



THE REPUBLIC OF UGANDA

THE NATIONAL STRATEGY FOR PRIVATE SECTOR DEVELOPMENT

BOOSTING INVESTOR CONFIDENCE FOR ENTERPRISE DEVELOPMENT
AND INDUSTRIALISATION

2017/18-2021/22



Ministry of Finance, Planning and Economic Development

2017



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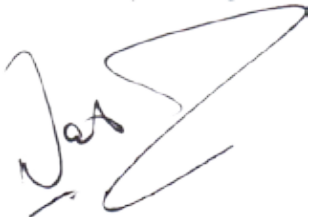
FOREWORD

Uganda has pursued a Private Sector-led approach to its economic policy and management over the last three decades. This has put the Private Sector at the forefront of the growth and development process of the Country. The role of the Public Sector in this context is to provide an enabling environment through policy, continuous regulatory reforms and good infrastructure. Government intervenes through various initiatives ranging from economic policies, plans and regulations. These interventions are targeted at eradicating poverty, modernising agriculture, building an industrial base and ultimately transforming the structure of the economy in a sustainable manner.

In spite of the various constraints and gaps including inadequate infrastructure, limited access to finance and high interest rates, Government efforts have been able to yield economic stability and spread economic opportunities. GDP growth averaged 5.4 percent per annum over the NDP I period (2010/11-2014/15) and poverty declined further from 24.5 percent in 2010 to 19.3 percent in 2013. The Private Sector however remains weak and largely informal. This is partly because past efforts of the Public Sector were too broad and uncoordinated across Ministries, Departments and Agencies (MDAs). Government is now, pursuing a better prioritised Public Investment agenda with more focused execution plans.

It is against this renewed focus in public investment that the Ministry of Finance, Planning and Economic Development (MoFPED) has developed the National Strategy for Private Sector Development (NSPSD) to guide both Public and Private Sector interventions across all three pillars; the Micro, Meso and Macro. This approach will drive the Private Sector in reaching the Country's vision, goals and targets with respect to employment, income and wealth creation; ultimately delivering social economic transformation.

I thank the Private Sector players who worked with technical staff from my Ministry and the different MDAs in producing this comprehensive Strategy for Private Sector Development.



Matia Kasaija (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

PREFACE

The National Strategy for Private Sector Development (NSPSD) FY 2017/18-2021/22 sets out a comprehensive scheme for coordinating the growth and development of the Private Sector in Uganda. The overall goal of the Strategy is to “increase competitiveness of the Private Sector and enhance its contribution to economic development”.

Government has taken this initiative to reinforce the policy of a Private Sector-led economy; to strengthen co-ordination of policies and initiatives geared towards growing and developing business enterprises; and to facilitate performance measurement and management of national efforts aimed at improving Private Sector competitiveness. The interventions in this strategy are organised around three pillars: economy-wide level (Macro pillar); the industry-specific level (Meso pillar) and the firm level (Micro pillar).

The strategy is defined by two features: it anchors Government interventions for Private Sector Development around a national industrialization agenda; and it is based on a simplified follow-up and review mechanism that uses sector-based structural benchmarks and service delivery indicators to inform performance measurement and management.

The implementation of this strategy is premised on effective service delivery. The strategic objectives under each of the three pillars will be realized through the standard planning, budgeting and implementation modalities of Government. In recognition of the Government approach required to support the Private Sector, a coordination Platform within the Ministry of Finance, Planning and Economic Development is enshrined within the Strategy.

I call upon all stakeholders to be effectively engaged in the delivery of this Strategy.



Keith Muhakanizi
Permanent Secretary/Secretary to the Treasury

ACKNOWLEDGEMENTS

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We wish to recognize the guidance of the Technical and Top Management of MFPED, the input of the stakeholders from the Private Sector fraternity and the technical contributions of technocrats from relevant Ministries, Departments and Agencies of Government.

Special thanks go to the Executive Director, PSFU, Mr. Gideon Badagawa and his team for championing the active engagement of the private sector in the formulation of this strategy.

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ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunities Act
BDS	Business Development Services
BOU	Bank of Uganda
BTVET	Business, Technical and Vocational Education Training
BUBU	Buy Uganda Build Uganda.
CBR	Central Bank Rate
CICS	Competitiveness and Investment Climate Strategy
CMA	Capital Markets Authority
CRB	Credit Reference Bureau
COMESA	Common Market for Eastern and Southern Africa
DAP	Draft Animal Power
DUCAR	District Urban Community Access Roads
EAC	East African Community
EDB	Ease of Doing Business
EPA	Economic Partnership Agreement.
EPZs	Export Processing Zones.
ERA	Electricity Regulatory Authority
FDI	Foreign Direct Investment
FIPs	Framework Implementation Plans
FPC	First Parliamentary Council
FY	Financial Year
GAPR	Government Annual Performance Report
GCI	Global Competitive Index
GDP	Gross Domestic Product
GOU	Government of Uganda.
ICT	Information and Communications Technology
IPO's	Initial Public Offers
KCCA	Kampala City Council Authority
KIBP	Kampala Industrial Business Park
LGs	Local Governments
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDAs	Ministries, Departments and Agencies.
M&E	Monitoring and Evaluation
MFPED	Ministry of Finance, Planning and Economic Development
MGLSD	Ministry of Gender, Labour and Social Development
MJCA	Ministry of Justice and Constitutional Affairs
MLHUD	Ministry of Lands, Housing and Urban Development
MSMEs	Micro, Small and Medium Enterprises
MTIC	Ministry of Trade, Industry and Cooperatives
MTCS	Medium Term Competitiveness Strategy
MTEFs	Medium Term Expenditure Frameworks
MoE&S	Ministry of Education and Sports
NARO	National Agricultural Research Institute
NAGRCDB	National Agricultural Genetic Research Centre and Data Bank
NBI	National Backbone Infrastructure
NDP	National Development Plan
NEDS	National Export Development Strategy
NES	National Export Strategy

NITA-U	National Information Technology Authority-Uganda
NIRA	National Identity Registration Authority
NTBs	Non-Tariff Barriers
NTP	National Trade Policy
PAYE	Pay As You Earn
PFMA	Public Financial Management Act
PMA	Plan for Modernization of Agriculture
PS	Private Sector
PSDU	Private Sector Development Unit
NSPDS	National Strategy for Private Sector Development
PSFU	Private Sector Foundation Uganda
PS/ST	Permanent Secretary/Secretary to the Treasury
PPP	Public Private Partnerships
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
STI	Science Technology and Innovation
TNCs	Transnational Corporations
TOC	Theory of Change
TREP	Taxpayer Register Expansion Project
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UEDCL	Uganda Electricity Distribution Company Limited
UEGCL	Uganda Electricity Generation Company Limited
UEPB	Uganda Exports Promotion Board
UETCL	Uganda Electricity Transmission Company Limited
UFZA	Uganda Free Zone Authority
UIA	Uganda Investment Authority
UIRI	Uganda Industrial Research Institute
ULRC	Uganda Law Reform Commission
UNBS	Uganda National Bureau of Standards
UNCTAD	United Nations Conference on Trade and Development
UNRA	Uganda National Roads Authority
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
UWRSA	Uganda Warehouse Receipt Systems Authority

CHAPTER ONE

1.0 BACKGROUND AND INTRODUCTION

This Chapter sets the tone and justification for the holistic approach embedded in this National Strategy for Private Sector Development.

Government of Uganda has for long recognized the significance of the private sector in achieving sustainable socio-economic development. Uganda's economic development policy envisages an inclusive private sector-led and export-oriented economy. To that end, Government designed and implemented several initiatives such as the Plan for Modernisation of Agriculture (PMA), the Medium Term Competitiveness Strategy – MTCS (2000-2005) and the Competitiveness and Investment Climate Strategy (CICS) I (2005/6-2009/10) and II (2011-2015/16). These strategies were useful in building stakeholder consensus around a common agenda but remained very broad with limited synergies between them.

The National Strategy for Private Sector Development-NSPSD 2017/18-2021/22 takes into account the key lessons from the design and implementation of previous strategies and has been formulated for a five year period (2017/18-2021/22), in accordance with the priorities of the National Development Plan (NDP II). The NSPSD, among other things, aims to facilitate coordinated action within the public sector and between the public and private sector for development. On the basis of a comprehensive situational analysis of Uganda's Private Sector, the NSPSD proposes interventions to be undertaken at Macro, Meso and Micro levels of the economy. The Macro interventions relate to creating an enabling business environment while Meso interventions focus on accelerating industrialization and business linkages. The Micro interventions aim at enhancing productivity and modernisation at firm and household level.

1.1 What is new in the NSPSD

The NSPSD is characterised by two main features. First, it anchors Government interventions for Private Sector Development (PSD) on a National industrialisation agenda. It aims to strengthen structural transformation in the economy by deepening the links between agriculture and industry while reducing the informal sector. Accordingly, the NSPSD approaches industrialisation from a holistic perspective, taking into account the entire production value chain and facilitating business linkages and integration. The NSPSD has been formulated within existing policy frameworks like the National Industrial Policy (2008-2018). It identifies policy gaps within this policy framework (Table 1) and proactively prescribes ways of addressing them.

Secondly, the NSPSD is based on a simplified follow up and review mechanism that uses sector-based structural benchmarks and service delivery indicators to inform performance measurement and management. Following the recommendations made in the CICS II (2010/11-2015/16) evaluation report of February 2016, the NSPSD establishes new baselines for both services and routine indicators to evaluate the quality of service delivery.

Table 1: Gaps in Selected Policies and how they are Addressed in the NSPSD

Policy	Key Issues/Gaps	Treatment of gaps in NSPSD
National Industrial Policy, 2008	<ul style="list-style-type: none"> • Focuses more on higher level outcomes (i.e. Industry contribution to Gross Domestic Product (GDP); manufactured goods to total exports etc.) but does not address intermediate targets. • No concrete actions within priority sectors are prescribed. • Focuses largely on supply side and less on demand side factors. 	<ul style="list-style-type: none"> • Comprehensive analysis of industrial sectors and identifying key constraints of each sub sector (Section 2.3). • Recognize, as part of the structural benchmarks to be addressed: review and update the National Industrial Policy; formulate a successor Industrialization Plan; and institute a mechanism for regularly updating both the industrial policy and plan in line with emerging developments. • Incorporate industry as a separate pillar (Meso) in the strategy and formulate sustainable interventions that accelerate industrialization (Chapter 3).
Micro, Small and Medium Enterprises (MSME) Policy, 2015	<ul style="list-style-type: none"> • Proposes measures that are largely in line with NSPSD, but requires interventions to address modernization of business firms. 	<ul style="list-style-type: none"> • Focus on skills and business development services through interventions at macro and micro-Pillars (Chapter 3.)
National Agricultural Policy, 2011	<ul style="list-style-type: none"> • Comprehensive analysis of agricultural sector and challenges towards its transformation. • Lacks commodity specific analysis and clear strategies on how to achieve value addition. 	<ul style="list-style-type: none"> • Approach agricultural sector from both supply side (improve inputs, modernization of farming) and demand side (linkages to industries, production and productivity of agriculture). • Undertake commodity specific value chain analysis (Section 2.3) of Chapter 2.
Land Policy, 2013	<ul style="list-style-type: none"> • Limited analysis of effects of land title to all policies on private sector development and investment. 	<ul style="list-style-type: none"> • Emphasise title registration, setting benchmarks for Ministry of Lands, Housing and Urban development (MLHUD) to finalize computerization of land registry (Chapter 4).

1.2 Implementation of the Strategy

The objectives of the NSPSD will be achieved through:

- Prioritisation of selected structural benchmarks and service delivery targets under the Programme Based Budgeting (PBB) approach;
- Use of the National Standards Indicator framework and PBB process to facilitate performance measurement and coordination of MDAs; and
- The requirement by MFPED for all MDAs to have a strategic plan within a certain period as a precondition for budgetary allocation. This requirement provides an opening to identify and prioritise strategic private sector implementation issues.

CHAPTER TWO

2.0. THE STATUS OF UGANDA'S PRIVATE SECTOR

2.1. Profile and Structure of the Private Sector in Uganda

Uganda's Private Sector is dominated by Micro, Small and Medium Enterprises (MSMEs) comprising approximately 1,100,000 enterprises and employing approximately 2.5 million people equivalent to 90% of total non-farm private sector workers¹. Evidence from the Uganda business registry in 2010² shows that majority of enterprises were operating on a micro to small scale with more than 93% of the enterprises categorised as micro enterprises and employing less than 5 persons each (Table 2).

Table 2: Enterprises by Size

Enterprise Size	Number of enterprises	Share per category (%)
1-4 Employees	428,100	93.5
5-9 Employees	19,027	4.1
>10 Employees	10,979	2.4
Total	458,106	100

Source: *Census of Businesses Establishments (UBOS, 2010/11)*

Total private sector contribution to GDP is nearly 80% going by the GDP share of the national budget in FY 2015/16. Most enterprises are located in Kampala Business District (45%) and Central region (21%) with the rest distributed across the other regions—Western (14%), Eastern (13%), and Northern (7%)

In terms of ownership, sole proprietors constitute 43% of enterprises and private limited liability companies 33%. Others include: Partnerships (18%), Associations (2%) and cooperatives (4%)³. In the MSME sector, sole proprietorship is the most frequent form of business operation, reflecting the dominance of micro enterprises. ⁴MSME's are predominately informal and young, majority of which have not been in existence for more than 5 years.

There is a high mortality rate of enterprises with 90% of them operating for less than 20 years⁵. At the top end of the spectrum, only a handful of indigenous enterprises have survived the demise of their founders. The majority of these small enterprises are family based with no formal skills, no clear addresses and usually operating in an informal manner, using basic technology. This undermines the ability of these enterprises to gain access to services such as advanced technology, information or financial services for them to compete favourably in the market⁶.

2.2 Private Sector Contribution to the Economy

Sector specific contributions to GDP have nearly stagnated for the past 10 years (Graph 1). However, services sector has continuously been the highest contributor to GDP and in FY 2015/16, the sector contributed 49 % to GDP of which trade and repairs contributed 12.7%, Education (6.2%), Real Estate Activities (4.7%) and human health and social work activities (4.6%). Tourism has also become prominent registering a growth rate of 14% between FY 2008/09 and 2013/14. Although Agriculture, Forestry and Fishing contributed 23.5 % while Industry contributed 19.7% to GDP in FY 2015/16 (graph1)⁷, the former's contribution to formal GDP remained relatively small at below 6% in FY2015/16.

¹Financial Sector Deepening 2015. National Small Business Survey.

²The Census of Business Establishments (CoBE) was last conducted in 2010

³Private Sector Platform for Action Report, An analysis of private sector growth challenges and proposals for policy reform, Private Sector Foundation Uganda (PSFU) 2014

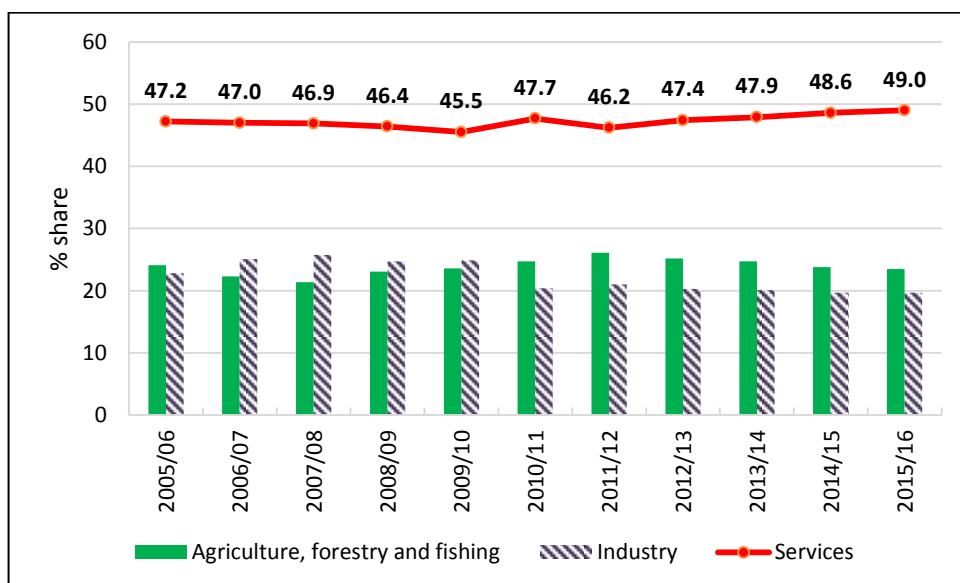
⁴Financial Sector Deepening 2015. National Small Business Survey Uganda.

⁵Financial Sector Deepening 2015.

⁶Private Sector Platform for Action Report, An analysis of private sector growth challenges and proposals for policy reform, Private Sector Foundation Uganda (PSFU) 2014

⁷Statistical Abstract 2016-UBOS

Graph 1: Sector Contribution to GDP

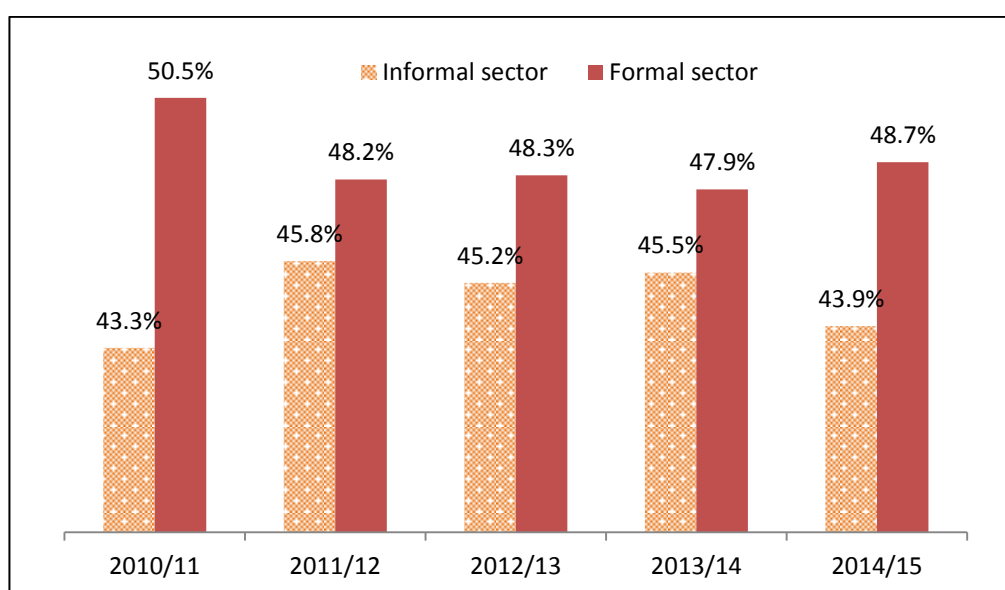


Source: Various Statistical Abstracts Uganda Bureau of Statistics

Uganda is a dual economy with the informal sector contributing a significant share to GDP (43.9%) in FY 2014/15. The size and strength of the informal sector as evidenced by its contribution to GDP poses a significant challenge to formal enterprises. A 2009 survey conducted by UBOS revealed that about 39 percent of MSMEs surveyed were constrained by competition from the informal sector.

The informal sector, however, remains an important source of employment, creating 19 out of 20 non-agriculture jobs with young people occupying 94.7% of those jobs. This is particularly important given Uganda’s high population growth rate of 3 per cent per annum. By 2014, the proportion of under-18 year olds in the population stood at 55 per cent and the working age population (14-64 years) was 18.2 million or 52 per cent of total population.

Graph 2: Formal and Informal Sector Contribution to GDP



Source: Uganda Bureau of Statistics 2015

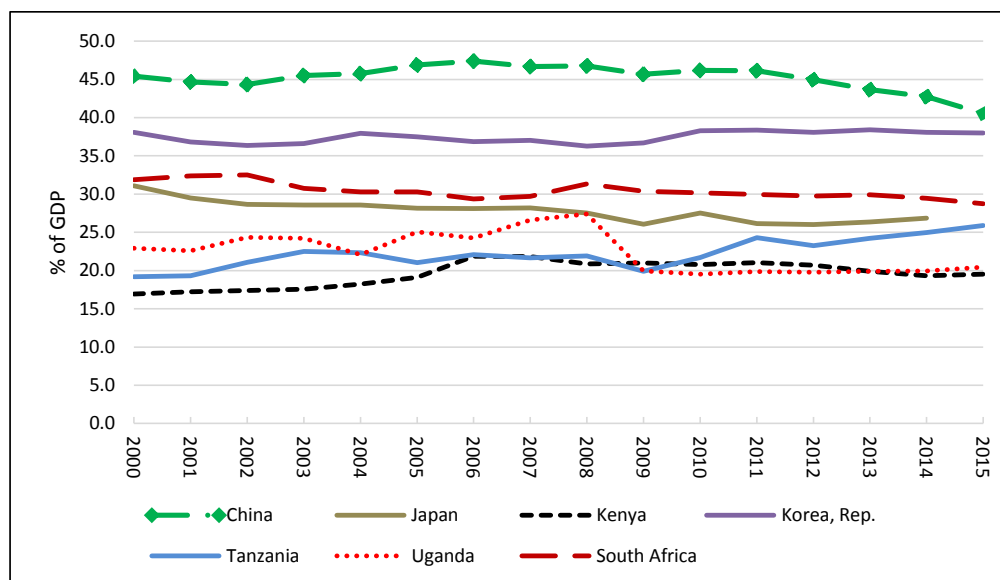
Similarly, a close analysis of sector contribution to GDP shows that MSMEs contribute 18%⁸ to Uganda’s GDP. This prompted Government to formulate the National MSME Policy in 2015 and the Small and Medium Enterprise Strategic Development Plan for 2016-2020 to foster MSME development. Specifically, the Policy emphasizes creating an enabling environment for MSME growth by addressing some of the underlying challenges through the promotion of research, innovation, value addition; facilitation of market access and business information; access to credit; and exploiting entrepreneurship potential. Furthermore, the policy addresses cross cutting issues which include gender equality and HIV/AIDS.

Despite Government’s recognition of the informal sector in both the policy and the strategy, there is no clear strategic direction on addressing informality. The policy highlights the challenges faced by MSMEs, namely; low productivity levels, high informality, low growth of enterprises and limited innovation.

2.3. Industrialisation

Industrialisation plays a crucial role in the economic development process. It does not only promote development of other sectors of the economy through backward and forward linkages but it is also strongly associated with an increase of foreign exchange earnings leading to an improvement in the balance of payment outcomes. Structural change entails a shift of resources from the agriculture sector to the industrial sector. However, the sector’s contribution to GDP in Uganda has not changed significantly over time and has stagnated at approximately 20% since 2009 and thus still remains low compared to other countries as shown in graph 3.

Graph 3: Trend Industry value add to GDP by Country.



Source: World Development Indicators, 2016

The Manufacturing and Construction sub-sectors are the main drivers of industry in Uganda and contributed 9.6% and 7.5% to GDP respectively in 2014/15. In the last decades, growth in Uganda’s industrial sector occurred mainly on account of the construction sector, rather than through growth in essential raw materials, investment in machinery and equipment, which are essential for agro processing and overall industrial expansion and future economic growth.⁹

⁸Private Sector Platform for Action Report, An analysis of private sector growth challenges and proposals for policy reform, Private Sector Foundation Uganda (PSFU) 2014

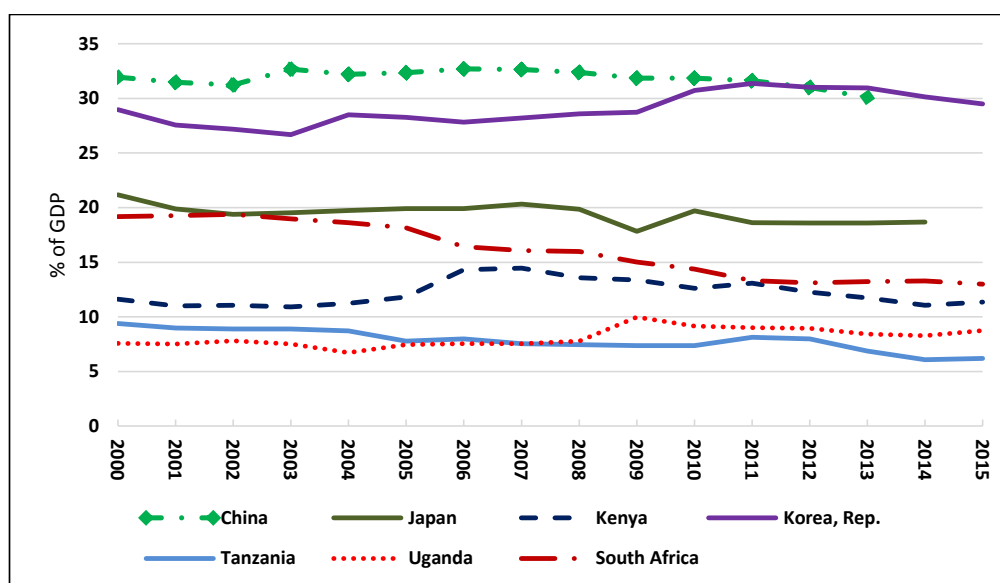
⁹African Development Bank 2014. Eastern Africa’s Manufacturing Sector. Uganda Country Report.

Other sub-sectors of the industrial sector are electricity generation and water services, which are essential for industrial sector expansion and future economic growth.

2.3.1 Manufacturing

Manufacturing (both formal and informal) critically impacts on the performance of the industrial sector in a country. From graph 4, Uganda's share of manufacturing to GDP lags far behind emerging economies such as China, South Korea (over 30% and rising), South Africa (about 20%, but declining), and performs better than Tanzania but below Kenya.

Graph 4: Trend of Manufacturing to GDP by Country



Source: World Development Indicators, 2016

Uganda's manufacturing sub-sector is characterized by firm size and type of product. In terms of firm size, it is dominated by a large number of small scale producers (90%) manufacturing goods with a high import content and thus low value addition. Production costs remain very high and most establishments are characterized by excess capacity with utilization at an average of 50%.¹⁰ In terms of product type, the sub-sector consists of agro-processing, light manufacturing and heavy manufacturing product makers. Most of manufacturing activities are in agro-processing (39%) producing low value added basic consumer goods. There are few capital goods industries in the country. Thus the level of innovation remains low. The rising share of manufacturing goods in exports has therefore to be assessed with care, since these are still mainly goods with limited value addition. Most of Uganda's exports are resource based (47% in 2012) and 33% of exports are high and medium technology products.

2.3.2 Agro-processing

Agro-processing refers to the processing of raw materials, which originate from the agricultural sector. Agricultural inputs are used in various forms of manufacturing activities, including that of foods, beverages, and tobacco, textile, wood, paper, and rubber products among others. Industry, Agriculture, Forestry and Fisheries subsectors, contributed 4.0% and 3.2% of agroprocessed exports respectively, by FY 2015/16¹¹. However, despite the agricultural sector remaining the backbone of Uganda livelihoods, its annual growth rate at 2.9%¹² and contribution to GDP still remains low with

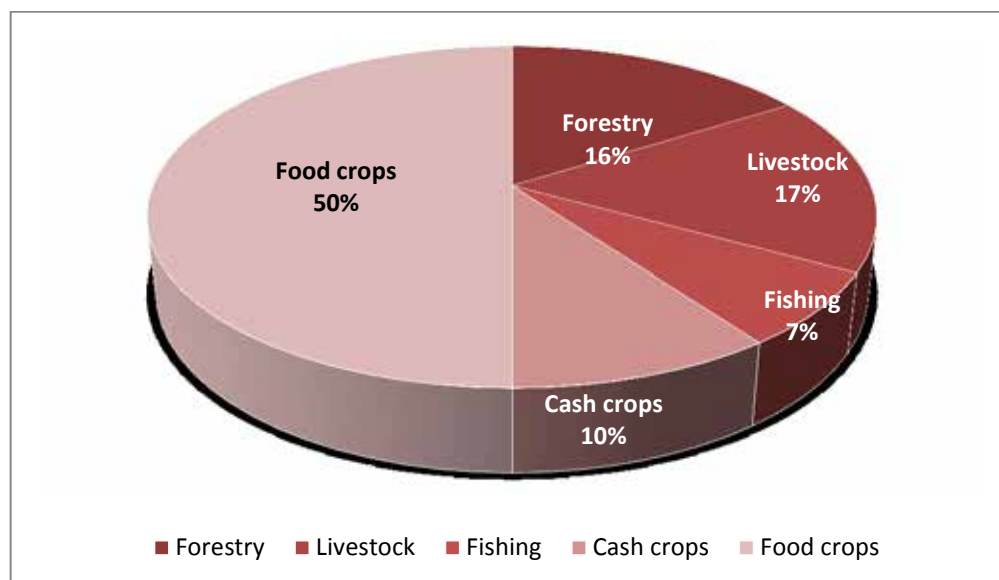
¹⁰African Development Bank 2014. Eastern Africa's Manufacturing Sector. Uganda Country Report.

¹¹UBOS Statistical Abstract 2016

¹²UBOS (2016), Statistical Abstract 2016

value addition concentrated on food crops (accounting for 50% of total value addition). Cash crops only account for 10% of total value addition, despite being the main export and raw material base for the country. Limited value addition to agricultural produce, post-harvest losses and supply side constraints are some of the key challenges in the sector. Chart 1 shows value addition by sub-sector within the agriculture sector.

Pie Chart 1: Value Added in Agriculture.



Source: MFPED 2015

Table 3 provides an overview of the agro-processing sub-sectors and outlines the key issues emerging from coffee, tea, dairy, beef, leather, fisheries and horticulture sub-sectors which are among the identified key priority commodities in the NDP II. The salient issues which emerge from different commodities in agro-processing relate to lack of adequate processing facilities, quality inputs, a clear legal and regulatory framework in the different sectors, available, affordable and reliable power, and high yielding breeds and varieties in both livestock and horticultural sub-sectors.

Table 3: Agro-processing in Selected Commodities

Subsector	Status	Key Issues
Coffee	<ul style="list-style-type: none"> • Key foreign exchange earner (15% of total export earnings in 14/15). • Limited number of roasting companies for value addition. • Decline in Coffee Processing (-3.2% in 2014) 	<ul style="list-style-type: none"> • Low attraction of investors and capital. • Limited skilled labour. • Poor Coffee Standards. • Low value addition.
Tea	<ul style="list-style-type: none"> • 70% produced in large scale production • Majority exported through Mombasa auction • Reduction in Tea Export earnings of recent (1% in 2014) 	<ul style="list-style-type: none"> • Limited Research in high quality and yielding varieties. • Ugandan Tea not marketed as its own brand. • Absence of a national Tea Policy.
Livestock	Beef	
	<ul style="list-style-type: none"> • Three up to standard abattoirs and seven small scale beef processing plants • Production of beef increased by 3 per cent from 180,300 MT in 2010 to 202,929 Mt in 2014 • Export earnings from processed meat and live animals are negligible. 	<ul style="list-style-type: none"> • Lack of Improved breeds. • Poor Disease control methods. • Low processing for value addition. • Quality and certification challenges.
	Dairy	
	<ul style="list-style-type: none"> • Annual milk production of 2 billion litres • 85 per cent sold in raw form generating US\$ 160 million, 15 per cent in processed form generating US \$108 million • 10 large and small dairy processors 	<ul style="list-style-type: none"> • Poor milk yielding breeds. • Poor animal husbandry practices. • Low value addition • Poor regulatory framework. • High costs of power.
Fisheries	Leather	
	<ul style="list-style-type: none"> • Major livestock export earner, generating US\$64.35 m in 2013 • 8 Tanneries • Hides and skins exported in raw form • Capacity per year for hides 340,000, for skins 2,150,000 	<ul style="list-style-type: none"> • Only one factory (Jinja) processing hides and skins up to a finished stage. • Tanneries operating below capacity. • Most leather products imported. • Smuggling of unprocessed hides and skins.
	<ul style="list-style-type: none"> • Decline in fish species (Tilapia and Nile Perch) • Closure of 12 out of 21 fish processing plants • Exported worth US\$18m in 2015 	<ul style="list-style-type: none"> • Lack of adequate cold storage facilities/equipment. • Low volumes of fish due to illegal fishing • Lack of effective enforcement • Limited technological uptake of new alternative fishing methods. • Initial investments costs very high and risky business

Subsector	Status	Key Issues
Horticulture	<ul style="list-style-type: none"> Contributed \$ 80.56 million (3%) to total exports in 2014/15 and among top ten foreign exchange earners Contribution of other fruits 	<ul style="list-style-type: none"> Need for construction of irrigation schemes. Need for storage facilities. Need for Standardisation. Waste management/health concerns due to chemical application
Maize and Pulses	<ul style="list-style-type: none"> Dominated by smallholder farmers, mainly channelled through informal markets, both for domestic and international sales. Limited market information 	<ul style="list-style-type: none"> Limited availability of storage facilities Limited value addition Ineffective use of commodity exchange Limited commercial farming and unexploited by SME at domestic level
Edible Oils	<ul style="list-style-type: none"> Exported US\$78.96 million of edible oils in 2015 Accounted for 3.5 per cent of total exports in 2015 	<ul style="list-style-type: none"> Need for increased production to satisfy demand Avail inputs (cotton, sunflower seeds among others)
Sugar	<ul style="list-style-type: none"> Exports fluctuating around 100 metric Tonnes per year and in 2015 exported 124,619 MT Export earnings of \$65.72 million Registering second highest import value (US\$90.6 million in 2010) Growth registered in sugarcane exports (28.6 per cent in 2014/15) 10 sugar factories operational 	<ul style="list-style-type: none"> EAC Economic integration issues including NTBs

Source: Compilation from MFPED BTTB and UBOS 2016

2.3.3 Light Manufacturing, Heavy Manufacturing and Extractive Industries

Light manufacturing refers to the use of simple inputs in a production process which is taking place in a single location. Light manufacturing industries are more labour than capital intensive and outputs include consumer electronics, apparel, plastics and jua kali (micro-enterprises). Uganda's light manufacturing sector is growing but remains characterized by a large number of informal and unregulated micro-enterprises (jua kali). With regard to heavy manufacturing, the sector is dominated by subsidiaries of multinational corporations that are capital intensive industries and require large initial investments. They commonly produce non-consumer oriented products such as steel or chemicals. Table 4 provides a breakdown of sub-sectors, the status and key issues in manufacturing.

Table 4: Status and Key Issues in Manufacturing

Sector	Subsector	Status	Key Issues
Heavy Manufacturing	Cement	Three Producers (Tororo, Hima, Kampala)	<ul style="list-style-type: none"> High energy costs Competition from cheap imports
	Steel & Iron	Over 10 producers	<ul style="list-style-type: none"> Stiff competition from cheap imports Use of expensive imported raw materials High energy costs Limited skilled labour
	Construction	<ul style="list-style-type: none"> Infant local firms Many informal firms Few foreign owned companies that dominate the market 	<ul style="list-style-type: none"> Unable to capture opportunities Bureaucratic procurement and contracting procedures Price fluctuations of imported materials Lack of a sound legal and institutional framework Weak compliance enforcement regime
Light Manufacturing	Plastics and Packaging	<ul style="list-style-type: none"> 9 major producers Significant growth rate 	<ul style="list-style-type: none"> Competition from cheap imports and counterfeits
	Foods and Beverages	<ul style="list-style-type: none"> About 20 major processors 	<ul style="list-style-type: none"> High prevalence of informality
	Processing	<ul style="list-style-type: none"> Big number of small processors 	<ul style="list-style-type: none"> Counterfeits Cheap imports Environmental issues from NEMA etc.
	Pharmaceuticals	<ul style="list-style-type: none"> 12 manufacturers 901 private pharmacies 5,984 private drug shops 	<ul style="list-style-type: none"> Competition from cheap imports Inadequate skilled labour force counterfeits
Extractive Industries	Oil & Gas	<ul style="list-style-type: none"> Refinery construction planned in Hoima Pipeline route mapped and pipeline under FEED¹³ 	<ul style="list-style-type: none"> Limited skilled labour. Local content policy operationalisation.
	Minerals	<ul style="list-style-type: none"> Large mineral deposits (iron ore, gold, vermiculite reserves, limestone, nickel, phosphates, etc.). 	<ul style="list-style-type: none"> More beneficiation required. Significant unmet domestic demand for steel and fertilizer. Fake fertilizer on market. Fertilizer factory set up in Eastern Uganda and Fertilizer policy passed in 2016 Low scale production of most of the minerals.

¹³Front End Engineering Design

2.4 Services Sector

The services sector in Uganda contributed 47.6% to GDP in FY 2014/15. It comprises the tourism sector, financial services, telecommunications, banking, real estate and other investments. The telecommunications and banking sectors have been described as generally sound and well regulated. The real estate sector continues to be dominated by high levels of informality. Table 5 summarises the status of services by subsector in Uganda.

Table 5: State of the Services by Sector

Subsector	Status	Key Issues
Tourism	<ul style="list-style-type: none"> • 15 major tourists destinations • Numerous Tour operators • One training centre • 61 hotels attained a star rating¹⁴ 	<ul style="list-style-type: none"> • Large unexploited potential • Limited marketing. • Limited skilled labour force
Telecommunications	<ul style="list-style-type: none"> • 5 major company operators. • 24 Public Infrastructure Providers (PIP) • 36 Public Service Provider (PSP) Voice and Data • Over 22,973,902 subscribers (2015)¹⁵ 	<ul style="list-style-type: none"> • Dominated by foreign firms. • Regulations are inadequate to cause change.
Banking	<ul style="list-style-type: none"> • 25 commercial banks • Significant profit growth rates (17.2% in 2014) • 4 Credit institutions • 4 Microfinance institutions • High average CBR (14% in 2015)¹⁶ 	<ul style="list-style-type: none"> • Low penetration in rural areas • Limited growth in private sector credit • High interest rates • Scarcity of long-term finance to support industrialization and Agriculture. • Limited products range.
Real Estate	<ul style="list-style-type: none"> • High Informality • High cost of building material • Low effective demand 	<ul style="list-style-type: none"> • Lack of a sound institutional and legal framework. • Markets are highly speculative/ Missing markets.
Education	<ul style="list-style-type: none"> • 5,763 Pre-primary schools (2015) • 18,889 Primary Schools with an enrolment of 8,264,317 pupils. (63.8% Government, 2015) • 1023 government and 1672 private secondary schools (2015). • 167 Post primary institutions, 52% private owned in 2015.¹⁷ 	<ul style="list-style-type: none"> • Limited skills development • Inappropriate education curriculum

¹⁴Uganda Tourism Board Statistics, 2015

¹⁵Market Report for Third Quarter 2015, UCC

¹⁶Bank of Uganda Statistics, 2015

¹⁷Education Statistical Abstract, 2015

Subsector	Status	Key Issues
Health	<ul style="list-style-type: none"> 155 hospitals (65 government owned, 63 private non-profit and 27 private)¹⁸ 	<ul style="list-style-type: none"> Low per capita healthcare spending High spending on treatment abroad due to limited specialized care facilities. Inadequate human resources. No national health care schemes.
Creative and Performing Arts	<ul style="list-style-type: none"> Dominated by small and infant firms Significant local content 	<ul style="list-style-type: none"> Inadequate intellectual property rights High level of informality Inadequate legal and regulatory frameworks
Insurance	<ul style="list-style-type: none"> 29 insurance companies 26 insurance brokers 21 Loss Assessors 13 Health Membership Organizations¹⁹ 	<ul style="list-style-type: none"> Low penetration rates at 0.85% of the population Inadequate legal and regulatory frameworks. Unaffordable insurance services Inadequate awareness for public to appreciate insurance.

Source: Compiled by MFPED

2.4.1 Credit to the Private Sector

Sustainable credit growth is essential to a country's economic transformation and growth. According to MoFPED (2015) credit to the private sector has continued to show a positive trend but at a decreasing rate, registering a GDP share of 15.2% in 2015 compared to 14.4% realised in 2014, 13.5% in 2013, 15.4% in 2011 and 11.6% in 2009. In FY 2014/15, private sector credit totalled US\$10.9747 billion (or 15.3% of GDP).²⁰ A large share of credit to the private sector is provided by commercial banks (96%).²¹ Most loans issued are to the construction and building sector (23% of credit) and to households in form of personal loans (15%). Credit to the agricultural sector grew by 32.4% between June 2013 (Ush295.0 billion) and June 2014 (Ush390.6 billion²²), with the majority of this credit (61.3%) going into agro-processing and marketing. Sectors that attracted less credit in the private sector include electricity, water, business development services, social services, mining and quarrying, as they require huge initial credit for investment. Nonetheless, mining and quarrying received mainly foreign financing, accounting for the sector with the largest Foreign Direct Investments (FDI) inflows.²³

¹⁸Annual Health Sector Performance Report FY 2014/15, MoH

¹⁹Annual Report 2014, Insurance Regulatory Authority

²⁰Ministry of Finance, Planning and Economic Development 2015. Annual Economic Performance Report.

²¹Bank of Uganda 2015. Statistics on Credit to Private Sector.

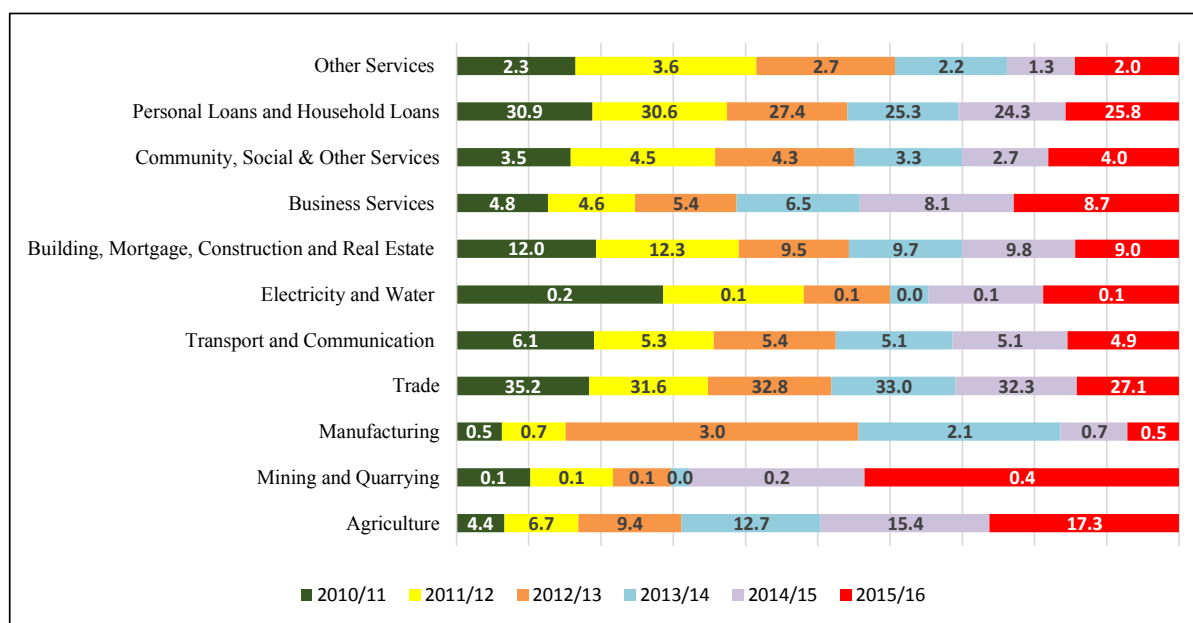
²²UBOS, 2015

²³Bank of Uganda 2014. Private Sector Investment Survey.

Table 6: Sector Analysis of commercial credit to Private sector (UGX BNS)

Sector	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture	1,050	2,396	2,331	3,556	5,189	5,706	7,092	9,362	11,686
Mining and Quarrying	261	152	152	342	225	359	357	352	575
Manufacturing	2,108	4,606	6,365	7,450	10,258	12,147	13,698	14,318	19,610
Trade	2,024	4,707	8,925	11,675	16,958	18,062	18,419	21,113	24,085
Transport and Communication	1,050	2,297	2,833	4,350	5,788	5,887	5,713	5,506	6,883
Electricity and Water	120	317	306	511	628	988	1,245	1,575	2,210
Building, Mortgage, Construction and Real Estate	1,489	5,441	7,369	10,453	15,711	20,166	21,485	24,647	29,482
Business Services	-	-	-	1,816	3,420	3,809	4,440	4,608	5,890
Community, Social & Other Services	-	-	-	1,600	2,513	3,029	2,920	3,568	4,158
Personal Loans and Household Loans	2,451	7,612	9,927	10,724	12,393	12,790	13,882	18,360	19,424
Other Services	3,730	7,345	6,423	3,362	4,022	4,017	5,238	2,351	1,789

Source: Bank of Uganda, 2016

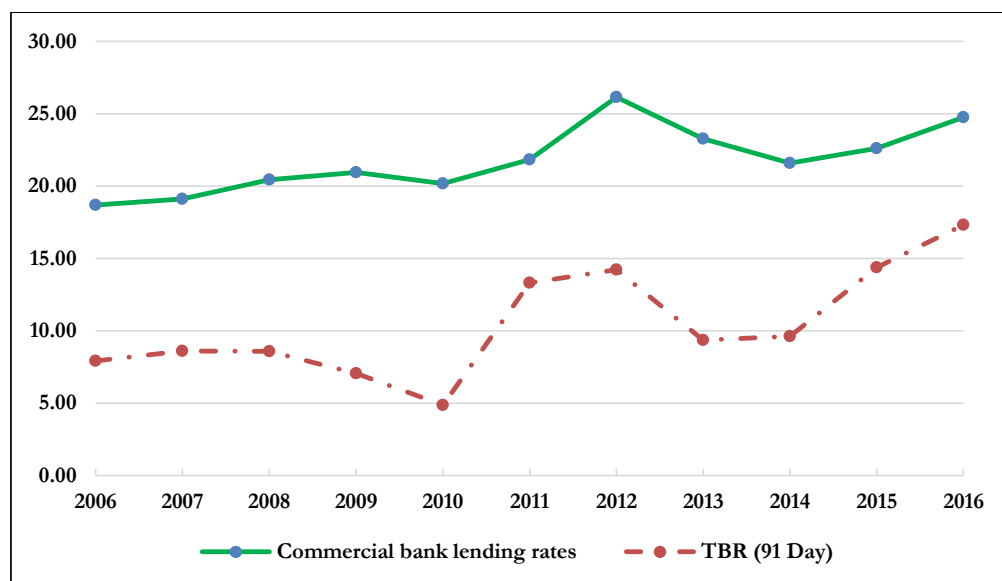
Graph 5: Sectoral Shares of Credit to the Private Sector


Source: Bank of Uganda, 2016

Despite the growth of private sector credit to the various sectors (graph 5), corresponding output growth has not been realized. This can be attributed to credit benefitting the construction and building sector (23%), followed by personal loans (15%) whose returns and impact may manifest in the long term. Low production and value addition in the agriculture sector (only 10% value addition for cash crops) could be another factor.

In comparison to other EAC member states, Uganda had the highest commercial bank lending rate at 24.7 as per February 2016 (graph 6) while Kenya's was at 18.3% and Tanzania approx. 17%. In Uganda the prime lending rates are at 23% of the principal and yet obtaining credit in foreign currency at an average of 10% is not sustainable with interest being paid in local currency.

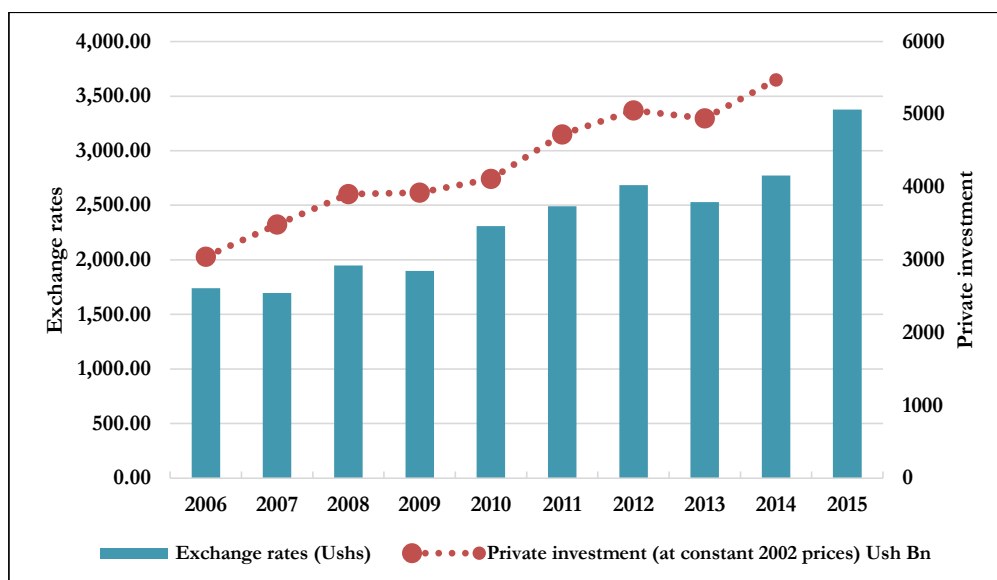
Graph 6: Annual Commercial Bank lending Treasury bill rate (%)



Source: Bank of Uganda, 2016

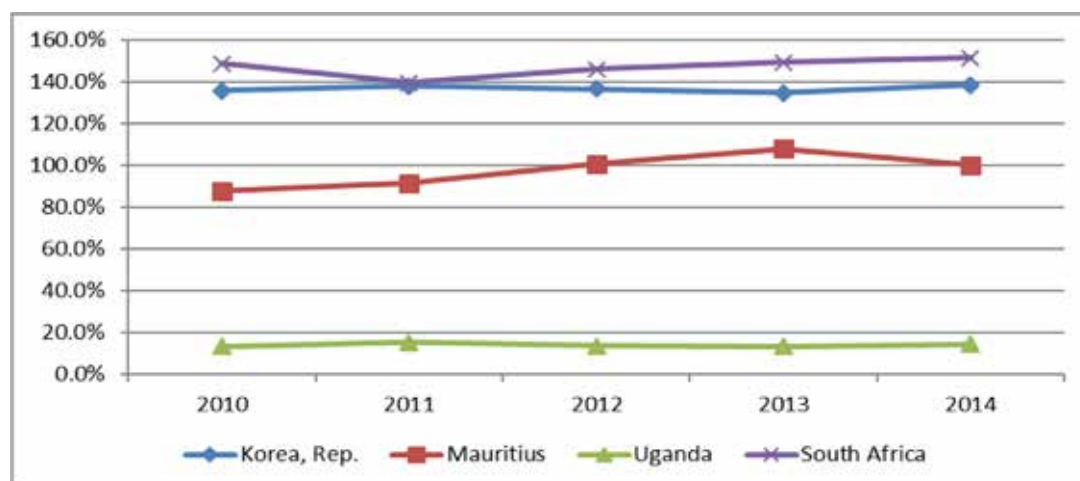
Graph 7 shows the relationship between exchange rates and private investments in Uganda. While private investments have been steadily increasing, the growth has not been high enough as expected. This was partly attributed to the weakening shilling in the international markets. In addition, high interest rates hinder many MSMEs from accessing finance, collateral on a higher share of loans is required, loan processing fees and short term loans are expensive to acquire. As stated earlier on, interest rates on loans in Uganda have been significantly higher in comparison with those of neighbouring countries. The main borrower from commercial banks is the state and some parastatals.

Graph 7: Private Investments (Ush bn) and Exchange Rates Trend.



Source: Bank of Uganda, 2016

In comparison with other countries (Mauritius 100%, South Africa 150% and Korea Republic 140%) on the global scene, the trends show that Uganda’s performance in credit provision to the private sector by 2014 is still very low (14%) which limits available capital for domestic investments (graph 8).

Graph 8: Private Sector Contribution to GDP by Country

Source: *World Development Indicators 2015*

2.4.2 Professionalism and Skilling of Enterprises

Uganda was ranked third in the world in terms of Total Entrepreneurial Activity (TEA) at 36 per cent in 2012. In the previous years, the proportion of new businesses rose from 19 per cent in 2010 to 28 per cent in 2012, and the stock of established businesses increased from 27 to 31 per cent but with a high mortality rate currently at 26 per cent²⁴.

Access to business development services such as training at different stages between infancy and maturity can sustain existing MSMEs. Government has undertaken to continue simplifying and enhancing business registration procedures in order to reduce the influence of business informalities in the economy. Initial steps have been taken through the establishment of an e-licensing portal at Uganda Registration Services Bureau (URSB) whose effective implementation should increase business formalization.

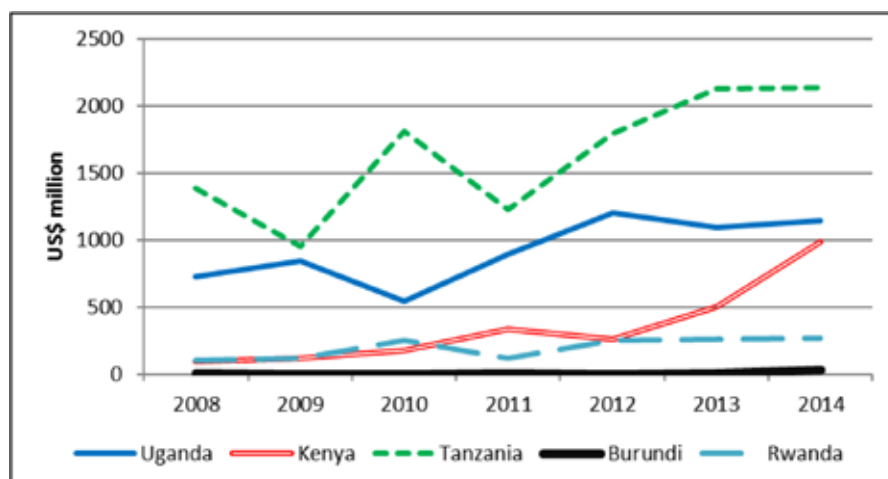
2.4.3 Linkages to Foreign Direct Investments

Over the years, there has been significant growth of FDI in Uganda making the country the second largest FDI recipient in the EAC region (graph 9). This has built investor confidence in Uganda as an international investment destination. Second to Tanzania, Uganda has managed to maintain the relatively high level of FDI inflows and stock. Its performance is on account of the development of its gas and mineral sectors with the highest FDI inflows in 2013 being registered in the mining and quarrying sectors, ICT, Finance and Insurance respectively.²⁵

²⁴Global Entrepreneurship Monitor 2012. GEM Uganda Exclusive Report.

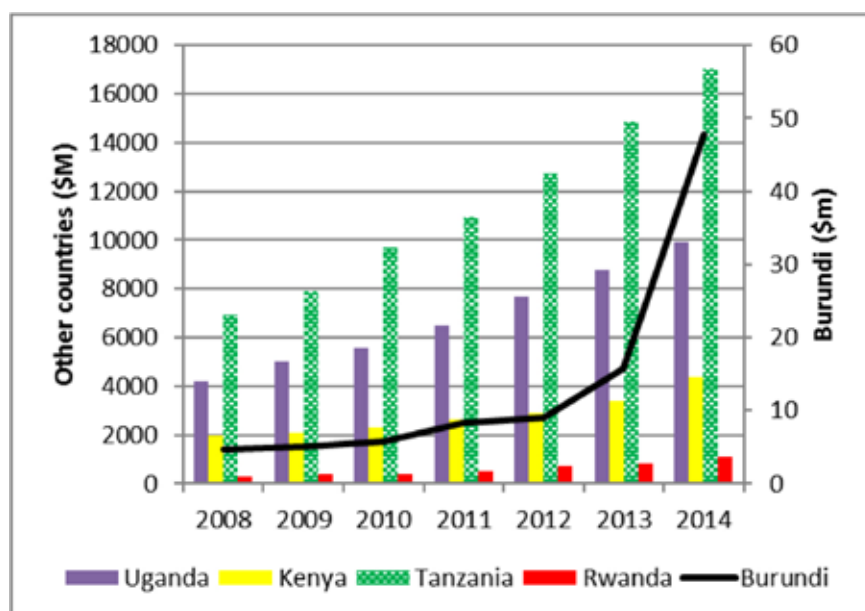
²⁵Bank of Uganda

Graph 9: FDI Inflows in EAC (USD Millions)



Source: UNCTAD Database 2015

Graph 10: FDI Stock in EAC (USD Millions-Current)



Source: UNCTAD Database 2015

The continued increase in FDI inflows and accumulation of stocks is a positive signal of Government’s efforts in creating an investor friendly environment. However, the major challenge is how to ensure that FDI creates backward and forward linkages from these extractive industries to other sectors in the domestic economy.

2.4.4. Employment

The 2015 Global Competitiveness Index (GCI) ranked Uganda 27 out of 144 countries in terms of labour market efficiency. However, it ranked low in terms of pay and productivity (rank 126 out of 144), country capacity to attract talent (95 out of 144) and country capacity to retain talent (113 out of 144). These indicators are essential to ensuring a sustainable contribution of the private sector to efficiency in the labour market.

The level of skills development in Uganda is important for private sector growth and development.

The legal framework for vocational training and skills development in Uganda was strengthened by the Business and Vocational Education Training (BTVET) Act, 2008. The Act facilitated the operationalization of Skilling Uganda Strategy and was augmented by the Strategic Plan (2011-2020). The plan aims at providing industrial training, improving overall training quality and changing the negative attitudes towards technical and vocational education programmes to ultimately provide a more skilled labour force thus addressing the growing underutilization rate of youth labour.

Despite the ambitious objectives of the BTVET strategic plan, the impact of BTVET institutions on skills development was found to be minimal. Evidence shows that BTEVT graduates are an inappropriately skilled workforce, and 40 per cent of the main courses offered by BTVETs were found to be irrelevant.²⁶ The 2014/15 results for the National BTVET assessment show a significant drop in the number of students enrolled.

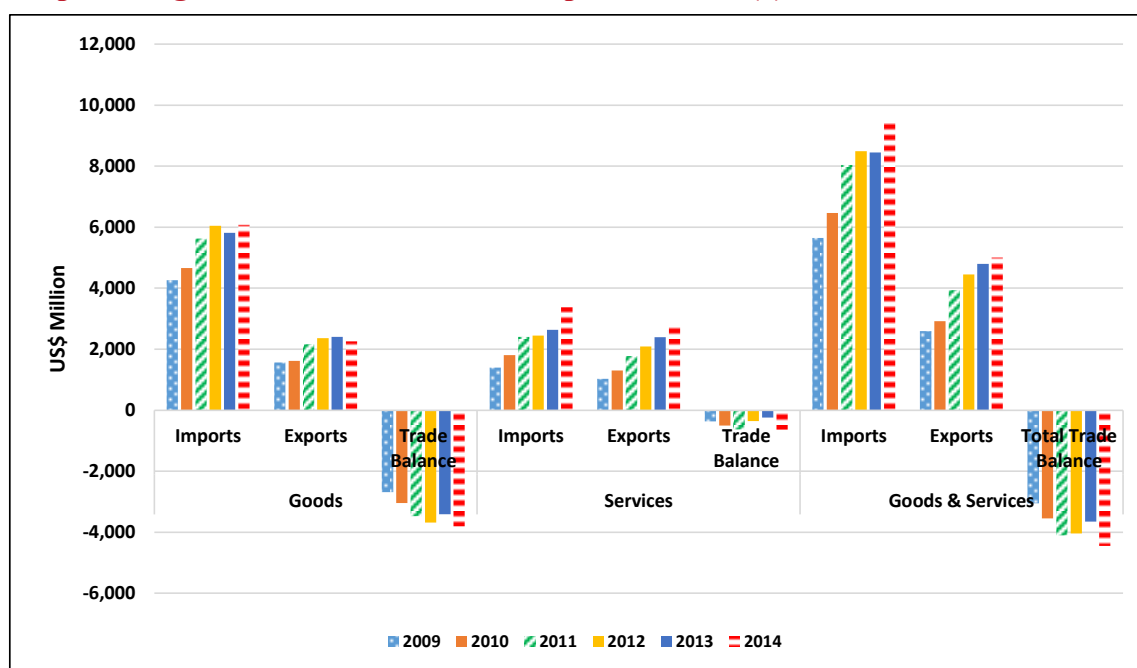
2.4.5 Performance of Exports

Government has pursued various efforts aimed at enhancing Uganda's access to regional and international markets. These include: joining regional trading blocs such as the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), in addition to seizing opportunities under the African Growth and Opportunity Act (AGOA) and Economic Partnership Agreements (EPA) with the European Union. Government has also formulated the National Trade Policy (NTP), Uganda National Export Strategy (NES) 2008 -2012 and the draft National Export Development Strategy (NEDS) 2015/16-2019/20 in addition to establishment of the Uganda Export Promotions Board (UEPB), to address domestic trade issues.

The NTP aims to develop and nurture private sector competitiveness and to support the productive sectors of the economy to trade at both domestic and international levels. The NEDS complements the NTP, articulating measures for expanding Uganda's exports, and placing new ones in global markets. UEPB on the other hand aims to help Ugandan exporters in penetrating, establishing and expanding their presence in the target export markets.

Uganda's trade deficit averaged US\$ 2.8 billion over the NDP I period. This was largely on account of low value exports as well as higher government and private sector oil imports. The deterioration of the trade deficit was also driven by the services deficit, which deteriorated to US\$710.18 million in FY 2014/15 from US\$637.99 million in FY 2010/11 mainly on account of higher payments of government services related to infrastructure projects and declining tourism receipts. Graph 11 below provides highlights of Uganda's Trade performance.

²⁶Council for African Policy 2013. Uganda's Education Policy Review. A Focus on the state of skills development in the Teso region.

Graph 11: Uganda's International Trade performance (\$)

Source: Bank of Uganda Statistics

Uganda's international trade performance, particularly with regard to export development has been affected by a number of constraints, namely: low production levels with limited value addition, uncompetitive products and services, sub-optimal use of factors of production, inadequate finance for the exports sector and inadequate infrastructure for trade development, limited information and institutional inadequacies.

2.4.6 Ease of Doing Business

The World Bank Ease of Doing Business (EDB) report 2016 ranked Uganda at 122th out of 189 countries, an improvement by 13 positions. Despite the progress, there is need for further reforms to attain a double digit rank. The improvement in the overall ranking can be attributed to mainly an increase in the ratings of resolving insolvency and trading across borders through consolidation of all provisions related to corporate insolvency in one law, which established provisions on the administration of companies (re-organization) and clarifying standards on the professional qualifications of insolvency.

In terms of trading across borders, the introduction of electronic systems in the submission of export and import documents has led to improvement reflected in the EDB reports. Significant efforts in fast-tracking the enactment of commercial laws, resulted in the formulation of several new laws since 2013, including the PFMA Act, 2015, Free Zones Act, 2014, Anti-Money Laundering Act, 2015, PPP Act among others.

Uganda's Doing Business rank is based on 10 indicators (Table 7). Overall performance on most of the DB indicators continued to deteriorate in 2015. Businesses continue to face a plethora of licenses/permissions, and this remains one of the worst performing areas in the Doing Business indicators (Uganda's DB rank for dealing with construction permits declined from 143 to 163 (DBR 2015). Other than that, the indicator of getting credit where Uganda's rank deteriorated rapidly from 42nd in 2014 to 131st in 2015. In addition, its rank in DBR 2015 on protecting investors improved from 115 to 110. This is attributed to the Investment Code Act cap 92 of 1991 and revised /amended in 2013.

Table 7: Uganda's Ease of Doing Business Rankings

Indicator rank	2007	2008	2009	2010	2011	2012	2013	2014	2015
Starting a Business	107	114	129	129	137	143	50	151	166
Acquiring Construction Permits	110	81	81	84	133	109	183	143	163
Getting Electricity					129	166	178	184	
Registering Property	166	163	167	149	150	127	149	126	125
Getting Credit	159	158	109	113	46	48	23	42	131
Protecting Minority Investors	60	122	126	132	132	133	117	115	110
Paying Taxes	43	55	70	66	62	93	165	98	104
Trading Across Borders	160	141	145	145	148	158	145	164	161
Enforcing Contracts	71	119	117	116	113	116	42	117	80
Resolving Insolvency	44	48	51	53	56	63	157	79	98
Total	175	178	181	183	183	183	185	189	189

Notes:

- Reform making it easier to do business
- Negative change in starting a business

Source: *Doing Business Various Reports, World Bank*

As discussed in section 2.4, most of formal credit to private sector is provided by commercial banks, which still rely heavily on collateral due to their inability to meet borrowers' creditworthiness. This is hindrance to many Ugandans who do not have access to titled land and makes it impossible for them to obtain a formal loan. In this context, in 2008 Bank of Uganda (BoU) introduced a Credit Reference Bureau (CRB) to facilitate obtaining information on borrowers.

2.4.7 Legal and Regulatory Reforms

Other efforts undertaken in the past include: Simplifying the company's Act 2012, the New Partnership Act 2010, the Competition Law and Insolvency Act 2011, Consumer Protection Bill, and Copyright and Patent laws. There is need to put more effort towards ensuring an enabling legal and regulatory framework.

Despite these improvements in the mentioned indicators, progress has been slow or deteriorating in the following indicators: the ease of starting a business, getting electricity and dealing with construction permits. The reforms in 2011 and 2012 negatively impacted on the ease of starting a business due to increased licensing fees and time to process licenses. The current doing business report 2016 shows improvements due to the introduction of an online system for business registration. This requires Government to remain focused and follow up on legal developments in the economy and other countries and must avoid implementing reforms which lead to further deterioration in these indicators.

The Business Licensing Reform process emerged out of Cabinet's directive in August 2013, and implementation of legal reforms will continue; through this process, 188 licenses have been successfully completed. 30 licenses are being drafted but pending at various stages, 102 licenses are ongoing.

The other key remaining challenge is access to and cost of electricity. Despite the improvements in procedures, access to electricity over the years, prices still remain high. Although the latest doing business report found that in 2015, there was reduction in delays for new electricity connections,

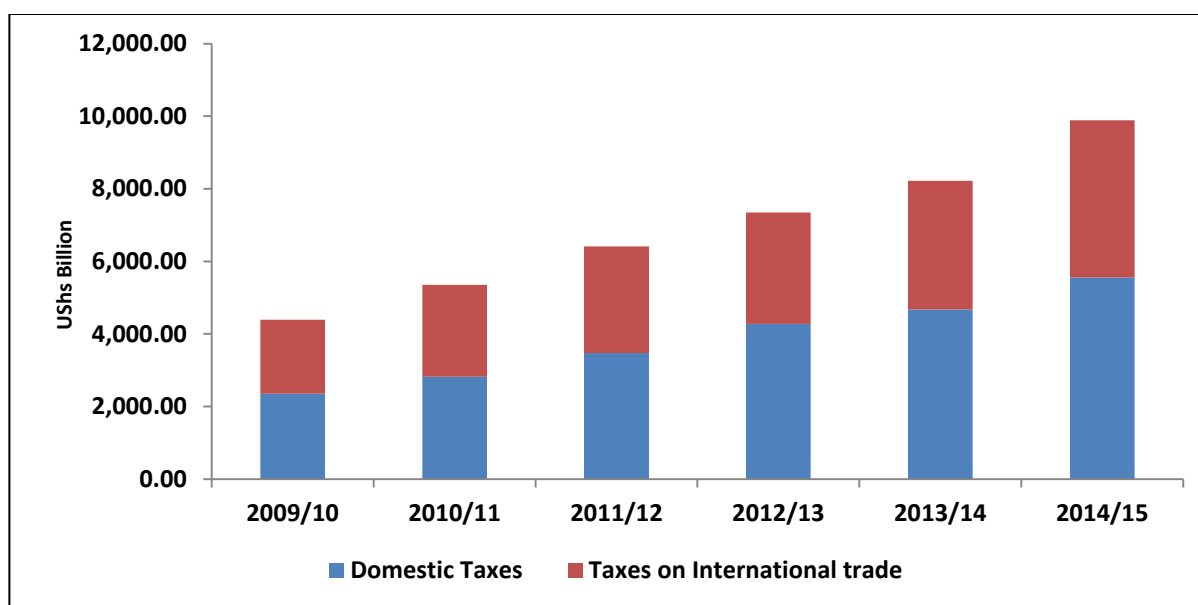
getting electricity remains one of the indicators in which Uganda performed worst (ranking 184 out of 189 countries).

2.4.8 Contribution to Tax Revenue

In a private sector led economy, enterprises play a significant role in economic growth and development through their contribution to total revenue among other things. There has been a slight increase in the tax-to-GDP ratio over the NDP I period. However Uganda’s performance still lags within the region with a tax-to-GDP ratio of 13% (FY 2014/15) compared to Kenya at 22%. A large part of tax revenue is still derived from international trade. This depicts a significant weakness in the domestic private sector’s contribution to tax revenue generation.

In the Ease of Doing Business Report, World Bank compares Uganda with other global economies and ranks Uganda 104 out of 189 countries. This is despite tax incentives granted by Government to companies, mainly in the agro processing and mining sector under Uganda Free Zone (UFZA) Act of 2014. It remains key to address informality of businesses in order to enhance private sector’s contribution to revenue generation. With regional integration, the harmonization of the taxation system plays an important role in this regard²⁷. In order to increase registration, perceived burdens of tax administration should be substantially addressed.

Graph 12: Uganda’s Revenue Collection Performance



Source: Uganda Revenue Authority

In conclusion, the analysis reveals that the business environment in Uganda is a key component in promoting private sector growth and competitiveness. Deliberate efforts therefore ought to be made to enable the economy take hold of its opportunities, increase production and productivity for exports.

²⁷African Development Bank 2013. Supporting the Transformation of the Private Sector in Africa. Private Sector Development Strategy 2013-2017.

The following areas have been identified to realise private sector growth.

Table 8: Key Areas for Improvement.

Indicator analysed	What do we see?	What needs to change?
Contribution of different sectors to GDP	<ul style="list-style-type: none"> • Dominance of services (47.7%), followed by agriculture (23.7%) and industry (20.4%). • Agriculture: dominated by food crops • Industry is dominated by manufacturing and construction • Services are dominated by trade and repairs, public administration and ICT 	<p>Structural transformation is slow. The GDP contribution of sectors of the economy remains largely unchanged.</p> <ul style="list-style-type: none"> a) Increased value addition in agriculture is needed b) Increase the contribution of manufacturing in industrial outputs
Informal vs. Formal Sector as share of GDP	<ul style="list-style-type: none"> • Relatively high contribution of informal sector to GDP • Informal sector dominated by agriculture, followed by services and industry 	<ul style="list-style-type: none"> a) Formalisation needs to happen faster in the services sector b) Deep analysis and understanding of informal sector c) Bridge the gaps between the informal and formal sectors, through removal of bottlenecks and incentivize formalization
Private Sector Credit (PSC)	<ul style="list-style-type: none"> • Private Sector Credit growth at 15.3 per cent (FY 2014/15), driven mainly by household and personal loans. • Limited access to land, credit is still often based on collateral • Largest share of PSC is allocated to building, construction and real estate (23%), followed by trade (20%) and manufacturing (15%) and personal and household loans (15%) • 96% of credit provided by commercial banks 	<ul style="list-style-type: none"> a) Capitalise UDB to provide long term capital. b) Lower the cost of business for commercial banks and address drivers of credit risks c) Need of Government to be innovative and exploit financial market instruments to mobilize long term financing d) Improve diversity and usage of financial instruments
Foreign Direct Investment (FDI)	<ul style="list-style-type: none"> • Slight decrease in 2013, due to reinvested earnings and low borrowings from affiliated enterprises • Largest contribution in mining, financial services, manufacturing, ICT, electricity and gas sectors 	<ul style="list-style-type: none"> a) Need to create backward linkages to domestic industry from FDI inflows b) Carryout an aggressive campaign to attract FDI

Indicator analysed	What do we see?	What needs to change?
Employment Creation by private sector	<ul style="list-style-type: none"> • Most employment still in agriculture, forestry and fishing (71.4%), services (21.7%) and manufacturing (21.7%) • Dominance of self-employment (>60%). • Youth: low skills, majorly engaged in primary employment, 9 out of 10 youths in non-agricultural sector are in informal sector 	<ul style="list-style-type: none"> a) Need to address employment creation in agricultural sector b) Train labour for skills to improve production and productivity. c) Promote and strengthen internships
Share of Export earnings by sector	<ul style="list-style-type: none"> • Key foreign exchange earner: Agricultural sector, followed by manufacturing • Large earning losses due to informal exports 	<ul style="list-style-type: none"> a) Promote value addition in agriculture b) Formalise and diversify exports c) Exploit regional markets d) Focus on manufacturing for competitiveness.
Value additions	<ul style="list-style-type: none"> • Service sector experiencing most value addition • Agriculture: Value addition mostly happening in food crops very limited, in cash crops • Industry: dominated by value addition from manufacturing, followed by construction 	<ul style="list-style-type: none"> a) Promote value addition Ensure vertical mobility of value chains, facilitate businesses upgrading towards higher value addition
Skills development	<ul style="list-style-type: none"> • Increase in primary and secondary school enrolment, but decline in transition rates • Poor regional rankings in terms of quality of education • Vocational training (BTVET) established, but not appreciated, recently number of students decreased • High level of unskilled labour force and low productivity • Insufficient knowledge of managing MSMEs leading to high mortality rate 	<ul style="list-style-type: none"> a) Ensure quality of education and its role in practical skills provision b) Incentivise technical and vocational training to attract the youth and others in labour skilling. c) Improve access to BDS d) Explore new models such as franchising to enhance skills and technological transfer in businesses. e) Attitude and mind set change towards vocational training.

Indicator analysed	What do we see?	What needs to change?
Private sector competitiveness	<ul style="list-style-type: none"> • Improvement in doing business ranking, but still lagging in comparison with the region • Improvement in some indicators: registering property, protecting investors, trading across borders, enforcing contracts, resolving insolvency • Deterioration in terms of access to electricity, starting business, dealing with construction permits • GCI revealed problems regarding infrastructure and institutions, emphasized the positive performance in terms of labour - market efficiency. • Slow performance in education, training, and innovation 	<ul style="list-style-type: none"> a) Need to follow up on already initiated reforms including Small Claims Procedure, Computerization of cross border trade, b) Adopting online processes in public services c) Improve electricity access, business registration and dealing with construction permits
Tax revenue generated by sector	<ul style="list-style-type: none"> • Increase in tax revenue • Positive performance in corporation tax, decrease in PAYE • Dominance of international trade in revenue generation. 	<p>Improve tax administration and expand the taxbase, scaling up the Tax Registration Expansion Program (TREP).</p>
Savings to GDP ratio	<p>Increase since 2012, but still lowest savings rate in the EAC region.</p>	<ul style="list-style-type: none"> a) Encourage savings culture and mindset change towards long term savings b) Ensure savings are reinvested. c) Support different savings/financing instruments (i.e. investment clubs, private equity and venture capital)

CHAPTER THREE

3.0 NATIONAL STRATEGY FOR PRIVATE SECTOR DEVELOPMENT

The private sector is pivotal to accelerating economic growth, reducing poverty and enhancing the quality of life, particularly through its contribution to revenue, employment creation, provision of services, and financing investments and social services. An assessment of the challenges currently facing the private sector highlights the need for improvement in a number of areas which include; factor productivity (labour, land); access to finance, business development services and capital, entrepreneurship and enterprise management, the share of the formal economy, innovations and level of value addition in production.

The NSPSD identifies required interventions in three areas; Macro, Meso, and Micro levels of the economy. The Macro interventions relate to creating an enabling business environment while the Meso is concerned with accelerating industrialization and improving market integration, and the Micro relates to firm/enterprise development.

This chapter outlines the national framework for private sector development with its essential elements: the vision, goals, objectives and high level policy impacts to be achieved. This is augmented by strategic benchmarks and the service and routine indicators against which to assess progress and performance in Chapter four.

3.1 The Vision, Goal and Objective of the Strategy

The NSPSD envisions a competitive and developing private sector that promotes inclusive growth for sustainable development. Its goal is to increase competitiveness of the private sector and enhance its contribution to Uganda's sustainable economic development.

The NSPSD contributes to the NDP II goal of “attaining middle income status by 2020 through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth”. The NSPSD aims to: Increase competitiveness of Uganda's business environment and speed up the process of strengthening the links between Agriculture and Industry. Through a comprehensive and inclusive focused approach, it distinguishes itself from past strategies by identifying opportunities for all segments of the population and ensuring income distribution for prosperity to enable persons to move towards middle income status by 2020.

3.1.1 Projected Benchmark actions of the NSPSD

The interventions delivered through the NSPSD will contribute to the achievement of various Sector benchmarks in the mediums term as illustrated in Table 9 below.

Table 9: A Sample of Projected Benchmarks Actions.

Benchmark	Required Action	Responsible MDA
Legal and Regulatory Benchmarks	i) Investment Code Amendment Act & Regulations ii) National Payment Policy & guidelines iii) Draft principles for various law amendments to streamline 198 Business licenses iv) Formulate the National Irrigation Policy and guidelines	MFPEP MFPEP Various MDAs MWE
Fiscal Policy Benchmarks	i) Annual Inflation at an average of 5% by 2021 ii) GDP growth of 6.7% by 2021 iii) Fiscal deficit as percentage of GDP (from 5%-3%) by 2021 iv) Reduce domestic borrowing to Ush 485bn by 2021. v) Eliminate domestic arrears by 2021	MFPEP MFPEP MFPEP MFPEP MFPEP
Institutional & Administrative Reforms Benchmarks	i) Establish One Stop Center by 2022 ii) Establish 9 industrial parks by 2022 iii) Establish one EPZ Kaweweta iv) Recapitalize UDB by Shs 50bn per year v) Increase power by 1,163 MW/HR vi) Construct an oil pipeline to Tanga by 2020 vii) Construct 273km of SGR. (Eadtern route) viii) Retool 22% of the current Labs at UNBS ix) Implement NEDS strategy x) Operationalise the National Commodity Exchange Platform (UNCX) xi) Computerize 21 land Registries. xii) Construct and rehabilitate 15,000km DUCAR roads xiii) Implement the Public Extension Service Strategy xiv) Operationalize Fertilizer Policy xv) Dispose upto 65% of case backlog in Commercial division	UIA UIA UFZA MFPEP UEGC MoW&T MoW&T UNBS MTIC WHRA MoLH&UD MoLG MAAIF MAAIF MoJ&CA

Source: MFPEP

3.1.2 The key objectives of the NSPSD

To achieve the overall objective the strategy will;

- Enhance coordination of Government and Non-Government efforts that promote private sector growth and competitiveness. By specifying the roles of Government and Non-Government actors in creating synergies that enhance the contribution of the private sector to Uganda's economic development and transformation;
- Identify and address barriers that impede the Private Sector's capacity to exploit market opportunities.
- Foster competitiveness of the Ugandan markets and attract increased domestic investment and FDI.
- Harness the Private Sector's potential to foster socioeconomic transformation, particularly through increased entrepreneurship, innovation, productivity, employment creation, and value addition and skills development.

Table 10: Selected development indicators to private sector development

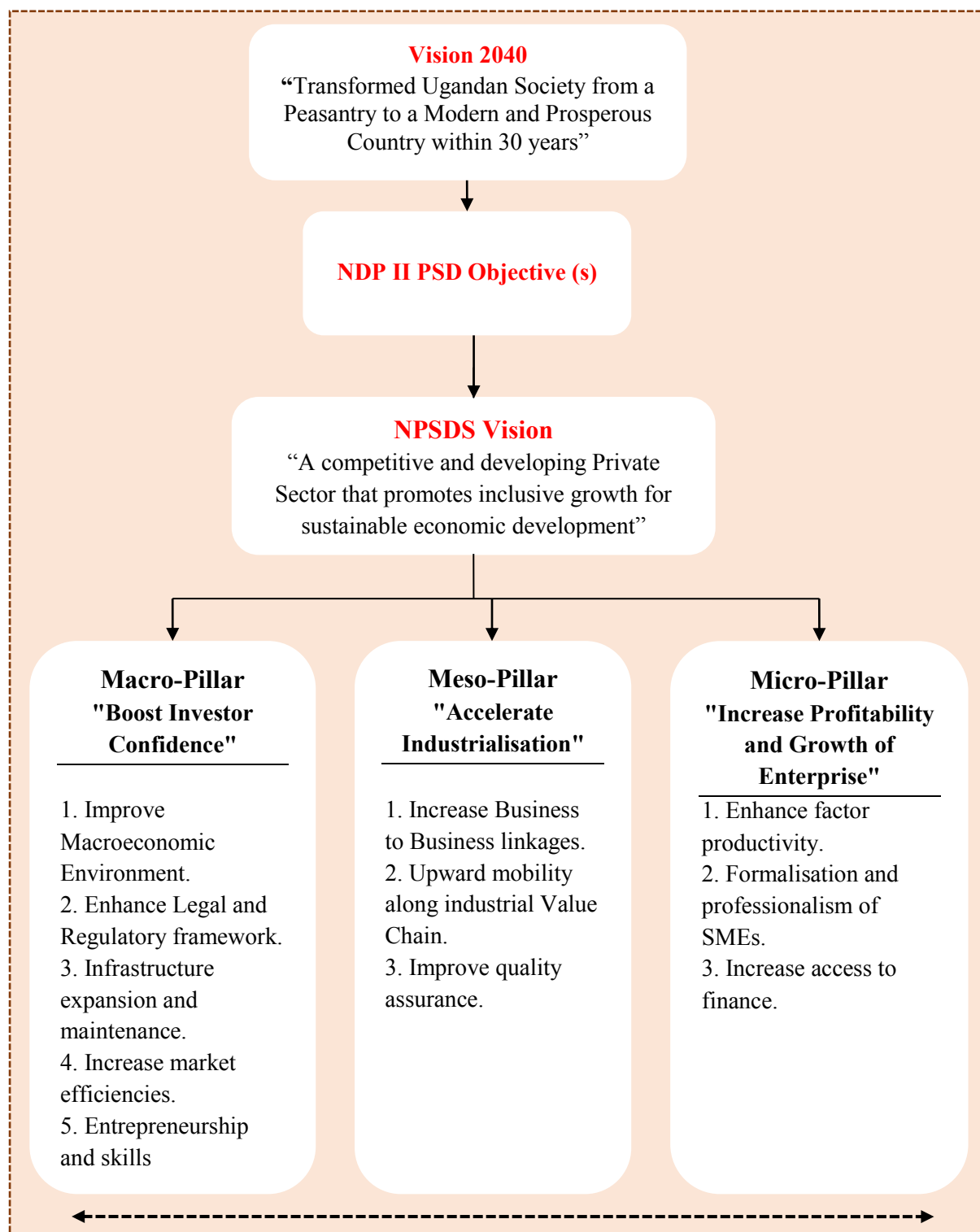
Indicator	Baseline (2012/13)	NDPII Target	2040 Target
Per Capita Income	\$ 743	\$ 1,033	\$ 9,500
Share of population below the National poverty line	19.7%	14.8%	5.0%
GINI Coefficient	44.3	0.452	0.32
Manufactured exports (% of total exports)	6%	19%	50%
Savings (% of GDP)	20%	N/A	35%
ICT goods & services (% of total exports)	6%	N/A	40%
Electricity Consumption per capita (kWh)	80	578	3,668
Innovation as measured by number of patents registered per year	N/A	N/A	6,000
% level of urbanization	581	978	6,790
Labour productivity GDP/worker(\$) in agriculture	5,106	7,872	24,820
Labour productivity GDP/worker(\$) in industry	2,441	5,218	25,513
Labour productivity GDP/worker(\$) in Services	14%	30%	80%
% of population access to electricity			

Source: NDP II, Vision 2040

3.2 Approach of the NSPSD

The NSPSD takes a service delivery focused approach and identifies crucial MDAs responsible for the delivery of services pertinent to PSD. As shown in graph 11 below, it adopts a framework that addresses the constraints to private sector development at three different levels; Macro, Meso and Micro through a holistic approach with specific objectives and interventions. These pillars reinforce each other to achieve the Vision and broad objectives of the NSPSD. Thus, the strategy targets both the overall environment in which the private sector operates and recognizes the need to support the specific interventions through policy impact and strategic execution benchmarks.

Figure 1: Conceptual Framework of the Strategy 2017/18-2021/22



Source: MFPEd

3.2.1 Macro Pillar

At the Macro level, the NSPSD aims to achieve increased investor confidence to facilitate increased domestic and foreign direct investment. To achieve this objective, the strategy shall focus on the following specific objectives.

Specific objectives

a) Improve Macro Economic Environment

The success of the NSPSD is dependent on Government's ability to sustain macroeconomic stability. Political and macro-economic stability are essential elements in boosting investor confidence. Between 2010/11, Uganda's economy was exposed to external economic shocks that have particularly manifested in volatility in the foreign exchange rates and poor performance of exports, which undermine the competitiveness of the private sector. The economy also reveals significant high import content of inputs for Uganda's industrial and other sectors.

To address this challenge, attention will be focused on:

- i. Increasing foreign exchange earnings: government will promote an export led development strategy in order to boost export earnings and FDI inflows.
- ii. Ensuring prudent fiscal and macroeconomic management
- iii. Ensuring a conducive interest rate regime through monetary policy

b) Enhance Legal and Regulatory Framework

Government embarked on reforming policies, commercial laws and regulations. The reforms aim to make the laws and other provisions simpler, more accessible, modern, fairer and cost-effective for the private sector. In regard to commercial laws, the reform has resulted in the enactment of Companies Act 2012, Partnership Act 2010, and the Insolvency Act 2011. A proposal on Competition law is still under review.

Further improvement will be realized through:

- i. Business Licensing and Regulatory Reforms. This includes fast tracking construction approvals; removing inefficient, unnecessary, unfriendly and cumbersome licensing, improving business registration, land administration and tax administration. Out of the 766 licenses identified for reconsideration, the principles in the total of 307 licenses will be drafted to amend the respective laws. This will reduce the regulatory costs associated with these licenses thus reducing the cost of doing business.
- ii. Establishment of One-Stop Centre (OSC) at UIA for inter-agency business facilitation. For effective implementation, NSPSD support will include technical assistance in setting up the secretariat, studies on the integration of the licensing systems into OSC, and benchmarking with other fast developing economies.

c) Infrastructure Expansion and Maintenance

The poor quality of physical infrastructure leads to high costs of businesses, decreases their competitiveness and restricts access to local and international markets. Evidence shows that poor physical infrastructure reduces national economic growth in developing countries by two percentage points every year and cuts business productivity by as much as 40 percent. Uganda still faces a large infrastructural deficit, whereby the proportion of paved roads to total road network was at 23% by 2016/17. Similar trends are observed in electricity, with 20% of the population connected to the national grid.²⁸ The high prices for electricity and transport increase the cost of doing business rendering investment less attractive. Establishment of well-developed infrastructure would therefore accelerate the exploitation of trade, agriculture and business opportunities within the economy.

²⁸Government of Uganda 2015. National Development Plan II 2015/16-2019/20.UBOS 2015

The NSPSD accordingly aims to:

- i. Strengthen and monitor government efforts relating to policy regulation and public investments in infrastructure with a focus on transport (airways, water, roads and railway) and electricity.
- ii. Continue to streamline local content in public procurement on infrastructure projects to support the domestic private sector.

d) Increase Market Efficiencies

The strategy recognizes the need to improve market efficiency in order to increase Uganda's competitiveness and improve its domestic revenue position. Market efficiency is mainly constrained by low production and productivity levels in agriculture, limited storage facilities, counterfeits and limited value addition. At the regional level, Uganda will take advantage of its membership in various regional trade agreements under the EACOM (East African Common Market) and COMESA Free Trade Area to increase its market access and neutralize the negative effects that arise from its landlinked position. The EAC ministry in co-ordination with relevant MDAs will continue to engage and fast track the effort of elimination of Non-Tariff Barriers (NTBs) in the EAC which is identified as one of the areas that increase the cost of doing business.

Government will also embark on harmonization of standards locally and at regional level. Elimination of counterfeits will be through the Counterfeits law, and effective implementation of the commodity market exchange to provide a warehouse receipt system. The latter will reduce on post-harvest losses, promote price discovery and improve quality and quantity. This will ultimately boost prices and competitiveness in businesses. Other interventions will include facilitating the development of the financial markets through a ten year Uganda Capital Markets Development Master Plan and the completion of a computerized land registration system.

e) Entrepreneurship and Skills

The NDPII is cognizant of human capital and infrastructure development as fundamentals in realization of socio-economic transformation. The private sector in Uganda is constrained by a low skilled workforce making it difficult for businesses to find qualified labour. Cognizant of the gaps created by the type of education under primary and secondary schools which does not provide necessary skills for business performance, the BTVET Strategic Plan for 2012/13-2021/22 aims at the provision of industrial training, improvement in overall training quality and changing negative mind-sets on Vocational and Technical Training. However, continuous assessment of the current BTVET strategy shows that programme services are still not well appreciated and utilized and enrolment rates have dropped. In this strategy, focus will be on:

- i. Improving the quality of vocational training, education, entrepreneurship in both school and vocational training institutions.
- ii. Building capacity of entrepreneurship trainers through Business Development Services and Skills development.
- iii. Mind-sets change through awareness campaigns and a joint communication strategy with the relevant subsectors.
- iv. Creating awareness of BTVET opportunities to enhance uptake/enrolment.

3.2.2 Meso Pillar: Accelerate Industrialization

Government recognizes industrial development as an integral part of Uganda's development agenda. At Meso level, the NSPSD prioritizes interventions for accelerating the development of competitive industries in tandem with Uganda's National Industrial Policy (2008-2018). Uganda's industrial sector is relatively small with an average contribution of approximately 20.7% to GDP over the NDP I period. A vibrant industrial sector is critical for Uganda's progress towards a sustainable development path through widening the tax base, offering employment opportunities, higher export earnings and increased productivity.

Industrialization can be achieved through manufacturing and adding value by processing to reduce post-harvest losses and by increasing exports of higher value products, especially from agricultural and mineral resources among other things.²⁹ The NSPSD thus emphasizes the need to specifically consolidate and direct efforts that facilitate industrial development in the country towards attaining the overall goal of a more competitive private sector for sustainable economic development. NSPSD therefore aims to;

a) Increase Business to Business linkages(B2B)

Research by the United Nations Conference on Trade and Development (UNCTAD) shows that business linkages, both between Trans-national Corporations (TNCs) and domestic businesses present a possibility for businesses to increase their professionalism and acquire critical assets to improve their competitiveness.³⁰ Therefore, the NSPSD will:

- i. Foster Government's efforts towards improving the business environment. The promotion of Uganda as an investment destination and the identification of strategic industries for investment will be critical to ensure sufficient linkages to the local economy. The choice of priority sectors for investment shall be linked to their potential to create linkages with local SMEs, with particular emphasis on agro processing sector.
- ii. Follow the cluster development approach taken in NDP II to foster enterprise survival and development, and graduate to higher levels of industrialization. A data base yet to be created under the MSME policy will play a critical role for facilitating the establishment of business to business linkages.
- iii. Support the building of infrastructure in the four regional industrial parks out of the 22 earmarked for the country. The four parks and the existing ones of Kampala Industrial Business Park (KIBP), Bweyogerere and Luzira Parks will be fully operationalized through private and PPP arrangements. Kaweweta Free Zones Park will also benefit from infrastructure provision in order to create an enabling environment for investors.

b) Facilitate upward mobility along the industrial value chain

Over the NDPI period, the value adding subsectors have performed poorly. Agriculture and fisheries contribution to industry GDP decreased by -2.8% (2010/11: 26.5%) and that of industry remained stagnant (2010/11: 20.4%). The contribution of manufacturing to industry decreased by 3.1% (2010/11: 50.2%). For sustainable economic development, a strong industrial sector is critical to ensure sufficient revenue generation, employment creation and access to markets. Therefore this strategy advocates for vertical mobility along the value chains to increase value addition.

- i. Key emphasis will be directed to agro-processing, manufacturing and cottage industries, which remain the major employers in the economy. The National Export Development Strategy (NEDS), outlines required strategic actions to be undertaken by government to support value addition in the priority sectors identified in NDP II. The NSPSD will ensure that the NEDS is prioritised and implemented.

²⁹Government of Uganda 2008. National Industrial Policy.

³⁰United Nations Conference for Trade and Development (UNCTAD) 2010. Creating Business Linkages. A Policy Perspective.

- ii. A critical component to increased mobility along the industrial value chain is the level of skills in the respective enterprises to enable them move towards higher value addition. The strategy will focus on improving access to BDS through support of the providers for increase of management professionalism in enterprises and reduction in information gap between SMEs and large enterprises.

c) Improve quality assurance

The verification of product quality plays a critical role for both imports and exports. At the import level, quality assurance is essential to avoid counterfeit and low quality products. This is a major problem in the agricultural sector, where counterfeit fertilizers and other inputs continue to gain access to the market.

In terms of market access the credibility of product certifications can critically influence the demand for Ugandan products. Both the ease of standardizing production and awareness about its necessity play an important role. The NSPSD will:

- i. Ensure further support to UNBS in its effort to certify Ugandan products and to verify import product quality through the Pre-Export Verification of Conformity mechanism. Within this context a critical constraint arises out of the understaffing at border posts, which essentially affects its effectiveness in fighting counterfeits. The NSPSD thus advocates for increasing staff at unmanned border posts.
- ii. In addition to input verification mechanisms through text messages, there is need for private sector players to form distributor input associations/platforms for purposes of monitoring and eliminating counterfeits.
- iii. Improve access to certification services by raising awareness among businesses to certify products as they graduate towards higher levels of value addition.

3.2.3 Micro Pillar: Increase Profitability and Growth of Enterprises

Uganda's private sector is characterized by a large number of MSMEs. These are estimated at 1,100,100 enterprises and account for the majority of private sector activities. Most of the MSMEs employ less than five people, lack adequate skills of management and access to finance which leads to a high mortality rate. The strategy advocates for a special focus on enhancing the profitability and growth potential of enterprises at this level, to that end, the strategy aims to advance the measures below:

a) Enhance factor productivity

Evidence shows that factor productivity and productivity in general for Uganda is comparatively low within the EAC region. For example, in the agriculture sector, the value added per worker is the second lowest in the region at US \$ 214.7. Uganda is also quoted to be one of the lowest users of fertilizer in the world. For instance Uganda uses only 2.2kg per ha compared to Kenya at 52.5 kg per ha.³¹ Results on latest improvement in harvests in Uganda show that this is due to increase in acreage rather than productivity. Access to physical infrastructure is also identified as a key constraint to productivity.³² Inappropriate work ethics, the formal education system, inappropriate skills, low investment in training, lack of training incentives and schemes are identified to be the main reasons for low labour productivity. The Strategy will therefore emphasize the following:

- i) Provision of quality inputs and appropriate technology by the private sector with targeted incentives from government and enforcement of standards by the appropriate bodies.

³²World Bank 2015. World Development Indicators Database.

³³African Development Bank 2014

- ii) Training and mentoring a skilled labour force through the education system curriculum and by the private sector in case of mentorship.
- iii) Promote Research and Development (RD) of appropriate technology, use of ICT and high yielding agricultural varieties. This strategy recognizes the need to have mechanisms in place to boost adoption of R&D products.
- iv) Reviving and formation of producer organizations to facilitate access to markets, training, finance and quality improvements, bargaining power and uptake of volumes.
- v) Land administration reform to improve the attractiveness of Uganda as investment destination while protecting the land rights of local communities. Sound land policies can facilitate growth in agricultural productivity via secure land tenure. Significant opportunities could open up for the development of a number of sectors, including manufacturing. Currently, manufacturing firms in Uganda lack access to serviced industrial land. This poses a significant handicap in making Industrial Parks and Export Processing Zones (EPZs) operational.
- vi) Cross cutting issues that influence factor productivity such as HIV/ AIDS with prevalence rate of 7.3% in 2014, malaria, gender and environment etc. will be addressed through the relevant MDAs in their sectors.

b) Professionalism of SMEs

The economy is still predominantly informal and this substantially affects productivity and survival of businesses. The informality of businesses is essentially influenced by constraints in business registration, negative perception and mind-set, low level of tax education and inadequate law enforcement. Formalization of businesses will boost revenue generation at all levels. The Strategy will focus on:

- i. Full implementation of a One Stop Centre both physical and online at UIA to facilitate formalization and registration of businesses.
- ii. Instituting a joint communication strategy by major players
- iii. Providing Business Development Services (BDS) and support BDS providers, with special emphasis on entrepreneurship training, business advisory and counselling service, information access, business planning, marketing, technology access, business linkages and other services to assist both start-ups and existing businesses.

c) Increasing access to credit finance

The National Small Business Survey 2015 identifies access to finance as one of the major constraints to the private sector in Uganda.³³ Despite an increase of private sector credit (14.4% of GDP in FY 2014/15), Uganda's share of domestic credit to GDP still remains low compared to other countries like Mauritius and South Africa. About 70% of the loans are accounted for by; households: (28.5%), building and construction (21.4), and trade credit (20.1%)-(UBOS 2015). This structure of loans for investment has minimal positive impact on creation of employment. Few, low grade and temporary jobs are likely to be generated.

Another challenge arises from the high risk portfolio of borrowers and the low savings ratio, fluctuating between 12%-15% over the last ten years. It still remains below the average of 23.6% for low income countries.³⁴ This in turn leads to high interest rates charged by banks. Lack of required collateral including titled land, from most MSMEs further limits access to finance. There are on-going efforts by government to increase the share of titled land. Key among them is the on-going computerization of the land registry and Land Information Management System.

³³Financial Deepening 2015. National Small Business Survey.

³⁴Government of Uganda 2015: National Development Plan II 2015/16-2019/20

Syndicating the existing Credit Reference Bureaus with National Identity Numbers of clients will also go a long way in improving access to the borrowers' profiles. From this perspective, the strategy will therefore focus on:

- i. Creating alternative forms of financing by promoting and formalizing investment clubs as a source of raising domestic capital for investment and essentially increasing personal savings. Mind-set change on savings is critical to reverse low savings in Uganda which are relatively low within the EAC region.
- ii. Fast tracking land registration to increase the stock of titled land, which will not only increase access to credit but also substantially reduce the cost of doing business.
- iii. Improving the stock market environment as a potential avenue to mobilize resources and channel them into productive sectors.
- iv. Fast tracking and implementing the Chattels Securities Act, 2014.
- v. In Public Procurement promote Buy Uganda Build Uganda (BUBU) policy in public procurement.
- vi. Provide long term finance through Uganda Development Bank Limited.

CHAPTER FOUR

4.0 IMPLEMENTATION AND INSTITUTIONAL ARRANGEMENTS

This Chapter addresses the Institutional arrangements for implementing the Private Sector Development Strategy (NSPSD 2017/18-2021/22). The Implementation Strategy of the NSPSD is defined by two main features: a Strategic Execution Matrix (SEM) that defines specific Structural Benchmarks for sectors and the Service Delivery Matrix which prioritizes Service Delivery indicators for the respective MDAs as detailed in table 14 in the annex.

The Strategic Execution Matrix (Table 11) spells out the crucial benchmarks for each of the identified MDAs, to be achieved within the five year NSPSD implementation period. In line with the service delivery focused approach, a detailed Service Delivery Matrix (Table 14) outlining services and routine deliverables has also been developed indicating the relevant MDAs and their required contribution to the NSPSD implementation. All identified MDAs are expected to mainstream actions and resource requirements of the NSPSD in their respective MTEFs and Plans over the medium term.

4.1 Coordination of Implementation Modalities

Ministry of Finance, Planning and Economic Development will play a monitoring and facilitative role in the effective implementation of the Strategy and the respective MDAs will be required to mainstream issues of Private Sector Development in their mandates.

A Multi Stakeholder Private Sector Working Group (PSWG) will be formed comprising of key MDAs, Private Sector, Advocacy Institutions, Civil Society Organisations(CSO), Development Partners, Research and Development (R&D), Academic and Training Institutions.

The NSPSD will be operationalised through the annual budgeting process using the outcome-based budgeting approach under the newly adopted Programme-Based Budget structure. In line with the objectives of the Strategy, thematic working groups will provide technical expertise to the PSWG. The Private Sector Development Unit(PSDU) under the Ministry of Finance, Planning & Economic Development (MFPED) will be the Secretariat.

4.2 Key Performance Benchmarks

There are a number of outstanding issues that have to be addressed to spur private sector development. These have been attributed to different MDAs that were identified to play a vital role in facilitating private sector development. To that end, the SEM (Table 11) outlines the crucial benchmarks for the identified MDAs. These benchmarks need to be achieved within the five year implementation period of the strategy. The SEM also contains indicators to measure the achievement of benchmark actions and the means of verification.

4.3 Monitoring and Evaluation

The Ministry of Finance, Planning and Economic Development will be responsible for Monitoring and Evaluation(M&E) of this strategy.

In the interest of rationalizing costs and systematizing operations, the M&E framework for the NSPSD will consist of a combination of existing mechanisms, processes and indicators informed by the Theory of Change (TOC) or Logical Framework. Routine activities will be monitored and feedback escalated to effect changes appropriately. The M&E framework will ensure that all outputs of the strategy are implemented, measured and reported quarterly, semi-annually and annually. A midterm review and final evaluation of the strategy will be conducted in 2020 and 2023, respectively.

Table 11: Strategic Execution Matrix

MDA	Benchmark actions	Verifiable indicators	Means of Verification
Bank of Uganda	Develop and implement a legal and regulatory framework for payments and settlements	<ul style="list-style-type: none"> Progress rate Number of people using CRBs 	<ul style="list-style-type: none"> BoU progress reports
Kampala City Council Authority	Local Economic Development strategy Expansion of public transport	<ul style="list-style-type: none"> Local Economic development strategy in place Three flyovers constructed 	<ul style="list-style-type: none"> Ministerial Policy Statement
Ministry of Local Government	Coordination and implementation of Tax payers Registration Expansion Project	<ul style="list-style-type: none"> Number of taxpayers registered through TREP 	URA data
Ministry of Finance Planning and Economic Development	Operationalize PFM Act (2015) Increase capitalization of UDB	<ul style="list-style-type: none"> Work plans submitted by internal auditors Submission of half year consolidated fiscal statements to PS/ST by Accountant general Amount of equity injected to UDB 	<ul style="list-style-type: none"> Reports and work plans received by PS/ST Financial Releases
Ministry of Gender, Labour and Social Development	Establish a network of employment bureaus	<ul style="list-style-type: none"> Number of employment bureaus operational No. of people finding job through employment bureaus 	Ministerial Policy Statement
Ministry of Lands, Housing and Urban Development	Computerization of land registry Deployment of National Land Information System	<ul style="list-style-type: none"> Land registry e services operational Number of submissions for requesting land titles made online Time and costs Number of regional land management Information system established and operational 	<ul style="list-style-type: none"> Land registry data bank Progress report
Ministry of Trade, Industry and Cooperatives	Full implementation of MSME Policy by MSME directorate Develop strategies to improve value addition for 12 priority commodities Deployment of District Commercial Officers at the districts and embassies	<ul style="list-style-type: none"> MSME policy and strategy implementation rate MSME data base established Number of commercial officers recruited and deployed 	<ul style="list-style-type: none"> Ministerial Policy Statement GAPR

MDA	Benchmark actions	Verifiable indicators	Means of Verification
Ministry of Water and environment	Finalize National Irrigation Policy	<ul style="list-style-type: none"> Implementation rate of National Irrigation Policy 	Ministerial Policy Statement
Ministry of Works and Transport & Uganda Railways Corporation (URC)	Completion of Standard Gauge Railway	<ul style="list-style-type: none"> Number of km covered Percentage of progress 	Status progress reports
NITA-U	Completion of National Backbone Infrastructure Project (NBI)	<ul style="list-style-type: none"> Progress rate of NBI 	NITA-U Progress reports
Uganda Export Promotion Board	Review and implement National Export Strategy	<ul style="list-style-type: none"> Progress implementation rate of NEDS 	Progress reports
Uganda Free Zones Authority	Operationalize Kaweweta Free zone	<ul style="list-style-type: none"> Infrastructure in Kaweweta Free Zone in place 	UFZA Progress reports
Uganda Industrial Research Institute	Establish two regional hubs on STI (Science Technology and Innovation)	<ul style="list-style-type: none"> Number of hubs established and operational Number of graduate incubatees 	UIRI progress reports
Uganda Investment Authority	Establish and operationalize four regional industrial parks Fully operationalize the one stop centre	<ul style="list-style-type: none"> Number of industrial parks established and operational One stop centre fully operational 	UIA progress reports
Uganda Revenue Authority	Linking TIN and National IDs Fully implement the TREP Programme	<ul style="list-style-type: none"> To be discussed Annual growth in Tax payer registry 	To be discussed TREP performance reports
Warehouse Receipt Authority	Establishment and operationalization of regional warehouses Operationalize Uganda commodities exchange Establishment of a commodity data base	<ul style="list-style-type: none"> Number of warehouses operational Volume of commodities traded Data base in place 	Warehouse Receipt Authority progress report

4.2 Service Delivery Outcomes and Targets

In its implementation, the NSPSD takes a unique Service-delivery focused approach. Table 14 below, presents the services and routines delivered by the different MDAs structured along the framework of the NSPSD.

The analysis was conducted across the three Pillars of the strategy, Macro, Meso and Micro Pillars. The analysis focused on various objectives under each pillar to enable identification of services under MDAs, pertinent to private sector development. Service routine indicators were developed and measured at a baseline stage (FY 2014/15). Targets for the end period of the strategy (2019/20) were populated in consultation with the respective MDAs and various relevant Government documents.

4.3 Risk Assessment

This Strategy is built on a number of assumptions. However, there are systemic risks that are likely to be associated with these assumptions, which, if not controlled, would compromise the success of the Strategy. These risks together with their mitigation measures are highlighted in Table 12 below. There are both general assumptions referring to the context in which the NSPSD is implemented as well as specific assumptions behind the respective objectives.

4.4 The Role of Public Sector

The role of the public sector in implementation of the NSPSD is both generic and specific. The general role will include:

- a) Ensuring a conducive policy and legal regime;
- b) Providing the necessary public infrastructure;
- c) Facilitating structured and evidence-based stakeholder dialogue; and
- d) If and where appropriate, undertake investments in partnership with the private sector.

The specific role of Government will be to drive execution through a push for results and problem solving. A dedicated team of officials from within the existing establishment of Government will be charged with this function.

4.5 The Role of the Private Sector.

Consistent with the goal of the NSPSD - to increase competitiveness of the private sector and enhance its contribution to Uganda's sustainable economic development – the private sector is expected to seize business opportunities by deploying its entrepreneurial acumen and resources with a sense of professionalism. It is expected to identify, mobilize and target financial and human resources to drive firm growth and development.

APPENDICES

i) General Assumptions

Table 12: General Assumptions.

Assumption	Risk	Mitigation
1. Macro-economic stability	External shocks Internal fiscal mismanagement	Greater involvement by the Private Sector and the citizens of the country in the management of public affairs would provide assurances against macroeconomic instability risks.
2. Commitment of MDAs to NSPSD	Failure to mainstream sufficient resources and effective implementation of NSPSD	Mainstreaming and Prioritizing the NSPSD in MDA Planning and budgeting.
3. Holistic approach to implementation of the strategy	Ineffective coordination of relevant MDAs for implementation of the strategy.	Focusing on the big national objective than individual institutional mandates.
4. Effective Regional economic integration.	Ineffective elimination of Economic and trade barriers	Exploiting the domestic market and global opportunities.

ii) Assumptions by objectives

The formulation of the objectives and their implementation for effective outcomes at the Macro-, Meso- and Micro-pillars was undertaken bearing in mind specific assumptions as outlined below.

Table 13: Pillar Assumptions

I MACRO: BOOSTING INVESTOR CONFIDENCE		
#	Objective	Assumption
1	Improve Macroeconomic Environment	<ul style="list-style-type: none"> Reasonable external shocks if any Sound fiscal management
2	Enhance legal and regulatory framework	<ul style="list-style-type: none"> Limited delays in legislative process Effective enforcement of laws and policies
3	Infrastructure expansion and maintenance	<ul style="list-style-type: none"> Quality and timely execution of infrastructure delivery Fast and transparent process in procurement Private Sector engagement in infrastructure projects Further reduction in power tariffs
4	Increase Market efficiency	<ul style="list-style-type: none"> Elimination of trade and non-tariff barriers Increased competitiveness to benefit from regional trade agreements Increased private sector engagement in regional markets
5	Entrepreneurship and skills development	<ul style="list-style-type: none"> More and better R&D for private sector development Quality and relevant BTVET Institutions Relevance of skills for labour market

II MESO: ACCELERATING INDUSTRIALISATION		
	Objective	Assumption
1	Increase Business to Business Linkages	<ul style="list-style-type: none"> • Support from implementing agencies • Private Sector Uptake • Growth of business clusters • Implementation of MSME Policy and Strategy 2015
2	Increase upward mobility along the value chain	<ul style="list-style-type: none"> • Implementation of National Export Development Strategy • Increased value added Exports and improved current account • EPZs and Industrial Parks are operational • Internships and mentorship
3	Improve quality assurance	<ul style="list-style-type: none"> • Adequate staffing and equipment of UNBS • Elimination of counterfeits • More Ugandan goods access regional and global markets
III MICRO: PROFITABILITY AND ENTERPRISE GROWTH		
	Objective	Assumption
1	Enhance factor productivity	<ul style="list-style-type: none"> • Improved factor inputs-land , capital, labour • Implementation of R&D in agriculture
2	Formalization and professionalism of SMEs	<ul style="list-style-type: none"> • Private Sector mind-set change • Increase in SMEs paying taxes. • Enforcement of Business registration • Incentives to SMEs
3	Increase access to finance	<ul style="list-style-type: none"> • Affordable interest rates • New and expansion of alternative forms of credit (Microfinance Institutions, Capital Markets) • Available long-term credit • Support by financial institutions

Table 14: Implementation Matrix

MACRO PILLAR : BOOSTING INVESTOR CONFIDENCE									
Objective 1. Improve Macroeconomic Environment									
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22	
Ministry of Finance, Planning and Economic Development	Economic Management	Annual currency depreciation rate	11.40% ¹	2.10% ^A		Absorption rate	96% ^B	N/A	
		Debt to GDP ratio	30.2% ²	42.50% ^B	Budgeting	Share of budget financed domestically	-3.3% ^B	77.50% ^B	
		Government Expenditure (% of GDP)	21.5% ^B	21.10% ^B					
	Fiscal Management	Loan disbursement rate		39% ^B	N/A	Monitoring loan uptake and performance	Average annual loan disbursement rate	39% ^B	N/A
		Tax to GDP ratio		13% ^B	16% ^B	Tax policy management and review	Percentage of unresolved tax complaints to total cases in tax appeals tribunal	29% ^B	21% ^B
		Fiscal deficit outturns		6.7% ^B	4.70% ^B	Budgeting	Budget outturns	4.50% ^B	4.70% ^B
Bank of Uganda	Monetary Policy Management	Annual core inflation target of 5% (+/- 2%)	4.6% ^B	5% ^B		Inflation targeting	N/A	N/A	

¹Ministry of Finance, Planning and Economic Development, Performance of the Economy June 2015

²Ministry of Finance, Planning and Economic Development, Performance of the Economy June 2016.

Objective 2. Enhance legal and regulatory framework								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
Ministry of Justice and Constitutional Affairs	Administration of Justice	Ratio of brought forward and disposed cases to registered	35% ³	N/A	Adjudication of cases in commercial division and industrial courts	Number of pending cases in commercial division.	2,861 ^c	N/A
		Disposal rate % of filed cases	82.35% ^c			Ratio of completed cases to registered cases	75% ^c	125% ^c
Uganda Law Reform Commission	Legal reform	Annual change in no. of outdated laws in the inventory (from original 44 commercial laws)	44 ⁴	10% pa ^c	Review and publication of commercial laws	Share of commercial laws reviewed	63% ^e	100%
Parliamentary commission of Uganda	Legislation	% of Commercial Bills pending in Parliament	45% ^c	50% ^c	Debate and pass bills	No. of Bills passed	N/A	N/A
					Domestication of harmonized EAC Legislations	No. of EAC Laws domesticated	N/A	N/A

³Written submission to MFPED June, 2016

⁴Business licensing & Regulation reform Report 2012.

Objective 2. Enhance legal and regulatory framework								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
Ministry of Finance, Planning and Economic Development	Policy and Strategy	% of Commercial Bills pending issuance of Certificate of Financial Implication	N/A	0%	Assessment and Issuance of Financial Certificates	Time taken to dispose off the requests	N/A	N/A
	Assurance and advisory services	% of Internal Audit recommendations implemented	63% ⁵	79% ^D	Assurance and Advisory Services	-No. of audit cases with satisfactory rating.	1 ^D	N/A
						-No. of audit cases with needs improvement rating	44 ^D	
						-No. of audit cases with unsatisfactory rating	12 ^D	
Uganda Investment Authority	Facilitating Investments Licensing	No. of Investors licensed through One-Stop Centre	300 ^C	400 ^C	Processing Investor's requests under One-Stop Centre	Average time taken to process requests	N/A	N/A

⁵Ministry of Finance Annual Internal audit Report 2015/16

Objective 3. Infrastructure Expansion and Maintenance								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
Ministry of Works and Transport	Water Transport	Proportion of Cargo Freight conveyed by water	2% ⁶	N/A	Management of water vessels and infrastructure	Cargo freight conveyed by water(MTS)	8,100 ^E	N/A
		Proportion of Metre Railway operation	56% ^E	95% ^E		Average Port capacity	N/A	N/A
	Rail Transport	Proportion of Cargo Freight conveyed by Rail	6% ^E	95% ^E	Maintenance and construction of Rail infrastructure	No. of km of rail constructed No of Km maintained.	0	1,736 ^E
	Road Transport	Proportion of Cargo Freight conveyed by Road	95% ^E		Road construction	No. of Km of road constructed	129,469 ^E	
UNRA	Air Transport	Proportion of Commercial Air Craft movements	87% ^E	95% ^E	Maintenance and Expansion of Airports	Cargo freight conveyed by air (metric tonnes)		
	National Roads rehabilitation & Construction	Share of paved National roads in fair to good condition	77% ^E	85% ^E	Road construction	No. of Km of National Roads constructed per Annum	250 ^E	1000 ^E
		Share of unpaved National roads in fair to good condition	54% ^E	65% ^E	Road maintenance	No. of Km of roads maintained Per Annum	11,000 ^E	2,500 ^E

⁶Ministry of works and Transport, Annual Performance report 2015/16

Objective 3. Infrastructure Expansion and Maintenance								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
KCCA	City Roads rehabilitation & construction	Share of City roads in fair to good condition	64% ^E	N/A	Road construction	No. of Km of paved city roads constructed Per Annum	575 ^E	1,055 ^E
			21% ^M	60% ^M	Road maintenance	No. of Km of city roads maintained Per Annum	480 ^E	1,200 ^E
			42% ^M	3% ^M	Traffic management	Average time spent in traffic jam hrs./day	24,000 ⁷	N/A
Local Governments	Expansion of Integrated Transport Services in the City	Proportion of Commuters using mass Public transport (Buses, Matatus, Mass Transits, Bodaboda)	37% ^M	N/A	Road construction and maintenance	No. of Km of DUCAR roads newly constructed	5,000 ^E	15,000 ^E
			60% ^E	80% ^E				
			Proportion of LG roads to Total number of roads constructed.					
Local Governments	DUCAR Roads rehabilitation & construction	Share of DUCAR roads in fair to good condition	60% ^E	80% ^E	Supply, installation and operationalization of Agro-processing and value addition facilities.	No. of Agro-processing and value addition facilities operationalized.	297 ^E	650 ^E
			297	650				

⁷KCCA Strategic Plan 2014/15-2018/19

Objective 3. Infrastructure Expansion and Maintenance								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
NITA-U	Provision of ICT National backbone infrastructure	Tele density	50% ⁸	90% ^F	Extension of NBI coverage	No: Kms of NBI cables laid	1,589 ^F	2,299 ^F
		Access index	1.96 ^F	3.5 ^F				
		Share of Local Governments and LLG connected to the NBI	22% ^F	50% ^F				
						Average annual downtime of NBI service(Days)	5 ^F	3.65 ^F
MINISTRY OF ENERGY		No. of MDAs connected to the NBI	57% ^F	250 ^F		Average Internet Speed of NBI service (GBPs)	2.5 ^F	N/A
	Provision of energy needs of the country.	Share of oil production	0	N/A		No.km of pipeline constructed.		
		Proportion of minerals to exports	0	N/A		Oil Refinery construction		
			0	N/A		Storage capacity for oil national oil reserves		
					Mineral development			

⁸ICT Sector strategy & Investment plan 2015-2020

Objective 3. Infrastructure Expansion and Maintenance								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
Uganda Electricity Generation Company Limited (UEGCL)	Electricity generation	Electricity generation capacity (in MW/HR)	380 ^G	1,163 ^G	Maintenance and expansion of electricity generation (Karuma 600M/HR, Isimba 183M/hr. and 380m/hr. Eskom).	Average Construction progress rate for public dams	57% ^G	N/A
							94% ^G	N/A
Electricity Regulatory Authority	Development and operation of electricity generation facilities	Average disposal rate of license applications(days)	180 ^G	1,163 ^G	Concession monitoring of complex (ESKOM; 2021/22)	Variance between installed and generation capacity	67% ^G	94% - 97% ^G
Uganda Electricity Transmission Company Limited (UETCL)	Electricity Industry Regulation	Ratio of resolved complaints: Total complaints	70% ^G	N/A	Industry Surveillance and Regulation Enforcement	No. of complaints	314 ^G	N/A
			2015 ^G	2020 ^G	Construction and maintenance of high power voltage lines	Energy percentage loss in transmission	3.60% G	2.70% ^G

Objective 3. Infrastructure Expansion and Maintenance								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
Uganda Electricity Distribution Company Limited (UEDCL)	Electricity distribution	Geographical coverage of electricity distribution network	40% ^G	80% ^G	Supervision and expansion of electricity distribution	Energy loss in distribution	18.8% ^G	14% ^G
		Annual increase in the number of connections to the electricity grid	11,794,35 ^G	N/A		No of KWTs distributed (to the business community)	7,470,518 ^G	11,952,828 ^G
	Share of population connected to the electricity grid	14.8% ^G	15% ^G		Technical and commercial losses			
	No. of Customers on the Grid	9,526 ^G						
		100,000 ^G	140,000 ^G					

Objective 4: Increase goods Market efficiencies in Uganda								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY 21/22
Ministry of Trade, Industry and Cooperatives	Trade Development	National Commodity Exchange Market operationalized	0	1	Construction of boarder markets for regional exports	Number of boarder markets constructed and operational	1	20 ^H
		Number of Infrastructure developed	1	20 ¹⁰				
		Ranking of Goods Market Efficiency (GCI rank)	120 ¹¹					
		No. of traders accessing national trade information system	0	N/A	Development and installation of ICT infrastructure for One Stop Boarder posts	No. of one stop boarder posts established with ICT	4	20 ^H
					Field visits and assessment	No. of NTBs identified and eliminated	1,500 ^H	3,000 ^H
					Update and Maintenance of NTB reporting system	Number of users of the System	5,000 ^H	100,000 ^H
			Establishment of Trade Information desks	Number of trade information desks established.	5 ^H	N/A		

¹⁰Ministry of Trade, Industry and Cooperatives, Sector Development plan 2015/16-20119/20

¹¹World Economic Forum Global Competitiveness Report2015/16

Objective 4: Increase goods Market efficiencies in Uganda								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY 21/22
Ministry of Gender, Labour and Social Development	Occupation Safety and Health		N/A	N/A	Monitoring of Occupational Health & Standards at Work Places	No: of statutory inspections conducted.	630 ¹²	630 ^C
			N/A	N/A		No. of non-statutory inspections conducted.	646 ^C	800 ^C
	Labour Market Information	Labour Market efficiency (GCI)	27 ¹³	N/A	Data Collection and analysis of Labour Statistics	Updated operational Database	1	1
						No. of bilateral agreement to export labour	-	7
	Arbitration of labour disputes	Number of cases handled in the Industrial Court	N/A	N/A	Resolving cases of labour complaints and disputes	No. of employment bureaus licensed	30 ^C	100 ^C
						Percentage of registered cases handled in MoGLSD	90% ^C	95% ^C
		Case backlog in industrial Court.			Monitoring for labour standards (conditions & services of workers.	Percentage of registered cases resolved in the Industrial Court	5% ^C	40% ^C
						No. of inspections conducted	197 ^C	300 ^C

¹²Ministry of Gender, Labour and social Development, Written submission to MFPED November 2016.

¹³World Economic Forum, Global Competitiveness Report,2015/16

Objective 4: Increase goods Market efficiencies in Uganda										
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY 21/22		
Uganda Warehouse Receipt Authority	Commodity Warehouse Receipt System (WHRS)	National Warehousing storage capacity (Metric Tons)	165,400 ¹⁴	550,000 ^c	Monitoring & Inspection of warehouse stores	No. of warehouses registered	N/A	26 ^c		
			146,500 ^c			Share of licensed warehouses	N/A	N/A		
		Number of traders/ Depositors registered under the Warehouse receipting system						No. of participants sensitized	800 ^c	3,200 ^c
								No. of Warehouses Inspected	26 ^c	N/A
								No. of Banks discounting receipts	N/A	N/A
								No. of Personnel/ Handlers trained	130 ^c	N/A
CMA	Capita Market regulation	No. of Institutions under regulation	800 ^c	4,000 ^c		No. of warehouse receipts issued	N/A	N/A		
			28 ¹⁵	N/A		No. of licenses issued and renewed	114 ^c	N/A		
	Capital Market Development	Percentage change in equity turnover USE	Share Volume of Trade through USE (Million Ugx)	7% ^c	NA	Conducting research for market development	Funds under management licensed by CMA(Trillions)	1,24 ^c	N/A	
				1,848,05 ^c			No. of new providers licensed	4 ^c	N/A	

¹⁴Warehouse Receipt system, written submission to MFPED 2016

¹⁵Capital markets Authority written submission to MFPED 2016

Objective 5: Entrepreneurship and Skills Development									
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22	
UIRI	Industrial Research & Development	Value Added Products developed			Establishment and maintenance of business and technology incubation infrastructure	No of new incubations	20.00 ^c	200.00 ^c	
						Number of new Samples developed			
	Supervision and Advisory Services			800 ^c	33,800 ^c	Supervision and monitoring of Product Development.	Industrial Research Reports	40 ^c	250 ^c
							Business and Technological Incubation	10 ^c	100 ^c
MoES	Skills Training and Certification	Annual BTVET Enrolment	42,000 ¹⁶	103,000 ¹	Conducting Surveys and Analysis	No of Incubation Products developed	22.00 ^c	N/A	
						Annual BTVET Pass rate	31% ¹	90% ¹	

¹⁶Uganda BITVET strategy 2012/13-2020/22

Objective 5: Entrepreneurship and Skills Development								
MDA	Public Service Role	Service Indicator	Baseline FY14/15	Target FY 21/22	Routine Activity	Routine Indicators	Baseline FY 14/15	Target FY21/22
Ministry of Gender, Labour and Social Development		Annual grants disbursed through Youth Livelihood Programme (Ushs)	35bn ^c	85bn ^c		No of Youth beneficiaries	50,743 ^c	90,000 ^c
		Annual grants disbursed through Women enterprises (UWEP)(Ushs)	3bn ^c	40bn ^c	Sensitization Mobilization and beneficiary assessment	No.of environmentally friendly enterprises under youth	3,872 ^c	7,000 ^c
	Grant & Loan finance					No. of beneficiaries under women Entrepreneurship programme.	-	26,000 ^c
		Annual number of certified apprentices				No.of environmentally friendly enterprises under UWEP	-	2,600 ^c
		Non-formal Vocational and life Skill training.			Apprenticeship/Training	No of apprentices graduates	-	1,500.00 ¹
	Skills training				Sensitization mobilization and beneficiary selection and skills training	No.of Youth equipped with non-formal vocational and life skills.	1,111.00 ¹	2,011.00 ¹
						Percentage of trained youth equipped with tool kits in relevant areas.	50% ¹	N/A

MESO PILLAR: ACCELERATING INDUSTRIALIZATION

Objective 1: Increase Business to Business Linkages								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY 14/15	Target FY 21/22
Ministry of Trade, Industry and Cooperatives	Trade and Industry information	Share of micro enterprises in business register.	94% ¹⁷	N/A	Trade promotion	No. of trade fairs organized	1 ^H	10 ^H
		Share of micro enterprises linked for business transactions	N/A	N/A				
	Building database of SMEs.	Proportion of MSMEs per subsector operational and updated database	N/A	N/A	Data collection and analysis	No of MSMEs per subsector	N/A	N/A
		SME development	Proportion of SMEs linked to Transnational Corporation (TNC)-SME).	8 ^C	16 ^C		No of networking events and platforms	8 ^C
Uganda Investment Authority		Proportion of SMEs trained in business skills and Entrepreneurship.	384 ^C	480 ^C				
		Business participation rate	70% ^C	90% ^C	Cluster formation	No. of SME cluster established	8 ^C	16 ^C
						No. of joint ventures	60 ^C	16 ^C

¹⁷Ministry of Trade, Industry and cooperatives, Sector Development Plan 2015/16-2019/20

Objective 2: Upward Mobility along Industrial Value Chain								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Uganda Export Promotion Board	Export trade and market information- Information on exports Campaigns (IEC)	Updated and operational database	0	12 ¹⁸	Stakeholder engagement	No of studies published about market opportunities	2 ¹⁹	10 ^k
		Annual exports statistical abstracts	1 ^k	1 ^k		No of trainings conducted in value addition and business markets.	10 ^k	250 ^k
		Uganda's share in COMESA exports	3% ^k	5% ^k		No. of participants trained in value addition and business marketing	30 ^k	50 ^k
		Uganda's share in EAC exports per annum	22% ^k	30% ^k		No of beneficiaries from trainings	N/A	N/A
					Export monitoring and evaluation	Update frequency of export statistics/annum	1 ^k	4 ^k
						No. of IEC campaigns	6 ^k	30 ^k
					No. of certificates of origin issued (for all seven preferential trade regimes)	18,000 ^c	30,000 ^c	

¹⁸Uganda export promotion paper at 7th annual sector review conference 2016/17

¹⁹Ministry of Trade, industry and Cooperatives, Sector Development Plan 2015/16-2019/20

Objective 2: Upward Mobility along Industrial Value Chain

MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Uganda Investment Authority	Investment Promotion and facilitation	Proportion of Businesses licensed through UIA			Acquisition of land for industrial development	No. of industrial parks whose land is secured	4 ^C	9 ^C
		Share of serviced plots	44% ^C	100% ^C	Industrial and Business park infrastructure development and maintenance	No. of company in operational industrial parks	67 ^C	355 ^C
		Value of investment inflows	N/A			Time(Months) taken to acquire land in industrial parks	3 ^C	1 ^C
		Share of operational service plots	10% ^C	85% ^C	Monitoring and evaluation of industry activity	Operational capacity of functional industrial and business parks	0.8m	355 ^C

Objective 2: Upward Mobility along Industrial Value Chain

MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Uganda Free Zones Authority	Export investor support and infrastructure development	Number of enterprises operating in free zones	0	100 ²⁰	Promoting Investment in Free Zones	Actual Investments in Free Zones	0	\$ 1.5 bn ^L
		No. of operational EPZs	0	10 ^L	Licensing	No. of operators and developers licensed	0	10 ^L
	Provision of Market Platforms	No. of jobs created	0	2,500 ^L	Monitoring and evaluation	No. of jobs created	0	2,500 ^L
		Value of enterprises operating in the free zones	0	\$ 1b ^L	Export oriented investment	Value of exports in the Free Zones	0	\$1b ^L
Ministry of Trade, Industry and Cooperatives	Provision of Market Platforms	No. of operational boarder market	3 ^H	161 ^H	Regulation and monitoring of platform activities	No. of progress reports (M&E)	40 ^H	
Uganda Development Corporation	Project development	Feasibility studies conducted	5 ²¹	15 ^C				
	Undertake Strategic Public Investments	Proportion of strategic Investments undertaken by UDC	4 ^C	15 ^C	Project Development	Number of Feasibility studies undertaken		
		Joint ventures and or PPPs formed.			Exhibition	Number of Investment negotiations.		
MTWA	Export trade and market information	Proportion of tourists arrivals				No. of expos	4 ^J	10 ^J
						Tourists reached in target markets	10,000 ^J	20m ²²

²⁰Uganda Free Zones Authority, strategic Plan 2015/16-2019/20

²¹Uganda Development Corporation, Written submission to MFPEd, June 2016

²²The competitiveness and Enterprise Development Project 2015-2019

Objective 3: Improve Quality Assurance									
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22	
Uganda National Bureau of Standards	Standards development	Product coverage by standard registry	120 ²³	250 ^N	Domestication of EAC and COMESA and international standards	No. of standards developed	120 ^N	250 ^N	
	Standards enforcement	No. of substandard products identified	7,500 ^N	4,000 ^N	Standards Research	No. of new standards for local products	120 ^N	250 ^N	
	Product certification	No. of imported goods consignment inspected	50,000 ^N	90,000 ^N	Quality audits (Standards verification)	No. of quality inspections	200 ^N	800 ^N	
	Product Samples Tested	No of certified domestic products	500 ^N	900 ^N	Elimination of Counterfeit products	No. of staff in border posts	30 ^N	150 ^N	
	Measurement systems audit	No of laboratories set up			Processing applications for certification	Applications disposed	100 ^N	1000 ^N	
	Market and factory surveillance	No. of Samples Tested	7,200 ^N	12,000 ^N	Inspection	No. of instruments tested	1,200 ^N	3,000 ^N	
	Equipment Verified	Conformity rates							
		Market and factory surveillance							
			No of inspections	1000 ^N	18,000 ^N				
			Operational lab equipment	540,000 ^N	656,373 ^N				

²³Uganda National Bureau of Standards, Written submission to MFPED June 2016

Objective 3: Improve Quality Assurance								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
UTB	Standards Enforcement of hotels	Proportion of hotels that meet the required standards.	N/A	N/A	Monitoring	Regions Monitored	1 ^o	5 ^o
					Hotel and restaurant grading	No of hotels and restaurants graded/classified	42 ^o	200 ^o
					Sensitization	Hotels sensitized for classification	200 ²⁴	2,000 ^o
						Number of hotels inspected.	320 ^o	20,000 ^o

MICRO PILLAR: INCREASING PROFITABILITY AND GROWTH OF ENTERPRISES

Objective 1: Enhance Factor Productivity								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Ministry of Education	Skills development	Percentage of Tertiary enrollment by BTVET	70,000 ¹	120,000 ¹	Establishing training infrastructure	No. of formal training centres established	144 ¹	289 ¹
					Conducting trainings	No. of enrolled students graduating	N/A	N/A
						No. of informal training centres established	300 ¹	300 ¹
		completion rate in BTVET				No. of Public Centres of excellence	0	40 ¹

²⁴Ministry of Tourism, Wildlife and Antiquates Annual Budget Performance Report 2014/15

Objective 1: Enhance Factor Productivity									
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22	
Ministry of Lands, Housing and Urban Development	Land Administration and management	Share of titled land	20% ²⁵	32%P	Land registration	Annual growth in the share of titled land	40% ^P	100% ^P	
					Computerization of land registry	No. of computerized land registries	6 ^P	21 ^P	
	Land Information	Average title search time(days)	23P	14P	Title search	No. of title searches conducted	500,000 ^P	1m ^P	
						Percent of country mapped	30% ^P	100% ^P	

²⁵Ministry of Lands, Housing & Urban Development, Annual Budget Performance Report

Objective 1:		Enhance Factor Productivity						
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Ministry of Agriculture Animal Industry & Fisheries	Input supply	Ratio of extension workers: farmers	1 to 5000 ²⁶	1 to 5000 ^R	Recruitment and capacity building of extension workers	No. of extension workers recruited		
					Construction and maintenance of agricultural schools	Number of agricultural schools constructed and maintained.	2 ^R	2 ^R
					Establishment of demonstration sites	No. of demonstration sites operational		
		Percentage of farmers accessing quality inputs	40% ^R	80% ^R	Procurement and distribution of input supplies	Input volumes distributed by type (crops, agriculture, livestock)	N/A	N/A
		Ratio of registered and certified input suppliers to farming households.	Seeds 1 to 500,000 ^R Seedlings 1 to 20,000	1:10000 ^R	Registration and certification of input dealers.	No. of suppliers certified		
		Share of certified inputs to demand (crops, aquaculture, livestock)	40% ^R , 20%,50%		Support private sector to increase seed production.			
		Share of farmers using irrigation.	1% ^R	5% ^R	Operation & maintenance of irrigation schemes	No. of irrigation schemes established and operational	1% ^S	5% ^S

²⁶Uganda National Agricultural Extension Strategy 2016/17-2022/21

Objective 1: Enhance Factor Productivity								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Ministry of Agriculture Animal Industry & Fisheries	Water for production	% of farmers with access to agricultural mechanization.	10% ^R	20% ^R	Promote acquisition and utilization of agricultural mechanization technologies	% of farmers with access to tractors.	10% ^R	20% ^R
		% of arable land under irrigation	1% ²⁷	5%	Contraction of field irrigation scheme	Acreege of new arable land under irrigation	1% ^S	5% ^S
					Farmer registration and Demand assessment	No. of farmers registered and demand assessed		
					Water resources assessment	No. Water resources assessment reports		
					Feasibility Studies	No. Feasibility study reports		
					Engineering Designs	No. Engineering design reports		
					Construction of water reservoirs	No. of new reservoirs constructed		
					Rehabilitation of Water reservoirs	No of reservoirs rehabilitated		
					Community Based Operation and Maintenance (CBOM) activities including training	No. of Water Users' Associations (WUAs) formed and trained		
						CBOM system in place		

²⁷Ministry of Water and Environment, Irrigation Master plan 2035

Objective 1:		Enhance Factor Productivity						
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY21/22
Ministry of Agriculture Animal Industry & Fisheries	Water for production	Water storage capacity (Cubic Meters)	11.5 ^s	20 ^s	Construction of water reservoirs	No. of new valley tanks and dams constructed in cattle corridor(cubic millimeters)	11.5 ^s	20 ^s
	Research & Development in high yielding varieties	Varieties developed	126	105S	Conducting research into new varieties	No of new varieties released	126S	105S
		New Technology, innovations &management practices		120 ^s	Strengthening research institutes.	Trained at MSc and PhD Level.		
NAGRC&DB			30 ^s		Training of researchers	Number of researchers trained	6% ^s	50% ^s
	Breeding of livestock & Poultry	Breeds developed and distributed			Research and Development		N/A	N/A

Objective 2: Formalization and Strengthening Capacity of SMEs								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY20/21
Enterprise Uganda	Business Development	Annual change in client registry	30% ^c	65% ^c	Training programs	No of client registered	34,857 ^c	N/A
		Survival rate of BDS graduate			Training, and linkages	No of participants trained in Business and Entrepreneurship	9,000	11,000 ^c
URSB	Business registration	Annual change in the Business register.	53% ^c	70% ^c	Registration of companies	Average time taken to register a Company (hrs.)	6 ^c	1 ^c
					Registration of business names and patents	No. of companies registered	18,336 ^c	N/A
						No. of business names registered	11,482 ^c	N/A
URA	Tax administration	average time taken to receive a TIN (hrs)	48 ^c	4 ^c	Expansion of Registration Centres	Average time taken to Register business name and other documents	< 4hr ^c	< 1 hour ^c
						Number of Registration Centres	5 ^c	37 ^c
	Annual growth in tax register	23% ^c		Tax registration	Number of campaigns carried out	Number of campaigns carried out	122 ^c	180 ^c
	Trading and business licencing	No of days to issue a trading licence	5 ^c	1 ^c	Tax Education	Number of new tax payers registered		
Ministry of Local Government					Issuance of trading licenses	No. of businesses licensed by region.		

Objective 3: Increase Access to Finance								
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY2021/22
MTIC	Cooperative regulation	cooperatives with unqualified audits	40% ^H	N/A	Registration and supervision	Total number of Cooperatives	37,853 ^H	
		Cooperatives audited	10 ^H			No. of cooperatives audited	15,000 ^H	
	Regulation and Supervision of the sector	Rate of compliance with audit recommendations.		90% ^H	Compliance, Monitoring and Enforcement of Schemes and Service Providers	Offsite inspection schemes	10 ^H	
						Onsite Inspection Schemes		
		Regulations and sets of Guidelines developed		7 ^H		Due Diligence on Service Providers	20 ^H	
			Schemes & Service providers licensed	64 ^H		100 ^H		25 ^H service providers
	UBBRA	Expanding of coverage of pension sector	Sector complaints addressed	25 ^H	34 ^H			
				N/A	70% ^H			
			Pension Asset to GDP ratio	9% ^C	15% ^C	Monitoring of Designs and Investments	Researchers and Sector Surveys	0
		Issuance of National ID	Pension coverage ratio	12% ^C	20% ^C	Education and Campaigns	No. of trainings and workshops	2 ^C
Proportion of the population with ID.			49% ^C		Registering for national ID	Percentage of population registered	16.4% ^C	
Share of registered births					Processing and issuance of cards	No of Cards issued (Millions):	14.6 ^C	

Objective 3: Increase Access to Finance									
MDA	Public Service Role	Service Indicator	Baseline FY 14/15	Target FY 21/22	Routine Activity	Routine Indicator	Baseline FY14/15	Target FY2021/22	
MoFPED	Capitalization of UDB	Annual change in UDB Capitalization	1.2% ²⁹	83% ^U					
Uganda Development Bank	Financing for development	Share of long term credit in total credit ³⁰	93% ^C	95% ^C	Applications, assessment and management	Non- performing loans at(UDB)	28% ^C	15% ^C	

²⁹Annual budget performance report 2015/16

³⁰Uganda Development Bank, Submission to MFPEd.

KEY TO REFERENCES

KEY	SPECIFIC REFERENCE OF SOURCE OF DATA
A	Ministry of Finance, Planning and Economic Development, Performance of the Economy June 2015
B	Ministry of Finance, Planning and Economic Development, Annual budget performance report 2015/16
C	Written submissions to Ministry of Finance, Planning and Economic Development (MFPED) by respective Agency.
D	Ministry of Finance, Planning & Economic Development, Annual Internal Audit Report 2015/16
E	Ministry of works and transport, Annual performance report 2014/15
F	ICT Sector Strategy & Investment plan 2015-2020
G	Uganda Electricity Transmission Company Ltd, Grid Development Plan 2015-2030.
H	Ministry of Trade, Industry and Cooperatives, Sector Development plan 2015/16-2019/20
I	Skilling Uganda, BITVET Strategic Plan 2012/13-2021/22
J	Ministry of Tourism, Wildlife and Antiquates Annual Budget Performance Report 2014/15
K	Uganda Export Promotion paper at 7 th annual sector review conference 2016/17
L	Uganda Free Zones Authority, Strategic Plan 2015/16-2019/20
M	KCCA Strategic Plan 2014/15-2018/19
N	Uganda National Bureau of standards, Written submission to MFPED June 2016
O	Ministry of Tourism, Wildlife and Antiquates Annual Budget Performance Report 2014/15
P	Ministry of Lands, Housing & Urban Development, Annual Budget Performance Report 2015/16
R	Uganda National Agricultural Extension Strategy 2016/17-2022/21
S	Ministry of Water and environment, National Irrigation Master plan 2035

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