

TENFOLD GROWTH

As the Third National Development Plan winds down, making way for its successor, the Government has proposed many ways forward to foster a thriving private sector. All are geared towards achieving a \$500b boost in the national economy. With the strategy underway, private sector players express confidence in the path ahead, **Mary Karugaba and Jacklyne Atyang** write

The Government has outlined seven key priorities that will accelerate private sector growth under the Fourth National Development Plan (NDPIV) and position businesses at the centre of the economic transformation.

Speaking at a private sector development programme performance review at Mestil Hotel Kampala on Thursday, the finance state minister in charge of general duties, Henry Musasizi, said with the country targeting a tenfold economic expansion from \$50b (sh177 trillion) to \$500b (sh1,770 trillion) by 2040, ministries, departments, agencies and local governments need to align their budgets and systems to the new strategy.

Musasizi told the stakeholders that to achieve the goals set in the tenfold strategy, the Government's top priorities for the private sector include ensuring access to affordable financing, particularly for small and medium enterprises, tackling the perennial problem of government arrears, building private sector capacity, strengthening associations, increasing domestic revenue and formalising the informal businesses.

"Our focus will be intentional and result-driven. I urge all programmes, and indeed all other government ministries and departments and local governments, to take time to internalise this strategy and align their systems to meet this new challenge," he said.

The minister said the Government would increase the capitalisation of the Uganda Development Bank (UDB) and strengthen public financial institutions, including Pearl Bank Uganda (formerly PostBank), Pride Microfinance and Housing Finance Bank, to widen their reach.

"We shall strengthen our capacity to deliver cheaper and accessible credit. By capitalising UDB and enhancing public banks, we want more businesses and households to access affordable financing and grow," Musasizi said.

He added that over the past five years, UDB has been capitalised with more than

ON GOVT SPENDING

To create a more supportive business environment, general duties finance state minister Henry Musasizi said the Government plans to reduce domestic arrears and supplementary budgets that strain private-sector financing, while boosting local company participation in major contracts, particularly in oil and gas and strategic infrastructure projects.

Building on gains under the previous development plan, Musasizi said the Government would also improve the performance of wealth creation schemes to ensure more citizens participated in the formal economy.

Musasizi acknowledged that government arrears and supplementary budgets had long affected private sector liquidity, particularly contractors and suppliers and pledged action.

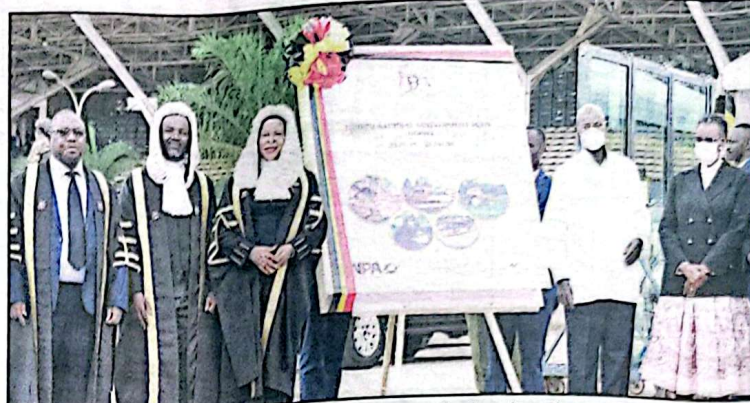
sh1.5 trillion, while flagship initiatives, such as Emyooga and the Parish Development Model (PDM), have injected billions of shillings into community enterprises.

"We shall strengthen our capacity to deliver cheaper and accessible credit. By capitalising UDB and enhancing public banks, we want more businesses and households to access affordable financing and grow," the minister said.

Musasizi said billions of shillings had already been channelled into enterprises through UDB, Emyooga and PDM, benefiting millions of Ugandans and deepening financial inclusion.

"PDM alone has disbursed sh3.26 trillion, reaching millions of beneficiaries across the country.

"These interventions have



L-R: The Clerk to Parliament, Adolf Mwesige; Deputy Speaker Thomas Tayebwa, Speaker Annet Anita Among; President Yoweri Museveni; and First Lady Mrs Janet Museveni during the NDPIV unveiling at Kololo Independence Grounds, Kampala, on June 5 last year. The Government is using the plan to grow Uganda's economy tenfold

deepened financial inclusion and enabled households and small businesses to participate more actively in income-generating activities," he said.

BUSINESS CAPACITY

Musasizi said the Government also plans to increase the capacity of domestic firms to compete for major contracts, especially in oil and gas and other strategic sectors under the tenfold growth strategy.

"We aspire to significantly increase local participation in contracts, particularly in oil and gas infrastructure. Ugandan companies must benefit directly from the investments taking place in our country," he said.

To sustainably finance the development agenda, Musasizi said the Government would increase domestic revenue collections from 14.5% to at least 18% of gross domestic product (GDP) by the 2028/29 financial year.

"We shall increase domestic revenue while ensuring equity, certainty and predictability in the tax system. This will enable us to fund growth without overburdening businesses," he said.

The minister also highlighted plans to address informality in the economy, including implementing recommendations from a new informal sector study.

"We must understand informality and design practical solutions that help small enterprises transition into the formal economy," Musasizi said.



Optimistic: Musasizi



Formalisation of several informal businesses remains thorny.

In addition, the Government has developed a private sector engagement strategy for Uganda's refugee-hosting areas to promote investment and economic opportunities for both refugees and host communities.

SECTOR PERFORMANCE 2023/24

A performance report presented by Private Sector Development Programme technical advisor Gorret Kajumba, indicates that although the Government continues to inject billions of shillings into the sector, over

the four years of NDP III, the sector has registered moderate achievements specifically in lowering the cost of doing businesses, strengthening the organisational and institutional capacity of the private sector, promoting local content, enforcement of standards among others.

Kajumba said interventions through the Uganda Development Bank, agricultural credit facilities and small business recovery funds have helped expand credit, though uptake remains below target.

"Private sector credit rose to 14.37% of GDP, still short of the 27% goal, largely due to high borrowing costs and the continued dominance of informal enterprises that struggle to access formal financing," she said.

Kajumba said during the period, the Government pushed to increase local content in public procurement, recognising that public spending presents a major opportunity for domestic businesses.

"The share of public contracts and subcontracts awarded to local firms rose from 30% to about 60%, moving closer to the 80% target. However, more work is needed to ensure local firms capture higher-value contracts," she said.

"Export growth has provided another boost to the sector. The value of exports increased over the review period, with gold shipments playing a major role in lifting overall performance. Even so, concerns remain

over product quality and competitiveness."

Kajumba added that efforts to mobilise domestic savings and lower the cost of doing business were stepped up through capital markets, insurance products and formal financial services.

"Life insurance assets grew steadily, but formal savings levels remain below expectations, limiting the pool of affordable capital available to enterprises," she said.

Moses Kaggwa, the acting director for economic affairs in the finance ministry, who represented the ministry's permanent secretary, said the Government had embarked on implementing NDPIV. He added that the formalisation of several informal businesses remained a thorny issue.

Gabriel Ulyseas from the University College of London said reducing the informality of businesses remained critical to unlocking faster growth.

"Many businesses continue to operate outside the formal economy, limiting their access to government programmes, financing and market opportunities," he said.

Ulyseas added that despite the challenges, sustained investment, improved access to finance and stronger local participation in government spending would accelerate private sector expansion.

"The goal is to make the private sector more competitive, create jobs and ultimately raise household incomes. While progress has been made, more needs to be done to fully unlock the sector's potential," he said.

Sarah Kagingo, the board vice-chairperson of Private Sector Foundation Uganda (PSFU), commended the Government for creating an enabling environment that has allowed Uganda's private sector to thrive.

"Government initiatives including infrastructure development, macroeconomic stability and supportive policies such as tax relief for start-ups and the management of domestic arrears, have been critical in reducing the cost of doing business. This year 82% of PSFU's proposals were adopted, including increase allocations to domestic arrears from sh200b to sh1.4 trillion she said.