



PSFU E-Newsletter Nov 2011

The State of Uganda's Economy

In Uganda, business environment continues to be characterised with heightened uncertainty of macro economic parameters resulting from both domestic and external shocks. Inflation accelerated from 5% in January 2011 to 21.4% in August, 28.3% in September and 30.5% in October 2011. The Ugandan shilling has been depreciating all through to its lows of close to Ugx 2,900 per USD and was widely expected to hit the 3,000 per USD mark at the end of the year, but a quick appreciation is seen of recent to the highs of Ugx 2,400 per USD, causing more concern to the business community as to whether this shift is sustainable. The current fuel pump prices of Petrol and diesel are closing in to 4,000/= and 3,500/= respectively, this is despite the appreciation of the shilling. There's also a growing sense of un-predictability in Uganda's Economy coupled with serious power shortages and outages following limited supply hence rationing, leading to enormous losses to the business community using power in all sectors and by all sizes. It should be noted that interest rates are also increasing, currently above 30% following the Central bank's tight monetary Policy. This is making it rather hard for the business community, which depends on credit to borrow and expand their businesses, targeting the peak of the festive season.

PSFU therefore held a national Stakeholders meeting to come up with key recommendations for Advocacy to government to have the situation averted. PSFU's Policy Unit also beefed up the findings with further smaller sector consultations. The sectors consulted include; The Agricultural Sector, Skills, Health and Education Sector, the Oil and Gas Sector, the Manufacturing Sector, ICT, Energy, among others. The PSFU Board is discussing the Report to be finalized and used for further advocacy with the Government and other relevant policy makers such as the Central bank, among others.

PUBLIC-PRIVATE DIALOGUE ON HARMONISATION OF DOMESTIC TAXES IN THE EAC REGION

The Regional Public Private Dialogue (PPD) on Harmonization of Domestic Taxes in the EAC region was held in Dar es Salaam, Tanzania from the 11th -12th November 2011. It was organized by EABC and EAC Secretariats, it brought together participants from both the Public Sector drawn from the EAC Secretariat, Revenue Authorities, Ministries of EAC and Ministries of Finance on one hand; and the Private Sector; drawn from EABC Members and the wider Private Sector from the Partner States, including the 5 National Private Sector Umbrella bodies, SMEs and the informal sector representatives. Acknowledging the various challenges faced by the business community under the current unharmonised domestic tax regimes, the PPD recommended the following;

Key Issues discussed

- That the EAC should work towards consolidating the gains of the Customs Union, in order to fully implement the Common Market Protocol.
- Tax Harmonization should be institutionalized under the Fiscal Affairs Committee of the EAC. Among others, the Committee should then develop a policy framework for tax harmonization that will serve as a reference point for tax reforms at national level and eventual convergence at the EAC level.

- On Excise Tax System Harmonization – The PPD recommended that the *Excise Management Bill* be finalized with the necessary essential input from the key private sectors whose goods and services are subject to excise. Priority should be given to definitions, administrative procedures and processes. *Additionally, a study on the impact of harmonization of excise duty structures should be conducted* by the EAC Secretariat.
- On VAT Harmonization, there is need to build consensus in order to develop a legal framework on which a common procedures manual will be based.
- On Income tax procedures, there is need to identify areas that require harmonization, especially with regard to capital, services and enterprise; in order to develop a harmonized, but flexible income tax procedures code.
- A need was recognized to review further the merits and demerits of tax incentives, with a view to guiding tax incentives harmonization.
- The Double Taxation Agreement should be ratified and operationalised in the Partner States with immediate effect. The Model DTA with Third Party and the Code of Conduct on Harmful Tax Competition should both be expeditiously concluded and thereafter operationalised.

Way Forward/Next Steps for follow-up

The EABC with support from its partners for this PPD and in collaboration with EAC Secretariat will come up with the full Report of the Dialogue and a Roadmap and with realistic timelines for addressing the above issues. This will take into account the on-going harmonization discussions as established in the relevant EAC decision making processes. The Report and Roadmap will be submitted to the PPD participants for input and ownership. The Report and Roadmap should be submitted to the relevant EAC Committees by the EAC Secretariat as input in the Committees' deliberations; and EABC, through its anchor national bodies, to the relevant organs in the Partner States.

Conclusion

The PPD thanked H.E Jakaya Kikwete the President of the United Republic of Tanzania, who officiated the Dialogue and for his honest and inspiring insights into the harmonisation agenda. More thanks went to both the EABC and EAC Secretariats for organising the PPD; PricewaterhouseCoopers for facilitating the discussions and TradeMark East Africa, IFC Investment Climate Program, African Capacity Building Foundation, Brarudi, Tanzania Cigarette Company and British American Tobacco, Coca Cola and Vodacom Tanzania for sponsoring the Public Private Dialogue on harmonization of Domestic Taxes in the EAC region.

EABC – TMEA GRANT SIGNING CEREMONY

EABC has signed a 2-year grant agreement worth over USD 862,000 and a Memorandum of Understanding (MOU) worth over USD 1M with Trade Mark East Africa (TMEA) during a ceremony held at the Mount Meru Hotel in Arusha. The grant is meant to build EABC's institutional and advocacy capacity as well as enable it to represent the private sector in the region more effectively. The signing ceremony was held on the 24th October 2011.

This support is in recognition of the important role the private sector is playing as the engine of EAC's integration. It is also in recognition of EABC's role in providing a platform through which the business community can present its concerns at the regional level.

This support includes key technical staff, enhanced coordination and communication between EABC and its Members (through the NFPs). In terms of advocacy, the support includes funds for research to ensure that the private sector engages the EAC policy makers with evidence based policy options. Additionally, it will include establishment of regional platforms across issues and sectors, aimed at enhancing advocacy and building networks across the region.

MEETING OF EABC AND NATIONAL FOCAL POINTS (NFPs)

The Executive Director, PSFU also attended the 1st meeting of the Chief Executive Officers of EABC national focal points and EABC secretariat on Tuesday 25th October 2011 at the EABC offices in Arusha, Tanzania.

The purpose of the meeting was to take deeper understanding of the roles and responsibilities of the Focal Points and to assess the support needed to meet these roles. The meeting also received and discussed the EABC Strategic Plan and how NFPs would be positioned to support this mandate. The national focal points are:

- Federal Chamber of Commerce & Industry, **Burundi**
- **Kenya** Private Sector Alliance
- Private Sector Federation **Rwanda**
- Private Sector Foundation **Uganda**
- **Tanzania** Private Sector Foundation

It was agreed that national chapters being the pillars of EABC needed to be strengthened to execute its mandate by influencing policy right from the national level. Moreover NFPs are the channels through which EABC can listen and effectively address members' concerns.



From Left to Right: Communications officer, TPSF; Dr Gideon Kaunda, Vice Chair TPSF; Ms Carole Kariuki, CEO, KEPSA; Mr Gideon Badagawa, ED, PSFU; Ms Agatha Nderitu, ED EABC; Christian Nkengurutse, General Secretary Federal Burundi CC&I, Burundi; Yosam Kiiza, RPSF

It was therefore agreed that all NFPs will need to strengthen capacity to effectively play both the Coordination and Advocacy & Representation Roles. To do this all NFPs would recruit/designate staff to coordinate all EABC/regional related matters. The EABC Secretariat pledged to send regular information update, policy briefs

and position papers that would be shared with members at the national level. It was agreed that we would be meeting twice a year to assess and address some of the challenges. Under the auspices of the Trade Mark EA, EABC further pledged a contribution to NFPs of \$3000 each year for NFPs to support the execution of these roles.

PSFU TRAININGS

Training Leaders of Private Sector Organizations



PSFU with support from Uganda Country Capacity Building Programme (UCCBP) trained PSO leaders for three days in Governance, Budget Analysis and Policy & Advocacy from 7th - 9th November, 2011 at Bomah Hotel in Gulu and 28th-30th November, 2011 at Lake View Resort Hotel Mbarara. Both trainings were free of charge and PSFU contributed towards transport and accommodation of participants.

Participants of the Leaders Training (7th -9th November, 2011 at Bomah Hotel Gulu)

The objectives of the training were;

- Strengthening leaders of Private sector organisations to articulate and participate in economic policy issues.
- To further empower the PSFU membership to engage in public policy formulation and monitoring of public expenditure management through acquiring advocacy skills.
- Instil good leadership attributes and appreciate governance issues among leaders of PSOs.

Governance Training of Buganda Land Board Members

Private Sector Foundation Uganda conducted training in Governance of Buganda land board members on 2nd- 3rd December, 2011 at Lake Victoria Serena Hotel Entebbe. A total of 13 Buganda land board members were trained in Governance; topics included; Role and functions of the Board, Introduction to Corporate Governance and Board Dynamics, The Local Operating Environment and Corporate Social Responsibility, Human Resource Management

Upcoming Workshops at PSFU

Sensitization Workshops Supported by Trade Mark, to carry out training on how to benefit from the EAC common market. Facilitators will include; URA, EAC and PSFU.

- Arua, Lira) - 19th and 21 Dec 2011 respectively
- Mbale, Malaba, Jinja- 2nd week of January 2012
- Mutukula, Mbarara, Katuna Last week of January 2012

BUDS-DFID PROGRESS



PSFU through Office of the Prime Minister received funding from UK-DFID to support PRDP. The grant is worth £13 million and is accessible by business entities in the PRDP region which covers 56 districts and 9 municipalities. The 5 year project is managed by PSFU and implemented by BUDS with offices in Gulu and Kampala. The objective is to promote private sector growth, investment and employment opportunities in the PRDP regions.

PamRone Investment Limited in Nwoya; *BUDS-DFID has supported the client to acquire two brand new tractors with the necessary traction equipment including a plant and ploughing disks with a grant.*

Objectives

- To stimulate pro-poor economic growth in Northern Uganda and to better retain the economic benefits in the North,
- Improve post-harvest handling, processing, storage and marketing of agricultural and pastoral production
- Increase performance in all sectors including manufacturing, commerce, services, commercial agric., consultancy, business assoc. farming cooperatives. Etc
- Maximize value addition channels and supply chain management

Scheme support

- The Scheme is designed to offer business grants on a 60% reimbursement model.
- The Scheme supports acquisition of business development services incl. knowledge transfer and technologies for value addition and post harvest handling related activities
- Hand-holding services to enable clients acquire the most appropriate and cost effective instruments for business survival and growth.

Progress to date

- The project became effective in April 2011 and within the 8 months of implementation the following have been achieved:
- Processed and approved 81 activities under the PRDP
- Committed business grants of up to £1,323,388
- The geographical dispersion of beneficiaries so far covers 21 districts incl. Adjumani, Amuru, Apac, Arua, Bulambuli, Butaleja, Dokolo, Gulu, Kapachorwa, Kitgum, Kole, Lira, Masindi, Mbale, Nakapiripirit, Nebbi, Nwoya, Pakwach, Pallisa, Soroti & Tororo. *For details go to www.psfuganda.org.ug*

SUPPORT TO PRIVATE SECTOR INDUSTRIES/COMMERCIAL ENTITIES TO IMPROVE ENERGY EFFICIENCY

The Private Sector Foundation Uganda (PSFU) is managing the business development support component of the Government's Energy for Rural Transformation (ERT) Project. Within the framework of the ERT project, PSFU is providing support to private firms to install electrical energy conserving equipment. The focus at the moment is on power quality improvement equipment. The objective of the intervention is to save energy and costs for eligible large industrial and commercial electricity consumers so as to increase their profitability and competitiveness.

In that respect, PSFU is currently collaborating with Electrical Controls & Switchgear Ltd and Makerere University's Centre for Research in Energy and Energy Conservation to promote supply side energy efficiency interventions, namely, power quality improvement.

Target Beneficiaries: Private sector large and medium industrial and commercial consumers

Extent of support; Financial support is provided towards:

- Fees for energy audit and optimization
- Cost share grant towards cost of power quality improvement equipment
- Fees for verification of energy and cost savings

Current participating Energy Service Company (ESCO):

Electrical Controls & Switchgear Ltd, contact person: Mr Joshua Sendawula, UMAShowground, Lugogo , 0414 234511/0312 263297, e-mail:saanjashua@yahoo.com/info@switchgear.ug.

For more information contact: PSFU/BUDS-ERT, **Ms. Susan Butungi**, Project Officer, Tel: 0312 730 985, Email: sbutungi@psfuganda.org.ug at Private Sector Foundation Uganda, Plot 43 Nakasero Road, Nakasero, or contact Electrical Controls & Switchgear Ltd, **Mr Joshua Sendawula**

ONGOING SUBSIDY PROGRAMS IN THE ENERGY SECTOR -PROMOTION OF SOLAR WATER HEATERS UPTAKE

The Government of Uganda has approved an incentive to enhance the uptake of solar water heating systems by private sector users of large volumes of hot water. The uptake drive is to be promoted within the framework of the Energy for Rural Transformation Project (ERT) which the Government is implementing with World Bank support. The implementing agency for the solar water heater uptake drive is the Private Sector Foundation Uganda (PSFU).

Target beneficiaries: The uptake drive is targeting the high volume hot water users, such as the hotels, guesthouses and lodges. However, homes and private institutions such as schools and hospitals will also be considered.

Benefits: You will have hot water for shower/bath while your energy bills will be reduced.

Extent of Support: In the case of homes, a grant of 50% of the purchase price of the solar water heater unit and installation cost will be provided. In the case of hospitality sector and other private institutions, a grant of up to 50% of the purchase price of the solar water heater units and installation cost will be provided, capped at a maximum of 3,000 (Three Thousand) liters per institution. The end user cost share grant will be paid **directly** to the solar water heater company after PSFU verification of installation and performance of the system.

Current Participating solar water heater companies:

1. **Davis & Shirliff** - **Contact Person:** Joseph Luyima - 0782 793763 / 0392 734633. **Email:** Joseph.luyima@dayliff.com)
2. **Gira Solar East Africa Ltd** - **Contact Person:** Mr. Kai Deponte - 0792 304 794 / 0312 279920. **Email:** kai.deponte@girasolar.co.ug cc. mnamugga@girasolar.co.ug and akmusigire@girasolar.co.ug
3. **Equator Sun** - **Contact Person:** Allan Semakula - 0772 602205 / 0312 277 719; **Email:** equator_sun@yahoo.com)
4. **Ultra Tec (U) Ltd** - **Contact Persons:** Martin Kasirye; Ritah Shah; Keval Shah (0772 200 007 / 0712 200 007 / 0414 501 620; **Email:** ultratecworld@gmail.com)
5. **Solar Construct Ltd** - **Contact Persons:** Frank Eichinger; Christine Eilu (0774 290505 / 0772 732690; **Email:** info@solarconstruct.com)
6. **Battery Masters (U) ltd** - **Contact person:** Tony Ssimbwa (0752837848 / 0701045136 / 0392792605; **Email:** tony@batterymasters.co.ug)
7. **Balton (U) Ltd** – **Contact person:** Menachem Pomoshchnick (**0312 502300 / 0752 530703**)

How to participate: Contact any of the participating solar water heater companies or PSFU/BUDS-ERT.

Contact: For more information contact BUDS-ERT, Ms Hawa Kagoya – Project Officer, hkagoya@psfuganda.org.ug; +256 392 730 985, at Private Sector Foundation Uganda, Plot 43 Nakasero Road.

PSFU UPCOMING EVENTS 2012

- *The Proudly Ugandan Back to School Bonanza -January 2012*
- *Private Sector Development Awards –February 2012*
- *SME Event–March 2012*
- *International Trade Facilitation Expo 2012- July 2012*
- *Economic Empowerment Week -September 2012*

PSFU BUSINESS DIRECTORY 2012

To advertise or to be listed in the PSFU Business Directory 2012 call;

+ 256 772540480/snakibuuka@psfuganda.org.ug

For comments and details contact
 Sarah N. Bakehena
 Private Sector Foundation Uganda (PSFU),
 Plot 43, Nakasero Hill Road
 Tel:[+256] 0312 263850, 0312 261850, 0312 286849,
 Fax[+ 256] 312 266440
 P.O Box 7683 Kampala, Uganda
 Email: psfu@psfuganda.org.ug , Website: www.psfuganda.org.ug
snakibuuka@psfuganda.org.ug