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DIGITAL MARKETS COMPETITION REGULATION IN UGANDA: **THE FUTURE**

POLICY COMMENT REPORT 2025

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Executive **Summary**

This report provides a forward-looking analysis of Uganda's digital market landscape and the potential competition challenges it presents. While many of the issues highlighted remain hypothetical or have not yet been formally detected by the Ministry of Trade, Industry and Cooperatives (MTIC), the report underscores the need for proactive regulation to address emerging market power and anti-competitive risks before they materialize.

The report focuses on five core digital markets that are shaping Uganda's economy. In *fintech market,* it traces the evolution of the mobile money market and highlights the concentration of market power in MTN and Airtel, resulting in a duopoly. It also explores new mobile financial practices such as digital loans and virtual payment cards, raising concerns about exclusion, transparency, and consumer data use.
In the *ride-hailing market*, the report examines platform behavior, pricing algorithms, and issues like driver multi-homing and consumer lock-in.
The *online food delivery market* is reviewed through the lens of aggregator dominance, data access, and commercial terms imposed on restaurants. Key among the barriers of entry observed in this market is high operational costs which forced Jumia food and later SafeBoda food leave the market.

The *app store market i*s analysed with respect to the control global platforms exert over app developers, particularly regarding in-app payments and app visibility.
Online travel agencies are scrutinized for their impact on hotel pricing, data control, and the visibility of local operators in digital spaces.

The observations in the report indicate that what sets digital markets apart from traditional ones is the presence of strong network effects, large economies of scale, data-driven dynamics, and high switching costs. These characteristics often lead to market concentration and limit consumer choice, posing unique regulatory challenges.

The report recommends an ex ante regulatory approach inspired by global developments, particularly the European Union's Digital Markets Act. However, it cautions against adopting a carbon-copy model. Uganda's distinct technological and economic context requires a more measured and locally grounded framework to avoid regulatory mismatch and to ensure that innovation and growth are not stifled.

The report recommends a multi-pronged reform agenda structured around legal, institutional, and capacity-building interventions. The report recommends amending *Section 27(4) of the Competition Act* to remove the six-month deadline for regulations, developing sector-specific rules tailored to digital platforms, and using existing legal provisions for interim enforcement against abusive conduct.

It calls for the establishment of a Digital Markets and Competition Unit within MTIC, the identification and ex-ante regulation of Systemically Significant Digital Enterprises (SSDEs) using both quantitative and qualitative criteria, and the mandatory disclosure of algorithmic rankings, commissions, and preferential treatment by dominant platforms.

The report further proposes prohibiting harmful contractual clauses like exclusivity, wide price parity, and tying arrangements, launching targeted market inquiries, enhancing regional cooperation through COMESA and AfCFTA, and investing in institutional capacity through training in digital law, AI, and data analytics.

The report concludes by emphasizing that effective competition regulation in digital markets is not just about restraining dominant firms, but also about creating a dynamic, inclusive, and innovation-driven digital economy. It calls on policymakers, regulators, and industry stakeholders to adopt a future-oriented mindset and build regulatory capacity to respond to fast-evolving digital market realities in Uganda.

The Reporting Taskforce

As part of Adlegal Uganda's policy advocacy initiatives in the area of competition and consumer protection, a reporting task force was constituted to investigate, benchmark, and analyze developments in digital markets competition regulation. The task force provides informed commentary and recommendations to shape future regulations and policies under the newly enacted Competition Act, 2023.

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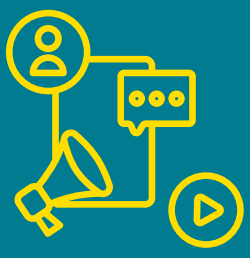
The Report at a Glance



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Overview

Today, most people prefer to buy and sell goods and services online because it's easier and faster. As more people use digital platforms, more businesses join these markets to meet the growing demand. When consumers are drawn to a preferred digital marketplace, their increased participation drives more transactions, which in turn attracts new business market entrants and fosters stronger competition in the market. In response, competition and consumer protection policies play a vital role. While distinct, both aim to maximize consumer welfare.

The growth of digital markets in Uganda is largely driven by the increasing ownership of smartphones and the steady rise in mobile internet penetration across the country.

Ugandans with smart phones

18.4 Million

Mobile internet Subscriptions

22.3 Million

Source: *The 2025 Uganda Communications Commission Market Performance Report Quarter 1 (Jan - Mar 2025)*

Competition policy remains one of the most powerful tools governments have to make sure digital markets stay open, fair, and beneficial to everyone. Without the right rules in place, we risk allowing big players to dominate and push smaller, local businesses - to the sidelines. That's why competition regulators around the world are putting digital markets at the heart of their work.

The fast-paced and constantly evolving nature of this space means regulators must stay ahead of the curve by designing new and effective approaches tailored to these unique challenges.

Like many other developing countries, Uganda is still in the early stages of building its digital economy but things are moving quickly. The rise and growing popularity of digital platforms are opening up exciting new opportunities for economic growth that's more inclusive and far-reaching. But to fully take advantage of what digitalisation has to offer, it's essential for countries like Uganda to put in place the right legal, commercial, and regulatory frameworks.

> **Because digital markets have no boundaries, there are shared regulatory challenges that call for government cooperation and learning lessons.**

In recent times, regulators across various regions have grown increasingly wary of the significant market dominance exercised by major digital platforms and the expanding scope of their influence, both within their primary sectors and in related markets.

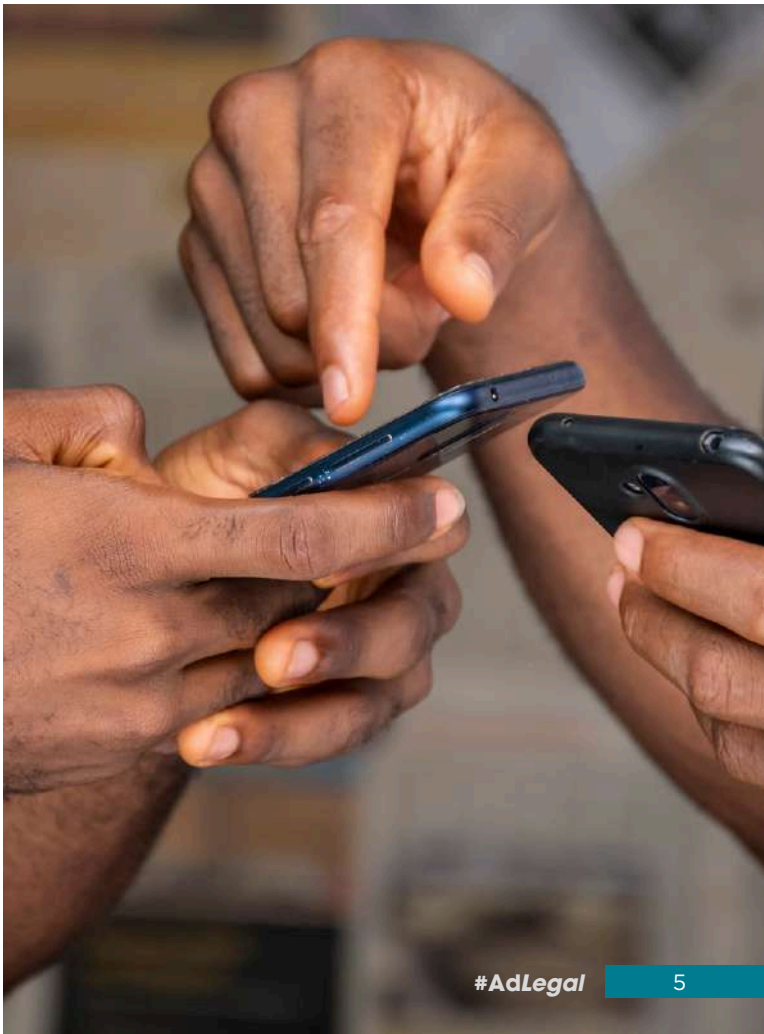
There has been ongoing global discourse about whether existing competition laws are adequate to address the unique challenges posed by digital platforms. This has led to questions about whether new, specialized regulations are necessary. In response, some of the world's foremost competition watchdogs have started adopting or enforcing ex-ante regulatory measures intended to foster fair and effective competition in the digital space.

Despite these shared goals, the approaches taken vary substantially across jurisdictions. The regulation of digital markets is diverging from traditional competition law in both philosophy and application. While conventional markets often operate under broadly uniform competition principles, digital markets despite having similar structures are now subject to distinct and often inconsistent regulatory frameworks.

There has been ongoing global discourse about whether existing competition laws are adequate to address the unique challenges posed by digital platforms.

Digital markets are quite different from traditional ones, and this poses new challenges for regulators. For example, many of these markets don't involve direct payments, which makes it harder to apply standard competition law principles like how to define the market, identify dominant players, or determine who the "consumer" really is. In these kinds of environments, older tools don't always work. That's why there's a growing push to rethink competition policy in ways that better account for how modern digital markets operate especially the multi-sided nature of platforms.

To keep up with these changes, regulators need more room to be flexible. Instead of waiting for new laws to be passed, they should be empowered to act quickly through updated guidelines, decisions, and rules. This termed as "agile regulation."



01 THE DIGITAL BLIND SPOT IN THE COMPETITION ACT, 2023

THE DIGITAL BLIND SPOT IN THE COMPETITION ACT, 2023

Uganda's Competition Act, 2023 was enacted following its passage by Parliament on 1 September 2023 and presidential assent on 2 February 2024. This legislative milestone builds on long-standing policy commitments articulated in both the National Trade Policy of 2007 and the National Competition and Consumer Protection Policy of 2014.

The Act is designed to promote fair market dynamics by targeting key anti-competitive conduct, including price-fixing, collusive arrangements, abuse of dominance, and unfair treatment of consumers. By addressing these practices, the legislation seeks to level the playing field for businesses of all sizes and encourage healthy competition.

The Act empowers the Ministry responsible for trade to administer and enforce competition law, including overseeing anti-competitive practices (Part III), abuse of dominant positions (Part IV), and mergers and acquisitions (Part V). It defines key concepts like "dominant position," "anti-competitive agreements," and "concerted practices" and prescribes penalties and investigative procedures. However, no specific provisions address the distinct characteristics of digital platforms.

Moreover, as of now, no regulations have been passed under the Act, yet Section 27 explicitly requires the Minister to lay regulations before Parliament within six months of the Act's commencement. While the Ministry is in the process of developing general regulations, it is not certain that they will fully capture the complexities and rapid evolution of digital platforms.

Gaps in the Competition Act, 2023 Regarding Digital Markets

While the Competition Act, 2023 provides a much-needed foundation for regulating anti-competitive conduct in Uganda, a close reading of the Act reveals a significant and notable gap: it contains no specific provisions addressing digital markets or the unique characteristics of digital platforms. This omission raises concerns about the Act's adequacy in responding to emerging forms of market power and competition risks in the digital economy.

Nowhere in the Act are critical digital economy concepts—such as digital platforms, online marketplaces, multi-sided markets, network effects, algorithmic collusion, or data-driven dominance mentioned or defined. The regulatory vocabulary is strictly tailored to conventional economic structures based on physical goods and clear price mechanisms.

The Act is commendable in its intent and structure *but insufficiently equipped to address the complex realities of digital markets.* As Uganda's digital economy grows it is imperative to ensure that competition law does not lag behind.

Globally, regulators are increasingly recognizing that traditional competition tools are ill-suited to digital markets. For instance, many jurisdictions are adopting ex-ante regulatory frameworks that proactively manage the conduct of large digital platforms, rather than waiting for anti-competitive harm to occur. These frameworks focus on issues like interoperability, data access, algorithmic transparency, and self-preferencing areas not addressed under Uganda's current law.

Given Uganda's rapid digital transformation and the rise of digital platforms that are reshaping commerce, communication, and public services, there is an urgent need for the Ministry to prioritize the development of specific regulations for digital markets. These regulations should adopt an agile approach, enabling the Ministry to respond quickly to emerging challenges through guidelines, directives, and dynamic oversight mechanisms.

> **As of June 2025, there is also a pressing issue of legal uncertainty surrounding the validity of any regulations made outside the original six-month window prescribed by the Competition Act.**

One of the most pressing challenges facing the implementation of the Competition Act (Cap. 66) is the inability to operationalize the Act due to the absence of regulations. The Act required that regulations be made within six months from its commencement in April 2024. However, this statutory window lapsed in October 2024 without the issuance of the necessary regulations. As a result, the entire framework remains unenforceable, undermining the legislative intent and stalling competition oversight in Uganda.

On 12th June 2025, ENSafrica Advocates, led by Senior Advocate Phillip Karugaba, took proactive steps by formally writing to the Attorney General to propose an amendment to Section 27(4). In their letter, they recommended removing the six-month deadline stipulated in the provision and enclosed a draft of the proposed amendment bill for consideration. The objective of this proposed amendment is to remove the rigid six-month deadline for making regulations, thereby restoring legal flexibility and ensuring that the Competition Act can finally be brought into force.

The move is expected to pave the way for the timely issuance of regulations and the effective functioning of the competition framework.

02

SCANNING UGANDA'S DIGITAL MARKET LANDSCAPE: BUSINESS PRACTICES AND COMPETITION ISSUES

SCANNING UGANDA'S DIGITAL MARKET LANDSCAPE: BUSINESS PRACTICES AND COMPETITION ISSUES

This brief examines the rapidly evolving landscape of Uganda's digital economy, highlighting key trends, leading players, and the regulatory and competition issues influencing the market. It centers on five major digital sectors: Fintech (Mobile Money), Online Food Delivery, Ride-Hailing, App Stores, and Online Travel Agencies.
These five markets are emphasized because, as of early 2025 (January to March), they represent the fastest-growing and most widely adopted digital services by both businesses and consumers in Uganda.

> **As businesses in shift operations online, new opportunities and challenges have emerged, particularly in relation to business practices and competition.**

Among the challenges include limited capital and knowledge, unjustified differentiated treatment faced by Ugandan platforms, dominance of a few large platforms due to network effects, which limits competition and market entry. Key issues include self-preferencing, anti-competitive pricing parity clauses that restrict business users from offering better prices elsewhere, and exploitative practices that disadvantage SMEs such as higher fees, limited visibility, and use of their data by platforms. Additional challenges include non-transparent advertising practices, restrictions imposed by large chains on franchisees' platform choices, and the exclusionary design of app stores and classified platforms that hinder local and black-owned businesses from competing effectively.

Other key challenges stem from critical questions about *whether Uganda's digital markets are truly contestable, fair, and transparent.*

On *contestability*, we observe later in this section that Uganda's digital markets face significant barriers to entry that undermine contestability, including the dominance of a few telecom operators, high internet and device costs, regulatory unpredictability, and limited digital infrastructure. These markets also exhibit classic platform characteristics such as strong network effects especially in mobile money data advantages concentrated among incumbents, and economies of scale and scope that entrench dominant players.

Towards the side of *fairness,* Ugandan businesses using digital platforms often face unfair trading terms and have weak bargaining power. They rely heavily on a few dominant platforms for visibility and sales, making them economically dependent and vulnerable to exploitative practices.

As observed in this section, *transparency* between digital platforms, business users, and end users (consumers) is often limited. Many platforms for example telecom companies when it comes to terms of mobile loans do not provide clear or detailed explanations. Some issues observed concern ranking algorithms or how content, products, or services are prioritized on online food delivery apps. This opacity can create uncertainty for business users trying to optimize their presence and for consumers seeking trustworthy and unbiased information.

The findings in this section of the report form the basis for remedial actions recommended in the report to improve fairness, transparency, inclusivity, and competition across Uganda's digital economy.

MARKET 1

ONLINE FOOD DELIVERY

As digital adoption continues to rise, the food delivery ecosystem has emerged as a key segment within the broader digital economy.
Online food delivery refers to the process by which consumers order meals from restaurants through digital platforms, primarily mobile applications or websites, and have the food delivered directly to their location. These services have transformed the traditional dining and takeaway experience by offering convenience, speed, and a wide variety of options at the tap of a button.

Food delivery apps are broadly categorized into two types: **third-party platforms** (such as Glovo) and **in-house restaurant apps** (such as those developed by chains like Java House and KFC). Third-party apps aggregate offerings from multiple restaurants, providing users with diverse cuisine choices and enabling restaurants particularly small or independent ones to reach a wider customer base without investing in their own delivery infrastructure.

In contrast, in-house apps allow restaurants to manage the customer relationship directly, control pricing and service quality, and sometimes reduce dependency on external platforms.

At present, **Glovo** is the undisputed leader in Uganda's food delivery space.

Following the exit of Jumia Food in late 2023 and the closure of SafeBoda Food, Glovo has cemented its dominance through a well-financed, aggressive market strategy. The platform offers extensive national coverage and has onboarded virtually all major restaurant chains as well as numerous independent eateries. It operates a highly efficient logistics system and leverages significant capital resources to run large-scale promotional campaigns and subsidize delivery costs for consumers. This combination of features has positioned Glovo as the most accessible and visible platform for urban Ugandan consumers seeking ready-to-eat meals.

The closure of other major platforms such as Jumia Food and SafeBoda Food has had far-reaching implications.

Jumia Food, once one of the continent's largest delivery networks, cited high operational costs and low profitability as reasons for its shutdown across Africa. In Uganda, the exit left a void in the market that smaller, local platforms have struggled to fill. SafeBoda Food, which initially capitalized on its well-established boda logistics fleet, similarly ceased operations, likely due to the high costs associated with customer acquisition and platform maintenance in a space dominated by more heavily funded players.

Despite Glovo's overwhelming market share, several smaller, locally founded platforms continue to operate within specific urban pockets. These include ***Pixus Food, eBee delivery ,YoMeals, and Yum Deliveries.*** These platforms have carved out niches in localized areas and are typically managed by resident entrepreneurs. They adopt leaner operating models, charging lower commissions to restaurants and sometimes passing the full cost of delivery on to consumers. While these platforms lack the expansive reach and promotional muscle of Glovo, they provide critical access for independent restaurants and consumers

Another evolving trend in the sector is the rise of in-house restaurant delivery models. Well-established restaurant brands such as ***Café Javas, KFC, Pizza Hut, Middle East Restaurant*** and other major restaurants now offer delivery services through their own mobile apps or dedicated internal dispatch systems besides the external delivery platforms such as Glovo. This hybrid model allows them greater control over pricing, branding, and customer engagement while leveraging the infrastructure of third-party platforms when necessary. However, such dual delivery strategies remain a luxury primarily available to large restaurant chains, with independent eateries continuing to rely on external platforms for customer visibility and fulfillment.

The current structure of the food delivery market raises a number of regulatory and competition-related issues.

Online Food Delivery Market

Food delivery apps in Uganda are broadly categorized into two types: **third-party platforms** and **in-house restaurant apps**

THIRD-PARTY PLATFORMS

Market players

Dominant player

PIXUS FOOD

yomeals

eBee

YUMI DELIVERY

Glovo
Food & Grocery Delivery

IN-HOUSE RESTAURANT DELIVERY APPS

KFC

CJ's ORDER NOW

Pizza Hut

MER

Restaurants also use third party apps besides their own delivery apps

KEY COMPETITION LAW CONCERNS

- Use of Exclusivity Clauses
- Price Parity
- Collusive Conduct/Market Allocation
- Platform Neutrality
- Tying Arrangements

As of May 2025

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Policy Comment Report on Digital Markets Competition Regulation In Uganda: T**he Future**

ONLINE FOOD DELIVERY SERVICES BUSINESS MODEL FOR THIRD-PARTY PLATFORMS

Food delivery Platform/App

1

A restaurant creates an account on the platform

Consumer creates an account on the platform

Delivery guy creates an account on the platform

2

From a collection of restaurants on the app, the consumer chooses one and places an order

Payment is made via Mobile Money, VISA or Cash on delivery

The restaurant receives the order and assigns it to a nearby delivery guy

Delivery guy receives an alert to pick up the food for delivery

3

From the payment, the app retains its share, pays a commission fee to the delivery guy, and remits the remaining amount to the restaurant.

Consumer receives the food

Delivery guy transports the food to the consumer

SUMMARY OF POSSIBLE COMPETITION CONCERNS IN THE ONLINE FOOD DELIVERY SECTOR

Anti-Competitive agreements & Practices;

- ***The use of Exclusivity Clauses:*** Leading platforms offer restaurants reduced commission rates or enhanced visibility on the app, on the condition that the restaurant agrees to operate exclusively on that online food delivery platform. While this may initially appear beneficial to both parties, it becomes problematic when the exclusivity significantly limits the restaurant's ability to partner with competing online food delivery platforms/apps. Online food delivery platforms can put a condition that, if a restaurant breaches the exclusivity clause by joining another platform, it may face a series of punitive measures, including having to repay the difference between the exclusive and standard commission rates, the suspension of marketing support, or even a full suspension of service on the platform. These consequences can exert a chilling effect on the restaurant's willingness to diversify its sales channels, resulting in a form of market foreclosure that favors dominant platforms and restricts consumer choice.

- ***Price Parity:*** Another common practice that raises competition concerns is the imposition of price parity clauses, also known as Most-Favoured-Nation (MFN) clauses. These provisions require restaurants to offer prices on the delivery platform that are no higher than those offered elsewhere, whether on the restaurant's own website, in-store menu, or competing platforms.

Price parity clauses come in two forms: narrow and wide. ***Narrow*** parity clauses prohibit restaurants from offering lower prices on their own sales channels, such as their websites or dine-in services. ***Wide*** parity clauses are more restrictive, preventing restaurants from offering lower prices on any other platform. This severely limits the ability of restaurants to adjust prices in response to varying commission rates or operational costs across platforms.

As a result, price competition among platforms is undermined, making it harder for new or smaller platforms to attract restaurant partners by offering lower fees. The overall effect is to entrench the dominance of established platforms and suppress competitive pricing, which may ultimately lead to higher prices for consumers.

Collusive Conduct and Market Allocation

Among Competing Platforms. Large delivery companies like Glovo and Jumia may engage in practices that amount to the allocation of geographic territories or customer segments, effectively agreeing not to compete in certain areas or target certain types of customers. Furthermore, platforms may exchange commercially sensitive information, such as pricing strategies, delivery capacity, cost structures, and product features.

Even if no formal agreement exists, the mere sharing of such information can create conditions for tacit collusion, where platforms adjust their behavior in parallel without direct coordination. This kind of -

behavior undermines market dynamics by reducing the incentive to innovate, limiting service differentiation, and keeping prices artificially high.

Platform Neutrality

Due the growing online food delivery industry in Uganda, there exists a threat of platform neutrality which platform owners granting preferential treatment to certain sellers especially those in which they have a direct or indirect interest thereby distorting competition and undermining the principles of a level playing field.

This preferential treatment typically manifests in the following ways:

Preferential Positioning

This occurs when platforms offer certain sellers advantages in listing and placement, typically through prime visibility on search pages or home screens. The issue is more acute where platforms operate in a dual role—as both a marketplace and a seller. In such cases, the platform has access to valuable, proprietary commercial data from third-party sellers (e.g., pricing, demand trends, customer preferences), which can be used to reverse-engineer successful products, launch private labels, and manipulate placement to favor their own offerings.

This results in disproportionate competitive advantage that undermines fair market participation.

Search Manipulation

Platforms manipulate search algorithms to prominently display products from preferred sellers under labels such as "Top Rated," "Assured," or "Exclusive." Such manipulation - steers consumer attention and purchasing behavior, often at the expense of better or more competitive offerings from non-preferred sellers. These practices compromise the integrity of search results and limit visibility for smaller or independent sellers.

Deep Discounting and Price Squeeze

Online food delivery platforms can engage in deep discounting strategies for products or services, funded either by the platform itself or by extracting high commission rates from third-party restaurant sellers. This practice amounts to a price squeeze, where a vertically integrated platform imposes high input costs (e.g., commission fees) on non-integrated sellers, while selling its own or affiliated products at artificially low prices. The result is a skewed competitive environment that pushes independent sellers toward unsustainable margins or financial losses, while increasing platform traffic and dominance.

Tying Arrangements

Tying refers to a practice where a platform conditions the use or purchase of one product or service on the mandatory purchase of another.

A food delivery app may require restaurants to use its in-house delivery service to be listed on the app or to qualify for better rankings.

This can raise serious competition concerns, particularly where the tied product (e.g., delivery service) is offered at non-competitive rates, limiting the ability of sellers to seek more cost-effective or higher-quality alternatives. Tying restricts -

market choice, increases dependency on the platform, and can constitute an abuse of dominant position under competition law.

REGULATORY STRATEGIES TO CURB ANTI-COMPETITIVE CONDUCT IN UGANDA'S ONLINE FOOD DELIVERY SECTOR

To curb these practices and promote healthy market dynamics, the following regulatory strategies are proposed:

Enactment and Enforcement of Sector-Specific Competition Guidelines
The Ministry of Trade, Industry and Cooperatives should develop and enforce sector-specific competition guidelines for the online platform economy, with a dedicated focus on food delivery services.

These guidelines should:

- Prohibit the use of exclusivity clauses that prevent restaurants from partnering with multiple delivery platforms.
- Mandate the disclosure of commission fees and pricing structures to both restaurants and consumers.
- Ban wide price parity clauses and scrutinize narrow clauses to ensure they do not stifle pricing flexibility or restrict competition.

Notification and Registration of Contracts with Dominant Platforms.
All major food delivery platforms operating in Uganda should be required to submit copies of their standard contractual terms with restaurant partners to the Ministry for review. Contracts should be assessed for any potentially unfair terms, including punitive exclusivity clauses, tying arrangements, and discriminatory commission fees.

Mandatory Transparency Obligations.
To empower both consumers and small business partners, dominant platforms like Glovo must be required to:

- Display a pop-up notification informing consumers that prices listed on the platform may include commission surcharges not applicable in-store.
- Indicate whether the restaurant has paid for a sponsored listing or receives preferential positioning.

Prohibition of Tying Arrangements and Imposition of Delivery Service Choice. Platforms should not condition restaurant listings on the mandatory use of their own logistics services.

A regulatory directive should enforce the separation of food ordering services from delivery logistics, allowing restaurants to select third-party or in-house delivery providers without discrimination in visibility or ranking on the platform.

Platform Neutrality and Algorithmic Transparency.

To protect fairness in the digital marketplace, platforms should be required to:

- Publish clear criteria for search result rankings, highlighting whether the ranking is based on paid promotion, popularity, proximity, or consumer ratings.
- Segregate roles where platforms operate both as intermediaries and sellers, with clear firewalls to prevent the misuse of data from third-party vendor.

MUCH NEEDED STEP:

Investigation into Platform Dominance and Market Conduct.

The Ministry of Trade should initiate a formal market inquiry into the operations of dominant platforms, beginning with Glovo, to determine the extent of anti-competitive behavior. This investigation should focus on:

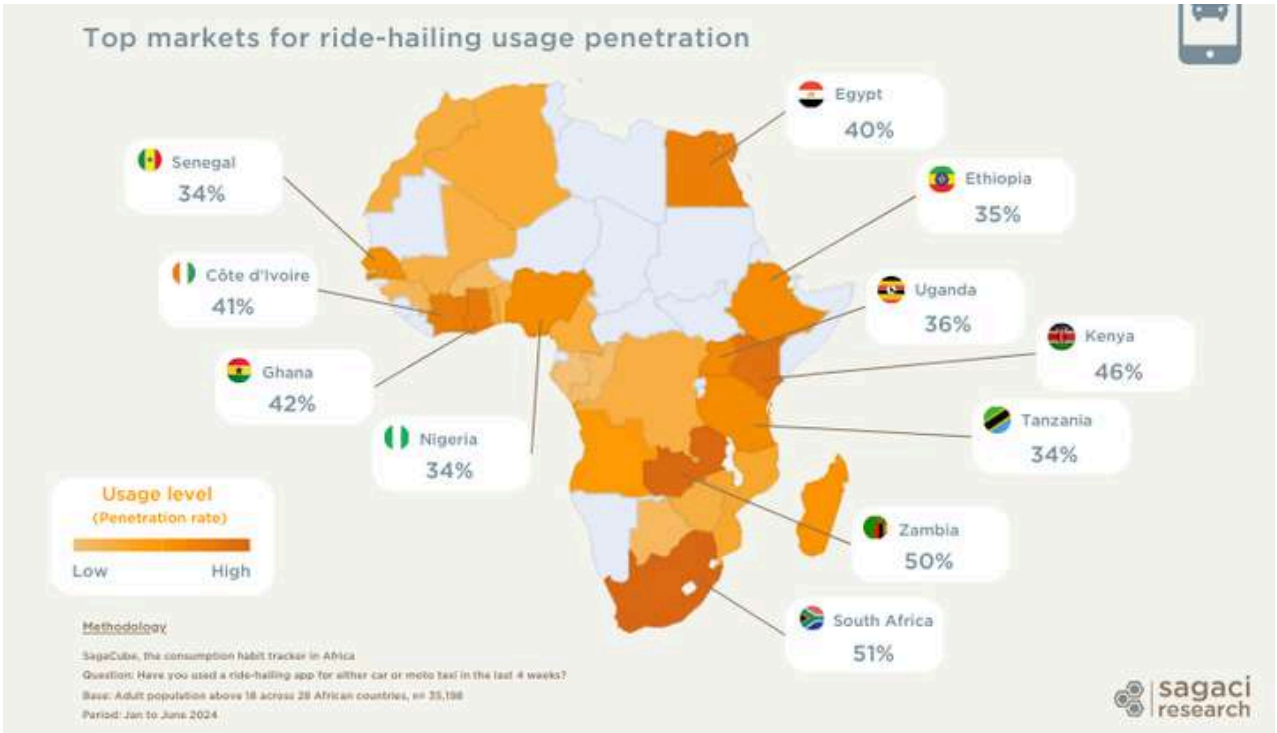
- The use of exclusivity and parity clauses,
- The platform's commission structures across different categories of restaurants,
- Pricing strategies and discount funding models,
- Alleged preferential treatment or vertical integration that harms smaller players.
- The findings of such an inquiry should inform subsequent enforcement action or remedial measures under the Competition Act, 2023, particularly where violations of Sections relating to abuse of dominance, unfair trade practices, or collusion are evident.

MARKET 2

RIDE-HAILING SERVICES

An industry that has particularly witnessed a spatial modification is the traditional ride-sharing industry, wherein app-based ride-sharing companies have emerged in Uganda's digital economy. The app-based ride-sharing industry is one which is extremely dynamic and has had a significant impact on the traditional transportation industry.

According to **Sagaci Research**, ride-hailing penetration in Uganda particularly in *Kampala* the capital city stood at 36% in 2024, indicating a substantial adoption rate considering the country's economic and infrastructural landscape. This means that more than a third of Ugandan consumers with access to transportation services are opting for digital ride-hailing platforms, reflecting a major shift in consumer behavior and urban transport patterns.



(Source: Sagaci Research) Ride-hailing services penetration in Africa – 2024


VER RAKAI

OVERVIEW OF RIDE-HAILING SERVICES IN UGANDA:

Ride-hailing services in Uganda currently cater to two main categories of transportation: vehicles (cars) and motorcycles, commonly known as boda bodas.

These services are accessed and operated through online mobile applications, which connect passengers with available drivers or riders in real-time.

Motorcycle Ride-Hailing (Boda Bodas)

Motorcycle ride-hailing, commonly known locally as "boda hailing," has gained widespread popularity due to its affordability and efficiency in navigating through heavy urban traffic.

It has become an indispensable mode of transport for daily commuters within Kampala. Key players in this sector include **SafeBoda, Faras, Ride Now, Uber Boda**, and **Bolt,** with SafeBoda and Faras currently dominating the market.

Vehicle Ride-Hailing

Vehicle-based ride-hailing services offer reliable and comfortable private transportation for individuals and groups, catering to those who prioritize convenience, safety, and efficiency. These services are widely used for airport transfers, business travel, and day-to-day errands.

In Uganda, prominent providers include **Uber, SafeCar, Faras, Spesho Taxi, Lolo Uganda, Ride Now,** and **Bolt**. Of these, Uber and SafeCar currently hold the largest share of the market and are considered the leading service providers.

In Uganda, Uber reported on it's website that it's performance in 2024 saw notable growth and a shift towards sustainability. Uber's gross bookings grew by 18% year-over-year to $44.2 billion, with mobility bookings increasing by 18% and delivery bookings also growing by 18%. The company also launched Earthshot Prize partnerships and "Ready. Set. Uber Safari!" initiatives in Uganda, further highlighting its commitment to sustainability and local engagement.

MODE OF OPERATION:

Passengers use their mobile phone ride-hailing applications to request transportation services by private car , allowing them to travel from one location to another. When a passenger places a ride request, the app connects them with a nearby available driver, usually based on the proximity of both the passenger and the driver.

The ride service company governs the entire transaction process between the driver and the passenger. It receives the ride request, calculates the fare for the passenger, assigns a driver, determines the driver's earnings, decides what portion of the payment it retains, and then the driver disburses a portion of the payment received from the passenger to the service company/App.

The primary legal dilemma in the past in various jurisdictions was the inability to identify the relevant market for app-based ride-sharing companies, given that ridesharing enterprises essentially operate on platform markets, thereby acting as mere intermediaries between drivers and passengers. But luckily the Court of -

Justice of the European Union shed some light on this point. In a judgment dated 20 December 2017, the Court of Justice of the European Union declared;

"that an intermediation service, such as that at issue, the purpose of which is, by means of a smartphone application, to put non-professional drivers using their own vehicles in touch with persons wishing to make an urban journey, in return for payment, must be regarded as being inextricably linked to a transport service and as therefore falling within the definition of 'service in the field of transport' within the meaning of Union law"

(Case C-434/15 – Asociación Profesional Elite Taxi v. Uber Systems Spain SL)

De facto, Uber's excessive influence on its drivers and their services means that the latter are recognised as belonging to the passenger transport market. This is a relevant market that was long monopolised by taxis, but which was shaken up with the arrival of VTCs

Driver Compensation:
Drivers are not compensated for the time they are logged into the app and available to receive rides. They also bear their own operational expenses, including fuel, insurance, and vehicle maintenance.

Additionally, they do not receive pay for the time or distance travelled to reach the passenger's pick-up point after accepting a ride. Drivers are only paid for the time and distance during which the passenger is in the vehicle. Both the fare charged to passengers and the amount paid to drivers are set by the platform using proprietary algorithms. These algorithms consider base fare, trip duration, distance, vehicle category, and geographic region, along with other undisclosed factors not shared with drivers or passengers.

Employment Status of Drivers:
The ride hailing sector has faced legal challenges in various jurisdictions, sparking debates about employment classification, worker rights, safety regulations, and competition in the transportation sector.

This issue arises due to the ambiguous status of gig or platform workers, who often fall somewhere between traditional employees and self-employed individuals. If platform workers are classified as employees, their collective actions such as bargaining would not amount to anti-competitive conduct

Determining whether a platform worker leans more towards being an employee or a self-employed contractor is often complex and contested. In many countries, including South Africa, France, and the UK, this classification has been legally challenged by drivers seeking improved rights and protections.

The landmark UK Supreme Court ruling in ***Uber v. Aslam*** was a turning point, concluding that Uber drivers qualify as "workers" under UK labour law—a legal category that sits between full employees and independent contractors.

The Court's reasoning focused on the nature of control exercised by Uber. Critical aspects of the drivers' service such as fare pricing and passenger destination were dictated by Uber, limiting the driver's independence. Consequently, the Court found that these conditions did not align with true self-employment.

Vehicle Ride-Hailing Market

Vehicle-based ride-hailing services offer reliable and comfortable private transportation for individuals and groups, catering to those who prioritize convenience, safety, and efficiency. Passengers use their mobile phone ride-hailing applications to request transportation services by private car , allowing them to travel from one location to another. When a passenger places a ride request, the app connects them with a nearby available driver, usually based on the proximity of both the passenger and the driver.

Market players

Dominant players

KEY COMPETITION LAW CONCERNS

- Predatory pricing
- Tying and Bundling Practices
- Price-Fixing using app algorithm

As of May 2025

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Motorcycle Ride-Hailing Market

Motorcycle ride-hailing, commonly known locally as **"boda boda hailing,"** has gained widespread popularity due to its affordability and efficiency in navigating through heavy urban traffic.
These services are accessed and operated through online mobile applications, which connect passengers with available drivers or riders in real-time.

Market players

Dominant players

KEY COMPETITION LAW CONCERNS

- Predatory pricing
- Tying and Bundling Practices
- Price-Fixing using app algorithm

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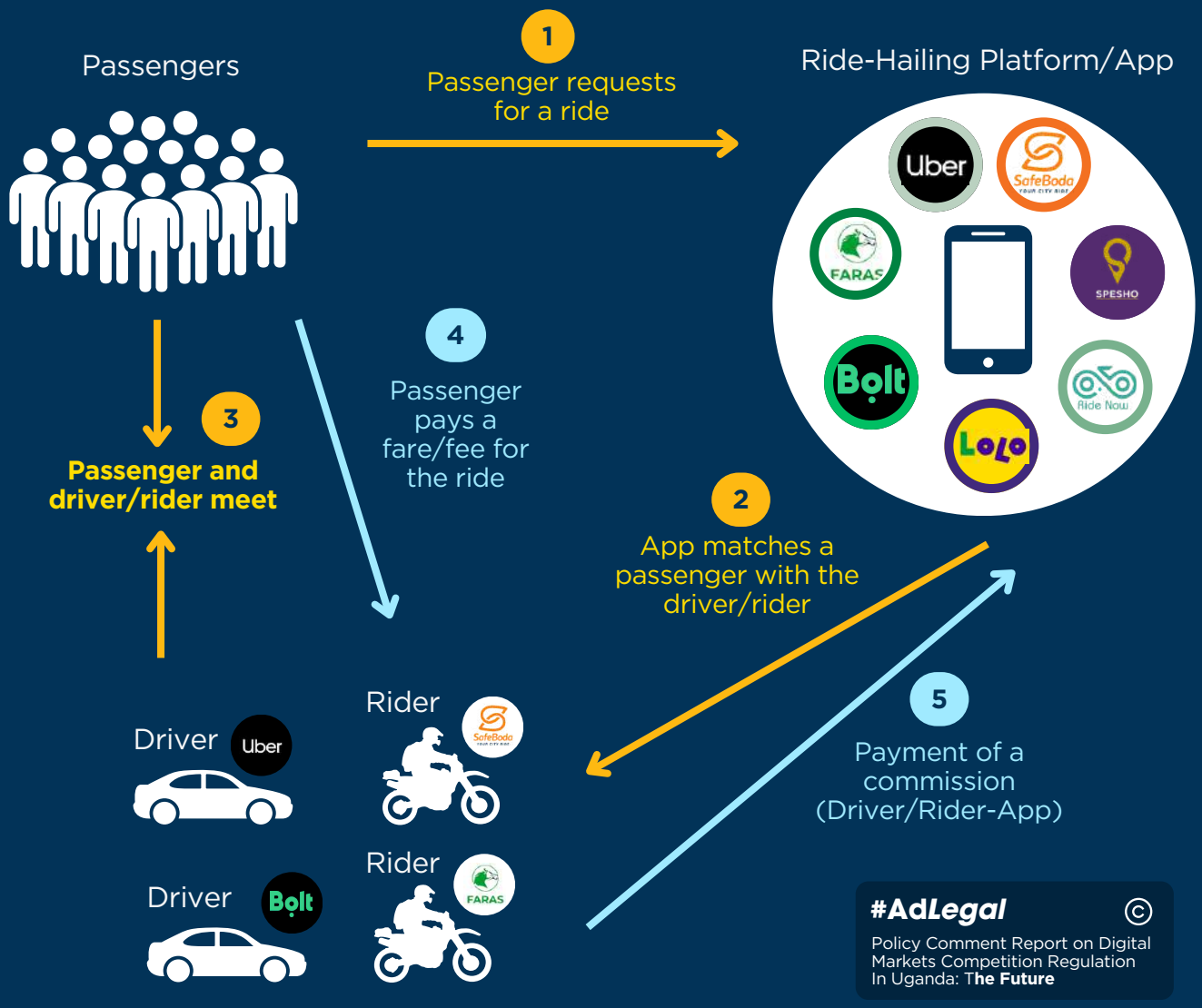
RIDE HAILING SERVICES BUSINESS MODEL



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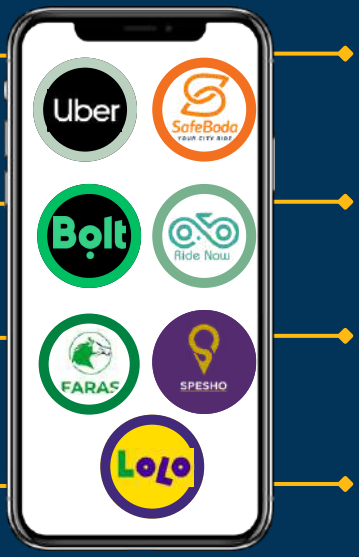
FEATURES OF RIDE HAILING APPS FOR PASSENGERS

Geolocation
To identify locations and provide directions

Register/Login
To access the service via login details

Search filters
Help passengers locate drivers

Ride cost
To pre-estimate cost for ride from point A to B



Booking & canceling
To book or cancel ride

Chat and call
To communicate with drivers, settle a pickup, etc

In-app payment option
Besides cash payments, some apps have payment platforms within

Push notifications
Alerts about pickup points, booking status, vehicke, etc

POSSIBLE COMPETITION CONCERNS IN RIDE HAILING

Engaging in predatory pricing by offering huge discounts

Predatory pricing refers to a strategy of using below-cost pricing to drive out competitors and attain a monopoly position, then raising price to reap monopoly rents once market dominance is secure. The elements of a predatory pricing claim are (1) platform's prices are below an appropriate measure of its costs; and (2) a dangerous probability of recoupment.

Dominant ride hailing platforms like Uber and Safeboda can indulge in "predatory pricing" as they are backed by huge investor funding.

Similar practices have been seen addressed by competition regulators and commissions in different countries. For instance the US in ***SC Innovations, Inc. v. Uber Technologies, Inc.***, the plaintiff Sidecar launched a ride-hailing app in US in 2012. Uber started offering a service connecting passengers to drivers driving their personal vehicles a year later. Uber was accused of using various tactics, including incentivizing drivers and passengers, to gain market share, then raising fares and cutting driver payments after establishing dominance. Sidecar alleged that Uber offered above-market incentive payments to drivers, and below-market fares. According to Sidecar, Uber's strategy was premised on the goal of establishing a monopoly and reaping the reward of supercompetitive monopolist pricing in order to recoup early losses. The court found that the plaintiff sufficiently stated a predatory pricing claim.

Ride hailing platforms also engage in predatory pricing by offering huge discounts, in addition to the already reduced tariffs to customers and unreasonable high incentives to drivers to keep them attached to its network. For instance in ***Uber India Systems Pvt. Ltd v Competition Commission of India (Civil Appeal No. 641 of 2017)*** the Supreme Court of India found that Uber's practice of offering unreasonable discounts to the customers led to low/predatory prices to oust its competitors from the market. Uber employed an incentive policy which was not economically justified and only aimed at exclusively engaging the drivers to its network so as to exclude its competitors from having access to such drivers.

Similarly, the Indian Competition Commission dealt with the same issue in the case of ***Fast Track Call Cab Pvt. Ltd. & Meru Travel Solutions Pvt. Ltd. v. ANI Technologies Pvt. Ltd.(Case No. 25 of 2017),*** where giant ride-hailing platforms initially had little to no market share. They adopted strategies such as deep discounts and operating at a loss, making them appear saviors by offering cheap rides and generous incentives to consumers. However, as consumer dependency grew, prices soared—at times exceeding flight fares—while discounts gradually disappeared. What initially seemed harmless turned out to be a Trojan horse. Consumers realised too late that the true cost was the loss of their freedom to choose, ultimately leaving a once-thriving market in the hands of a duopoly.

By and large, predatory pricing undermines the principles of fair competition in the market.

Tying and Bundling Practices;

Tying occurs when a dominant market player makes the sale of one product (the tying product) conditional upon the purchase of another (the tied product) from the supplier (i.e. the tying product is not sold separately). Bundling refers to situations where a package of two or more products is offered at a discount.
Tying and bundling are common commercial practices and rarely raise competition concerns and is prohibited under **Section 13(2)(f) of the Competition Act, 2023.**
In the ride-hailing industry, tying occurs when a platform makes access to one of its core services conditional upon the use of another, often unrelated, service.

Bundling, on the other hand, involves offering a package of services such as ride-hailing, food delivery, and parcel delivery at a discounted rate, typically within the same app. While bundling may appear beneficial to consumers due to convenience and cost savings, it becomes problematic when undertaken by a company with significant market power in one of the bundled services. A ride-hailing app may cross-subsidize its food delivery or parcel services using profits from its dominant ride-hailing operations. This places standalone food delivery or logistics startups at a competitive disadvantage, potentially forcing them out of the market. Over time, this results in market foreclosure, where smaller competitors exit and the dominant player tightens its grip across multiple service markets. In the long run, this can reduce consumer choice, dampen innovation, and lead to higher prices once competition is sufficiently weakened.

The assessment of tying and bundling under the Competition Act, 2023 is conducted on an effects-based approach. This means that these practices are not illegal per se but are scrutinized for their actual or potential impact on competition.

Regulators will assess whether the undertaking engaging in the practice has a substantial degree of market power and whether its conduct forecloses competitors in tied or bundled markets. If the effect of the conduct is to limit market access for competitors, reduce consumer choice, or lead to higher prices or reduced service quality, then the tying or bundling may be deemed anti-competitive and thus prohibited.

Price-Fixing;

Uganda's competition law, as provided under the Competition Act, 2023, seeks to protect markets from anti-competitive conduct such as price-fixing, which occurs when entities manipulate prices rather than allowing market forces to dictate them.

Applying this to Uganda's ride-hailing industry, drivers do not set fares independently, fares are determined by app's algorithm. An algorithm is a set of instructions that can do things like automate a specific task or analyze complex sets of data. For instance, compared to traditional analytic methods, pricing algorithms can set prices faster and more dynamically.

Possible situations where price fixing can manifest;

1 There can be situations where dominant ride hailing companies secretly agree to structure their pricing schemes around vertical price fixing. Vertical price fixing occurs when the dominant players conspire to set prices within a certain range, often to maintain a specific profit margin or prevent price wars. While it can be used to stabilize prices, it can also be used to manipulate prices to consumers' detriment, which is why it's often viewed as a competition law violation. The most known example is ***United States v. Topkins,(Case 3:15-cr000201-WHO)*** in which the Department of Justice Antitrust Division and UK Competition and Markets Authority investigated and charged several online sellers with using the same pricing algorithm, designed by one of the defendants, to coordinate prices across the sellers for posters sold through Amazon Marketplace. Topkins wrote - computer code that other poster sellers agreed to use for their algorithm-based price-setting software.

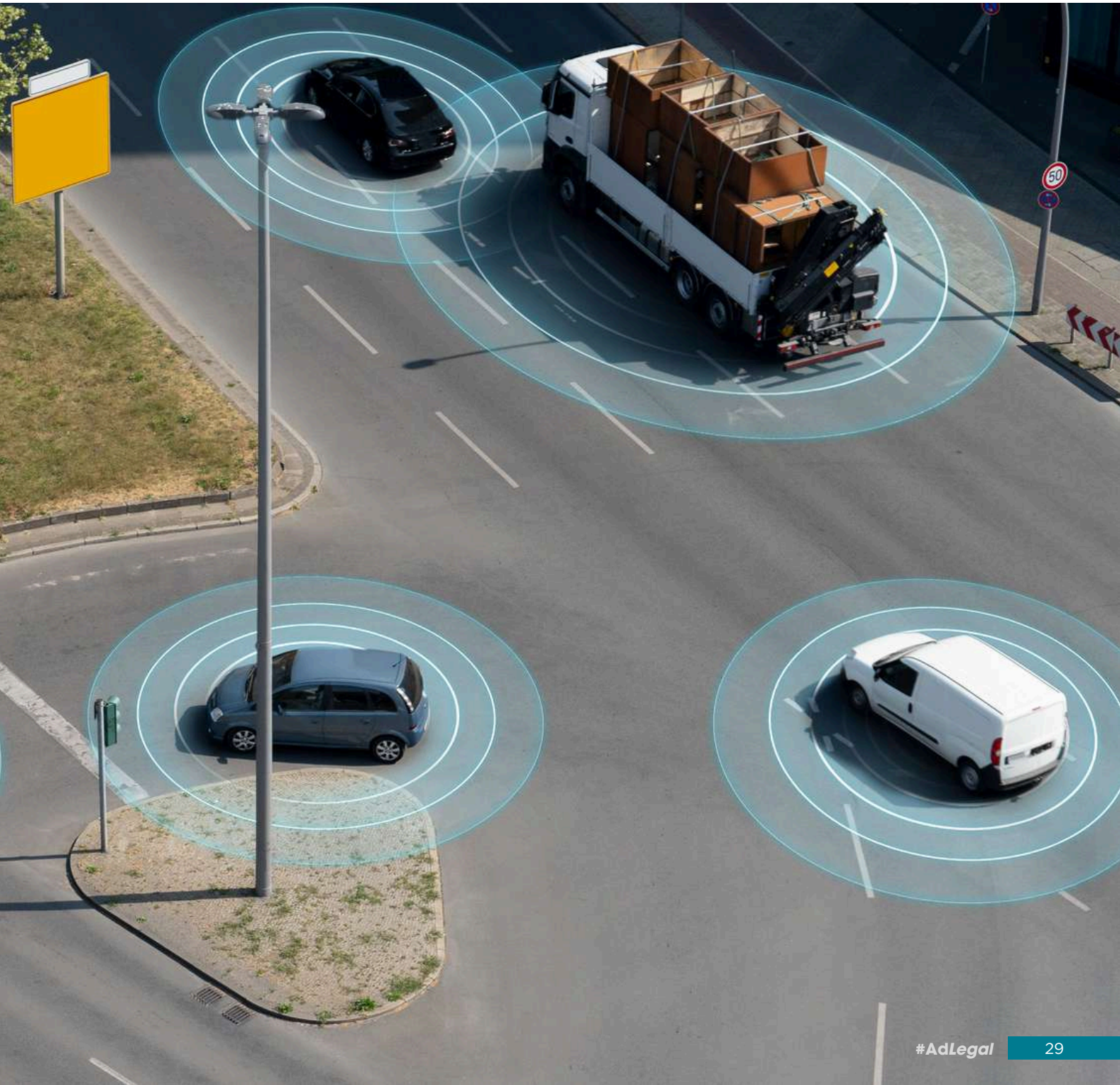
Vertical price-fixing can turn to be a core to the dominant company's maintenance of their duopoly and helps to insulate both companies from competitive pressures over take rates. Because they have the market power to implement market-wide price, they tend to do this without fear that consumers or drivers would flock to a competitor that would offer a lower take rate. The dominate companies do this by conspiring to use a certain pricing algorithm to set the prices charged passengers and the percentage to be given to drivers, thereby restricting price competition amongst themselves.

Each time a driver accepts a ride, the companies' apps set the price that passenger must pay using secret algorithms that are hidden from both drivers and riders.

2 Third Parties that Offer Pricing Algorithm Services can risk maintaining confidentiality around customer information from being used by other companies that they offer similar algorithm services for. The key anti-competitive risk for third-party controlled algorithms involves managing competitively sensitive information (like disaggregated pricing and transaction information) generated by users. The competition law implications therefore depend on how the technology is used and the technological or contractual safeguards in place designed to protect users' competitively sensitive information. When competitors input their data into a common AI tool that then generates suggested prices, it may create a risk of a "hub and spoke" conspiracy, where a -

central AI tool (the "hub") purportedly coordinates an illegal horizontal agreement among various competitors that use that tool (the "spokes").

3 The companies can fine-tune algorithms that estimate with great specificity the maximum amount an individual passenger is willing to pay for a ride at any given time or choose not to take the trip at all. The apps can infer this by analyzing how customers respond to fare/price variation in both experimental and natural settings. The apps can consider the rider's location and individual characteristics by tracking that data. The fare/price for any trip is calculated by an algorithm which continuously monitors the level of demand for drivers. If it detects that there is a high level of demand in a certain area, the fares for that area increase.



RECOMMENDED COMPETITION REGULATORY STEPS FOR RIDE HAILING:

a) The Ministry of Trade, Industries and Cooperatives (MTIC) may need to assess whether this pricing mechanisms by the ride hailing companies stifle competition among drivers. If the algorithms merely responds to demand and supply in a neutral manner, then there is no collusion. However, where any of the ride hailing company manipulates prices centrally, such as setting minimum prices or unilaterally reducing fares this could amount to unlawful price-fixing if drivers are classified as independent contractors which is actually the issue based on case law highlighted earlier.

This dynamic arguably resembles what is known as a "hub-and-spoke" cartel. In this structure, the central entity (the hub-Uber/Safeboda) coordinates similar pricing arrangements with several independent contractors (the spokes-drivers). Such arrangements may be illegal if they involve horizontal coordination among the spokes or vertical price-fixing that restricts price competition.

b) One area in particular that has drawn attention is the emerging use for AI to combine data and analytics to more accurately price products. What is (somewhat) new is that pricing algorithms and AI can further automate and accelerate the process through which companies set prices and gather information. While pricing algorithms and AI are new, the analytical framework to judge their competitive impact is not. Different competition law enforcement bodies around the world have recognized the importance of relying on existing familiar frameworks in analyzing these technologies. For example, the European Commission explained in its note submitted to the June 2017 OECD roundtable on Algorithms and Collusion that, "[t]o a large extent, pricing algorithms can be analyzed by reference to the traditional reasoning and categories used in EU competition law."

As former US Acting Federal Trade Commission Chairperson Maureen Ohlhausen explained, *"[e]verywhere the word 'algorithm' appears, please just insert the words 'a guy named Bob' .... If it isn't ok for a guy named Bob to do it, then it probably isn't ok for an algorithm to do it either."*

MARKET 3

DIGITAL FINANCIAL SERVICES (FINTECH)

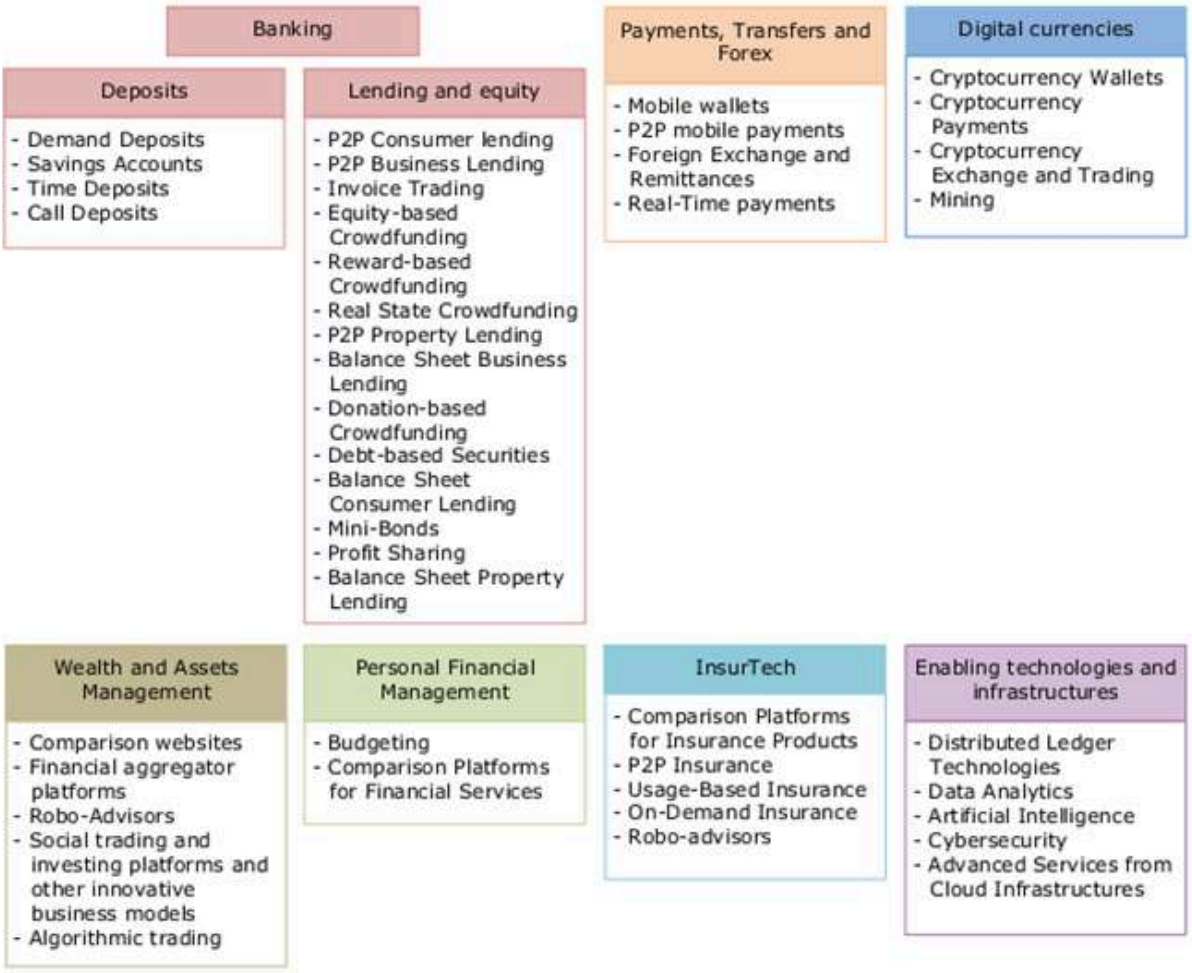
Fintechs, a term derived from the expression "financial technology", can be defined as the "rapidly evolving intersection between innovative technologies and the financial sector, blurring and extending the boundaries of the latter".

According to the ***European Parliament's Study on Competition issues in the Area of Financial Technology (FinTech) 2019;***

> *FinTech is used to support or enable banking and financial services. It includes innovations how business transactions take place and the automation of certain processes; it implies the potential to disrupt markets and modify existing structures. FinTech services are offered by newcomer start-ups, traditional financial institutions and big tech companies. However, compared to traditional providers of financial services, many of the FinTech providers are scarcely or not at all regulated. Both, regulation and supervision policy in this field are under discussion. Given the fast growing investment in the market, questions arise how effective and fair this market works. Namely, network effects derived from the use of online platforms, access to customer data, standardisation, interoperability and the use of algorithms can bear significant risks to competition.*

Competition issues affecting FinTech services depend on the specific characteristics of each service

Figure 1: FinTech services classification



Source: Iclaves (2018).

POSSIBLE COMPETITION ISSUES IN UGANDA'S FINTECH SECTOR

> **As at the time of writing this report, we have chosen to focus on mobile payment financial services, as this is the most rapidly growing segment within Uganda's fintech sector. It features a strong presence of key market players and a high level of competition, in contrast to other fintech areas which have not yet shown significant growth or impact in the Ugandan financial market.**

Many of the potential competition concerns in the FinTech sector outlined in this report have yet to occur or remain undetected by competition authorities. As such, the current discussion around these issues is largely theoretical. Nonetheless, it is important to examine where such concerns might emerge and consider appropriate responses, as these issues could arise in the future.

OVERVIEW OF MOBILE PAYMENTS

A competitive payments system is one which promotes competition between payments services and providers, including by providing efficient access to infrastructure. A competitive payments system should provide incentives for efficient investment, promote innovation in enhanced services in response to evolving technology, business models and consumer demands and support good consumer outcomes.

Types of Mobile Payments and the technology that enables them

According to the *OECD Competition Division Background Note on Competition in Mobile Payment Services (May 2025),* Mobile payments can be broadly categorised based on the payment method, channel type, underlying instrument used for payment, and relevant technology infrastructure.

There are two types of payment methods: proximity payments and remote payments.

- ***Proximity payments*** are mobile contactless payments used to pay directly at a POS that require a customer to be physically close to a terminal to effectuate a payment using their mobile device.
- ***Remote payments*** can be effectuated from anywhere through text messages, mobile applications (apps), wallets, or websites.

The channels facilitating mobile payments include mobile wallets, standalone payment apps, and embedded payments integrated within checkout experiences.

Mobile Money. These are digital wallets linked to a mobile phone number, allowing users to store and transfer money, pay for services, and receive funds.

In Uganda, these are tied to a telecom service such as MTN and Airtel. They support remote and proximity payments.

Standalone Payment Apps. These are independent mobile applications that offer payment solutions but are not necessarily tied to a telecom service. They are used for transferring money from person-to-person or person-to-business payments. They support remote and proximity payments. Examples of these in Uganda include Xente, Pebuu, Eversend among others.

Embedded payments facilitate remote payments by integrating payment processing technology into websites or apps' checkout experience. These are payment systems built into e-commerce platforms or apps. Ugandan examples include; SafeBoda App which has its app inbuilt payment system, café javas app, Uber app among others.

Technologies:

Mobile payments rely on a combination of core technologies that enable secure, seamless, and real-time transactions across different environments.

- A mobile device's operating system (OS) provides the foundational software that enables all applications to run and manage

interactions between the device's hardware and software.

- Application programming interfaces (APIs) allow different software systems to communicate. APIs enable mobile payment apps to interact with the device's OS, hardware components like biometric sensors, and stored data.
- Secure storage infrastructures are required to protect sensitive financial information exchanged during a mobile payment.
- Internet access or mobile telecommunication network connectivity is critical for remote payments, such as online purchases or person-to-person transfers. In places in Uganda with limited internet penetration, mobile network operators (MNOs) enable mobile payments through their telecommunications network via text messaging technologies such as SMS and USSD.

Mobile Money

In Uganda, digital wallets commonly known as mobile money wallets are electronic accounts linked to a user's mobile phone number, enabling individuals to store money, send and receive funds, and pay for goods and services. These wallets are primarily operated by telecom companies such as MTN Uganda and Airtel Uganda, which have played a pivotal role in revolutionizing financial access across the country.

Initially introduced as a means for simple money transfers, mobile money has evolved into a comprehensive financial ecosystem. Today, users can perform a wide range of financial transactions including utility payments, school fees, loan repayments, and even cross-border transfers. Both remote and proximity payments are supported allowing users to pay digitally regardless of distance, or in-person using mobile phone-to-merchant transactions.

As of 2025
(January - March)

Mobile money registered subscriptions

53.4 Million

Source: *Bank of Uganda Stats*

Mobile Money Transaction

2.14 Billion

Source: *The 2025 Uganda Communications Commission Market Performance Report Quarter 1 (Jan - Mar 2025)*

01 Evolution of Uganda's Mobile Money Market: A competition snapshot

The FinScope Uganda 2023 Survey shows that 81% of Ugandans now use mobile money, up from 77% in 2018. According to the Bank of Uganda's January 2025 Financial Inclusion data, agent numbers grew by 14%, with MTN and Airtel dominating the network (MTN: 43.4%, Airtel: 50.2%).

2009
MTN Uganda launches mobile money

- However, the service took off after **2011**
- MTN becomes the first mover in the market
- Enters the market without direct competition, establishes early dominance.

Mid-2010
Airtel enters Uganda through acquiring Zain's African operations

- Establishes telecom presence but did not yet offer mobile money.
- Market still underdeveloped in terms of mobile money competition.

2011
Warid Pesa Launches and Disrupts the Market

- Warid introduces its mobile money service (Warid Pesa).
- Implements aggressive low-cost promotions
- **Warid's disruptive pricing stimulated demand and broke MTN's early dominance.**

2012
Orange Money is launched

Orange Money was later acquired by Africell Uganda (Africell Uganda Money)

2012
Airtel Launches Mobile Money

- Airtel begins offering mobile money services.
- Enters mobile money race but slightly behind Warid and MTN.
- Four key players now exist: MTN, Airtel, Warid and Orange

2013
Airtel Merges with Warid

- Airtel merges with Warid in May 2013.
- Combines Warid's subscriber base and market momentum with Airtel's infrastructure.
- This merger eliminated a key competitor (Warid), effectively creating a duopoly (Airtel vs MTN).

2013 to date (2025)
Duopoly
Emergence of duopoly

Following the 2013 Airtel-Warid merger, Uganda's mobile money market evolved into a duopoly dominated by MTN and Airtel.

By 2016, MTN and Airtel controlled >95% of mobile money creating a duopoly.
Other providers like Africell (closed in 2021) were marginalised, stifling competition and reducing consumer choice.

2014
Africell acquires Orange telecom

- Orange Money becomes Afri Money
- However, Africell closed operations in 2021

Key anti-competition issues in the mobile money market

Lead mobile money platforms (MMPs) have the potential to engage in practices that could restrict rivalry competition.

Arising from sole practices

Access to telecommunications network services

There exists a clear conflict of interest when a Mobile Network Operator (MNO), which provides access to Mobile Financial Services (MFS) infrastructure, also offers its own competing financial products on the same platform. This dual role creates a structural disadvantage for non-MNO financial service providers, as the MNO holds significant control over the network infrastructure essential for market participation.

A notable example illustrating this anti-competitive behavior occurred in the case of *EzeeMoney (U) Limited v. MTN Uganda Limited (2015).* EzeeMoney relied on MTN for communication services and partnered with aggregator Yo! to support its mobile payments business. After identifying EzeeMoney as a competitor, MTN terminated its contract, pressured Yo! to cut ties, instructed its agents to deny services, and disconnected EzeeMoney's PoS terminals. The Commercial Court found MTN's actions to be anti-competitive and awarded UGX 2.3 billion (about USD 662,000) in damages to EzeeMoney.

How restriction can manifest:

Charges for USSD connectivity: The cost of accessing USSD channels plays a pivotal role in shaping competition within the mobile financial services (MFS) market.

In Uganda, USSD (Unstructured Supplementary Service Data) codes are issued by the Uganda Communications Commission (UCC) to licensed service providers, typically on a yearly subscription basis. These codes are often subscribed to by aggregators who provide USSD access to various businesses and applications. Initially, each telecom operator had its own unique USSD codes for specific services. However, this arrangement was changed when UCC directed telecom operators to harmonize and integrate USSD codes, ensuring uniformity across networks. ***This policy eliminated the exclusive ownership of USSD codes by individual telecoms and promoted interoperability, enabling customers of any network to access the same USSD services seamlessly.***

This enhanced convenience for consumers and opened the market to more players. However, we note that it as well created new challenges that can result in anti-competitive practices if not properly regulated.

Competition law investigations globally have found that if there is no interoperability, MNOs(MTN and Airtel) can control the USSD infrastructure making third-party MFS providers have little choice but to rely on them to reach a large share of the market. This dominance reduces the incentive for the MNO to offer USSD access at competitive rates, thereby granting it significant control over pricing and market entry.

This creates a power imbalance, as firms seeking access to USSD channels must negotiate with competitors who control both the infrastructure and the licensing process. This can lead to the effective exclusion or foreclosure of USSD access for smaller or non-affiliated service providers, limiting competition and potentially restricting consumer choice.

Interoperability

Interoperability refers to the ability of mobile money platforms to connect and transact seamlessly with each other or with external systems. This connectivity is crucial for fostering healthy competition, as it helps to diminish the power of network effects that tend to benefit large, established providers.

Without interoperability, dominant players like MTN Uganda and Airtel Uganda can reinforce their market power. This can be evident in their pricing strategies, both can charge significantly higher fees for money transfers to unregistered users (MTN to Airtel or Airtel to MTN) compared to those made to users (MTN to MTN or Airtel to Airtel) within their own networks. Such pricing structures discourage cross-network transactions and limit consumer choice.

In the mobile financial services (MFS) market, restricting interoperability whether by refusing to connect with competitors, imposing technical or financial barriers, or making integration difficult can effectively deny rival firms access to the dominant network. This creates a scenario where consumers are pressured to join the larger network simply to maintain access to a broader user base, such as friends or family. As more users gravitate toward the dominant provider, its market position strengthens further, intensifying the network effect and reducing opportunities for meaningful competition.

In a market without interoperability consumers may be constrained in their ability to switch to another MFS provider since they will not be able to send or receive money across providers.

Agent Exclusivity

When mobile money services were first introduced in Uganda, there were no regulations preventing agent exclusivity. However, the Bank of Uganda addressed this issue in 2013 by issuing mobile money guidelines that banned exclusivity arrangements. Despite this regulatory change, agents remain free to voluntarily align with a single provider, even though exclusivity is no longer mandated.
Agent exclusivity arrangements commonly used by providers like MTN and Airtel permit these companies to require that mobile money agents serve only their network and not provide services for competing providers. These exclusivity clauses strengthen network effects: customers tend to prefer MFS providers with wider agent networks for convenience, while agents are more likely to remain loyal to providers with the largest customer base to maximize their earnings.

Arising from duopoly practices

Coordinated conduct

MTN and Airtel together dominate Uganda's telecommunications sector, forming a duopoly.
In such a setup, it's common for the dominant firms to engage in tacit collusion *(an unspoken understanding not to undercut each other's prices)* in order to maintain market stability and profits.
This results in similar charging structures, which prevents price wars between them but raises barriers for smaller players to compete on price. By aligning their mobile money charges closely, MTN and Airtel make it less attractive for consumers to switch to smaller competitors. This creates a network effect lock-in, reinforcing their market dominance.
Smaller telecoms (e.g., Africell, Lycamobile before exit, etc.) often set lower prices/charges or innovative pricing/charge packages to gain market share. However, without a large subscriber base or sufficient on-net communication advantage, these lower prices are not enough to overcome consumer reluctance, especially when the big two can afford to mimic the pricing without losing dominance.
Over time, this creates a "price umbrella", where big firms set the tone, and smaller firms either follow with little effect or face financial loss.

02 Evolution of Mobile Money Financial Services Market: A competition snapshot

The Ugandan mobile financial services landscape has undergone a significant transformation since the introduction of mobile money, with *telecom giants duopoly* (MTN Uganda and Airtel Uganda) at the forefront of driving financial inclusion through digital innovation.

2016

MTN launches "MoKash"

- First mobile product offering both savings & loans.
- MTN becomes **dominant** in mobile credit & savings.

2017

Airtel introduces "Wewole"

- First major competitive response to MTN's MoKash
- New entrant **disrupts** MTN's monopoly

2022

Airtel introduces "Quick Loan"

- Greater consumer choice and product diversity.
- Signs of functional market rivalry against MTN's MoKash.

2024

Airtel introduces "Kwasa Kwasa"

- Airtel becomes a rival to MTN
- Shift from market dominance to competitive equilibrium

2024

Airtel introduces "Let's Go Pesa"

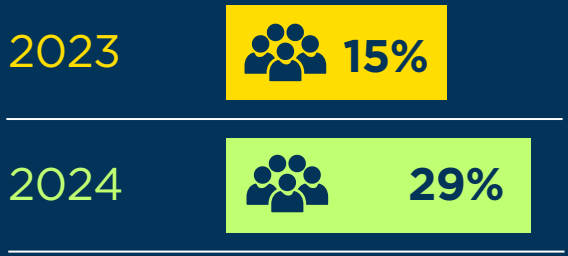
- Airtel becomes a rival to MTN
- Shift from market dominance to competitive equilibrium

Mobile financial services in Uganda have significantly evolved since 2016, beginning with MTN Uganda's pioneering launch of MoKash, a mobile-based savings and loan product introduced in collaboration with Commercial Bank of Africa (now NCBA) and UNCDF's Mobile Money for the Poor (MM4P). MoKash aimed to close the gap in credit and savings access for the unbanked.

Seeing MTN's success, Airtel Uganda launched *"Wewole"* in 2017 in partnership with Jumo, followed by *"Quick Loan"* in 2022 in partnership with Housing Finance Bank and YABX. In 2024, Airtel launched *"Let's Go Pesa"* in partnership with Letshego and *"Kwasa Kwasa"* in partnership with DTB and Credable, both offering collateral-free microloans.

While MTN had the early market entry advantage, Airtel is now aggressively expanding its digital lending services to compete.

Customers who used mobile money to take out a loan in Uganda (2023 and 2024)



Source: 2024 GSMA Consumer Survey

Customers who used mobile money to send money to a savings account in Uganda (2023 and 2024)

Source: 2024 GSMA Consumer Survey

Key anti-competition issues in the mobile money financial services market

Transparency of terms and conditions

When consumers apply for mobile loans, key information such as interest rates, fees, and rollover charges is not displayed on the mobile interface before they are asked to accept the terms and conditions. Instead, consumers are directed to the provider's website via a **link** to review the full Terms and Conditions. This practice creates a significant barrier for users who do not have internet access, data bundles, or smartphones, effectively excluding a large segment of mobile money users from understanding the terms of their financial products.

For instance, with Airtel's Quick Loan, consumers receive a confirmation SMS after accepting the loan, which states:
"Thank you for using Airtel Money Quick Loan. Your loan of UGX 70,000 is processed. Application Fee 2%. Autodebit starts from day 7."

However, the above message is only sent after the consumer has already entered into a binding loan agreement. Importantly, the message does not provide a clear cost breakdown, it does not distinguish the principal amount from the fees, nor does it disclose the interest rate. As a result, consumers are unable to understand the full cost of borrowing at the point of decision, which undermines transparency and can lead to uninformed borrowing and potential over-indebtedness.

This in turn makes it difficult for consumers to determine which Mobile Finance Service provider represents best value for money, and exerts lower competitive pressures on providers.

> **Regulatory recommendation:**
> The Ministry of Trade and UCC should set market-wide transparency rules which ensure product terms are fair, clear, and not misleading, which will increase comparability between products and promote more effective competition.

Data sharing

MNOs like MTN and Airtel have evolved beyond basic money transfers to include services like mobile loans, savings products, and international remittances. Access to user data such as mobile money transactions, airtime usage, SMS, voice, and data consumption is crucial for assessing a customer's creditworthiness and delivering these advanced financial products.

MTN and Airtel, being first movers in the mobile financial services market, already have large volumes of customer data. This allows them to build accurate credit scoring models based on user behavior. However, new fintech startups or smaller MFS providers without access to such data face significant disadvantages. They can't assess consumer credit risk as effectively, making it difficult to compete fairly. This entrenches MTN and Airtel's market dominance and discourages innovation.

If a consumer builds a good borrowing record with MTN but wants to switch to Airtel (or vice versa), they often can't, because their credit history isn't portable. The new provider lacks the information needed to determine if the borrower is trustworthy. If a provider discontinues its loan product or denies a loan, that consumer may be left without alternatives—even if they're a good borrower.

If Uganda had a system where MTN, Airtel, and other financial providers shared anonymized credit data (under proper regulation), the entire ecosystem would benefit.

03 Evolution of Mobile Money payment systems market: **A competition snapshot**

For years, the mobile money ecosystem was largely driven by person-to-person transfers and payments. However, driven by innovation and efforts by dominant players like MTN and Airtel to strengthen their market share, diverse mobile money payment systems have emerged, leading to the creation of distinct markets in merchant code payments, utility bill payments, virtual cards, international remittances, and more.

MOBILE MONEY MERCHANT PAYMENT SERVICES

The Merchant Payment Mobile Money APIs allow merchants to accept payments from mobile money customers via USSD codes or QR codes.

Airtel and MTN hold a dominant duopoly in Uganda's merchant payment space.

This raises concerns about barriers to entry for new players, potential coordinated pricing, and the long-term risks of market stagnation in innovation and consumer choice.

MTN — **Launched in 2018**

MoMo Pay becomes the "first mover" with monopoly in the market. By January 2019, over 100,000 businesses were using MTN MoMoPay

airtel money — **Launched in 2022**

Airtel Money Pay enters the market and disrupts MTN's monopoly, extending the existing MTN–Airtel duopoly in mobile money to the merchant payments market as well.

UTILITY AND BILL PAYMENTS BY MOBILE MONEY

The growth of mobile money in Uganda has transformed the landscape of financial services, including the payment of utilities and bills such as electricity, water, TV subscriptions, internet, and school fees.

The dominance of MTN and Airtel has created a duopoly in mobile payments. Utility providers mainly integrate with these two because of their wide usage and convenience. Consumers prefer using built-in mobile money platforms over downloading other apps, making it hard for smaller payment providers to compete. This market structure risks entrenching dominance and limiting competition, raising concerns about market foreclosure and reduced consumer choice.

MOBILE MONEY VIRTUAL CARD PAYMENTS

Mastercard has effectively taken control of virtual card infrastructure within Uganda's mobile money ecosystem by becoming the exclusive provider of international card-based payment solutions for both MTN and Airtel.

mastercard

MTN — **February 2025,** MTN launches Virtual Card by MoMo

airtel money — **March 2025,** Airtel launches Airtel Money Mastercard

The dominance of MTN and Airtel in the telecom and mobile money space, now extended into card payments through the same partner (Mastercard), also means that small fintech firms or regional innovators are likely to be locked out, reducing incentives for innovation and weakening the overall digital financial services competition ecosystem.

Mobile Money payment systems Market in Uganda

Merchant Payment Mobile Money

Merchant payment services enable businesses to receive payments through USSD codes or QR codes, offering flexible, user-friendly options for customers. These services are supported by Mobile Money APIs, which allow seamless payment processing for merchants and mobile money users.

The APIs support multiple payment modes, including:

- **Merchant-initiated payments:** The merchant starts the transaction, and the customer receives a prompt from their mobile money provider to authenticate and confirm the payment.
- **Customer-initiated payments:** The customer directly initiates the payment by selecting the merchant to whom they wish to send funds.
- **Payments via pre-authorised codes:** The customer generates a one-time payment authorisation code, which can be shared with the merchant. The merchant either enters or scans this code (in QR format) to complete the transaction, up to the authorised limit.

Mobile Money APIs support both closed loop and open loop transactions. Closed loop payments happen when both the payer and payee use the same mobile money provider. Open loop payments involve different mobile money providers for the payer and payee.

As of 2025, telecom operators such as MTN and Airtel in Uganda primarily support closed loop merchant payment systems, meaning transactions occur within their individual ecosystems.

Competition Law Observation:

Airtel and MTN hold a dominant duopoly in Uganda's merchant payment space, making it almost inevitable for businesses to adopt both platforms. This dual adoption is a strategic necessity rather than a choice. Businesses integrate both MTN MoMoPay and Airtel Money Pay to avoid losing customers who may prefer one network over the other. Consequently, while it may appear that the presence of both platforms promotes competition, it instead reflects the overwhelming market power of the two providers and the absence of viable alternatives. This raises concerns about barriers to entry for new players, potential coordinated pricing, and the long-term risks of market stagnation in innovation and consumer choice.

1. Unstructured Supplementary Service Data (USSD) merchant payments

The USSD channel for payments allows making financial transactions using basic feature mobile phone, without the need for internet connectivity.

It is one of the most widely used means of offline payments. USSD is a session based, real time messaging communication technology, which can be accessed through a string, starting normally with an asterisk (*) and ending with a hash (#).

MTN and Airtel continue to expand their merchant networks using this accessible, low-tech channel to power small and medium-sized businesses nationwide. As of 2025, the access codes for USSD merchant payments in Uganda remain widely used and are as follows: MTN (MoMoPay) customers dial *165#, while Airtel (Airtel Money Pay) customers dial 185# to initiate merchant transactions.

The USSD ecosystem in Uganda runs on Mobile Network Operators (MNOs) and Mobile Payment Operators (MPOs).

MNOs are telecom companies licensed to provide mobile telecommunication services, and most of them are also licensed under the National Payment Systems Act, 2020 to operate mobile money services.
MPOs are companies (non-MNOs) licensed under the Bank of Uganda's National Payment Systems framework to provide digital payments, switching, aggregation, and wallet services.

The central infrastructure for the USSD system is the USSD gateway, which is mostly owned and managed by MNOs like MTN Uganda, UTL and Airtel Uganda. MPOs like Wave Uganda, Yo! Uganda and Chipper Cash willing to get USSD channel for offering mobile financial services should integrate their systems with the USSD gateway to process USSD requests through the MNOs' telecommunication network. *However, MNOs are often criticized for denying USSD access to market players and favouring entities with their direct stake.*

2. Quick Response (QR) code merchant payments

In merchant payments, QR codes have been used to replace or complement traditional POS devices and interact almost seamlessly with compatible ecosystem mobile wallets.

Invented by Denso Wave in Japan in 1994, the use of Quick Response (QR) code has grown in popularity from its origins in the automotive manufacturing industry through to today's merchant payments ecosystems.

> *Mobile money providers are key players in the provision of financial services in emerging markets and are actively promoting the use of QR codes for merchant payments there.*
> **- GSMA Report on QR Code Merchant Payments**

The two major telecom operators, MTN Uganda and Airtel Uganda, are leading the adoption of QR code payments. MTN's MoMoPay platform allows merchants to display a QR code that customers can scan using the MoMo app. Airtel has launched similar functionality through its Airtel Money app.

Utility and Bill Payments by Mobile Money

In Uganda, mobile money has become the primary platform for paying utilities and bills, offering convenience, accessibility, and real-time settlement. As of 2025, millions of Ugandans use mobile money to pay for services such as electricity, water, TV subscriptions, school fees, taxes, internet, and more, all without visiting physical offices.

At the core of the system is the Mobile Network Operator (MNO) platform (e.g., MTN Mobile Money or Airtel Money), which acts as a wallet service. This wallet stores electronic value linked to the user's mobile number and enables transactions using a PIN-based authentication process. When a customer initiates a bill payment, such as for electricity or water, they interact with the system using a USSD code (e.g., *165# for MTN or *185# for Airtel) or through a mobile money app.

The user selects the bill payment option from the menu and inputs details such as the utility provider (e.g., Umeme or NWSC), the customer account number, and the amount to be paid. This information is sent in real time to the mobile money platform's back-end system, which processes the request. The platform verifies that the user has sufficient balance in their mobile wallet. If the balance is adequate, the amount is debited and a payment instruction is sent via a secure API or SMS gateway to the billing system of the utility company. The utility provider's system receives the payment data and automatically matches it with the customer account.

Competition Law Observation:

From a competition law perspective, the widespread usage and market dominance of MTN Mobile Money and Airtel Money has effectively created a duopoly in the mobile payments market in Uganda.

Due to their extensive agent networks, brand trust, and integration into consumers' daily lives, utility providers have prioritized these two platforms for bill payment services.

As a result, smaller fintechs and payment platforms face significant barriers to entry, not because of inferior service, but because consumers find it more convenient to use the mobile money systems already built into their phones, rather than downloading separate apps or going through multi-step payment processes. This network effect reinforces the dominance of MTN and Airtel, making it difficult for alternative platforms to achieve scale or pose any real competitive pressure.

Mobile Money Virtual Card

According to the GSMA State of the Industry Report on Mobile Money 2025, *"Global payment providers have increasingly entered strategic partnerships with MMPs over the last six years. The report further states that, Mastercard's investments suggest that Airtel Money was valued at $2.65 billion in 2021, while MTN MoMo was valued at $5.2 billion in 2024."*

In early 2025, international remittance service providers began forming strategic partnerships with mobile money operators in Uganda. This trend was notably marked by Mastercard's entry into the market through collaborations with MTN Mobile Money and Airtel Mobile Commerce Uganda Limited.

In February 2025, MTN Mobile Money (U) Limited, in partnership with Mastercard, Diamond Trust Bank and Network International, has launched the Virtual Card by MoMo, an innovative payment solution designed to enable MTN MoMo subscribers to perform secure online transactions without needing a physical card or bank account. The Virtual Card by MoMo allows users to make card-based online payments on any e-commerce platform, website, or social media channel that accepts card payments, offering a seamless and secure experience.

In March 2024, Airtel Mobile Commerce Uganda Limited (AMCUL), in partnership with Mastercard, Diamond Trust Bank, Network International, has today launched the Airtel Money Global Pay Card, a virtual prepaid card - designed to give Ugandans a secure and convenient way to make international payments. The Airtel Money Global Pay Card sits independent of the customer's day-to-day Airtel Money wallet.

Competition Law Observation:

While these partnerships enhance innovation and financial inclusion, they could raise competition law red flags if not carefully monitored, especially around exclusive dealing, market dominance, and foreclosure of rivals.

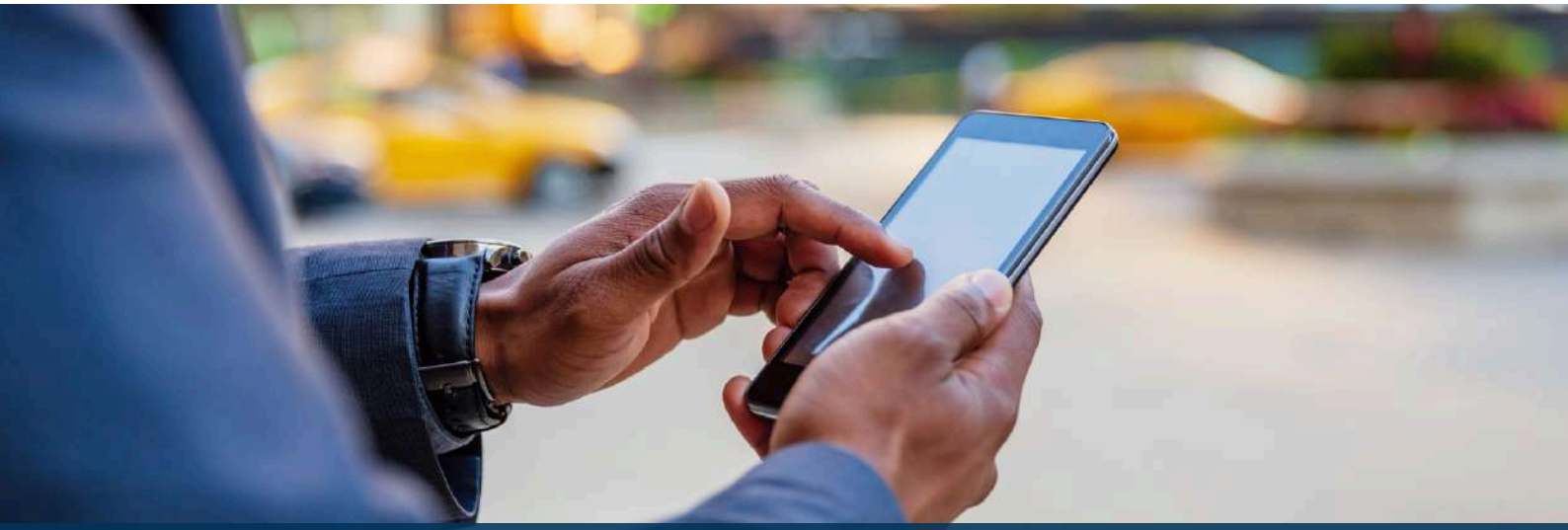
From the perspective of Mastercard's rivals, these developments raise concerns about market foreclosure and exclusionary conduct. Mastercard has effectively taken control of virtual card infrastructure within Uganda's mobile money ecosystem by becoming the exclusive provider of international card-based payment solutions for both MTN and Airtel. These two telecoms control nearly the entire mobile money market in Uganda, meaning any new entrant or competing payment service provider, such as Visa or UnionPay, faces an artificial and significant barrier to entry. By partnering with both major mobile money networks, Mastercard has denied its competitors access to essential distribution channels that are critical for reaching consumers. This kind of conduct could amount to exclusive dealing or vertical foreclosure, which, under Uganda's Competition Act, 2023, may be considered anti-competitive if it significantly prevents or restricts market access for other players.

Looking at the conduct from the perspective of inter-platform competition between MTN and Airtel, the concerns are just as serious. The partnerships with Mastercard, Diamond Trust Bank, and Network International were mirrored by both companies in quick succession. MTN launched its virtual card in February 2025, and Airtel launched a nearly identical solution the following month.

This kind of parallel conduct, especially when it involves the same partners and similar technical designs, may suggest coordinated behavior or tacit collusion. Under Uganda's competition law, agreements or practices that result in reduced competition even if they are not explicit can be considered unlawful. In this case, the simultaneous adoption of the same partners and product offerings diminishes the likelihood that MTN and Airtel are competing vigorously on innovation, price, or user experience.

Furthermore, the presence of a shared supply chain with Mastercard as the payment network, DTB as the issuing bank, and Network International as the processing partner—creates a structural setup that could facilitate indirect coordination. These shared partners could act as information conduits or technical standard setters that limit the ability of the telecoms to independently innovate or compete. Instead of challenging each other on the quality and competitiveness of their virtual card offerings, the telecoms may settle into a pattern of mutual accommodation, sustaining a stable duopoly that is difficult for third parties to disrupt.

The dominance of MTN and Airtel in the telecom and mobile money space, now extended into card payments through the same partner, also means that small fintech firms or regional innovators are likely to be locked out, reducing incentives for innovation and weakening the overall digital financial services ecosystem.



Standalone Payment Apps

Independent mobile applications offering payment solutions in Uganda are digital platforms that facilitate financial transactions without being directly tied to traditional telecom-based mobile money services like MTN Mobile Money or Airtel Money. These applications are typically developed by fintech companies, commercial banks, or independent tech startups and are accessible via smartphones.
They enable person-to-person (P2P) and person-to-business (P2B) payments, and support both remote payments (e.g., online purchases, bill payments) and proximity payments (e.g., QR code scanning in physical stores or peer-to-peer transfers).

Unlike traditional telecom-operated mobile money, these platforms often integrate with multiple bank accounts or mobile wallets, and sometimes offer cross-network capabilities, international remittance services, digital lending, and budgeting tools. Many of them are regulated by the Bank of Uganda under the National Payment Systems Act.

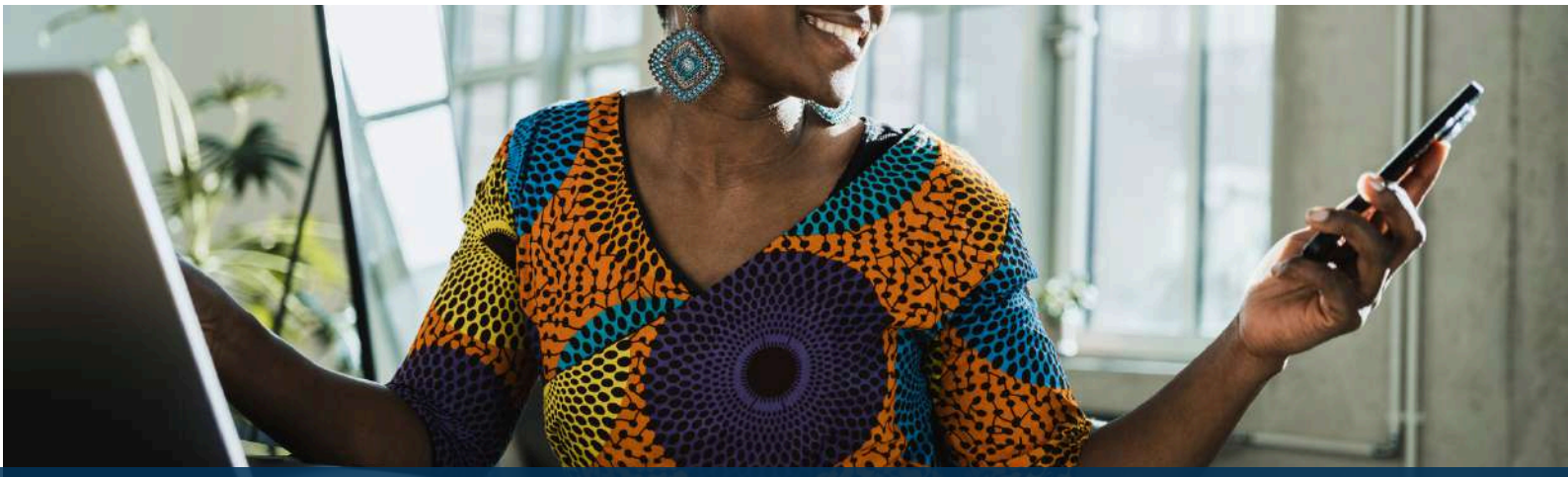
As of May 2025, the most common independent mobile payment applications in Uganda include **Eversend, Chipper Cash, Wave Mobile Money, Xente, SafeBoda Wallet, EzyAgric Pay, PayWay Wallet, Zofi Cash** among others. These platforms operate outside the traditional telecom-based mobile money ecosystem, providing users with diverse digital payment solutions such as international transfers, bill payments, virtual cards, peer-to-peer transfers, sector-specific financial services, and on-demand wage access, thereby enhancing financial inclusion and innovation in Uganda's digital economy.

MARKET STRUCTURE AND CONTESTABILITY

The traditional mobile money market in Uganda has long been dominated by telecom operators, particularly MTN Mobile Money and Airtel Money. These operators have enjoyed significant first-mover advantage, extensive agent networks, and control over mobile infrastructure (e.g., USSD channels, SIM cards, airtime).

The entry of independent mobile payment applications introduces new competitive pressure into this space. These players offer alternative channels for payments, often with lower transaction fees, cross-network interoperability, innovative financial products (e.g., virtual cards, multi-currency wallets), and more user-friendly apps.

From a competition law standpoint, this contributes to a more contestable market by reducing reliance on vertically integrated incumbents (telecoms) and encouraging innovation and efficiency.



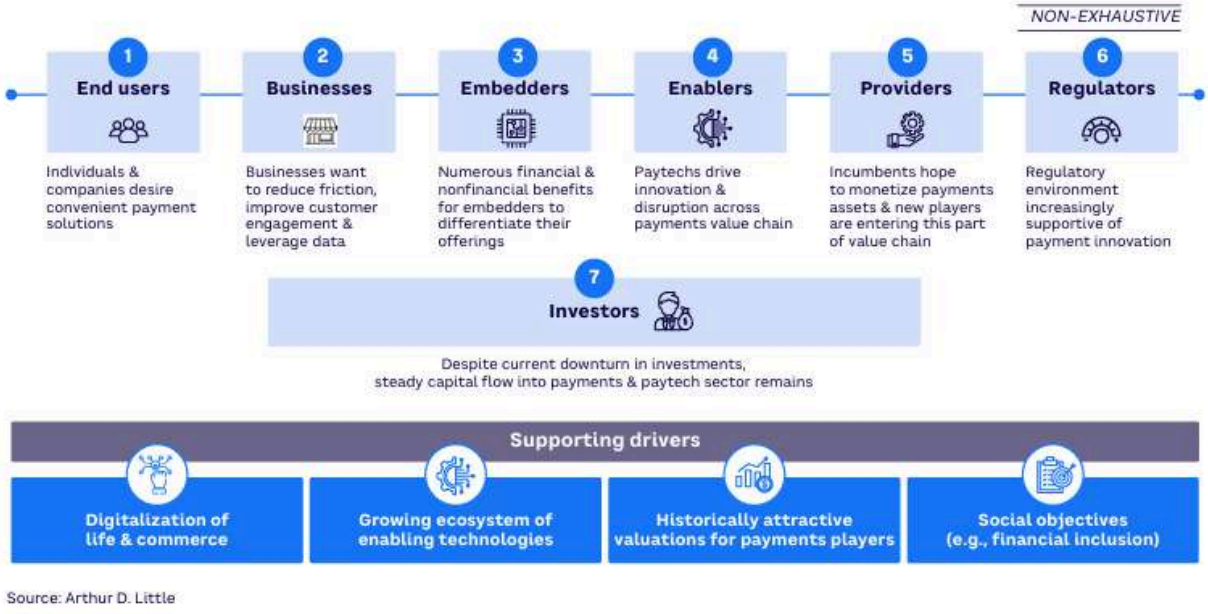
Embedded Payments

Embedded payments refer to the seamless integration of payment functionalities directly into software applications or digital platforms, enabling users to complete transactions. Embedded payment systems rely on APIs and SDKs provided by Payment Service Providers (PSPs), FinTechs, or banks, allowing apps to connect to payment gateways and process payments in-app or in-site. Uganda's payments market is shaped by a hybrid structure involving banks, mobile network operators (MNOs), FinTechs, and international PSPs.

Embedded payments in Uganda are reshaping commerce and digital services, driven by API integration, mobile money innovation, and fintech growth. However, they operate in a complex regulatory landscape that balances innovation, security, consumer protection, and fair competition. Ensuring compliance with both technology standards and competition law frameworks is critical for sustainable growth and market fairness.

> *Businesses (fintech firms, corporations) seek to embed payment services into their native customer engagement platforms or white-label entire services. This way, companies do not have to hand over the customer relationship to a payment service provider and can maintain a consistent experience throughout the complete customer journey. The sales process becomes seamless for the customer when payment services are fully integrated into the buying journey, as opposed to redirecting customers to a bank channel or switching between different user interfaces.*

Key growth drivers responsible for the past and future proliferation of embedded payments



Source: Arthur D. Little

Embedded payments market in Uganda

These payments are used in different digital markets in Uganda. They have emerged as a leading example of embedded finance, seamlessly integrating technology, convenience, and commerce to deliver smooth payment experiences and drive the expansion of the digital economy.

Some of the sectors embedded payments are currently been used;

- **Ride-sharing services.** Ride-sharing apps like Uber and Safeboda use embedded payments to charge passengers. SafeBoda App has its app inbuilt payment system (SafeBoda Business Wallet).
- **Food-delivery apps.** Food-delivery platforms like Café Javas, KFC Uganda let users pay for their orders seamlessly within the app.
- Among other different digital market sectors

POSSIBLE COMPETITION ISSUES THAT CAN ARISE IN STANDALONE PAYMENT APPS AND EMBEDDED PAYMENTS

Lack of access to or interoperability:

Limited access to essential technological infrastructure and the absence of interoperability can significantly hinder the entry and growth of mobile payment services. By promoting interoperability early in the development of mobile payment technologies, regulators and stakeholders in Uganda can help prevent market monopolization.

Exclusionary practices

Foreclosure or raising rivals' costs:
Foreclosure occurs when a company with significant market power limits or blocks access to essential infrastructure or inputs that competitors need in order to compete effectively. In the mobile payments space, this can involve control over critical technologies such as Near Field Communication (NFC), secure device elements, QR code standards, or access to key platforms.

Take, for example, the Ugandan context where the SafeBoda Business Wallet is a dominant player in the boda boda ride-hailing sector. If SafeBoda were to restrict access to its QR code payment system or NFC-based tap-to-pay features—allowing only its own wallet to integrate with its ride-hailing services while denying access to competing mobile payment providers like MTN MoMo or Airtel Money—that would amount to foreclosure. By doing so, SafeBoda could entrench its market dominance, limit competition from alternative wallets, and reduce consumer choice in how they pay for rides.

Denying access can effectively exclude competitors from the market, especially if consumers cannot easily multi-home across different services. Foreclosure may be particularly concerning where it prevents or - delays new entry, reduces consumer choice, or allows the dominant provider to leverage its position across adjacent markets.

Tying, bundling, leveraging, self-preferencing
This may enable a payment provider with market power in one market (e.g., e-commerce) to distort competition in a related market (e.g., mobile payments).

The key concern is that a mobile payment provider's payment is bundled or tied with other products or services where the same provider holds market power, leading to forced mobile payment adoption.

In the Ugandan context, consider SafeBoda, which holds a dominant position in the boda boda ride-hailing sector. If SafeBoda were to preference its own SafeBoda Business Wallet by making it the default or exclusive payment method for rides, while limiting or obstructing the use of competing services like MTN MoMo or Airtel Money, this could amount to tying or bundling. Riders would have little effective choice but to adopt the SafeBoda Business Wallet, not because it's the best option, but because it's the only one made conveniently available.

This kind of preferential treatment may also occur if SafeBoda's app comes with its Business Wallet pre-installed and other payment services are deliberately excluded or harder to integrate. Since mobile payments are often consumed alongside other services like transportation—these practices can have a self-reinforcing effect.

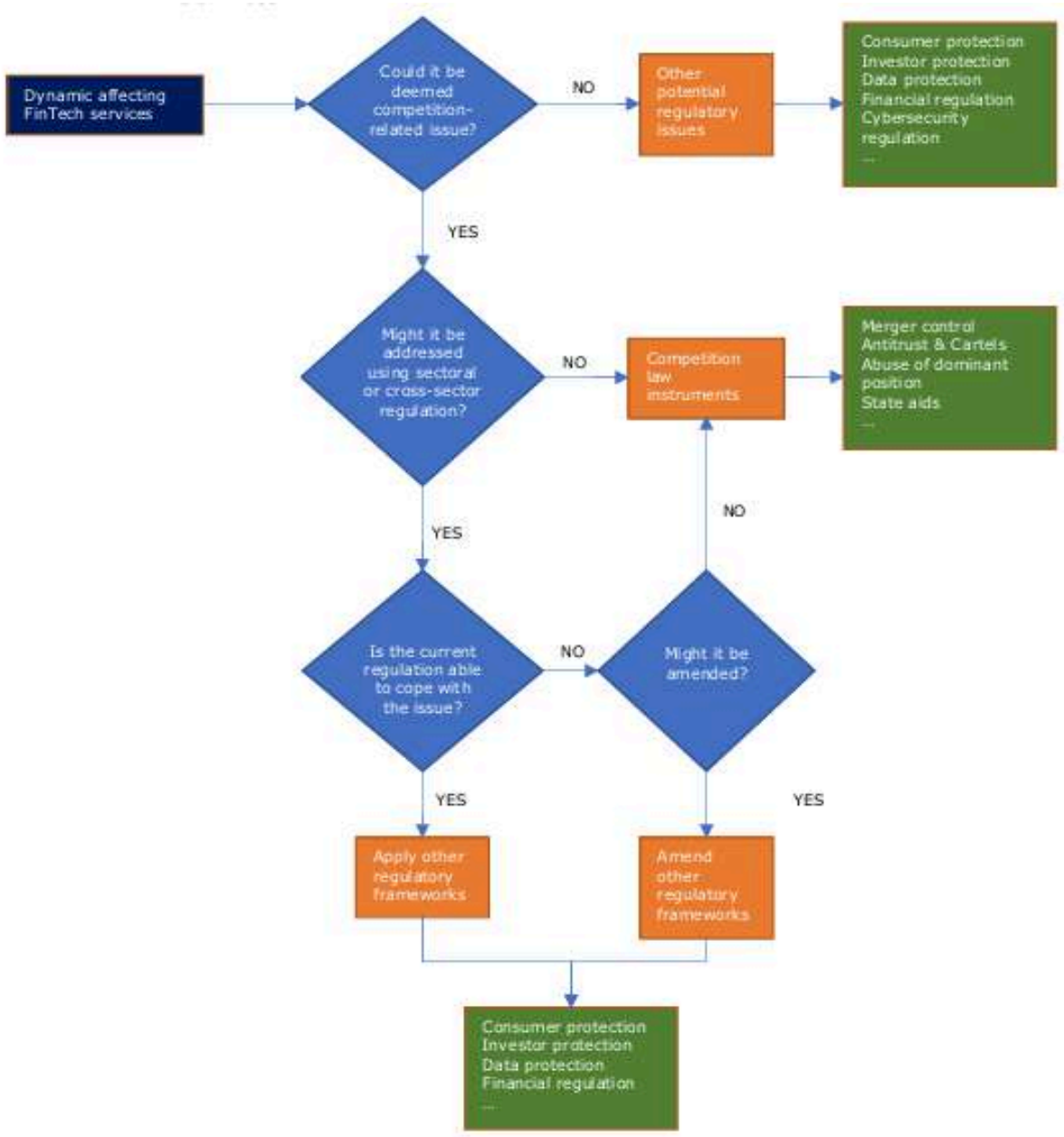
Over time, they entrench the dominant payment provider's position, undermine competition, and reduce incentives for innovation in the broader mobile payments ecosystem.

Most favoured nation (MFN) clauses and anti-steering provisions

MFN clauses may be instituted by price relationship agreements that guarantee that a merchant treats a mobile payment service as its favoured customer, ensuring the best terms and price conditions for that mobile payment service. MFN clauses may thus restrict how a merchant will deal with alternative mobile payment providers. As such, these may have exclusionary and collusive effects and negatively impact price competition by limiting the merchant's incentives to offer lower prices enabled by lower transaction costs on alternative mobile payment providers.

COMPETITION POLICY DECISION TREE FOR THE FINTECH SECTOR:

The key questions that must be answered to decide the best way for addressing each competition issue, which together form the 'competition policy decision tree'. This was complied by the European Parliament in 2015 and the same can be adopted by the Ministry of Ministry of Trade, Industries and Cooperatives (MTIC).



Source: : Compiled by Iclaves based on European Parliament (2015).

FUTURE REGULATION FOR UGANDA:

According to the ***European Parliament's Study presentation on Competition issues in the Area of Financial Technology (FinTech) 2019;***

> *The current state of the markets for FinTech services is generally too fluid to reach firm conclusions on the existence of competition challenges that need the deployment of competition tools on a large-scale basis. The special role of regulation in the field of financial services sends a message of caution about the appropriateness of competition policy tools as the preferred means to address every challenge. FinTech services, as part of the digital economy, share potential competition challenges with other digital businesses, mainly those derived from the provision of services through digital platforms and the access to customer data. Thus, the remarks regarding competition in the digital environment remain valid in the FinTech ecosystem.*

The move for Uganda:

We recommend that Uganda adopts a *"Regulatory Sandboxing with Dynamic Competition Oversight"* model tailored to the FinTech sector, prioritizing innovation and market development over premature enforcement of rigid competition rules.

A "regulatory sandbox" approach should be enhanced to include competition assessments. This means monitoring emerging market behaviors within the sandbox environment and using the data to calibrate rules. This dynamic oversight ensures that FinTechs can grow without anti-competitive conduct going undetected.

Uganda's competition regulation in FinTech must be both forward-looking and measured. Rather than apply broad-stroke competition laws too early, Uganda should design an agile framework that allows innovation while embedding tools to detect and prevent future anti-competitive conduct, especially in relation to platform dominance and data control. Such a balanced and unique regulatory path will foster a vibrant FinTech ecosystem that supports both competition and financial inclusion.

WE THEREFORE RAISE THE FOLLOWING REASONS;

Market Fluidity and Innovation Sensitivity

Uganda's FinTech market remains nascent and highly fluid. Imposing strict competition rules too early could stifle innovation, discourage new entrants, and limit experimentation. Regulation must account for the still-evolving nature of market structures, business models, and technologies.

The Dual Role of Regulation

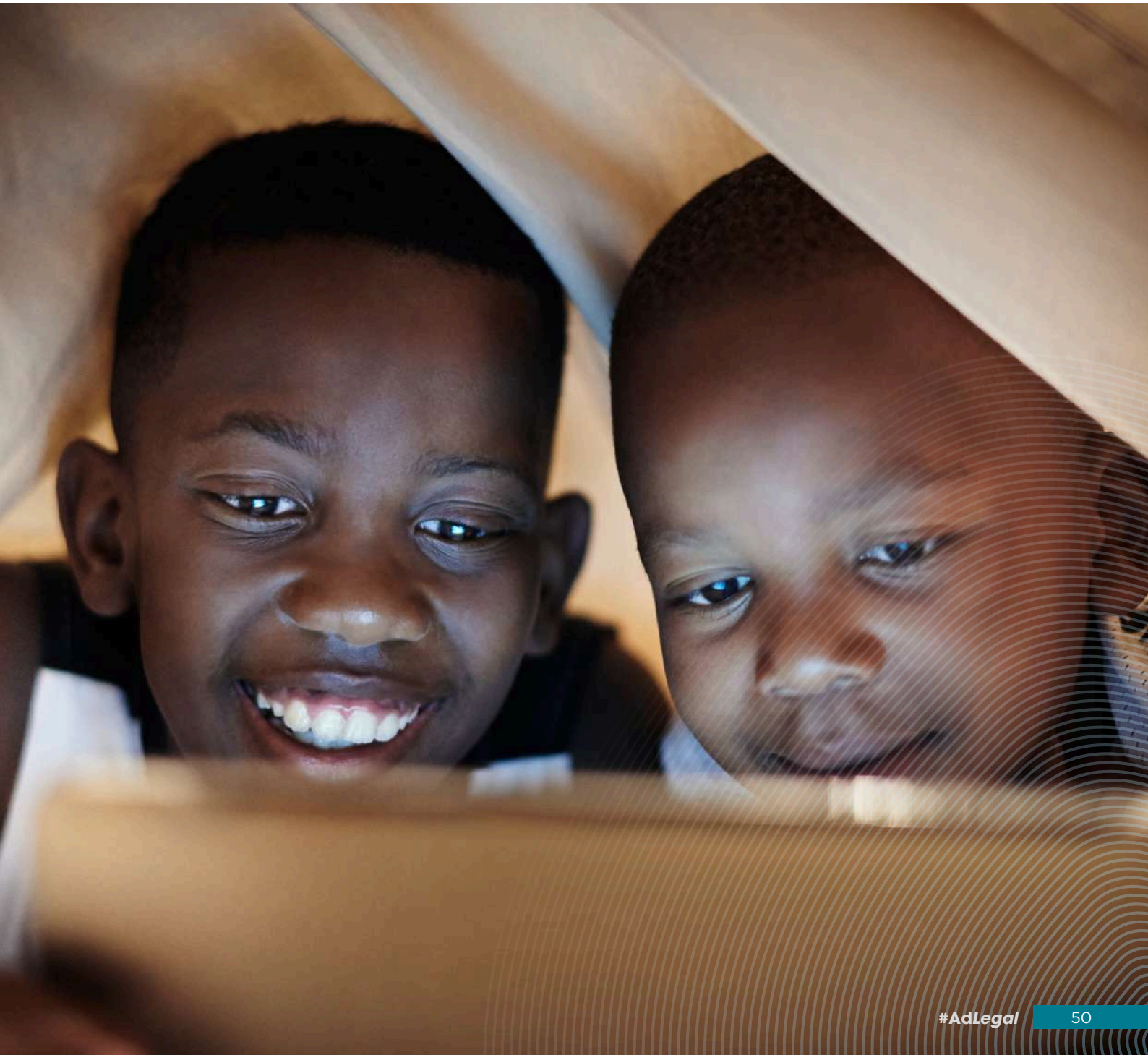
Financial services regulation often serves purposes beyond competition (e.g., stability, consumer protection, anti-money laundering). Therefore, regulatory action should balance these policy goals rather than lean solely on competition tools especially in markets like Uganda's, where financial inclusion is a national priority.

Platform and Data Dominance Concerns

While premature competition enforcement could harm innovation, Uganda must remain vigilant against future risks of platform dominance, particularly in mobile payments and digital lending. FinTechs and telecoms in Uganda already have massive user bases, giving them competitive leverage through exclusive access to user data and infrastructure. Future regulation should include data access and portability rules, interoperability mandates, and prevent lock-in practices.

Learning from the Digital Economy

Since FinTech shares challenges with other digital businesses, we recommend that Uganda integrates digital competition tools such as; Algorithmic transparency, Monitoring of digital mergers and acquisitions and Guardrails on self-preferencing by vertically integrated platforms.



MARKET 4
APP STORES

In Uganda, mobile devices serve as the main gateway for most people to participate in the digital economy. Through these devices, digital services and content are primarily accessed via mobile applications, which are distributed through software application stores. For businesses and app developers aiming to tap into this vibrant and expanding digital market, app stores remain the crucial channel for reaching and engaging with consumers.

Borrowing a leaf from the European Union Digital Markets Act (DMA), there are three key entities within the app and app store ecosystem.

- **Gatekeepers:** Apple and Google each are designated gatekeepers that control both an operating system that has been designated a Core Platform Service, or 'CPS' (iOS for Apple, Android for Google) and an app store that also has been designated a CPS (the App Store for Apple, and the Play Store for Google).
- **Business Users:** the business users who might seek access to these CPS's are the app developers, i.e., firms other than Apple and Google that develop and seek to distribute 'software applications' and/or 'software application stores. For example, a developer offering a new mobile game would want access to the App Store and Google Play (and any third-party app store) to facilitate end-user downloads of the new game app onto their devices. A business user might want to open and run a third-party app store for either the Apple or Google Android OS.
- **Intermediation Services:** App stores constitute intermediation services that link the developer business users to end users. Under the DMA, all apps are business users, but only those apps that operate as app stores also qualify as intermediation services.

Key Players:

The Apple App Store and Google Play Store dominate the mobile app ecosystem in Uganda, capturing the lion's share of users, downloads, and revenue across the country. Google Play comes pre-installed on most Android devices, which make up the majority of smartphones in use especially among budget-conscious consumers. On the other hand, while Apple holds a smaller slice of the smartphone market, its users are typically high-end, leading to disproportionately higher app downloads and in-app spending. For local developers aiming to compete globally, publishing on both platforms is critical to reach diverse audiences and maximize revenue potential.

Revenue Model:

App stores like Apple's and Google's make money by taking a commission on in-app purchases, but only when the app actually sells digital content. This model is designed to encourage developers to offer free apps that enhance the value of the devices without being penalized. To enforce this, the stores mandate that all in-app payments (IAPs) go through their own systems, blocking third-party payment processors. This setup ensures their commission is collected and allows them to maintain control over the customer relationship unless the user logs in separately.

For apps that also operate on other platforms like websites, PCs, or gaming consoles, users can typically purchase content or subscriptions through those avenues. The app stores allow access to that content through mobile apps if users log in this is covered under the App Store's Multiplatform rule and Google Play's Payments Policy. However, developers aren't allowed to direct users from the app to these outside payment methods. These so-called anti-steering rules prevent apps from informing users about potentially cheaper or more flexible payment options.

As a result, users who find an app through an app store are often unaware of other ways to pay, which limits competition and helps keep commission rates high. This can lead to either higher prices for consumers or lower revenue for developers both of which can discourage innovation and reduce investment in app development.

Apple's App Store and Google Play operate without meaningful constraints on the commission fees they charge to developers of paid apps, and their anti-steering policies suppress competition. This global app store model significantly disadvantages Ugandan developers by limiting the visibility and reach of their applications. With millions of apps listed globally and thousands competing within each category, discoverability is critical for an app's success. However, both app stores function as monopolies on their respective operating systems, making placement on these platforms vital.

Discoverability within these stores is primarily driven by two mechanisms: editorial curation and search functionality. Curation involves app store teams promoting selected apps through features such as "App of the Day," category highlights, and editorial picks. Search results are also increasingly influenced by paid advertising, with promoted apps often occupying top spots, thereby further marginalizing developers without substantial marketing budgets.

Despite generating hundreds of millions in revenue from Uganda annually, neither Apple nor Google offers meaningful local curation for the Ugandan storefront. Instead, their platforms rely on automated systems driven by global downloads, purchases, and general geo-targeting algorithms. This means that Ugandan-developed apps, even if highly relevant to local users, are unlikely to be featured or prioritized. The absence of localized editorial input results in international apps dominating visibility, while locally significant content remains buried.

Courtesy photo

Legal actions so far witnessed in Uganda's App Store ecosystem.

In 2025, Adlegal Uganda, filed a landmark competition complaint against Google Uganda and Google LLC under the recently enacted Competition Act, 2023. The complaint alleges that Google engages in monopolistic and anti-competitive practices that distort Uganda's Android smartphone market. Specifically, it challenges Google's restrictive agreements with local smartphone manufacturers, MiOne Phones Uganda and SIMI Mobile Uganda.

At the heart of the complaint are Google's Mobile Application Distribution Agreement (MADA) and Anti-Fragmentation Agreement (AFA), which allegedly require local manufacturers to pre-install Google apps and restrict the use of alternative operating systems. These practices entrench Google's dominance and limit consumer choice by effectively shutting out potential competitors.

Adlegal called on the Ministry of Trade, Industry, and Cooperatives to launch a formal investigation into Google's conduct, impose appropriate sanctions, and implement measures to foster a fair, open, and competitive mobile ecosystem in Uganda.

Proposed Regulatory Controls:

Google Play and Apple App Stores should allow apps to direct users to make payments through their own websites and ensure that users can continue accessing content purchased outside the app at no extra cost.

Google and Apple should also introduce a curated selection of Ugandan apps on their stores and provide advertising credits to support Ugandan app developers.

Courtesy photo

Regulating app stores is a challenging but essential task. A fundamental issue arises when digital platforms that run app stores also own applications that compete with independent developers. Many current regulatory approaches across the globe rely on prescriptive measures clearly outlining banned behaviors and expected standards. However, these rules often fail to tackle the root problem: the inherent conflict of interest. As a result, platform operators can exploit regulatory gaps, using alternative tactics to maintain their competitive edge. To genuinely promote fair competition and a balanced marketplace, the Uganda Ministry of Trade should look beyond surface-level fixes and consider structural remedies, such as separating app store operations from their own app businesses. This approach would directly address the core conflict and encourage healthy competition both among app stores and in the wider app ecosystem.

Notable steps in other jurisdictions:

Many countries around the world are actively grappling with how to regulate app store policies, using both existing legal tools and creating new frameworks to address growing concerns.

South Africa: South Africa, through its Competition Commission, has also taken steps to investigate and address the conduct of dominant app store operators like Apple and Google. In 2023, the Commission launched a Market Inquiry into Online Intermediation Platforms, which includes app stores, e-commerce platforms, travel and accommodation platforms, and food delivery services.
The Commission found that both companies impose high commission fees on app developers and enforce anti-steering rules that prevent developers from directing users to alternative payment methods, thereby limiting competition and innovation. To address these issues, the Commission required Apple and Google to allow apps to guide users to external payment options and ensure continued access to content purchased through these channels. Additionally, both companies must implement local curation of South African apps and provide advertising credits to support domestic developers.

India: The Competition Commission of India (CCI) found that Google abused its dominant position through Play Store practices, directing the tech giant to permit third-party payment systems, stop enforcing anti-steering clauses, and eliminate unfair conditions for developers. The CCI is also investigating Apple's App Store. In addition, the Indian government has constituted a committee to develop a Digital Competition Act, which aims to introduce proactive (ex-ante) regulation for digital markets, including app stores.

European Union: The European Commission issued a Statement of Objections to Apple for its in-app purchase (IAP) requirements and anti-steering restrictions. The newly enacted Digital Markets Act (DMA) will address these very issues by preventing "gatekeepers" from enforcing anti-steering clauses or mandating the use of their own payment systems, thereby increasing competition and fairness in the app ecosystem.

United States: In a high-profile legal battle involving allegations, online spats, and parody videos, Epic Games sued Apple for removing Fortnite from the App Store, arguing that Apple's IAP and anti-steering policies are anti-competitive. Although lower courts ruled largely in Apple's favor and the Supreme Court declined to hear the appeal, the case spotlighted regulatory gaps. Separately, several U.S. states have filed antitrust suits against Google's Play Store fees. Meanwhile, the Open App Markets Act was recently passed to formalize developers' rights and regulate app store conduct.

United Kingdom: The UK's Competition and Markets Authority (CMA) has launched an investigation into Apple's App Store policies. Its Mobile Ecosystems Report expressed concern about the lack of negotiation power for app developers, with Apple and Google setting the "rules of the game." In parallel, a class action lawsuit seeking £800 million in damages has been filed against Apple on behalf of UK developers.

South Korea: Taking a more aggressive approach, South Korea passed a law that prohibits dominant app stores, such as those operated by Apple and Google, from forcing developers to use their proprietary payment systems. This positions South Korea as one of the first countries to legally mandate platform openness.

MARKET 5

ONLINE TRAVEL AGENCIES

Uganda's online travel agency (OTA) market is undergoing a significant transformation, spurred by increasing internet access, mobile penetration, and a shift in consumer behavior toward digital platforms.

Several OTAs are gaining traction within this space, including locally rooted platforms such as **Trip Advisor, TravelNeza, Travel256, Let's Go Travel Uganda, Primate World Safaris, Africa Adventure Vacations, Kubwa Five Safaris**, and **Uganda Safari Experts**. International giants like **Booking.com** and **Airbnb** also play a pivotal role, alongside Jumia Travel (formerly Jovago), which continues to build a footprint in East Africa.

Within the OTA ecosystem, Booking.com has established itself as the dominant player for conventional hotel and accommodation bookings. In contrast, Airbnb's strength lies in the alternative lodging segment, encompassing short-term rentals like private homes, apartments, and vacation villas. Booking.com's widespread market share makes it an indispensable channel for most accommodation providers, who are heavily reliant on the platform for both international and domestic bookings. Visibility on Booking.com especially ranking high in search results—can significantly impact the volume of reservations, underlining the platform's power in shaping market access and consumer choice.

Booking.com has increasing influence on bookings by both foreign and domestic travellers, as ranking high on the search results drives bookings.

Possible anti-competitive practices:

The growing dominance of certain OTAs has raised significant competition-related concerns. Among these are:

Wide Price Parity Clauses

These clauses require accommodation providers to offer equal or better prices and availability on the OTA platform than on any other channel, including the provider's own website or rival OTAs. This restricts the ability of competitors to attract hotels by offering better terms or lower commissions. Wide price parity undermines price competition, inhibits consumer access to better deals, and consolidates the dominance of the incumbent OTA. In many jurisdictions, such clauses have been deemed anti-competitive and are considered hardcore restrictions under competition law.

Margin Squeezing

Dominant OTAs may engage in margin squeezing by setting commission rates so high that smaller or newer entrants cannot compete unless they operate at a loss. This tactic disincentivizes market entry and hampers the development of innovative platforms that could offer better value to consumers or providers.

Algorithmic Bias and Preferential Ranking

There is concern about lack of transparency in how listings are ranked on OTA platforms. A dominant OTA may prioritize accommodations that pay higher commissions, skewing visibility and reducing consumer choice. This form of algorithmic bias can distort fair competition among accommodation providers and undermine the merit-based presentation of options.

Exclusive Dealing Arrangements

Some OTAs may pressure hotels into exclusive partnerships, discouraging or penalizing them for listing their properties on rival platforms. This further entrenches dominance and forecloses opportunities for new OTAs to gain a foothold in the market.

Data Hoarding and Restrictive Access

Dominant OTAs often control large amounts of customer data including booking behaviors and user preferences—yet do not share this data with the accommodation providers, limiting their ability to market directly to past guests or personalize offerings. This imbalance can be considered anti-competitive if it gives the platform undue control over the customer relationship.

Tying and Bundling of Services

Some platforms may force providers to accept bundled services (e.g., promotions, payment processing, or loyalty programs) as a condition of listing. This limits provider flexibility and inflates operational costs, particularly for smaller operators who may not require all the bundled features.

03

THE FUTURE OF REGULATION OF DIGITAL MARKETS COMPETITION IN UGANDA

The Future Of Regulation Of Digital Markets Competition In Uganda

Uganda should adopt a law that prohibits dominant digital markets players (1) self-preferencing; (2) restricting end or business users from downloading third party applications via the SSDEs' core digital service; (3) anti-steering; (4) tying and bundling; and (5) using non-public data from business users on their core digital service to compete with those users, using personal data from different services, or allowing third parties to use such data without user consent.

The Need for Ex-Ente Regulation For Uganda's Digital Markets Competition Regulation

Whereas digital platforms often act as intermediaries between several markets by leveraging data advantages. The complexity of these markets slows down the impact of corrective action emanating from traditional regulatory responses, which may be outdated and ineffective in restoring market competition in digital industries after the harm has occurred.

According to the **2024 UN Global Competition Law and Policy Approaches to Digital Markets Report,** some jurisdictions have introduced specific new legislative regimes and regulations for digital platforms. These regulations often require close collaboration between competition authorities and other regulatory bodies, and sometimes involve interactions with other policy considerations which go beyond the traditional competence of competition authorities. The new laws include ex-ante regulations which try to capture practices that either do not clearly fall within the scope of existing competition legislation but have harmful effects on competition or are difficult to establish as infringements of competition law under existing analytical and evidential frameworks.

How Ex-ante Regulation works:

Under this framework, the law establishes specific criteria to identify digital platforms that hold substantial influence over access to goods or services effectively placing them in a "gatekeeper" position. A designated regulatory body is tasked with interpreting and applying these criteria to determine which platforms meet this threshold.

Once a platform is classified as a gatekeeper, the legislation or accompanying regulations either restrict certain harmful practices or impose specific duties aimed at promoting fair competition. These rules are designed to keep digital markets as well as related markets where goods or services are offered through these platforms open and competitive.

For instance, gatekeepers may be barred from enforcing price parity clauses, limited in how they can exploit data collected from both business users and end consumers, or required to comply with interoperability standards. These standards enable users to transfer their data to rival platforms more easily or use several platforms simultaneously.

Why Ex-ante regulation for Uganda?

Ex-ante regulations can play a vital role in enhancing market contestability by facilitating access to and the use of data two critical factors that currently limit entry into many markets. By addressing these barriers proactively, such regulation can help level the playing field for new and smaller competitors.

In addition, ex-ante frameworks can relieve the burden on regulatory bodies by placing the responsibility for compliance directly on businesses. This shift allows regulators to devote more resources to investigating and responding to violations of prohibited conduct. Unlike traditional competition law, which often relies on lengthy legal processes and economic analyses, ex-ante regulation offers a more flexible and proactive approach. It allows regulators to take timely administrative measures, improving both effectiveness and the efficient use of limited resources.

Over the past decade, regulatory efforts have struggled to keep pace with technological advancements. The swift evolution of digital markets, contrasted with the slow timelines of investigations and appeals in competition cases, has resulted in lasting harms—such as the entrenchment of dominant players and a decline in public trust towards major tech companies. Therefore, it is increasingly recognized that the potentially harmful practices of large digital firms require targeted regulation. By imposing clear obligations on these enterprises in advance, ex-ante regulation helps to prevent the misuse of market power and allows enforcement agencies to focus their efforts on identifying actual breaches of the law.

Adopting an Ex-Ante Framework with Necessary Modifications: Avoiding a Direct Replication of the DMA

Although the Ex-ante approach rooted in the European Union's Digital Markets Act has been widely celebrated and adopted by countries such as Australia, Brazil, India, and the United Kingdom to avoid creating entirely new regulatory regimes, its wholesale replication may not be suitable for a developing country like Uganda.

If adopted in its entirety without careful consideration of Uganda's unique economic and technological context, such an approach risks creating a regulatory mismatch that could hinder, rather than promote, digital market growth and innovation.

We firmly believe that Uganda's Ministry of Trade, Industry and Cooperatives should exercise caution when formulating its proposed digital competition framework and avoid closely mirroring the European Union's Digital Markets Act (DMA) without tailoring it to Uganda's specific context. Uganda is at a much earlier stage of digital development, grappling with challenges such as limited firm scalability, high unemployment in the tech sector, and constrained regulatory capacity. Adopting a framework like the DMA without adapting it to these realities could undermine Uganda's efforts to grow its digital economy.

The EU's DMA has already had unintended negative consequences on its own digital markets, primarily due to its heavy regulatory approach. While the EU is focused on curbing the dominance of large, well-established tech companies and promoting fairness among market players, Uganda's digital priorities are markedly different. Uganda needs to foster innovation, generate employment, and build a vibrant digital ecosystem that can attract both local and foreign investment.

If elements of the DMA are to be considered, their adoption should be done with the necessary modifications to reflect Uganda's developmental realities, priorities, and institutional capacity.

Moreover, replicating the DMA could introduce unnecessary regulatory uncertainty, especially if the legal framework is vague on implementation and enforcement mechanisms. This ambiguity could deter global digital firms from entering the Ugandan market and stifle the development of local digital enterprises. Therefore, instead of adopting the DMA in its entirety, Uganda should craft a framework that reflects its developmental stage and ambitions, ensuring it promotes inclusive growth and strengthens the digital economy.

Approach towards applying the DMA with modifications

Uganda should take inspiration from how Brazil, India, and Japan have adapted the EU's Digital Markets Act (DMA) to fit their national contexts, rather than adopting it wholesale.

Brazil's Draft Bill No. 2768/2022 emphasizes economic development, data access, and platform transparency. ***India's Draft Digital Competition Bill*** introduces flexible rules for "systematically significant digital enterprises," focusing on fair market conduct and data control. ***Japan's Act on Promotion of Competition for Specified Smartphone Software*** targets mobile platforms, prohibiting anti-competitive practices like blocking third-party app stores.

The experiences of these three countries offer practical guidance for tailoring ex ante digital regulation in a way that fosters competition, innovation, and inclusion without stifling emerging local enterprises in Uganda.

If the Ex-ante approach is adopted in its entirety without careful consideration of Uganda's unique economic and technological context, such an approach risks creating a regulatory mismatch that could hinder, rather than promote, digital market growth and innovation.

Recommendations towards modification of the DMA application in Uganda;

- In terms of regulatory objectives, Uganda can take a cue from Brazil's broad and development-oriented approach. Brazil's framework prioritizes not just fair competition, but also economic development, access to information, innovation, data portability, and open technology standards. This contrasts with the narrower DMA focus on contestability. Uganda should define its regulatory purpose around promoting a vibrant digital economy, empowering consumers, enabling local innovation, and ensuring equitable access to digital infrastructure.

- The designation of regulated platforms must also be localized. In the EU, the DMA focuses on large gatekeepers with entrenched power across European markets. Brazil and India, in contrast, apply flexible criteria that include both qualitative and quantitative thresholds based on national revenue, local market impact, and systemic influence. Uganda should adopt a similar model, identifying "Significantly Impactful Digital Enterprises" based on their dominance in key domestic services such as e-commerce, digital payments, mobile money, and social media. This ensures that regulatory efforts target firms with actual influence over Uganda's digital economy, rather than importing thresholds irrelevant to the local context.

- When it comes to obligations imposed on designated platforms, Uganda should avoid blanket prohibitions that might inhibit investment and innovation. Instead, it can adopt India's and Japan's approach of tailoring obligations based on the nature of the service and its market role. This includes prohibiting self-preferencing, mandating transparency in platform operations, promoting data portability and interoperability, and giving users meaningful control over default settings and data use. In Uganda's case, mobile money services and app stores are especially critical areas where targeted obligations could protect users and developers from unfair practices.

- The establishment of an effective enforcement authority is essential. Unlike the centralized enforcement by the European Commission under the DMA, countries like Brazil and India have empowered national authorities with local expertise. Uganda should consider creating a specialized Digital Markets and Competition Unit, potentially under the Uganda Communications Commission or in partnership with the Competition Authority. This body must have both technical and legal capabilities to analyze platform conduct, assess market power, and implement proportionate remedies. Inter-agency coordination will be vital, especially with institutions responsible for data protection and financial services.

- Regarding penalties and compliance, Uganda should implement a flexible and proportionate enforcement regime. Brazil's graduated model, which starts with *warnings* and *corrective orders* and *escalates to revenue-based fines*, is appropriate for Uganda's context. A similar system would allow time for *voluntary compliance while reserving harsher sanctions for repeated or severe violations. Fines could be calculated based on domestic revenue to ensure penalties are fair and enforceable.*

- Finally, Uganda's regulatory framework must be forward-looking and adaptable. It should be grounded in principles of fairness, proportionality, and innovation support. Regular market reviews, public consultations, and regulatory sandboxes should be built into the framework to test new rules and technologies. The regulatory design should also encourage collaboration between the public and private sectors, particularly startups, civil society, and academia, to ensure that regulation evolves alongside technological and market changes.

GLOBAL DEVELOPMENTS

In many countries, including Uganda, competition law has traditionally relied on ex-post enforcement mechanisms to tackle anti-competitive conduct, particularly in conventional markets. However, the rise of digital markets has introduced complex challenges that are proving difficult for regulators to manage using these traditional tools.

Globally, competition authorities are actively debating the most effective strategies for regulating digital platforms. Two major regulatory approaches have emerged. The **ex-ante framework** advocates for pre-emptive regulation, aiming to prevent anti-competitive practices before they occur. In contrast, the ex-post framework continues to focus on case-by-case investigations and enforcement after violations have taken place.

According to the ***2024 UN Global Competition Law and Policy Approaches to Digital Markets Report***;

> *Competition authorities around the world have recognized the risks posed to competition by the emerging digital platforms and have been making efforts to address them. They have grappled with the challenge of striking a balance between mitigating the detrimental effects of conduct which limits competition in the digital sector and fostering innovation by digital platforms. It is often observed that governments and competition authorities around the world have struggled to use traditional competition regimes and enforcement tools to address the competition concerns in the digital markets and anticompetitive practices with digital features. Developing countries that may not have sufficient resources and experience to enforce competition law and policy also face additional challenges.*

Interestingly, some jurisdictions are now experimenting with hybrid models that blend elements of both ex-ante and ex-post approaches. These frameworks aim to balance flexibility with the need for proactive oversight, recognizing that digital markets are fast-evolving and often require tailored solutions.

The global regulatory landscape is still in flux. While the European Union has taken the lead by implementing a comprehensive ex-ante regulatory regime for digital gatekeepers (notably through the Digital Markets Act), other countries are cautiously reassessing their competition frameworks. Many have opted to integrate selected tools from both approaches, adapting them to address emerging digital harms and the dynamic nature of online platforms.

European Union

The European Union was among the pioneers in transitioning to an ex-ante regulatory model to govern digital markets. This shift began with the adoption of the Platform to Business Regulation (P2BR) in 2019, followed by the more ambitious Digital Markets Act (DMA) in 2022.

The DMA targets anti-competitive practices by dominant digital firms, known as "gatekeepers," and is designed to enable proactive regulatory action. Despite concerns that it might stifle innovation or introduce unforeseen compliance costs, the Act's success will largely depend on how it is implemented. Initially, the EU had proposed a 'new competition tool' (NCT) in 2020, envisioned as a middle ground between traditional ex-post enforcement and the ex-ante approach. However, with the introduction of the DMA, the NCT initiative was officially abandoned in June 2023.

United Kingdom

The United Kingdom has adopted a similar regulatory outlook, though with its own distinct elements. The Digital Markets, Competition and Consumer Bill, introduced in 2023, seeks to empower the Digital Markets Unit (DMU) to create tailored codes of conduct for firms designated as having strategic market status.

Across the Atlantic, the United States continues to approach digital market regulation primarily through ex-post enforcement. The Federal Trade Commission (FTC) investigates anti-competitive practices on a case-by-case basis and is also authorised to conduct market studies. Legislative proposals like the American Innovation and Choice Online Act, which aimed to bring in ex-ante measures, failed to gain sufficient traction. Critics argued that the bill appeared more punitive towards major U.S. tech companies rather than genuinely addressing consumer harm.

South Korea

In the Asia-Pacific region, South Korea took early action against app-store monopolies. A 2021 amendment to the Telecommunications Business Act prevents app market operators from compelling developers to use specific payment systems. Similarly, Japan introduced the Act on Improving Transparency and Fairness of Digital Platforms (TFDPA) in 2021. This law employs a co-regulatory model, where the government sets broad transparency guidelines while platform operators are responsible for implementation, subject to regulatory oversight.

USA

A number of legislative proposals have been introduced in the United States Congress aiming to regulate major digital platforms and address growing antitrust concerns. These proposed laws—most notably the Open App Markets Act and the American Innovation and Choice Online Act—mirror aspects of the European Union's Digital Markets Act (DMA) and target anti-competitive practices by dominant tech companies.

Under these proposals, app store operators would be restricted from imposing certain conditions on app developers. For instance, they would no longer be allowed to compel developers to exclusively use their proprietary in-app payment systems as a prerequisite for listing their apps on the store.

Additionally, they would be barred from enforcing "most favored nation" clauses, which require developers to offer prices or terms on their platform that are equal to or better than those on competing platforms. Retaliatory measures against developers who offer different pricing or terms on other app stores or payment systems would also be prohibited.

The bills also address other monopolistic behaviors, including the bundling or tying of services in ways that unfairly channel business users toward the platform's own services. They further outlaw the exploitation of non-public business data obtained from users to benefit the platform's own products. Moreover, they tackle the manipulation of consumer choice by limiting the pre-installation or default positioning of the platform's own apps on devices.

In a related move, the Augmenting Compatibility and Competition by Enabling Service Switching (ACCESS) Act seeks to enhance competition by requiring large digital platforms to ensure interoperability and facilitate data portability. This would empower users to move their personal data more easily and switch between services without being locked into one provider.

Lastly, the Ending Platform Monopolies Act proposes a structural separation for dominant digital platforms. It would prevent these platforms from operating or owning other businesses that both rely on the platform to distribute goods or services and potentially conflict with its role as a neutral intermediary. This includes banning ownership of services that the platform forces third-party users to adopt or that benefit from preferential treatment.

China

China took a distinct approach to regulating digital markets by incorporating digital-specific provisions directly into its Anti-Monopoly Law (AML). To support effective enforcement, detailed "Implementation Rules" were issued, offering clearer guidance for addressing anti-competitive behavior in the digital space. Furthermore, "Platform Guidelines" rooted in the AML were introduced to specifically govern platform-based businesses. Notably, the provincial government of Zhejiang pioneered localized regulation by releasing the first provincial standard for competition compliance applicable to internet platform enterprises. This move signals a broader trend in China, where local authorities are proactively formulating their own frameworks to curb digital market dominance—marking a notable departure from the largely centralized Western regulatory models.

India

India, meanwhile charted its own path through the recommendations of the "Report of the Committee on Digital Competition Law," which led to the proposal of a Digital Competition Act featuring ex-ante regulatory tools. The report undertook a comparative analysis of global models, distinguishing between jurisdictions that target specific markets and those with broader, non-market-specific applications. What emerged from both the report and the draft legislation is a hybrid Indian model, informed by global best practices but tailored to India's unique institutional landscape and economic realities.

South Africa

South Africa has emerged as a frontrunner in Africa in regulating digital markets, undertaking several legal and regulatory reforms to address anti-competitive conduct in the digital economy. The 2020 amendments to the Competition Act expanded the powers of the Competition Commission, particularly in scrutinizing unilateral conduct by dominant digital platforms.

These amendments introduced provisions on price discrimination and abuse of dominance, which are especially relevant in the context of e-commerce and online services. Complementing this, the 2020 Buyer Power Regulations identified e-commerce as a priority sector to protect smaller players from unfair trading terms imposed by dominant firms. Recognizing the challenges posed by digital mergers that fall below traditional thresholds, the Commission issued revised guidelines in 2022 requiring notification of small mergers in the digital space to prevent 'killer acquisitions.'

Furthermore, in 2021, the Commission launched the Online Intermediation Platforms Market Inquiry (OIPMI), focusing on platforms like Takealot, Google, and Apple to assess their impact on competition, especially in relation to smaller businesses and fairness in market access. These steps collectively reflect South Africa's commitment to adopting a modern, proactive regulatory framework tailored to the dynamics of the digital economy.

Kenya

The Competition Authority of Kenya (CAK) has proposed the Competition (Amendment) Bill, 2024, aiming to modernize the existing framework to better regulate digital activities.

This bill seeks to expand the definition of "digital activities" to encompass services provided via the internet, including online marketplaces, search engines, social networking platforms, and cloud computing services. A significant shift in the bill is the move from the concept of "abuse of buyer power" to "abuse of superior bargaining position," allowing the CAK to address unfair practices even when a company does not hold a dominant market share. Such practices include unilateral contract changes, delayed payments to suppliers, and imposing unfair trading conditions.

The bill also introduces stringent penalties, allowing the CAK to impose fines of up to 10% of a company's annual turnover for non-compliance. Additionally, the CAK has updated its market definition guidelines to better assess digital markets, focusing on factors like network effects and access to data.

These reforms reflect Kenya's commitment to fostering a fair and competitive digital economy, ensuring that both local and international players operate on a level playing field.

Japan

On May 27, 2020, the Japanese government established the Act on Improving Transparency and Fairness of Digital Platforms (TFDPA). The law aims to address problems of a lack of transparency and "extremely low predictability" in assessing transactions in digital markets. It also aims to deal with inadequacies in existing procedures and systems for dealing with such transactions.

The regulation works as follows. First, the Ministry of Economy, Trade and Industry (METI) may identify a digital platform as a "Specified Digital Platform Provider" (SDPF). The first step in this designation process is to identify a digital platform. A digital platform is a firm that: (i) provides multi-sided markets to connect product providers with consumers using digital technology, (ii) provides these services via the internet, (iii) provides services in a manner that involves network effects (meaning, relationships where mutual benefits exist for both the provider and the consumer, increasing the number of both).

In addition, METI can designate a firm as falling under a specific business category. Once a digital platform is identified, it can be further designated as a SDPF if it is particularly required to improve transparency and fairness. To determine if that is the case, METI will consider: (i) the degree of the firm's impact on the lives of the people and the national economy; (ii) the degree of concentration of the digital platform; (iii) the need to protect product providers based on the specific circumstances at issue; (iv) other relevant regulations and policies; and (v) the scale of the business at issue. Surveys will be conducted to determine the scale necessary for a special designation.

SDPFs face certain self-guided obligations under the new law. They must disclose terms and conditions and other relevant information to users. Additionally, they must develop procedures and systems to ensure their fairness voluntarily. They must submit a report on the measures they have implemented, along with a self-assessment of their efficacy, each fiscal year. The points this report should contain include: (i) a business outline; (ii) status of information sharing; (iii) establishment of operational procedures and systems; and (iv) status of settlements of disputes.

METI can request that the Japan Fair Trade Commission (JFTC) intervene in a SDPF if it suspects that a violation of Japanese competition law has occurred.

Regional Efforts

At the regional level, bodies such as COMESA (Common Market for Eastern and Southern Africa) and the African Continental Free Trade Area (AfCFTA) are promoting a continental competition framework that will likely include provisions for digital trade and platform regulation. COMESA's Competition Commission has conducted cross-border investigations involving digital companies, underscoring the need for regional cooperation. AfCFTA's Protocol on Competition Policy, adopted in 2022, acknowledges digital market challenges and encourages harmonized approaches across African countries.

04

PROPOSED POLICY RECOMMENDATIONS

While the Competition Act, 2023 provides a strong foundation, it does not fully address the unique challenges posed by digital markets.

The following recommendations are designed to guide the Ministry of Trade, Industry, and Cooperatives in developing a modern, responsive regulatory framework that promotes innovation while safeguarding consumer welfare and market fairness in Uganda's evolving digital landscape.

Legal Recommendations:

Amendment of Section 27(4) of the Competition Act:

It is recommended that the Ministry of Trade, Industry and Cooperatives, in collaboration with the Office of the Attorney General, urgently consider amending Section 27(4) of the Competition Act (Cap. 66) to remove the rigid six-month deadline for the issuance of regulations. The failure to publish the required regulations within the stipulated timeframe has rendered the Act practically unenforceable, stalling the implementation of vital competition oversight mechanisms.

Amendment to address digital related markets:

Given that the current law does not specifically address digital markets, it is advisable to amend Uganda's competition legislation to explicitly cover competition issues arising in digital markets. This approach aligns with international best practices observed in jurisdictions such as Germany, China, Kenya, COMESA, South Africa, and Nigeria, which have introduced targeted provisions to regulate digital market competition effectively. Key amendments should include lowering merger notification thresholds to capture transactions involving digital platforms and adopting transaction value as a criterion for merger assessment in place of traditional market share metrics. These measures will enhance the regulatory framework's responsiveness to the unique dynamics of digital markets and better protect competition and consumers in Uganda's evolving digital economy.

Regulation of Digital Markets:

We recommend that the Ministry develop and implement sector-specific regulations that directly address the unique characteristics of digital markets. These regulations should recognize the multi-sided nature of digital platforms, the impact of network effects, and the increasing risk of data-driven dominance. Drawing on global best practices such as the European Union's Digital Markets Act, but tailored to Uganda's economic landscape, these rules should proactively manage competition risks by covering algorithmic collusion, self-preferencing, price parity clauses, and platform neutrality.

Use of Current Legal Provisions for Interim Enforcement:

We recommend that, even in the absence of digital-specific laws, the Ministry utilize the existing provisions in the Competition Act, 2023 especially those concerning abuse of dominance, unfair trade practices, and collusive behavior to commence enforcement against dominant digital platforms engaging in potentially harmful practices. This interim enforcement should send a strong signal to platforms that the digital economy is not beyond the reach of competition law.

Institutional Recommendations:

Establishment of a Digital Markets Unit:

We recommend that the Ministry establish a dedicated Digital Markets and Competition Unit within MTIC to serve as a proactive watchdog and policy think tank. This unit should monitor market trends, conduct market inquiries, and issue guidance, advisories, and emergency directives in response to emerging risks. It should be composed of experts in digital economics, law, and technology to ensure swift and informed regulatory responses through an agile and data-driven approach.

Mandatory Transparency and Platform Neutrality:

We recommend that dominant digital platforms be compelled to disclose critical information to both consumers and business users. These obligations should include transparency in search ranking algorithms, clear labelling of paid promotions, publication of commission rates, and declarations of preferential treatment for affiliated businesses. Additionally, where platforms operate as both intermediaries and sellers, there must be effective separation of these functions to prevent unfair advantage.

Identification and Ex-Ante Regulation of Systemically Significant Digital Enterprises (SSDEs):

We recommend that the Ministry of Trade, Industry, and Cooperatives introduce a framework to identify and proactively regulate Systemically Significant Digital Enterprises (SSDEs) large digital companies that hold substantial power in Uganda's digital markets. These enterprises should be subject to ex-ante regulation, meaning they are governed by clear rules before their dominance causes harm to market competition. This is necessary because digital markets tend to concentrate rapidly due to powerful forces such as network effects (where value increases with user numbers), economies of scale (where larger firms can offer lower prices), and data accumulation (which can be leveraged to expand into adjacent markets or stifle competitors). By applying preemptive rules to SSDEs, the Ministry can prevent monopolistic behavior and ensure a level playing field for all digital businesses.

Identification of SSDEs through a combination of quantitative thresholds and qualitative assessment.

We further recommend that SSDEs be identified through a combination of quantitative thresholds and qualitative assessment. The quantitative criteria should require that a company *(1)* demonstrates significant financial strength such as high revenue, gross merchandise value, or market capitalization and *(2)* has broad market reach, evidenced by large numbers of users or businesses in Uganda relying on its digital services. Any company that meets these metrics should be required to notify the Ministry, which may then designate it as an SSDE. However, because some enterprises may not meet these thresholds yet still hold significant influence due to their control over critical infrastructure, access to user data, or gatekeeping role in digital markets the framework should also include qualitative criteria. These could consider factors such as the scope of data collected, the company's control over digital ecosystems, or its ability to shape market access. This hybrid approach ensures that Uganda can proactively monitor and regulate powerful digital players, even as market dynamics evolve.

Prohibition of Harmful Contractual Clauses:

We recommend that the Ministry prohibit the use of exclusivity clauses, wide price parity clauses, and tying arrangements in contracts between digital platforms and digital service providers. These contractual restrictions limit competitive pricing, prevent multi-homing, and entrench the dominance of large platforms, thereby hurting consumers and stifling innovation.

Capacity building Recommendations:

Institutional Capacity Building:

We recommend that the Ministry invest in building institutional capacity by training regulators, investigators, and policy makers in digital competition law, data analytics, and emerging technologies such as AI and algorithms. Such training will enhance MTIC's ability to regulate effectively and keep pace with the rapid evolution of digital platforms.

Regional and Continental Cooperation:

We recommend that MTIC actively engage with regional bodies such as COMESA and AfCFTA to harmonize digital competition policy across borders. Digital markets are inherently transnational, and enforcement will be more effective if there is regional coordination, especially in investigating cross-border digital firms and promoting a common framework for digital trade and consumer protection.

CONCLUSION:

Uganda's digital economy is expanding rapidly, but the current legal and regulatory framework particularly the Competition Act, 2023 remains ill-equipped to address the unique challenges of digital markets. Dominant digital platforms are already demonstrating potentially anti-competitive behaviors across sectors such as online travel, food delivery, ride-hailing, app stores, and fintech.

Without targeted interventions, these practices risk stifling innovation, limiting consumer choice, and entrenching monopolies. Uganda must urgently develop agile, sector-specific regulations and adopt proactive enforcement mechanisms drawing from global best practices to ensure fair competition.

We hope that the observations, proposals, and recommendations presented in this report provide a clear foundation for meaningful policy reform and regulatory action. By proactively addressing the identified gaps and emerging risks, policymakers and regulators can ensure that digital markets remain inclusive, competitive, and responsive to the needs of all stakeholders.

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ABOUT ADLEGAL:

AdLegal is a consumer advocacy organization whose mission is to promote consumer protection, combat consumer fraud, deceptive advertising, and unfair competition through legal actions; promote understanding of the serious harms that commercial dishonesty and anti-competitive practices inflict; and work with consumers, businesses, independent experts, synergy organizations, self-regulatory bodies, and government agencies to advance countermeasures that effectively prevent and stop deception and anti-competitive behavior in the Ugandan economy.

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