

ANNUAL _____
REPORT
& FINANCIAL STATEMENTS

2017/18

NOVEMBER 2018



Business growth is our business

ABOUT PRIVATE SECTOR FOUNDATION UGANDA

Private Sector Foundation Uganda (PSFU) is Uganda's umbrella body for the private sector made up of 230 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 dialogue with Government on behalf of the private sector. PSFU is also Government's implementation partner for several projects and programmes aimed at strengthening the private sector as an engine of economic growth in Uganda.

PSFU as the apex body has now expanded and scaled up its reach from merely providing business information, managing projects/grants, training and Business development support, to a diverse private sector think tank and innovation hub with a new stable platform for growth and sustainable development. This is being done in full collaboration with the government of Uganda and the UNDP. PSFU is a value-based and ethically driven entity premised on 10 sectors that drive Uganda's economic growth.

The foundation is also the focal point for the East African Business Council and the COMESA Business council. Using this platform, PSFU has spearheaded the Trade Policy and Trade Development agenda on behalf of the Uganda business community, directly engaging with regional policy platforms.



VISION

To be the national lead partner in Private Sector development



MISSION

To enhance Private Sector Competitiveness through improving capacity for evidence driven policy advocacy and enhanced Business Development Services for all our members



KEY MANDATE

- Research and advocacy on policy issues that affect private enterprise
- Maintain institutionalized dialogue with government on behalf of the private sector in Uganda.
- Review of business legislation and regulation to make it more efficient for private sector operations
- Business development support for SMEs i.e. product development, standards improvement, market access, technology acquisition and application, skills training



CORE VALUES

- Team Work
- Customer Focus
- Excellence
- Transparency/Integrity

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LIST OF ACROYNMS

CUSP	Civil Society in Uganda Support Programme
DFID	Department for International Development
GDP	Gross Domestic Product
GES	Gender Equality Seal Certification Programme
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GoU	Government of Uganda
ICT	Information & Communications Technology
KACITA	Kampala City Trader's Association
KCCA	Kampala City Council Authority
MSME	Micro, Small and Medium Enterprises
NARO	National Agricultural Research Organisation
NDC	Nationally Determined Contributions
NPL	Non-Performing Loans
NSSF	National Social Security Fund
PPDA	Public Procurement and Disposal of Public Assets Authority
TUNADO	The Uganda National Apiculture development Organisation
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UIRI	Uganda Industrial Research Institute
UMA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNDP	United Nations Development Programme
UNCST	Uganda National Council for Science and Technology
UNAS	Uganda National Academy of Sciences
UOSPA	Uganda Oil Seed Producers and Processors Association
UNCDF	United Nations Capital Development Fund
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
USSIA	Uganda Small Scale Industries Association
UWEA	Uganda Women Entrepreneurs Association Limited
VAT	Value Added Tax
WHT	Withholding Tax



We are already developing partnerships with various agencies (local and international) to implement Agenda 2030 on sustainable development with a new focus in the rebrand. Our approach to business and the value proposition with which we execute our mandate have changed and our new brand reflects this new thinking and direction.

First, I welcome you all to our 22nd Annual General Meeting and thank you for setting aside time to be part of this meeting. I want to particularly welcome our esteemed partners that have increasingly put effort to support and grow our nascent private sector. I refer in particular to Government and our other development partners. We highly value your commitment to the growth of private sector.

On behalf of the Board of Directors of PSFU, allow me present to you, our report for the year 2017/18.

INTRODUCTION

During the year, PSFU changed its strategy and approach for engagement with members, government and development partners in a bid to improve service delivery to our members. This has helped us in fulfilling our mandate on policy advocacy and capacity development for Uganda's private sector. This sector based approach has been extremely useful in involving our members in policy dialogue and legal reforms, while at the same time defining members' needs and addressing them. I want to thank all members that have committed time and finances to support PSFU towards fulfilling its mission, as well as those that have always taken part in our policy discussions both physically and through online platforms. We continue to ask you for more cooperation.

Strategic Plan 2016/2019

PSFU is implementing a 3-year strategic plan aligned to the National Vision 2040, the agenda 2030 and the National Development Plan II with cardinal focus on job creation, profitability and productivity of Ugandan firms through innovation, promotion of shared value and social business. Management has been undertaking a midterm review of this plan and will be submitting a report to Board soon. The plan is running under the theme "Technology-driven solutions, collaboration and innovation to deliver competitiveness." with clear focus on strengthening our partnerships and collaboration with not only the private sector, but development partners including the Government of Uganda. This is partly the reason we invited our other stakeholders to this AGM, beyond the membership of PSFU. We are also driving innovation and incubation of firms as well as the use of prototypes from research institutes and the academia including UNCST, UNAS, NARO, UIRI, and Makerere University Faculty of Food Science. Our ICT and Agricultural sectors have been fully engaged on this.

I wish to appreciate all stakeholders that are helping us to link private enterprises to research and academia e.g. the aBi trust and UIRI. Our strategic plan is about job creation, providing equal opportunities for all, opening new business partnerships and strengthening Public Private Partnerships to stimulate growth, which is our core mandate.

Rebranding of PSFU

Fellow members will recall that we officially launched our new identity in January 2018. Following the rebrand, PSFU strategic plan is now largely focussed not only on capacity building, training and policy advocacy but on shared value and the delivery of social business. This implies creating jobs for our youth, rebuilding and protecting the environment as well as improving workplace environment. We are already developing partnerships with various agencies (local and international) to implement Agenda 2030 on sustainable development with a new focus in the rebrand. Our approach to business and the value proposition with which we execute our mandate have changed and our new brand reflects this new thinking and direction.

Our Current focus is to improve livelihoods and competitiveness through increased number of investments, jobs, income growth and exports. This will stimulate local demand and we are currently offering this through;

- A structured approach to service delivery through the 10 Sectors.
- A new value proposition (Offering Value beyond the current mandate)
- Building partnerships and collaboration (with Government & Development partners)
- Innovations/linkages within business models – creating efficiency

Overall, there has been general acceptance and admiration of the new identity especially the logo from our partners and stakeholders. Management will conduct brand perception surveys on a continuous basis to ensure that the PSFU brand remains strong. Our resolve as Board and Management however, is to deliver value to our members beyond the identity.

PSFU BOARD PERFORMANCE

Members will recall that the Board of PSFU is constituted by 19 members elected from sectors, associations and corporate companies. While our Board members are extremely busy in their own rights, they have been selfless in guiding management and the various sectors in fulfilling our mandate. Please join me to thank them for this commitment. Board has consulted widely with the public and private sectors and supported Member services delivery through supervision, strategy development and oversight both

for programme and project activities. Through the stand alone projects committee of the Board, due guidance has always been given to management, and as a result we have continued to have unqualified audit reports for PSFU and for all the various projects we manage. I want to thank our Board for this unreserved and invaluable support. Currently, the Board is undertaking a self appraisal and a consultant will be sourced to take us through the entire appraisal process.

The respective Sector Chairs across the sectors have done an extremely commendable job in coordinating sector work, both in advocacy and business development and none of our Board representatives has missed board meetings more than twice throughout the year, a clear testimony that our Board has laid commitment to serve the interest of our members. Thank you very much!

Board Committees

PSFU has 4 Board Committees that support Board in executing its mandate. These are; Policy Advocacy Finance and Other Resources, Audit and the Projects Committee. The 4 committees are chaired and constituted by Board members and can co-opt others members as duty calls. Through these committees and the 10 sectors, most of you have been involved in PSFU activities including consultations, training, business missions etc, and I must thank everyone for the level of commitment shown. I wish however to call upon the entire business community, government and other development partners to continue supporting our various activities through these committees each time you are called upon. I am happy that we are already working with several partners in this endeavour.

MEMBERSHIP DEVELOPMENT AND CAPACITY BUILDING

Fellow members, growth and deepening of our membership is a core mandate of PSFU and through the year, we were able to increase our membership from 220 to 228. The foundation has taken caution against fast expansion and concentrated more on deepening our membership. This is the reason member satisfaction surveys are regularly done. We have also been careful not to cannibalise our own members because we want you, the PSFU members, to manage your own members through your associations. Our effort as PSFU remains to strengthen business associations so that they can execute their mandates in a more organised manner. The philosophy of PSFU is that

once you have good governance and improved service delivery to members then you are able to consolidate your membership.

New Members of PSFU

All our new members have been well inducted, trained and are being involved in the various PSFU activities including sector committee work and let me take this opportunity to welcome all those that joined us through the year. Let me further inform our members that you can only benefit from your membership at PSFU if you get involved in the various activities of the foundation. These include; policy consultations, lobby and advocacy with policy makers, training and capacity building for member associations etc.

Membership Retention and Service Delivery

PSFU has been able to retain 100% of its fast growing membership on account of this varied range of services. In particular we were able during the year to reach in excess of 5,000 MSMEs and small holder farmers in more than 60 Districts of Uganda through trainings, business advisory, mentorship, businesses registration and helping firms to comply with standards and regulations. We have continued to offer financial literacy and Association Governance training programmes, as well as private sector support initiatives under the various projects that we implement. This has helped many of our members improve their governance and financial management practices, thereby orchestrating further support from donor agencies. Some of the associations that have received such support include UWEAL, USSIA, UOSPA, NUMA, UMA, KACITA, UREA, UNFFE, AMFIU and TUNADO.

A call for member subscriptions

While we continue to mobilise increased support for you members, we still have a challenge of some of you not meeting your obligations on annual subscriptions to PSFU. Let me use this opportunity yet again to call upon you our valued members to recommit yourselves to this Foundation by making your annual subscriptions as required and to avoid having to reapply for re-admission should your membership lapse as agreed at the 20th AGM in 2016. Our mandate is clear and serves all of us, and while I appreciate the tough business conditions we all continue to sail through, it is only until we pull together that we can strengthen our voice for advocacy, be able to engage the public sector and ensure an improved business climate, as well as match our other potential partners across the region and beyond.

OTHER ACTIVITIES THAT HAVE BENEFITTED MEMBERS

Business Missions

The foundation organized inward and outward missions with countries such as Turkey, India and Qatar with prospective partnerships in the fields of Construction, health, agro-industrialisation and Financing of SMEs. As part of the official visit of the Indian PM, PSFU and the CII organised a business forum at which a memorandum of Understanding was signed to promote south to south cooperation through Technology transfer, skills training, enhancing the use of ICT, health care investments etc. In addition to the PSFU-CII MoU other memoranda were signed between Ugandan and Indian companies in the Health (Apollo- Norvik Hospitals) and ICT sectors. A \$5m facility has also now been secured and is being coordinated by UDB to support acquisition of agro-machinery and irrigation equipment from India. I am happy that the private sector has started taking advantage of these and a lot other opportunities and partnerships. We thank the Government of Uganda for collaborating with PSFU in this regard.

Engagement with Public sector bodies that support the private sector

PSFU has also involved several members in engagements with regulatory bodies such as KCCA, URA and URSB with the aim of disseminating regulatory Services to MSMEs. Quarterly meetings with the 3 bodies have regularly been held in this regard. Currently, PSFU is working out a programme with the PPDA to train SMEs on how they can be more involved and comply with public procurement requirements.

SOME REFLECTIONS ON THE UGANDAN ECONOMY

Dear members, during the year, the rate of economic growth declined to as low as 4.6% while inflation rose to unprecedented level of 6%. This decline was on account of the turbulent global economy and domestic shocks – reduced production and market inefficiencies orchestrated by political instability in the regions as well as global politics. Government's corrective fiscal and monetary measures however, helped to restore stability. As a result, growth had been anticipated to recover strongly by end of the year.

In the medium term, economic performance can improve if Government's pro-growth policies yield efficiency and productivity improvements in the real sector. As private sector

we are also keen to see that the oil fortune creates economic opportunities in other wealth creating sectors. The main downside risks are the worsening global trends with a barrel of oil at USD 80, regional insecurity and poor fiscal discipline. Uganda needs a renewed growth momentum to realise its vision on middle income status, which calls for growth at more than 10% per annum, much higher than the impressive historical rates of 7-8 percent. This calls for change of approach in the way we do business and for government, the efficiency with which infrastructure and services are delivered to the private sector.

The challenging markets

Members are aware that one of the major challenges we face as private sector is to access and sustain markets. In order to maintain our presence in any market we must continuously improve the quality of products and services we seek to market. While we have an immense opportunity in the expanded market both in the region and the diaspora, we have a serious challenge to prepare well for these markets. This goes across all sectors of the economy. We need to improve the quality of work in all that we do as we are not the only players in the market. We have opened our borders – an indication to the world that we are ready to compete here and in export markets. This is a major challenge especially for MSMEs who constitute the biggest chunk of our private sector. The rule of thumb is that we cannot compete unless we increasingly work to improve quality, standards and value of whatever we bring to the market.

Through the year, PSFU has worked with a range of partners such as UIRI, UNBS, UEPB, and Faculty of Food Science (MUK) to incubate firms and prepare them for the severe market conditions here and abroad. I want to urge that through the established sectors, the business community finds this a great opportunity to continuously upgrade technology, improve product development, upscale standards and be able to compete.

PSFU is also spearheading the articulation of Private Sector trade policy challenges with the objective of enhancing our participation in domestic, regional & international markets. The challenges of quality, standards, volumes of supply, technology upgrading, skills enhancement, market access must all be addressed for our enterprises to compete better.

Corruption

Members; increasing levels of corruption manifested by the poor performance in the transparency index (Uganda

was ranked 150/180 in 2017, Rwanda 48/180, Tanzania 103/180 and Kenya 143/180) is worsening the cost of doing business in the country and contributes to the deterioration in the competitiveness indices such as the Doing Business ranking by the World Bank. I urge members to adopt the use of Codes of Business Practices in our business to stem this vice. We also urge government to conduct lifestyle audits for civil servants, enact the Competition and Trade Order Bill to regulate businesses and investments for local and foreign investors, trans-shipment, and reduction of tax the burden, reduce procurement bureaucracies & delays as well as quicken payments for goods and services rendered to government.

Key economic challenges impacting on performance of the economy.

While we appreciate the progress made in improving our investment climate and public infrastructure, several challenges remain, and if not quickly resolved may deter the progress so far made towards faster growth. These include the following;

Fiscal and regulatory challenges

During the year, taxation presented one of the biggest challenges for business growth with the following having visible negative impact on businesses; excise duty tax on mobile money transfers, additional tax on edible oil, WHT on agriculture produce and withholding VAT. Uganda needs to ensure a predictable tax regime that is elastic enough to combat the challenge of discretion with high potential to reduce the tax burden. Formalization of the informal economy through business registration is also crucial in building a robust tax base. PSFU has successfully presented these proposals to government and once implemented, the proposals should help standardization in the tax regime and curbing of illicit trade.

Regarding the regulatory environment, a number of laws and regulations remain pending, yet crucial in addressing some of the critical business challenges including; the coffee bill, the Local content bill 2017, competition bill, anti-counterfeit bill, animal feeds bill, fisheries bill and the review of the NSSF Act to allow for long-term savings. While some of these are being addressed others are lagging and these have been presented to government through our budget strategy formulation. We expect that most of these will be expedited this Financial Year.

The **high interest rates** (averaging 22%) have put Uganda in a competitive disadvantage against our major trading partners and have forced a number of businesses to wind up. The levels of NPLs have been declining from the high levels witnessed a year ago on account of high interest rates and a constraining operating environment including market conditions. This is affecting the economy. Uganda's debt level is rising, now at 38% of GDP due to low savings, high cost of money and declining fiscal discipline. We need to address these.

The Private Sector is being crowded out as a result of the growing public debt. All of us must be concerned about this. PSFU has engaged several stakeholders and recommended that competitive interest rates must not exceed 12.5% for general business and single digit interest rates for Agriculture. Only then can Uganda's private sector be able to compete with companies/products from elsewhere that borrows in the ranges of 2-4%.

The high Cost of Energy: Uganda's Energy sector is being reformed and we applaud the Ministry of energy for the various initiatives being undertaken in Generation, transmission and distribution of power. Uganda's energy penetration still stands at 9% for urban and only 4% for rural. The challenge for the private sector has been the quality and cost of power and we applaud government for the 5 US Cents for those extra-large manufacturing during off peak hours. This is welcome considering that Uganda's trading partners within the region enjoy power at much lower rates of between 3-9 US Cents. The cost of power in Kenya is 9 US cents per kilowatt while Egyptian manufacturing consumes power at 5 US cent per kilowatt. Currently Uganda's energy cost for industry stands at 12 US Cents per KWh while all other final consumers pay 23 US cent per kilowatt. KACITA members have complained about paying Shs 2800 (75 US cents) for a unit of power. This is grossly uncompetitive across EAC and the COMESA regions and the solution must be found through increased connections across the rural households and SMEs but also through promotion of energy efficiencies.

The high cost of Transport: Transport still accounts cumulatively for up to 45% of the total production and distribution costs. This needs to be brought to a maximum of 10% over the medium term. In distribution alone the costs in urban centres (e.g. Kampala) shoots up to 10% of the total price of the products. Our calculation is that for

businesses to be competitive such costs should not rise beyond 4%; while distribution for agricultural products being sold as inputs to agro processing range from 15%-25% of total price of product depending on the distance! This, according to best practices should also not go beyond 7.5%. Government effort to build road infrastructure and the railway is intended to address this challenge. However we have urged government to pay more attention to District, Urban and Community Access Roads (DUCAS)

Uganda's Competitiveness ranking

Uganda has slipped on the World Bank Cost of doing business competitiveness ranking 2018. This year, Uganda's ranking is 122 out of 189 countries surveyed, down from 115 last year. The decline on the Competitiveness index is on account of the many things that we must fix to improve the business conditions and ease doing business. These are largely in three broad areas;

- a) Institutional capacity needs and their responsiveness to private sector challenges have to be reviewed and where necessary, enhanced.
- b) The legal frameworks, regulatory and licensing regimes have to be quickly reviewed (where necessary) and enforced.
- c) The mind-set of both the civil service and the business community has to be reoriented to more efficient methods of service delivery

As private sector, we must always urge government to continuously work with us to build resilient and supportive economic conditions. This is where we need your full commitment and involvement as members of PSFU.

PARTNERSHIPS NEGOTIATED DURING THE YEAR

- a) Partnerships are a key pillar in the delivery of PSFU Strategic Plan. Through the year, PSFU negotiated several partnerships. One was with the UNDP, worth USD 2.1 Million aimed at supporting UNDP's framework of engaging the private sector in delivering Agenda 2030 on sustainable development.
- b) The other one is the NDC Country Support Programme on Climate Change which PSFU is implementing in partnership with the Ministry of Water and Environment. This partnership draws support from the National

Planning Authority and the Ministry of Finance focused on delivering component 4 (worth USD 84,000) i.e “Enhancing Private Sector Engagement in Climate Action”. This engagement will support the private sector to develop climate mitigation and adaptation mechanisms within their operations thus contributing to sustainable production and consumption.

- c) PSFU has also signed a partnership with ZOCTU, an IT based Solutions Company whose mandate is focused on employment and service delivery solutions for the private sector. The partnership is envisaged to create value for the members as well as increase their efficiency, productivity, and therefore profitability. This way our companies shall be sustainable and competitive better.
- d) PSFU also collaborates with ENABEL the Belgium Government development agency to hasten and increase skills among the citizens for the benefit of Uganda businesses.

SECTOR PERFORMANCE

PSFU 11 sectors are mirrored against the Government Sector Working groups and our membership have been directly involved in sector performance reviews. Below are some of the key priority sector performance.

Oil and Gas sector

Members will recall that the GoU has now signed oil production agreements with the three oil companies (CNOOC, Total and Tullow oil) and a pipeline to transport crude oil to the sea was launched last year. There is also a plan to setup a refinery in the future to process our oil here in Uganda. Generally, it is estimated that more than \$20 billion will be invested in infrastructure and the oil value chain, and PSFU working with the Chamber of Mines and Petroleum have started assessing sector capacities in skills and supplies to take advantage of these heavy oil value chain investments. By now most of you should have already registered online with the Petroleum Authority of Uganda (PAU) to be included on the supplier database. This notwithstanding, the private sector has been bothered with the pace of decision making to allow for predictability and faster investments in the sector. In the meantime I want to urge members to;

- Continue assessing their capacities to supply goods and services to the oil value chain and submit them to us at PSFU through your respective sectors

- Undertake international standards assessment and certification to establish potential and capacity to work with the industry
- PSFU has been working with various associations to address sector based skills challenges leveraging on the World Bank Supported SDF. I hope members of the business community will continue to take advantage if this facility as well.

Agriculture and Agribusiness sector:

During the period, most of the agriculture commodities especially maize, and other food crops benefited from relatively good rains that were received in the first half of 2018 and so recorded good harvests. Unfortunately, due to climate change related concerns and poor post harvest handling, the quality of the produce was over compromised leading to significant fall in farm prices. For example maize prices fell from 750 shillings per Kg to 200 shillings Per Kg between May and September 2018. A study from East African Grain council revealed that 45% of the produced maize was contaminated with aflotoxins which accounted for over 38% post harvest loss. Government moved to stabilize the market through creation of 100 billion line of credit with an aim of ensuring a minimum farm get price of 500 shillings per kg, this was done without private sector consultation and consequently its impact has been below the expectations. This experience discouraged several farmers from exploiting the somewhat reliable rains in the next season, yet prices of the commodities are realized to be on a rise trajectory.

Additionally, in the FY 2018/19 budget Government pronounced itself on tax regime (excise duty tax regime on opaque beer, Mobile money, edible oils, Withholding tax on coffee and Withholding of VAT) that seemed not to be as a result of thorough research and private sector consultations.

PSFU Board of Directors recommends;

Government working with the Private sector (PPPs) prioritizes investments and consultations in design and implementation of the OWC targeting storage facilities, fake inputs and pest and disease control to support growth of the economy.

KEY ACHIEVEMENTS THROUGH THE YEAR

- a) Improved Services to our Members reflected in the many trainings, B2B Partnerships & services offered by in-house projects.
- b) Deepening of Sector work through full establishment of sector and creation of collaborations with other

stakeholders supporting the various sectors, e.g. establishment of National Construction platform.

- c) Stimulate effective demand through enhancing population income by supporting backward & forward integration
- d) Strengthened Public Private dialogue: Key Policy Dialogues included
 - VAT Amendments
 - Mobile Money Tax Revisions
 - Excite Duty on agricultural commodities reviews
 - Streamlining of the agricultural value chains to promote backward integration
 - Expansion of warehousing infrastructure to now 140 licensed warehouses
 - Local Content Bill was drafted with input of the private sector
 - Commitment to investing in Early Childhood Development
- e) Staff Development through training and career development
- f) Good ratings in Projects management
- g) Additional projects attracted e.g GAIN

REPRESENTATION AT EABC AND THE REGIONAL ENVIRONMENT

Fellow members, PSFU is the focal point for EABC and coordinating the local chapter. The Ugandan Private Sector is represented at EABC by Mr. Jim Mwine Kabeho who has until recently been the Chairman of the regional body. Other members include Ms. Barbara Mulwana (UMA), Mr. Stuart Jason Mwesigwa (Roofings group) and Mr. Simon Kaheru (Coca-Cola Africa). I want on behalf of the private sector in Uganda to congratulate Mr. Kabeho for a job well done. The Chair of EABC has now been transferred to Kenya with Mr. Nick Nesbitt as the currently Chairman. This year, a good number of African countries signed the Continental Free Trade Agreement (COFTA) that presents an opportunity for the private sector across the EAC to take advantage of the regional market in Africa. Trainings for the local private sector have been ongoing on how you can prepare yourselves to benefit from this expanded market. Our Minister of Trade, Industry and Cooperatives has been very instrumental in opening up markets for the Ugandan Private Sector in D.R Congo and South Sudan. This month, she commissioned the One Border Post in Elegu.

PROJECT ACTIVITIES AND THEIR IMPACT ON THE GENERAL BUSINESS ENVIRONMENT

Fellow members of PSFU, our foundation has had unmatched effort in implementing private sector development projects that aim to enhance firm level competitiveness. These projects are generally in the areas of competitiveness, land reform, business licensing and registration, tourism development, energy development and efficiency, skills development, graduate training, applied research, early childhood development etc.

6 projects have been ongoing including; The Competitiveness and Enterprise Development project,(CEDP), the Matching Grant under CEDP, the Skills Development Facility (SDF), the BUDS-Energy for Rural Transformation (BUDS-ERT), the Uganda Clean Cooking Supply Chain Expansion Project (UCCSCEP), the ADB funded Higher Education, Science and Technology (HEST) the Support to Agricultural Revitalisation and Transformation (START) project supported by United Nations Capital Development Fund (UNCDF) and the European Union (EU), the Global Alliance for Improved Nutrition (GAIN) and the Early Steps programme which focuses on mobilising the business community to invest more in the early years.

The objective in managing all these projects is to; help build firm capacities, develop human resource capacities, improve access to business finance, build efficiency in energy use, enhance partnerships, support institutional and legal frameworks, link higher education institutions with businesses as well as build infrastructure. While the detailed reports about each of these will be found in our annual report let me briefly make some key highlights on each of them.

A: Competitiveness and Enterprise Development Project (CEDP):

The \$100m Competitiveness and Enterprise Development Project (CEDP) is a 5-year Government of Uganda/ World Bank funded project, aimed at supporting reforms to improve the business environment in Uganda. The project is coordinated by PSFU with various Ministries and agencies of government taking part, including Ministry of Lands, Ministry of Tourism, UWA, URSB, HTTI and UTB. The project aims to enhance enterprise competitiveness by providing support for (i) the implementation of business

environment reforms, including land administration reform; and (ii) the development of priority productive and service sectors. The ultimate objective is to increase the number of jobs, grow household incomes and increase export capacity. Implementation is on course and the project has been rated satisfactory by the Bank with annual unqualified audit reports since it started in 2015.

Currently, various reforms are being undertaken including establishing the UBFC, the Electronic Document Management System at URSB (already it takes under 2 hrs to register a business, construction of the HTTI in Jinja to enhance skills in the Tourism and hospitality industry (completion expected by May 2019), as well as land administration reforms to improve land registration/ titling and land searches. While there are still a number of challenges we face as a country, we want to appreciate GoU and the World Bank for the support in getting our business environment a lot better and more competitive. I also thank our secretariat for ably coordinating this project.

With the reforms so far posted in the financial sector, the taxation and licensing regimes, and the observed change in mind-set across the public sector, I am confident that Uganda shall be able to post a double digit positioning on the competitiveness index in the near future.

B: The Skills Development Facility (SDF):

The Skills Development Facility (SDF) supports short-term employer-led training and recognition of prior learning as well as increased access to internships for Technical and Vocational Education Training (TVET) students. The facility aims at addressing the prevailing skills imbalances and shortages in Uganda. The SDF is contributing towards resolving the prevailing skills imbalances and shortages in Uganda. An important element of the initiative is to facilitate collaboration between training providers and industry to promote demand driven skills development with special attention to innovative modes of training. I am happy with the resounding response from the private sector to utilise this facility.

C: The 3-year World Bank Funded Uganda Clean Cooking Supply Chain Expansion Project (UCCSCEP)

aims at expanding access to, and adopting cleaner and more efficient cooking solutions. The project is already;

- Supporting private sector efforts towards resolving the effects of climate change.

- helping to reduce in-house pollution and related burdens;
- reducing household consumption and expenditure for biomass cooking fuels

It also has a Distribution Challenge Fund (DCF) that aims to facilitate local and international stove manufacturers and distributors, to manufacture and distribute a minimum of 200,000 improved cook stoves to rural areas.

D: Business Uganda Development Scheme – Energy for Rural Transformation III

The Government of Uganda (GOU) and World Bank approved Phase 3 of the ERT program and it commenced in April 2016. Phase 3 is a five year project and its development objective is to increase access to electricity in rural areas. Grid and off-grid investments are being made to enhance energy access particularly to rural areas. Increased access is expected to spur economic activities in rural areas thereby increase incomes thus expanding aggregate demand in the economy.

E: ADB Higher Education, Science and Technology (HEST)

The Government of Uganda with funding from the African Development Bank is implementing the HEST Project aimed at skills enhancement and development of Business Incubation Centers in the six Public Universities and two degree awarding institutions to enable them improve the quality and relevance of higher education science and technology and contribute to job creation and self-employment and PSFU was contracted by Ministry of Education and Sports to offer technical support in setting up of the incubation centres. The technical support included working with each University to identify a unique idea and thereafter PSFU supported them to operationalise these ideas.

Already all the BICs are partly functional and have active governance structures, staff and have progressed on key operationalisation activities. Most of the BICs have implemented operationalisation activities with the lowest being at 58% and the highest at 86%. PSFU is confident that with completion of construction, purchase and installation of equipment all the BICs will be fully functional by June 2019.

PSFU also acknowledges the members of the private sector that have introduced BICs such as Stanbic Bank, DFCU Bank and others

F: Some new projects

During the year PSFU signed a contract with the Global Network for Improved Nutrition of Switzerland to manage funds for its project in Uganda implemented by the Ministry of Health. The project value is US\$84,000 and the assignment is expected to run for one year. Relatedly the European Union funded Support to Agricultural Revitalisation and Transformation (START) Project commenced during the year with a value of €800,000 and expected to support activities across 33 districts in northern Uganda. Eligible members are urged to participate in this project.

CONTINUED COLLABORATION WITH OUR KEY PARTNERS

PSFU has continued to collaborate with various development partners, the Government of Uganda and Corporate Agencies in the pursuit for business growth. Some of the collaborations are as follows:

The Government of Uganda (GoU)

The GoU is our cardinal partner as they provide the framework and environment within which we operate. Through the year, we were able to engage government at various levels of authority. Government and the private sector have agreed that macroeconomic stability can only be a derivative of well-functioning micro economy i.e. households, firms and the industry. Therefore business development is as important as policy, regulatory and legal formulations. To this end, PSFU and the GoU through MFPED have agreed on various business models that will be implemented in support of value chain development. The models presented by PSFU to Government have ample focus on backward integration and the promotion of Agro-Industry Linkages. As a result, for the medium term, Government has themed the budget strategy on Agro-led Industrialisation. We have now mirrored our 11 sector working groups with those in Government and increasingly involving you our members in policy discussions and the budget process as it unfolds. I urge members to intensify your participation through sector reviews to have impact on public policy and influence decision making in government.

The World Bank

Members are aware that the World Bank is one of the key development partners that support the competitiveness of

the private sector in Uganda and continue to offer several products aimed at enhancing private enterprise capacities. These range from institutional capacity building, Business Development Support, to the promotion of public private sector dialogue. Currently PSFU is leading implementation of one project (CEDP) supported by the World bank and the government of Uganda, but also participating as implementing partner in 3 other projects i.e. the Skills Development Facility (SDF), Uganda Clean Cooking Supply Chain Expansion Project (UCCSCEP) and Energy for Rural Transformation (ERT3). All these are funded by the World Bank. I urge members to take full advantage of these projects to enhance productivity, profitability and competitiveness of your enterprises.

The United Nations Development Programme (UNDP)

PSFU has signed a Memorandum of Understanding with the United Nations Development Programme (UNDP) committing Uganda's private sector to the implementation of Agenda 2030 on sustainable development. This programme is about effective delivery of the 17 SDGs by 2030 and PSFU has committed you the private sector towards this realisation. PSFU on behalf of the Uganda private sector has also endorsed the Gender Equality Seal Certification Program (GES) and 41 Companies have now committed themselves to this programme and recently we had training for these members on the certification process supported by UNDP. As you may already be aware, the private sector has so far presented 2 Goal Ambassadors; for Goal 5 and Goal 8. On behalf of the Board and the PSFU membership I thank the UNDP for this fast evolving partnership and the results this partnership has already started to post. I want to urge the rest of the companies that have not yet signed on the GES Certification programme to find value in doing so because future partnerships and productivity will largely depend on how we espouse these SDGs particularly Goal 5 in our work environments.

African Development Bank

The Africa Development Bank is supporting various initiatives in the country and PSFU is engaged in management of the Business Incubation Component of the Higher Education Science and Technology Project. The aim is to make education, training and research more relevant to the private sector. We applaud the Bank for this project and we hope that new business ideas will

be generated that will not only result into new products and businesses but also improved methods in managing businesses, production techniques and service delivery.

The European Union/UNCDF

The project whose sole objective is to consolidate stability in Northern Uganda, poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development is being implemented in 33 districts within Karamoja, Acholi, West Nile, Lango and Teso. The expected result of the project is to improve access to finance for SMEs engaged in agricultural value addition through a dedicated facility for business development services and blended finance.

Trade Mark East Africa (TMEA)

During the year Trademark East Africa continued supporting the logistics sector to improve and position Uganda as a logistics hub. It also continues to work towards reduction of cost of doing business especially on transport and logistic related areas. Trademark has supported rehabilitation and construction of one stop border posts (OSBPs) to improve trade across borders, modernisation of customs among the many all done with majority of funding provided by the DFID. PSFU acknowledges DFID for this support to Uganda private sector. I applaud Trade Mark East Africa for this support.

SUSTAINABILITY OF OUR ORGANISATION

Dear Members, Financial sustainability remains a key area of our attention as PSFU. The challenge of many business associations is sustainability. We now have established a business unit to address member challenges while at the same time generate revenue for the foundation. As Board we have charged management under the current strategic plan to take this seriously. PSFU has also distinguished itself in project management and we expect to continue doing this as part of our sustainability plan. However, let me remind you that business organisations that succeed have their members' support their financial sustainability and PSFU will always come back to you members in this regard.

OUR PLAN FOR THE FUTURE

The Board's plan for the future is still focused on delivering our Strategic Plan, which is in line with the NDP II and the GOU Private Sector Development Strategy (PSDS). Enhancement of sector work and increasing collaboration and linkages between private sector players is very

important to overcoming challenges particularly related to markets and PSFU will remain engaged in this area. It also will continue to innovate and mobilise support and funding for initiatives that are aimed at increasing household incomes in order to improve aggregate demand. Besides, PSFU work in addressing competitiveness challenges through advocacy, implementing interventions at the national level and facilitating companies to improve capacities to address firm level challenges are also of key interest to PSFU and will continue to be in focus. Our plea to all members is that we pull together to make impact not only in advocacy but be able to compete better in the market place.

APPRECIATION

Fellow members, the achievements I have outlined above are a result of your dedication, perseverance and hard work. I thank you all for supporting us as a team and choosing to work together. I also thank the Government of Uganda for the increased responsiveness to private sector submissions and am further grateful that this level of Public Private Partnership has been able to deliver a fairly good business environment. This notwithstanding, we still have a lot to do together to deliver a competitive business environment. I thank the Development Partners and our corporate members that have always offered support each time we organise activities and events that reinforce private sector capacities to sustain markets. We highly value your support. Finally let me thank you members for your commitment to PSFU that has enabled us to deliver on our mandate but also for supporting the various PSFU activities through your respective sectors.

On behalf of the Board I wish to thank our Advisory Council for the guidance and as well the Management and Staff for the unwavering support and dedication.

My best wishes to all of you for a revitalising festive season and a profiting new year 2019

Patrick Bitature
CHAIRMAN

EXECUTIVE DIRECTOR'S MESSAGE ● ● ●



Earlier this year, PSFU rebranded with a new identity that lends itself to promoting collaboration, partnerships and our tagline 'Business growth is our Business' illustrates PSFU's renewed commitment to create value for Uganda's private sector.

Dear Members, PSFU has completed the year with significant improvements in its services and performance. With the invaluable support from you and all our partners, we have engaged policy and law makers to deliver a better business environment for our firms in the various sectors. This is increasingly helping us in the private sector, to be more productive, competitive and profitable. As a result, we are happy to have contributed immensely towards job creation, expansion of the tax base and export growth.

In line with our strategic plan for these running three years (2016-2019) we are already collaborating and developing partnerships with local, regional and international organizations to be able to help the business community enhance their capacities to engage in the extremely challenging and competitive markets.

A competitive environment for business is delivered both from within the companies (internal environment) and outside these companies (external environment). Therefore both government and the private sector must forge a partnership that delivers such an environment. I am happy with the level of trust and partnerships that we have built over time with the various Ministries, Departments and Agencies of government with the support of our development partners, such as the World Bank, the European Union, GIZ, UK Aid, UNCDF and UNDP.

We have worked with all our members in such areas as; public policy development, tax policy reviews, business related legislations, regulations, standards and infrastructure development, and I wish to commend you all for the support and involvement throughout the consultations and to our professional associations such as Uganda Bankers Association (UBA), Federation of Uganda Employers (FUE), Uganda Law Society (ULS), Uganda National Association of Building and Civil Engineering Contractors (UNABCEC), UACE, and other Associations for all the technical support rendered through the year.

Earlier this year, PSFU rebranded with a new identity that lends itself to promoting collaboration and building partnerships. Our tagline 'Business growth is our Business' illustrates PSFU's renewed commitment to create value for Uganda's private sector. At PSFU, we are pledge bound to drive our membership into more aggressive markets while at the same time, develop partnerships with various agencies (local and international) to support the global agenda on sustainable development.

Finally, I thank the Government of Uganda and all Development Partners who have supported our engagements & initiatives towards private sector development in Uganda. PSFU is committed to supporting Uganda's Vision 2040 through the NDP II and the Global Agenda 2030 on Sustainable Development.

Gideon Badagawa
Executive Director

BOARD OF DIRECTORS



Mr. Patrick Bitature
Chairman



Dr. Gudula Naiga Basaza
Vice Chairman



Mr. Gideon Badagawa



Dr. David Kamukama



Ms. Merian Sebunya



Dr. Ian Clarke



Mr. Mathius Katamba



Eng. Alex Turihohabwe



Mr. Nicholas John Okwir



Mr. Charles Ogang



Hon. Elly Karuhanga



Ms. Susan Muhwezi



Ms. Julian Omalla



Mr. Philip Borel



Mr. Gordon Sentiba



Mrs. Annet Nakawunde



Ms. Cynthia Mpanga



Mr. Charles Kareeba



Mr. Humprey Nzei



PSFU is implementing the 2016-2019 Strategic Plan under the four strategic goals namely;

- i) Transforming Service Quality
- ii) Financial self sufficiency
- iii) Broaden and Deepen National & Regional Footprint
- iv) Building Collaborative Stakeholder Relations

A number of activities were planned and have been implemented under each of these goals as stated below;

CORPORATE SERVICES

Transforming Service Quality

1. Improvements in Human Resources Management: Following the restructuring, there has been improvement in the human resources management practices to support the new sectoral approach. A Performance Bonus System was developed to entrench a results culture at PSFU besides being the tool for identification, development, rewarding and retaining talent and is being implemented successfully.
2. Improved communication platforms: A refreshed website has been developed to relay timely content for visitors and also engage with stakeholders through a discussion platform. Besides, an advertisement section is available for institutions to publicise their goods and services. Social media – Twitter & Facebook have been implemented and there has been tremendous growth in following.

- Quarterly newsletters: Quarterly newsletters highlighting Secretariat activities; engagements with Government & private sector and all project updates have been developed and shared accordingly with members & other stakeholders.

Financial Self Sufficiency

- Revenue from contributory activities: Effectively supported the implementation of eight donor funded projects and the 2018 PSFU Business Directory thereby enabling the institution to receive contribution to office & directory space and project management amounting to Ushs1.3bn during the year an increase of 6% compared to the previous year.
- New Revenue Streams: An Invoice Discounting product is being developed for implementation to help MSMEs with ready cashflow in exchange for invoices issued.
- Securing Government of Uganda funding: Concept note has been prepared and submitted to government. Under the accountability sector undertakings for 2018/19, PSFU activities were included and this will support PSFU application for funds from Government
- Budget variances not to exceed +/-10%: Revenue from contributory activities exceeded budget by 11% and a 6% favourable budget variance was achieved on employee costs while administrative overheads suffered an unfavourable variance of -6% due to payments made for ground rent arrears that had not been budgeted. Overall, the targeted of +/-10% was achieved.
- Obtain Clean Audit Reports: All units audited during the year received clean audit reports; these are PSFU Secretariat (Revenue Ush1.56bn), Energy for Rural Transformation III-PSFU Component (Revenue Ushs708m) and Competitiveness, Enterprise Development Project (Revenue Ushs41.8bn), Skills Development Facility (Revenue Ushs14.7bn) and Uganda Clean Cooking Supply Expansion Project (Revenue Ushs1.4bn)

PRIVATE SECTOR DEVELOPMENT

During the period, the economy has been explained by uncertainty, panic and hopelessness, amongst the business community due to the upshot of the FY 2018/19 budget policy decisions especially tax policy. As a continuation on the FY 2018/19 budget consultations, PSFU and the private sector presented position on the tax budget policy especially on Mobile Money, Withholding Tax on farmers, Excise duty on opaque Beer and excise duty on edible oils. Most of the issues around excise duty were considered but the environment was overtaken by the political uproar and the decisions could not be made instantly. PSFU is continuing to follow up on these matters at various levels.

Broaden And Deepen National & Regional Footprint

- Private sector statement on budget strategy: PSFU on behalf of the private sector made a statement on the FY 2019/20. This statement emphasized the need to formalize the economy, grow tax revenue and stimulate production and productivity through favourable tax regime. This position was a continuation on the last FY emphasizing the need to create synergies amongst the various stakeholders in the economy.
- Maintain dialogue with the Private Sector & Public Sector: PSFU has maintained dialogue with the public sector through Public-Private Partnerships with development partners. There has been dialogue on various sector issues with agencies such as; MFPED, UNBS, URA, MEACA, NCCTA, ACODE, USAID EATIH, MTIC, URSB, EPRC, UBOS, OPM.
- Reduction on commodity prices (grains): During the period, various commodity prices including maize and edible oils dropped by about 300 shillings per kg. According to our analysis, this was driven by unfair tax system that established excise duties on value addition of these products. PSFU therefore engaged with Ministry of Finance (MoFPED), Operation Wealth Creation (OWC) and Parliament of Uganda to discuss these issues and this process is still ongoing

4. Northern Corridor Summit: The Northern Corridor Summit bring together the Presidents of Uganda, Kenya and Rwanda to drive faster corporation and since 2014 brought these countries closer and reduced the cost of doing business. Some of the key areas worked on included; faster movement of goods under the Single Customer Regime, Removal of NTBs especially Uganda and Kenya like the Uganda sugar exports, development of the cargo trucking systems, the single visa, one area network etc.

Building Collaborative Stakeholders Relations

5. Business to Business Missions: PSFU coordinated the India-Uganda business forum where the Ugandan business community hosted the Hon. Prime Minister of India, Narendra Modi. Indian government has channeled funds through the Exim bank of India extended \$5million (Shs20billion) as part of the credit to the Uganda government for importation of agro-processing equipment from India. The money has been channelled through the Uganda Development Bank (UDB)



An MoU was signed and exchanged between PSFU and CII India



6. 13th International Trade Facilitation Expo: PSFU organized the 13th Annual international Trade Facilitation from 3rd to 5th September 2018 at UMA Main exhibition hall, Lugogo with an objective of providing business information focusing on skills enhancement in various value chains but using a sector approach. The theme of the expo was "Business Competitiveness through Improved Skills, Innovative Financing and Value Addition in value chains". The event attracted over 800 people and generated over 50 million shillings.

Other Business Development Support activities and partnerships organized included:



- i. Partnerships: PSFU signed MoU with Microfinance Support Centre to provide BDS to SMEs and facilitate financial support accordingly
- ii. Organised 50 member visits to collate private sector key policy issues in preparation for the 2019/20 National Budget.
- iii. On a regular basis, PSFU provided Business Development Information to members of the private sector to inform them key activities, seminars, conferences, Business to Business support among others.
- iv. Provided guidance and handholding support to several PSFU Members to enable them access the various available grants at PSFU. Some have been able to benefit from the grants and this has boosted them.

COMMUNICATIONS & PR

PSFU continued to engage with members through consistent and purposeful communication and dialogue. Members were kept informed through the various channels - Quarterly e-newsletter, policy briefs, position papers and regular updates on the website and social media.

Information Materials: PSFU developed and disseminated information materials to key stakeholders and members. Information materials highlighting policy advocacy, trade development, membership engagements and project developments were provided for the PSFU Membership and other stakeholders through email, website, messaging platforms and social media. These documents have greatly guided the PSFU Membership and enabled them to participate actively in contributing to the Policy Platform for Action which was successfully published on CD & posted on the website.

PSFU Business Directory: PSFU produced the premier 2018 edition of the Private Sector Business Directory as an avenue for provision of private sector business information, enhancing PSFU mandate and also an avenue for resource mobilization. The directory carries detailed information on trade and investment, trade opportunities, making it a very useful and regular reference for the policy makers in private and public sectors, donors as well as the general business/trading fraternity. Copies are circulated to sister private sector organizations in the region and beyond.

Publicity and media engagements: PSFU continued to engage the media through organizing press conferences, issuing press releases, guided Question and Answer interviews, responding to a number of media queries which formed into thought leadership articles in the media.

CAPACITY BUILDING UNIT

PSFU through the year supported members and other initiatives through business development services. The activities were achieved through 2 strategic thrusts highlighted below;

Building Collaborative Stakeholders Relations

Partnerships:

- i. **United Nations Development Programme (UNDP)- Gender Equality Seal Programme:**

The Gender Equality Seal Programme is done in collaboration with Ministry of Gender Labour and Social Development and PSFU supported by UNDP. At least three private sector workshops focused on mobilizing more private sector companies were carried out this year and to date 41 companies have signed on the Gender Equality Seal (June 21st 2018). These companies are in a range of sectors including; manufacturing, tourism, training and consulting services, agriculture, hair and beauty, furniture and trade among others. Out of these companies at least 50% have already constituted Gender Focal Teams to support the operationalization of the Gender Equality Seal Programme within their operations.

The GES Programme National Steering Committee comprising (Min. of Gender Labour and Social Development, Min. of Finance Planning and Economic Development, Equal Opportunities Commission, PSFU and UNDP) was constituted and oriented in early June 2018. The purpose of the National Steering Committee is to provide oversight and guidance on the GES Programme activities.



Hajjat Sebyala shares with participants during the GES training workshop - 2018 cohort

Road Map for Creating an Enabling Environment for Delivery of SDGs in Uganda:

SDGs in Uganda are coordinated through the National SDG Coordination Framework under the leadership of OPM and supported by UNDP. PSFU has actively been reporting on the delivery of SDGs through the OPM for the past one and half years, the latest report was submitted in June 2018. PSFU has contributed to several SDGs (i.e.; SDG; 1, 2, 5, 8, 13) through the various projects hosted, coordinated and or implemented by PSFU. PSFU represented by the Board Chairman actively participated in the Launch of National Road Map for implementing SDGs in Uganda (Oct 23rd 2018).

ii. GIZ-Building Business Perspectives:

PSFU in partnership with GIZ, the EABC, USSIA and UMA are implementing the Building Business Perspectives Programme for SMEs in the EAC Region. The Programme is focused on building partnerships between local and foreign companies, improving competitiveness and innovations through providing training and capacity building for SMEs with an annual turn-over of USD 50,000. The Programme was launched on 19th June 2018. A National Steering Committee to oversee the activities of the Programme was constituted and is chaired by Ministry of Trade Industry and Cooperatives.

Cente Supa-Woman Programme:

PSFU finalized the implementation of the Cente Supa-Woman Project. The Project was worth UGX 164,000,000 targeting at least 5000 women nation-wide. By the end of the project (June 2018) at least 98% of the project target was achieved, including an additional 1250 women who were trained and mentored under the Seninde Foundation in financial and business and management principles.



i. PSFU and ZOCTU Partnership:

PSFU in partnership with ZOCTU Uganda Limited an IT Solutions based company signed MoU that will support private sector companies increase their market share through the various business models available on the platform. This partnership is expected to create value for the PSFU members, contribute to the employment solutions and overall economic development.

Financial Self Sufficiency

The NDC Support Programme:

PSFU in partnership with the Ministry of Water and

Environment, Min. of Finance Planning and Economic Development, National Planning Authority and supported by the United Nations Development Programme (UNDP) are implementing the NDC Country support Programme. The NDC seeks to help the country reduce vulnerability to climate change in priority sectors as well as contribute to greenhouse gas (GHG) emissions reductions in forestry and wetlands, energy, transport and agriculture sectors. PSFU is implementing component four worth USD 84,000 of the Programme to be implemented for over a year & is focused on enhancing Private Sector Engagement in Climate Action.

OVERVIEW OF PROJECTS MANAGED BY PSFU

PSFU's competitiveness agenda is driven by the urge to increase private investments and productivity. These two are supported by a robust business environment that attracts and protects investment capital. The business environment is better where there is: effective government, efficient markets, and strong human development.

To that extent, PSFU has distinguished itself in managing and implementing private sector development projects on behalf of Government. The following projects are currently being managed by PSFU;

- Support to Agricultural Revitalization Transformation (START) Facility - NEW
- Skills Development Facility (SDF)
- Uganda Clean Cooking Supply Chain Expansion Project (UCCSCEP)
- Energy for Rural Transformation Project – PSFU Component
- Competitiveness & Enterprise development project (CEDP)
- Higher Education Science and Technology Project (HEST)

Support To Agricultural Revitalization Transformation (Start) Facility

The Support to Agricultural Revitalization and Transformation Facility (START) is one of the components under the Development Initiative of Northern Uganda (DINU) project managed by United Nations Capital Development Fund (UNCDF) in partnership with Private Sector Foundation Uganda (PSFU) and Uganda Development Bank Limited (UDBL). The START funding

facility is a four year programme with a total funding budget of €4.5 Million, and is designed to support the implementation of DINU food security and nutrition aspect in Northern Uganda. The facility was officially launched in May 2018; and subsequent launches & information sessions in Northern Uganda were hosted in the regions below;

Region	Districts covered
Karamoja	Abim, Amudat, Kaabong, Kotido, Moroto, Nakapiripirit, Napak
Acholi	Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya, Omoro, Pader
Lango	Alebtong, Amolatar, Apac, Dokolo, Kole, Lira, Otuke, Oyam
Teso	Amuria, Katakwi
West Nile	Adjumani, Arua, Koboko, Maracha, Moyo, Nebbi, Yumbe, Zombo

Activities undertaken to-date;

- Call for proposals was published in May 2018 for eligible participants to apply. 342 applications were received
- Provision of awareness and information sessions in the sub regions; West Nile, Teso and Karamoja. Over 383 participants including 47 women attended the workshops organized.
- Established contact with key district officials including the District Chairpersons, Chief Administrative Officers and District Commercial Officers in West Nile, Teso and Karamoja sub regions.
- Conducted one on one sessions at PSFU offices and guided prospective clients on how to access the START facility & shared literature including START fact sheet and Video during the workshops
- Undertook a review and screening exercise for all the 342 online submissions in line with the eligibility criteria. The appraised long listed was shared with UNCDF for further scrutiny

The START Facility Management Board elected Mrs. Patricia Ojangole of UDBL as the Chairperson for a period of 1 year. The board provides the overall oversight and direction for the START facility and has representation from UNCDF, PSFU, UDBL and two independent board members with an observer from the EU Delegation. The management board comprises;

Name	Organization
Dr. Dmitry Pozhidaev	UNCDF
Mr. Gideon Badagawa	PSFU
Mrs. Patricia Ojangole	UDBL
Mr. Dennis Kiyimba	Independent
Dr. Gudula Naiga Basaza	Independent
Mr. Cires Alonso Adolfo	European Union Observer



One of the participants in Lira shares comment during the START Facility information sessions



Mbarara University Gorilla trekking camps under construction

Higher Education Science and Technology Project

Under a MoU with the Ministry of Education and Sports, PSFU was tasked with supporting the beneficiary institutions identify viable business ideas, develop business plans and provide technical support to implement the business plans. PSFU role contributes to intervention three "Improving quality and relevance of HEST in public institutions through strengthening applied research and innovation in Science, Technology and Innovation (STI).

By September 30th 2018, all BIs' BICs were partially functional. Functionality is measured in terms of having established the business idea and business plan thereto, active governance structures, identified and recruited staff, allocated spaces in which business incubation activities are (to be) conducted and are implementing operationalization activities as identified in the business plans. Updated progress towards establishment of BIC by each university is shown in the graph below;

Fig 1: Progress by to-date

STATUS ON KEY OPERATIONALISATION ACTIVITIES BY FEBRUARY 2018:																	
University	Establishment of Workspaces		Procurement and Installation of Equipment		Idea Generation and Business Planning		Management Structures		Training and Capacity Building		Bic Staff Recruited		Products Groups Created		Business Linkages (Promotion Workshops And Industry Visits)		Progress %
	Target	Actual to date	Target	Actual to date	Target	Actual to date	Target	Actual to date	Target	Actual to date	Target	Actual to date	Target	Actual to date	Target	Actual to date	
MUARIK	2	2	1	0	2	2	1	1	1	1	1	9	3	2	2	1	75%
MUBS	1	0	1	0	2	2	1	1	1	1	3	3	2	1	2	1	69%
UMI	1	1	1	0	2	2	1	1	1	1	3	1	1	0	2	1	58%
BUSITEMA	1	1	1	0	2	2	1	1	1	1	4	2	1	0	2	1	62%
GULU	2	1	1	0	2	2	1	1	1	1	3	1	3	1	2	1	53%
MUNI	1	1	1	0	2	2	1	1	1	1	3	3	3	0	2	1	64%
KYAMBOGO	1	0	1	0	2	2	1	1	1	1	3	3	2	0	2	1	62%
MUST	3	2	2	0	2	2	1	1	1	1	5	4	3	2	2	1	65%
Progress by activity	62%		0%		100%		100%		100%		72%		33%		50%		

MUBS has implemented an innovation & entrepreneurship business incubation centre and has deployed the business concept which has awarded some incubatees who have evolved, turning their ideas into business. **Teheca Limited** is fully registered now and they are addressing the high mortality rates in Uganda through their postal natal care app & the prepared Mama bag which enables expectant mothers to be ready for delivery.

More information: www.teheca.com

Skills Development Facility (SDF)

The Project component implemented by PSFU is known as Skills Development Facility (SDF) and has a total budget of 21.8 Million USD including operational costs. The component has four funding windows: i) Skills shortages in the formal sector; ii) Skills shortages in informal sector; iii) Innovative training and iv) Recognition of prior learning.

Funding Window	Gender distribution				Age distribution (years)			Sectors of interest / key skills needed
	Males		Females		(≤18)	(19 -30)	≥ 30	
	No.	%ge	No.	%ge				
Window 1	7,693	76%	2,430	24%	0%	39%	61%	Manufacturing (39%), Agriculture (33%), Construction (21%), auto mechanics (7)
Internship	1,332	81%	313	19%	18%	82%	0%	Brick laying, plastering, motor vehicle mechanics, solar installation, carpentry & joinery, electrical installation, welding & fabrication, graphics & designing
Window 2	11,204	32%	23,810	68%	0%	29%	71%	Agriculture (72%), Manufacturing (21%), Construction (6%), Auto mechanics (1%)

Skills Development Facility management team focused on the grant making processes and this involved: reviewing first accountabilities submitted by grantees and processing of their second funds tranches; Conducting Due diligence by Individual External Evaluators (for Window 2) and Sustainable Skills Ltd. (for Window 1 and Window 3); approval of grants by Grants Committee; award / notification of grantees and signing of agreements; orientation of Grantees and monitoring of project activities. A total of 3.8 Billion was disbursed as at 30th June 2018

Uganda Clean Cooking Supply Chain Expansion Project (UCCSCEP)

PSFU is the implementing agency on behalf of Government of Uganda for the UCCSCEP project. UCCSCEP aims at expanding access to and adoption of cleaner and more efficient cooking solutions, reduce household air pollution and related burden of disease, and reduce household consumption of and expenditure for biomass cooking fuels. The key component of the project is the Distribution Challenge Fund (DCF) comprising several lines of support designed as a market incentive for participating consortia (typically made up of one efficient stove manufacturer and one or more distributors) to enable more efficient value chains by providing: (i) concessional finance in the form of both upfront financing and results-based financing for helping with the working capital and scaling up distribution

networks, and (ii) cost sharing high-impact marketing campaigns to eligible manufacturer-distributor consortia including for flexible payment sales promotion schemes to consumers.

All the four active consortia have signed new Letters of Agreement to extend their participation in the Distribution Challenge Fund (DCF) to November 2019. To support the project activities during this period, a Project Officer & an Awareness & Market Activation Consultant (a firm) will be recruited accordingly.

Uganda stove manufacturers	Ecozoom East Africa Ltd
BioLite Energy	Envirofit Kenya Ltd

Energy for Rural Transformation Project – PSFU Component

The Government of Uganda (GOU) and World Bank approved Phase 3 of the ERT program and it commenced in April 2016. Phase 3 is a five year project and its development objective is to increase access to electricity in rural areas.

The project components include on grid and off-grid investments to enhance energy access. PSFU is contributing to the achievement of off grid energy access by providing business development support to activities that will;

1. Foster community-based schemes to expand access to the rural households through the construction of
2. Strengthen the solar PV sector through supporting the organization and development of a self-sustaining solar energy umbrella body (the Uganda Solar Energy Association – USEA) that will effectively represent solar energy business interests and complement Government initiatives towards voluntary compliance with technical standards for supply and installation of solar energy products.
3. Scale up the number of skilled/certified individuals in electrical installation works.

Six Pico /Micro hydropower projects in hard to reach areas in the country.

Competitiveness & Enterprise Development Project (CEDP)

Competitiveness and Enterprise Development Project (CEDP) project is coordinated by PSFU with various Ministries and agencies of government taking part, including Ministry of Lands, Ministry of Tourism, UWA, URSB, HTTI and UTB. The project aims to enhance enterprise competitiveness and below is a snapshot of the results as at June 2018.

INDICATOR	BASELINE 2010	RESULT 2018	TARGET 2019
Reduction in the number of days to register land	52	25	25
Reduction in the number of days to register a business	33	1	5
Reduction in Cost (percent of income per capita to register business)	77%	34%	50%
Increased tourist visits to National Parks	190,000	285,671	400,000
% increase in Exports of Non-traditional Commodities	0	4%	10%
Direct Project Beneficiaries under MGF	0	288,000	350,000
% Female beneficiaries under MGF	0	51%	18%
Increase in Non-tax revenue collections (MLHUD) – US\$-Annual	3,000,000	37,800,000	40,000,000
Increase in Non-tax revenue collections (URSB) – US\$ - Annual	2,000,000	10,640,000	10,000,000
Number of businesses registered –Cumulative	302,000	572,000	650,000
Number of new land titles issued – Annual	21,000	62,300	80,000
Number of new land titles issued – Annual	21,000	62,300	80,000

KEY ACTIVITY HIGHLIGHTS FROM CEDP COMPONENTS;

Component 1: Land Administration and Management reform

- The enhanced version of the Land Information System (LIS 5.11) installed in Lira, Kabarole, Kibaale, Masindi, Mbale, Arua, Gulu, Jinja, Masaka and Mbarara MZOs, (10 out of 21 MZOs). Migration of data from the old to the new system for the 3 MZOs of KCCA, Wakiso and MLHUD headquarters was on-going. Remaining MZOs will be covered after construction

Component 2: Business Registration and Licensing reforms

- Construction of Uganda Business Facilitation Centre (UBFC) which commenced with a ground breaking ceremony held on the 1/2/2018 and is now at 15% progress. Basements 4, 3, 2, and 1 all cast. Preparing to cast ground floor. Target to have first floor cast by end of December 2018
- Pilot One Stop Centre/Shop established and is operational at the ground floor of URSB offices. Seven Agencies including KCCA, NSSF, MLHUD, URA, MoLG, NIRA, NEMA and UFZA are under one roof. This has reduced the time taken to register a business to just one hour.

Component 3: Tourism Competitiveness Development (UHTTI, UWA, UTB, MoTWA)

- Construction of UHTTI is on-going in Jinja, and planned completion date is April 2019.
- UTB supported to participate in International and Local tourism Expos as part of a drive to promote the country as a tourist destination.

- Three modern boats, five executive tour buses and two FAM trip vehicles procured and in use. Over UGX 125 million had been collected from the five buses to date.
- MICE policy and strategy concluded in July 2017 and implementation is ongoing. Consultant to support establishment of a MICE Bureau at MoTWA/UTB was engaged for a four months period and contract close-out meeting was held on the 22/10/2018 at MoTWA and UTB on the 23/10/2018. Implementation of MICE activities ongoing with private sector involvement. Ugandan delegation will be attending IBTM in Barcelona in November 2018 under CEDP support with commendable private sector contribution.

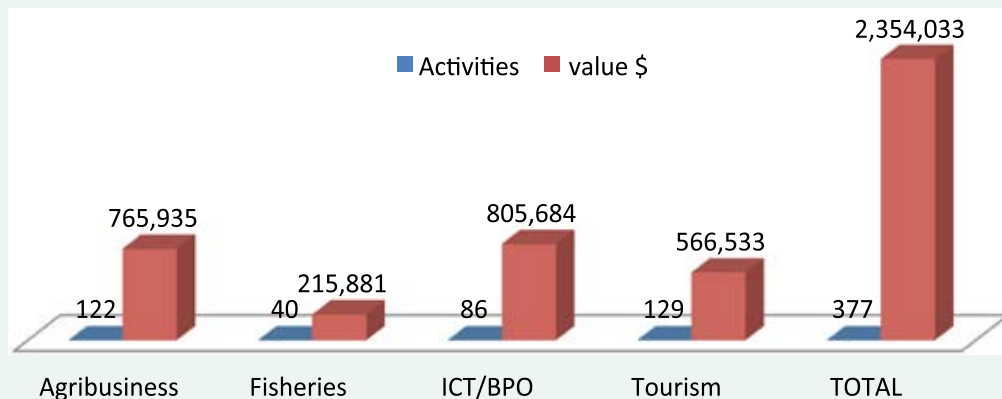
Component 4: Matching Grant Facility

The Matching Grant Facility (MGF) is one of the components of the Competitiveness and Enterprise Development Project (CEDP) aimed at enhancing the competitiveness of Uganda's Private Sector. Running for the last 3 years & 9 months, the Facility has focused on seven mostly non-traditional export sub-sectors; Information and Communication Technology, tourism, fisheries and agribusiness with specific attention to the subsectors of coffee, horticulture, edible oils, grains and pulses.

Over 363 activities have been completed to date with over 300 firms benefiting from the BDS support. Supported activities include:

- Training and capacity building
- Production Related
- Management systems
- Company planning & diagnostics
- Domestic marketing and sales promotion
- International marketing and sales promotion

MGF Reimbursements by Sub-Sectors



SOME OF MGF SUCCESS STORIES ● ● ●

CAYMAN LIMITED:

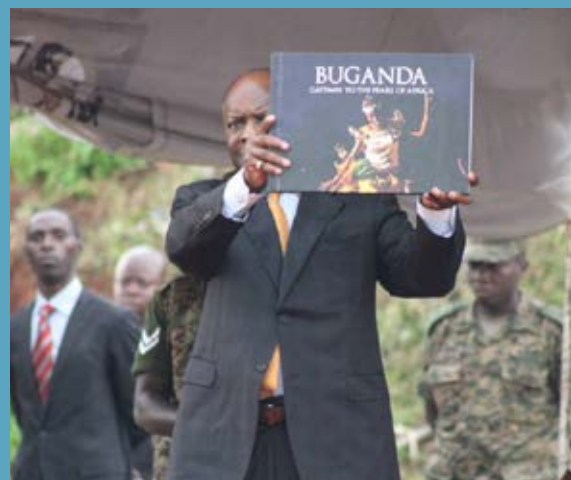
With MGF support, the Mangu Mangu solution was integrated with 3 key function. (a) An Out-Bound dialer which automatically calls preset telephone numbers to deliver a recorded voice message once the phone call is answered; (b) An Inbound Dialer Voice Receiver which automatically picks an incoming call and plays a pre-recorded message usually to a live caller and (c) the company finance system for ease of funds tracking and accountability.

With the said interventions, the company now has a fully-fledged BPO center which has seen the company effectively handle payroll functions for Trigin, a company that handles temporary UN staff in war zones.

BUGANDA HERITAGE AND TOURISM BOARD:

Buganda Heritage and Tourism Board Ltd (BHTBL) was supported with 84,640,000/= to profile the tourist sites in the 18 counties of the Buganda Kingdom and produced a publication titled "BUGANDA THE GATE WAY TO THE PEARL" which was launched by His Majesty, the Kabaka of Buganda, Ronald Muwenda Mutebi in 2017 during the Buganda Tourism Expo

at Lubiri Grounds. The book presents Buganda as a must go tourism destination as the information therein creates a thirst for visiting the several tourist sites in the Kingdom. The institution has produced several copies which have been distributed to several tourism promotion businesses and points.



His Majesty, Ronald Muwenda Mutebi II, the Kabaka of Buganda launched the Buganda Tourism Book published with support from CEDP

PICTORIAL: PSFU 2018



Ms. Almaz Gebru (UNDP Country director) with Mr. Gideon Badagawa during the GES training workshop for Private Sector



PSFU Members during the 2018 post budget luncheon



Private sector representatives during the NDC Private sector engagement dialogue 2018



Rt. Hon. Ruhakana Rugunda, Prime Minister officially launched PSFU new brand identity in January 2018



Ms. Almaz Gebru awards private entities who trained in the GES Certification programme -2018



PSFU members during the Mobile Money tax dialogue at Parliament



Ms. Ruth Biyinzika inspects work done at kabasanda Technical institute



Hon. Minister of Tourism, Ephraim kamuntu officiates at the ground breaking ceremony to commence construction of the 3 star Application hotel in Jinja



Moses Ogwal, Director PSD (3rd left) together with private sector members after a policy dialogue



PSFU members during a sector engagement at PSFU offices

REPORT & AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30TH, 2018



CORPORATE INFORMATION

Registered Office & Address: Plot 43, Nakasero Road
P. O. Box 7683,
Kampala

Executive Director: Mr. Gideon Badagawa

Bankers: Standard Chartered Bank
Plot 5, Speke Road
P. O. Box 7111
Kampala

Centenary Bank
Talenta House,
Plot 7, Entebbe Road
P. O. Box 1892
Kampala

Auditors: Sejjaaka, Kaawaase & Co.
Certified Public Accountants
Plot 31, Bukoto Street, Kololo
P. O. Box 7657
Kampala

Lawyers: C. Mukibi Sentamu & Company Advocates
P. O. Box 27073
Kampala

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2018.

Activities

Private Sector Foundation Uganda (PSFU) is Uganda's apex body for the private sector. It is made up of business associations, corporate bodies and the major public sector agencies that support private sector growth. Operations during the year were executed under the macroeconomic context below

1.0 Macroeconomic Indicators (Inflation, Exchange Rates and Interest Rates)

During the year the economy continued to be characterised by weak consumption levels, constrained production levels, market constraints and high exchange rate volatility. Headline inflation dropped from 3% in January 2018 to below 2% in May 2018 before marginally raising again to slightly over 2% in June 2018 on account of a bumper harvest that pushed down food prices and also in line with the monetary targets by Bank of Uganda. The Central Bank Rate (CBR) has been maintained at 9% over the last six months triggering a reduction albeit slow in lending rates. The exchange rate significantly depreciated by 7% between January and June 2018 from U Shs3,663 to U Shs3,840 triggering increase in cost of imported goods particularly fuel which increased by about Ushs100 per litre. This state of the economy influenced and affected the private sector in many ways and PSFU saw impact in terms poor collections from debtors and lower subscription rates a situation that may be attributed to cashflow challenges experienced by the business community on account of subdued aggregate demand and increased cost of doing business

2. Overall Performance

Revenue performance during the quarter April-June was more than expected. U Shs 361m was recorded against a budget of U Shs 302m. Overall performance for the year was U Shs 1,564m compared to a budget of U Shs 1,795m. This amounted to a performance of 87% due to significant underperformance of the member dues and fundraising revenue activities. Expenditure performance during the quarter was U Shs 351m compared to a projection of U Shs 444m. Annual expenditure was U Shs 1,495m compared to U Shs 1,767m. This was a performance of 84% of the budget. The surplus for the quarter April-June was Ushs 9.4m against a planned deficit of Ush 142m while annual surplus was Ushs 68m against a planned surplus of Ush 27m

2.0 Revenue

Revenue sources comprise member dues, grants and contributions from activities. Contributions from activities are made up of project management, office space, charges for space in the Private Sector Business Directory and Capacity Building Unit (CBU). The revenue for the quarter totalled Ushs361m against a budget of Ushs302m. This was 19% above what was projected. There was good performance from contribution to activities during this period. On a full year basis, total revenue was Ushs 1,564m against a budget of Ushs 1,794m. This was a shortfall of Ushs 231m equivalent to 12.8% of budget.

Performance of individual revenue sources:-

2.0.1 Membership Dues

Membership dues are made up of annual membership subscription and entrance fees for new members. During the year 5 members were recruited compared to 11 the previous year. Regarding collections, entrance fees realised Ushs 1m against a budget of Ushs 8m subscription realised Ush 16m against a budget of Ushs 16.3m. On an annual basis, entrance fees was Ushs 11m against a budget of Ushs 32m and annual subscription fees was Ush 62m against a budget of Ushs 163m making the overall shortfall to be Ushs 121m or 62% of the budget.

Contribution from Activities

This group comprises project management, capacity building, training activities, exhibition events, directory space and contribution to office space. Contributions from activities are expected to enable PSFU become self-sustaining. Performance of these revenue items are provided in the table below

Item	Year Actual(m)	Year Budget(m)	Budget performance for Year
Business Directory	215	192	Outturn was better than budget due to recruitment of a new marketing and sales agency
Project Management	543	439	A new project (DINU/START) was attracted during the second half of the year and contributed to the better budget performance.
Office Space	482	483	All planned projects were billed during the year
Exhibition Events	45	140	The Members' Day event was not held
Training Fees/BTU	82	117	Some of the anticipated contracts were not realized.
Grants	71	208	Anticipated contracts were not realized.

3. Expenditure

During the quarter expenditure comprised expenses on the strategic thrusts intended to drive the strategic plan amounting to US\$ 42m against a budget of US\$ 73m. Employee costs (US\$ 201m) against a budget of US\$ 310m, Administration overheads (US\$ 60m) against a budget of US\$ 39m and Depreciation (US\$ 10m) against a budget of US\$ 11m, provision for audit and bad debts (US\$ 37m) against a budget of US\$ 10m. Overall expenditure for the quarter was US\$ 352m against a budget of US\$ 444m. Annual status was as follows; Employee costs (US\$ 779m) against a budget of US\$ 900m, Administration overheads (US\$ 172m) against a budget of US\$ 162m and Depreciation (US\$ 40m) against a budget of US\$ 44m, membership to organizations (US\$ 0) against a budget of US\$ 7m project capital expenditure US\$ 6.5m against a budget of US\$ 20m. Provision for audit and bad debts was US\$ 37m against a budget of US\$ 10m and under strategic thrusts (US\$ 458m) against a budget of US\$ 622m. Overall expenditure was US\$ 1.49bn against a budget of US\$ 1.76bn.

4. Budget Management

A snapshot on the performance in income and expenditure for the Secretariat is shown in the table below. Management has been keen to ensure that the Secretariat spends within the limits of the financial resources achieved during the year. This has helped to ensure that the available resources are put to the best possible use for maximum impact.

SECRETARIAT

	Budget	Actual	Performance
Revenue	1,794,691,709	1,563,543,541	87%
Expenditure	1,767,877,208	1,495,662,610	84%
Surplus	26,814,501	67,880,931	252%

5. Surplus/Deficit

Quarter surplus was US\$ 9.4m against a planned deficit of US\$ 142m while annual surplus was US\$ 68m against a planned surplus of US\$ 27m.

5.0 Cash Flow

During the year, PSFU operations were financed by invoiced services for project management, rent, training and business directory space.

During the quarter PSFU invoiced Ushs 165m for project management and Ushs 137m for office space. On an annual basis, Ushs 543m was realised for project management and Ushs 482m for office space. These resources were used to pay PSFU operational obligations including employee costs, NSSF, PAYE, creditors and other administration costs during the year.

5.1 Debtors For Contributory Activities

At the end of June 2018 debtors for contributory activities stood at Ushs 244m compared to Ushs 274m at the same date last year. Debtors reduced by a small margin of Ushs 30m. This is not satisfactory and management has put in place a plan that will help to recover these outstanding debts most of which are overdue. Those that do not respond will be handed over to our lawyers for further action. Other debts that are from the Projects do not have collection issues and simply follow the payment plans put in place by the respective projects. Improved collections are intended to help to pay off the long outstanding creditors. A provision for bad debts of 10% has been made this year.

5.2 Creditors For Services

The payables for services reduced from Ush137m at 30th June 2017 to Ushs 87m as at 30th June 2018. Because of the strategy used currently of paying creditors promptly for services rendered to PSFU, we have been able to avoid the accumulation of unpaid bills to our suppliers. With efforts directed to collecting the long outstanding debts its anticipated long outstanding liabilities will be paid. Some of these debts were acquired as far back as 2014.

RESULTS

The results for the year ended June 30th, 2018 are shown on page 15. The surplus for the year, amounting to, Ug. Shs. 67,880,931 has been transferred to the Accumulated Fund Account.

BOARD OF DIRECTORS

The Directors who held office during the year were;

- | | |
|----------------------------|--|
| 1. Mr. Patrick Bitature | Chairman |
| 2. Dr. Gudula Naiga Basaza | Vice Chairperson |
| 3. Dr. Ian Clarke | |
| 4. Mr. Charles Ogang | |
| 5. Dr. David Kamukama | |
| 6. Mr. Philip Borel | |
| 7. Mr. Nicholas John Okwir | |
| 8. Ms. Merian Sebunya | |
| 9. Mrs. Susan Muhwezi | |
| 10. Ms. Cynthia Mpanga | |
| 11. Ms. Julian Omalla | |
| 12. Hon. Elly Karuhanga | |
| 13. Eng. Alex Turihohabwe | |
| 14. Ms. Annet N. Mulindwa | |
| 15. Mr. Mathias Katamba | |
| 16. Mr. Gordon Sentiba | |
| 17. Mrs. Jennifer Mwijukye | Resigned October 2017 |
| 18. Mr. Gideon Badagawa | |
| 19. Mr. Charles Kareeba | Appointed November 28 th , 2017 |
| 20. Mr. Humphrey Nzeyi | Appointed November 28 th , 2017 |

AUDITORS

The Shareholders appoint auditors at their Annual General Meeting. The current auditors, Sejjaaka, Kaawaase and Co. have expressed willingness to continue in office.

BY ORDER OF THE BOARD

SECRETARY

Date: 

STATEMENT OF DIRECTORS RESPONSIBILITIES

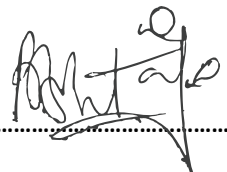
The Board of Directors is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Private Sector Foundation Uganda as at the end of the financial year and of the results of its operations for that year. In preparing those financial statements, the Board is required to;

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that PSFU will continue in operation

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of PSFU and enable them to ensure that the financial statements comply with International Financial Reporting Standards and the Companies Act. They are also responsible for safeguarding the assets of PSFU and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board accepts responsibility for the annual financial statements set out on pages 15 to 25, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the Companies Act 2012 (Cap 110).

The Board are of the opinion that the accounts give a true and fair view of the state of affairs of the company and of its operating results. The Board further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the accounts, as well as adequate systems of internal control.



.....

CHAIRMAN

Date: 02/11/2018



.....

EXECUTIVE DIRECTOR

Date: 29/10/2018

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PRIVATE SECTOR
FOUNDATION UGANDA FOR THE YEAR ENDED JUNE 30TH, 2018**

Opinion

We have audited the financial statements of **Private Sector Foundation Uganda**, which comprise the Statement of Financial Position as at June 30th, 2018, and the Statement of Profit or loss and other Comprehensive Income, Statement of Changes in Accumulated Fund and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, set out on pages **19 to 25**.

In our opinion the financial statements give a true and fair view of the financial position of Private Sector Foundation Uganda as of June 30th, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis Of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following Key Audit Matters came to our attention.

Land Premium Due to KCCA

As a result of PSFU changing the use of its property at Plot 43, Nakasero Road from "Residential" to "Commercial", KCCA levied an additional top up Land Premium of Shs.

122,500,000. Efforts by PSFU to obtain a waiver for this amount have not borne any positive results. This liability is now included in the Financial Statements.

We examined the documentation and correspondence related to this liability, and based on our examination of these documents, we can confirm that this premium is now payable.

Other Information:

The Directors are responsible for the other information. This comprises the Directors' Report, the schedule of management expenses, supplementary information that comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Directors' determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the PSFU's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PSFU's financial reporting process

Auditor's Responsibility for Audit the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's that includes our opinion. Reasonable assurance is a level of assurance, but is not a

guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of the internal controls relevant to the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions related to events or conditions that may cast significant doubt on PSFU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PSFU to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Ugandan Companies Act 2012 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the PSFU, so far as appears from our examination of those books; and
- PSFU's Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income are in agreement with the books of account.

The Engagement Partner on the audit resulting in this independent auditors' report is Dr. Twaha Kaawaase (P0044), whose signature and seal are appended below.

Dr. Twaha Kaawaase [P0044]

Sejjaka, Kaawaase & Co.
Certified Public Accountants
Plot 31, Bukoto Street, Kololo
P. O. Box 7657, Kampala



Dated 5th Nov 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>NOTE</u>	<u>June 2018</u> <u>Ug. Shs.</u>	<u>June 2017</u> <u>Ug. Shs.</u>
INCOME			
Member Dues	A	73,760,000	102,640,000
Grants (Donor Assistance)	B	71,070,937	381,071,485
Contributions For Activities	C	1,324,024,541	1,249,591,200
Fundraising	D	45,813,000	73,290,000
Other Revenue	E	48,875,063	43,425,534
Total Income		1,563,543,541	1,850,018,219
EXPENDITURE			
Staff Costs	F	779,902,556	811,415,909
Technical Assistance	G	239,814,679	290,705,611
Promotion & Publicity	H	20,929,322	24,280,300
Workshops & Training	I	146,632,364	306,310,464
Travel	J	45,371,292	130,322,059
Memberships to Organisations	K	-	10,908,950
Fixed Assets Depreciation Charge	L	45,795,725	40,967,530
Administration Overheads	M	173,474,734	165,894,613
Provisions	N	37,241,938	37,314,629
Project Capital Expenditure	O	6,500,000	7,800,000
Total Expenditure		1,495,662,610	1,825,920,065
Surplus / (Deficit) from Operations for the Year		67,880,931	24,098,154
Other Provisions	N	-	176,205,080
Surplus / (Deficit) for the Year		67,880,931	(152,106,926)

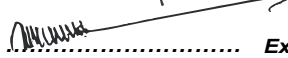
The Notes on pages 19 To 25 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30TH, 2018

	<u>NOTE</u>	<u>June 2018</u> <u>Ug. Shs.</u>	<u>June 2017</u> <u>Ug. Shs.</u>
ASSETS			
<u>NON-CURRENT ASSETS</u>			
Property Plant & Equipment	Note 3	422,602,947	342,598,672
Long Term Investments:			
Unquoted Securities In Uganda Re-Insurance	Note 4	100,000,000	100,000,000
		522,602,947	442,598,672
<u>CURRENT ASSETS</u>			
Accounts Receivable	Note 5	309,812,344	301,382,959
Cash and Bank Balance	Note 6	63,630,042	134,832,819
		373,442,386	436,215,778
TOTAL ASSETS		896,045,333	878,814,450
<u>FUND AND LIABILITIES</u>			
Accumulated Funds & Reserves		386,048,308	318,167,377
Total Fund & Reserves		386,048,308	318,167,377
<u>NON-CURRENT LIABILITIES</u>			
Managed Funds		51,472,890	113,883,020
Deferred Grants	Note 8	21,894,977	92,965,914
		73,367,867	206,848,934
Current Liabilities	Note 7	436,629,158	353,798,139
		436,629,158	353,798,139
TOTAL FUND AND LIABILITIES		896,045,333	878,814,450

These financial statements were approved by the Board of Directors on 19th October 2018
 and were signed on their behalf by:

Mr. Patrick Bitature  **Chairperson**

Mr. Gideon Badagawa  **Executive Director**

The Notes on pages 19 To 25 form an integral part of these Financial Statements

STATEMENT OF CHANGES IN ACCUMULATED FUND

	Income & Expenditure Reserves
	<u>June 2017</u> <u>Ug. Shs.</u>
As at July 1 st , 2016	470,274,303
Prior Year Adjustment	-
Balance at July 1st, 2016, Re-Stated	470,274,303
Surplus (Deficit) for the Year	(152,106,926)
Balance at June 30th, 2017	<u>318,167,377</u>
	<u>June 2018</u> <u>Ug. Shs.</u>
As at July 1 st , 2017	318,167,377
Prior Year Adjustment	-
Balance at July 1st, 2017, Re-Stated	318,167,377
Surplus (Deficit) for the Year	67,880,931
Balance at June 30th, 2018	<u>386,048,308</u>

STATEMENT OF CASH FLOWS

	<u>June 2018</u> <u>Ug. Shs.</u>	<u>June 2017</u> <u>Ug. Shs.</u>
Cash flows from Operating Activities:		
Surplus (Deficit) for the Year before Capital Expenditure	67,880,931	(152,106,926)
Adjustment for Depreciation :	45,795,725	40,967,530
Adjusted Surplus before changes in Working Capital	113,676,656	(111,139,396)
Decrease (Increase) in Receivables	(8,429,385)	(11,747,561)
Increase (Decrease) in Payables	82,831,019	66,673,598
Increase (Decrease) in amounts due from Related Parties	-	6,676,131
Net Cash Inflows from Operating Activities:	<u>188,078,290</u>	<u>(49,537,228)</u>
Cash flows from Investing Activities:		
Additions to Fixed Assets	(125,800,000)	-
Capital Work-in-Progress	-	-
Net Cash (Outflows) from Investing Activities:	<u>(125,800,000)</u>	<u>-</u>
Financing Activities:		
Increase in Deferred Grants	(71,070,937)	55,587,021
Increase (Decrease) in Managed Funds	(62,410,130)	87,594,352
Net Cash flows from Financing Activities:	<u>(133,481,067)</u>	<u>143,181,373</u>
Increase (Decrease) in Cash & Cash Equivalents	<u>(71,202,777)</u>	<u>93,644,145</u>
Balance at July 1 st , 2017	134,832,820	41,188,675
Balance at June 30th, 2018	<u>63,630,043</u>	<u>134,832,820</u>

The Notes on pages 19 To 25 form an integral part of these Financial Statements

Notes Forming Part of the Financial Statements

1. Accounting Policies

a. Basis of Accounting

The accounts are prepared under the Historical Cost Convention, and are in compliance with International Accounting Standards.

b. Income and Expenditure

Income earned from members' subscriptions is recognised on cash basis, while other incomes and expenditures incurred by PSFU are recognised on accrual basis. Income is earned from membership subscriptions, fundraisings, rental, trainings and Management Fees

c. Donations and Grants

Donations are recognised in financial statements when received. Grants received are recognised systematically as income over the periods necessary to match them with the related costs, which are intended to compensate. Grants are accounted for using the income approach in which income and their matching costs are disclosed in their entirety.

Grants received to acquire depreciable assets are recognised as income over the periods and in proportions in which depreciation of those assets is charged in the financial statements.

d. Bad & Doubtful Debts

Specific provisions are made against accounts receivable when, in the opinion of Management, recovery is considered doubtful. These are dealt with in the Statement of Comprehensive Income.

e. Taxation

The Private Sector Foundation is an exempt organisation under the provisions of Section 2 (bb) [C] of the Income Tax Act 1997 (as amended) Cap 340.

f. Non-Current Assets and Depreciation

Non-current assets are stated at cost, less accumulated depreciation. The cost of property, plant and equipment is the value of consideration given to acquire the

assets and the value of other directly attributable costs incurred in bringing the assets to their current location for their intended use.

Depreciation is calculated on the Straight Line Method at annual rates, which are estimated to write off the cost over their expected useful lives.

The annual rates applied are;

Item	Rate
Land Leasehold Period	Unexpired Period
Furniture, Library Books and Equipment	12.5%
Computers	33%
Motor Vehicles	25%

g. Retirement Benefits

PSFU contributes to NSSF which is the statutory benefits scheme established under the NSSF Act. This is a Defined Contribution Scheme to which PSFU contributed 10% of the employees' gross salaries. PSFU's contribution to the scheme during the year is charged to the Statement of Profit or Loss and other Comprehensive Income.

h. Foreign Currency Transactions

Transactions in foreign currencies during the period are converted into Uganda Shillings at rates ruling at the transaction dates. Assets and Liabilities at the Statement of Financial Position date which are expressed in foreign currencies are translated into Uganda Shillings at rates ruling on that date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the period to which they relate.

i. Accumulated Fund

These funds represent revenue reserves. The amounts are used at the discretion of management within the objects of PSFU.

j. Long Term Investments

Long Term Investments are valued at cost. Any gains or losses on such investments are recognised in the Income Statement for the year such gains or losses occurred.

2 SCHEDULES TO THE INCOME STATEMENT

	<u>NOTE</u>	<u>June 2018</u> <u>Ug. Shs.</u>	<u>June 2017</u> <u>Ug. Shs.</u>
INCOME			
A) Members Fees			
Entrance Fees		11,000,000	21,000,000
Annual Subscription		62,760,000	81,640,000
		73,760,000	102,640,000
B) Grants (Donor Assistance)			
Other Grants		71,070,937	381,071,485
		71,070,937	381,071,485
C) Contributions For Activities			
Project Management		543,631,632	581,247,817
Capacity Building		82,387,500	92,667,460
Directory Space		215,242,000	176,205,080
Office Space		482,763,409	399,470,843
		1,324,024,541	1,249,591,200
D) Fundraising			
Exhibition		45,813,000	43,710,000
Participation Fees		-	29,580,000
		45,813,000	73,290,000
E) Other Revenue			
Other Contributions		48,875,063	14,779,355
Net Exchange Gain		-	28,646,179
		48,875,063	43,425,534
EXPENDITURE			
F) Staff Costs			
Staff Salaries		701,829,101	724,782,004
Employer NSSf contribution		70,384,914	71,873,203
Staff Training		-	1,520,000
Staff Welfare		1,650,000	1,370,000
Staff Insurance		6,038,541	5,370,702
Acting Allowance		-	6,500,000
		779,902,556	811,415,909
G) Technical Assistance			
Association Capacity Building		3,010,000	-
Local Short Term Technical Assistance		226,897,929	249,619,484
Project Management Fees		9,906,750	34,222,000
Legal Fees and Support		-	6,864,127
		239,814,679	290,705,611
H) Promotion & Publicity			
Print Media Adverts		16,959,200	23,280,300
Electronic Media Adverts		3,430,122	300,000
Brochures, Fliers & Promotional Materials		540,000	250,000
Billboards		-	450,000
		20,929,322	24,280,300

	NOTE	June 2018 Ug. Shs.	June 2017 Ug. Shs.
I) Workshops & Training			
Trade Fairs		7,118,250	-
Venue		11,927,000	66,333,200
Catering		32,517,700	39,066,500
Accommodation		8,821,500	8,746,000
Communication		13,792,422	21,451,000
Facilitation		14,922,371	78,108,079
Stationery & Printing		57,533,121	92,605,685
		146,632,364	306,310,464
J) Travel & Fuel			
Transport & Fuel		19,747,597	31,232,193
Subsistence Expenses		18,196,495	52,797,646
Visa Expenses		-	6,551,750
Air Tickets		3,427,200	39,204,970
Mileage and transport		4,000,000	535,500
		45,371,292	130,322,059
K) Memberships to Organisations			
Subscription to East African Business Council		-	10,908,950
		-	10,908,950
L) Depreciation			
Lease Amortisation Land & Buildings		36,570,725	32,842,530
Motor Vehicles		8,125,000	8,125,000
Furniture & Fittings		-	-
Office Equipment		-	-
Computer Equipment		1,100,000	-
Library Books		-	-
		45,795,725	40,967,530
M) Administration Overheads			
Communication Expenses		31,253,888	21,518,548
Motor Vehicle Expenses		44,725,600	50,766,100
Utilities		21,411,518	23,568,108
Office Equipment Expenses		11,302,769	10,863,627
Land & Building Expenses		21,072,704	26,605,429
Office Consumables		31,156,040	23,533,316
Bank Charges		8,554,215	7,679,069
Insurance		3,404,918	1,360,416
Exchange Loss		593,082	-
		173,474,734	165,894,613
N) Provisions			
Provision for Doubtful Debts		24,938,938	27,314,629
Provision for Audit Fees		12,303,000	10,000,000
Other Provisions		-	176,205,080
		37,241,938	213,519,709
O) Project Capital Expenditure			
Project Expenditure on Capital Items		6,500,000	7,800,000
		6,500,000	7,800,000

NOTES TO THE 2018 ACCOUNTS, Continued

3. PROPERTY, PLANT & EQUIPMENT:

	Leasehold Land & Buildings	Motor Vehicles	Furniture and Fittings	Office Equipment	Computer Equipment	Library Books	Total
	<u>Ug. Shs.</u>	<u>Ug. Shs.</u>	<u>Ug. Shs.</u>	<u>Ug. Shs.</u>	<u>Ug. Shs.</u>	<u>Ug. Shs.</u>	<u>Ug. Shs.</u>
Cost/Valuation							
At July 1st, 2017	711,913,348	66,000,000	24,378,625	21,995,733	25,368,344	9,076,000	858,732,050
Additions	122,500,000	-	-	-	3,300,000	-	125,800,000
	834,413,348	66,000,000	24,378,625	21,995,733	28,668,344	9,076,000	984,532,050
Depreciation Rate		25%	12.5%	12.5%	33%	12.5%	
Depreciation							
At July 1st, 2017	385,564,676	49,750,000	24,378,625	21,995,733	25,368,344	9,076,000	516,133,378
Charge for the Year	36,570,725	8,125,000	-	-	1,100,000	-	45,795,725
At June 30th, 2018	422,135,401	57,875,000	24,378,625	21,995,733	26,468,344	9,076,000	561,929,103
Net Book Value							
At June 30th, 2018	412,277,947	8,125,000	-	-	2,200,000	-	422,602,947
At June 30 th , 2017	326,348,672	16,250,000	-	-	-	-	342,598,672

NOTES TO THE 2018 ACCOUNTS, Continued

NOTE	<u>June 2018</u> <u>Ug. Shs.</u>	<u>June 2017</u> <u>Ug. Shs.</u>
4 Long Term Investments		
Investments in Shares (Unquoted)	100,000,000	100,000,000
	<u>100,000,000</u>	<u>100,000,000</u>
5 Accounts Receivable		
Receivables for Contributory Activities	244,009,384	274,877,926
Receivables for Non-Contributory Activities	-	1,291,645
Staff Advances	24,771,115	18,348,497
Working Advances	1,353,000	7,154,500
Withholding Tax	88,523,610	7,742,778
Provision For Doubtful Debts	(48,844,765)	(19,779,948)
	<u>309,812,344</u>	<u>289,635,398</u>
Due from Related Parties (Under Project Balances)	-	<u>6,676,131</u>
6 Cash & Bank Balances		
PSFU (US \$)	171,845	1,710,027
PSFU (Ug. Shs.)	23,921,298	(552,352)
PSF USAID Cente Account	-	36,079,552
PSFU Centenary (US\$)	37,642,679	-
Private Sector Common Health Fund	-	21,000
Centenary Bank (Ug. Shs.)	894,220	3,930,447
Gain (Ug. Shs.)	1,000,000	-
	<u>63,630,042</u>	<u>41,188,674</u>
7 Accounts Payable		
Payables for Services	87,914,718	123,948,691
PAYE Payable	-	84,141,350
NSSF Payable	-	34,415,100
Provision for Costs on Contributory Activities	38,209,360	29,832,400
Provision for Audit Fees	11,800,000	14,787,000
Unexpired Provisions	176,205,080	-
Accounts Payables: KCCA	122,500,000	-
	<u>436,629,158</u>	<u>287,124,541</u>

8. TRADEMARK EAST AFRICA GRANT

During the year the PSFU utilised support from Trade Mark East Africa under Grant number PO/20150164 In accordance with the existing accounting policies, these Grants are recognized systematically as income over the periods necessary to match them with the related costs, which they are intended to compensate using the using the income approach in which income and their matching costs are disclosed in their entirety. Below is the Fund statement for the TMEA Grant

	<u>June 2018</u> <u>Ug. Shs.</u>	<u>June 2017</u> <u>Ug. Shs.</u>
Deferred Income b/f	92,965,914	37,378,893
Disbursements during the year	-	436,658,506
Available funds	<u>92,965,914</u>	<u>474,037,399</u>
Less: Expenditure for the Period		
Technical Assistance	27,629,000	137,019,308
Promotion and Publicity	-	8,952,000
Workshops and Training	30,009,300	137,000,470
Travel	14,193,392	88,874,483
Operation expenses	352,754	1,425,224
Computer equipment	6,500,000	7,800,000
Total Expenditure	<u>78,684,446</u>	<u>381,071,485</u>
Fund balance c/f Included In Deferred Income	<u>14,281,468</u>	<u>92,965,914</u>



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