

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

PRIVATE SECTOR DEVELOPMENT (PSD) PROGRAMME

Programme 06







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ANNUAL PERFORMANCE REPORT FY 2023/24

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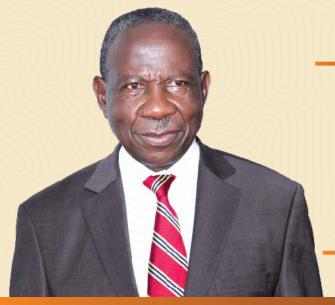
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Abbreviations and Acronyms

ACF	Amigraft and Condit Pacifity
APSA	Agricultural Credit Facility Africa Pension Supervisors' Association
ASTM	American Society for Testing and Materials
AUM	Assets Under Management
BDS	Business Development Services
BOQ	Bill of Quantities
BoU	Bank of Uganda
BUBU	Buy Uganda Build Uganda
CBR	Central Bank Rate
CDO	Community Development Officer
CIIE	China International Imports Expo
CIS	Collective Investment Schemes
CMA	Capital Markets Authority
CSO	Civil Society Organisation
DCO	District Commercial Officer
DFI	Development Finance Institution
DPO	District Production Officers
DTB	Diamond Trust Bank
EAC	East African Community
eBIZ	Electronic Business Portal
ECOS	Enhancing the Competitiveness of Small and Medium Size Enterprises
EDPRD	Economic Development, Policy and Research Department
EPRC	Economic Policy Research Centre
EPZ	Export Processing Zone
ESHS	Environmental, Social and Health Safeguards
ESIA	Environment and Social Impact Assessment
ETW	Entrepreneurship Training Workshop
EU	European Union
FDUS	Final Draft Uganda Standards
FSD	Financial Sector Deepening
FSDU	Financial Sector Deepening Uganda
FY	Financial Year
GEW	Global Entrepreneurship Week
GoU	Government of Uganda
GROW	Growth Opportunity and Productivity for Women Enterprises
GWP	Gross Written Premiums
НІНС	Horyal Investment Holding Company Ltd
ICT	Information and Communication Technology
IEC	International Electro-Technical Commission
IRA	Insurance Regulatory Authority
ISO	International Organization for Standardization
KCCA	Kampala Capital City Authority
KIBP	Kampala Industrial Business Park
KOICA	Korea International Cooperation Agency
LG	Local Government
MDAs	Ministries, Department and Agencies
MEERP	Monitoring and Evaluation Enterprise Resource Planning
MoFPED	Ministry of Finance, Planning and Economic Development
MIL	MEERA Investments Limited
MoA	Memorandum of Agreement
MoFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
MSC	Microfinance Support Centre
MSMEs	Micro, Small and Medium Enterprises
MTIC	Ministry of Trade, Industry and Cooperatives
MVR	Motor Vehicle Registry

NDP	National Development Plan
NEMA	National Environment Management Authority
NGO	Non-Government Organisation
NIRA	National Identification and Registration Authority
NITA-U	National Information Technology Authority
NLTSS	National Long-term Saving Scheme
NPA	National Planning Authority
NSC	National Standards Council
NSMEP	National SME Portal
NSSF	
NSTEIC	National Social Security Fund
NTR	National Science, Technology, Engineering and Innovation Centre Non-Tax Revenue
OBRS	Online Business Registration System
OIB	Open International Bidding
OSC	One-Stop Centre
PDM	Parish Development Model
PDMIS	Parish Development Model Information System
PFI	Participating Financial Institution
PIAP	Programme Implementation Action Plan
PPDA	Public Procurement and Disposal of Public Assets Authority
PSD	Private Sector Development
PSFU	Private Sector Foundation Uganda
PVOC	Pre-Export Verification of Conformity
PWDs	Persons With Disabilities
SACCO	Savings and Credit Cooperative
SANAS	South African National Accreditation System
SANAS	South Africa National Accreditation Services
SBRF	Small Business Recovery Fund
SEZ	Special Economic Zones
SHG	Self-Help Group
SIMPO	Security Interest in Movable Property Registry
SIMPRS	Security Interest in Movable Property Registry System
SOFTE	Soroti Fruits Limited
SRCC	Speke Resort Convention Centre
TC	Technical Committee
TEFCU	Teso Tropical Fruits Cooperative Union
TFO	Trade Facilitation Office
TIBIC	Technology, Innovation and Business Incubation Centre
ТоТ	Training of Trainers
UBFC	Uganda Business Facilitation Centre
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UEPB	Uganda Export Promotion Board
UFZA	Uganda Free Zones Authority
UIA	Uganda Investment Authority
UIRI	Uganda Industrial Research Institute
UMRA	Uganda Microfinance Regulatory Authority
UNBS	Uganda National Bureau of Standards
UNCCI	Uganda National Chamber of Commerce and Industry
UNCST	Uganda National Council for Science and Technology
UNCTAD	United Nations Conference on Trade and Development
URA	Uganda Revenue Authority
URBRA	Uganda Retirement Benefits Regulatory Authority
URSB	Uganda Registration Services Bureau
USE	Uganda Securities Exchange
	Same Scenius Distinus



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PSD Programme aims at increasing the competitiveness of the private sector to drive sustainable inclusive growth..."

FOREWORD

he NRM Government is cognisant of the great role the private sector plays in national development, especially its contribution to the GDP, national revenue and employment. It is therefore in our interest to nurture and grow the private sector and, in so doing, we support employment generation, increase business incomes, expand the tax base, increase our export earnings and subsequently, stimulate national growth and development. With this hindsight, the Third National Development Plan (NDP III) and the NRM Manifesto prioritised interventions and actions to support the private sector to sustainably thrive.

The Private Sector Development Programme (PSD) is one of the 20 NDP III Programmes. The PSD Programme aims at increasing the competitiveness of the private sector to drive sustainable inclusive growth. The Programme focuses on sustainably lowering the costs of doing business; strengthening organisational the institutional capacity of the private sector to drive growth; promotion of local content in public programmes; strengthening the role of Government in unlocking investment strategic economic sectors; strengthening the enabling environment and enforcement of standards.

Financial year 2023/24 is the fourth year of implementing NDP III and the PSD Programme. During this period, the PSD

Programme has spearheaded some key Government interventions that include, but are not limited to, the implementation of the financial inclusion pillar of the PDM, where close to UGX 3 trillion has been disbursed to parishes; implementation of the *Emyooga*, Agricultural Insurance Scheme, Agricultural Credit Facility and Small Business Recovery Fund initiatives; capitalisation of Public Finance Institutions; establishment and operationalisation of industrial parks and free zones, development and enforcement of standards, etc.

As the Political Leader of the Private Sector Development Programme, I am happy to present to you the fourth PSD Programme Annual Performance Report FY 2023/24. I encourage you to read the entire report for your information.

For God and My Country

Jan /

Matia Kasaija (MP)

Minister of Finance, Planning and Economic Development

Chairperson, Private Sector Development Programme Leadership Committee



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Over the last four years of NDP III, the PSD Programme has registered moderate achievements in lowering the costs of doing business;..."

ACKNOWLEDGEMENTS

inancial year 2023/24 registered a number of successes as well as challenges, giving us an opportunity to reflect, learn the lessons and plan better going forward. This fourth Private Sector Development (PSD) Programme Annual Performance Report provides details of the key achievements registered and challenges experienced during FY 2023/24 and points out the key emerging issues in the private sector competitiveness sphere.

The report not only helps us to meet a key reporting benchmark of NDP III but also provides a good basis for building cohesion among the PSD Programme players and for communicating key issues of the Programme within its membership and the wider stakeholders.

Over the last four years of NDP III, the PSD Programme has registered moderate achievements in lowering the costs of doing business; strengthening the organisational and institutional capacity of the private sector; promoting local content in public programmes; strengthening the role of Government in unlocking investment in strategic economic sectors; and strengthening the enabling environment and enforcement of standards.

As the Technical Head of the Private Sector Development Programme, I take the opportunity to express my gratitude to all the PSD Programme contributing MDAs, the private sector, civil society and Development Partners. I greatly appreciate the human, physical and financial support and contributions towards the implementation of the various PSD Programme projects, interventions and actions during the year.

I also thank the members of the PSD Programme Leadership Committee, Technical Working Groups and staff of the Secretariat for the collaboration, cooperation and coordination during the PSD Programme planning, budgeting, implementation, monitoring, evaluation and reporting.

I am looking forward to achieving even better PSD Programme results in FY 2024/25, and I invite you to read this report and inform yourself of what is happening in the private sector development space.

Ramathan Ggoobi,

Permanent Secretary/Secretary to the Treasury

Chairperson, Private Sector Development Programme Working Group

EXECUTIVE SUMMARY

Background

The NDP III recognises the private sector as the engine of growth due to its ripple contribution to the GDP, employment and domestic revenues, among others. As such, NDP III underscores Government's intervention in enhancing the capacity of the private sector to drive growth and create jobs so as to achieve its goal of increasing the average household incomes and improving the quality of life of Ugandans.

The Private Sector Development (PSD) Programme is one of the 20 programmes that were identified to achieve the NDP III goal, strategic objectives and expected results. In the past four years of NDP III, targeted interventions were implemented, aimed at resolving the high cost of doing business; limited production and organisational capacity; absence of a strong supporting environment; weak enforcement

of standards and the proliferation of counterfeits in the market; and inadequate strategic and sustainable Government investments and partnerships with the private sector in key growth areas.

PSD Programme Goal and Objectives

The goal of the PSD Programme is to increase the competitiveness of the private sector to drive sustainable inclusive growth.

The PSD Programme objectives over the five years of NDP III are to sustainably lower the costs of doing business; promote local content in public programmes; strengthen the enabling environment and enforcement of standards; strengthen the role of Government in unlocking investment in strategic economic sectors; and strengthen the organisational and institutional capacity of the private sector to drive growth. The key results of the PSD Programme over the five years of NDP III include:



Reduce the informal sector from 51% in 2018/19 to 45% in 2024/25;



2. Increase non-commercial lending to the private sector in key growth sectors, from 1.5% in 2018/19 to 3% of GDP;



 Increase the proportion of public contracts and sub-contracts that are awarded to local firms, from 30% to 80%; and



4. Increase the value of exports from **\$5,390m** in 2017/18 to **\$7,356m** in FY 2024/25¹.

The PSD Programme under the leadership of the Ministry of Finance, Planning and Economic Development brings together over 20 MDAs, CSOs and Development Partner institutions to achieve her goal and objectives.

PSD Programme Performance

The PSD Programme approved budget for FY 2023/24 was UGX 1.911 trillion, of which UGX1.746 trillion (91.4%) was released and UGX 1.667 trillion (87.2% of approved budget, and 95.5% of the amount released) was spent by the end of the financial year.

Except for the value of exports that exceeded the target for the year, the PSD Programme annual performance for FY 2023/24 in respect of the key results fell short of targets across all the key result indicators. This points to a need for a more strategic focus, if the private sector is to meet the expectations of its key stakeholders.

Informal sector: Informality is a significant challenge hindering sustained economic growth and development. The high mortality and stagnation of businesses in Uganda

¹ The baseline and target figures of USD 3,450.7 million (2017/18) to USD 4,973 million (2024/25) as stated in some sections of NDP III were updated to reflect the NDP III figures on page 303 and, especially, the performance trend as per the UEPB figures.

have been attributed to informality, which has been an impediment to access to credit, to BDS and, consequently, negatively impacting the competitiveness of Ugandan products.

By the end of FY 2023/24, the percentage of the informal sector stood at 54.41%, which is short of the NDP III target of 48.1%. In nominal terms, the size of the informal sector was valued at UGX 99.3 billion in FY 2022/23.

The actions undertaken during the year to curb informality include, but are not limited to, maintaining nine countrywide one-stop centres for business registration and licensing; implementing the Taxpayer Registration Expansion Programme(TREP); and operationalising the Online Business Registration System (OBRS) and electronic business portal (e-BIZ). These have eased business registration and licensing in terms of access, time and money.

Non-commercial lending to the private sector in key growth sectors: Non-commercial lending refers to lending below commercial terms to the private sector. The initiative is primarily led by the Government working through its Development Finance Institutions (DFIs). Meanwhile, the NDP III considers key growth sectors as agriculture, manufacturing, mining (including oil and gas), infrastructure, tourism, human capital (education and health) and ICT.

By the end of FY 2023/24, non-commercial lending to the private sector in key growth sectors as a percentage of GDP stood at 0.64%, against the annual NDP III target of 2.4%, and lower than the previous year's performance of 1.2%. Despite the low indicator performance, non-commercial lending grew from UGX 880 bn in FY 2022/23 to UGX 1.2 trillion in FY 2023/24 in absolute terms.

Public contracts awarded to local contractors: Local contractors include both national, resident or East African Community (EAC) providers firms. During FY 2023/24, the proportion of the total procurement value awarded to contractors was 63%, against the target of 75%, and above the previous year's performance of 48%. This performance was attributed to inadequate capacity of local contractors to participate in large public procurements.

Value of exports: The total value of exports during FY 2023/24 was USD 7,941 million, above the annual target of USD 7,018 million and the previous year's performance of USD 5,466 million. The above target performance is attributed to the significant growth in the gold and coffee sector earnings, that were a result of improved coffee quality and prices; and lower inflation, which made Ugandan goods attractive to the international community due to the stable pricing.

Performance by objective: Overall, 21 (38%) out of the 55 PSD Programme outcome indicators met the annual targets, while 17 (31%) did not meet the annual NDP III targets for FY 2023/24. At the time of preparing this report, there was no data for the remaining 17 (31%) PSD Programme outcome indicators.

OBJECTIVE 1: Sustainably lower the cost of doing business

The PSD Programme intends to sustainably lower the cost of doing business by, among others, increasing access to affordable credit largely targeting MSMEs; increasing access to long-term finance; mobilising alternative financing sources to finance private investment; and addressing non-financial factors leading to high costs of doing business.

By the end of FY 2023/24, the share of domestic credit to key growth sectors in total private sector credit was 33.5%, higher than the NDP III target of 32.5% and the previous year's performance of 30.2%. This was on account of increased domestic lending to the services sector and agriculture as they recovered from the COVID19 effects.

Private sector credit was nominally UGX 33.6 trillion and stood at 22.2% as a percentage of GDP, above the annual target of 21.8% and the previous year's performance of 17.7%. However, despite the increase in private sector credit, the average growth in credit to the private sector was 7.7% in FY 2023/24, down from 9.9% in FY 2022/23. The slowdown was primarily due to a decrease in shilling-denominated lending, which grew by 9.6%, down from 12.1% in the previous fiscal year.

The percentage of SME borrowers as a share of total borrowers (Tier 1-3) was 2.1% lower than the NDP III target for FY 2023/24 of 2.5% on account of high informality and lack

Long-term financing

FY 2023/24, Government provided

UGX 53 Bn

Financing through capital markets

The domestic market capitalisation to GDP was

5.4%

Value of formal financial sector savings

Marginal increase in the retirement assets as a percentage of

12.2%

FY 2023/24,

increased deposits in supervised financial institutions as a percentage of

GDP **29.3%**

of collateral, which poses a large high-risk profile for them to access formal financial services. The percentage of MSMEs with outstanding credit at a formal financial service provider was 20% higher than the target of 19.1%.

Long-term financing to the private sector by PFIs: In FY 2023/24, Government provided UGX 53 billion of the planned UGX 85 billion to Uganda Development Bank (UDB) to facilitate access to long-term financing by the private sector. Over NDP III, the value of UDB's long-term loans (over 5 years) increased by 25%, from UGX 689 billion in FY 2022/23 to UGX 862.4 billion in FY 2023/24, driven by rising credit demand. Furthermore, the total value of private equity investments by UDB rose from UGX 5.6 billion in FY 2022/23 to UGX 10.2 billion in FY 2023/24, in response to the recovery in economic activity.

Financing through capital markets: The domestic market capitalisation to GDP was 5.4% above the NDP III target of 4.4% and the previous year's performance of 5.1%. Domestic market capitalisation due to new listings registered a UGX 0.48 trillion performance, lower than the NDP III target of 0.54. Collective Investment Scheme (CIS) assets under management grew to UGX 2.8 trillion, above the NDP III target of UGX 1.8 trillion and the previous year's performance of UGX 1.2 trillion. The domestic market capitalisation to GDP grew due to the mandatory listing of the two biggest telecom companies in Uganda, AIRTEL and MTN, which now account for 62% of the total domestic market capitalisation at the Uganda Securities Exchange (USE).

Value of formal financial sector savings for private sector investment: The Programme observed a marginal increase in the retirement assets as a percentage of GDP from 12.0% in FY 2022/23 to 12.2% in FY 2023/24, but below the target of 17.1%.

Retirement assets under management (AUM) increased by 18% to UGX 25.40 trillion in FY 2023/24, from UGX 21.41 trillion in FY2022/23. Growth in the AUM was largely attributed to net income of UGX 3.10 trillion and net member contributions of UGX 986.8 billion.

During FY 2023/24, deposits in supervised financial institutions as a percentage of GDP grew from 18.3% to 29.3%, surpassing the target of 27.5%. These deposits grew by 4.2% from UGX 35.0 trillion to UGX 36.4 trillion in the year ended June 2024. The growth in deposits was mainly on account of savings and time deposits which increased by 4.7% and 5.7% respectively.

Life insurance assets to GDP ratio grew from 0.60% in 2022/23 to 0.8% in 2023/24, which is close to the NDP III target of 0.86% for 2023/24. The growth is attributed to the increased uptake of life insurance products from 1% in 2018 to 2% according to the Finscope 2023 report.

OBJECTIVE 2: Strengthen the organisational and institutional capacity of the private sector to drive growth

The weak institutional capacity of the private sector is evidenced by the high mortality rates of private sector enterprises, which fail within their first three years or remain small and informal throughout their existence. According to the informal businesses study undertaken by EPRC in 2022, Uganda's private sector is comprised of over 90% Micro, Small and Medium Enterprises (MSMEs), the majority of which are informal enterprises.² These are characterised by weak business management systems and small unsustainable operations, resulting in a weak private sector.

² https://eprcug.org/publication/assessment-of-informal-businesses-in Uganda/?wpdmdl=15332&refresh=678f-c456b06901737475158

Business capacity

Businesses that accessed BDS in the past 3 years stood at **10%**, during target of **16%**

Automation of business processes

A total of **7,040** transactions were processed through the eBiz for various Government services

Use of research and innovation instruments

43% of SMEs using digital solutions like the Technomart platform **1** from the target of **38%**

63% total procurement value was awarded to local contractors against the target of 75%, 1 the previous year's 48%

Improved business capacity and local entrepreneurship skills: The percentage of businesses that accessed BDS in the past 3 years stood at 10%, below the target of 16%. The low performance is attributed to the fact there are numerous BDS service providers as well as recipients nationally who are not documented. This is because it is financially and logistically challenging to track and document these activities on an annual basis.

Increased automation of business processes:

Uganda Investment Authority (UIA) has been operating a One-Stop Centre web portal³ (www.eBiz.go.ug) since 2016 for both foreign and local investors (the portal offers 12 Government services). In FY 2023/24, a total of 7,040 transactions were processed through the eBiz for various Government services, indicating a significant uptake of investment formalisation by both domestic and foreign investors. The rise is attributed to the growing publicity and efficiency of use of eBiz as well as the steadily growing traffic of business start-ups.

Increased use of research and innovation instruments by the private sector: In the FY 2023/24, the proportion of SMEs using digital solutions like the Technomart platform⁴ stood at 43%, that is above the target of 38% and last year's performance of 25%. The improved performance is attributed to increased awareness creation on digital usage.

Increased access and use of incubation centres by the private sector: During FY 2023/24, only 254 firms accessed the services of incubation centres, a performance that was below the annual target of 1,000 firms and below the previous year's performance that was registered at 1,252.

Simplified system for starting a business: By the end of FY 2023/24, the number of procedures to legally start and formally operate

a company were reduced to only two. This is a much better performance compared to the annual target of three and the previous year's performance of four procedures.

The time required to start a business reduced from 0.16 hours during the last financial year, to 0.1 hours in FY 2023/24. The improvement in performance is attributed to the automation of business processes, as all company and business registrations are completed online through the Online Business Registration System (OBRS).

OBJECTIVE 3: Promote local content in public programmes

During FY 2023/24, the proportion of the total procurement value awarded to local contractors was 63% against the target of 75% and above the previous year's performance of 48%. This performance was attributed to weak capacity of local contractors to participate in large public procurements.

The Uganda National Bureau of Standards (UBOS) plays a key role in addressing certification constraints for local content, thereby enhancing the capacity of local firms to benefit from public investments as well as increase consumption and utilisation of local products and increasing participation of the locally established firms in domestic trade. During the year, UNBS developed standards for the goods and services that are subject to local content. The stock of standards increased by 204 from 4,730 as of June 2023 to 4,934 standards while by the end of the year, 93 Final Draft Uganda Standards were awaiting approval by National Standards Council.

³ The portal facilitates convenient and efficient services that reduce the number of procedures, time and cost of obtaining the relevant licences and permits by accessing them at a single point.

⁴ A management information system that is designed as a marketplace where entrepreneurs, investors, and industry stakeholders can access cutting-edge technologies and innovations for commercialisation and product development for key business processes.

OBJECTIVE 4: Strengthen the role of Government in unlocking investment in strategic economic sectors

Undertaking strategic and sustainable Government investment and promoting private sector partnerships in key growth areas; strengthening research and innovation capacity in support of private and public investment; and implementing regional commitments to accelerate intraregional trade are some of the interventions that were undertaken by Government to unlock investment in strategic economic sectors.

In FY 2023/24, Uganda Development Corporation (UDC) undertook two private investments (Sanga Vet Chemicals Limited and East African Medical Vitals Limited) against the target of 12 and last year's performance of 15. UDC's investments in the private sector have significantly contributed to Uganda's overall export earnings. For example, Mabale Growers Tea Factory Limited and Bukona Agro Processors Limited exported goods amounting to USD 237,878 and USD 133,000, respectively.

The total private sector investments facilitated by PPP arrangements stood at 37 against a target of 10, and above the previous year's performance of only one. Some of the PPP investments undertaken by UDC include the Speke Resort Convention Centre (SRCC). The convention centre directly employed 250 people in FY 2023/24 and it successfully hosted the Non-Aligned Movement and the G77+ China International Conferences, which were attended by over 50 Heads of Government in January 2024.

In the same period, the proportion of domestic private sector investment was 49.7%, which is below the target of 50.8% and above last year's performance of 24%.

The **total private sector investments** facilitated by PPP arrangements stood at **37** against a target of 10.

Mabale Growers Tea Factory Limited and Bukona Agro Processors Limited exported goods amounting to \$237,878 and \$133,000, respectively.

OBJECTIVE 5: Strengthen the enabling environment and enforcement of standards

Under this objective, the PSD Programme

has focused largely on the establishment and enforcement of standards, accessibility to export processing zones, formalisation of businesses, availability of private sector data, and a system for tax complaints resolution as key outcomes.

Standards developed and enforced: The Bureau currently has stock of over 4,812 standards, the majority of which are international standards adopted to facilitate regional trade. These standards cover all sectors of the economy, including Food and Agriculture, Chemicals and Consumer Products, Engineering, Services and Business Management Standards.

Increased accessibility to export processing zones: During FY 2023/24, 41 firms accessed export processing zones, which was above the target of 35 firms and the previous year's performance of 31 firms. The improved performance is attributed to the incentives (both tax and non-tax incentives) provided to the companies which operate in Free Zones.

All the 41 Free Zones licensed by Uganda Free Zones Authority (UFZA) were privately owned, and 83% of these were operational in FY 2023/24. The total number of workers in Free Zones grew by 13% in FY 2023/24, to 11,903 workers, from 10,523 in FY 2022/23, translating into 1,380 new jobs. Employment levels were driven by reinvestments in horticulture and manufacturing activities in Free Zones.

System for tax complaints resolution: The complexity in resolving tax complaints before the Tax Tribunal has locked up business resources in disputes, which jeopardises formal business operations compared to informal counterparts. During the year under review, 12% of the 272 private sector tax complaints filed were resolved, a performance below the annual target of 55% and the previous year's performance of 74%.



1. INTRODUCTION

1.1 Background

NDP III recognises the private sector as the engine of growth due to its contribution to the GDP and Government revenues, among others. NDP III further underscores Government's intervention in enhancing the capacity of the private sector to sustainably achieve the industrialisation agenda and the NDP III goal of increasing the average household incomes and improving the quality of life of Ugandans. NDP III further observes that despite its central role and importance, the private sector is weak and not sufficiently competitive to sustainably drive growth and achieve its potential. The key areas of weaknesses identified include:

- a. The high cost of doing business;
- b. Limited organisational capacity;
- c. Absence of a conducive supporting environment; and
- d. Weak enforcement of standards and the proliferation of counterfeits in the market.

As one of its strategic objectives, therefore, NDP III aims to "[s]trengthen the private sector capacity to drive growth and create jobs". The Private Sector Development (PSD) Programme, together with the Manufacturing, Digital Transformation and Agro-industrialisation Programmes, majorly contribute to the achievement of this NDP III objective. The PSD Programme is categorised into two broad sub-programmes, which include:

- 1. Enabling Environment for Private Sector Development; and
- 2. Private Sector Institutional and Organisational Capacity.

1.2 PSD Programme Goal, Key Results and Objectives

The goal of the PSD Programme is to increase the competitiveness of the private sector to drive sustainable inclusive growth. The key results to be achieved by the PSD Programme over the five years of NDP III are:

- 1. Reduce the informal sector from **51%** in FY 2018/19 to **45%** in FY 2024/25;
- 2. Increase non-commercial lending to the private sector in key growth sectors, from 1.5% in FY 2018/19 to 3% of GDP in FY 2024/25;
- 3. Increase the proportion of public contracts and sub-contracts that are awarded to local firms from 30% to 80% in FY 2024/25; and
- 4. Increase the value of exports from USD 5,390 million in FY 2017/18 to USD 7,356 million in FY 2024/25.

The specific objectives of the PSD Programme over the NDP III period are to:

- 1. Sustainably lower the costs of doing business;
- 2. Strengthen the organisational and institutional capacity of the private sector to drive growth;
- 3. Promote local content in public programmes;
- 4. Strengthen the role of Government in unlocking investment in strategic economic sectors; and
- 5. Strengthen the enabling environment and enforcement of standards.

The achievement of the above objectives is to be measured through the outcomes illustrated in the table below.

Table 1: PSD Programme outcomes by objective

OBJECTIVE	OUTCOMES
	1.1 Increased lending to key growth sectors
Objective 1. Cuestainable	1.2 Increased long-term financing to the private sector by Government owned financial institutions
Objective 1: Sustainably lower the costs of doing	1.3 Increased financing through capital markets
business	1.4 Increased value of formal financial sector savings for private sector investment
	1.5 Increased access and usage of non-financial resources (certification, ICT, warehouse Information system etc.)
	2.1 Improved business capacity and local entrepreneurship skills enhanced
	2.2 Increased membership in chambers of commerce and trade unions
Ohiontima On Standard and	2.3 Strengthened linkages to regional and global markets
Objective 2: Strengthen the organisational and	2.4 Increased automation of business processes
institutional capacity of the	2.5 Increased research and innovation within the private sector
private sector to drive growth	2.6 Increased access to and use of market information system by the private sector
	2.7 Increased access to and use of incubation centres by the private sector
	2.8 Simplified system for starting a business
Objective 3: Promote local content in public programmes	3.1 Increased participation of local firms in public investment programmes across sectors
Objective 4: Strengthen the role of Government in	4.1 Regionally balanced key strategic public investments planned and developed to spur private investment in key growth areas
unlocking investment in strategic economic sectors	4.2 Increased use of research and innovation instruments by the private sector
	5.1 Standards developed and/or enforced
	5.2 Increased accessibility to serviced industrial parks
Objective 5: Strengthen the enabling environment and	5.3 Increased accessibility to export processing zones
enforcement of standards	5.4 Increased formalisation of businesses
	5.5 Improved availability of private sector data
	5.6 Adequate system for private sector complaints resolution in place

NDP III further stipulates the minimum interventions to be implemented by the various PSD Programme institutions in order to achieve the above results. The interventions are reproduced in the table below.

Table 2: PSD Programme interventions

INTERVENTIONS	ACTORS					
Objective 1: Sustainably lower the costs of doing business						
 Increase access to affordable credit largely targeting MSMEs, i.e.: a. Capitalise public commercial banks b. Set up a short-term development credit window for MSMEs c. Strengthen use of the e-movable chattels registry d. Adopt appropriate measures to de-risk private sector lending, particularly to the key growth opportunities 	MoFPED; Parliament; UDB; Post Bank; Housing Finance; Pride Microfinance; Microfinance Support Centre					

INTERVENTIONS	ACTORS
 2. Increase access to long-term finance, i.e.: a. Capitalise and strengthen UDB with a functional MSME financing window b. Develop a Development Finance Institutions (DFIs) Policy c. Capitalise the Project Development Facilitation Fund d. Expand pension and insurance coverage to increase formal sector savings 	MoFPED; UDB; UDC; Parliament; Post Bank; Housing Finance; Pride Microfinance; Microfinance Support Centre
 Mobilise alternative financing sources to finance private investment, i.e.: a. Deepen and widen the capital markets b. Strengthen the legal and regulatory framework for private equity and venture capital c. Build private sector capacity to access green financing and green growth response 	MoFPED; MTIC; UDB; USE; UDC; POST BANK; CMA; UIA; NPA
4. Address non-financial factors (power, transport, ICT, business processes etc.) leading to high cost of doing business	UIA and PSFU; IRA; BoU; telecom companies; USE; MFPED; CMA; MEMD; MWT; MoFA; MTIC; NSSF; BoU; URBRA; MoJCA; LGs
Objective 2: Strengthen the organisational and institut	ional capacity of the private sector to drive growth
 5. Improve the management capacities of local enterprises through massive provision of business development services geared towards improving firm capabilities through: a. Strengthening business development services centres b. Establishing a business Development Services framework • Strengthening industry associations, chambers of commerce and trade unions c. Establishing national, regional and global business links for registered local enterprises d. Increased automation of business processes e. De-risking sub-county skills-based enterprise associations (Emyooga) f. Supporting organic bottom-up formation of cooperatives 	MTIC and UIA; Enterprise Uganda; PSFU; Microfinance Support Centre; UMA; UDB; USSIA; LGs; Farmers' associations/cooperatives
 6. Strengthening system capacities to enable and harness benefits of coordinated private sector activities, i.e.: a. Establish and strengthen research and innovation facilities that are accessible to Micr Small, and Medium Scale Enterprises (MSMEs b. Develop product and market information systems c. Strengthen the system of incubation centres to support the growth of SMEs in strategic areas d. Establish a One-Stop Centre for business registration and licensing 	MTIC; UIRI; MOSTI; UNCSI; EPRC; URSB; LGs; academia; Private Sector; PSFU; UIA
Objective 3: Promote local content in public program	
7. Develop and implement a holistic local content policy, legal and institutional framework	MoFPED; MTIC; MGLSD; PPDA; UNBS; MEMD; LGs
8. Build the capacity of the local construction industry to benefit from public investments in infrastructure	MoWT; MTIC; MGLSD; PPDA; UNBS; MEMD; LGs
9. Establish a public construction company	MoFPED; MoWT; UDC; NPA
10. Develop and publicise a transparent incentive framework that supports local investors	MofPED; MTIC; UIA
Objective 4: Strengthen the role of Government in un	nlocking investment in strategic economic sectors
11. Undertake strategic and sustainable Government investment and promote private sector partnerships in key growth areas	MoFPED; MTIC ; UDC; UIA; UFZA

INTERVENTIONS	ACTORS
12. Strengthen research and innovation capacity in support of private and public investment	MoSTI; UNCST; UIRI; academia; NPA; private sector
13. Implement regional commitments to accelerate intraregional trade	MoFPED; MTIC; MoFA
Objective 5: Strengthen the enabling environment and	enforcement of standards
14. Support the national conformity assessment system to attain international recognition through accreditation	MTIC; MoFPED; UNBS; UMA; URSB
15. Rationalise and harmonise standards institutions, and policies at local and regional level	MTIC; UIA; UNBS; PSFU
16. Review of legal and regulatory frameworks to remove restrictive legislation and fast-track pending bills	Parliament; PPDA; UIA; MoJCA; UDB; UDC
17. Improve data availability on the private sector; and improve dialogue between the private sector and Government	UBOS; PSFU; NPA; MoFPED
18. Create appropriate incentives and regulatory frameworks to attract the private sector to finance green growth and promote Local Economic Development (LED)	MoFPED; MWE; MTIC; NPA; PSFU; UDC; UMA; MoLG; LG
19. Fully service the industrial parks and increase access to them by the local private players	UIA; MoFPED; MTIC; UMA
20. Increase accessibility to export processing zones	UFZA; MTIC; UEPB; UMA; MoFPED

The PSD Programme Implementation Action Plan (PIAP) operationalises the PSD Programme by providing details of the subprogrammes, outcomes and corresponding indicators and targets, interventions, outputs and corresponding indicators and targets, actions and budgets for the five years of NDP III. The NDP III and PSD PIAP, therefore, inform, and are the basis for, the development of the Programme Institutions' Strategic Plans, BFPs, Budget Estimates, and Performance Reports.

1.3 PSD Programme Institutions

Under the leadership of the Ministry of Finance, Planning and Economic Development, the PSD Programme brings together over 20 MDAs, CSOs and Development Partner institutions to deliver on the above results and interventions. Below, we provide a summary of the key Programme institutions' contribution to the implementation and achievement of the PSD Programme results.

Ministry of Finance, Planning and Economic Development (MoFPED): The mandate of MoFPED is to formulate policies that enhance stability and development; mobilise local and external financial resources for public expenditure; regulate financial management and ensure efficiency in public expenditure; and oversee national

planning and strategic development initiatives for economic growth. MoFPED is the lead Ministry for the PSD Programme and contributes to all the PSD P:rogramme objectives directly and indirectly.

Ministry of Trade. Industry Cooperatives (MTIC): The Ministry of Trade, Industry and Cooperatives is mandated by the Constitution of the Republic of Uganda (1995 – Article 189, Sixth Schedule Sections 11, 12, 13, 20, 23, 25 and 29) to "formulate, review and support policies, strategies, plans and programs that promote and ensure expansion and diversification of trade, cooperatives, environmentally sustainable industrialisation, appropriate technology development and transfer to generate wealth for poverty eradication and benefit the country socially and economically." It envisages the development and promotion of a competitive and export-led private sector through accelerating industrial development for inclusive economic growth.

MTIC contributes to four PSD Programme objectives, i.e., strengthening the organisational and institutional capacity of the private sector to drive growth; strengthening the role of Government in unlocking investment in strategic economic sectors; promoting local content in public programmes; and sustainably lowering the

costs of doing business and to the following PSD Programme outcomes; increased research and innovation within the private sector; improved business capacity and local entrepreneurship skills enhanced; strengthened linkages to regional and global markets; and increased formalisation of businesses.

Capital Markets Authority (CMA): The Capital Markets Authority is mandated by the Capital Markets Authority (Amendment) Act 2016 to, among others, approve prospectuses and other offering documents under which securities are offered to the public and to approve information memorandum; and develop all aspects of the capital markets with particular emphasis on the removal of impediments to, and the creation of incentives for, long-term investments in productive enterprises. The CMA contributes to the first PSD Programme objective of sustainably lowering the costs of doing business through increased financing through capital markets as alternative financing sources.

Uganda Retirement Benefits Regulatory **Authority (URBRA):** URBRA is mandated by the Uganda Retirement Benefits Regulatory Authority Act 2011 to, among others, regulate and supervise the establishment, management and operation of retirement benefits schemes in Uganda, in both the public and private sectors. In view of the PSD Programme, URBRA contributes to the first objective of sustainably lowering the costs of doing business through increasing the value of formal financial sector savings for private sector investment. With adequate sensitisation and dialogue, these savings can provide alternative financing through Collective Investment Schemes, among others.

Bank of Uganda (BoU): BoU is mandated by the Bank of Uganda Act 2000 to formulate and implement monetary policy directed to the economic objectives of achieving and maintaining economic stability. The Bank's role in the PSD Programme directly impacts on the first objective of sustainably lowering the costs of doing business through regulating interest rates to facilitate credit flow.

Uganda Development Bank Limited (UDBL): UDBL is a public enterprise wholly owned by the Government of Uganda and carries on business as a Development Finance Institution (DFI). The Bank, a successor company to Uganda Development Bank, was incorporated as a limited liability company under the Public Enterprises Reform and Divestiture Act, Cap. 98, Laws of Uganda, and it is mandated to finance enterprises in key growth sectors of the economy. UDBL supports the first objective of sustainably lowering the costs of doing business by channelling long-term financing to the private sector.

Uganda Development Corporation (UDC): Uganda Development Corporation was initially established by an Act of Parliament, Cap.326, of the Laws of Uganda to facilitate the industrial and economic development of Uganda. UDC contributes to the fourth PSD Programme objective of strengthening the role of Government in unlocking investment in strategic economic sectors, specifically with an outcome of regionally balanced key strategic public investments planned and developed to spur private investment in key growth areas.

Insurance Regulatory Authority (IRA): The Insurance Regulatory Authority is the supervisor and regulator of the insurance industry in Uganda and was established under the Insurance Act (Cap. 213), Laws of Uganda, 2000 (as amended) with the main objective of "ensuring Effective Administration, Supervision, Regulation and Control of the business of insurance in Uganda". IRA contributes to the first objective of sustainably lower the costs of doing business through increasing insurance penetration.

Uganda Investment Authority (UIA): Uganda Investment Authority was set up under the Investment Code 1991 and its continuity upheld by the Investment Code Act 2019, as a statutory agency mandated to coordinate, encourage, promote and facilitate investment in Uganda; as well as advise Government on investment policy and related matters. It is a semi-autonomous Government agency which mainly (a) promotes, attracts, advocates, facilitates, registers, monitors and evaluates the development of all forms of investment

and business activities in Uganda; (b) promotes and encourages investment in new technologies, skills upgrading, automation, training, research and product development; (c) establishes and manages a one-stop centre; (d) publishes and makes available periodical reports on the state of investment in the country; (e) assesses for matters of incentives and utilisation of local resources and services by the investments; and (f) does any other act conducive or incidental to the foregoing.

UIA contributes to three PSD Programme objectives of sustainably lowering the costs of doing business; strengthening the role of Government in unlocking investment in strategic economic sectors; and strengthening the organisational and institutional capacity of the private sector to drive growth.

Private Sector **Foundation** Uganda (PSFU): PSFU is Uganda's apex body for the private sector. It is made up of over 200 business associations, corporate bodies and the major public sector agencies that support private sector growth. Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to sustain a positive policy dialogue with Government on behalf of the private sector. The mandate of PSFU covers carrying out policy research and advocacy on behalf of the private sector; providing a forum for the discussion of policy issues, and the impact of those policies on the private sector in Uganda; maintaining a dialogue with Government on behalf of the private sector; and undertaking capacity building for the private sector through training and the provision of business development services.

The foundation, therefore, advocates for and represents the private sector interests in the determination and pursuit of the PSD Programme objectives.

Economic Policy Research Centre (EPRC): EPRC is Uganda's leading think tank in economics and development policy-oriented research and policy analysis. EPRC was established in 1993 as an autonomous not-for-profit organisation limited by guarantee to fill fundamental voids in economic research, policy analysis, and

capacity building for effective in-country contributions to Uganda's policy processes. EPRC mainly contributes to the objective of strengthening the role of Government in unlocking key growth sectors; conducting research on key issues affecting private sector growth; and strengthening research and innovation for Micro, Small, and Medium Scale Enterprises (MSMEs).

Uganda National Bureau of Standards (UNBS): UNBS was established as a semiautonomous body by an Act of Parliament in 1983 mandated to develop and promote standardisation; quality assurance; laboratory testing; and metrology to enhance the competitiveness of local industry, to strengthen Uganda's economy and promote quality, safety and fair trade. The UNBS services to the public are both regulatory and supportive to trade in nature. They are regulatory as far as ensuring of fairness in trade and protection of the consumers substandard, shoddy, against hazardous products is concerned; and are supportive to trade through the development and implementation of standards for the various sectors of the economy and carrying out conformity assessments of products with standards.

UNBS supports the PSD Programme objective of strengthening the enabling environment and enforcement of standards through supporting the national conformity assessment system to attain international recognition through accreditation and rationalising and harmonising standards institutions, and policies at local and regional levels.

Uganda Registration Services Bureau (URSB): URSB is a semi-autonomous Government agency, established by an Act of Parliament in 1998. It is responsible for civil registrations (including marriages and divorces but not including births, adoptions, or deaths), business registrations (set-ups and liquidations), registration of patents and intellectual property rights, any other registrations required by law. URSB contributes to the PSD Programme objectives of sustainably lowering the costs of doing business; and strengthening the organisational and institutional capacity of the private sector to drive growth. The bureau is expected to lower the nonfinancial costs of doing business through easing/computerising the registration and insolvency processes as well as lowering the financial costs by enhancing access to affordable credit by strengthening the use of the Security Interest in Movable Property Registry System (SIMPRS), and simplifying systems for starting a business.

Uganda Free Zones Authority (UFZA): The Uganda Free Zones Authority (UFZA) is a statutory body established by the Free Zones Act 2014, for the purpose of creating opportunities for export-oriented investment and job creation. It is mandated to develop, manage, market, maintain, supervise and control Free Zones. UFZA contributes to two PSD Programme objectives, which include strengthening the organisational and institutional capacity of the private sector to drive growth; and promoting local content in public programmes. This is done through promoting the backward-andforward linkages between SMEs, business associations and Free Zones to access regional and international markets, and mainstreaming and implementing Local Content in Free Zones respectively.

National Planning Authority (NPA): NPA was created by the Ugandan Parliament in 2002, for purposes of coordinating development planning in the entire country, and to advise the Executive on the best policies and strategies for the development of the country. NPA contributes to the PSD objective of strengthening the role of Government in unlocking investment in strategic economic sectors through undertaking economic evaluation of public projects and programmes in collaboration with the private sector. This enables the Government to undertake strategic and sustainable Government investment and promote private sector partnerships in key growth areas.

Uganda Industrial Research Institute (UIRI): The Uganda Industrial Research Institute was established as a parastatal company by an Act of Parliament in 2003. UIRI is mandated to carry out scientific and industrial research, develop competitive technical services, and improve the capacity and competence of indigenous entrepreneurs to embark on sustainable industrial production, and to produce high-

quality marketable products, for the benefit of Uganda's citizens.

UIRI supports the PSD Programme objective of strengthening the organisational and institutional capacity of the private sector to drive growth through establishing and strengthening research and innovation for MSMEs. This is done through strengthening applied research for development of valueadded products; expanding/scaling up the provision of industrial production infrastructure and facilities in all regions; developing electronic and automated utilisation by solutions for various sectors; developing partnerships with the private sector to conduct research on key issues affecting private sector growth; and operationalising the Machining and Manufacturing Production and Training Centre for Industrial Skills Capacity Training.

Uganda **Export Promotion** Board (UEPB): Uganda Export Promotion Board is a public trade promotion organisation established by Parliamentary Statute No. 2 of 1996. UEPB is mandated to facilitate the development and growth of export trade in Uganda. It contributes to the PSD Programme objective of strengthening the enabling environment and enforcement of standards. The Board is directly responsible for undertaking detailed market studies in priority export markets to inform business development and the investment strategy of emerging enterprises, especially in Export Promotion Zones (EPZs); providing information, advisory and support services to develop export marketing capabilities (export readiness); collaborating with manufacturers and exporters to develop Uganda's export markets for target products (market studies, promotion and branding campaigns, buyer-seller networking etc.); and linking export-ready EPZ operators (manufacturers/exporters) foreign buyers.

Enterprise Uganda: Enterprise Uganda Foundation Limited is a public-private institution designed to support the Government in realising its objective of promoting the development of Small and Medium Scale Enterprises (SMEs) to become the main vehicle for expanding production, providing sustainable jobs and enhancing

economic growth. In fulfilling its mandate, Enterprise Uganda plays a critical role in contributing to the achievement of the PSD Programme objective of strengthening the organisational and institutional capacity of the private sector to drive growth, through massive provision of Business Development Services (BDS) geared towards improving firm capabilities.

Uganda National Council for Science and Technology (UNCST): UNCST derives its mandate from the UNCST Act 1990, Cap. 209 to develop and implement ways of incorporating science and technology into the national development process. Its strategic goals are to improve or streamline national science and technology policy to foster scientific environment technological innovation; strengthen the national system for research, product development, technology transfer intellectual property management; increase public understanding and appreciation of science and technology; and strengthen the UNCST institutional research base and technical capacity.

The Council directly enables the PSD Programme objective of strengthening organisational and institutional capacity of the private sector to drive growth by establishing and strengthening research and innovation for MSMEs through undertaking start-up business mentorships and seminars; supporting business enterprises to mine and exploit scientific intellectual property rights; and establishing and implementing research on private sector issues.

Public Procurement and Disposal of Public Assets Authority (PPDA): The PPDA derives its mandate from the PPDA Act 2003 and is responsible for ensuring the application of fair, competitive, transparent, nondiscriminatory and value for money public procurement and disposal standards and practices; harmonisation of procurement disposal policies, systems practices of the Central Government, Local Governments and statutory bodies; setting standards for the public procurement and disposal systems in Uganda; monitoring compliance by procuring and disposing entities; and building procurement and disposal capacity in Uganda.

The PPDA is expected to promote local content in public programmes through developing and implementing a holistic local content policy, legal and institutional framework, monitoring and enforcing the implementation of the guidelines on preference and reservation schemes.

Ministry of Foreign Affairs (MoFA): The Ministry of Foreign Affairs is responsible for the implementation and management of Uganda's Foreign Policy. In delivering its institutional strategy, MoFA is expected to, among other functions, facilitate the promotion of trade and tourism, as well as the attraction of investment and transfer technology. This function directly contributes to the PSD Programme objective of strengthening the role of Government in unlocking investment in strategic economic sectors, mainly through promoting private sector partnerships in key growth areas through marketing Uganda's investment opportunities abroad.

1.4 PSD Governance Structures

In the interest of harmonising implementation of the PSD Programme and the flow of information across all levels, the PSD Programme has three main structures, namely the Leadership Committee, the Programme Working Group and Technical Working Groups.

1.4.1 PSD Programme Leadership Committee

The PSD Programme Leadership Committee (LC) consists of political leaders (Ministers, Board Chairpersons) of MDAs with the largest contributions to the PSD Programme, with the Minister of Finance, Planning and Economic Development as the Chairperson. The PSD Leadership Committee membership is comprised of the following:

- Minister of Finance, Planning and Economic Development (Chairperson)
- 2. Minister, Trade and Industry
- 3. Minister, Foreign Affairs
- 4. Minister, Local Governments
- 5. Governor, Bank of Uganda
- 6. Chairperson, UIA Board of Directors
- 7. Chairperson, UDC Board of Directors
- 8. Chairperson, PSFU Board of Directors
- 9. Chairperson, NPA Board of Directors

- 10. Chairperson, MSC Board of Directors
- 11. Chairperson, UDB Board of Directors
- 12. Chairperson, UNBS Board of Directors
- 13. Chairperson, URSB Board of Directors
- 14. Chairperson, UFZA Board of Directors

The PSD Programme Leadership Committee exercises the oversight function over the implementation, programme enabling policy-level coordination and monitoring progress towards target programme outcomes. The Committee is expected to ensure accountability for results by the PSD Programme Working Group (PWG) as well as provide political and policy guidance and advocacy; review and act as a clearing house for PSD policies, and advocate for the approval of programme-based policies before Cabinet and Parliament.

1.4.2 PSD Programme Working Group (PWG)

The PSD PWG is the highest technical organ. It is chaired by the Permanent Secretary/Secretary to the Treasury (PS/ST), with membership drawn from Permanent Secretaries and heads of institutions of the constituent PSD Programme MDAs, Development Partner

groups, CSOs and the private sector. The PWG is responsible for the preparation of Programme Implementation Action Plans (PIAPs), Programme Budget Framework Papers (PBFPs), Semi-Annual and Annual Programme Performance Reports, and Policy Briefs/Recommendations, and issuing them to the Leadership Committee for approval.

1.4.3 Technical Working Groups (TWG)

Due to the wide mandate under the PSD Programme and the large number of member institutions, two (2) TWGs were created in line with the two (2) sub-programmes, which include:

- 1. Enabling environment for private sector development TWG; and
- 2. Private sector organisational and institutional capacity TWG.

The TWGs provide special platforms to consider, in a more comprehensive way, the sub-component areas, and are responsible for planning, budgeting, reporting, technical analysis/discussions as well as monitoring sub-programme implementation.



PROGRAMME FINANCIAL AND KEY RESULTS PERFORMANCE

2. PROGRAMME FINANCIAL AND KEY RESULTS PERFORMANCE

This section discusses the PSD Programme performance in the FY 2023/24. It covers both the financial and non-financial performance of the Programme.

2.1 Financial Performance

The PSD Programme approved budget for FY 2023/24 was UGX 1.911 trillion, of which UGX1.746 trillion (91.4%) was released and UGX 1.667 trillion (87.2% of the approved budget; and 95.5% of the amount released) was spent by the end of the financial year.

The Ministry of Finance, Planning and Economic Development, through which the Parish Development Model (UGX 1.059 trillion), *Emyooga* (UGX 100 billion), and capitalisation of UDB (UGX 53 billion), etc. funds are channelled, accounted for the largest share (92%) of the total funds spent by the PSD Programme during the financial year.

Except for Uganda Export Promotion Board (UEPB), which received less than 90% of its approved budget, all the PSD Programme Votes received over 90% of their approved budget for the year, with some receiving over 100%, i.e., URSB (130%); Uganda Embassy in Germany, Berlin (164%); Uganda Embassy in Turkey, Ankara (127%); and Uganda Embassy in Somalia, Mogadishu (2,646%). This presupposes that funding may not be an excuse for any less-than-expected delivery of results.

By the end of the financial year, all the PSD Programme Votes had spent over 93% of the funds released, except for Uganda Free Zones Authority (UFZA) (87.9%) and Uganda Export Promotion Board (UEPB) (79.6%). The main reason for UFZA and UEPB's under-absorption was the slow implementation/halt in activities towards the end of the financial year, as the two institutions were affected by the Rationalisation of Government Agencies and Public Expenditure (RAPEX). The table below illustrates the PSD Programme approved budget, as well as the funds released and spent by vote during FY 2023/24.

Table 3: PSD Programme FY 2023/24 budget performance and absorption by member MDAs

Vote	Institution	Approved Budget	Released by End June	Spent by End June	% Budget Released	% Budget Spent	% Releases Spent
008	Ministry of Finance, Planning and Economic Development	1776.851	1612.588	1538.482	90.80%	86.60%	95.40%
015	Ministry of Trade, Industry and Co- operatives	2.442	2.378	2.221	97.30%	90.90%	93.40%
021	Ministry of East African Community Affairs	1.731	1.731	1.731	100%	100.00%	100.00%
108	National Planning Authority (NPA)	0.25	0.225	0.225	90%	90.00%	100.00%
119	Uganda Registration Services Bureau (URSB)	9.985	12.973	12.649	129.90%	126.70%	97.50%
136	Uganda Exports Promotion Board (UEPB)	8.187	6.993	5.565	85.40%	68.00%	79.60%
138	Uganda Investment Authority (UIA)	1.325	1.325	1.325	100%	100.00%	100.00%
153	Public Procurement & Disposal of Public Assets (PPDA)	53.164	50.939	50.877	95.80%	9507.00%	99.90%
154	Uganda National Bureau of Standards (UNBS)	11.05	11.049	10.565	100%	95.60%	95.60%

Vote	Institution	Approved Budget	Released by End June	Spent by End June	% Budget Released	% Budget Spent	% Releases Spent
161	Uganda Free Zones Authority	16.044	14.516	12.76	90.50%	79.50%	87.90%
162	Uganda Microfinance Regulatory Authority	11.106	10.885	10.875	98%	97.90%	99.90%
163	Uganda Retirement Benefits Regulatory Authority	14.587	14.481	13.791	99.30%	94.50%	95.20%
506	Uganda High Commission in Tanzania, Dar es Salaam	0.2	0.194	0.194	96.80%	96.80%	100.00%
510	Uganda Embassy in the United States, Washington	0.79	0.79	0.907	100.00%	114.70%	114.70%
515	Uganda Embassy in Japan, Tokyo	0.021	0.021	0.021	100.00%	100.00%	100.00%
523	Uganda Embassy in Germany, Berlin	0.085	0.139	0.139	163.50%	164.00%	100.30%
527	Uganda Embassy in South Sudan, Juba	0.15	0.15	0.15	100.00%	100.00%	100.00%
531	Uganda Embassy in Turkey, Ankara	0.21	0.27	0.252	128.60%	120.10%	93.40%
532	Uganda Embassy in Somalia, Mogadishu	0.05	1.323	1.323	2645.80%	2645.80%	100.00%
607	Local Government s 07	2.832	2.832	2.832	100%	100.00%	100.00%
Tota	al for the Programme	1,911.06	1,745.80	1,666.88	91.40%	87.20%	95.50%

2.2 Key Results Performance

The reporting under this section focuses mainly on progress registered in achieving the PSD Programme key results. The table below provides the annual performance against the key PSD Programme results as per NDP III.

Table 4: PSD Programme performance against key FY 2021/22 results

	Baseline		Actual		FY 20	23/24
Key Result	FY2017/18	FY2020/21	FY2021/22	FY 2022/23	Target	Actual
Size of the informal sector	51.6%	53.74%	53.42%	54.29%	48.1%	54.41%
Non-commercial lending to the private sector in key growth sectors as percentage of GDP	1.5%		1.25%	1.2%	2.4%	0.64%
Proportion of public contracts and sub- contracts that are awarded to local firms (value)	30%	76.4%	61%	48%	75%	63%
Value of exports (USD million)	5,390	6,698	5,579.6	5,4665	7,018	7,941

2.2.1 Informal sector

The Third National Development Plan (NDP III) identified informality as a significant challenge hindering sustained economic growth and development. The high mortality and stagnation of businesses in Uganda have been attributed to informality, which has been an impediment to access to credit, and to BDS, consequently negatively impacting the competitiveness of Ugandan products. Against this background, NDP III targeted the reduction of the size of the informal sector from 51.6 % in FY 2018/19 to 45 % in FY 2024/25.

⁵ This is merchandise exports only.

The size of the informal sector 1 to 110,832 Bn

OBRS Client satisfaction survey showed a **77.92%** satisfaction rate

7,040 transactions through the electronic business portal (eBiz)

By the end of FY 2023/24, the percentage of the informal sector stood at 54.4%, which is short of the NDP III target of 48.1% and remains slightly worse than the actual informal sector contribution to the GDP of 54.3% in FY 2022/23. In nominal terms, the size of the informal sector was valued at UGX 99,350 billion in FY 2022/23, and this grew to 110,832 billion, according to the Annual GDP (AGDP) Publication Tables 2024–25 by UBOS. This highlights the need to intensify efforts to curb the growing size of the informal sector.

The increase in the size of the informal sector is mainly attributed to the effects of the business closure and work from home measures introduced during the COVID-19 period, coupled with a fear of paying taxes and/ or tax evasion tendencies by some MSMEs. On the other hand, the later years of NPD III benefitted from a number of Government initiatives such as *Emyooga* and the annual PDM grant that facilitated the sprouting of enterprises, many of which are not registered with URSB, Uganda Revenue Authority (URA), Local Governments, the Registrar of Cooperatives etc., hence the growth in informality. Despite this growth, a number of actions and outputs were undertaken by the PSD Programme to curb informality. Below are some of the interventions by the various players.

one-stop centres for business Nine registration and licensing were operated by URSB, i.e. six regional offices (Arua, Gulu, Masaka, Mbarara, Mbale and Hoima), two branches (Georgian House and Posta Uganda) in Kampala and the Uganda Business Facilitation Centre (UBFC) located at Plot 1, Baskerville Avenue, Kololo. The UBFC serves as a central hub and onestop centre for formalising businesses, tax registration, land title verification, and processing trading licences under one roof, thus offering a seamless user experience by reducing the time and effort required to navigate multiple service points.

URSB also implements the Taxpayer Registration Expansion Programme (TREP), in collaboration with URA, Kampala Capital City Authority (KCCA) and Local Governments. This has increased the reach of URSB to 44 centres nationwide under the TREP arrangement. This decentralised approach improves accessibility and makes it easier for individuals and businesses to comply with registration requirements.

In addition, URSB deployed and operationalised the Online Business Registration System (OBRS) in December 2022, automating the business registration process, reducing the need for manual papers, making it faster, more accessible, and efficient. OBRS is fully integrated with the National Identification and Registration Authority (NIRA), URA and Posta Uganda to support end-to-end seamless business registration transactions

In FY 2023/24, the Bureau enhanced OBRS to accommodate clients' feedback. A data correction module was introduced in the system to enhance data accuracy and integrity. This module enables systematic correction of company details, including name, incorporation date, address, personal information, share capital, share classification, secretary, directorship, membership, and shareholding. This functionality enhances the reliability of business records and streamlines the process of correcting any discrepancies.

URSB conducted a client satisfaction survey on the OBRS, receiving 2,420 responses. The survey showed a 77.92% satisfaction rate, indicating positive reception of the digital transformation in business registration. These efforts help to ensure that OBRS remains robust, responsive, and aligned with clients' experience and process simplification.

UIA processed 7,040 transactions through the electronic business portal (eBiz) for a number of Government services during the period, indicating a significant uptake of investment formalisation by both domestic and foreign investors.

Key growth sectors GDP stood at **0.64%**, against the annual NDP III target of **2.4%**

The total value of public procurements awarded to local providers was

13.792 Tn

The value of merchandise exports during FY 2023/24 was \$7,941 m ↑
Annual target of \$7,018m

The rise is attributed to the growing publicity and efficiency of use of eBiz as well as the steadily growing traffic of business start-ups. Links to the various MDA systems have been placed on the eBiz landing page. This allows for access to these systems conveniently from the eBiz landing page. UIA also set up onestop centres for business registration and licensing in specific regions to ease the doing of business.

2.2.2 Non-commercial lending to the private sector in key growth sectors

NDP III considers key growth sectors to be agriculture, manufacturing, mining (including oil and gas), infrastructure, tourism, human capital (education and health) and ICT. Noncommercial lending refers to lending below commercial terms to the private sector, and the initiative is primarily led by the Government working through its Development Finance Institutions (DFIs) like UDB, Post Bank, Pride Microfinance and Housing Finance.

By the end of FY 2023/24, non-commercial lending to the private sector in key growth sectors as a percentage of GDP stood at 0.64%, against the annual NDP III target of 2.4% and lower than the previous year's performance of 1.2%. Despite the low indicator performance, non-commercial lending grew from UGX 880 billion in FY 2022/23 to UGX 1.2 trillion in FY 2023/24 in absolute terms. However, considering that the GDP increased substantially, non-commercial lending to the private sector in key growth sectors as a percentage of to GDP became lower.

2.2.3 Public contracts awarded to local contractors

Local contractors include both national⁶ and resident⁷ providers. In the Ugandan context, more than 60% of the national budget is expended through public procurement processes. In spite of this expenditure, studies have shown that

only a small section of citizens do participate in the processes, leaving out a substantial segment of the population, notably the youth, women and PWDs. The Government of Uganda, therefore, created reservation schemes through PPDA with the objective of providing mechanisms for increasing the input of local labour, as well as local goods and services in public procurement.

During FY 2023/24, the total value of public procurements awarded to local providers was UGX 13.792 trillion. Accordingly, the proportion of the total procurement value awarded to local contractors was 63%, against the target of 75% and above the previous year's performance of 48%. This performance was attributed to inadequate capacity of local contractors to participate in large public procurements.

2.2.4 Value of exports

NDP III highlights the importance of exports in controlling the country's balance of payment deficit. NDP III envisaged the rise in exports due to the increasing global population, level of urbanisation and rising incomes, hence better prospects for food and food products and agro-industrialisation.

The value of merchandise exports during FY 2023/24 was USD 7,941 million, above the annual target of USD 7,018 million and the previous year's performance of USD 5,466 million. The above target performance is largely attributed to an increase in gold receipts; the significant growth in the coffee sector, that was a result of improved coffee quality; and lower inflation, which made Ugandan goods attractive to the international community due to the stable pricing.

⁶ Provider registered in Uganda that is wholly owned and controlled by Ugandan citizens.

⁷ Company registered in Uganda that has been operating there for at least two years but is not a national provider.



PROGRAMME PERFORMANCE BY OBJECTIVE

3. PROGRAMME PERFORMANCE BY OBJECTIVE

Overall, 21 (38%) out of the 55 PSD Programme outcome indicators met their targets, while 17 (31%) did not meet the annual NDP III targets for FY 2023/24. There was no data on the remaining 17 (31%) PSD Programme outcome indicators, as illustrated in the table below.

Table 5: PSD Programme performance by objective

DSD December Objective	No. of Indicator Targets					
PSD Programme Objective	Met	Not Met	No Data	Total		
Sustainably lower the costs of doing business	9 (56%)	4 (25%)	3 (19%)	16		
Strengthen the organisational and institutional capacity of the private sector	5 (25%)	6 (30%)	9 (45%)	20		
Promote local content in public programmes	0 (0%)	1 (33%)	2 (67%)	3		
Strengthen the role of Government in unlocking investment in strategic economic sectors	1 (25%)	3 (75%)	0 (0%)	4		
Strengthen the enabling environment and enforcement of standards	6 (50%)	3 (25%)	3 (25%)	12		
Total	21 (38%)	17 (31%)	17 (31%)	55		

The performance of the PSD Programme objective of sustainably lowering the costs of doing business performed relatively better than the rest, with nine (56%) out of its 16 outcome indicators achieving the annual targets. The PSD Programme objective of promoting local content in public programmes registered the least

performance, with none of its indicators achieving the set NDP III targets for FY 2023/24.

The following sections present the detailed PSD Programme performance by programme objective, outcome and intervention; together with the challenges and recommendations for further improvement.

3.1 Objective 1: Sustainably lower the cost of doing business

The PSD Programme intends to sustainably lower the cost of doing business by among others, increasing access to affordable credit largely targeting MSMEs; increasing access to long-term finance; mobilising alternative financing sources to finance private investment; and addressing non-financial factors (power, transport, business processes, credit risk etc.) leading to high costs of doing business. By implementing these interventions, the PSD Programme expects to realise the following key outcomes over the NDP III period:

- 1. Increased lending to key growth sectors;
- 2. Increased long-term financing to the private sector by Government owned financial institutions;
- 3. Increased financing through capital markets;
- 4. Increased value of formal financial sector savings for private sector investment; and
- 5. Increased access and usage of non-financial resources (certification, ICT, warehouse information system, etc.).

The trends of the exchange rate have a direct impact on the domestic price levels, private sector credit, and domestic interest rates, as well as the volume and values of imports and exports. In that respect, BoU reported that the Uganda shilling remained relatively stable against the US dollar throughout FY 2023/24, with the shilling depreciating by 0.6%, to an average midrate of UGX3,776.6 per US dollar, from an average of UGX 3,754.1 per US dollar in FY 2022/23. During the first half of the financial year, the shilling faced some depreciation pressures arising from higher corporate demand from the oil exploration and production, telecommunication, and manufacturing firms amid portfolio outflows as offshore investors sought higher returns from competing markets as advanced economies tightened monetary policy. In the year's second half, BoU supported the shilling using the tight monetary policy stance together with increased inflows from coffee export receipts and remittances from

Private sector credit was nominally **33.6 Tn** and stood at **22.2%** of GDP, **†** target of **21.8%**

The average growth in credit to the private sector was **7.7%** in FY 2023/24

NGOs, enabling an appreciation trend since March 2024.

"Uganda Budget 2024/25", a publication⁸ by Grant Thornton, noted that the Central Bank Rate (CBR) was reduced from 10% in July 2023 to 9.5% in August 2023, and thereafter remained unchanged for the first half of FY 2023/24. The reduction was also occasioned by the need to stimulate aggregate demand and support economic growth prospects, especially as inflation had declined much faster than earlier expected. The Bank of Uganda later increased the CBR to 10.0% in March 2024 and further to 10.25% in April, from the 9.5% that had been maintained since August 2023 with the objective of stabilising the shilling exchange rate and controlling inflationary pressures that could arise out of the weakening of the shilling and its impact on domestic prices.

The impact of the adjustments in the CBR led to the commercial bank weighted average lending rates for shilling-denominated loans marginally declining in FY 2023/24, averaging 17.89%, down from 18.56% in the previous year, while loans in foreign currency was 8.94%, up from 7.71% in the previous year. This was mainly on the back of a monetary policy loosening cycle that started at the beginning of the financial year. Lending rates on shilling-denominated loans rose in the second half of the financial year partly because of the tightening of monetary policy that started in March 2024.

The marginal decline notwithstanding, the interest rate spread remains wide and signals prevalent inefficiencies in the intermediation process, leading to low savings and investment.

In a more panoramic view of the above scenarios, the financial inclusion statistics reflected in the Finscope Survey 2023, showed that 81% of adults (above 16 years) were financially included in 2023,

compared to 77% in 2018. Of the 81%, 68% are formally included, with microfinance institutions (MFIs) and money lenders responsible for only 2% of this segment.

3.1.1 Lending to key growth sectors

The Bank of Uganda further notes that interest rates varied among sectors primarily due to differences in risk profiles. Over the year, the sectors with the highest lending rates, above the industry average, were agriculture (21.5%), building, mortgages, construction, real estate (20.1%), personal and household loans (18.6%) and trade (17.3%). Conversely, the transport and communications sector enjoyed the lowest interest rates, at 13.2%, attributable to the predominance of prime borrowers within this sector. The manufacturing sector's average lending rate was 16.9% over the year.

From what was observed from the sector specific lending rates, the trade and manufacturing sector experienced 17.3% and 16.9%, respectively, which were lower rates than for other sectors, i.e. agriculture, building, mortgages, construction and personal loans. More generally, this saw the private sector credit extended by commercial banks, credit institutions, and microfinance deposit-taking institutions slowing over the year mainly due to uninspiring demand for credit among borrowers and a cautious approach to lending by the financial institutions.

Private sector credit was nominally UGX 33.6 trillion and stood at 22.2% as a percentage of GDP, above the target of 21.8% and the previous year's performance of 17.7%. However, despite the increase in private sector credit, the Bank of Uganda observed that the average growth in credit to the private sector was 7.7% in FY 2023/24, down from 9.9% in FY 2022/23. The slowdown was primarily due to a decrease in shilling-denominated lending, which

⁸ June 2024.

The share of domestic credit to key growth sectors in total private sector credit was

33.5% 1

than both the NDP III target of 32.5% and the previous year's performance of 30.2%.

FY 2023/24, MSC received financing from MoFPED for credit to client to the tune of

UGX 43.4Bn

grew by 9.6%, down from 12.1% in the previous fiscal year. It is worth mentioning that Government initiatives such as PDM, *Emyooga*, the Agricultural Credit Facility (ACF), the Small Business Recovery Fund (SBRF), and others, as well as other sources of financing provided by Fintechs, have augmented the lending provided by the financial institutions.

The expansion of private sector credit varied significantly among the major economic sectors. Notably, the agriculture, mining and quarrying, and construction sectors experienced an increase in credit growth. In contrast, a deceleration in credit allocation to manufacturing, trade, business services, and household sectors was registered during the financial year. Credit to sectors perceived as high-risk witnessed a downturn, mirroring the cautious approach of lenders. In as much as the proportion of non-performing loans to total loans decreased to 4.9% in June 2024, down from 5.7% in the preceding year, some sectors continued to record above-average non-performing loan (NPL) ratios. Notable among these are the business services and trade sectors, which registered the highest ratios of non-performing loans, standing at 7.3% and 6.8%, respectively, in June 2024.

The share of domestic credit to key growth sectors in total private sector credit was 33.5% higher than both the NDP III target of 32.5% and the previous year's performance of 30.2%. The over-performance is on account of increased domestic lending to the services sector and agriculture due to the post-COVID19 recovery in these sectors.

The percentage of SME borrowers as a share of total borrowers (Tier 1-3) was 2.1%, which was lower than the NDP III target of 2.5% for FY 2023/24. This is attributed to high informality and lack of collateral, which poses a large high-risk profile for SMEs to access formal financial services. On the other hand, the percentage of MSMEs with an outstanding credit at a

formal financial service provider was 20% higher than the target of 19.1%. The actual PSD Programme performance in respect to key growth sectors is summarised in the table below.

Table 6: Actual performance against FY 2023/24 targets for increased lending to key growth sectors

Key Performance Indicator	Actual 2022/23	Target 2023/24	Actual 2023/24					
Non-commercial lending to the private sector in the key growth sectors as a % of GDP	1.2%	2.4%	0.64%					
Share of domestic credit to key growth sectors in total private sector credit	30.2%	32.5%	33.5%					
Private sector credit as a % of GDP	17.9%	21.8%	22.2%					
% of SME borrowers as a share of total borrowers (Tier 1-3)	No data	2.5%	2.10%					
% MSMEs with an outstanding credit at a formal financial service provider	No data	19.1%	20%					

The following section presents some of the key activities implemented by the PSD Programme institutions during the year, under the various interventions targeted at increasing lending to the key growth sectors.

Increasing access to affordable credit largely targeting MSMEs is one of the interventions aimed at sustainably lowering the costs of doing business. In line with this intervention, the Microfinance Support Centre (MSC) set up a short-term development credit window for MSMEs. In FY 2023/24, MSC received financing from MoFPED to the tune of UGX 43.4 billion for credit to client institutions,

i.e., SACCOs and groups; UGX 100 billion for *Emyooga*; and UGX 30.9 billion for operations. This brought the total to UGX 174.3 billion.

During the period under review, credit financing amounting to UGX 37.133 billion was provided to 438 client projects. Of these, 282 client projects were supported with UGX 26.486 billion under conventional financing at an interest rate of 8% p.a. This was 61% of the credit funds received from MoFPED, with the balance in the pipeline committed for disbursement to SACCOs, cooperative unions and groups that had been appraised by the end of the financial year. One hundred fifty-six client projects were supported with UGX 10.647 billion via Islamic financing under the Local Economic Growth Support (LEGS) Project. Cumulatively, UGX 180.039 billion has so far been disbursed to 2.115 client institutions (predominantly SACCOs and groups) since FY 2020/21.

To ensure that the accessed financing is utilised profitably, MSC undertook to strengthen client institutional capacity through offering trainings and technical assistance in the following areas: Village Savings and Loan Association (VSLA) principles; records management, proficiently managing records for shares, savings, loans, interest, and meeting minutes; financial statement analysis and application of the information derived from records; governance structures and roles of each executive; and efficient delegation of responsibilities among executives to ensure smooth group and SACCO operations. A total of 2,360 credit client institutions were offered trainings, benefitting 12,800 individual members (47% male and 53% female) with the following intermediate outputs:

- 82% of the client institutions (SACCOs) have established Boards and 45% of them had held their AGMs as stipulated in the Cooperatives Act.
- Other benefits observed were the adoption of basic accounting systems (50% of the clients); audited accounts (60% of the clients); while 60% of the client institutions registered an increment in income; 59% of the client institutions registered an increment in assets; and 58% of the client institutions registered an increment in equity.

- One new product was developed during the year, i.e., the agro-machinery product under the LEGS Project. The Agro-Machinery product aims at enabling farmers in the LEGS Project operation districts (Katakwi, Alebtong, Kumi, Bunyangabu, Ntoroko, and Rukungiri) to easily acquire machinery that would otherwise be quite costly as a one-off purchase, but give them the opportunity to pay back within a given period of time. Some of the machinery to be financed shall include heavy duty tractor sets, agro-processing units such as milling machines, and food driers, as well as transport trucks. The product is to be rolled out in FY 2024/25.
- MSC is also supporting its clients by building their capacities to review their products as well as product development as one of the training areas. This is in a bid to enable clients to provide products that effectively meet the dynamic needs of their final beneficiaries.
- Further, a USSD application was developed for *Emyooga* SACCOs to enable mobile transactions to facilitate savings, loan payments, as well as to check balances for members of *Emyooga* SACCOs. This is in a bid to ease accessibility of services and reduce the need for physical visits to the *Emyooga* SACCOs to access their services. The USSD application is to be rolled out in FY 2024/25, targeting 10% of all *Emyooga* SACCOs for the piloting phase.

During the year under review, 20,376 Emyooga SACCO leaders were trained in areas including: techniques of improving savings and share capital in the SACCO; roles of Board members; reporting, for instance, compilation of loan utilisation reports; and the process flow of acquiring permanent registration. They were also supported with linkages to auditors and the DCO to undertake annual audits. The trainings and technical assistance are meant to improve the capacities of the institutions so as to enhance their sustainability. In addition, 49,374 SACCO leaders and 479,357 association members received member education.

Cumulatively, a total of 609,891 individual beneficiaries have been reached and 378,332 employment opportunities created countrywide. Of these, 57% are women, 30%

youth and 7% are PWDs. In the same period, 1,883 *Emyooga* SACCOs were monitored. Some of these *Emyooga* SACCOs had their success stories documented under thematic areas such as value addition, skilling, good governance, environment conservation etc. These shall be published to showcase the impact created through the implementation of the *Emyooga* programme. Monitoring of SACCOs is continuous and is undertaken together with various stakeholders.

To enhance the capacity of the *Emyooga* Programme, beneficiaries have participated in exchange and exposure visits across the country during the financial year. These visits serve as a platform for benchmarking, sharing knowledge, ideas and experiences, and gaining exposure to implementing the *Emyooga* Programme in various regions. During the financial year, 240 SACCO beneficiaries participated in the *Emyooga* peer-to-peer learning across all regions. These were benchmarking on financial management strategies, bookkeeping, staff operations, savings and share capital growth strategies from formidable institutions.

Furthermore, Emyooga SACCOs contributing to economic development through value addition to their products. SACCOs process raw materials into finished goods, like flour from maize or juices from fruits, and processing from livestock dairy products such as ghee and yoghurt. This transformation has increased income in the Emyooga SACCOs, creating more job opportunities, and fostering sustainable development for socio-economic transformation. Accordingly, MSC has moved progressively to integrate and focus on the individual beneficiary. A total of 363 enterprises engaged in value addition have been profiled and the process will continue in FY 2024/25. Finally, as far as sustainability is concerned, SACCOs' own savings have grown to a cumulative level of UGX 85.5 billion.

Another avenue through which short-term financing has been provided to SMEs has been the **Growth Opportunity and Productivity for Women Enterprises** (**GROW**) project which is implemented by Government in partnership with PSFU. In that regard, PSFU addressed the requirements set by Uganda Microfinance Regulatory Authority (UMRA) to facilitate the insurance of credit to women beneficiaries. Subsequently, UMRA has since issued the under referenced license to PSFU. PSFU entered into agreement with five (5)

MDAs for the parties to work jointly in the provision of specialised BDS and support women entrepreneurs in creating jobs through the effective management and expansion of business operations. The partnership between the parties has since been launched by H.E. the President in March 2024.

The Private Sector Programme recognised the limitation imposed on especially women and youths by not owning traditional collateral, which hindered them from accessing formal credit for business. As an output, the **Uganda Registration Services Bureau (URSB)** focused on ensuring that the Security Interest in Movable Property Registry System is fully functional and accepted by the industry.

This SIMPRS at URSB was established under the Security Interest in Movable Property Act of 2019 to accommodate MSMEs as well as individuals whose major constraint on access to credit for development was lack of collateral for loans. This system has since been under development and popularisation to enable borrowers to use their movable assets as collateral for loans.

The fully online Registry facilitates secured creditors to register their security interests in movable assets such as livestock, crops, motor vehicles, electronics, and furniture while providing the public with notice of the existence of such security interest. It is envisaged that access to this information, especially by lenders, will reduce the risk attributed to borrowers and result affordable financing from regulated financial and non-financial institutions that to date have preferred traditional collateral like land and buildings. The Registry helps creditors to evaluate the risk of lending before a decision to lend is made as well as assess if another creditor has registered interest in the movable interest prior.

In FY 2023/24, URSB, working with the Ministry of Works and Transport (MoWT), integrated the Security Interest in Movable Property Registry (SIMPO) with the Motor Vehicle Registry (MVR) (1st December 2023), significantly streamlining the registration of security interests on motor vehicles, trailers, and engineering plants. This integration has notably reduced the turnaround time for placing caveats on motor vehicles used as collateral, leading to faster and more efficient transactions for financial institutions.

The SIMPO system was upgraded in the same period, introducing new features, including an agency module, a merger module, a stamp duty module, and a binding collateral feature, enhancing user experience and service efficiency. These improvements have made the Registry services more accessible and effective. Two hundred seventy-four participants from various institutions, including financial entities and law firms, were trained, equipping them with the skills to effectively navigate the SIMPO system, thereby enhancing service quality for borrowers.

In FY 2023/24, SIMPO facilitated 11,394 loans (security interest notices registered), representing 84% growth compared to FY 2022/23, generating non-tax revenue (NTR) worth UGX 0.296 billion. Individuals accounted for 94.5% of the security interests registered, totalling 10,770. In contrast, small enterprises registered 157 (1.4%), medium enterprises 329 (2.9%), large enterprises 118 (1%), and micro-enterprises 20 (0.2%). This shows growing reliance on the system by individual borrowers, compared to notices by enterprises at 1.4%, highlighting its impact in advancing the private sector development programme's goal of increasing competitiveness of the private sector to drive sustainable inclusive growth.

The value of security interest notices reveals that individuals hold the highest total value of security interests at UGX 7,186.737 billion; medium enterprises follow with UGX 3,933.67 billion; large enterprises have significant values of UGX 158.959 billion; while small enterprises and micro-enterprises have lower values, with small enterprises totalling UGX 149.21 billion, and micro-enterprises holding UGX 3.618 billion.

URSB continued with its commitment to raising awareness about SIMPO, through sensitisation workshops and experiential marketing in Mbarara City, Fort Portal City, and Kasese Municipality, and sensitised over 16,030 participants from borrower communities. However, it is observed that the uptake of SIMPO services, especially rural

areas, is still very low, compared to lenders and borrowers in urban centres, which calls for more sensitisation campaigns.

The Uganda Microfinance Regulatory Authority (UMRA) was established under the Tier IV Microfinance Institutions and Money Lenders' Act 2016 with the mandate to license, regulate and supervise the Tier IV segment of the financial services providers. These include SACCOs, non-deposittaking microfinance institutions, self-help groups (SHGs) and money lenders. These remain some of the fastest growing and dynamic components of Uganda's financial sector. Their wide geographical coverage and countrywide presence are ideal for providing financial services to the large unbanked population with low incomes that would otherwise be excluded from the formal financial sector. These institutions aim at bridging the last financial miles for households of the unbanked population.

In implementing the Authority's mandate, UMRA contributes to the PSD Programme through reducing the cost of doing business, which is associated with the riskiness of both the borrowers and lenders in this segment. In addition to the credit market risks reflected by the high interest rates (arising from various factors like high bank operational costs, high customer default rates, credit market inefficiencies, and profit maximisation, among others), the complexity of accessing formal credit from financial institutions is responsible for borrowers inclining to money lenders for their business capitalisation needs. This trend has unveiled risks to both borrowers and lenders. The risk to borrowers arises when some money lenders operate in a shadowy way, leaving borrowers vulnerable to losing their collateral; while the risks to lenders has been observed when some borrowers disappear after accessing the quick loans.

Since 2018, there has been observed growth from 239 SACCOs to 1,795 SACCOs in 2024. But specific to FY 2023/24, UMRA registered a 15.7% growth in licensed institutions.

Table 7: UMRA licensed institutions (annually) since 2018

FY.	2018	2019	2020	2021	2022	2023	2024
Money Lenders	190	611	755	760	1,144	1,180	1,402
NDMFIs	49	183	197	2 08		208	232
SACCOs	0	25	57	125		125	161
TOTALS	239	819	1,009	1,093	1,144	1,513	1,795

Source: UMRA, *as at 1st July 2024

UMRA established a credit information sharing data switch for the Tier 4 sector which will support the sound and fair extension of credit by providing lenders with an opportunity to assess credit worthiness beyond the information provided by the potential borrower. The USD 100,000 platform allows Tier 4 licensed institutions to submit data to CRBs. It is yet to be seen whether this platform, which is intended to de-risk the financial sector, will facilitate the reduction in interest charges in this segment, once fully rolled out. Currently, a sample of 50 institutions has been onboarded, and others will be onboarded as resources are made available.

Agricultural Credit **Facility** (ACF): The ACF is a risk-sharing arrangement with the Participating by Government Financial Institutions (PFIs) with an aim of ensuring that farmers have access to affordable medium to long-term credit for the agricultural value adding projects. The Agricultural Credit Facility (ACF) has since October 2009 provided financing to private sector investments and projects engaged in primary agricultural production, agro-processing and value addition to raw agricultural outputs, post-harvest management, the grain trade, as well as supporting mechanisation. This, in turn, has resulted in increased capacity for job creation, improvement in household income, and boosting export promotion.

Agricultural modernisation aims at promoting improved technologies in agriculture and better farming practices that are more efficient and productive, which result in increased food supply and raising farmer incomes. Funding totalling UGX 300.42 billion has been extended towards the modernisation of agriculture, constituting 31% of total financing under the ACF. Activities financed under this category include agricultural machinery and equipment which support farm expansion and enhance farm productivity, financing the acquisition of improved animal breeds and high-vield seedlings for higher farm output, acquisition of farm inputs such as fertilisers, farm infrastructure such as valley dams, spray races, paddocking, poultry and fish cages, the acquisition of animal feeds,

and construction of greenhouse facilities, among others.

During the year, BoU received 3,530 applications from the PFIs for financing worth UGX 364.15 billion. Cumulatively, there was an increase of 84% in the number of applications received during the year ended 30 June 2024 compared to last financial year. Disbursements during the year increased by UGX 162.71 billion, with the GoU contribution equivalent of UGX 81.46 billion, extended to 987 projects/beneficiaries, representing a 30% increase in disbursements made during the year.

ACF Facts:

Loan amount: No designated minimum loan amount to the final beneficiary (farmer/agroprocessor) but BoU can only reimburse a minimum of UGX 10 million to the PFIs. The maximum loan amount to a single borrower ranges from UGX 2.1 billion to UGX 5 billion, subject to demonstrated potential to add significant value to the agriculture sector and the economy as a whole.

Loan tenure: 6 months - years

Grace period: Up to a maximum of 3 years.

Interest rate: The interest rate to the final borrower is up to a maximum of 12% per annum. The 50% GoU contribution is disbursed to the PFIs at zero Interest (interest free).

Facility fees

Loan processing fees charged by PFIs to eligible borrowers should not exceed 0.5% of the total loan amount. Legal documentation and registration costs are borne by the borrower.

Collateral Requirements

The primary security for the credit facilities is the machinery and equipment financed, where applicable, and any other marketable securities provided by the borrower/final beneficiary. PFIs may seek additional security based on their evaluation of the risk profile of the project being financed.

The PFIs shall ensure that the loan is adequately secured as per their credit policy to protect their interest and that of the BoU and the GoU.

To enhance the inclusion of smallholder farmers, who constitute over 80% of the agricultural sector in Uganda and lacked collateral, especially registered land titles which financial institutions always require, BoU, in 2022, introduced block financing, where farmers are allowed to access ACF up to a maximum of UGX 20 million without necessarily pledging registered collateral. The block allocation arrangement has

enabled smallholder farmers to access agroinputs, and to finance farm restocking, including poultry and livestock.

During the FY 2023/24, the uptake of block allocation also increased with UGX 5.10 billion disbursed to 654 micro-borrowers under this arrangement. This represents a 31% increase in loans disbursed under block allocation during the year.

Table 8: ACF cumulative performance in the financial year ended June 2024, in comparison to the previous year.

Portfolio Classification (Cumulative)	30 June 2024	30 June 2023	Movement between FY 2023 and 2024	% Change
Number of loan applications received	7,726	4,196	3,530	84%
Value of loan applications (UGX)	1,584,514,559,549	1,220,366,781,335	364,147,778,214	30%
Number of loans disbursed	4,442	3,455	987	29%
Total value of loan disbursements (UGX)	981,001,991,777	818,294,894,105	162,707,097,672	20%
GoU contribution – Loan disbursements	495,617,695,472	414,159,446,636	81,458,248,836	20%
No. of block allocation projects financed	2,767	2,113	654	31%
Value of block allocation projects disbursed	18,559,963,587	13,500,213,587	5,099,750,000	38%
Repayment – GoU contribution	335,116,885,855	285,379,194,997	49,737,690,858	17%

Source: Bank of Uganda

BoU has received cumulative loan applications totalling 7,726, with a total loan value of UGX 1.58 trillion from 24 PFIs. Of these, 4,442 applications, worth UGX 981.00 billion, were processed and disbursed, representing 57% and 62% of the total number of applications received at BoU and a total value of loans disbursements, respectively, as at 30 June 2024. The cumulative GoU contribution accounts for UGX 495.62 billion.

The uptake of ACF funds by gender was as follows: 69% (UGX 170.94 billion) for males, 19% (UGX 19.90 billion) for females. The uptake by companies and farmer groups was 12% (UGX 789.94 billion). Block allocations amounted to UGX 18.60 billion, distributed among 2,767 rural farmers, with the regional breakdown being 21.8% in the Central Region, 8.3% in the Eastern Region, 24.8% in the Northern Region, and 45.1% in the Western Region.

Regionally, the overall uptake of ACF funds was 50.60% for the Central Region, 23.43% for the Eastern Region, 4.39% for the Northern Region, and 21.59% for the Western Region. Allocations to investment activities was: 43% of the funds were allocated to financing working capital for grain trade; 31% to on-farm activities;17% to agro-processing/value addition; and 9% to post-harvest handling.

Small Business Recovery Fund (SBRF):

The SBRF was launched in November 2021 as a stimulus package to support financially distressed small businesses that had been affected by the lockdown measures enforced to control the spread of the COVID-19 pandemic.

The scheme operates as a publicprivate partnership (PPP) between the Government of Uganda and Supervised Financial Institutions (SFIs) governed by a Memorandum of Agreement (MoA) which stipulates the roles and responsibilities of all players, with BoU performing the role of fund administrator and the SFIs granted delegated authority to appraise the eligible borrowers, disburse the loans and thereafter submit refinance claims to BoU. These SFIs, collectively known as Participating Financial Institutions (PFIs), include commercial banks, micro-depositaking institutions (MDIs) and credit institutions (CIs).

By 30 June 2024, BoU had a fund capitalisation of UGX 100 billion from GoU and a matching equivalent contribution by the PFIs, making the SBRF pool of loanable funds UGX 200 billion. Cumulatively, BoU has received a total of 3,086 applications worth UGX 62.41 billion from nine PFIs. Effectively, therefore, the applications received at BoU represent a total uptake of 31% of the funds under the SBRF.

Table 9: SBRF Cumulative performance as at 30 June 2024

PFI	No. of ap- plications received	Cumulative value of refinance claims from PFIs- (UGX'000)	No. of approved loans	Cumulative value of approved loans-(UGX '000)	No. of loans Disbursed	Cumulative value of loans disbursed by (UGX '000)
Opportunity Bank	2,217	25,627,750	1,630	17,564,300	1,514	15,665,800
Post Bank(U) Ltd	622	27,878,200	245	9,128,800	200	6,855,500
Pride Microfinance	148	2,397,000	132	2,051,000	127	2,001,600
Finance Trust Bank	32	2,061,500	16	774,000	9	273,000
Housing Finance Bank	34	2,136,500	28	1,656,500	27	1,556,500
Centenary Bank	10	749,000	9	649,000	9	649,000
Diamond Trust Bank	12	439,000	7	297,000	5	249,000
Equity Bank	8	240,000	3	240,000	3	240,000
DFCU Bank	3	878,000	-	-	-	-
TOTAL	3,086	62,406,950	2,070	32,360,600	1,894	27,490,400

Source: Bank of Uganda - SBRF data.

There was an improvement in the performance of the Fund during the year ended 30 June 2024. The number of applications from the PFIs more than doubled, from 824 received in the financial year ended 30 June 2023 to 1,957 received during the year ended 30 June 2024. The corresponding value of the applications received by BoU also increased by UGX 37.83 billion during the year.

Disbursements by BoU also increased by UGX 8.23 billion, from UGX 8.77 billion disbursed during the year ended 30 June 2023, to UGX 17 billion disbursed during the year ended 30 June 2024. The increase in uptake noted in the annual performance is attributed to the partial easing of the

eligibility criteria through the amendments made to the SBRF-MoA as well as the continuous sensitisation and engagements with PFIs. In addition, BoU has automated the loan application process, which has improved the turnaround time for loan processing.

The sectoral uptake of SBRF to date is as follows: trade and commerce account for 66.12%; construction/real estate 17.13%; the education sector 10.20%; the service sector (leisure/hospitality) 6.23%; and health 0.33%. The regional distribution of beneficiaries is such that 72.2% are from the Central Region, 7.2% from the Eastern Region, 3.7% from the Northern Region, and 16.8% from the Western Region.

SBRF Fact sheet:

The SBRF is a Government initiative worth UGX 200 billion through participating financial institutions to provide funds for small and medium enterprises as a recovery mechanism from adverse effects of COVID-19, geared at capitalisation of the small businesses operated by individuals, companies, groups with an average number of employees between 2–49, with an annual turnover of about UGX 10 million – 300 million.

- 1. Eligibility: Small businesses operated by individuals, groups, partnerships and companies, employing between 2– 49 people and with an annual turnover of UGX 10 million to UGX 300 million are eligible to borrow under this Fund. The businesses should be able to demonstrate capacity for recovery. However, agri-businesses or agricultural activities that are eligible under the Agricultural Credit Facility (ACF) and those that have already been financed under ACF are not eligible for funding under this Small Business Recovery Fund.
- 2. Access: Eligible borrowers can access loans only through participating financial institutions, which include all the Commercial Banks, Licensed Credit Institutions and microfinance deposit-taking institutions regulated by the Bank of Uganda. The participating financial institutions are responsible for assessing potential borrowers in line with the Fund's guidelines and their credit policies and thereafter disburse the funds to them.
- **3. Repayment period:** 6 months-4 years, which includes a grace period of a maximum of 1 year depending on the nature of the project and as determined by the respective participating financial institution.
- **4. Range of loan amount:** The maximum loan amount shall be UGX 200 million. However, there is no minimum loan amount.
- 5. Collateral to access a loan under this Fund: Yes, the borrower will be expected to provide collateral/security for the loan and this will be determined by the participating financial institution where the borrower will access the loan.
- **6. Loan processing fees:** Less than or equal to 0.5% of the total loan amount, one-off charge. The borrower shall be responsible for paying the costs of legal documentation and registration as well as insurance fees.
- **7.** Interest rate: 10% per annum, on a reducing balance.

Parish Development Model: Having successfully completed the establishment phase of the Parish Development Model (PDM) in FY2022/23, MoFPED initiated the stabilisation phase, involving the disbursement of funds to the last-mile beneficiaries by the PDM SACCOs; strengthening governance of enterprise groups and PDM SACCOs; deepening the provision of Business Development Services and other extension services to households and PDM beneficiaries; strengthening governance of PDM SACCOs; updating household and community data on the PDMIS; enhancing and integrating digital systems to support beneficiary identification and funds management, and to track beneficiary performance; promoting savings; ensuring full activation of Pillar 1 (Agricultural value-chain development) services; and PDM results tracking, monitoring and evaluation.

The conceptualisation of the PDM Financial Inclusion Pillar (Pillar 3) focused on transitioning 3.5 million households from subsistence into the money economy through easing access to and the use of appropriate financing.

Six implementation components were adopted to ensure sustainable utilisation of the funds provided. These are:

- 1) Community organisation;
- 2) Business Development Services and financial literacy;
- 3) Parish Revolving Fund;
- 4) Integrated funds management and payment systems;
- 5) Market linkages; and
- 6) Agricultural insurance.

By the end of FY 2023/24, PDM enterprise groups and SACCOs had been established in 10,589 parishes, with only five parishes in Bushenyi, Kapelebyong, Otuke, Yumbe and Moroto yet to be activated.

The operationalisation of the Parish Revolving Fund (PRF) is such that as at June 2024, all PDM SACCOs were fully capitalised with UGX 100 million each, although the exercise experienced slow disbursement of funds. The capitalisation is a grant from Government to the SACCO which is lent out to members at 5% p.a. In the design of the PDM, the repayments will form the Parish Development Bank (PDB).

Table 10: Status of the Parish Revolving Fund as at the end of FY 2023/24

FY	Capitalisation of SACCOs		Disburseme	nt to HHs
	No. of SACCOs	Amount (UGX trillion)	No. of ben- eficiaries	Amount (UGX trillion)
2021/22	7,855	0.72192	0	0
2022/23	10,585	1.0585	1,164,698	1.126
2023/24	10,589	1.0589	123,296	0.123296
TOTAL		2.189	1,287,994	1.249

Some districts achieved high disbursement rates, indicating efficient fund utilisation, while others experienced very low or no disbursement on account of delayed preparation of households earmarked to receive funds, by the LGs. Those that registered low disbursements owed it to the expectation that they needed to receive full capitalisation before disbursing. Other LGs withheld the disbursements basing on delayed rainy seasons (e.g., Lyantonde, Kiboga), among other operational constraints.

The PDM Secretariat experienced a long learning curve, particularly with activating the PDMIS. However, mitigation measures were finalised to set up a joint (MoICT, MoFPED and Post Bank) physical service centre at MoICT to strengthen issues/ complaints support and resolution. A peer-to-peer support mechanism is being explored, e.g., the Kisoro focal person was facilitated to train and support his colleagues in Kigezi, and political and technical mobilisation was stepped up. Training on PDMIS for all 176 LGs and KCCA was completed by MoICT, and the profiling of HHs on PDMIS is continuous. The PDMIS - WENDI integration was completed in April 2024 to enhance the efficiency of disbursements, and ZAIDI, the tool introduced by OWC was fully deployed. It is expected that the gadgets used during the National Census will be deployed at parishes.

Under the Market Linkages component, MAAIF had earlier directed LGs to focus on three enterprises per district and the review of enterprise selection was initiated. Additionally, LG extension training of HHs on Good Agricultural Practices along the commodity value chains was undertaken.

3.1.2 Long-term financing to the private sector by Government owned financial institutions

The significance of long-term financing cannot be overemphasised owing to its definitive characteristics of maturity exceeding five years (such as bank loans, bonds, leasing and other forms of debt finance), and public and private equity instruments. Uganda Development Bank exists with this mandate but more specifically focuses on financing viable economic development projects in determined key sectors, providing short-, medium- and long-term secured loans, acquiring shareholding in viable businesses, and finally making funds available for reinvestment.

In FY 2023/24, Government provided UGX 53 billion of the planned UGX 85 billion to UDB to facilitate access to long-term financing by the private sector. The funding is aimed at the acquisition of machinery and equipment for value addition and value chain developments in the agriculture, manufacturing, mining (including oil and gas), infrastructure, tourism, human capital (education and health) and ICT sectors that were earlier determined as key growth sectors in NDP III.

Over NDP III, the value of UDB's long-term loans (over 5 years) increased by 25%, from UGX 689 billion in FY 2022/23 to UGX 862.4 billion in FY 2023/24, driven by rising credit demand. Furthermore, the total value of private equity investments by UDB rose from UGX 5.6 billion in FY 2022/23 to UGX 10.2 billion in FY 2023/24, in response to the recovery in economic activity.

Government efforts to provide long-term financing to the private sector by Government-owned financial institutions is measured by the performance indicators and targets illustrated in the table below.

Table 11: Actual performance against FY 2023/24 targets for increased long-term financing to the private sector

Indicator	Actual 2022/23	Target 2023/24	Actual 2023/24
Total value (UGX billion) of outstanding long-term loans (ma- turity above 5 years) at DFI	689.00	832	862.4
Total value of private equity investments (UGX billion) by Government -owned financial institutions (UDB)	5.60	0.32	10.2

UDB's financing interventions during FY 2023/24 focused primarily on the manufacturing, agro-industry, and infrastructure sectors, which accounted for **68.47**% of the total approved projects during the financial year, as illustrated in the table below.

Table 12: Sectoral distribution of approved projects, FY 2023/24

Sector	Approved Loan Amount (UGX Billions)	% Share by Sector
Agro-industrialization	69.89	28.82%
Manufacturing	76.31	31.46%
Health Services	16.18	6.67%
Primary Agriculture	15.83	6.53%
Infrastructure	44.12	18.19%
Education Services	4.04	1.67%
Tourism and Hospitality	16.02	6.61%
Other (Creative Industry)	0.15	0.06%
Total	242.54	100.0%

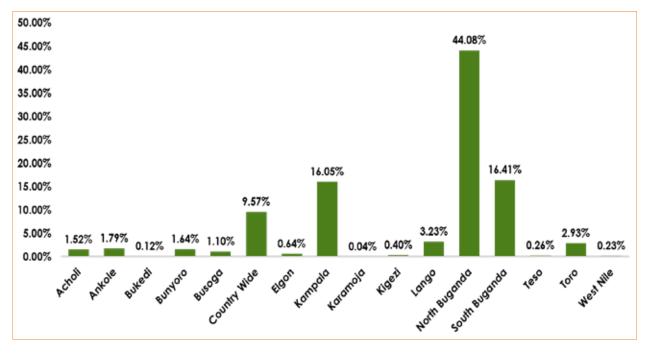
Table 13: Sectoral distribution of the disbursed projects, July 2023 - March 2024

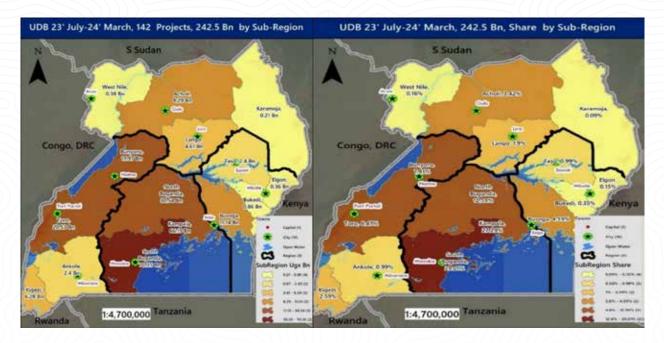
Sector	Loan Amount (UGX Billions)	% Share by Sector
Agro-industrialisation	109.14	28.3%
Education Services	0.97	0.3%
Health Services	37.77	9.8%
Infrastructure	64.91	16.8%
Manufacturing	127.15	32.9%
Mineral Based Industries	9.59	2.5%
Primary Agriculture	26.91	7.0%
Tourism and Hospitality	9.70	2.5%
Total	386.14	100.0%

It should be noted that the disbursements are more than the capitalisation during the year under review. This is owed to the other resources the Bank mobilises from other partners. Furthermore, the disbursements made in a particular year are towards projects that have been in the approval pipeline in the previous year(s) and not necessarily equivalent to the value of the capitalisation made.

Regional distribution of the disbursed projects by value (%): The distribution of projects is mainly attributable to the factors of production that are concentrated in the Central Region that act as pull factors for investments. As a result, a number of regions were found to have limited bankable projects, affecting the demand for loans and the capacity to borrow.

Below is the regional distribution of the projects approved for financing during the FY 2023/24:





Ex-ante development impact of approved projects: In all Government investments, costbenefit analyses are made for both direct and indirect, monetary and non-monetary benefits and costs to ensure optimum investments. As such, UDB expects that the approved projects will impact direct jobs, sales values, tax contributions and foreign exchange earnings. The table below summarises the ex-ante impact of the approved loans during the FY 2023/24.

Table 14: Ex-ante development impact of UDB-financed projects

Sector	Loan Amount (UGX Bn)	Direct Jobs	Sales Value (UGX Bn)	Tax Contributions (UGX Bn)	Forex (UGX Bn)
Agro-Industrialisation	69.89	876	749.23	60.16	107.78
Manufacturing	76.31	2,474	5,260.77	106.80	1451.42
Health Services	16.18	237	178.14	17.00	0.79
Primary Agriculture	15.83	1,498	147.97	10.55	5.90
Infrastructure	44.12	166	325.12	42.12	0.00
Education Services	4.04	163	27.05	1.68	4.60
Tourism and Hospitality	16.02	540	135.25	5.26	44.77
Others (Creative Industry)	0.15	15	0.42	0.00	0.00
Total	242.54	5,969	6,823.95	243.57	1,615.26

Data Source: UDB Data base

3.1.3 Financing through capital markets

The PSD Programme highlights the alternative financing sources for private investment as one of the interventions for reducing the focus on commercial borrowing as a source of capital for businesses. Consequently, increased financing through capital markets is one of the anticipated outcomes of the PSD Programme, measured by domestic market capitalisation to GDP (%); domestic market capitalisation due to new listings; and Collective Investment Scheme (CIS) assets under management.

In view of providing alternative sources of financing to the private sector in addition to the known/traditional bank loans, CMA registered 131,563 CIS accounts out of the 70,000 CIS accounts targeted for the financial year 2023/24. The corresponding assets under management (AUM) held by CMA-licensed Collective Investment Schemes (CIS) exceeded the planned annual target of UGX 1,800 billion, reaching UGX 3,175 billion by the end of FY 2023/2024. This is a positive indication of the robustness of the capital markets.

This influx of funds should be tapped into, to fuel entrepreneurial activities, support business expansion in the private sector, and stimulate economic growth.

During the year, the Airtel Initial Public Offer (IPO) was finalised, and its listing took place on 7th November 2023. The listing of Airtel increased the domestic market capitalisation at the Uganda Securities Exchange (USE) by 25% or UGX 4 trillion. As of June 2024, UMEME Limited (UMEM) counter led the activity at the USE at 66.6%, followed by MTN Uganda Holdings Limited (MTNU) at 29.9%, Stanbic Uganda Holdings (SBU) at 2.7%, Bank of Baroda (BOBU) at 0.4% and Airtel Uganda Limited (Airtel Uganda), National Insurance Corporation (NIC), Quality Chemicals Limited (QCIL), DFCU Limited (DFCU), New Vision Printing and Publishing (NVL), and Uganda Clays Limited (UCL) traded a total turnover of 0.4%. The table below summarises the PSD Programme actual performance against the annual targets for FY 2023/24 in comparison to the previous year's performance.

Table 15: Actual performance against FY 2023/24 targets for increased financing through capital markets

Indicator	Actual FY	FY 2023/24		
Illuicator	2022/23	Target	Actual	
Domestic market capitalisation to GDP (%)	4.5%	4.4%	5.4%	
Domestic market capitalisation due to new listings (UGX trillion)	0	0.54	0.48	
CIS assets under management (in UGX trillion)	1.2	1.8	3.2	

Efforts to increase financing through capital markets was largely satisfactory, given that all performance indicators were met above 80% of the targets, as illustrated in the above table. The following section provides some of the key activities undertaken during the year to increase financing through capital markets.

One of the initiatives for capitalising businesses is the **Deal Flow Facility**. This was established by CMA in partnership with FSDU and the European Union (EU) to help businesses, particularly small and medium enterprises (SMEs) to tap into market-based financing, with a target of

supporting 10 companies by the end of FY 2023/24. The intention of the facility was to link up ready businesses to a consistent flow of financing for them to grow to the level where they can eventually get listed on the local securities exchanges, if willing. Other benefits accruing would be growth in profitability and employment by the enterprise. The Deal Flow Facility has since its inception in FY 2022/23 received a total of 207 applications from enterprises.

During the year, CMA has surpassed its Deal Flow Facility target, supporting 32 companies by the end of FY 2023/24 instead of the planned 10. More importantly, three deal closures have been recorded in the Deal Flow Facility, with a combined transaction value of USD 3 million.

The facility, much as it started in FY 2022/23 with 100 enterprises which expressed interest, having only three companies that have so far received funding to the tune of USD 3 million, demonstrates that the success of NDP interventions will depend on both Government efforts and the private sector's actions. The organisational advantages of private sector associations must be explored to ensure that such interventions that depend on assessing the business health information are not missed or delayed.

The Fixed Income Securities Market Segment (FISMS): It was introduced as a platform for fixed income securities. It aims at providing a separate independent market for companies wishing to raise financing through the issuance and listing of fixed income securities such as treasury bonds, corporate bonds, preference shares and debenture stocks. It also provides the market for investors wishing to trade the above securities at the exchange.

The segment also lists other short-term financial instruments such as treasury bills and commercial papers. The Fixed Income Market Segment currently has six corporate bonds and 39 Government of Uganda Treasury Bonds listed.

To enhance transparency in the secondary market for the trading of Government bonds, a Steering Committee for the Uganda Fixed Income Market was set up, and it is anticipated that these efforts will ultimately lead to lower borrowing rates for Government, thereby reducing the affinity of banks to readily lend to Government rather than to private sector businesses.

3.1.4 Value of formal financial sector savings for private sector investment

Private equity investment by retirement sector: Retirement benefits scheme investment into private equity is a significant driver of private sector growth, providing a source of long-term financing and growth to Ugandan companies, and resolving their main constraints on growth.

Globally, private equity is one of the sectors that have grown as a result of support from pension funds, with the typical 10-year fund tenure matching the long-term investment outlook for pension funds. However, in East Africa, despite explicit allowance by regulatory guidelines for investments in private equity, allocation by pension funds remains muted, according to the East African Venture Capital Association (MBS, Oct 2019). Rwanda has the highest provision for pension fund investment in private equity funds at 20%, Uganda at 15% and Kenya at 10%, while Tanzania and Ethiopia have no defined limits of investment.

In Uganda, the integration of private equity investments into retirement benefit schemes is evolving, influenced by regulatory frameworks, market dynamics, and the pursuit of portfolio diversification. URBRA permits pension schemes to allocate up to 15% of their assets to private equity investments within East Africa. This provision aims to encourage diversification and enhance returns for pension fund members. Despite the regulatory allowance, actual investment in private equity by Ugandan pension funds remains modest.

As of 2023, according to the URBRA Annual Performance Report, approximately 12% of pension fund assets are allocated to private and quoted equities below the regulatory allowance of 15% for private equity investments and 70% for quoted equities. This cautious approach reflects a combination of factors, including limited familiarity with the asset class, concerns over liquidity and risks, lack of a regulatory framework for private equity, double taxation and lack of appropriate vehicles for private equity funds.

URBRA, leveraging its supervisory and regulatory mandate, aims to prioritise strategic regulatory and policy reforms with the potential to drive significant development impact. These reforms are designed to create an enabling environment for private equity funds to domicile in Uganda and actively source investments within the country and East Africa, thereby fostering economic growth and innovation. Additional interventions can be enhanced by building the capacity of schemes to understand and engage in private equity investments, as well as conducting research and development to explore and promote innovative investment These efforts will empower products. schemes to make informed decisions and expand their portfolio diversification opportunities, thereby increasing proportion of retirement asset growth in the equity portfolio.

To further foster the growth of the private equity sector in Uganda, several critical reforms have been proposed, according to the policy proposals for public policymakers' briefs (Development, 2021) and the Public Investment Finance Strategy (Feb. 2022) as summarised in the table below.

Table 16: Proposed reforms

No.	Proposed Strategy	Institution
1.	Reviewing the Partnership Act 2010 to assess its appropriateness for private equity funds and either producing a guide for the private equity industry on the Partnership Act or, if necessary, amending the Act.	Uganda Registration Services Bureau
2.	Creation of a tax-transparent status for private equity funds that are licensed by the Capital Markets Authority.	MoFPED
3.	Licensing of regulations specific to private equity funds and private equity fund managers and amending the CMA Act 2016 to allow for the registration of private equity funds as partnerships.	CMA
4.	Amending the Investment Guidelines/Regulations to temporarily allow pension funds to invest in foreign domiciled private equity funds that invest only in East African companies.	URBRA

The PSD Programme intends to realise increased value of formal financial sector savings for private sector investment. Ideally, these should be made available to the private sector through the private equity funds, but the high informality poses high risks to these savings.

Notwithstanding the above reality, NDP III emphasised growths in retirement assets as a percentage of GDP; a percentage of deposits in supervised financial institutions to GDP; and a percentage of life insurance assets to GDP as proxies for the capability of formal savings to impact the cost of credit in Uganda.

Expanding the pension and insurance coverage to increase formal sector savings is one of the sub-interventions for sustainable lowering of the costs of doing business. Uganda's working population is estimated at 15.9 million, according to the National Labour Force Survey 2019/20. As at December 2021, only about 18% of Uganda's workforce was enrolled under the existing retirement benefit arrangements. The majority of Uganda's working population is in the informal sector, yet these have remained excluded from the existing formal retirement saving arrangements. As such, the current status predisposes the majority of Ugandans to abject poverty in old age.

The Finscope 2023 study findings reveal that there has been an increase in the uptake of formal insurance since 2018 from 1% to 2%, and the growth of insurance uptake, especially for businesses, is mandatory as it bespeaks the risk levels of an economy that may be a deterrent for foreign investments but most obviously impact on the interest rates.

The PSD Programme observed an increase in the retirement assets as a percentage of GDP from 12.0% in FY 2022/23 to 12.2% in FY 2023/24, but below the target of 17.1%. Retirement assets under management (AUM) increased by 18% to UGX 25.40 trillion in FY 2023/24, from UGX 21.41 trillion in FY 2022/23. Growth in the AUM was largely attributed to net income of UGX 3.10 trillion and net member contributions of UGX 986.8 billion.

Equity portfolio (listed and unlisted equities) increased by 38%, from UGX 2.25 trillion in FY 2022/23 to UGX 3.10 trillion in FY 2023/24, representing 12.19% of the assets under management. This growth is attributed to the increased investments in

Uganda's equity portfolio (FY 2022/23 UGX 0.68 trillion; FY 2023/24 UGX 1.43 trillion). Holdings in technology and financial services accounted for the highest share (74.42%), followed by consumer staples and utilities (22.35%) and others (3.23%).

Retirement assets are not growing at the same rate as GDP because of low sector coverage. Nearly 85% of Uganda's workforce is not saving for old age partly due to the inadequate design of the pension system, which excludes informal sector workers and small employers from participating, and lack of awareness of the need and ways to save for retirement.

During the year, member/pension accounts increased by 3%, from 3,141,940 in FY 2022/23 to 3,224,529 in FY 2023/24 due to improved confidence in the sector. URBRA's effective supervisory oversight and awareness campaigns permitted improved compliance, the establishment of new schemes, and new employer and employee registration in umbrella schemes.

During the financial year, deposits in supervised financial institutions as a percentage of GDP grew from 18.3% to 29.3%, and also higher than the target of 27.5%. According to the Bank of Uganda, these deposits grew by 4.2%, from UGX 35.0 trillion to UGX 36.4 trillion in the year ended June 2024. The growth in deposits was mainly on account of savings and time deposits, which increased by 4.7% and 5.7%, respectively.

The life insurance assets to GDP ratio grew from 0.60% in 2022/23 to 0.8% in 2023/24, which is in line with the NDP III target (0.86%) for 2023/24. The table below presents the key indicators and corresponding targets for measuring the PSD Programme's progress towards enhancing formal financial sector savings.

Table 17: Actual performance against FY 2023/24 targets for the value of formal financial sector savings for private sector investment

Indicator	Actual 2022/23	Target 2023/24	Actual 2023/24
Retirement assets to GDP (%)	12.0%	17.1%	12.2%
Deposits in supervised financial institutions to GDP (%)	18.3%	27.5%	29.3%
Life insurance assets to GDP (%)	0.60%	0.86%	0.80%

During the year under review, the PSD Programme institutions undertook the following activities in line with the key NDP III interventions, all aimed at increasing the value of formal financial sector savings for the private sector:

To increase coverage and growth of the retirement benefits sector, URBRA and Financial Sector Deepening (FSD) Uganda undertook a feasibility study to gain insights that would inform the development and implementation of a National Longterm Saving Scheme (NLTSS) for informal sector workers. The study shows that, left to their own devices, individuals within the informal sector may understandably prioritise immediate and pressing needs over the imperative of saving for retirement.

The establishment of a new scheme can be an opportunity to address the unique challenges and aspirations of this underserved demographic. By leveraging the latest technological advancements, such as block chain for secure transactions, and modern communication channels for widespread outreach, this clean slate approach can build trust from the ground up. This approach also sidesteps any existing structural hurdles, potentially leading to broader adoption, increased savings participation, and more robust long-term financial security.

URBRA also commissioned a study to improve private pension outcomes focusing on efficiency, sustainability, coverage, adequacy, and security. The study established significant areas that require improvement across the sector, and these are set out below:

- Operating costs have a significant (and often under-stated) impact on retirement savings. There is ample scope for reduction in operating costs, which will have an outsized beneficial impact on ultimate member retirement savings.
- The main determinants of pension adequacy are contributions (density and frequency), operational efficiency, compliance and the capacity of trustees. The study recommends policy reviews on provision of retirement income and labour market regulations to support private pension schemes. These include: retirement scheme consolidation; diversification of investment portfolios; raising standard retirement ages; and

explicit guidelines for using pension funds as alternative financing to Government projects while protecting member benefits.

Other significant pension sector reforms to further guarantee adequacy include minimising pre-retirement withdrawals, tax incentives and implementation of lifetime income provisions. An EPRC study on "Why Uganda needs wider pension sector reforms" suggested the following reforms:1) Having a universal law to ensure efficient management and supervision of the emerging schemes; gradually converting the contributory public pension scheme into a contributory, defined benefit scheme; introducing private sector and 3) schemes covering especially the informal sector, among others.

URBRA, with support from FSD Africa, PinBox Solutions and Prudential Assurance Uganda Limited, co-hosted the 4th Africa Pension Supervisors' Association (APSA) Annual Conference under the theme "Sustainable Pension Inclusion in Africa" from 27th to 28th November 2023 at the Kampala Serena Hotel.

The conference brought together a diverse audience of public and private sector stakeholders essential for advancing pension inclusion and expanding coverage. The conference attracted over 300 participants, including policymakers, regulators, digital payment solution providers, insurers, aid agencies, and independent domain experts, among others.

The conference permitted a comprehensive analysis of issues and built broad-based consensus on much-needed changes to the existing policy and legal frameworks. At the end of the conference, a joint call for action was made to address the weaknesses that impede the achievement of the objectives of a sound retirement benefit system. These include:

- Establishing a strong regulatory and fiduciary framework, sustainable financing, efficient administration, and overall pension system design; and
- Fulfilling the ideal properties of retirement benefits systems (efficiency, sustainability, coverage, adequacy and security).



At the centre are the Minister of State for Public Service (Hon. Grace Mary Mugasa) and the Minister of State for Planning (Hon. Amos Lugoloobi) together with the APSA Executive during the conference.

Details of the conference proceedings and resolutions can be found in the conference report which is accessible online through the link: https://www.africapsa.org/event/africa-pensions-supervisors-forum-2023/.

Risk based supervision: URBRA fully deployed the Risk-Based Supervision System which permits real-time monitoring, identification, and assessment of risks. During the year, the Authority's supervisory actions addressed misappropriation of funds, failure to remit contributions, failure to pay benefits due, and failure to provide prescribed information to the Authority and members. As of 30 June 2024, the overall sector average risk score for schemes closed at 1.20, which indicates a low-risk flag.

Public awareness of saving for retirement:

URBRA held sensitisation webinars with over 1,158 participants on topics including member rights, the workings of the public service pension scheme, ensuring adequacy of retirement savings, avenues to save for retirement, unclaimed benefits, and the role of retirement benefits in social justice. Additionally, URBRA conducted media outreach and awareness campaigns including articles published in three mainstream print media about saving for retirement, TV shows and radio talk shows to discuss the Authority's mandate and educate the public about saving for retirement.

The insurance factor in the cost of credit in the private sector: In tackling the cost of credit in the private sector, it is inevitable to consider the risk levels of the credit market in Uganda. The risk assessment by lenders directly impacts on the interest rates they charge as a means of mitigating the impact. In Uganda, the common insurance covers utilised are the legally mandatory ones like motor 3rd party, and loan insurance, to name but a few. Life insurance products have been popularised among the middle-income earners as a way of saving, which savings are not automatically available for private sector investment capitalisation.

Nominally, life insurance assets grew from UGX 1,018.67 billion in FY 2022/23 to UGX 1,212.28 billion in FY 2023/24. As part of the financial sector, life insurance has significantly increased over the years as a provider of important financial services to consumers and as a major investor in the capital market. Life insurance has taken on increasing importance as a way for individuals and families to manage income risk. In addition, life insurance products encourage long-term savings and reinvestment of substantial sums in private and public sector projects. Because life insurance products offer a means of disciplined contractual saving, they have become effective as investment for encouraging substantial amounts of savings in Uganda. Leveraging their role as financial intermediaries, life insurers

have become a key source of long-term finance. Life insurance in Uganda grew at a rate of 20.93% as of December 2023, and that was a faster rate compared to non-life insurance, which grew at 4.05%. This is a good indicator for life insurance and follows the trend for most developing countries.

In NDP III, the assets mobilised through insurance have contributed to savings available for both private sector and public sector financing. The Insurance Regulatory Authority (IRA) is expected to promote innovations for appropriate insurance products for key growth sectors, which include agriculture, manufacturing, mining (including oil and gas), tourism, human capital development (health and education), and infrastructure. In its regulatory role, IRA has spurred the development of insurance products in the key growth sectors, as shown by the willingness of insurers to venture into these sectors and the growth in uptake of the insurance covers.

In a bid to reach MSMEs, IRA has leveraged developing microinsurance products in the industry aimed at de-risking small businesses. This is done through the IRA Regulatory Sandbox, and this has also been incorporated into the micro-insurance frameworks.

Through IRA, the Programme aims to derisk agribusiness through agriculture insurance. Agriculture insurance lowers the cost of doing business by covering the losses suffered by farmers and eases access to the Agricultural Credit Facility (ACF).

The product is provided through the **Uganda Agriculture Insurance Scheme** run by Agro-Consortium. The number of farmers covered picked up with the progressive opening up of the economy following COVID-19. During the year under review, IRA continued to regulate the agricultural insurance that is being implemented in partnership with MoFPED. The current status and gains are as follows:

a) In the year 2023, a total of 348,744 farmers were covered and generated UGX 929.25 billion in Gross Written Premiums (GWPs). This brings the cumulative number of farmers to 708,862, and the cumulative sum insured to 2.624 trillion. A total sum of UGX 10.9 billion was paid in claims covering 53,882 farmers, on account of losses suffered. Cumulatively,

a total of UGX 37.15 billion has been paid in claims over the Agriculture Insurance Scheme period.

IRA has operationalised the Regulatory Sandbox to enhance innovation. Fintech guidelines have been passed and approved and three innovations were passed and graduated from the sandbox, i.e., Bomba Medical product, mobile money insurance and microinsurance distribution. Through the IRA accelerator programme, seven start-ups graduated: Insure Ayo from the Insurance Training College, Waste Pays from Ecoplastile, Care4me by Nkola Limited, Inswallet from Hillcrest Insurance Brokers, Agro-Consortium's Easy Ride Auto Rescue, and Weetase that is affiliated with Padre Pio Insurance brokers. These microinsurance products are tailored to the needs of the private sector by offering affordable, customisable, and accessible coverage solutions designed to mitigate risks specific to SMEs, such as business interruptions, employee health, and asset protection, thereby enhancing resilience and sustainability.

Microinsurance companies generated UGX 0.889 billion, growing from UGX 0.611 billion in 2022 (registering a growth of 45.34%) and accounted for 0.06% of the market share. This growth is attributed to competitive ventures and crafting of insurance solutions for MSMEs and individuals at the lower income pyramid. The Authority has licensed more three microinsurance companies, i.e., Turaco Microinsurance Limited, Padre Pio and Core Micro, bringing the number of licensees to five. This is aimed at driving the growth of microinsurance in the economy. Microinsurance lowers the cost of doing business by covering risks/losses faced by MSMEs.

In addition to microinsurance and the Uganda Agriculture Insurance Scheme as products specific to the private sector needs, insurance companies in Uganda have over the years invested in building capacity to insure oil and gas risks through the Insurance Consortium for Oil and Gas Uganda (ICOGU), which was approved to operate by IRA. It is a co-insurance arrangement currently comprising 16 local non-life insurance companies duly licensed by IRA. The consortium has been able to arrange insurance programmes for the oil and gas projects in Uganda that include the

Tilenga Project, the EACOP pipelines and the Kingfisher oil well. The consortium is managed by Uganda Re, which takes care of the administrative and financial duties. For placement purposes, the consortium has a leader and is complemented by a panel of reinsurers that include Uganda Re, Africa Re, Zep Re and a host of other accredited regional and international reinsurers.

In addition to the above products, and with a view to expanding insurance coverage, the Authority launched the payment of marine insurance through locally licensed insurance companies in 2022. This product was aimed at addressing the difficulties faced in lodging claims with foreign companies when importers were required to have insurance cover in the countries of origin of the products.

Prior to 2020, importers were required to have insurance cover in the countries of origin of the products, which came with difficulties in lodging claims with foreign companies. Following the pronouncement in the Budget Speech of 2017/18, IRA was tasked to localise marine insurance, and in July 2022, the Authority launched the payment of marine insurance through locally licensed insurance companies. Based on the computations, IRA has established that it will actually be in the best economic interest of traders to insure, as this will bring their ultimate cost down due to the competitive rates that insurers will offer.

This cost reduction is, moreover, in addition to the protection that insurance will provide. There are other benefits, which include the following: the insurer will get premiums and Government will get revenue; business continuity for the shippers (importers and exporters) in case of a loss during conveyance; reduction of operational costs for the shippers; in the absence of marine insurance, the shipper is subjected to 1% of the cost of goods by URA, which, most times, is higher than the premium rate; easy and convenient claims access; and avoidance of potential fraud. This has been integrated within the URA system and is fully operational for importing Ugandan businesses.

In addition to easing access to insurance purchases and claims, insurance premiums will be retained within the country, thereby bolstering the national economy. The Uganda Insurers Association (UIA) emphasises that this initiative will protect and grow Uganda's economy by preventing financial leakages

resulting from uninsured cargo losses. Furthermore, importers have benefitted from streamlined claims handling through local insurers, avoiding the complexities associated with foreign insurance providers. This local engagement ensures quicker and more efficient resolution of claims. The compulsory nature of the insurance is projected to raise awareness and adoption of insurance services among businesses, contributing to a more resilient private sector. UIA notes that this has helped sensitise the populace to the importance of insurance, encouraging broader uptake across various sectors. The introduction of an online platform for marine insurance facilitates easier access for importers, promoting digital transformation within the insurance industry. This platform simplifies the process of obtaining insurance, making it more convenient for importers to comply with the new regulations.

3.1.5 Access and usage of non-financial resources

Addressing the non-financial factors (power, transport, business processes etc.) leading to high costs of doing business is one of the PSD Programme key interventions. However, a lot of the activities under this intervention fall under, and were implemented by, other programmes, e.g. integrated transport infrastructure and services; sustainable energy development; digital transformation; etc.

3.1.6 Challenges of sustainability lowering the costs of doing business

Whereas the country is geared towards agro-industrialisation to offtake the yields from the Parish Development Model (PDM) as well as enhance value addition, a survey conducted by Uganda Manufacturers Association (UMA) in 2019 revealed that 80% of SMEs in the manufacturing sector faced difficulties in accessing affordable long-term business credit. The access to lease finance or other forms of non-bank financing for manufacturing firms in Uganda stood at only 22.9% in 2020. A mere 12.3% of manufacturing firms reported having access to bank loans or credit lines, significantly lower than the national average of 19.4% for all firms in Uganda. Among manufacturing firms with access to bank loans, 44.5% cited high interest rates as the major challenge in accessing finance. This implies that the financing through UDB and other PFIs is still insufficient to boost manufacturing in the country.

Despite the remarkable increase in savings managed by Collective Investment Schemes (CIS) fund managers, the majority of these funds are directed towards Government securities rather than being directly invested in the country's private sector. The elevated interest rates associated with Government securities, along with the diminished risk in lending to the Government, dissuade fund managers from contemplating the allocation of these funds to private sector enterprises.

Another significant obstacle impeding private sector firms from tapping into these funds via the capital markets is the pervasive informality within the sector. Many of these firms are family-owned businesses that exhibit reluctance towards altering their corporate governance frameworks. This informality acts as a barrier for private sector firms seeking access to these funds.

Limited capital: Limited capital has continued to be among the key challenges affecting businesses in Uganda. Limited capital limits businesses from purchasing advanced machinery and adapting to high levels of technology, hence limiting their productivity and, eventually, their contribution to GDP. Limited capital is evidenced by the high demand for credit from businesses in the form of private sector credit, non-commercial lending to the private sector, and the share of domestic credit to key growth sectors in total private sector credit, among others.

Inadequate design of the pension system: Nearly 85% of Uganda's workforce is not saving for old age partly due to the inadequate design of the pension system, which excludes informal sector workers and small employers from participating, and lack of awareness of the need and ways to save for retirement.

According to the recommendations from the feasibility study earlier undertaken to inform the development and implementation of a National Long-term Saving Scheme (NLTSS) for informal sector workers, there is a need for Government to design an inclusive pension system which takes both formal and informal sector employees into consideration. This would help in protecting a large segment of the population which is employed in the informal sector against poverty in old age, promote economic security, and increase social cohesion through reducing differences between different segments of the workforce.

The Government of Uganda, through its various financial support programmes, has

succeeded in supporting MSMEs through extending affordable credit support services such as low-cost loans to SACCOs through the Microfinance Support Centre (interest rate of 8%). The key objective is to enable SACCOs in various areas across the country to access low-cost financial sources to enable them to subsequently extend to MSMEs low interest/affordable credit services to help them boost their businesses. This has been achieved, as a number of SACCOs across the country have accessed support from MSC and have issued loans to the majority of MSMEs in their various regions, which has, to some extent, boosted businesses.

However, while the Government funding to SACCOs through MSC at an interest rate of 8% has enabled access to financing by the majority of MSMEs in rural areas, the SACCOs issue these loans at higher interest rates, ranging between 2% and 3% per month (24% to 36% per annum). This jeopardises the Government's original objective of enabling low-cost/affordable credit to MSMEs through the funding extended to SACCOs by MSC.

The operationalisation of *Emyooga* was constrained in hard-to-reach areas. This is mainly due to bad climatic conditions and the geographical setting in some regions. For example, areas surrounded by water bodies and the mountainous/hilly areas make it difficult for MSC and other stakeholders to reach out to people.

Furthermore, a big number of SACCO members still have a negative mindset regarding grants/funds from Government, coupled with high illiteracy levels in some regions of the country. Some segments of the public have a misconception that Government funds are a pollical donation/reward which do not require accountability or monitoring. This has affected their participation and performance, especially in terms of savings and recovery, frustrating the implementation of the programme.

Therefore, there is need for a deliberate policy to guide SACCOs and DFIs on the maximum interest to charge the recipient MSMEs, in order to achieve Government's overall objective of reducing the cost of doing business. Further, Local Governments should be supported and capacitated to effectively monitor the utilisation of grants and loans to DFIs and, subsequently, MSMEs.

3.2 Objective 2: Organisational and institutional capacity of the private sector

According to an informal sector study9, Uganda's private sector is comprised predominantly of MSMEs, at over 90%, and the majority of these are informal enterprises. These are characterised by weak business management systems and small unsustainable operations, resulting in poor performance, limited access to markets and productive assets, and low competitiveness and sustainability. Despite the high MSME start-up rates, they are also synonymous with high mortality rates. It is approximated that 50% of the start-ups do not last more than two years. In addition, very few MSMEs operate with internationally-recognised certification, due to low levels of technology uptake and limited innovations, which affects their ability to improve product quality. Furthermore, they are faced with inadequate entrepreneurial abilities, lowskilled labour, and inappropriate attitudes to work and limited access to capital.

Cognisant of the private sector challenges around the business management systems, NDP III through the PSD Programme, provided for strengthening the organisation and institutional capacity of Uganda's private sector through two key interventions:

- (i) improving management capacities of local enterprises through massive provision of business development services geared towards improving firm capabilities; and
- (ii) strengthening system capacities to harness benefits of coordinated private sector activities.

The key outcomes targeted by the above interventions include:

- a. Improved business capacity and local entrepreneurial skills;
- e. Increased membership in chambers of commerce and trade unions;
- b. Strengthened linkages to regional and global markets;
- c. Increased automation of business processes;
- d. Increased research and innovation within the private sector;
- e. Increased access and use of market information system by the private sector;
- f. Increased access and use of incubation centres by the private sector; and
- g. Simplified system for starting a business.

The frontline players in the achievement of this objective are the Ministry of Trade, Industry and Cooperatives (MTIC); Enterprise Uganda; MoFPED; UIA; URSB; UNCCI; PSFU; and URA. Through these institutions, the PSD Programme registered the achievements below.

3.2.1 Business capacity and local entrepreneurship skills

This outcome is about strengthening the business capacity and skills of local enterprises, particularly through the provision of business development services. Business development services (BDS) refer to non-financial services used to help enterprises improve the performance of their businesses, facilitate access to markets, and improve ability to compete. Such services include business advice, mentoring, incubation, training etc.

The table below illustrates the actual performance of the outcome indicators tracking improved business capacity and local entrepreneurship skills for the current financial year, against the target and the previous year's performance.

Table 18: Actual performance against FY 2023/24 targets for improved business capacity and entrepreneurial skills

Indianton	Actual	FY2023/24		
Indicator	FY2022/23	Target	Actual	
% of businesses that accessed BDS in the past 3 years		16%	10%	
Global Competitiveness Index ranking	48.94	54.6	48.910	

In FY 2023/24 the percentage of businesses that accessed BDS in the past three years stood at 10%, below the target of 16%. The low performance is attributed to the fact that there are numerous BDS service providers as well as recipients nationally who are not documented. This is because it is financially and logistically challenging to track and document these activities on an annual basis.

On the other hand, the World Economic Forum paused the computation of the Global Competitiveness Index/ranking, in 2020.

⁹ https://eprcug.org/publication/assessment-of-informal-businesses-in-uganda/?wpdmdl=15332&refresh=678f-c456b06901737475158

^{10 2019.} The World Economic Forum paused this publication in 2020. However, the Ministry, through EDPRD, is developing a domesticated index as an alternative to the Global Competitiveness Index.

Going forward, MoFPED, working with the Economic Policy Research Centre (EPRC), is developing a domesticated index as an alternative to the Global Competitiveness Index.

Business development services (BDS): The Private Sector Development Programme implementation envisages improvements in the management capacities of local enterprises through the massive provision of business development services geared towards improving firm capabilities. The Ministry of Trade, Industry and Cooperatives (MTIC) worked with MoFPED (Enterprise Uganda) to develop a National Business Development Services (BDS) Framework to ensure that BDS delivery is coordinated, without fragmentation or duplication, and is able to reach the entire scope of enterprises. The framework supports existing strategies, including PDM and Emyooga, for the MSMEs countrywide and, in the process, promotes equitable development.

The National BDS Framework launched in FY 2022/23 is one of the key interventions geared towards facilitating mass provision of BDS under NDP III. The National BDS Framework guides and complements other interventions aimed at building firm level capacities, including:

- a) the establishment of Business Development Services centres;
- b) promoting the adoption of corporate governance best practices by MSMEs;
- c) the development of local entrepreneurship skills;
- d) strengthening industry associations, chambers of commerce and trade unions;
- e) the creation of national, regional and global business linkages for registered local enterprises; and
- f) increasing of automation of business processes.

The BDS framework provides for the construction and operationalisation of the BDS Centre of Excellence, aimed at institutionalising BDS provision and ensuring quality and consistency in the delivery of BDS. Coordination of BDS needs a secretariat where ecosystem players can converge on a sustainable basis as contained in the National BDS Framework. Regarding implementation progress, construction of the BDS Centre of Excellence is progressing well, with physical work progress at 70% as at 30th March 2024.

In FY 2023/24, MTIC started on the process of developing the Regulatory Impact Assessment in preparation for making the BDS Policy in the next financial year. Also, MTIC started on developing the National BDS Standards and, as at the end of FY 2023/24, two standards were at committee level at UNBS; and some BDS providers in different parts of the country have been trained on the standards. In addition, the draft guidelines for mainstreaming BDS in Government activities and programmes were developed and are pending approval and dissemination.

To catalyse the structured BDS delivery mechanism, build capacity and coordinate BDS providers in all districts with a focus on the financial inclusion Pillar under PDM, Enterprise Uganda provided training of trainers to 753 BDS providers. These included District Commercial Officers (DCOs), Community Development Officers (CDOs), Accounting Officers, Parish Chiefs, PDM SACCO leaders, and PDM enterprise leaders, among others.

To ensure mass rollout, awareness and sensitisation, a total of 18,012 MSMEs, of which 8,275 (45.9%) were female-owned, received business development services. More categorically, entrepreneurship and business skills training which equips upcoming entrepreneurs and individuals with the confidence and practical skills start, expand and run successful enterprises was conducted for leaders of PDM SACCOs, as well as those of *Emyooga*, and beneficiaries at Karoo High School, Kiruhura District from 4th to 7th March 2024, attracting 1,374 participants, of whom 648 (47.2%) were females while 726 (52.8%) were males. Other specific trainings that were undertaken include:

a. Agribusiness and financial literacy training was conducted for 7,849 beneficiaries (3,468 females) from 16th August to 1st September 2023. It involved 5,691 MSMEs and farmers, who were from the Busoga sub-region (Bugweri, Jinja, Luuka, Iganga, Namutumba, Kamuli, Mayuge and Butaleja Districts), West Nile and Lango sub-regions (Nebbi, Zombo, and Pakwach and Oyam, Kole, and Apac). These trainings aimed at transforming entrepreneurs from subsistence to commercial farming, and also equipping them with savings and investment skills.

- b. Two Empretec Entrepreneurship Training Workshops (ETW 68) were held from 18th to 23rd September 2023 and ETW 69 from 11th to 16th December 2023 at Nob View Hotel, Ntinda. A total of 70 participants attended, of whom 38 were females. The ETW is a six-day course offered by Enterprise Uganda under franchise from the United Nations Conference on Trade and Development (UNCTAD), Geneva. The six-day nonresidential training is geared towards enabling participants to become more familiar with the behavioural competencies of successful entrepreneurs.
- c. Global Entrepreneurship Week (GEW) activities were conducted for 1,223 entrepreneurs (40.3% females) to promote and celebrate entrepreneurship. Eighty entrepreneurship promotion activities were carried out by GEW partners during the week. GEW is an international initiative that introduces entrepreneurship to young people in six continents. GEW emerged in 2008 as a result of Enterprise Week UK and Entrepreneurship Week USA 2007. Since its creation, more than 10 million people from roughly 180 countries have participated in entrepreneurship-related events, activities and competitions during GEW.
- d. Business Health Checks for 64 **Enterprises:** Business Health¹¹ Consultants conducted comprehensive on-site visits to 64businessesin Kampalaandneighbouring regions. Among these enterprises, 33 (51.6%) were female-led and 31 (48.4%) were male-led, and primarily registered as sole ownership businesses. The key challenges/gaps identified include the absence of business plans, limited capital, the high cost of doing business, and the lack of operational manuals. Consultants, however, played a transformative role. They not only pinpointed issues but actively collaborated with entrepreneurs, devising work plans and business strategies, and introducing alternative capital sources. These interventions are now empowering businesses with an enhanced organisational structure, strategic direction, and diversified funding avenues, ensuring long-term resilience and growth.

Business linkages to regional and global markets: The PSD Programme undertakes initiatives to link skills-based enterprises with established business firms to enable small skilled businesses to access markets, receive mentoring from experienced entrepreneurs, foster collaborations and joint ventures etc.

In this regard, UIA conducted two capacity-building workshops for 120 domestic investors, and formed two clusters, i.e., the Apiary Cluster in Kapchorwa District, and the Irish Potato Cluster in Kisoro District. These are estimated to create 360 actual jobs and register UGX 600 million contribution to GDP.

The Apiary Cluster in Kapchorwa District was linked to Venture API Honey Bees Africa Limited to supply 30 tons, while the Irish Potato Cluster of Kashinje Irish Potato Growers Cooperative Society was linked to supply Irish potatoes to Santex Foods Ltd. In addition, the DCOs of Kapchorwa and Kisoro were trained on identifying investment opportunities using the UIA compendium of ideas and scaling SACCOs under PDM.

3.2.2 Membership in chambers of commerce and trade unions

This outcome is about strengthening industry associations, chambers of commerce and trade unions to enhance their effectiveness, relevance and impact on the business community. These can be strengthened through facilitating their organisational development, membership growth and retention, strengthening their advocacy and policy influence, and ensuring partnerships and collaborations.

The PSD Programme continues to advocate for industry associations, chambers of commerce and trade unions through assessing the capacities of associations and enterprises, supporting the provision of value addition, common user facilities for associations/cooperatives, and establishing and integrating Management Information Systems to support associations, trade unions, cooperatives etc.

3.2.3 Linkages to regional and global markets

The desire for strengthened linkages to regional and global markets is premised on the need to increase market opportunities, improve supply chain efficiency and costs,

¹¹ Business Health Check (BHC) is a diagnostic study that is designed to X-ray the entire operations of a business in critical areas such as governance, production/operations management, financial management, staffing and marketing, so as to determine the health of a business. The objective of the Business Diagnosis and Health Check is to determine areas of strength or weakness, opportunities and threats in the planning, monitoring and financial controls in the business.

increase collaboration and partnership opportunities, and improve the brand and reputation of Ugandan products to compete on the international stage. As a result, the PSD Programme, through is agencies, among others, undertook the following actions:

- Held sensitisation sessions on Joint Border Management Committees at Kyanika and Bunagana on 6th and 7th December 2023, at Busia on 12th March, at Mirama Hills on 14th March, and at Mutukula on 15th March 2024, where border communities were trained on various trade facilitation initiatives. There were presentations from regulatory agencies like UNBS, MAAIF, Ministry of Health, URA and Immigration, that educated the public about existing and their regulations rights and responsibilities as sellers and consumers. This eliminates middlemen who prey on ignorance to fleece unknowing citizens.
- Conducted the National Capacity Workshop Building for Non-Tariff Measures and Non-Tariff Barriers on 22nd to 23rd February 2024 in Kampala, where stakeholders were trained on the understanding and application of nontariff measures (NTMs) with a focus streamlining national technical regulations/NTMs. This eliminates the negative impact on intraregional trade, and the mechanisms for reporting, monitoring, and eliminating NTBs.
- Coordinated the finalisation of the Katuna OSBP, where the First Deputy Prime Minister led a delegation of relevant MDAs for a supervisory mission to Katuna and the Ministry prepared a Cabinet Information Paper. Once the process is complete, the private sector will experience faster clearance of goods, enhancing supply chain efficiency and cross-border trade.

In connection with strengthening regional linkages, the Ministry of East African Community Affairs (MEACA) leveraged economic and commercial diplomacy to negotiate targeted markets for the country's exports, especially in the Middle East. The following engagements were undertaken to enhance access to global markets:

 The 44th ordinary meeting of the Council of Ministers was held on 22nd November 2023, which approved the EAC Policy Paper on EAC Free Trade Negotiations with Third Parties, providing clear principles, procedures, and objectives that will guide the region's engagement in international trade discussions. Hence, businesses within the EAC will benefit from expanded access to international markets through preferential trade agreements.

- The Market Access Upgrade Programme (MARKUP II) commenced in Uganda and the EU is supporting coffee, cocoa and avocado packaging, hence strengthening value chains to meet international market standards. By meeting global standards, Ugandan businesses can expand their market reach and earn more from high-value exports.
- MTIC conducted sensitisation and popularisation of the MSME Trade Fair (Jua Kali) to improve the participation of Ugandan MSMES in jua kali to uptake trade opportunities in Elegu on 27th March 2024. MSMEs were connected to regional trade opportunities within the EAC, facilitating cross-border business collaborations. This boosts the MSME contribution to Uganda's GDP by increasing trade volumes and cross-border transactions.
- MEACA also undertook benchmarking visits to volatile areas in the EAC to create a database on key market intelligence information points as well as coordinate the 7th Session of the DRC-Uganda Joint Permanent Commission (JPC), Kinshasa, 12th–14th October 2023, where commitments were made towards improving the transport and logistics infrastructure, particularly roads linking the two countries, to facilitate smoother trade. Better transport and logistics infrastructure lowers costs and increases the ease of doing business.

To promote the competitiveness of Ugandan products in international markets, MEACA undertook the following initiatives:

Capacity development sessions on the implementation of the EAC Quality Management Systems (QMS) Self-Assessment Tool for SMES in the Leather Value Chain was undertaken on 14th May 2024 (virtual) and 21st-24th May 2024, in Kampala, Uganda. SMEs in the leather value chain acquired practical knowledge on the EAC QMS Self-Assessment Tool, enabling them to assess their compliance with regional and international quality standards.

- Sensitisation sessions for Joint Border Management Committees were held on 12th March 2024 at the Busia OSBP, at Mirama Hills on 14th March, and in Mutukula on 15th March. At all border engagements in Busia, Malaba, Elegu and Mutukula, UNBS made presentations on their role and how sellers can be more compliant and how buyers should look out for the quality mark before purchasing any products.
- MEACA planned, coordinated and participated in the MSME Trade Fair held in Bujumbura, Burundi from 8th to 18th December 2023. The trade fair helps MSMEs access new customers and potential business partners across borders.
- The constitution of the EAC Regional Quality Awards Committee (RQAC 2024). This regional platform was implemented to recognise businesses and products that excel in quality, safety, and innovation. This initiative is intended to enable the private sector to gain a competitive edge in regional and international markets through improved brand reputation.

The PSD Programme, through Uganda Export Promotions Board (UEPB), developed a comprehensive (tourism, trade and investment) country profile and other country branding items/tools for use in international trade promotion events. Additionally, UEPB developed two (2) export profiles that are ready for publication. These include profiles for pineapples and avocadoes for the EU. The profiles were developed with support from GIZ Uganda and SEQUA of Germany.

3.2.4 Automation of business processes

The Government of Uganda, through Uganda Investment Authority (UIA), launched a one-stop centre (OSC) web portal for both foreign and local investors. The OSC web portal (www.eBiz.go.ug) is an effective solution that offers an investor the option of applying for, and processing of, the various licences and permits he/she requires to start implementing an investment both online or by visiting the UIA offices physically.

This web portal facilitates convenient and efficient services that reduce the number of procedures, time and cost of obtaining the relevant licences and permits by accessing them at a single point.

During, the period under review, a total of 7,040 transactions were processed through the eBIZ for a number of Government services, indicating a significant uptake of investment formalisation by both domestic and foreign investors. The rise is attributed to the growing publicity and efficiency of use of eBiz as well as the steadily growing traffic of business start-ups. Links to the various MDA systems have been placed on the eBiz landing page, which allows for access to these systems conveniently.

In FY 2023/24, UIA added key services onto the eBIZ platform to facilitate business registration and licensing for quick business operations. Critical measures have been undertaken to increase the automation of business processes through collaboration with NITA-U, KCCA and Diamond Trust Bank (DTB). These include:

- a) The UIA-OSC team has been working closely with NITA-U to undertake the eBiz systems upgrade, the migration of investment data from the legacy systems, and the integration of the OSC eBiz with the systems of OSC MDAs as enlisted in Section 11(2) of the Investment Code Act 2019, as amended.
- b) Developing, operationalising, and upgrading interactive web-based information access one-stop investment and BDS centres to reduce the cost and time of receiving Government business facilitation services.
- c) Increasing inter-government al collaboration in the handling of business and investment transactions.
- d) Reducing the cost and time of doing business to 24 hours to enable investors to quickly register their establishments.
- e) Engaged with sister agencies to increase business service access on the eBiz.
- f) Developing a robust monitoring and evaluation (E&M) tool to track status of investment in the country.
- g) Signed contract for consultancy services to develop the Web-based Monitoring and Evaluation Enterprise Resource Planning (MEERP) system.
- h) A new module for storing investment licence application files was developed and will be rolled out during the coming year.

Table 19: Status update of the integration of Government services on the eBIZ platform

	MDA	API	STATUS	REMARKS	UIA INTERVENTION
		Verify company details	Operational system-to-system	ОК	N/A
1	Application for business name registration	business name	Implemented a web link, and is operational	No API available. URSB requires funding for the service provider to develop API.	UIA to use option of web-links which are functional.
		Application for company registration	Implemented a web link, and is operational	No API available. URSB requires funding for the service provider to develop API.	UIA to use option of web-links which are functional.
		Application for TIN (individual)	Operational system-to-system	ОК	N/A
2	URA	Application for TIN (non-individual)	Testing Due by 31st January 2025	Work in progress. Expected to meet deadline	UIA to engage URA and NITA-U to complete testing by due date
3	DCIC	Application for work permits and special passes	Implemented a web link, and is operational	ОК	N/A
4	NSSF	Application for registration as employer	Semi-operational	NSSF needs to modify API, to provide for a more informative confirmatory message upon submission of application	UIA to engage NSSF to modify API
5	KCCA	Application for COIN	Testing Due by 31st January 2025	Development of both individual and non-individual COIN is complete	UIA to engage NITA-U to finalise testing of COIN so as to start development of trading
		Application for trading licence		Pending completion of COIN	licence
6	MLHUD	Land/property search	API has been provided	Actual development of integration still pending NITA-U	UIA to engage NITA-U to deploy more staff for development and implementation of OSC eBiz integration systems
7	NEMA	Application for ESIA	API has been provided	Actual development of integration still pending NITA-U	UIA to engage NITA-U to deploy more staff for development and implementation of OSC eBiz integration systems
8	NWSC	Application for water connection	Testing Due by 31st March 2025	Development requires more engagement with NWSC to incorporate changes in their API.	UIA to engage NWSC and NITA-U to com- plete testing by due date
9	UNBS	Application for product/service certification	No API available	Requires funding for development of new UNBS system	UIA to engage UNBS on development of API or provision of a link, as an interim measure.

	MDA	API	STATUS	REMARKS	UIA INTERVENTION
10.	UTB				UTB is in the process of setting up at the OSC and intends to re-brand the OSC Seeking Management approval for UTB to re-brand the OSC accordingly
11.	NIRA				NIRA has not been invited to the OSC pending determination of investors vs. ordinary citizens registering for NID
12.	UFZA				UFZA has been rationalised, and now pending the new agency to deploy at OSC12

3.2.5 Research and innovation within the private sector

Research and innovation play a very important role in the private sector in terms of competitiveness and improved productivity, and is the key to success for private businesses, helping to cut costs, improve products and open up new markets.

Increased research and innovation within the private sector and increased use of research and innovation instruments by the private sector are the two outcomes that the PSD Programme intends to realise.

In FY 2023/24, the proportion of SMEs using digital solutions for key business processes stood at 43%, that is above the target of 38% and above last year's performance, which was measured at 25%. This performance is attributed to increased awareness creation about digital usage. The responsible PSD Programme member MDAs undertook the following interventions towards this outcome.

The Uganda National Council for Science and Technology (UNCST) developed a Technomart platform to facilitate the transfer of technology, innovation, and knowledge between research institutions, academia, industry, and the private sector. The Technomart is a management information system that is designed as

a marketplace where entrepreneurs, investors, and industry stakeholders can access cutting-edge technologies and innovations for commercialisation and product development.

The platform, although under construction and improvement, can be accessed through this link: https://technomartafrica.com/equipments. The development of Technomart in Uganda supports public-private partnerships (PPPs) in research and technology matchmaking to promote entrepreneurship and collaboration within Uganda's science, technology and innovation ecosystem.

Undertake start-up business mentorship seminars: In FY2023/24, UNCST supported business enterprises to mine and exploit scientific intellectual property rights. MSMEs are supported to identify the owner of the IP and determine its legal status before exploitation to create new business lines. Freely available IPs can be public domain works whose copyright or patent protection has expired or was never obtained; or open-source software with freely available source code that can be modified and distributed. In this regard, UNCST specifically undertook the following:

a) Developed an IP Strategy to empower pastoralist communities through

¹² Source: Directorate of One-Stop Centre.

integrated, demand-driven, and inclusive climate-smart livestock innovations in animal health and nutrition (EPACAN) in collaboration with Makerere University. The key achievements of the strategy include:

- Implemented the climate-smart livestock innovations that have improved animal health and nutrition, leading to increased productivity and resilience among pastoralist communities.
- Strengthened the capacity of pastoralist communities to actively participate in and benefit from the IP Strategy, fostering inclusivity and ownership of the initiatives.
- Carried out collaborative research with Makerere University to develop and refine climate-smart livestock technologies tailored to the needs of pastoralist communities.
- b) Developed a draft IP Policy for Livingstone International University. The IP Policy helps the university to protect the rights of inventors and the university; as well as manage, protect, and commercialise intellectual property created by its faculty, students, and researchers. This ensures that innovations support economic growth, knowledge transfer, and societal benefits.
- c) The Council is currently supporting one enterprise working on the commercialisation of propolis powder and infused tea bags to file for a utility model and trademark.

3.2.6 Access and use of market information system by the private sector

During the year under review, 2,770 firms were using market information systems, below the year's NDP III target of 5,500 and last year's performance of 5,346.

The lower performance is attributed to lack of data from other institutions contributing to this indicator. This figure only accounts for UIA initiatives as indicated below. During the period under study, UIA:

- a. Facilitated SME hubs to access ICT services through innovation hubs. This was done through launching and operationalising the National SME Portal¹³ (NSMEP) together with 200 ecosystem stakeholders.
- b. Partnered with NITA-U to host the National SME Portal on UG HUB and also partnered with MTN Mobile Money Uganda and integrated MTN Momo into the NSMEP under the marketplace.
- c. Onboarded 175 SMEs, 15 BDS providers into the portal and nine domestic investors on the marketplace of the portal.
- d. Developed the National SME Database to integrate all SME profiles. Data is currently being uploaded.
- e. Facilitated SMEs to access ICT services through innovation hubs and the SME Portal.
- f. Linked 22 SMEs to UNBS for standards and certification training and 127 SMEs were supported to access the Small Business Recovery Fund (SBRF).

Performance highlights of the National **SME Portal:** In FY 2023/24, the total profiles held on the National SME Portal stood at 2,899, of which 48.2% were female-founded and 51.8% male-founded. The total associated jobs from these profiled enterprises stood at 16,527 (8,464 female employees [51.2%] and 8,063, male employees [48.8%]). The enterprises are regionally distributed, i.e., 19.5% are in the Central Region; 22.7% are in the Eastern Region; 28.8% are in the Northern Region; and 29.1% are in the Western Region. The International Standards Industrial Classification of these businesses is summarised in the table below.

¹³ The National SME Portal serves as a dynamic marketplace, fostering collaboration among businesses, service providers, and support programmes. It offers a platform for various facets such as financing, capacity building, business advisory, entrepreneurship, leadership, upcoming events, opportunities, and sector-specific programmes.

Table 20: International Standards Industrial Classification of Businesses on the SME Portal

the SME Portal				
Sector (ISIC Business				
Classification Method)	Frequency	Percent		
Accommodation and food service activities	287	9.9		
Activities of extraterritorial organisations and bodies	10	0.3		
Activities of households as employers; undifferentiated goods- and services- producing activities of households for own use	44	1.5		
Administrative and support service activities	13	0.4		
Agriculture, forestry and fishing	418	14.4		
Arts, entertainment and recreation	148	5.1		
Construction	39	1.3		
Education	36	1.2		
Electricity, gas, steam and air conditioning supply	12	0.4		
Financial and insurance activities	44	1.5		
Human health and social work activities	94	3.2		
Information and communication	31	1.1		
Manufacturing	323	11.1		
Mining and quarrying	4	0.1		
Other service activities	142	4.9		
Professional, scientific and technical activities	14	0.5		
Real estate activities	5	0.2		
Transportation and storage	12	0.4		
Water supply; sewerage, waste management and remediation activities	14	0.5		
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,209	41.7		
Total	2,899	100		

3.2.7 Access to and use of incubation centres by the private sector

Business incubation is a public and/or private, entrepreneurial, economic and social development process designed to nurture businesses from ideation to start-up and, through a comprehensive business support programme, with the aim of helping them establish and accelerate their growth and success. Business incubators aim to help entrepreneurs overcome some of their challenges in order to establish, run and grow successful businesses.

During FY 2023/24, only 254 firms accessed the services of incubation centres, a performance that was below the annual target of 1,000 firms and below the previous year's performance that was registered at 1,252.

Table 21: Incubation centres by the private sector

No	Innovation Hub/ Incubation Centre	No. of SMEs Linked
1	CURAD	41
2	Marula Proteen	10
3	Kampala Protein Kapital	61
4	Kyambogo University	16
5	Muni University	51
6	Busitema University	12
7	MUBS	43
8	Makerere University – ICT Incubator	20
	Total	254

In addition to the above efforts, UNCST established two incubation centres, which are at 99% completion of civil works, and are being implemented under the National Science, Technology, Innovation and Skills Enhancement Project (NSTEI-SEP). These include the National Science, Technology, Engineering and Innovation Centre (NSTEIC) at Rwebitete in Kiruhura District; and the Technology, Innovation and Business Incubation Centre (TIBIC) at the Kampala Industrial Business Park (KIBP) in Namanve, Mukono District. The centres will be instrumental in:

- i. Designing and manufacturing agricultural mechanisation tools for MSMEs.
- ii. Providing specialised tailor-made training in design for manufacturing.
- iii. Providing R&D for continuous product and process improvement in the production of moulds, gears, rollers, pulleys, bushes, circuit boards, microchips and other precision tools.

- iv. Offering consultancy services in product and process design; plant installation and maintenance; technology acquisition and procurement advisory services.
- Providing a common-user facility for specialised training, R&D, design for manufacturing, and other support facilities.
- vi. Incubating early-stage entrepreneurial ventures based on technology and innovation.
- vii. Nurturing and nucleating innovationdriven technology-based start-up ideas at the centre.

3.2.8 Systems for starting a business

Under this intervention, the PSD Programme aims at impacting the process and time ease in starting a business. The table below illustrates the actual performance against the indicators measuring the achievement of this outcome.

Table 22: Actual performance against FY 2023/24 targets for simplified systems for starting a business

Indicator	Actual FY 2022/23	Target FY 2023/24	Actual FY 2023/24
Procedures to legally start and formally operate a company (number)	4	3	2
Time required to complete each procedure to start a business (days)	0.16	0.1	0.167 (4 hours)

By the end of FY 2023/24, the number of procedures to legally start and formally operate a company were reduced to only two, i.e. Name Reservation and Single Registration Form 1. This is much better performance compared to the annual target of three and previous year's performance of four procedures. The time required to complete each procedure to start a business stagnated around 4 hours in FY 2023/24.

With respect to simplifying processes, UIA set up a one-stop centre (OSC) for business registration and licensing in specific regions to ease the doing of business. An OSC is an inter-institutional project that brings

together all players in one physical location to ease the processes for both local and foreign investors and entrepreneurs, so that they can easily start and operate a profitable business in Uganda. The key institutions at the OSC include URSB, URA, NSSF, KCCA, DCIC, MLHUD, NEMA, NWSC, UNBS, UTB, NIRA and UFZA.

The centre was established to integrate the services of key Government agencies with an online platform that will enable entrepreneurs and investors to access Government services using a single point of entry. This has led to the following improvements in business registration:

- i. Reduced the cost and time of registering business to less than 24 hours to enable investors to quickly register their establishments.
- ii. Increasedinter-governmental collaboration in the handling of business and investment transactions.
- iii. Improved customer experience in key business processing and licensing.
- iv. Developed a robust an M&E tool to track status of investment in the country.

3.2.9 Challenges of strengthening the organisational and institutional capacity

Informality: One key result from this objective (strengthening the organisational and institutional capacity of the private sector) is to reduce informality. The registered under the PSD successes Programme objective of reducing the cost of doing business, where Government has made strides in improving access to affordable credit, should reflect under this objective as growth in registered enterprises as well as increased productivity and employment. The challenge, however, is that the design of these interventions has not comprehensively accommodated the transition from being a member of a registered SACCO into a formalised business.

Uganda's private sector is comprised of over 90% MSMEs, the majority of which are informal enterprises. Although the NDP III target was to have the percentage of the informal sector at 48.1% in FY 2023/24, the percentage was reported at 54.3%, implying an increase in the informal sector. This simply means that informality continued to be a challenge affecting the performance of private sector entities in Uganda.

When the majority of the enterprises operate informally, it results, among others, in a low revenue-to-GDP ratio; limited access to Government's programmes, including SBRF, by informal businesses; and high costs of doing business due to difficulties in obtaining affordable credit. For instance, the percentage of SME borrowers as a share of total borrowers (Tier 1-3) was 2.1% lower than the NDP III target of 2.5% for FY 2023/24, primarily due to high levels of informality.

There is high demand for BDS across the private sector compared to the targeted PDM, *Emyooga* and other beneficiaries of Government credit products. The delivery of BDS through trained ToTs is currently threatened by continuity. BDS providers like District Commercial Officers should be onboarded to deliver similar services as ToTs as part of their schedules, rather than always expecting parallel funding to implement the acquired knowledge and skills. When follow-ups are made on how many entrepreneurs have been reached, the finding is always that budget constraints

are the reason for not delivering BDS at the district, sub-county and parish levels. However, currently there is an effort to include District Production Officers (DPOs) to accelerate BDS at the district since they seem to have a budget, compared to DCOs.

There is inadequate financial, technical and physical capacity at MTIC to regulate and measure the provision of BDS. This has led to weak coordination of BDS activities across different MDAs and private sector players, and the implementation of the National BDS Framework has remained challenging.

There is, therefore, a need for the Ministry of Trade, Industry and Cooperatives to enhance its capacity to regulate, measure and report on the provision of BDS countrywide for purposes of tracking progress in regard to the provision of BDS and simplify the implementation of the National BDS Framework.

3.3 Objective 3: Local content in public programmes

The rationale for this objective is to ensure that a person using public money or utilising Uganda's natural resources or carrying on an activity requiring a licence prioritises Ugandan citizens, Ugandan and resident companies. Additionally, this objective intends to realise skills and technology transfer to Ugandans; and to provide for the supervision, coordination, monitoring and implementation of local content in Uganda.

The procurement of goods, services and works by Government is a key policy tool that governments the world over use to advance socio-economic goals as a global development agenda. In the Ugandan context, more than 60% of the national budget is expended through public procurement processes. In spite of this expenditure, studies have shown that only a small section of citizen-owned businesses participate in the process, leaving out a substantial segment of the population through non-inclusion of businesses owned by the youth, women and PWDs. Thus, the Government, through PPDA, created reservation schemes, among others, to promote equity and local content.

The reservation scheme aims at reserving public procurement opportunities for local labour, as well as local goods and services that would otherwise be disadvantaged in competitive bidding processes. This is done through targeting a specified group or community by reserving certain public procurement contracts for their products and services. It is expected that Government will enhance the development of local private sector enterprises, particularly MSMEs that are engaged in the production, supply and manufacturing of locally produced goods and services.

Additionally, through the "Buy Uganda Build Uganda (BUBU) Policy", the Government seeks to increase the consumption and utilisation of local products and increasing participation of the locally established firms in domestic trade. This is also aimed at marketing Ugandan products, which will result in industrial growth, an increase in taxes and employment. The expected resultant outcome is to increase local firms' participation in public investment programmes across sectors with an indicator of "the proportion of the total procurement value awarded to local contractors".

In FY 2023/24, 63% of the total procurements were awarded to local suppliers against the target of 75% and above 48.0% awarded in FY 2022/23. This performance was attributed to weak capacity of local contractors to participate in large public procurements. NDP III lists three broad interventions to achieve this objective:

- Developing and implementing a holistic local content policy, legal and institutional framework;
- ii. Building the capacity of local firms to benefit from public investments; and
- iii. Developing and publicising a transparent incentive framework that supports local investors.

3.3.1 A holistic local content policy, legal and institutional framework

A reservation scheme is an exception to the general rule that public procurement shall be open to all eligible bidders. A reservation scheme serves to exclude potential bidders from participating in a particular procurement by "reserving" the procurement for specified or targeted bidders.

guidelines Approved on reservations schemes are in place and currently in force. A procuring and disposing entity is required to reserve at least 15% of its annual procurement budget for award to registered associations of women, youth, and PWDs. Procurements valued at UGX 30 million or less in Central Government entities shall be reserved to registered associations of women, youth, and PWDs; and procurements valued UGX10 million or less in Local Government entities shall be reserved for the same groups.

The second set of guidelines addressed the issue of resident and local providers. A "provider" is a natural person or incorporated body that is licensed to undertake business activities. A "resident provider" is a provider that is incorporated in Uganda but is not a national provider¹⁴. Some of the exclusively reserved procurement items are uniforms and related clothing materials; medicines and medical supplies; electrical cables and conductors; transformers; motorcycles;

power tiller/walk behind tractors; wood products; and printing and publishing services. The table below summarises reserved procurements by value thresholds.

Table 23: Procurement reserved to national providers by threshold

No.	Category	Value of Procurement (UGX)
1.	Road works	15 billion and below
2.	Other public works	10 billion and below
3.	Consultancy services for design and supervision works	5 billion and below
4.	Other consultancy services	300 million and below
5.	Non-consultancy services	300 million and below
6	Locally manufactured supplies	1 billion and below

PPDA issued regulations to operationalise the amended PPDA Act. These seek to address bottlenecks that deter local providers from participating in public procurement, such as the replacement of bid securities with a bid securing declaration, enhancing the efficiency of the cycle, and providing for sanctions for errant public officers in the procurement cycle. The objectives of the new regulations are:

- 1. To harmonise the PPDA regulations. The Government will henceforth use the same regulations for both Central Government and Local Government entities. The Local Government (PPDA) Regulations of 2006 were, therefore, revoked;
- To create efficiency in the procurement process through the reduction of procurement lead times;
- To promote the use of procurement as a socio-economic tool and to practise sustainable procurement. In other words, all public procurement and disposal activities must now be subjected to scrutiny for Environmental, Social and Health Safeguards (ESHS);
- 4. To simplify procurement and reduce the cost of doing business without compromising quality; and

^{14 &}quot;National provider" means a provider registered in Uganda and wholly owned and controlled by Ugandans, while "local provider" generally refers to a national, resident, or East African Community (EAC) provider, with a preference given to local businesses and SMEs. On the other hand, "foreign provider" means a provider whose business is not registered in Uganda.

5. To provide for procuring and disposing entities sourcing for equipment directly from manufacturers (aviation equipment, medical equipment and agricultural and industrial equipment).

The Uganda National Bureau of Standards (UNBS) plays a key role in addressing certification constraints for local content, thereby enhancing the capacity of local firms to benefit from public investments as well as increase the consumption and utilisation of local products, and increasing the participation of the locally established firms in domestic trade. These interventions will also make locally manufactured products competitive in the regional and international markets. In this regard, UNBS in FY 2023/24 developed standards for the goods and services that are subject to local content as follows:

- The stock of standards increased by 204 from 4,730 as of June 2023 to 4,934 standards during FY 2023/24; and
- 93 Final Draft Uganda Standards (FDUS) are awaiting approval by the National Standards Council (NSC) in April 2024.

UNBS has made strides in developing a system of equating and harmonising international standards with Ugandan standards, e.g., Chinese or European standards, to support local content policy. The international standards are developed through international Technical Committee meetings for (TC) the International Organization of Standardization (ISO), International Electro-Technical Commission (IEC), the Codex Alimentarius Commission, and the American Society for Testing and Materials (ASTM). These TC meetings develop/harmonise standards through the participation of all member states and impact local content by raising the quality of local products to international standards, which not only promotes their consumption locally but also widens the reach of Uganda's products in these markets. The table below highlights some of the internationally acceptable standards that UNBS developed during FY 2023/24.

Table 24: Categories of standards developed in the FY 2023/24

SN	Category of Standards	No. of Standards			
i)	East African Standards	19			
ii)	Codex Alimentarius commission (CODEX) Standards	0			
iii)	International Organization for Standardization (ISO) Standards	17			
iv)	African Organisation for Standardisation (ARSO) Standards	0			
v)	Indigenous Standards	3			
vi)	Amendments ¹⁵	2			
	TOTAL	41			

3.3.2 Capacity of local firms to benefit from public investments

To strengthen the capacity of local firms, PPDA monitored procurements in 107 entities and produced a report on the status of implementation of local content in public procurement; registered 549 new providers and renewed profiles for 1,044 providers on the Register of Providers; and trained 372 local providers on the use of the electronic government procurement system to enhance their competitiveness.

Consequently, 95.88% of the contracts have been awarded to local contractors since the big procurement projects are still under procurement, and when these are completed, it will take the figure closer to the projected value. The Register of Providers currently stands at 8,192 providers, a 33% increase in the participation of local providers in open international bidding (OIB), but with a 58% failure rate on technical assessment. In order to improve the above performance, the PSD Programme shall aim to ensure that all information regarding contract awards is publicly available, especially to the local firms, to enable them to access all relevant information; all bidding processes are competitive; and capacity is built for local contractors to be able to participate in the large public contracts.

¹⁵ Includes 2 amendments; US 249-4: 2019/Amd. 1: 2023, Engine oil — Performance classification; US 2296-6: 2022/Amd. 1: 2023, Skin applied mosquito repellents — Specification — Part 6: Petroleum jelly — Amendment 1

3.3.3 Challenges of promoting local content in public programmes

When suppliers are not allowed to grow organically, and they are allowed to benefit from reservation schemes for long periods, there is a likelihood of crippling efficiency, quality and accepting BDS, and this may consequently affect the quality of the products. This is adduced to by the 58% failure rate on the technical assessment of these companies, as reported by PPDA.

3.4 Objective 4: Role of Government in unlocking investment in strategic economic sector

NDP III identifies a crucial role of Government in unlocking investments in key strategic sectors of the economy. Under this objective, the focus is put on strategic and sustainable Government investment and promoting private sector partnerships in key growth areas; strengthening the research and innovation capacity in support of private and public investment; and implementing regional commitments to accelerate intra-regional trade. The primary vehicle through which this is achieved is supporting investments by Uganda Development Corporation (UDC), whose mandate is to make long-term investments in strategic sectors of the economy in order to stimulate industrial and economic development and thus spur private sector growth. NDP III identifies the following key outcomes from these efforts:

- Regionally balanced key strategic public investments planned and developed to spur private investment in key growth areas; and
- ii. Increased use of research and innovation instruments by the private sector.

The programme's performance in respect of the above outcomes is presented below.

3.4.1 Regionally balanced key strategic public investments in key growth areas

The PSD Programme seeks to achieve regionally balanced key strategic public investments planned and developed to spur private investment in key growth areas.

Table 25: Actual performance against targets for regionally balanced key strategic public investments in key growth areas

	Actual	FY 2023/24	
Indicators	2022/23	Target	Actual
Number of new private investments by UDC	15	12	2
Total private sector investments facilitated by PPPs arrangements	1	10	37
Proportion of domestic private sector investment (%)	24.0	50.8	49.7

In FY 2023/24, two new private investments were recorded by UDC, against the target of 12. The companies invested in by UDC included Sanga Vet. Chem. Ltd and East African Medical Vitals Limited, bringing the cumulative number of private investments by UDC to 17, up from 15 in FY 2022/23. These include: Soroti Fruits Limited: Mabale Growers Tea Factory; Mpanga Growers Tea Factory; Kayonza Growers Tea Factory; Kigezi Highland Tea Limited; Horyal Investment Holding Company; Bukona Agro Processors: Mutuma Commercial Agencies Limited; Yumbe Fruit Factory; Budadiri Arabica Coffee Mills; Kalangala Infrastructure Services; Nile Hotel International Limited; Munyonyo Commonwealth Resort; Speke Resort Convention Centre; Abubaker Technical Services and General Supplies; East Africa Medical Vitals; and Sanga Vet Limited. The investments cover the agro-processing, tourism and construction sectors.

The total private sector investments facilitated by PPP arrangements stood at 37, against the target of 10 and above the previous year's performance of only one company. On the other hand, the proportion of domestic private sector investment was recorded at 49.7%, which is below the target of 50.8% and above the 24% recorded in FY 2022/23. Furthermore, the PSD Programme, through UDC, registered the following achievements in FY 2023/24:

Performance of operational investments:

UDC investee companies directly employed a total of 4,194 staff as at the end of FY 2023/24. In the same period, investee companies off-took 14,629 metric tons of raw materials. The uptake could have been more, but the tea companies could not purchase the abundant green leaf due to the ongoing global tea crisis. The investee company's contribution to households amounted to UGX 6.53 billion. The contribution could have been greater but, similarly, the tea crisis resulted in smaller earnings for farmers.

Export earnings totalling approximately USD 370,878 (USD 237,878 by Mabale Growers Tea Factory, and USD 133,000 by Bukona Agro Processors) were realised during the period under review. Overall export earnings for investee companies totalled USD 3.8 million. The exports could have been more, but tea companies had a depressed market throughout FY 2023/24. Below is a summary of the performance of each of the selected UDC trustees.

Mutuma Commercial Agencies (MCAL): Mutuma Commercial Agencies Ltd (MCAL) is a purely Ugandan established company founded in 1999 in Luuka District, Busoga Sub-region, Uganda. The company has made notable strides in delivering dependable and highcalibre cotton products to its clientele. The company procures seed cotton from over 6,000 farmers and converts it into medical absorbent cotton wool as the main factory product. Other factory products include lint, vegetable oil, and cotton seed cake. The medical cotton wool is marketed under the brand name 'Pearl'.

MCAL has consistently employed over 132 people directly. In FY 2021/22, the factory

employed 145 individuals. In financial year 2022/23 and 2023/24, the factory employed 132 people, respectively. Generally, the uptake of cotton from farmers over the last three years has been improving. In FY 2021/22, the factory purchased only 9.208 metric tons of cotton. In FY 2022/23, about 24 metric tons were purchased, and in FY 2023/24, over 3,130 metric tons were purchased. The sharp uptake of cotton resulted from the new market acquisition by the National Medical Store and Joint Medical Stores.

MCAL has witnessed a significant rise in payment for the cotton supplied by smallholder farmers since 2022. As a result, farmers' income has increased from UGX 61 million in 2022 to UGX 229 million in 2023 and UGX 703 million in 2024. This translates into a remarkable 1,050% growth in income earned by farmers from MCAL.

Mabale Growers Tea Factory Limited: Mabale Growers Tea Factory is located in Kyenjojo District, in the Tooro sub-region. It has two CTC (cut, tear and curl) lines and an installed processing capacity of 1,200 kg of green leaf per hour.

In FY 2021/22, Mabale Growers Tea Factory had 448 direct employees. The following financial year, 2022/23, saw a stable workforce with 447 employees. However, in FY 2023/24, the number of employees decreased to 307, marking a 32% reduction and a decrease of 141 workers. This reduction in employment is primarily attributed to the ongoing international tea crisis, which has led to the decline in demand for tea at the Mombasa, Kenya auction market.

In FY 2023/24, the factory exported a total of processed tea worth USD 933,000, which was less than projected, owing to the tea crisis that hit the tea sub-sector in the last two financial years.

Soroti Fruits Limited (SOFTE): The Government of Uganda partnered with the Korea International Cooperation Agency (KOICA) to establish a fruit processing factory in Soroti District, Teso sub-region. The factory is owned, operated and managed by Soroti Fruits Limited (SOFTE), where UDC owns 80% of the total shares, while Teso Tropical Fruits Cooperative Union (TEFCU) owns 20%.

Since the SOFTE factory was commissioned in April 2020, as at the end of the reporting period, the factory directly employed 97 workers. Most positions are technical, including civil, electrical, and mechanical roles, and people management, financial, and administrative positions. SOFTE has not yet made inroads into the regional or international market for its Teju Juice. However, the company has been exporting concentrates over the past three years. Exports decreased from USD 22,323 in 2021/22 to USD 13,000 in 2023/24.

The sales of Teju Juice under SOFTE amounted to UGX 1.498 billion in FY 2021/22. The sales increased to UGX 1.5 billion in FY 2022/23 and to UGX1.6 billion in FY 2023/24. In FY 2021/22, farmers earned a combined UGX 185 million, which increased to UGX 260 million in FY 2022/23 but reduced to UGX 138 million in FY 2023/24. This reduction was due to the bumper harvest and surplus of fruits in the region.

The gross revenue has been growing since the start of FY 2023/24, having grown by 17.7% in Q2, 31.4% in Q3 and 6.4% in Q4. Ready-to-drink juices are the drivers of revenue, accounting for 90% of the total revenue generated in Q4. Mango PET (300 ml) stood out with increased sales throughout all quarters. This product consistently shows high sales volumes and generates the most substantial revenue among all items. Similarly, the mixed fruit product in Q3 and Q4 shows significant revenue growth, with UGX 130,290,702 in Q4. This suggests successful market reception and potential for further growth, given that it is a new product.

Bukona Agro Processors: Bukona Agro Processors Ltd is located in Lapem Village, Koch-Goma Sub-county, Nwoya District. The company produces denatured ethanol from cassava, sorghum, and molasses. The Government of Uganda, through UDC, invested in the company by acquiring a 40.5% equity stake and providing additional machinery and working capital to enable the factory to commence commercial operations.

The factory has generated direct employment, especially for local communities, registering an increase of 49 jobs (34%) from the

previous financial year. The factory sources raw materials from local farmers, primarily cassava, sorghum, and maize, to produce denatured ethanol and molasses. In FY 2021/22, Bukona purchased 612 metric tons of raw materials. This figure increased to 8,604 metric tons in 2022/23 and 5,465 in FY 2023/24. The increased uptake of these raw materials has significantly contributed to the improved well-being of smallholder farmers by providing them with a reliable source of income through selling their produce to the factory.

Over the past three years, Bukona has consistently supported local farmers by making substantial payments for raw materials. In FY 2021/22, farmers received UGX 637 million, followed by payments of UGX 9 billion in FY 2022/23 and UGX 3.1 billion in FY 2023/24. These substantial payments highlight the factory's positive impact on household incomes.

In the past three years, Bukona's exports have grown substantially, increasing from USD 999,003 in FY 2021/22 to USD 1,652,921 in FY 2022/23 and to USD 2,200,425 in FY 2023/24. This significant increase in export revenue reflects Bukona's continued contribution to the Nothern Region's growth. Notably, the main markets for the products are Kenya, Tanzania, and Rwanda.

Speke Resort Convention Centre (SRCC): UDC partnered with MEERA Investments Limited (MIL) to build a modern International Convention Centre at Munyonyo, Kampala – the Speke Resort Convention Centre (SRCC). SRCC covers a built-up area of 21,677 square metres and has a total capacity of 5,520 people. The conference hall alone can accommodate 3,800 delegates.

By 30th June 2024, SRCC directly employed 250 people. The Conference Centre is nearly complete (98%), and in January 2024, it successfully hosted the Non-Aligned Movement and the G77+ China International Conferences. Over 50 Heads of Government attended the conferences. More importantly, the facility has positioned Uganda as a Meetings, Incentives, Conferences and Exhibitions (MICE) destination in Africa.

Sanga Vet. Chem. Ltd: Sanga Vet. Chem. Ltd is an associate of UDC which specialises in producing veterinary medicines, mainly addressing livestock health issues. Established in Namanve Industrial Park, Mukono District, the company focuses on manufacturing acaricides, which help control ticks and other parasites that affect animals. Their essential products include Sangatraz, Sangasupa, and Sanga Delta, which target ticks, flies, and other vectors that threaten livestock health.

Sanga Vet. Chem. Ltd directly employs 78 people, mostly Ugandan nationals. Sanga Vet. Chem. Ltd is part of Uganda's broader

effort to reduce dependence on imported animal health products, ensuring that local solutions are available to combat livestock diseases more effectively.

3.4.2 Challenges of strengthening the role of Government

The biggest challenge in implementing this objective has been the funding and partnership of Government with these ventures without being guided by the public investment guidelines of profitability and feasibility, indicating both the financial and social benefits prior to investments.

3.5 Objective 5: Enabling environment and enforcement of standards

This objective of the PSD Programme aims at strengthening the enabling environment and enforcement of standards by improving the conditions required for the private sector to operate competitively. The key outcomes of this objective are:

- Standards developed and/or enforced;
- Increased accessibility to serviced industrial parks;
- Increased accessibility to export processing zones;
- Increased formalisation of businesses;
- Improved availability of private sector data; and
- Adequate system for private sector complaints resolution in place.

The following are the achievements registered during FY 2023/24 in respect of the above outcomes.

3.5.1 Development and enforcement of standards

Through UNBS, the PSD Programme aims at developing and promoting standardisation, quality assurance, laboratory testing and metrology to enhance the competitiveness of local industry and, subsequently, strengthen Uganda's economy and promote quality, safety and fair trade. Quality includes all product attributes that influence its value to consumers, whereas safety includes all measures intended to protect human health.

UNBS is the custodian of the principal seal of quality in Uganda, the Q-Mark (Distinctive Mark). The Q-Mark provides consumers with the assurance that products meet standard requirements and are safe and fit for purpose. The process of granting a

Q-Mark involves standard development, testing for conformity, the calibration of industrial equipment, and import inspections to protect the local market from sub-standard products.

In FY 2023/24, 6,082 product certification audits were conducted and 69 systems audits were done at industries to assess their processes and systems; 3,253 product certification permits were issued; 19,697 samples were tested in the UNBS testing laboratories; and 3,160 pieces of industrial equipment were calibrated. The calibrations offered enabled a number of large, medium, small and micro-firms to effectively control manufacturing processes and certification requirements, in support of SME development and export promotion, as well as local content promotion.

UNBS also undertakes assessment of industry processes and systems. Prior to issuance of the Q-Mark (Distinctive Mark), UNBS has to conduct field audits to assess the suitability of the applicant in terms of hygiene and production area, among others.

The annual change in products certified by UNBS was 1.3%, a performance lower than the target of 10% and the previous year's performance of 16%. The main reason for the decline in performance was that many applications in the certification system were still pending completion of the certification process as they awaited on-site audits, the return of corrective actions or test reports for files to progress to completion. The other factor responsible for this performance is the budget cuts which affect timely audits, gap analysis and mentorship activities.

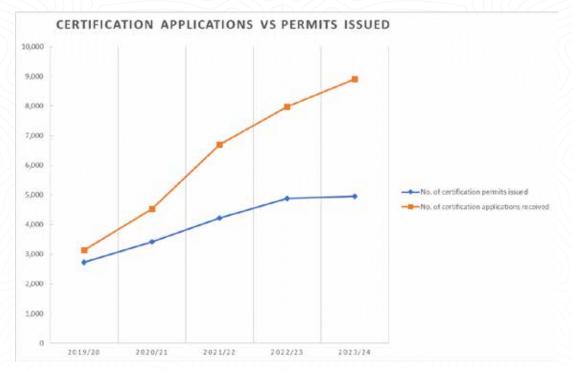


Figure 1: A graph showing issued permits against certification applications at UNBS

The above graph shows an increasing gap between the certification applications received and the issued permits over the years. The increasing gap between the two trend lines indicates a risk of our economy being a net importer from the regional players.

The number of certified products accessing foreign markets exceeded the target by 8.7% (5,980 against 5,500). This was attributed to compliance by certified companies participating in the exportation of goods to regional and international markets.

The number of sub-standard goods tracked and destroyed (no. of seizures) was below the target (653 against 1,100). This is because the scale of inspections was lower due to limited resources. In FY 2023/24, UNBS conducted 2,453 market inspections, which resulted in 653 seizures where approximately 11,177.223 metric tonnes of sub-standard products were seized. Seizures were made from shops, hardware shops, distribution outlets and supermarkets, manufacturing facilities and distribution trucks, among others. Sixty-three (63) facilities were sealed off for producing uncertified products and/ or producing products under unhygienic conditions, or possessing non-conforming products.

Table 26: Actual performance against FY 2023/24 targets for standards developed and/or enforced

Indicator	FY 2022/23	FY 2023/24	
	Actual	Target	Actual
Annual change in products certified by UNBS (%)	16	10	1.3
Number of certified products accessing foreign markets	4,942	5,500	5,980
Number of counterfeits tracked and destroyed (no. of seizures)	655	1,100	653

To actualise this objective, the PSD Programme member agencies undertook the following interventions:

3.5.2 National conformity assessment system

Supporting the national conformity assessment system to attain and maintain international recognition through accreditation is one of the PSD Programme planned interventions intended to strengthen the enabling environment and enforcement of standards.

Maintenance of accreditation implies that a country's standards body annually subscribes to the international accreditation body which, in Uganda's case, is the South Africa National Accreditation Services (SANAS). SANAS is mandated to assess the country's standards quality management system (including competence of staff who regularly participate in proficiency testing; updated testing methods; staff trained in recent developments; equipment must be calibrated; equipment must be well maintained and serviced and must be of the latest technology; must have a well-maintained environment, especially the microbiology laboratory, etc.). This is an important effort in ensuring that the Bureau never slips on any of all the assessed metrices as any decline in assessment would jeopardise the country's access to external markets.

UNBS specifically undertook the following initiatives aimed at maintaining and expanding the existing scope for accreditation to ensure recognition of UNBS certification services, testing and metrology services, as well as inclusion of imports inspection, market surveillance and legal metrology.

- 1. Maintenance of the accreditation for International Organization for Standardization (ISO) Management systems certification services by the South African National Accreditation System (SANAS) since 2019. UNBS currently holds a valid accreditation for ISO 9001:2015 and ISO 22000:2018, and this was re-affirmed on 24th December 2021 following the SANAS remote assessment that took place in November 2021.
- 2. Maintenance of accreditation of four laboratories, i.e., the Microbiology Laboratory, the Chemistry Laboratory, the Mass Metrology Laboratory, and the Engineering Materials Laboratory.

- An application was made for electrical laboratory accreditation, and the process was ongoing by the end of the year under review.
- The National Metrology Laboratory will apply for accreditation for FY 2024/25 after moving to the new premises, i.e. from Nakawa to the newly constructed premises in Bweyogerere.

In addition, UNBS offered a range of services in support of MSMEs development, which included: gap analysis; tailored guiding workshops; on-site technical guidance; product development and testing; and certification of products/services. In the year under review, 480 SMEs were provided with technical advisory services, 310 MSMEs were visited on-site for mentorship and gap analysis, and 170 MSMEs were provided with certification advisory services.

In FY 2023/24, 236 auditors were trained for the maintenance of competence and registration, in fulfilment of accreditation requirements.

3.5.3 Testing capacity and the laboratory recognition scheme for private and Government laboratories

UNBS has four laboratories at headquarters, namely the Chemistry Laboratory, the Microbiology Laboratory, the Engineering Materials Laboratory, and the Electrical Engineering Laboratory. However, these laboratories are unable to support the applications received. Arising from the constrained testing capacity, UNBS explored the provisions in its regulations of establishment that recognise other, private laboratories which have the capacity to conduct testing services for the private sector. Currently, there are 22 private and Government laboratories¹⁶ recognised by UNBS, which have reduced the load on the Bureau, enabling it to reduce the turnaround time for standards development, certification, calibration, verification, testing, imports inspection and market surveillance to improve the competitiveness of Uganda's products.

¹⁶ https://www.unbs.go.ug//content.php?src=scope-of-unbs-recognised-laboratories&pg=content

Table 27: UNBS turnaround time (TAT) for key services

Activity Description		Current TAT	Target TAT
Standards	Development of standards	6 – 24 months	12 months
Certification	Certification of products and services	6 – 12 months minimum	30 days
Testing	Testing and issuing test reports	issuing test days	
Calibration -NML	Carry out calibration on site including calibration certificates	21 days	14 days
Verification -LMD	Initial verification of new weighing and measuring equipment	Over 6 months	1 – 3 days
	Portable equipment	Over 6 months	1 day
	In service verification of weighing and measuring equipment (immoveable)	Over 6 months	1–10 working days
	Weighbridge	3 months minimum	1month
Market surveillance	Responding to complaints in the market	Over 30 days	1day
Imports	With CoC/ CRW	Max 3 hrs	Seamless release (1hr)
inspection	Without CoC/ CRW	21 days	1 day

3.5.4 Harmonisation of standards institutions, and policies at local and regional levels

In a bid to harmonise legal metrology procedures and processes in accordance with EAC and other regional agreements to minimise technical barriers to trade (NTBs), the amendment of the Weights and Measures Act is ongoing. A report by the Law Reform Commission was concluded and the draft was attached and forwarded to the Minister of Justice and Trade.

3.5.5 Tracking and elimination of substandard goods and services

To protect the market from cheaper substandard goods and services which distort fair competition, UNBS tracks such products through imports inspections and market

surveillance activities. This is intended to prevent sub-standard goods from entering the country that would have otherwise been detrimental to the health and safety of Ugandans and the environment.

In the year under review, 211,638 imports inspections were conducted, and out of these, 82,083 were pre-export verification of conformity (PVOC) inspections and 129,555 were destination inspections (DI). In addition, 2,144 market outlets were inspected and 653 products were seized and destroyed.

3.5.6 Development of new standards in line with products and services innovations

Standards development is a continuous process which is demand-driven. Hence, in FY 2023/24, 204 Ugandan standards were developed; 111 were approved by the National Standards Council; and 93 Final Draft Uganda Standards (FDUS) are also awaiting approval by the National Standards Council (NSC) on 30th June 2024. The Bureau currently has a stock of over 4,812 standards, the majority of which are international standards adopted to facilitate trade.

Field experience of standards in the market: The following section of the report illustrates the practical scenarios that lend credence to the prominence of standards along the entire value chain:

The Republic of South Sudan rejection of Ugandan non-conforming milled maize flour and maize grains.

- 1. The Republic of South Sudan is a key trade partner of the Republic of Uganda and a major destination for locally manufactured Ugandan products, in particular food and food products. This has significantly promoted local manufacturing and exportation due to the readily available market.
- 2. However, there has been a recurrence of rejected consignments of milled maize flour and maize grain by the South Sudan National Bureau of Standards (SSNBS) on the basis that they do not meet the requirements of the applicable compulsory standards specifically based on the harmonised EAS 44:2019 and EAS 2:2017, respectively.

- o UNBS recently undertook laboratory testing of 38 consignments at the Gulu Regional Laboratories, and the laboratory test results obtained indicate that 14 consignments do not meet the requirements for total aflatoxins and aflatoxin B1, a failure rate of 36.8%, which is significantly high considering that all the tested brands are enrolled onto the UNBS product certification Furthermore, scheme. the failed parameters are critical to consumer health (details in Annex A).
- 3. The consignees of the re-imported commodities that do not meet the requirements of their standards, in conjunction with the millers, have submitted their requests to undertake downgrading and re-processing of the same. The Imports Inspection Department is undertaking due diligence to ensure that all declared re-imported brands are traceable to the millers who acknowledge ownership of the same.
- 4. Furthermore, there is the question of handling other consignments that have been and are continuing to be rejected but still have to undergo conformity assessment.
- 5. In light of the above background, the Imports Inspection and Certification and Marketing Departments need to be strengthened to monitor and support all millers whose products do not meet the standard requirements.
- 6. All millers and exporters of nonconforming consignments to be subjected to prosecution. This will act as a deterrent measure aimed at restoring sanity in the sector.
- 7. All re-imported consignments to be subjected to necessary conformity assessment processes, including sampling and laboratory testing at the cost of the importers/millers, as was previously done.

3.5.7 Access to serviced industrial parks

This intervention aims at establishing integrated industrial infrastructure and services in one location with all the required utilities, i.e., land, electricity, industrial water, a waste disposal and management facility, ICT infrastructure, roads and modern lighting systems, parking facilities etc. The importance of industrial parks in facilitating investors to set up manufacturing facilities for efficient and low-cost production of goods and services both for local consumption and for export cannot be overemphasised.

A UNDP Background Paper of February 2024, that looks at "The Role of Industry Parks in the Local Economy: The Case of Small and Medium Enterprises (SMEs) in Ethiopia", highlighted the prominence of industrial parks in Asian economies, where MSMEs are the driving force of their respective economies, accounting for an average of 97% of all enterprises and 69% of their labour force and the increased FDI inflows. In ASEAN countries, productivity growth is mainly determined by the performance of individual firms in their respective countries, mainly the SMEs. In fact, aggregate productivity is shaped by either enhanced capabilities for productivity growth within all firms in the country or reallocation of resources between SMEs which results from business dynamics.

The growth direction of Uganda provided by the ATMS is significantly hinged on value addition and industrialisation. which can be enabled through industrial parks. Accordingly, we observe that in FY 2023/24, the number of businesses using the industrial parks (operational) stood at 307, against the target of 214. Out of the 628 companies that have been allocated land, 307 (**49%**) are operational and 31% are in the construction stages. This indicates that the industrial parks are quite active, with 80% of the companies allocated land either operational or fast-tracking construction in order to get operational and provide employment. The chart below illustrates the status of companies allocated land in industrial parks.

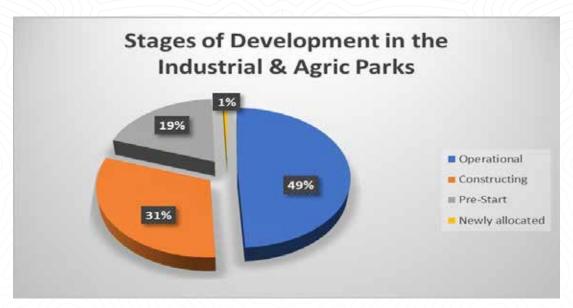


Figure 2: Percentages for the different stages of development in all industrial and agricultural parks

Under this intervention, UIA signed a Memorandum of Understanding (MoU) with BHM Construction International (UK) Ltd for feasibility studies and infrastructure development of the industrial parks located in Kisoro, Nebbi, Pader and Rukungiri Districts and submitted the feasibility studies after acquiring NEMA ESIA approval. Draft pre-feasibility studies conducted together with the National Planning Authority (NPA) for the preparation of feasibility studies for three established industrial parks located in Kasese, Soroti and Jinja were reviewed.

Awareness activities are underway by UIA, which trained DCOs in the districts of Kyankwanzi, Kiboga, Kapchorwa and Kisoro on Domestic Investment Facilitation and Business Linkages.

Economic impact of industrial parks: Of the **628** factories within the various industrial parks, a total of **159,959 jobs** have been created (both direct and indirect), with a total capital investment of **USD 4,183,858,651** invested by those companies that are operational. Of this amount, Kampala Industrial and Business Park (KIBP) Namanve Investments contributes over USD 2.4 billion.

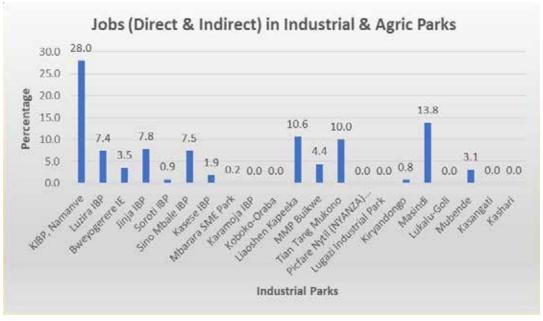


Figure 3: Total employment provided in the industrial and agricultural parks

The bar graph above indicates the percentage of total jobs (direct and indirect) created by industrial parks, both Government and private ones, including agricultural parks. Out of the total 159,959 jobs created, Kampala Industrial and Business Park (KIBP), Namanve contributes 28% of the employment, which translates into over 44,700 workers.

The factories located within the industrial parks are spread across different sectors, with the majority accounting for 46.7% in the manufacturing sector, as shown in the bar graph below.

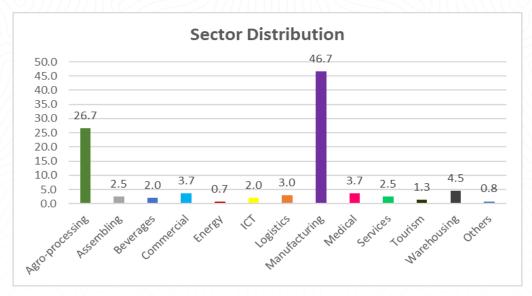


Figure 4: Distribution of investment sectors in different industrial and agricultural parks

Current infrastructure development status in KIBP, Namanve: The Government of Uganda, through UIA, finalised the euro 246 million loan agreement for infrastructure and utilities development in the KIBP, Namanve. Furthermore, GoU, through MoFPED, entered into a Memorandum of Association (MoA) with Lagan Group Ltd, UK in a joint venture with Dott Services Ltd (LDJV) on 28th March 2018 for the development of infrastructure at KIBP under contractor-facilitated financing arrangements.

The purpose of the project is "to develop critical infrastructure at the Kampala Industrial and Business Park, Namanve". Under the MoU, LDJV completed a pro-bono feasibility study in July 2018. The cumulative progress of the infrastructure project as at June 2024 stood at 30.51%.



Ongoing works at the KIBP infrastructure project.

3.5.8 Access to Export Processing Zones (EPZs)

The PSD Programme was charged with ensuring increased access to Export Processing Zones (EPZs). During the year under review, 41 firms accessed EPZs, which was above the target of 35 firms and the previous year's performance of 31 firms. The improved performance is attributed to the efforts illustrated below:

Attracting private Free Zone developers and operators: UFZA licensed six (6) new developers and operators during the period under review. By the end of the FY 2023/24, the total number of Free Zones (41) licensed by UFZA were privately owned Free Zones. During this period, 83% of the total number of private Free Zones enterprises were operational (34 out of the 41).

Table 28: The licensed Free Zones in FY 2023/24

No	Free Zone	Location
1	Master Grain (U) Limited	Buikwe District
2	Image Coffee Limited	Ibanda District
3	YAKO Uganda Limited	Mukono District
4	GOCTA Workwear (U) Limited	Luwero District
5	Inspire Africa Establishment Limited	Ntungamo District
6	Kasanda Sugar Limited	Kasanda District

Construction works at Entebbe International Airport Free Zone: UFZA is currently setting up a Public Free Zone at the Entebbe International Airport. The Free Zone will offer on-site industrial infrastructure serviced commercial facilities to facilitate operators mainly targeting exports through Entebbe International Airport. UFZA has so far received applications for 4 production units. These projects are expected to invest USD10 million, create 753 jobs and generate USD113 million in export earnings.

Attracting new investments into Free Zones to the value of USD 200 million: The actual private capital investment generated by Free Zones in the nine months ended 31st March 2024 was USD 41,953,229. The investments were driven by reinvestments in commercial agriculture and manufacturing activities. Free Zones invested in the acquisition of plant and machinery, and equipment,

in addition to the installation of metallic green houses, and utilities. The cumulative capital investment in Free Zones stood at USD 2.01 billion by end of Q3 FY 2023/24.

The Uganda Free Zones Authority (UFZA) anticipated that 10,000 new jobs would be created in FY 2023/24. The total number of workers grew by 13% in FY 2023/24, to 11,903 workers from 10,523 in FY 2022/23, translating into 1,380 new jobs. Employment levels were driven by reinvestments in horticulture and manufacturing activities in Free Zones.

Extension of infrastructure activities in Buwaaya, Mubende, Hoima, Jinja, Soroti, Kasese undertaken: UFZA is in physical possession and occupation of the Free Zone land at Kasanje Buwaaya in Wakiso District. Security and land caretaking services were provided.

UFZA also installed additional border markers in Jinja, Kasese and Soroti. The process of titling the Free Zone land in Soroti (20 acres), Kasese (20 acres) and Jinja (20 acres) is ongoing.

The Terms of Reference (ToR) for boundary opening and surveying of 100 acres of land for the development of a Public Free Zone in Mubende District were prepared. The survey exercise is expected to facilitate the titling of the land in Mubende to enhance the development of the Public Free Zone to boost exports in the region.

Acquisition of Free Zones land: UFZA acquired 4,460.363 hectares (11,021.79 acres) of land in Kaweweta, Nakaseke District for the development of a multipurpose Public Free Zone. The planned Public Free Zone is expected to attract over 2,110 domestic and foreign private enterprises, contribute USD 2.11 billion national export earnings annually and creating over 211,000 direct jobs. Securing of a leasehold certificate of title commenced with the signing of a 49-year lease agreement between UFZA and the Uganda Land Commission on 23rd January 2024. Processing of the certificate of title is ongoing in liaison with the Uganda Land Commission.

Seventy-nine acres of land in Kumi District were surveyed to facilitate the establishment of an Export Processing Zone (EPZ) in the district. The survey exercise will facilitate the titling of land and declaration of the area a Public Free Zone to facilitate infrastructure development.

Increasing the value of export from Free Zones by 10%: Local purchases and subcontracting expenses (imports from the Customs Territory of Uganda) were UGX 77.3 billion in the six months ended 31st December 2023. This was an increase of 9% from UGX 65.9 billion over the same period in 2022. The items purchased included industrial and agricultural chemicals, fertilisers, packaging materials, food items, construction materials, utilities, office supplies, irrigation materials, and electrical fittings, among others.

Regional Legal and Regulatory Framework guiding Special Economic **Zones:** The draft East African Community Special Economic Zones (SEZ) Regulations were developed following the adoption of the EAC SEZ Policy by the EAC Council of Ministers in February 2023. The EAC SEZ Regulations are expected to be adopted in the 44th meeting of the Sectoral Council on Trade, Industry, Finance and Investment by June 2024. These SEZ Regulations will enhance the development of Special Economic Zones in Uganda and enhance attraction of developers to Special Economic Zones and position Uganda to promote both import substitution and export promotion in Free Zones.

The Regulations will widen the application of the Free Zones Act 2014 to provide for more Special Economic Zones and increase Uganda's competitiveness and ability to harness the opportunities presented by the trading blocs, including the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Africa Continental Free Trade Area (AfCFTA).

Other interventions to increase capacity utilisation of Free Zones: To promote EPZ products in identified high-opportunity markets and link EPZ operators to foreign buyers, UEPB, in collaboration with UFZA, assessed the export readiness of EPZ operators.

This activity was undertaken with Development Partners and the following initiatives were carried out:

- UEPB working with the Trade Facilitation Office (TFO) Canada improved the export training manual, undertook the training of 50 trainers from across the country, trained 112 SMEs and supported 10 value-adding SMEs to participate in Anuga 2023, in Germany, in October, to showcase a range of processed food products, including coffee, tea products, dried fruits, fruit juices and puree. Eighty percent of the companies that were supported to go to Anuga¹⁷ were women-led.
- UEPB working with TFO Canada and AWAN Uganda – has linked up to 10 women exporters to eight buyers from Canada, Germany and the Netherlands.
- UEPB coordinated Uganda's participation in the International Horticulture Expo 2023 Doha from March to October 2024. The activity targeted flower exporters (who are EPZ operators), among others. However, the country's participation programme was not fully implemented due to lack of funds. Nevertheless, over 50 business, tourism and investment opportunities were identified. Discussion with eight buyers - for coffee, tea, fruits vegetables (especially avocado, sweet potatoes and bananas), maize and millet flour - are in advanced stages, with first orders expected before close of the financial year. This is subject to finalisation of the Halal certification.
- UEPB, in collaboration with MTIC and the Embassy of Uganda in Beijing, coordinated Uganda's participation in the China International Import Expo (CIIE) 2024. Four companies, including Star Café Ltd, were facilitated to participate in the event and have identified buyers.

Anuga is the world's largest and most important trade fair for food and beverages, as reflected by the continuous strong participation. The fair attracted around 140,000 trade visitors from 200 countries, and approximately 7,900 exhibitors from 118 countries, and Uganda was among the exhibiting countries. Under the key theme "Sustainable Growth - moving towards a more sustainable food future together with the industry", the fair's focus was on sustainability and responsible use of resources. The theme resonated well with our country's aspiration of being the regional food basket as well as created the momentum towards the achievement of the Agro-industrialisation Programme under the Third National Development Plan (NDP III).

Pictorial









Suphianah Investment

Busaino Fruits and Herbs

Yildi Enterprises Ltd







Some of the companies supported by UEPB showcasing their products at Anuga Trade Mission.





In Metro Wholesale Supermarket meeting the Purchasing Manager, with the Market Consultant at the extreme right.

3.5.9 Availability of private sector data

The PSD Programme intends to see improved availability of private sector data, measured by, among others, the number of data requests to the MSME Database, as well as the number of reports and policy briefs developed.

During the year under review, 24 reports and policy briefs were developed, which was

lower than the annual target of 75 reports but above the previous year's performance of only five reports. EPRC normally publishes 12 reports/briefs annually. So, in FY 2023/24 they doubled their effort, but the target of 75 reports was overly ambitious. The number of data requests to the MSME Database stood at 200, which is lower than the target of 300. This performance is attributed to lack of data from the DCOs.

Table 29: Actual performance against targets for improved availability of private sector data

INDICATOR	ACTUAL 2022/23	TARGET 2023/42	ACTUAL 2023/24	Responsible Institution
Number of data requests to the MSME Database		300	200	MTIC/UIA
Number of reports and policy briefs developed	5	75	24*	MoFPED

Below are some of the interventions and actions undertaken by the various PSD Programme institutions to improve the availability of private sector data.

New evidence generated to inform and influence policy and practices: The research conducted in this area was initiated by EPRC researchers, either independently or in collaboration with strategic partners, to generate new evidence aimed at informing and influencing policy. This included primary surveys and contributions to the Centre's flagship publications, such as The Ugandan Economy Today, The Business Climate Index, and The Agricultural Finance Yearbook.

Monitoring Uganda's Business Climate: EPRC continued to track and analyse Ugandan business managers' perceptions of current and expected business conditions over the next three months to gauge their impact on economic developments and the business environment. The findings were published quarterly in the Business Climate Indexes, which provided valuable insights to policymakers in both Government and the private sector about economic trends and future business expectations. During the reporting period, four quarterly bulletins were released. It was also decided to refresh the business sample, and increase its size, starting in FY 2024/25.

Mitigating the socio-economic impacts of COVID-19 and promoting postpandemic resilience in Uganda project: The project was part of the COVID-19 Responses for Equity (CORE) Initiative, a three-year effort set to conclude in January 2024 but extended to February 2024 for further community engagement in Mbale and Fort Portal. It assessed the effectiveness of Government interventions for MSMEs, contributed to designing the Small Business Recovery Fund (SBRF), and identified improvements needed for business resilience. During the review period, the project produced one research report and two policy briefs, conducted capacity strengthening for policymakers, and held one national and two regional dissemination events.

Assessment of the Small Business Recovery Fund (SBRF): The Government established SBRF, valued at UGX 200 billion, to support small businesses in recovering from the COVID-19 pandemic. By June 2024, 31% of the fund had been disbursed. This study was undertaken to interrogate the low uptake of the Recovery fund. The study identified barriers to access and proposes improvements for future funds. It offered insights into effective and ineffective aspects of the fund's implementation and suggested recommendations for refining the fund's accessibility and design.

Assessment of the implementation of the Parish Development Model (PDM): In one of the first attempts to evaluate or assess the performance of wealth creation funds, EPRC started with an assessment of the Government's PDM initiative that seeks to improve the livelihoods of 3.5 million households in Uganda by promoting enterprise development and financial inclusion. In the year under review, EPRC was able to develop survey instruments to be administered to (i) Parish Chiefs; (ii) enterprise groups/SACCOs; and (iii) beneficiary households. The Centre was also able to draw up a fieldwork plan and budget. In addition, the Centre presented preliminary findings and the fieldwork plan to the Directorate of Economic Affairs (DEA) of MoFPED in March 2024. A followup meeting was held to address issues of

Global policy questions relevant to Uganda studied: EPRC's research has addressed not only national but also global issues and policy questions pertinent to Uganda. During the year under review, the Centre engaged in collaborative research with international agencies, think tanks, and universities. Several multi-country studies were conducted, and those affecting the private sector have been summarised below:

representation. Completion of the study is

expected in the year 2024/25.

of Identification market access under opportunities the African **Continental** Free Trade Area (AfCFTA) agreement for Uganda: AfCFTA provides African countries with opportunities for expanded markets. However, a country's success depends on its readiness and ability to identify competitive sectors, as well as select the best products and markets for export. This study aimed at assisting Uganda in maximising benefits from the AfCFTA agreement by identifying products, sectors, and markets for its exports within Africa. It analysed market access conditions, pinpointed the most promising export commodities destinations for Uganda, and estimated the potential job creation if Uganda fully leveraged its export opportunities within the AfCFTA area. The study found that the EAC and COMESA are the leading destinations for Uganda's

exports, accounting for about 35 and 46%, respectively, of the market share. The top products identified include coffee, cement, sugar, tea, maize, palm oil, milk and cream, and iron and steel products, among others. Exploiting the unrealised export potential under AfCFTA will generate 217,068 direct jobs and 438,461 indirect jobs.

Leveraging the AfCFTA agreement for economic growth and job creation, challenges and possible solutions: The study examines the supportive policies and actions needed from both the Ugandan Government and the private sector to address challenges and risks in fully capitalising on the continental market. Key areas of focus include quality standards, non-tariff barriers (NTBs), logistics, infrastructure, trade facilitation, and import surges. It evaluates how these factors impact Uganda's export potential under AfCFTA and proposes effective strategies for market penetration. The results show that GDP growth and increase in population significantly influenced Uganda's exports. The state of logistics and transport infrastructure, including ports, railways, and logistics services as warehouses, distribution such centres, and customs, plays a significant role in determining the level of exports. Distance plays a major role in trade between Uganda and her African partners, with greater distances leading to lower trade flows. To increase market access for Uganda and State Parties, the continent should improve transport networks and connectivity.

3.5.10 System for private sector complaints resolution

The PSD Programme intends to put in place adequate systems for private sector complaints resolution, to be measured by, among others, the percentage of private sector tax complaints resolved. During the year under review, 12% of the 272 private sector tax complaints filed were resolved, a performance below the annual target of 55% and below the previous year's performance of 74%. This performance is mainly attributed to the challenges that the Tax Appeals Tribunal (TAT) is still facing, which limit its scope of work. These include limited staffing, and the rigid requirement that a TAT ruling must be made by a member equivalent to a High Court judge.

3.5.11 Challenges and emerging issues

There are several challenges affecting strengthening of the enabling environment and enforcement of standards. These include:

Centralised UNBS services and quality infrastructure (Food Safety Laboratories):

Whereas the Bureau has planned to decentralise Food Safety Laboratories, it was only possible to initiate procurement of a consultant for architectural designs and structural drawings, the preparation of bills of quantities (BOQs), supervision, and contract management for the laboratory in Bweyogere. The cost of this became evident when South Sudan blocked the entry of milled maize into their market. The absence of decentralised laboratories forced samples to be returned to Kampala for further testing, exacerbating the cost of doing business.

UNBS services at the regional offices are still insufficient due to understaffing and the shortage of field vehicles for daily operations in the regions. Additionally, certification and market surveillance activities go hand in hand with testing, and there is inadequate specialised equipment in the regions for testing product samples. There is need to allocate more funding to support the UNBS decentralisation project.

Uganda's non-compliance with the EAC legal frameworks: Uganda is a signatory to numerous legal frameworks at the EAC level regarding the operationalisation of SEZs/Free Zones. The Programme learnt that specific laws regarding exemptions from duties on inputs "imported" into the Free Zones are contravened by the tax policies implemented in the interest of revenue mobilisation. These include:

a) Charging domestic taxes such as VAT on goods, utilities and services exported to Free Zones from the customs territory of Uganda contrary to Section 46 (1) of the Free Zones Act 2014, Regulation 14 of the EAC Customs Union EPZ Regulations and Article 29(1) of the EAC Customs Union Protocol.

- b) Charging of Manufacturing under Bond (MuB) licence fees (a domestic charge of equivalent effect under Part XIII of the East African Community Customs Management Act [EACCMA]) in Free Zones which are outside the customs territory and provided for under Part XIV of the EACCMA. This action contravenes Article 28 (2) of the EAC CU Protocol.
- c) Charging of export taxes on goods from Free Zones entered for re-export contrary to Regulation 3 of the EAC Customs Union Protocol EPZ Regulations and Section 2 of the Free Zones Act 2014.

The consequences of this are that investors find the environment uncompetitive and prefer to locate in neighbouring countries, given that we are in a Customs Union and Common Market of the EAC. As all the EAC members gear up to benefit from the various trading opportunities opened up by AfCFTA and the tripartite regional blocs, this is going to be impossible to achieve without enhancing the proportion of manufactured exports, especially through operationalising SEZs/Free Zones. With Free Zones, focus needs to be put on incentivising valueadded manufacturing to increase exports and create jobs. Naturally, increased production will create opportunities for tax harvest in the domestic economy.

Concern for "lost revenue" exemptions of import taxes on goods used in SEZs/Free Zones: The Programme argues that the ripple benefits from establishing an enabling environment include attracting investment by creating a transnational business environment which translates into employment opportunities, transfer, global presence technology through enhanced exports, and income redistribution through especially backward linkages. These compounded benefits have vielded wider bases for revenue mobilisation than what was forfeited.

In FY 2022/23, exports from Free Zones were worth USD 468,999,427, compared to the value of national exports of USD 5.46 billion, representing 9% of total exports.





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