Explainer on Trade order

BOSS TALK

'Develop workspaces for small businesses'

No work

'93 percent of MSMEs, reported that being chased away from operating from roadsides has left them with no place to work.'

TRADE
ISMAIL MUSA LADU

On February 5, 2026, the government announced that street vendors would be required to vacate illegal trading spaces starting February 19, 2026. A follow-up directive instructed Chief Administrative Officers, City Town Clerks, and Municipal Town Clerks to enforce the trade order.

***BD Life*'s spoke to the executive director of Federation of Small and Medium-sized Enterprises-Uganda –an advocate for SMEs–about the implications of this action.**

You have reservations about how the trade order is being enforced. Why?

Although these actions are legal and consistent with the Trade Licensing Act, the Kampala Capital City Act of 2010, and various local ordinances, we believe that proper procedures were not followed, resulting in significant losses of livelihoods for micro, small, and medium-sized businesses nationwide. The current operations will also lead to job losses, insecurity, and revenue shortfalls at both national and local levels.

We are appealing to the government to conduct extensive sensitisation to ensure that the MSMEs appreciate the benefits of the law.

Meanwhile, this will require sensitisation campaigns, which should see Kampala Capital City Authority (KCCA) teams engaging traders across the city, informing them of the legal requirements for operating in Kampala and directing them to available market spaces.

Is your issue the spirit within which the law is being applied or the law itself?

There appears to be a certain level of dislike or negative perception toward micro and small business operators in urban areas. We don't think that is right because they are an important part of the economy.

Contrary to the Trade (Licensing) Act 1969, many of the businesses whose premises were demolished had received valid trade licences from the local authorities. We have also observed that the enforcers failed to distinguish between illegal vending and licensed legal businesses operating from unapproved or illegal structures.

In addition, many urban authorities did not comply with the directive to conduct robust public education and awareness about the measures.

So, are you saying the exercise was marred by illegality?

Most of the local authorities did not operationalise their trade order strategies before engaging in such a massive demolition campaign. There was very limited or no consultation with key stakeholders, especially the business people. Only KCCA engaged in some limited engagements, and apart from extending the deadlines and providing possible marketplaces for relocation, there was no comprehensive effort to ensure that people's businesses and livelihoods were not disrupted.

Mr John Kakungulu Walugembe, the executive director of Federation of small and medium enterprises Uganda during an interview. PHOTO/ MICHAEL KAKUMIRIZI

Trade Order disturbance

- The Trade Order from the Ministry of Local Government ordered the nationwide removal of illegal roadside kiosks and structures to restore urban order and enforce the Trade (Licensing) Act, leading to widespread demolitions.
- This directive, which required vendors to move to designated, licensed areas, was suspended on April 24, 2026.

In the absence of regulations to guide demolitions as envisaged in the Building Control (Amendment) Act, 2026, means this exercise was poorly executed with no effort made to identify hazards, disconnect utilities, remove hazardous materials, and clean up. As a result, many business owners have lost their business assets.

You carried out some research on the impacts of the trade order operations on MSMEs. What did you uncover?

The Federation of Small and Medium-Sized Enterprises rapid survey polling over 13,567 businesses countrywide revealed that the majority of the MSMEs interviewed – 93 percent, reported that being chased away from operating from roadsides has left them with no place to work. As a result, they halted their businesses.

For some, this has led to a complete cessation of their business activities, with several MSMEs noting they are "currently not working" specifically because of council interventions. Some 88 percent of the respondents reported that their "mudala" or stalls were destroyed or that their stalls, kiosks, and other business assets were confiscated by Local council enforcement officers.

And about 15 percent reported that all their business assets and equipment had been confiscated or destroyed, leading to the collapse of the business

Nearly 80 percent of respondents indicated that displacement resulting from the operations has led to a disconnect between the business and its clientele.

Most MSMEs noted that after being moved, customers no longer know where the business is located, leading to a sharp decline in sales. Additionally, being forced to move at short notice led to immediate financial losses, such as a chapati maker who reported losses in remaining stock after being chased away

The survey also showed that 68 percent of respondents lack an alternative "permanent place" or a "proper working area".

Although KCCA and some local authorities directed vendors to designated markets, many of these places lack free stalls, and the process of hiring stalls is both complex and expensive for them.

This was in addition to psychological and operational "disturbance." Beyond physical displacement, the constant threat of action by Council Authorities is described as a "disturbance" that creates an unstable and hostile working environment. The demolition is conducted early in the morning, and the enforcement officials are guarded by security forces. This instills fear among the traders who are treated harshly by the enforcement teams.

The survey also laid bare the issue of rising insecurity. This is because forcing young people out of gainful, albeit informal employment, will drive many of them into criminal activities, increasing insecurity in many municipalities, towns, and cities where these operations are taking place. The impact on national and local revenue collection is also immense according to the survey.

Remember many of the MSMEs you speak for operate illegally? And that is an issue.

Although many of these MSMEs are operating illegally, others are licensed by local authorities and have been contributing to domestic revenue collection. The destruction of their businesses will affect local governments' ability to mobilise local revenue. Similarly, at the national level, they drive consumption. Therefore, this nationwide operation will inevitably impact the Uganda Revenue Authority (URA)'s ability to [illegible] its revenue collection targets.

Most of the micro-entrepreneurs and traders who operate on roadsides are women and youth. The trade operations are disrupting their livelihoods and may lead them to destitution. The market stall is not simply a structure. It represents a source of school fees, meals, and health care for the vulnerable in society.

What change would you like to see?

We recommend supporting MSMEs whose operations have been disrupted by the Trade Order Directive in getting back to work as soon as possible.

We would want to see a temporary halt to the demolition of MSME workspaces countrywide until extensive consultations and alternatives for their relocation are identified.

Local Authorities should finalise their trade order strategies in consultation with key stakeholders and ensure that any demolition complies with the Building Control (Amendment) Act, 2026. We appeal to local authorities to implement the trade directive while taking into consideration local realities. Therefore, they need to domesticate the national trade directive by finalising local trade order strategies in consultation with key stakeholders.

Extensive awareness should be conducted to ensure that traders, vendors, and other MSMEs appreciate the objectives of the Trade Order directive.

What is your parting shot?

Local Governments, Municipalities, and Cities should invest in extensive awareness to educate traders and MSMEs about the benefits of trade order and formalisation.

So, beyond market spaces, the government should work on an extensive plan with Industry associations to develop shared workspaces for MSMEs.

Beyond market spaces, we appeal to the government to work on an extensive plan to develop workspaces and common user facilities for MSMEs. These go beyond markets, as not all MSMEs can operate in markets. These workplaces are static, but the occupants are ever-changing. Many MSMEs would start in shared workspaces and move to their own facilities when they are confident enough to invest.