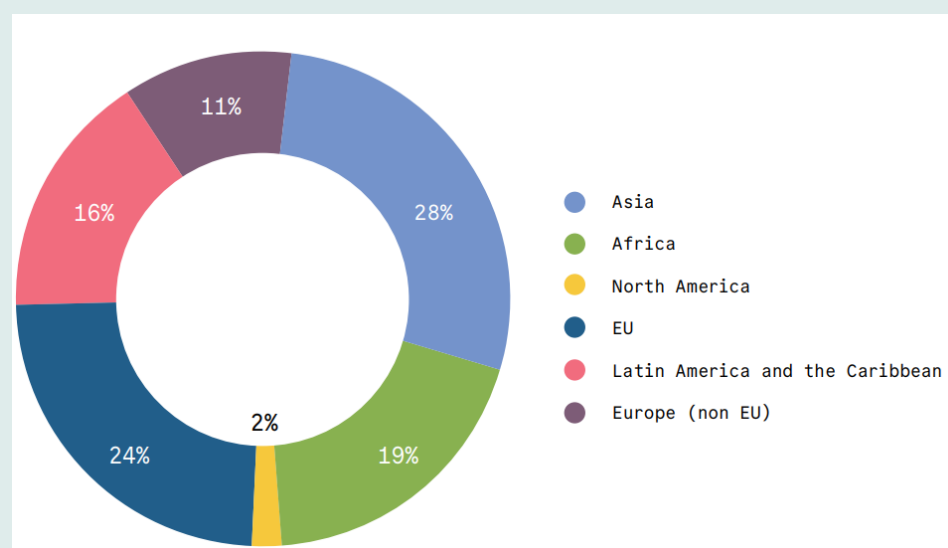
To address the fashion waste crisis and reduce carbon emissions, global society has increasingly focused on clothing waste disposal and circular economy principles. This is done by extending the lifecycle of clothing items, contributing to resource conservation and energy efficiency in the textile sector. Developed countries export discarded clothing as secondhand goods to developing countries, helping to mitigate disposal-related carbon emissions. The secondhand clothing market offers affordable options to low-income populations, creates employment opportunities, and stimulates local economic development. Countries like Uganda, Kenya, and Tanzania have imposed high import taxes on secondhand clothing (Liu et al., 2025). Traditionally viewed as a symbol of poverty and inequality, secondhand clothing is being redefined by a new generation of consumers. The sharing economy and sustainable development practices have increased global acceptance of secondhand clothing, with the market expected to reach \$350 billion by 2028 (Wang

et al., 2025). Agreeing that new clothes whether imported or produced locally, are of great value, secondhand clothes and other goods remain an inevitable supply particularly due to the affordability, income generation, and sustainability.

3.1 Global and Regional Comparisons

Globally, the SHGs trade, especially clothes, shoes and bags, has gained momentum due to rising environmental consciousness and growing demand for sustainable fashion. High-income countries such as China, the USA, and Canada dominate as exporters, while low, and middle-income countries, particularly in Africa and parts of Asia, are the major importers. The data from UN Comtrade (2021) indicates that Africa imports 19 % of all used clothing globally by value, making it the third-largest regional destination after Asia (28 %) and European Union Member States (24%), as reflected in the figure below.

Figure 1: Regional Share of Total Imports of Second-Hand Clothing by Value, 2021



Source: UNECE, and ECLAC (2024)⁴

Within Sub-Saharan Africa, SHGs trade plays a critical socio-economic role, particularly in countries like Uganda. The goods are not only affordable to low-income populations, but also form the backbone of a vast informal economy. The East African Community accounts for 12.5% of global imports of second-hand clothing, and Uganda ranks as the fifth largest importer in Africa,

⁴ https://unece.org/sites/default/files/2024-12/ECE_TRADE_484E.pdf

accounting for 6.3% of the continent's total SHC imports (WasteAid UK et al., 2025). In another study, ILO (2020) report highlights that about 85% of employment in Sub-Saharan Africa where Uganda is situated, is classified as informal, and the SHGs trade is a key contributor to this employment landscape.

3.2 Regulations Impacting Second-Hand Trade in Africa

The second-hand trade is majorly regulated by the levy of high tariffs and, in some instances, surtaxes, import permits, among other charges. Nonetheless, this has not stopped the trade, as even with the imposition of high taxes, second-hand goods remain the most affordable option for ordinary people, despite the financial strain.

In East Africa, the East African Community Customs Management Act (EACCMA), 2004 is among the regulatory frameworks that governs SHGs trade in the region. However, second-hand underwear were banned. The East African Member States agreed in 2016 to a three-year phased approach to ban the second-hand clothing trade by 2019 (Katende, 2017). Nevertheless, this has not yet been fully effected in countries like Kenya, Uganda, and Tanzania since a large proportion of the population relies on this informal income-generating business.

In 2024, Uganda's President, H.E Yoweri Kaguta Museveni, reaffirmed his commitment to the ban as a means to grow the domestic textile subsector (EPRC, 2024b). However, it has been delayed due to local trader opposition and US diplomatic pressure. Conversely, Rwanda implemented the ban in 2016, as part of a broader push to revive its domestic textile industry and promote the "Made in Rwanda" initiative. The response by MINICOM (2017) on Rwanda's eligibility on benefits under Agoa, the Ministry raised import tariffs on used clothing from just USD 0.20/kg to USD 2.50/kg (more than 1000% increase), and USD 5.00/kg for worn shoes, which was effectively an indirect ban, since the added cost made imported second-hand clothes and shoes unaffordable for most traders.

Across most Southern African countries, especially members of SADC (Southern African Development Community), all used or second-hand goods (including clothing, shoes, and bags) are classified as "restricted imports." SADC is a regional bloc of 16 countries that aims to promote economic integration and development. While SADC itself does not issue unified import regulations, it promotes harmonization of trade standards among Member States. Second-hand

clothing and related goods (like shoes and bags) are commonly subject to: Import controls to protect domestic textile industries, public health and safety checks and environmental regulations related to textile waste. Each Member State regulates second-hand goods individually, often requiring import permits, quality inspection, and high import duties to discourage overreliance on used imports. However, there is Southern African Customs Union (SACU), a customs union of five countries including South Africa, Botswana, Namibia, Lesotho, and Eswatini (formerly Swaziland) with established regulations (UNCTD, 2005). All SHGs are classified as restricted across SACU, and importation of second-hand clothes, shoes, and bags requires a permit issued by the International Trade Administration Commission (ITAC), even when traded within the SACU region. In South Africa, Second-hand clothes were banned by SARS (2025), but still, the trade thrives to some extent due to some reasons, such as donated clothes that find their way into the commercial market and porous borders that facilitate smuggling (Fourie et al., 2024).

While the Economic Community of West African States (ECOWAS) has not explicitly banned the importation of used clothing, shoes, and bags, several Member States within the bloc have implemented measures to restrict or prohibit these imports in an effort to promote and protect local industries (Tralac, 2022). The regulation of second-hand trade varies by country, but most nations face the same tension: how to protect local industries and the environment without hurting livelihoods and affordability for the population. In 2023, the AfCFTA⁵ Council of Ministers agreed to exclude second-hand clothing under its duty-free trade rules, aiming to discourage imports and boost domestic industrialisation (AU, 2023). However, this is not a direct import ban; it only removes preferential tariff treatment under the trade agreement (ODI Global, 2022). For countries like Ghana, laws on the ban exist, but are not rigorously enforced. In Ghana, 40-60% of imported unsellable secondhand clothes end up as waste to be sent to landfills, polluting waterways (Ogunmefun, 2024). In Nigeria, there is currently no total ban on second-hand clothing, but the government has previously imposed such a ban and has expressed intentions to reintroduce it (Ogbonnaya Emeka Daniel et al., 2017). Despite these efforts, the trade continues to operate informally in many markets across the country (Agbondinmwin, 2024).

⁵ *It is a free trade area that includes most African Union member states, aiming to establish a single market for goods and services across the continent.*

3.3 The Current Taxation Framework for Second-Hand Goods Trade in Uganda

Section 34 of the EACCMA (East African Community Customs Management Act, 2004), which Uganda assented to as part of its obligations under the East African Community treaty, requires the importer to: Make due entry on a Customs declaration, provide such information as required and answer all questions relating to the imported goods.

The Act entails articles to enable the Customs officer to determine the actual value of the imported goods, including all particulars of the transaction value or of any commissions, discounts, cost of containers, packing, assists, royalties, freight, insurance, and other relevant charges. It specifies that duty must be levied on the declared transaction value as documented on the invoice, inclusive of additional costs, but not per kilogram or by weight.

The EAC Customs Valuation Manual (2010) was subsequently issued to harmonise the interpretation of the EACCMA, clearly stipulating that customs valuation must follow the transaction value method (based on invoices). For example, it provides that “Transaction value is the price actually paid or payable for the goods when sold for export to the country of importation.” This manual sets out guidelines on operationalisation of the EAC customs valuation provisions as set out in the EACCMA and application of the six methods of determining the customs value. These provisions affirm invoice-based valuation, aligning with international standards. This aligns with the World Trade Organisation (Agreement on Customs Valuation, 2019), which EAC members, including Uganda, are bound to follow. The EAC’s primary valuation method is transaction value (based on commercial invoices), with specific reference to Article 1 and 8 of the WTO Agreement on Customs Valuation. This explicitly rejects weight-based taxation per kilogram for ad-valorem duties, such mechanisms must instead apply to non-value-based excise or health-related charges, and not customs valuation. However, URA applies a specific duty per kilogram on used clothing, footwear, and bags rather than using the invoice value as mandated by the EACCMA. Uganda has not yet fully adhered to EAC standards for customs valuation regarding second-hand imports.

URA (2024) report indicates that KACITA, URA, and Ministry of Finance reached a consensus on harmonization of customs valuation. Following protests by traders dealing in used items, a meeting was convened to address matters of high taxes on secondhand items such as clothes, shoes,

handbags, e.t.c. It was agreed to ban taxation per kilogram with URA promising to switch to invoice value taxation, but no official date was communicated for this to be effected. The meeting resolved that URA rolls the charges back, i.e. taxes on used clothes. URA revised charges per kilogram are as follows:

The Common External Tariff (CET)⁶:

- Used clothes: USD 0.89/kg down from USD 1.17/kg
- Used shoes: USD 1.41/kg (previously USD 1.37/kg)
- Used bags: around USD 2.34/kg (up from USD 2.27/kg)

These charges are added on top of the ad-valorem and other percentage-based levies, creating a higher overall cost per shipment. This stacking can push the effective tax between ~45-55% of customs value, as reflected in table 3 below.

Table 3: Import Tax Rates

Import Tax Rates		
Tax Type	Rate	Applies To
Import Duty (Ad-valorem)	35%	Customs (invoice) value
VAT duty	18%	Customs value + import duty
Withholding Tax	6%	Customs (invoice) value
Infrastructure Levy	1.5%	Customs (invoice) value
Environmental Levy	10%	Used clothing imports
Specific Duty	\$0.89/kg clothes, \$1.41/kg shoes, \$2.34/kg bags.	Second-hand imports
Any additional surcharges	This stacking can push the effective tax between ~45–55% of customs value.	Second-hand imports

Source: URA website, 2025

⁶ The Common External Tariff (CET) is a uniform tariff rate applied by all member countries of a customs union, such as the East African Community (EAC), on goods imported from outside the region.

Table 4: Taxes Levied from Traders

S/N	Tax/Levy	Applicable To	Collected By
1	Presumptive/Income Tax	All traders (based on business size)	URA
2	VAT	Traders with turnover > UGX 150m	URA
3	Local Service Tax	Individuals operating businesses	KCCA / Municipality
4	Trading License	All business operators	KCCA / Municipality
5	Market Dues	Traders in public markets	KCCA/Market Management

Source: Primary Data, 2025

Notably, traders lamented that in addition to the taxes mentioned above, they are also burdened with other charges such as a monthly garbage collection fee. Further, those who own vehicles are required to pay parking fees of approximately UGX 100,000 (approximately USD 30) per month. Traders must obtain an annual trading license from KCCA or respective municipal authorities, with fees determined by business size and location. In addition, daily or monthly market dues are charged for those operating in markets like Owino. Many traders pay multiple overlapping fees, for trading licenses, market dues, and rent, which cumulatively increase operational costs. Thus, operating a business in urban settings is costly, and without careful financial planning, a trader may work for years without making profits.

3.4 Second-Hand Goods Revenue Contribution to Uganda's Economy

A research report by EPRC (2024b) indicates that Uganda's imports of worn apparel were valued at USD 95.9 million in 2023, constituting 82 percent of HS⁷ Code 6309-which includes worn clothing and accessories, blankets, traveling rugs, household linen, and related items (including footwear), amounted to USD 116.7 million. The report highlights that SHC import duties generated tax revenue worth USD 87 million in FY2022/23.

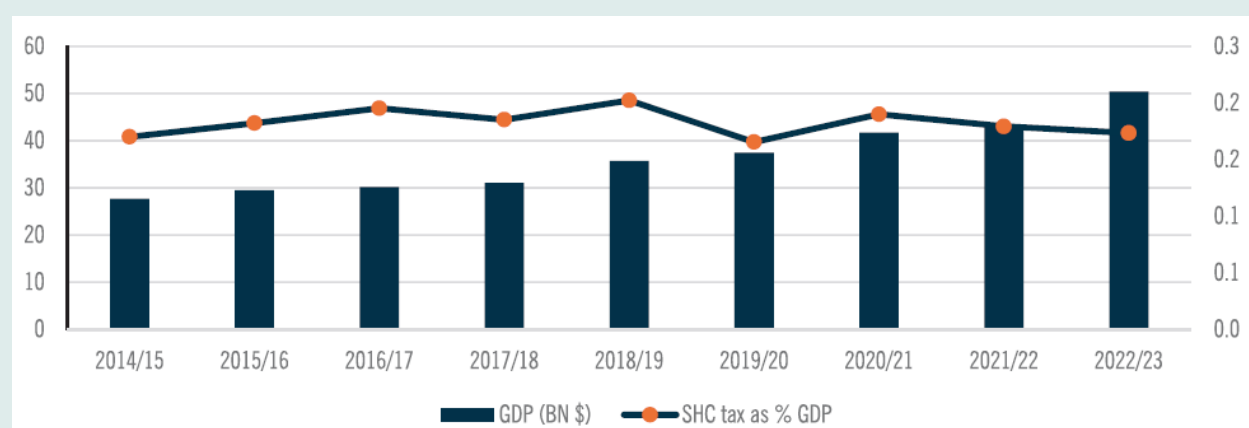
Uganda's economy has thrived on second-hand trade for decades. For instance, Uganda's imports of second-hand clothes grew by 43 percent, from USD 61 million to USD 106 million between 2013 and 2022 as reflected by the report by EPRC (2024b), a clear indication that demand for the

⁷ The Harmonized System (HS) code is a standardized, internationally recognized classification system used to categorize traded products for customs and other trade-related purposes. It is essential for determining applicable tariffs, taxes, and import regulations, ensuring smooth and consistent customs procedures worldwide.

same is still expanding. The value of second-hand imports in Uganda implies that the trade contributes more significantly to Uganda's economy than first-hand clothing by serving the majority population, generating higher tax revenues, supporting informal employment, and advancing sustainability. Given these facts, any regulation or policy shift should carefully weigh the economic and social costs of suffocating this vital sector.

However, not all the materials imported are consumed locally. Uganda re-exports used clothes in the region to DRC, Kenya, South Sudan, Rwanda, among other countries (IGC, 2022).

Figure 2: SHC Tax Revenue Contribution to Uganda's GDP (2014/15 - 2022/23)



Data Source: EPRC (2024), UBOS (2024)

From figure 2 above, although Uganda's GDP has grown significantly, from USD 27.7 billion in FY2014/15 to USD 50.4 billion in FY2022/23, the share of tax revenue from Second-Hand Clothing (SHC) trade has remained fairly constant, contributing between 0.16% and 0.20% of GDP. Since the government increased taxes on second-hand goods such as clothing in the post-COVID-19 period, it would be anticipated that a corresponding rise in revenue collections. However, the actual revenue generated has not matched the increased tax rates. **Therefore, given that SHC (Second-Hand Clothing) tax revenue has remained constant despite tax increases, it implies two key issues where the government is losing:**

- i) **Reduced Import Volumes or Increased Evasion:** Higher taxes may have discouraged importers, leading to a decline in SHC imports or a rise in smuggling and under-

declaration. This undermines revenue collection, as fewer goods are officially taxed despite higher rates.

- ii) Tax Policy Ineffectiveness: The stagnant contribution to GDP suggests that raising taxes alone is not translating into higher revenue. This points to loopholes in the tax policies or a shrinking formal SHC trade sector, meaning the government is missing out on potential gains from what should be a growing revenue stream.**

Table 5: Value Trend of Uganda's Second-Hand Clothing Imports, 2017-2023 (USD millions)

Item	HS	Year							
		2017	2018	2019	2020	2021	2022	2023	
Worn clothing (Ex-warehousing only)	63090010	28.6	69.4	79.3	67.5	84.4	89.7	94.9	
Other worn clothing and articles (Ex-warehousing only)	63090090	.294	.687	1.31	1.12	1.22	1.23	1.07	
Total		28.9	70.1	80.6	68.6	85.6	90.9	95.9	

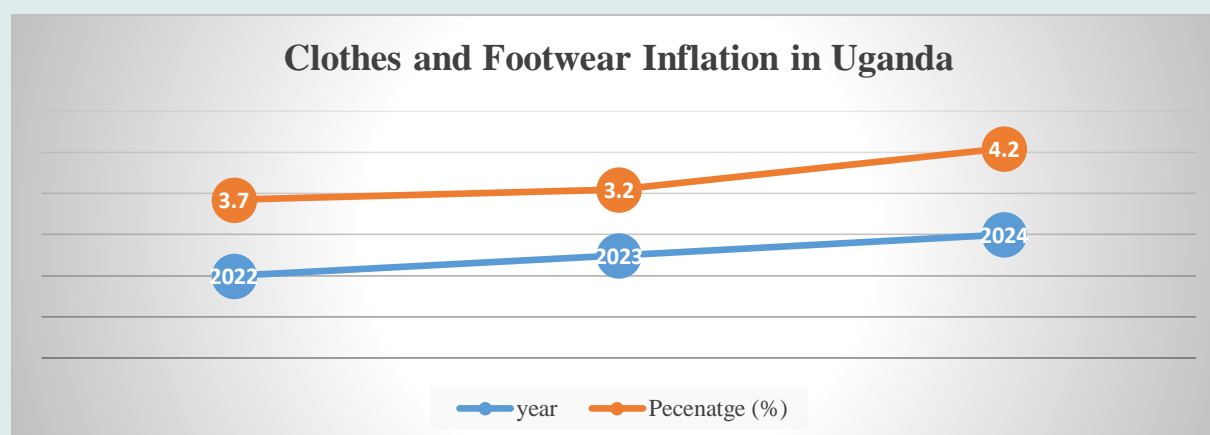
Data Source: TradeMap, 2024

The consistent rise in second-hand clothing imports in Uganda, from USD 28.9 million in 2017 to USD 95.9 million in 2023, clearly demonstrates a sustained and growing consumer dependence on used garments as illustrated in Table 5. Despite policy discussions around banning or limiting second-hand imports, the data reflects increasing demand, particularly among low- and middle-income earners who cannot afford new clothes. Even in 2020, during the COVID-19 pandemic, when trade disruptions affected global flows, second-hand clothing imports remained relatively high at USD 68.6 million, rebounding swiftly in the following years as reflected in the table. The upward trend highlights that second-hand clothing provides cost-effective options for the majority of Ugandans, especially amidst inflation and economic hardship.

3.5 Uganda's Consumer Price Index on Clothing and Footwear

The Consumer Price Index (CPI) is an economic indicator that measures changes in the average prices of goods and services consumed by households from one period to another. In Uganda, clothing and footwear are among the essential categories included in the CPI basket by UBOS (2024b) due to their essentiality to everyday consumer expenditure. The period from 2022 to 2024 reveals a shift in inflationary patterns, indicating broader economic and policy influences on consumer prices for clothes and footwear.

Figure 3: Clothing and Footwear Annual Inflation Trends, 2022-2024



Data Source: UBOS, 2024

Figure 3 above portrays that in 2022 (CPI Base year 2016/17=100), the inflation rate stood at 3.7%, slightly declining to 3.2% in 2023. However, a notable increase occurred in 2024, with the inflation rate rising to 4.2%. This upward shift in 2024 suggests a renewed pressure on consumer prices, potentially driven by increased taxation on second-hand imports, higher importation costs, or supply chain disruptions. The rising inflation implies that Ugandans are now spending more on clothing and footwear than in previous years, thereby straining household budgets, especially among low-income earners. This was backed by field responses as narrated below:

“Ever since they increased taxes on second-hand clothes, things have changed a lot. A bale we used to get at UGX 500,000 is now costing over UGX 700,000. Taxes are high, and transporters are also charging more. Customers complain about the prices, but we also can’t reduce because we are barely making profit.” Owino Market, Trader.

“Since President Museveni raised the idea of banning second-hand clothes, claiming they are worn by the dead, people’s attitude changed. They buy at low prices demeaning the traders, claiming after all they are for the dead, they have to be cheap, yet taxes are high and bales are costly.” Retailer for clothes, Jinja Market.

“Shoes that I used to sell at UGX 20,000 in 2022 now go for UGX 30,000 just to break even. Transport costs, taxes, and clearance fees keep going up. The profit margins have gone down while customer complaints have gone up.” Trader, Masaka Market.

3.6 Government Justification for the Current Taxation Policy and Protectionist Arguments

Uganda government's industrialisation roadmap, as reflected in Vision 2040, by NPA (2013) supports shifting from used to locally made clothes. However, the projection is likely to continue facing challenges as Uganda's textile sector is not yet competitive. It still depends on imported raw materials and has limited production capacity. Given Uganda's population of 45.9 million, the country continues to face a high poverty rate of 16.9%, further compounded by a 20.2% illiteracy rate among individuals aged 10 years and above (UBOS, 2024a). As a result, many Ugandans are inevitably drawn into the informal sector, such as the SHGs trade, as a means of survival and livelihood. Thus, banning the trade will increase unemployment, creating a ripple effect, including social unrest, increased inequality, and reduced economic growth. Similarly, as reflected in the National Human Resource Development Plan 2020/21- 2024/25 report by NPA (2023) that the share of youths who are Neither in Employment nor in Education or Training (NEET) stands at 4,001,528, that is 46.6% (UBOS, 2024), the number is likely to increase exponentially if the business environment remains unconducive for SHGs trade to thrive, a business which sustains many youth, consequently posing the country at stake. This is exacerbated by the government's inability to fully support all the youth even with initiatives such as the Youth Livelihood Program (YLP), Parish Development Model (PDM), Emyooga, among other wealth-creation support programmes. With more than 4 million youth not in employment nor education or training in Uganda, it exposes them to criminality such as theft, robbery and other undesirable social behaviour like prostitution/commercial sex work mainly for survival. They may also turn out to be violent or easily vulnerable to cases of money laundering to engage in acts of terrorism due to idleness. All these threaten the country's security and economic development.

During interaction with URA officials, it was argued that the high taxes protect Uganda's budding textile industry (such as Nytil and Southern Range Nyanza). KACITA (2021) report indicates that URA's taxation policy on secondhand goods such as textiles is deliberately protectionist, employing both ad-valorem (35%) and specific (\$5/kg) duties to nurture domestic textile capacity via an import-substitution approach. While this aligns with industrialization goals and earns support from manufacturers, it faces a strong pushback from importers and micro-businesses. Importers and small-scale traders argued the taxes are punitive, leading to inflation of costs, fuel

smuggling, and undermining value-added industries like tailoring, sofas, and wedding apparel, trades that don't produce the raw materials domestically. Many rely on imported fabrics for their trade, and these firms supply jobs to tens of thousands; thus, excessive taxes threaten livelihoods. Similarly, concerns were raised about EAC regulations being bypassed as taxes are levied per kilogram rather than per invoice, leading to trade distortions and increased smuggling.

During a Focus Group discussion, traders echoed that a 35% levy on used clothing was introduced under East African Community (EAC) tariff guidelines to favour local production. However, in 2020, URA added a \$5/kg specific tax (KACITA, 2021), which often results in importers paying 4-5 times more in duties compared to the standard ad-valorem rate. Some traders reported taxes increasing from UGX 70-80 million per container to UGX 400-900 million, which is a prohibitive charge.

A Shoe importer lamented that *“Due to the tax increase, import taxes have multiplied. For example, a 20-foot container that used to be cleared at about 30 to 40 million Uganda shillings now incurs a fluctuating tax of between 300 - 400 million shillings. As a result, many importers have abandoned their goods, appearing unwilling to clear them.”*

3.7 Quality Standards for Second-Hand Goods Imports in Uganda

Uganda controls the importation of second-hand goods such as clothes, shoes, and bags through the (Schedule of Compulsory Uganda Standards, 2023) regulation by UNBS, primarily under the standards US EAS⁸ 356:2019 (for textiles) and US EAS 386:2020 (for footwear), which are adapted from East African Community (EAC) standards. These standards require all second-hand imports to undergo Pre-Export Verification of Conformity (PVoC) and present a Certificate of Conformity (CoC), along with a mandatory fumigation certificate to ensure hygiene and safety. Uganda's framework aligns with the international standard ISO 20245:2017, which outlines requirements for the cross-border trade of second-hand goods, ensuring consumer protection,

⁸ Refers to Uganda Standards that are based on or identical to existing East African Standards (EAS). These standards are developed by the East African Standards Committee (EASC) and adopted by the Uganda National Bureau of Standards (UNBS). The “US” prefix indicates that it is a Uganda Standard, while “EAS” signifies its origin as an East African Standard.

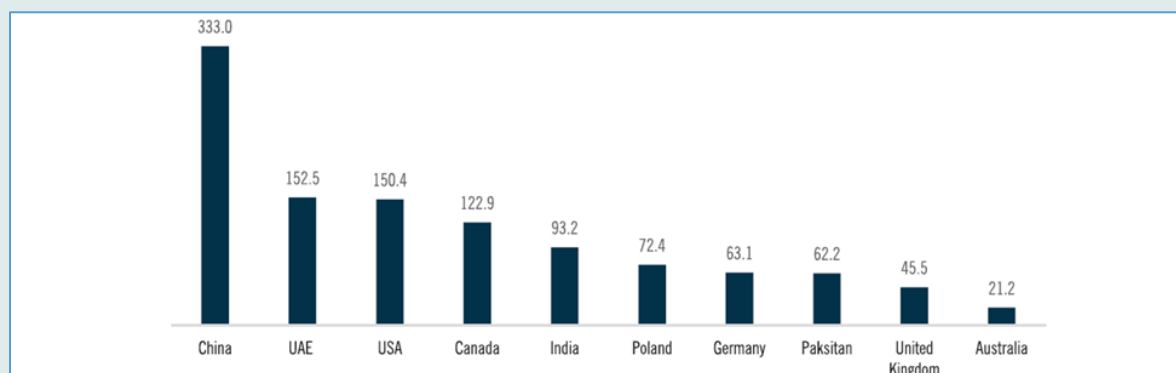
environmental safety, and product quality. Further, the standard outlines procedures for decontaminating used garments to prevent the transmission of harmful pathogens and stipulates that any chemical agents applied during treatment must degrade before the items reach end users, minimising potential risks to human skin. Additionally, the standard mandates that exporters provide clear labelling on the contents and quality grading of each bale. In essence, second-hand clothes must meet certain thresholds of usability and cleanliness; they must be suitable for wear, not in poor or damaged condition. Nonetheless, insights from key informants indicate that enforcement of this standard remains weak, which has likely contributed to the widespread entry of substandard or unusable second-hand goods into the Ugandan market. Field interactions yielded the following responses on the matter:

“Most of the second-hand goods, such as clothes, enter through border points that are not adequately staffed or equipped for thorough inspections. We often rely on declarations from importers, and rarely do we open bales to verify the condition or chemical treatment of the garments.” Customs Officer.

“Although the standard exists on paper, enforcement has been a challenge due to limited resources and coordination with other border control agencies. Many of the clothes imported are not properly labelled or treated, but they still find their way into local markets.” Importer.

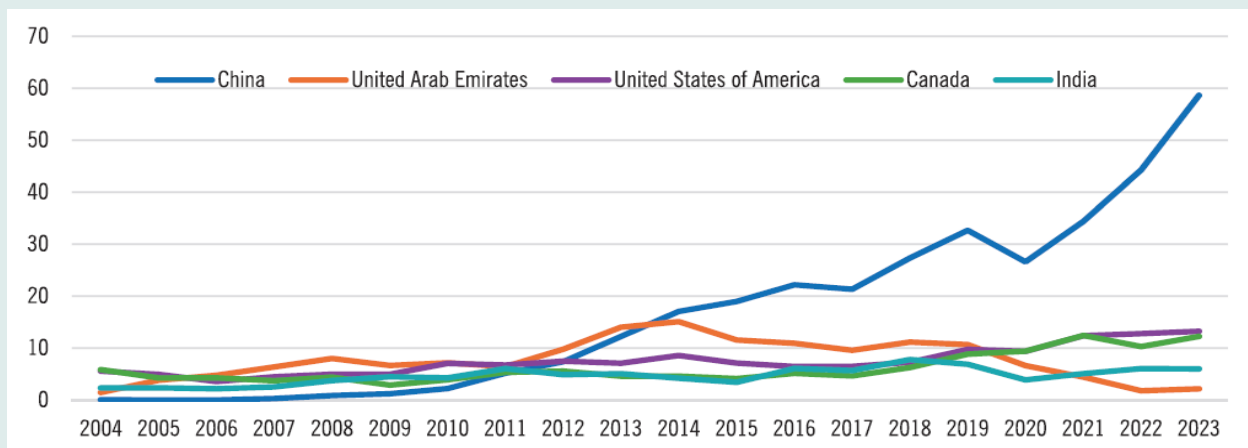
“Sometimes we receive bales that are full of torn or stained clothes. We don't know if they were disinfected or not. The people who sell to us just say ‘grade A’ or ‘grade B,’ but there’s no real inspection, and we just accept what we get.” Market Vendor.

Figure 4: The Top 10 Exporters of SHC to Uganda Between 2004 and 2024 (USD Millions)



Data Source: TradeMap (2024), EPRC (2024)

Figure 5: Trends in SHC Exports to Uganda, 2004-2023 (million USD)



Data Source: Trademap, 2024

From figure 4 above, during the period, 2004 and 2024, China exported the majority of the SHC, amounting to USD 333 million, followed by the United Arab Emirates (USD 152 million) and the USA (USD 150 million). China has dominated SHC exports to Uganda with the value increasing drastically in the post Covid-19 (2021 to date). With UAE and USA exports, their trends are slightly incremental as shown in figure 5.

Why China Dominates:

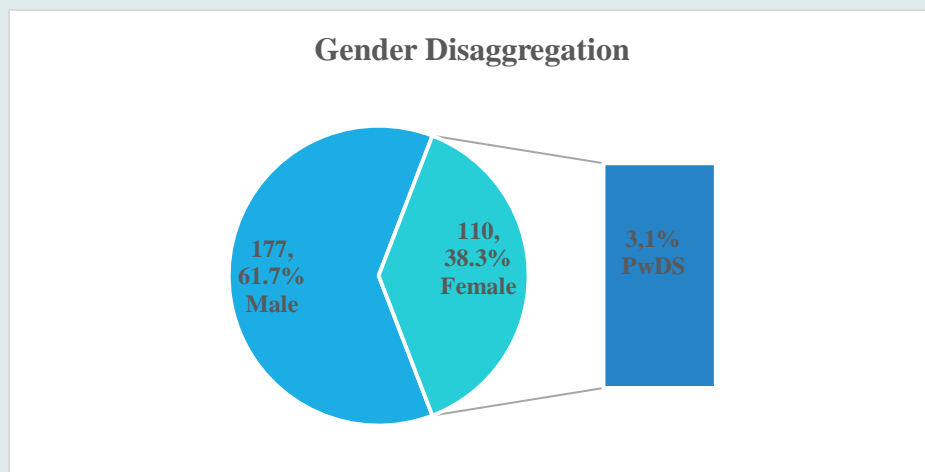
China's dominance in the SHC trade is due to several factors:

- i. It is a global leader in textile and garment manufacturing, producing massive volumes of clothing for both domestic and international markets (Guan et al., 2019).
- ii. It is also a significant consumer market, generating around 20 million tons of waste textiles annually (Xu et al., 2022).
- iii. China's fast growing fashion industry, characterized by the rapid and low-cost production of trendy clothing, shoes, and bags fuels the continuous turnover and disposal of reusable items, feeding into the SHGs export pipeline (Chu, 2020).
- iv. It has established processing hubs to handle SHGs sourced from countries like the USA and Canada (Siddhartha et al., 2021).

4. Field Findings

4.1 Proportion of Economic Inclusion in the Market

Figure 6: Gender Disaggregation



From figure 6 above, out of 287 traders dealing in second-hand clothes, shoes and bags who were individually interviewed, the majority were male (177, 61.7%), whereas the females were 110 (38.3%). Among the females, there were single mothers, and widows who explained to Gateway Research Centre (GRC) about how treasurable their business of dealing in second-hand goods is but also highlighted their challenges. On whether they were aware that the government plans to totally ban importation of second-hand goods, including clothes, they exhibited knowledge of the development and expressed fear in case it is implemented. They were worried about which other businesses they will opt for, yet, they are used to these, which they understand and earn them a living to support their families, pay school fees, build houses, as well as pursue other developmental initiatives. Respondents decried of high and exorbitant taxes they have to pay at different levels of operation. Thus, some adopt immoral and risky approaches, such as prostitution, to sustain their businesses.

“I sell shoes on the streets, but KCCA authorities and market leaders connive to confiscate our goods, yet the local market leadership charges some fee to grant us permission to operate from where we work.” A widow narrated during an FGD at Owino Market.

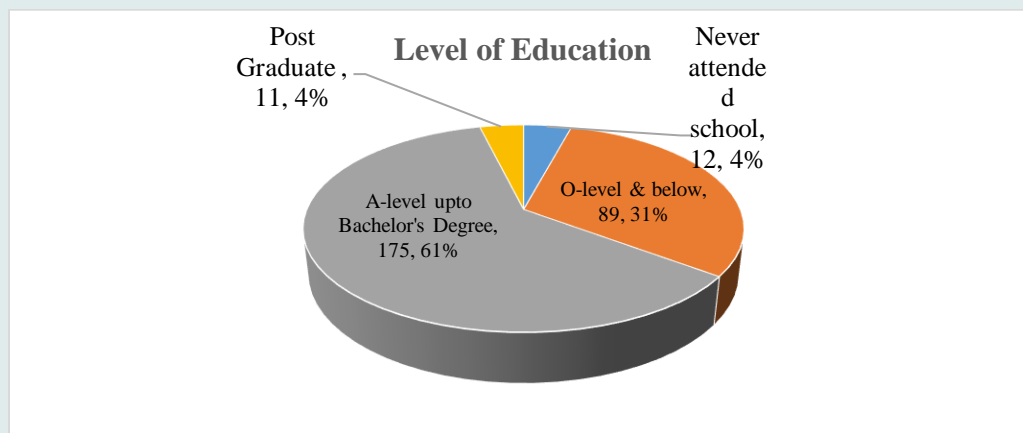
“We know that traders pay tax when importing bales, but again URA and KCCA come to us who sell on retail basis and demand us to pay tax and exhibit compliance with EFRIS. Failure to comply leads to closure and frequent disturbance from authorities.” A bag seller complained.

A single mother shockingly revealed that, *“At night, I am forced to practice prostitution, I don’t do it because I love it, but to get more capital for my second-hand clothes business. Rent is high, taxes are high, profits are very low, and life is expensive; the business is no longer profitable unless you find alternative ways to survive.”*

“In case the government is to ban second-hand goods, it should first provide a solution to the multitude of people who will be affected.” Najma, name not real, a shoes trader advised.

Further, the second-hand goods trade includes People with Disabilities (PwDs), highlighting its inclusive nature and role in promoting social and economic empowerment for marginalised groups. The presence of PwDs in this business underscores the sector’s accessibility and adaptability to individuals often excluded from formal employment due to physical or societal barriers. Therefore, maintaining the freedom of second-hand goods trade, while regulating and improving standards, presents a more pragmatic, inclusive, and development-sensitive approach than outright prohibition. Any reform must be informed by grassroots realities and offer transitional support for those whose livelihoods are at stake.

Figure 7: Level of Education



From figure 7 above, the majority of the second-hand goods traders are educated, at least having attained school, i.e. 95.8% (275) out of 287 individuals. Over two decades ago, it was believed that second-hand business, which is characterised by operating in open markets, malls or streets,

was for the less educated or illiterate. However, due to the rampant unemployment rate in Uganda, this business does not currently segregate, as it has absorbed individuals with master's degrees, bachelor's and diploma holders. During interaction with some of the educated traders, they emphasised that they are inspired to do the business due to a ready market, and don't yearn to look for jobs. It was argued that second-hand business is a viable one, but mainly, the government policies, such as a proposed total ban and heavy taxes, thwart its smooth operation, eroding the hopes of the traders who look at it as a livelihood and a life-changing venture. The educated traders expressed fear of returning to the streets to search for jobs if the business they are well-versed in is banned, and showed anxiety over possibly withdrawing from the trade if the high tax burden persists. The following field testimonies reflect the arguments.

"I studied up to master's level, but second-hand trading has been more rewarding than my previous jobs. It's not a business for the desperate, it's a smart move for anyone who wants to survive in this economy." Mr. Okumu (Not real), a shoe trader in Busia, bragged.

"The taxes are unbearable, yet we don't get the support that formal businesses receive. If the government wants to kill this sector, let it say it openly. We are not criminals; we are educated people working hard to earn a living." Name anonymous, a bag wholesaler in Masaka.

"I hold a bachelor's degree in business administration, but after years of failed job applications, I turned to second-hand clothes. This business is what feeds my family and pays my rent. I no longer chase office jobs. I found purpose here." Male trader, Owino Market

The uneducated constituted 4% (12) traders individually interviewed. School dropouts at the secondary level (O-level) were 89 traders (31%). Thus, a business that accommodates both the literate and illiterate stands as a vital economic pillar in Uganda, warranting careful consideration of the voices of the many who would be affected by unfavourable policy reforms. The findings suggest that the sector has significantly contributed to reducing unemployment, a persistent challenge that cuts across all demographic groups, including the educated, uneducated, women, men, youth, and PwDs. Moreover, it is evident that this sector has become a strategic livelihood choice, not a last resort. The business has evolved into a reliable economic alternative in Uganda's strained job market, absorbing both skilled and unskilled individuals who would otherwise remain unemployed or underemployed. Consequently, banning such an inclusive and accessible sector

runs contrary to Uganda’s development agenda of promoting employment, self-reliance, and inclusive economic growth as stipulated in the National Development Plan IV (NDP IV) - 2025/26 to 2029/30. This will also derail efforts toward achieving Vision 2040 and the SDG Goal 8 (decent work and economic growth).

Table 6: Age Composition

Demographic	Composition	Percentage
Youth (18-35)	212	73.9
Adults (35-64)	65	22.6
Elderly (65 and above)	10	3.5
Total	287	100.0

Source: Primary Data, 2025

The demographic data in Table 6 above shows that of the 287 individual second-hand goods traders interviewed, 73.9% (212) were youth (18-35 years), 22.6% (65) were middle-age adults (35-64 years), and 3.5% (10) were elderly (65+ years). These findings underscore that the SHGs trade is overwhelmingly dominated by the youth, Uganda’s most economically active and vulnerable group. UBOS’ National Population and Housing Census 2024 report indicates that unemployment rate in the country stood at 12.3% with a higher share among females, 14.2% (UBOS, 2024a). In light of this, the empirical findings presented in the table demonstrate that the second-hand sector has become a vital lifeline for young people who might otherwise remain idle, resort to drug abuse, engage in crime, or cause political unrest that may undermine national security and development. It is imperative for SHGs trade to be recognised as a strategic youth employment sector and protected from policies that threaten its existence. It is inappropriate for the government to sabotage a business that absorbs thousands of young people by increasing taxes and banning it. This is reflected by field responses from the youth.

“They talk of youth employment in speeches, but now they want to remove the very thing keeping us employed.” A 24-year-old male youth at Kagujje Shoe Center, Kampala.

“This business taught me responsibility. I’ve been able to build a small house for my mother and pay school fees for my siblings. If they ban it, I have nothing to fall back on.” Female trader, aged 25, Jinja.

Thus, the SHGs sector is not only inclusive but also youth-driven and future-focused. Any reform efforts by the government and tax authorities must be consultative, inclusive, and evidence-based, respecting the voices of the youth who have made this trade their foundation for a dignified livelihood.

Table 7: Second-Hand Goods Traders Representation

Second-hand Goods Traders Representation		
Trade	Number	Percentage (%)
Clothes	196	68.3
Shoes	55	19.2
Bags	36	12.5
Total	287	100.0

Source: Primary Data, 2025

Table 7 above shows the distribution of second-hand goods traders by trade type: clothes (68.3%), shoes (19.2%), and bags (12.5%), based on a total of 287 individual respondents. The findings illustrate the diversity and specialization within the second-hand trade, reflecting a vibrant micro-economy that supports thousands of livelihoods across regions. However, given that out of 45.9 million Ugandans, 16.9% live below the absolute poverty line as indicated by UBOS (2024a) census report, it implies that they can hardly afford first-hand goods and the best option is second-hand goods. This makes SHGs business the best viable in an economy like that of Uganda where a significant population is poor or middle income. It means, the goods have a market without placing undue financial strain on consumers. Nonetheless, policy decisions should preserve and support this sector but not dismantle it. Reforms, if necessary, should aim to regulate, formalize, and enhance its potential.

“Generally, Ugandans are poor, they can mainly afford secondhand goods.” A consumer of Second-hand clothes narrated.

“I sell second-hand shoes, and they are not expensive, but you can sit from morning to evening without customers. To rescue the situation, I usually rely on hawkers (locally known as “Abayiribi”⁹) or street vendors who take shoes from me and sell them in different locations. After

⁹ Abayiribi is a word in Luganda language that explains traders who do not have shops or formal businesses of their own. They only stand besides shops or on streets looking for customers. In case they find a customer, they look for the goods they want and sell them at a relatively higher price for a commission.

selling, they return the agreed amount and keep any extra profit. This arrangement helps sustain the business instead of passively waiting for customers in the shop all day.” Nnaalongo, a shoe retailer in St Balikuddembe market.

Table 8: Traders’ Perceptions on Taxation and Fairness

Issue	Proportional Count	%(of 287)
Taxes are the biggest barrier to business survival	105	36.6%
URA officers collude with clearing agents to inflate charges	76	26.5%
Graduated taxation based on invoice is fairer	106	36.9%
Total	287	100%

Source: Primary Data, 2025

The findings in Table 8 above highlight significant concerns among traders that reflect barriers to the free and fair operation of SHGs trade in Uganda. Out of a proportionally scaled total of 287 responses:

36.6% of traders reported that taxes are the biggest barrier to their business survival. This indicates that current tax policies are perceived as punitive, threatening not just profitability but the very existence of SHGs businesses. Such a perception undermines the notion of economic freedom in trade, especially for low-income earners who dominate the sector.

26.5% of traders believed that Uganda Revenue Authority (URA) officers collude with clearing agents to inflate charges. This suggests a lack of transparency and fairness in tax administration, two critical components of a free and competitive market environment. These allegations point to systemic issues that limit traders’ ability to operate independently and confidently.

36.9% of respondents advocated for a graduated taxation system based on invoice value, reflecting a demand for fairness and proportionality. This further underscores that traders are not necessarily resistant to taxation, but are calling for a more equitable and predictable system, one that aligns with the principles of free and fair trade.

4.2 Compliance Levels among SHGs Traders

Compliance with tax laws and regulations is a crucial indicator of fiscal governance and economic formality. In the context of Uganda’s second-hand goods sector, particularly clothing, shoes, and bags, compliance is both a challenge and a reflection of broader systemic gaps in tax administration, awareness, and trader capacity.

4.2.1 Awareness of Tax Obligations

Data collected from 287 individual traders revealed mixed levels of tax compliance influenced by awareness, affordability, and enforcement behaviour. Field responses revealed the following:

- i. 85% of traders did not know how their tax was calculated.
- ii. Only 11% had ever attended a URA sensitisation session.
- iii. 4% rely on market gossip or intermediaries (clearing agents, brokers) to understand tax rates and obligations.

4.2.2 Factors Affecting Compliance

a) Cost and Affordability

- Many SHGs traders operate on narrow profit margins; the current tax model consumes up to 40-50% of projected income per bale.
- Cost-induced evasion is prevalent, especially among smaller traders.

URA field officers highlighted that the authority acknowledged the high evasion rate but attributes it largely to a lack of formalization and the fragmented nature of the SHGs market. However, they emphasized that reforms are underway to simplify and reduce compliance burdens for micro-traders.

A customs officer noted that valuation inconsistencies often arise because traders present vague or altered invoices. They argued that such challenges are compounded by an overreliance on brokers who misrepresent actual costs to both traders and URA.

b) Limited Awareness

- Limited access to tax education materials and URA support.
- Traders often rely on second-hand knowledge from brokers or peers.

Traders' Perspective: *"Most traders rely on intermediaries, brokers or clearing agents for updates on tax rates, which are often misrepresented or misunderstood."* An importer of SHC claimed.

URA Feedback: URA communication officers admit that resource limitations have hindered broad-based sensitisation. However, they cite efforts such as the Mobile Tax Clinics, regional expos or barazas, and partnerships with traders' associations to improve outreach.

KACITA's Input: KACITA stresses the need for localised, language-appropriate tax education targeting specific markets. They propose collaboration with local councils and market leaders to ensure knowledge reaches grassroots traders.

c) Perceived Corruption and Inequity

- Traders perceive URA enforcement as arbitrary and prone to bribery.
- Some believe that larger traders or politically connected individuals are treated more leniently.

Traders' Voices: *"We see some containers passing without scrutiny while small traders get penalised for minor inconsistencies,"* noted a trader at the Busia and Malaba borders.

Customs and URA Stance: URA officials refuted these claims, stating that enforcement is guided by risk-based profiling, not favoritism. However, they acknowledged isolated corruption incidents and cited internal disciplinary action where evidence exists.

KACITA's Position: KACITA called for greater transparency in inspections and valuation, proposing that customs decisions be auditable and appealable.

d) Inflexible Tax Regime

- The per-kilogram model penalises lightweight, low-value goods equally with high-value items.
- There is no consideration for the trader's size, capital, or turnover.

Traders' Comments: "Whether you import designer jeans or socks, you are taxed the same per kilo. That's not fair," shared a discount mall-based SHGs dealer.

KACITA's Advocacy: They argued that the Ministry of Finance and URA to adopt a differentiated model that reflects both the nature and commercial value of imports. Suggestions include moving towards an invoice value-based or an ad valorem system.

URA’s Position: URA recognises the concerns and hinted at possible revisions in SHGs’ tax, as well as promising to implement the resolutions from the meetings with KACITA.

In a nutshell, tax compliance in Uganda remains relatively low, especially among informal sector players. URA highlighted that many individuals and small businesses either under-declare income or do not register at all, citing high tax rates, limited awareness, and mistrust in enforcement officers. However, compliance is improving gradually due to URA’s efforts in digitalization, and enforcement. These findings underscore the urgent need for policy reform, tax education, and inclusive stakeholder engagement to improve compliance and safeguard the sector’s economic potential.

4.3 Bale Grading

A “bale” refers to a compressed and packaged bundle of goods, especially used in the second-hand trade. It is locally known as “*Endibota*” in Luganda. Bales are the standardised units used to import and distribute large quantities of items such as clothes, shoes, or bags. A bale contains mixed second-hand goods, usually wrapped tightly in woven Polypropylene (PP) Sacks, and weighs between 45kg to 100kg, depending on the type of item.

In the Ugandan context of second-hand imports, “bale grading” refers to the classification or categorisation of used goods (mostly clothing, shoes, and bags) based on their quality, appearance, usability, and market value. When second-hand goods are imported into Uganda, they arrive in compressed bales, pre-sorted and graded by suppliers abroad (typically from China, UAE, US, UK, Canada, or Europe). These grades indicate the general quality of the items inside, without needing to open the bale. Bales often come with mixed items of different quality and quantity. For example, a bale of clothes can contain over 200 items, a bale of shoes can contain over 27 pairs of shoes, among other quantities.

Figure 8: Bales (“Endibota”)



Figure 9: Woman Sorting Clothes in Owino Market, Kampala



Table 9: Main Grades of Second-Hand Items

Grade	Description	Uganda Context
First Class	Also known as “Cream” or 1st Grade, almost new, high-quality, branded items.	Highly demanded in urban areas, resold in boutiques, sold at high prices e.g. UGX 50,000 (USD 13.6) or more,
Second Class	Good condition but shows minor signs of wear (fading, loose buttons, etc.).	Widely accepted in semi-urban and rural markets, priced moderately, such as UGX 25,000 (USD 6.8) or less.
Third Class	Poor condition; torn, faded, stained, or outdated styles.	Known as “Fagi”, sold cheaply, highly demanded in villages and slums, can be sold as low as UGX 500 (USD 0.13), risky for traders, and the outcome depends on luck.

Source: Primary Data, 2025

4.3.2 Importance of Bale Grading

- Buyer Perception: Grade A boosts buyer confidence; Fagi damages trader reputation
- Market Segmentation: Traders target different income groups using grades.
- Pricing: Higher-grade items fetch higher prices.
- Profitability: Knowing bale grades helps traders minimise losses.

4.4 Sorting Dynamics in the Second-Hand Goods Trade

Once the bale is opened by local traders, the items are further sorted into sub-categories based on economic value, appearance, and turnover rate. This stage determines how quickly and profitably items will sell. At this stage, when the bale is opened, it may still yield all the five sub-categories, i.e. first (grade A), second (grade B), and third (grade C) classes (“fagi” / residuals), rags, and

waste. Fagi, though considered low-grade, plays a vital economic role, offering affordable clothing to low-income buyers and a steady income to small vendors. Rags and waste, although unsellable, especially clothing, are part of a secondary recycling economy, especially in the cleaning and tailoring industrial sector. For example, traders informed the study that they can buy a bale of second-hand jeans, and after opening, one finds: 30% are first class, branded, clean, fashionable, 50% are second class; usable but slightly faded, 20% are third class (fagi); worn out and torn. He separates them accordingly and sells at different price points based on the grade. However, the grading system is not rigid. This fluidity is evident in the sub-category sorting process, where items are further classified. The sorting process is inherently subjective, influenced by individual perceptions and susceptible to errors in judgment, whether at the point of origin or destination. Additionally, an item originally classified as first class may be downgraded if it remains unsold for an extended period. Notably, sorting facilities depend heavily on manual labour; as a result, human errors, though often minimal, are inevitable.

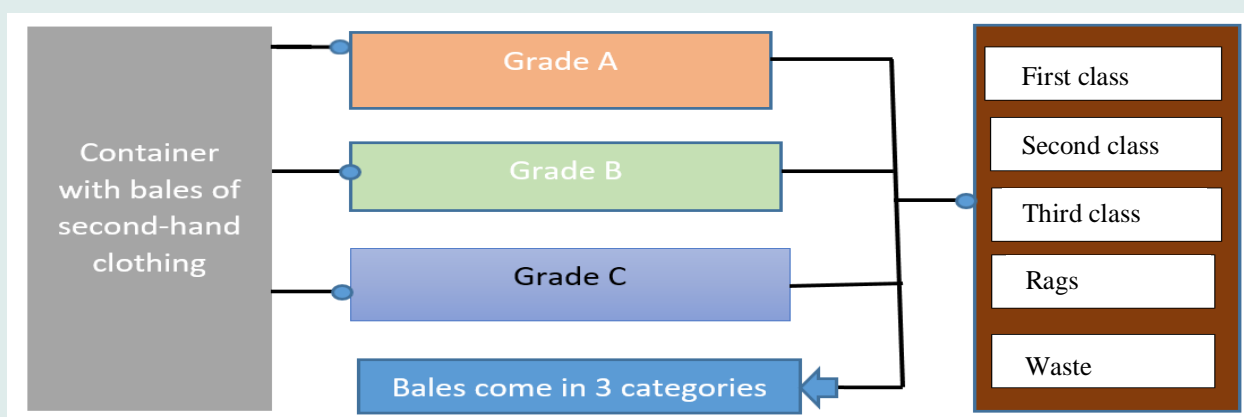
“Sometimes you open a bale and end up with a lot of fagi-things even the poorest won’t buy. We cut them up for rags or sell to garages.” Wholesale trader, Masaka.

“We try to use everything. Even the rags have a market with mechanics and cleaning companies.” Maama Joan (name not real), a vendor in Jinja market.

However, items sub-categorised as “Fagi” may be re-baled for sale or sold as individual pieces. “Fagi” is slang that typically refers to low-grade or rejected second-hand items that are least desirable from a bale. Usually, Fagi comes from Grade C or third-class items and is characterised by being torn, stained, outdated, or overly worn out, and often sold at very low prices, even as low as UGX 500 (USD 0.13), the customer can get a cloth. Fagi is mainly bought by people locally referred to as “Abalanguzi,” those who buy the lowest grade goods. These goods are largely found in the market in villages and are commonly found in open-air markets.

“When I opened the bale, most of it was fagi, I made losses this time.” A clothes trader at Owino market lamented. This would mean the bale mostly contained low-quality items not fit for profitable resale.

Figure 10: Bale Sub-Categorisation After Opening



Source: Primary Data, 2025

4.5 Bale Pricing and Weight Variation

The study found that bale prices largely depend on grade and weight. For instance, the 45 kg size is favoured as the most practical choice for importers for its demand, optimising space, and transportation costs and has a typical variation of ± 2 kg. Some importers prefer 100Kg bales, with a weight variation of up to ± 5 kg. For clothes, a first-class bale (Grade A) of 100Kg costs about UGX 1,300,000 (USD 356), a second-class (Grade B) of 45Kg goes for about UGX 450,000 (USD 123), and a third-class (Grade C) bale of 45Kg costs about UGX 350,000. A bale of shoes can cost between UGX 250,000 and UGX 1,000,000 or higher. It was revealed that traders often choose to deal mainly in first- and second-class bales due to their potential for higher profit margins, strong consumer demand, faster inventory turnover, and reduced financial risks compared to lower-grade bales. Additionally, these grades enhance business reputation, align well with specific target markets such as urban boutiques and semi-urban trading centers and allow for more flexible and strategic pricing and stock management. For instance, a single item from a Grade A bale can sell for double or triple the cost price, especially in urban or boutique markets. In contrast, third-class bales often contain damaged or unsellable clothes (locally called “fagi”), which can lead to losses and require bulk discounting in order to clear the stock quickly.

“Grade A is expensive, but worth it. Customers want clean, branded clothes; those sell fast and at a good profit.” Florence (name not real), second-hand clothes distributor at Discount Mall.

“The 45kg bales are our best-selling category. They’re easier for small traders to manage and resell quickly. Not everyone can afford a 100kg bale.” Wholesaler in Jinja Market.

“One nice blouse from a Grade A bale can recover what you’d make from five Grade B pieces.” Owino trader.

4.6 Why Traders Deal in Second-Hand Goods and not First-Hand?

i. Low Capital Requirement for Entry

Second-hand goods trading allows entrepreneurs to start with minimal capital, making it highly accessible (Yrjölä et al., 2021). For instance, with just UGX 500,000, a trader can establish a reasonably stocked bags business. This amount would typically purchase only about 10 new (first-hand) bags; however, the same amount can procure over 40 second-hand bags, sufficient to fully stock a functional retail outlet. This cost-effectiveness allows entrepreneurs to begin small and gradually expand operations by reinvesting profits over time.

ii. High Durability and Consumer Preference

Second-hand products, especially in categories such as bags and shoes, tend to be more durable and are often preferred by consumers. They are particularly suited to high-wear users such as school-going children, who may use second-hand shoes or bags for five years or more with minimal repairs. In contrast, first-hand alternatives are often less durable and require more frequent replacement, making second-hand items more economically viable for many households.

iii. Employment and Livelihood Opportunities

Given the limited formal employment opportunities in Uganda, second-hand trading offers a practical and sustainable livelihood option. It requires little initial investment where entrepreneurs can start with as little as UGX 100,000 by hawking goods and offers quick turnover and returns. This flexibility makes it an attractive option, especially for youth and women seeking income-generating opportunities.

iv. Ready and Expansive Market

There is a strong and consistent demand for second-hand goods in Uganda, driven by the country’s economic conditions. A significant portion of the population depends on affordable, quality second-hand products, providing traders with a reliable and readily available market.

v. Inclusive Economic Participation

Second-hand trading is inclusive and open to both educated and uneducated individuals. As long as one understands the operational and market dynamics of the business, such as sourcing, pricing, and customer engagement, they can succeed, regardless of formal educational background.

vi. Variety and Uniqueness of Products

Second-hand markets often offer unique and diverse styles that are not easily found in first-hand retail stores. Customers are drawn to this variety, and traders benefit from the ability to cater to a diverse choice of goods, which increases customer retention and referrals.

vii. High Profit Margins

Second-hand goods are usually sourced at very low prices and can be sold at a significant markup. For example, a pair of second-hand shoes bought at UGX 5,000 may be resold for UGX 15,000-30,000, depending on quality and market conditions. This profitability makes the business attractive, especially for small-scale traders

viii. Ease of Access to Supply

There is a well-established and affordable supply chain for second-hand goods in Uganda, sourced through importers from Europe, Asia, and North America. Goods arrive in bulk (in bales), and local traders can easily access them through wholesale dealers in major markets like Owino (St. Balikuddembe), Discount Mall, or Ham grounds e.t.c.

ix. Opportunity for Value Addition

Entrepreneurs can clean, mend, customise, or repackage second-hand items to increase their resale value. This offers an opportunity to build niche markets (e.g., fashion resale, school wear, or corporate clothing) and even scale into higher-end segments.

x. Sustainability and Environmental Impact

Trading in second-hand goods contributes to environmental sustainability by extending the life cycle of products and reducing textile waste. This aligns with global efforts to promote recycling

and responsible consumption, making the business attractive even from a development and policy perspective.

4.7 Challenges Faced by SHGs Traders

i) Absence of Inclusive Business Umbrella Associations for Small and Medium Traders

One of the most overlooked but significant challenges facing second-hand clothing, shoe, and bag traders in Uganda is the lack of inclusive and functional business umbrella associations that represent the interests of small and medium traders. While traders have associations such as the Kampala City Traders Association (KACITA) and other trade bodies, these associations are largely dominated by large-scale traders and established importers, whose business models, financial capacities, and policy interests do not reflect the realities of smaller informal traders.

As a result, Micro and Small Enterprises (MSEs) operating in congested arcades, open-air markets, and roadside stalls are often excluded from consultations, decision-making forums, and policy dialogues with government agencies such as the Uganda Revenue Authority (URA) or the Ministry of Trade. When trade policy reforms are negotiated, it is typically the larger players who influence outcomes, leaving the majority of traders, especially women, youth, and informal operators, with no voice, no representation, and no protection. This lack of representation means that small traders are rarely informed about their rights or new tax policies, hence:

- They are more vulnerable to tax-related exploitation and harassment.
- They lack bargaining power to challenge unfair practices such as abrupt tax increases, evictions, or confiscation of goods.
- They have no platform to collectively demand policy changes or economic support during times of crisis (e.g., lockdowns, inflation, or currency shocks).

During a FGD with traders, they lamented that though associations such as KACITA exist, their structure is more responsive to high-volume importers and formal businesses, leaving thousands of second-hand traders operating with limited capital marginalised and unorganised. Without a unifying body that champions their specific concerns, small and

medium traders are treated as invisible stakeholders in the economy, despite forming the backbone of Uganda's informal retail sector.

ii) Abrupt Changes in Tax Rates without Prior Notice

A frequent grievance from traders is that URA frequently adjusts taxes on imported second-hand goods without notice, leaving traders exposed to unexpected and sometimes unaffordable tax burdens. For example, a trader may import five bales of goods this month at a known rate, only to be charged a significantly higher tax for the same quantity and type of goods the next month, without any official communication or justification. This uncertainty disrupts planning and budgeting. Traders who expect to replenish their stock based on previous cost estimates are suddenly faced with higher charges, forcing them to either import fewer goods or abandon purchases altogether. As a result, they run out of stock but still have to pay rent to retain business premises, incurring losses with no sales income, a condition that leads to accumulated debt, business stagnation, and in extreme cases, collapse.

“I imported three hundred bales in April and paid UGX 125 million in tax. In May, I brought the same quantity and type of bales, and they charged me UGX 148 million (which is an unexplained 18.4% increase). No one explained the increase. It was just sudden. How do they expect us to plan our businesses?” Mariam (Name not real), a clothes trader, Owino Market, lamented.

“Sometimes they [URA] increase taxes mid-month. You plan with one figure and reach there only to be shocked. You have no choice but to pay or leave your goods.” Name Anonymous, a shoe importer, Kaguje shoe center, complained.

iii) Reduction in Stock Capital Due to Unanticipated Tax Hikes

When URA increases taxes unpredictably, traders are forced to buy fewer bales than initially planned because the remaining budget is consumed by inflated import charges. This practice severely limits business growth and capacity. For example, a trader who budgets for two hundred bales based on previous tax rates may only afford one fifty under the new, unexpected rates. This shrinks inventory, reducing capital and income. Many traders describe this as unfair and economically disempowering, noting that a bale of goods contains the same number of items regardless of taxation policy. For instance, a bale of bags typically contains 55-57 pieces; even if

URA increases the tax, the quantity inside does not change, making the increase arbitrary and unjustified from a trader's perspective.

"I usually plan to stock 500 bales, but when I get to customs and find the taxes have gone up, I end up buying four hundred or less. That means I don't get enough stock to sell, and I lose customers."

Sarah. (Name not real), second-hand bags seller, Discount mall.

"We are taxed as if our goods have increased in value, yet the number of items in the bale is the same or even less. It's painful." Ronald, youth trader, Mukwano Arcade.

iv) Uniform Tax Assessment Despite Variations in Bale Content

Another critical issue is URA's failure to assess tax based on the real content and quality of the goods in each bale. Traders importing second-hand items know that bales are not standardised. A bale may include bags of varying sizes (small, medium, large), and differing quality (usable, worn out, or damaged). Yet, URA applies a blanket tax rate without inspecting the actual content, leading to overvaluation. For example, a bale may contain mostly small or unsellable bags, but the trader still pays the same tax as someone whose bale has high-quality or large items. This leaves traders with non-marketable goods, but still saddled with high tax costs. This contributes to cash flow crises and leads to increased financial vulnerability, especially among small-scale importers.

"URA does not care what is inside the bale. Whether it's full of small, unsellable bags or torn clothes, you pay the same high tax. But when you open it, you find goods that can't even fetch UGX 5,000 in the market." Naigaga, a bag seller, Jinja market, explained

"We are taxed blindly. One bale has many sizes (big, medium, small), but the tax is the same. They should at least inspect before charging." Isaac, a downtown trader in Masaka Town.

v) Diminishing Profitability and the Burden of Unsold Stock

The second-hand trade was once a highly profitable venture, especially eight to ten years ago. However, traders now report that profitability has significantly declined, primarily due to high and rising taxes. In an attempt to remain afloat, many traders raise their prices to accommodate increased operational costs. However, this price adjustment has an unintended consequence: demand falls, and stock turnover slows. Some traders reported staying with unsold stock for up to four years or more, while still paying monthly rent, utility bills, and taxes. By the time the goods

are eventually sold, they have depreciated in value, are no longer in fashion, or are perceived as outdated, further eroding income. This undermines the viability of the second-hand business model, especially for small and medium traders who rely on quick stock turnover to sustain daily living costs and generate savings. The stagnation in sales due to pricing pressures results in long-term business stagnation or closure.

“This business used to help us build houses, educate children, and save. But now, profits are too small. We sell slowly because our prices are high due to taxes.” Akello, a clothes wholesaler for over 10 years.

“I have had some jackets in my shop for three years. People no longer want them. I can’t reduce the price below what I paid, yet I have to keep paying rent every month.” Patrick (Name not real), arcade shop owner.

vi) Corruption and Unclear Tax Enforcement Mechanisms

Second-hand traders in Uganda face not only high and unpredictable tax burdens, but also widespread corruption and confusion arising from unclear and overlapping tax enforcement practices, particularly from officials of the Uganda Revenue Authority (URA) and the Kampala Capital City Authority (KCCA).

In a focus group discussion, traders claimed that tax and enforcement officers frequently visit their shops or stalls with arbitrary or vague accusations, creating an atmosphere of fear and uncertainty. During these visits, authorities often accuse traders of violating regulations or standards, usually alleging that:

- The quality of goods is substandard, and thus subject to confiscation.
- The trader has unpaid taxes or fees, though no prior notice or official tax assessment was done.

In an interview with a wholesaler of SHC, she claimed that a tax officer can come to you and inform you that it’s only him or her who is supposed to collect tax from you, and not any other officer though from the same office, short of that, they treat you badly. As if taxation is privatised that there is competition for customers. These claims are often delivered with indirect or open threats of closure or seizure of goods, leading traders to panic and pay bribes to

avoid disruption or loss of business. This pattern of behavior is widely perceived by traders as a deliberate strategy to extract informal payments under the guise of regulatory enforcement.

“They come and tell you your goods are of poor quality, and they’re going to take them. But how can second-hand goods be brand new? They should have checked the quality at customs. Why punish us at the shop level? You end up giving them bribes to exempt you.” A clothes trader, Owino Market.

vii) Regulatory Responsibility Shifted to the Trader

A key concern is the misplacement of regulatory responsibility. Traders emphasised that they are not responsible for certifying the quality of imported goods, especially second-hand items whose condition is often variable and inherently lower than brand-new products. If there is a quality concern, the proper process would involve coordination between URA and the Uganda National Bureau of Standards (UNBS) at the point of entry, not at the point of sale. Instead, enforcement officers shift the burden to individual traders, who have no capacity to inspect or verify bales at the source, thereby creating grounds for extortion.

“Some URA official said my bags were of poor quality and would be confiscated, yet these are second-hand items. I had to give him money so he could leave me in peace.” A clothes trader at Discount Mall.

viii) Absence of clear system to handle traders’ complaints

The offices or authorities where traders can run for rescue from URA or KCCA officials who exorbitantly charge them tax or fines are not clearly known, and the procedures one has to go through to lodge complaints. Traders often lack awareness of where to report such grievances, or which authority has the mandate to provide redress. As a result, they endure mistreatment and unjust taxes, giving room to corrupt taxing officials and unfair tax regimes to thrive. Over time, this erodes trader confidence in public institutions, entrenches informal practices, and widens the gap between small traders and formal regulatory frameworks.

“We don’t know the right process to make a complaint. Even if there is a system, it’s not known to us. You just have to comply or close your shop.” Young entrepreneur, Jinja market was grumbling.

“There is nowhere to run. Even if you report, who will listen? These officials work together, and you fear that next time, they will target your shop again.” Male trader, Owino Market.

ix) Misapplication of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS)

A significant concern raised by traders is the misapplication of the EFRIS (Electronic Fiscal Receipting and Invoicing Solution) system by enforcement officials. EFRIS is primarily designed for importers and wholesalers, who are responsible for issuing electronic fiscal receipts at the point of sale. However, in practice, retailers, who are not legally obligated to implement EFRIS, but are often targeted by URA officials. In many instances, officials have confiscated goods from small-scale retailers, alleging non-compliance with EFRIS requirements. This not only reflects a lack of clarity on the part of enforcement authorities but also leads to unjust enforcement practices. Retailers argue that they are being penalised for omissions that should be addressed at the import or wholesale level. The result is a form of double taxation, as the importer or wholesaler has already accounted for EFRIS at the point of entry or distribution, yet the same burden is being unfairly shifted to retailers or even end consumers. This confusion undermines trust in the tax system and places an undue financial strain on small businesses, many of whom operate with very limited profit margins.

4.8 Challenges in Uganda’s Bid to Promote Local Textile Industries

To promote locally manufactured textiles and protect domestic industries, the Government of Uganda raised the import duty on textile fabrics from 25% to 35% in October 2020 and charging per kilogram (KACITA, 2021). This policy was aimed at strengthening Uganda’s cotton value chain and encouraging investment in local garment production to create employment opportunities. However, imposing high taxes on imports without first addressing the underlying weaknesses in local production such as high electricity costs, low industrial financing, and inefficient supply chains makes local textiles more expensive and less competitive (Hu et al., 2018). As a result, consumers and retailers often continue to prefer cheaper imported or second-hand goods, and the local industry remains stagnant despite protectionist policies.

In parallel, another report by EPRC (2024a) indicates that Uganda produces approximately 150,000 bales of cotton annually, yet only 10% of this is processed domestically into finished garments and cotton lint products. The remaining 90% is exported as raw lint. This limited value

addition severely restricts the sector's potential for job creation and industrial development. Despite these efforts, Uganda's textile subsector remains underdeveloped.

5. Challenges Faced During the Study

- i. Some traders were hesitant to speak openly, fearing that the enumerators were government spies or that the information they could provide could get them into trouble with the authorities.
- ii. Language barriers existed but were addressed by using multilingual research assistants proficient in Luganda and Lusoga.
- iii. Participants were busy with work, making it difficult for them to spare time, as each interview took approximately one and a half hours.
- iv. Some respondents expected a token of appreciation or monetary compensation for their time.
- v. Some participants, particularly traders, were mere employees and not the actual business owners, making them less informed about taxes and business dynamics such as bale prices, categories, e.t.c.

Figure 10: *KACITA Uganda Petitions the Unfair Government Tax Increment*¹⁰



¹⁰ <https://kacita.co.ug/kacita-uganda-petitions-the-unfair-government-tax-increment/>

5 Conclusion

The SHGs sector in Uganda plays a pivotal role in addressing the country's pressing challenges of unemployment, poverty, and limited access to affordable commodities. It provides income opportunities for youth, women, Persons with Disabilities (PwDs), and low-income earners, while offering affordable products to millions of Ugandans, especially those living below the poverty line. The empirical findings demonstrate that the sector is highly inclusive, engaging a diverse demographic across education levels, age groups, and physical ability.

Efforts to restrict or ban the SHGs business contradict national development goals such as job creation, inclusive economic growth, and self-reliance as outlined in Uganda's Vision 2040 and the National Development Plan IV (2025-2030). Instead of imposing prohibitive policies, there is a critical need for government agencies, Parliament, private sector actors, and civil society to promote enabling trade policies and targeted support systems that reflect Uganda's socio-economic realities. Therefore, safeguarding the SHGs sector through fair taxation, structured regulation, access to finance, and formal recognition will not only strengthen livelihoods but also stimulate grassroots economic development, making it a strategic pillar in Uganda's journey towards equitable and sustainable prosperity.

7. Recommendations

7.1 To Uganda Revenue Authority (URA)

- i. **Adopt Value-Based Taxation:** Transition from the current weight-based tax model to a value-based approach to ensure traders are taxed according to the actual worth of goods to enhance fairness and compliance as stipulated in EACCMA. Alternatively, introduce a tiered tax regime based on: bale grade (first, second, third class), business size and capital base, and turnover levels.
- ii. **Simplify and Streamline Licensing Procedures:** This can be ensured by lowering the cost of licenses, especially for small-scale and startup traders and setting up help desks in business centers with many SHGs traders to assist traders who may not be tech-savvy. Additionally, creating a one-stop registration center for SHGs trade businesses that combines URA TIN, business license, and customs declarations can attract more traders to formalise their businesses. Further, it is ideal to offer tax waivers or discounted rates for new and low-income SHGs traders to promote formalisation and inclusivity.
- iii. **Digitize Tax Administration:** Develop a dedicated SHGs Importer Portal integrated with a digital SHC Cost Estimator Tool to enable transparent, real-time tax calculations and reduce exploitation by middlemen.
- iv. **Institutionalise Stakeholder Dialogue:** Prioritise regular consultative forums with SHGs stakeholders before implementing any tax policy changes to foster trust and informed policy shifts. This will reduce resistance and complaints from traders who claim that URA abruptly changes tax regimes without informing the affected parties.
- v. **Expand Market-Based Sensitisation:** Launch widespread URA-led tax clinics and awareness campaigns within SHGs markets to build trader knowledge and improve voluntary compliance. These can be enhanced by establishing mobile URA service units in key SHGs trading hubs to provide on-the-spot assistance with tax clearance, registration, and information services.
- vi. **Promote User-Friendly Tax Tools:** Design and roll out mobile and USSD-based systems for: tax calculation, filing, and receipting to reduce dependency on brokers and mitigate fraud.

- vii. **Strengthen Grievance Redress Mechanisms:** Introduce and publicise an accessible grievance handling system for traders reporting misconduct, unfair treatment, or misinformation from brokers or customs agents.

7.2 Uganda's Parliament

i) **Enact a Comprehensive SHGs Trade Policy.** The policy is critical as it will:

a) **Address Fragmented Regulation and Enforcement**

The SHGs sector is currently regulated through disjointed laws and ministerial directives (e.g., public health regulations, customs law, environmental rules), which create confusion among traders and enforcement bodies. A policy will harmonise these elements and establish clear responsibilities for URA, KCCA, UNBS, and local governments.

b) **Clarify Government Position on SHGs Imports**

- Periodic threats of bans create market uncertainty. A policy will set Uganda's clear stance on the legality and opportunities within SHGs trade, ensuring investor confidence and trade stability.
- The policy will promote eco-friendly disposal mechanisms for unsellable items ("fagi"), through promotion of recycling and upcycling initiatives.

ii) Parliament should mandate the Ministry of Finance, Planning and Economic Development (MoFPED), URA, and the Ministry of Trade to hold quarterly forums with SHGs associations (like KACITA) to discuss: market trends, trade barriers, and policy enforcement. These forums will build trust and promote collaborative problem-solving instead of top-down impositions.

7.3 Ministry of Finance, Planning and Economic Development (MoFPED)

- i) The MoFPED should recognise SHGs in National Development Planning. Include second-hand goods trade in formal economic planning as a critical sector contributing to employment, poverty reduction, and entrepreneurship. This will facilitate access to credit and financial support from the government through accessible financing schemes for SHGs traders to expand and formalise their operations.
- ii) Halt the proposed ban and conduct an inclusive policy dialogue. The government should immediately suspend any plans to ban the importation and trade of second-hand goods until

a comprehensive national study is conducted. The study should engage stakeholders, including traders, KACITA and other trade associations, consumer protection bodies, importers, think tanks and other SHGs stakeholders, to discuss realistic alternatives, economic implications, and practical phased reforms.

7.4 KACITA and Trade Associations

- i) **Unite and Formalise Traders:** Mobilise more traders to join the association for better negotiation power, access to services, and protection against exploitation.
- ii) **Partner with line ministries, NGOs and trade associations** to support programs that integrate SHGs traders into the formal economy without undermining their autonomy or flexibility.
- iii) **Promote Inclusive Trade Policies:** Advocate for trade policies that reflect Uganda's socio-economic realities, especially the large population living below the poverty line.

References

- Agbondinmwin, W. O. (2024). *Flows of Waste and Secondhand Items from Developed to Developing Countries: A case study of e-wastes in Nigeria and China*. Agreement on Customs Valuation (2019).
https://www.wto.org/english/thewto_e/acc_e/customs_valuation_agreement_accessions_seminar_12_february_2019.pdf
- AU. (2023). *Acceleration of AfCFTA Implementation*. <https://shorturl.at/8Z1q9>
- Chu, N. (2020). The paradoxes of creativity in Guangzhou, China's wholesale market for fast fashion. In *Labour, Policy, and Ideology in East Asian Creative Industries* (pp. 104–118). Routledge.
- EAC Customs Valuation Manual (2010). https://meaca.gov.ss/wp-content/uploads/2022/08/Customs_Valuation_Manual.pdf
- East African Community Customs Management Act (2004). <https://tinyurl.com/34y3z4jr>
- EPRC. (2024a). *Phasing Out Second-Hand Clothes*.
- EPRC. (2024b). *Uganda Implored to Assess Impact of Proposed Ban on Second-Hand Clothes*.
- EPRC. (2025). *New report says banning used clothing imports carries risks*. <https://rb.gy/fl119d>
- EU. (2020). *What if Fashion were Good for the Planet?*
[https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/656296/EPRS_ATA\(2020\)656296_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/656296/EPRS_ATA(2020)656296_EN.pdf)
- EU. (2024, March 21). *The Impact of Textile Production and Waste on the Environment*. European Union.
- Fourie, A., Blaauw, D., & de Villiers, V. (2024). Tourism, COVID-19 and South Africa's informal sector: commentary through the lens of street traders in the CBD of Cape Town. In *Research Handbook on Tourism, Complexity and Uncertainty* (pp. 69–80). Edward Elgar Publishing.
- Guan, Z., Xu, Y., Jiang, H., & Jiang, G. (2019). International competitiveness of Chinese textile and clothing industry—a diamond model approach. *Journal of Chinese Economic and Foreign Trade Studies*, 12(1), 2–19.
- Hu, S., Henninger, C. E., Boardman, R., & Ryding, D. (2018). Challenging current fashion business models: Entrepreneurship through access-based consumption in the second-hand luxury garment sector within a circular economy. In *Sustainable luxury: Cases on circular economy and entrepreneurship* (pp. 39–54). Springer.
- IGC. (2022). *Using trade to propel high growth: lessons from Rwanda's export performance in the past decade*.

- ILO. (2020). The transition from the informal to the formal economy in Africa. *Global Employment Policy Review, Background Paper*, 2.
- ILO. (2022). *Assessing the impact: Environmental Impact Assessment in the Textile and Garment Sector in Bangladesh, Cambodia, Indonesia and Viet Nam*.
- KACITA. (2021, February 25). *Kacita Uganda Petitions The Unfair Government Tax Increment*. <https://kacita.co.ug/kacita-uganda-petitions-the-unfair-government-tax-increment/>
- Katende M. E. (2017). *The impact of second hand clothes and shoes in East Africa*.
- Liu, Y., Shen, B., Kimwolo, A. K., & Cheruiyot, T. K. (2025). Effects of importing second-hand clothes on supply chains: insights for Africa's textiles and apparel industry. *Supply Chain Forum: An International Journal*, 26(2), 240–254.
- MCAK. (2023). *The Second-Hand Clothing Industry in the East Africa Community*. <https://mitumbaassociation.org/wp-content/uploads/2023/08/EAC-Report.pdf>
- MINICOM. (2017). *Response to the Request for Comments and Notice of Public Hearing Concerning An out- of- Cycle Review of Rwanda's Eligibility for Benefits Under Agoa*.
- NPA. (2013). *Vision 2040*. <https://www.npa.go.ug/vision2040/>
- NPA. (2023). *Positioning Uganda's Human Resources to deliver the Industrialization Agenda for Inclusive Growth, Employment and Wealth Creation*. <https://shorturl.at/Aaocp>
- NPA. (2024). *Fourth National Development Plan (NDPIV) 2025/26 - 2029/30*. <https://shorturl.at/MaiSZ>
- ODI Global. (2022). The environmental impacts of fast fashion on water quality: A systematic review. *Water*, 14(7), 1073. https://media.odi.org/documents/AfCFTA_implementation_challenges_African_textiles_and_apparel_value_chain_Final.pdf
- Ogbonnaya Emeka Daniel, Udevi Obiamaka, & Uwakwe Chidiebere Christopher. (2017). *Post-Civil War Trade In Second-Hand Clothing in Igboland*. 3(3).
- Ogunmefun, B. (2024). Bend Down Select: Analysis of Secondhand Clothing Waste in Africa Under the Current Anti-Dumping Regime. *Nat. Res. J.*, 64, 247.
- SARS. (2025, July). *What's new? – Prohibited and Restricted Imports and Exports list*. <https://shorturl.at/WEL61>
- Schedule of Compulsory Uganda Standards (2023). <https://shorturl.at/Fps0v>
- Siddhartha, T., Nambirajan, T., & Ganeshkumar, C. (2021). Self-help group (SHG) production methods: insights from the union territory of Puducherry community. *Journal of Enterprising Communities: People and Places in the Global Economy*, 16(4), 517–539.

- Tralac. (2022). *Trade in Used Clothing in Africa: Implications for Developing a Textile and Clothing Regional Value Chain Africa*. <https://shorturl.at/Jhske>
- UBOS. (2024a). *National Population and Housing Census*. <https://shorturl.at/nY2bD>
- UBOS. (2024b). *Uganda Consumer Price Index (2016/17=100)*. <https://tinyurl.com/4zj7k27v>
- UN. (2015). *Sustainable Development*. <https://sdgs.un.org/goals>
- UN Comtrade. (2021). *World Integrated Trade Solution*. <https://wits.worldbank.org/>
- UNCTD. (2005). *The Southern African Custom Union (SACU) Regional Cooperation Framework on Competition Policy and Unfair Trade Practices*. https://unctad.org/system/files/official-document/ditccplp20053_en.pdf
- URA. (2024, March). *KACITA Traders Engaged on Harmonization of Customs Valuation*. <https://ura.go.ug/en/kacita-traders-engaged-on-harmonization-of-customs-valuation/>
- Wang, C., Zhang, X., Hu, X., Lim, M. K., Xu, Y., Chang, P.-C., & Ghadimi, P. (2025). Dynamics and drivers of global secondhand clothing trade: Implications for sustainable energy and circular economy in fashion. *Renewable and Sustainable Energy Reviews*, 209, 115116.
- WasteAid UK, MTAC, & UTA. (2025). *A study of Textile Waste at Owino Market, Kampala: Towards a Circular Textile Economy in Uganda*.
- Wetengere, K. K. (2018). Is the banning of importation of second-hand clothes and shoes a panacea to industrialization in East Africa? *African Journal of Economic Review*, 6(1), 119–141.
- Xu, B., Chen, Q., Fu, B., Zheng, R., & Fan, J. (2022). Current situation and construction of recycling system in China for post-consumer textile waste. *Sustainability*, 14(24), 16635.
- Yrjölä, M., Hokkanen, H., & Saarijärvi, H. (2021). A typology of second-hand business models. *Journal of Marketing Management*, 37(7–8), 761–791.

Appendices

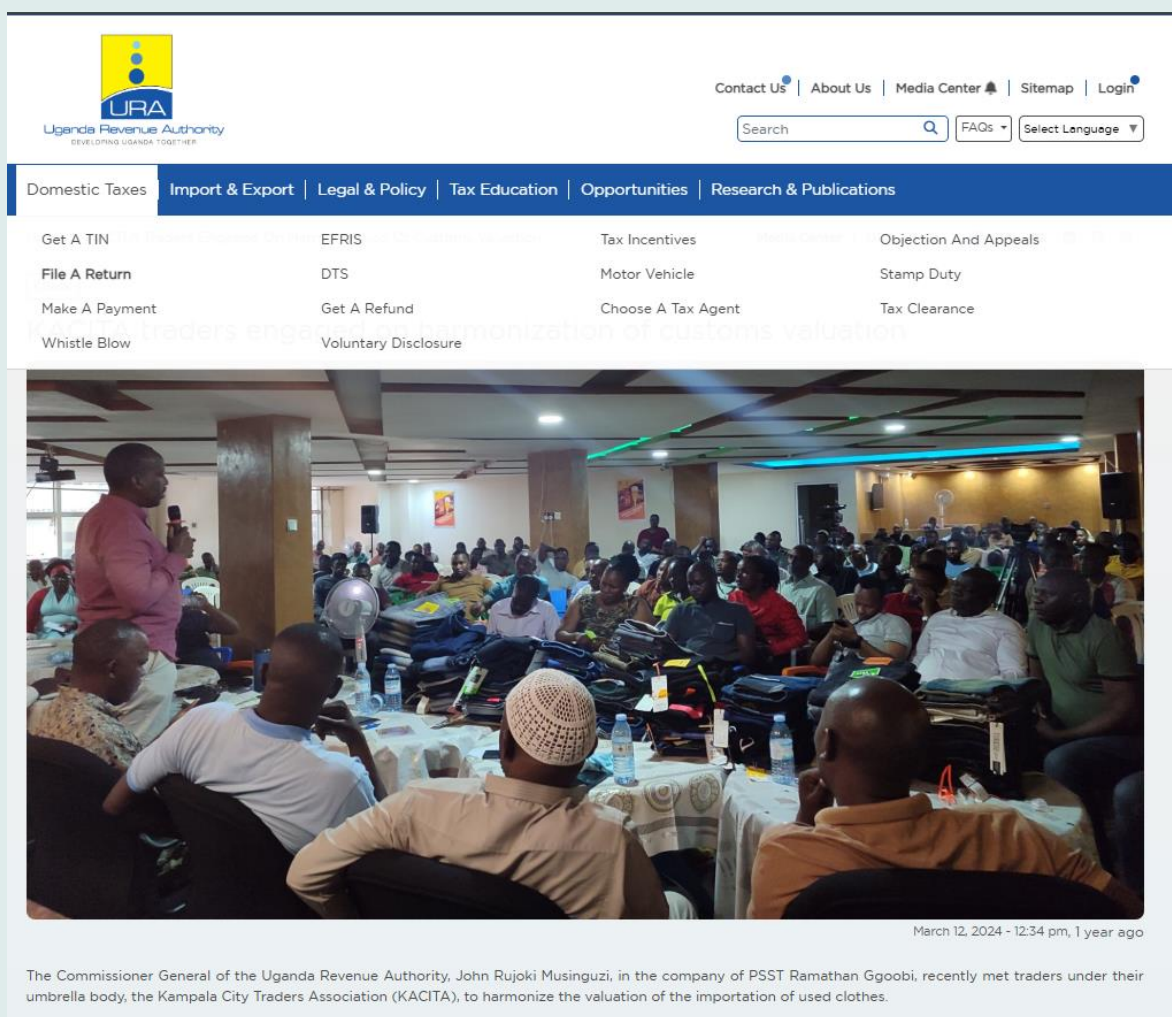
A. Press releases on Second-Hand Goods

Figure 11: President Museveni Shows Interest to Ban Importation of Second-Hand Clothes¹¹



¹¹ <https://www.monitor.co.ug/uganda/news/national/second-hand-clothes-are-for-dead-people-says-museveni-4346894>

Figure 12: URA and MoEFPED engaging KACITA to Harmonise Valuation of SHC¹²



B. Areas Visited During the Study

Market	Location
Owino Market (St.Balikuddembe)	Kampala City
Kagujje Shoe Center	Katwe-Kampala
Discount Mall	Kampala City
Jinja Central Market	Jinja City
Jinja Main Street	Jinja city
Masaka Central Market	Masaka City
Nyendo Market	Masaka
Busia & Malaba Borders	Busia and Malaba Border districts

¹² <https://ura.go.ug/en/kacita-traders-engaged-on-harmonization-of-customs-valuation/>

C. Photo Gallery for Areas Visited During the Study





