



EUROPEAN UNION



# The EU-Uganda Roadmap to Improved Investment Climate



# Background

The European Union (EU), in partnership with the Government of Uganda and the Private Sector Foundation Uganda (PSFU), is working to promote private sector investment in Uganda in order to spur sustainable economic growth and generate decent jobs.

The project “Promoting EU and Uganda Private Sector Investments”, launched in November 2018, initiated a private-public dialogue between the EU and over 200 selected EU and Ugandan businesses and public entities.

In the course of this dialogue, the investment hurdles “Skills and Attitude”, “Access to Finance” and “Governance and Corruption” were identified as particularly critical to the Ugandan business environment, and over 20 remedial responses were proposed.

These responses have been prioritised to form the “EU-Uganda Roadmap to Improved Investment Climate”, with the aim of generating concrete results within a two-year period.

The process confirmed that a constructive and effective private-public dialogue is essential for a sustainable development of the business environment.

In response to this, a “Sustainable Business for Uganda Platform” (SP4U) is being created to ensure continued private-public collaboration and sustainable implementation of the Roadmap responses by both European and Ugandan actors.

# Roadmap responses

Investment hurdle	Roadmap response
<b>Skills and Attitude</b>	<p>Skills anticipation assessment and education system quality audit</p> <p>Preparation of post-graduation training programme</p> <p>Cost-benefit analysis of immigration scheme and import taxes</p>
<b>Access to Finance</b>	<p>Technical support for “Access to Finance” research and data centre</p> <p>Research study of “Deal Flow Facility”</p> <p>Donor round table platform in “Access to Finance”</p>
<b>Governance and Corruption</b>	<p>Private sector-led whistleblower facility</p> <p>Private sector anti-corruption award</p> <p>Data exchange to fight corruption</p> <p>Improvement of the public procurement scheme</p>

CMA    **Capital Markets Authority**  
 DPs    **Development Partners**  
 DFIs    **Development Finance Institutions**  
 NITA    **National Information and Technology Authority**  
 NCDC    **National Curriculum Development Centre**

Lead partners	Time frame
PSFU, UBOS, NCHE	Q3 2019 to Q2 2020
PSFU, NCHE, NCDC	Q3 2019 to Q2 2020
PSFU	Q3 2019 to Q2 2020
UBA	Q3 2019 to Q2 2020
CMA	Q3 2019 to Q2 2020
DPs, DFIs	Q3 2019 to Q2 2020
PSFU	Q3 2019 to Q2 2020
PSFU	Q2 2020 -
PSFU, NITA	Q2 2020 -
PSFU, PPDA	Q2 2020 -

NCHE **National Council for Higher Education**

PPDA **Public Procurement and Disposal of Public Assets Authority**

PSFU **Private Sector Foundation Uganda**

UBA **Uganda Bankers' Association**

UBOS **Uganda Bureau of Statistics**



# Sustainable Business for Uganda Platform (SB4U)

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**S**trengthened private-public collaboration is a prerequisite for continued improvement of the investment climate and business environment in Uganda. The SB4U will be constituted by a Steering Committee and supported by a Secretariat. It will comprise both Ugandan and EU private and public stakeholders, and be co-chaired and hosted jointly by PSFU and the EU.



## Sustainable Business for Uganda Platform (SB4U)

The Platform will provide an opportunity for private and public stakeholders to discuss issues of importance for private sector development in a joint forum and to collaborate on the implementation of the Roadmap responses and other activities.

The Platform will have three main focuses:

- To ensure a continued Uganda-EU private-public policy dialogue aimed at improving the investment climate and business environment and explore new, innovative private-public collaboration initiatives.
- To strengthen Uganda-EU commercial collaboration by initiating trade and investment promotion events, e.g. EU trade and investment missions to Uganda, business partnerships, joint ventures and networking.
- To implement, monitor, and further elaborate the Roadmap responses in close collaboration with the implementing partners.

The Platform will be made accessible through an electronic platform to allow for dialogue with a broader range of stakeholders.



# Skills and Attitude

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Insufficient supply of skilled labour with appropriate competencies, work ethics and attitude constitutes a major challenge for private companies in Uganda.

The skills gap between the private sector's demand for skills and the educational institutions' supply of candidates is further exacerbated by a restrictive immigration scheme, and by very high taxes on imported training services. This affects the long-term competitiveness of Ugandan companies on the international markets.





## Roadmap responses

### Skills anticipation assessment and design of education system quality audit

The “Assessment” carried out in collaboration with PSFU, the Uganda Bureau of Statistics and the National Council for Higher Education, will provide an in-depth analysis of the skills gap: which sectors are most affected and which skills in particular are missing. This will inform the private-public collaboration to strengthen Ugandan education and improve the educational institutions’ ongoing quality assessment.

### Accreditation of selected private sector training programmes and establishment of a post-graduation training programme

In response to the skills gap, many private companies include training in their business models. In order to ensure the maximum benefit from these training programmes, a private sector-led post-graduation training programme will be developed in collaboration with PSFU. Best practices in private sector-led training will be identified, and the possibilities for accreditation of programmes will be investigated. The programme will target post-graduates, who will improve their soft skills and attitude as well as acquired skills through training in private companies.

### Cost-benefit analysis of the immigration and work permits scheme and the tax regime guiding import of training services

The weakness of the Ugandan educational system as well as rapidly changing technologies and market opportunities compels many companies to rely on competencies from outside Uganda.

Imported training services including software however, are taxed at 33% non-refundable tax, which hampers Ugandan business competitiveness in international markets. In addition, the hiring of trainers and experts from abroad is restricted by immigration processes and high cost of work permits. In order to address these challenges, two analyses will be elaborated with the aim of examining the cost-benefit of the existing schemes and propose reforms to be discussed in the private-public dialogue.



# Access to Finance

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**T**he high cost of capital in Uganda, in combination with lengthy and complex procedures when applying for a loan in the commercial banks, makes “Access to Finance” a main challenge for the Ugandan private sector.

Cognisant of the need to collaborate and avoid duplication of programmes, the EU, in collaboration with PSFU and public partners, seeks to address the challenge by supporting research into the financial markets and improving donor coordination.



## Roadmap responses

### Technical support to Uganda Bankers' Association (UBA) on developing a research and data centre

The banking sector and financial services industry in Uganda are hampered by a lack of quality research to help inform decisions at policy and sectoral level, in particular when it comes to access to finance for small and medium sized enterprises (SMEs).

In response, a study will be elaborated to establish the support required for the UBA to conduct effective research to drive progressive reform of the financial services sector.

### Technical support for the conduction of a research study on the need for a “Deal Flow Facility” in Uganda

Setting up, operating, and investing in businesses in Uganda involve connecting with a multitude of public bodies tasked with providing various kinds of business support services. Interactions between the public bodies and the private businesses, however, are often sub-optimal, with challenges stemming from both sides of the divide.

The EU supports Capital Market Authorities in the elaboration of a study to establish whether a “Deal Flow Facility” where companies and new investors can find all relevant information under one roof will be feasible and how it should potentially be organized to be of service to companies and potential investors.

### Technical assistance for the development of a donor round table platform in “Access to Finance”

There are multiple lines of credit allocated by the Development Partners and Development Finance Institutions to the Uganda financial sector, and it is generally recognized that a much higher degree of donor coordination is needed.

In response to this, the EU supports the establishment of a donor round table where multilateral as well as national donors meet regularly to ensure improved coordination and synergy. The donor round table will be hosted by the EU Delegation, and will be complemented by an electronic interface to provide companies an overview of the possibilities and easy access to individual programmes.





# Governance and Corruption

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**D**espite many government initiatives, corruption remains endemic in Uganda, and today constitutes one of the main hurdles for improvement of the investment climate and sustainable growth of the private sector. With support from the EU, PFSU will contribute to the anti-corruption efforts in collaboration with the public sector, as well as through private sector-led anti-corruption initiatives.



## Roadmap responses

### Private sector-led whistleblower facility

One of the hurdles for a stronger private sector involvement in the fight against corruption is the companies' fear of reprisal if they report corruption.

The establishment of a private sector-led whistleblower facility will improve confidence among companies so that they to a greater extent report incidents of corruption.

The EU will support the design of a whistleblower facility to be hosted and operated by PSFU. Through a structured collection of reports, it will allow the organisation to engage in an informed dialogue with the entities involved in corrupt practices, and improve the quality of the anti-corruption policy work in general.

### Private sector anti-corruption award

Due to the massive spread of corruption in Uganda, there is a need for a fundamental change in perception – a behavioural change.

To send a strong message about the private sector's anti-corruption stand, the EU supports the initiation of a private sector anti-corruption award.

The award will be given annually to companies that have made an extraordinary effort to fight corruption and will hereby serve to create anti-corruption role models and best practices.

### Digitalization to allow for the exchange of data between institutional databases to fight corruption

Increased use of IT represents an important prospect in the fight against corruption.

The PSFU will join the National Information Technology Agency's (NITAs) ongoing "National System Integration Programme", which allows for public databases to link to one national system integration platform and compare data with due regard to data security and privacy.

PSFU will collaborate with NITA to ensure that the databases most likely to expose corruption are included, and that the data revealed is used to promote a corruption-free private sector environment.

## Improvement of the public procurement scheme

The government is the largest single client in Uganda, and corrupt practices in public procurement represent a major challenge for many companies.

Simultaneously, many companies in particular SMEs lack the skills to elaborate proposals that meet the tender requirements, and are subsequently disqualified.

In response to the dual character of this challenge, the EU supports PSFU and the Public Procurement and Disposal of Public Assets Authority in their launch of a training programme targeting SMEs, as well as government Ministries, Departments and Agencies (MDAs). The training programme is aimed at improving the quality of submitted tenders, while simultaneously training the MDAs with a focus on correct and timely publicity of tenders.

The response will align with the government's e-procurement initiative, in which electronic bidding will be introduced for selected MDAs during 2019.



