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PRIVATE SECTOR PLATFORM FOR ACTION

A Synthesis of Private Sector Opportunities, Growth Challenges and Proposals for Policy Reform



March, 2021



Young
Africa
Works



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ENHANCING LEAD FIRM STRUCTURE FOR YOUTH EMPLOYMENT IN UGANDA

Private Sector Foundation Uganda (PSFU) is partnering with Mastercard Foundation to anchor the Young Africa Works strategy in Uganda through the intervention; Enhancing Lead Firm Structure for Youth Employment in Uganda.

Project Objective:

The intervention's ultimate goal is to create 300,000 dignified and fulfilling work for young women and men in Uganda.

The intervention focuses on creating, maintaining, and sustaining growth in job markets through strengthening the capacity of value chain actors to efficiently produce and sell their goods and services in expanded markets, developing new diversified financing mechanisms as well as growing the capacity of business leaders and their support service providers to manage and expand their enterprises.

The Lead Firm Structure Approach:

The Lead Firm Structure approach is anchored on organizing many value chain actors around a final buyer for their output. This approach responds to production and productivity capacity and market access challenges that currently constrain households and Micro Small & Medium Enterprises' survival and growth opportunities.



A Lead Firm can either be an organization driven by private interests such as profit or one whose purpose is furthering shared prosperity through the promotion of private enterprise/business

The Lead Firm Structure approach will be implemented in selected high-growth sectors, which include: Agriculture, Manufacturing, Trade and Allied Services, Tourism, and Construction.

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ABOUT US

Private Sector Foundation Uganda (PSFU) was founded in 1995 by 11 business associations. PSFU is a limited by guarantee membership organization, representing the private sector in Uganda.

PSFU Exists to;

- **Represent the private sector**
 - **Advocate and Engage for the private sector**
 - **Serve and build the private sector**
-

PSFU Mandate

- Conduct research on issues that affect the private sector
- Conduct advocacy on behalf of the private sector for a conducive business environment
- Undertake capacity building for the private sector
- Strengthen partnerships at national, regional and international level

PSFU Membership

Currently PSFU has a membership of 270 business associations, corporate bodies and the major public sector agencies that support private sector growth.

PSFU is also the National focal point for the East African Business Council, and the COMESA where we have spearheaded the trade policy and trade development agenda on behalf of the business community, directly engaging with regional policy platforms.

PSFU Board & Governance structure

PSFU is governed by a Board of Directors including the Executive Director. The Directors are elected by PSFU members during the Annual General Meeting every three years. They represent diverse experience from different sectors of the private sector.

PSFU MEMBERSHIP STRUCTURE

PSFU is value-based and organized into 12 private sector boards that reflect the structure of our economy and mirror Government Ministries for ease of engagement, and Uganda's economic growth.

1. Agriculture, Forestry and Agribusiness
2. Construction and Real Estate
3. Culture and Creative Industry
4. Energy, Mining, Petroleum, Oil and Gas
5. Financial Services
6. Human Resources (Skills, Education and Health)
7. Information and Communication Technology
8. Manufacturing
9. Professional Services
10. Tourism and Hospitality
11. Trade and Commerce
12. Transport, Ware-housing, Haulage and Logistics

PSFU STRATEGIC FOCUS

PSFU has scaled up its reach from 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.

Our Strategic Objectives

- To strengthen the PSFU institutional structures to meet the needs of members
- To advocate a business environment that is conducive for sustainable enterprise growth
- To support members, build their capacity for global business competitiveness

- **SKILLS DEVELOPMENT FACILITY**
- **COMPETITIVE AND ENTERPRISE DEVELOPMENT PROJECT (CEDP)**
- **ENERGY FOR RURAL TRANSFORMATION PROJECT - PSFU COMPONENT**
- **PROMOTE SUPPLEMENTARY FEEDING PROJECT (Suppl-F)**
- **YOUNG AFRICA WORKS - ENHANCING LEAD FIRM STRUCTURE INTERVENTION FOR YOUTH EMPLOYMENT SUPPORTED BY MASTERCARD FOUNDATION**
- **COVID-19 RECOVERY AND RESILIENCE PROGRAMME SUPPORTED BY MASTERCARD FOUNDATION**
- **SUPPORT TO AGRICULTURAL REVITALIZATION AND TRANSFORMATION (START)**
- **UNDP SPOTLIGHT INITIATIVE**
- **UNDP GENDER EQUALITY SEAL**
- **LAST-MILE RESULTS BASED FINANCING PROJECT - FUNDED BY GIZ**

KEY ACHIEVEMENTS TO-DATE

- PSFU supported the establishment of the Regional Apex Bodies for the Private Sector - RPSF and later TPSF
- PSFU run the first ever Proudly Ugandan Campaign- road show, exhibition and development of the Proudly Ugandan Logo in 2008.
- PSFU spearheaded advocacy for Uganda to join the COMESA Free Trade Area, in 2011.
- The Government of Uganda has responded to over 75% of the policy proposals made by PSFU through the years.
- Complemented Government efforts to manage the COVID-19 pandemic through campaigns, provision of testing equipment, beds, testing kits, among other items
- Implemented Government projects successfully with clean audit reports



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LIST OF ACRONYMS

AREA	Association of Real Estates Agents
AUTO BOU	Association of Uganda Tour Operators Bank of Uganda
BPO	Business Process Outsourcing
BTVET	Business, Technical and Vocational Education and Training
CAA	Civil Aviation Authority
CAADP CBC CBC	The Comprehensive Africa Agriculture Development Programme COMESA Business Council
CBET	Competence Based Education and Training
CET	Common External Tariff
CIS	Collective Investment Scheme
CMA COBE COMESA	Capital Markets Authority Census of Business Establishments Common Market for Eastern and Southern Africa
DIT	Directorate of Industrial Training



DUCAR	District, Urban and Community Access Roads
EAC EAMU	East African Community East African Monetary Union
EPA	Economic Partnership Agreements
EPRC	Economic Policy Research Centre
ERA FAO	Electricity Regulatory Authority Food and Agriculture Organization
FTA	Free Trade Area
FUE	Federation of Uganda Employers
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IP	Intellectual Property
ISO	International Standards Organisation
JKIA	Jomo Kenyatta International Airport
JLOS	Justice Law and Order Sector
KRA	Kenya Revenue Authority
MAAIF	Ministry of Agriculture, Animal Husbandry and Fisheries
MBI	Mauritius Board of Investment
MFI	Micro Finance Institution
MOFPED	Ministry of Finance, Planning and Economic Development
MOJCA	Ministry of Justice and Constitutional Affairs
MOWT MTIC MTWA	Ministry of Works and Transport Ministry of Trade, Industry and Cooperatives Ministry of Tourism, Wild Life and Antiquities
MSME	Micro, Small and Medium Enterprise
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organization
NCDC	National Curriculum Development Centre
NDP	National Development Plan
NPA	National Planning Authority
NSSF	National Social Security Fund

PAYE	Pay As You Earn
PIRT	Presidential Investors' Round Table
PPDA	The Public Procurement Disposal of Public Assets Authority
PSCP	Private Sector Competitiveness Project
PSFU RRA	Private Sector Foundation Uganda Rwanda Revenue Authority
RVR	Rift Valley Railways
SACCO	Savings and Credit Cooperative Organisation
SADC SCT	Southern Africa Development Cooperation Single Customs Territory
SPS TRA	Sanitary and Phyto-Sanitary Tanzania Revenue Authority
UCDA	Uganda Coffee Development Authority
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UFEA	Uganda Flowers Exporters Association
UFFA	Uganda Freight Forwarders Association
UFPEA	Uganda Fish Processors and Exporters Association
UGX UIA	Uganda Shillings Uganda Investment Authority
UNADA	Uganda National Agro-Input Dealers Association
UNBS	Uganda National Bureau of Standards
UPE	Universal Primary Education
URA	Uganda Revenue Authority
URF	Uganda Road Fund
URSB	Uganda Registration Services Bureau
UTB	Uganda Tourism Board
YAW	Young Africa Works

EXECUTIVE SUMMARY

The year 2020 was characterized by un-anticipated decline in all spheres of business with varying magnitudes as a result of a global health hazard-the Corona Virus Disease of 2019 (COVID-19). The Government instituted social and economic lock down measures were for more than 5 months during the year. As a result, the national budget FY 2020/21 was subjected to rigorous downward revisions to redirect resources to critical priorities relating to the fight against COVID-19. Consequently, Government which is the leading consumer of private sector generated goods and services reduced expenditures of consumptive nature across various sectors.

The first quarter however, was hit by COVID-19 measures which undermined the earlier trajectory, with GDP revised to be 2-3%, 40% fall in exports and taxes, 10% year on year depreciation of shilling, doubling NPLs, growing poverty levels and strategic shifts in economic activity forecasted to be the outcomes of this global pandemic.

In spite of the above, the economy exhibited some resilience with low and single digit inflation, a more volatile currency against the US Dollar (the major trading currency with Uganda), slowly declining but still high interest rates, improving demand for goods and services and a rising GDP across all sectors except Tourism and Hospitality. This was due to good business environment rendered by Government in the previous FY.

PSFU commends Government for strongly fighting the spread of

during 2020. As Government strives to ensure that people's lives are saved, there is also need to save businesses from collapse during this pandemic. The following summary provides at a glance, the outcomes which the Private Sector would wish the next budget process to achieve. The detailed proposals are in various sections for further information.

The key recommendations in FY 2020/21 mainly focus on: ***an economic stimulus package that to safeguard businesses and to promote their recovery in the post COVID-19 environment.***

Other key growth challenges in sectors such as Agriculture, Tourism, Manufacturing, ICT, Oil and Gas, among others are raised to ensure competitiveness of the Private Sector. These are focused on growing exports, creating jobs, growing incomes, reducing poverty, improving efficiency in government and hence service delivery. Digitalization of the economy has been mainstreamed as a critical pillar required in the current industrial strategy and job creation



for the young people. The private sector further points out the challenges attributed to illicit trade (substandard goods, counterfeits, smuggling) and requests to partner with Government to address them forthwith to ensure fair trade. Recommendations are finally suggested for the private sector to remain the engine of growth in Uganda's economy.

In conclusion however, the Private Sector recognises the Government's positive response to over 82% of the Private Sector proposals during the year. PSFU strongly recommends that clear joint monitoring and evaluation mechanisms are instituted to ensure value for money and a sustainably improving business environment through strict implementation of the agreed policy actions.

The following is a summary of the private sector proposals which the Private Sector has submitted to Government to inform Policy development.

1. Stimulate effective demand by increasing household income:

Over 80% of Uganda's population resides in rural areas and the majority are employed in subsistence or near subsistence activities including agriculture. 34% of them are living in poverty and with a purchasing power parity income of UGX. 7,000 or less. This big population ordinarily cannot demand for goods and services sustainably. This contributes to firms producing sub-optimally. For example 40% of manufacturing capacity is unused because of low aggregate demand. While many new businesses are started each year in Uganda, most fail within a year.

Households and MSMEs hold the greatest potential for transforming the economy if accorded a sustainable means of income and market access. Identifying, expanding and linking to markets will create possibilities to increase production, address productivity challenges, and thus increase investment and job growth across Uganda. Accordingly PSFU has partnered with the MasterCard Foundation (MCF) to anchor the Young Africa Works – Uganda Strategy under which the Lead Firm Structure for Youth Employment has been designed and prioritized for implementation over the next five years. Government needs to support this program through fostering a supportive policy environment.



2. Infrastructure Development:

2.1 Energy

Supply: Government should ensure that the country does not slip back into load-shedding. Further the rural electrification connections should be accelerated to spur wealth creation at household level thereby stimulating consumption and supporting the competitiveness of the Ugandan private sector in the domestic, regional and international markets. In particular the PSFU proposes that the energy tariff should be reduced to the equivalent of 5 USD Cents/KWH for both high end and low end industrial users. In the short run, the private sector proposes that energy tariffs remain unchanged so that there is greater predictability. The automatic tariff adjustment pricing mechanism of power sanctioned by ERA should be done after every 6 months with changes in tariff capped at 2.5% in comparison to the previous adjustment. It is also proposed that Government enhances access to industrial power in rural areas to support value addition especially to agricultural produce.

1.2 Transport:

Transport is a service for other sectors so the cost needs to remain affordable. But at the same time transport is a business which provides employment and must remain profitable for those who invest in the sector. The Private Sector is concerned that transport still accounts for up to 45% of the total production and distribution costs. Best practice has it that this should be not more than 10% for businesses to remain competitive (UMA Policy report, 2017). The following proposals will contribute to this goal.

- i. **Railways:** Consider investing in rehabilitation of the meter gauge to support reduction in costs and control spread of COVID-19.
- ii. **Roads:** Continue prioritizing roads to productive areas in agriculture, oil production and tourism.
- iii. **Kampala roads and Traffic Jams:** Traffic jams account for 2.8 trillion shillings loss in GDP annually (World Bank study on cost of traffic to GDP, 2019). Further studies also reveal that labour spends the equivalent of 52 working days in traffic jams per year along the major access roads to Kampala. The road network in Kampala especially roads capable of diverting traffic away from the city centre should be prioritized. The proposed public bus system is the way to go however, the system management needs to be inclusive of current taxi owners and operators. Boda Boda system also need to be well managed for instance under the digital platforms available. The KCCA should also prioritise and incentivise the private sector to invest in off-street parking and more rigorously enforce parking regulations to create more space for vehicles to move more quickly and smoothly.
- iv. **Waterways:** Government should promote a multimodal transport system that links road, rail, water and air transport. It should also consider

investing in and improving water transport on lakes Kyoga, Albert and Victoria; and link the southern route to Dar-es Salaam, Port Bell and Jinja Piers with Kisumu, Bukoba and other major commercial centres in both Kenya and Tanzania. Government needs to invest in rehabilitation of port facilities and purchase of new ferries. These public investments would promote general business competitiveness and provide needed support for tourism.

- v. **Air Transport:** PSFU applauds Government for re-establishing the Uganda Airlines. However, the PSFU proposes that there need to create a link between the airline and ground handling to make the airline profitable. Key commercial routes such as Europe,
- vi. **Information Communication Technology:** Government should expedite and complete the laying of the fibre optic cable throughout the country to connect all the users of fibre optic cable. Additionally, Government should support the development of an ICT Park in order to connect Uganda to the world and facilitate innovation.

3. Water for Production

In the year 2020 the rains have been abnormally generous but there have still been water shortages. The lesson here is that it is necessary to be mindful of the need to provide water for production and to plan for it. In an economy where agriculture plays such a prominent role, making water reliably available assumes great importance. The private sector urges Government to:

- Prioritize Budget allocations in infrastructure for water for production to the level of transport infrastructure.
- Ensure that water reaches the farm level to support the farmer.
- Plan for and implement organized water harvesting strategies for both the public and the private sector actors.

4. Skills, Education & Health for Enhanced Labour Productivity:

Uganda's labour market continues to face a shortage of requisite skills, with only about 7% of the job seekers, having the required skills. This skills gap is explained by the absence of soft skills and poor labour governance systems in the economy. (PSFU/EU skills needs assessment report, 2019). Planning and training for skills development ought to take account of the needs of the private sector and accordingly the PSFU proposes that Government should:

- Put special focus on building foundation skills and cognitive skills through proper Early Childhood Development policy implementation and priority
- Revamp the current internship and apprenticeship programme to suit the demands of the private sector. This can be done through increasing the internship period to about 6 month conducted towards the end of the education program of the student.

5. Credit to the Private

Uganda's interest rate spread is one of the largest in the world. This partly explains, why the commercial banks interest rate does not respond proportionately to the movements in the central bank rate (CBR). The financial structure is improper with only UGX 15 trillion available as long term financing. The saving levels are still very low at 28% of GDP. The private sector proposes to government to:

- Assent the NSSF (Amendment) bill 2020 to incorporate the informal and self employed people into mandatory savings bracket.
- Bring the civil servants into contributory scheme by amending the Government Pensions Scheme.
- Consider expanding the Agriculture Credit Facility arrangement to cover the priority sectors. This requires a 6-7 trillion budgeted in advance to cater for risk guarantee
- Recapitalize UDB and change the management of the bank to attract the private sector participation hence improving its governance structure.

6. Legal & Regulatory Frameworks:

The private sector appreciates that especially in a free market environment regulation costs about 4% of GDP to the economy. It is therefore, a necessary factor critical to ensuring a level playing field and for protecting society from harmful effects of the free market. At the same time the private sector considers that an overall reduction in the regulatory burden on businesses is essential to reducing the cost of doing business. In view of the above, the private sector proposes, that:

- i. Regulation should not be used by Governments at all levels for purposes of revenue generation.
- ii. Long shelved **commercial laws** should be **enacted** and **regulations to operationalize** them developed.
- iii. **The legal framework for access to land** should be robust enough to help investors.
- iv. Amendments to the Budget Act should be made to ensure that policy pronouncements included in the budget speech are considered approved.

7. Tax Policy:

In this area, the private sector proposes that government should:

- i. Ensure tax predictability and optimisation to maximise yield.
- ii. Broaden the tax base to reduce tax burden; and expand the advisory function to include Tax policy makers, URA and the Tax Payers
- iii. Address illicit trade issues through effective enforcement measures that ensure leveled playfield.
- iv. Also assess the relevancy of digital tax stamps system in relation to curbing illicit trade and increase in excise duty as a guide towards implementation.
- v. Implement a progressive tax regime to stimulate demand for products produced by other sectors such as agriculture, ICT and construction.

8. SME's Development

In this area government is called upon to ensure that quality and standards are met by SMEs through certification. Government should also:

- i. Focus on measures to improve SME access to formal mainstream financing,
- ii. Support SMEs to participate in the public procurement markets as well as the stock exchange.
- iii. Strengthen and streamline support for SMEs by public institutions including Uganda National Bureau Standards, Enterprise Uganda, Uganda Export Promotion Board, and Uganda Tourism Board.



Buy Build Uganda Campaign and Local Content:

The development of Uganda is primarily the responsibility of Ugandans and the consumption of their own products without compromising on quality. To encourage that, the private sector should be supported to effectively participate in competitive procurement through Special Purpose Vehicles. Government should also move to finalize the enactment of the local content bill.

10. Regional Integration Issues:

Uganda's private sector supports Government's aspirations for regional integration and is keen to ensure that integration within the East African Community deepens and works meaningfully to deliver a competitive environment for businesses across the EAC. To actualize this, the private sector advises that;

- ❖ EAC partner states should ensure that the competitiveness of the private sector in the different partner states is achieved to drive the integration;
- ❖ Government engages with EAC Governments to address the various non-tariff barriers (NTBs) in dairy, logistics, tourism, fishery, poultry, beef, seeds, forestry, and services sectors.
- ❖ Government revamp the Northern Corridor Infrastructure Project that was led by the private sector to further the integration of the EAC economies
- ❖ EAC partner states should develop and implement a regional master plan or strategy for the management of transport and health during the COVID-19 situation and in readiness for any future pandemics.

11. Implementation of Agreed Policy Actions:

The private Sector across all economic sectors is always available to partner with Government machinery to monitor implementation of agreed reforms.

PSFU advocates for a monitoring mechanism under the Prime Minister's Private Sector Forum that will be responsible to synergize and follow up policy implementation of Government at both national and sub national levels. Clear penalties and rewards should be granted to poor performers and star performers respectively.

Conclusion:

The above are the main private sector proposals to government for addressing key cross cutting challenges facing Private Sector operations and which should be addressed in the short and medium terms. Government is urged to consider these proposals because they are crucial for Private Sector growth, recovery of economy post COVID-19 and for sustainable job creation.

1.0 Background

1.1 The Basis for the 2021 Platform for Action

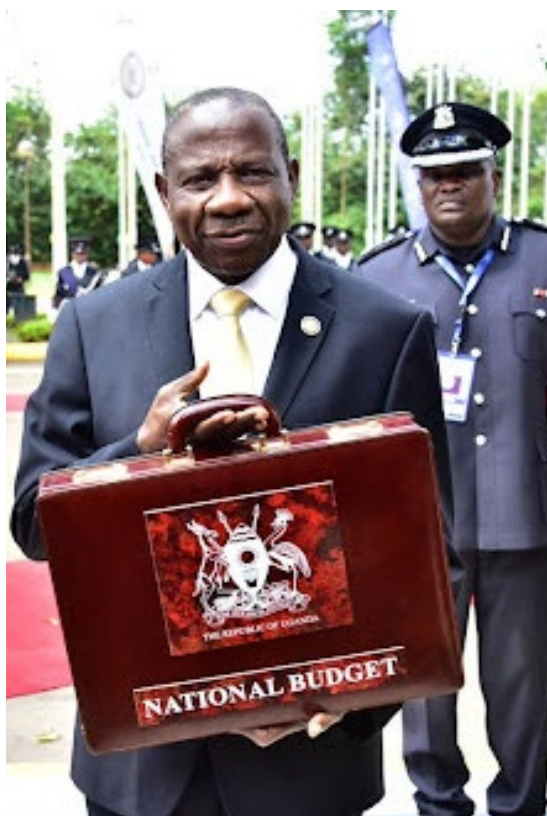
The Private Sector Foundation Uganda (PSFU) produces an annual policy document; - **the Platform for Action** on behalf of Uganda's Private Sector.

“The main focus of the Platform for Action is to; highlight the key growth and competitiveness challenges faced by the private sector which inhibit creation of work opportunities and to recommend policy reform actions to Government”.

This is done through collection and collation of issues through a wide consultative process with not only the PSFU Members but the private sector at large. PSFU is mandated to spearhead the advocacy process on behalf of the private sector. This year's advocacy agenda is to support efforts geared towards saving lives of businesses and people during the COVID-19 pandemic, improve liquidity among the population post COVID-19 and stimulation of demand for goods and services in an inclusive and sustainable manner in order to support businesses improve capacity utilization and create wealth. The Platform for Action is configured into three sections; - cross-cutting issues, sector specific issues and tax policy issues.

1.2 PSFU Advocacy Process

The success of PSFU's advocacy process over the years, is attributed mainly to its sustained engagement with Government and other policy making partners through dialogue. PSFU further strengthens and improves its Policy Advocacy works through:



- i. Extensive consultations and stakeholder engagements;
- ii. Intense collaboration with various Government sector working groups;
- iii. Working closely with development partners;
- iv. Collaborative research and analysis with the Academia;
- v. Enhanced policy dialogue with Government mainly through Parliament and other MDAs; and
- vi. Increased participation in regional and international forums.

1.3 PSFU Advocacy Achievements

Over the years, the PSFU has registered significant success in influencing Government policy decisions on behalf of both the PSFU membership

and the general private sector. During the year 2020, some of the advocacy achievements registered included:

- a) COVID-19 economic stimulus package:** PSFU engaged with Government in the wake of the COVID-19 pandemic which resulted in the following decisions on an economic stimulus package for enterprises:
 - i. An additional UGX 1.5 trillion capitalization for the Uganda Development bank (UDB);
 - ii. Deferment of remittances of Pay as You Earn (PAYE) and National Social Security Fund (NSSF) contributions by employers for a period of 3 months;
 - iii. Increase of the statutory period for banks to declare non-performing assets (NPAs) from 90 to 180 days;
 - iv. Commercial banks allowed to restructure loans from 2 to 3 times;
 - v. Settlement by Government of domestic arrears amounting to 600 billion shillings;
 - vi. Deferment of payment of utility bills for 3 months
 - vii. Zero rating of VAT on supply of denatured spirits; and
 - viii. Partial re-opening of the economy after 3 months with SoPs strictly implemented among others.
- b) Tax policy:** The key decisions Government took through engagement with PSFU in this area were:
 - i. Reduction from 10% to 6% in withholding tax (WHT) on commissions paid to insurance and advertising agents;
 - ii. Exemption of WHT on agricultural supplies;
 - iii. Exemption of VAT on trailers for agricultural purposes, combine harvesters, supply of services to conduct feasibility studies, and design

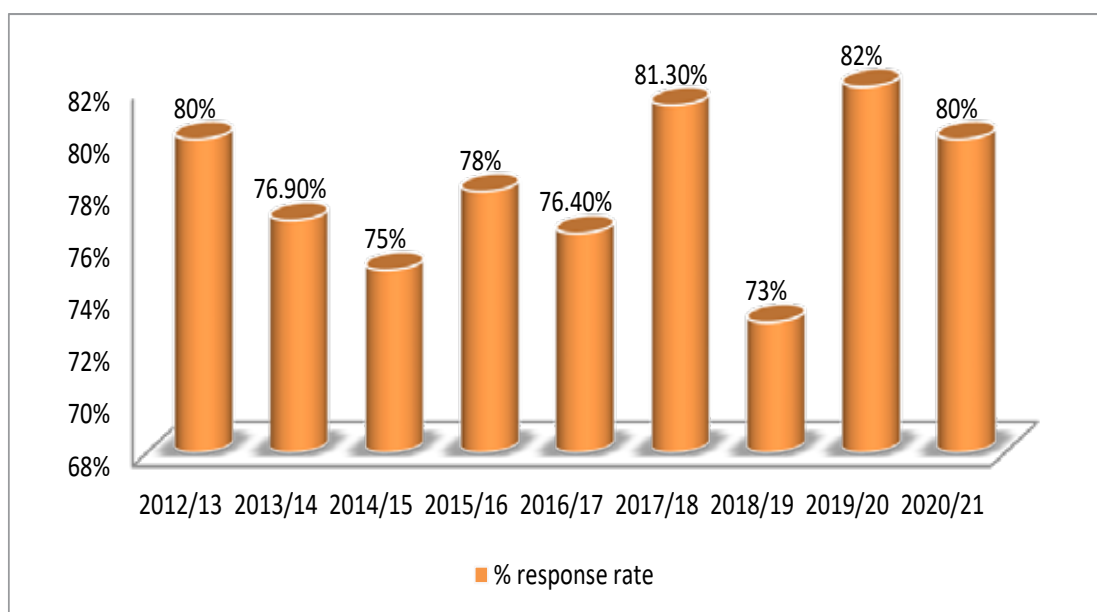
(software and equipment installation services to manufactures; and services incidental to tele-medical services; and royalties paid in respect of agricultural technologies).

c) Budget policy: Some of the legislative and policy decisions taken included: the enactment of the NSSF (Amendment Bill), the Local Content Bill, and the Coffee Bill; adoption of the human capital development strategy; adoption in NDP III of a programme based approach to budgeting; creation of the private sector development programme in NDP III; and establishment of the BDS strategy among others.

In addition,, through Public-Private Partnerships as evidenced in the PPP Policy, the private sector working with Government have continued to demonstrate this by providing a conducive an environment for business to thrive. See figure below.

While the private sector appreciates Government’s efforts, implementation of agreed upon policy reforms and how monitoring and evaluation is done to ensure efficiency in implementation is still a major challenge.

Trend of Government’s response to Private Sector priorities; 2012/13 - 2020/21



Source: PSFU PSD Unit, 2020

The Private Sector hereby calls for more involvement in monitoring and implementing the budget for better performance. Some of the areas where the private sector would like to be engaged include agriculture extension services, seed inspection, inspection of exports, conducting tax audits and assessments among others. PSFU and OPM have established a monitoring mechanism under the Prime Minister’s Private Sector Forum that will be responsible to synergize and follow up policy implementation of Government.

1.4 PERFORMANCE OF THE ECONOMY

1.4.1 Economic Activity:

The economy grew by 2.9 percent in FY 2019/20 which is lower than 6.8 percent recorded in FY 2018/19. Strong performance was registered in the first half of the financial year (8.1 percent), although this was countered by the negative growth registered in the second half of the financial year. The COVID-19 pandemic along with the containment measures implemented by Government, locusts' invasion and floods in several parts of the country negatively impacted economic activities in the second half of the financial year. All sectors of the economy registered lower growth rates compared to FY 2018/19 performance (BoU, Economic performance report, 2020)

The industry sector was most hit by the impact of the pandemic, growing by just 2.2 percent compared to the 10.1 percent growth registered in FY2018/19. Similarly, the services sector also slowed down to 2.9 percent from the 5.7 percent registered in FY 2018/19. The agriculture, forestry and fishing sector was the most resilient in FY2019/20, expanding by 4.8 percent. This was due to favourable weather conditions and Government interventions through provision of quality seedlings, extension services and pesticides.

Economic growth in the FY 2020/21 is projected in the 2 to 3 percent range and is expected to improve further to between 4 and 5 percent in FY 2021/22. The projected improvement in economic activity is on account of the expected recovery in aggregate demand following Government interventions in reviving private sector activity. In addition, the performance of the agriculture sector will be boosted by on-going interventions geared towards increased production and productivity, while the services sector is expected to continue with the gradual recovery as the economy opens up more.

Over the medium term, growth is projected to reach potential levels (between 6.0 to 7.0 percent), supported mainly by enhanced private sector activity due to increased aggregate demand post Covid-19; increased returns from public infrastructure investments; increased activities in the oil and gas sector; and recovery in industry which will be supported by manufacturing as well as public and private construction.

1.4.2 Inflation rate



Annual headline inflation averaged at 3.0 percent in FY2019/20, a slight decline from 3.1 percent recorded in the previous financial year. The lower inflation in FY2019/20 was largely due to lower food prices and benign global oil prices. The subdued food prices were attributed to stable food supplies in the market due to favourable weather conditions and sustained Government interventions such as provision of quality seedlings, extension services, and pesticides in the sector.

In FY2020/21, annual headline inflation is projected

to increase to 5.6 percent, mainly due to the impact of measures introduced to mitigate the spread of the corona-virus pandemic on prices of goods and services. In particular, the increase in transportation charges has fed through to higher prices of goods and services. Over the medium term, annual inflation is projected to remain within the Government's target range of 5(+/-3) percentage points, supported by prudent fiscal and monetary policy measures.



1.4.3 Interest Rates

As a result of the accommodative monetary policy, average lending rates declined to 19.3 percent during FY2019/20 from an average of 19.9 percent in FY2018/19. Over the course of FY2019/20, low inflation enabled the easing of monetary policy conditions, with the Central Bank Rate being reduced by 0.9 percentage points to 8.9 percent from 9.8 percent the previous year. In the first half

of FY2020/21, average lending rates increased in response to the increase in credit risk as many borrowers struggled to repay loans due to subdued economic activity because of the Covid-19 pandemic. Government, through the central bank has committed to continue working with commercial banks to reduce the cost of doing business as an avenue to bring down the cost of borrowing.

Despite all the above monetary policy interventions, the reduction in lending rates does not proportionately respond to the changes in the CBR. PSFU research, explains that this is due to the high rates of treasury bills and bonds which are driven by the high levels of domestic borrowing by Government. This eventually crowds out the private sector in the financial markets.

1.4.4 Exchange rate Developments

The Ugandan shilling strengthened against the US Dollar, appreciating by 0.6 percent to an average mid-rate of US\$ 3,714 per US Dollar in FY2019/20 from US\$ 3,736.8 per US Dollar in FY2018/19. Demand for foreign exchange was affected by a fall in imports as well as travel and trade restrictions following the onset of the corona-virus pandemic in March 2020. In the first half of FY 2020/21, the exchange rate remained relatively stable, supported by steady inflows from coffee and mineral exports, private remittances as well as overseas portfolio investors. This trend is expected to continue for the remainder of this year.

Going forward, the exchange rate will be largely driven by developments in the exports sector, oil sector and by how quickly the tourism sector recovers from the negative effects of the COVID-19 pandemic.

1.4.5 Employment

The National Labour Force Survey carried out in FY2016/17 revealed that the working age population (14-64 years) was estimated at nearly 19 million with more females (52 percent) than males (48 percent). Among the working age population, 81 percent were engaged in at least some form of work while 19 percent were not engaged in any kind of work. About 27 percent were in purely subsistence agricultural work. The mean age of working age population was 30 years.

The Annual Labour Force Surveys of FY2017/18 and FY2018/19 show a shift in the share of labour in agriculture to industry and services. The share of labour in services increased to 45.6 percent in FY2018/19 from 41.8 percent in FY 2017/18 while in industry, it increased to 17 percent from 15 percent in FY2017/18. On the other hand, the share of labour in agriculture reduced to 37.4 percent in FY2018/19, from 43.2 percent in FY2017/18.

1.4.6 External Sector Developments

Uganda's current account deficit narrowed by 8.2 percent in FY 2019/20 to USD 2,193 million from USD 2,390 million in FY 2018/19 due to a decline in the primary income account deficit following a reduction in outflows of net factor income like interest income and dividends. The table below shows a summary of the current account and its components for the last 5 Financial Years.

Table 2: Selected Balance of Payments flows (USD million)

Current Account	-1,357	-1,029	-1,733	-2,1390	-2,193
Trade Balance	-2,259	-1,765	-2,381	-3,223	-3,398
Exports	4,673	4,966	5,559	6,419	5,582
Imports	6,932	6,731	7,941	9,642	8,181
	682	714	929	1,217	966

Source: Bank of Uganda

From the table, Uganda's trade deficit widened to US\$ 3,398 million in FY2019/20 from US\$ 3,223 million in FY 2018/19 because the value of exports of goods and services reduced at a faster rate than the imports. Exports of both goods and services declined by 13.0 percent during the year, specifically non-coffee exports like tea, fish, flowers, tobacco as well as services like travel and transport. The onset of the Covid-19 pandemic caused disruptions in international trade since containment measures such as lockdowns and border closures interfered with supply chains, domestically and internationally.

Remittances to the country declined by 5 percent to US\$ 1,306 million in FY2019/20 from US\$ 1,369 Million in FY 2018/19. This performance is commendable given that the Covid-19 pandemic was projected to affect personal incomes as economic activity slowed down globally during the second

half of the financial year. FDI inflows on the other hand declined significantly by 21 percent to US\$ 966 Million in FY2019/20 from US\$ 1,217 Million in FY2018/19, largely attributed to the pandemic.

1.4.7 Trade with EAC Partner States

Uganda traded at a deficit of US\$ 217 million with EAC Partner States in FY 2019/20 after registering export receipts worth US\$ 1,050 million and imports worth US\$ 1,267 million (see table below). Trade deficits were registered with Kenya and Tanzania - at US\$ 214 million and US\$ 314 million, respectively while surpluses were registered with the rest of the Partner States (see table 4). Additionally, despite Uganda registering a trade surplus with Rwanda, the value of exports declined by 93 percent to US\$ 12 million in FY 2019/20 from US\$ 173 million in FY 2018/19. Exports to Kenya and Rwanda declined due to non-tariff barriers and border closures, respectively.

Trade Balance between Uganda and EAC Partner States (USD Million)

Exports	1196	1096	1271	1514	1202	1050
Imports	676	698	753	811	1147	1267
Merchandise Trade Balance	520	399	518	703	55	-217

Source: Bank of Uganda

Merchandise Trade Balance by Country (USD Million)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Kenya	-128	-106	73	311	-176	-214
Burundi	47	48	4	-20	34	38
Rwanda	267	220	212	228	156	4
Tanzania	21	17	-46	-113	-317	-314
South Sudan	309	220	273	296	358	269
EAC	520	399	518	703	55	-217

Source: Bank of Uganda

1.1.2 Shocks in the Economy

1.1.1.1 Political activities to National Elections

The calendar year 2021 presents an opportunity for the Uganda citizens to exercise their constitutional right of choosing their leaders from National to Local levels. Amidst the COVID19 pandemic, the election road map which started two months before the voting date of 14th - 25th January 2021 was implemented.

Several events conducted have since explained the business environment

during the quarter 2 of FY 2020/21 as uncertain and highly risky. Consequently the Bank of Uganda projects that FDI inflows in the similar period will be discouraged



rise in the interest rates from international agencies as investments have become risky. Headline inflation is also expected to rise from fairly stable 3% to about 5.6%, the following month post elections. Post election measures to disrupt the operations of the internet and social media for over 6 days is reported to have negatively impacted entrepreneur's especially young people as a result of disruption in distribution chains. The fiscal policy is also expected to

shrink due to these activities.

1.5 PRIVATE SECTOR AND SUPPORT TO UGANDA'S TAX EFFORT

Government revenue is mainly collected through taxes. It is this revenue that supports Government to provide social amenities which further stimulate growth. These two work hand in hand to support private sector growth. The business community is the biggest tax contributor in Uganda. The top 100 tax payers accounting for nearly 70% of the total tax revenues are private sector companies.

Uganda's tax system however, is still very inelastic with a narrow tax base with much of the tax yield largely dependent not on the natural growth in economic activity (GDP) but on discretionary measures by Government. The country's



tax revenue mix is such that more taxes are recorded from trade (cross border) activities rather than domestic economic activity over which the country has more control. The private sector can support Uganda's revenue efforts through:

- Development (or adoption maybe???) of computerized systems which can enable tax transactions be made instantly. This would encourage efficiency in tax administration which could also help improve on the tax relationship between the Government and the private sector.
- Professional private sector players could also be hired to do tax assessments and mapping tax payers. This would help in ensuring tax compliance by private enterprises.

Further, to ease doing business for the private sector to grow, focus should be on; institutions (capacity strengthening), systems (streamline processes and procedures) and mind set of people. (Change attitudes, ethics and culture of work). This way then, Uganda would broaden and widen the tax base and increase the tax revenue.

1.6 SUPPORT AND RESPECT FOR CHILDREN'S RIGHTS



Children under 18 years old account for almost one third of the world's population. In Uganda, children constitute 56% of the national population and on average, 6 children are born to every woman of child-bearing age, child population will double in the next 25 years; meaning the 20 million children of today will become 40 million children in 2040. (UNICEF report on status of children in Uganda, 2019)

It is inevitable that businesses, whether small or large, will interact with and influence the lives of children both directly and indirectly. Children are key stakeholders of business – as consumers, family members of employees, young workers, future employees and business leaders. Children are also key members of the communities and environments in which businesses operate.

The Private Sector is interested in skills and competencies for productivity and profitability. During early stages of development, i.e. before birth and in infancy, a child's brain develops 85 percent of its adult weight¹ and builds pathways that help them to learn social/practical skills, team building and perseverance which are key facets for a well-rounded skilled labour force. If children do not receive the requisite healthcare, nutrition, nurturing and education during the early years, it is very hard to catch up and develop into productive workers in the future.

With the ever-increasing global demand for businesses to pay more attention to human rights including child rights, it is essential for the Private sector to

1 (UNICEF report on status of children in Uganda, 2019)

put into action strong and lasting commitments to children rights and more importantly, for a socially sustainable business to take on the role of supporting children and thrive with the communities that make up their workforce and customers.

Private Sector Foundation Uganda (PSFU) therefore urges both Government and the entire business community to forge partnerships in order to:

- a) Create an **Enabling Child Rights Policy Environment**: Develop a public-private-partnership for children's rights policy that establishes a mutual accountability framework between the public and private sectors to protect and promote children's rights.
- b) Institutionalize the **Children Rights and Business Principles (CRBPs)**: Influence corporate behaviour change and build the capacity of Ugandan companies to fully operationalize the CRBPs and become child-friendly.
- c) Develop **Innovative Financing** mechanisms: Develop/establish innovative financing mechanisms with the private sector to increase and focus investments in priority children's areas as specified in Uganda's 2016–2020 National Development Plan II (NDP II), and the 2016 National Integrated Early Childhood Development Policy and Action Plan.

1.7 UGANDA'S EASE OF DOING BUSINESS

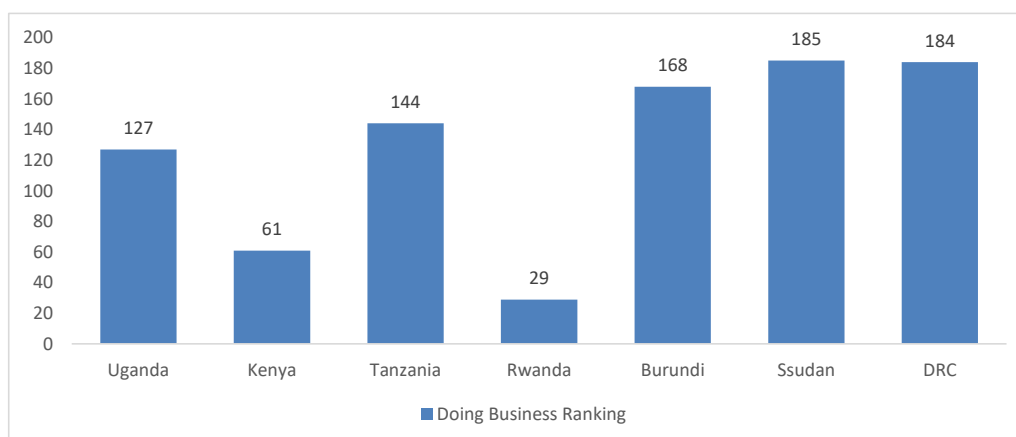
The World Bank annually releases the report on ease of doing business within different economies globally. This year the report covers 190 economies shedding light on their performance across 11 business competitiveness indicators i.e. starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation. Uganda has been ranked on the ease of doing business compared to other economies regionally to help make policies, promote, attract and support investments. Uganda is currently ranked 127th among 190 economies compared to 122nd the previous year. Within the region, it ranks 3rd behind Kenya and Rwanda. Globally, Rwanda ranks 29th, Kenya 61st, Tanzania 144th, Burundi 168th and South Sudan 185th. Some areas where Uganda needs to improve include: access to credit, registering property and payment of taxes, among others.



Uganda is ranked 127 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Uganda deteriorated to 127 in 2018 from 122 in 2017. Ease of Doing Business in Uganda averaged 121.18 from 2008 until 2018, reaching an all-time high of 135 in 2014 and a record low of 106 in 2008.

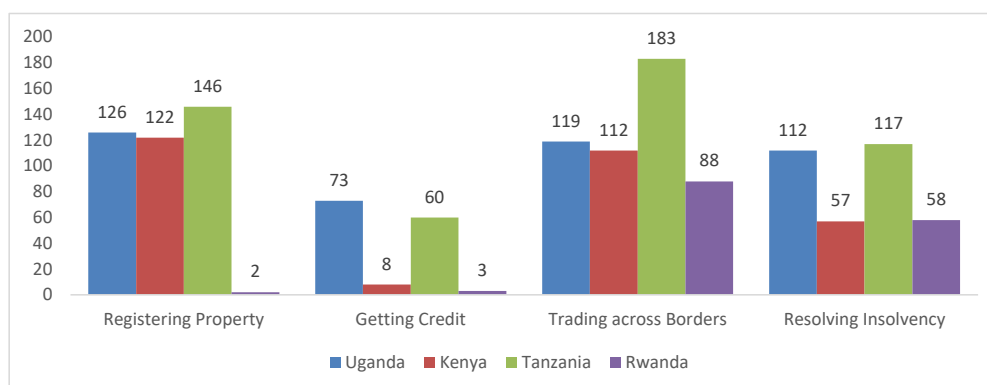
Regionally, Uganda still maintains its position of 3rd behind Kenya and Rwanda. Rwanda ranks 29th followed by Kenya which ranks 61st, Tanzania at 144th, Burundi at 168th and south Sudan at 185th out of the 190 economies in the world. Uganda maintaining its position or ranks indicates that the Government has maintained its standards of doing business in the country or the competing economies have not been able to improve on the standards of doing business in their countries either. Despite the steady progress, there is still need for substantial reforms towards an improved investment/business environment especially on indicators such as access to credit, registry of property, protecting minority investors and paying taxes. The figure below shows how Uganda compares itself with other economies in the East African community.

Graph showing the ranking of EAC countries, 2019



Source: PSD Unit, 2019

The figure below summarizes the details of the indicators of ease of doing business in which Uganda compares less favourably with its partners in the EAC.



Source: Doing Business Data base, World Bank, 2019

Registering Property:

Uganda ranks 126th out of 190 economies in the world, making it third among the EAC members with Rwanda first and Kenya second. Time taken to conduct a search on the lands registry, valuation of property for transfer purposes, lodging of transfer documents and payment of stamp duty to commercial banks are the main areas in which improvements are required. Government needs to automate the processes of the service offices especially the lands registry to improve on the turnaround time.

Getting Credit:

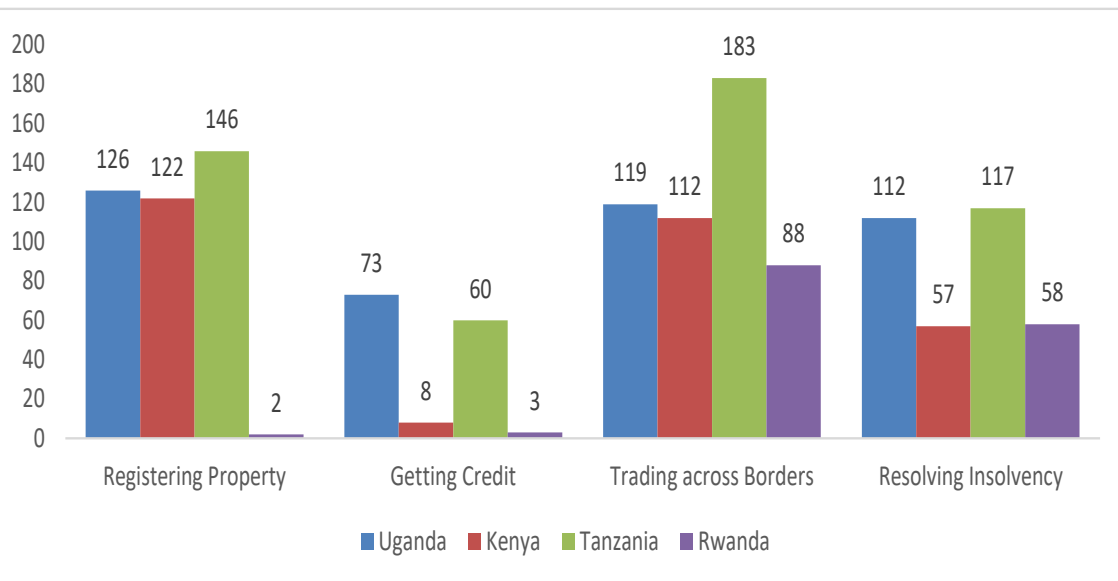
Uganda ranks 73rd out of 190 economies in the world and fourth among EAC members; with Rwanda, Kenya and Tanzania all better placed. There are weaknesses in the detailed information on creditors and coverage of the credit reference bureau where only 6.6% of adults are covered; lower than the sub-Saharan Africa average of 8.9%. Government should consider linking available information databases to improve credit rating which would lead to improved access to credit. It is recommended that the links could cover borrowers/creditors with their national identification numbers, access to utilities (power, water,) etc. among other databases. Such action would improve the ability of lenders to assess the risks of lending to potential borrowers

Trading across Borders:

Uganda ranks 119th out of 190 economies in the world with respect to the ease at trading across the borders. Among EAC countries, it is therefore only better ranked than Tanzania, with Rwanda and Kenya assessed as more competitive. Figure 1 below shows the time it takes to import/export and the associated costs incurred by the private sector in the process. Figure 2 details the list of required documents to support cross border trade (export and import).

Figure 1: Time and cost it takes to trade across Mombasa border

Issue	Time to complete (hours)	Associated Cost (USD)
Domestic transport	10	200
Export: Clearance and inspections required by;		
I. Customs Authorities	8	148.1
II. Non-customs Authorities	48	61.3
III. Port or border handling	5	0
Import: Clearance and inspections required by;		
I. Customs Authorities	12	211.7
II. Non-customs Authorities	120	235
III. Port or border handling	18	0



Source: WB Doing Business, 2019

Figure 2: Details – Trading across Borders in Uganda – Trade Documents

Export	Import
1. Commercial Invoice	1. Shipping line manifest
2. Packing List	2. Bill of lading
3. International Coffee Organization Certificate of Origin	3. Commercial invoice
4. Parking List/Tally Sheet	4. Packing list
5. Bill of Lading	5. Customs entry - T810+T812
6. Terminal Handling Receipt	6. Insurance Certificate
7. Generalized System Preference (GSP) Form A	7. IM4 – Direct Import for Home use
8. Kenya Transit Entry	8. Import Declaration Form (IDF)
9. Customs Export Declaration	9. Terminal handling receipts
10. Phytosanitary Certificate	10. Transit documents
11. Fumigation Certificate	11. Delivery Order
12. SOLAS certificate	12. Final Certification Document (Certification Decision/CoC)
13. Certificate of insurance	13. Request for Certification (RFC)
	14. SOLAS certificate

Source: WB Doing Business, 2019

To ease the cost of trade, Government needs to automate the procedures through an integration of required permits and clearances into a single permit that can be then be linked with the available information systems with URA, Ministry of Trade, Industry and Cooperatives, (MTIC), BOU among others.

1.8 BUSINESS LICENSING

Since 2000, Uganda has undertaken various measures to improve the business licensing regime.

“Following findings in March 2012 by the Business Licensing Committee, the Government identified 780 licenses across all sectors with barriers that cost the private sector about Shs. 726 billion every year”.

It was also revealed that agriculture, trade (import and export), transport and logistics, and tourism were the most burdened sectors in terms of compliance costs, with 57% of the total annual costs incurred by businesses that constituted the actual license fees. 43% was the administrative cost of obtaining these licenses. The Committee proposed the elimination of 47 licenses, simplification of 305, reclassification of seven, amalgamation of 13 into six, and the retaining of 408 licenses across various sectors.

To date, only 56 percent of the recommendations of the Business Licensing Committee Report have been implemented and 36 percent is ongoing within the respective agencies of Government. The BLRRC wrote to the Office of the Prime Minister requesting for fast tracking and prioritization of the implementation of its recommendations. Further it was recommended to make implementation of BLRRC recommendations a performance indicator for the different MDAs. This would hasten the process of implementation of the recommendations and facilitate the prioritization of the reform process by the respective MDAs. This process notwithstanding, several contradictions on certain processes of restructuring business licensing still exist, including:

- The trading license is still used for revenue generation by Local Governments rather than a regulatory instrument. Moreover, despite the attempts to standardize Local Government trading license fees, actual fees charged vary from one Local Government to another especially with regard to access on produce, cattle movement permits, and fish movement permits. As such, the trading license is a challenge for those that have invested in trade across regions and local governments. The cost of compliance too is very high.
- There are overlaps in licenses, levies, fees, and permits at national and local government levels. Several businesses such as in the hospitality industry require licensing approval from more than one central government agency for the same business activity and are further subjected to licensing requirements by the local governments in which they operate.
- There is duplication of information required for license applications and other regulatory submissions to the various government agencies in view of the overlaps discussed above.
- The lack of coordination between government agencies is a great hindrance to efficient regulation of business.
- Licensing processes involve too many unnecessary administrative steps and often require multiple interfaces with government officials, which could have the potential of encouraging corruption and rent seeking behaviour. This is further exacerbated by the general lack of information about licensing requirements and procedures.
- The majority of central government licences are processed and issued in the capital City, which requires business owners to make several trips to submit required paperwork to obtain necessary licenses. Some agencies have attempted to set up regional offices. However, the inadequate resources limit their potential to operate efficiently.
- Licenses serving a similar objective are categorized differently across various local governments, making it difficult to assess the relevance and impact of any given license, permit or business approval.



1.9 PRIVATE SECTOR ROLE IN COMBATING GENDER BASED VIOLENCE

Although women's and men's entry into employment and entrepreneurship is on the rise globally, workplaces can be a "make or break" for both sexes, especially when it comes to safety from physical, sexual, psychological, emotional and economic violations of rights. Gender-based violence (GBV) and violence against women and girls (VAWG) continue unabated within the private enterprises, partly due to unequal gender power relations amongst employers and employees, lack of specific legal provisions covering VAWG and GBV in employment, and criminal justice approaches that are not sufficient for responding to GBV and VAW at work.²³ Despite the 2019 UN international treaty concerning the elimination of violence and harassment in the world of work⁴, some of the worst violence and harassment occurs at the bottom of regional and global supply chains where clothes, food stuffs, transportation services and technology are produced by low-paid, overwhelmingly female workers, as well as in factories where employees have no say in top management decisions.

The private sector pays a high price due to GBV due to lost work days, absenteeism, low productivity, foregone entrepreneurial talent and employee skills, and in the cost of providing essential services to victims, over and above the severe detrimental effects on individual women, men, their families, and the society

² World Bank, "Women, Business and the Law 2018," <http://wbl.worldbank.org/en/reports> (accessed October 11, 2019).

³ ² International Labour Organization (ILO), "Meeting of Experts on Violence against Women and Men in the World of Work (3- 6 October 2016)," 2016, http://www.ilo.org/gender/Informationresources/Publications/WCMS_546303/lang--en/index.htm (accessed October 11, 2019).

⁴ <https://www.theguardian.com/global-development/2019/jun/21/move-to-end-sexual-harassment-at-work-hailed-as-milestone-for-womens-rights-international-labour-organization>

at large. Another study by CEDOVIP puts the economic burden of domestic violence to the Ugandan economy at an estimated Uganda Shillings 77.5 billion annually⁵. A study of Fortune 500 companies estimated the costs of GBV in Uganda at around US\$ 6.7 million a year in absenteeism, low productivity, and employee turnover.

There is therefore a critical need for the private sector to pay more attention to GBV. Eliminating GBV requires coordinated effort by all stakeholders (employers and employees) and top management support through adopting policies, standards and structures to reduce gender gaps, improve GBV reporting, promote both equality in the workplace and women’s economic empowerment.

1.10 PRIVATE SECTOR ROLE IN PROMOTION OF FOOD FORTIFICATION

Food fortification is the process of supplementing food or drink products, usually with vitamins or minerals. This is done in order to either replace nutrients that may have been lost during production or simply to add extra ones, for health benefits or marketing purposes. Food fortification is one of the key strategies adopted in prevention and control of micro-nutrient malnutrition aka “hidden hunger.” It is a proven cost-effective and high impact nutrition intervention which does not require change in the feeding habits of the population while reaching the largest percentage of the vulnerable groups in the shortest period of time. In 2011, the Government of Uganda through the Ministry of Health issued a mandatory regulation on fortification of common staples including; wheat flour, maize flour and edible oil being processed domestically or imported into the country

The role and interests of the Private Sector in food fortification differ based on context and the delivery model chosen. Private Sector players involved in food fortification have key interests in the food fortification value chain that includes; food production, industrial food processing, fortification processes, quality assurance and quality control, storage and transport, and finally marketing and promotion.

The private sector also plays various key roles in food fortification value chain through by food processing/milling industry, equipment manufacturing, manufacturing and supplying of vitamins and minerals/ micronutrient or premixes, providing private food laboratories, and retail distribution of the premixes or micronutrients.

PSFU has continued to play a leading role in advocating for policies in favor of fortifying industries.

⁵ CEDOVIP: Economic Cost of Domestic Violence

1.11 PRIVATE SECTOR ROLE IN FOSTERING A CONDUCTIVE ECOSYSTEM FOR BUSINESS START UPS

Uganda tops the ranking of the world's most entrepreneurial countries. According to the Global Entrepreneurship Monitor (GEM), report, 2020, 28% of adults own or co-own a new business. This is fueled by the high levels of unemployment, in fact, 400,000 young people enter the job market annually, for a mere 9,000 new jobs each year.



Whilst almost 10% of Ugandans started a business last year, a fifth of individuals aged 18-64 have also discontinued a business in the past year. Young entrepreneurs in particular have “generally low” growth expectations; few innovate or vary product lines (GEM report 2020). Creating an additional business is more common than expanding an existing one (R. Namatovu, 2019). According to the African Private Equity and Venture Capital Association, the highest record of USD 1.4 billion in Venture Capital deals was reached by Africa in 2019. Despite Uganda being one of the most entrepreneurial countries in the world, it does not attract much in Africa’s Startup investment landscape. South Africa had the largest number of investments in early stage businesses at 21%, followed by Kenya with 18% and Nigeria with 14%. It’s argued that the strength of country level institutions such as specific set of laws, rules and regulations, values and norms determine the ability of a country to promote innovation let alone attract financing for it.

Attracting more Venture Capital to Uganda is critical because Startups by nature seek to develop and validate an idea into a scalable economic model with uncertain results which makes them high risk ventures. The validation process takes as long as 3 years and for that reason sustaining effort is required. This support cannot be sought from traditional financial institutions because they have a low risk appetite. Startups therefore must look to VCs for resources to drive innovation through internal research and development, training, information search, communication facilities, enhanced human capital.

Existing policies such as the Micro Small Medium Enterprises Policy, 2015 and the Investment Code act are not deliberately address the issues faced by the startups. Consequently, startup entrepreneurs, members face the following challenges, **weak levels of entrepreneurship: Business model identification, business administration, finances management, Limited access to Start-up capital from Equity and commercial banks, High costs and limited access to internet, restrictions to accessing public market and high costs of taxation and regulations** (report, PSFU/TIV startup meeting, 2021).

In order to support the industry and innovations, Government needs to National startup policy to provide coordination, create incentives for the startup entrepreneurs and also promote innovations of the young people leading to creation of employment opportunities. At least 10 African economies including Kenya, Rwanda, Ghana. Tunisia among others already have Nation Start Up Laws and they are recording increased growth business startups hence employment.

With support from the Mastercard Foundation under the Young Africa Works Strategy, the PSFU is working with The Innovation Village, NSSF, URDT, and Guidie Leisure farm to pursue the development of the National Start Up Policy. The policy should have the following interventions;

- i. Enhance coordination amongst the eco system players through creation of national apex body for startup entrepreneurs
- ii. Provision of business development services (Business model identification, administration, finances management) among others through incubation centers
- iii. Reduction in the cost of doing business through provision of incentives in intellectual property, licensing regime, tax regime, business startup, cost and access to internet among others
- iv. Support access to markets through preferential treatment in procurement and capacity building
- v. Enhance access to seed funding through a revolving innovation fund

Currently, Startups in Uganda are addressed if at all, under MSME focused laws or policies. Cognizance should be taken of innovative entrepreneurs as the masters of entrepreneurship with the ability to contribute to policy formulation. Entrepreneurship focused public private dialogue is encouraged for co-creation of Startup focused policy. As a result, some of the existing policies may require reform to conform to the proposed National Startup policy. This will drive innovation, accelerate growth for startups and hence job creation.

SECTOR POLICY PROPOSALS: CROSS CUTTING ISSUES

‘The private sector has committed itself to contribute towards the implementation of the Young Africa Works strategy of the MasterCard Foundation leading to creation of 3,000,000 work opportunities in the next 5 years. The “Lead Firm structure” approach is one of the development models implemented by the PSFU’.

The following policy challenges have been raised as key impediments towards exploitation of these work opportunities. Ten key areas have been identified as priorities for policy action in the FY 2021/22 with five (5) issues being **reprioritized** including:

- 1) The high costs of business financing;**
- 2) Adoption of a policy and enactment of laws to promote local content in especially in public procurements;**
- 3) Widening the tax base**
- 4) COVID-19 economic stimulus package**
- 5) Public debt sustainability**

It is expected that policy improvement in these areas will contribute significantly to the sector growth leading to job creation, check macroeconomic parameters manage debt burden and attract more FDI inflows to the economy. The other seven priority areas also need attention to support actualization of the above.

2.1 Access to affordable Finance

The National Budget Framework Paper 2021/22 proposes some interventions such as establishing grants “MYOGA”, recapitalization of UDB, reduction on domestic borrowing among others. While all these are appreciated, they are not any different from the previously proposed and implemented interventions. Even with good macroeconomic policy, commercial banks lending rates do not respond to these interventions.

On the demand side, enterprises in Uganda, much like those on much of the African continent are bridging their long-term capital needs with short term bank- financing which is expensive and does not match the growth trajectory of these businesses.

Similarly, on the supply side, investors report a shortage of high-quality investment opportunities as a challenge. Most enterprises seeking investments are not investment-ready and often need internal reorganization before engaging outside investors. This makes them unattractive to both domestic and foreign investors – resulting in a small deal flow pipeline for the private and public capital markets.

This situation is even worse for start-up entrepreneurs and young people. This raises questions such as “how realistically and innovatively can we solve this challenge”. Well PSFU hereunder proposes the following:

a) Support de-risking of the private sector through:

In the composition of interest rate, risk of the project and the entrepreneur is the biggest driver. This is the main reason why commercial banks have prioritized lending to Government since it is a risk free engagement. There is need to de-risk the private sector through the following:

- I. Expand the coverage of the Credit Reference Bureau (CRB) to improve access to information about borrowers. This will involve completing the National Identity Card registration system, integration of the National Identity Card with the Credit Reference Bureau and to include all types of transaction information such as utility payment records (water bills, power costs, company location, licenses, residential information and bank accounts).
- II. Work with Private Sector associations to develop the capacity of borrowers through business development services which includes building producer groups to enable them be credit ready

III. Create risk guarantee schemes for about 7 prioritized sectors including agriculture, manufacturing, education and health, real estate, oil and gas, ICT and tourism. This will achieve a reduction in lending rates from an average of 22% to between 10% and 15% depending on the sector.

Background:

- i. Credit required by the private sector is about 12 trillion shillings annually
- ii. Credit needed for priority sectors (agriculture, tourism, ICT, Health, education, manufacturing, oil and gas, real estate) is about 6.67 trillion shillings annually;
- iii. Resources could be structured by GoU supported by insurance, grants
- iv. Government partnership is required.

Formula

- ✓ Guarantee risk between the Government and commercial banks at a 50:50 ratio
- ✓ Basing on a stable situation, actual risk is about 4% equivalent to 266 billion shillings
- ✓ Budget for 2%- and appropriate 133 billion shillings through the Bank of Uganda
- ✓ Agree with Auditor General on the process which commercial banks can follow to benefit from the 50% risk guarantee by Government in case there are defaults
- ✓ Conduct a post transaction audit because banks are heavily supervised.

Results:

- i. Interest rates will come down up to 10% for Agriculture, 12.5% for other sectors, 15% for trade and commerce**
- ii. About 10% of the allocation will be collected by Government as revenue. This is based on a average minimum return on investment of these sectors.**

b) Amend the current Government pensions law to promote long term savings in the economy.

Emphasis should be on amending the Government pensions scheme to move from a pay as you go system to a contributory scheme. This restructuring will require investment in actuarial services to examine the size of liability. This is the key sustainable solution to credit challenge.

c) Invest in preparation of entrepreneurs especially MSMEs and young people to make them credit ready.

The National Budget Framework Paper 2021/22 proposes a good approach of incubation and innovation centres established across the country. The challenge however lies with (1) the management of these incubation centres and (2) release of the incubatees after sometime. In addition, the development of a national BDS strategy is yet a welcome initiative. The private sector proposes that management of these incubation centres need to be conducted through a PPP approach. Available incubators/innovation centres should be used to drive the process.

The financial sector in Uganda is small with UGX 25 trillion shillings available, 60% is short term lending and only UGX 10 trillion is available for long term lending. This is not sufficient to support the industrialization agenda of the country. The ratio of private sector credit to GDP stood at 14.95% in 2018 (World Bank, 2019), while that of the sum of banks deposits to GDP stood at 16.85% in 2018 (World Bank, 2018). The very low credit growth is largely attributed to banks' risk aversion, with banks preferring to invest in Government securities at the expense of the private sector. The retirement benefits sector has been growing rapidly with assets at UGX 11.7 Trillion in September 2019, which more than doubled from UGX 5.2 Trillion in 2014. Its coverage is also improving reaching 14% of Ugandans in 2017 from only 6% in 2014. However, this is still short of 20% coverage in Kenya although larger than 10% in Tanzania.

Ugandan capital markets are small, with only 17 companies listed on the Uganda Securities Exchange (USE) and around half of them cross-listed on the Nairobi Stock Exchange (NSE) in Kenya. There is also a very low level of awareness among the public of the opportunities presented by the capital markets. Key challenges in capital markets include: a rigid legal and regulatory framework, limited supply of securities and costs of issuance (CMA, 2017) and poor governance nature of the companies that inhibit equity financing.

Commercial banks' lending rates do not respond to movements in the CBR. Lending rates, although slightly reduced to 20%, are still high, despite reduction in CBR to 7%. PSFU therefore recommends:

1) Assent to the NSSF (Amendment) Bill 2019 to support mobilization of savings beyond the restrictions on number of employees in the formal sector.

2) Enact the Government Pensions Scheme Bill, 2019 to move the Government workers to the contributory scheme. This action requires risk liability actuarial service to support implementation.

- 3) Adopt risk guarantee schemes especially for the key priority sectors required to foster industrialization. This scheme (s) could take a 50:50 risk sharing between the commercial bank and the borrower.
- 4) Promote business development services to improve the credit worthiness of the borrowers/ producer groups among others.

2.2 Local content

Local Content: 60% of the national budget is developmental. Unfortunately 70-85% of these resources do not stay in the economy to stimulate growth. Procurement should be used as a tool to stimulate growth especially where goods and services meet the required standards and where they are lacking Government should support development of this capacity.

Presently 61% of road construction works under UNRA have been awarded to Ugandan firms. Local content participation in energy projects, oil sector and airport development project is still below 40% due to lack of capacity of local firms to supply. The majority of the MSMEs do not have enough knowledge about the public procurement process.

Implementation of the local content policies and regulations is yet to reach a level where local private sector investments are prioritized. PSFU with support from the MasterCard Foundation is developing a special purpose vehicle to consolidate capacity of the local private sector to effectively participate in public procurement.

To address the above mentioned constraints, the Private Sector Foundation Uganda recommends:

- I. Prioritize capacity building for MSMEs and start up entrepreneurs in public procurement through bidding.
- II. Enact the Local Content Bill, 2020 to enforce the Buy Uganda Build Uganda policy and reservation schemes.

2.3 Widening the Tax base

Taxes are vital for Government revenue to enable it provide services and amenities that stimulate growth. These combine well to support further growth in the economy. The private sector is the biggest source of that revenue. But high rates of and multiple taxes can impede enterprise growth.

Increasing tax is not a function of actions from the tax administrator, but rather from the growth of the economy.

This contradiction needs to be managed well to achieve the revenue government requires while at the same time facilitating the private sector to contribute to economic development in an effective way.

The fiscal strategy as proposed in the National Budget Framework Paper targets the Domestic Revenue Mobilization strategy (DRUMs) which intends to increase Uganda's tax to GDP ratio from 14% to 16.8%. In attempts to widen the base, the same sectors as in the past have still been targeted to raise the lofty revenue requirements. Consequently, the regime has become unpredictable with new changes in the tax policy happening annually. This affects stifles innovations and planning for investments.

The following are some of the principles which may ensure that the above contradiction is managed well:

The tax amendment bills should be able to get the optimal tax revenue while at the same time promoting business formalization and growth. The tax regimes therefore should have the following characteristics:

I. Tax incentive should generally support a sector rather than individual companies; this will promote a healthy competition in the market.

II. Progressive tax regimes are preferred because they don't constrain growth which contributes to more decent work opportunities for young people and also attracts more investments. Excise duty on value addition of agriculture products should be exempted for a period of 2-3 years to support the development of the products thereby leading to increase in household incomes. Government should consider charging higher import duties to imported products similar to the ones under excise.

- III. Efficient tax administration should be preferred to imposing new tax regimes. Tax administrators should strive to carry out the administrative work directly or through outsourcing.
- I. Levies, fees, and cesses should be discouraged as a source of government revenue and where they are used the private sector needs to be in control of the management of this levy, fee or cess.

The above, worsened by the implications of COVID-19 on demand and limited the process of widening the base. The PSFU has the following proposals:

- a. Government should exempt taxes on innovative products that use 75% of the local raw material other than water for about 2-3 years to enable them break even. This will stimulate more creativity and increase the disposable income of the producers and create employment leading to higher VAT revenues.

- b. Government should incur the installation related costs of the digital tax stamp to reduce the cost of doing business for the private sector. This will lead to increased production and sales volumes leading to more excise duty, VAT and corporation tax earnings;**
- c. Government should ensure that the various tax regimes are stable for at least 3 years to ensure predictability of the investments. This will attract more foreign direct investment and value addition.

2.4 Debt sustainability

Although, still well managed going by IMF requirements, projections reveal that Uganda's debt to GDP level will rise from 41% currently to 49.9% by end of 2021 and then peak at 56% in the medium term (NBFP FY 2021/22). This has started raising anxiety especially where the resources are (1) not well managed and (2) a lot of the resources do not stay in the economy to stimulate production. Indeed the macro economic situation is worrying. The PSFU proposes the following areas which if adopted could change the debt position from a threat to an economic stimulus;



- a. Diligently implement the local content policies especially in infrastructure projects. Every FY 60% of the national budget goes to procurement mainly for infrastructure projects. Unfortunately, nearly 80% of these monies do not remain in the domestic economy because first many individual private sector players lack capacity and second because of an absence of a law to enforce the BUBU and local content guidelines. The national local content law should be enacted and in addition MSMEs should be trained and made aware of how they can participate in public procurements. These if implemented can annually yield USD 3 billion to Government inform of tax revenue.
- b. Address and reduce the tendency for government agencies to operate in silos. The NDP III adopted a new programme based budgeting approach in order to enhance inter-agency synergy. However, the related subventions (votes) of various public bodies are still fixed. In addition, the Office of the Prime Minister, which is responsible for monitoring project implementation to achieve efficiency, has shifted priority to project implementation hence affecting the monitoring role. The PSFU proposes that the programme based approach to budgeting be fully embraced with flexibility in the various subventions.

2.5 COVID-19 Economic stimulus package

The pandemic has affected various sectors differently. One sector where recovery is still uncertain is tourism. The NBFP has provided for very few direct interventions aimed at supporting the private sector players respond

to this challenge. The PSFU proposes the following;

- a. Prioritize marketing of the sector to both domestic and international tourists through increased funding;
- b. Invest in development of tourism products such as the cultural centres to improve their access leading to increase in numbers of domestic tourists;
- c. Extend tax relief to the sector for the year 2021 to enable the sector recover but also promote formalization of the economy.

OTHER KEY CROSS CUTTING ISSUES



2.6 Skills and attitudes for labour productivity:

While efforts are made to improve Uganda's training system to produce a labour force with employable skills, many young people are not acquiring the cognitive, socio-emotional, technical as well as practical skills needed by the private sector to thrive and prosper in an increasingly competitive domestic, regional and global economy. There are numerous jobs available; especially in urban labour markets that cannot be filled appropriately because

skilled labour is either too expensive or applicants do not bring the right skills and work ethic to perform up to the job requirements (PSFU Skills Needs Assessment report, 2019).

This illustrates the presence of skills gaps and the high costs of doing business which inhibits the ability of companies to attract and retain highly skilled labour force. Consequently the private sector companies rely on 'out-sourcing', whereby a company hires another company or an individual to perform tasks, handle operations or provide services that previously been done by the company's own employees and/or 'out-bonding' where employment is disguised to save taxes and social security expenditures, while it utilizes 'staff' that work on their own-accounts (mostly informally) as part of the company. Alternately they opt for 'off-shoring' whereby the company moves entire company processes or services overseas. The Business, Technical, Vocational Education and Training (BTVET) Policy recognizes this gap with the establishment of skills sector councils but so far very little has been achieved.

To address this challenge, the private sector recommends:

- a) Development by government of a human capital development plan to provide strategic direction in skills development. This will limit duplication of interventions and better guide the country towards the needs of the private sector.

- b) Development by government of a labour information management system through the Ministry of Gender Labour and Social Development to provide required labour information regarding labour demands and supply. This will also support in pricing of the human resource.
- c) Prioritize the Early child Development through increased funding for the ECD policy in line with inspection of these canterers. Also incentivize the private sector investing in this industry

2.7 Governance and Corruption:

Despite the many Government anti-corruption initiatives over the years, desired results particularly in the reduction of corruption has not been realised. Indeed Transparency International indicates that perception about corruption in Uganda has deteriorated. The exact cost of corruption for Uganda is difficult to establish but the 2005 and 2006 estimates (World Bank and The Global Integrity Report) suggested that at that time, Uganda lost between 200 and 250 million USD due to corruption. Further corruption distorts markets, threatens quality of life because of compromised quality of goods and services, and affects national resource allocation, and as a result has a negative effect on the overall investment climate. Stakeholder consultations affirmed that there are no meaningful anti-corruption efforts/initiatives led by the private sector. It was also noted in spite of all government efforts, corrupt practices still exist in the Government's procurement system and processes. Part of the problem lies in a system that is not as transparent as it could be. And in addition there are many examples where perpetrators of corruption benefit economically from their deeds. The general perception is unfortunately that corruption pays.

The impression one gets on corruption in Uganda is that traceability of illegally and corruptly acquired assets and wealth is difficult. The private sector is of the view that it is possible to use available public IT databases to reduce the risks of illegally and corruptly acquired assets being hidden. PSFU therefore recommends/proposes that:

- a) PSFU with support from the EU and ENABEL under the Skills and Governance program (SG+) will set up a private sector led Whistle Blower facility, to generate evidence on corruption cases. This information will support engagement with various MDAs.
- b) GoU needs to link the various public databases to ensure that they communicate with each other. Among such databases are the Companies Registry at URSB, the Land Registries, the NIRA, UCC and NITA.



2.8 Legal and Regulatory Environment:

An enabling environment is required to promote and sustain private sector investment. Government takes too long to develop policies, laws and regulations. Some critical commercial bills such as National Local Content Bill 2020, Competition Bill 2018, Coffee Bill 2019, Landlord tenants 2019, Animal Feeds bill

2019, Real Estates Bill, NSSF (Amendment Bill) among others have taken too long without being enacted. And some of those that have been enacted ones require regulations to operationalise them, which regulations are still awaited.

In addition, the legal framework for access to land for investments is not robust enough to ease investments. For example, for the mining and extractive sectors, floriculture sector players are not in position access land to carry out upstream activities like mining and value addition process. The issue of land needs to be resolved. Even where an investor is to purchase land from locals, it may be better for Government to find a mechanism which guarantees predictability in use of land where leasing is concerned.

Additionally, consultations and engagement of the private sector from the GoU have greatly improved during policy review and development however we are almost missing when it comes to policy implementation and this affects the efficiency of the policy implementation. During law reforms, the private sector is continuously engaged to make submissions on these bills however, we are not party to the decisions made thereafter. PSFU recommends;

- a) Involve the private sector in the policy implementation especially sector related policies for ease efficiency and sustainability.
- b) There is need to expedite the process of law making especially through parliament and the various ministries including cabinet.



2.9 Infrastructure Development: Infrastructure, Water for Production, Energy, Roads, Water Ways.

2.9.1 Infrastructure for water for production in agriculture:

Infrastructure development (transport, energy) remains key in reduction of production costs as has been highlighted in the previous years. However, with the present climate change effects, rain fed agriculture can no longer guarantee and determine agricultural production as has been the case. Moreover, serious modernisation of agriculture cannot be realised with outdated complete reliance on nature. During FY 2019/20 only 218 billion was allocated for water for production compared to the 6,460 billion allocated to other infrastructure. This clearly depicts the lack of prioritization of the infrastructure for water for production at farm level. The private sector therefore proposes that:

- i. As a long-term objective/target, Government should prioritize funding the infrastructure for water for production to the level of road and energy infrastructure. Given the unpredictability of weather patterns blamed on climate change, it would be unwise to not plan for mitigation now to guarantee future national food security and export earnings.**
- ii. Government should implement the irrigation policy through PPPs to provide better extension services and economic related information on irrigation technologies to the agriculture sector.
- iii. Research in irrigation technologies should be prioritised and given adequate funding. This would be in line with proposals made elsewhere in respect to supporting agricultural value chains.

2.9.2 Energy (prices, access and efficiency):

Energy continues to play a significant part in the cost of production in Uganda. According to UMA report 2017, energy costs contribute about 15% of production costs; and in some SME's, this can be as high as 35%. Some countries which compete with Uganda either in the domestic market or export markets have much lower energy costs as part of overall production costs. They range from 2-8% and include: India, Egypt, China, and South Africa. The electricity tariff in Uganda is on average 11 USD cents per kilowatt hour for low end users and 5 USD cents per kilowatt hour for high end users compared to Kenya which has improved to 7 USD cents per kilowatt hour for both high and low end users. Energy quality is also predominately reported as a challenge to industry as it increases the costs of production which discourages value addition.

Despite the various opportunities availed through GoU expenditure and the fairly well crafted local content policies and reservation schemes, the private sector is still not effectively participating. Therefore, Uganda needs to ensure that the business community is competitive especially domestically and regionally.

Private sector recommends;

- I. Target reduction in costs to achieve a 5-7 USD cents/kilowatt hour tariff for energy to all manufacturers. This needs to be achieved in a timely manner that is consistent with the various trade agreements that we are committed to.
- II. Strictly implement local content guidelines when procuring items used in big Government infrastructure projects (dams, railways, oil pipeline, etc). This should be expeditiously worked on for the cable sector.
- III. Government should continue concentrating on ensuring connection (especially for 3 phase lines) and energy efficiency is achieved especially under the rural electrification development program. In this regard, special emphasis should be put on energy for production



2.9.3 City transport:

Traffic jams and congestion in the city make it costly to distribute goods and deliver services. But it also makes labour mobility more difficult thus negatively affecting its productivity. The World Bank reports that traffic jams cost the economy over US\$ 800m (over UGX 2.8 trillion).

PSFU further estimates that currently productive labour spends the equivalent of 52 man-days in traffic jams per year. That

is more than 2.3 months.

Furthermore, more fuel tends to be used in the jams and this collectively accounts for the increased operational costs and overheads making transport costs generally high. The commuter taxis are forced to charge expensively thereby forcing thousands of would be productive labour to walk long distances which affects their productivity. The introduction of city buses has been slow with no major impact as only a few routes are served, and the buses are themselves low capacity vehicles. The private sector reiterates some earlier proposals as follows:

- i. Government should support KCCA to develop the city road infrastructure to reduce traffic jams.
- ii. The city rail facility development targeting light but efficient rail system should commence as soon as possible. The project of the standard railway gauge could be revisited to support the rail system in Greater Kampala Metropolitan Area in the long run. In the short run the current railway system, be used to evacuate and also bring in passengers during peak hours.
- iii. Government should introduce a more sustainable bus system in the city; to this end, the KCCA could implement a PPP approach where KCCA develops



a plan for city bus transport with clear regulations and invite the private sector to invest in the required buses.

2.9.4 Waterways, ferries and air transport:

Government continues to support investments in ferries, this is commendable. However, as mentioned in the recent years the ferries management tends to concentrate on passengers and not cargo. The safety elements also require further improvement. There is need for improved water transport in the lakes especially Victoria and more so to link the southern route of the railway to

Dar es Salaam, Port Bell and Jinja piers with Kisumu, Bukoba and other major commercial centres in both Kenya and Tanzania.

A barge should be planned to facilitate the oil & gas industry on Lake Albert to connect to the Packwach railway line.

Lake Victoria could become a huge growth area if regional partners built a ring road around it and supplied it with energy. It would promote tourism and other services given that about 25% of the total population of the EAC resides on the basin and shores of Lake Victoria. This is an important investment area for Uganda and the region. The Government of Uganda in partnership with other

EAC countries like Tanzania and Kenya should fast track the optimisation of the Lake Victoria inter-country water transportation potential.

Air transport: The launching of Uganda Airlines is very welcome to the private sector but it must concentrate on cargo than passengers and critical routes such as Kinshasa, Asia and European countries where Uganda exports its products are critical to be considered.



2.9.5 Roads:

Uganda's infrastructure mainly the roads leading to the tourism circuits, hotels, internet, and electricity among others await urgent prioritization. Key roads within the tourism circuit e.g. Karugutu -Ntoroko, Mpigi,-Kasange -Kisubi Mpigi to Buwaya, 22km (Road) and Buwaya to Nakiwogo (by Ferry), Kisubi, Kisoro - Mgahinga National Park gate 62km, Kanungu - Ruhija, Katunguru - Ishasha - Kihhi - Butokota - Buhoma, Mubuku - Ibanda - Nyakarigija, Kyenjojo - Kagadi - Hoima - Masindi, Masindi - Kimanyombo (Murchison falls gate) Kidepo - Kabong - Kotido - Moroto, Kumi - Serere (Road) Bugondo - Namasagali (Ferry), Gayaza - Wobulenzi road among others in the country are in need of the urgent attention and prioritization by the Government of Uganda.

2.10 Widening the Formal Sector:

The Uganda economy remains dominated by micro, small and medium enterprises - MSMEs - most of which are not formalised. The problem with this state of affairs is that many of these enterprises are often unable to operate efficiently; are unattractive to financial institutions; cannot meet quality standards or meet supply deadlines. Above all most actually collapse in the first 12 months of formation, and those that survive contribute little or nothing to tax revenue because they are not always easy to reach. This latter aspect means that the tax burden continues to be shouldered by a few formally established enterprises. The private sector believes that it is in the interest of both the Government and of the formalised businesses that the informal sector is gradually reduced with a clear target for the longer term. The Government has done well to ease the burdens of establishing a company at the Uganda Registration Services Bureau (USRB). However, the informal sector does not seem to diminish, and one gets the impression that it continues to grow. It is proposed here to approach this using the following measures:

i. Sensitisation: some enterprises tend to remain informal because they lack information on how to formalise.

Other enterprises choose to remain informal to escape the tax net. Yet others are motivated by the perception that tax revenues are not used to

the benefit of society. The private sector proposes a partnership to mount a sensitisation campaign with a target to reduce the informal sector by 30% in the next 10 years. This will involve the PSFU, its member associations and public institutions such as URSB and possibly URA. Such a campaign would focus on the advantages of formalisation, the virtues of sharing the tax burden and highlighting the positive contributions of taxes to society at large.

ii. In addition, the private sector proposes a strict adherence to the guidelines for supplying goods and services to public institutions so that only formally established and tax-paying enterprises benefit from contracts to Government entities including local governments of all levels.

iii. All MSMEs (in selected sectors) that become formalised and tax and URSB compliant⁶ should qualify for a subsidy to put in place measures that ensure their products meet with quality standards set by the Uganda National Bureau of Standards. The PSFU and its members on their part would promote the linkages between those MSMEs with larger enterprises in (and depending on) the specific value chain.

2.11 MSME Development:

MSMEs constitute about 90% of private sector enterprises, and are both formal and informal in terms of operation. With a great role SMEs play in economic development, they are faced with many obstacles to competitiveness including but not limited to: high cost of finance and constrained access to credit; lack of acceptable collateral; limited sources of long term finance; and limited information on financing products. Therefore, to maximise the contribution made by these SME's to Uganda's development, there is need to: build firm capacities, confidence, transparency and responsiveness to policy and the market systems and to make it easier, cheaper, faster and more user-friendly for new businesses to register. Schemes targeting SMEs should be developed to enable them to improve, expand and prosper. The private sector has the following proposals to Government:

Quality & Standards: UNBS should be capacitated to support quality development, monitoring and ensure quality regime is maintained in Uganda to spur competitive and safe environment in the economy. The inspection function of UNBs should be privatized while UNBS concentrates on the regulation part. This is more sustainable and efficient.

Public Procurement: Support SME's to participate in the public procurement processes through training and sensitization on public procurement. The PSFU for its part is prepared to consider involving eligible SMEs in its linkage programmes such as special purpose vehicles, proposed elsewhere.

Standardize Business Development Service Provision:

The economy has over the years received several BDS providers who have contributed significantly towards the development of MSMEs, however their contribution does not seem to be addressing the key MSME challenges of access to credit, ease of tax payment among others. Several BDS providers

⁶ Tax and URSB compliance is not necessarily the same as paying your taxes. It may mean just declaring profits or losses to URA and filing annual returns to the URSB.

are following different principles and there are no standards on BDS provision.

- a) GoU needs to develop standards for BDS providers and through the MTIC regulation of this service could be worked on.
- b) Increase budget for the Uganda Industrial Research Institute (UIRI) to stimulate more innovations especially in value addition. This could be put at establishing new outlets in the industrial parks to be accessed by the wider MSMEs.
- c) PSFU will implement the lead firm model that strengthens the business linkages to support BDS, mentorship, training and market guarantee to various MSMEs
- d) PSFU will develop a team of BDS service providers that will be working with several MSMEs to support them address their challenges.

2.12 Empower the Rural Community to Boost Demand in the Economy

Government needs to help the rural people by working based on a value chain to make interventions which will help increase production especially in rural areas. This can be done together with major leaders in the value chain, supporting business linkages. Effective interventions need to be made in a well collaborated manner by the entire stakeholders who support various processes. The various supporting agencies and donor organisation including financial institutions need to work together to stimulate production targeting given markets – local and export. This will therefore require government to invest more in the leading sectors which can spur this growth. The intervention should emphasise product development processes, and promotion to enhance the market penetration. The target Government has of increasing rural income to about 20 million per homestead should be implemented to help create key purchasing power.

It is important for the economy to appreciate a policy which empower the local population, because it is a more sustainable market base. Like the Chinese suffered during the economic crisis where their exports reduced because of reduced demand in the western markets because of the global crisis they resolved to develop their over 650,000 million rural population to become a reliable market,

Uganda should consider measures which will help the 36 Million Ugandans especially in the rural areas and periphery of urban areas to have increased incomes through conscious rural and periphery urban development.

The strategy emphasized would realise increased incomes among the vast rural population and help stimulate the demand from industries and service providers. This will further create wealth, provide jobs directly and more jobs indirectly through operators in the value chain.



2.13 Implementation of Agreed Positions

For some time now, Government has agreed to some of the issues which the private sector prioritized for consideration during the budget process. The proportion of implemented issues has ranged from 76% to 80% in the recent years, but implementation to the level at which the action causes an impact to business has been low. The business community observes and proposes that:

- i. Government has a lot of resources spent through the various agencies all geared to supporting the private sector. The challenge appears to be that the resources have not been harnessed optimally to produce the best results. Different Government agencies are working in silos causing duplication and contradiction at times. There is therefore need for Government to establish a monitoring framework which can coordinate these different works of Government and development partners. This can be executed with a PPP approach.

Government may continue delegating implementation of some of these activities to the private sector. Secondly there is need to improve the monitoring process where the private sector which is expected to receive the services is involved in the monitoring process. The Presidential Economic Council and/or the Proposed Prime Ministers Private Sector Forum could be used more efficiently to promote value for money and monitor satisfaction of the target for Government service delivery.



Rewards and punishment need to be employed for use on performance of public servants.

3. SECTOR SPECIFIC CONCERNS

3.1 Agriculture, Agribusiness and Forestry Sector:

The aspiration of Agenda 2030 (SDG2, and 9), is to end hunger, achieve food security, improve nutrition and promote sustainable agriculture as well as promoting inclusive and sustainable industrialization and foster innovation. SDG 8 also seeks to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Similarly, Agenda 2063 (Goal 5)'s aspiration is to have modern agriculture for increased production and productivity. Also, the EAC Vision 2050 seeks to promote value addition through agro-processing. The AfCFTA aims to create a single market for goods and services facilitated by movement of persons in order to deepen the economic integration of the African continent. This is an opportunity for Uganda to exploit its agro-industrialization agenda in order to feed the global value chain. The Uganda Vision 2040 puts emphasis on the establishment of economic lifeline industries including agro-based industries to drive agriculture productivity.

The NDP III's Agro-industrialisation programme, aims to increase commercialisation and competitiveness of agricultural production and agro processing. Key expected results include: **increasing export value of selected agricultural commodities, increasing the agricultural sector growth rate, increasing labour productivity in the agro-industrial value chain, creating jobs in agro-industry, and increasing the proportion of households that are food secure.**

The sector is still grappling with several challenges including (i) low agricultural

production and productivity; (ii) poor storage infrastructure; (iii) poor market access and low competitiveness for products in domestic, regional, continental and international markets; (iv) low value addition; (v) limited access to agricultural financial services and critical inputs; and (vi) poor coordination and inefficient institutions for planning and implementation of agro-industrialization.

Over the last 5 years, the sector registered improved growth rates averaging 3.4 percent per annum. Notable improvements were especially observed in the food crops sub-sector (maize, cassava and bananas) that grew at an average of 3.7 per cent. The cash crop sub-sector (coffee, cotton, tea) averaged growth rates of 6.4 percent. The livestock sector was the least performer and grew at 2.1 percent. The fisheries subsector recovered from a slump of -2.1 percent in 2017/18/ to grow at 11.3 percent in 2018/19, due to strict enforcement of fishing regulations. However, the agricultural sector growth rate fell short of the 6.0 percent targeted under the Vision 2040 and NDP II. Below is a matrix describing the key facts about the sector in Uganda.

1.	Contribution to GDP	24.5%
2.	Employment	<ul style="list-style-type: none"> ✓ 72% of the population. ✓ Over 30 million people employed ✓ 68% in subsistence ✓ 21 million women employed
3.	GDP growth rate	3.8% annually
4.	Contribution to exports	80%
5.	Labour productivity	USD 616 per person
6.	Food insecurity	40%

Source: NDPIII

In a bid to improve the performance of the sector, Government has developed the Agro-industrialisation programme 1 under the NDP III with the following result areas;

- a) Increase the total export value of processed agricultural commodities; coffee, tea, fish, dairy, meat, and maize (and its products) from USD 1 billion to USD 4 billion;
- b) Reduce the total value of imported cereals and al preparations, vegetable fats and oils, and sugar preparations from USD 931.1 million to USD 500 million;
- c) Increase the agricultural sector growth rate from 3.8 percent to 6.0 percent per annum;
- d) Increase labour productivity in the agro-industrial value chain (value added, USD per worker) from USD 616 to USD 850;
- e) Increase the number of jobs created in agro-industry along the value chain by 500,000;
- f) Reduction in the percentage of households dependent on subsistence agriculture as a main source of livelihood from 68.9 percent to 55 percent and
- g) Increase the proportion of households that are food secure from 60 percent to 80 percent.

Private Sector Agricultural Investments

For the Private Sector to gainfully and efficiently invest in agriculture, a favourable enabling environment must be in place as one of the key pre-conditions for a take-off of the agricultural sector⁷. i.e. Private sector investments in agriculture are now taking on the entire value chain process right from pre-production; research, (i.e. tissue culture in coffee, seeds, fish fingerlings, hatcheries), to production (opening land, planting, weeding, harvesting), to post-harvest handling (storage facilities), processing (milling, packaging and value addition) and marketing (distribution and placement to buyers/consumers). The private sector has also invested in other services including transport facilities e.g. cargo space for horticultural products; cold trucks, ordinary trucks, credit facilities in banks and micro-finance organizations, insurance among others. The private sector agricultural investments can further be illustrated in the matrix below:

⁷ Proposed plan to operationalise the Non-ATAAS component of the agriculture sector DSIP, MAAIF, 2012





Table 1: Private Sector Investments; Value Chain Analysis

	Pre-production	Production	Post-harvest handling	Processing	Marketing
Crop husbandry	<ul style="list-style-type: none"> • Seeds • Seedlings • Fertilizers • Irrigation-services • Research 	<ul style="list-style-type: none"> • Opening of land • ploughing • Fertilizers • Planting • Weeding • Irrigation services • pruning • harvesting; combined harvesters 	<ul style="list-style-type: none"> • storage • silos • warehouses • driers • cleaning • sorting • harvesting • cold chain management systems/rooms 	<ul style="list-style-type: none"> • Millers • Grinders • blending 	<ul style="list-style-type: none"> • Market Research • Branding • Packaging • distribution
Animal, Poultry, Fisheries	<ul style="list-style-type: none"> ▪ pasture preparation ▪ Semen ▪ Fingerlings ▪ Hatcheries 	<ul style="list-style-type: none"> ▪ feeding ▪ Fisher catching 	<ul style="list-style-type: none"> ▪ Slaughter houses ▪ Butcheries ▪ Milk and meat coolers 	<ul style="list-style-type: none"> ▪ Production of milk and products (butter, 	<ul style="list-style-type: none"> ▪ Market Research ▪ Branding ▪ Packaging distribution

<p>O t h e r S u p p o r t i n g s e r- v i c e s</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Extension Services <input type="checkbox"/> Equipment building- driers, planting, material, boat, building, spared parts production- etc. <input type="checkbox"/> Irrigation services <input type="checkbox"/> Tractor hire services <input type="checkbox"/> Transportation <input type="checkbox"/> Credit facilities <input type="checkbox"/> Insurance services <input type="checkbox"/> Animal feeds <input type="checkbox"/> Veterinary services <input type="checkbox"/> Maritime services <input type="checkbox"/> Freight and forwarding <input type="checkbox"/> Quality control services
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While Government has created an enabling environment for the agro-industrialization agenda to thrive, the following obstacles continue to constrain it.

Agricultural production and productivity is generally low.

Despite Government's efforts to extend credit to farmers by providing funds to non-profit associations (SACCOs) as well as provision of financial education, 68.9% of households remained outside the market/money economy. This is largely because many households lack the skills for maximizing land productivity like **proper spacing, planting of high yielding crops, fertilizer use, irrigation, soil and water conservation, water harvesting, timely planting, disease and pest control, crop and animal improvement and management through appropriate breeding and feeding.**

Also, adoption of improved agricultural technologies remains low.

In addition, there is a wide gap in yields between research stations and farmer fields.

Increase in total production is largely attributed to growth in land and labour use in agricultural production than to technical change

(see table below). This is more pronounced in dairy, fish and fishery products, cassava and maize.

Comparison of yields on farm versus research stations

Commodity	Average Yields (tons/ha)	Potential Yields as at research stations (tons/ha)
Maize	2.3	8
Coffee (output-million 60kg bags)	1.4	2.5
Tea	1.65	2.05
Fish and fish products	1.5	23.2
Cassava	3.3	20
Dairy (milk in million litres)	1.5	24
Beef	0.15	0.855
Fruits and vegetables	18	20
Tomatoes	45	80

Source:

Weak Support services (extension, entrepreneurial training, R&D, innovations, regulation of agricultural inputs, and reliable weather information):

Only 4% of all Ugandan farmers use a package of production-enhancing technologies (a combination of fertilisers and improved seeds) and supportive services. In addition, most farmers do not practice farming as a business due to limited entrepreneurial skills and have limited risk mitigation measures such as agriculture insurance and irrigation. Often, agricultural products are not of the right quality and variety. Consequently, production remains low, hindering the sustainable supply of raw materials to agro-industries. Therefore, in addition to strengthening the agricultural extension system from the research stations to the farm, cooperative colleges and colleges of commerce should be engaged to inculcate entrepreneurial skills to the farmers and the communities at large.

Limited access to agricultural financial services and critical inputs:

Considering the supply side of development finance, public funding for agro-industry is inadequate. There are various government initiatives meant to support agro-industrialisation (AGI) development. However, these initiatives are scattered among different agencies, are uncoordinated and non-transformative. Another important supply of development financing is through the development partners. However, increasingly the support is channelled through projects rather than programmes. Project financing is short term in

nature. As such, it cannot be a source of a sustainable AGI agenda. Additionally, financial institutions are focusing on the low risk, high cash flow and well collateralised segment of the value chain i.e. agro-manufacturing, leaving the high-risk agricultural production under-served. This partly affects the capacity to finance investment for raw material production and in turn the linkage between production and agro-industries.

Post-harvest handling and storage of agricultural commodities still a challenge:

Even though the World Food Programme is conditioned to purchase at least 10% of its food from LDC small holder farmers, Ugandan farmers can only meet 2% of this target. This is attributed to use of rudimentary methods, loss of up to 70% through the entire production chain, with only 30% of the produce being made available to the market. Uganda's postharvest losses range from 30 to 40 percent for grains and other staples, and 30 to 80 percent for fresh-fruits and vegetables. A PPP approach to investment in this area needs to be encouraged through subsidies to the private sector.

Uncoordinated efforts in agriculture production:

According to the World Bank Report, 2017, Uganda loses between 4 and 12 % of GDP due to inefficiencies in the agricultural sector. This is largely explained by lack of coordination of efforts to be able to achieve efficiency. Initiatives such as Operation Wealth Creation (OWC), Youth Livelihood Program, Women Entrepreneurship Fund and lots of donor funds including the CEPD, cluster program, among others. Private Sector investments - big and small companies, idle assets including land, and Government assets for agriculture are all not well coordinated. These have continuously grappled the sector growth due to limited production and productivity.

Policies and Regulations:



After liberalization process, business practices in the sector are not contributing positively to agricultural development. Appropriate policies need to be put in place to guide the research, production and marketing of various products. These policies should help answer lots of the challenges like research, disease/ quality control, marketing, inputs supply. This could take into consideration possible synergies with the private sector. The policies should

lead to laws and the laws should be implemented based on a clear framework. Some of the quick ones include apiculture policy, tea policy and acaricide policy, fisheries and aquaculture law, animal feeds and seed and inputs law. Additionally, the available policies form a cobweb of unimplemented policies that limit the achievement of the intended objectives thus affecting sector growth.



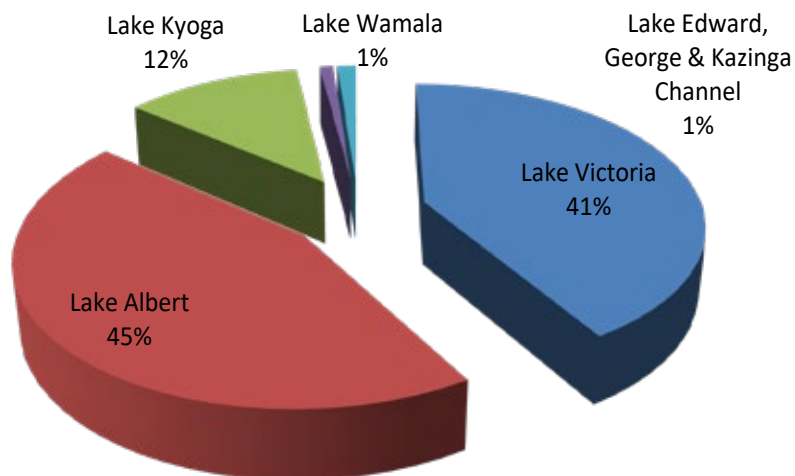
SECTOR SPECIFIC SUBMISSIONS

3.1.1 Fisheries and Aquaculture Sector

Fisheries activities are mainly carried out in open waters and provide an important source of livelihood for many people in Uganda. Open Water covers 37,495.81 square kilometres of Uganda's total surface area (15.5 percent). Lakes Victoria, Albert and Kyoga are the three major contributors to fresh water fish production in the country.

Since 2017, Lake Albert has continued to be the biggest contributor to fresh water fish production, accounting for 43.0 percent in 2018. This surpassed Lake Victoria (39.9%) which was the biggest contributor in the earlier years for the period under review while Lake Kyoga was the third largest contributor to fish catch (11.6%).

Proportion of fish catch by water body, 2018



Source: UBoS Abstract 2020



It is estimated that 140 377 Ugandans were involved in fisheries and aquaculture sectors employment in 2015, of whom 116,213 were engaged in inland waters fishing and 24,434 in fish farming. Large quantities of smoked and sun-dried fish originating from Lake Victoria are traded - legally and illegally into western Uganda and in the Democratic Republic of Congo.

Despite the good growth trajectory, the fisheries and aquaculture sector is faced with challenges ranging from **limited access to water for production, high cost and access to quality inputs (feeds, and fingerlings), inadequate management skills, limited access to market, loss of biodiversity,**

inadequate facilities for seed multiplication and artificial propagation for restocking and stock enhancement⁸. Other

challenges have been inadequate capacity of Beach Management Units (BMUs) in fisheries management, the resurgence of water hyacinth and the emergence of new weeds, lack of species-specific management plans, prevalence of HIV/AIDS in the fishing communities, inadequate mechanisms for fishing communities to save and invest, and lack of feeds to sustain the real opportunities in aquaculture.

The fish levy that was initially introduced for the purpose of fighting illegal fishing and supporting research and development is not yielding any results according to fish exporters. This is because they are not involved in the critical processes of planning, implementation and evaluation of activities which are supported by the levy. The Fisheries and aquaculture bill, 2018, development plans to support construction of fish ponds; restock major water bodies; undertaking research in area fish breeding and production technologies for more productive species; control of water weeds; increase regulation, inspection and certification; increase value addition to fisheries among others have been catered for to support the industry.

To effectively harness the fisheries sector potential, the private sector proposes the following to the Government of Uganda;

- 1. Enact the fisheries and aquaculture bill into law to ensure better supervision and management of the sector as well as development of aqua culture. It will also implement the fish levy as per the intended objectives.**

⁸ According to the Agricultural Sector Development Strategy and Investment Plan 2010/11-2014/15

- 2. Promote domestic production of fishing gears to avail fishing equipment's to fish mongers**
- 3. Increase support for research and development for better productive inputs including feeds, equipment's and fingerlings.**
- 4. Provide business development support that supports organization of aquaculture sector, marketing of products, storage, and aquaculture farm management, feeding, and breeding amongst others.**
- 5. Continue supporting the army working in collaboration with Fisheries experts to enforce compliance against illegal fishing related issues**

3.1.2 The Apiculture Sub Sector:



Bee keeping in Uganda has been practised for ages as a tradition among an estimated number of 1.2 million bee keepers. Given its compatibility with crop production, Uganda produces approximately 2,600 metric tons of honey per year with 95% being consumed locally⁹. This increased demand can be attributed to the heightened awareness about healthy living. However, due to limited use of improved transitional hives, productivity has stagnated at approximately 3.9 kg per year per hive as well as failed to meet the demand for organic honey. Uganda currently harvests only 1% of a potential 500,000 tonnes of honey per year. Despite being only one of five countries in sub-Saharan Africa licensed to export honey to the EU, Uganda is still failing to meet home-grown demand for honey, let alone export to this potential market.

This sector is constrained by many factors including: the lack of a policy and legislation to address issues such as setting market criteria and quality standards, lack of training on better bee keeping and processing practises coupled with low access to information, quality of honey and bees wax which

⁹ FAO report 2012; no reliable recent statistics



is compromised during harvesting. Farmers do not know how to separate bees wax from honey therefore the mixture between broken wax, honey comb, pollen, larvae and honey lowering the quality, the limited access to production credit i.e. low capital to invest in bee keeping as a business as well as the expensive machinery, Pests and predators that attack the hives,

High cost of equipment especially overalls and frame hives, Poor perception of beekeeping as a worthwhile activity. Some individuals do not regard it as a business, while others fear bee-stings (attitude towards the activity).

For Uganda to achieve the potential honey production, small scale farmers would need more support in terms of protective clothing and equipment and on-going practical training and support to enable them to benefit fully from these donations of modern more productive hives. The private sector further proposes the following recommendations;

1. **Develop the National Apicultural Policy together with its implementation plan to guide the sector generate** production statistics, better enforce quality and standards and provision of business development support to support MSMEs and start ups.
2. Privatize the entomology section of the extension to shift the available entomologists to concentrate on subsistence farmers and regulation of private actors. This is a sustainable solution to extension services. The National extension services bill needs to be enacted.

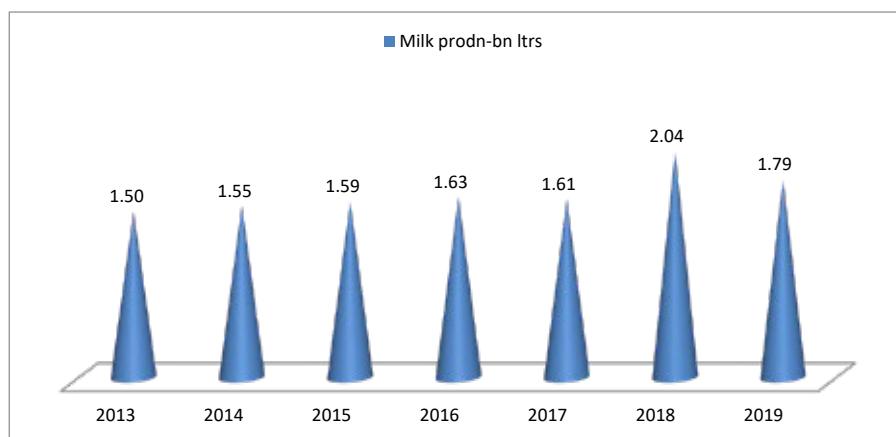
3.1.3 Dairy Sub Sector

The number of cattle increased from 14.2 million in 2017 to 14.6 million in 2018, a 2.7 percent increase. In 2018 the goat, sheep, pigs and poultry numbers increased by 2.4 percent, 3.1 percent, 3.3 percent and 2.8 percent compared 2017 increase of 1.97, 3.20, 0.54 and 2.8 to respectively. The indigenous breeds continue to be dominant over the exotic ones for both cattle and poultry. Out of the 14.6 million cattle in Uganda, 9 in every 10 (13.6 million) are indigenous. And out of the 42.9 million poultry in the country, (87.7%) were indigenous while the rest were exotic.

Due to increasing demand for milk and meat in the local market, livestock production has experienced a steady increase of 3% over the years. There has been a steady increase in the milk production for the past four years. Between 2013 and 2019, the milk production increased from 1.50 billion litres in 2013 to 1.79 billion litres in 2019. See the chart below;



Trend of Milk production 2013-2019 in billion litres



FAO stats, 2020

As illustrated in the figure above, milk production in the dairy sector has been gradually increasing over the years. However, according to the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), there is potential for increase if profitable markets can be developed given Uganda’s natural resources. The Ministry continues to state that 75% of the land (18 million square kilometres) could be used for crops or grazing but currently only 5 million hectares is used for pastures and grazing land.

Although Uganda produces a lot of milk, consumption is estimated at less than 25 litres per person per year with consumption highest in central region at 91 litres per year, western region the second highest at 51.7 litres and with the northern region the lowest at 15.6 litres per person per year (K-2 survey, 2002). Uganda exports UHT pasteurized milk as the main dairy product to regional markets such as Rwanda, Kenya, Tanzania, DR Congo, South Sudan, Egypt and Mauritius. Although the export values have been growing, the recent trade war between Uganda and Kenya has greatly affected the industry. This is because Kenya was the biggest market for Ugandan processed milk and related products.

The sector is still faces challenges such as non tariff barriers on dairy products



accessing Kenya, high cost of milk processing machinery and limited knowledge in developing more value add products out of milk.

To address these challenges, the Private sector proposes;

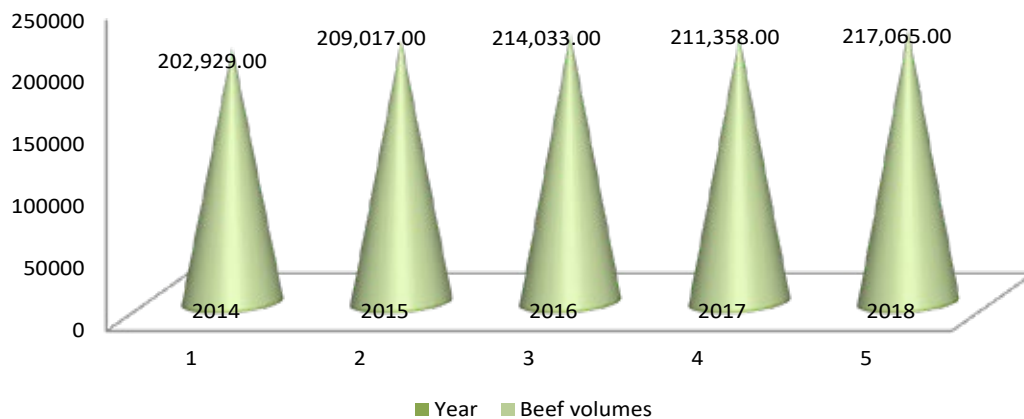
1. Enact a National Acaracide policy to support farmers in the pest and disease control
2. Enact animal feeds policy and law to promote supplementary feeding which is required to increase productivity of dairy animals.
3. Promote domestic consumption of milk and its products through public procurement for schools, hospitals, Government institutions and airlines. This will provide an alternative market for Uganda milk products.
4. Enhance the budget for research and development of NAGRIC to enable it expand the community breeding program. This program however should take a private sector approach.
5. **In the short term, conduct bilateral engagements with the Government of Kenya to resolve the non-tariff barriers on dairy products from Uganda.**

3.1.4 Beef Sub sector

Beef production has registered an upward trend in the past four years with 197,019 metric tons in 2013, 202,929 metric tons in 2014, to 217,065 metric tons in 2018. In addition, cattle increased by about 3% between 2013 and 2014. Higher rates of growth are anticipated as Government pursues its policies of modernizing and commercializing agriculture. To restore the livestock industry, the Government of Uganda has put in place livestock productivity improvement plans and policy frameworks.



Figure showing beef production trend between 2014 and 2018



Source: UBOS Statistical Abstract, 2020

Several beef processing plants in Bombo and Nakaseke have since been commissioned however, information reaching PSFU is that they are not yet effective in supporting the sector grow. The beef sector still faces a number of

challenges which if not addressed will continue to hinder the progress of the industry. These include: **low animal productivity due to low genetic potential and poor management practices, foot and mouth disease outbreak due to breakdown of communal dip tank infrastructure, and timing of availability of vaccines at district levels, inadequate feeding due to dependence on low quality**



natural pastures, costs of hybrid (breeding bulls are quite high, with Boran bulls being imported), non-existent cattle fattening culture or infrastructure, constraints in breeding: lack of improved bulls, inadequate infrastructure for livestock markets, abattoirs and dip tanks, among others.

For a thriving beef sub sector, the private sector recommends that Government should;

1. Enact a National Acaracide policy to support pest and disease control
2. Enact the quarantine act and policy promoting private certification of farms with the requisite bio safety to curb foot and mouth disease
3. Increase funds in the area of supplementary feeding to improve the nutrition of beef animals hence increased productivity and meat quality
4. Prioritize investment in improved breed technologies and embryo transfer.

3.1.5 The Grain Sector; Case study of Maize:

The three most common types of disposition for cereal crops are; sale, consumption and storage. A significant percentage of maize production (40.5 percent) and rice production (54.5 percent) is sold while most of the finger millet (37.7 percent) and sorghum (46.9 percent) is consumed by the producing households (UBOs Abstract, 2020).

For all the four cereals in the table below, less than 10 percent of production was used for other purposes¹⁰.

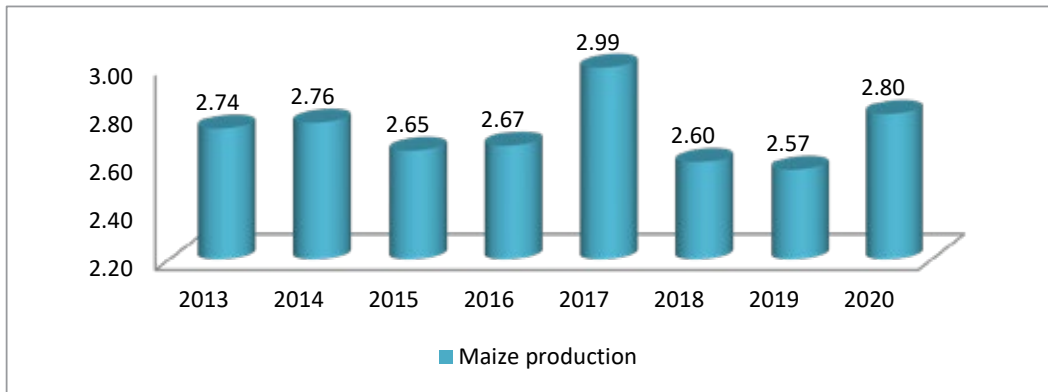
Cereal Production (Mt) and Disposition by percentage, UCA 2008/09

Crop	Production (Mt)	Sold	Human Consumption	Stored	Used for other purposes
Maize	2.8	40.5	34.3	19.3	5.9
Millet	4.3	19	37.7	33.5	9.8
Sorghum	375,795	14.3	46.9	30.1	8.7
Rice	190,736	54.5	24.1	12.4	9.0

UBOS, Statistical Abstract 2020

Uganda is the eighth largest producer of maize in Africa and third in East Africa. The production area for maize is 1.15 million hectares with a production of 2.7 million metric tons. An estimated 75 per cent of maize production and 70 per cent of marketable surplus is attributed to smallholder farmers. Maize as the third most cultivated crop after banana and beans is a growing source of livelihood and foreign exchange through exports. It is grown by small-scale farmers who for so many years have cultivated it for food and income generation. Maize acts as a source of livelihood to over 100,000 traders, 50 exporters and about 3 million Ugandan farm households.

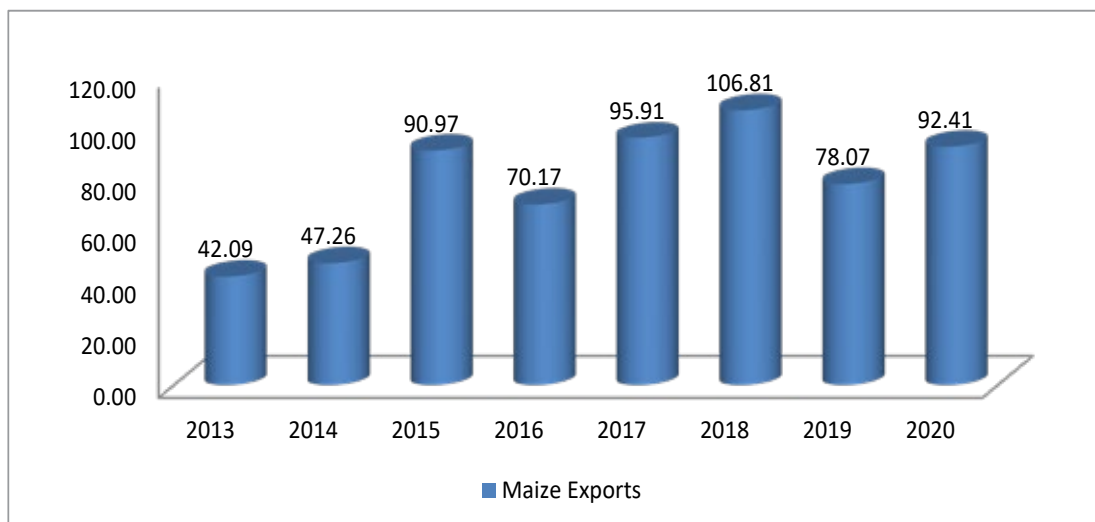
¹⁰ UBOS, Statistics Abstract, 2017



Source: United States department of Agriculture; Uganda Maize production statistics, 2020

Due to the high demand in the regional market, Uganda exports maize mainly to Kenya, Southern Sudan, Democratic Republic of Congo, Rwanda, Tanzania and markets within Eastern and Southern Africa. Therefore, increasing maize yields and quality would go a long way in strengthening its position in the regional and international markets. However, the accuracy of data on volume and value of exports is in question due to the high rate of informal trade at cross-border level mostly to Kenya and Rwanda. Consequently, Uganda has only been able to formally export half of the estimated 66,671 tons to her neighbouring countries and the rest is left unknown.

The figure below shows quantities in export of maize from Uganda



Source: Bank of Uganda, 2020

Trade relationship between Uganda and Kenya is



expected to bring prosperity and better relations for both countries. The two countries partnered to balance out the surplus of grain produced in Uganda, with the growing demand coming from Kenya. This partnership is expected to allow more effective, efficient trading of popular grains, including green grams and soy beans.

The five East African Community (EAC) states have finally agreed on the recommended moisture content for cereals and grains in the region. Cereal traders in the region can now sell their produce with ease. As Ugandan standards of moisture content stands at 15%, far below the required standard, negative short-term impacts are expected in the Ugandan grain exports.

Weaknesses of the country to control commodity flow then makes cross-border trade a challenge. The Government of Uganda

should therefore find viable measures to ensure control of commodity flow at the borders as well as increase productivity.

Recent Industry Insights:

Ban of Ugandan Maize to access Kenyan Market,

reports about the banning of Ugandan maize to access the Kenyan markets citing issues of aflatoxins were reported by farmers. This was later lifted but it signaled the need to improve quality of Ugandan maize and also value addition to diversify the markets.

Post-harvest losses and storage challenges along grain value chains;

Limited availability of suitable storage facilities and high cost of post-harvest handling products and equipment contributed to serious Post Harvest Losses The country's

suitable storage capacity for grains

stands at a mere 7.4% (EAGC, 2018) leading to high levels of aflatoxin infestations to up to 45% of total production (Makerere University, 2018). An analysis of post-harvest losses at school storage facilities in rural primary schools in Kamuli District, Uganda revealed storage losses of 53%, with the affected schools by losing maize enough to feed the pupils for 26 more school days (Brumm et al, 2017). This is clearly unacceptable loss of public funds.



A case for maize,

Post-harvest losses are predominantly caused by poor grain handling due use of rudimentary tools, pest infestation and poor storage facilities. Post-harvest losses (PHLs) account for 17.6% translating to 465,419 MT of the total production (APHLIS, 2016). Aflatoxin contamination is estimated to reduce the value of agricultural exports by approximately \$16 million (PACA, 2015)¹¹ and cost the economy USD 577 million annually as a result of aflatoxin-induced liver cancer cases (estimated using the transferred value per statistical life (VSL) method)¹².

Despite the growth opportunities highlighted above, the maize farmers often have a number of production constraints such as limited access to improved maize varieties, low soil fertility and erratic rainfall patterns thereby leading to low yields and high prices hence leading to low returns. Other challenges include;

High prevalence of counterfeit seeds;

According to Uganda Seed and Traders Association (USTA), counterfeit seeds account for 20% of the seed on the market. This has tremendously affected grain yields and farm productivity.

The private sector therefore recommends that government:

- i. Establish an efficient maize marketing mechanism which affects all aspects of the marketing value chain which will in turn lead to commercialization of agriculture.
- ii. Create a well-structured, market-friendly public-sector procurement of grains. Engagements with stakeholders found that some public institutions particularly the military, police force and boarding schools are major

¹¹ PACA (2015). Economic Impact of Aflatoxins to Africa: The case of Malawi, Tanzania and Uganda. Presentation at the First Africa Symposium of Mycotoxicology on 26-28 May 2015 in Livingstone, Zambia

¹² http://www.aflatoxinpartnership.org/uploads/Uganda_Aflatoxin_Control_MAY15.pdf

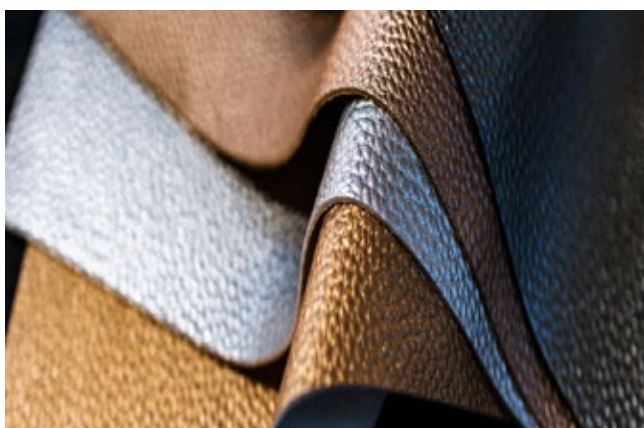
- consumers of grains in Uganda. However, their procurement practices contribute to unstructured trade as elaborated by other grain sector report. Given their significant footprint in grain markets in the country, the participation of key institutions in structured grain trade can “pull” more grain through certified warehouses, thus promoting organized grain trade and creating a business case for greater investment in warehousing, aggregation and commodity trade financing.
- iii. Rigorously enforce the 25% CET and no waiver should be allowed in order to encourage growth of local/regional production volumes and quality.
 - iv. Zero-rate VAT on all post-harvest equipment, machinery and products and construction of grain storage facilities such as warehouses. These include; grain shellers, tarpaulins, grain dryers, grain storage silos , hermetic storage products such as PICS®, AgroZ® and Grain Pro® bags, testing equipment such as moisture meters, aflatoxin testing kits. This would reduce post-harvest losses in maize and put an extra 232,709 MT in the food basket which can either feed over 8.3 million Ugandans and earn approximately USD 41,215,579 (considering Uganda’s per capita maize consumption of 28Kg a year and a current maize price of UGX 650/KG). Additionally, affordability of such machinery will help in the adoption and implementation of East Africa grain standards that would eventually increase competitiveness of Uganda’s export.
 - v. Allocate more resources to operationalize the National Seed policy to help in the regulation of the seed sector.

3.1.6 Leather, Hides and Skin Sector

The global leather value chain is estimated at USD 100 billion. However, raw hides and skins constitute a relatively small and declining proportion of total value of trade globally. At international level between 1993 to 1995, raw hides and skins constituted 12 percent of the total value of exports of hides, skins, leather and footwear. By 2009 this proportion had dropped to 8 percent. And currently the proportion of raw hides and skins to the value chain aggregate is



In spite of Uganda having the largest quantity of high quality hides, high texture and heavy substance in East Africa, weighing at 16 kg, its leather industry is still in its infancy. It is characterized by poor production equipment and limited value addition. The exported hides and skins from Uganda are usually in their raw and semi-processed forms. Over 90% of leather products are imported from outside Africa, despite the huge potential in the Common Market for Eastern and Southern African region. Of the estimated 25 million pairs of shoes annually demanded in Uganda, only one million are produced locally and the 24 million are imported mainly from Europe, North America and Asia. Out of the



total import of shoes, only about 500,000 pairs are leather shoes. Despite this potential, most of the finished leather products are imported into the country from Asia, European Union and North America.

In spite of the gains recorded in the recent few years, the sector is still challenged by a number of constraints that need to be tackled for the leather sector to develop further. Approximately

95 percent of the Ugandan processed hides and skins are exported as partly processed leather (wet blue). Prior to 2007, 90 percent of these hides and skins were being exported in raw state. For the period 2008-2012 Uganda was estimated to have produced on average 1.6 million hides and 4.7 million skins per annum, equivalent to 25,600 metric tons and 9,400 metric tons, respectively. Over 40% of these hides and skins were exported in their raw form, which was dry or wet-salted, with associated lost revenue due to little value added equivalent to US\$ 249.7 million per annum. The export of raw hides/skins, wet blue and crust entails forgone opportunities of jobs, foreign currency earnings and other indirect benefits, which could have been attained in Uganda. The value addition margins increase significantly as we move up the leather value chain. The losses which are incurred due to lack of value addition are illustrated in the Table 1 below.

Table 1: Value Addition Potential and Estimated Losses per annum

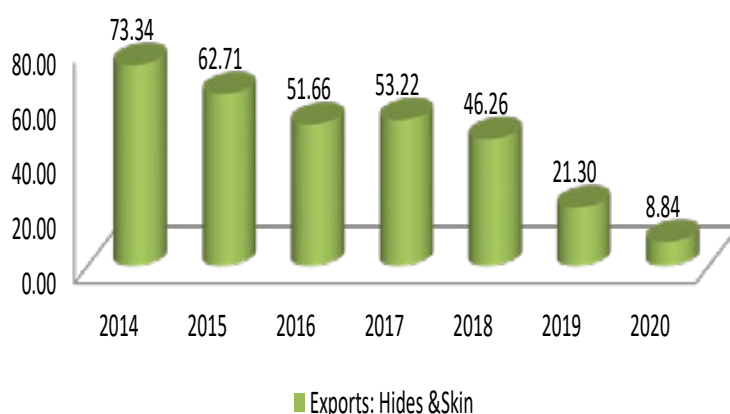
Stage of Processing	Potential Earnings (USD)	Current Earnings (USD)	Estimated Loss (USD)	Value Added Factor
Raw Hides/Skins	22,829,111			1
Wet Blue	45,658,222	41,530,085	4,128,137	2 times
Crust	68,487,333	684,873	67,802,460	3 times
Finished Leather	79,901,889	799,019	79,102,870	4 times
Finished Product	273,949,332	2,739,493	271,209,839	12 times
Cumulative Loss			271,209,839	

Source: Leather and Textiles policy, 2015

In 2016, Leather and footwear sector processed over 55.89 metric tons up from 53 metric tons in 2015. Additionally, the sector export volume increased from 25,038 million tons in 2016 to 26,303 million tons in 2016 (Bank of Uganda statistics, 2018). Uganda’s leather hides and skin sector however processes only 150,000 hides and 300,000 skins. This only means that the sector is being highly unexploited. It is important to note that many tanneries export hides and skins in either raw or semi-processed form (wet blue stage) with only one Jinja-based leather industry processing hides and skins up to finished stage.

Therefore to encourage local production, the Government of Uganda introduced a 20% export levy in 2002 which increased to 40% in 2007 and later on a cess of USD 0.25/kg in order to discourage the export of raw and unprocessed hides and skin. The introduction of these levies slowly decreased the hides and skin share of Uganda’s total export down from 7% in 1997 to less than 0.8% in 2009. This was therefore a way of encouraging other industries to start processing leather, hides and skin ready for the local market, hence boosting production, increasing returns and increasing levels of employment in the sector.

See figure below;



Export trend of hides and skins between 2014 and 2020 in Million USD

Source: Bank of Uganda, Composition of exports, 2020

Although, the National Leather and Textiles Policy, 2015 was launched, its implementation has not been felt to level that supports competitiveness of the industry. To actualize this growth, the private sector recommends to government to;

1. Promote the hides and skin extension services to improve quality and standards.
2. Extend industrial power to tanneries and other industries with direct lines of electricity to reduce the cost of fuel used to run generators. This will reduce operation costs and decrease prices of locally made products hence boosting industrialization in Uganda.



3.1.7 Oil Seed Sector

The increased demand for cholesterol-free oil has improved farmers' welfare through increased production. Due to the availability of vast land, cheap labour and agro-ecological conditions, groundnuts, sesame, and soya beans are grown mainly in the northern, north-western and north-eastern parts of the country. The sector is dominated by small holder farmers who lack access to credit, thereby hindering the growth of the sector. Other challenges include: poor access to agro-processing hence forcing farmers to sell unprocessed seeds, fragile linkages throughout the chain also hinder competitiveness of locally sourced oilseed versus imported palm oil, high taxes on seed imports, difficulties in technology adoption, access to inputs market, access to agro-processing facilities, high transport costs due to poor infrastructure in the hard to reach villages of Uganda, storage facilities.

The private sector recommends;

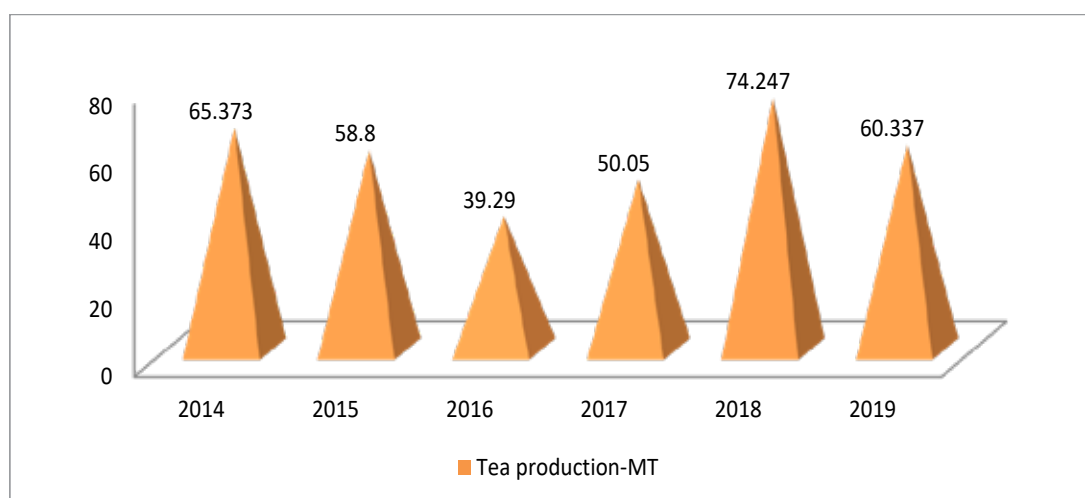
1. Government needs to increase availability to credit for small holder farmers leading to increased accessibility to agro inputs.
2. Increase business development support in form of portable value addition equipment for oil milling.
3. Put emphasis on employing more extension officers to train farmers on the existing technologies and their benefits, training on record keeping and financial management.
4. Invest and improve (in) research in the sector



3.1.8 The Tea Sector

Tea is the third agricultural export earner for Uganda with a potential to become number one export earner. The crop still has a big potential for expansion because only about 20% of the suitable land is under tea presently. Almost 100% of this is owned by the smallholders. The sector supports over 62,000 people and supporting more than 500,000 dependents. Tea production is labour intensive, and the industry provides jobs to the youth in remote rural areas where majority depend on tea picking and processing. Unlike the previous periods, tea industry production had declined by 33% from 58,588 tonnes in 2015 to 39,299 tonnes in 2016 then later peaked at 74.247 metric tons in 2019. Presently, volumes have reduced by 19% in 2020 due to COVID-19 management measures.

Figure showing trends of tea production 2014 to 2020



Source; UBOS statistical abstract, 2020

Annually, Uganda earns about \$60-90 million from the export of tea. Europe, Kenya, the Middle East, Russia, and America are the major export destinations for Uganda's tea. These figures are even much lower do to the disruptions in the logistics due to COVID-19 impacts.

The graph below shows the tea export statistics 2014 to 2020 (MUSD)



Source: UBos Statistical Abstract, 2020

The low quality of Ugandan tea has hindered its competition in both regional and international markets. One of the issues affecting its quality is the use of machines like puckers in harvesting instead of manual plucking. The disadvantage with the use of machinery is that the machine does not select which one to pluck and which one to leave, hence affecting quality of the overall production. Different discussions have been undertaken to brand Uganda tea so that it is exported directly but this initiative is still challenged by the many players producing different brands of tea. The sector is exposed to several challenges including;

15% PVoC charge on fertilizer imported from Kenya: The charge makes the fertilizer too expensive for the ordinary farmer. Tea production cannot be sustained for a long time without the use of fertilizer s since the leaves removed contain the nutrients from the soils. Such nutrients must be replenished for the continued growth of the leaves and its good quality.

Tea marketing: The PSFU is seeking for funding to study the possibilities of establishing a private sector run and owned tea marketing mechanism to rival the Mombasa Auction. This will increase the demand for Uganda teas and better prices.

Delays in VAT refunds to tea exporters by URA: Some companies' VAT refunds have delayed by up to 3 or more years with some accumulated refunds amounting to over UGX. 500 million. Companies resort to borrowing from commercial banks which are very expensive. There are many other bad financial repercussions because of delayed VAT refunds that come as a result and in many different forms. This money is for business development and should not be locked up there that long.

Tea Policy: With the above issues coupled with lack of a national tea policy to guide the sector, Uganda risks losing the contribution of one of its key export

earner products. The private sector therefore recommends the following for Government intervention:

1. Fast track enactment of National Tea Policy
2. Waive the 15% PVOC charge on fertilizers so that the tea industry does not suffer serious shortage of good fertilizers. There is need for by setting up an affordable revolving credit fund, with cost effective interest rate not exceeding 5% per annum for tea producers and processors to procure fertilizers and other inputs.
3. Government should conclude bilateral agreements with potential consumers of Uganda tea.
4. NFA should give priority for tree planting to the tea factories wherever such opportunity exists for land use.
5. URA should speed up VAT refunds to exporters. In the interim Government is requested to urgently exempt all the tea producing/exporting companies from VAT by them stopping paying VAT to URA on their imports and local purchases meant for the tea sector for a period.
6. Set up a requisite financing package with cost effective rate of interest and easier terms and conditions in banks like Uganda Development Bank (UDBL), from where it can be accessed by potential investors. A revolving fund of at least US\$ 100 million to begin with is sufficient.
7. Power tariffs are still on a higher side for the tea sectors hence a need to have them lowered.
8. There is an urgent need for tea commodity specialized approach to tea extension that will oversee improved production practices at the farm level through the entire value chain at the entire level of production.



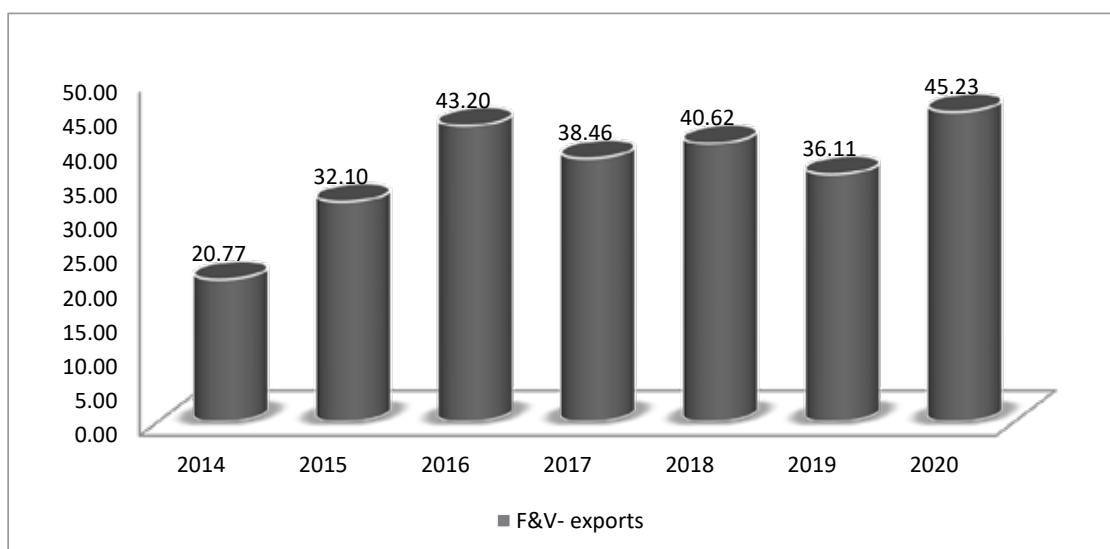
3.1.9 Horticulture Sector

Uganda is currently the second largest producer of fresh fruit & vegetables (FFV) in sub-Saharan Africa after Nigeria, producing around 1.1 million tons per year. (EPRC, Trade opportunities within EU, 2011). Over 40 per cent of production is undertaken by smallholders, suggesting there is room for the sector to

increase production and aggressively target commercial markets overseas. Most of Uganda’s FFVs are exported to the EU, particularly Netherlands, UK and Belgium. Despite the costs of shipping, organic agriculture has grown in value from US\$ 7.7 million in 2005 to US\$22.5 million in 2008. Because of the price premiums offered by organic agriculture the sector presents good prospects for future growth. In Africa, Uganda has the highest number of smallholder farmers (206,803) engaged in organic agriculture and a relatively high level of its farm land area under organic cultivation (88,439 hectares or 0.71 per cent of farm land). Nonetheless, there are still opportunities to improve the value of horticultural and floricultural exports. To experience growth, significant investment must be made in the industry.

Following Government’s export-led growth strategy outlined in the National Trade Policy, Uganda has experienced very strong growth in its horticultural sector. Uganda fruits and Vegetable exports increased by 25% from 36.1 million USD in 2019 to 45.23 million USD in 2020 (BoU 2020). Flowers contribute 53% of the export value, followed by fruits and vegetables (36%) and lastly vanilla. It is critical to note that flower export volumes contribution to total volumes are the least with 7%, vanilla 24% and fruits and vegetables at 64%.

Export Trends of Horticulture products 2014-2020



Source: BoU, composition of exports, 2020

Much as there have been government interventions through CEDP, consultations done within the private sector operators reveal that Government incentives for investment are insufficient. In comparison to Kenya, Uganda produces 40 cm stem roses and sells at 8 cents a stem while the former produces 50 cm stem roses, and sells at 12 cents a stem. This already leaves Uganda a step back compared to Kenya regarding the value of the rose.

The sector is grappling with several challenges including; need for production of planting materials, the need for appropriate production technology to meet buyer requirements, very weak post-harvest systems, such as pack houses and cold stores, high HIV &AIDS prevalence rate among floriculturists, among others.

The other challenge is the growing number of investments than what can be locally absorbed, Fortunately the consumption of fruits appears to be increasing but the supply will most certainly out strip demand. Information reaching PSFU secretariat is that some fruits like avocados, passion fruits may be overwhelming hotels while many other in-demand fruits and vegetables are in short supply. There is need to plan well especially with the opportunity of reintroducing the Uganda Airlines, which should prioritise cargo especially for Europe and Middle East markets. This will stimulate production to an extent that will take care of local regional and export market.

The Government should refocus on the following recommendations for the sector to flourish;

- a) Develop a horticulture policy together with its implementation plan to guide the stakeholders in the sector.
- b) Empower Uganda Airlines to establish cargo routes such as to Germany which are highly required to support transport of our exports
- c) Invest in support services, such as research and training, and basic infrastructure to make private investment in production and marketing worthwhile.
- d) Enforcement of regulations on counterfeit inputs on the market to support sector production
- e) Promote Global GAAP certification which supports the private sector access premium markets in exports. .



3.1.10 Coffee sub sector:

In spite of the progress made, the sector is still grappling with low productivity which is caused by a number of factors including: inadequate funding for research to enable the development and dissemination of new technologies; high costs involved in the importation of machinery given the taxation on agricultural machinery, poor agronomic practices, lack of a comprehensive National Coffee law which will promote value addition technologies among

farmer organizations, inefficient research extension farmer linkages, inadequate Infrastructure such as the absence of good roads, cost of power, railway and the incidence of the Coffee Wilt Disease (CWD) among others.

Despite the difficulties involved in accessing markets abroad for processed coffee, it is important to put into consideration that exportation of instant/ready to drink coffee would greatly increase export earnings as compared to exportation of unprocessed coffee beans. The Government therefore needs to encourage value addition by supporting farmers engaged in cooperatives to add value to their coffee. This would in turn increase their incomes and livelihood hence decreasing poverty in the long run. On average 6.8 per cent of all coffee produced during 2004-2010 was consumed domestically while approximately 93.2 per cent was exported. There is therefore need to address the reasons behind low consumption levels of coffee at the local/domestic market.

The private sector therefore recommends;

1. Expedite enactment of the Coffee Act and establish mechanisms to regulate on farm processes to ensure quality of harvests
2. Promote domestic consumption of coffee to enhance the coffee industry competitiveness
3. Strengthen the coffee research system: Put in place sustainable funding mechanisms for the Coffee Research Centre in Kituuza, and develop technologies to avert climate change and coffee wilt disease
4. Provide support towards strengthening the Coffee farmer organizations i.e. a percentage from the cess levied on Coffee exports need to be channelled in this direction.

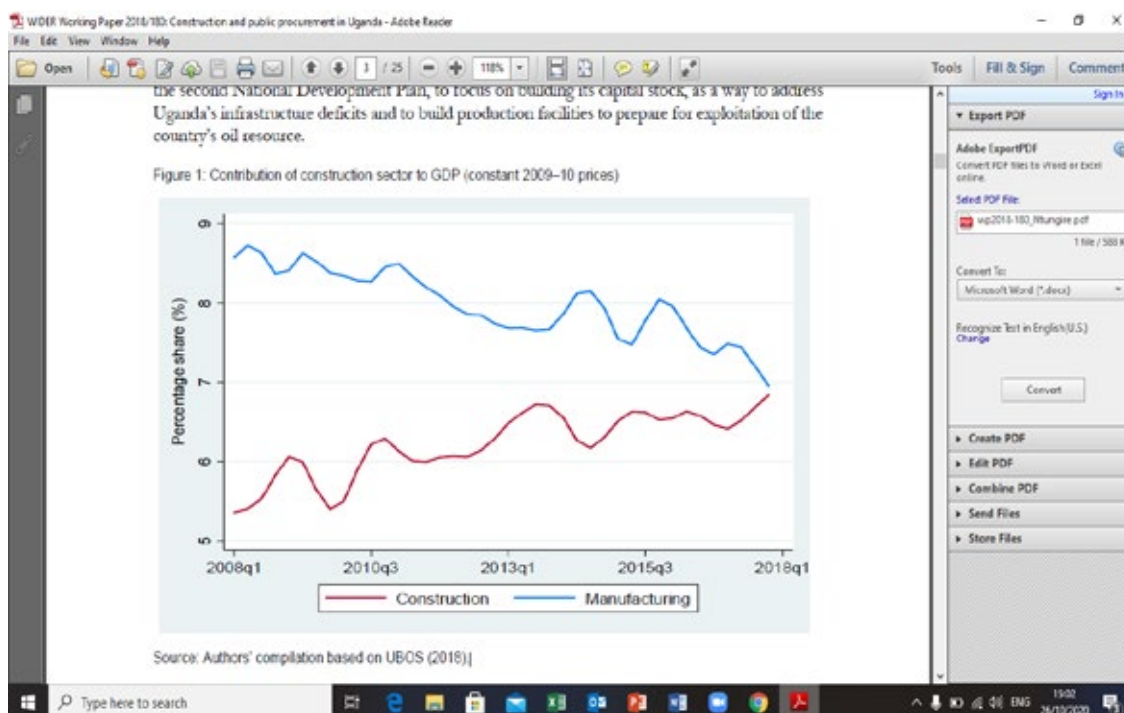
3.2 Construction and Real Estates Sector

The construction industry comprising of building, civil engineering, water, sewerage, power, telecommunications and other physical infrastructure works, is playing a significant role in the socio-economic development of Uganda.

According to the UBOS report 2018, the sector directly contributes to approximately 7 per cent of gross domestic product (GDP). As shown in Figure 1, the construction sector has been growing rapidly over the past decade, in contrast to the declining trend observed in some key traditional sectors such as manufacturing.

Contribution of construction sector to GDP (constant 2009 – 10 prices)¹³

13 Colonnelli, E & Ntungire, N; Construction and public procurement in Uganda, December,



Source: UBOs statistical Abstract 2019

According to the national budget estimates, 60% of the national budget is developmental and currently 80-90% of the 60% goes to foreign companies. The existing BUBU policy guidelines and reservation schemes and the Local Content Bill, 2020 all provide for affirmative action for the private sector to effectively participate in public tendering.

Unfortunately, local companies are facing capacity related challenges inhibiting their participation government construction projects.

To overcome capacity challenges of individual companies, PSFU will bring companies including the youth operated companies together and create the necessary capacity by combining the various capabilities. This will solve the challenge of weak individual construction companies/contractors that fail to take on construction related contracts in the country. Where gaps are still evident, international partners will be engaged to work together and take on available opportunities. Anticipated gaps are mostly in relation to technology, specialised services and technical personnel. In addition, skilling of local youth-led MSMEs as well as of individual youths will be another avenue to plugging the capacity challenges of local construction companies which will then be enabled to participate in the various consortiums created.

2018



The Real Estate Sub Sector

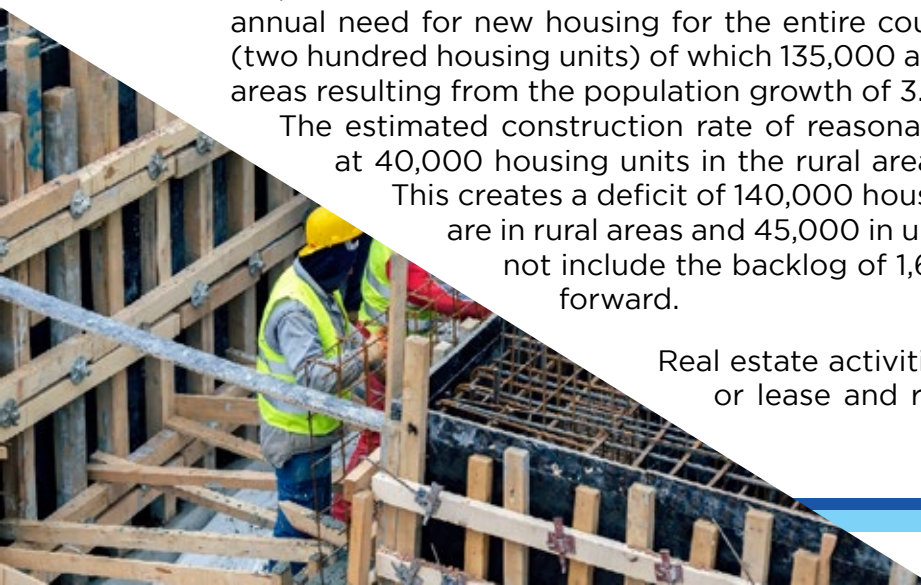
The real estate sector is one of the key sectors in development of Uganda's economy. This sector has exponentially been growing at a rate of 6% over in the last years and has had a great contribution to national GDP and employment of the country. Uganda is experiencing increasing housing demand particularly in the urban areas. The real estate market in Uganda is sufficiently advanced to significantly benefit from interventions that will help streamline and make the markets more efficient. There is substantial housing demand that will require a concerted effort on behalf of the Government to help develop the supply of useable, available land that can be purchased in a transparent manner. The private sector brokerage, valuers and development community has a number of strong players, but lacks the best practices and depth to meet the demands of the market. Also, the numbers of practitioners is insufficient to sustain on-going training and the executive support required for allowing associations to be self-sustaining.

Current contribution of housing to Uganda's economy is estimated at an annual average of 5% of GDP over the last decade. According to National Housing Policy Uganda has about 7.3 million households living in 6.2 million housing units with an average household size of 4.7 persons. The national occupancy density is estimated at 1.1 household per housing unit, giving a total backlog of 710,000 housing units. There is also an estimated shortage of 900,000 housing units as a result of sub-standard houses and structures which were never meant for human habitation. Out of a total backlog of 1.6 million housing units, about 210,000 units are in urban areas while 1.395 million units are in rural areas. The annual need for new housing for the entire country is estimated at 200,000 (two hundred housing units) of which 135,000 are in rural and 65,000 in urban areas resulting from the population growth of 3.2% and 5.1% urbanization rate.

The estimated construction rate of reasonably good houses is estimated at 40,000 housing units in the rural areas and 20,000 in urban areas.

This creates a deficit of 140,000 houses nationally of which 95,000 are in rural areas and 45,000 in urban areas. This shortage does not include the backlog of 1,600,000 housing units carried forward.

Real estate activities include; real estate on own or lease and real estate on fee or contract.





The activities grew by 6.5 percent in FY 2017/18 compared to a growth of 5.6 percent in 2016/17. The growth in the activities is the highest since 2014/15 when real estate activities grew by 6.5 percent. In nominal prices, the activity recorded a value addition of 4,451 billion in 2017/18 compared to 4,154 billion in 2016/17. Real estate activities contributed 4.4 percent to GDP in 2017/18 as compared to 4.5 percent contribution in 2016/17.

Challenges:

1. Absence of laws regulating the real estate sector, hence all real estate sector players are carrying out their businesses in any manner they deem fit. There is lack of professionalism among the real estate agents or brokers, the developers are developing anywhere without proper coordinated planning. These need to be streamlined to make the sector more efficient.
2. Land is the basis of financing in Uganda and a great determinant of economic growth. However, there is need to speed up land transaction processes.
3. **High interest rates hence increasing the cost of capital which eventually makes housing less affordable and thus low business for stakeholders.**

Private sector in the real estate's sector recommen

1. Expedite the enactment of the Local Content Bill, 2020 and Uganda Construction Industry Commission Bill to support the regulation of the sector.
2. Support the private sector to effectively participate in the local content policies through capacity building initiatives and business development models such as the special purpose vehicle.
3. Fast track the enactment Real Estate Act to regulate the real estate sector players.
4. Improve the land registration system by speeding up the process and computerization of the registry.

Logistics Sector

A well-functioning logistics sector is crucial for businesses, to ensure timely and predictable supply of goods and contributes to making the economy more dynamic through generating new trade, investment and employment opportunities. Uganda's logistics industry has changed over the last decade on account of EAC and COMESA regional integration initiatives and improvement in information technology.

In Uganda, and East Africa more widely, logistics bottlenecks and inefficiencies are present at multiple stages in the supply chain, including during loading, delivery, warehousing, packaging, and waste management. Traffic congestion, particularly along key transport corridors, roadblocks and checkpoints push up time and costs of logistics, which are passed onto the shippers and ultimately borne by the consumers. The results of these inefficiencies are high logistics costs in Uganda. Logistics inefficiencies in import and export of goods are estimated to cost US\$ 827 million to Uganda each year¹⁴ and logistics costs account for 18% to 20% of the sale price of goods sold in Uganda.

The private sector through the National Logistics Platform (NLP) established by PSFU developed a Private Sector Transport Logistics Strategy that was adopted by government. The NLP has also signed a memorandum of understanding with the Ministry of Works and Transport (MOWT) through which they have been closely collaborating on several policy, infrastructure and capacity building initiatives. They recently completed the preparing a Draft National Transport Policy which is being reviewed by Parliament.

The following are the key reasons as cited by stakeholder experts as to why Uganda performs poorly in logistics:

Weak adoption of modern logistics practices: The logistics sector in Uganda has yet to adopt modern logistics practices such as 4PL and 5PL Logistics. These are firms which offer specialized management of most, if not all, of a company's supply chain needs.

Regional Imbalance in Freight Flows: Trade imbalances are a huge factor in Uganda's higher transport costs. The difference in the type of goods to be carried, with imports largely being containerized whereas exports often needing open trucks or wagons, makes Uganda's transport less efficient due to possible empty returns. Trade imbalances can mean export freight rates are half the cost of imports. As a result the cost of returning empty containers to their origin is frequently charged to the importer.

Low quality of trade logistics operators: The efficient flow of international trade relies on a wide range of skilled service providers working together effectively, including shipping lines, port terminal operators, customs officials, operators of off-dock container yards, land transport agents, and clearing and forwarding (C&F) agents³. The relatively low quality of trade logistics operators in Uganda limits the potential for growth in trade, which in turn limits the potential for economic growth and development to take place throughout the region. Logistics enterprises require staff with experience in trading, transportation, logistics, IT competence, operational and modern management skills, and sometimes foreign language

¹⁴ TMEA (2016) - Trade Logistics Regional Strategy

and international trade skills. By 2020 East Africa will need 20,000 logistics professionals but local universities produce zero logistics graduates a year.

Low exploitation of Uganda's Waterways: Uganda is unique in East Africa as about 241,038 square kilometres of Uganda's total land area is covered by swamps, lakes and rivers, most of which are navigable. Almost all of Uganda's water resources are Trans-boundary in nature and shared with its neighbours such as Kenya and Tanzania (Lake Victoria) and the Democratic Republic of Congo (Lake Albert and Edward). Water transport could be used as a viable and cheaper transport mode. Lake Victoria should be leveraged for an alternative transport route for Uganda. This will not only reduce on the transportation cost for the players in the logistics sector but also help to link with other countries like DRC, South Sudan, and Burundi.

Inadequate warehousing Infrastructure: Uganda also lacks modern warehousing facilities. Much of the warehouse capacity is rather dated, lacking computerized stock supervision systems or the ability to use multiply racking systems. Many warehouses have unsealed loading platforms which expose food products to ambient air temperatures during loading/unloading. It is estimated that Uganda loses 30% of its major staple crops harvest which is damaged every year by the inability to store and move it appropriately.

Fragmented logistics operators: Uganda's domestic logistics sector is fragmented with small operators dominating. The largest trucking firm has only 200 trucks. No single company commands more than 2% of the market or provides nationwide inter-modal transport service. Small firms are not in a position to take full advantage of information technology, achieve economies of scale, or ensure optimal loading levels.

Dilapidated rail: Lack of maintenance of tracks and trains on the existing line in Uganda has left a dilapidated railway network, and much of the freight from Mombasa is moved around by road.

Concentration of Logistics services in Kampala: Fair logistics infrastructure is concentrated around Kampala where there is some level of integration between the transport networks, warehousing and distribution facilities. However, the same cannot be said for the rest of Uganda particularly Northern Uganda where logistics is hampered by poor quality infrastructure, organizational inefficiencies, and a poor uptake of technology. These areas also suffer from inconsistent supply of energy leading to interruptions to communications through power outages.

Bureaucracy in setting up regional logistics

operations: On the regional front setting up logistics businesses can be very bureaucratic. The absence of consistent regional regulations results in different regulations being applied in EAC member states. This hinders creation of regional logistics networks. Some EAC countries still engage in protectionist practices such as Cabotage to shield local operators. As long as

this persists Uganda's logistics sector will continue to be threatened as Kenya and Tanzania operators will continue to monopolise most freight in East Africa.

Air transport: Insufficient Airport infrastructure is a hindrance to Uganda's economic growth potential particularly in export of fresh fish, floriculture and horticulture. Uganda's land-locked state amplifies the importance of air transport to the country's development. It is necessary to improve and modernize Entebbe International Airport in order to provide better service to passengers, carriers and users of the airports.

The private sector proposes to government to:

- a. Create business parking centres along major highways & plan for wider roads that can accommodate safe roadside parking in the event of truck failure
- b. Procure modern weighbridges that are fully automated with integrated information sharing capabilities to reduce delays
- c. Enact the Water Transport Bill before Cabinet to promote private sector investment in marine transport
- d. Develop upcountry warehousing facilities to decongest the city, create jobs and promote urbanization of upcountry towns
- e. Harmonize road user fees across EAC otherwise Uganda should reciprocate the levied by Tanzania and Kenya
- f. Rehabilitate Jinja and Port Bell ports pending development of Bukasa port

3.4 Information Communication Technology Sector

Information and communication activities include; programming and broadcasting, telecommunications, computer programming, consultancy and related activities and information services. Information and communication services grew by 14.8 percent between 2014/15 and 2019/20. The sector contributes 3.1 percent to GDP.

ICT being an enabler for business growth is faced by many cross cutting challenges ranging from infrastructure, tax policy, credit related, local content among others. The private sector therefore proposes the following;

- a) Complete the NBI (National Backbone Infrastructure) to support the sector
- b) Establish clear regulations for FinTech transactions that would enable well developed ecosystems to support the sector
- c) Create a regulatory framework for e-commerce, e-payments, mobile transfers and remittances, digital money

3.5 Financial Services Sector:

The functioning of Uganda's economy is underpinned by the soundness and efficiency of the financial system and its processes. The financial system comprises of financial institutions, financial markets, and the payment systems, which enable the exchange of goods and services and the allocation of capital.



Financial and insurance services include; Bank of Uganda, commercial banks, financial auxiliaries, credit institutions and micro-deposit taking institutions as well as other financial corporations. As part of wider and far reaching reforms, Uganda liberalized the financial sector and allowed for competition in the banking industry. Consequently, the provision of financial services has expanded in scope and depth. Many regulatory reforms in the past few years have also played a critical role in easing the barriers to accessing credit. While the Chattels Securities Bill that allows for the use of movable personal property or chattels other than land as security for a loan or debt was passed in 2009, the regulations to operationalize the bill have been delayed. In addition, Uganda enhanced access to credit by establishing a credit reference bureau (CRB) in 2008.

The CRB is meant to among others, reduce information asymmetry between borrowers and lenders hence improving access to credit information and expanding borrower coverage. Subsequently, over the past few years, Uganda has improved in the rankings relating to the measurement of obtaining credit in the World Bank Doing Business Rankings. The current ranking of 42 out of 189 in this parameter now outperforms many of its regional and African peers. Despite these achievements, however, access to formal financial services remains low. The latest available statistics from the 2013 FINSCOPE survey indicate that only 20 percent of the population has access to formal regulated financial intermediation services.

While the number of commercial banks and bank branches increased from 12 and 84 in 1987 to 25 and over 500 in 2016, respectively, the financial sector is still highly concentrated. The largest 3 or 4 banks control more than 70 percent of the entire market share. Bank concentration affects competitive lending to the private sector. Consequently, important but high-risk sectors such as agriculture do not attract financing in the domestic credit markets.

While the financial sector is strong and sound going by the recent statistics published by the industry players and Bank of Uganda¹⁵, its strength has not translated into an ability to stimulate growth through affordable credit as would be expected. This is attributed to the several challenges facing the industry including; low levels of savings; rising non-performing assets; high interest rates; high operating costs; and financial indiscipline of some borrowers among others. The high interest rates are hampering production, growth and development

15 BOU, supervisory report, December 2016

For some time now, interest rates for most borrowers have averaged about 23% per annum. While high inflation is usually associated with high interest rates low inflation in Uganda is not pulling interest rates any lower. The Bank of Uganda on occasion has intervened through a reduction the Central Bank Rate (CBR), which intervention has not led to a significant reduction in commercial interest rates.

Besides, the commercial banking sector is dominated by three players controlling 35% of all bank assets. Many borrowers have for some time cited the issue of the high cost of money as a disincentive for investment. Commercial banks however attribute it to high government borrowing, risky borrowers, and high operational costs and return expectations and high reserve ratio requirements by the central Bank.

Further, the mismatch in the structure of the financial market in the economy (as elaborated below) plays a critical role to the interest rate challenge.

Short Term	Medium Term	Long Term
<p>Markets for overdrafts, trade finance, and personal loans.</p> <p>Sources: - Current Accounts and Savings Accounts</p>	<p>Purchase of machinery and repayment periods within 3 - 8 years.</p> <p>Sources: - UDB</p>	<p>funds for investments such as in capital markets</p> <p>Sources: - pension funds and some insurance companies</p>
15 Trillion	500 Billion	9 Trillion

Regarding long term savings in the economy, as below;
 Working population is 15 million Ugandans
 About 4 million people are employed in the formal sector
 About 11 million works in the informal sector
 Of the 4 million formal sector employees, about 500,000 are civil servants
 NSSF has a membership of about 1.5 million of whom only about 800,000 are active savers.

Implying that about 2 million formal employees do not contribute to mandatory savings,

2 main voluntary schemes, KACITA & Mazima

In addition, the 500,000 civil servants do not contribute to mandatory savings.

To counter the above-mentioned challenges, the banking industry proposes the following recommendations;

1. Develop mandatory savings and pension scheme for civil servants should become mandatory and contributory.
2. The National Social Security Fund (NSSF) Act should be amended to provide for easier access to savings by members rather than wait until the age of 55 as is the case now.
3. The NSSF law as amended should permit the fund to design schemes to

- attract members from the informal sector as well as the self-employed.
4. Address the rigidities involved in agricultural credit facility to promote agriculture sector financing
 5. Promote financial literacy to support reduction in the non-performing assets

Insurance Subsector:

The insurance industry is still trying to find its feet, considering the low understanding and appreciation by the public. The insurance industry has overall, remained on a positive 2-digit growth trajectory growing from UGX 859.8 billion in 2018 to UGX 973.58 billion in 2019 and posting 13.22 percent growth over the reporting year compared to 17.51 percent in 2018. The insurance sector in Uganda has great potential for valuable contribution to economic growth. The major challenge though is that Ugandans are still yet to appreciate the rationale for insurance and mitigation of risk. The absence of a national policy on insurance, the lack of skills, increases in stamp duty, among others are some of the major challenges in the sector. Other related laws hindering performance of the sector include; the Motor Third Party, the Workers Compensation Act among others, which if passed would foster development of the insurance industry. Other challenges include:

Low uptake of insurance - only 2% of the adult population (representing an estimated 349,000 adults) used formal insurance products in 2013 while 55% “do not know about insurance and how it operates”; Some 11% of the adult population had never heard about any formal insurance product.¹⁶, limited supply of local specialized professionals resulting into outsourcing labour resources which increases the cost of doing business in Uganda, enforcement of statutory insurance products and provisions - Workers compensation, and Motor Third Party Insurance, Requirement to exhaust local insurance capacity before seeking it abroad, Taxation - VAT and stamp duty will not allow the growth of micro insurance yet the low income cohort of the population is highly exposed to risk. There is also lack of a broad frame work on risk management in Uganda therefore Government doesn't insure most of its assets, projects, activities and employees. There is also need to ensure that the law for establishing the NHIS does not make it difficult for players already providing health services.



The sector proposes;

Sn.	Issue	Recommendation	Implications
1.	<p>Enforcement of local underwriting of marine insurance</p> <p>On 8th June, 2017, Government of Uganda through the Background to the Budget FY 2017/18 made key pronouncements, one of them being empowering locally licensed insurance companies to issue all policies relating to domestic marine cargo insurance effective 1st July 2017 and that the Insurance Regulatory Authority administratively enforce and implement the provisions in the Insurance Act under Section (3)(2) (now section 9 of the Insurance Act, 2017). However, URA has not been appointed a co-enforcer, and is necessary for the implementation of this Government Directive.</p>	<p>Appoint URA as a co-implementing agency in the local underwriting of marine insurance with authority to impose penalties.</p>	<p>Currently URA imposes a 1.5% charge if the goods are imported on cost & freight basis & there is no penalty if the goods are insured by a foreign company. Enforcement by URA is therefore critical to ensure that goods are insured by local providers.</p>
2	<p>Low uptake of agriculture insurance</p> <p>Uptake of agriculture insurance policies evidently still slow (regardless of subsidy) due to the high taxes (VAT & Stamp duty of UGX. 35,000/-) makes cost of tax higher than the premiums which are as low as UGX. 12,500/-). This leads to slow absorption of subsidy; less investment by farmers as they cannot afford insurance protection and production</p>	<p>Zero rate VAT on Agriculture Insurance</p>	<p>This if adopted would lead to growth of insurance penetration as more small holder farmers take up insurance, improve food security, grow exports and eventually contribute to poverty reduction due to increased house hold incomes.</p>



<p>3</p>	<p>Stamp Duty on motor vehicle policies and agriculture insurance</p> <p>The Motor Vehicle Insurance (Third Party Risks) Act Cap 214 and Motor Vehicle Insurance (Third Party risks) Regulations S.I 214-1 lay down the premium rates for Motor Third Party insurance. It provides for the insurance premium ranges for bikes, taxis, ordinary vehicles as between Ugx. 3.260- Ugx. 60,000/- (excluding trucks, trailers, bullion vans and similar heavy carrying vehicles). <u>The stamp duty therefore far exceeds the premium in many instances. Using the example of a Motorcycle (BodaBoda), the insurance premium is Ugx, 6,000/=, whereas Stamp duty is Ugx.35, 000/-.</u> For a private vehicle, the basic premium is Ugx. 22,000/- and stamp duty is Ugx. 35,000/-</p>	<p>Review the stamp duty for MTP policies and Agriculture insurance UGX. 5, 000/=.</p>	<p>The example here below elaborates on the above points; - MOTOR THIRD PARTY INSURANCE:</p> <ul style="list-style-type: none"> • Basic premium for Private: - 22,000 • Stamp duty (SD): -35,000 • VAT: -5, 059 • Training Levy: - 110 • TOTAL: - UGX. 62,169/- <p>The tax and levy impositions are more than the Premium.</p> <p>Average premium charged for an agriculture insurance policy;</p> <ul style="list-style-type: none"> • Premium: - 25,000/- • Stamp duty: -35,000/- • VAT: - 4500/- • Training Levy: - 125 • Total: - UGX. 64,625/-
<p>4</p>	<p>Workers compensation insurance:</p> <p>In Uganda on average 2,000 cases of work related accidents are reported annually. Very few employers provide a safe and healthy working environment for decent work. These incidences are contributing to very low productivity, disabilities and loss of life at many work places across the country. The Government of Uganda is not enforcing the Workers Compensation Act, 2000 that mandates that;</p>	<p>LGs & Municipals; at the point of application or renewal of trade licenses should ensure that;</p> <p>- Workers Compensation Insurance (WCI) is a requirement to license companies</p> <p>-The certificate is a mandatory requirement on the renewal of trade/Business licenses.</p>	<p>With compliance the insurance sector can attain;</p> <p>58BN in WCP premiums</p> <p>21BN in Stamp Duty revenues</p> <p>10.4BN in VAT revenues</p> <p>Corporate Tax with additional business underwritten</p>

<p>Reforms in the NSSF bill</p> <p>The bill doesn't provide for already existing retirement benefits products that are provided by the insurance companies</p>	<p>a) Recognize insurance products as part and partial of the pensions sector products</p> <p>b) Saving incentives (tax exempt) to induce people to save</p>	<p>With children below 18yrs constituting 55% of the population and the Youth (18yrs to 35 yrs) constituting 23% of the population, this leaves less than 30% of the population in the adult earning category.</p> <p>This therefore implies that the less than 30% of the population must support the more than 70% which isn't sustainable.</p>
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3.6 Tourism Sector

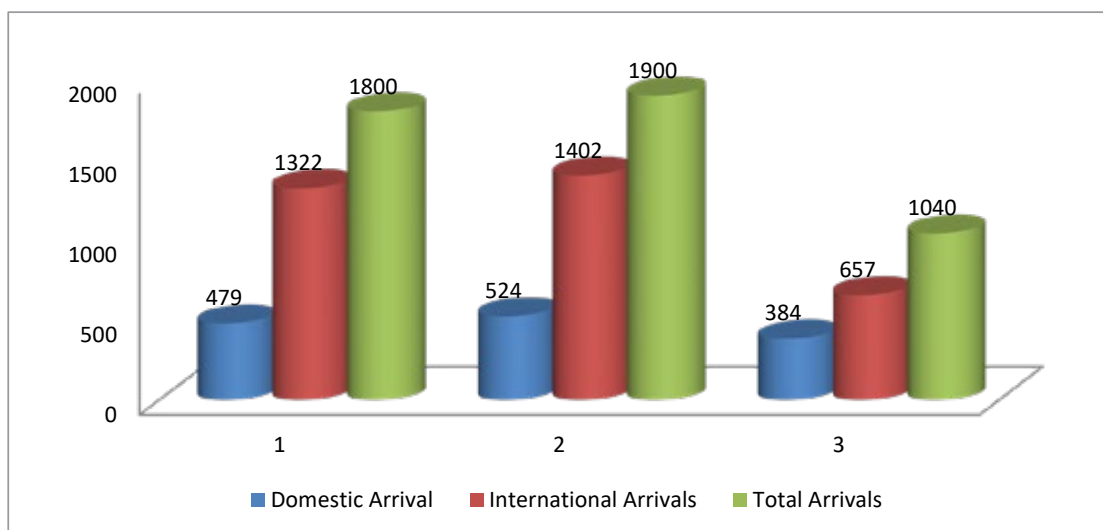
Despite the small size of 241,551 square kilometres, Uganda is endowed with an impressive array of world-class tourism resources. The country has the world's largest population (54 percent) of mountain gorillas existing in mainly two of the country's ten national parks: Bwindi Impenetrable National Park (BINP) and Mgahinga Gorilla National Park (MGNP). In addition, the country contains 24 species of primates. Uganda's national parks contain 38 carnivores and 30 antelope species. The most visited safari destinations

are Queen Elizabeth National Park (QENP) and Murchison Falls National Park (MFNP).

It is therefore important that the Government continues to prioritize tourism as a growth sector and to address the major challenges it faces. These include: **human resource capacity development, management of Uganda's image, ICT.** More investment should however be made to ensure that major roads in the main tourism circuits are attended to and maintained.

In 2019, a total of 2.3 million travellers were recorded through eight major border posts. Of these 1.0 million persons were arrivals and 1.2 million persons were departures. The number of departures marginally exceeded the number of arrivals by about 194,000 travellers in 2019.





Source: UBOS Statistical abstract, 2020

The East African Community (EAC) Common Market Protocol guarantees free movement of persons who are citizens of Partner States within the EAC territory. Statistics on arrivals and departures within the region are, therefore, important in monitoring the implementation of the EAC Common Market Protocol. The number of arrivals in 2019 from EAC member states to Uganda was 403,000 and departures were 308,000 travellers. In 2019, most of the arrivals and departures were from Kenya (60%) followed by Rwanda (15%). The two countries accounted for 75 percent of the arrivals and departures. 72.6% of the visitor arrivals in 2019 were from the African continent followed by Asia (10%), Europe (9%) and America (5%). On the other hands, visitors from the EAC countries accounted for 61 percent of all visitor arrivals, Kenya accounted for 37 percent followed by Tanzania with 9 percent and the least number of visitors from the EAC was from Burundi.



Implications of the COVID-19 Pandemic

Global

The outbreak of the COVID-19 pandemic significantly affected the global tourism industry. According to UNWTO's Report on COVID - 19 Related Travel Restrictions, as of 20 April, 2020, 100% of all worldwide destinations had introduced travel restrictions in response to the pandemic: 97 destinations (45%) totally or partially closed their borders for tourists, 65 destinations (30%) suspended totally or partially international flights and 39 destinations (18%) were implementing the closing of borders in a more differentiated manner by banning the entry for passengers from specific countries of origin. As a result of these restrictions, the United World Tourism Organization (UNWTO) estimated that the pandemic could lead to an annual decline of between 60% and 80% when compared with 2019 figures.

Due to these disruptions, international tourist arrival declines ranged between 58% and 78% for 2020 signifying a loss of US\$ 910 billion to US\$1.2 trillion in export revenues from tourism. These losses could cost 100 to 120 million direct tourism jobs.

Domestic

The pandemic impacted the tourist arrivals causing cancellation of bookings by tourist both domestic and foreign. Before COVID-19, each tourism establishment registered an average of 152.7 and 113.9 bookings by the end of December 2019 and February 2020 respectively. By end of June 2020, tourist bookings had declined by 93% from the number recorded at the end of December 2019. The pandemic caused foreign bookings to decline by 97.8% and likewise domestic bookings declined by 88.7% between the end of December 2019 and end of June 2020.

Reduction and cancellation of bookings within the hotel industry and the tours and travel sector was registered translating into a 92% decline in the bookings

within accommodation and the tour and travel sector. Studies revealed that at least 7 in 10 of all tourism enterprises registered cancellation in bookings. Losses due to cancellations just in the months of March to June 2020 were estimated at US\$ 367.2 million (UGX 1.37 trillion). Tremendous pressure on tourism entities to refund clients was experienced.

The Meetings, Incentives, Conventions and Exhibitions (MICE) industry is an important and growing segment of the tourism sector with a great potential. MICE industry was strongly affected by the disruptive effects of COVID-19. Since the onset of the pandemic, the Government of Uganda moved to minimize the importation of COVID-19 by cancelling all international conferences that were to be hosted in Uganda. Results reveal that at least 3 in 10 tourism establishments were expecting to host a conference in the year 2020. These entities mainly consisted of accommodation facilities, tour operators and tour and travel agencies. The anticipated average capacity of each conference was estimated at 330 individuals per conference/meeting. Due to the COVID-19 pandemic, 85% of booked conferences to be hosted in Uganda in 2020 were reported to have been cancelled.

Challenges

A lot of progress has been realized towards development of the sector however, the sector is faced with the following challenges that should be addressed;

Inadequate marketing, promotion and publicity of the country:

Uganda as a tourism destination is still blurred in most tourism source markets due to inadequate budgets allocations to the MDAs such as Uganda Tourism Board (UTB) that is in charge of marketing and promoting the country worldwide. This has hindered advertising and public relations, travel inland, travel abroad and printing among other items that help out in marketing and promoting the country's gifts of nature.

Low levels of product development:

Due to low levels of product development to keep the tourists much longer and spend more (wildlife is the most sold tourism product yet Uganda is endowed with a diversity of tourism products).

Poor human resource/capacity building skills:

The sector lacks adequate mechanisms to skill Ugandans on the job i.e. providing on job refresher courses in the industry. Owners of accommodation facilities have resorted to hiring better-trained labour from neighbouring countries in the region. BTVET policy provides for Tourism Skills Councils but these have not been implemented.

Informal sector out-competing the formal sector:

The current system allows for persons to open up websites for unregistered tourism businesses. Tourism licenses have not been issued for the last 4 years

and this has partly contributed to the defrauding of tourists, some hotels not being paid for services consumed by “briefcase tour companies” etc. There is the absence of a clear tourism regulation and follow-up procedure for such cases, and the country’s image and revenue are continuously at stake thus hindering development campaigns.

Absence of quality data for the creative industry. This is required to support the various sector players in proposing actions that are evidenced based in order to grow the whole industry further.

Very high bank interest rates: Most hotels are built using loans and the extremely high bank interest rates have affected the growth of the sector. Many hotels are also on the verge of collapse having failed to pay back bank loans.

Taxes and licenses:

The tax burden on the tourism industry is still heavy which needs to be lessened and the many small taxes (e.g. Local Government Tax - US\$2 per bed night, Employee Service Tax - 5%, UWA taxes - US\$10 per bed night / 15%, Corporate Tax - 30%, Community Taxes - US\$40 per bed night) should be consolidated and charged under a single levy.

Levies and Licensees are not established for regulatory purposes but rather income generation from Government. These increase the cost of doing business for the industry. The industry pays the following levies/ licenses;

- i. Hotel Tax of US\$ 2 per room per night paid to district local governments and not being used for tourism marketing as required in the tourism levy
- ii. A local service tax that differs from district to district
- iii. Service charge of 5%
- iv. Property Tax in excess of 200,000 Uganda Shillings
- v. A service charge of 5% of total restaurant bills
- vi. Trading licenses payable to local governments
- vii. Accommodation license payable to Uganda Tourism Board [Only waiting for gazetting before UTB starts to collect]
- viii. Night fees of \$5 to \$30 per person per night
- ix. Restaurant License payable to local government
- x. Restaurant License payable to Uganda Tourism Board [Only waiting for gazetting before UTB starts to collect]
- xi. Bar License payable to local government
- xii. Swimming pool license

Infrastructure:

Uganda’s infrastructure mainly the roads leading to the tourism circuit, air transport, hotels, internet, and electricity require urgent prioritization. Key roads within the tourism circuit e.g. Karugutu –Ntoroko, Mpigi,-Kasange –Kisubi Mpigi to Buwaya, 22km (Road) and Buwaya to Nakiwogo (by Ferry), Kisubi, Kisoro

- Mgahinga National Park gate 62km, Kanungu - Ruhija, Katunguru - Ishasha - Kihhi - Butokota - Buhoma, Mubuku - Ibanda - Nyakarigija, Kyenjojo - Kagadi - Hoima - Masindi, Masindi - Kimanyombo (Murchison falls gate) Kidepo - Kabong - Kotido - Moroto, Kumi - Serere (Road) Bugondo - Namasagali (Ferry), Gayaza - Wobulenzi road among others in the country are in need of the urgent attention and prioritization by the Government of Uganda.

Proposed Recommendations:

- 1) Review the Tourism Act, 2008 to address, sector regulation to ensure the maintenance of sector standards at regional and international required levels. Create a Tourism Fund with 2% contribution from the tourism levy and other from the government and other agencies.
- 2) Promote self-regulation of tourism businesses through mandatory association. Membership. Government should require all tourism businesses to belong to the association before legally being permitted to operate tourism businesses in Uganda.
- 3) Consider marketing at both the domestic and international levels by promoting tourism products such as; the mountain climbing and outward bound programmes as well as water sports like canoeing, fishing, rafting among others. This can play a big role in exploiting Uganda's famous and abundant mountains and water resources.
- 4) Promote eco tourism to unlock its development potential. The link between community as focal points and policy makers should also be enhanced and proper planning to teach more equally emphasized. Proper planning which helps communities learn more about tourism should also be encouraged in Uganda. Other activities here include; bird watching, wild life. ,
- 5) Consolidate licenses, levies and fees in to a single levy. For instance, tourism levy collected at source and banked in a tourism development account for purposes of marketing the country and providing more affordable financing to players in the industry through Uganda Development Bank or Uganda Development Corporation.
- 6) In the immediate term, the government through its responsible agency, should design, validate and implement product development plan, using effective Private-Public Partnerships [PPPs] where applicable to improve visitor experiences such that they can be encouraged to stay longer and spend more.
- 7) To improve the skills for on the job employees in the industry, a specific intervention is required. Through its agencies, the Government should implement the BTVET policy which caters for the Sector Skills councils.

The industrial sector in Uganda covers manufacturing, mining and quarrying, electricity generation and water services, and construction both monetary and non-monetary. Uganda's manufacturing sector is small and characterized by production of basic simple consumer goods: beverages, tobacco, textiles and apparel, leather and leather products, wood products, metallic products, clay products, cement and chemicals and small-scale processing of agricultural products (food processing). Agro-related industries account for 39% of total establishments. Capital goods industries are few. Capacity utilisation has been

very low, at less than 50% of installed capacity for most industries¹⁷. This is compounded by the fact that most industries are high-cost producers. Uganda's economic recovery strategy in the past has to a large extent involved the restoration and rehabilitation of productive capacity. Going forward, growth now needs to come from new investments or new activities, which will require more investment, more intensive acquisition of modern technology, and more strategic alliances between local and foreign partners. The specific key issues affecting manufacturing include but are not limited to:

a. Proliferation of substandard goods on the market:

Unscrupulous traders are exploiting the relaxed trade regime in Uganda to import fake goods on the local market, or even producing these items. The cost of complying with standards is as high as 0.07 - 0.1% of turnover compared to acceptable levels of 0.02% of turnover. Worse still, other competitors do not comply with standards. The Pre-export Verification for Conformity to Standards (PVOC) was established and it has also registered minimal impact. There is direct need to devise other means of fighting substandard goods by making the market very hostile. Taking the amendments of the law, which have increased the punishment of the sub-standards goods producers and marketers, UNBS needs to be empowered more through budgetary support. The new law will require a SMART partnership between consumers, producers and UNBS to support each other to help fight this vice.

b. Counterfeits:

Apart from sub-standard items, there are also counterfeits which involve illegally replicating the well-known brand names and designs on their packaging and labels with cheaper and sometimes substandard versions e.g. fake electronic appliances, shoes, adulterated coffee, rice, agricultural inputs, locally made soft drinks mainly water and Juices, among others¹⁸. Major investors now look out on how counterfeits are managed before investing in any country. For over 10 years now, Government has been promising a law to fight counterfeits. To date this law has not been passed by Parliament. The private sector would appreciate it if Parliament and the Executive would sort this out urgently.

c. External Trade Policy:

Government should evolve an external trade policy that avails sovereign endorsement backing for distinguished manufacturers to be able to access new markets especially in South Sudan, Somalia, Central African Republic and DR Congo. Bilateral trade protocols arising from trade missions need to be concluded with the objective of enabling Uganda export on priority basis. All major exporting countries including China, India, South Africa and Kenya (at the regional level) have such policies that see their Governments lead the private sector to establish, galvanize and “protect/ring fence” their new markets.

Additionally, there is a lack of an incentive regime for exporters of local produce such as edible oils from local seeds. The edible oil sector has grown significantly into backward integration. Such incentives encourage other sectors that have not ventured into backward integration especially

17 UMA report on capacity utilization

18 Soft Drinks in Uganda, A case for Excise Tax Reduction, 2014, Coca-Cola & Pepsi

agro processing. This supports Government policy on value addition. Government should therefore develop a special incentive regime for such exporters. This can be in form of exemption from paying corporate tax.



d. **Buy Ugandan Build Uganda (BUBU):**

PSFU has annually been running proudly Ugandan campaigns and is thankful to Government for reviewing the Public Procurement and Disposal of Assets (PPDA) Act to allow for a preferential arrangement for Ugandan manufacturers. It is also important to note that the Ministry of Trade, Industry and Cooperatives launched the BUBU Policy in 2014. However much as policies and legal provisions have been put in place, implementation continues to lag. Government needs to come out with a deliberate effort to support local production and consumption. The rationale for this campaign is to change the general consumer perceptions that Ugandan products are of inferior quality. The

benefits of changing perceptions include the increased consumer preferences towards Ugandan products, increased capacity utilization, higher employment and incomes. Purchasing power will increase and the market will grow, resulting in enhanced profitability for all our businesses. **The private sector therefore urges that if Ugandan made products meet the required standards public procurement should be skewed towards these goods and services.** A lot therefore ought to be done to ensure standards are met. For its part the PSFU in concert with its member associations such as Uganda Manufacturers Association should design programmes that promote Ugandan goods, services, professionals and labour among its members and the private sector generally.

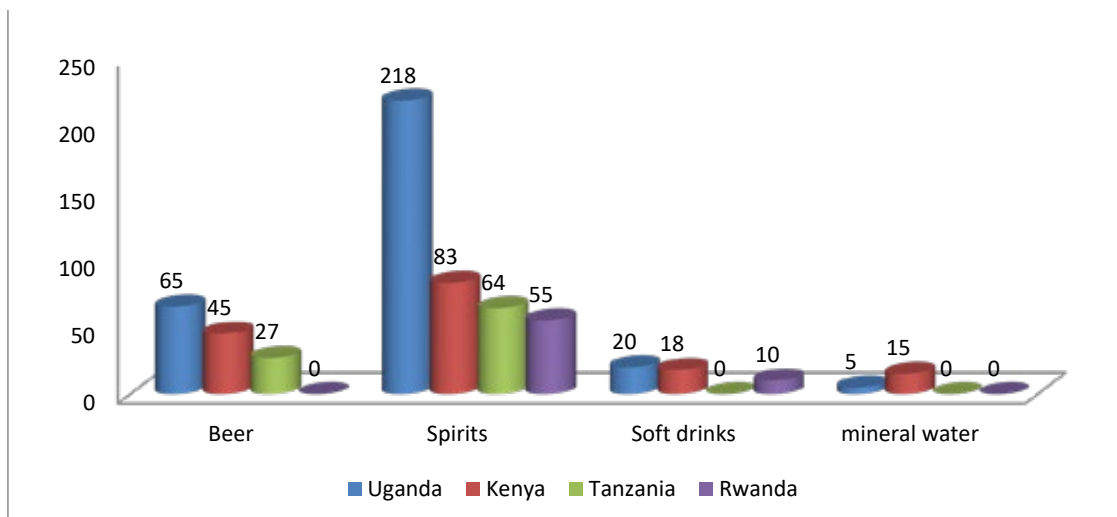
d. **Supportive Policies and Legislations:**

Uganda's iron ore, oil and gas reserves are due for value addition into steel, PVC, PPR, HDPE and other construction materials. At the advent of this, we see proliferation of the Ugandan and its export market with substandard goods (This is unclear. Only the authors can clarify). As the country is developing capacities, it is important that Uganda is known for high quality materials and a market of trust to avoid incidences of collapsing structures both in Uganda and in our export markets. The private sector in manufacturing therefore urgently calls for **policies to regulate the construction, steel and plastics manufacturing, trade and use** in Uganda.

The Government should also finalize with a **National Competition Policy**. This will bring about a levelled play field hence fair play in the business environment and provide the consumers with real quality choice. Other unnecessary costs to resolve unfair competition will immensely reduce.

e. Digital Tax Stamps

Digital Tax stamp (DTS) was introduced in 2nd half 2019/2020 with an exemption for payment for local products. In the FY 2020/2021 the private sector was requested to incur the installation cost which has increased the cost of doing business especially in comparison with other EAC countries. The graph below shows the comparison for DTS costs of Uganda with in EAC for products beer, spirits, soft drinks and water.



Source: Author



The industry needs to compete favourably with its EAC partners. The Republic of Tanzania presents a similar business environment as Uganda. The private sector proposes;

- a) Consider DTS cost as net excise duty payable (handle it as tax administration)
- b) Reduce DTS costs by 70% on beer, spirits, and soft drinks.
- c) In the long term, consider phasing out DTS for products where no under declaration, counterfeit or smuggling will have been proved by DTS.



3.8 Human Resources (Health, Education, Skills and Attitude) Sector:

Education and health services remain a social service which ordinarily should be provided by Government. The private sector has made significant contribution in these sectors. Efforts by Government should therefore be geared towards supporting the private sector make more of this contribution and increase its scope in-terms of geographical coverage to cover the

whole country (not concentrate in Greater Kampala and municipalities of Jinja, Tororo, Masaka and Mbarara). The private sector could also be motivated effectively to diversify to foundation schools (early childhood development) and tertiary institution to invest in competence based education.

Also on health there is need to help the private sector to invest in diagnosis, treatment and care related facilities. This will require incentives to investment over and above the normal ones provided by government, as will be proposed shortly.

Health insurance: The NHIS proposal need to be interpreted well and made to work as a viable health insurance service on a basis of contribution from users and cross contributor subsidy in particular sectors. The popularization and equating the planned health insurance to universal health care need to be clarified, especially the implication to the national treasury. Further the operationalization of the health insurance should avoid risks of forming management structure which is new but use the current institutional and operational structures both public and private. The retirement's benefits regulator should require benefits managers to provide medical **insurance and not crowd up the pay roll with the 8% proposal**. This will enable introduction of a working health insurance system and will encourage the local people to contribute to retirement schemes if such benefits are expected.

Support the health sector with affordable credit similar with the Agricultural Credit Facility.

Taxes: There should be no taxes levied to Heath sector, more especially if are they carrying out a role which is traditionally for Government

Health Sub-sector

Government of Uganda is committed to the achievement of universal health coverage for Uganda in line with the National Development Plan II, Health Financing Strategy and the Health Sector Development Plan 2015/16 – 2020/21. Both these subscribe to the Sustainable Development Goal 3 and translate into Uganda's Vision 2040 which provides development paths and strategies to operationalize Uganda's Vision statement: "A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years".

The importance of Health as key pillar to support the realization of this vision must be reflected in the national budget. The contribution from the Government budget to the health sector was 8.3% of the national budget in 2018/19, which is relatively low compared to the Abuja Declaration 15% target. In 2008/2009, the per capita requirement for the Uganda National Minimum Health Care Package (UNMHCP) calculated to be USD 41.20 whilst the actual per capita expenditure by government was only USD 12.50, leaving a considerable gap filled by the people through out of pocket expenditure. As our population grows in number, the nature of demands on the health system will evolve as the youthful proportion of the population grows into adulthood. This further emphasizes the need for the Uganda health system infrastructure to adjust accordingly.

Ministry of Health has embraced a multi-sectoral approach to achieving UHC and to this end, established an Inter-ministerial Committee to Develop a Roadmap for Universal Health Coverage. This multi-sectoral approach has unpacked the indirect investment into the health sector made by the Government, it has also further underscored the role and contribution the various sectors play in improving health of Ugandans and realizing improvement in health indicators. Nevertheless, the gap faced by the health sector to provide basic minimum care, that compliments the private sector contribution is lacking.

The recent introduction of referral guidelines on how private and public facilities will relate to each other in the management of patients isn't adequately actualized where there are concerns of if the public facilities will have the necessary inputs and consumables alongside functional equipment and health workers present at their stations. While we appreciate the increase in remuneration to health workers in the public sector as a motivation, a crucial motivator is to have the necessary equipment, drugs and other key consumables required for diagnosis available for workers to carry out their duties professionally.

Education and Skills Sub - Sector



The Skilling Uganda Strategic Planning framework demands the training institutions to use heavy-duty, specialized tools and equipment in training in order to achieve the objective of the curriculum and competence levels demanded by the industrial sector. Most of these tools and equipment are sourced from more developed countries mainly in Europe and North America in form of donations. These donations have been subjected to excise tax and withholding duty tax something that has made their importation very exorbitant due to

the high taxes.

According to the PSFU/EU Skills Needs Assessment, the skills gaps that exist in the labour market mainly relate with absence of proper foundation and cognitive skills in the population and proper human capital planning. There is need to therefore implementing the Early Childhood Development Policy to improve the employability of the skilled labour force.

The private sector therefore recommends;

1. Exempt income tax on the following;
 - All infant development classes given the importance it provides as a foundation for learning
 - All skilling and competency development in the spirit of skilling

Uganda

- Primary and secondary education outside the greater Kampala metropolitan and major municipalities/aspiring cities.
2. Skilling Uganda: The strategy developed needs to quickly be implemented with emphasis on a sectoral approach. The current delay under ministry of Education needs to be quickly addressed to ensure faster implementation of skilling Uganda and provision and development of critical skills in.
 3. Develop incubation centres such as the 'Raiz Corp' model in South African to equip the youth with entrepreneurship and business skills.
 4. Provide more incentives to local manufacturing to produce locally, medicines and commodities such as HIV/AIDs, malaria and TB.
 5. Establish contract referrals between public and private laboratory and diagnostic facilities to decongest Ministry of Health laboratories.
 6. Jointly tackle counterfeit drugs through strengthening surveillance mechanisms with support from strong regulations.
 7. Scale up health financing mechanisms such as maternal voucher schemes and roll them out nationwide to cover sectors such as oil and gas.
 8. Create a specific medical fund with collaboration with development partners to support access to credit for the private medical facilities.

3.9 Trade and Commerce Sub Sector

i. Import substitution strategy

The import substitution strategy is one of the economic growth strategizes upon which the Fy 2021/22 budget is developed. To promote the strategy, the government has prioritized fiscal policies such as increasing import tariffs – CET to as high as 60%.

According to the private sector, the increase in the import tariffs has not led to a reduction in the prices of the products in sectors such as apiculture products hence market un-competitiveness. Albeit, the increased revenue collection by Government, consumer's welfare is affected since they now spend more money for the same commodities due to the increased tariffs.[A study by EPRC publication no. 154 "how do increased import duties in Uganda affect trade, revenue and welfare" emphasized this that volumes of imports are still insignificantly reduced. This is because most of these commodities are not produced locally.

To address this paradox, the PSFU proposes;

- a. Develop a national import substitution strategy, which will identify the commodities which the countries imports most, establish the possibilities to substitute them and by what margins, shape the right import tariff measures which will ensure tax revenue, competitiveness and also catering for social welfare of consumers.
- b. Change the approach of the management



of URA and UNBS from policing approach to, facilitative roles through established departments or desks for MSME import substitution. This will ensure predictability of investments in these commodities, while securing the compliance to required standards.

- c. Establish a credit guarantee scheme for the investments in import substitution commodities which will be identified in the strategy. This scheme should concentrate on business development services and some asset financing modalities for requisite equipments.

ii. Export promotion strategy

Promotion of exports is paramount for proper macroeconomic management and poverty reduction. The NBFPP appreciates this role and the PSFU is targeted to execute sensitization on the AfCTA. As learned from the prevalence of non-tariff barriers within the EAC, this risk is still expected to prevail in the AfCTA if the approach for negotiations still takes a Government approach. In addition, the EPRC publication no. 123 “which countries stand to gain from the AfCTA” reveals the stronger economies are expected to gain compared to weaker ones. And these are projected to establish non-tariff barriers.

To generate more gains than losses from the export markets, the private sector proposes the following recommendations;

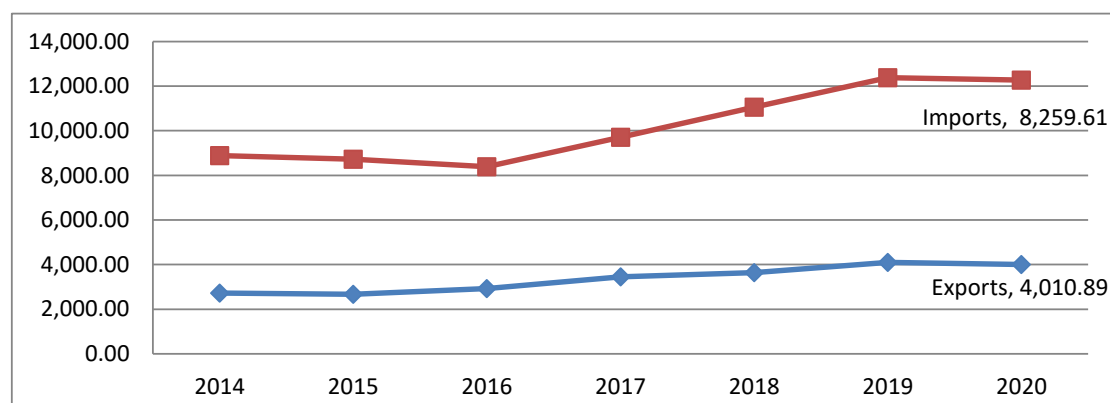
- a) Negotiations on the free trade area for AfCTA, should be private sector driven. There should be more private sector linkages and network opportunities across the partner states. The interventions to align policy should just support the process. This approach will generate more economic gains across the citizenry of partner states thereby reducing the risk of non-tariff barriers.
- b) Increase the budget going to Ministry of Trade, Industry and Cooperatives to support the private sector organize market linkages across partner states
- c) Digitalize the export procedures especially for products destined to EU and AGOA. This will reduce the unnecessary delays in exporting as well as reducing corruption related tendencies.
- d) Develop and promote a national food safety strategy with an objective to develop standards for the available commodities both for local markets especially due to exploitation of oil and the export market. Its implementation should be driven by the available sector associations or groupings.

Trade & Development: Integration Issues



Uganda is a member of several trading blocs including the East African Community (EAC), Common Market for East and Southern Africa (COMESA) and Intergovernmental Authority on Development (IGAD). It is also a signatory to the World Trade Organization and participates in various trade negotiations as part of the various trading blocs and bilaterally. The Common Market for Eastern and Southern Africa (COMESA) regional bloc remained the main destination for Uganda's exports throughout the last five years under review.

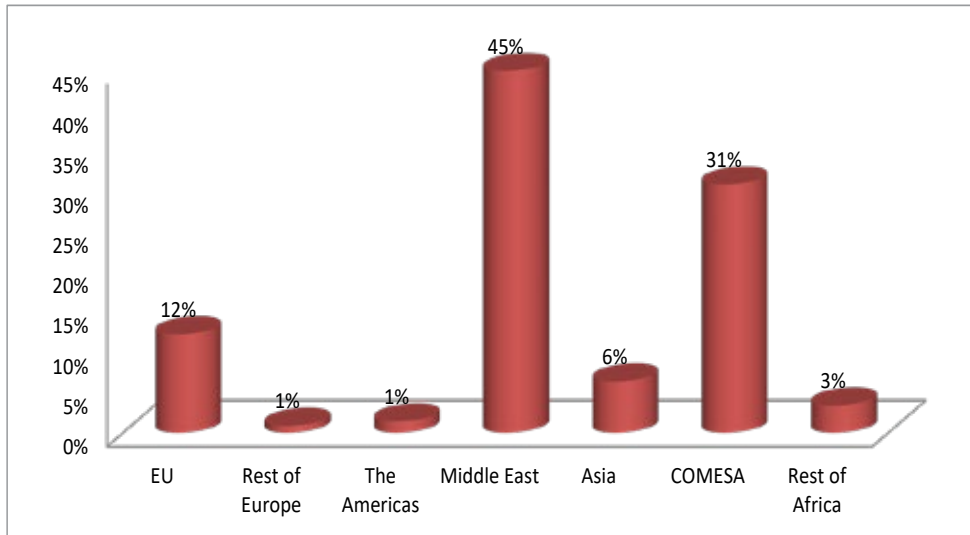
During Calendar Year (CY) 2020, total export earnings (Formal and Informal exports combined) reduced by 2% from US\$ 4,095.65 million in 2019 to USD 4,010.89 million in 2020. Similarly, the total imports bill reduced by 0.3% from USD 8,284.02 million in 2019 to USD 8,259.61 million in **2020**. The overall annual trade deficit increased to US\$ 4,248.713,658 million in 2020 compared to the value of US\$ 4,188.373 million recorded in 2019. See the graph below;



Source: BoU export statistics, 2020

In 2020, formal exports accounted for US\$ 4,148.87 million while informal exports were worth US\$ 305.37 million. The total formal import bill in 2020 stood at US \$ **8,259.61** million while informal import bill was worth US \$ 57.8 million. The Middle East remained the main destination of Uganda's exports, followed by African continent, Europe and then Asia

Figure showing Uganda’s Leading export destinations (% of the total export value) 2020



Source: Bank of Uganda External Sector Statistics, 2020



Regional Integration & Economic Partnerships:

Uganda’s continued support and involvement in regional integration processes is strengthening its involvement in the world trade regime. However benefiting from integration and free market access arrangements faces certain challenges including:

SUPPLY SIDE CONSTRAINTS:

Various limiting factors along value chains make it difficult to take full advantage of market access presented by regional integration and bilateral preferences at Uganda's disposal. Simply stated, in many areas the country is not competitive enough. Some of the proposals by the private sector and under cross-cutting issues would go some way in raising the economy's competitiveness. But also of importance are measures designed to substantially increase production in the various sectors as well as enhance quality standards.

East African Community

There are still constraints to smooth economic and trade cooperation the EAC. Non-tariff Barriers (NTBs) are still a common feature; there is slow implementation of the agreed positions; and there is stalemate in the implementation of many Northern Corridor Integration projects.. Some of the pending NTBs include:

i. UCHUMI indebtedness to the private sector:

UCHUMI supermarket closed operations in Uganda in August 2015 with over UGX 13 billion due to Ugandan suppliers, land lords and employees. This contributed greatly to be rise of the non-performing loans in the financial market. This issue also spilled over in the other supermarkets with Kenyan ownership/management. Engagements over this issue were initiated at a bilateral level with Government of Kenya but matter remains unresolved. The private sector recommends that the Republic of Kenya work with Republic of Uganda to create a payment framework to settle the Uganda creditors. This needs to be done in a timely manner as it is long overdue.

ii. 2007/2008 Kenya Post-election violence:



During the 2007/2008 post-election violence in Kenya, Ugandan businesses lost their goods worth UGX 20 billion in vandalism and theft. Discussions over the compensation of these traders have been ongoing since 2008 but the issue is yet to be resolved. A resolution of this issue is necessary to promote the spirit of East African Community integration and instil confidence in the private sector generally. The governments of Kenya and Uganda should formulate a settlement mechanism so that the aggrieved parties are compensated as soon as possible.

iii. Rwanda-Uganda border restrictions:

In February 2019, Republic of Rwanda closed its border with Uganda at Katuna blocking cargo trucks and buses. This has affected trade between two countries as traders not only lost their products but also have now to incur increased the costs. Potentially USD 20 million is lost on a daily basis. Government of Uganda is urged to get a resolution to this situation so that private sector operations are not constrained any further.

iv. Roadblocks

Ugandan trucks and other registered vehicles are on many occasions targeted by Kenya traffic police officers at roadblocks purportedly for over-speeding. The vehicles are impounded and taken to police stations in Kenya but later released on payment of KSHS 2,000-5,000 to police officers. What action is called for???

v. Charges and Fees for milk products

The Kenya market accounts for about 70% of total milk exports from Uganda. In the past year, Kenya has come up with various procedures and documentation/permit requirements that cause delays for Ugandan milk exports to Kenya. To obtain these documents takes Ugandan exporters 2-3 weeks. Moreover this is done on a consignment by consignment basis. Some of these permits and or procedures include: import permit from veterinary department of Kenya, export permit from the veterinary department of Uganda to accompany the consignments, lab results for each batch of products produced by an externally accredited lab, 100% physical examination at the border.

Meanwhile the process at the border takes about 48-72 hours, leading to an estimated increase in the cost of each consignment rendering the milk uncompetitive in Kenya. In addition, importers in Kenya have to first obtain authority to import dairy products from the office of the principal secretary, state department of livestock.

Kenya has not issued any permits for importation of dairy products from Uganda since 01 February, 2019. Pearl Dairy Farms Limited had been exporting up to USD 80 million to Kenya annually. It is important to note that during consultation with the private sector, it was observed that Uganda does not have the capacity to preserve its bulk milk production over a period of 2-3 weeks.

vi. Transit Fees and charges for transit trucks

Kenya's Busia County government charges Ugandan registered trucks a transit/parking levy of KSHS 500. A similar fee was charged in Mombasa and it was considered an NTB under the EAC framework and removed. Kenya has argued that the fee is not discriminatory. It is charged on all trucks in motion. The bilateral meeting between Uganda and Kenya held in July 2019 observed that trucks in motion should not face any levies because they are in transit. Kenya further argued that they may not have a lot of control over the activities of Busia County government since they run a decentralized system of government. The meeting however noted that Kenya should fulfil all her regional and international obligations as one constituent unit.

vii. Sanitary and Phyto sanitary standards

The Ugandan private sector raised concerns regarding Kenya's treatment of some of Uganda's goods. It was also noted that sometimes goods that have already been certified by MAAIF are denied access into Kenyan market by Kenya Bureau of Standards related issues. There is need for policy harmonization between the two partner states.

viii. The parking yard at Malaba customs, Kenya is inadequate to accommodate the increasing number of transit trucks under the one stop border posts (OSBPS) Arrangement

The republic of Kenya is urged to fast track the expansion of the parking yard in Malaba to accommodate the increasing number of trucks.

COMESA FTA

Uganda signed COMESA FTA agreement at the end of 2012 and formally entered the FTA in July 2014. Despite the opportunities offered by the FTA challenges remain. Certain products from some countries within COMESA arrive onto our markets cheaper than local counterparts, because, it is suspected of subsidies.

We recommend that Government should consider invoking the safeguard measures under the COMESA FTA in mitigation if subsidies can be proved. Similar actions could be taken in respect of goods from other countries as provided for under the WTO Agreements.

EAC EU Economic Partnership Agreement

While Kenya and Rwanda have signed on to the EU-EAC Partnership Agreement negotiated between the East African Community and the European Union, Tanzania has indicated that it will not be signing on while Uganda and Burundi are ready to sign but only if EAC is signing as a bloc. The recent EAC Summit has mandated its Chairman to communicate the EAC circumstances to the EU within a period of one month. The EAC summit also noted that Kenya should not be disadvantaged since they have already signed

The EAC-EU Partnership Agreement (EPA) covers trade in goods and development cooperation. It also contains an extensive chapter on fisheries - aiming mainly to reinforce cooperation on the sustainable use of resources - and foresees further negotiations on services and trade-related rules in the future. The deal is balanced and fully in line with the EAC Common External Tariff. It supports the EAC's ambitious regional integration project and has what it takes to foster development.

Implementation of this agreement if signed would be on a phased approach with some products already opened up on signing then after 7 years and then 20 years. The products which will be opened up are the ones which have been opened up already - example raw materials and capital equipment's which we already import at zero duty. The second group will be negotiated but will still include those products which are termed intermediate goods which currently are charged 10%. Some of them will be negotiated for 0% in the 7th Year. The

last goods will be those charged 25% and some of the sensitive products after 20 years from when the agreement is signed.

The private sector position is the EPA will not cause any harm (and where they can cause harm, measures to protect EAC are already catered for in the trade agreement). Our argument for the signing is based on the following:

1. There is significant time to prepare for the competition as indicated above, however if we do nothing, the industrial sector may have some challenges
2. But if Uganda puts more effort on addressing constraints to competitiveness. The country can compete with other countries including with EU imports. The individual countries can become competitive against all other countries including Europe and the far East Countries
3. Europe does not pose greater threat to regional industrialization, but the far East does
4. The EPA guarantees that even when Uganda attains middle income status (thereby losing access to Everything but Arms (EBA), Ugandan goods will still access the EU market under more or less unchanged preferential terms.
5. The EPA as a negotiated arrangement cannot be abrogated unilaterally by the EU on pretexts like human right, gay and lesbian rights etc. Burundi is currently suspended from EBA on human rights grounds.
6. EPA is more reliable and creates a sense of predictability.





4.0 CONCLUSION

The private sector is the reliable engine of growth world over. To harness the power of this sector, increase growth and reduce poverty is not an ideological aspiration, but one that has been proven elsewhere. Government must therefore take advantage of the cooperation from the private sector by providing sound policies that support private initiative, innovation and hard work. It is only the favourable policies that can get the private sector to anchor the economy through investments, employment, paying taxes, exports and sustained household incomes. Government needs to address the challenge of institutional bottlenecks, dysfunctional or cumbersome systems as well as work on changing the mind-set of civil servants in serving the private sector. Whereas the external factors may be out of control of Government, measures can be taken to ease doing business by addressing the domestic factors and reducing the impact of the external factors. Therefore, Government should consider policy actions geared towards increasing productivity and production in agriculture, while cushioning the farmers against the adverse effects of weather variability and climate change. To do so, Government could consider fixing problems along the entire value chain including research and development for seeds and inputs, irrigation, fertilizer supply, agricultural extension, credit, rural infrastructure, storage and connection to markets. Other growth sectors such as tourism, minerals among others should be also prioritized in order to unleash Uganda's growth potential and enhance competitiveness. Issues of infrastructure; transport, energy, ICT, water for production among others should be prioritized in order to turn around the economy. Good Governance issues plus ensuring value for money, accountability, monitoring and evaluation, budget discipline together with emphasis on implementation of all agreed on policy actions and private sector recommendations as proposed raised and

discussed in this **Platform for Action**, will lead to a transformed Uganda.

Being competitive is critical for the Ugandan economy to sustain its growth. The private sector in Uganda highly appreciates Government's response to the suggestions for prioritisation of national resources towards improvement of the overall business environment. The business community also recognises the challenges faced by the Government in trying to implement its policy actions. Therefore, these deliberate policy actions as recommended above to alleviate the identified competitiveness and growth challenges must be implemented if the private sector is going to be the driving force of the economy.

5.0 ANNEXES

ANNEX 1

5.1 COMMERCIAL BILLS TO BE TABLED BY GOVERNMENT BEFORE PARLIAMENT FOR CONSIDERATION IN THE NEW SESSION

Below is the summary of the commercial Bills that are to be tabled before parliament by the Government

1. National Health Insurance Bill
2. NSSF (Amendment) bill 2019
3. Local content Bill, 2018
4. Government Pension Scheme bill
5. National coffee Bill
6. Agriculture Extension Bill
7. Amendment of the NAADS Act
8. Fisheries (Amendment) Bill
9. The Engineers Registration Act (Amendment) Bill
10. Uganda Wildlife 2015 Amendment Bill
11. Uganda Land Commission Bill
12. Consumer protection Bill
13. New sugar Bill
14. Amendment of Universities and other Tertiary Institution Act (2011)
15. Micro Finance Deposit Taking Institutions (Amendment) Bill.
16. Financial Leasing Bill
17. Motor Third Party Insurance Bill.
18. Uganda Construction Industry Commission (UCICO) Bill.
19. 5.2 Private Sector Tax Proposals for FY 2021/22 National Budget

Sn	ISSUES	PROPOSALS	JUSTIFICATION
VALUE ADDED TAX			
	<p>Standard VAT rating at 18%</p> <p>18% VAT rate is so high and it reduces consumption</p> <p>There is difference in VAT rates at 18% for Uganda and 14% for Kenya</p>	<p>a) Create three extra bands of VAT;</p> <p>✓ 5% for Micro, small and social products such as electricity and water</p> <p>✓ 10% for medium</p> <p>✓ 18% for large enterprises</p> <p>b) Align VAT to Kenya at 14%</p>	<ul style="list-style-type: none"> - It affects consumption of products and services - Social products i.e. electricity, and water - Limits widening tax base, while encouraging tax evasion. - Kenya has VAT rate at 14% and yet it's our major trade partner which distorts competition
	<p>VAT on locally made Agro machinery.</p> <p>Imported machinery benefit from VAT deferment which is not the case for locally made machinery, which pays input VAT, thus making them less competitive locally.</p>	<p>Zero rate VAT on agro machinery locally made</p>	<ul style="list-style-type: none"> -Consistent with import substitution strategy -Makes the locally made agro machinery products competitive. -Creates employment i.e. fabricators, electrical practisoners.
	<p>VAT/WHT Refunds for Private Sector.</p>	<p>d) Government should expedite the refund process of the VAT/WHT owed to the Private sector so as to relieve their cash flow constraints.</p> <p>e) GoU should budget and appropriate these resources.</p> <p>f) Set up a monitoring mechanism which include the private sector to track implementation</p>	<p>Private Sector rely on borrowed working capital at interest rates averaging over 20%, yet URA is not ably providing the necessary refunds of monies owed in VAT/WHT.</p>
	<p>VAT on Imported Services which are not locally available</p>	<p>Exempt VAT on imported services that are not locally available such as</p> <p>"Including software importation and on AMC, engineer fees during warranty period"</p>	<p>The services imported are in many cases not available locally. Therefore, it is only logical to enable businesses access such services competitively.</p>
	<p>Private Sector Associations having to register for VAT yet its mandate and programs are aimed at aiding the private sector development for Uganda as a key imperative for National social economic transformation.</p>	<p>Amend the third schedule of the VAT Act to include the supply of services from the Private Sector association among the zero-rated supplies.</p>	<ul style="list-style-type: none"> i) It is critical to strengthen associations as a means to private sector development ii) Enable reduction in operational costs by 18% to enable them invest these monies into activities that can support the private sector further.

Sn	ISSUES	PROPOSALS	JUSTIFICATION
	<p>18% VAT on Garments whose LRM source is at least 70% excluding water</p> <p>Companies having spinning, weaving, & knitting facilities are exempted from VAT, however other Garment manufacturing units buying fabric from such companies are required to charge VAT.</p>	<p>Zero rate these products from local raw material source</p>	<p>Import duty is 35%, which forces local Garment Private Sector to buy from Local Companies who are exempt from VAT, but Garment manufacturer has to charge VAT, making it un-competitive in market. This is not level playing field.</p>
	<p>Designation of VAT withholding agents to financial institutions</p> <p>Most of the Banks are not VAT registered and those that are; the component of taxable supplies among their total supplies is marginal.</p>	<p>Do not designate Banks as VAT withholding agents</p>	<p>Having to account for VAT withheld creates an extra administrative burden and system design costs on the financial institutions without a reward to their efforts, as they are not VAT registered.</p>
	<p>VAT exemption for debt collection and factoring by financial institutions</p> <p>Currently, the VAT Act exempts the supply of financial services from VAT apart from debt collection and factoring. However, the Financial Institutions Act defines financial institution business to mean the business of— (a) acceptance of deposits; (b) issue of deposit substitutes; (c) lending or extending credit, including—(i) consumer and mortgage credit factoring with or without recourse; (iii) the financing of commercial transactions; (iv) the recovery by foreclosure or other means of amounts so lent, advanced or extended; (v) forfeiting, namely, the medium-term discounting without recourse of bills</p>	<p>Include Factoring in the Second schedule 2(b) (ii) of the VAT Act, CAP 349 as an exempt financial service since Factoring is provided by a Financial Institution.</p> <p>Amend Paragraph 2 (b) (ii) of Schedule 2 to the VAT Act so that the definition of financial services does not exclude debt collection and factoring carried out by financial institutions.</p>	<p>Charging of VAT discourages this Factoring¹⁹ as a form of financing, as it is an added cost on top of the financing cost that is being charged to the borrower.</p> <p>Financial inst. has developed initiatives to enhance financial intermediation through the formation of the Asset Reconstruction Company (ARC). One of the primary activities of the ARC will be to facilitate the purchase of debt of distressed companies as part of financial restructuring. Charging VAT will stifle this badly needed financial service at its infancy in the Ugandan economy where we are seeing an increasing level of non-performing assets (NPA) in the banking system.</p>

¹⁹ Factoring is a form of financing similar to any form of lending or extending of credit or working capital finance that banks provide to their customers.

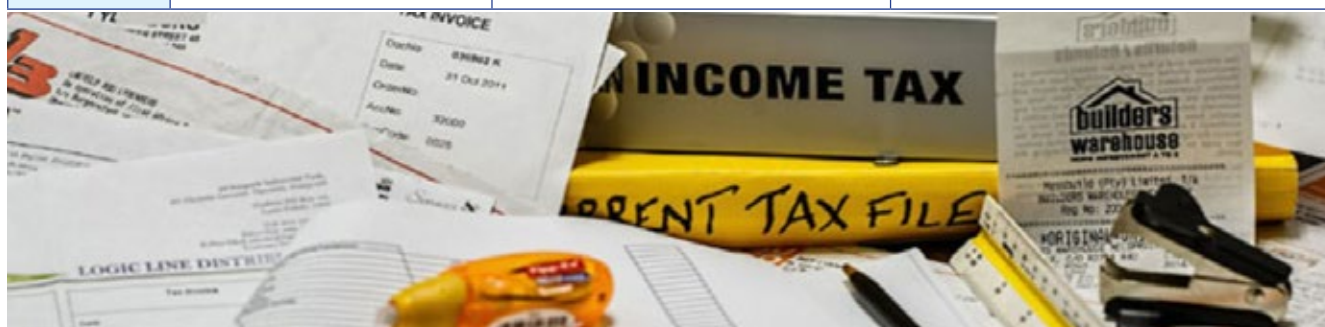
Sn	ISSUES	PROPOSALS	JUSTIFICATION												
INCOME TAX ACT															
	High costs associated with installation and implementation of Digital Tax Stamps (DTS).	GoU should incur costs of DTS stamps	Since Government claims additional revenue. This should be handled like tax administration measures whose costs are incurred by URA												
	30% Income tax rate is too high for the private sector	Reduce the rate from 30% to 25%	This will reduce the cost of doing business especially during the COVID pandemic. This will also improve tax compliance which increases tax base.												
	Increase the PAYE thresholds to improve the liquidity of the population	Revise the Threshold as; <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>From;</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>0- 235,000 = Nil</td> <td></td> </tr> <tr> <td>235,001- 350,000= 10%</td> <td>500,000- 1,000,000 = 10%</td> </tr> <tr> <td>350,001- 410,000=20%</td> <td>1,000,000- 2,000,000 = 20%</td> </tr> <tr> <td>Above 410,001 = 30%</td> <td>2,000,000- 9,000,000 = 20%</td> </tr> <tr> <td>Above 10,000,000 = 40</td> <td>Above 10,000,000 = 40%</td> </tr> </tbody> </table>	From;	To	0- 235,000 = Nil		235,001- 350,000= 10%	500,000- 1,000,000 = 10%	350,001- 410,000=20%	1,000,000- 2,000,000 = 20%	Above 410,001 = 30%	2,000,000- 9,000,000 = 20%	Above 10,000,000 = 40	Above 10,000,000 = 40%	<ul style="list-style-type: none"> - Low income earners are majority need to improve their liquidity leading to more consumption - Many countries have collected more taxes, when tax rates are lower <p>This will grow consumption leading to increased VAT</p>
From;	To														
0- 235,000 = Nil															
235,001- 350,000= 10%	500,000- 1,000,000 = 10%														
350,001- 410,000=20%	1,000,000- 2,000,000 = 20%														
Above 410,001 = 30%	2,000,000- 9,000,000 = 20%														
Above 10,000,000 = 40	Above 10,000,000 = 40%														
	Sec. 25 (3) as amended; for all debts owed by a taxpayer who is a member of a group, the amount of deductible interest (including banks) in respect of all debts shall not exceed 30% of the tax earnings before interest, tax, depreciation and amortization (EBIT-DA).	We propose that the interest paid to banks should be allowed as a deduction expenditure	<p>a) The provision limits deduction for a realistic business expense of interest on loans from a commercial bank.</p> <p>b) The limitation of interest deduction will affect both foreign and local group companies unlike thin capitalization that only affected foreign-controlled companies.</p> <p>Local banks could prove unattractive due to the high interest rates and companies opting for cheaper loans from outside Uganda after all there is reduced incentive since the whole of the interest expense is not allowed. This would not be good for the economy.</p>												

Sn	ISSUES	PROPOSALS	JUSTIFICATION
	<p>Stamp duty for MTP policies at Ugx.35,000/- Stamp duty is higher than the premiums. For example, Using the example of a Motorcycle (Boda-boda), the insurance premium is Ugx, 6,000/=, whereas Stamp duty is Ugx.35,000)</p>	<p>The Sector Petitions Government to review the stamp duty for MTP policies to Ugx.5, 000/=</p>	<p>-Affects insurance penetration due to high costs associated -Lead to increase in compliance from various motorists.</p>
	<p>30% Capital Gains on sale of shares by companies having Ugandan majority shareholding for agro processing. CGT rate is high and limits public involvement to capitalize such entities which encourages agro industry and financial market development</p>	<p>Reduce CGT rate to 5% for agro processing industries as it is aligned to the CGT in Kenya.</p>	<p>This will encourage acquisition of shares by the public and more earnings inform of dividends hence more withholding tax at 15% to the government. It will also attract more investors to invest in agro manufacturing which is key for the modernization of agriculture that employ about 70% of Ugandans.</p>
	<p>Inflation or valuation should be considered in assessing CGT</p>	<p>Amend Law to provide for indexation and or valuation before disposal as the determinant of actual value based on which capital gains are assessed.</p>	<p>This will eliminate over taxation of tax payers and encourages acquisition of capital for investment in the country</p>
	<p>Limited reinvestment of corporate profits into production due to absence of compelling incentives.</p>	<p>Reduce corporation tax to 10% for companies that re-invest at least 75% of their declared profits. This should be limited to only situations where the investment happens in the next 12 months of the declaration of profits.</p>	<p>There is need for the country to come up with innovative ways to retain declared profits within the economy to cause economic expansion. This can be a major revenue mobilization bonanza.</p>
	<p>Financial Inclusion Strategy: The Government of Uganda launched the Financial Inclusion strategy in Oct 2017 to deliver on financial inclusion and build digital infrastructure for efficiency plus broadening formal savings and insurance usage.</p>	<p>Exempt import duty for importing specific digital equipment/accessories (POS, Tabs)- Point of Sales equipment</p>	<p>This will support the development of requisite infrastructure that enables agent banking and Fin tech spread across the country</p>

Sn	ISSUES	PROPOSALS	JUSTIFICATION
	<p>The Income Tax Act (ITA) continues to carry a redundant provision that was intended to spur exports provided the tax payer can achieve exports of 80% of manufactured goods to be able to have a benefit of 0% Corporation Tax.</p> <p>Over the years, the provision has remained redundant because no manufacturer in Uganda can achieve the set target.</p> <p>80% THRESHOLD is of no consequence and has not at all contributed to growth of export receipts as was intended; rendering the provision redundant</p>	<p>Reduction of corporate tax for export oriented companies. Details are below;</p> <ol style="list-style-type: none"> 1.Export 70% - 100%, Corp Tax 0% 2.Export 65% - 69.99, Corp Tax 5% 3.Export 45% - 64.99, Corp Tax 10% 4.Export 25% - 44.99, Corp Tax 15% 5.Export 15% - 24.99, Corp Tax 20% 6.Export 10% - 14.99, Corp Tax 25% 7.Export 0% - 9.99, Corp Tax 30% 	<p>The sliding scale as proposed is thus motivated by the need to grow exports of manufactured goods rapidly if at all Uganda is serious about attaining 50% export of manufactured goods relative to all exports as envisaged under Vision 2040.</p> <p>Terms of trade improvement for Uganda is very critical too as a means of reducing the negative trade balance that the country suffers from.</p>
	Interest on Government securities	Exempt taxes on interest earned from Government securities	This will encourage investments in the financial markets and long term securities
	Manufacturing Under Bonded manufacturing should not be allowed to import raw materials which are not locally available	Restrict the inputs used in the manufacturing under bond facility to only those that are not available within the EAC.	To increase the macro value addition in Uganda as well as allow intra-EAC trade as well as increase capacity utilization of the available factories manufacturing industrial inputs.
EXCISE DUTY			
	Waiver of Excise Duty on bottled water	Reduce excise duty by 1% annually up to 10% as agreedto the level that will increase consumption discourage illicit trade and raise tax revenue through increased compliance.	This will increase consumption of bottled water. Discourage illegal bottling which poses serious health risks Reduces illicit trade in the sector which will increase the tax base through compliance and turnover.
	Capping of interest charged by URA on excise duty as was done in VAT and Income Tax.	Amend the Excise Duty Act to provide for the capping of interest on Excise Duty	Motivates tax payers with heavy outstanding interest to pay which enables URA achieves its collection targets.
	Despite the nutrition limitations of carbonated soft drinks. 12% Excise Duty on carbonated soft drinks is very high	Reduce rate to 10% to harmonize with EAC Region	This will expand the tax base due to increase in compliance and reduction in

Sn	ISSUES	PROPOSALS	JUSTIFICATION
	Imposition of Specific Duty Rates that increase tax incidence	Revert to Ad-valorem rates.	The welfare of Ugandans is a key aspect to look into. Ad-valorem rates are easier to administer especially when the goods are imported. For imported goods Governments may earn more revenue since Excise duty includes import duty as well
	Excise duty on edible oils	<ul style="list-style-type: none"> i. Amend the law to remove excise duty on locally produced edible oil. ii. Introduce excise duty at 500/= per liter on imported edible oil. 	This will provides flexibility for manufactures to pay farmers a better price due to the stiff competition (62%) Drive increase in HH income due to increased production and price contributing to more HH incomes leading to employment.
	Excise duty charged for both local manufactured and EAC imported cigarettes <ul style="list-style-type: none"> (a) soft cap locally manufactured Shs. 75,000 per 1000 sticks (b) Soft cap cigarettes imported shs. 75,000 (c) hinge lid locally manufactured Shs. 120,000 per 1000 sticks hinge lid imported Shs. 120,000 per 1000 sticks	<ul style="list-style-type: none"> a) Consider a tax regime which does not discourage local manufacturing b) Increase the export cess of unprocessed tobacco from 0.8 USD per kg to 1 USD per kg to ensure competitiveness of local Private Sector c) Consider a single rate for both tiers at 65,000/= soft cap and 90,000 shs. Hinge lid 	This limits efforts of BUBU due to; <ul style="list-style-type: none"> a) 43% increase in price leads to prevalence of illicit at 20%- 30bn shs. Annually b) 75,000 tobacco farmers located in 25 poor districts are at risk of suffer due to low prices c) Reduction in domestic VAT revenue due to reduction in market. a) EAC CU provides for free movement of goods across the EAC
	Excise duty on beer whose local raw materials content, excluding water, is at least 75% by weight of its constituent. A 30% or Shs. 790 per litre whichever is higher excise duty has been put on beer. This trend has been upward moving with excise rising annually.	Reduce the current excise duty rate to 30% or shs. 615 per litre whichever is higher.	Due to the increased excise duty rates in FY 18, 19, & 20. The following impacts have/ are being realized: <ul style="list-style-type: none"> a) 25-50% reduction in the market for the processed beer leading to informality b) raw materials produce reduced by 48% which impacts farmer welfare and exposes over 3000 farmers c) 8bn revenue loss to Government, 13% MSMEs closing business

Sn	ISSUES	PROPOSALS	JUSTIFICATION
	<p>Excise duty on beer produced from barley grown and malted in Uganda</p> <p>30% or Shs. 1115 per liter whichever is higher is so high</p>	<p>Reduce excise duty to 30% or Shs. 950 per litre whichever is higher to support the industry and BUBU</p>	<ul style="list-style-type: none"> - 85% of the barley used in beer is grown in Uganda. - Is not aligned to BUBU - Increases the costs of production <p>Affects household income for farmers.</p>
	<p>Excise duty on the wine made from locally produced raw materials</p> <p>20% or Shs. 2,300 whichever is higher</p>	<p>Maintain the current regime at 20% or Shs. 2,000 per litre whichever is higher</p>	<ul style="list-style-type: none"> ✓ Nascent sector and yet it supports value addition of products which are under bumper harvest currently. ✓ Increases the market prices of products - Affects HH income
	<p>Excise duty on Opaque beer at 30% or Shs 230 per litre, whichever is higher</p> <p>FY 2018/19 established excise duty on opaque beer with an objective of expanding the tax base.</p>	<p>Exempt excise duty on the opaque beer to support the re-vamping of the product line.</p>	<p>Unfortunately, the tax increased;</p> <ul style="list-style-type: none"> - Price increased by extra 300 shs. Implying that market price moved from 1200 shs to 1500 shs. - Plant collapsed and 1000 farmers lost employment. ✓ Government itself losses 5 billion shillings in tax revenue annually.
	<p>Excise Duty</p> <p>Excise Duty is currently charge on all ledger fees, ATM fees, withdrawal fees and periodic charges and other transaction and non transaction charges, excluding loan related charges periodically charged by financial institutions.</p> <p>This currently includes charges on the use of new digital infrastructure developed to promote digitization in Uganda</p>	<p>We propose that Item 14 of the Schedule 2 of the Excise duty act is amended to exclude excise duty charges on the use of online platforms; online banking for a period of 5 years to provide for predictability of investment plans.</p>	<p>This will promote the use of the digital infrastructure which contributes to reduction in lending rates since operating expenses is a big driver for interest rates in Uganda.</p>



Sn	ISSUES	PROPOSALS	JUSTIFICATION
	<p>Excise duty on Non-alcoholic beverages not including fruit or vegetable juices 12% or Shs 250 per litre whichever is higher</p>	<p>Reduce the current excise duty to 10% or 166 shs. per liter whichever is higher</p>	<p>This goes against the pledged lowering of Excise Duty on Carbonated Soft Drinks to 10%, which investors relied on to plan investments into the sector.</p> <p>Maintaining the rate at 12% renders the business non-viable in Uganda especially where neighboring countries are offering much lower rates. Also, the increase of the Specific Rate by 50/= is not justifiable. Currently Carbonated Soft Drinks pay Ushs20 per bottle, so the increment of Ushs50 per bottle is further unjustifiable.</p> <p>Align soft drinks at 10%</p>
COMMON EXTERNAL TARIFF			
	<p>25% CET on Labels (Hs code 4821.10.90)</p>	<p>Increase import duty on this items to 35% hence making it sensitive item under CET</p>	<p>Uganda has enough capacity to produce this Finished products</p>
	<p>10% CET on Labels- others (Hs code 4821.90.00)</p>	<p>Increase import duty on these items from 10% to 35%</p>	<p>Some of Leading companies alone have invested USD 15 million to produce these paper labels. 10 more players are in Uganda, with this capacity.</p>
	<p>35% CET on self adhesive film (Hs code 3919.10.00)</p>	<p>Consider this item at 10%</p>	<p>This is a Raw material for Printing Industry</p>
	<p>Tax treatment for raw materials</p>	<p>Fast tracking the conclusion of the CET to institute the 4 - band structure²⁰.</p> <p>Exclusion of raw materials from the sensitive list that derogates them from the COMESA concessions, this should be for ONLY those materials that are not manufactured within the EAC</p> <p>Remove VAT, excise duty and other levies on raw materials and inputs that are not locally available in the Region</p>	<ul style="list-style-type: none"> • To give more flexibility in the tax structure • To reduce cost of manufacturing and be competitive • Allow for dev't in the various value chains in manufacturing in a competitive manner. • Provide market opportunities for products which are not in the region

²⁰ 0%- RM not available in country, 10% RM available & intermediate not country, 25% intermediate avail-

Sn	ISSUES	PROPOSALS	JUSTIFICATION
CHARGES EQUIVALENT TO TAX			
	<p>Licensing regime License regime no longer looks at regulation but rather revenue mobilization. Multiple license, fees, levies and cess which increase cost of doing business²¹</p>	<p>a) Review the licensing act to consolidate various licenses, fees and levies into single license, levy that can be paid by the private sector.</p>	<p>This affects;</p> <ul style="list-style-type: none"> ✓ Increasing tax rates due to inelastic growth of tax ✓ Impends GDP growths ✓ Inhibits FDI inflows <p>Increases cost of doing business</p>
	<p>30% Taxes in Dispute payment during the Tax Appeals Tribunal process.</p>	<ol style="list-style-type: none"> 1. Amend the Tax Procedures Code Act to drop the requirement for the 30% tax in dispute payment. 2. Instead provide for an Insurance bond or Bank Guarantee security for 10% of Tax in dispute. 	<p>Recently the Court of Uganda has given a verdict that URA should not insist on the payment of 30%. It's an advantage to the tax payer as the 30% not paid will be used to boost production leading to more tax revenue.</p>
	<p>Perceived Abuse of Third-Party Agency Notices as a collection mechanism by URA.</p>	<p>Amend the Tax Laws to provide for Agency Notices issuance as a result from legal proceedings where tax payers have been parties either at TAT or at Courts of Judicature.</p>	<p>This will harmonize tax collection and productivity without over burdening business since Uganda remains a high cost of doing business destination. In many cases, third party Agency Notices have been arbitrarily issued without fair hearing of the tax payer which is a fundamental requirement and principle of natural justice.</p>



able in country and 35% final products

21 E.g. Hospitality sector pays 18 different levies:- Local Government Tax - US\$2 per bed night, Employee Service Tax - 5%, UWA taxes - US\$10 per bed night / 15%, Fish levy, Coffee Cess

Sn	ISSUES	PROPOSALS	JUSTIFICATION
	<p>Import substitution & widening the tax base:</p> <ul style="list-style-type: none"> ✓ Cider²² is currently imported from Kenya at 80% or UGX. 8,000 per liter excise duty under category of wine (URA report) ✓ This cost does not encourage local production since it's even higher than the factory price ✓ Sector plans to invest in the production of Cider locally using concentrates of pine apples and apples. ✓ Over 3000 apple farmers and 100,000 pine apple farmers exist (MAAIF 2019) ✓ Composition of Cider is; <ul style="list-style-type: none"> ❖ Sugar Content 6% - 15% ❖ Acidity ❖ Citrus acid anhydrous 0.01% ❖ Concentrate (Fermented Juice) 84% ❖ Sodium Benzoate - 0.01% ❖ Water ❖ Food grade Acetic Acid ❖ Caramel - 0.02% ✓ Other fermented beverages such as Perry, mead, spears & near beer and mixtures of fermented beverages are also planned for implementation within 2021 	<ul style="list-style-type: none"> a) Ensure excise duty on cider and other fermented products at 0% for at least the first year of operation to support product breakeven b) Gradually raise the excise duty to 30% or UGX 550 per liter whichever is higher starting with the second year of operation <p>Source: Author Trend of projected VAT earnings growing (10- 20%)</p>	<ul style="list-style-type: none"> a) Employment by volume and value <ul style="list-style-type: none"> i. 1000 farmers of apples²³ and 7,000 farmers of pineapple will be employed ii. 1000 direct off farm employees with an average of 1 bn. Shs. Spent in salary per month b) Disposable income <ul style="list-style-type: none"> i. 1.67 bn²⁴.shs. Earned by farmers in year 1. Leading to 666 million²⁵ disposable income c) Tax revenue: <ul style="list-style-type: none"> i. VAT (18%) will be 120²⁶ million shs.



Private Sector Position Paper on the FY 2021/22 Tax Bills to Parliament Committee of Finance Planning and Economic Development

No.	Issue	Implications	Recommendations
Value Added Tax (Amendments bill) 2021			
1	<p>Refund of tax for use of EFRIS for non VAT registered buyers</p> <p>Sec. 45A of the bill proposes that “A person other than a taxable person who purchases goods or services from a taxable person and is issued with an electronic invoice or several electronic invoices worth 10m shs. Within a period of 30 consecutive days, shall be entitled to a refund of 5%of the tax paid.”</p>	<p>While the objective of promoting use of EFRIS is appreciated, It is very unlikely that the people will voluntary approach URA to present their invoices expecting this refund.</p>	<p>Create more sensitization for the business community about the EFRIS system</p>
Tax Procedures Code (Amendment) Bill			
2	<p>No TIN, No Business!</p> <p>Sec. 5(8)(9) of the bill proposes that “A local authority, Government institution or regulatory body shall not issue a licence or any form of authorisation necessary for purposes of conducting any business in Uganda to any person who does not have a TIN”.</p>	<p>PSFU is committed to ensuring that whoever is taxable complies with tax.</p> <p>Licenses and “any form of authorization” are expected to be provided by as low as LC1, LCV and Government. i.e. A youth in Kabula owning 10 goats, and is interested in selling off 3 goats each at 200,000 shillings will be expected get a TIN before they sell these goats This transaction could even be a one off! He/she may spend a full year without selling anything but URA aggressive messages will still continue to be sent to him/her.</p> <p>This affects entrepreneurship level of the youth, start ups and SMEs and companies doing business in the LC 1 and 2.</p>	<p>Put a threshold which requires that a possession of the TIN for supplies above 1,000,000 shillings to protect business Start ups for the youth and SMEs</p>

<> According to UNBS standard US 2132: 2019 “Cider” means an alcoholic beverage obtained by fermentation of the juice of apples (apples, pine apples) or a mixture of the juice of apples and pears with or without the addition of potable water, sugars or concentrated apple or pear juices of which at least 50% apple juice is included in any mixture from which fermentation takes place.

<> NAADS has supplied more than 1000 apple plants to farmers; consequently over 1000 farmers have already planted.

<> Average farm price per pine apple is 600/= *2,775,763 amounts =1.67 bn. In year 1

<> 40% of the 1.67 bn. Is profit= 666 million shs.

<> All that is earned will be spent leading (VAT 18%*666=120 million shs.)

<p>3</p>	<p>Alternative dispute resolution procedure</p> <p>The bill proposes that “A tax payer who is dissatisfied with a decision of the Commissioner may apply to the Commissioner to resolve the dispute using alternative dispute resolution procedure, as may be prescribed.</p> <p>For the purposes of this section, the Minister may make regulations to provide for alternative dispute resolution for tax purposes</p>	<p>This will reduce the time taken to resolve tax disputes which consequently will increase non tax revenue from the Government.</p> <p>The challenge however lies with the composition of this “alternative dispute resolution” because this will determine the efficiency of the scheme.</p>	<p>Ensure good participation of the private sector on the alternative dispute resolution procedure.</p>
<p>4</p>	<p>Powers of the Commissioner during investigation.</p> <p>1. The Commissioner shall in the process of investigation have the following powers—</p> <p>(a) the power to effect an arrest with an arrest warrant;</p> <p>(b) the power to issue an order for interim closure of premises (for non compliance with tax stamps & EFRIS);</p> <p>(c) the power to record charge and caution statement; or</p> <p>(d) The power to execute a bond with or without security.</p>	<p>These powers are prone to be misused by URA officers.</p> <p>The bill does not provide for checks of the URA officers to avoid miss use of the powers</p>	<p>Put a separate clause which implicates the commissioner in case he/she abuses the powers provided in this section of the bill.</p>

Traffic & Road Safety Bill 2021



<p>5</p>	<p>Licence for possession of motor vehicle</p> <p>Sec 14A(1) of the bill proposes that “A person shall not own or possess a motor vehicle, trailer or engineering plant or use it on a road, unless the motor vehicle, trailer or engineering plant is licensed under this Act”.</p> <p>Motor Vehicle Annual fees</p> <p>Sec 14B(1) of the bill proposes that “A person who owns or possess a motor vehicle, trailer or engineering plant or uses it on a road, shall pay an annual on or before the 31st day of January of every year, as may be prescribed by the Minister by regulations”</p>	<p>This is a double taxation because registration fees and tax on fuel still exists which are objected to serve the purposes of registration and environment conservation.</p> <p>In addition, this is going to increase the already high costs of distribution.</p> <p>Illustration:</p> <p>A large manufacturing company ecosystem has the following vehicles;</p> <ul style="list-style-type: none"> - Large company owns at least 100 trucks, - Each agent is mandated to have 4 trucks, - and total of 80 agents totaling to 320 vehicles each having 15 distributors - 1200 distributors each having 2 trucks, - a total of 1,620 <p>The company will have to pay annual licensees and annual fees for all these vehicles.</p> <p>This situation is even worsened by the tourism industry - whose business depends has vehicles as a leading asset.</p>	<p>Remove all the proposed amendments of annual license and annual fee but instead retain the current tax on fuel. This is easier to enforce and administer by the URA.</p>
<p>Income tax (Amendment) Bill</p>			



6	<p>Property owners to account for rental tax for each building separately</p> <p>Sec. 5(2a) of the bill proposes that a “person” who during a year of income earns rental income from more than one building shall account for the income and expenditure of each building separately and shall pay tax for each building separately. The proposed tax rate applicable is 30% of the chargeable income.</p> <p>Bill also proposes to increase to 60% (from 50%) of the rental income as expenditure and losses incurred by a person in the production of such income;</p>	<p>Property owners plan to develop many buildings at ago in a year. It is their annual business plan.</p> <p>Each of the buildings for this business is the assets for this business. And buildings are not registered as separate entities.</p> <p>It’s similar to suggest that, <i>a company in tours and travel with 10 vehicles should account for income tax from each vehicle separately, and yet it is the same company and these are just business assets that generate revenue!</i></p> <p>If this is passed, it will increase both the cost of administration and landlords may pass on the cost to tenants hence increased rent.</p> <p>COVID-19 has impacted the real estate sector with most of the property occupancy levels below 50% due to work from home SOPs and failures of other sectors. This is going to increase the cost of rent by 10% which increases the cost of housing in the economy and yet the housing is a basic need.</p>	<p>a) Consider the current position where companies account for income and expenses as a block. The sector is not that profitable to require companies to increase their costs of administration.</p> <p>b) Focus on improving the capacity of URA to conduct the right tax assessment. PPP approach could be used where URA partners with private tax experts licensed under strict regulations to conduct tax assessments on behalf of Government.</p> <p>Do not increase tax as it will affect the sector deeply.</p>
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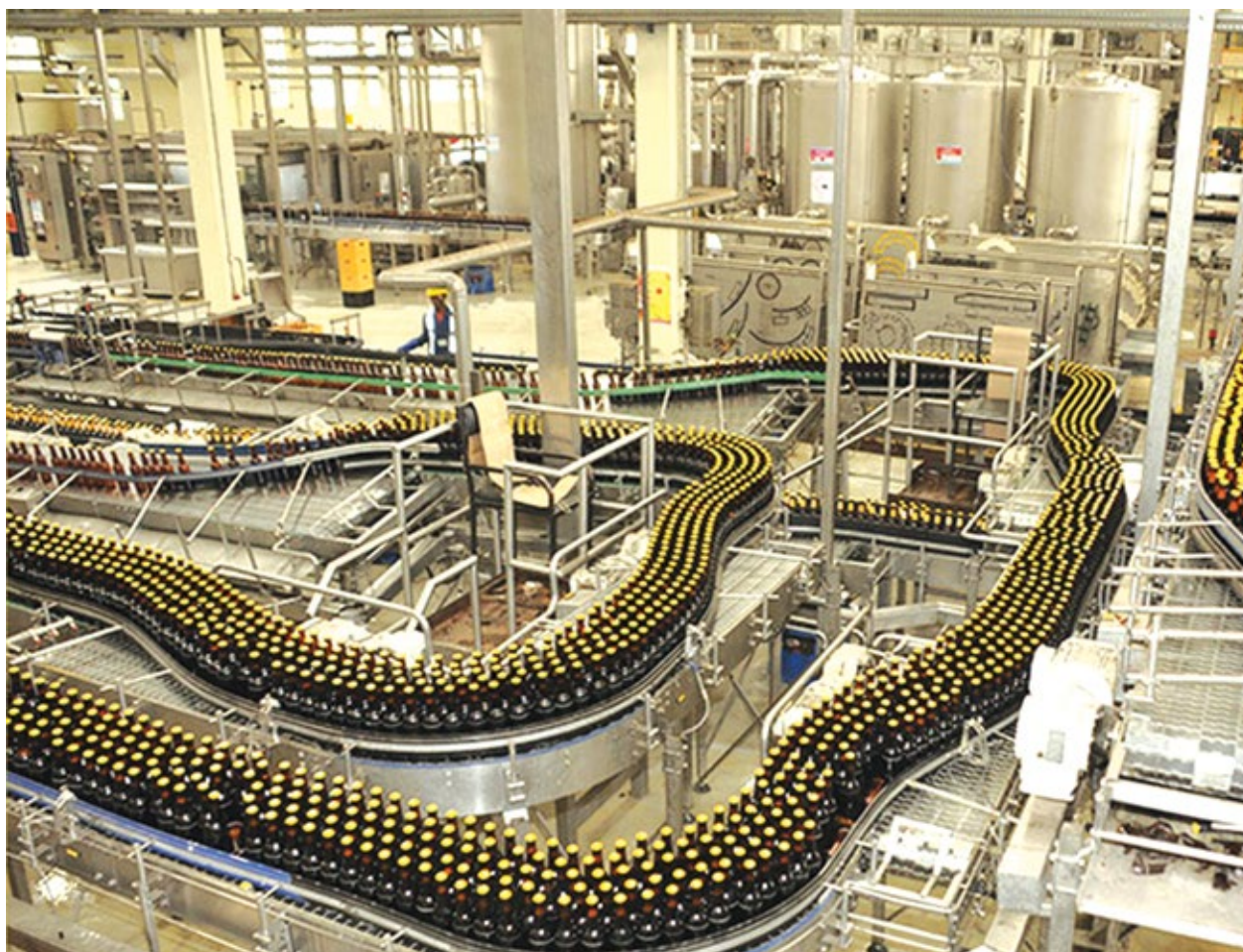
<p>7</p>	<p>Refunds processing</p> <p>Sec.113 4b of the bill proposes that where the Commissioner requests for additional information, the application for refund shall be deemed to have been submitted on the date on which the additional information is received by the Commissioner.</p>	<p>While this is a fair proposal, the danger comes in with the delays and continuous requests for information from the commissioner. For instance, if a company writes to request for a refund in April, URA does not have a limit on the number of times they request for additional information. These requests could easily be infinitive and yet the private sector is interested in urgency in the refunds system.</p> <p>This is so, due to the high cost of finance in the economy the private sector require the refunds early enough to support refinancing their businesses.</p>	<p>Create a new clause which provides for a formula/time table with in which the commissioner can request for more information while it is aligned to the proposal in Sec. 113 4a of 45 days.</p> <p>This will support the private sector in refinancing and also promoting compliance.</p>
<p>Excise Duty Proposals</p>			
<p>8</p>	<p>Amendment of Schedule 2 to principal Act</p> <p>Sec. 4a (d) of the bill proposes that excise duty on opaque beer be charged at 30% or shs. 230 per litre; whichever is higher.</p>	<p>This is a welcome proposal, as it promotes business formalization and widening the tax base.</p>	<p>This is a welcome proposal</p>



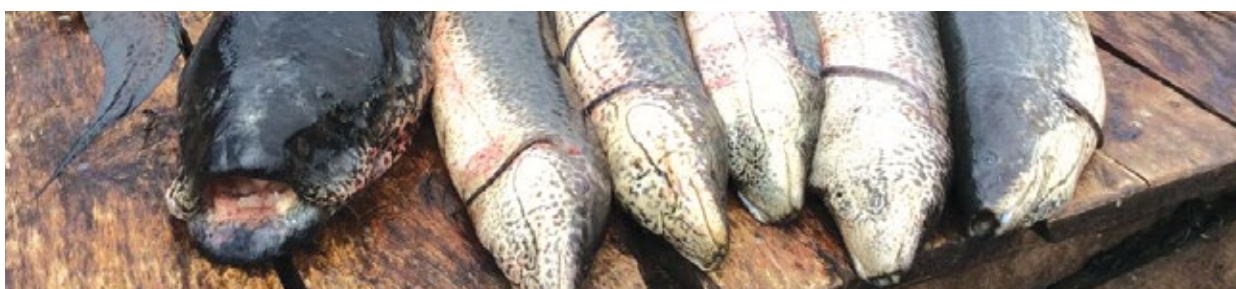
<p>9</p>	<p>Amendment of Schedule 2 to principal Act</p> <p>Sec. 4c (e) of bill proposes excise duty on any other alcoholic beverage locally produced at 30% or shs 230 per litre; whichever is higher</p>	<p>While this is a welcome proposal, there is ambiguity regarding the definition of “any other alcoholic beverages” due to lack of clarity on opaque beer.</p> <p>This if not well addressed is expected to bring confusion in the industry.</p>	<p>Clarity is required regarding the definition of “opaque beer” such that anything other than opaque is defined as “beer whose local raw material use is at least 75% excluding water”</p> <p>Rewrite this section to read “alcoholic beverages which use at least 75% Local raw material excluding water be taxed at 30% or Ushs.230 whichever is higher”.</p> <p>This will cater for all the innovations within the industry including the cleaner beers such as Ngule.</p>
<p>10</p>	<p>Sec. 4c (d) of bill proposes that any other non-alcoholic beverage locally produced other than the beverage referred to in subparagraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria at</p> <p>12% or shs. 250 per litre whichever is higher;”</p>	<p>This goes against the pledged lowering of Excise Duty on Carbonated Soft Drinks to 10%, which investors relied on to plan investments into the sector. Maintaining the rate at 12% renders the business non-viable in Uganda especially where neighboring countries are offering much lower rates. Also, the increase of the Specific Rate by 50/= is not justifiable. Government should rationalize this. Currently Carbonated Soft Drinks pay Ushs20 per bottle, so the increment of Ushs50 per bottle is further unjustifiable.</p>	<ul style="list-style-type: none"> i. Do not increase excise duties by the extra 50 shs per liter ii. Reduce the current excise duty to 10% or 166 shs. per liter whichever is higher

<p>11</p>	<p>Sec. 4d (11a) of the bill proposes that Plastic packaging be taxed at 5% or USD 150 per ton, whichever is higher;</p>	<p>Local companies have invested in recycling of these plastics and produce packaging materials These efforts go a long way in ensuring that our environment is conserved as well as creating employment for the population.</p> <p>Taxing their locally made products renders their investment irrelevant since it's mainly objected to conserve the environment.</p>	<p>Provide an exception for locally manufactured plastic packaging to support the efforts of conservation of the environment.</p>
<p>12</p>	<p>Sec. 4d (11b) of the bill proposes that Plastic granules be taxed at 5% or USD 100 per ton, whichever is higher</p>	<p>Plastic granules is a raw material used in the production of plastics</p> <p>Charging excise duty on "raw materials" is not consistent with the objectives/principles of excise duty since it's a production tax.</p>	<p>This proposal should be dropped.</p>
<p>13</p>	<p>Sec. 4fc of the bill proposes that internet data, except data for provision of medical services and education services at 12% of the fee charged</p>	<p>The COVID-19 error, internet has become more less a public good for doing business, communication and way of life of the population. Is this the right time to increase costs of internet? Uganda already has the most expensive internet in the EAC. Presently the cheapest source has 1 GB sold at 3,200 shs. A 12% tax will drive the cost of internet by an extra 384 shs. Per GB.</p> <p><i>In addition, how will Government administer this tax for the exceptions education and medical?</i> <i>If I purchase data for my child at home for education reasons, how will this imply to me!</i> This worsens the country situation in regards to our competitiveness within the region. This inhibits innovations especially from business start ups and the youth employment consequently more tax will be lost.</p>	<p>Do not increase taxes on internet. Instead charge income tax on the investments which are created by the use of internet. Internet is an enabler to business and innovations.</p>

<p>14</p>	<p>Sec. 4h(25) of the bill proposes that any other fermented beverages including cider, Perry, mead, spears or near beer</p>	<p>The industry has moved to invest in the production of these products locally. Investments to add value on pine apples and other fruits has already been commissioned.</p> <p>The proposed tax regime does not differentiate between locally made products and imported ones and yet local value addition is still nascent and hence requires some protection.</p>	<p>Create a differentiation between the local production and imported products through;</p> <ul style="list-style-type: none"> a) Maintain the proposal for imported products and b) Consider Ensure excise duty on cider and other fermented products at 0% for at least the first year of operation to support product breakeven c) Gradually raise the excise duty to 30% or UGX 550 per liter whichever is higher starting with the second year of operation (see annex paper 1)
<p>External Trade (Amendment) bill</p>			



<p>15</p>	<p>Levy on wheat bran, cotton cake, maize bran or other by-products of the milling industry.</p> <p>Sec 4A (1) of the bill proposes a levy on wheat bran, cotton cake, maize bran and other by-products of the milling industry at the rate of USD 0.4 per kg, which is exported out of Uganda.</p>	<p>While the objective is to promote the local livestock industry, this objective may not be achieved if nothing is done to promote modern livestock production in the country.</p> <p>Illustration:</p> <ul style="list-style-type: none"> - In Eastern Uganda, the price of bran to exporters is 600/= per kg from the miller, the export levy put is 1,500/= per kg. This is higher than the value of the product. This is minus the expenses incurred. <p>These costs will be pushed back to the farmer whose prices of maize will be even much smaller</p> <p>Over 94% of the livestock in Uganda is still indigenous and farmers still use traditional means of production.</p> <p>Consequently farmers farm get prices are going to be impacted negatively due to the increase in the market prices for the bran which is a big profitability section for the businesses in milling.</p> <p>Export volumes will fall which will create a surplus in the local market leading to the reduction in price of products at farm level.</p>	<p>In the short term, limit this levy to wheat bran and gradually introduce it to maize bran and cotton cake in a period of 3 years.</p> <p>Promote the development of the livestock sector through skilling of farmers in better production technologies</p>
<p>Fish (Amendment) Bill</p>			



16	<p>Levy on fish maw</p> <p>Sec 30A (1) of the bill proposes to charge a levy on fish maw at the rate of Shs. 70,000 per kilogram of fish maw which is exported out of Uganda. This shall be paid by the exporter to URA at the time the fish maw is exported out of Uganda.</p>	<p>This is welcome proposal to generate revenue but also to promote the value addition of fish maws in Uganda.</p> <p>However, the exponential rise in the levy from 20 cents to 70,000 shillings is causing a shock in the industry since several of the fish processors have been relying on this for business survival amidst COVID-19 and her implications.</p>	<p>Reduce the levy costs from 70,000 shillings to 20,000 shs per kilogram</p>
Tobacco Control (Amendment) bill			
17	<p>Levy on leaf tobacco</p> <p>The bill proposes a levy on leaf tobacco at the rate of USD 0.8 per kg of leaf tobacco which is exported out of Uganda. This shall be paid by the exporter to URA at the time the leaf tobacco is exported out of Uganda.</p> <p>For the purposes of this section “leaf tobacco” shall not include cutrag, threshed stem, threshed strips, threshed loose leaves or threshed lamina.”</p>	<p>This is welcome proposal because it promotes local manufacturers and local investments.</p> <p>Last FY Government did not collect this money due to lack of clarity of the bill.</p> <p>This is will yield revenue for Government.</p> <ul style="list-style-type: none"> - Export volumes are 32 metric tons - Leading to USD 25.6 million as revenue for Government 	<p>This is welcome proposal because it promotes local manufacturers and widens the tax base.</p>



5.3 LIST OF PRIVATE SECTOR FOUNDATION MEMBERS AS AT MARCH, 2020

	MEMBER NAME	SECTOR
	1. AGRICULTURE AND AGRI BUSINESS	
1	AGRICULTURAL COUNCIL OF UGANDA	Agriculture
2	AGRO-GENETIC TECHNOLOGIES LTD. (AGT)	Agriculture
3	ASSOCIATION OF UGANDA PROFESSIONAL WOMEN IN AGRICULTURE & ENVIRONMENT (AUPWAE)	Agriculture
4	CROP LIFE UGANDA	Agriculture
5	ENTEBBE LIVESTOCK MARKETING COOPERATIVE SOCIETY LIMITED	Agriculture
6	FARM SUPPORT LIMITED	Agriculture
7	HORTICULTURAL EXPORTERS' ASSOCIATION OF UGANDA (HOTEXA)	Agriculture
8	ICEMARK AFRICA LTD	Agriculture
9	MADDU FARMERS CO-OPERATIVE SOCIETY LTD	Agriculture
10	NATIONAL AGRICULTURAL ADVISORY SERVICES	Agriculture
11	NATIONAL ORGANIC AGRICULTURAL MOVEMENT OF UGANDA (NOGAMU)	Agriculture
12	NATIONAL SMALL HOLDER BUSINESS CENTER	Agriculture
13	NATIONAL UNION OF COFFEE AGRIBUSINESSES AND FARM ENTERPRISES (NUCAFE)	Agriculture
14	POULTRY DEVELOPMENT ASSOCIATION OF UGANDA	Agriculture
15	THE GRAIN COUNCIL OF UGANDA LIMITED	Agriculture
16	THE UGANDA NATIONAL APICULTURE DEVELOPMENT ORGANISATION	Agriculture
17	UGANDA BEEF PRODUCERS ASSOCIATION (UBPA)	Agriculture
18	UGANDA COCOA ASSOCIATION	Agriculture
19	UGANDA COFFEE TRADE FEDERATION (UCTF)	Agriculture
20	UGANDA COMMERCIAL FARMERS' ASSOCIATION LTD (UCFA)	Agriculture
21	UGANDA CO-OPERATIVE ALLIANCE	Agriculture
22	UGANDA CRANE CREAMERIES COOPERATIVE UNION	Agriculture
23	UGANDA DAIRY PROCESSORS ASSOCIATION (UDPA)	Agriculture
24	UGANDA FISH PROCESSORS & EXPORTERS' ASSOCIATION (UFPEA)	Agriculture
25	UGANDA FLORICULTURAL ASSOCIATION (UFA)	Agriculture

26	UGANDA FLOWER EXPORTERS' ASSOCIATION (UFEA)	Agriculture
27	UGANDA FOREST INDUSTRIES DEVELOPMENT ASSOCIATION	Agriculture
28	UGANDA MEAT PRODUCERS COOPERATIVE UNION	Agriculture
29	UGANDA NATIONAL AGRO-INPUT DEALERS' ASSOCIATION (UNADA)	Agriculture
30	UGANDA NATIONAL FARMERS' FEDERATION (UNFF)	Agriculture
31	UGANDA NATIONAL VANILLA ASSOCIATION (UNVA)	Agriculture
32	UGANDA OIL SEED PRODUCERS AND PROCESSORS ASSOCIATION	Agriculture
33	UGANDA ORGANIC CERTIFICATION LTD	Agriculture
34	UGANDA SEED TRADE ASSOCIATION	Agriculture
35	UGANDA TEA ASSOCIATION	Agriculture
36	UGANDA TROPICAL PLANTS ASSOCIATION	Agriculture
2. ENGINEERING, CONSTRUCTION, TELECOMMUNICATIONS AND ICT		
37	AIRTEL UGANDA	Telecommunication
38	ASSOCIATION OF REAL ESTATE AGENTS - UGANDA	Constructions
39	BROAD BAND COMPANY LTD	Telecommunication
40	GREEN COMPUTERS	ICT
41	ICT - CLUSTER ASSOCIATION INITIATIVE.	ICT
42	ICT CONSULTS LIMITED	ICT
43	INFORMATION AND COMMUNICATION TECHNOLOGY ASSOCIATION	ICT
44	NATIONAL HOUSING & CONSTRUCTION COMPANY LTD	Construction
45	ORANGE TELECOM LTD	Telecommunication
46	SIMBA GROUP OF COMPANIES	Telecommunication
47	SMILE COMMUNICATIONS UGANDA LIMITED	Telecommunication
48	SMS MEDIA UGANDA LIMITED	Telecommunication
49	UGANDA ASSOCIATION OF CONSULTING ENGINEERS	Engineering
50	UGANDA BUSINESS PROCESS OUTSOURCING ASSOCIATION (UBPOA)	ICT
51	UGANDA ICT OUTSOURCING SERVICES ASSOCIATION	ICT
52	UGANDA NATIONAL ASSOCIATION OF BUILDING AND CIVIL ENGINEERING CONTRACTORS (UNABCEC)	Engineering
53	UNITED ENGINEERS AND TRADERS ASSOCIATION	Engineering

3. BANKING, FINANCE AND INSURANCE		
54	AFRICAN ALLIANCE	Finance
55	AIG UGANDA LTD	Insurance
56	ASSOCIATION OF MICROFINANCE INSTITUTIONS OF UGANDA	Finance
57	ASTOR FINANCE PLC LTD	Finance
58	BANK OF AFRICA UGANDA	Finance
59	BANK OF BARODA	Finance
60	BARCLAYS BANK OF UGANDA LTD	Finance
61	CAPITAL MARKET AUTHORITY	Finance
62	CENTENARY BANK	Finance
63	CITI BANK	Finance
64	DFCU BANK	Finance
65	DIAMOND TRUST BANK	Finance
66	EAST AFRICAN DEVELOPMENT BANK	Finance
67	GROFIN UGANDA	Finance
68	HOUSING FINANCE BANK LTD	Finance
69	INVESTMENT MANAGEMENT ASSOCIATION OF UGANDA	Finance
70	KCB BANK UGANDA LIMITED	Finance
71	NIKO INSURANCE UGANDA LTD	Insurance
72	POST BANK UGANDA LIMITED	Finance
73	STANBIC BANK UGANDA LIMITED	Finance
74	STANDARD CHARTERED BANK	Finance
75	THE ASSOCIATION OF UGANDA SECURITIES BROKERS DEALERS	Finance
76	THE INSURANCE INSTITUTE OF UGANDA	Insurance
77	UGANDA ASSOCIATION OF INSURANCE BROKERS	Finance
78	UGANDA BANKERS' ASSOCIATION (UBA)	Finance
79	UGANDA FINANCE TRUST (UFT)	Finance
80	UGANDA INSURERS ASSOCIATION	Insurance
81	UGANDA LEASING ASSOCIATION	Finance
82	UGANDA SECURITIES EXCHANGE LIMITED (USE)	Finance
83	UGANDA THEATRICAL ARTISES ASSOCIATION SACCO	Finance
84	UNITED NATIONS STAFF SAVINGS & CREDIT SOCIETY	Finance
85	Y-SAVE COOPERATIVE SAVINGS & CREDIT	Finance
4. MANUFACTURING AND CONVERSION INDUSTRIES		
86	ALLIANCE ONE TOBACCO UGANDA LIMITED (A.O.T.U)	Manufacturing

146	INSTITUTE OF PROCUREMENT PROFESSIONALS OF UGANDA	Professional Organizations
147	PROCUREMENT & LOGISTIC MANAGEMENT ASSOCIATION (PALMA)	Professional Organizations
148	PUBLIC RELATIONS ASSOCIATION OF UGANDA (PRAU)	Professional Organizations
149	THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)	Professional Organizations
150	THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA	Professional Organizations
151	UGANDA ADVERTISING ASSOCIATION	Professional Organizations
152	UGANDA JOURNALISTS ASSOCIATION	Professional Organizations
153	UGANDA LAW SOCIETY (ULS)	Professional Organizations
154	UGANDA NATIONAL MARKETERS FORUM	Professional Organizations
155	UGANDA PEST CONTROL ASSOCIATION	Professional Organizations
156	UGANDA PRIVATE MIDWIVES ASSOCIATION	Professional Organizations
157	UGANDA VETERINARY ASSOCIATION	Professional Organizations
8. TOURISM AND HOSPITALITY		
158	ASSOCIATION OF UGANDAN TOUR OPERATORS	Tourism
159	BUGANDA TOURISM CENTRE	Tourism
160	NATIONAL ARTS AND CULTURAL CRAFTS ASSOCIATION OF UGANDA	Tourism
161	UGANDA HOTEL OWNERS ASSOCIATION	Hospitality
162	UGANDA TOURISM ASSOCIATION	Tourism
9. CLEARING, TRANSPORT AND HAULAGE		
163	BOLLORE AFRICA LOGISTICS	Transport and Haulage
164	FRESH HANDLING LTD	Transport
165	UGANDA CLEARING & FORWARDING AGENTS' ASSOCIATION (UCIFA)	Clearing
166	UGANDA CO-OPERATIVE TRANSPORT UNION LTD (UCTU)	Transport and Haulage
167	UGANDA FREIGHT FORWARDERS' ASSOCIATION (UFFA)	Transport and Haulage
10. TRADE AND COMMERCE		
168	ASSOCIATION OF COURIER COMPANIES OF UGANDA	Trade And Commerce

87	BRITISH AMERICAN TOBACCO UGANDA (B.A.T.U)	Manufacturing
88	CENTURY BOTTLING COMPANY LTD	Manufacturing
89	CONTINENTAL TOBACCO UGANDA LIMITED	Manufacturing
90	KAKIRA SUGAR WORKS LTD	Manufacturing
91	LEAF TOBACCO AND COMMODITIES UGANDA LIMITED	Manufacturing
92	M. M. INTERGRATED STEEL MILLS UGANDA LIMITED	Manufacturing
93	MEGHA INDUSTRIES UGANDA LIMITED	Manufacturing
94	MUKWANO INDUSTRIES LTD	Manufacturing
95	MULTIPLE INDUSTRIES LIMITED	Manufacturing
96	NESTLE EQUATORIAL AFRICAN REGION LIMITED UGANDA	Manufacturing
97	NILE BREWERIES LTD.	Manufacturing
98	NORTHERN UGANDA MANUFACTURERS ASSOCIATION	Manufacturing
99	PRAMUKH STEEL LIMITED	Manufacturing
100	QUALITY CHEMICALS	Manufacturing
101	ROOFINGS GROUP	Manufacturing
102	SHUMUK GROUP OF COMPANIES	Manufacturing
103	SOUTHERN RANGE NYANZA LTD	Manufacturing
104	THE CARPENTERS AND JOINERY ASSOCIATION LTD	Manufacturing
105	UGANDA BAATI	Manufacturing
106	UGANDA BREWERIES LTD	Manufacturing
107	UGANDA LEATHER AND ALLIED INDUSTRIES ASSOCIATION LTD.	Manufacturing
108	UGANDA MANUFACTURERS' ASSOCIATION (UMA)	Manufacturing
109	UGANDA PRINTERS' ASSOCIATION (UPA)	Manufacturing
110	UGANDA SMALL SCALE INDUSTRIES ASSOCIATION (USSIA)	Manufacturing
111	UNILEVER UGANDA LIMITED	Manufacturing
5. ENERGY,EXTRACTIVE INDUSTRIES/MINING, OIL AND GAS		
112	ALPHA OIL	Oil
113	BUJAGALI ENERGY LTD	Energy
114	TULLOW UGANDA OPERATIONS PTY LIMITED	Oil
115	UGANDA CHAMBER OF MINES AND PETROLEUM	Oil
116	UGANDA QUARRIES OPERATORS' ASSOCIATION (UQOA)	Mining
117	UGANDA RENEWABLE ENERGY ASSOCIATION	Energy
6. HUMAN RESOURCES (SKILLS, HEALTH, EDUCATION)		

118	ENTERPRISE UGANDA	Skills
119	FEDERATION OF UGANDA EMPLOYERS	Skills
120	ICON WOMEN & YOUNG PEOPLES' LEADERSHIP ACADEMY	Skills
121	INNOVATION SYSTEMS AND CLUSTER PROGRAMS	Skills
122	KAIZEN INSTITUTE AFRICA	Skills
123	KAMULI COMMUNITY DEVELOPMENT FOUNDATION	Skills
124	KIBAALE DISTRICT PRIVATE SECTOR DEVELOPMENT ORGANIZATION	Skills
125	LITERACY AND ADULT BASIC EDUCATION	Education
126	LUCKY FAMILY BUSINESS	Skills
127	MANAGEMENT TRAINING & ADVISORY CENTRE (MTAC)	Education
128	MUBS ENTREPRENEURSHIP CENTRE	Education
129	NATIONAL ASSOCIATION OF WOMEN ORGANIZATIONS IN UGANDA	Skills
130	NATIONAL PRIVATE EDUCATIONAL INSTITUTIONS ASSOCIATION UGANDA	Education
131	TECHNO SERVE	Skills
132	UGANDA ASSOCIATION OF PRIVATE VOCATIONAL INSTITUTIONS	Skills
133	UGANDA GATSBY TRUST	Skills
134	UGANDA HEALTH CARE FEDERATION	Health
135	UGANDA HOME BUILDERS ASSOCIATION	Skills
136	UGANDA INFORMAL SECTOR TRANSFORMATION ORGANIZATION	Skills
137	UGANDA MEDIA WOMEN'S ASSOCIATION	Skills
138	UGANDA MICRO-ENTREPRENEURS' ASSOCIATION	Skills
139	CHEMIPHAR (U) LTD	Health
140	UGANDA NATIONAL ASSOCIATION OF PRIVATE HOSPITALS	Health
141	UGANDA WOMEN ENTREPRENEURS ASSOCIATION	Skills
7. PROFESSIONAL ORGANISATIONS (ENGINEERING, ACCOUNTING, CONSTRUCTION, LEGAL AND RELATED SERVICES)		
142	ASSOCIATION OF MANAGEMENT CONSULTANTS IN UGANDA	Professional Organizations
143	CHARTERED INSTITUTE OF PURCHASING AND SUPPLY (CIPS)	Professional Organizations
144	INSTITUTE OF CHARTERED SECRETARIES & ADMINISTRATORS	Professional Organizations
145	INSTITUTE OF CORPORATE GOVERNANCE OF UGANDA	Professional Organizations



SKILLS DEVELOPMENT FACILITY



COMPONENT 3

(Employer Led Short Term Training and Recognition of Prior Learning)

Uganda Skills Development Project (USDP) Credit Number 5612 – UG



SDF

Provides grants for training activities to companies, associations that are active in selected sectors which aims at addressing prevailing skills imbalances and shortages in Uganda.

IMPROVING

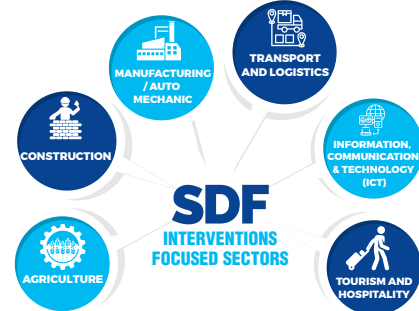
skills and innovation is one of the areas that were emphasised in the National Development Plan (NDPII) that would enhance competitiveness of the economy.

The SDF contributes to the implementation of the BTVET strategy, aimed at:

Transforming the education sector into a comprehensive system of skills development for employment. Enhanced productivity and growth.

ASSIGNING FUNDS TO SUPPORT EMPLOYMENT GROWTH CHALLENGES

WINDOW 01	Addressing skills shortages in the formal sector & Internship strategy aimed at equipping graduates with ready-to-work skills.
WINDOW 2	Addressing skills shortages in the informal sector (Jua kali)
WINDOW 03	Innovative Training
WINDOW 04	Recognition of prior learning and certification



474 TARGETED GRANTS	100%
882 GRANTS AWARDED	186%

TARGETED VS ACTUAL GRANTS AWARDED PER WINDOW

Window 1 (Internship)	Targeted	0
	Actual	72
Window 1 (Formal)	Targeted	180
	Actual	270
Window 2	Targeted	250
	Actual	514
Window 3	Targeted	15
	Actual	16
Window 4	Targeted	29
	Actual	10



BENEFICIARIES

PROJECT LIFE BENEFICIARIES TARGET

28,875

Cumulative Beneficiaries Reached as at July 2021 Were **79,837** in over 90 Districts in Uganda.

WINDOW 1 (FORMAL SECTOR)

180 Number of targeted grants, 270 Number of grants awarded

120 Number of Grants / Completed Projects	8,481 Number of Beneficiaries that have so far Completed training	14,230 Number of Beneficiaries Enrolled (Grant Awards)	1,350 Project Life Beneficiaries' Targets
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WINDOW 1 (INTERNSHIP)

62 Number of Grants / Completed projects	180 NUMBER OF TARGETED GRANTS	2,793 Number of beneficiaries enrolled (grant awards)
2,323 Number of beneficiaries that have so far completed training	72 NUMBER OF GRANTS AWARDED	1,500 Project Life beneficiaries' targets

WINDOW 2 (Addressing Skills shortages in the informal)

250 NUMBER OF TARGETED GRANTS	441 NUMBER OF GRANTS / COMPLETED PROJECTS	43,959 NUMBER OF BENEFICIARIES THAT HAVE SO FAR COMPLETED TRAINING
205.6% NUMBER OF GRANTS AWARDED	56,217 NUMBER OF BENEFICIARIES ENROLLED (GRANT AWARDS)	25,000 PROJECT LIFE BENEFICIARIES TARGETS

WINDOW 3 (Innovative Training)

15 NUMBER OF TARGETED GRANTS	9 NUMBER OF GRANTS / COMPLETED PROJECTS	844 NUMBER OF BENEFICIARIES THAT HAVE SO FAR COMPLETED TRAINING
106.6% NUMBER OF GRANTS AWARDED	1,146 NUMBER OF BENEFICIARIES ENROLLED (GRANT AWARDS)	300 PROJECT LIFE BENEFICIARIES TARGETS

WINDOW 4 (Recognition of prior learning and certification)

29 NUMBER OF TARGETED GRANTS	7 NUMBER OF GRANTS / COMPLETED PROJECTS	2,558 NUMBER OF BENEFICIARIES THAT HAVE SO FAR COMPLETED TRAINING
35% NUMBER OF GRANTS AWARDED	5,451 NUMBER OF BENEFICIARIES ENROLLED (GRANT AWARDS)	725 PROJECT LIFE BENEFICIARIES' TARGETS

KEY ACHIEVEMENTS

ACROSS THE FOUR FUNDING WINDOWS

72.2% INTERNS GOT JOBS	11.8% STARTED THEIR OWN BUSINESSES FOLLOWING COMPLETION.
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100% of interns were satisfied with practical instructions during internship.	98% were satisfied with the career guidance and supervisor support during internship
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OVER 79,837 PEOPLE people have received skilling opportunities with some already employed.	OVER 11,043 UNDER DIT CERTIFIED ACROSS THE 4 WINDOWS
52% MALES	48% FEMALES

10 CERTIFICATION OF PRODUCTS FROM COMPANIES BY UNBS AND OTHER BODIES	7 ACCREDITED TO OFFER NEW / INNOVATIVE TRAINING COURSES AND INTERNATIONAL CERTIFICATION UNDER AS CITY AND GUILD.
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5 PUBLIC INSTITUTIONS: Kiryandongo, Nawanyago, Kibatsi, Iganga Technical Institutes, Nakawa Vocational Institute	2 PRIVATE INSTITUTIONS: Nile Vocational Institute, Mamza Consult /ussia
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- A bio fertilizer of Black Soldier Fly larvae (BSFL) as an alternative livestock feed at Uganda Martyrs' University Nkozi
- Diploma in birding at Uganda Christian University.
- 3 Computer Numerical Control technology machines acquired from AMATROL USA to provide hands-on training for Technical Education Learning Systems (TELS) at Kabasanda Training Institute.

753 COLLABORATIONS HAVE BEEN ESTABLISHED ACROSS THE 4 WINDOWS

28 MOUS SIGNED BETWEEN Centres of Excellence (CoEs) Vocational Training Institutions (VTIs)

- Companies hosting Interns
- Companies employing interns

These collaborations will go a long way in enhancing and revamping the training curriculum

A TOTAL OF 314 PERSONS WITH DISABILITIES, 741 TRAINEES FROM 15 ORGANIZATIONS IN REFUGEE AREAS WERE SKILLED ENABLING THEM TO EARN INCOME, THIS REDUCED VULNERABILITY

CAPACITIES OF GRANTEEES	BUILT FOR
- INSTITUTION STAFF	* TRAINING
- COMPANY EMPLOYEES	* ASSESSMENT
- THEIR PARTNERS	* CERTIFICATION

Several benefits of the management and mitigation of Environment, Social, Health And Safety Risks Including Covid-19 that have enhanced the outcomes of the project.

A NOTABLE CONTRIBUTION TO OIL AND GAS SUB SECTOR IN UGANDA UNDER WINDOW 3 AND WINDOW 4;

2460 CRAFTSMEN & ARTISANS	175 DRIVERS CERTIFIED IN HEAVY GOODS VEHICLES
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In manufacturing and construction sector accredited with City & Guilds, ECITB and Cambridge International Certifications.

5 Public TRAINING INSTITUTIONS CERTIFICATION	2 Private
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As Accreditation / Assessment Centres - City & Guild (4), ECITB (2) and Cambridge (1) to reduce on assessment costs for International Certification

OUTCOMES OF A RESULTS STUDY ON SDF

- It contributed to improvement of skills trainees and employers for increased productivity, profitability and employment in the formal and informal business sectors.
- The SDF was highly relevant because of its alignment with the national development agenda (NDP I and III).
- It enhanced employment opportunities for the trainees and interns in key impact sectors including agriculture, manufacturing, construction, transport / Logistics, ICT and tourism & hospitality.

MAJOR CHALLENGES

- Covid-19 pandemic that hit the country, leading to a lockdown in May to July 2021, led to closure of several training institutions, slow down of the several project activities, sickness and death of staff, workers and training beneficiaries.
- The overwhelming number of applications that PSFU could not meet the demand for the skilling, very many good and innovative skilling ideas turned down, yet could be improved, merged or partnerships encouraged for skilling.

For instance, OUT OF THE 353 APPLICATIONS UNDER WINDOW 4 ONLY 10 WERE AWARDED (2.8%)



- Provide skills that intensify business development (certification) and market linkages including on-line marketing
- Skilling for value chain development and value addition, such as fruits value chain
- Ensure sectoral focus to highlight and promote fast growing sectors such as ICT, transport and logistics, procurement & marine and rescue
- International accreditation of training institutions requires a lot of preparation and resources thus requires government support.
- Increased apprenticeship and internship alongside digital and on-line skilling
- Training providers need to change the curriculum and teaching approach to provide more hands-on practical skills

Government should establish a skilling fund/budget line for the private sector; that is accessed on a competitive and proven impact basis.

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BADAGAWA GIDEON



On 26th June 2021, we laid our colleague, friend, mentor and leader to rest in Muira, Iganga District. The thought that we will not see Gideon again is painful. However, we are comforted by the great things and impact he had on the private sector in

Uganda.

Therefore, today, I choose to celebrate his life, and the measure of its worth to us all.

Mr Badagawa was a man of many talents, passions and already many of you have provided testimonies to affirm to this. I have a lot to say but for lack of space let me focus on only five;

He was passionate about enterprise development and particularly the micro and small enterprises considering that they constitute 93% of all business establishments. He was concerned about their inability trade and compete favorably due to high interest rates, inadequate skills, poor technology, high cost of doing business, limited access to finance, burdensome polices, regulations & Laws and limited access to quality management infrastructure. All these hampered their ability to survive beyond first year and for those that survive transformation through growth is almost next to impossible. We see few cases of small companies growing into medium, and medium into large. We have not seen many becoming locally grown and bred multinational companies. As a leader at PSFU he made the effort to advocate for capacity building projects so that the business community could get grants to improve their businesses. By the time of his death, through our various matching grant schemes and the Skills Development Facility, about 5,000 micro, small and medium enterprises had accessed grants to install better



quality management systems including ISO certification, improved technology, up skilled their employees, installed better management systems, improved their brands, secured more markets for their products and obtained financing for their businesses. Many; young and old, micro, small and medium enterprise and large alike have testified about how their business fortunes were impacted positively. Within these business, about 100,000 individuals comprising employees, customers and suppliers were impacted too.

Beyond the capacity building which individual businesses have control over, there are policies, Laws & regulations and the general business environment onto which businesses have no control over whatsoever. He labored so much to try and improve the environment under which businesses operate to make it conducive to trade as well as make money and grow. He led extensive consultations with members and the general private sector and travelled extensively locally and abroad looking for good practices in enterprise development. He advocated for better policies, laws and regulations. Many Laws have been updated and new ones drafted and enacted and are under implementation. Others are awaiting presidential assent, while others are still in the legislative processes.

Further afield, lack of markets began emerging

BADAGAWA GIDEON



as an issue over the last four years. This was a puzzle considering that only a few years ago, the country imported almost everything. Accordingly, policy makers had to balance between protecting the nascent manufacturing while at the same time ensuring goods could be imported cheaply into the country in order to avoid shortages. Thanks to the collective efforts of policy makers, enterprise development facilitators like PSFU and investors, today Uganda is a surplus country in some products which we used to import namely sugar, cement, steel products, milk, poultry & eggs to mention some. Markets became a brand new challenge before us. The key question now is how do we expand markets to absorb the surplus production?

PSFU under Gideon's leadership advocated for expansion of markets in three ways. One by ensuring that incomes increased for those that were already earning and starting income projects for those not earning. The logic here was that increased disposable income creates effective demand and increases markets. **Secondly**, that any available local market; whether in government or private consumption be supplied by local producers. This is the advent of Buy Uganda Build Uganda and later the enactment of the Local Content Law. It is sad that Gideon left before the Local Content Law was assented to by H.E the President. **The third way** to expand markets is to look for regional and international markets. At enterprise level MSMEs face bigger challenges of lack of markets whether in local or foreign markets because of limited capacity to marshal scale and compete. To overcome capacity challenges, MSMEs need to cooperate or link with bigger companies to access markets. This then called for a change in approach from "produce and look for a market approach" to a "secure a market and produce" approach. This approach is quickly gaining acceptance among development practitioners and Government.



Secondly, he was passionate about eliminating inequality; he used to be so much pained because of the inequality in this Country most especially regarding women. You are aware that women are not treated equally in this Country. He worked so hard to promote programs within the private sector that promote women equality, he looked for partners and as we speak about 42 companies have introduced gender equality policies in their companies. These policies include equal opportunity for jobs at all levels, equal pay for equal work among others. He also labored to stop violence against women, girls and children. In his memory, I implore all those who knew him and all those reading these pages join the fight to eliminate Gender Based Violence.

Thirdly Mr. Badagawa was a family man. He was passionate about his family. He did whatever it took to ensure that he was able to balance his work with his family life. He actively participated in the education journey of his children. Getting them to school, visiting them, reviewing classwork, engaging with the teachers and participating in sports days etc. Many men are not as involved as he was. In fact teachers complain about the fact that very few men get involved in children's education activities compared to women. Men; let us learn from Gideon and do likewise.

Mr. Badagawa was a talented communicator and mobiliser. He used every opportunity to communicate and rally the business community towards agreed causes. He moved from media house to media house, workshop to workshop talking as if his life depended on it. Even as recently as November last year the country remembers Gideon championing the "Tugobe Corona" campaign. He moved street to street, media house to media house preaching wearing a mask and compliance to other standard operating procedures for the population to protect itself again Corona. Alas! Corona has taken him.

Gideon's death, really shook us to the core; but we are not broken. On behalf of management and staff I want to assure the private sector, government, development partners and the general public that PSFU will remain strong and continue serving you as has always been.

Gideon; May your soul rest in eternal peace.

FRANCIS KISIRINYA

ACTING EXECUTIVE DIRECTOR, PSFU

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