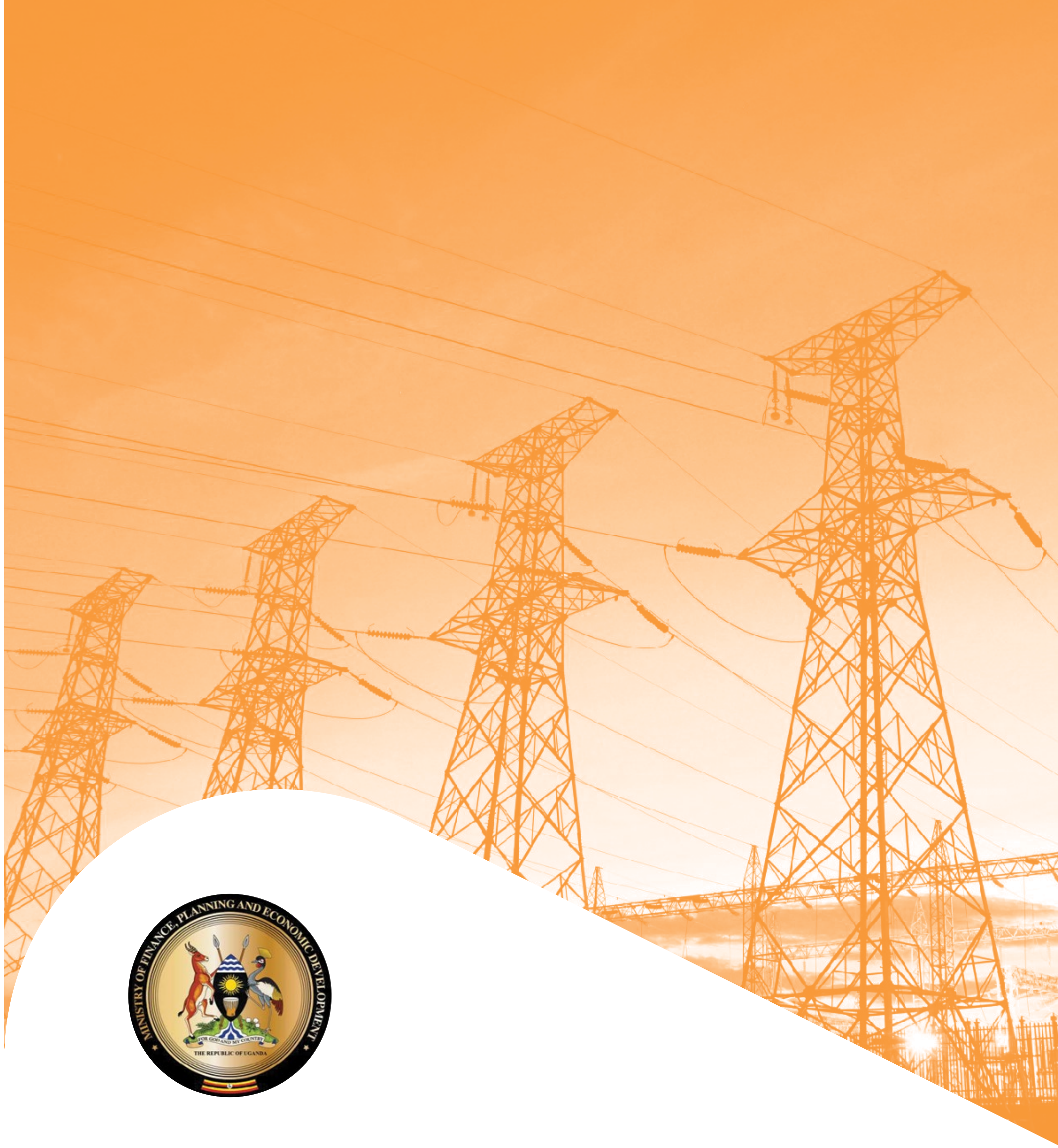
GOVERNMENT OF UGANDA

PUBLIC INVESTMENT FINANCING STRATEGY

FEBRUARY 2022



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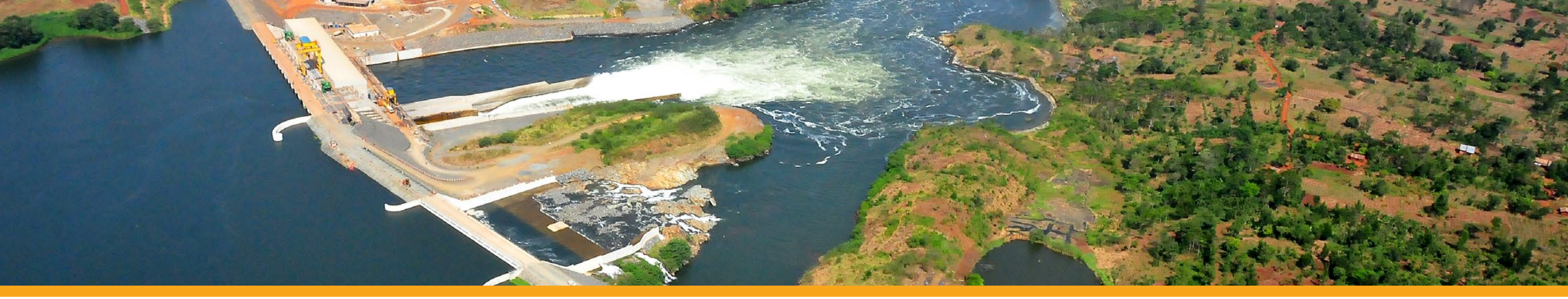
Contents



List of Figures

List of Tables

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

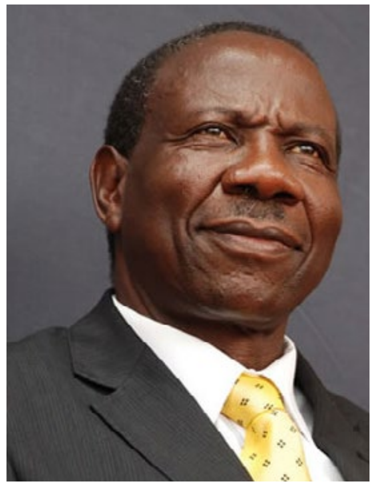
Acronyms

ACU	Anti-Corruption Unit
AF	Adaptation Fund
AfDB	African Development Bank
AG	Attorney General
ASAP	Adaptation for Smallholder Agriculture Programme
ASSIP	Accountability Sector Strategic Investment Plan
ATM	Average Time to Maturity
ATR	Average Time to Refixing
BoP	Balance of Payments
BoU	Bank of Uganda
CIT	Corporation Income Tax
CMA	Capital Market Authority
CNDPF	Comprehensive National Development Planning Framework
CSO	Civil Society Organisations
CSR	Corporate Social Responsibility
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DB	Directorate of Budget
DC	Development Committee
DCP	Development Cooperation Policy
DDI	Domestic Direct Investment
DDCP	Directorate of Debt and Cash Policy
DEA	Directorate of Economic Affairs
DFI	Development Finance Institutions
DFF	Deal Flow Facility
DFID	Department for International Development
DFID-GVEP	Department for International Cooperation Global Village Energy Partnership
DPs	Development Partners
DRMS	Domestic Revenue Mobilisation Strategy
DSA	Debt Sustainability Analysis
DTA	Double Tax Agreements
EAC	East African Community
ECA	Export Credit Agency
EDTF	Ethiopia Diaspora Trust Fund
EIP	European Investment Program
FCPF-RF	Forest Carbon Partnership Facility - Readiness Fund
FDI	Foreign Direct Investment
FY	Financial Year
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GFCF	Gross Fixed Capital Formation
GoU	Government of Uganda
IBRD	International Bank of Reconstruction and Development
ICT	Information Communication and Technology
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
INFFs	Integrated National Financing Frameworks
INGOs	International Non-Governmental Organisations
IRR	Internal Rate of Return
KfW	Kreditanstalt für Wiederaufbau
KPI	Key Performance Indicator
LDC	Least Developed Countries
LDCF	Least Developed Countries Fund
LGs	Local Governments
MALGs	Ministries, Agencies and Local Governments
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Acronyms

MoTIC	Ministry of Trade, Industry and Cooperatives
MoJCA	Ministry of Justice and Constitutional Affairs
MEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MoSTI	Ministry of Science, Technology and Innovation
MSMEs	Micro, Small and Medium Enterprises
MTDS	Medium Term Debt Management Strategy
MWE	Ministry of Water and Environment
NDC	Nationally Determined Contributions
NDF	Net Domestic Financing
NDP	National Development Plan
NGOs	Non-Governmental Organisations
NIMP	National Investment Management Policy
NPA	National Planning Authority
NSSF	National Social Security Fund
NTR	Non Tax Revenue
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Co-operation Development
OECD CRS	Organization for Economic Co-operation Development Common Reporting Standard
OPM	Office of the Prime Minister
PBB	Programme Based Budgeting
PD	Primary Dealer
PDF	Project Development Facility
PE	Private Equity
PFMA	Public Finance Management Act
PSFU	Private Sector Foundation Uganda
PIFS	Public Investment Financing Strategy
PIMS	Public Investment Management System
PIP	Public Investment Plan
PPF	Project Preparation Fund
PPPs	Public Private Partnerships
PSFU	Private Sector Foundation
PV	Present Value
RAC	Resource Alignment Committee
RfP	Request for proposals
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
STEI	Science, Technology, Engineering and Innovation
SWGs	Sector Working Groups
TA	Technical Assistance
TMT	Telecommunications, Media and Technology
UAE	United Arab Emirates
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UGX	Ugandan Shillings
UIA	Uganda Investment Authority
UKEF	United Kingdom Export Finance
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNOC	Uganda National Oil Company
UN-REDD	United Nations - Programme on Reducing Emissions from Deforestation and Forest Degradation
URA	Uganda Revenue Authority
URBRA	Uganda Retirement Benefits Regulatory Authority
USAID	United States Agency for International Development
USD	United States Dollars
USE	Uganda's Securities Exchange



Foreword

The Ministry of Finance, Planning and Economic Development (MOFPED) is mandated with the mobilization of Financial resources to enhance overall economic stability, development and transformation.

For over twenty years the Ministry has mobilized resources from a narrow base of financing options composed of domestic tax revenues, concessional loans, and borrowing from the domestic market in form of Treasury Bills and Bonds. These three financing sources have served us well, however, times and circumstances have changed. For example, the Population of Uganda has more than doubled over twenty years to 48.8 million to date, the country's needs have evolved from poverty reduction to higher development aspirations like infrastructure development amidst a new global financing landscape. As a result, the Government of Uganda through MOFPED is required to do more regarding resource mobilization.

The need for increased resource mobilization by Government necessitated the formulation of the Public Investment Financing Strategy (PIFS). The Strategy provides a framework for widening the scope of mobilization of financial resources from domestic, external, emerging and innovative financing options. These options are then appropriately linked to the programs as highlighted in the National Development Plan to achieve value for money.

The PIFS provides a platform for collaborations between Government, the Private Sector and various Development Partners during its implementation ultimately leading to wealth creation and development. As the saying goes, "United we stand and Divided we fall".

I therefore urge every Ugandan, Development Partner, Private Sector Player, Ministry, Department and Agency to peruse the Strategy to find your strategic fit so that you can tap into the opportunities that the Strategy provides.

For God and My Country

Matia Kasaija
Minister of Finance Planning and Economic Development

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Preface

World Leaders met in Addis Ababa for the 3rd United Nations International Conference in 2015 and agreed upon a new global structure for sustainably financing development. The Leaders acknowledged the need for a comprehensive approach for mobilization of public finance through public policies and regulatory framework to support of sustainable development. This plan requires that countries formulate tailored financing strategies to meet the resource needs of their National Development Plans including the Sustainable Development Goals (SDGs).

In alignment with the above commitments, in 2018 the Government of Uganda through the Ministry of Finance, Planning and Economic Development embarked on the formulation of the Public Investment Financing Strategy (PIFS). Despite interruptions by the catastrophic disruptions of the COVID-19 pandemic, it has been finalized. The PIFS has come at an appropriate time with the global economy grappling with recovery from an adverse shock coupled with the recent Ukraine-Russia conflict. These have negatively affected revenue mobilization arising from constrained growth and consequently resulting in huge budgetary deficit and the need to borrow more to bridge the gap.

The PIFS therefore, aims at leveraging additional financing from traditional and innovative sources to meet the increasing development requirements embedded in the National Development plans and the sustainable development goals. It is also meant to improve the alignment of suitable financing options to Government programmes to achieve value for money while providing a framework for partnership with the private sector in the implementation and financing of public investments.

Many thanks go to the different Government teams and Development Partners that enabled successful preparation of the Strategy. This team was led by the Directorate of Debt and Cash Policy and comprised officers from the Economic Affairs and Budget Directorates, Parliamentary Budget Office and National Planning Authority through consultations across various Government Agencies. Special thanks go to World Bank for the financial support provided that enabled acquisition of the technical expertise of the Macro Economic and Financial Management Institute (MEFMI) to prepare the strategy.

So much done, a lot more to accomplish. For God and my Country.

Ramathan Ggoobi
Permanent Secretary/Secretary to the Treasury

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Executive Summary

Government of Uganda's planning framework is guided by [i] the Comprehensive National Development Framework (CNDPF) (2007); [ii] the Uganda Vision 2040 and [iii] National Development Plans (NDPs) which are implemented through the individual sector strategic plans and programmes; (iv) the Ruling Party's Manifesto, and (v) the Programme Strategic Investment plans. Implementation of the NDP I&II faced the challenges of (i) inadequate financing; (ii) limited diversification of existing financing options; and (iii) misalignment of available financing options to programmes and projects.

In 2015, World Leaders met in Addis Ababa and agreed to the development of Integrated National Financing Frameworks (INFFs) that provide a framework for financing sustainable development at the country level. The implementation of the INFF follows a 4 stage process namely: (i) Assessment and Diagnostics; (ii) Financing Strategy; (iii) Monitoring and review; and (iv) Governance and Coordination. In 2019, the Government of Uganda in conjunction with the UNDP, conducted the Development Financing Assessment (DFA) in fulfillment of stage 1 which sought to identify and build consensus around solutions to address development financing challenges. The Public Investment Financing Strategy (PIFS), which represents phase 2 of the INFF, has been developed with a number of objectives including improving the alignment of government programmes to suitable financing options.

The strategy highlights the prominent or traditional financing options that have over the past decade been utilized in Sub-Saharan Africa (SSA) and the extent to which these have been exploited in Uganda. These include: (i) tax and non-tax revenue, (ii) domestic debt, (iii) private domestic investment, and (iv) Foreign Direct Investment (FDI). There has also been a remarkable increase in the new financing options which have shown a positive potential, and those that can be scaled up. These include: (i) Pension Funds, (ii) Public Private Partnerships (PPPs), (iii) Remittances, (iv) Philanthropy, (v) climate finance, (vi) international bonds (including Euro and infrastructure bonds), (vii) Islamic finance, and (viii) crowd-funding.

Chapter 2 details the review of the performance of the existing and emerging financing options for Uganda identifies the constraints to their exploitation to full potential. It also includes the strategies or interventions to address the challenges. The delivery mechanisms are so diversified and vary widely across financing options, reflecting credit or financing policies of the sources of particular financing options. These will be determined at implementation of each financing option.

The sustainable, less costly financing options and therefore most preferable for Uganda include: (i) Tax and non-tax revenue; (ii) grants; and (iii) concessional loans. However, these sources of development finance are not adequate to address all the priority financing requirements. To address this challenge, there has been increased borrowing at non-concessional terms, raising the risk of unaffordability because of the high interest rates.

In 2015, World Leaders met in Addis Ababa and agreed to the development of Integrated National Financing Frameworks (INFFs) that provide a framework for financing sustainable development at the country level.

To achieve the objectives of this PIFS, a criteria for aligning programmes/projects characteristics to suitable financing options was developed that entails: financial and economic viability; risk-return profile; and, programme or project viability. The details of the criteria are highlight in Chapter 3.

Therefore, the PIFS framework deploys financing options to specific programmes / projects based on their comparative advantage and desired outcomes. The mapping has thus been undertaken in conformation to the programme objectives and valued addition clusters defined in the NDP III. Using this criterion, Official Development Assistance and government revenue will support programmes and projects where scope for revenue generation is minimal or nonexistent, or where the social return is much higher than financial return considerations; for example, in the health, water and education.

Implementation of the Strategy is articulated in an implementation framework highlighted in chapter 4 that focuses on the key strategies identified for effective delivery of the proposed financing options in the mapping framework. The key elements for the effective and successful implementation of the PIFS will constitute: the Establishment of the Project Preparation Fund (PPF) financed by Government resources; establishment of the Resource Allocation Committee (RAC) that will provide strategic leadership to ensure sustained adherence to the proposed alignment framework; and, allocation of institutional responsibilities for each of the financing options.

SUSTAINABLE DEVELOPMENT GOALS

The global development agenda is guided by the Sustainable Development Goals (SDGs) which were born at the United Nations Conference on sustainable development in Rio de Janeiro in 2012.

Kabale - Kisoro Road, to boost trade in Western Uganda

1 Introduction

1 Introduction

1.1 Background

The global development agenda is guided by the Sustainable Development Goals (SDGs) which were born at the United Nations Conference on sustainable development in Rio de Janeiro in 2012. "The SDGs are the blueprint to achieve a better and more sustainable future for all. They aim to address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The seventeen (17) Goals are all interconnected, and in order to leave no one behind, it is important that we achieve them all by 2030".[7]

Unlike the Millennium Development Goals (MDGs), SDGs require country domestication into their development frameworks. Consequently, in 2015, World Leaders met in Addis to agree upon a new global framework for financing the 2030 agenda and the SDGs. At the heart of this conference were the national sustainable development plans and strategies supported by the Integrated National Financing Frameworks (INFFs). The INFFs provide a framework for financing sustainable development at the country level through:

i. Helping to identify and implement policies and reforms to increase and better align financing, toward the achievement of national sustainable priorities;
ii. Considering all types of finance i.e. public, private, domestic, international and, providing a framework for enhancing their coherence for sustainable development;
iii. Helping to formulate risk informed financing strategies that can support countries recover from the COVID-19 pandemic effects and its economic fallout;

The implementation of the INFF follows a 4-stage process namely:

i. Assessment and Diagnostics: this includes analyzing financing needs and landscape to create a baseline for undertaking the financing gap. It also involves assessing risk and identifying policy institutional and capacity binding constraints to shape the focus of the financing strategy.
ii. Financing Strategy: this looks at the integration of national planning and public budgeting processes, alignment of policy and regulatory frameworks and strengthened macro prudential management. It should also include capacity development and other financial means of implementation.
iii. Monitoring and review: this enables an assessment of whether the financing strategy is succeeding in increasing overall coherence and alignment of financing and related policies.
iv. Governance and coordination: it calls for high level government coordination and participation of all stake holders building on institutional mechanisms

Government of Uganda's (GoUs) development agenda and planning framework is, among others guided by the following:

i. The Comprehensive National Development Framework (CNDPF) 2007 is an overarching strategic planning structure which, outlines the principles and guidelines to be followed in developing the national and decentralised medium and long term development plans.
ii. The Uganda Vision 2040 is aimed at transforming the country from a predominantly rural and low-income country to a competitive upper middle-income country.
iii. The six-five-year successive National Development Plans (NDPs) which are the main strategic tools to implement Vision 2040. The first (NDP I) and second (NDP II) operationalising Vision 2040 were implemented during the fiscal years (FY) 2010/11 - 2014/15 and 2015/16 - 2019/20, respectively. Government is currently implementing the third NDP (NDP III) in FY 2020/21 – 2024/25.
iv. Program Based Budgeting (PBB) - rolled out by Government in FY 2017/18 to all Ministries, Departments and Agencies (MDAs) seeks to enhance the linkage between strategic planning and budgeting.
v. Other planning frameworks include; the Africa Agenda 2063, the Ruling Party's Manifesto and, the Programme Strategic Investment plans.

1.2 Problem Statement

In 2019, GoU in conjunction with the United Nations Development Program (UNDP), conducted the Development Financing Assessment (DFA) in fulfillment of stage 1 of the INFF. The assessment provided information on the state of different financing flows and financing needs of the country while exploring untapped sources of financing and their appropriateness and feasibility for the country. It also highlighted that there exist many financing policies with no overall strategy on how to align the different financing options with the needs.

The assessment of various Medium Debt Management Strategies (MTDS) indicates that several provisions in the Public Debt Management Framework (PDMF) are not adhered to. This has resulted into misalignment of available financing options to projects.

The Uganda Vision 2040 is aimed at transforming the country from a predominantly rural and low-income country to a competitive upper middle-income country.

Furthermore, reviews of the NDP I and II indicated that they did not perform as expected. For example, only 8 out of 15 programs were implemented in NDP I. In addition, 17 out of the 42 core NDP II projects were implemented on schedule and 5 that were under implementation were behind schedule. The remaining programmes were either at feasibility or had not started by closure of the NDP II period. The above performance was attributed among others, to:

i. The misalignment of financing options to appropriate projects.
ii. The lack of diversification of financing options.
iii. Inadequacy of financing to implement priorities set out in the Plans.
iv. Constrained private sector involvement

This Public Investment Financing Strategy (PIFS) aims at addressing the challenges outlined above and, is also in fulfillment of Stage 2 of the INFF.

1.3 Objectives of the Public Investment Financing Strategy

The overall objective of the PIFS is to establish robust and sustainable financing mechanisms for the achievement of the NDPs. The specific objectives of this strategy are to:

7 https://www.africanpromise.org.uk/charity-work/supporting-the-sustainable-developmentgoals/?gclid=EAIaIQobChMI5J7NqbCa9AIVE0eRBR2OZwFxEAAYASAAEgL9SPD_BwE

i. Improve alignment of financing options to suitable Government programmes;
ii. Minimise the cost and risk exposure of financing modalities;
iii. Leverage additional financing from traditional and other innovative sources to meet the increasing development requirements; and,
iv. Provide a framework for partnership with the private sector, both in the implementation and financing of public investment programmes and projects.
v. Achieve long term fiscal sustainability
vi. Ensure sequenced loan financing and timely disbursement of funds

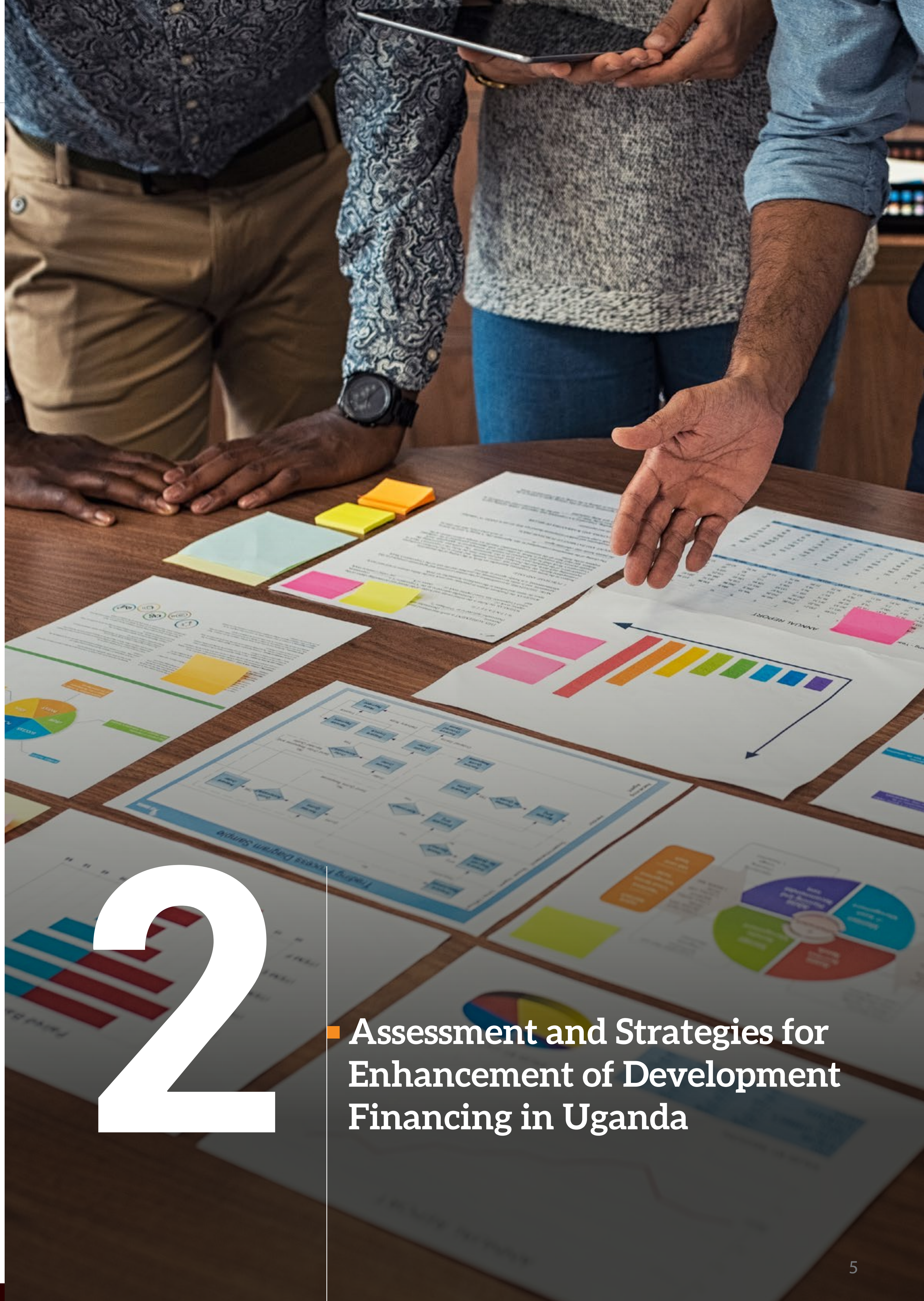
1.4 Legal Framework for PIFS

The existing legislation in Uganda provides a framework for national decision-making, relating to development finance and, defines roles of key institutions involved in the development financing process. The key instruments include: the 1995 Constitution of the Republic of Uganda, as amended; the 2015 Public Finance Management Act (PFMA), as amended; the 2001 Budget Act; and, the Local Government Act CAP 243. The Constitution of the Republic of Uganda in particular, gives the Ministry in charge of Finance, the sole mandate to mobilize development finance.

1.5 Structure of the Public Investment Financing Strategy

The rest of the PIFS is structured as follows:

i. Chapter 2 which provides a situational analysis of the different financing options that Government of Uganda (GoU) has accessed in the recent years. It compares how Sub-Saharan Africa (SSA) peers have performed with financing modalities and examines strategies for expanding access to traditional sources and scope for mobilising additional resources from emerging options.
ii. Chapter 3 defines the mapping framework, lays out criteria for aligning programme characteristics to financing options and it maps these to programmes
iii. Chapter 4 is the implementation framework which highlights the key elements for the effective and successful performance of the PIFS, as well as the monitoring and evaluation arrangements.



2 Assessment and Strategies for Enhancement of Development Financing in Uganda

2 Assessment and Strategies for Enhancement of Development Financing in Uganda

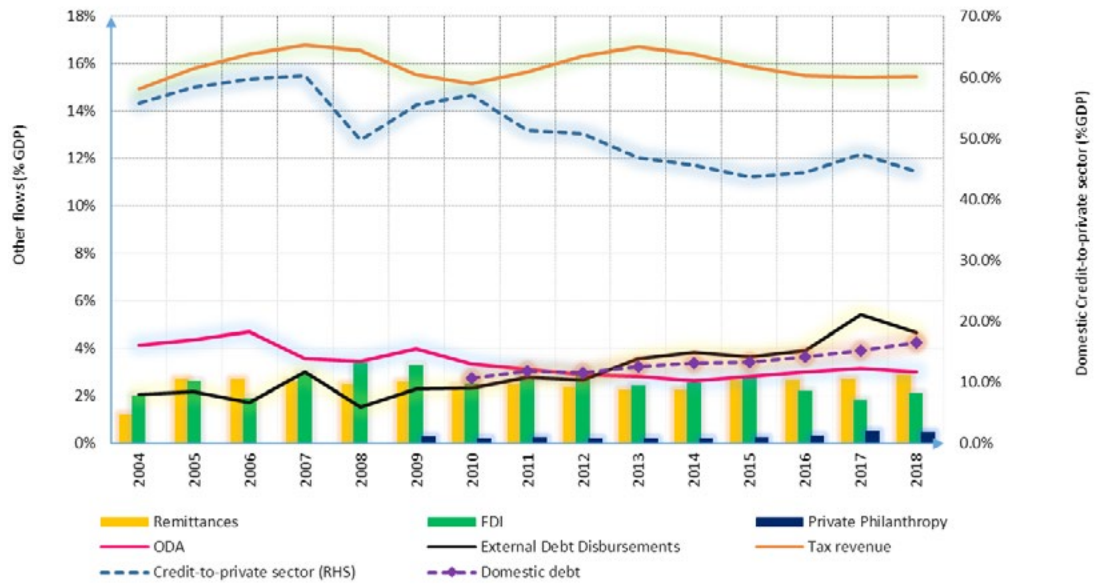
2.1 Introduction

This chapter provides a situational analysis of the different financing options that Government of Uganda (GoU) has accessed in the recent years. It highlights a comparison with regional peers regarding the performance of the different financing modalities. In addition, it provides strategies for expanding access to traditional sources and scope for mobilising additional resources from emerging options.

2.2 Overview of the Development Financing Landscape in Sub Saharan Africa

Over the last decade and half, countries in Sub Saharan Africa (SSA) increased their ability to mobilize finance from a range of public and private, domestic and international sources. Between 2004 and 2018, financing for development flows to SSA increased moderately relative to GDP, although there are significant variabilities across countries and financing sources, as is demonstrated by Figure 2.1. The trends of financing options in SSA are provided here below;

Figure 2.1: Trends in Selected Financing Flows to SSA, 2004 – 2018



Source: Calculations based on data from the World Bank (2020)

2.2.1 Domestic financing

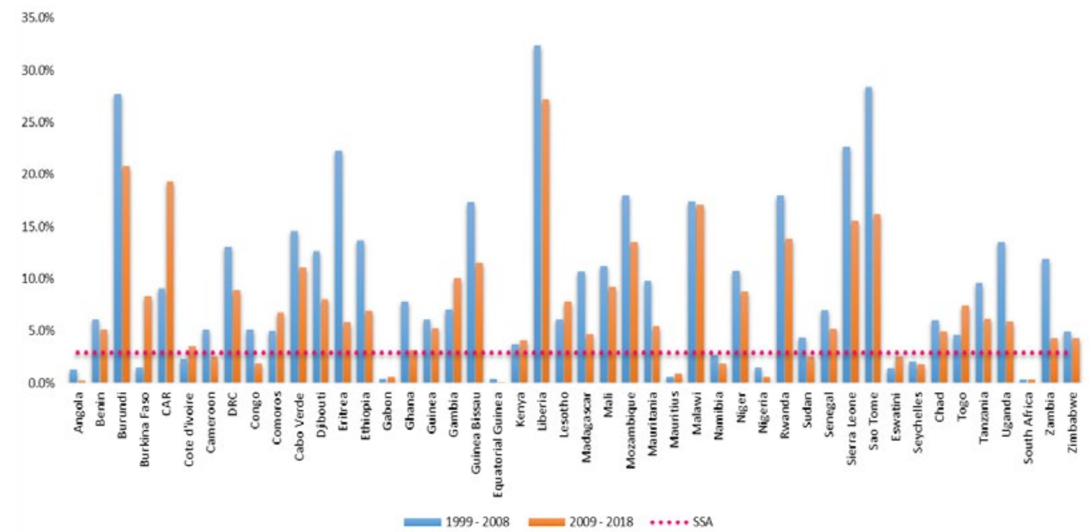
Tax revenue, domestic borrowing, and private investment represented by credit-to-private sector dominated the financing landscape, constituting over 50.0 percent of the region's GDP. Although the ratio of domestic private investment to GDP has been declining from 57.0 percent in 2010 to 44.6 percent in 2018, tax revenues fluctuated around 16.0 percent of GDP while domestic debt has been rising. Available data indicates a rise in the ratio of domestic debt to GDP across the SSA, from 10.7 percent in 2008 to 16.6 percent in 2018. This is associated with a declining credit-to-private sector, signaling crowding out of private investment. On the other hand, while the ratio of tax revenue to GDP averaged at 15.9 percent between 2004 and 2018, SSA remains the region with the largest number of countries that have tax-to-GDP ratios below 15 percent, the minimum considered as necessary for effective state functioning. Nevertheless, estimates show the region could mobilise between 3 and 5 percent of GDP in additional tax revenues, more than what is received each year from aid (IMF, 2019).

2.2.2 External financing

Figure 2.2 shows the distribution of Official Development Assistance (ODA) as a proportion of the GDP for the period of 1999 - 2018. On average, the ratio of ODA inflow relative to GDP declined from 4.1 percent in 2004 to 3 percent in 2018. Traditional ODA from OECD-DAC members has steadily declined relative to GDP for a number of recipient countries since its peak in the mid-2000s, mainly due to improved economic growth and stagnating ODA levels.

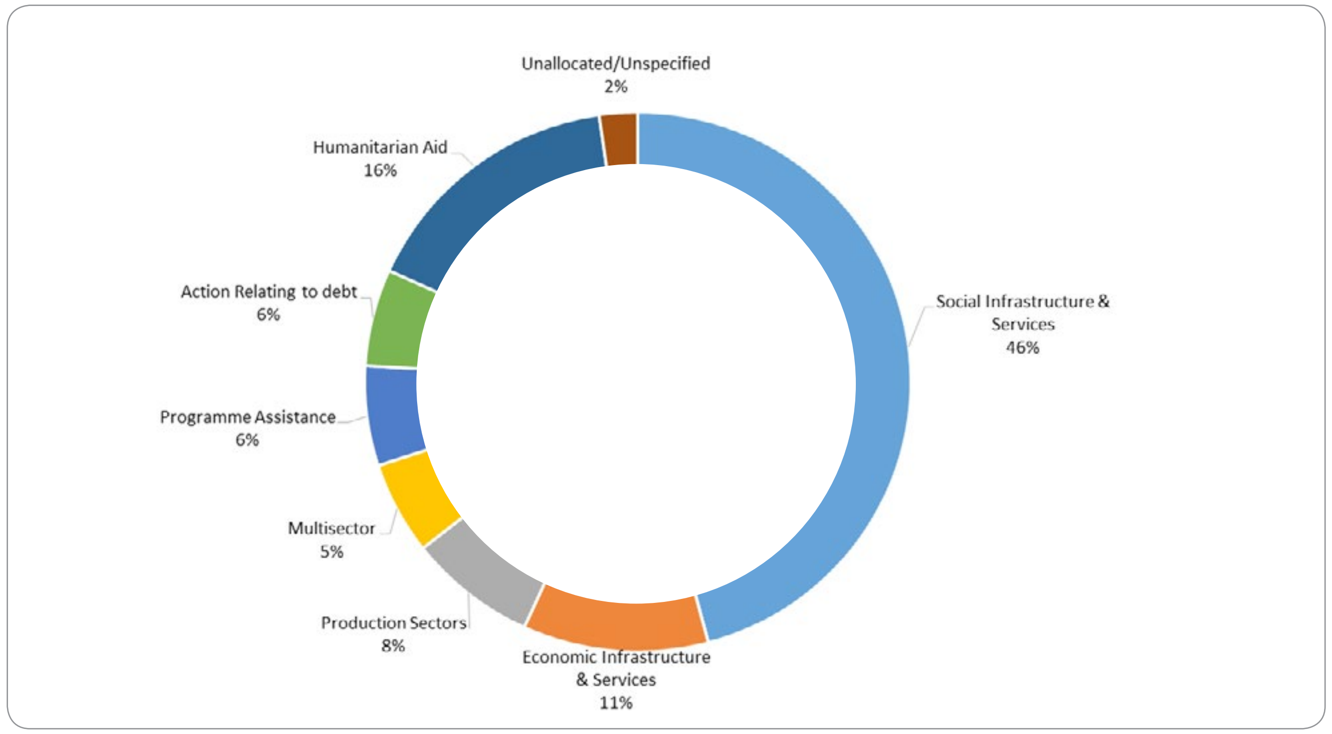
The distribution of ODA has been uneven across individual countries, with Burundi, Sierra Leone, Sao Tome, Eritrea, Rwanda and Mozambique receiving more than peers in the region. Apart from country needs, bilateral Development Partner allocations also depend on other factors, ranging from geopolitical considerations to historical links. ODA is also sensitive to governance issues, particularly relating to conduct of elections, corruption and human rights. In terms of sectoral distribution, social sectors mainly health and education absorbed the largest amount of ODA disbursements, accounting for 46 percent of the total inflows to SSA during 2009 to 2018, as shown in Figure 2.3.

Figure 2.2: Distribution of ODA as percentage of GDP: 1999 – 2008 and 2009 -2018



Source: Calculation based on data from World Bank and OECD

Figure 2.3: ODA to SSA by Purpose (% of total), 2009 – 2018



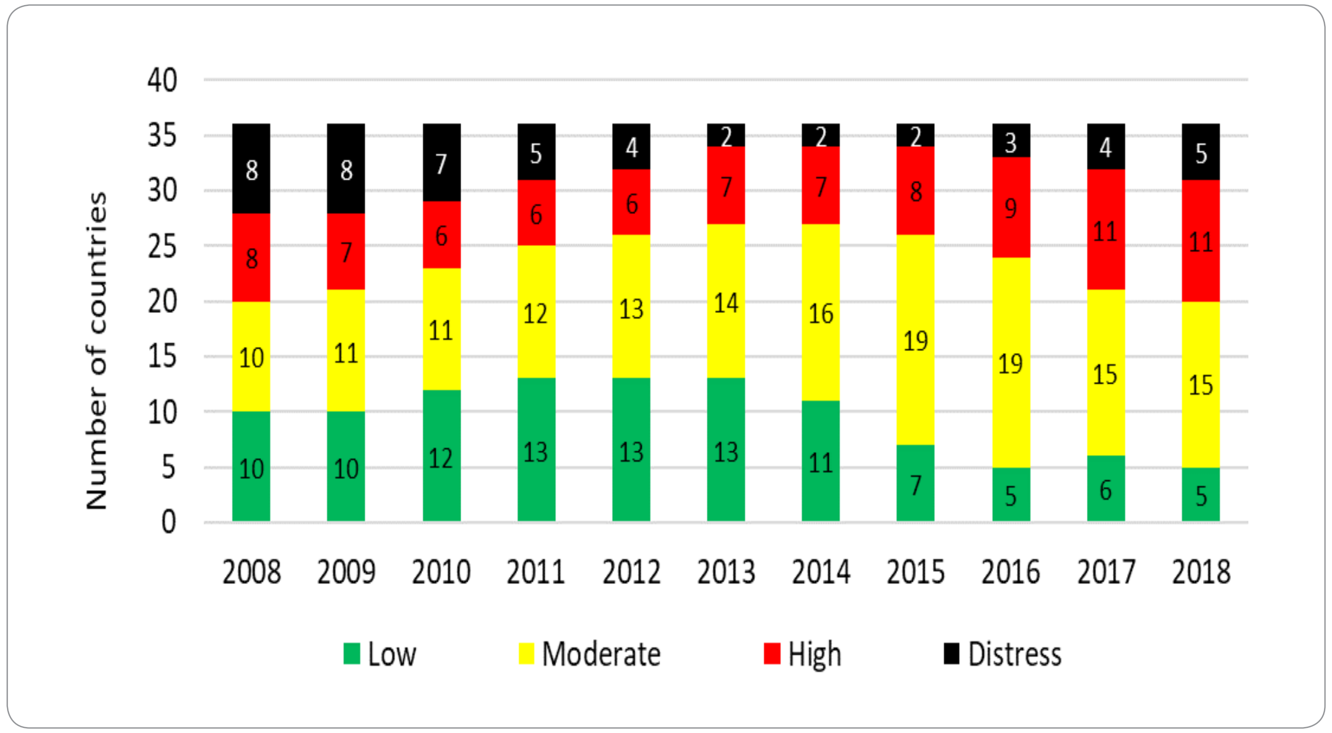
Source: Calculation based on data from World Bank and OECD

External borrowing has increased almost three-fold, from 1.5 percent in 2008 to 4.7 percent of GDP in 2018. Several countries resorted to commercial borrowing, including issuing sovereign bonds on international capital markets, attracted by low interest rates and enabled by renewed creditworthiness. The borrowing helped to build-up infrastructure and social capital in some countries. An IMF assessment shows a positive correlation between increases in debt, on the one hand, and increases in the stocks of human and physical capital, on the other hand in some SSA countries (IMF, 2019). However, in other cases, the scaling up of investment spending has been associated with rising risk of external debt distress. Of the 36 Poverty Reduction and Growth Trust (PRGT) eligible SSA countries[7] for which Debt Sustainability Analyses (DSAs) were conducted between 2008 and 2018, 44 percent of the countries were classified as either "in debt distress8" or facing "high risk" of debt distress in 2018, up from 31 percent in such categories at end 2011, as shown in Figure 2.4. Migrant remittances represent one of the largest, and fast growing, sources of external income for countries in the SSA region. According to United Nations Department of Economic and Social Affairs (UN DESA), SSA had about 28 million of its people living in the diaspora in 2020 (UN DESA, 2020), who sent at least USD 44 billion to their home countries (World Bank, 2020) while saving an average of 3.2 percent of the region's GDP (about USD 53 billion) in their destination countries (Ratha & Mohapatra, 2011). A number of countries have used various initiatives to tap into their diaspora's savings. Ethiopia and Nigeria successfully issued diaspora bonds for infrastructure development. The experience of the Ethiopia Diaspora Trust Fund (EDTF)

7 Benin, Burkina Faso, Burundi, Cameroon, Cabo Verde, Central Africa Republic (CAR), Chad, Comoros, Democratic Republic of Congo (DRC), Congo Republic, Cote d'Ivoire, Djibouti, Ethiopia, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

8 A country is in debt distress when it is struggling to service its debt, as demonstrated by accumulation of arrears or the restructuring of its debt.

Figure 2.4: Risk of external debt distress



Source: Calculations based on data drawn from IMF/World Bank DSA Reports

presents another illustration of the options available to tap in into the diaspora to support development priorities of the country.

Foreign Direct Investment (FDI) flows to SSA have increased from about USD 11 billion in 2004 to peak at USD 46 billion in 2015 before receding to USD 30 billion by end of 2018. However, relative to GDP, FDI inflows remained stable at around 1.8 percent, representing about 3 percent of the total world FDI flows. Apart from traditional FDI concentration in a few mostly oil-producing and extractive countries (Angola, Nigeria and South Africa), major investments are emerging in some fast-growing non-oil-exporters, including Tanzania, Zambia, and Ethiopia. The investments are targeting tourism, real estate, telecommunications services and manufacturing sectors. In most of the high FDI receiving countries, governments provided additional tax incentives to attract inflows in a wide range of programmes. They also addressed the main constraints to attracting FDI, particularly those relating to poor quality of institutions, inadequate infrastructure, and policy-distorting price incentives.

A multitude of actors are also directing climate finance to the region, both to support low-carbon emission and to help countries adapt to severe impacts of climate change. Green Climate Fund (GCF) is currently the biggest cumulative multilateral climate fund active in the region. USD 992 million has been approved to-date for 26 projects plus readiness programme support to seven countries, as shown in Table 2.1 and Figure 2.5.

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Table 2.1: Climate Funds supporting Sub-Saharan Africa (2003-18)

Fund		Amount Approved (US m)	Projects Approved
Green Climate Finance	GCF	991.6	33
Least Developed Country Fund	LDCF	925.9	166
Clean Technology Fund	CTF	524.7	8
Global Environment Facility	GEF	455	149
Pilot Program for Climate Resilience	PPCR	288.3	16
Forest Investment Program	FIP	250.2	17
Scaling-up Renewable Energy Program	SREP	243.9	15
Forest Carbon Partnership Facility	FCPF	212.6	34
Global Climate Change Alliance	GCCA	205.8	25
Adaptation Fund	AF	159.2	61
Adaptation for Smallholder Agriculture Programme	ASAP	158	21
Congo Basin Forest Fund	CBFF	83.1	37
Global Energy Efficiency and Renewable Energy Fund	GEEREF	40.5	2
UN-REDD Programme	REDD+	35.1	8
Special Climate Change Fund	SCCF	33.5	13
BioCarbon Fund	BCF	30	2
MDG Achievement Fund	MDG_AF	20	4
Partnership for Market Readiness	PMR	5.8	3

Source: ODI Climate Funds Update (2021)

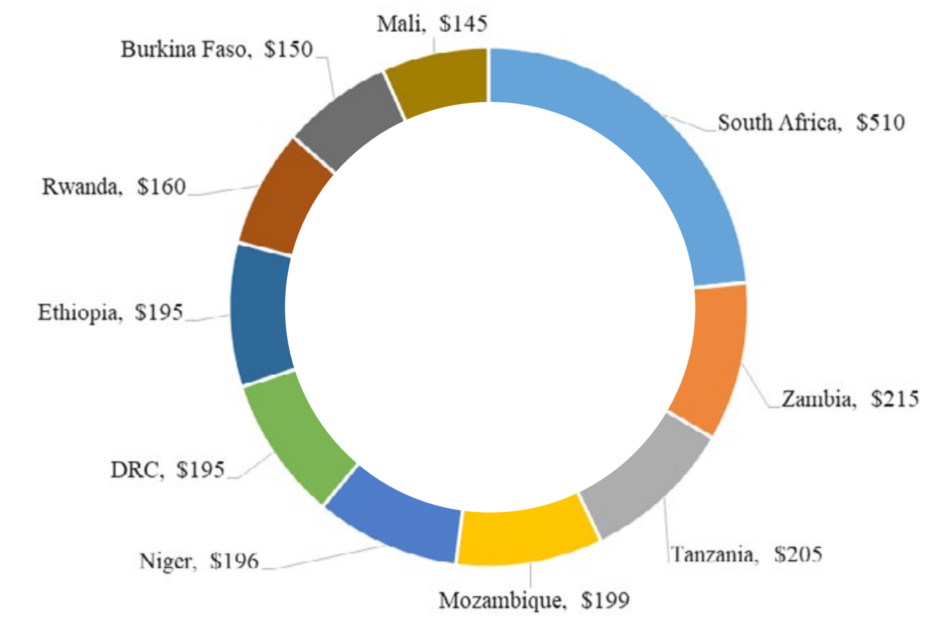
The Least Developed Countries Fund (LDCF), which implements urgent adaptation activities prioritised by Least Developed Countries (LDCs) under National Adaptation Programmes of Actions (NAPAs), is the second largest contributor. It approved USD 925.9 million in grant funding for 166 projects. The Clean Technology Fund (CTF) approved a total of USD 525 million for eight large renewable energy and energy efficiency projects in South Africa, Nigeria and Kenya, demonstrating a clear difference in fund remits and investment strategies.

A large share of climate finance for SSA has been directed to South Africa, which has received 12 percent of funding approved by the multilateral climate funds since 2003 (Figure 2.5). Grant financing continues to play a crucial role, especially for adaptation actions. Bilateral climate finance also flows to SSA, complementing the multilateral climate fund flows. Apart from these funds, some countries, such as Kenya and Ghana, issued green bonds to support climate certified projects.

Public Private Partnerships (PPPs) have remained a very small market in SSA, with projects concentrated in only few countries: South Africa, Nigeria, Kenya, and Uganda. Together these countries account for 48 percent of the 633 total PPP projects in the region since 1990, with investment commitments of more than USD 60 billion. In the past five years, PPP projects have

A multitude of actors are directing climate finance to the region, both to support low-carbon emission and to help countries adapt to severe impacts of climate change.

Figure 2.5: Top ten recipients (US$' million), 2003-18



Source: ODI Climate Funds Update (2021)

mainly concentrated in the energy sector, mostly renewables, followed by transport and water and sanitation. Many of the successful cases of PPPs were supported by governments' commitment to building the appropriate frameworks and institutions to provide a conducive environment for private investment.

Sukuk, which is a certificate or bond that complies with Islamic religious law, has in recent years emerged as a potential new avenue for widening the pool of resources available to fund development projects. This is because Islamic finance requires a clear link with real economic activity and that transactions be linked to tangible and identifiable assets, which makes it suitable for infrastructure. Several countries in the SSA region, notably Nigeria, Côte d'Ivoire, Senegal and Togo, issued Sukuk for infrastructure-related funding. Nigeria placed its 7-year N100 billion (USD 326 million) debut Sukuk in 2017 in the domestic market, to fund the construction and rehabilitation of roads.

The issues received strong support from both domestic and international investors, with more than 50 percent allocated to institutional and retail investors in West Africa, at least 6 percent with North Africa, whilst investors in the Middle East and the other regions secured the rest.

Data on activities of 33 of the largest philanthropic foundations collected through the regular OECD-DAC reporting system shows a consistent growth in the volume of funding between 2009 and 2018. The cumulative volume of philanthropic funding for development recorded between 2009 and 2018 is USD 39.8 billion, with 25 percent of the total going to the SSA region. In 2018, gross global private philanthropic disbursements stood at USD 7.8 billion, representing about 5 percent of ODA disbursements, with SSA receiving about USD 1.6 billion, representing about 1 percent of ODA flows to the region.

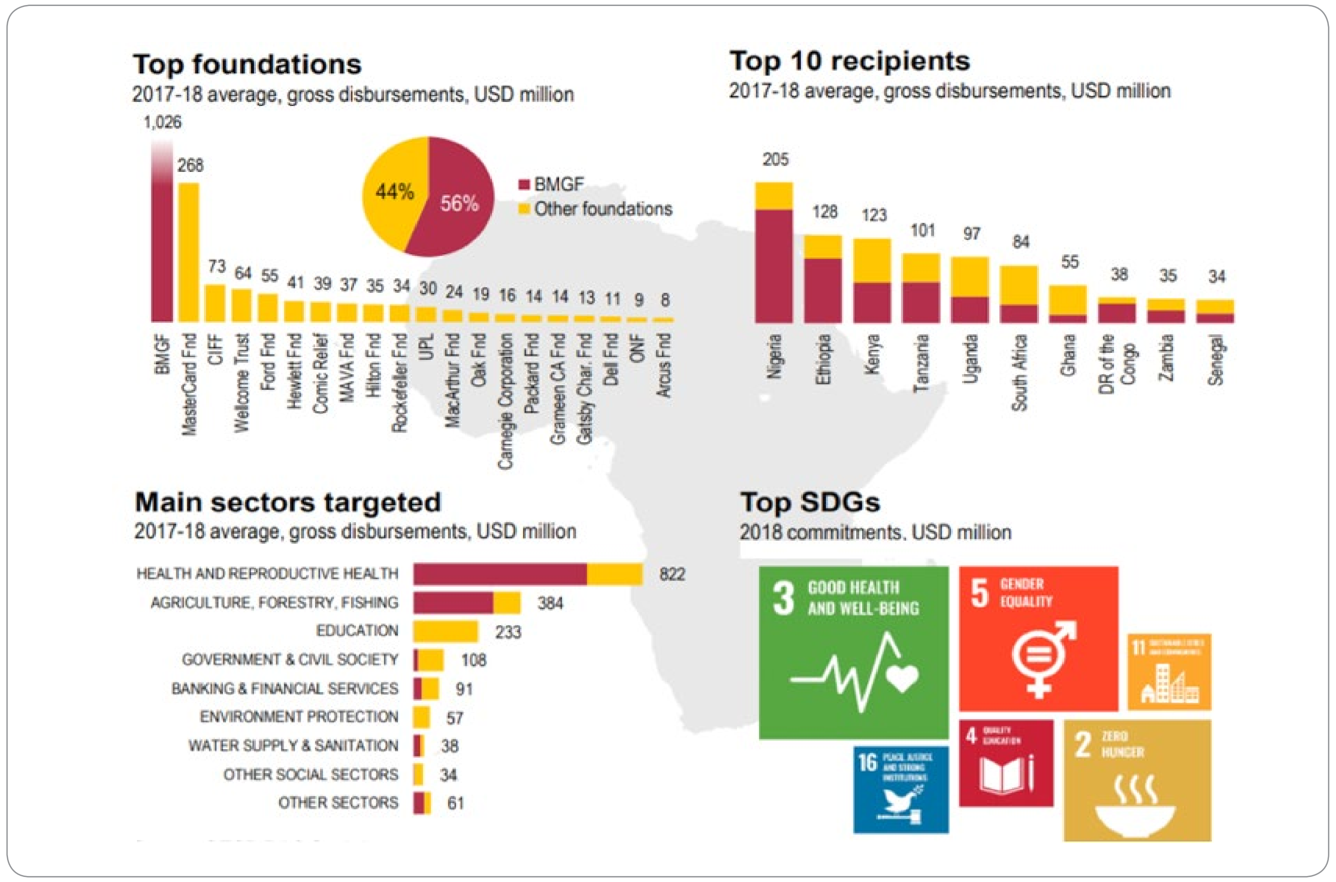
GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Table 2.2: Recent Sovereign Issues of Sukuk in Select Countries

Sovereign Issuer	Issue Date	Amount	Tenor	Currency	Structure
		US m	years		
United Kingdom	2014	340	5	GBP	Ijara
HKSAR[4]	2014	1,000	5	USD	Ijara
South Africa	2014	500	5.75	USD	Ijara
Senegal	2014	200	4	CFA-Franc	Ijara
Luxembourg	2014	220	5	EUR	Ijara
HKSAR	2015	1,000	5	USD	wakala
Ivory Coast	2015	244	5	CFA-Franc	Ijara
Senegal	2016	341	10	CFA-Franc	Ijara
Togo	2016	263	10	CFA-Franc	Ijara
Ivory Coast	2016	263	7	CFA-Franc	Ijara
HKSAR	2017	1,000	10	USD	wakala
Nigeria	2017	326	7	Naira	Ijara

Source: World Bank, 2020

Figure 2.6: Private Philanthropy in SSA, 2017 – 2018



Source: OECD (2020)

4. HKSAR - Hong Kong Special Administrative Region

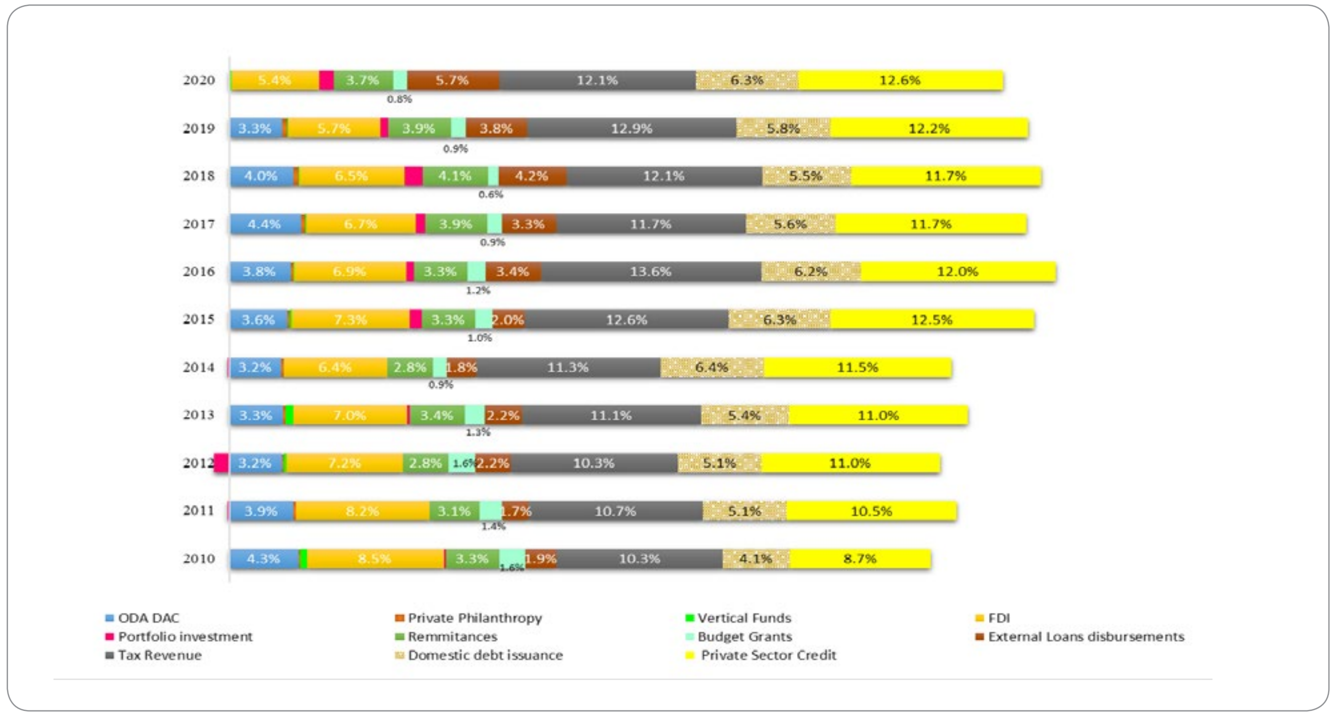
The sources of philanthropic giving for SSA are highly concentrated, with Bill and Melinda Gates Foundation (BMGF) having disbursed more than half of total disbursements (56 percent). Countries in East Africa, such as Tanzania, Kenya and Uganda are among the top beneficiaries, targeting fulfillment of SDGs as shown in Figure 2.6. Globally, philanthropy is the third provider of health funding in developing countries.

While there is no database that consolidates and consistently tracks crowdfunding, there are existing crowdfunding initiatives that support a variety of sectors, including renewable energy, transport, health, water and sanitation. For example, the DFID-GVEP initiative, CrowdPower, part-funds projects that focus on renewable energy. SIDA provides guarantees to crowdfunding platform Trine to spur mobilization of private investments for an increased access to finance for energy service providers in SSA. The platform mobilizes private capital for projects in Tanzania, Rwanda, Kenya, Uganda and Zambia. According to the Cambridge Centre for Alternative Finance, SSA volumes in a variety of crowdfunding models reached USD 182 million in 2016, growing 118 percent from USD 83 million in 2015. West Africa had the highest volume at 41 percent, followed by Southern Africa at 28 percent, East Africa at 24 percent and remaining 7 percent in North and Central Africa. Unlike other regions, where funding is locally driven by indigenous investors and platforms, crowdfunding in Africa has extensively been dominated by backers from outside of region. These contribute to more than 75 percent of all the crowdfunding activities.

2.3 Assessment of Development Financing Options for Uganda

This subsection provides trends of the various financing options in the Ugandan context. The figure 2.7 shows the trends and shares of the different financing options in Uganda relative to GDP between FY 2009/10 - 2019/20. The trends show that government tax revenues, external financing, domestic borrowing, and private sector credit, are significant sources of development financing in Uganda.

Figure 2.7: Trends in Development finance flows (share as percent of GDP), FY 2009/10 – 2019/20



Source: MoFPED, BoU and OECD

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

The financing options are broadly categorised as domestic, external and emerging. The domestic financing options comprise tax revenues, non-tax revenues, domestic debt, pension funds, and private domestic investment as discussed here below.

2.2.1 Tax Revenues

Tax revenues remain a central pillar for financing the NDPs and the Vision 2040. Tax revenue collections are advantageous because they are more stable and predictable and their utilisation guarantees continued provision of essential services to the citizens. Additionally, financial resources can be directed and targeted to areas where they are needed the most since funds collected are fungible. As such, increasing public revenues will reduce dependence on other sources such as external financing and allow for more policy space.

In terms of performance, tax revenue is projected to increase from 11.6 percent of GDP in FY 2019/20 to about 13.7 percent of GDP in FY 2024/25. While the country achieved strong revenue performance linked to tax reforms and favourable economic conditions in the past two decades, tax-to-GDP ratio, stood at 12.1 percent in 2020. However, this still remains below potential, estimated in the range 18 – 23 percent of GDP.

The growth of tax revenues in Uganda is constrained by the following:

i. The informality of running businesses which, are typically unregistered and not captured by the tax system (UBOS, 2019)
ii. Weaknesses in tax administration that hinder full compliance for the businesses that are registered.
iii. The nature of the Ugandan economy where Agriculture accounts for almost 23 percent of GDP, and employs a majority of the population yet the sector still remains largely subsistence. This structure renders it difficult to administer tax. It is not surprising that the revenue growth has remained below 0.9 percent in the past five years.
iv. Large concessions that are extended to industrialists in an uncoordinated and unregulated manner.

Government will, through the implementation of the Domestic Revenue Mobilization Strategy (DRMS) address the above challenges and, promote a culture of compliance with the tax regime, including, through high-level political support to the proposed tax reforms.

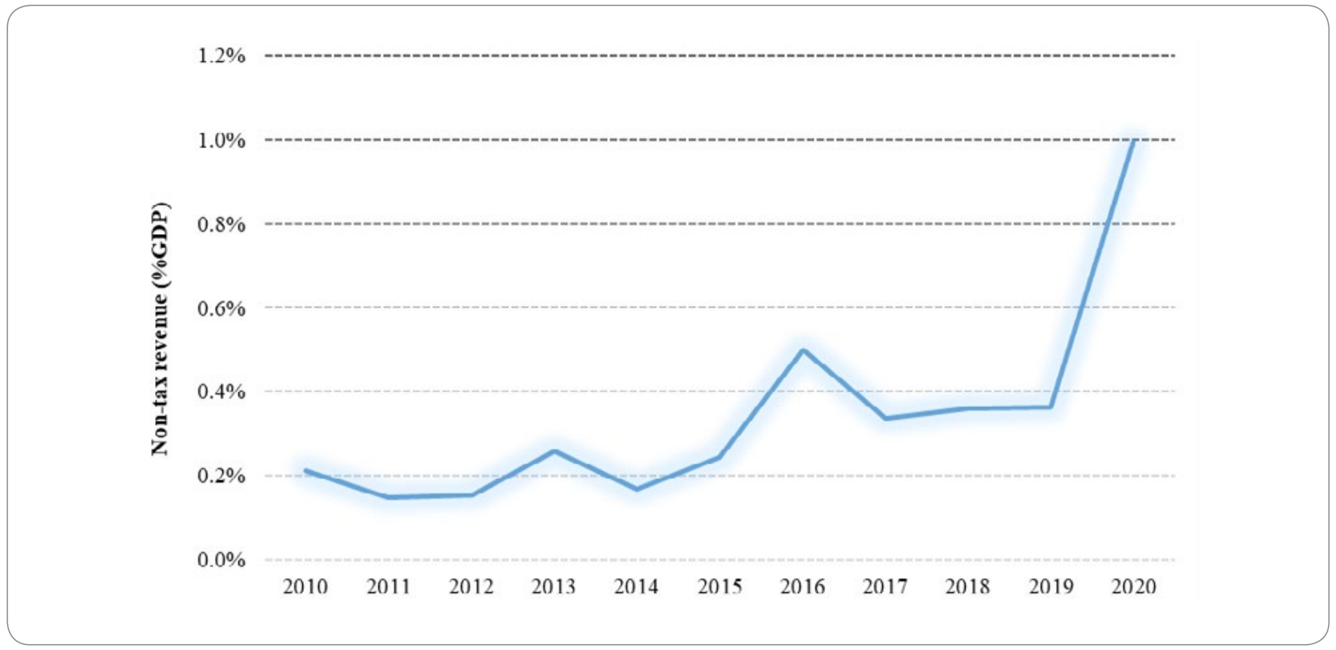
2.2.2 Non-tax revenue

Non-tax revenue (NTR) includes all Government revenue not derived from taxes, excluding oil revenue. Domestic sources include user fees levied on the use of public services, such as rent for state-owned buildings, payments for government services, (the issuance of permits, licenses, and passports), mining and royalty fees, fines and penalties, and interest and dividends from government investments.

Revenue streams from NTR have been on an upward trend; rising from 0.2 percent of GDP in FY 2009/10 to almost 1 percent of GDP in FY 2019/20. This was because of improvement in capacities in Ministries Agencies and Local Governments (MALGs) and transfer of the collection responsibility to Uganda Revenue Authority (URA). Despite such a trend, NTR is still lower than the 6.5 percent of GDP collected by an average SSA country.

Revenue streams from NTR rose from 0.2% of GDP in FY 2009/10 to almost 1% of GDP in FY 2019/20.

Figure 2.7: Non-Tax Revenue as a percentage of GDP



Source: MoFPED (2021)

Government will continue to enhance Local Government tax administration capacity to collect revenues from other potential sources, including property tax and user fee regimes. NTR currently, contributes around 0.5 percent of GDP in Uganda, compared to Rwanda (2.6 percent of GDP) excluding grants, and Kenya (1 percent of GDP). Therefore, there is room to improve collections from NTR to at least 1 percent of GDP.

The challenges for NTR include;

i. Under declarations and monitoring the effectiveness of NTR revenue collections at Ministries, Departments and Agencies (MDA) levels.
ii. The legal framework which empowers Local Governments (LGs) to levy, charge, collect and appropriate fees and taxes also provides for exemptions which limit growth in local revenue base.
iii. LGs have not done adequate enumeration, mobilization, sensitization, assessment and registration of taxpayers in order to expand their local revenue base.
iv. Lack of appropriate structures of human resource to administer and manage local revenues.

Government will seek to increase NTR collections and its contribution to the budget, by further enhancing NTR administration, accountability, and reporting in line with strategies laid out in the DRMS.

2.2.3 Domestic Borrowing

Since FY 2017/18, government adopted a policy stance that requires it to borrow from the domestic financial market, up to 1 percent of GDP on average per financial year, over a 5 year period. However, the increasing development financing requirements in recent years have resulted in an increase in domestic borrowing relative to the country's GDP above the set ceiling and as at FY 2021/21 it stood at 10 percent of GDP.

Consequently, by end of FY 2019/20, the ratio of domestic debt stock to GDP had reached 13.8

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

percent from below 5 percent of GDP at end of FY 2009/10. This has made domestic borrowing one of the most significant financing options to support Government programmes.

The key challenges to government borrowing from the domestic debt market include:

i. It constitutes a significant debt service burden in terms of cost to the budget; and,
ii. Crowds out the private sector, thus constraining economic growth.

Given the potential that the domestic debt market has in financing development priorities in the country, government will continue to promote it through the following policy actions:

iii. Further reduction of withholding tax to make government Securities more competitive within the EAC region;
iv. Strengthen Primary Dealer (PD) Reforms to enhance secondary market trading by increasing liquidity in this market and, ease entry and exit of participating investors;
v. Implement the non-Calendar and Private Placement framework that guides government to mobilize adhoc/additional financing requirements within a given financial year;
vi. Introduce longer dated instruments such as 25- and 30-year infrastructure Bonds;
vii. Support and enhance awareness creation about the domestic financial market, Domestic debt and participation of the Diaspora to widen the investor base;
viii. Continue listing of Treasury Bonds in the Financial Market, with Uganda's Securities Exchange (USE); and,
ix. Develop the Mobile money platform aimed to increase retail investor participation in domestic debt mobilization, enhance the savings culture, deepen financial inclusion and, ultimately, reduce the cost of domestic debt.

2.2.4 Domestic Bank Financing

By December 2020, the total assets in the banking industry stood at Ushs 38.3 Trillion. Commercial bank lending to sectors of the economy was Ushs 16.3 Trillion, less than 50% of the total assets. Of this, 58% of the loans were extended to trade (20.3%), real estate sector (19.8%), and personal loans (17.8%).

Commercial banks play a critical role in mobilizing deposits both domestic and foreign which are used to fund investments, provide credit to various sectors of the economy, facilitate payments including Letters of Credit, mobilize foreign funds for investment domestically, and undertake many other intermediary roles.

The Uganda Development Bank (UDB) is a Government owned credit institution with total assets worth Ushs 1.22 Trillion as at end December 2021, and the loan portfolio was Ushs 782 billion in the same period. Total disbursements for the period 2016 to 2021 amounted to Ushs 1.16 Trillion. As a Government owned bank, it is used to channel funds to government priorities and programmes at subsidized interest rates. It is funded through capitalization from the national budget, government guaranteed lines of credit, and from strategic partners such as the European Union to fund specific projects.

The Bank supports projects within the private sector that demonstrate potential to deliver high socio-economic value, in terms of job creation, improved production output, among other outcomes. These projects fall within the key priority sectors of our economy, and in line with Uganda's development priorities. The Bank's financing is mainly in primary agriculture, agro-processing, and manufacturing, which combined account for about 87% of its lending portfolio.

Domestic banks can play a strategic role in:

Deepening access to financial services through scaling up agent banking services, innovation to increase range of services, financial literacy, and mobilizing other financial partners.

Supporting growth and development of SMEs by facilitating SME incubation services, promoting new opportunities in green financing, establishment of local content pool funds for domestic SME value chain players in the oil & gas, and mineral sectors.

Mobilizing co-funding mechanisms, including blended finance, to minimize risk and consequently lower the cost of capital.

Challenges Constraints limiting the potential of domestic banks in financing socio-economic transformation: -

Limited assets in publicly (Government owned) owned banks. Public banks are undercapitalized and unable to influence the market. They are instead followers of the private commercial banks. Uganda has invested the least in the public banks compared to other East African states. Kenyan public banks for example have a market share of 22%, Tanzania is at 27%, and Uganda only 7%. This limits the ability of the Government to influence domestic lending in terms of financing strategic sectors of the economy and trends in interest rates.

The high cost of banks as a result of high cost of infrastructure, inefficient public services, limited technology and skills, translating into high interest rates. The high operational costs are mostly due to the predominance of manual processes, the high costs incurred by the banks to trace and validate information about the customers, and how long it takes for dispute resolution in the commercial courts etc. This is manifested in the high cost to income ratio of about 63%, constraining the efficiency of commercial banks. This is a key barrier to lending in strategic sectors of the economy such as agriculture, tourism, infrastructure, oil and gas and mining. Compared to peers in the region, Uganda's lending interest rates have remained high averaging at about 22% in the last 10 years compared to 14% - 16% for other East African community states.

The oligopolistic structure of the Banking industry. Five (5) commercial banks, largely foreign owned, held 61% of the assets in the industry as at end June 2021. The oligopolistic behaviour of these banks makes interest rates sticky downwards. Most foreign banks minimize local lending and prioritize profit maximization, limiting their lending operations to trade and Government securities. Their oligopolistic behaviour influences other commercial banks in regards to their credit policies and operations.

The informal economy and the informality of doing business. The large informal sector creates informality in doing business which makes it difficult to assess risk and price it appropriately. As a result, the borrower is required to provide additional security or collateral, and prudential rules require banks to for provision higher amounts, thus tying up capital and limiting lending. This translates into high cost of capital.

Limited collateral possession in the country which is the default requirement for commercial bank lending. Only 20% of Ugandans have collateral in various forms, including land, building, other immovable and movable assets, etc.

Lack of a framework to handle or resolve Non-performing Loans. This tie up capital, including in the form of loan provisioning for Non-performing loans.

The high cost of regulatory requirements including the cost of holding statutory reserves which contribute 11% to the interest rate spreads.

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Required Actions Strategies

Effective implementation of the Parish Development Model, to transform households from subsistence to the money economy.

Strengthening Uganda's public banks through government investment or capitalization to become market leaders, and influence behaviour and pricing in the industry. This will require improving operational efficiency at the Public banks to foster provision of banking products and services, and to ensure efficient use of the proposed public investment funds.

Innovation into cost reducing strategies and automation of bank operational processes.

Putting in place alternative forms of collateral lending other than fixed assets, including guarantees, risk-sharing, movable assets, etc.

Develop a credit guarantee framework to de-risk lending, and tailored to specific sectors, such as the Agricultural Credit Facility and Agricultural Insurance.

Review existing banking policies to ascertain the impact on financial inclusion, the cost of credit, and achieving national development priorities. Examples include policies like tier restrictions, Non-Performing Loans (NPL) targets, key facts documents (KFD), and other operational bank policies.

Prioritize payment of domestic arrears to the private sector to reduce Non-Performing Loans.

Support the creation of Asset Recovery Companies, to buy and manage bad debts. This would free up resources which are often tied up in loan provisioning. The Asset Recovery Companies would focus on Long Term investments and undertake many restructurings, to turn around bad debts.

Establish the Uganda Mortgage Refinance Company as a secondary market framework that offers financial institutions, like banks, medium to long term refinance and liquidity in the mortgage market. This releases and makes available more funds for mortgages, thus lowering the cost of domestic capital.

2.2.5 Pension Funds

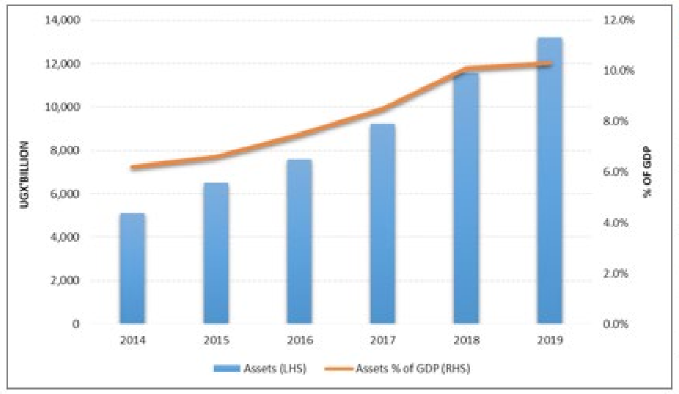
Pension funds have been a major financing source for Asia and European Countries. As illustrated in Figure 2.8, the retirement benefits sector performance has since steadily improved in Uganda..

The Pension Assets have increased from UGX 4.7 Trillion in 2013 to UGX 18.0 Trillion as at 30th June 2021, providing a large and sustainable pool of long term development finance. The assets managed by the NSSF increased from UGX 2.7 Trillion in 2012 to UGX 15.6 Trillion by 30th June 2021. The sector accounted for 12 percent of GDP in 2020 compared to 6.6 percent of GDP in 2015.

The sector now has over sixty (60) licensed retirement benefits schemes, compared to only eight (8) unregulated schemes that existed in 2011, meaning increased capacity to mobilise domestic savings.

A large portion of assets (76 percent) is invested in Government securities with 12.5 percent in quoted equities, 6.5 percent in real estate, and the residual balance in other investments (fixed income, unquoted equities and corporate bonds). Figure 2.8 shows the trend in pension assets and the investment classes across the EAC region.

Figure 2.8: Trend in pension assets and the investment classes across the EAC region, (Reporting period, 2020)



Investment Class	Uganda	Kenya	Tanzania	Rwanda
Total Investments (UGX'billions)	10,288	4,138	1,801	61
Cash	0.7%	0	0	0
Fixed Deposits	2.8%	0	0	0
Other fixed	0.8%	0	0	0
Government	79.6%	69%	74%	40.4%
Stock	4.2%	27%	26%	59.6%
Unquoted	1.7%	4%	0	0
Property	10.1%	0	0	0
Other investments	0.1%	0	0	0
Total	**100%**	**100%**	**100%**	**100%**

Source: URBRA (2020)

The Uganda Retirement Benefits Regulatory Authority (URBRA)[7] Act of 2011 limited investment of Scheme Funds to the EAC region in line with regional protocols.

The key challenges facing the retirement benefit sector in Uganda include:

i. Low coverage of the working population of 18 percent in 2020, with those in the informal sector largely with no social insurance.
ii. A small share of those who are eligible, actually contribute to the retirement benefit schemes e.g. about 40 percent for those eligible for the NSSF contributions.
iii. The lack of a legal framework to reach out to those in the informal sector to be able to save for retirement.
iv. Over concentration of pension funds in one asset investment class i.e. government securities
v. Limited diversification of retirement benefits to the savers, in terms of the products available
vi. Inadequacy of the replacement income arising out of their retirement savings not meeting the requirements of the beneficiaries at retirement.

Government will increase the volume and utilization of the pension funds through the following measures:

i. Seek opportunities to tap the combined pension assets within the EAC region to finance infrastructure investments through issuance of infrastructure bonds. This will enhance infrastructure asset base
ii. Prioritize implementation of reforms to the pension sector to support sector growth, which will play a key role in catalyzing the growth of long-term finance in Uganda.
iii. Support expansion of the pension sector coverage given the country's demographics structure dominated by a young population. This will propel assets held by pension funds to accumulate at a faster rate.
iv. Formulate and align the mobile money technology platform to promote participation of informal sector in retirement benefit schemes.

7. URBRA is a government-owned, semi-autonomous agency

responsible for regulating, licensing, supervising, and controlling the retirement sector in Uganda, the third-largest economy in the East African Community.

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

v. Facilitate establishment of a micro pension system aimed at extending coverage to among others informal sector workers and self-employed persons
vi. Establish a mechanism that provides an environment to encourage diversification of the investment of pension funds
i. Streamline the Governance framework of the pension fund management to provide confidence of the contributors.

2.2.6 Equity Investment Financing

Between 2015 and 2020, Uganda received 11 percent (USD 308 million) of the USD 2.8 billion earmarked for Private Equity (PE) investment in East Africa. While Uganda has seen a steady raise in PE investment, there was a drop between 2015 – 2020 from 15 percent to 11 percent, while Kenya continues to be the dominant investment destination for PE funds in East Africa.

Between 2010 and 2019, the energy and natural resource's sector received the most deal activity in recent years (15 deals), most of which related to Uganda's oil and gas exploration blocks, followed closely by the financial services (13 deals), Telecommunications, Media and Technology (TMT) (10 deals) sectors, Agribusiness (6 deals), and Manufacturing (6 deals).

Some of the challenges facing the Private Equity Sector include:

i. Double taxation of PE funds: PE funds are currently subjected to double taxation as per the breakdown below:
a. Fund Manager (General Partner) – Withholding tax on management fees at 6 percent if the Fund Manager is resident in Uganda and 15 percent if the Fund Manager is a non-resident.
b. Investors (Limited Partners) – Withholding tax on dividends from the fund at 15 percent
c. Private Equity Fund – Corporate tax on income at 30 percent; Withholding tax on dividends from investee companies at 15 percent; and Capital Gains Tax on disposal of interest in investees at 30 percent
d. Investee Companies – Corporate tax on income at 30 percent
ii. Lack of an appropriate registration vehicle for PE funds: There is insufficient appropriate legal structure for PE funds to register with the Companies Act being the main legislative structure. Globally, PE funds are established as Limited Liability Partnerships (LLPs), which creates specific tax advantages in that partnerships are not taxed.
iii. Lack of investment ready companies: there is need to create awareness among businesses about PE funding.

Some of the interventions to address the above mentioned challenges include:

i. Government should create a tax transparent status for private equity funds by removing additional layers of taxation;
ii. PE funds should be registered with the Capital Markets Authority (CMA) in order to qualify for lower tax incentives;
iii. Review of the Partnership Act to determine how appropriate the Act is for the formation of PE funds. The review could result in an amendment of the Act.
iv. CMA in partnership with the European Union, and Financial Sector Deepening Africa have set up a Deal Flow Facility (DFF) to get companies investment ready. Established in 2021, the DFF offers technical assistance and match making initiatives set up to address the persistent gap in accessing growth capital for emerging businesses in Uganda.

2.2.7 Private Domestic Investment

Domestic private investment is the capital that private businesses invest within their own country. Such investments can take the form of investment by private enterprises or finance from other sources, channelled through financial intermediaries. Uganda's domestic private gross fixed capital formation (GFCF), a proxy for domestic private investment, has largely been increasing since 2001. This indicator peaked at 25.4 percent of GDP in 2013, before declining to 19.6 percent by end-2019, against an NDP II target of 27.7 percent by FY 2019/20.

While the private sector continued to play a major role in the Ugandan economy, it has been constrained by several challenges. These include:

i. High cost of doing business due to inadequate infrastructure; and, high cost of capital
ii. Inadequate skills, especially entrepreneurship and industrial skills
iii. Lack of supportive policies to especially SMEs, including business start-up and trade related processes.
iv. Governance issues such as limited disclosure, corruption and bureaucracy
v. High government domestic borrowing which crowds out the private sector.
vi. Domestic investors are driven out of businesses by unfair policies that favor foreign direct investors.

Government will continue to provide and improve a conducive investment environment for the Private Sector to mobilize their own resources from external and domestic sources. These resources will complement government's development aspirations through the following;

i. Strengthen existing platforms for dialogue towards improving the investment climate and enabling environment for business. These include Private Sector Foundation Uganda (PSFU), Private Sector Consultative Group and the Presidential Investors' Round Table, Multi sector strategy Working Group etc.
ii. Prioritize implementation of the Micro, Small and Medium Enterprises (MSME) policy to ensure that initiatives and programmes are backed by sufficient resources, including working in partnership with development partners. In addition, Government will ensure that opportunities for public-private dialogue include efforts to target and engage MSME
iii. Continue to engage the private sector through a number of modalities to leverage its innovation potential and additional finance to achieve development priorities while recognizing the sector's need for financial return.
iv. Implement policies that promote the formation of business associations and their inclusion in policy dialogue will be established to ensure representation by a range of private sector stakeholders.

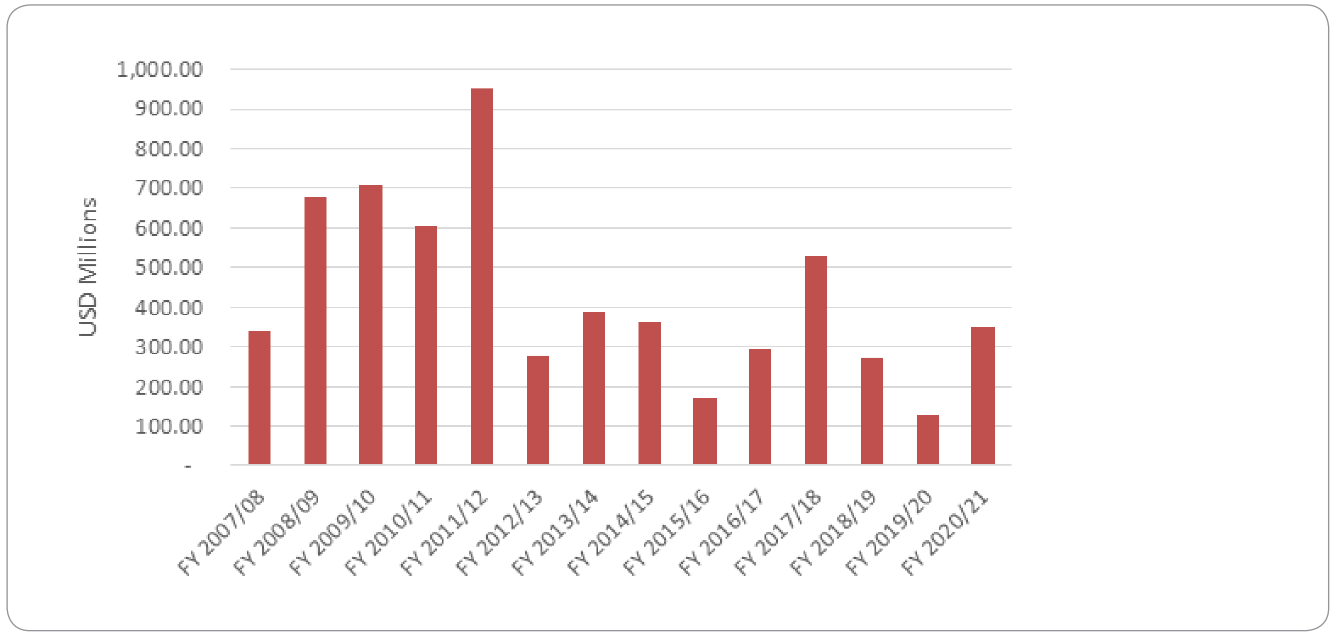
In addition, Government will continue to make every effort to mobilise funding from external sources. The external financing options include: grants, loans, PPPs, FDI and remittances.

2.2.8 Grants

Government grant is a financial or non-financial resource received by a country for which no repayment is expected. Although they are limited, grants remain the most preferred source of development finance.

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Figure 2.9: Trends in Grants Commitments in Uganda (2007 – 2021)



Source: MoFPED

Prior to FY 2012/13, the average grant financing commitments was USD 656 million before dropping to an average of USD 308 million, indicating a 53 percent decline for the period FY 2012/13 – FY 2020/21. The challenges associated with sustaining this kind of financing include:

i. Fiscal constraints experienced by the developed nations brought about by the global financial crisis that started in 2008, has resultantly dwindled grant provision.
ii. Poor governance of grant financing and utilization, leading to mistrust.
iii. Pronouncement of Uganda being at the verge of attaining middle income status
iv. The discovery of oil which made Uganda ineligible for certain windows of grant support.

To increase access and improve the governance of grants, government will undertake the following strategies:

i. Completion of the Development Cooperation Policy (DCP) to guide the sourcing and general governance of grants in development and inclusive growth focusing on alignment of grants to Government priorities, as well as transparency, official recording and reporting of off budget grants;
i. Streamline and strengthen dialogue platforms with DPs for better coordination among Government institutions and Cooperation agreements, and Treaties in relation to grants to avoid duplication of interventions;
ii. Monitoring of grants utilization to establish value for money; and,
iii. Continue implementation of reforms to address financial management challenges, improve accountability, procurement and Information Technology systems, e-cash and other digital platforms

2.2.9 Loans

External loans are a portion of a country's debt borrowed from foreign lenders including commercial banks, governments and bilateral or multilateral financial institutions. External loans are in two categories namely concessional and non-concessional. Government prioritizes concessional loans as a preferred means of development finance because of their affordability.

As at end June 2021, the stock of external debt stood at USD 12.3 billion and was dominated by concessional debt constituting USD 7.1 Billion (58 percent).

In addition to concessional borrowing, government sources non-concessional debt from multilateral and bilateral lenders, commercial banks and Export Credit Agencies (ECAs). The growing reliance on external borrowing to meet development financing requirements in recent years, has resulted in an increase in the ratio of external debt to GDP in nominal terms, from 8.3 percent in FY 2009/10 to 29.5 percent in FY 2020/21.

The challenges associated with external loans are as follows;

i. The risk of external debt distress arising from an increased share of non-concessional loans.
ii. The rise in debt service costs as a share of the national budget which, crowds out spending on development programmes.
iii. Low absorption of loan commitments thus limiting the return on investments in a timely manner.
iv. Supply driven debt which often results in sourcing of loan financing for projects that are not ready.

In order to increase access and improve utilization of loans, government will pursue the following strategies;

i. Targeting concessional financing as the preferred means of meeting government's financing requirements. However, this will not be adequate to finance all government programs and projects

i. Non-concessional borrowing will largely be considered over the medium term, for projects that are financially and economically viable and, with internal rates of return higher than the finance cost of the loan.
ii. Borrowing will be for ready, highly productive investments that seek to secure direct economic and financial return as well as social economic benefits
iii. Monitor undisbursed loans and this shall form part of the criteria of assessment of new borrowing for programmes.

2.2.10 Public Private Partnerships

Public Private Partnerships (PPPs) is an arrangement between government and the private sector to provide goods and services which, normally would have been provided by government. PPPs range from simple to very complex arrangements with explicit and implicit fiscal liabilities. In a PPP, there is risk allocation and sharing to parties that are most capable of addressing those risks.

PPPs are a sophisticated business that requires very specific and strong financial (such as negotiation, contractual and financial skills), legal and technical skills to set the level of service, risk allocation/mitigation measures, project finance, legal provisions for contracts, contract monitoring based on outcomes, etc. These skills are generally not found within Government and it is therefore best to prioritise building capacity of the PPP unit and other contracting authorities to enable them to prepare, appraise, and provide better oversight.

The GoU has engaged in a number of PPPs since 2003 across a number of sectors. As at June 2021, Uganda's PPP database had 52 projects that reached financial closure between 2003 and 2020, with a total investment commitment of around USD 5 billion.

The contribution of PPPs is limited by the following;

i. The lack of effective integration of PPP processes into the broader PIM framework.
ii. There is institutional misalignment between the implementation mandate (PPP Unit) versus that of policy alignment (NPA).
iii. Non integration of the PPP financing channel into the Public Investment Plan (PIP) thus constraining the potential to source financing.

The PPP Act of 2015 provides the operational framework for scaling up the utilization of the PPP financing modality in the country. This will be done through the following strategies:

i. Undertake due diligence through rigorous assessments to gauge the viability of the project. This will ensure that projects are well-structured, commercially viable and will provide value for money.
ii. Building capacity of the PPP unit and other relevant contracting authorities to enable them to prepare, appraise, and provide better oversight.
iii. Setting up a Project Development Facilitation Fund to support project preparation and prepare a robust PPP pipeline. The fund will also act as a liquidity reserve and backstop for eventual government liabilities.
iv. Implement the Guidelines for management of contingent liabilities. This will provide a systemised procedure and a set of standardised criteria for the approval, monitoring and reporting of contingent liabilities, including the fiscal commitments and contingent liabilities arising out of PPPs.
v. Mobilise local currency financing from syndicate source s such as commercial banks, and large surplus institutions like Pension Funds to finance PPPs.

2.2.11 Foreign Direct Investment

Foreign Direct Investment (FDI) is the capital that investors establish in another economy. Over the years, there has been significant growth of FDI to Uganda, making the country the second largest FDI recipient in the EAC region. FDI grew from USD 660 million in FY 2009/10 to USD 1.3 billion in FY 2018/19. Over the same period, the Uganda Investment Authority (UIA) licensed projects with an average annual investment commitment of USD 825 million, and potential job creation capacity of 31,118 per year. In terms of source of FDI, Netherlands, Mauritius, Kenya, Australia, United Kingdom, China, India, Switzerland, France and Bermuda were the largest sources, accounting for 89.5 percent of total FDI stocks received in 2017.

Oil sector (including international oil pipeline), as well as projects in the agriculture and manufacturing sector including food products, chemicals, mining & quarrying and agriculture accounted for a big share of FDI in line with the strategic focus of the country. The increasing rates of return on FDI are a key factor behind this positive performance. In 2017, Uganda's rate of return for inward FDI was at 26 percent; higher than the 8.2 percent and 6.8 percent for LDCs and the world respectively, over the same period (MoFPED, 2020). The continued increase in FDI inflows and accumulation of stocks is a good signal of government's efforts in creating an investor friendly environment. According to World Bank 2020 Doing Business Report, Uganda ranked 116th out of 190 economies, an improvement from 127th in 2019.

However, the major challenges facing FDI include;

i. FDI is concentrated in resource rich sectors and, often use high capital intensive approaches that require few highly specialized experts, as opposed to mass jobs.
ii. FDI inflows are highly dependent on the international credit rating of the country, yet our rating is currently in the lower- B investment grade.
iii. Lack of a competition framework (effective competition law) that ensures fair play in business operations.
iv. Lack of a structured investment incentive framework (concessions) thus favoring some and outcompeting other potential investors out of business.

In 2017, Uganda's rate of return for inward FDI was at 26 percent; higher than the 8.2 percent and 6.8 percent for LDCs and the world

Government will increase access and sustain FDI flows and its utilization through improving the business climate. These set of strategies will be aimed at improving good governance, ensure a stable macroeconomic environment, and put in place investment-friendly regulatory and legal frameworks. In this regard, government will:

i. Continue with ongoing efforts to reduce the cost of doing business including focus on infrastructure (power, transport, ICT), institutional reforms to improve efficiency and address corruption and ensure predictability of policies.
ii. Strengthening the system of SME incubation centers (where education and help is offered to entrepreneurs who want to start a business) to support growth of SMEs in strategic areas;
iii. Improving land administration, including, by extending the coverage of the immovable property registry;
iv. rationalize and harmonize standards, institutions, and policies at the local and regional level;
v. Streamline bureaucratic red tape, reduce duplication and speed up clearances for business operations;
vi. Support local entrepreneurs' access business finance on favorable terms and master the art of creating partnerships with the foreign investors.

2.2.12 Remittances

Remittances are transfers of money from the diaspora community for household income and investments in their home country.

Uganda experienced a significant growth in remittances from USD 778 million in FY 2009/10 to USD 1.4 billion in FY 2019/20 though, suffered a decline to USD 1.1 billion in FY 2020/21, due to effects of the COVID-19 pandemic. As at end of FY 2017/18, these flows constituted 4.1 percent of GDP, almost at par with ODA and external loan disbursements to the country. An Inward Personal Transfers Survey conducted by the BoU and Uganda Bureau of Statistics (UBOS) showed that the major sources of remittances in 2017 were Europe (29 percent)-led by UK, Middle East (26 percent)- majorly UAE, North America (22 percent)- predominated by the US, followed by Africa (19 percent)- mainly from South Africa and South Sudan (BoU, 2017).

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

The key constraints to mobilising remittances and redirecting them towards productive activities include;

i. The high cost of transferring remittances for example, a transfer of USD 200 from UK costs on average 7.1 percent of the amount remitted, 9.1 percent from Kenya and 23.7 percent from Tanzania; much higher than the SDG goal of 3 percent, equivalent to USD 6 in this illustration
ii. Lack of affordable and attractive basic financial investment products to trigger economic impact from remittances. This is demonstrated by lack of well-developed products targeting remittances by most commercial banks; since they; prefer low-risk liquid assets, such as government securities.
iii. Absence of a regulatory framework to govern remittances. While Government drafted a National Diaspora Policy in 2013, it is yet to be put into force.

Government recognizes remittances as a financing option and it is a major contributor to the country's current account (Balance of Payment). NDP III recommends that remittances should be delivered in form of private household investments as well as diaspora focused investments through instruments such as the Diaspora Bond

To increase and sustain remittance flows for both private and government focused investments, government will employ the following strategies:

i. Finalize the National Diaspora Policy as part of a broad national strategy to support the country's development
ii. Issue Diaspora bonds to enable diaspora savings to be invested in Public Investments
iii. Collaborate with financial institutions to address obstacles and create financial services such as shares in investment funds, insurance and pension packages to facilitate diaspora investment
iv. Establish a Direct Investment facility to make it easy for Ugandans in the diaspora to make direct investments in companies back home.
v. Provide the diaspora community the same investment benefits and or incentives as those accorded to foreign investors.
vi. Work with financial institutions in the country, such as lack of affordable and attractive financial products.
vii. Continue to undertake roadshows aimed at sensitizing the Ugandan diaspora and interesting them in investing in Government securities.
viii. Promote crowdfunding to provide an outlet for diaspora to invest back home.

In addition to the domestic and external financing options, there are opportunities to mobilise additional resources through non-traditional and innovative emerging options. These include: philanthropy, crowd funding, climate finance, international bonds and Islamic finance.

2.2.13 Philanthropy

Philanthropy consists of private initiatives aimed at proving a public goods, focusing on quality of life.

International philanthropic organisations have been active in Uganda, and estimated to have provided a cumulative funding of USD 514.6 million between 2009 and 2018. Though this option still provides modest funding compared to other development financing flows to the country, their contribution is substantial in social service areas such as health, hunger and education which, are all in line with priorities of NDP III. Philanthropy activities are delivered through Foundations and they also manifest in form of Corporate Social Responsibility (CSR) and as such, there is a growing number of domestic companies in Uganda that have developed an interest in CSR.

A key advantage of Foundations is that they are not bound to electoral or political government cycles, nor are they under pressure to deliver immediate financial returns. They have ability to focus primarily on social impact rather than financial gain. However, philanthropy poses certain challenges as follows;

i. They engage in little or no dialogue or formal coordination for managing development cooperation within national systems.
ii. They don't often get involved in existing partnership and cooperation arrangements, thus not engaged in shaping public policy and the development agenda.
iii. Absence of a specific philanthropy law, and existing regulations governing philanthropy, which breeds manipulation from either side
iv. CSR in Uganda is not formalized or institutionalized and the government is yet to develop a CSR policy framework. CSR activities remain largely ad hoc and unpredictable.

Government will enhance philanthropy activities through the following strategies:
i. Create a national legal framework for Corporate Social Responsibility (CSR) that clearly defines the roles and expectations for businesses, government institutions, development partners and other stakeholders.
ii. Actively engage Foundations and create an enabling environment for both domestic and international philanthropy. This will enable the country to reach potential of broad-based, lasting partnerships that create real impact in the economy.

2.2.14 Crowd funding

Crowd funding is the use of small amounts of capital from a large number of individuals to finance a new business venture or projects of common interests. Through this avenue, funding can be mobilized online or through media outlets. Private investors (or the crowd), can open an account and invest in specific projects according to their preference and based on impact targets that they wish to support. The types of funding can be in the form of donations, debt, or equity, thus giving rise to processes with different degrees of complexity and different contractual relationships between the promoter and the individual investor.

Crowdfunding in Uganda is relatively small, with only USD 38.4 million estimated to have been raised between 2015 and 2016, out of a total of USD 140 million raised in East Africa, according to AlliedCrowds data. Foreign crowdfunding platforms dominate, primarily funding projects geared towards social causes, particularly health, children, and education.

Whereas crowdfunding is considered to present opportunities towards enhancing access to finance, as well as supporting development in Uganda, there are challenges that may hinder crowdfunding adoption and growth in the country. These include;

i. Uganda does not currently have an enabling regulatory framework, given the nascent nature of this financing mechanism.
ii. Inadequate internet infrastructure and the relative low internet penetration in many sub regions across the country.
iii. Lack of capacity in government to spearhead implementation of these innovative financing mechanisms.

Lack of full disclosure and accountability in the utilization of the funds mobilized, leading to mistrust. In order to tap and efficiently utilize this financing option, government will:

i. Work with relevant MDAs and stakeholders to develop clear and meaningful communication strategies that will guide investment-based crowdfunding as a legitimate model of finance.
ii. Continue to promote the use of all possible avenues for mobilization of such resources, improve ICT and facilitate investment in the necessary infrastructure.
iii. Enact clear laws on crowdfunding so that

investors can achieve clarity on how to make contributions legally and ensure accountability for the resources mobilized.

2.2.15 Climate finance

Climate finance refers to local, national or transnational financing drawn from public, private and alternative sources of financing that seek to support mitigation and address adaptation actions.

Climate finance to Uganda has not been fully quantified and the country does not currently have a specific code for climate change nor a dedicated fund to effectively monitor, report and verify climate related inflows and outflows.

The dominant source of climate financing is from sources such as Least Developed Countries Fund (LDCF), Global Climate Change Alliance (GCCA), Green Climate Facility (GCF), the Global Environmental Facility (GEF) and the Adaptation Fund (AF), as shown in Table 2.3.

Table 2.3: Multilateral Sources of Climate Finance to Uganda: 2011 – 2020 (USD M)

	Approved	Disbursed
Adaptation for Smallholder Agriculture Programme (ASAP)	9.41	7.30
Adaptation Fund (AF)	7.83	6.53
Clean Technology Fund (CTF)	30.00	0
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	7.55	7.21
Global Climate Change Alliance (GCCA)	28.81	28.20
Global Environment Facility (GEF5)	3.48	0
Global Environment Facility (GEF6)	3.27	2.17
Green Climate Fund IRM (GCF IRM)	27.78	8.57
Least Developed Countries Fund (LDCF)	35.38	12.57
UN-REDD Programme	1.80	1.79
Total	155.51	74.34

Source: ODI (2021)[6]

Key barriers to accessing climate finance in Uganda include:

i. An elaborate and tedious procedures and standards of the various climate financing Funds.
ii. The delivery mechanisms were designed to deliver finance through other organizations that do not have the mandate or staff to finance transactions directly. These create another layer of approval and their involvement comes often, at a cost
iii. Lack of adequate tools to ease the process of identifying projects and investors and make projects bankable and investment mature.
iv. Low capacity by developing countries to prepare financing proposals
v. Joint regional programmes and projects are constrained by the variance in national priorities and other implementation frameworks.
vi. Failure by developed countries to honor pledged commitments such as the annual contribution of USD 100 billion.

To increase and sustain climate finance flows to Uganda, government will undertake the following:

i. Improve coordination among government departments and agencies by strengthening the existing inter-departmental climate-change committee. This action will bring together all relevant MDAs to guide on issues related to climate actions, as well as Climate financing and monitoring of implementation of projects
ii. Further integrate into the development and execution of the national budget, all expenditure related to climate change
iii. Explore the possibilities for carbon tax, or other taxes or levies linked to the environmental performance of entities (according to the 'polluter pays' principle).

2.2.16 International Bonds

In the context of this Financing Strategy, International Bonds include Euro bonds, Green bonds and, Sukuk Bonds for development.

The Green Bond is a type of fixed income instrument, specifically, earmarked to raise funding for climate and environmental projects The Euro Bond is an international Bond that is denominated in a currency not native to the country where it is issued. The Sukuk Bond is an Islamic Financial certificate similar to a bond that complies with Islamic Religious law i.e. Sharia law.

Government of Uganda has not tapped into the bond option and, to access these types of financing, it will undertake the following interventions;

i. Implement a set of economic and financial policies in order to have a positive impact on the country's international Credit Rating (this has a strong bearing on the pricing of these instruments).
ii. Ensure that the identified projects are ready for efficient and timely execution.
iii. The project should have capacity to generate sufficient revenue towards debt service

2.2.17 Infrastructure Bond

An infrastructure bond is a type of Bond issued by Central Governments, state owned enterprises and private corporations to finance the construction of an infrastructure facility. These infrastructure projects can be highways, sea-ports, railways, airport terminals, bridges, tunnels, pipelines etc. These bonds can be denominated in local or foreign currencies, such as USD or Euro.

Uganda has not issued such a bond before but has finalized the infrastructure bond framework that will operationalise and guide issuance. The framework provides that:

i. The infrastructure bonds will be listed and tradable on the Uganda Securities Exchange
ii. Protect releases for targeted infrastructure projects.
iii. Interest income of an Infrastructure Bond is tax exempt.
iv. A bond will only qualify as an infrastructure bond if the use of the issuance proceeds is for infrastructure.

It further provides that the issuance of an Infrastructure bond will be conducted in a phased manner starting with;

i. Issuance of a General Obligation Government Infrastructure Bond, where, upon issuance of such a bond, the debt service will be catered for from the Budget;
ii. Enable other entities to issue Infrastructure Bonds, including Agencies, State Owned Enterprises and in this case, debt service will be paid by these entities or the beneficiary projects.
iii. Issuance of project infrastructure bonds through a Special Purpose Vehicle (SPV). The SPV shall issue and provide for debt service for projects on behalf of government.

The proposed features of the infrastructure bond are that: (i) it will be at least 25-year Tenor; (ii) have the option of bullet bond or

6. https://climatefundsupdate.org/data-dashboard/regions/

amortizing; (iii) issuance should be within Net Domestic Financing (NDF) requirements and not more than 25 percent of the annual NDF;

(iv) actual amount will be determined by target projects; and, (v) it will be denominated in local currency and grounded within the MTDS (and within or part of that FY's NDF).

2.2.18 Islamic Finance

This is financing that complies with Sharia and its practical application through the development of Islamic Economics.[7]

While GoU has been accessing Islamic Finance through bilateral and multilateral arrangements, there is need for it to fully embrace the requirements of this financing option so as to adequately tap into all opportunities available to both private and public sector.

To this end, government will take the following measures to enhance potential to leverage Islamic finance;

i. Review the existing legal, and institutional framework to identify constraints and devise measures to overcome them;
ii. Undertake an asset stock determination process to identify suitable assets and, associated cash flows to back transactions;
iii. Ensure strict adherence to the PIMS process, as potential investor appetite is likely to remain focused on investment grade structures of the financier;
iv. Build capacity and secure appropriate technical assistance and training; and
v. Create platforms to raise awareness, build consensus and secure buy-in from key stakeholders.

The Green Bond is a type of fixed income instrument, specifically, earmarked to raise funding for climate and environmental projects The Euro Bond is an international Bond that is denominated in a currency not native to the country where it is issued.

7. It refers to the knowledge of economics or economic activities and processes in terms of Islamic Principles and teachings.

Mulago women's specialized hospital

3 Mapping Financing Options

3 Mapping Financing Options

3.1 Defining the Mapping Framework

The rationale of the mapping exercise is to deploy financing options to specific programmes / projects based on their comparative advantage and desired outcome. Each of the financing options and modalities have their own characteristics, which make them particularly suitable for some programmes/projects but unsuitable for others. Similarly, programmes / projects differ in terms of their capacity to generate return on investment and, hence ability to self-finance.

The general thrust in the mapping exercise is to align:

i. Non-commercial or non-profit financing options to programmes / projects for which there is little or no capacity to generate revenue or return.

ii. Commercial or for-profit financing options to revenue-generating programmes, where costs can be recovered and return earned from future cash flows.

Using this criterion, ODA and government revenue will support programmes / projects where scope for revenue generation is minimal or nonexistent, or where the social return is much higher than financial return considerations; for example, in the health, water and education sectors. The details of this mapping exercise are presented in table 3.1 below.

Table 3.1: Criteria for aligning programmes/projects characteristics to suitable financing options

	Programme characteristic	Mapping Criteria	Suitable financing option
1	Potential capacity to generate revenue (as defined by Internal Rate of Return (IRR))	Financial / economic viability as defined by IRR	For programmes / projects where internal rate of return IRR > cost of capital, consider return-seeking financing options a) Private investment (FDI/DDI) b) Commercial / non-concessional borrowing (syndicated loans, Eurobond, Export Credit Agencies (ECA), contractor-facilitated, etc.) c) Semi-concessional borrowing, where available
			For programmes / projects where internal rate of return IRR = < cost of capital, consider developmental-oriented or not-for profit financing options a) Government revenues b) Grants c) Philanthropic d) Concessional borrowing, where (a) - (c) are not adequate
		Risk-return profile	Commercially-oriented financing options where attractiveness of risk-return profile is high a) Private investment (FDI/DDI) b) Commercial / non-concessional borrowing
			Where attractiveness of risk-return profile is low / non-existent non-return seeking financing options are ideal. a) Government revenue, grants, guarantees, insurance, DFI equity, etc.) b) Public private partnerships
		Scale or volume of funding required	For IRR > Cost of capital type programmes with huge funding requirements, consider scalable sources such as: a) Private investment (FDI/DDI) b) Commercial / non-concessional borrowing (syndicated loans, Eurobond, ECA, contractor-facilitated, etc.) For IRR > Cost of capital type programmes with small funding requirements: a) DDI b) Crowdfunding For IRR = < Cost of capital type programmes consider large volume concessional financing options a) Government revenues b) Grants c) Concessional borrowing, where (a) - (b) are not adequate
		Currency in which the borrowing is undertaken	For IRR > Cost of capital type projects a) Domestic debt markets where revenues are in domestic currency b) Consider non-concessional borrowing when (a) cannot meet the volume required or cost is high
2	Nature of products / infrastructure / services produced / offered	Potential to generate externalities	Development-oriented financing options for programmes / projects generating positive spill-over benefits not easily limited to users (public goods) a) Government revenues b) Grants c) Philanthropic d) Concessional loans if (a) - (c) is not available

	Programme characteristic	Mapping Criteria	Suitable financing option
			Private investment for programmes that generate private goods / services, except if there are specific, defined risks where government contribution or guarantee may be required a) Private investment (DDI/FDI) b) A combination of grants and loans
3	Strategic value / nature of the Programme / Project	Programme / project priority	Public financing is ideal for programmes / projects of national importance / strategic in nature a) Government revenues b) Domestic debt markets c) External borrowing on concessional / semi-concessional terms
4	Market failure	Potential for market failure	Where the risk of market failure is high, public and blended financing are ideal a) Government revenues b) Domestic debt markets c) A combination of grants and loans d) Concessional borrowing
5	Risk-return perception	Risk perception	Where risk perception is higher than actual risk, blended financing is ideal to de-risk deals and enhance returns to crowd in additional commercial capital a) Commercial capital jointly deployed alongside Philanthropic, Government revenue, grants, guarantees, insurance, DFI equity, etc.) b) Concessional borrowing

In addition to the above framework, Government shall have the following considerations in aligning financing options to programmes:

i. Orientation of the financing option, that is, the main objective or motivation underpinning their provision (poverty reduction, for profit, economic considerations etc);
ii. Scalability i.e. whether the volume of financing can be varied at any point in time to suit the requirements of specific programmes/projects;
iii. Implication on macroeconomic stability which defines potential impact from mobilisation and utilisation of a particular financing source (e.g. crowding out the private sector, inflation, exchange rate, reserve build up at the central bank, debt sustainability etc);
iv. Financing terms which relates to concessionality as defined by maturity, grace period and interest rate;
v. Accessibility relates to whether there are any potential barriers to tapping the financing option, such as conditionality (earmarking, eligibility, government and credit policies and governance);

vi. Speed of disbursement defines how fast the processes and procedures for raising the required funding can be completed and, how quickly the proceeds can be made available to the project for utilisation;
vii. Flexibility in use of funds defines how fungible the proceeds are or the ease with which proceeds can be reallocated to other programmes;
viii. Predictability over the time frame required by development projects,
ix. Complementarity whether financing options can be deployed together or jointly to enhance development impact of a programme/project;
x. Impact relating to whether the financing option can address programme constraints
xi. Ownership relating to ownership of the financing option's proceeds by Government and their integration in the development program is essential; and
xii. Delivery mechanism, whether proceeds can be managed through government system.
xiii. Administrative considerations, how difficult will it be to administer, enforce, collect and distribute proceeds from the mechanism?

3.2 Mapping Development Financing to Programmes

This section maps financing options to programmes/projects as outlined in the NDP III. For each of the programmes, tax revenues will be the most preferred financing option. However, this source is inadequate to finance all government programmes and projects. Therefore, this strategy has, based on the criteria in table 3.1, identified an appropriate linkage between financing options and programmes which are summarised in table 3.2.

Table 3.2: Alignment of Financing Options to Programmes

Programme	Programme Objectives	Most preferred financing option
1. Value addition cluster		
Agro-industrialization	Agricultural production	i. Government revenues ii. Grants iii. Concessional Loan Financing
	Agro-processing and value addition	i. Domestic Private investment ii. Foreign Direct Investment iii. Grants
	Post-harvesting handling and storage	i. Private Domestic Investment ii. Grants iii. Foreign Direct Investment
	Increased Market Access and Competitiveness of Agricultural products in domestic and International markets	i. Domestic Private investment ii. Foreign Direct Investment iii. Grants
	Increase mobilisation, equitable access and utilization of Agricultural Finance	i. Grants ii. Concessional Loans iii. Islamic Finance
	Strengthen institutional coordination for improved service delivery	i. Government Revenue

Programme	Programme Objectives	Most preferred financing option
Mineral-based industrialization	Exploration	i. Foreign Direct Investment ii. Government Revenue
	Mining and Value Addition	i. Foreign Direct Investment ii. Public Private Partnership iii. Private Domestic investment
	Mineral processing and marketing	i. Foreign Direct Investment ii. Private Domestic investment
	Increase adoption and use of appropriate technology along the Value chain	i. Foreign Direct Investment ii. Private Domestic investment
	Policy reforms, strengthening regulatory and, institutional frameworks	i. Government revenues ii. Grants
Petroleum development	Exploration	i. Foreign Direct Investment ii. Private Domestic Investment
	Enhance local capacity to promote local content in oil and gas operations	i. Foreign Direct Investment ii. Government revenues iii. Grants
	Guarantee supply of refined petroleum products i.e. production of crude, oil pipeline development, refinery, and oil and gas storage	i. Foreign Direct Investment ii. Private Equity iii. Loans (Commercial) iv. Bonds (Euro)
	Policy reforms, strengthening regulatory, institutional frameworks	i. Government revenues ii. Grants
Tourism development	Promote domestic and inbound tourism	i. Government revenues ii. Public Private Partnership
	Increase the stock and quality of tourism Infrastructure	i. Government revenues ii. Private Investment (Foreign and Domestic)
	Develop, conserve and diversify tourism products and services	i. Grants ii. Government revenue iii. Private Investment (Foreign and Domestic) iv. Climate Finance
	Develop a pool of skilled personnel along the tourism value chain and ensure decent working conditions	i. Government revenue
	Enhance regulation coordination and management of tourism	i. Government revenue ii. Grants

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Programme	Programme Objectives	Most preferred financing option
Natural Resources, Environment, Climate Change, Land and Water Management	Ensure availability of adequate and reliable quality fresh water resources for all uses	i. Government revenues ii. Concessional loans iii. Grants
	Increase forest tree and wetland coverage, restore bare hills and protect mountainous areas and range lands	i. Climate Finance ii. Green Bonds iii. Public Private Partnerships
	Maintain and or restore a clean healthy and productive environment	i. Climate Finance ii. Green Bond iii. Government revenues
	Promote inclusive climate resilient and low emissions development at all levels	i. Climate Finance ii. Government revenue (Carbon Tax) iii. Green Bond
	Reduce human and economic loss from natural hazards and disasters	i. Government revenues ii. Philanthropy iii. Crowd Funding
	Increase incomes and employment through sustainable use and value addition to water , forests and other natural resources	i. Private Investment ii. Public Private Partnerships iii. Climate Finance
	Strengthen land use and management	i. Government revenues ii. Grants
2. Private sector competitiveness cluster		
Manufacturing	Develop the requisite infrastructure to support manufacturing in line with Uganda's planned growth corridors	i. Government revenues ii. Foreign Direct Investment iii. Loans (Concessional)
	Increase value addition for import substitution and enhanced exports	i. Private Investment (Foreign and Domestic) ii. Government revenues iii. Grants
	Develop financial and logistical systems to increase access to regional and international markets	i. Government revenue ii. Grants
	Strengthen the legal and institutional framework to support manufacturing	i. Government revenues ii. Grants

Programme	Programme Objectives	Most preferred financing option
Private Sector Development	Strengthen the enabling environment and enforcement of standards	i. Government revenues ii. Grants
	Strengthen the organizational and institutional capacity of the private sector to drive growth	i. Government revenues ii. Grants iii. Private Domestic Investment
	Strengthen the role of Government in unlocking investment in strategic Economic Sectors	i. Government revenues ii. Grants
	Sustainably lower the costs of doing business	i. Concessional Loans ii. Government revenues iii. Private Equity
	Promote local content in public programs	i. Government revenues ii. Grants iii. Private Domestic Investment
Digital Transformation	Increase the National ICT infrastructure coverage	i. Government revenues ii. Private Investment (Domestic and Foreign) iii. Loans (Concessional)
	Increase the ICT human resource capital	i. Government Revenues ii. Private Investment (Foreign and Domestic)
	Enhance usage of ICT in national development and Service delivery	i. Government revenues
	Promote ICT research, innovation and commercialization of indigenous knowledge products	i. Government revenues ii. Private Investment iii. Grants
	Strengthen the policy, legal and regulatory framework	i. Government revenues
3. Infrastructure development		
Integrated transport infrastructure and services	Optimize transport infrastructure and services investment across all modes	i. Government revenues ii. Loans iii. Public Private Partnerships iv. Bond (Euro and or Infrastructure)
	Prioritize transport asset management	i. Government revenues ii. Public Private Partnerships (Concession Arrangements)
	Promote integrated land use and transport planning	i. Government revenues ii. Grants
	Reduce the cost of transport infrastructure and services	i. Government revenues ii. Private Domestic Investment
	Strengthen and harmonize policy, legal, regulatory and institutional framework for infrastructure and services	i. Government revenues ii. Grants
	Transport interconnectivity to promote inter and intra- regional trade and reduce poverty.	i. Government revenues ii. Loans Public Private Partnerships

Programme	Programme Objectives	Most preferred financing option
Sustainable energy development	Increase access and utilization of electricity	i. Sukuk Bond ii. Loans iii. Government revenues
	Promote utilization of energy efficient practices and technologies	i. Government revenues ii. Grants iii. Climate Finance
	Increase generation capacity of electricity	i. Government revenues ii. Loans iii. Public Private Partnerships iv. Infrastructure Bond
	Increase adoption and use of clean energy	i. Government revenues ii. Grants iii. Climate Finance
Innovation, Technology Development and Transfer	Develop requisite Science Technology and Innovations (STI) infrastructure	i. Government revenues ii. Concessional loans iii. Grants
	Build human resource capacity in STI	i. Government revenues ii. Grants
	Strengthen research and development capacities and applications	i. Government revenues ii. Grants
	Increase development, transfer and adoption of appropriate technologies and innovations	i. Loan Concessional ii. Grants i. Government revenues
	Improve legal and regulatory framework	i. Government revenues
4. Living Standards and Productive cluster		
Human Capital Development and social protection	To improve the foundations of Human Capital Development	i. Government revenues ii. Grants iii. Philanthropy
	Produce appropriate knowledgeable skilled and ethical labour force (with strong emphasis on Science and Technology and Sports)	i. Government revenue ii. Grants iii. Concessional Loans
	Streamline Science Technology, Engineering Innovation / Mathematics (STEI/STEM) in the education system	i. Government revenue ii. Grants
	Improve population health, safety and management	i. Government Revenue ii. Grants iii. Philanthropy
	Reduce vulnerability and gender inequality along the life cycle	i. Grants ii. Philanthropy iii. Crowd Funding
	Promote sports recreation and physical education	i. Grants ii. Private Investment iii. Crowd Funding

Programme	Programme Objectives	Most preferred financing option
Community Mobilization and Mindset-change	Enhance effective mobilization of families, communities and citizens for national development	i. Philanthropy ii. Grants iii. Remittances iv. Crowd Funding
	Strengthen institutional capacity of central and local Government and non-state actors for effective mobilization of communities	
	Promote and inculcate the national vision and value system	
	Reduce negative cultural practices and attitudes	
Regional Development	Stimulate the growth potential of the sub regions in the key growth opportunities (Agri-business, tourism, minerals and manufacturing)	i. Sukuk Bond ii. Private Investment (Domestic and Foreign) iii. Concessional Loans iv. Grants
	Close regional infrastructure gaps for exploitation of local economic potential	
	Strengthen and develop regional based value chain for Local Economic Development (LED)	
	Strengthen the performance measurement and management frameworks for local leadership and public sector management.	
Sustainable Urbanisation and Housing	Increase economic opportunities in cities and urban areas	i. Public Private Partnerships ii. Private Investment iii. Concessional Loans
	Promote urban housing market and provide decent housing for all	i. Private Investment (Foreign and Domestic) ii. Public Private Partnership
	Promote green and inclusive cities and urban areas	i. Climate Finance ii. Green Bonds
	Enable balanced efficient and productive national urban systems	i. Infrastructure Bond
	Strengthen urban policies, planning and finance	ii. Government revenues

GOVERNMENT OF UGANDA PUBLIC INVESTMENT FINANCING STRATEGY

Programme	Programme Objectives	Most preferred financing option
5. Public Sector Productivity		
Public sector transformation	Strengthen accountability and transparency for results	i. Government revenues ii. Grants iii. Philanthropy
	Streamline Government structures and institutions for efficient and effective service delivery	
	Strengthen strategic human resource management function of Government for improved service delivery	
	Deepen Decentralization and citizen participation in local development	
	Increase transparency and eliminate corruption in the delivery of services	
Development Plan Implementation	Strengthen: Capacity for development planning; Budgeting and resource mobilization; Capacity for implementation to ensure focus on results; Coordination, monitoring and reporting frameworks and systems; Capacity of the National Statistics System to generate data for national development; and, Research and evaluation function to better inform planning and plan implementation	i. Government Revenues ii. Grants
Governance and security	Strengthen: The capacity of security agencies to address emerging security threats; Policy legal, regulatory and institutional frameworks; People centred security, legislation, justice, law and order, service delivery systems; Compliance and implementation of the Uganda Bill of Rights; and, Reform and strengthen JLOS business processes to facilitate private sector development.	i. Grants ii. Concessional Loans iii. Government revenues
	Enhance refugee protection and migration management	i. Government revenues ii. Grants

Programme	Programme Objectives	Most preferred financing option
	Transparency, accountability and anti-corruption systems	i. Government revenues ii. Grants
	Citizen participation in democratic processes	i. Government revenues ii. Grants
Administration of Justice	Strengthen people centered Justice service delivery system;	i. Government revenues ii. Grants
	Reform and strengthen Justice business processes;	i. Government revenues ii. Grants
	Strengthen the fight against corruption	i. Government revenues ii. Grants
	Strengthen regulatory and institutional frameworks for effective and efficient delivery of Justice	i. Government revenues ii. Grants
Legislation, Oversight and Representation	Increase effectiveness and efficiency in the enactment of legislation for improved democracy and good governance.	i. Government revenues ii. Grants
	Strengthen oversight, budget scrutiny and appropriation.	i. Government revenues ii. Grants
	Strengthen representation at local, regional and international level	i. Government revenues ii. Grants
	Strengthen the institutional capacity of Parliament and Local Government Councils to independently undertake their constitutional mandates effectively and efficiently	i. Government revenues ii. Grants

Value addition on coffee

4 Implementation and Monitoring Framework

4 Implementation and Monitoring Framework

4.1 Implementation and Monitoring Framework

The key elements for the effective and successful implementation of the PIFS will constitute the following:

i. The Resource Alignment Committee (RAC) chaired by Permanent Secretary/Secretary to the Treasury (PS/ST). Members of the RAC will be drawn from various MDAs responsible for all the NDP III programmes and NPA. RAC will provide strategic leadership to ensure sustained adherence to the proposed alignment framework.

ii. Allocation of institutional responsibilities for each of the financing options as detailed in table 4.1.

iii. Establishment of the Project Preparation Fund (PPF) financed by Government resources. This fund will ensure that projects are prepared in advance ready for financing.

iv. Finalization of reforms under the PIMS to ensure efficiency in public investments.

The responsibilities of RAC are as laid out in the Terms of Reference below:

i. Prepare a schedule of priority projects commencing in the next budget year that shall have fulfilled the PIMS requirements.

ii. Align financing of programmes/projects to the most appropriate financing option

iii. Consult and advise H.E the President through the Minister responsible for Finance, on the priority programmes/projects to be commenced.

iv. Approve commencement of resource mobilization process by the appropriate Directorate within MoFPED.

Sanction mid-term reviews and critical issues and outcomes communicated to the Minister responsible for Finance.

The key reforms/strategies, responsible institutions and timelines that are required to enhance and or unlock potential financing options are summarized in table 4.1, which details the implementation plan of this PIFS.

Table 4.1: Key reforms/strategies, institutional responsibilities and timelines for realisation of the potential financing options

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Enhancing Mobilisation of Financing Options	Tax revenue	i) Establish tax expenditure governance framework to manage tax exemptions	URA, MoFPED														
		ii) Renegotiate CIT-related treaty provisions Double Tax Agreements to align with Ugandan DTA policy	URA, MoFPED														
		iii) Invest in enforcement & compliance	URA, MoFPED														
		iv) Expand the use of the withholding tax instrument as a tool for promoting compliance rather than raising revenues	URA, MoFPED														
		v) Review presumptive tax regime to encourage growth and formalization of SMEs	URA, MoFPED, UIA, MoITC														
		vi) Study cost-benefit aspects of tax incentives/tax exemptions and review existing framework	URA, MoFPED														
		vii) Facilitate continued oil exploration	MoEMD, MoFPED, UNOC														
		viii) Create conducive environment for FDI	UIA, MoEMD, MoFPED, OPM														
		ix) Make tax system ready to ensure oil revenue benefits are retained	MoFPED, MoEMD														
	Non-tax revenue	i) Streamline the policy on NTR to harmonize the setting of charges levied	URA, MoFPED, MALGs														
		ii) Strengthen framework for reporting & monitoring NTR collections	MoFPED, URA, LGs, MoLG														
		iii) Adopt an integrated approach to the introduction of LG fees and charges	URA, MoFPED, MoLG														
		iv) Enhance LG capacity to collect property tax & fees	URA, MoFPED, MoLG														
		v) Support LGs update property valuation list & serialize properties	URA, MoFPED, MoLG														
		vi) Develop LG revenue framework to address structural, legal and administrative bottlenecks to LG revenue mobilisation	URA, MoFPED, MoLG, AG														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
		vii) Maximise economic & fiscal benefits from oil production	MoFPED, BoU, OPM, AG														
	Domestic debt market	i) Prioritise implementation of proposed reforms in the domestic debt market in line with Capital Market Masterplan	BoU, MoFPED, CMA														
		ii) Strengthen Primary Dealer (PD) Reforms to enhance Secondary market trading	BoU, MoFPED, CMA														
		iii) Create awareness about the domestic financial market through Domestic and Diaspora debt sensitization	BoU, MoFPED, CMA														
		iv) Aligning mobile money technology platform to invest in Government securities	BoU, MoFPED, CMA														
		v) Harmonize Withholding Tax charged on securities with EAC regional rates	BoU, MoFPED, CMA														
		vi) Pursue a benchmark bond programme to create a liquid secondary market	BoU, MoFPED, CMA														
		vii) Develop non-Calendar and Private Placement framework to guide Government mobilization of additional financing requirements	BoU, MoFPED, CMA														
		Introduction of longer dated instruments such as 25-year infrastructure Bond	BoU, MoFPED, CMA														
	Pension funds	i) Explore opportunities to tap the combined pension assets within the EAC region to finance infrastructure investments through issuance of infrastructure bonds.	BoU, MoFPED														
		ii) Prioritize implementation of proposed reforms to the pension sector to support competition and growth, which will play a key role in catalyzing the growth of long-term finance in Uganda.	URBRA, MoFPED														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Pension funds	iii) Put in place measures to support expansion of the pension sector coverage															
		iv) Formulate and align the mobile money technology platform to promote participation of informal sector in retirement benefit schemes.															
		v) URBRA facilitate establishment of a national scheme aimed at extending coverage to among others informal sector workers and self-employed persons.															
		vi) Establish a mechanism that provides an environment that encourages diversification of the investment of pension funds															
	Private domestic investment	vii) Strengthen the existing platforms for dialogue towards improving the investment climate and enabling environment for MSMEs businesses	MoFPED, OPM, NPA, MITC, UIA														
		viii) Prioritise implementation of MSME policy in partnership with DPs	MITC, UIA, MoFPED														
		ix) Spearhead a process to create a national policy framework for Private Sector Engagement	MoFPED, OPM, NPA														
		x) Set up short-term development credit window for MSMEs	BoU, DBU, MoFPED, MITC														
		xi) Support banks' data sharing infrastructure for credit and collateral	MoFPED, BoU														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
				2022 23				2023 24				2024 25				2025 26	
Broad Theme	Specific Theme			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Grants	i) Finalise the Development Cooperation Policy	OPM, MoFPED, NPA														
		ii) Continue to dialogue with Vertical funds and CSOs to align their work with national priorities and use government reporting systems for transparency and accountability	MoFPED														
		iii) Streamline and strengthen dialogue with DPs,	MoFPED														
		iv) Continue implementation of reforms to address financial management challenges, improve accountability, procurement & information Technology systems, e-cash & other digital platforms	MoFPED														
		v) Monitoring of grants utilization to establish value for money	MoFPED, MDAs														
	Loans	i) Targeting concessional financing as the preferred means of financing.	MoFPED														
		ii) Non-concessional borrowing considered for projects that are financially and economically viable, and with rates of return higher than the finance cost of the loan.	MoFPED, MDAs														
		iii) Borrowing will be for highly productive investments and GoU will seek to secure direct economic and financial return as well as social economic benefits.	MoFPED, MDAs														
		iv) Undertake borrowing for projects that are ready to be implemented as described under the PIMS Process.	MoFPED,														
		v) Monitor undisbursed loan amounts and this shall form part of the criteria of assessment of sectors' new borrowing.															

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
				2022 23				2023 24				2024 25				2025 26	
Broad Theme	Specific Theme			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Public Private Partnerships	i) Build capacity of PPP unit and other contracting authorities to enable them to prepare, appraise, and provide better oversight	PPPU, MDAs, MoFPED														
		ii) Undertake due diligence and perform rigorous assessments to gauge the viability of the project	PPPU, MDAs, MoFPED														
		iii) Set-up Project Development Facilitation Fund	PPPU, MoFPED														
		iv) Utilise guidelines for management of contingent liabilities as part of assessment of PPPs	MoFPED, BoU														
		v) Explore mobilisation of local currency financing such as encouraging syndicates of commercial banks, and Pension Funds to finance PPPs.	PPPU, MoFPED														
		vi) Develop a risk assessment strategy and incentive mechanisms to stimulate private PPPs when social rates of return are high and private returns are low	PPPU, MoFPED														
		vii) Exploit opportunities to engage private sector in climate resilience PPPs (e.g. energy, water, etc).	PPPU, MoFPED, UIA, OPM, MITC														
		i) Continue to work on an improved business climate, (good governance, stable macroeconomic environment, and investment-friendly regulatory and legal frameworks).	UIA, MoFPED, BoU, OPM, MITC														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Foreign Direct Investment	ii) Reduce legal and administrative impediments to doing business, and unite all permitting and registration requirements for new businesses in a one-stop center, which can be accessed physically and online.	UIA, MoFPED, BoU, OPM, MITC														
		iii) Continue with ongoing Government efforts to reduce the cost of doing business including focus on infrastructure (power, transport, ICT,), institutional reforms to improve efficiency and address corruption and ensure predictability of Government policies.	UIA, MoFPED, BoU, OPM, MITC														
		iv) strengthening the system of SME incubation centers to support growth of SMEs in strategic areas	UIA, MoFPED, MITC														
		v) improving land administration, including by extending the coverage of the immovable property registry;	UIA, MoFPED,														
		vi) rationalizing and harmonizing standards, institutions, and policies at the local and regional level	ACU, MJCA, AG, Parliament, OPM, President's Office														
		vii) further streamlining bureaucratic red tape, reduce duplications and speed up clearances for business operations.	UIA, MoFPED														
		viii) Deliberate strategies adopted to help local entrepreneurs access finance on favourable terms and master the art of creating partnerships with the foreign investors.	UIA, MoFPED, MITC														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Remittances	i) Finalize the National Diaspora Policy	MoFA, UIA, MoFPED														
		ii) Explore potential for a Diaspora bond to tap into diaspora savings for Public investments	MoFPED, BoU, CMA, MoFA, UIA, RAC, USE														
		iii) Collaborate with financial institutions to establish financial vehicles that offer senders financial services to facilitate diaspora investment and retirement plans in Uganda.	MoFPED, UIA, BoU, RAC														
		iv) Establish a Direct Investment facility	BoU, MoFPED, MoFA, UIA, RAC														
		v) Provide the Diaspora community the same investment benefits and or incentives as those accorded to foreign investors.	MDAs, UIA, MoFA, MoFPED, RAC														
		vi) Work with financial institutions to address obstacles to triggering economic impact from remittances	MoFA, UIA, MoFPED, OPM														
		vii) Promote crowdfunding to provide an outlet for diaspora to invest back home	MoFPED, BoU, CMA, USE, RAC														
	Philanthropy	i) Create a national guiding framework for CSR that clearly defines CSR and expectations for businesses, government institutions, development partners and other stakeholders with reference to supporting CSR	AG, MoFPED, NPA, Parliament														
		ii) Dialogue with philanthropies to ensure their work is aligned to national priorities and use government reporting systems for transparency and accountability	MoFPED, MoFA, OPM														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Crowdfunding	i. Develop clear and meaningful communication strategies that will guide investment-based crowdfunding as a legitimate model of finance	MoFPED, BoU, RAC														
		ii. Continue to promote the use of all possible avenues for mobilization of such resources, improve ICT and facilitate investment in the necessary infrastructure.	MICT&NG, MFPED														
		iii. Enact clear guidelines on crowdfunding so that investors can achieve clarity on how to make contributions legally and ensure accountability for the resources mobilized	MoFPED, OPM, MOJCA														
	Climate finance	i) Improve coordination among government departments and agencies by strengthening the existing inter-departmental climate-change committee.	MWE, MoFPED, RAC, MDAs														
		ii) Further integrate expenditure related to climate change needs into the development and execution of the national budget.	MoFPED, MDAs, RAC														
		iii) Explore potential for carbon tax, or other taxes or levies linked to the environmental performance of entities (according to the 'polluter pays' principle)	URA, MoFPED														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	International Bonds	i) Implement a set of economic and financial policies in order to have a positive impact on the country's international Credit Rating	MoFPED														
		ii) Ensure that the identified target projects are ready for efficient and timely execution.	MoFPED, NPA, RAC														
		iii) The target project should have capacity to generate sufficient revenue towards debt service	MoFPED														
		iv) Develop Green financing guidelines and standards	MoFPED, BoU, NPA, MDAs, RAC														
		v) Create a pipeline of projects eligible for green bond financing	MoFPED, BoU, NPA, MDAs, RAC														
		vi) Engage strategic issuers that can provide important demonstration transactions for green bonds, such as international DFIs	MoFPED, BoU, NPA, MDAs, RAC														
	Islamic finance	i) Assess feasibility of access to financing under existing legal, and institutional framework to identify constraints and strategies to overcome them.	MoFPED, RAC, BoU														
		ii) Asset stock determination process to identify suitable assets and associated cash flows to back transactions;	MoFPED, RAC, BoU, MDAs														
		iii) Further strengthen PIM, as potential investor appetite is likely to remain focused on investment grade structures;	MDAs														
		iv) Build capacity and secure appropriate technical assistance and training; and	RAC, MoFPED														
		v) Create platforms to raise awareness, build consensus and secure buy-in from key stakeholders.	MoFPED, RAC, BoU														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Institutional Framework	Resource Alignment Committee RAC	i) Prepare a list of priority projects commencing in the next budget year that shall have fulfilled the PIMS requirements	MoFPED DC MDAs NPA DPs														
		ii) Align financing of programmes/projects to the most appropriate financing option															
		iii) Consult and advise H.E through the Minister responsible for Finance, on the priority programmes/Projects to be commenced															
		iv) Approve commencement of resource mobilization process by appropriate Directorate within MoFPED															
		v) In consultation with relevant stakeholders, engage DP to confirm areas of focus.	MoFPED, RAC														
Project Development Facility	Project development fund	i) Design and establish a Project Development Facility to support line ministries, regional authorities or other government institutions in the identification, conceptualization, and preparation of potential investment programmes and projects that are aligned with national priorities	MoFPED, RAC, NPA, DC														
		ii) Develop a communication strategy to present the Facility's project pipelines to potential partners, including development partners, DFIs and the private sector, in order to mobilise resources	MoFPED, RAC, DC, NPA, MDAs														

Thematic Area		Key strategies	Institutional Responsibility	Implementation Timelines													
Broad Theme	Specific Theme			2022 23				2023 24				2024 25				2025 26	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Monitoring and Evaluation	Monitoring and evaluation	i) Develop a comprehensive integrated Database Management System to track and monitor private and public financing flows into the country linked to programmes and sector projects	MoFPED, RAC, MDAs, NPA, LGs														
		ii) Establish a framework for information / data sharing with DPs, DFIs, private sector, CSOs, Philanthropies, NGOs and churches to improve data coverage and data sharing	MoFPED, RAC, MDAs, NPA														
		iii) Design a capacity development programme in M&E across government institutions to enhance data collection, processing & sharing	NPA, MoFPED, RAC, MDAs, Parliament														
		iv) Identify mechanisms of financing critical surveys for monitoring all inflows that have gone into national development priorities	NPA, MoFPED, RAC, MDAs, Parliament														
Stakeholder engagement	Secretariat	i) Launch and dissemination of the strategy and the implementation plan															
		ii) Constitute and train RAC															
		iii) Train key stakeholders on the financing strategy															
		iv) Engage stakeholders to appraise on the roles and responsibilities in implementation of the strategy															
		v) Receive and review reports from the engagement exercise															
		vi) Develop a compendium of potential DPs that are matched with individual programmes/projects															
		vii) Develop a compendium of potential DPs that are matched with individual programmes/projects															

Description of colour code of the implementation plan

- (blue) Dissemination of the PIFS to all stakeholders
- (orange) Sensitization of stakeholders about the Strategy
- (yellow) Engagement of stakeholders on their roles and responsibilities
- (green) Re- engagement of stakeholders on status of performance of strategies
- (grey) Status of performance of strategies in line with enhancing the performance of financing options
- (purple) Timelines for implementing the strategy

GLOSSARY

Average Time to Maturity ATM	-	This provides an indicator for the average life of debt. It measures the average length of time it takes for debt instruments to mature and therefore the extent of the refinancing risk exposure. A longer ATM reflects a lower refinancing risk exposure and vice versa.
Average Time to refixing ATR	-	This provides a measure for the length of time it takes for interest rates in the debt portfolio to be reset. The longer the ATR, the lower the interest rate risk exposure.
Blended Finance	-	Model for financing development projects that combines an initial investment, often from a philanthropic or government entity, with a subsequent commercial investment. In other words, it refers to use of different financing options/sources together to finance a development project with each source contributing a share of the total project cost.
Climate finance	-	Local, national or transnational financing drawn from public, private and alternative sources of financing that seek to support mitigation and address adaptation actions.
Concessionality	-	This is the measure of the "softness" of a loan to the borrower. Concessional Loans are those whose grant element is not less than 35 percent while non-concessional loans are those whose grant element is less than 35 percent.
Crowd funding	-	It is the use of small amounts of capital from a large number of individuals to finance a new business venture or projects of common interests. Through this avenue, funding can be mobilized online or through media outlets.
Domestic Borrowing	-	This refers to government borrowing from the domestic market and in local currency. It is done through issuance of treasury bonds and treasury bills.
Euro Bond	-	An international Bond that is denominated in a foreign currency, not native to the country where it is issued.
Export Credit Agencies ECA	-	National government-owned or affiliated entity that supports the export of domestic goods and services by providing financing to foreign purchasers of such goods and services, usually in the form of a direct loan or a guarantee to the lending institution i.e. financing the purchase of the relevant goods.
Foreign Direct Investment	-	capital that investors establish in another economy.

Grants - Financial or non-financial resources received by a country for which no repayment is expected.

Green Bond - Type of fixed income instrument, specifically, earmarked to raise funding for climate and environmental projects.

Impact Investment - General investment strategy that seeks to generate financial returns while also creating a positive social or environmental impact.

Infrastructure Bond - Type of bond issued by Central Governments, state owned enterprises and private corporations to finance the construction of an infrastructure facility.

Integrated National Financing Framework INFF - It helps countries strengthen planning processes and overcome existing impediments to financing sustainable development and the Sustainable Development Goals (SDGs) at the country level. It lays out the full range of financing sources – domestic and international sources of both public and private finance – and allows countries to develop a strategy to increase investment, manage risks and achieve sustainable development priorities, as identified in a country's national sustainable development strategy.

Internal rate of return IRR - This refers to a metric used in financial analysis to estimate the profitability of potential investments. i.e. the annual rate of growth that an investment is expected to generate.

Islamic economics - Refers to the knowledge of economics or economic activities and processes which are in line with Islamic principles and teachings.

Islamic finance - This is financing that complies with Sharia and its practical application through the development of Islamic Economics.

Loans - These are a portion of a country's debt borrowed from both foreign and domestic lenders including commercial banks, governments or multilateral financial institutions.

Millennium Development Goals MDGs - Eight (8) goals that UN Member States have agreed to try to achieve by the year 2015. The MDGs have been superseded by the Sustainable Development Goals.

Non-Tax Revenue - This refers to revenues mobilized by government through other sources apart from taxes. Some of the sources of non-tax revenue include licenses, fees, fines and penalties etc.

Official Development Assistance ODA [1] - Government aid that promotes and specifically targets the economic development and welfare of developing countries.

Pension Fund - This is a scheme or plan that provides retirement income.

Philanthropy - Consists of private initiatives aimed at proving public goods and services, focusing on improving the quality of life.

Private domestic investment - This is the capital that private businesses invest within their own country. Such investments can take the form of investment by private enterprises or finance from other sources, channelled through financial intermediaries.

Public Private Partnerships PPPs - This is an arrangement between government and the private sector to provide goods and services which, normally would have been provided by Government.

PPPs range from simple to very complex arrangements with explicit and implicit fiscal liabilities and under these arrangements; there is risk allocation and sharing to parties that are most capable of addressing those risks.

Remittances - Transfers of money from the diaspora community for household income and investments in their home country.

Result based financing - Mechanism that links financing to pre-determined results, with payment made upon verification that the results have been delivered.

Sukuk Bond - An Islamic Financial certificate similar to a bond that complies with Islamic Religious law i.e. Sharia law.

Sustainable Development Goals SDGs - These are also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. They can be accessed from https://sdgs.un.org/goals

Tax revenues - This refers to government revenue mobilized through tax collection on incomes or profits, ownership of profit, etc.

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