MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

PRIVATE SECTOR DEVELOPMENT (PSD) PROGRAMME

Programme 06

ANNUAL PERFORMANCE REPORT

FY2021/2022

NOVEMBER 2022

Members of the PSD TWGs on an engagement visit to Kyamuhunga Peoples SACCO, who are beneficiaries of the Micro Support Centre (MSC) low credit loans.

The Consortium for enhancing University Responsiveness to Agribusiness Development Ltd (CURAD) at Namanve industrial Park.

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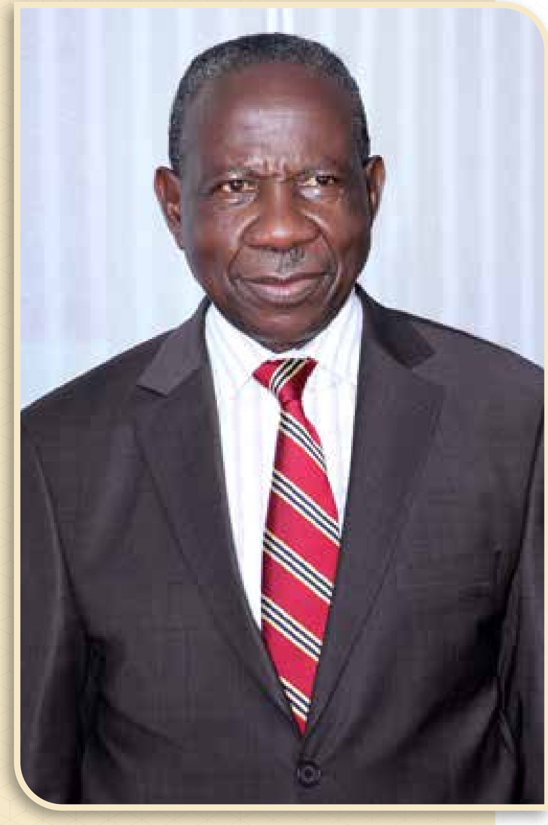
List of Acronyms

ACEs	Area Cooperative Enterprises
ACF	Agricultural Credit Facility
AfCFTA	African Continental Free Trade Area
AUM	Assets under Management
BDS	Business Development Services
BoU	Bank of Uganda
CBT	Cross Border Trade
CEDAT	College of Engineering, Design, Art and Technology (Makerere University)
CIS	Collective Investment Schemes
CLAP	Covid-19 Liquidity Assistance Program
CMA	Capital Marjets Authority
CNC	Computer Numerical Controls
CSO	Civil Society Organisation
CTC	Cut Tear and Curl
CURAD	Consortium for enhancing University Responsiveness to Agribusiness Development
DCOs	District Commercial Officers
DFI	Development Finance Institution
DRC	Democratic Republic of Congo
DSIBs	Domestic Systemically Important Banks
EAC	East African Community
ECGF	Electronically Controlled Gravity Feed
EPRC	Economic Policy Research Centre
FATF	Financial Action Task Force (FATF)
GDP	Gross Domestic Product
GOU	Government of Uganda
ICOGU	Oil and Gas consortium
ICT	Information Communication Technology
IEC	Information Education and Communication
INSOL	Insolvency
IP	Intellectual Property
IRA	Insurance Regulatory Authority
JCRC	Joint Clinical Research Centre
JPC	Joint Permanent Commission
KCCA	Kampala Capital City Authority
KIBP	Kampala Industrial Business Park
LC	Leadership Committee
LCR	Liquidity Coverage Ratio
LG	Local Government
LGFC	Local Government Finance Commission
LIR	Lending Interest Rate
MDA	Ministries, Departments and Agencies
MEMARTS	Memorandum and Articles of Association
MLHUD	Ministry of Land, Housing and Urban Development
MoA	Memorandum of Agreement
MoFA	Ministry of Foreign Affairs
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoICT	Ministry of Information & Communication Technology
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MoSTI	Ministry of Science Technology and Innovation
MoU	Memorandum of Understanding
MSC	Microfinance Support Center
MSMEs	Micro, Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade Industry and Cooperatives
NaSARRI	National Semi-Arid Resources Research Institute
NARO	National Agricultural Research Organization-
NDP	National Development Plan
NGO	Non Government Organisation
NIRA	National Identification Registration Authority
NITA-U	National Information Technology Authority
NPA	National Planning Authority
NTB	Non-Tariff Barriers
OAG	Office of the Auditor General
OBRS	Online Business Registration System
OSCs	One Stop Centres
PCB	Printed Circuit Board
PDM	Parish Development Model
PE	Private Equity
PFIs	Participating Financial Institutions
PIAP	Programme Implementation Action Plan
PPDA	Public Procurement and Disposal Authority
PSD	Private Sector Development
PSFU	Private Sector Foundation Uganda
PVOC	Pre-export Verification of Conformity
PWG	Programme Working Group
R&D	Research and Development
RIA	Regulatory Impact Assessment
SACCO	Saving and Credit Cooperative
SBRF	Small Business Recovery Fund
SFIs	Supervised Financial Institutions
S I M P A, 2019	Security Interest in Movable Property Act, 2019
SIMPO	Security Interest in Movable Property Registry
SIMPRS	Security Interest in Movable Property Registry System
SOTBoda	Ssagula Online Transporters (Boda-bodas Organisation)
TAT	Tax Appeals Tribunal
TBD	To Be Determined
TOT	Trainer of Trainers
TWG	Technical Working Group
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UCMP	Uganda Chamber of Mines and Petroleum
UDBL	Uganda Development Bank Limited
UDC	Uganda Development Cooperation
UEPB	Uganda Export Promotion Board
UFZA	Uganda Freezones Authority
UGX	Uganda Shillings
UIA	Uganda Investment Authority
UIRI	Uganda Industrial Research Institute
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau Standards
UNCST	Uganda National Council for Science and Technology
URA	Uganda Revenue Authority
URBRA	Uganda Retirement Benefits Regulatory Authority
URRO	Uganda Reproduction Rights Organization
URSB	Uganda Registration Services Bureau
USD	United States Dollars
UTAMU	Uganda Technology and Management University
VCS	Value Chain Status
WIPO	World Intellectual Property Organization

Foreword



Hon. Matia Kasaija (MP)

"The Programme aims at increasing the competitiveness of the private sector to drive sustainable inclusive growth. Specifically, the PSD Programme intends to sustainably lower the costs of doing business;..."

The NRM Government is cognisant of the great role the private sector plays in national development. It is therefore in our interest to nurture and grow the private sector and in doing so, we create employment, increase business incomes, increase the tax base, increase our exports and export earnings and subsequently, stimulate national growth and development. With this hindsight, the National Development Plan III and 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 Programme aims at increasing the competitiveness of the private sector to drive sustainable inclusive growth. Specifically, the PSD Programme intends to sustainably lower the costs of doing business; strengthen the organisational and institutional capacity of the private sector to drive growth; promote local content in public programmes; strengthen the role of government in unlocking investment in strategic economic sectors; and strengthen the enabling environment and enforcement of standards.

The FY2021/22 is the second year of implementing the NDP III and the PSD Programme. As the Political Leader of the Private Sector Development Programme, I am happy to present to you the second PSD Programme Annual Performance Report FY2021/22. The report covers the progress achieved against the NDP III targets and actions for FY2021/22, and the challenges experienced in implementing the Programme.

I encourage you to read the entire report for your information. In case of any further contributions and observations, please do not hesitate to give us your feedback by directly contacting me or the Coordinator, Secretariat for PSD Programme 7th floor, Crested Towers, telephone 0414 707508/ 0772 644546, email: anthony.mwanje@finance.go.ug.

For God and My Country

Hon. Matia Kasaija (MP)
Minister of Finance, Planning and Economic Development
Chairperson, Private Sector Development Programme Leadership Committee

Acknowledgement

Ramathan Ggoobi

> *"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...."*

The Financial Year 2021/22 registered a number of successes as well as challenges, giving us an opportunity to reflect, learn the lessons and plan better going forward. This second Private Sector Development (PSD) Programme Annual Performance Report provides details of the key achievements registered and challenges experienced during FY2021/22 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 the NDP III but provides a good basis for building cohesion among the PSD Program players and for communicating key issues of the Programme within its membership and the wider stakeholders.

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 PSD Programme Working Group, Technical Working Groups, PSD Programme Institution Planners and Staff of the Secretariat for the PSD Programme for the collaboration and cooperation in contributing, drafting, validating, quality assuring and finalising this report.

I am looking forward to achieving even better PSD Programme results in FY2022/23, 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 identifies the private sector as the engine of growth. The NDP III further observes that Uganda's private sector is weak and uncompetitive to drive growth and achieve its potential. The key areas of weaknesses include the high cost of doing business; limited management capacities and limited institutional organisation; a weak supporting environment; and weak enforcement of standards and proliferation of counterfeits in the markets. As such, the NDP III underscores the importance of strengthening the private sector capacity to drive growth and create jobs and subsequently, sustainably achieve its goal of increasing the average household incomes and improving the quality of life of Ugandans.

PSD Programme Goal and Objectives

The Private Sector Development (PSD) Programme is one of the 20 NDP III Programmes. The goal of the PSD programme is to increase the competitiveness of the private sector to drive sustainable inclusive growth. The key results of the PSD Programme over the five years of the NDP III are to:

1. **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;
3. **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**[1].

The PSD Programme objectives 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 NDP III and its Results and Reporting Framework stipulate the various outcomes, outcome indicators and targets to be achieved by each of the above objectives over its lifetime. It further outlines the various interventions to be implemented to achieve the desired results.

PSD Programme Institutions and governance structures

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 its goal and objectives. The institutions include Ministry of Trade, Industry and Cooperatives (MTIC); Capital Markets Authority (CMA); Uganda Retirements Benefits Regulatory Authority (URBRA); Bank of Uganda (BoU); Uganda Development Bank Limited (UDBL); Uganda Development Cooperation (UDC); Insurance Regulatory Authority (IRA); Uganda Investment Authority (UIA); Private Sector Foundation Uganda (PSFU); Economic Policy Research Centre (EPRC); Uganda National Bureau of Standards (UNBS); Uganda Registration Services Bureau (URSB); Uganda Free Zones Authority (UFZA); National Planning Authority (NPA); Uganda Industrial Research Institute (UIRI); Uganda Export Promotion Board (UEPB);

[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 the NDP III have been updated to reflect the NDP III figures on page 303 and more so, the performance trend as per the UEPB figures.

Enterprise Uganda; Uganda National Council of Science and Technology (UNCST); Public Procurement and Disposal of Public Assets Authority (PPDA); Ministry of Foreign Affairs (MOFA).

The PSD Programme has three main structures namely; the Leadership Committee chaired by the Hon. Minister of Finance Planning and Economic Development; the Programme Working Group chaired by the Permanent Secretary/Secretary to the Treasury; and Technical Working Groups chaired by Senior Technical Officers from MDA, CSO and Development Partner Organisations.

PSD Programme Performance

Overall, 18 (33%) out of the 55 PSD Programme Outcome Indicators were achieved, while 14 (25%) did not meet the annual NDP III targets for FY2021/22. There was no data for the remaining 23 (42%) PSD programme outcome Indicators as illustrated in the table below.

Objective	Met	Not Met	No Data	Total
Sustainably lower the costs of doing business	6 (38%)	5 (31%)	5 (31%)	16
Strengthen the organizational and institutional capacity of the private sector	4 (20%)	4 (20%)	12 (60%)	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%)	2 (50%)	1 (25%)	4
Strengthen the enabling environment and enforcement of standards	7 (58%)	2 (17%)	3 (25%)	12
PSD programme	**18 (33%)**	**14 (25%)**	**23 (42%)**	**55 (100%)**

The performance of the PSD Programme objective of strengthening the enabling environment and enforcement was relatively better than the rest, with 7 (58%) out of its 12 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 FY2021/22. Below, is a summary of the PSD Programme performance during FY2021/22, covering both the indicators and actions taken for each of the Programme Objectives.

PSD Programme Objective 1: Sustainably lower the cost of doing Business

Lending to key growth sectors: Recognising that bringing down commercial lending rates is likely to take a long time, the government opted to introduce non-commercial lending instruments as a short-term intervention targeting the key growth sectors of agriculture, manufacturing, mining (including oil and gas), infrastructure, tourism, human capital (education and health) and ICT.

By the end of FY2021/22, non-commercial lending to the private sector in key growth sectors as percentage of GDP was 1.25% meeting the annual NDP III target of 1.25% and posting a better performance compared to the previous year's 1%. The change in performance was mainly due to Government's emphasis on reduction of cost of credit to support growth of the key sectors by capitalising Uganda Development Bank with UGX88.5Bn (cumulatively UGX1,080Bn); and Microfinance Support Centre by UGX100Bn.

Private Sector Credit as a percentage of GDP stood at 12.81%, below the FY2021/22 target of 17.6% and the previous year's performance of 15.4%. The lower than targeted and previous year's performance was mainly due to risk aversion of the lenders as exhibited by reduced loan approval rates. Some of the key actions undertaken by the PSD programme institutions aimed at promoting lending to the key growth sectors include:

1. **MSC has so far disbursed seed capital** to a tune of **UGX248.7Bn** to **6,654 Emyooga SACCOs**;

2. URSB enhanced the acceptance and use of the **Security Interest in Movable Property Registry System** (SIMPRS**).** The SIMPRS is now fully functional and Integrated with the motor vehicle registry.

3. Cumulative disbursements under Agricultural Credit Facility (ACF) grew by **UGX74.88 billion** during the year to **UGX694.92 billion** as at June 30, 2022 from **UGX620.04 billion** as of June 2021.

Long-term financing to the private sector by Government owned financial institutions: The total value of outstanding long-term loans (maturity above 5 years) at DFIs as at 30th June 2022 was UGX472.6Bn, below the FY2021/22 annual target of UGX578Bn and previous year's performance of UGX555Bn respectively. Meanwhile, the total value of private equity investments by government-owned financial institutions (UDB) stood at UGX0.250 Bn as at June 30 2022, posting a performance above the annual target of UGX0.22Bn.

Uganda Development Bank (UDB) and Post Bank were capitalized during FY2021/22 to the tune of 88.5Bn and 2.66Bn respectively. UDB continued to mobilize concessional loans through Lines of Credit from potentials financiers and grants for capitalization and capacity enhancement of the Bank. UDB had successfully signed commitments worth USD85,800,000 as at the end of the financial year.

Financing through capital markets: Overall, the PSD Programme performance in respect to increased financing through capital markets was largely satisfactory given that all performance indicators were met above target i.e.: Domestic market capitalization to GDP (%) was 6.5% above the NDP III target of 3.8% and the previous year's performance of 4.5%; Domestic market capitalization grew to UGX7.1trillion, while Domestic market capitalization due to new listings registered a UGX4.7 Trillion performance, in line with the NDP III target of 4.7 and above the previous year's performance of UGX4.3 Trillion. Collective Investment Scheme (CIS) assets under management grew to UGX1.15 Trillion, above the NDP III target of UGX0.61Trillion and the previous year's performance of UGX0.57 Trillion.

As a follow up on implementation of the National Broadband Policy that requires all telecom companies operating in Uganda to list 20% of their shareholding on the local stock exchange, MTN was listed on the Uganda Securities Exchange. To further increase participation in the financial markets, CMA and Uganda Communications Commission (UCC) initiated discussions aimed at enabling other telecom companies to get listed on the local stock exchanges.

Value of formal financial sector savings for private sector investment: During the period under review, Retirement Benefits sector assets grew by 16.9% to UGX18 trillion in 2021 from the UGX15.4 trillion in 2020, accounting for 12.2% (2020: 11.1%) of Gross Domestic Product (GDP).

In the same period, life Insurance Assets to GDP ratio grew by 0.11% from 0.49% in 2020/21 to 0.60% in 2021/22, which was lower than the NDP III target 0.65%. This was mainly due to the effect of COVID-19 on the population's incomes. Life insurance Assets grew from UGX675bn in 2019/20 to UGX816bn in 2021/22. Life insurance in Uganda is growing at a rate of 32.13% as of June, 2022 and that is at a faster rate compared to the non-life insurance which lowered to 2.72%. This is a good indicator for life insurance and follows the trend by most developing countries.

The Insurance Regulatory Authority (IRA) aims at de-risking Agribusiness through Agriculture insurance, provided through the Uganda Agriculture Insurance Scheme run by the Agro-Consortium. In 2021, a total of 75,868 farmers were covered up from 43,661 in 2020 representing a 73.8% growth and generated about UGX20Bn in Gross Written Premiums (GWPs) to the industry.

The Uganda Agriculture Insurance Scheme lowers the cost of doing business by covering the losses suffered by farmers.

PSD Programme Objective 2: Strengthen the organisational and institutional capacity of the private sector to drive growth

Business capacity and local entrepreneurship skills of local enterprises are strengthened through the use, in particular of Business Development Services (BDS). 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 through for example, business advice, mentoring, incubation, training, etc.

During FY2021/22, the National BDS Framework was developed and validated by stakeholders. The BDS Framework describes the country's institutional arrangements for providing BDS to start ups and growth MSMEs, the BDS to be offered, and the delivery approaches to meet the BDS needs of MSMEs. The Framework defines different categories of BDS initiatives to improve targeted business activities and service delivery mechanisms. The construction of the BDS Centre of Excellence also commenced during the year.

According to the Uganda Investment Authority, the percentage of businesses having a business expansion plan in place stood at 40% in FY2021/22 which was above the annual NDP III target of 12% and the previous year's performance of 19.1%. This is mainly attributable to the increase in the number of businesses that registered with URSB that had Business Expansion Plans.

During the year, the Ministry of Trade, Industry and Cooperatives (MTIC) in collaboration with UNDP (SMEs4 Trade Initiative) and USAID Feed the Future Uganda selected and trained 905 enterprises in identifying market opportunities and access. MTIC supported MSMEs to prepare for certification by guiding them and offering technical support on site to enable them close gaps before UNBS comes for its inspection for certification. A number of MSMEs supported and recommended to UNBS have been able to acquire the certification mark.

Membership in chambers of commerce and trade unions: During the period under review, UNCCI freshly recruited 300 members, a performance that was below the annual NDP III target of 700 and the previous year's performance of 10,000. Cumulatively, UNCCI had over 40,000 registered members as at 30 June 2022.

The PSD Programme through MTIC mobilized and sensitized 100 MSMEs on the importance of formalizing and registration of businesses. More businesses have now registered with URSB and URA. Additionally, 33 Artisanal Miners Associations have been facilitated to formalise their business and get their registration certificates as Cooperatives.

Cooperatives enable firms to increase their access to markets, financing, advancement in modern technology, access to BDS services etc. During the year, measures such as training of 24,670 Cooperatives in governance and leadership; and continuous mobilisation of communities to form Parish Development Model Cooperatives; were undertaken to support organic bottom up formation of cooperatives, registration, inspection, and auditing of Cooperative activities. These resulted in registration of 2,227 Cooperatives of various categories.

To strengthen SMEs and industrial associations, MTIC in collaboration with the private sector launched the MSMEs Forum Uganda on 27th June 2022. This forum will identify areas for collaboration towards market access, access to BDS services, financing etc.

UDB had successfully signed commitments worth
$85,800,000

Life insurance Assets grew to
UGX816bn
in 2021/22

... business expansion plan in place stood at
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UNCCI freshly recruited
300
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MTIC mobilized and sensitized
100
MSMEs

trained
24,670
Cooperatives in governance and leadership

Strengthening the Corporate Rescue Framework in Uganda: Trends have changed and now insolvency is looked at positively, giving an opportunity to the debtor to reorganize their affairs while enjoying legal protection to enable them start afresh and smarter. During the year, URSB played a key role in offering advisory services to businesses faced with financial difficulty. This included but not limited to review of the Insolvency Act 2011; holding the 5th Insolvency Conference; and conducting spot visits to insolvency practitioners to assess their compliance levels.

Linkages to regional and global markets: The value of merchandise exports during FY2021/22 was USD3,837m. This was below the annual NDP III target of USD4,234m and the previous year's performance of USD5,279m. The USD1,437m decline is mainly attributed to the performance of gold exports, which declined from USD2,250 in FY2020/21 to nil in FY2021/22 due to the introduction of a 5% levy on processed gold exports. With the exception of gold, merchandise exports increased from USD3,029m in FY2020/21 to USD3,837 in FY2021/22, an improvement of USD808m.

To improve business relations between Uganda and other countries and secure more export markets for Ugandan products, the **Ministry of Foreign Affairs** organized MSMES to participate in a number of fora, including but not limited to the Uganda- Burundi Business Forum; the EAC MSMEs trade fair in Tanzania and Zanzibar; and the Dubai Expo 2020. The fora brought together the business communities in Uganda, EAC, and Dubai to discuss and agree on how to build business partnerships, reduce the cost of doing business and focus on investments in agro-processing, consumer goods, steel and cement for construction of both houses and infrastructural development. The business community participation in the Dubai Expo 2020 increased the visibility of Ugandan products and services and investment opportunities to both Ugandan and UAE based stakeholders.

To promote the backward and forward linkages between SMEs and business associations and Free Zones to access regional and international market, **Uganda Free Zones Authority (UFZA)** trained operators in Free Zones and SMEs on standards and Pre-Export Verification of Conformity (PVoC). In addition, UFZA initiated discussions with the Uganda Small Scale Industries Association (USSIA) to sign an MoU linking SMEs to Free Zones for access to international markets. UFZA also sensitized Uganda Manufactures Association in the Northern region about the opportunities in regard to exporting cooking oil.

MTIC constructed a Cross Boarder Market and established a One Stop Border Post (OSBP) at Mpondwe, upgraded the border infrastructure at Bunagana to facilitate trade between Uganda and DRC as well as established start-up facilities at Busia, Katuna, Luakhakha & Oraba for Value addition and export growth. MTIC further held five Bilateral engagements with the DRC; signed an MOU on Standards; held two Joint Permanent Commission (JPC) meetings with South Africa for Trade and Investment and carried out capacity building on Cross Border Trade.

Automation of business processes: To increase automation and streamline business processes URSB developed an avenue that enables clients submit online, applications for document certification, company resolutions for bank account opening, company and business name document searches, name reservation and business name registration. Clients equally receive feedback online, thus easing the process of doing business.

During the same period, an automated Free Zone Module (FZ9) for application and monitoring of Free Zones goods was operationalised. The FZ9 will lead to improved efficiency for the Free Zones in Customs clearance and so far, twenty-six (26) companies have registered on the system.

MTIC also developed various links that provide information for those intending to import or

> "...merchandise exports increased from $3,029m in FY2020/21 to $3,837m in FY2021/22, an improvement of **$808m**."

export. The Trade portal[2] is continuously updated and the desk information system for DCOs is functional.

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

(UIA), only 10% of MSMEs used services of Research and Innovation facilities, posting a performance that is below the NDP III target of 20% for FY2021/22.

During the year, **t**he **Uganda Industrial Research Institute (UIRI)** provided technical advisory and analytical laboratory services to 251 SMEs i.e. 43 MSMEs were visited onsite for mentorship and gap analysis and 208 MSMEs were provided with certification advisory services. To operationalize Machine Production and Training for Industrial Skills Capacity, UIRI opened a new training centre in Namanve fully equipped with training machines and as a result, at least 300 MSMEs have been trained in new technologies of welding, Computer Numerical Controls (CNC), Printed Circuit Board (PCB), mechatronics, and machine operations.

As a result of strengthened research and innovation capacity in support of private and public investment during FY2021/22, **UIRI** developed high quality sanitary pads from banana and pineapple fibres; and developed a high quality blend of milk-juice beverage which improves the nutrition and palatability of milk.

Access and use of market information systems by the private sector: During the year under review, 3,500 firms used market information systems, a performance that was below the annual NDP III target of 4,500. With the development of the National SME Portal by UIA, numbers are expected to grow.

Access and use of incubation centres by the private sector: Four hundred (400) firms accessed the services of incubation centres, a performance that was below the annual target of 1,000 firms. The SMEs within the incubation hubs were advised on possible investment alternatives and other Business Development Services. Kabale incubation and training centre and Kamwenge value addition and training centre were constructed during the year. These centres will train farmers on how to add value to their produce.

System for starting a business: By the end of FY2021/22, the number of procedures to legally start and formally operate a company were reduced to only 4, which is a much better performance compared to the annual target of 6 and previous year's performance of 8 procedures. The time required to start a business reduced from 4 hours during the last Financial Year, to 3 hours in FY2021/22; and the cost of starting a business (% of income per capita) stood at 0.03% which is lower than the target and last year's performance.

The improvement in performance is attributed to URSB's development of innovative systems and administrative measures to simplify business processes and improve turn-around time of registration. URSB is also developing an Online Business Registration System (OBRS) to support operations. The OBRS will revamp business registration processes, reduce the time and effort required for new businesses to register, improve regulatory oversight by Government and provide the private sector with access to business information that assists in investment decisions.

Other administrative reforms to reduce procedural steps taken to register a company were undertaken e.g., reduction of 30 paged Memorandum and Articles of Association (MEMARTS) to one paged lean MEMARTs format that will simplify the registration process. Some steps have been merged, e.g. payment of name reservation shall only be made at company registration. Introduction of different payment models such as Mobile Money and In-house banking facility reduced movement of clients and improved turnaround time of registration to 3 hours.

[2] The links of these sites are:
- https://ugandatrades.go.ug/
  The Uganda Electronic Single Window
- https://singlewindow.go.ug
- http/ntbtool.mtic.go.ug- NTB reporting system
- http:gltfp.mtic.go.ug

PSD Programme Objective 3: Promote local content in public programmes

There are piece-meal policies and legislations especially in the oil and gas sector to support local content development. It is against this background that this objective was developed, with the expected outcome of increasing local firms' participation in public investment programmes across sectors.

During the year under review, 61% of the sampled contracts by value were awarded to local contractors, of which 6% was awarded to National, while 55% was awarded to Resident firms. This performance was below the annual NDP III target of 65% and the previous year's performance (74%), mainly due to the increase in the contractor funded projects. In absolute terms, contracts worth UGX316 billion were awarded to indigenous contractors during the year compared to UGX118 billion in the previous financial year, registering a 62% improvement.

In terms of number of contracts, up to 10,703 (97%) contracts were awarded to local contractors during the year compared to 11,766 (98%) in the FY2019/20. The Contracts awarded to foreign providers are fewer in number but are of considerably high value.

To develop standards for goods and services that support local content, 428 Ugandan standards were developed by the **Uganda National Bureau of Standards (UNBS)** and approved by the national standards council. These included standards for food and agriculture, engineering, chemicals and consumer products, and management and services. In supporting local producers to attain certification, testing and calibration of services to support local content, 4,225 certification permits were issued by UNBS to 447 MSMEs to help them produce products that meet the standard requirements. During the year, over 6.6m industrial equipment were calibrated, which has enabled a number of large, medium, small and micro firms to effectively control manufacturing processes and meet certification requirements, in support of SME development and export promotion. UNBS ensured the reduction of Certification Fees; provision of Pre-Market & Batch Certification as an interim measure before completing the certification process; and simplification of Technical Standards into easy –to- use Guidelines Translated to Local Languages.

During the period under review, **Uganda Free Zones Authority (UFZA)** developed and disseminated Local Content guidelines for Free Zones, while **Uganda Investment Authority (UIA)** commenced the process of setting up a fund to support local firms to be competitive in the domestic and international markets, with the focus on high valued products. By the end of the financial year, UIA had negotiated and signed an MoU with UDB to offer a stimulus package for SMEs e.g. through clusters to enable SMEs meet the minimum UDB thresholds for lending.

Meanwhile, the **Ministry of Trade, Industry and Cooperatives (MTIC)** partnered with PPDA and Uganda National Association of Building and Civil Engineering Contractors (UNABCEC) to train local contractors in forming consortiums, joint ventures, partnerships and other special purpose vehicles necessary to participate in public investments/ contracts. MTIC also facilitated UNABCEC for a possible partnership with Japan International Corporation Agency, to facilitate technology and skills transfer to uplift the capacity of local contractors.

PSD Programme Objective 4: Strengthen the role of government in unlocking investment in strategic economic sectors

The NDP III identifies a crucial role for government in unlocking investments in the economy. In this role, the PSD Programme is committed to increase government participation in the economy in order to direct development and actively implement strategies aimed at unlocking investment in strategic areas of the economy.

Regionally balanced key strategic public investments in key growth areas: UDC is one of the vehicles used by government to unlock investments in the economy. As at 30 June 2022, the number of private investments by UDC stood at 13, which was above the NDP III target of 10 and the previous year's performance of 10. The improvement in performance is mainly attributed to strengthened capacities and increased funding of UDC. UDC increased the operational capacity and improved the quality of factory goods for Mpanga Growers Tea Factory, Kayonza Tea factory and Mabale Tea Growers, enabling them to access regional markets.

By 30th June 2022, six (6) private sector investments had been facilitated by Public, Private Partnership (PPP) arrangements out of the 10 targeted under the NDPIII. In addition, twenty two (22) and thirty three (33) PPPs were planned in the Central and Local Governments respectively, while over 100 PPPs were in the pipeline.

The number of private free zones in the country increased to thirty one (31) from twenty-four (24) Free Zones in FY2020/21. These are distributed across the four regions of Uganda, i.e. Central (25), Eastern (4), Northern (1) and Western (1). In addition, construction of the Entebbe International Airport Free Zone project is ongoing, and the overall Project completion stood at 39.1% by 30 June 2022. The total export earnings from Free Zones stood at US$68.25 million by 30th June, 2022.

The **Ministry of Foreign Affairs** engaged foreign investors to consider establishing investments in Uganda. The attracted investors are expected to form Private Partnerships to undertake strategic investments in key growth areas. The Ministry held eight engagements with relevant stakeholders (Food and Agriculture Organization (FAO) and International Organization for Migration (IOM)) to develop the Uganda Diaspora Policy RIA and finalise the policy.

PSD Programme Objective 5: Strengthen the enabling environment and enforcement of standards

The PSD Programme aims at strengthening the enabling environment and enforcement of standards by providing the conditions required for the private sector to operate effectively and addressing the challenges constraining private sector growth.

Development and enforcement of standards: During FY2021/22, significantly more products (23%) were certified by UNBS than was planned (10%). However, the number of certified products accessing foreign markets fell short of the target (4,200 against 4,500), attributable to limited staff numbers in relation to existing demand of certification services. Meanwhile the number of counterfeits tracked and destroyed (No. of seizures) during the year was above the target (1357 against 900).

Currently, Uganda has an accreditation Act which allows for the establishment of the Uganda National Accreditation Services. The process of establishing Uganda Accreditation Services is currently underway with Joint Clinical Research Center (JCRC) funding the preliminary activities. Once established, this body will undertake responsibilities of maintaining accreditation for standards in Uganda.

In the FY2021/22, UNBS maintained accreditation of 3 functions; Microbiology laboratory, chemistry laboratory and system certification. By the end of FY2021/22, different categories of standards were developed which include 150 international standards; 139 ISO standards; 3 IEC Standards; 3 CODEX standards; and 5 ASTM Standards. In addition, UNBS developed 428 Ugandan standards which were approved by the National Standards Council. These included standards for Food and Agriculture, Engineering, Chemicals and Consumer Products, and Management and Services.

UNBS is in the process of establishing regional laboratories in Mbale, Gulu, and Mbarara to take accreditation services closer to producers and traders outside Kampala. UNBS is also working

contracts worth **UGX 316bn** were awarded to indigenous contractors

number of contracts, up to **10,703 (97%)** contracts were awarded to local contractors

4,225 certification permits were issued by UNBS to **447 MSMEs**

6 private sector investments had been facilitated by Public

No. of seizures during the year was above the target **1357 against 900**

on the amendment of weights and measures Act, which is pending finalisation of the Regulatory Impact Assessment.

Access to serviced industrial parks: By the end of the financial year, 212 companies were fully operational and used the industrial parks, out of the 506 companies allocated land across regional industrial parks and business parks. Of the 212 companies using the industrial parks, 155 (73.1%) were Local Private Players. This performance which was above the annual NDP III target of 132 companies is attributed to various investment promotion efforts including; provision of investment incentives, establishment of the One Stop Centre (OSC) for business registration and licencing, acquisition of the FDI Business Intelligence Tool, and participation in investment summits including the Dubai Expo and Regional Investment summits.

By the end of the financial year, 11 (8 Public and 3 Private) out of 25 Industrial Parks were operational though partially serviced with the requisite infrastructure. These include; Kampala Industrial and Business Park-Namanve, Bweyogerere, Luzira, Jinja, Mbale, Soroti, Kasese, Mbarara SME Park, Tian Tang-Mukono, MMP-Buikwe, Liaoshen-Kapeeka.

UIA also acquired about 5,320 acres of encumbrance free land in West Nile, Acholi, Lango, Ankole, Kigezi, Tooro and Central Sub regions for establishment of Regional Industrial and Business Parks. In collaboration with the National Planning Authority, UIA is planning to conduct feasibility studies in the identified sites.

Access to export processing zones: During the year under review, 31 firms accessed export processing zones, which was above the target of 25 firms and the previous year's performance of 27 firms. In a bid to increase access to export processing zones **Uganda Export Promotion Board** carried out market studies, provided advisory and support services and linked ready exporters to foreign markets.

Likewise, **Uganda Free Zones Authority** undertook a number of activities in facilitating firms to access Export Free zones, resulting in the gazetting of 31 firms to access export processing Free Zones, with 5 new firms licensed as Free Zones in the FY2021/22. Out of the 31 firms accessing Free Zones 61% are Foreign Direct Investments and 39% are Domestic Investments. Total employment in Free Zones by the end of FY2021/22 stood at 9,861 jobs, an increase by 17.5% from 8,389 jobs, generated in FY2020/21. Foreign-owned Free Zones accounted for 72% of the jobs generated in Free Zones (7,127). The domestic-owned Free Zones on the other hand generated 2,734 jobs accounting for 28% of the jobs in the Free Zones. The Investment in Free Zones rose by 9% to US$644.76 million in FY2021/22 from US$586.28 million in the FY2020/21, driven by capital expenditures on plant and machinery, equipment, land acquisition, factory buildings and civil works. The cumulative capital investment in Free Zones stood at US$1.54 billion by end of the FY2021/22.

Export earnings from Free Zones during FY2021/22 stood at US$68m contributing 1.74% share of the National exports of US$3.9Tn. Thereduction in total exports during FY2021/22 was generally driven by the drop in exports of refined gold. Regarding attracting greenfield investments along the new growth corridors, one (1) Private Free Zone in the Eastern Growth Corridor was attracted and 3 Private Developers in the Western Growth corridor are in the process of declaration.

Formalization of businesses: A study of informal businesses undertaken by EPRC during the year established that there about 2.2m informal businesses, and businesses that are fully informal (both legal and fiscal) are 28% of the total population of informal businesses. The study also estimated that informal businesses contribute 29% to GDP. Informal businesses are a subset for the informal sector, the other constituents being the informal activities and workers.

During the year, a number of laws underwent a reform process to ease registration of companies, insolvency processes and protection of copyrights. Particularly, the URSB in conjunction with Uganda Law Reform Commission and First Parliamentary Council prepared the cabinet memo for amendment of the Companies Act, 2012 to enable compulsory formalization of businesses and protection of the minority shareholders.

The Regulatory Impact Assessment report for amendment of the Companies Act 1 of 2012 to provide for protection of minority shareholders, beneficial ownership and mandatory registration of companies among others is in draft form.

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; and the number of reports and policy briefs developed.

During the year under review, five (5) reports and policy briefs were developed, which was lower than the annual target of 75 reports but slightly above the previous year's performance of only 4 reports. The reports were issue-specific including the performance of the Small Businesses Recovery Fund, Roll-out of PDM, implementation progress of the Uganda Agricultural Insurance Scheme, Uganda's progress on implementing the Financial Action Task Force (FATF) recommendations and improving performance of Capital Markets.

Uganda Investment Authority (UIA) developed a National SME Portal (NSMEP) which is a data-driven system that serves as a One-Stop Center for SME information and services. The objectives of the NSMEP are to enhance the globalization of SMEs and LSME Marketing Capabilities; improve SME Access to services like Finance and Insurance; strengthen SME Human Resource Development and Capacity Building; and provide Incubation and Local SME Business Development Services. The system provides an integrated automation of a database holding profiles of SMEs and allowing them to access various Business Development Services provided by Government of Uganda and other SME promoters within the SME eco-system. This system offers a platform for collaboration amongst various stakeholders including, but not limited to MDAs, Development Partners, Private Sector, Associations and NGOs. The portal also allows for ongoing developments in the SME landscape to be easily monitored and impact assessed.

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, 177 (74%) of the 239 private sector tax complaints filed were resolved, a performance above the annual target of 50% and slightly below the previous year's performance of 80%. This performance is mainly attributed to the number of consents filed after mediation.

1 Introduction

1. Introduction

1.1 Background

The NDP III identifies the private sector as the engine of growth. The NDP III further underscores the importance strengthening 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. The NDP III further observed that Uganda's private sector is weak and uncompetitive to drive growth and achieve its potential, and the key areas of weaknesses identified include:

a. The high cost of doing business;

b. Limited management capacities and limited institutional organisation;

c. A weak supporting environment; and

d. Weak enforcement of standards and proliferation of counterfeits in the markets.

As one of its Strategic Objectives therefore, the NDP III aims to "Strengthen 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 i.e.:

1. Enabling Environment for Private Sector Development; and
2. Private Sector Institutional and Organizational Capacity as illustrated in the table below.

> NDP III aims to **"Strengthen the private sector capacity to drive growth and create jobs".**

1.2 PSD Programme Goal, Key Results and Objectives

The goal of the PSD Programme is to **increase 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 the NDP III are:

1. Reduce the informal sector from 51 percent in 2018/19 to **45%** in 2024/25;
2. Increase non-commercial lending to the private sector in key growth sectors, from 1.5 percent in 2018/19 to **3% of GDP;**
3. 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 **USD5,390million** in 2017/18 to **USD 7,356 million**[3].

The specific objectives of the PSD Programme 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.

3 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 the NDP III have been updated to reflect the NDP III figures on page 303 and more so, the performance trend as per the UEPB figures. This only covers merchandise exports i.e. excludes services exports.

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

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

The 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	
1. Increase access to affordable credit largely targeting MSMEs a. Capitalize 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-Micro Finance; Microfinance Support Centre
2. Increase access to long-term finance a. Capitalize 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 the pension and insurance coverage to increase formal sector savings.	MoFPED; UDB; UDC; Parliament; Post Bank; Housing Finance; Pride-Micro Finance; Microfinance Support Centre
3. Mobilize alternative financing sources to finance private investment a. Deepen and widen the capital markets b. Strengthen the legal and regulatory frameworks 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 costs of doing business	UIA and PSFU, IRA; BoU; TELECOM COMP ANIES; USE; MFPED; CMA; MEMD, MWT, MOFA; MTIC; NSSF, BoU, URBRA, MoJCA, LGs
Objective 2: **Strengthen the organisational and institutional 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 Business Development Services framework c. Strengthening Industry associations, chambers of commerce and trade unions d. Establishing National, regional and global business links for registered local enterprises e. Increased Automation of business processes f. De-risking Sub-county skills-based enterprise associations (EMYOGA) g. Supporting organic bottom- up formation of cooperatives	MTIC & UIA; ENTERPRISE UGANDA; PSFU; MICROFINANCE SUPPORT CENTRE; UMA; UDB; USSIA; LGs, Farmers' associations/cooperatives

Interventions	Actors
6. Strengthening system capacities to enable and harness benefits of coordinated private sector activities a. Establish and strengthen research and innovation facilities that are accessible to Micro, Small, and Medium Scale Enterprises (MSMEs). b. Develop product and market information systems c. Strengthen the system of incubation centres to support growth of SMEs in strategic areas d. Establish Onestop 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 programmes	
7. Develop and implement a holistic local content policy, legal and institutional framework	MoFPED; MOTIC; MOGLSD; PPDA; UNBS; MEMD; LGs
8. Build the capacity of local construction industry to benefit from public investments in infrastructure	MoWT; MOTIC; MOGLSD; 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; MOTIC; UIA
Objective 4: Strengthen the role of government in unlocking investment in strategic economic sectors	
11. Undertake strategic and sustainable government investment and promote private sector partnerships in key growth areas	MoFPED, MOTIC, UDC, UIA, UFZA
12. Strengthening research and innovation capacity in support of private and public investment	MoSTI, UNCST, UIRI, Academia, NPA, Private Sector
13. Implement regional commitments to accelerate intra-regional trade	MoFPED, MoTIC, 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. Rationalize and harmonize 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 Improving 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 LED	MFPED, 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)** operationalizes the PSD Programme by providing details of the sub-programmes, interventions, actions, outputs and output indicators, targets and budgets for the 5-Years of the NDP III. The NDP III and PSD PIAP therefore inform and are the basis for development of the Programme/Programme Institution's 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 Ministry of Finance, Planning and Economic Development is to formulate policies that enhance stability and development; mobilize local and external financial resources for public expenditure; regulate financial management and ensure efficiency in public expenditure; 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 programme objectives directly and indirectly.

Ministry of Trade, Industry and 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 industrialization, appropriate technology development and transfer to generate wealth for poverty eradication and benefit the country socially and economically." It envisages to develop and promote a competitive and export-led Private Sector through accelerating industrial development for inclusive economic growth.

MTIC contributes to four PSD Programme objectives i.e. strengthen the organizational and institutional capacity of the private sector to drive growth, strengthen the role of government in unlocking investment in strategic economic sectors, promote local content in public programmes and sustainably lower 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 formalization of businesses.

Capital Markets Authority (CMA): 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 lower the costs of doing business through increased financing through capital markets as alternative financing sources.

Uganda Retirements 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 sensitization and dialogue, these savings can provide alternative financing through Collective Investment Schemes among others.

Bank of Uganda (BoU): Bank of Uganda is mandated by the Bank of Uganda Act, 2000 to formulate and implement monetary policy directed to 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 carrying 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 Cooperation (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".

The Insurance Regulatory Authority 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) establish and manage a one stop centre; (d) publishes and avails periodical reports on the state of investment in the country; (e) assess for matters of incentives and utilization of local resources and services by the investments; and (f) do any other act conducive or incidental to the foregoing.

UIA contributes to three PSD objectives of sustainably lowering the costs of doing business; strengthening the role of government in unlocking investment in strategic economic sectors; and strengthening the organizational 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. The Economic Policy Research Centre was established in 1993 as an autonomous not-for-profit organization limited by guarantee to fill fundamental voids in economics 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): The Uganda National Bureau of Standards (UNBS), was established as a semi-autonomous 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 in as far as ensuring of fairness in trade and protection of the consumers against substandard, shoddy, and 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 to 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 rationalizing and harmonizing standards institutions, and policies at local and regional level.

Uganda Registration Services Bureau (URSB): The Uganda Registration Services Bureau (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 (setups and liquidations), registration of patents and intellectual property rights, and 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 non- financial 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): 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's mandated to develop, manage, market, maintain, supervise and control Free Zones.

UFZA contributes to two PSD Programme objectives i.e., Strengthening the organizational and institutional capacity of the private sector to drive growth; and Promoting local content in public programmes. This is done through promoting the backward and forward 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): The 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 programs 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, 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 organizational and institutional capacity of the private sector to drive growth through establishing and strengthening research and innovation for Micro, Small, and Medium Scale Enterprises (MSMEs). This is done through strengthening applied Research for development of Value-Added Products; expanding/scaling up provision industrial production infrastructure and facilities in all regions; developing electronic and automated solutions for utilization by various sectors; developing partnerships with the private sector to conduct research on key issues affecting private sector growth; and operationalizing Machining and Manufacturing Production and Training Centre for Industrial Skills Capacity Training.

Uganda Export Promotion Board (UEPB): Uganda Export Promotion Board as a public trade promotion organization established by Parliamentary Statute No. 2 of 1996 is mandated to facilitate the development and growth of export trade in Uganda.

It contributes to the PSD 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 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) to foreign buyers.

Enterprise Uganda: Enterprise Uganda Foundation Limited is public-private institution designed to support the government in realizing 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, the Enterprise Uganda plays a critical role in contributing to the achievement of the PSD Programme objective of Strengthen the organizational and institutional capacity of the private sector to drive growth through improving management capacities of local enterprises through massive provision of Business Development Services geared towards improving firm capabilities.

Uganda National Council of Science and Technology (UNCST): The UNCST derives its mandate from the UNCST Act 1990, CAP 209 to develop and implement ways of incorporating science and technology in the national development process. Its strategic goals are to improve or streamline national science and technology policy environment to foster scientific and technological innovation; strengthen national system for research, product development, technology transfer and 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 Strengthen the organizational and institutional capacity of the private sector to drive growth by establishing and strengthening research and innovation for Micro, Small, and Medium Scale Enterprises (MSMEs) through undertaking start-up business mentorships seminars; supporting business enterprises to mine and exploit scientific intellectual property rights; and establishing and implementing research on Private Sector issues to the relevant stakeholders ensuring flexible learning and establishment of 2 incubation centres.

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, non-discriminatory and value for money public procurement and disposal standards and practices; harmonization of procurement and disposal policies, systems and practices of the Central Government, Local Governments and Statutory bodies; setting standards for the public procurement and disposal systems in Uganda; monitoring compliance of 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): Ministry of Foreign affairs is responsible for implementation and Management of Uganda's Foreign Policy. In delivering its institutional strategy, MOFA is expected to among other functions facilitate promotion of trade and tourism; and attraction of investment and transfer of technology. This function directly contributes to the PSD Programme Objective of Strengthen 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 harmonized implementation of the PSD Programme and the flow of information across all levels, the PSD Programme has three main structures namely; the Leadership Committee, Programme Working Group and Technical Working Groups.

1.4.1 PSD Programme Leadership Committee

The PSD Programme Leadership Committee (LC) consists of political leaders (Minsters, 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 comprises of the following:

1. Minister of Finance, Planning and Economic Development (Chairperson)
2. Minister, Trade and Industry
3. Minister, Foreign Affairs
4. Minister, Local Governments
5. Governor, Bank or 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 programme implementation, enabling policy level coordination and monitoring progress towards target programme outcomes. The Committee is expected to ensure accountability for results by the PSD PWG as well as provide political and policy guidance and advocacy; review and act as a clearing house for PSD policies, and advocate for approval of programme-based policies before Cabinet and Parliament.

1.4.2 PSD Programme Working Group

The PSD Programme Working Group 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 preparation of Programme Implementation Action Plans (PIAPs), Programme Budget Framework Papers (PBFPs), Semi-Annual and Annual Programme performance reports, Policy Briefs/Recommendations and issuing them to the Leadership Committee and 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 i.e.:

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 the Subprogramme implementation. The membership of the two TWGs is elaborated in Annex I.

2

PSD Programme Performance

This section discusses the PSD Programme performance in the FY2021/22. It covers both the financial and non-financial performance of the Programme.

2. PSD Programme Performance

2.1 Financial Performance

The NDP III estimated the total PSD Programme planned expenditure for FY2021/22 as UGX1.306Tr of which, UGX544Bn was to be financed through public funds, while the private sector was to cover the remaining balance of UGX762Bn. Meanwhile, the PSD Programme Implementation Action Plan (PIAP) estimated the public cost of implementing the PSD programme during the FY2021/22 as UGX488.31Bn, which is UGX55.69Bn lower than the NDP III estimate. On the other hand, there was no PSD Programme specific MTEF estimate and/or disaggregation by vote for FY2021/22, to compare with the NDP III and PIAP estimates.

For the financial year under consideration, the PSD Programme votes were unable to clearly map their expenditure to the various programmes they contribute to, let alone comparing their planned against actual PSD or other Programme expenditure. Accordingly, it became challenging to make a meaningful analysis of the PSD Programme financial performance for FY2021/22.

2.2 Performance by Key Results and Objectives

Overall, 18 (33%) out of the 55 PSD Programme Outcome Indicators were achieved, while 14 (25%) did not meet the annual NDP III targets for FY2021/22. There was no data for the remaining 23 (42%) PSD programme outcome Indicators as illustrated in the table below.

Objective	Met	No Data	Not Met	Total
Sustainably lower the costs of doing business	6 (38%)	5 (31%)	5 (31%)	16
Strengthen the organizational and institutional capacity of the private sector	4 (20%)	12 (60%)	4 (20%)	20
Promote local content in public programmes	0 (0%)	2 (67%)	1 (33%)	3
Strengthen the role of government in unlocking investment in strategic economic sectors	1 (25%)	1 (25%)	2 (50%)	4
Strengthen the enabling environment and enforcement of standards	7 (58%)	3 (25%)	2 (17%)	12
PSD programme	**18 (33%)**	**23 (42%)**	**14 (25%)**	**55 (100%)**

The performance of the PSD Programme objective of strengthening the enabling environment and enforcement was seemingly, relatively better than the rest with 7 (58%) out of its 12 outcome indicators achieving the annual target. This was followed by the performance of the PSD Programme objective of sustainably lowering the costs of doing business, which had 6 (38%) out of its 16 outcome indicators achieving the annual target. The PSD Programme objective of promoting local content in public programmes seemingly registered the least performance, with none of its indicator achieving the set NDP III targets for FY2021/22.

The reporting under the following sections focus mainly on progress registered in achieving the Private Sector Development Programme Key Results, outcomes and planned interventions and actions by objective.

2.2.1 Key Results

The table below provides the annual performance against the key PSD programme results as per the NDP III.

Table 3: *PSD Programme Performance against Key FY2021/22 Results*

Key Result	Baseline	FY2020/21	FY2021/22		Source
	FY2017/18	Actual	Target	Actual	
Reduce the informal sector from 51 percent[4]	51.6%	TBD	50.4%	No data	MoFPED/ MTIC
Non-commercial lending to the private sector in key growth sectors as percentage of GDP	1.5%	TBD	1.25	1.25%	MoFPED
Proportion of public contracts and sub-contracts that are awarded to local firms (Value)	30%	76.4%	65%	61%	PPDA
Value of exports (USD Million)	5,390	6,701.5[5]	6,295	5,579.6	UEPB

2.2.1.1 Informal Sector

At the time of drafting this report, there was no actual performance information on the key target of reducing the informal sector to 50.4% by the end of FY2021/22. A detailed study to measure the informal sector will be undertaken during the subsequent years, so as to accurately report on the percentage of the informal sector. Meanwhile, the Secretariat for the PSD Programme commissioned a study of the informal businesses by the Economic Policy Research Centre (EPRC). The study was undertaken and completed by the end of the financial year under review, and had the following findings among others.

1. Most businesses (72%) in Uganda operate between fully formal and fully informal, thus showing some but not all dimensions of informality. This form of business informality is referred to as either legal or fiscal informality. Conversely, businesses that are fully informal (both legal and fiscal informality), are 28 percent of the total population of informal businesses.
2. The majority of business (70%) with *either legal or fiscal informality* are registered with local governments; and less by URSB (8%) and URA (1%);
3. Informal businesses are dominated by females, the youth and middle-aged, and less educated persons when compared to their male, the old and the more educated counterparts;
4. There is a high mortality rate for informal businesses. Close to 64% of informal businesses are 6 years or younger; only 36 percent are older than 6 years. Specifically, a high mortality rate is prevalent among businesses, which exhibit forms of *both fiscal and legal informality*;
5. While informality creates legal and fiscal distortions, informal businesses contribute 29 percent to GDP. There is also an untapped potential revenue of UGX407 billion by businesses with turnover above UGX150 million and whose extent of informality is either fiscal or legal;
6. There is little linkage between informal and formal businesses, only 12 percent of the informal businesses supply formal ones with inputs;
7. The persistence of informality is partly a consequence of a lack of information on registration fees paid by non-registered businesses, the recurrent and fixed cost of

4 For this indicator, we have adopted the targets in the Results and Reporting Framework for NDP III, as they are more recent and slightly differ from those in the NDP III (page 303).
5 Of the USD6,698 million, USD5,274 million was merchandise exports and USD1,424 million was services exports.

compliance and the number of days it takes to register. Other drivers of informality is the siloed nature of government agencies with regard to sharing of information, even where information is shared, Uganda lacks a uniform identification system for registered businesses therefore it is hard to compare information across different agencies. This is coupled with agencies being at different levels of automation, with the majority still operating manual registers e.g local authorities, with the exception of KCCA;

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

Recognising that bringing down commercial lending rates is likely to take a long time, the government opted to introduce non-commercial lending instruments as a short-term intervention targeting the key growth sectors of agriculture, manufacturing, mining (including oil and gas), infrastructure, tourism, human capital (education and health) and ICT. Non-commercial lending refers to lending below commercial terms (typically at lower interest rates) 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 Micro-Finance, Housing Finance bank, etc.

During FY2021/22, non-commercial lending to the private sector in key growth sectors as percentage of GDP stood at 1.25% meeting the annual NDP III target of 1.25% and posting a better performance compared to the previous year's 1%. The change in performance was mainly due to Government's emphasis on reduction of cost of credit to support growth of the key sectors by capitalising Microfinance Support Centre to a tune of UGX190 billion (average lending rate 12%), Capitalizing Uganda Development Bank to a tune of UGX1,080billion (average lending rate 12%) and others.

2.2.1.3 Public Contracts awarded to Local Contractors

Local contractors include both indigenous (Nationals) and Resident firms. During the financial year, 61% of the sampled contracts by value were awarded to local contractors, of which 6% (UGX0.316Tn) was awarded to the Nationals whereas 55% (3.05Tn) was awarded to the Resident firms. The performance was below the annual target of 65% and previous year's performance of 74%. The below target and previous year's performance was mainly due to the increase in the contractor funded projects.

In absolute terms, contracts worth UGX3.3 trillion were awarded to local contractors during the year compared to UGX3.2 trillion in the previous financial year, registering a 3% increase. In terms of number of contracts, up to 10,703 (97%) of contracts were awarded to local contractors during the year compared to 11,766 (98%) in the FY2019/20. The Contracts awarded to foreign providers are fewer in number but are of considerably high value. This explains the inverse relationship between the number and value of contracts awarded to foreign providers.

Specifically, 6% of the contracts by value were awarded to indigenous firms/Nationals, compared to 4% of the previous financial year. In absolute terms, contracts worth UGX316 billion were awarded to indigenous contractors during the year compared to UGX118 billion in the previous financial year, registering a 62% improvement.

2.2.1.4 Value of Exports

The NDP III highlights the prominence of exports in achieving economic growth as well as attaining a sustainable balance of payments for Uganda. The total value of exports (merchandise and services) during FY2021/22 was 5,579.6 USD Million, lower than the annual target of USD Million 6,295 and the previous years' performance of USD Million 6,701.5.

More specifically, the value of merchandise exports during FY2021/22 was USD Million 3,836.58 which is below the annual target of USD Million 4,233.8 and the previous year's performance of USD Million 5,274, registering a decline of USD Million 1,437. The decline in performance is mainly attributed to the performance of gold exports which declined from USD Million 2,249.73 in FY2020/21 to nil in FY2021/22. With the exception of gold, merchandise exports increased from USD Million 3,029 in FY2020/21 to USD Million 3,836.58 in FY2021/22. This is an improvement of USD Million 807.58.

2.2.2 Costs 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; mobilizing 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 Program 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 following sections present the PSD Programme achievements in respect of the above outcomes during FY2021/22.

2.2.2.1 Lending to key growth sectors

The Results and Reporting Framework for the NDP III provides the key indicators and corresponding targets for measuring increased lending to key growth sectors. The actual performance of these indicators against the FY2021/22 targets and previous year's performance is presented in the table below.

Non-commercial lending refers to lending below commercial terms (typically at lower interest rates) 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 Micro-Finance and Housing Finance. The NDP III considers the key growth sectors as agriculture, manufacturing, mining (including oil and gas), infrastructure, tourism, human capital (education and health) and ICT.

During FY2021/22, non-commercial lending to the private sector in key growth sectors as percentage of GDP stood at 1.25% meeting the annual NDP III target of 1.25% and posting a better performance compared to the previous year's 1%. The change in performance was mainly due to Government's emphasis on reduction of cost of credit to support growth of the key sectors by capitalising Microfinance Support Centre to a tune of UGX190 billion (average lending rate 12%), Capitalizing Uganda Development Bank to a tune of UGX1,080billion (average lending rate 12%) and others.

The share of domestic credit to key growth sectors in total private sector credit was 30.2% in FY2021/22 in line with the annual target and posting a slightly better performance compared to the previous year's 29.2%.

Table 4: *Actual Performance against FY2021/22 targets for Increased lending to key growth sectors*

Key Performance Indicator	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Non-commercial lending to the Private Sector in the key growth sectors as a % of GDP	1%	1.25%	1.25%	MFPED FSD/BoU
Share of domestic credit to key growth sectors in total private sector credit	29.2%	30.2%	30.2%	BoU/MoFPED (FSD)
Private sector credit as a % of GDP	15.4%	17.6%	12.81%	BoU/MFPED (FSD)
% MSMEs with an outstanding credit at a formal financial service provider	9.7%	1.5%	No data	BoU/MFPED (FSD)

Private sector credit as a percentage of GDP stood at 12.81%, below the FY2021/22 target of 17.6% and the previous year's performance of 15.4%. The lower than targeted and previous year's performance was mainly due to risk aversion of the lenders as exhibited by reduced loan approval rates. Despite stead increases in loan applications, lenders seem to be stuck on approving about 56 percent of the value demanded by borrowers.

At the time of drafting this report, there was inadequate data to measure the percentage of MSMEs with an outstanding credit at a formal financial service provider, against the annual NDP III target of 1.5% for FY2021/22.

Meanwhile, the average Lending Interest Rate (LIR) for FY2021/22 stood at 18.57% compared to 18.95% for FY2020/21 partly on account of the expansionary Monitory Policy stance for the bulk of FY2021/2022. The average LIR for quarter four FY2021/22 stood at 17.83% compared to 19.20% for Q3FY2021/2022. The decline reflected economic recovery during the quarter as increased demand for loans induced the lower rates. To this end, systemic risks to financial stability remained moderate and the performance of SFIs improved during the year. All Domestic Systemically Important Banks (DSIBs) and Non-DSIBs met the prudential minimum Liquidity Coverage Ratio (LCR) requirements of 100% for the consolidated LCR.

The improvement came on the back of the full reopening of the economy and improvement in Supervised Financial Institutions (SFI)s' capital and liquidity buffers that cushion against potential shocks. However, several emerging macro-financial risks will result in a more challenging operating environment for SFIs during 2022. These risks include the slowdown in economic growth and rising global and domestic prices. The Bank of Uganda is also implementing several policy measures for the financial system including the recently concluded Covid-19 Liquidity Assistance Program (CLAP) for managing potential liquidity risks which expired on May 30, 2022.

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, MSC set up a short term development credit window for MSMEs. This has sustained efforts and improved the operationalization of the Emyooga fund for MSMEs, in the specialised trades. During FY2021/22, the cumulative Emyooga SACCOs mobilized reached 6,748 out of which 6,635 were supported to register by providing them customised byelaws and paying the registration fees to the Ministry of Trade Industry & Cooperatives. In order to prepare for seed capital disbursement to SACCOs, MSC entered into MoUs with various Commercial banks to enable easy accessibility of funds by the Emyooga SACCOs. MSC has so far disbursed seed capital to a tune of UGX248.7Bn to 6,654 Emyooga SACCOs.

As a way of increasing SACCO capacities, SACCO members are encouraged to save regularly with their respective associations but on voluntary basis. To this end, a savings challenge was launched in March 2022 to promote a savings culture among Emyooga SACCO members with anticipation to encourage many more to adopt the culture of savings. Emyooga SACCOs have so far internally mobilised savings amounting to UGX64Bn by over 1,577,000 Emyooga active members. This has increased sustainability of SACCOs especially in terms of increased loanable funds and they're now able to meet operational costs.

MSC embarked on the digitalisation support for Emyooga SACCOs. This is being done through training and digitalisation of SACCOs into the Jami System. MSC has so far supported a total of 36 Emyooga SACCOs countrywide as a pilot before rolling out on a large scale. This involved purchasing of a laptop and printer and installing a reporting software as well as training in utilisation of the software for effective reporting.

Apart from Emyooga, MSC further undertook the MSC Mainstream Credit Business financing and as at March 2022, UGX56.3Bn was disbursed to 529 projects serving 2,594 clients. UGX48.2Bn of the above disbursement was disbursed to 488 projects under Conventional financing, while

UGX8.116Bn went to 41 projects under Islamic finance. The loans disbursed were offered at revised interest rates from 13% to 8% per annum for SACCOs and groups.

On the other hand, the **Uganda Registration Services Bureau (URSB)** participated in easing the financial costs of doing business for short term borrowers who might not have immovable assets as collateral for accessing credit by enhancing the acceptance and use of the **Security Interest in Movable Property Registry (SIMPO)**. In this regard, URSB undertook aggressive mass sensitization drives to popularize use of Security Interest in Movable Property Registry whose chief goal was to promote the use of movable properties to access credit from preferred banks. The Bureau through Mass media sensitized MSMES, Women and Youth using television and radio broadcasts (Radio Budu, and NBS), print media, social media and IEC Materials (printed and distributed SIMPO fliers, brochures and 39 Taxis in Kampala were branded).

As a result of these sensitization drives, 5,314 borrowers accessed credit from lenders and 5,963 movable properties were registered and used as collateral to access credit with Motor vehicles being the most used asset. Other assets used were household items, motor cycles, farm harvest, livestock etc.

URSB also trained 48 institutions to increase awareness about SIMPO and reached a total of 291 participants (125 Male, 126 Female & 40 online). In March 2022, URSB engaged Uganda National Chamber of Commerce and Industry to facilitate a training on business formalization and SIMPA, 2019 as part of a financial literacy training to unbanked small-scale merchants trading in Lira city. During the year, URSB conducted an outreach to institutions regulated by the Uganda Microfinance Regulatory Authority (UMRA) to inform them about the registry, through emails and phone calls. 18 microfinance Institutions, money lenders and SACCOs created accounts on SIMPO out of 31 total accounts created by lenders by end of FY2021/2022.

Further efforts to ensure that this **Security Interest in Movable Property Registry** System (SIMPRS) is fully functional and acceptable included Integration with the motor vehicle registry and SIMPO system upgrade. To this effect, the contract for SIMPO upgrade to integrate with the motor vehicle registry was signed in June 2022. The implementation will take place in FY 2022/2023 and once fully integrated, lenders will register their interests in Vehicles on SIMPO and the information will be transmitted electronically to Motor Vehicle registry system and a caveat will be placed on to the pledged vehicle(s). Removal of the caveat has to go through SIMPO. Transfer of ownership will only happen after the caveat has been removed by the lender. Only one caveat can be placed/registered on a vehicle at a time. Lenders and other members of the general public can search the registry to ascertain the status of a particular vehicle i.e the owner of the vehicle, whether the vehicle has ever been used to access credit from a lender etc.

The success of this SIMPRS strongly hinges on the cooperation of the banking institutions and recognizing this, URSB continues to boost lender confidence to promote prudent lending against movable assets through trainings and availability of borrowers' information on SIMPO for risk analysis. The Bureau conducted meetings with Centenary Bank, Stanbic Bank, UBA Credit and Legal Committees to discuss the challenges affecting their ability to use the SIMPO registry. The Upgrade of SIMPO will address some of the challenges the lenders are experiencing.

During the year, 4611 searches were carried out on the Registry by the lenders to enable prudent lending. URSB further sensitised the Uganda Reproduction Rights Organization (URRO) on the use of Copyright as collateral to access credit and 42 members attended the engagement. Intellectual Property (IP) is an intangible movable asset that can be used by the owner as collateral to access credit from financial institutions. Examples of IP include Trademarks, Patents, Industrial Design, Utility models, Copyright and Geographical Indications. The table below shows the growing acceptance of movable property and registry performance as collateral in accessing credit among the private sector.

Table 5: *URSB Registry Performance from FY 2016/2017 to 30/06/2022*

Year of registry	No. of Searches	No. of Registrations	No. of Collaterals
2016 – 2017	-	425 chattels	-
2017 – 2018	-	302 chattels	-
2018 - 2019	-	Introduction of SIMPO	-
18/9/19 – 30/6/20	1637	3353	4027
1/7/20 – 30/6/21	6141	5139	8089
1/7/21 – 30/6/22	4984	4530	5878
Total (SIMPO)	**12,762**	**13,022**	**18,194**

The Uganda Microfinance Regulatory Authority (UMRA)

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 Tier IV Microfinance Institutions and Money Lenders.

In implementing the Authority's mandate, UMRA contributes to the Private Sector Development Programme through reducing the cost of doing business where the highest costs are in the interest rates.

The high interest rates arise from various factors like high bank operational costs, high customer default rates, credit market inefficiencies, profit maximization among others. This has overtime resulted in the money lenders taking advantage of the low credit supply and bred unscrupulous practices that left borrowers vulnerable to losing whatever they had pledged as collateral. This is where the regulatory role of UMRA is paramount in licensing, regulating and supervising Tier IV Microfinance Institutions and Money Lenders ensuring consumer protection in the microfinance sector to create sanity and confidence.

In FY 2021/22, 1,200 tier 4 institutions were licensed which was an improvement from 954 that were licenced in FY 2020/21. Cumulatively, 1425 tier 4 institutions have been licensed against a projection of 40,000 practicing tier 4 institutions operating in the country representing 3.56%. The interventions of UMRA through sensitizing registered institutions on compliance regulations, resolving 100 complaints from the licensed institutions with successful stories of consumers/borrowers redeeming their property from the lenders, and establishing a toll-free line to enable easy accessibility to the Authority's services have greatly improved the protection of consumers/borrowers of UMRA Licensees. These efforts are also increasing financial inclusion of Ugandans in the monetary economy.

During the FY2021/22, UMRA reviewed 1300 Applications for license and licensed 1,200 institutions, carried out on-site premise inspections for 489 institutions and collected Data from 659 money lenders, NDT and SACCOs which was analyzed to assess the performance of the institutions as they were recovering from COVID-19.

In partnership with Microfinance Support Centre, the Authority has rolled out sensitizations on the cumulative Emyooga SACCOs mobilized reaching 6,748 in the outgoing FY 2021/22 on licensing criteria and permanent registration with an aim of protecting member's savings which is growing every day.

During the period Sept- Nov 2021, Uganda Microfinance Regulatory Authority (UMRA) and URSB conducted an outreach to institutions on UMRA Licensees about the registry, SIMPO, and registrations through emails and phone calls. From these joint activities, 18 microfinance Institutions, money lenders and SACCOs created accounts on SIMPO out of 31 total accounts created by lenders by end of FY2021/2022.

Key Output performance as of FY 2021/2022

The table below indicates the set target and actual achieved outputs with milestones highlighted below.

OUTPUT	TARGET FY2020/21	ACTUAL FY2020/21	TARGET FY2021/22	ACTUAL FY2021/22
No. of tier 4 institutions licensed	1200	954	2,130	1,200
No of registered institutions sensitized on compliance regulations.	2000	1500	3,000	2,366
An MIS system for tier4 sector	-	-	Needs assessment	Digital transformation kick started with a simple MIS

In the outer years of the NDP III, UMRA has a great role to play in regulating and monitoring other government initiatives such as the EMYOOGA which consist of more than 6100 SACCOs so far and Parish development model SACCOs expected to be 10,000 which will ensure that government's investments achieve their intended results.

Sensitisation workshop conducted at Esella Country Hotel for UMRA stakeholders

The launch of UMRA Toll free line

Small Business Recovery Fund

In response to especially the effect of the second wave of the Covid-19 pandemic and 2nd lockdown, government instituted the Small Business Recovery Fund and during the month of October 2021, Bank of Uganda (BoU) received UGX100 billion from the Government of Uganda (GoU) for capitalizing the Small Business Recovery Fund (SBRF). The Participating Financial Institutions (PFIs) are required to match the GoU contribution with 50 per cent in line with the Memorandum of Agreement MoA (2021).

As at June 30, 2022, Bank of Uganda had received 305 applications worth UGX4.76 billion from eight (8) Participating Financial Institutions (PFIs). Among these, 188 applications with a total loan value of UGX3 billion were approved, of which GoU contribution amounted to UGX1.5 billion. GoU contribution to total disbursements amounted to UGX897.3 million, extended to 127 eligible projects across the country. Among the applications received, 19 were not eligible largely because they were agricultural in nature and eligible under the Agricultural Credit Facility. Whereas Bank of Uganda has aggressively marketed the Fund, few banks have shown interest in providing loans to the borrowers. The PFIs that are active in the SBRF are as indicated in the table below.

As illustrated above, the total loan value of the applications, UGX4.761Bn is only 2.38% of the available funding UGX200Bn (50%GoU; 50%PFI), while only UGX3Bn (1.5%) was approved. This relatively poor performance of the SBRF sends a strong message about the design of the interventions intended to spur the private sector.

Following the launch of the SBR Fund in November 2021, it was noted that there was low uptake of the Fund by the public. In January 2022, the low uptake of this provision by small businesses raised concern leading to BoU organizing a Workshop for the Credit Managers of all the Participating Financial Institutions to discuss possible ways of improving the uptake of the Fund. A number of observations were made in the workshop with Credit Managers explaining possible factors for the low uptake. Some of the findings pointed at the conditions stipulated in the SBRF Memorandum of Agreement (2021) being prohibitive to the current structures of the small businesses in Uganda and these are presented here below.

a. The definition of "small businesses" was found to be varying among the PFIs. For example, defining small businesses as enterprises that have total assets between UGX10 million and UGX100 million (Section 1 (g) of the SBRF MoA (2021)) is unrealistic;

b. The benchmarks of the annual turnover of UGX10 million – UGX100 million and the number of employees ranging between 5-49 stipulated in Section 3 (iii) of the SBRF MoA (2021) did not address the target group in most of the commercial banks. Many small businesses fall below the annual turnover of 10Million and business owners are sole proprietors and use family labour, so the above access conditions were not being met by small businesses.

c. The minimum loan period of 6 months stipulated in Section 7 (7.1) of the SBRF MoA (2021) excluded some of the borrowers who might need the funds for a shorter period.

Table 6: *Participating Financial Institutions in the Small Business Recovery Fund*

PFI	No. of applications received	Total Loan Value (UGX)
Opportunity Bank (U) Ltd	144	874,200,000
Pride Microfinance	124	1,948,700,000
Finance Trust Bank	25	1,447,000,000
PostBank (U) Ltd	6	257,500,000
Centenary Bank	3	64,000,000
DFCU	1	100,000,000
Diamond Trust Bank	1	40,000,000
Equity Bank (U) Ltd	1	30,000,000
TOTAL	**305**	**4,761,400,000**

According to the recently concluded Informal Businesses Study by EPRC, 92.8% of the informal businesses employ less than 5 workers, 61.2% have a turnover of <10 Million while 33.6% have a turn over between 10Million and 80 Million. In the Rapid Business Climate Index Survey by EPRS of April 2020, the resilience of enterprises by their sizes is shown as per the table below.

***Table 7:** Duration it would take for businesses to close (% of firms)*

Duration	1-3 Months	3-6 Months	>6 Months	>12 Months	Do not foresee closure
Size					
Micro	58[6].0	24.9	0	16.0	1.1
Small	27.7	25.1	13.9	9.8	23.5
Medium	8.3	19.1	5.3	10.4	56.8
Large	0	1.2	8.3	13.0	77.5

Could it be that the less than 5% performance of the SBRF is explained by the scope of the fund excluding the businesses that needed it? The irrefutable crippling factor against the private sector enabling environment is the size and structure of informality in businesses. As concerned stakeholders grapple with decoding informality, channelling such interventions through bonafide associations may create incentives for enterprises to formalize and consequently lead to growth and resilience. Of concern to the Review remains the discussion on how to use these interventions as incentives for formalizing.

The above observations point to the fact that a number of small business enterprises need shorter term, flexible and blended credit facilities for recovery and business growth. These and any other concerns will be addressed by the PSD Programme going forward.

Agricultural Credit Facility: Another key credit access intervention towards transforming the agriculture sector, is the Agricultural Credit Facility (ACF), which was established twelve years ago to provide affordable credit to small, medium and large enterprises engaged in agriculture, agro-processing and grain trade. The objective was to promote commercialisation and mechanisation of the Agricultural sector to increase production and food security, and to promote value addition to the agricultural products.

Farmers and agro-processors across the country have accessed funding totalling UGX239.85Bn, extended to 334 projects engaged in agro-mechanisation. Financing for mechanisation accounted for 34.51 per cent of total financing under the ACF as of June 30, 2022. The farm machinery and equipment financed during the period include tractors and implements, irrigation equipment, agricultural machinery for primary processing that include hatcheries and modern poultry cages, milk coolers, coffee processors, maize millers, motorised spray races and pumps. Acquisition of other farm equipment such as coffee driers, generators, seed planters, grinders and mixers, forage cutters, fruit juice extractors, and modern fish cages among others were also financed.

Over the last twelve years, the ACF has introduced several developments aimed at expanding financial inclusion by unlocking access to finance especially to smallholder farmers who constitute over 80% of the agriculture sector in Uganda. These developments include removing the cap on financing working capital, and the introduction of Block Allocation where farmers are allowed to access ACF up to a maximum of UGX20 million without necessarily pledging registered collateral normally required in conventional banking. The Block Allocation arrangement has enabled smallholder farmers to access agro-inputs, to finance farm restocking including poultry and livestock. Lack of collateral, most especially registered land titles which financial institutions always require as collateral for lending, used to lock out the smallholder farmers from agricultural financing.

6 Note that the highest percentage is of the Micro size of enterprises with the lowest resilience, 58%.

As a result of the above enhancements, cumulative disbursements have grown by UGX74.88 billion during the year to UGX694.92 billion as at June 30, 2022 from UGX620.04 billion as of June 2021 with 75 per cent of the number of funded projects belonging to micro, small and medium-sized enterprises (MSMEs). This reaffirms the critical role that the ACF plays in fostering financial inclusion in the agriculture sector in Uganda.

During the financial year ended June 30, 2022, disbursements totalling UGX74.92 billion were made compared to UGX99.75 billion for the year ended June 30, 2021. Although this was a 24.93 per cent drop in the value of loans disbursed during the year, the number of beneficiaries who accessed financing under the ACF during the year, more than doubled from 535 projects in the previous year 2021 to 1,139 projects in the year 2022. The beneficiaries are largely micro borrowers with small unsecured loan amounts under the Block Allocation arrangement. This explains the disparity between the percentage number of loans disbursed and the corresponding value of loans to MSMEs. The cumulative GoU contribution refinanced to the PFIs stood at UGX352.45 billion as of June 30, 2022.

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

Increased long term financing to the private sector by government owned financial institutions is one of the main NDP III/PSD Programme outcomes. It is key to reducing the cost of credit and in enabling participation and continuity of private enterprises in the significantly Medium sized and long term projects which are key to sustainable economic growth. Increased 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.

The total value of outstanding long-term loans (maturity above 5 years) at DFIs as at 30th June 2022 was UGX472.6Bn, below the FY2021/22 annual target of UGX578Bn and previous year's performance of UGX555Bn respectively.

During the year under review, the total value of private equity investments by government-owned financial institutions was UGX0.250Bn as at June 30 2022, posting a performance above the annual target of UGX0.22Bn.

The NDP III observes that government owned financial institutions needed to be capitalized to provide affordable credit to businesses. As such, the NDP III identified **Increasing access to long-term finance** as one of the PSD Programme Interventions intended to sustainably lower the cost of doing business. To this effect, Uganda Development Bank (UDB) and Post Bank were capitalized during FY2021/22 to the tune of 88.5Bn and 2.66Bn respectively. To provide strategic direction to these capitalization efforts, the Ministry of Finance, Planning and Economic Development developed a National Financial Sector Development Strategy awaiting cabinet approval. The strategy aims at promoting Capitalization of key financial institutions with a view to increasing the availability of affordable long-term capital and microfinance services for the priority economic growth sectors, notably: Agriculture, Manufacturing, Tourism, infrastructure, human resource capital development, mineral, and oil and gas sectors.

In addition to government's capitalisation efforts, UDB continues to mobilize concessional loans through Lines of Credits from potentials financiers and grants for capitalization and

Table 8: *Actual Performance against FY2021/22 targets for increased long-term financing to the private sector*

Indicator	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Total value (UGX Bn) of outstanding long-term loans (maturity above 5 years) at DFI	555	578	472.60	MFPED FSD
Total value of private equity investments (UGX Bn) by government-owned financial institutions[7] (UDB)		0.22	0.250	UDB

7 This only considers UDB's investments during the year, and NOT cumulative.

capacity enhancement of the Bank. As of 17th June 2022, UDB had successfully signed commitments worth USD85,800,000 and USD332,100,000 continues to be negotiated for with various development partners as illustrated in the table below. All funds are to be obtained at concessional terms.

Table 9: *UDB Funding Pipeline as of 17th June 2022*

Funder	Amount Approved (USD)	Amount In Pipeline (USD)
Opec Fund for International Development	20,000,000	
International Islamic Trade Finance Corporation	10,000,000	
Arab Bank for Economic Development in Africa (BADEA)	20,000,000	
European Investment Bank	16,000,000	
Kuwait Fund for Arab Economic Development	19,800,000	
African Development Bank		100,000,000
Export-Import Bank of India		50,000,000
Afrexim Bank		20,000,000
KFW		22,100,000
Agency For French Development (AFD)		40,000,000
Islamic Development Bank		50,000,000
Islamic Corporation for the Development (ICD)		50,000,000
TOTAL	**85,800,000**	**332,100,000**

UDB's financing interventions are mainly in the sectors of Primary Agriculture, Agro-industry, and manufacturing which account for 74% of the total disbursements in the FY2021/22. These projects fall within the key priority sectors of the economy and are in line with the country's development priorities. The Bank however undertakes specific interventions in other sectors including Tourism, Human Capital Development, and Infrastructure. The disbursements that exceeded 100% were on account of projects that were approved in FY2020/21 and disbursements effected in 2021/22. Disbursements are effected as an ongoing process pegged on project implementation milestones and fulfilment of post approval processes by the clients. The table and graphs below provide the sector and regional distribution of approved and disbursed funds to projects by UDB during FY2021/22

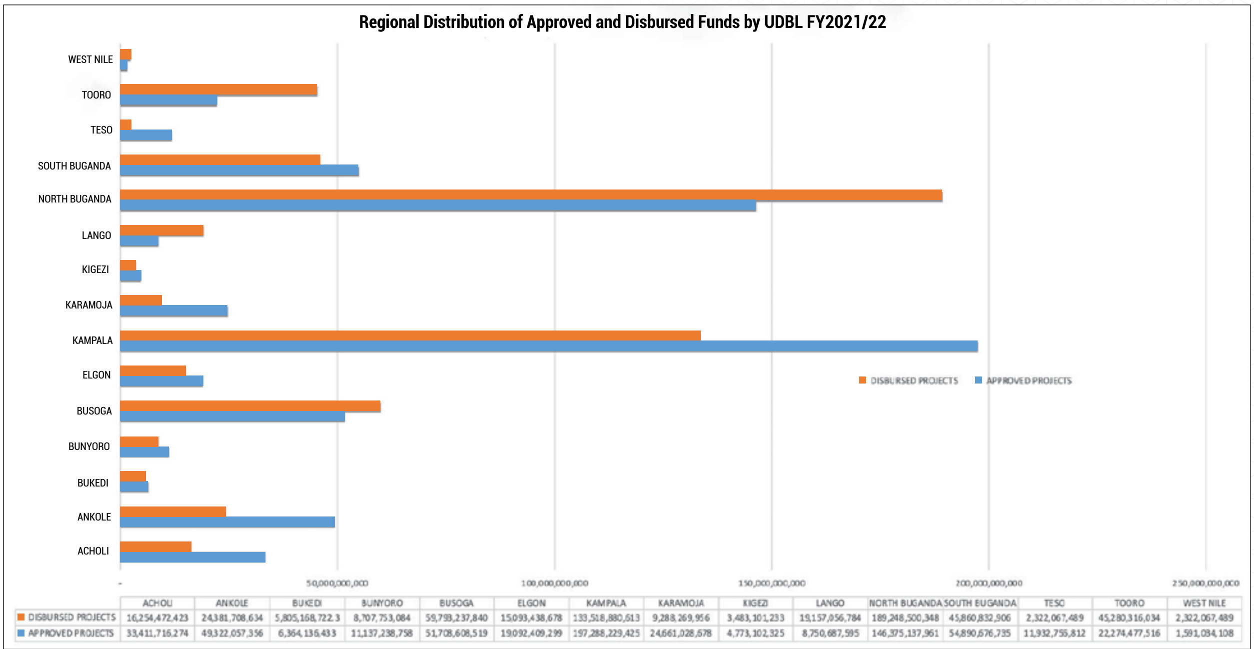
Table 10: *Sectoral distribution of UDB approved projects for the period July 2021 – June 2022*

Sector	Total Approved (UGX)	Sectoral %	Total Disbursed (UGX)	% Disbursed of the Approved
Agro-Industrialization	260,204,075,582	32.71%	222,536,366,784	85.52%
Education Services	1,686,920,000	0.21%	1,820,000,000	107.89%
Health Services	70,621,528,605	8.88%	21,324,797,983	30.20%
Infrastructure	286,633,730,000	36.03%	91,316,344,013	31.86%
Manufacturing	92,549,951,327	11.63%	151,920,246,846	164.15%
Primary Agriculture	27,842,946,121	3.50%	54,126,855,479	194[8].40%
Tourism & Hospitality	32,902,902,500	4.14%	32,059,270,129	97.44%
Others	23,075,000,000	2.90%	5,412,991,000	23.46%
Grand Total Amount	**795,517,054,135**	**100.00%**	**580,516,872,234**	**72.97%**

Data source: UDB Data base

8 Disbursements greater than 100% include projects that had been approved in the previous year but releases effected in the FY2021/22.

***Figure 1:** Regional distribution of approved and disbursed funds by value*



The distribution of projects in the above chart 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.

Proactively, the Uganda Development Bank established the project preparation function to support enterprises in these areas. The Bank support ranges from identification of projects, to concept design, pre-feasibility studies, feasibility studies, financial structuring and to commercial operations.

Currently, the UDB is supporting selected value chains and also have special programmes earmarked for youths and women SMEs. In the West Nile region, Special Economic Zones have been set up to operationalize the fish, honey, wood and textiles value chains. In Bukedea, Lango, Serere and Soroti sub-regions, the Bank is working with NARO (NaSARRI) to develop higher yielding sunflower varieties which have previously been imported and costly. Farm tests of varieties with farmer groups are on-going. The bank has also provided funding for a study to inform the industrial strategy for iron-ore value addition.

UDB's approved ex-ante projections indicate that the projects can create significant development impact. A total of 53,413 new direct jobs is expected to be created, and UGX7,440.34Tn worth of output value/Turnover is expected from the firms financed. The same projects are further expected to generate UGX270.67Bn in tax revenue to government and generate foreign exchange earnings of UGX1.123Tn. This is summarized in the table below:

***Table 11:** Ex-ante Development Impact of UDB Approved Projects in July 2021- June 2022*

Sector	Jobs	Output Value (UGX Bn)	Profitability (UGX Bn)	Tax (UGX Bn)	Forex (UGX Bn)
Tourism	1,464	106.33	6.24	12.55	34.59
Infrastructure	2,210	3,118.41	716.30	12.08	1.00
Manufacturing	14,594	1,985.28	24.18	138.73	853.52
Primary Agriculture	5,221	169.44	11.97	11.32	32.53
Heath	594	57.85	0.93	18.80	1.14
Education	82	1.15	0.17	0.11	-
Agro processing	28,757	1,713.88	59.99	73.03	200.99
Others	491	288.00	12.23	4.05	-
Total	**53,413**	**7,440.34**	**832.01**	**270.67**	**1,123.77**

Data Source: UDB Data base

2.2.2.3 Financing through capital markets

Increased financing through capital markets is one of the anticipated outcomes of the PSD programme. The Results and Reporting framework for the NDP III provides the indicators and targets for measuring increased financing through capital markets, and the table below provides the PSD Programme actual performance against the annual targets for FY2021/22 and the previous year's performance.

Table 12: *Actual performance against FY2021/22 targets for increased financing through capital markets*

Indicator	Actual 2020/21	Target FY2021/22	Actual FY2021/22	Responsible Institution
Domestic market capitalization to GDP (%)	4.5%	3.8%	6.5%	CMA; MFPED/FSD
Domestic market capitalization due to new listings (UGX Tr)	4.3	4.7	4.7	CMA; MFPED/FSD
CIS assets under management (in UGX Tr)	0.57	0.61	1.15	CMA; MFPED/FSD

Overall, the PSD Programme performance in respect to increased financing through capital markets was largely satisfactory given that all performance indicators were met above target, as illustrated in the above table. The following section provides some of the key activities undertaken during the year under review to increase financing through capital markets.

Mobilize alternative financing sources to finance private investment is one of the interventions for sustainable lowering the costs of doing business. During the year under review, the Private Sector Development Programme through the Capital Markets Authority, Bank of Uganda, Uganda Communications Commission, Financial Sector Deepening (FSD) Uganda and other agencies undertook the following key activities.

As a follow up on implementation of the National Broadband Policy that requires all telecom companies operating in Uganda to list 20% of their shareholding on the local stock exchange, MTN was listed on the Uganda Securities Exchange. MTN's Initial Public Offer increased domestic market capitalization at the USE by UGX4.6 trillion to UGX7.1 trillion, contributing to the increase in the ratio of domestic market capitalization to GDP from 4.5% to 6.5% (end of May 2022); which is above the NDP III target of 3.8%.

Despite the increase in the Domestic Market Capitalization occasioned by the MTN IPO, the overall performance of this indicator declined due to a fall in share prices of some listed companies on the Uganda Securities Exchange. This explains why the UGX4.3 Trillion attained in FY 2020/21 and the new listing of UGX4.7 (Incudes MTN IPO of UGX 4.6 Trillion) does not necessarily result in domestic market capitalization of UGX9 Trillion, but UGX 7.1 Trillion.

To further increase participation in the financial markets, CMA and Uganda Communications Commission (UCC) initiated discussions aimed at enabling one other telecom company to get listed on the local stock exchanges; as well as get MTN to complete the secondary listing of the remaining 4.7% of its shareholding[9].

To increase participation in the financial markets the CMA intensified its public education initiatives with a view to increasing awareness and uptake of Collective Investment Schemes (CIS). This has been undertaken through targeted radio and TV programs, and through Investor Resource Persons. As a result, the total Assets under Management (AUM) held by CIS Fund Managers increased from UGX567 billion at the end of March 2021 to UGX1.15 trillion at the end of June 2022; which has more than doubled the final NDP III target of UGX610 billion.

CMA is currently engaging MFPED and BoU with a view to getting local banks to list on the local stock exchanges. Furthermore, CMA kept engaging with MFPED to ensure that the listing obligations of formerly State Owned Enterprises are followed through. In order to ensure a conducive environment for capital markets, BoU approved the procurement of the software that will be used to link both the BoU and USE securities depositories via mobile phones.

9 Requirement as per National Broadband Policy was to list 20% of each telecom operator's shareholding

Further to the above efforts, CMA working with the Financial Sector Deepening (FSD) Uganda, established the Deal Flow Facility (DFF) last financial year (June 2021), and this year signed an MoU with the Federation of Small and Medium Enterprises Uganda (FSME) to support qualifying FSME member businesses across Uganda to become investment ready and match them to providers of growth capital. This facility is targeting to support at least 220 firms over a period of 5 years. The update for the first cohort of the initial 66 firms intending to benefit from this DFF, having started the process in September 2021 is presented in the table below.

Table 13: *Status of approval of Enterprises as per the Deal Flow Facility Process*

Stage	Update
Application	66 applications received
Level 1 assessment	50 companies met the initial criteria and received on boarding forms
Level 2 assessment	10 companies submitted their on boarding application
Due Diligence and Site Visit	7 site visits and due diligence completed
Technical Assistance and Business Development Services	4 companies to be given Technical Assistance
Matching	No company has yet been matched with an investor

All the 66 applications received were from companies registered in Uganda, with at least two (2) years of audited financial statements. The companies were in the following sectors: agriculture (18); finance (6); manufacturing (5); healthcare (3); clean energy (2); e – commerce (2); and others (30). The capital requirement by the different companies ranged from USD500,000 to USD5m and above.

The fact that no company has so far been matched with an investor, or even of the 66 applications received, 16 didn't qualify for the level 1 assessment, of the 50 at level 1, only 10 made it to the level 2 assessment indicates a problem in the readiness of local enterprises to tap into alternative sources of finance. This is largely attributable to the high informality and apprehension against formalization among enterprises. This scenario highly credits the argument that Uganda's enterprises urgently need Business Development Services.

As a way forward, the progress from this partnering will be documented to provide the actual readiness for Uganda's SMEs to tap into formal opportunities. Further engagements will be initiated with the Financial Sector Deepening (FSD), Uganda as well as industry associations to enhance readiness of enterprises to benefit from this facility. Such missed opportunities should be the incentives that industry associations harness to encourage formalization of economic businesses and activities"

At the conceptualisation of the NDPIII, the need to strengthen the legal and regulatory frameworks for Private Equity (PE) and Venture Capital was envisaged. Under the current legal framework, CMA does not regulate PE funds operating in Uganda. The Act only permits CMA to register Venture Capital funds that provide risk capital to businesses in Uganda. CMA is working towards fast tracking the amendment of the Act to provide for the registration of PE funds. The Terms of reference for the recruitment of a consultant to review Uganda's legal and regulatory framework for the structuring of Private Equity (PE) funds under Limited Liability partnership vehicles and provide recommendations for amendments to the existing legal framework were finalized. This initiative is a joint effort of CMA, East Africa Venture Capital Association, International Fund for Agricultural Development and Uganda Registration Services Bureau and aims at stimulating the growth of the PE space as an alternative source of non-bank financing, by providing a facilitative legal framework for registration and operation of PE funds. The 30th June 2022 Presidential CEO Forum tasked MFPED to fast-track the fiscal policy for Private Equity and develop a favourable taxation framework for PE.

2.2.2.4 Value of formal financial sector savings for private sector investment

The PSD Programme intends to realise increased value of formal financial sector savings for private sector investment. The table below presents the key indicators and corresponding targets for measuring the PSD programme's progress towards achieving this outcome.

Table 14: *Actual performance against FY2021/22 targets for the value of formal financial sector savings for private sector Investment*

Indicator	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Retirement Assets to GDP, %	11.1%	13.5%	12.2%	URBRA
Deposits in supervised financial institutions to GDP, %	18.2%	23.7%	18.3%	BoU
Life insurance assets to GDP, %	0.49%	0.65%	0.60%	IRA

During the period under review Retirement Benefits sector assets grew by 16.9% to UGX18 trillion in 2021 from the UGX15.4 trillion in 2020, accounting for 12.2% (2020: 11.1%) of Gross Domestic Product (GDP). Since 2019, the annual growth rate of the Retirement Benefits Sector has been less than the projected at 18% annual growth rate due to disruptions of contributions (temporary exemptions, deferrals, loss of jobs, etc) caused by COVID-19. In 2021, total Sector contributions recorded a 6.1% increase to UGX1.67 trillion (compared with the 11.8% five-year average growth rate in contributions) compared to UGX1.58 trillion in 2020.

Deposits in supervised financial institutions to GDP recorded a performance of 18.3% against the annual NDP III target of 23.7% and the previous year's performance of 18.2%.

Life Insurance Assets to GDP ratio grew by 0.11% from 0.49% in 2020/21 to 0.60% in 2021/22. It was down by 0.05% from the NDPIII target (0.65%) for 2021/22 mainly due to the effect of COVID-19 on the population's incomes. Life insurance Assets grew from 674.7bn in 2019/20 to 815.6bn in 2021/22.

Life Insurance as part of the financial sector 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 increasing importance as a way for individuals and families to manage income risk. Also, life insurance products encourage long term savings and re-investment 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 is growing at a rate of 32.13% as of June, 2022 and that is at a faster rate compared to the non-life insurance which lowered at 2.72%. This is a good indicator for life insurance and follows the trend by most developing countries.

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.

Expanding the pension and insurance coverage to increase formal sector savings is one of the sub interventions for sustainable lowering 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. 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 majority of Ugandans to abject old-age poverty.

In FY2021/22, the **Uganda Retirement Benefits Regulatory Authority (URBRA)** developed and disseminated the Implementation Blueprint for the National Micro-Pension Scheme for Uganda. The Blueprint provides specific recommendations and a road-map for the establishment, management and operation of an Inclusive, Secure, Affordable and Sustainable Micro-Pension Scheme for Uganda. Priority should be given to establishment of this National Long Term Retirement Saving Scheme. The Blueprint was disseminated and discussed with several key stakeholders including the MoFPED, MoGLSD, MoPS, NIRA, IRA, NITA, and with a range of financial inclusion ecosystem players. These consultations have generated considerable stakeholder interest in the proposed scheme and generated highly constructive feedback and support for this proposed initiative. Once operationalised, the Scheme will facilitate extension of coverage to informal sector workers. Subsequently, this will increase formal financial sector savings, and avail additional alternative financing for the private sector.

As part of planned interventions towards the realisation of Vision 2040, Government set out to enhance availability of long-term development finance by implementing reforms in the pension sector. Amidst all the proposed sector reforms, focus is on increasing coverage, security, adequacy, and to guarantee life-term income streams. In FY2021/22, the NSSF (Amendment) Bill, 2021 was assented to by His Excellency the President on 2nd January, 2022. The Act amended the NSSF Act, 1985 Cap 222 to among others provide for mandatory contributions by all workers, regardless of the size of the enterprise or number of employees; and provide for voluntary contributions to the fund. These are envisaged to enhance access to formal financial services through increased sector coverage, and subsequently enhance domestic revenue mobilisation and long-term finance for economic development.

As one of its Strategic interventions, the Uganda Retirement Benefits Regulatory Authority (URBRA) set out to upgrade the existing Risk-based Supervisory Framework (RBSF), and acquire a Risk Based Supervision IT system for effective risk assessment, response and monitoring. In FY2021/22, the Authority:

- Developed the risk assessment model, reviewed the risk assessment templates, and undertook calibration and testing of the RBS Tool and Templates;
- Developed and commenced piloting of the Interrogatories for the Risk Based Supervision System;
- Developed the Draft Early Warning Systems Manual, and Supervisory templates for the Risk Based Supervision System;
- Issued the first regulatory circular on the implementation of the revamped Risk Based Supervision Framework; and
- Contracted a consultant to develop the Risk Based Supervision System.

The system once operationalised is expected to strengthen the Authority's supervisory approach and facilitate the Authority's ability to proactively identify, assess and respond to a broad range of risks in a coordinated way, which is critical for effective supervision. The system will facilitate strong analytical capabilities, and usage of available data within structured frameworks, to support well-founded risk-based decisions. Subsequently, long-term savings will be enhanced following the envisaged enhancements in sector efficiency, and enhanced return/value of formal financial sector savings.

The URBRA Investment of Scheme Funds Regulations, 2014 prescribe the East African Community as a domestic market, hence permissible for investment. As at end December 2021, Uganda maintained the highest concentration of regional diversification of investments at 67.6%, Kenya 22.0%, Tanzania 10.0% and Rwanda 0.4% of the Sector investment portfolio. In 2021 retirement benefits sector investments in equity increased by 27.8%, to UGX2.3 trillion (accounting for 14.5% of the total sector investments) from UGX1.8 trillion in 2020. Quoted equity alone accounting for UGX2.3 trillion in 2021 (12.9% of the total sector investments), represents about 48.9% of the domestic capital markets capitalization.

In FY2021/22, the Retirement Benefits Sector Regulatory Framework was enhanced through the enactment of the URBRA (Assignment of Benefits for Mortgages and Loans) Regulations,

2022. Statutory Instrument No. 17 of 2022. These Regulations were introduced in line with Section 68 2(a) of the URBRA Act, 2011, so as to enable Retirement Benefits Scheme members use their accumulated benefits (a maximum of 50% of a member's accrued benefits at the time of the application) to secure a mortgage or a loan for purchasing a residential house. The Regulations provide an opportunity for private sector growth, especially in the areas of real estate.

The **Insurance Regulatory Authority (IRA) also plays a role in mobilizing savings for private** sector financing through Life Insurance. Life Insurance Assets are key for; investment in capital markets, long term savings and re-investment into private and public sector projects.

Among the expected deliverables from IRA was the promotion of innovations for appropriate insurance products for the key growth sectors. To this effect, IRA has operationalized the regulatory sandbox. Fintech guidelines have been passed and 3 innovations are under testing and piloting i.e. Bomba Medical Product, Mobile Money Insurance and Micro Insurance distribution. Micro insurance for financial inclusion grew at 21.4%, generating UGX0.657billion in 2021 up from UGX0.541billion in 2020. It should be observed that microinsurance services lower the cost doing business by covering risks/losses faced by MSMEs.

Adopting appropriate measures to de-risk private sector lending particularly to the key growth opportunities is one of the sub-interventions aimed at sustainably lowering the costs of doing business. In this respect, the Insurance Regulatory Authority (IRA) aims at de-risking Agribusiness through Agriculture insurance. The product is provided through the Uganda Agriculture Insurance Scheme run by the Agro-Consortium. In 2021, a total of 75,868 farmers were covered up from 43,661 in 2020 representing a 73.8% growth and generated UGX19.8978 billion in Gross Written Premiums (GWPs) to the industry. The Uganda Agriculture Insurance Scheme lowers the cost of doing business by covering the losses suffered by farmers.

During the year, the IRA and UIA continued to engage on the modalities for operation by the Oil and Gas consortium (ICOGU) culminating into regulations out of the guidelines that had earlier been in place. The ICOGU was finally recognized as a risk sharing pool for the sector and would actively lend support to the risks involved in the setting up of the infrastructure to support this budding sector.

Another achievement to the private sector is that Prior to the calendar year 2020, Importers were required to have insurance covers in the countries of origin of the products which came with difficulties in lodging claims to foreign companies. Following the pronouncement in the budget speech of 2017/18, IRA was tasked to localize 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 in moreover besides the protection that insurance will provide. Other benefits include:

a. The Insurer will get premiums and Government will get revenue;
b. Business continuity for the shippers (importers and exporters) in case of a loss during conveyance;
c. Reduction of operational costs for the shippers;
d. In 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;
e. Ease and convenient claims access; and
f. potential fraud is avoided.

In the interest of strengthening stability and protection of benefits of insurance policy holders as well as growing confidence in the insurance sector by the private sector, IRA continued to carryout supervision of insurance service providers.

Above: *State Minister for Finance in Charge of planning launching the Integrated Marine Insurance Platform at Serena Hotel on 28th October 2021.*

Above: *IRA CEO speaking at the launch of the Integrated Marine Insurance platform.*

2.2.2.5 Access and usage of non-financial resources

The PSD Program intends to see Increased access and usage of non-financial resources e.g., certification, ICT, warehouse information system, etc. Progress at achieving this outcome will be measured by among others, the indicators provided in the table below.

Table 15: *Actual performance against the FY2021/22 targets for increased access and usage of non-financial resources*

Indicator	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Number of warehouse receipt discounted at financial institutions		2,800		UWRSA/ MTIC
Number of warehouse receipt traded at commodity exchanges		6,500		UWRSA/ MTIC
Proportion of Key business processes automated and integrated on Government platforms		60%		NITA-U

However, the PSD Programme performance in respect of increasing access and usage of non-financial resources was indeterminate, as there was inadequate data to compute the actual performance of the key indicators in the above table.

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.

2.2.2.6 Challenges of sustainability lowering the costs of doing business

The government of Uganda through its various financial support programs has succeeded in supporting MSMEs through extending affordable credit support services like low cost loans through extending funding to SACCOs through the Microfinance Support Centre at a low cost interest rate of 8 %. The key objective is to enable SACCOs in various areas across the country to access low cost financial sources (8%) to enable them extend the MSMEs with 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 majority MSMEs in their various regions which has to some extent boosted businesses.

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

The operationalization of Emyooga was constrained in hard to reach areas. This is mainly due to bad climatic conditions and 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.

Further, a big number of SACCO members still have a negative mind-set on grants/funds from coupled with high illiteracy levels in some regions of the country. Some segments of the public have a misconception that Government funds don't require accountability or monitoring. This has affected their participation and performance especially in terms of savings and recovery, frustrating the implementation of the programme.

RECOMMENDATION

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.

2.2.3 Organisational and institutional capacity of the private sector

The organisation and institutional capacity of Uganda's private sector is largely characterised by inadequate entrepreneurial skills; low skilled labour; low levels of technology in operations; and limited capacity to provide for innovation for new products. The poor institutional capacity of the private sector is further demonstrated by weaknesses in mobilisation and coordination of producers, sellers, and other market players which undermines the private sector's ability to benefit from economies of scale, profitability, and to create and sustain employment.

Cooperatives and other joint schemes need to be revamped and promoted to better mobilise private sector players to increase their bargaining power and as a mechanism to formalise these groups, thereby enhancing their capacity to tap into the opportunities occasioned by among others the EAC (recently joined by Democratic Republic of Congo (DRC) and South Sudan) and the AfCFTA Protocol on investment, which is now operational and the other trading blocs subscribed to by Uganda.

The NDP III therefore seeks to strengthen the organisation and institutional capacity of Uganda's private sector through two key interventions i.e. improving management capacities of local enterprises through massive provision of business development services geared towards improving firm capabilities; and strengthening system capacities to enable and harness benefits of coordinated private sector activities. The Results and Reporting framework for the NDP III identifies the key outcomes to be achieved over the NDP III period and these include:

1. Improved business capacity and local entrepreneurship skills enhanced;
2. Increased membership in chambers of commerce and trade unions;
3. Strengthened linkages to regional and global markets;
4. Increased automation of business processes;
5. Increased research and innovation within the private sector;
6. Increased access and use of market information system by the private sector;
7. Increased access and use of incubation centres by the private sector; and
8. Simplified system for starting a business.

The progress registered in FY2021/22 in achieving the above outcomes is discussed in the section below.

2.2.3.1 Business capacity and local entrepreneurship skills

This outcome is about strengthening business capacity and skills of local enterprises through the use, in particular 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, for example, business advice, mentoring, incubation, training, etc.

The Results and Reporting framework for the NDP III provides a minimum set of indicators for measuring the PSD Programme's performance in improving business capacity and local entrepreneurship skills. The table below provides the actual performance of the indicators for the current financial year, against the target and the previous year's performance.

Table 16: *Actual Performance against FY2021/22 targets for improved business capacity and entrepreneurial skills*

Indicator	Actual FY2020/21	Target FY2021/22	Actual FY2021/22	Source
% of businesses that accessed BDS in the past 3 years		10%		MTIC
Global competitiveness index Ranking	115	114/141	N/A[10]	MOFPED
% of businesses having a business expansion plan in place	19.1%	12%	40.2%	UIA
% of existing businesses expanded		20%		MTIC
% change in annual turnover		18.0%		MTIC
Average life of businesses (Years)		2.8		MTIC

Performance against the FY2021/22 targets was blur as there was inadequate data for five out of the 6 indicators. The absence of data on the percentage of businesses that accessed BDS in the past 3 years is attributed to the fact that no central authority has previously been tracking this indicator, and there are numerous BDS service providers as well as recipients nationally, making it financially and logistically challenging to track and document their activities on an annual basis. Going forward, and subject to availability of funds, the Secretariat for PSD Programme (MFPED) will work with MTIC, Enterprise Uganda, UIA and other key stakeholders to track and report on this indicator.

On the other hand, the computation of the Global Competitiveness Index/ranking was halted since the outbreak of the Covid-19 pandemic, hence the absence of actual performance information on this indicator for FY2021/22.

According to the Uganda Investment Authority, the percentage of businesses having a business expansion plan in place stood at 40% in FY2021/22 which was above the annual NDP III target of 12% and the previous year's performance of 19.1%. The above target performance is mainly attributable to the increase in the number of businesses that registered with URSB that had Business Expansion Plans.

The following discussion on percentage of existing businesses expanded, percentage of change in annual turnover and average life of businesses does not give a national outlook, as it is based on surveys conducted by Enterprise Uganda based on a sample of enterprises under its jurisdiction. This sample is not representative given the many players in the MSMEs space.

10 This indicator is no longer being tracked.

During the year under review, 41.6% of existing businesses expanded, posting a performance above the 20% annual target for FY2021/22 but below the previous year's performance of 45%. In the same period, there was a 338% increase in annual turnover, which was above the NDP III target of 18% and the previous year's performance of 53.8%. The improvement in performance is mainly attributable to continuous provision of BDS services.

The Average life of businesses stood at 2.9 years, which was above the annual NDP III target of 2.8 years and the previous year's performance of 1.5 years. This improvement in performance is attributable to the continuous provision of BDS services.

In line with the planned PSD programme interventions, a number of activities to improve business capacity and entrepreneurial skills among businesses were undertaken by Programme Institutions during the year, some of which are presented here below.

In a bid to **improve management capacities of local enterprises through massive provision of business development services geared towards improving firm capabilities**, Enterprise Uganda (EU) and the Ministry of Trade Industry and Cooperatives (MTIC) provided significant levels of business development services during FY2021/22, all geared towards improving local enterprise capabilities. The key activities are summarised below.

Mobilising and equipping youth, women and members of households with Entrepreneurship, Business Management and Savings skills to start and grow their enterprises: A total 3001 Youth, Women and members of households were provided with entrepreneurship and business skills in Ibanda, Sheema and Ngora districts. Half of the participants were females. A follow-up was conducted 6 months later on 524 participants that attended the Ibanda training, and the survey results indicated that:

1. The percentage of respondents owning a business had increased from 42% before training to 69% after training;
2. 60% of those with businesses were engaged in agriculture; 22% involved in trade and commerce; and majority of those who did not start were students from Ibanda University who hope to start businesses after completing studies, hence more impact expected later.

To find out whether businesses continue existing after a longer period of time after entrepreneurship and mindset training, a business progress survey was conducted on 1,193 clients that attended Enterprise Uganda training 2 years ago in Kasese, Kamuli, Hoima and Jinja districts and the findings indicated that:

- The percentage of participants owning business increased from only 30% before Enterprise Uganda training to 69% after training.
- 66% of the clients that did not own a business at the time of training now own business.
- 78% of the entrepreneurs that attended training while owning business are still running them. Only 22% of the businesses closed in two years mainly attributed to the Covid-19 pandemic. This is noteworthy because it shows a direct relationship between BDS and resilience especially in the recent Covid 19 period when many businesses were going down.
- The average years a business has operated was 2.9 years.
- Average annual turnover increased by 338% from 1,971,000 before training to 8,631,000 after training.
- 41.4% of the clients were engaged in retail and wholesale trade of goods as 33% of the entrepreneurs are engaged in agriculture.
- The total jobs created by 826 businesses surveyed increased by 187% from only 252 employees before training to 724 employees excluding business owners. Implying each business on average has created 1 additional job in the first two years.
- 63% of the jobs created are full-time jobs
- Total capital invested by all the 826 businesses is 2,385,220,000 compared to only 808,943,000 start-up capital.

In addition, 824 Emyooga beneficiaries from 37 Saccos in Dokolo district were provided with Entrepreneurship, Business Management and Savings skills.

Supporting farmers with Business Development Services (BDS): A total of 4,060 Farmers were supported with Business Development Services along selected agro-value Chains in the Lango, Teso, Rwenzori and West Nile Sub-regions in line with government priorities to increase production, with 55% of them being females. A follow-up survey was conducted on 810 farmers that previously attended business clinics in Dokolo district. The findings revealed that the percentage of farmers running business increased from 57% before training to 72% in a period of 5 months after training.

Equipping MSMEs with skills to handle growth challenges: Enterprise Uganda conducted the Business recovery series online, which was attended by 2,636 Entrepreneurs. The sessions covered various topics including SME taxes, franchising, recovery in the education sector, managing high prices and the role of technology in business among others. Enterprise Uganda also provided business diagnostic services and mentoring to 148 SMEs. Sixty five (65) SMEs that had exhibited potential of expansion, were provided with skills to grow and formalize their businesses in Bushenyi and Sheema districts. In addition, 10 participating enterprises under the Accelerator Program were assisted to develop 50 business documents (10 bankable business plans, 10 Impact dash boards, 10 Financial Plans, 10 Investment proposals and 10 Investment financial plans) to make them finance ready in terms of accessing funds from financial institutions.

Developing Business Development Services framework: The National BDS Framework was developed and validated by stakeholders. The BDS Framework describes the country's institutional arrangements for providing BDS to start ups and growth MSMEs, the BDS to be offered, and the delivery approaches to meet the BDS needs of MSMEs. The Framework defines different categories of BDS initiatives to improve targeted business activities and service delivery mechanisms. The BDS framework is anchored on five pillars which are:

1) Promoting Uptake of BDS by designing a low-cost scheme reaching a wide range of MSMEs; tailored for different stages of enterprise growth;
2) Assuring the quality of BDS by strengthening BDS Providers' Capacity and establishing a BDS center of excellence;
3) Digitizing BDS delivery and making it "future-ready", capturing the younger generation and making it more readily adaptable and adoptable;
4) Development of a BDS Delivery Policy, Regulatory and Coordination regime; and
5) Sustainable financing for BDS delivery.

Enterprise Uganda also supported the development of the Parish Development Model Training Manual in collaboration with MoFPED, MoGLSD, MTIC, PROFILA and other government agencies. The Manual was issued by the Ministry of Gender, Labour and Social Development.

During the year, construction of the BDS Centre of Excellence commenced. Negotiations were held with the contractor and the contract agreement was cleared by the Solicitor General and signed with the contractor for commencement of works. The BDS Centre of Excellence will offer the following services:

a. Provide leadership, best practices, research, support and/or training for BDS delivery;
b. Set up with a team of professionals in the different specialties and facilities to aid delivery of BDS;
c. Provide the institutional mechanism for developing and promoting BDS delivery;
d. Mobilization of actors and stakeholders' support across the BDS ecosystem; and
e. Develop and manage a portfolio of BDS programmes and packages.

Conducting a Training of Trainers (TOT) for Local Government officials and private BDS providers: Enterprise Uganda undertook a Training of Trainers for 82 national BDS facilitators that included local government officials and private BDS providers across the country. Additionally, orientation for 176 district commercial officers regarding formation and registration of SACCOs under the Parish Development Model (PDM) was conducted in all the regions in line with the Financial Inclusion Pillar.

The **Ministry of Trade, Industry and Cooperatives (MTIC)** in collaboration with UNDP (SMEs4 Trade Initiative) and USAID Feed the Future Uganda supported 905 enterprises which were members of UMA, PSFU, FSMEs and Uganda National Chamber of Commerce and Industry (UNCCI). These enterprises were selected and trained in identifying market opportunities and access.

During the year, MTIC developed a data collection tool and reporting template for use by the commercial officers to collect and report on the businesses in the jurisdiction. This will help update the data on the system at MTIC and form a base for future changes. The data to be collected will guide on the challenges the SMEs face, the interventions to be developed in accordance to the enterprises in which they engage for employment and wealth creation.

While there is no aggregated data on both the baseline and the actual performance achieved by the different BDS providers, a number of them provided BDS to various enterprises. Through the department of business development and quality assurance, the Ministry of Trade Industry and Cooperatives trained women and youth in entrepreneurship, covering the Local Governments of Kasese, Kisoro, Nebbi, Kabala, Mityana, Tororo, Busia among others. This has led to improvement of formalisation levels and business management systems for the MSMEs. In this respect 35 women entrepreneurs were also trained for preparedness for export to Canada in areas of home décor, textiles, arts and crafts. Other women had their capacity built to be able to access markets in the arts and crafts in the districts of Gulu, Arua, Masindi and Fortportal.

During the year, 22 lecturers of Uganda College of Commerce Aduku were taken through Business Development Services and entrepreneurship training. This was intended to enable them have an impact on their students and the community in start-up of businesses and sustainability through support services and conducting of entrepreneurship meeting in and around the college. This is expected to go to other institutions in order to have the students impacted during their time in school.

Finally through the department of business development and quality assurance, MTIC supported MSMEs to prepare for certification. This was done through guiding the MSMEs and offering technical support on site to enable them close gaps before UNBS comes for its inspection for certification. However, this starts with the other business development services that are a requirement for certification. A number of MSMEs supported and recommended to UNBS have been able to acquire the certification mark.

Strengthening the Corporate Rescue Framework in Uganda: For every business owner, it is important to know that there are possibilities of facing financial difficulties during the course of business. When a business is faced with financial difficulty, what matters is how you rise up to the challenge. The trends have changed and now insolvency is looked at positively giving an opportunity to the debtor to reorganize their affairs while enjoying legal protection to enable them start afresh, this time smarter.

The two major formal business rescue mechanisms include an arrangement or compromise under the Companies Act and administration proceedings under the Insolvency Act. These are further explained below.

1. **Arrangement or compromise under the Companies Act**: An arrangement or compromise is a court sanctioned process between a financially distressed company and its creditors to reorganize the terms of its liabilities. The arrangement is contractual in nature and can cover anything that the parties may properly agree to among themselves. The arrangement is binding on all members of the class of persons to which it applies.
2. **Administration under the Insolvency Act**: Administration is an insolvency procedure designed to help a company survive and is an ideal solution as opposed to liquidation. During this process, the company is given breathing space within which to re-organize its affairs with an aim of turning around the business to profitability and achieving a better result to the creditors.

URSB plays a role in offering advisory services to businesses faced with financial difficulty and has undertaken the following activities, mainly focusing on strengthening the insolvency legal framework.

Review of the Insolvency Act 2011: Reviewing of the Insolvency legal framework in Uganda is underway, and the draft Bill awaits approval by Cabinet. The law seeks to simplify the winding up process for companies that have no assets; reduce the time for winding up of companies; provide for post-commencement financing of companies in insolvency to enable them settle claims; and prioritize secured creditors.

URSB successfully held the 5th Insolvency Conference on the 23rd and 24th March, 2022, under the theme "*Emerging Trends in Corporate Restructuring in Uganda: What to Expect and How to Prepare*". The conference was attended by 1,098 participants including Judicial Officers, lawyers, Certified Public Accountants, Chartered Secretaries and Administrators who are charged with the governance and sustainability of companies. The purpose for this conference was to create awareness about Insolvency services in response to the disruptions caused to businesses by the effects of the COVID-19 pandemic which left many businesses financially distressed and unable to sustain their operations.

Through URSB, the PSD Programme organized a sensitization workshop on Insolvency on 21st April, 2022 in Mbale, which targeted the business community, regulators, policy makers, insolvency practitioners, lawyers and accountants. The workshop was attended by 94 participants.

URSB conducted spot visits to insolvency practitioners to assess their compliance levels.

The engagement focused on filing of annual returns, filing requisite documents with the official receiver for insolvent companies, proper management of insolvent estates among others. URSB staff also participated in the INSOL Conference held from 26th -28th June, 2022 in London. The conference equipped staff with vast insolvency knowledge, practical skills from the international judges and exposure to different international practices.

2.2.3.2 Membership in chambers of commerce and trade unions

This outcome is about strengthening Industry associations, chambers of commerce and trade unions through assessing capacities of associations and enterprises, supporting the provision of value addition, common user facilities for associations/cooperatives, establishing and Integrating Management Information Systems to support associations, trade unions, Cooperatives etc.

Increased membership in chambers of commerce and trade unions is measured by a number of indicators, whose current year performance against annual targets and previous year's performance is illustrated in the table below.

Table 17: *Actual performance against FY2021/22 targets for membership in chambers of commerce and trade unions*

Indicator	Actual 2020/21	Target 2021/22	Actual 2021/22	Source
% of the informal sector	No data	50.4%	No data	MFPED
Number of firms that are registered members of chambers of commerce[11]	10,000	700	300	UNCCI
Number of members in trade unions	644,000	350,000		MGLSD

As can be seen from the table above, there is inadequate reliable data to compute the actual performance in respect of the percentage of the informal sector, which was targeted by the NDP III as 50.4% in FY2021/22. Working with the PSD Programme Institutions, the Secretariat will within the remaining years of the NDP III commission a survey to among others derive the actual percentage of the informal sector. In the meantime, Section 2.2.1.1 provides a snapshot of the performance of the informal sector, specifically focussing on informal businesses.

During the period under review, UNCCI freshly recruited 300 members, a performance that was below the annual NDP III target of 700 and the previous year's performance of 10,000. Cumulatively, UNCCI had over 40,000 registered members as at 30 June 2022. Below are the key activities undertaken during the year under review, in line with the interventions intended to reduce the informal sector.

11 This considered the total number of members freshly recruited during the year.

Supporting Formalisation of businesses: The Private Sector Development Programme through MTIC mobilized and sensitized 100 MSMEs on the importance of formalizing and registration of businesses. With this, more businesses have now registered with URSB and URA. Additionally, 33 Artisanal miners Associations have been facilitated to formalise their business and get their registration certificates as Cooperatives.

To support formation of cooperatives, measures were undertaken to support organic bottom up formation of cooperatives, registration, inspection, and auditing of Cooperative activities. The measures undertaken include registration of 2,227 Cooperatives of various categories, training of 24,670 Cooperatives in governance and leadership, and continuous mobilisation of Communities to form Parish Development Model Cooperatives. Cooperatives enable firms to increase their access to markets, financing, advancement in modern technology, access to BDS services etc.

To strengthen SMEs and industrial associations, Ministry of Trade in collaboration with the private sector formed the MSMEs Forum Uganda, which was launched on 27th June 2022. This forum will identify areas for collaboration towards market access, access to BDS services, financing etc.

Support organic bottom up formation of cooperatives: This action largely covers the measures undertaken to foster organic formation of cooperatives including promotion, registration, inspection, and auditing of cooperative activities, design and deliver tailor-made skills and training programs for co-operators and strengthening the Corporate Rescue Framework in Uganda.

During the year under review, **Uganda National Chamber of Commerce and Industry (UNCCI)** conducted monthly awareness campaigns regarding the opportunities provided by the government, private sector and development partners on formalisation. This information is also available on the UNCCI website, social media and among other places accessible by the members of the private sector. UNCCI also created a Business Development Services (BDS) desk at the secretariat, to provide relevant information and equally assist in the formalisation of businesses. The Secretariat enables the private sector members to register and comply with the formalisation requirements.

Through a memorandum of understanding with development partners and other agencies, UNCCI promoted Incentives of formalisation such as access to financing, international trade, trade access Board among others. UNCCI also undertook Policy and structural advocacy work through live and print media to acquire for its members, discounts and incentives associated with the formalisation process. UNCCI also facilitated the Creation of different Business groups to encourage joint formalisation. This was mainly done through women and youth involvement, and has attracted over 400 members of the private sector especially those at the Boarders and rural areas. UNCCI also held Regional and district Business development and training services covering company registration, obtaining of the necessary operations licenses, registration with the various government bodies, certification of goods, payment of the required levies etc.

Pictorial of UNCCI engagements with stakeholders during FY2021/22

2.2.3.3 Linkages to regional and global markets

This outcome is measured by the value of merchandise exports. By the end of FY2021/22, the value of merchandise exports stood at USD3,836.58 million, which was below the annual target of USD4,233.8 million and the previous year's performance of USD5,274 million. The decline in performance is mainly attributed to the performance of gold exports which declined from USD2,249.73 million in FY2020/21 to nil in FY2021/22. With the exception of gold, merchandise exports increased from USD3,029 million in FY2020/21 to USD3,836.58 million in FY2021/22. This is an improvement of USD Million 807.58. Below are some of the interventions and activities undertaken to strengthen linkages to regional and global markets.

The **Ministry of Foreign affairs** undertook a number of engagements to improve business relations between Uganda and other countries with the aim of securing more export markets for Ugandan products. These include:

1. Participated in the preparations of 17 Draft Agreements/MoUs on economic cooperation between Uganda and DRC, Burundi, Seychelles, and Tanzania ready for Signing.
2. Organized and participated in a Joint Permanent Commission (JPC) on trade and economic cooperation namely; Uganda - Tanzania JPC in sectors of bilateral cooperation including cooperation in areas of immigration, Education, Transport, communication, Defense and Security, Trade and Industry, Energy and Mineral Development, Agriculture, etc. Further deliberations were made on Peace and Security related matters instrumental in advancing social-economic development and transformation of both countries.
3. Organized and participated in the Uganda-Burundi Business Forum held on 23rd March 2022 which brought together the business communities in Uganda and Burundi on how to build business partnerships, reduce the cost of doing business in both countries and focus on investments in agro-processing, consumer goods, steel and cement for construction of both houses and infrastructural development.

To support and coordinate engagements and international Trade Fairs, Exhibitions and Expositions for priority products and markets, 165 MSMES were facilitated to attend an EAC MSMEs trade fair in Tanzania and 15 MSMEs in Zanzibar in December 2021 and January 2022 respectively. Private Sector Members were also supported to participate in the Dubai Expo 2020, which increased the visibility of Ugandan products and services and investment opportunities to both Ugandan and UAE based stakeholders.

To promote the backward and forward linkages between SMEs and business associations and Free Zones to access regional and international market, **Uganda Free Zones Authority (UFZA)** held a training of operators in Free Zones and SMEs on standards and Pre-Export Verification of Conformity (PVoC) on 22nd March 2022. In addition, UFZA initiated discussions with the Uganda Small Scale Industries Association (USSIA) to sign an MoU linking SMEs to Free Zones for access to international markets. UFZA also sensitized Uganda Manufactures Association in the Northern region about the opportunities in regard to exporting cooking oil.

There were also efforts by the **Ministry of Trade, Industry and Cooperatives** to promote regional investment and trade. MTIC was able to construct a Cross Boarder Market and established a One Stop Border Post (OSBP) at Mpondwe, upgraded the border infrastructure at Bunagana to facilitate trade between Uganda and DRC as well as established start-up facilities at Busia, Katuna, Lwakhakha & Oraba for Value addition and export growth.

MTIC further held five Bilateral engagements with DRC, signed an MOU on Standards and discussed an MOU on Immigration, scheduled to be signed in September 2022. MTIC also held two Joint Permanent Commission (JPC) meetings with South Africa for Trade and Investment and carried out capacity building on Cross Border Trade (CBTs).

2.2.3.4 Automation of business processes

Increased automation of business processes is measured by the value of Ugandan products and services traded on e-platforms. However, at the time of drafting this report there was inadequate data on this indicator to inform a comprehensive discussion of its performance. Despite the absence of actual performance information on the indicator, a number of activities aimed at increasing automation of business process were undertaken, and these are elucidated here below.

To increase automation and streamline business processes URSB developed an avenue that enables clients submit applications for document certification, company resolutions for bank account opening, company and business name document searches, name reservation and business name registration online and have feedback without them walking into the bureau's offices physically, thus easing the process of doing business.

In relation to automating systems for application, monitoring, supervision and control of Free Zones, an automated Free Zone Module FZ9 for application and monitoring of Free Zones goods was operationalised in February 2022. The FZ9 will lead to improved efficiency for the Free Zones in Customs clearance and so far, twenty-six (26) companies have registered on the system.

The **Ministry of Trade Industry and Cooperatives** has also developed various links that provide information for those intending to import or export. The Trade portal[12] is continuously updated and the desk information system for DCOs is functional.

12 The links of these sites are:

- https://ugandatrades.go.ug/
  The Uganda Electronic Single Window
- https://singlewindow.go.ug
- http/ntbtool.mtic.go.ug- NTB reporting system
- http:gltfp.mtic.go.ug

2.2.3.5 Research and use of research and innovation instruments by the private sector

Increased research and innovation within the private sector, and increased use of research and innovation instruments by the private sector are two outcomes that the PSD Programme intends to realise. The Results and Reporting framework for the NDP III provides for a number of indicators and corresponding targets for measuring progress towards attaining these outcomes, and these are illustrated in the table below.

Table 18: *Actual performance against FY2021/22 targets for increased research/ use of research & innovation instruments by the private sector*

Indicator	Actual FY2020 /21	Target FY2021 /22	Actual 2021 /22	Responsible Institution
Proportion of SMEs using digital solutions for key business processes		30	No data	NITA-U
% of businesses undertaking research and development activities in the past year (manufacturing, trading, small trading and services, finance)		1.50	No data	UNCST
% of innovative firms in manufacturing		83	No data	UNCST

As illustrated in the above table, there was inadequate data for measuring the actual performance of all the indicators. This is attributed to lack of a central agency to collect, analyse and report on these indicators. Moving forward, the PSD secretariat will liaise with the responsible institutions to report on the indicators prior to the end of the NDP III. Nonetheless, a number of activities to increase research and innovation within the private sector, and increase the use of research and innovation instruments by the private sector were undertaken by the PSD Programme Institutions, and these are presented here below.

The **Uganda Industrial Research Institute (UIRI)** provided technical advisory and analytical Laboratory services to 251 SMEs. These included 43 MSMEs which were visited onsite for mentorship and gap analysis and 208 MSMEs were provided with certification advisory services. To operationalize machine Production and Training for Industrial Skills Capacity, UIRI opened a new training centre in Namanve fully equipped with training machines and as a result, at least 300 MSMEs have been trained in new technologies of welding, CNC, PCB, mechatronics, and machine operations.

2.2.3.6 Access and use of market information systems by the private sector

During FY2021/22, the number of firms using market information systems was 3,500, below the annual NDP III target of 4,500. With the development of the National SME Portal, numbers are expected to grow. The portal is continuously updated and the desk information system for DCO is functional. During the year, 450 MSMEs were trained on product and market information ranging from export destination, value addition and branding.

2.2.3.7 Access and use of incubation centres by the private sector

During FY2021/22, only four hundred (400) firms accessed the services of incubation centres, a performance that was below the annual target of 1,000 firms. The SMEs within the incubation hubs were advised on possible investment alternatives and other Business Development Services. Below are some of the interventions and actions undertaken by the various PSD Programme Institutions to increase access and use of incubation centres by the private sector.

Strengthening the system of incubation centres to support growth of SMEs in strategic areas: Kabale incubation & training centre and Kamwenge value addition and training centres were constructed. These centres will train farmers on how to add value to their produce. In developing electronic and automated solutions for utilization by various sectors, 4 electronic and automated products have been developed. These include green power generator prototype for power supply, a solar food drier to improve postharvest handling and thus improving food security, fabricated portable welding machine to increase import substitution and fabricated grain moisture meter prototype which plays a role in controlling aflatoxin contamination in grains and dry agro-produce.

2.2.3.8 System for starting a business

A simplified system for starting a business is one of the PSD Programme outcomes. The table below illustrates the actual performance against the indicators measuring the achievement of this outcome.

Table 19: *Actual performance against FY2021/22 targets for simplified systems for starting a business*

Indicator	Actual FY2020/21	Target FY2021/22	Actual FY2021/22	Source
Procedures to legally start and formally operate a company (number)	8	6.00	4	URSB
Time required to complete each procedure to start a business (calendar days)	4 hours	0.40	3 hours	URSB
Costs of starting a business (% of income per capita)	0.42%	6.00%	0.30%	URSB

By the end of FY2021/22, the number of procedures to legally start and formally operate a company were reduced to only 4 i.e:

1. Generate payment assessment through the URA portal and make payments using any method of your choice e.g. bank, mobile money etc.
2. Scan copies of the documents for submission. Scan copies of identification documents for directors and secretaries, memorandum and articles of association, form s18 (application for registration of company), statement of nominal income and notice of appointment of directors.
3. Fill the application form and attach the documents scanned in 2 above. All fields marked with an asterisk (*) are mandatory.
4. Upon completion, click the submit bottom to submit your company for registration. An email will be sent to your email with a ticket number that you can use for following up on the request.

This is a much better performance compared to the FY2021/22 annual target of 6 and previous year's performance of 8 procedures. The time required to start a business reduced from 4 hours during the last Financial Year, to 3 hours in FY2021/22. The cost of starting a business (% of income per capita) stood at 0.03% which is lower than the target and last year's performance.

The improvement in performance is attributed to URSB's improved innovative systems and administrative measures to simplify business processes. Below are some of the interventions and actions undertaken to simplify systems for starting a business.

The **Uganda Registration Services Bureau (URSB)** with support from the Ministry of Information Communication Technology and National Guidance, is developing an online Business registration system to support operations. The Online Business Registration System (OBRS) is an enterprise platform that will revamp business registration processes, reduce the time and effort required for new businesses to register, improve regulatory oversight by Government, provide the private sector with access to business information that assists in investment decisions, improve the competitiveness of the investment environment and drive economic growth.

Other administrative reforms were done to reduce procedural steps taken to register a company such as reduction of 30 paged Memorandum and Articles of Association (MEMARTS) to one paged lean MEMARTs format that will simplify the registration process.

Through review of the processes and procedures, some steps have been merged. For example, payment of name reservation shall only be made at company registration. Introduction of different payment models such as Mobile Money and In-house banking facility reduced movement of clients and improved turnaround time of registration to 3 hours.

2.2.3.9 Challenges of strengthening the organisational and institutional capacity

As witnessed, many indicators for tracking performance under the objective of strengthening the organisational and institutional capacity have not been reported on as there was no central agency tracking this performance and subsequently, no data was collected and analysed to measure the performance. In the remaining years of the NDP III, the Secretariat will work with the responsible agencies to clean the indicators and collect, collate and analyse data on all the remaining indicators, so they are reported upon. This report also notes the limited utilisation of the UIRI skilling facility in Namanve and other facilities, mainly due to lack of awareness of the services offered and benefits of these facilities.

2.2.4 Local content in public programmes

According to the NDP III, there are piece-meal policies and legislations especially in the oil and gas sector to support local content development. The Build Uganda Buy Uganda Policy also has components of promoting the local enterprises to benefit from a number of civil works and other services in the economy. Nonetheless, there is need to establish an overarching comprehensive national content policy to effectively boost the local private sector to harness the multitude of opportunities available.

It is against this background that this objective was developed, with the expected outcome of increasing local firms' participation in public investment programmes across sectors. The NDP III lists three broad interventions to support this objective.

1) Developing and implementing a holistic local content policy, legal and institutional framework;
2) Building the capacity of local firms to benefit from public investments;
3) Developing and publicizing a transparent incentive framework that supports local investors

2.2.4.1 Local firm's participation in public investment programmes

The table below illustrates the actual performance against target and previous year's performance on a number of indicators measuring local firm's participation in public investment programme across sectors.

***Table 20:** Actual performance against FY2021/22 targets for local firms' participation in public investment programmes*

Indicators	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Proportion of the total procurement value awarded to local contractors;	74%	65%	61%	PPDA
Proportion of jobs taken on by Ugandans in foreign owned enterprises;	45%	70%		PPDA
The proportion of Ugandan goods and services utilized by foreign firms in public projects;	18%	20%		PPDA

The performance in respect to the proportion of the total procurement value awarded to local contractors has already been discussed under section 2.2.1.3.

At the time of drafting this report, there was no data on the proportion of jobs taken on by Ugandans in foreign owned enterprises, which was targeted at 70% by the NDP III. Equally, there was no data on the proportion of Ugandan goods and services utilized by foreign firms in public projects, whose NDP III target was 20%. Going forward, the Secretariat will work with PPDA and UBoS to collect, analyse and report on these indicators.

As one of its interventions, the PSD programme planned to **develop and implement a holistic local content policy, legal and institutional framework**. In line with this intervention, the Ministry of Trade Industry and Cooperatives (MTIC) supported the implementation of local content through awareness creation on TVs, Radio and social media aimed at promoting local company's participation in public procurement. MTIC also held a BUBU Trade Fair on 7th-9th May 2022 which attracted 109 exhibitors that showcased the different products in the local market and enabled local suppliers to establish linkages with a wide range of clientele.

To develop standards for the goods and services that support local content, 428 Ugandan standards were developed by the **Uganda National Bureau of Standards (UNBS)** and approved by the national standards council. These included standards for food and agriculture, engineering, chemicals and consumer products, and management and services.

In supporting local producers to attain certification, testing and calibration of services to support local content, 4,225 certification permits were issued by UNBS to 447 MSMEs to help them produce products that meet the standard requirements; 26,217 samples were tested in the UNBS testing laboratories in the period under review; and 6,6294,043 industrial equipment were calibrated during the period under review which has enabled a number of large, medium, small and micro firms to effectively control manufacturing processes and meet certification requirements, in supports of SME development and export promotion.

During the reporting period, the Uganda Free Zones Authority (UFZA) developed and disseminated Local Content guidelines for Free Zones to 31 Private Free zones.

Building the capacity of local construction industry to benefit from public investments in infrastructure is another intervention planned by the PSD Programme to promote local content in public programmes. During the year under review, the **Uganda Investment Authority (UIA)** commenced the process of setting up a fund to support local firms to be competitive in the domestic and international markets, with the focus on high valued products. By the end of the financial year, UIA had negotiated and signed an MoU with UDB to offer a stimulus package for SMEs e.g. through clusters to enable SMEs meet the minimum UDB thresholds for lending.

Meanwhile, the **Ministry of Trade, Industry and Cooperatives (MTIC)** partnered with PPDA and Uganda National Association of Building and Civil Engineering Contractors to train local contractors in forming consortiums, Joint ventures, partnerships and other special purpose vehicles necessary to participate in public investments/

contracts. MTIC also facilitated Uganda National Association of Building and Civil Engineering Contractors for a possible partnership with Japan International Corporation Agency. This would facilitate technology and skills transfer to uplift the capacity of local contractors.

The PSD programme planned to **develop and publicise a transparent incentive framework that supports local investors** as one of its interventions. In line with this, PPDA had earlier (15th February 2018) provided for reservations to local providers including National and Resident providers. The Preference and Reservation Regulations were developed in consultation with key Private Sector Actors including Uganda Printers Association, Forest Stewardship Council, and were subsequently issued by MoFPED. The Preference and Reservation Regulations require the reservation of specific procurement opportunities for local communities, local organisations and SMEs i.e.:

1. Exclusive reservation of public contracts by threshold to local providers in the procurements for:
   a. Road works whose estimated cost is **UGX45 Billion** and below; and other public sector works whose estimated cost is **UGX10 billion** and below;
   b. Consultancy services whose estimated cost is **UGX1 Billion** and below;
   c. Supplies whose estimated cost is **UGX1 Billion** and below; and
   d. Non-consultancy services whose estimated cost is **UGX200 Million** and below.
2. Reservation of at least 30% of the value of works contracted to foreign companies through subcontracting of sub-works and supply of materials, equipment and services to local providers.
3. Reservation for procurement of uniforms and related clothing materials.
4. Reservation for procurement of electrical cables and conductors.
5. Reservation for procurement of medicines and medical supplies.

The other major successes registered under the **Uganda National Bureau of Standards (UNBS)** in developing and publicising a transparent incentive framework that supports local investors include reduction of Certification Fees; provision of Pre-Market & Batch Certification as an interim measure before completing the certification process; and simplification of Technical Standards into easy – to- use Guidelines Translated to Local Languages. This is elucidated below.

1. **Reduction of Certification Fees:** Starting 1st July 2021, Uganda National Bureau of Standards (UNBS) phased out some of the charges which were previously being levied on enterprises seeking certification of their products and these include Initial Audit Fees of UGX250,000 and Surveillance Audit Fees of UGX250,000. This implies that UNBS conducts the certification and surveillance audits on Enterprises seeking to acquire the Quality Mark (Q-Mark) free of charge.

   Micro and Small Enterprises now pay net certification fees of UGX500,000 down from UGX850,000 while Medium and Large Enterprises pay UGX1,000,000 down from UGX1,300,000 for the issuance of annual certification permit for use of the UNBS Quality Mark (Q-Mark). The new fees structure implies a reduction in certification fees by UGX350,000 for Micro and Small Enterprises and UGX300,000 for Medium and Large enterprises. However, Enterprises continue to separately pay for laboratory testing fees depending on the number of parameters to be analysed for their individual products.

   Enterprises involved in the manufacturing of bottled water, alcoholic beverages (excluding wine) and carbonated and non-carbonated soft drinks remain in the category paying certification fees of Shs1,000,000 per brand regardless of their size because of the additional regulatory requirement to monitor their safety and quality before being put on the market.

   The new certification fees structure is highly subsidized and only consider recoverable costs in terms of man-hour input for both onsite and offsite certification processes as well as administrative overheads.

2. **Pre-Market Approval Scheme:** This is an interim measure to allow enterprise to put their products on the market before completing the certification process. This helps them test the market and get feedback from their consumers to improve the product. It is also meant to avail them enough time to put in place the required infrastructure to effectively implement quality standards in a sustainable manner.

   Micro-Small Enterprises (MSMEs) pay testing fees for their products and UGX250,000, while the Medium and Large Enterprises pay testing fees and UGX500,000 for the Authorisation Letter under this scheme valid for six (6) months. During this period the enterprise is expected to have formalized the certification process to acquire a UNBS Quality Mark (Q-Mark).

3. **Batch Approval Scheme:** Under this scheme, enterprises are able to apply for certification of a specific lot or batch of products regardless of their certification status. This situation arises where enterprises get tenders to supply items which the buyers or certain markets require to meet minimum safety and quality standards. This scheme gives opportunity for enterprises to compete for bids before acquiring the UNBS Q-Mark for their products.

   Enterprises pay testing fees and UGX500,000 for the Batch Certificate (Certificate of Conformity). This has also been reduced from UGX600,000 previously being charged under this scheme.

4. **Simplification of Technical Standards into easy –to- use Guidelines Translated to Local Languages:** UNBS has intensified standards awareness campaigns among Micro, Small and Medium Enterprises (MSMEs) and is simplifying standards into easy-to-use guidelines and translating them to local languages in order to ease implementation of quality standards by MSME whose staff have not gone far with their education.

   The Bureau provided 24,000 individual booklets of illustrated guidelines to the Directorate of Fisheries, covering best practices for the handling and processing of Mukene (Silver fish), Smoked Fish, Fresh Fish, Nile Tilapia and Fish Maws. The guidelines were translated to Luganda, Leb- Lango and Swahili.

   UNBS simplified and translated key hygiene and labelling standards; US 28 EAS 39:2002: Code of practice for hygiene in the food and drink manufacturing industry and US EAS 38:2014: Labelling of pre-packaged foods - General requirements. Of the 14,000 brochures of simplified standards guidelines printed by UNBS, 7000 are in the English language and 7,000 in the Luganda language. The guidelines were handed over to Uganda Small Scale Industries Association (USSIA) for distribution to MSMEs in various regions of the country in a bid to create awareness on Standards.

   The Bureau simplified key standards and guideline documents in selected value chains; Pineapples, Rice, Soybean, Sheanut, and Avocados. These were translated to Luganda, Lango, Lumasaaba, Ateso, Acholi and Runyoro-Rutooro. Over 600 farmers in the districts of Kabarole, Hoima, Ibanda, Kasese, Kayunga, Kiboga, Otuke, Lira, Soroti, Agago, Sironko/Mbale, Bugiri, and Amuru benefitted from the standards trainings conducted.

   The Bureau provided 72,000 brochures of simplified standards guidelines to Uganda National Farmers Federation (UNFFE) for distribution to farmers in various regions of the country in a bid to create awareness on Standards.

2.2.4.2 Challenges of promoting local content in public programmes

The promotion of local content in public programs faces several challenges, some of which are presented here below.

a. Informality is still high and there is low awareness of the available incentives, which limits the participation of local firms.

b. The capacity of national providers is still inadequate. Many of the local contractors either have not embraced measures like forming joint ventures amongst themselves to enhance their capacity or are not aware about participation requirements under the policy.

c. Through sub-contracting, the foreign providers exploit the nationals by under-pricing the inputs required by the national companies.

d. There is no clear position for the required employment of the nationals by the foreign providers especially through sub-contracting.

e. The providers report delayed payments by Government institutions that affects their business.

f. Skewed definitions for eligibility [National Vs resident providers Vs foreign providers]. There is need to align eligibility to investment and presence of production facilities in the country and conformation to rules of origin. ***Certificate of Rules of Origin should be made a requirement if one has to benefit from the scheme. There is need for an affirmative solution which will consider genuine /compliant manufacturers. The citizenship of the product (Rules of Origin) should be emphasized and not the citizenship of the firm.***

g. The overly restrictive clauses/requirements in the bidding documents issued by some Entities. These clauses, for example the experience required, eliminate national companies.

2.2.5 Role of government in unlocking investment in strategic economic Sectors

The NDP III identifies a crucial role for government in unlocking investments in the economy. In this role, the PSD Programme is committed to increase government participation in the economy in order to direct development and actively implement strategies aimed at unlocking investment in strategic areas of the economy. The focus areas are those with a huge impact, which should not be left to market forces.

Three broad interventions to strengthen the role of government in unlocking investment in strategic economic sector were planned under the NDP III. These include 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 intra-regional trade. The following are the expected outcomes.

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

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

2.2.5.1 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. The table below presents the level of achievement of this outcome during the current and previous financial years as measured by the key NDP III performance indicators.

Table 21: *Actual performance against FY2021/22 targets for regionally balanced key strategic public investments in key growth areas*

Indicators	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Number of private investments by UDC	10	10	13	UDC
Total private sector investments facilitated by PPPs arrangements		10	6	MFPED/PPP Unit
Proportion of Domestic private sector investment (%)	55.7	50%		UDC

As at 30 June 2022, the number of private investments by UDC stood at 13 which was above the NDP III target of 10 and the previous year's performance of 10. The improvement in performance is mainly attributed to strengthened capacities of the institution and increased funding.

As at 30th June 2022, six (6) private sector investments were facilitated by PPPs arrangements out of the 10 targeted under the NDPIII. On the other hand, twenty two (22) and thirty three (33) PPPs were planned in the central and Local Governments respectively. By the end of FY2021/22, there was no data on the proportion of domestic private sector investment, whose NDP III target was 50%.

The following section presents the various activities undertaken during FY2021/22 under the planned interventions.

Undertaking strategic and sustainable government investment and promotion of private sector partnerships in key growth areas is one of the planned interventions aimed at strengthening the role of government in unlocking investment in strategic economic sectors. Uganda Development Corporation (UDC)'s 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. Over the years, the PSD Programme through UDC has registered the following achievements:

1. Increased operational capacity and improved quality of factory goods, enabling access to regional markets. Some of the beneficiary factories include Mpanga Growers Tea Factory, Kayonza Tea factory, Mabale Tea Growers etc. as illustrated in the table below.

Table 22: *Preliminary results of UDC's strategic investments*

Factory	Capacity Enhancement	Results/Effect
Kayonza Tea Factory	Provided a 3rd Cut, Tear and Curl (CTC) Line of 600Kg/Hr capacity.	Provision of equipment, increased green tea production. The factory has registered increased access to the market by over 12,005 tea farmers. The payments for green leaf also increased by 26.4% from UGX6.26 billion in 2019 to UGX 7.91 billion in 2020. This means that farmers' incomes have increased with increased uptake of green leaf by the factory. Sales revenue has increased by over 18% from UGX23.353 billion in 2019 to about UGX27.594 billion in 2020. Foreign exchange earnings have increased by 21.1% from UGX 18.779 billion in 2019 to UGX 22.785 billion in 2020.
Mutuuma commercial agencies	Provision of working capital (UGX2.5bn)	Enhanced industrial operations and payment of outstanding debt. Enhanced value addition to the cotton produced in the region.
Factory	**Capacity Enhancement**	**Results/Effect**
Mabale Tea Growers Factory	Provision of working capital (UGX250m)	Enhanced industrial operations and payment of outstanding debt, leading to increase in purchase of green leaf from the farmers to the tune of UGX1.1bn in Q2 FY2021/22. Bought and gave tea growers subsidised fertilizers, which increased output and enhanced the quality of the green leaf delivered to the factories. For instance there was an increase in green leaf bought by the factory from 2.4m tonnes to 2.5m tonnes in Q1 and Q2 of FY2021/22. Mabale Growers' processed tea is now accessing the Mombasa tea auction market. Following UDC's investment, sales revenue greatly increased (by >128%) from UGX4.068 billion to about UGX9.294 billion in 2021. Growth in foreign exchange earnings from tea exports has followed similar trend. Since UDC's intervention, the company's total financial losses have reduced fourfold.
Mpanga Tea Factory	Provision of working capital (UGX4.34bn)	Enhanced industrial operations and pay off outstanding debt.
Atiak Sugar Factory	Transport subsidy, etc. (UGX16 Bn)	Improved livelihoods in both Atiak and Busoga region by increasing the volume of cane purchased from 6,647 tonnes in 2020 to 146,919 tonnes in 2021. 68.3% of the cane came from the Busoga region.
Bukona Agro Processors Ltd	Provision of working capital (UGX9.8bn)	Enhanced industrial operations and payment of outstanding debt. Increased export revenue from value added products such as denatured ethanol processed from cassava. improved the quality of factory goods and obtained access to regional markets as a result of their support

2. Increased uptake of raw materials, especially in investments where the processing facilities were expanded (e.g. in Kayonza Growers tea factory and a new mango line at Soroti Fruits Factory).

3. Improved financial position of some investments. Although many investments remain loss-making entities, the magnitudes of the net losses have remarkably reduced.

4. UDC on behalf of Government entered a number of partnerships with different investors to undertake strategic investments. These include

   - UDC in partnership with **Kigezi Highland Tea Growers Limited** established two tea factories in Kisoro and Kabale districts. The company exported made tea to the Mombasa Auction Market and fetched UGX6,776,633,744. The financial performance of KHT company has greatly improved following UDC intervention in 2018. The company has been making loss until this current financial year when it made a profit of about UGX2.131b

   - UDC in partnership with the Government of South Korea (through Korea International Agency [KOICA]) and Teso Tropical Fruits Cooperative Union Limited (TEFCU) established **Soroti Fruits Factory** in Soroti district. The factory has an installed capacity of 6MT/Hr and 2MT/Hr of oranges and mangoes, respectively. It adds value to local oranges and mangoes, predominantly purchased from farmers in Eastern and Northern Uganda, and processed into fruit puree/concentrate and natural ready to drink juice which the company branded "Teju juice". The other products include mango pouch, orange pouch, mango PET, orange PET and orange concentrate, and it employs at least 1,050,079 people directly and indirectly. The direct employees average 79 (45.6% full-time employees and 54.4% part-time employees).

The **Uganda Free Zones Authority (UFZA)** is charged with increasing accessibility to free zones within the context of strengthening the role of government in unlocking investment in strategic economic sectors. To this effect, through UFZA the PSD Programme registered the following achievements:

1. The number of private Free zones in the country increased to thirty one (31) from twenty-four (24) Free Zones in FY2020/21. These are distributed across the four regions of Uganda, i.e. Central (25), Eastern (4), Northern (1) and Western (1).

2. An MoU with the Uganda National Oil Company was drafted to facilitate the formal acquisition of land in the Kabale Industrial Park for the development of an Export Processing Zone along the Western Corridor.

3. Construction of the Entebbe International Airport Free Zone project is ongoing. The overall Project completion stood at 39.1% by 30 June 2022. The Free Zone will improve trade facilitation of agricultural products to increase market presence. The Zone will also enable the creation of backward linkages to the local producers under the Parish Development Model.

4. In regard to reviewing the legal and regulatory framework for Free Zones (Free Zones Act 2014), the Regulatory Impact Assessment (RIA) on Free Zones was undertaken to inform the amendment of the Free Zones Act 2014. The RIA report was validated on 28th June 2022, and the report provides crucial information to inform the amendment of the Free Zones Act 2014.

5. The total export earnings from Free Zones stood at US$68.25 million by 30th June, 2022.

Whereas access to free zones enhances production for the export market, parallel support was provided by **Uganda Investment Authority (UIA)** towards increasing accessibility to serviced industrial parks by industrialists that don't fall in the category of free zones. During the FY2020/21, the PSD Programme through UIA established partnerships between developed manufacturing firms and upcoming or starts-up; 102 large domestic investors and 400 MSMEs were profiled into the National SME Portal; MoUs were signed with apex bodies like USSIA and KACITA to strengthen partnerships between developed manufacturing firms and upcoming or start-ups.

The PSD Programme planned to **implement regional commitments to accelerate intra-regional trade** as one of its key interventions. This was partly done through the **Ministry of Foreign Affairs (MOFA)** whose mandate covers leading economic and commercial diplomacy activities, including promoting global awareness of Investment opportunities in Uganda, and working with Ugandan Embassies and High Commissions abroad. This is pivotal in strengthening the role of government in unlocking investment.

The Ministry of Foreign Affairs therefore engaged foreign investors to consider establishing investments in Uganda. The attracted investors are expected to form Private Partnerships to undertake strategic investments in key growth areas. The Ministry held eight engagements with relevant stakeholders (Food and Agriculture Organization (FAO) and International Organization for Migration (IOM)) to develop the Uganda Diaspora Policy RIA and finalise the policy.

To mobilize and incentivize the Ugandan diaspora to participate in national development, the Ministry held 11 engagements with MDAs and stakeholders to strengthen Incentive products for Diaspora investment in Uganda; organised 3 engagements to link the Diaspora with National Stakeholders for investment partnership as follows; coordinated and participated in the hybrid Ugandan Diaspora Agribusiness Conference on 20th November 2021 where various MDAs and National stakeholders including, UIA, URA, UEPB were linked with the diaspora for investment partnership.

2.2.5.2 Use of research and innovation instruments by the private sector

Increased use of research and innovation instruments by the private sector is measured by among others, the percentage of MSMEs using services of Research and Innovation facilities. According to UIA, only 10% of MSMEs used services of Research and Innovation facilities, posting a performance that is below the NDP III target of 20% for FY2021/22.

Despite the below target performance, a number of interventions and actions were undertaken by the PSD Programme institutions to promote the use of research and innovation instruments by the private sector. The various actions are elucidated here below.

Strengthen research and innovation capacity in support of private and public investment: Research and innovation play an important role in industrialisation and value addition which are the backbone for sustainable growth and job creation. To produce new knowledge, research is central to developing new innovative products, processes and services, which enable higher productivity, industrial competitiveness and ultimately, prosperity. This involves establishing partnerships between developed manufacturing firms and upcoming or start-ups; developing guidelines for integration of Science, Technology and Innovation (ST&I) in MDALGs and development processes; developing a National Policy and strategy for Technology Development and Transfer; conducting Innovation and intellectual awareness; and conducting research on the necessary skills development requirements and how best to address the currently very low productivity due to lack of relevant skills among SMEs.

In a bid to strengthen research and innovation capacity in support of private and public investment during FY2021/22, **Uganda Industrial Research Institute (UIRI)** developed high quality sanitary pads from banana and pineapple fibres; conducted Research and Development (R&D) and developed a high quality blend of milk-juice beverage which improves the nutrition and palatability of milk. In addition, at least 300 MSMEs have been trained in new skills of carpentry, high quality textile designs and value addition in bakery, fruit processing and diary processing.

In support of the use of research to strengthen the private sector investment decisions, government through the National Planning Authority conducted feasibility studies in strategic NDPIII areas for government and private sector investment including;

- Feasibility Study for Establishing a Packaging Industry in Uganda
- Busoga Sugar Factory Feasibility Study
- Reducing the cost of credit in uganda: A case for public Investment in banking
- Feasibility study establishment of a Shredder and Sterilization Facility in Uganda

These studies inform government investments through the UDC to strategic economic sectors.

2.2.5.3 Challenges of strengthening the role of government

Strengthening the role of government in unlocking investment in strategic economic sector faces the following challenges, to mention but a few.

1. There is a high turnover of scientists, technicians and engineers due to uncompetitive remuneration;
2. Strained institutional capacity for business incubation services where the current demand far outstrips current capacity;
3. Low technology uptake by communities and the private sector;
4. Absence of clear and adequate data on the number, regional distribution, areas of specialisation, capacity, etc. of MSMEs, incubation centres, research and innovation facilities and other skilling facilities; and
5. Underutilization of installed capacity of government supported factories due to inadequate supply of raw materials.

It is recommended that data on the available incubation centres, research and innovation facilities and other skilling facilities in the country are collected, so as to ascertain their total number, regional distribution, areas of specialisation, capacity, etc. It is also recommended that the Ministry of Trade and Cooperatives, either directly or through its agencies takes on this role.

2.2.6 Enabling environment and enforcement of standards

The PSD Programme aims to strengthen the enabling environment and enforcement of standards by providing the conditions required for the private sector to operate effectively and addressing the challenges constraining private sector growth. The planned interventions include supporting the national conformity assessment system to attain international recognition through accreditation; rationalisation and harmonisation of standards institutions and policies; reviewing the legal, regulatory and policy frameworks to remove restrictive legislation and fast track pending bills; improving data availability on the private sector and dialogue between the private sector and government; creating appropriate incentives and regulatory framework to attract the private sector to finance green growth and promote local economic development; fully service and increase access to industrial parks and export processing zones. Six outcomes are envisaged under this objective namely:

a) Standards developed and/or enforced;
b) Increased accessibility to serviced industrial parks;
c) Increased accessibility to export processing zones;
d) Increased formalization of businesses;
e) Improved availability of private sector data; and
f) Adequate system for private sector complaints resolution in place.

The section below provides the achievements registered during the FY2021/22 in respect of the above outcomes.

2.2.6.1 Development and enforcement of standards

The Results and Reporting framework for the NDP III provides as a minimum, indicators and corresponding targets for measuring progress in the development and achievement of standards. The table below provides the indicators' performance against the annual targets and previous year's performance.

Table 23: *Actual performance against FY2021/22 targets for standards developed and/or enforced*

Indicator	Actual 2020/21	Target 2021/22	Actual 2021/22	Responsible Institution
Annual change in products certified by UNBS (%)	26%	10%	23%	UNBS
Number of certified products accessing foreign markets	3,576	4,500	4,200	UNBS
Number of counterfeits tracked and destroyed (No. of seizures)	1087	900	1,357	UNBS

Performance under this result was fair, significantly more products (23%) were certified by UNBS than was planned (10%). However, the number of certified products accessing foreign markets fell short of the target (4,200 against 4,500), attributable to limited staff numbers in relation to existing demand of the certification service. The number of counterfeits tracked and destroyed (No. of seizures) was above the target (1357 against 900). In line with the planned Programme Interventions, a number of actions to develop and enforce standards were implemented by the PSD Programme institutions during FY2021/22, some of which are presented here below.

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 pays accreditation fees to an international accreditation body. In Uganda's case this body is the South Africa National Accreditation Services (SANAS), which has the mandate/obligation 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.)

Currently, Uganda has an accreditation Act which allows for the establishment of the Uganda National Accreditation Services. The process of establishing Uganda Accreditation Services is currently underway with Joint Clinical Research Center (JCRC) funding the preliminary activities. Once established, this body will undertake responsibilities of maintaining accreditation for standards in Uganda.

In the FY2021/22, UNBS maintained accreditation of 3 functions; Microbiology laboratory, chemistry laboratory and system certification. The Engineering Materials laboratory accreditation has also been started on i.e. application for accreditation and document review fees paid for the Engineering Materials laboratory. However, the Metrology services, imports inspection, market surveillance, legal metrology, energy meters and electrical labs are not yet accredited. This exercise of strengthening the laboratory recognition scheme for private and Government laboratories will expand the standards testing capacity of the country.

Rationalizing and harmonising standards institutions, and policies at local and regional level is another intervention intended to strengthen the enabling environment and enforcement of standards. In relation to developing a system of equating and harmonizing international standards with Uganda standards, the international standards are developed through international Technical Committee (TC) meetings for the International Organisation of Standardisation (ISO), International Electro-technical Commission (IEC), Codex Alimentarius Commission, and American Society for Testing and Materials (ASTM). These TC meetings develop/harmonize standards through the participation of all member states. UNBS coordinates the participation of Uganda's stakeholders in these technical committees through the nomination of the most technical people to participate in this process aimed at ensuring that Uganda's interests are taken into consideration. The national position(s) is agreed on before the meetings and these representatives front this during the Technical Committee (TC) meetings.

By the end of FY2021/22, different categories of standards were developed which include 150 international standards; 139 ISO standards; 3 IEC Standards; 3 CODEX standards; and 5 ASTM Standards. UNBS also undertook 6,713 Product Certification audits and 80 Systems audits done at industries to assess their processes and systems.

Through UNBS, the PSD Programme undertook a series of activities aimed at intensifying the tracking and elimination of substandard goods and services. UNBS conducted 236,819 import inspections to track substandard goods. 65,189 were Pre-export Verification of Conformity (PVOC) inspections and 171,630 were destination inspections. This as a result prevented substandard goods from entering the country that would have otherwise been detrimental to the health and safety of Ugandans and the environment. However, currently, Uganda has 202 entry points but UNBS only has presence in 38 entry points equivalent to 18.8% excluding the porous borders. Most of the substandard goods on the market are locally manufactured goods compared to imported goods. UNBS surveillance team composed of 37 staff is responsible for curbing of substandard goods in the whole country which creates minimal impact in the fight against substandard goods in the market.

In addition, UNBS developed 428 Ugandan standards which were approved by the National Standards Council. These included standards for Food and Agriculture, Engineering, Chemicals and Consumer Products, and Management and Services.

Currently UNBS is in the process of establishing regional laboratories in Mbale, Gulu, and Mbarara to take accreditation services closer to producers and traders outside Kampala. Prefeasibility and feasibility studies of this project were completed and reports written, and the project is pending approval by the Development Committee (DC) MoFPED. UNBS is also working on the amendment of weights and measures Act which is pending finalisation of the Regulatory Impact Assessment. The other key activities implemented and major successes realised by UNBS are:

1) Reduction of Certification Fees provision of Pre-Market & Batch Certification as an interim measure before completing the certification process
2) Pre-Market Approval Scheme: This is an interim measure to allow enterprise to put their products on the market before completing the certification process to help them test the market and get feedback from their consumers to improve the product.
3) Batch Approval Scheme: Under this scheme, enterprises are able to apply for certification of a specific lot or batch of products regardless of their certification status
4) Simplification of Technical Standards into easy–to-use Guidelines Translated to Local Languages

The **Uganda Registration Services Bureau (URSB)** seeks to reinforce compliance and enforcement under Intellectual property law that protects against infringement of all intellectual property rights of copyright, trademark and other relevant laws under its mandate. The enforcement and compliance team carries out field visits to ensure removal of counterfeit goods and strengthen consumer and business inventers protection against infringement. During the reporting period the following activities were carried out by URSB.

1. **Complaints and Investigations:** A total number of **69** new complaints were registered. These complaints led to the initiation and subsequent registration of **143** casefiles. The highest number of casefiles registered were in respect of Trademark counterfeiting. This was attributed to increased Enforcement operations, faster investigation of casefiles from the Unit, collaboration with other government agencies, and in-house prosecution for final disposal of the criminal matters.
2. As part of investigations, 31 enforcement operations were conducted to seize trademark counterfeiting and pirated items. These enforcements contributed to deterring would be offenders, and have also subsequently translated into convicts registering their own trademarks. The operations were primarily coordinated by the URSB Enforcement Officers with support of other Police Officers from territorial Police Command who are taken on to offer special duty and the arising financial implication was shouldered by the Complainants. The Enforcement Operations included enforcement of 6 Court Orders arising from trademark counterfeiting and copyright piracy from external parties.
3. **Prosecution:** The Office of the Director of Public Prosecutions renewed licenses of 6 URSB Public prosecutors for the year 2022. The Licenses authorize the Public Prosecutors to prosecute statutory offences of a technical nature which arise out of laws administered by the Bureau. 19 matters were concluded resulting into 18 convictions and 1 reconciliation. 6 matters are still ongoing in Court and others under investigation. The convictions have contributed to Government revenue through payment of fines to a tune of UGX33,580,000 *(Thirty-Three Million Five Hundred Eighty Thousand Uganda Shillings only)*. Court also ordered for destruction of infringing items worth UGX36,271,000 *(Thirty-six Million Two Hundred Seventy-One Thousand Shillings Only)*. The costs for destruction were borne by the convicts.
4. Destruction of infringing items was performed and a total of nine (9) Court Orders were duly

executed by the URSB Enforcement Unit at Kampala Capital City Authority (KCCA) Directorate of Public Health and Environment Kiteezi Landfill Site. Notably two cases were determined at the Chief Magistrates Court of Mubende where compensation of UGX15,000,000 (Fifteen Million Uganda Shillings) and UGX10,000,000 (Ten Million Uganda Shillings) respectively was awarded to the trademark owners. The judgements were applauded as the compensation is an incentive to brand protection by the rights' holders.

2.2.6.2 Access to serviced industrial parks

The PSD Programmme intends to see increased access to industrial parks, measured by the number of businesses using industrial parks. During the year under review, 212 businesses used the industrial parks, surpassing the annual NDP III target of 132. This is evidenced by the fact that out of the 506 companies allocated land across regional industrial parks and business parks, 212 companies were fully operational by the end of FY2021/22.

Of the 212 companies using the industrial parks, 155 (73.1%) were Local Private Players. The above target performance is attributed to various investment promotion efforts including; provision of investment incentives, establishment of the OSC for business registration and licencing, acquisition of the FDI Business Intelligence Tool, and participation in investment summits including the Dubai Expo and Regional Investment summits. By the end of FY2021/22, 11 out of 25 Industrial Parks were operational and partially serviced with the requisite infrastructure. These include; Kampala Industrial and Business Park-Namanve, Bweyogerere, Luzira, Jinja, Mbale, Soroti, Kasese, Mbarara SME Park, Tian Tang-Mukono, MMP-Buikwe, Liaoshen-Kapeeka. Of these, 8 were Public and 3 Private. In line with the planned Programme Interventions, a number of actions to increase accessibility to serviced industrial parks were implemented by the PSD Programme institutions during FY2021/22, some of which are presented here below.

The PSD programme planned to **"fully service the industrial parks and increase access to them by the local private players"** as one of the interventions. During the year, the Uganda Investment Authority undertook physical implementation of works at various Industrial and Business Parks and by the end of FY2021/22, the following levels of completion were attained.

Table 24: *Level of completion of Industrial and Business Parks*

No.	Industrial and Business Park	Level of completion	Coverage
1	Kampala KIBP	25%	Overall physical implementation of works at KIBP stood at 28% against 44% Target.
2	Kasese IBP	90%	90% (15.625km) of the roads have been opened with power line extension so far on Main Commercial Street and 2nd Street
3	Luzira IBP	0%	Procured the contractor for road maintenance;
4	Soroti IBP	0%	Procured the contractor for road works
5	Mbale Industrial Park	20%	Only about 20% of road and HV Power preliminarily extended

UIA also acquired approximately 5,320 acres of encumbrance free land in West Nile, Acholi, Lango, Ankole, Kigezi Tooro and Central Sub regions for establishment of Regional Industrial and Business Parks ie. 2,270 acres for 3 industrial parks in West Nile, 565 acres for 1 industrial park in Acholi, 554 acres for 3 industrial parks in Lango, 26 acres for I industrial park in Ankole, 829 acres for 3 industrial parks in Kigezi, 502 acres for 1 industrial park in Tooro and 940 acres for 1industrial park in the Central Sub regions. In collaboration with the National Planning Authority, UIA is planning to conduct feasibility studies in the identified sites.

2.2.6.3 Access to export processing zones

The PSD Programmme intends to see increased accessibility to export processing zones through the number of firms accessing them. During the year under review, 31 firms accessed export processing zones, which was above the target of 25 firms and the previous year's performance of 27 firms. The improved performance is attributed to a number of actions implemented by the PSD Programme institutions during the year under the various

NDP III Interventions. These are presented here below.

In a bid to increase access to export processing zones **Uganda Export Promotion Board** carried out market studies, provided advisory and support services and linked ready exporters to foreign markets. Below are some of the key activities undertaken during FY2021/22.

Dubai 2020 Expo: Two (2) outward sales missions were held in January and February 2022, with various private sector players to the UAE during Dubai Expo 2020 to seek buyer and investment opportunities. A market scoping study was also conducted in the UAE during Dubai Expo 2020. Follow-up activities on identified buyer and investment opportunities will be undertaken in FY2022/23 onwards.

A number of investment opportunities were identified through the various engagements and activities of Uganda at the Dubai Expo 2020 and in the UAE during the six (6) month period. The President held meetings with seven (7) potential investors during his visit to the Expo. One hundred and sixty-nine (169) individuals and company representatives have expressed interest in exploring the investment opportunities in Uganda. Accordingly, they were provided with a copy of the bankable projects booklet in addition to being connected to Uganda Investment Authority (UIA) for further management.

Three (3) investors have already advanced to concretize their investment plans. These include:

1. Mr. Ajay Mehta of Vision Ventures of India is interested in the Cable car project, a USD 50Million project. The first meeting with the investor was held at the Embassy in Abu Dhabi the week after the Convention.
2. Mr. Prashant K. Mehta a Trustee of Lilavati Hospital in India is interested in setting up (or running) a 100-150 bed world-class hospital in Uganda under a joint venture/PPP arrangement with Government. The projected investment is more than USD 10million. The investor's representative participated in the Uganda – UAE Convention, at the invitation of the Commissioner General for Uganda, Expo2020 where he met with the UIA team. He will visit Uganda and have discussions with Minister of Health and other relevant stakeholders.
3. Elite Group sent a 5-man delegation on a scoping and feasibility assessment study for the establishment of seven (7) tea factories in different areas of the country. The projected investment is USD 500million per project hence a total investment of USD 3.5billion.

During the Agriculture Week, the Ministry of Agriculture met with the management of Gulf Fields Trading Ltd which expressed interest in importing 1000 heads of cattle (bulls), with high prospects of increasing to 4,000 heads of cattle, from Uganda per month. In the month of March 2022 UEPB also received expressions of interest for 100 MT per month of red kidney beans from Inspiron Trading Ltd.

During the meeting with the Rt. Hon. Prime Minister, the Chairman of LULU Group expressed interest and directed his team to increase imports from Uganda from less than USD1 Million to USD10 Million per annum. To facilitate this growth in imports, he requested the Government of Uganda to provide him with land to setup a cold chain facility.

UEPB has received more than twenty (20) requests for gold, diamond and other precious stones. Each prospective buyer indicative requirement is not less than USD10 Million. UEPB is working with the Department of Geological Surveys and Mines, Ministry of Energy and Mineral Development to identify credible suppliers. One of the prospective buyers visited Uganda for 3 days, from 21st to 23rd December 2021, to meet with prospective suppliers.

DRC Trade Mission: In collaboration with various MDAs, PACID, PSFU, UMA and other private sector associations UEPB held a trade and business forum in DR Congo in May/June 2022 to develop Uganda's market in DR Congo. The Business summit was held in both Kinshasa and Goma from 29th May – 8th June, 2022 and brought together public and private sector with over 100 participants from Uganda and over 500 participants from DR. Congo. The business community was engaged and over 300 potential deals and partnerships were realised. By the end of the year under review, 300 deals had been signed.

In addition, a detailed market study was conducted in DR Congo particularly in Kinshasa, Goma and other key towns near the Uganda DR Congo border with a focus on manufactured products. The study was completed in June 2022 and follow-up information dissemination and buyer-seller linkage activities will be undertaken in FY2022/23, based on the DR Congo study findings.

The other related activities accomplished by UEPB during FY2021/22 include:

- UEPB assessed 193 companies on the level of export readiness using the online tool where 183 products and 13 services were found ready as at end June 2022. These assessments have helped in developing and disseminating trainings in the identified areas to enable the companies get ready to start exporting.
- Three (3) Regional Producer engagements in Eastern, Western and Northern regions were conducted together with UNBS, MAAIF, MSC and respective Local Governments in relation to export readiness.
- Seventy two (72) medics (Personnel and hospitals) were trained on export of medical services and easy capture of medical export statistics.
- Buyer-seller linkages were done in Mombasa where National Exporters and Producers Association of Uganda (NEPAU) was linked to Feast Foods Processors Ltd in Mombasa. An MoU was signed for the supply of 50 Tonnes of pineapples per week.
- UEPB is in the process of assessing feasibility of Uganda's capacity following an expression of interest in sourcing pig skin from Uganda by Josef Siebel Africa Ltd a shoe making company in Mombasa Kenya. This same company is in touch with Ugandan leather exporters and has expressed interests in sourcing 10,000sq meters of leather from Uganda.
- An MoU for the working relationship between UEPB and UFZA is in the final stage, and five (5) producers in the free zones have already been identified, and the export readiness trainings will commence in the new financial year.
- UEPB also conducted Export readiness trainings in Eastern, Central and western Uganda.

The **Uganda Free Zones Authority** undertook a number of activities in facilitating firm to access Export Free zones and as a result the following was achieved.

1. 31 firms have been gazzeted to access export processing Free Zones with 5 new firms licensed as Free Zones in the FY2021/22. Out of the 31 firms accessing Free Zones 61% of these are Foreign Direct Investments and 39% are Domestic Investments.
2. The total employment in Free Zones by the end of FY2021/22 stood at 9,861 jobs, an increase by 17.5 per cent from 8,389 jobs, generated in FY2020/21. Foreign-owned Free Zones accounted for 72 per cent of the jobs generated in Free Zones (7,127). The domestic-owned Free Zones on the other hand generated 2,734 jobs accounting for 28 per cent of the jobs in the Free Zones.
3. The Investment in Free Zones rose by 9 per cent to US$644.76 million in FY2021/22 from US$586.28 million in the FY2020/21. The investments were driven by capital expenditures on plant and machinery, equipment, land acquisition, factory buildings and civil works. The cumulative capital investment in Free Zones stood at US$1.54 billion by end of the FY2021/22.
4. Export earnings from Free Zones during FY2021/22 stood at US$67,829,862 contributing 1.74% share of the National exports of US$3,890,950,000, this reduction in total exports during FY2021/22 was generally driven by the drop in exports of refined gold.
5. In regard to regional distribution of Free Zones, the Central region accounted for the largest number of Free Zones in FY2021/22. Twenty-three (23) out of the thirty-one (31) Free Zones were located in the Central region. The region accounted for 74 per cent of the Free Zones in Uganda. The Eastern region followed with 20 per cent of the Free Zones (6 out of the 31). The Northern and Western regions accounted for the least number of Free Zones.

Regarding attracting greenfield investments along the new growth corridors, one (1) Private Free Zone in the Eastern Growth Corridor was attracted and 3 Private Developers in the Western Growth corridor are in the process of declaration.

2.2.6.4 Formalization of businesses

The PSD Programmme intends to see increased formalisation of businesses as measured by the change in the proportion of total business operating in the formal sector; percentage change in tax payer register; and percentage contribution of formal sector to GDP.

During the FY2021/22, new taxpayers (834,515) were added to the taxpayer register representing a growth of 46.79 percent against a targeted growth of 15.00 percent. As at end June 2022, the taxpayer register had 2,618,008 taxpayers. Of these, 166,783 were non-individuals and 2,451,225 were individual tax payers.

The improvement in taxpayer register is attributed to interfacing URA system with NIRA that led to simplification of our processes and issuance of Instant TIN, the TuJenge bus (received from the Accountability sector) that traversed the hard to reach areas and TREP collaboration.

The percentage contribution of the informal sector to GDP was estimated as 53.5%, above the annual NDP III target of 48% for FY2021/22 but below the previous year's performance of 53.6%. A study of informal businesses commissioned by the Secretariat for the PSD Programme and undertaken EPRC during the year under review established that, businesses that are fully informal (both legal and fiscal) are 28% of the total population of informal businesses. The study also estimated that informal businesses contribute 29% to GDP. Informal businesses are a subset for the informal sector, the other constituents being the informal activities and workers.

There was inadequate data to report on the actual performance in respect of the proportion of total businesses operating in the informal sector; and the percentage contribution of the informal sector to GDP.

Table 25: *Actual performance against FY2021/22 targets for increased formalization of businesses*

INDICATOR	ACTUAL 2020/21	NDP-III TARGET 2021/22	ACTUAL 2021/22	Responsible Institution
Proportion of total business operating in the informal sector		20%	No data	MTIC
% change in tax payer register	11.9%	15%	46.79	URA
% contribution of informal sector to GDP	53.6%	48%	53.5%	UBOS

As one of its interventions, the PSD programme planned to r**eview the legal and regulatory frameworks to remove restrictive legislation and fast track pending bills and incentivize the formalization of businesses**. During the year, a number of laws underwent a reform process to ease registration of companies, insolvency processes and protection of copyrights. In this respect, the URSB is spearheading the following amendments.

1. The Regulatory Impact Assessment report for amendment of the Companies Act 1 of 2012 to provide for protection of minority shareholders, beneficial ownership and mandatory registration of companies among others is in draft form.
2. URSB in conjunction with Uganda Law Reform Commission and First Parliamentary Council prepared the cabinet memo for amendment of the Companies Act, 2012. This amendment will enable compulsory formalization of businesses and protection of the minority shareholders.

2.2.6.5 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; the number of reports and policy briefs developed. The table below shows the FY2021/22 actual performance on the availability of private sector data outcome.

Table 26: *Actual performance against targets for improved availability of private sector data*

INDICATOR	ACTUAL 2020/21	TARGET 2021/22	ACTUAL 2021/22	Responsible Institution
Number of data requests to the MSME database		200		MTIC/UIA
Number of reports and policy briefs developed	4	75	5	MFPED

During the year under review, five (5) reports and policy briefs were developed, which was lower than the annual of 75 reports but slightly above the previous year's performance of only 4 reports. The reports were issue-specific including the performance of the Small Businesses Recovery Fund, Roll-out of PDM, implementation progress of the Uganda Agricultural

Insurance Scheme, Uganda's progress on implementing the FATF recommendations and improving performance of Capital Markets.

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

Uganda Investment Authority (UIA) developed a National SME Portal (NSMEP) which is a data-driven system that serves as a One-Stop Center for SME information and services. The objectives of the NSMEP are to enhance the globalization of SMEs and LSME Marketing Capabilities; improve SME Access to services like Finance and Insurance; strengthen SME Human Resource Development and Capacity Building; and provide Incubation and Local SME Business Development Services.

The system provides an integrated automation of a database holding profiles of SMEs and allowing them to access various Business Development Services provided by Government of Uganda and other SME promoters within the SME eco-system. This system offers a platform for collaboration amongst various stakeholders including, but not limited to MDAs, Development Partners, Private Sector, Associations and NGOs. The portal also allows for ongoing developments in the SME landscape to be easily monitored and impact assessed.

This undertaking will take advantage of innovations in ICT to promote SME business development and traceability; improve competitiveness; facilitate business linkages and build their business management capacity. This will enhance ease of doing business for domestic investors across the country.

2.2.6.6 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, 177 (74%) of the 239 private sector tax complaints filed were resolved, a performance above the annual target of 50% and slightly below the previous year's performance of 80%. This performance is mainly attributed to the number of consents filed after mediation.

2.2.6.7 Challenges of strengthening the enabling environment and enforcement of standards

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

a. Limited national and local capacity to manage the MSME policy, strategy, databases, etc.;

b. High cost of certification. There is an outcry among the SMEs considering the cost of certification as high.

c. Inadequate specialized equipment with insufficient and aging equipment testing laboratories continued to limit the number of parameters to be tested for different samples submitted by clients. Inadequate fume hoods in the chemistry laboratory affected sample testing speed, as staff had to wait and work in turns. There was also inadequate equipment and standards to address emerging calibration needs to support the economy.

d. Limited staff for inland surveillance and manning border posts to prevent entry of substandard goods. Only 38 out of 202 known border points are manned in controlling substandard products entering the country. The product safety risk is looming and this is compounded by the Bureau having 37 staff for inland surveillance against the ideal minimum requirement of having one market surveillance officer per LG to monitor substandard products produced within Uganda.

RECOMMENDATIONS

- Develop a comprehensive SME data base or enhance the MSME portal at UIA to inform Policy measures designed for SMEs;
- Government should consider subsidising the cost of attaining a Q-Mark for SMEs to make their products competitive, both in the regional and foreign markets.

3 Emerging Issues and Recommendations

3. Emerging Issues and Recommendations

There were challenges experienced that countered the impact of the interventions undertaken. Some were on account of the design of the interventions and others on the low preparedness of the private sector to cease the created opportunities.

Outstandingly, the prevalence of informality in the private sector continues to be a strain on the growth of the private sector. The PSD Programme through a number of dialogues noted that different government agencies had different definitions of formality/informality aligned to their mandates. For instance, URSB recognized all agencies it registered as formal, even though some register and never take off. The EPRC Informal Business Assessment Study introduced the aspects of legal formality (registered with the relevant authority) and fiscal (registered with URA), so there is no uniform definition and measure of the scope of informality in Uganda. As a recommendation, all interventions need to be designed with due consultation with known industry associations and the DCOs for easier adoption, and they should also be packaged as incentives for businesses to want to formalize. Below is a presentation and discussion of some of the emerging issues.

Emyooga operationalization

The PSD Programme Technical Working Group undertook a field exercise to appreciate the extent and utilization of the private sector interventions. The team observed among others that Emyooga SACCOs received grant financing from MSC at no interest rate. These funds are in turn loaned to the ultimate/targeted borrowers at interest rates of 2-3% per month, translating to 36%p.a, which is even higher than the commercial bank rates. This interest rate charged by SACCOs is enabled by the Cooperatives Act, 2020 that gives SACCOs autonomy to charge interest rates agreed on by the governing boards.

There is still a high demand for affordable credit, which is more than the available funds. This is expressed in the overwhelming number of SACCOs where the seed capital of UGX30M was rendered inadequate to meet the high demand of credit by the members.

One of the USSIA members visited in Mbarara reported that "***she has utilized micro-loans from women's groups she's a member of. Although she was aware of the existence of Emyooga funds, she noted that the amount provided to be shared among the Emyooga for tailors could only result in UGX30,000per person yet her sewing machines are priced between UGX5-10M***".

This points to the fact that capping SACCO allotments to UGX30M does not cater for the diversity and uniqueness of the various enterprises and their capital needs. Further, the Current Emyooga program excluded other vocations/ categories of people such as bricklayers, hawkers, bar attendants, cargo loaders, builders, washing bay operators and those in the mining sector and stone quarry.

RECOMMENDATION: *There's need for stronger engagement of DCOs so that the impact of disbursements to various enterprises is tracked in terms of sustainability, growth (employees & capital), and formalization. All PSD Programme member MDAs have a responsibility to engage DCOs in the delivery and adoption of the interventions as well as build a system for feedback data collection for tracking impact.*

Alternative Sources of financing the private sector

The high cost of government borrowing is a major deterrent to the development of both the equity and debt markets. Currently, there is uncertainty with regard to the tax regime for Collective Investment Scheme (CIC) pay-outs, hence the need for expeditious clarification/review of the tax policy e.g. WHT on Collective Investment Scheme pay-outs as well as revision of the Income Tax Act to exempt registered Private Equity funds from WHT and Capital Gains Tax which may hinder the achieved growth in savings.

The PSD Programme flags the need to establish a long term savings system through pension reform as well as reviewing of the CMA Act for registration of Private Equity.

Limited capacity of the private sector to maximise Local Content

Growth in terms of output, employment and capacity utilisation have been realised in sectors with exclusive reservation for local providers. However, the following issues emerged regarding the promotion of local content. Local providers continue to dominate the number of contracts awarded, rather than the value of contracts awarded. This is partly attributed to the quality of some products and services by local providers, which makes them not to meet the Statement of Requirements by consumers especially government, hence locking out locally produced goods and services. Further, national providers continue to lag behind in the big contracts especially in the works category due to limited financial capacity. Despite calls to encourage formation of joint ventures between companies to bolster their capacity, the uptake has been very low amongst national providers and moderate amongst the Resident providers and these have been able to favourably compete for high value contracts. This points to a foundational problem of the private sector operating informally and the resultant failure to take advantage of the benefits of cooperating.

Though most providers are classified as local providers (Resident and national), they still supply commodities produced outside Uganda with little or no value addition locally. This has a minimal benefit to the economy and continues to result into forex outflow.

Government entities have continued to delay payment of providers and accumulate domestic arrears which cripples the operations of the Local providers, since they pay surcharges on late loan repayments.

Low research and innovation in the Private Sector

The full operationalisation of UIRI's Machining Manufacturing Industrial Skills Development Centre (MMISDC), Namanve has been delayed by lack of trainers and this is exacerbated by the high turnover of scientists, technicians and engineers due to uncompetitive remuneration which will affect the research and innovation capabilities in the country.

It is also evident that the institutional capacity for business incubation services is strained as demand far outstrips their current capacity. There is also need for the providers of incubation services to be profiled and their relevance marketed through the various industry associations. This will also tackle the observed low technology uptake by communities and private sector.

Costs of certification for businesses

There are multiple charges levied on businesses seeking certification which, are exorbitant for a budding entrepreneur. It is recommended that the standing PIRT recommendation to reduce the fees from 500,000 to 100,000 be fast tracked in the interest of supporting businesses to attain certification.

5% export levy on processed gold

The report highlights that the value of merchandise exports during FY2021/22 registered a decline of USD Million 1,437. The decline in performance is mainly attributed to the performance of gold exports which was **eroded from USD Million 2,249.73 in FY2020/21 to nil** in FY2021/22. With the exception of gold, merchandise exports increased from USD Million 3,029 in FY2020/21 to USD Million 3,836.58 in FY2021/22. The decline in gold exports were a result of government imposing the 5% export levy on processed gold which affected value addition and export earnings from mineral processing activities since most of the gold processed is imported from other countries.

RECOMMENDATION:

A Policy review of the export levy should be considered to encourage value addition, attract FDI, and other multiplier benefits of employment, technology infusion to support the local gold mining, foreign exchange earnings and incomes for the local artisans supplying raw materials to the industry.

Persistent weak Organizational and Institutional capacities of the private sector

The annual report compiles commendable progress in the interventions across 4 of the 5 PSD Programme Objectives like reducing the time a business takes to be registered to 3 Hours; capitalization to ease access to credit; development of Industrial Parks among others. However, the readiness of enterprises to take advantage of these benefits still portrays their weak institutional and organisational capacities to operate competitively and sustainably.

RECOMMENDATION:

To make the most of these efforts and investments, there is need to deliberately build a highly entrepreneurial and business minded domestic private sector. This, will require mass delivery of Business Development Services (BDS) and mindset training for MSMEs in the country. Indeed, entrepreneurship is the binding code for all factors of production namely; Land, Labour, capital and Technology.

4 ANNEXES

ANNEXES

Annex 1: PSD Programme Technical Working Group membership

Enabling Environment for Private Sector Development (EEPSD) TWG

1. Ministry of Finance, Planning and Economic Development **(Chair)**
2. Ministry of Trade, Industry and Cooperatives **(Alternate-Chair)**
3. Private Sector Foundation Uganda **(Co-Chair)**
4. National Planning Authority
5. Bank of Uganda
6. Micro Finance Support Centre
7. Uganda Registration Services Bureau
8. Insurance Regulatory Authority
9. Capital Markets Authority
10. Uganda Revenue Authority
11. Uganda Securities Exchange
12. Uganda Retirement Benefits Regulatory Authority
13. Uganda Development Bank
14. Uganda Development Corporation
15. Uganda Investment Authority
16. Ministry of Energy and Mineral Development
17. Uganda Warehousing Receipting Systems Authority
18. Uganda Microfinance Regulatory Authority
19. Uganda National Bureau of Standards
20. Public Procurement and Disposal of Public Assets
21. Ministry of Gender, Labour and Social Development
22. Uganda Freezones Authority
23. Ministry of East African Community Affairs
24. Uganda Manufacturers Association
25. Tax Appeals Tribunal
26. Ministry of Water and Environment
27. Uganda Export Promotion Board
28. Ministry of Foreign Affairs
29. Economic Policy Research Centre
30. Uganda Industrial Research Institute
31. Post Bank
32. Housing Finance
33. Pride-Micro Finance
34. Development Partners
35. Private Sector Associations
36. Civil Society Organizations

Private Sector Organisational and Institutional Capacity (PSOIC) TWG

1. Ministry of Trade, Industry and Cooperatives **(Chair)**
2. Uganda Registration Services Bureau **(Alternate-Chair)**
3. Development Partners – PSWG Chairperson **(Co-Chair)**
4. Ministry of Finance, Planning and Economic Development
5. National Planning Authority
6. Ministry of Gender, Labour and Social Development
7. Enterprise Uganda
8. Uganda Investment Authority
9. Private Sector Foundation Uganda
10. Uganda Freezones Authority
11. Uganda Registration Services Bureau
12. Uganda Industrial Research Institute
13. Uganda National Council for Science and Technology

Annex 2: PSD Programme Results Matrix FY2020/21 to FY2021/22

PSD Programme Outcome Indicator	FY2020/21 ACTUAL	FY2021/22		PERFOR-MANCE STATUS Met Not met No data	DATA SOURCE
		TARGET	ACTUAL		
PSD Program Objective 1 : Sustainably lower the costs of doing business					
Outcome 1.1: Increased lending to key growth sectors					
Non-commercial lending to the Private Sector in the key growth sectors as a % of GDP		1.25%	1.25%		MoFPED
Share of domestic credit to key growth sectors in total private sector credit	29.2%	30.2%	30.2%		MoFPED
Private sector credit as a % of GDP	15.4%	17.6%	12.81%		BOU
% of SME borrowers as a share of total borrowers (Tier 1-3)		1.5%			MoFPED
% MSMEs with an outstanding credit at a formal financial service provider	9.7%	**1.5%**			BOU/MOFPED FSD
Outcome 1.2: Increased long-term financing to the private sector by Government owned financial institutions					
Total value (UGX billions) of outstanding long-term loans (maturity above 5 years) at DFI	555.0	578	472.60		MOFPED FSD
Total value of private equity investments by government-owned financial institutions (UDB)- UGX billions		0.22	0.250		MOFPED FSD
Outcome 1.3: Increased financing through capital markets					
Domestic market capitalization to GDP	4.5%	3.8%	6.5%		CMA/MOFPED FSD
Domestic market capitalization due to new listings-(UGX, Billion)	4.3	4.7	4.7		CMA/MOFPED FSD
CIS assets under management (in UGX Trillion)	0.57	0.61	1.15		CMA/MOFPED FSD
Outcome 1.4: Increased value of formal financial sector savings for private sector investment					
Retirement Assets to GDP, %	11.1%	13.5%	12.2%		URBRA
Deposits in supervised financial institutions to GDP, %		23.7%	18.3%		MOFPED FSD
Life insurance assets to GDP, %	0.49%	0.65%	0.60%		MOFPED FSD
Outcome 1.5: Increased access and usage of non-financial resources (certification, ICT, warehouse information system, etc.)					
Number of warehouse receipt discounted at financial institutions		2,800			UWRSA
Number of warehouse receipt traded at commodity exchanges		6,500			UWRSA
Proportion of Key business processes automated and integrated on Government platforms		60%			NITA-U
PSD Program Objective 2: Strengthen the organizational and institutional capacity of the private sector to drive growth					
Outcome 2.1: Improved business capacity and local entrepreneurship skills enhanced					

PSD Programme Outcome Indicator	FY2020/21 ACTUAL	FY2021/22 TARGET	FY2021/22 ACTUAL	PERFOR-MANCE STATUS (Met / Not met / No data)	DATA SOURCE
% of businesses that accessed BDS in the past 3 years		**10%**			MTIC
Global competitiveness index					MOFPED
Global competitiveness index, Ranking	115	114/141			MOFPED
% of businesses having a business expansion plan in place	19.1%	12%	40.2%		UIA
% of existing businesses expanded	45.0%	20%			ENTERPRISE UGANDA
% change in annual turnover	53.8%	18.0%			ENTERPRISE UGANDA
Average life of businesses	1.5	2.8			ENTERPRISE UGANDA
Outcome 2.2: Increased membership in chambers of commerce and trade unions					
% of the informal sector[1]	65.0%	50.4%			MGLSD
Number of firms that are registered members of chambers of commerce	10,000	700	300		MTIC-UNCCI
Number of members in trade unions	644000	350,000			MGLSD
Outcome 2.3: Strengthened linkages to regional and global markets					
Value of merchandise exports (Million USD)	5274	4,233.8	3837		MTIC-UEPB
Outcome 2.4: Increased automation of business processes					
Value of Ugandan products and services traded on e-platforms					NITA-U
Outcome 2.5: Increased use of research and innovation instruments by the private sector					
Proportion of SMEs using digital solutions for key business processes	29%	30			MTIC
Outcome 2.6: Increased research and innovation within the private sector					
% of businesses undertaking research and development activities in the past year (manufacturing, trading, small trading and services, finance)		1.50			UNCST
% of innovative firms in manufacturing		83			UNCST
Outcome 2.7: Increased access and use of market information system by the private sector					
Number of firms using market information systems	3500	4,500	3,500		UIA
Outcome 2.8: Increased access and use of incubation centres by the private sector					
Number of firms accessing incubation center services	400	1,000	400		UIA
Outcome 2.9: Simplified system for starting a business					
Procedures to legally start and formally operate a company (number)	8	6.00	4		URSB
Time required to complete each procedure (calendar days)	4 Hours	0.40	3 Hours		URSB
Cost required to complete each procedure (% of income per capita)	0.42%	6.00%	0.30%		URSB

PSD Programme Outcome Indicator	FY2020/21 ACTUAL	FY2021/22 TARGET	FY2021/22 ACTUAL	PERFOR-MANCE STATUS (Met / Not met / No data)	DATA SOURCE
PSD Program Objective 3: Promote local content in public programmes					
Outcome 3.1 Increased local firms' participation in public investment programmes across sectors					
Proportion of the total procurement value awarded to local contractors[1]	76.4%	65%	61.0%		PPDA
Proportion of jobs taken on by Ugandans in foreign owned enterprises	45.0%	70%			MGLSD
The proportion of Ugandan goods and services utilized by foreign firms in public projects	18.0%	20%			PPDA
PSD Program Objective 4: Strengthen the role of government in unlocking investment in strategic economic sectors					
Outcome 4.1: Regionally balanced key strategic public investments planned and developed to spur private investment in key growth areas					
Number of private investments by UDC	10	10	13		UDC
Total private sector investments facilitated by PPPs arrangements		10	6		UDC
Proportion of Domestic private sector investment (in Value: projections have considered impacts of COVID-19)	3.6%	50%			UIA
Outcome 4.2: Increased use of research and innovation instruments by the private sector					
% of MSMEs utilizing the services of Research and innovation facilities	10%	20%	10%		UIA
PSD Program Objective 5: Strengthen the enabling environment and enforcement of standards					
Outcome 5.1: Standards developed and/or enforced					
Annual change in products certified by UNBS (%)	26.0%	10%	23%		UNBS
Number of certified products accessing foreign markets	3,576	4,500	4,200		UNBS
Number of counterfeits tracked and destroyed (No. of seizures)		900	1,357		UNBS
Outcome 5.2: Increased accessibility to serviced industrial parks					
No of businesses using the industrial parks	132	132	212		UIA
Outcome 5.3: Increased accessibility to export processing zones					
Number of firms accessing the export free zones	27	25	31		UFZA
Outcome 5.4: Adequate legal and regulatory frameworks in place, that removes restrictions					
Legal and regulatory framework in place, that removes restrictions		3			MTIC
Outcome 5.5: Increased formalisation of businesses					
Proportion of total businesses operating in the informal sector		20%			MTIC
% change in taxpayer register	11.9%	15%	46.8%		URA
% contribution of - informal sector to GDP	53.6%	48%	53.5%		UBOS

PSD Programme Outcome Indicator	FY2020/21 ACTUAL	FY2021/22		PERFORMANCE STATUS (Met / Not met / No data)	DATA SOURCE
		TARGET	ACTUAL		
Outcome 5.6: Improved availability of private sector data					
Number of data requests to the MSME database		200		No data	MTIC
Number of reports and policy briefs developed	4	75	5	Not met	MFPED
Outcome 5.7: Adequate system for private sector complaints resolution in place					
% of private sector complaints resolved	80%	50%	74%	Met	TAT

PSD Programme Outcome Indicator Performance Summary

Status	No of Indicators		% of Indicators	
	FY2020/21	FY2021/22	FY2020/21	FY2021/22
Met	17	18	30.9	32.7
Not met	14	14	25.5	25.5
No data	24	23	43.6	41.9
Total	**55**	**55**	**100**	**100**

Members of the PSD TWGs on an engagement visit to Mr. Godfrey Mayambala, a grains exporter under the Network of Producers and Exporters of Uganda, Zirobwe.

Members of the PSD TWGs on an engagement visit to URI Skills Development Project, Namanve with the ED, Prof Kwesiga.

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