




Business growth is our business

APRIL-JUNE 2020

PSFU

NEWS

LETTER



Mastercard Foundation and Private Sector Foundation Uganda launch COVID-19 Economic Recovery and Resilience Response Program

Private Sector Foundation Uganda (PSFU) announced the creation of the COVID-19 Economic Recovery and Resilience Response Program in partnership with the Mastercard Foundation.

The program will extend immediate relief, recovery and resilience interventions to counter the impact of COVID-19.

The COVID-19 Economic Recovery and Resilience Response Program, with a commitment of US\$8.3m (equivalent to Ush 31bn) from the Mastercard Foundation COVID-19 Recovery and Resilience Program, will be used to;

- Procure 30,000 PCR (Polymerise Chain Reaction) test kits for use by the COVID-19 National Taskforce.
- Purchase personal protection equipment (PPE) and other critical items for frontline workers in the fight against COVID-19.
- Support the enhancement and adaptation of standards and quality certification and management by Uganda National Bureau Standards (UNBS) and qualifying private laboratories to improve the quality of goods for domestic and export markets.
- Support Uganda Healthcare Federation to develop a digitised quality assurance system for the standardisation of services in private medical facilities across the country.
- Support at least 200 qualifying enterprises whose operations have been affected by COVID-19 to survive and thrive in new and existing local and international markets.
- Support government, through the National Planning Authority, to develop a post-COVID-19 recovery and growth strategy.

The COVID-19 Economic Recovery and Resilience Response Program complements the efforts of the Government of Uganda to control the spread of COVID-19 and develop a post COVID-19 recovery and growth strategy to support the survival, recovery and resilience of enterprises impacted by the negative economic effects of COVID-19.



“On behalf of all the stakeholders of the private sector, I would like to express my sincere gratitude to Mastercard Foundation for their support during this unforeseen time as we all fight to survive and thrive despite the undesirable effects of COVID-19. We are principally honored for the opportunity that Mastercard Foundation is partnering with PSFU to advance the development of the private sector in Uganda. We will honor our partnership by ensuring that we fulfill the responsibility they have entrusted us with to all our stakeholders,” said Hon. Dr. Elly Karuhanga, Chairman of Private Sector Foundation Uganda.

The creation of the COVID-19 Economic Recovery and Resilience Response Program is aligned to the Foundation's Young Africa Works strategy. Young Africa Works, developed in consultation with young people, policymakers, educators, and entrepreneurs, is Mastercard Foundation's strategy that aims to enable 30 million young people in Africa, to access dignified and fulfilling work over the next 10 years.

“Young Africa Works is about connecting young people to opportunities, enabling them to build and sustain their livelihoods. We have to safeguard the work opportunities that already exist but are threatened by COVID-19 as we deepen our work in identified priority economic sectors and explore emerging opportunities that will create new pathways to work,” said Samuel Yalaw Adela, Country Head, Uganda, at the Mastercard Foundation.

The Mastercard Foundation is also responding to COVID-19 on a continental level. On June 4, 2020 the Foundation announced its partnership with Africa Centres for Disease Control and Prevention (Africa CDC). Through its COVID-19 Recovery and Resilience Program, the Mastercard Foundation is committing US\$40 million to the Africa CDC's Partnership to Accelerate COVID-19 Testing (PACT). These funds will be used to purchase 1 million test kits, as well as train and deploy 10,000 community healthcare workers and 80 surveillance rapid responders to support contact tracing as well as strengthen the Africa CDC's capacity to oversee a continental response to the pandemic.

About the Mastercard Foundation

The Mastercard Foundation works with visionary organizations to enable young people in Africa and in Indigenous communities in Canada to access dignified and fulfilling work. It is one of the largest, private foundations in the world with a mission to advance learning and promote financial inclusion to create an inclusive and equitable world. The Foundation was created by Mastercard in 2006 as an independent organization with its own Board of Directors and management.


For more information on the Foundation, please visit: www.mastercardfdn.org

The COVID-19 Pandemic: The journey towards resuscitating the economy of Uganda: An opportunity not to be missed.

Private Sector Foundation Uganda (PSFU) had many discussions with Government, in particular Ministry of Finance, the Prime Minister, various key players and partners to devise measures on how the economy can be revived during, and post COVID-19 pandemic. We see it as an opportunity to rethink and restructure our economy for a dynamic and sustainable future for Uganda, the region and Africa. It is a definite challenge to change our mindset and understand how the economy of the world is organized. Therefore, we are convinced that Government and private sector must work together in order to succeed.

The following intervention areas were proposed for Government's consideration;

1. Pay all domestic arrears (money owed by Government to companies & individuals in Uganda). This will increase liquidity in the economy. A list has been provided to Government.
2. Domestic Tax:
 - a) Deferment of Payroll Tax payments to ease business cash flows for the next 6 months
 - b) Payment of Outstanding VAT refunds by Uganda Revenue Authority
 - c) Proposal of Turnover-tax (for those companies who file losses to URA) in the current budget proposal should be postponed to next FY (21/22).
 - d) Tax on rental properties be frozen for six months effective April 2020 and no taxes should be increased on rental properties.
 - e) Lower taxes on products produced with locally sourced raw materials.
3. Financing:
 - a) Restructure Uganda Development Bank (UDB) to manage the new development bank dynamics
 - b) Capitalize UDB so that it can effectively support the financing requirements of Ugandan entities.
 - c) Support the tourism sector with a line of financing through UDB
 - d) Improve the Administration and structure of the Agriculture Credit Fund
 - e) Enact the NSSF (amendment bill) 2019 to increase the supply of long term financing for a cheap source of resources.

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- f) Recapitalize and procure more cargo aircraft for Uganda Air Cargo to ensure foreign market expansion.
 - g) Review the merits of merging Uganda Airlines in the Uganda Air Cargo and ground handling.
4. Production:
- a) Promote producer groups & cooperatives and an efficient Warehouse Receipt System to ensure food security.
 - b) Ensure value addition for both domestic and export markets.
 - c) Enhance the Buy Uganda-Build Uganda initiative (BUBU) in order to insure import substitution and make the young population find it attractive to go into manufacturing and value addition.
 - d) Strengthen capacity of UNBS to ensure standards of products which will also support our export receipts.
5. Transport & Logistics:
- a) The national task force and private sector are finalizing the management of truck drivers' movement
 - b) Promote and enforce a digitalization transport system for Ugandans to be able to access essential services.
 - c) The e-system should manage and monitor movements during this crisis like UAE has done. This will support the stickers being given by the Ministry of Transport, as well as distribution of food
6. Implementation of Policies
- a) Government and private sector to ensure that there's implementation and monitoring of service delivery in a scientific manner (Private sector has definite proposals to share with Government)

Our pledge;

As representatives of the business community, we pledge to involve and reach out to the youth and women groups, Government and development partners to have a mindset change to cooperate in the fight against corruption, support the new education curriculum and to put emphasis on agriculture, manufacturing, digitalization, markets, & marketing Uganda for our tourism and value addition in all sectors.

PSFU ENGAGES PUBLIC ON SOLUTIONS TOWARDS THE EFFECTS OF THE CORONA VIRUS PANDEMIC THROUGH E-CONFERENCES.

As Uganda experiences the effects of the COVID19 pandemic & the impact of the current lockdown which is a measure to curb the spread of COVID19, Private Sector Foundation Uganda (PSFU) in partnership with UN Women facilitated a 2 days online discussion focused on import substitution, economic stimulus proposals, opportunities, including the young people and women; and linkages to drive Uganda's economic self-sustainability.

The first of its kind online discussion was hosted in Uganda on 3rd & 4th May 2020 via zoom webinar and a live televised broadcast on NBS TV. The theme of the discussion was "inclusive economic stimulus strategies, opportunities and linkages amidst COVID19"

The discussion attracted key note speakers from the productive sectors of the economy including agriculture, manufacturing, education, tourism, banking & insurance, ICT, Sports & entertainment among others, as well as Government Ministries such as Ministry of Trade, Judiciary who facilitate & contribute to private sector development.


The chief guest for the e-conference was HE. President Yoweri Kaguta Museveni, and he delivered a powerful speech which clearly differentiated between a real economy and a vulnerable economy.

During the 2 days online engagement, there was attraction of;

- 10 million viewers on TV
- 12 million tweets
(Trending hashtags #PSFUEcon2020 #COVID19UGRecovery)
- 5 million followers on Facebook & YouTube
- 2,000 comments & questions
- 3,000 participants registered via zoom webinar link

There were key highlight recommendations noted from viewers which included the following;

1. Accelerate the implementation BUBU policy to build internal capacity and resilience and promote import substitution
2. Organize agriculture production & Invest in value addition mechanisms and facilities
3. Provide export guarantee schemes especially for markets such as DR Congo
4. Incubation for women so that they contribute to the resilience of the Ugandan economy.



The business environment plays a critical role in private sector growth and competitiveness. Before the current crisis, nearly 75% of Ugandan firms were operating at less than 50 percent capacity. Since the COVID 19 pandemic set in during early March 2020, production for most sectors was suspended pausing severe challenges in supplies, distribution and consumption. Uganda's import bill stands at \$6.7b with a fast growing trade deficit, currently in excess of \$3b. Although Uganda launched BUBU policy in 2017, our capacity for local production has increased albeit slowly in manufacturing and service provision.

The current crisis demands that Uganda continues to increase its capacity for local production especially in areas that support healthy and safety as well as food production, processing, storage and marketing. Uganda's fight against the dangers caused by COVID 19 like elsewhere, must be read in our capacities to manufacture healthcare equipment including face masks, medicinal drugs, ventilators, soaps, sanitizers etc.

The need to have a self-sustaining economy and one that is resilient from external shocks such as the COVID 19 pandemic cannot be over emphasized. PSFU together with some partners had been working with Government to jointly design interventions that can in the short run save lives of both persons and businesses, but as well, shape the medium to long term strategies for the economy (Economic Recovery Plan). A number of conclusions had been crafted and the public needed to be part of the onward strategies and solutions.

The wider membership of the private sector therefore needed to know about these developments, and also make their own input to sharpen these strategies and also regain traction and restore hope. Hence, the rationale of hosting the first ever online private sector conference.

Objectives of the Conference;

- I. To update the business community on the measures so far proposed to Government
- II. To examine the extent to which COVID 19 pandemic and its measures have affected various businesses by size, sector, geographical area and general economy.
- III. To collect private sector players across the sectors their input on the possible measures to address these challenges in the short, medium and long term.
- IV. To amplify the visibility of the PSFU as the apex body of the private sector in Uganda.

The above objectives were successfully achieved with evident representation of wider viewership and participation through registrations and constant feedback received as comments, recommendations and questions.

PICTORIAL



The COVID-19 Pandemic: PSFU business analysis on the impact of the pandemic on businesses in Uganda.

19th May 2020 – Private Sector Foundation Uganda (PSFU) consulted its membership to analyse the impact of COVID-19 on their enterprises through a survey dubbed PSFU Business Barometer. The business barometer looked at the overall business performance including operations, and employment status. The feedback from the analysis formed the proposed interventions to Government to resuscitate the economy. The recommendations on what businesses should be thinking about now and, in the coming months as the country looks to reopen business operations.

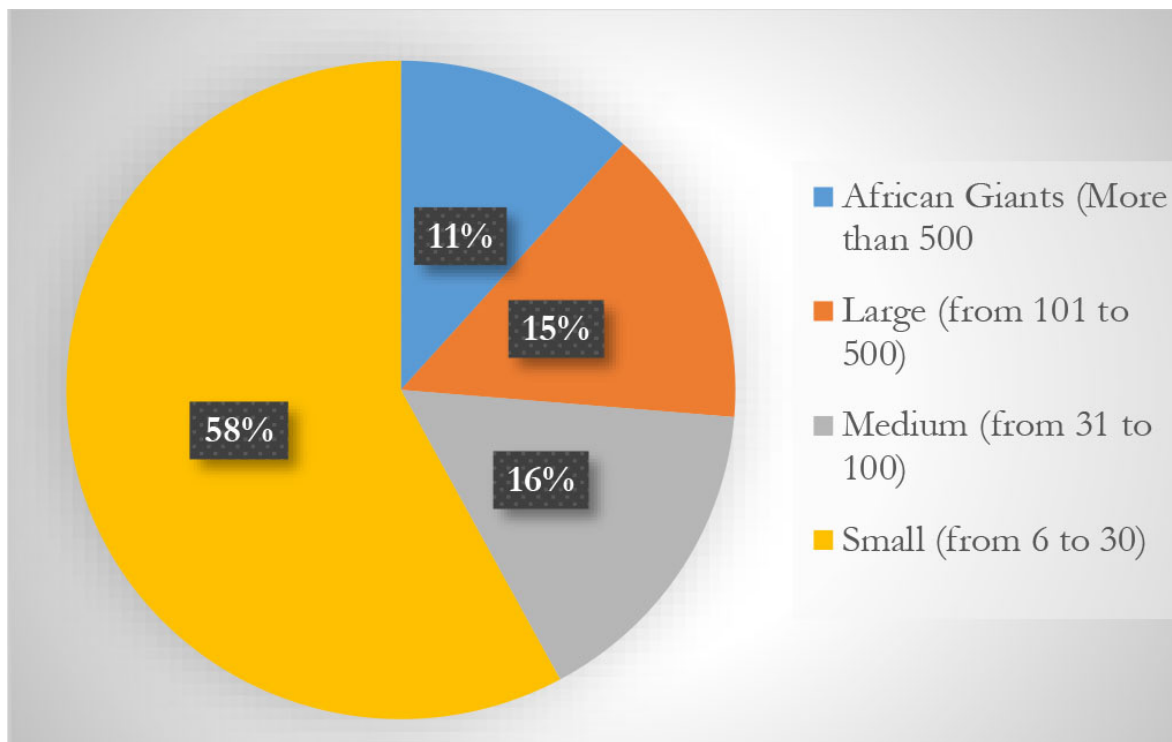
The objectives for this survey include;

1. Establishing the actual impact of COVID-19 on the members business operations
2. Provide feedback for the development of policy recommendations and a business relief and recovery proposals to Government to alleviate the negative impact of COVID-19 on the private sector and accelerate economic recovery.

Details of the report are highlighted below;

The respondents were targeted PSFU members, and the responses were companies of all sizes in the Private Sector as shown in the figure 1 below. 74% of the respondents represented MSMEs and the large companies contributed to 26% of total number of respondents.

Fig. 1 Size of Company

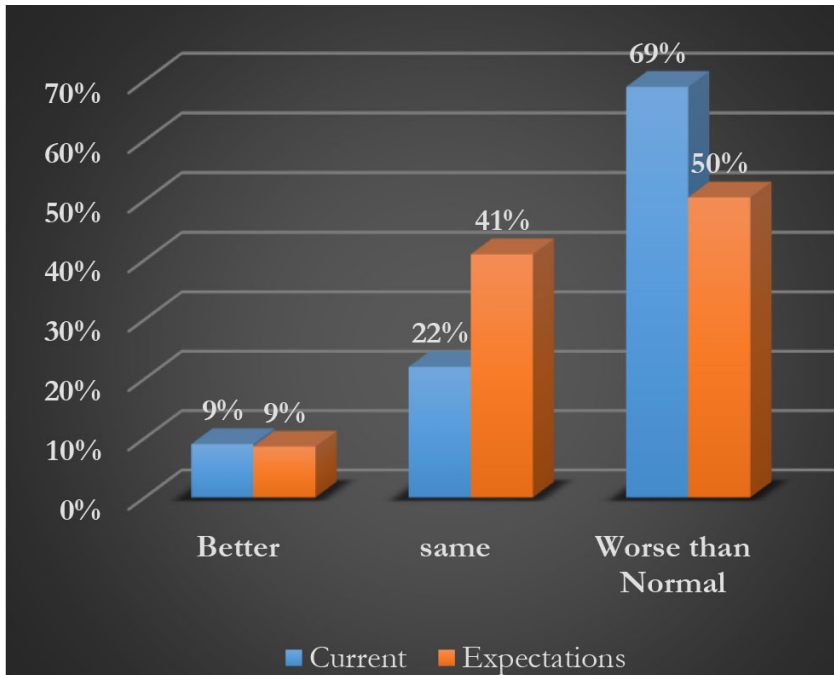


Source: Field Data
Overall Perception of Business Performance

From the perception survey results, 31% of the members mentioned that the business situation for the Period Mar-Apr 2020 was good to operate in than before while 69% mentioned that the business situation was worse than before

However, when asked to predict the business performance for the next 6 months, 50% of the respondents mentioned that the business situation for the next 6 months will be better, while another 50% expected the business situation to worsen in the next 6 months if the situation remains the same. This will not look good for the operating businesses in the economy.

Fig. 2 Overall Business Performance Evaluation

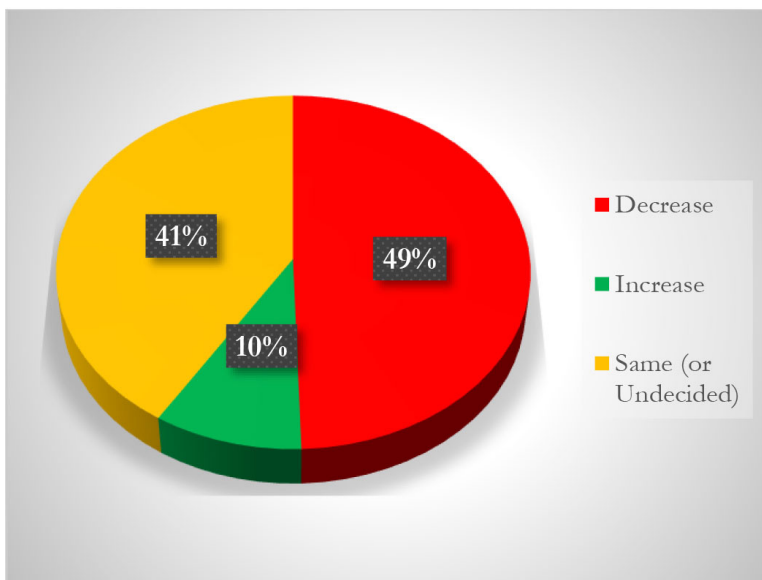


Source: Field Data

Employment Evaluation

The results from figure 3 below show that 90%, of the companies stated that they were uncertain about employment if the current situation will not improve in the next 6 (six) months while 10% of the companies were really certain about the employment in the next 6 (six) months.

Fig. 3 Overall Evaluation of Employment



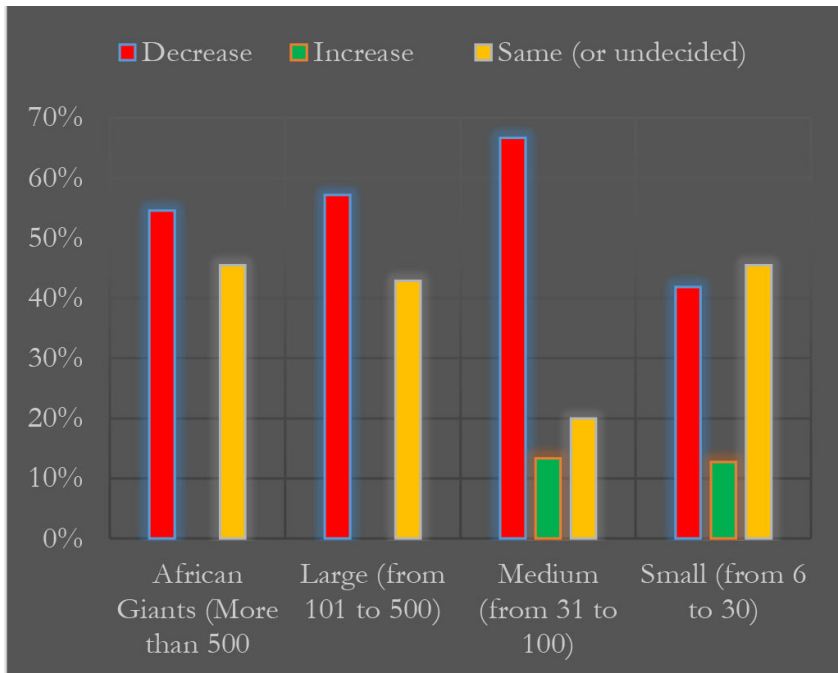
Source: Field Data

Employment Evaluation by Company Size

From the graph below (figure 4), it shows that 42% of small companies will decrease their employment, 67% of the medium companies will also decrease, from the large category, 57% of them will decrease their employment and finally from the African Giants, 55% by in the employments considering all risks remain the same for the next 6 months

This means that if all the conditions remain the same as the current, 42% of small sized companies, 67% of Medium sized companies, 57% from the Large size and 55% from the African Giants will be reducing their staffing manpower in the next 6 (six) months beginning in May 2020.

Fig. 4 Employment evaluation by company size



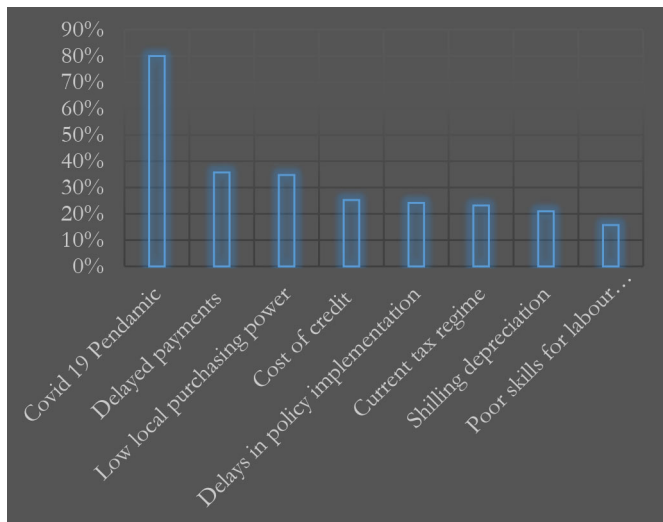
Source: Field Data

Overall Challenges

The Covid 19 Pandemic was highlighted as the top key challenge that has affected all the sectors and sizes of the companies with 80% of the indicating it as the biggest that has affected business performance.

The other 7 challenges following the Covid 19 Pandemic are; 1) Delayed payments, 2) Low local purchasing power, 3) Cost of credit, 4) Delays in policy implementations, 5) Current Tax regime, 6) Shilling depreciation and finally 7) Poor Skills of labour productivity.

Fig. 5 Overall Challenges to the Businesses



Source: Field Data

Challenges by Sector

Table. 1 Challenges by Sector

Sectors	1 st	2 nd	3 rd
Agriculture and Agribusiness	Covid 19 Pandemic	Cost of Credit	High Cost of Utility
Construction and Real Estate	Covid 19 Pandemic	Delayed Payments	Corruption
Education	Poor skills for labour	Covid 19 Pandemic	Cost of Credit
Energy, Mining, Petroleum, Oil and Gas	Covid 19 Pandemic	Cost of Credit	Delays in policy implementation
Financial Services	Shilling depreciation	Current Tax Regime	Covid 19 Pandemic
Forestry	Delayed Payments	Difficulty in getting licenses/permits	Delays in policy implementation
Health	Delayed Payments	Covid 19 Pandemic	Delays in policy implementation
ICT	Cost of credit	Poor skills for labour productivity	Low local Purchasing Power
Manufacturing	Covid 19 Pandemic	Delayed Payments	Shilling depreciation
Professional Services	Delayed Payments	Covid 19 Pandemic	Low local Purchasing Power
Tourism and Hospitality	Covid 19 Pandemic	Shilling depreciation	Low local Purchasing Power
Trade and Commerce	Covid 19 Pandemic	Low local Purchasing Power	Delayed Payments
Transport and Logistics	Covid 19 Pandemic	Delays in policy implementation	Poor skills for labour productivity

Source: Field Data

Challenges by Company Size

Looking at the challenges by size of the company, it can be agreed that Covid 19 Pandemic has affected all company sizes.

The African Giants, delays in policy implementation, followed by high cost of utility (electricity) and finally Current Tax regime have been mentioned as their key business challenges.

The large companies mentioned delayed payments, low local purchasing power and shilling depreciation /exchange rate volatility as key challenges to the already covid 19 Pandemic

For the medium companies, they mentioned cost of credit, poor skills for labour productivity and low local purchasing power.

Finally, the small companies, mentioned delayed payments, low local purchasing power and the cost of credit.

These are the top 4 key challenges that have affected each company size during this last Period.

Table 2: Challenges by Sector

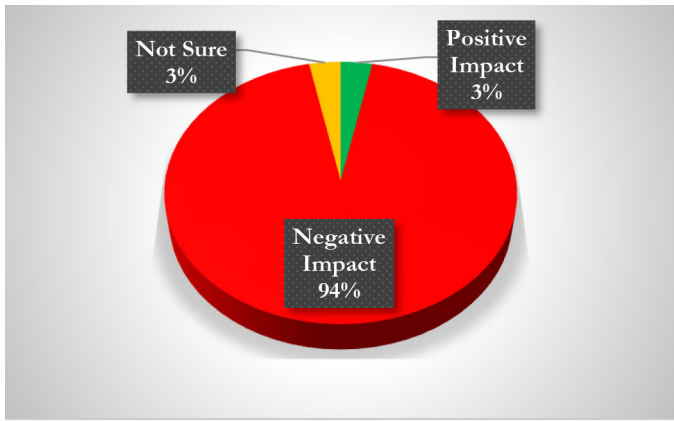
Company Sizes	Challenges			
	1 st	2 nd	3 rd	4 th
African Giants (More than 500)	The Current Covid 19 Pandemic	Delays in policy implementation	High cost of utility (electricity)	Current tax regime
Large (from 101 to 500)	The Current Covid 19 Pandemic	Delayed payments	Low local purchasing power	Shilling depreciation/ exchange rate volatility
Medium (from 31 to 100)	The Current Covid 19 Pandemic	Cost of credit	Poor skills for labour productivity	Low local purchasing power
Small (from 6 to 30)	The Current Covid 19 Pandemic	Delayed payments	Low local purchasing power	Cost of credit

Source: Field Data

Impact of the Covid 19 Pandemic

On the impact of the Covid 19 virus has had on the business operations, figure 4 below shows that 94% of the respondents mentioned that it has had a negative impact, 3% mentioned it had had and positive impact while 3% were not sure.

Fig. 6 Impact of the Covid 19 Pandemic



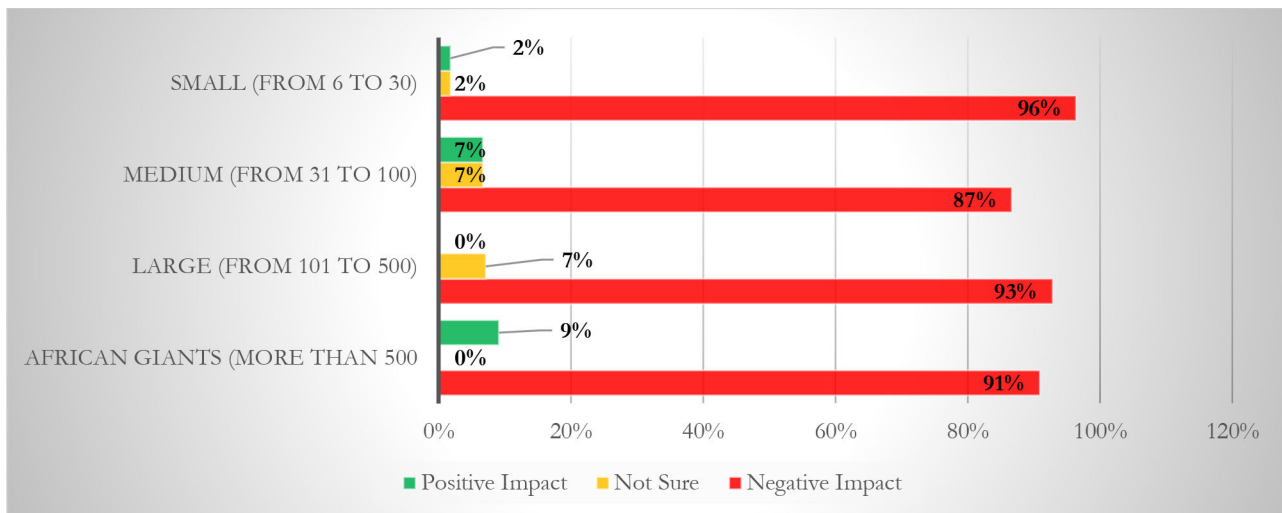
Source: Field Data

Covid 19 Impact by Company Size

Looking at Figure 7 below it shows that all the sizes right from the Small to African Giant have been hit negatively hard by the impact of the Covid 19 in this business period. 96% of the Small companies indicated they had a negative impact, 87% from the Medium companies, 93% from the large companies and 91% of the African Giants all indicated that they had been hit negatively by the Covid 19 Pandemic.

However, some companies from the Small, Medium and African Giants with percentages of 2%, 7% and 9% respectively indicated they got a positive impact during this period.

Fig. 7 Impact by company size



Source: Field Data

The Business Barometer is a PSFU tool to capture the current perception of business climate in Uganda. This allows appreciating the current and short-term forecast of the business operating ecosystem. That is aimed at providing an update to the Private Sector, Government and other stakeholders. This is based on the Private Sectors' current economic conditions, perceptions and expectations of business performance in the next short term period.

Parliamentary Committee Visits Uganda Hotel & Tourism Training Institute Construction Site

On Friday, 12th June 2020, the Parliamentary Committee on National Economy visited the Uganda Hotel & Tourism Training Institute (UHTTI) located in Jinja which is under construction to check on progress to-date. Completion date of the construction is expected for September 2020. Government of Uganda vision is to transform UHTTI into a centre of excellence that will provide quality labour force for Uganda's tourism sector. This is part of the Competitiveness Enterprises Development Project (CEDP) is Government of Uganda/World Bank project coordinated by PSFU.



Parliamentary Committee members at the site.



Current status of the front view of the hotel



Artistic impression of the hotel after completion



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