UDB

Inspiring Development

UDB DEVELOPMENT IMPACT REPORT 2023

LIST OF ACRONYMS

BN	Billion
BTVET	Business, Technical, Vocational, Education and Training
COMESA	Common Market for East and Southern Africa
DFI	Development Finance Institution
EAC	East African Community
EU	European Union
FEE	Forex Exchange Earned
FPCM	Fat and Protein Corrected Milk
GDP	Gross Domestic Product
GHG	Green House Gas
HCD	Human Capital Development
ISO	International Organisation for Standards
M	Million
MEL	Monitoring, Evaluation and Learning
MS	Mainstream
MT	Metric Tons
NPL	Non-Performing Loans
PAYE	Pay as You Earn
PWDs	Persons With Disability
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SP	Special Programs
TCO2e	Tons of Carbon dioxide Equivalent
UAE	United Arab Emirates
UDB	Uganda Development Bank
UIA	Uganda Investment Authority
UGX	Ugandan Shillings
UTB	Uganda Tourism Board
VAT	Value Added Tax
SSCI	Sustainability Standard Certification Initiatives.

Executive Summary

The Uganda Development Bank Ltd (UDB) has been a key player in Uganda's socio-economic transformation by implementing innovative financing strategies tailored to support the development aspirations of the country and to address the key challenges faced by businesses in Uganda and, specifically, Small and Medium Enterprises (SMEs), including the youth and women-led enterprises.

In line with the country's National Development Plan (NDP), UDB prioritises sectors crucial for economic development, particularly primary agriculture, agro-processing, and manufacturing, which collectively account for about 70% of its investment portfolio.

Through its financial and non-financial interventions, UDB aims to create high socio-economic value, including job creation, increased production output, and foreign exchange earnings.

The 2023 development outcome assessment conducted by UDB aimed to analyse the impact of its supported projects: focusing on socio-economic and environmental aspects. A mixed-methods approach was adopted, combining quantitative and qualitative techniques to comprehensively assess the outcomes of supported enterprises.
Key findings from the assessment include the creation and maintenance of 51,841 jobs, with primary agriculture emerging as the largest employer. While most jobs were temporary, sectors like manufacturing and agro-processing demonstrated significant employment generation potential.

The assessment established that employee earnings and benefits play a crucial role in improving living standards. Despite some disparities in earnings across sectors, efforts to increase wages in primary agriculture were evident, with a 15% improvement observed from the previous year.

Compliance with social protection requirements varied across sectors, with manufacturing exhibiting higher levels of compliance. However, more efforts are needed to ensure occupational safety and health standards are met, particularly in sectors like primary agriculture and agro-processing.

UDB's contributions to economic growth are substantial, with supported enterprises generating UGX5,861.15 billion in revenue in 2023, which is approximately 3.2% of the country's GDP. Moreover, UDB-supported enterprises contributed UGX236.08 billion in direct taxes, demonstrating their role in government revenue generation.

Consistent with the national-level data on export destinations, UDB-supported enterprises mainly exported to the neighbouring countries within the East African Community (EAC), other export destinations included COMESA, EU, and the UAE markets, highlighting the importance of regional trade partnerships.

Sector-specific results also reveal UDB's significant role in supporting primary agriculture, industrialisation, and the services sectors, particularly in human capital development, education, health, and tourism.

In primary agriculture, UDB supports initiatives aimed at enhancing agricultural production and productivity, resilience, and market access, with a focus on land tenure security, modernisation and the adoption of sustainable farming practices.

In the industry sector, particularly manufacturing and agro-processing, UDB aims to catalyse industrialisation processes by enhancing industrial outputs, value addition, capacity utilisation, and competitiveness in the domestic, regional, and foreign markets.

The service sector receives support in areas such as human capital development, particularly in education and health, to address skills gaps and improve access to quality medical services. Additionally, tourism development initiatives focus on infrastructure development, asset financing, and working capital support to enhance destination attractiveness and operational efficiency.

Furthermore, UDB's interventions in infrastructure development, particularly in energy, transport, water, and ICT infrastructure, are crucial for driving economic growth, social development, and environmental sustainability.

The Bank remains steadfast in promoting environmental sustainability by identifying, assessing, and prioritising enterprises committed to eco-friendly practices.

In conclusion, the 2023 development outcome assessment underscores UDB's commitment to facilitating sustainable socio-economic development in Uganda.

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1.1 BACKGROUND

Globally, national Development Finance Institutions (DFI's) invest through public and private sector entities to operationalise their country's National Development Plans (NDPs). DFI's use different investment principles intended to enhance financial sustainability, transparency, and environmental and social accountability.

Uganda Development Bank Ltd (UDB) is Uganda's only national development finance Institution with a mandate to accelerate socio-economic development in Uganda through sustainable financial (Debt and Equity) and non-financial (Business Accelerator for Successful Enterprises (BASE), Project Preparation Facility (PPF)) interventions.

Recognising the critical role of SMEs, including youth and women-led enterprises, in the social-economic transformation of the country, UDB implements an innovative SME-specific financing strategy aimed at addressing challenges faced by these segments like lack of affordable capital, inadequate collateral, and low technical and management skills.

Consistent with its mandate and aligned with the country's national development plans, the Bank supports both private and public sector enterprises that demonstrate the potential to deliver high socio-economic value, in terms of job creation, improved production output, tax contribution and foreign exchange earnings, among other outcomes. The supported projects fall within the key priority sectors of the Bank including primary agriculture, agro-processing, and manufacturing which account for about 70% of its investment portfolio. The Bank however undertakes specific interventions in other sectors including tourism, human capital development and Infrastructure including ICT.

The Bank upholds accountability to the government of Uganda and its other stakeholders, by ensuring responsible utilization of the entrusted resources while fulfilling its mandate, goals, and objectives. In line with this, the Bank conducted the 2023 development impact assessment to document the progress made in delivering on its obligations.

1.2. Objectives Of The Assessment

The main objective of the 2023 development outcome assessment is to establish and analyse the overall progress made by the Bank in achieving its intended outcomes through the supported projects on the target beneficiaries, sectors, and the economy with the following specific objectives:

1. Assess the socio-economic outcomes and the related environmental impact of the supported enterprises.
2. Document lessons learnt and the challenges that might have hindered the attainment of the expected development impact.

By providing an analysis aligned to the major and specific objectives outlined above, this assessment fosters accountability and enhances informed decision-making, supports strategy formulation, and provides a basis for continuous improvement in the Bank's development initiatives.

2.0 APPROACH AND METHODS

2.1. Assessment Approach

The ex-post assessment design followed a mixed-methods approach, combining quantitative and qualitative techniques to comprehensively assess the impact caused by the bank-supported projects. Further, a comparative analysis method was adopted to compare the development outcomes at the national level, the previous year (2022), against the realized outcomes realized in (2023). These approaches allow for an in-depth understanding of the impact created by supported projects on the beneficiary population, priority sectors, environment, and the economy.

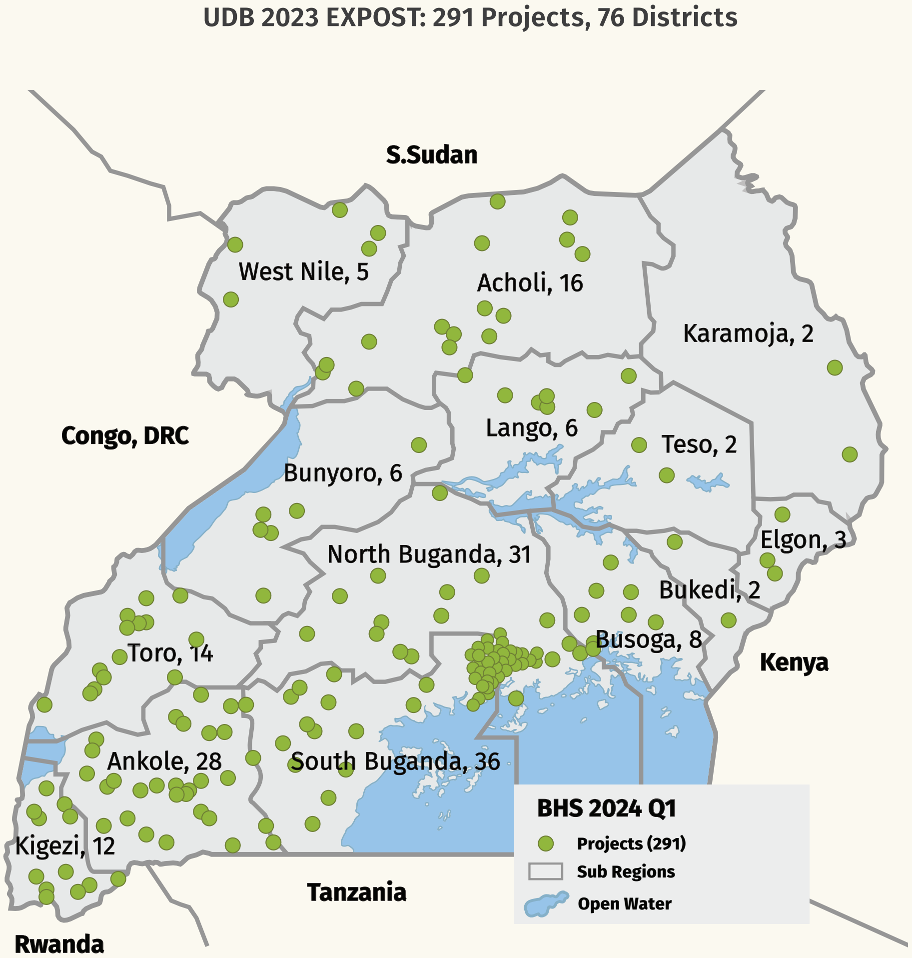
2.2. Scope

Content Scope: The ex-post assessment focused on establishing and documenting the effects and outcomes of the bank-supported enterprises on the targeted beneficiaries and sectors. It mainly covered three dimensions of development impact, including socio-economic and environmental.

Target Population: The assessment population comprised all eligible projects financed (disbursed) by the Bank as of the end of May 2023. These included both projects in the mainstream and Special Programs (SP) within the Bank's priority sectors. Accordingly, 336 (Mainstream 247 and SP 89) enterprises were targeted. Of these, 298 projects were assessed during the ex-post assessment, making a response rate of 88%. The highest response of 93% was recorded in primary agriculture and the lowest in human capital development and infrastructure, both at 70% response rate.

Geographical Scope: Figure 1 shows the distribution of all the enterprises covered during the 2023 ex-post assessment in all the regions of the country, with most of the projects reached located in the central and southwestern of the country, this distribution is an image of the general footprint of the Bank's support.

Figure 1: Enterprises reached during the ex-post 2023 development impact



2.3. Data Collection Methods and Tools:

The data collection methods included a combination of interviews, observation, and document review. Structured interviews were conducted with key project stakeholders to gather insights into the economic, social, and environmental impacts on the supported enterprises.

The observation method was utilised to assess the on-ground implementation and outcomes, while document reviews were utilised to collect secondary data on national GDP, tax revenues, foreign exchange earnings, previous Bank-generated ex-post and ex-ante reports including any other relevant documents to corroborate findings.

The data collection tool was a web-based sector-specific questionnaire programmed using Survey Solution software, and adopted and uploaded on tablets used during data collection. Skip logic and validation criteria were embedded in the tool to ensure data quality.

2.4. Analytical Frame Work:

This sub-section highlights the specific frameworks and metrics used to guide the assessment and computation of development impact generated by the supported Bank enterprises. The Bank's 2020-2024 strategy with the aligned monitoring and evaluation framework whose conceptual foundation is underpinned in the Bank's Theory of Change (TOC), spells out the ultimate impact statement of the Bank **"Improving the quality of life of Ugandans"**, the intended high impact goals (HIG) and the related results.

The three HIGs include:

1. Build a sustainable agrifood system for Uganda;
2. Promote sustainable industrialisation in Uganda, and
3. Develop a sustainable service sector.

Figure 2: A high-level extract of the Bank's "Theory of change".

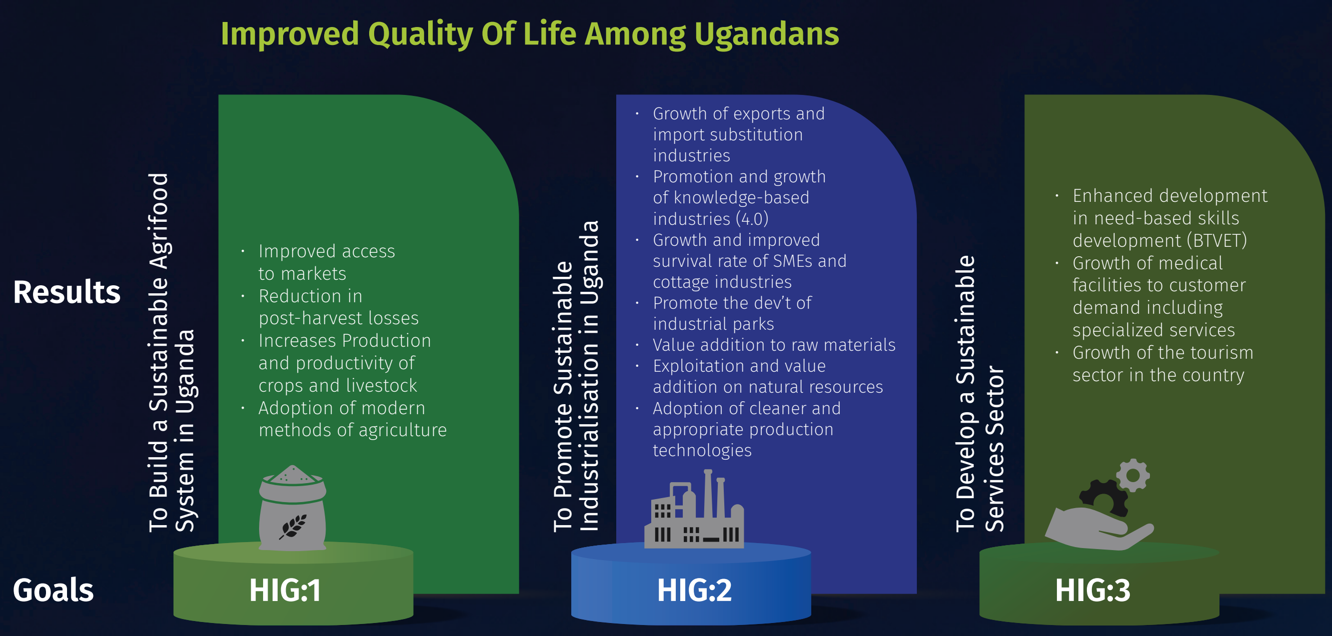


Figure 2 is a high-level extract of the Bank's theory of change highlighting the three-Bank high-impact goals and the related intended results.

The cross-cutting results include economic variables (revenue contribution to GDP, employment generation, tax revenue, profitability, and foreign exchange generation).

The social variables relate to poverty alleviation, improved wellbeing, social inclusion, safe working spaces and equity.

Environmental variables include sustainability practices, carbon footprint, and conservation efforts. These results areas guided the development of data collection tools and analysis processes to measure the overall impact of supported enterprises.

2.5. Data Analysis

Both quantitative and qualitative data analysis techniques were used. Quantitative data, such as financial performance metrics and employment statistics were analysed using descriptive and inferential statistical methods to identify distribution, dispersion, trends, and patterns.
Qualitative data from interviews and observations was thematically analysed to identify recurring patterns and content analysis was further used to generate and interpret results.

3.0 Findings Of The Ex-post Assessment

This section of the ex-post assessment report puts forward the findings of the 2023 development impact assessment as aligned to the set-out objectives structured with the following themes of social impact, economic impact, and environmental impact, including challenges, and recommendations.

3.1. Social Impact:

As outlined in the Bank's sustainability standards and the monitoring & evaluation framework, the social impact created by the supported enterprises is demonstrated through the indicators of job creation, improved living standards, social protection, and inclusive prosperity, which is the involvement of youth, women and PWD among others, across different sectors and Bank's supported enterprises.

3.2.1 Employment Creation and Maintenance.

Creation and maintenance of gainful employment is a key development indicator for the Uganda Development Bank, it is seen to catalyse driving socio-economic development by reducing unemployment and enhancing social well-being. In 2023 the Bank-funded projects created and maintained a total of **51,841** Jobs of which **49,424** were from mainstream and **2,417** from the SP. Further analysis showed that 47,882 Jobs of which 46,559 were from mainstream and 1,323 SP were maintained, and **3,959** Jobs with 2,865 from mainstream and 1,094 from SP which is 8% of the total Jobs were newly created as shown in table 2.

A significant share, 39% of the total Jobs were under the primary agriculture sector, 32% in agro-processing and 16 % in Manufacturing with the least .056% and 2.33% in education and health sectors respectively.

Of the **51,841** total jobs created and maintained, **41.21%** were permanent and **58.78%** were temporary. The highest 41.5% of temporary jobs which is 12,633 were recorded in primary agriculture, this may be attributed to the sector nature where activities peak during the planting, weeding, and harvesting seasons, and are low during other seasons. Therefore, farmers follow the same patterns in employing workers.

Bank-funded projects created and maintained a total of

51,841 Jobs

41.21%
were permanent

58.78%
were temporary

Creation and maintenance of gainful employment is a key development indicator for Uganda development bank, it is seen to serve as a catalytic driver of socio-economic development by reducing unemployment and enhancing social well-being. In 2023 the bank funded projects created and maintained a total of **51,841** Jobs of which, **2,417** were through the Special Program (SP) intervention.

In the year 2023, a total of 3,959 Jobs were created of which 1,094 were from Special Program (SP) intervention accounting for 27.6% of the new jobs created.

Of the total jobs created and maintained, 39% were under primary Agriculture sector representing the majority share of jobs while human capital development (education and Health) represented the least share of jobs created and maintained with 056% and 2.33% in education and health sectors respectively.

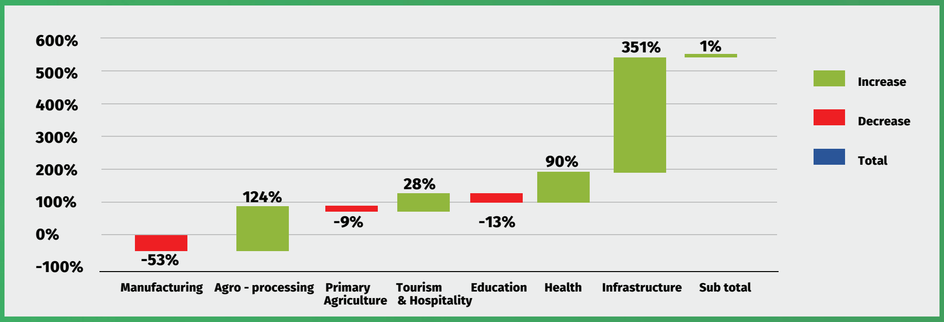
Of the **51,841** total Jobs created and maintained, **41.21%** were permanent. The bank continues to advocate for the supported enterprise to create more dignified jobs with social protection and benefits.

Table 2: Total number of jobs created and maintained by the Bank-supported enterprises by sector.

		Total Number of Jobs			Permanent Jobs		Temporary Jobs		New Jobs created 2023	
Segement	Bank Priority Sector	Male	Female	% by sector	Male	Female	Male	Female	Male	Female
Overall	Manufacturing	6,015	2,402	16.24%	2,600	1,138	3,415	1,264	561	311
	Agro - processing	11,214	5,495	32.23%	4,480	1,442	6,734	4,053	521	218
	Primary Agriculture	16,624	3,617	32.23%	5,382	2,226	11,242	1,391	736	331
	Tourism & Hospitality	1,967	1,281	6.27%	1,477	943	490	338	384	256
	Education	165	127	0.56%	115	89	50	38	61	27
	Health	165	470	2.33%	562	339	177	131	62	41
	Infrastructure	1,165	207	2.65%	250	80	915	127	327	71
	Other sector	225	128	0.68%	146	96	79	32	33	19
	Sub Total	38,114	13,727		15,012	6,353	23,102	7,374	2,685	1,274
Grand Total		51,841			21,365		30,476		3,959	
Special Programs	Manufacturing	68	22	3.72%	42	18	26	4	30	14
	Agro - processing	192	55	10.22%	99	33	93	22	80	28
	Primary Agriculture	1,235	542	73.52%	367	125	868	417	602	247
	Tourism & Hospitality	60	51	4.59%	21	21	39	30	14	16
	Education	60	49	4.51%	53	34	7	15	25	22
	Health	35	38	3.02%	29	34	6	4	10	5
	Infrastructure	0	0	0.00%	0	0	0	0	0	0
	Other sector	7	3	0.41%	7	3	0	0	1	0
	Sub Total	1,657	760	1	618	268	1,039	492	762	332
Grand Total		2,417			886		1,531		1,094	

A year-on-year comparison of the jobs created and maintained in 2022 and 2023 as shown in Figure 3, indicates an overall 1% increase in the total number of Jobs created and maintained from 51,439 in 2022 to 51,841 in 2023.

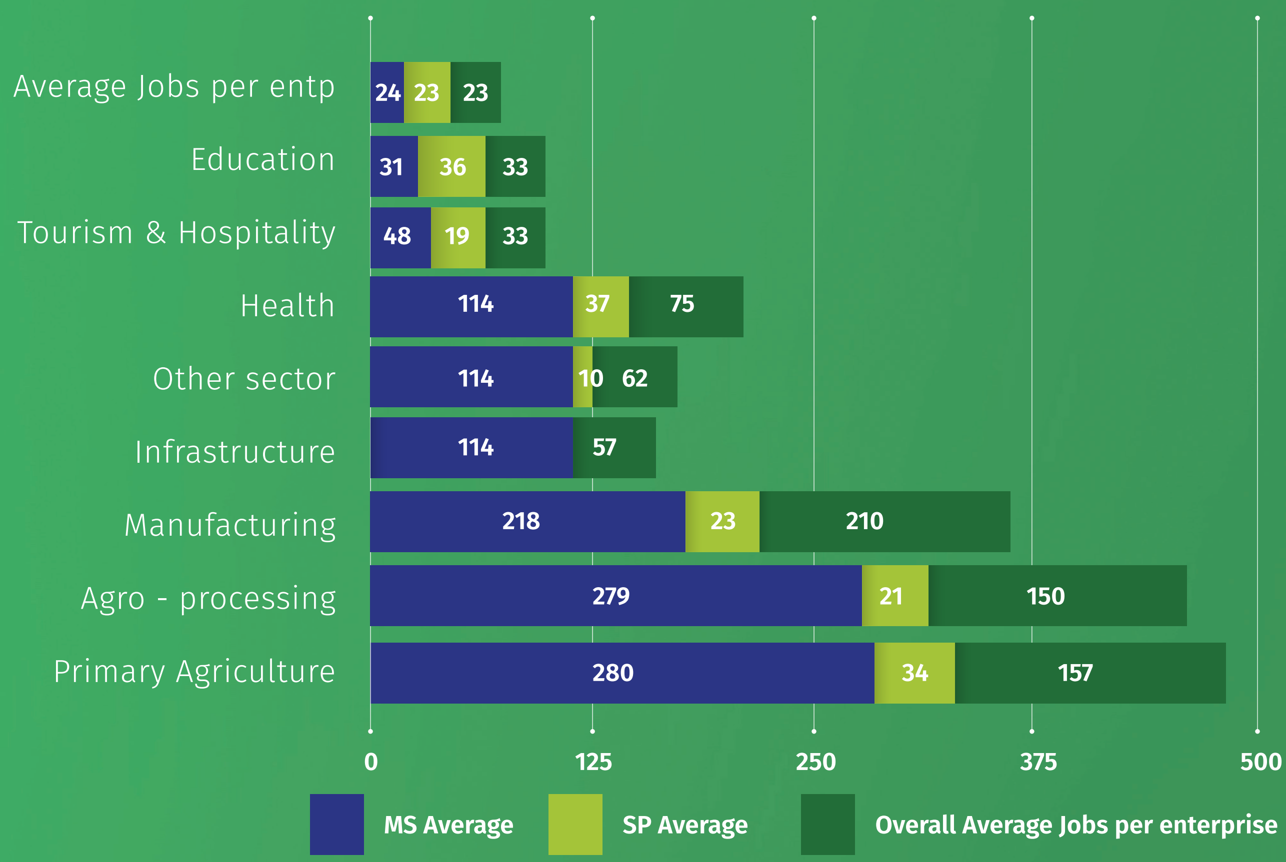
Figure 3: Change in the Jobs created and maintained in 2022 and 2023.



However, there was a significant 53% decline in the total number of jobs created and maintained in the manufacturing sector, the education sector and primary agriculture also experienced a fall of 13% and 9% respectively.

Further analysis showed that other Bank-supported sectors including agro-processing, health, and infrastructure, among others experienced an increase in the number of jobs created and maintained, which may be attributed to the significant increase in the Bank's support to these sectors especially infrastructure through contract finance while tourism through the European Union funding.

Figure 4: Average Jobs per sector of UDB-supported enterprises.



Further findings as shown in Figure 4 established that the average number of jobs per enterprise varied across different sectors. Primary agriculture had the highest average of 157 jobs indicating that this sector is the largest employer both in the mainstream and special program. This is expected, given the labour-intensive nature of agricultural activities.

Agro-processing, manufacturing, and health sub-sectors including infrastructure had a substantial average number of 150, 120, 75 and 57 jobs per enterprise respectively, suggesting more significant employment generation potential in these sectors.

Both the health and tourism sectors had relatively lower averages of 33 jobs per enterprise.

3.2.3. Employee Earnings and Benefits

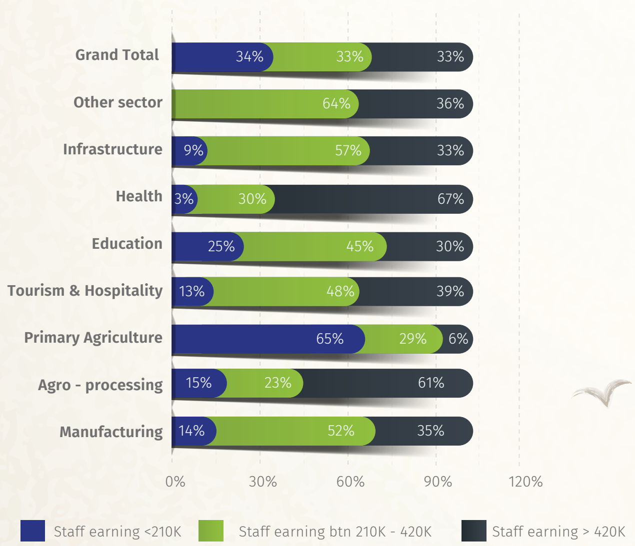
Employee earnings and related benefits directly translate to the quality of life and living standards, it influences individual purchasing power, financial security, and overall well-being.

As summarised in Figure 5, the 2023 ex-post assessment established that 34% and 60% of employees in total and under special programs respectively, in UDB-supported enterprises earned less than UGX210,000 monthly respectively. This disparity in earnings underscores the continued potential challenges faced by SMEs, including low pay, but largely speaks to earnings and business profitability.

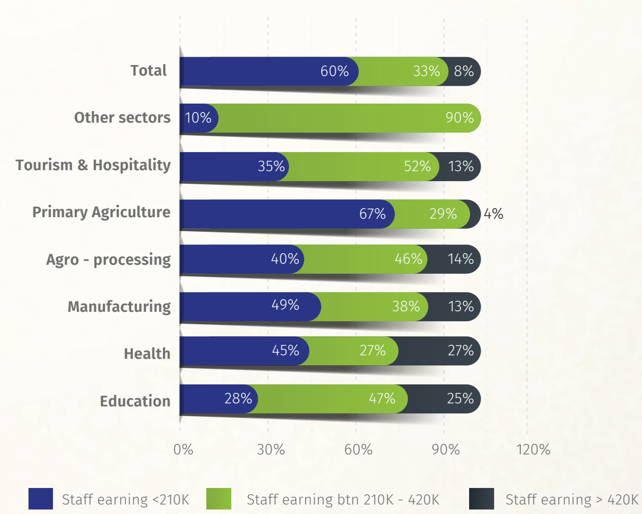
The key highlight from this finding is that 65% and 67% of employees in total and under SP respectively in the primary agriculture sector earn less than UGX210,000. This sector normally requires minimal formal education or specialised skills, resulting in a larger pool of available workers willing to accept lower wages, It translates into earning less than USD1.98 a day, which places these workers below the poverty line. However, a comparative analysis of the earnings in primary agriculture revealed a 15.0 percentage point improvement in earnings from the 80% of employees earning below UGX210,000 recorded in 2022 to 65% earning below UGX210,000 recorded in 2023.

Further analysis indicates that 33% of the total employees in both mainstream and SP earn between UGX210,000-420,000 respectively, 33 % and 8% in total and SP earned more than UGX420,000 respectively with a bigger proportion under health, agro-processing, and manufacturing sectors which the high skills requirements in these sectors may explain.

Figure 5: Range of staff earnings of employees in UDB-supported enterprises by sectors



Overall employees earning



Special Program

The findings above mean that 66% of the employees earned above the poverty line, earning above USD1.98 per day which helps in stimulating consumer spending, increases tax revenue, reduces income inequality, and attracts talent into different sectors.

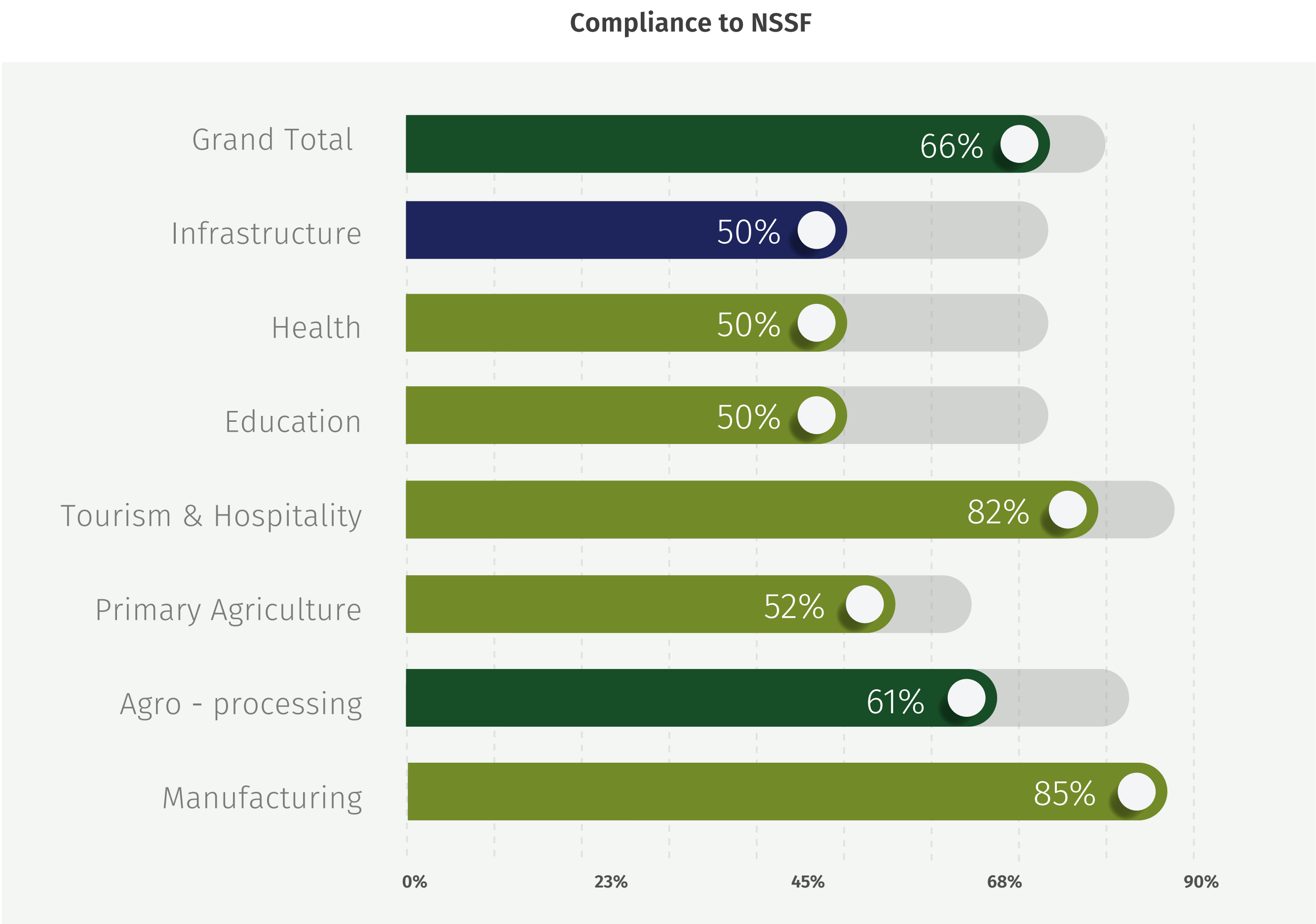
3.2.4. Social Protection

The Bank has remained steadfast in advocating for social protection and safe working spaces within its supported enterprises indicating the pivotal role it plays in improving the quality of life, fostering economic stability, and promoting social inclusion for sustainable development.

From the 2023 ex-post assessments as shown in Figure 6, 66% of the projects were compliant with social protection requirements, that is remittance of NSSF as per the Bank definition.

More compliance was observed or reported in the manufacturing sector, tourism and agro-processing with the least compliance reported under the primary agriculture, education, and health sectors.

Figure 6: Levels of Compliance to Social Protection and Other Staff Benefits in UDB-supported enterprises.



The high levels of compliance in manufacturing, agro-processing and tourism may be attributed to the level of business formalisation or high awareness and greater oversight from relevant stakeholders as compared to the other sectors, under tourism the condition precedence set for all employees to be enrolled to NSSF under the European Union tourism facility may be the driver of the 82% compliance. Similarly, analysis on the compliance of special program enterprises showed that only 21.0% were compliant with social protection with more compliancy observed in the industry at 67%, tourism at 50%, and health at 50%, with no compliance at all in the primary agricultural sector.

3.2.5. Other Employment Benefits

Among the other benefits offered by the funded enterprises include feeding across all sectors with 77% of the assessed enterprises offering feeding to their employees, 65% of the enterprises offering leave days to their employees, only 25% offering medical cover and 31% offering accommodation, other benefits included transport, Uniforms, shopping vouchers, airtime and data, quick staff loans etc.

Enterprises do offer employee benefits with the aim of attracting and retaining skilled workers, improving productivity, and building a more resilient and competitive business environment. To the Bank, employee benefits act as a catalyst in promoting inclusive economic growth, job creation, and poverty reduction. From the 2023 ex-post assessment, the following was established on other employee benefit.

Figure 7: Range of staff earnings of employees in UDB-supported enterprises by sectors

Leave Days.	Feeding	Accommodation	Medical Cover	Other
65%	77%	31%	25%	Benefits
of enterprises granted paid employee leave. With oil enterprise in health sub-sector granting paid leave and the primary agriculture sector being the least	of the enterprises provided meals for employees. Health sub- sector being the least of 71.0% with oil other sectors having more than 80% of the	of the enterprises in the different sectors provided accommodation for their employees, mostly this was in the infrastructure, primary agriculture, and tourism	of the enterprise offered medical cover for their employees, this was most common in health, infrastructure, and Industry sectors, less in Primary agriculture and tourism.	Other benefits provided included PPE's, capacity development, transport, staff soft loons, staff advances compassionate allowance etc.

3.2.5. Working Spaces and Conditions

Working conditions encompass various factors that can impact the health, safety, comfort, and overall well-being of workers. In its pursuit of better working conditions, part of the Bank's mandate is to promote social welfare by funding projects that prioritise safe working spaces.

The Bank identified occupational health and safety, work hours, and child labour, as the key measurement aspects of better working spaces and conditions. The 2023 ex-post assessment established the following.

75%

Compliance Occupational Safety and health.

Occupational safety and health (OSH) compliance involve ensuring that workplaces adhere to regulations and standards aimed at protecting workers' safety and health.

75.0% (82.0% mainstream and 68.0% Sp) of the enterprises reported or were observed having in place the minimum OSH requirement as per Bank definition with more compliance 95% established under infrastructure, followed by industry 89%, and the least compliance 59% in primary agriculture.

Compliance with OSH regulations enhance the reputation of businesses and instils confidence among stakeholders, including investors. it demonstrates a commitment to ethical business practices and sustainable development aligned with the Bank objectives.

8.7

Average Working Hours

The average Working Hours per day (hpd) stood at **8.7 hpd** across all sectors with mainstream and SP having 8.4 and 9.03 hpd respectively. Notably, the primary agriculture sector exhibited the highest average of **9.95 hpd** with the least **8.0 hpd** under infrastructure in mainstream and **8.2 hpd** for health under special program.

This disparity may be attributed to primary Agriculture sector's pronounced seasonality, where farmers may be compelled to work longer hours during peak periods (that is during planting and harvesting) to meet production deadlines and leverage the favourable weather conditions.
In contrast, all other sectors had an average of **8.2 hpd.** It was further established that **89.0%** of enterprises in mainstream and **8.6%** under special program, reported having standard working hours with primary agriculture standing at **61%** and industry at **93.0%.**

0%

Child Labour.

No enterprise reported employing children, it is important to note that employing children in any form deprives them of their childhood, compromise their dignity and potential to become productive members of the future workforce. This perpetuates a cycle of low-skilled labour and impedes the country's long-term economic development.

3.2.6. Social Inclusion.

Prioritising social inclusion in the Bank's development agenda is fundamental in fostering a resilient, inclusive, and sustainable society where no one is left behind.

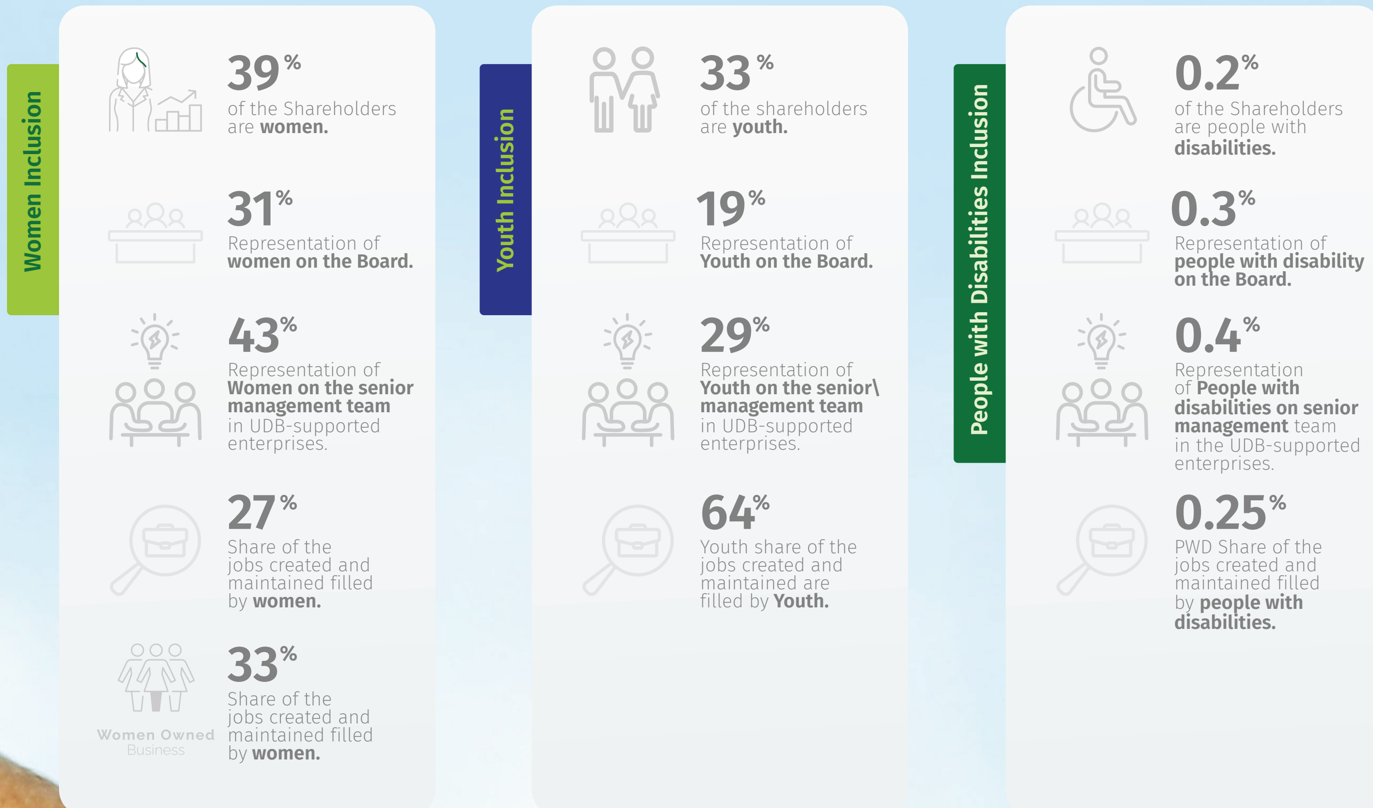
To the Bank, social inclusion symbolises diversity and social cohesion which unlocks the full potential of individuals and societal segments where everyone can fully participate, contribute, and thrive.

From the ex-post assessment as summarised in Figure 8, 64% of the jobs created and maintained were filled by youth, 27% by women, and 0.25% by persons with disabilities (PWDs).

Additionally, 33% of youth are among the shareholders, 39% of women are among the shareholders and 0.2% represent persons with disabilities (PWDs) among the shareholders. Furthermore, Women had a 31% representation on the board, youth 19% and PWDs 0.3%. Moreover, women had a significant 43% representation on senior management teams. Most importantly overall 22% of the enterprises were women-owned given that more than 50% of shares are held by women.

This insight shows a considerate engagement of these segments (women, youth, and PWDs) into meaningful work and leadership roles which enables them to exploit their full potential, pursue their aspirations, and contribute to societies where they reside and national growth.

Figure 8: Distribution of different diversities under social inclusion.

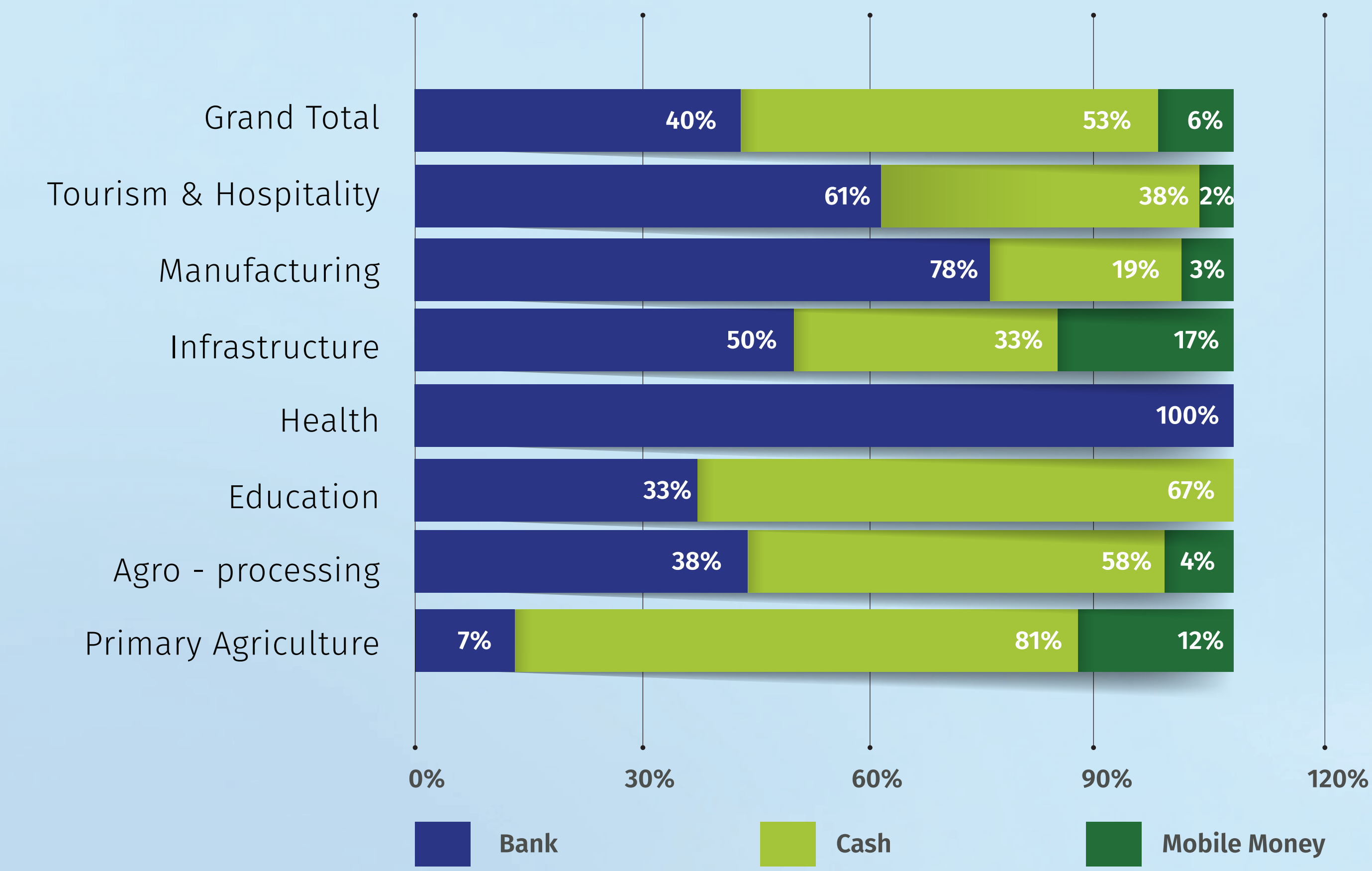


3.2.7. Preferred Mode Of Employee Payment

In the bid to drive social economic transformation and improve the quality of life among Ugandans, financial inclusion plays a crucial role, as it ensures that all individuals and businesses have access to formal financial systems and can effectively use these services to manage finances, make payments, save, borrow, invest, and access insurance.

To the Bank, financial inclusion is having access to formal Banking and mobile money services. In this context as summarised in Figure 9, we look at the preferred mode of payment of employees as reported by the Bank-supported enterprises.

Figure 9: Preferred mode of payment by UDB-supported enterprises.



The ex-post assessment established that 47% (62.0% Ms, 11.02% Sp) of enterprises preferred Bank and mobile money platforms as the modes of paying staff salaries, more noticeable in the health, Manufacturing, tourism sectors and infrastructure.

53% of the reached enterprises preferred the use of cash as a mode of paying employees, this mode is particularly more pronounced in the primary agriculture sector, education, and agro-processing where 81.0%, 67.0% and 58.0% of enterprises prefer payment of employees by using cash respectively.

A common observation was that enterprises that preferred cash-based payment, especially in primary agriculture had minimal record-keeping, informal employment arrangements and inadequate staff benefits.

3.3.1. Economic Impact

This section presents the findings of the economic outcomes, including revenue or turnover growth, government tax revenue generation, economic diversification, and expansion of export earnings.

It further gives an insight into private sector development, industrial park development, level of technology transfer, markets analysis and expansion with further alignment to the NDP III.".

3.3.2. Distribution Of Total Revenues by Sectors and Contribution to the National GDP.

This subsection presents the total revenue contributed by the supported enterprises and computes it as a percentage of GDP to demonstrate the Bank's value-added and contribution to national development goals.

3.3.2.1. Total Revenues Generated in 2023.

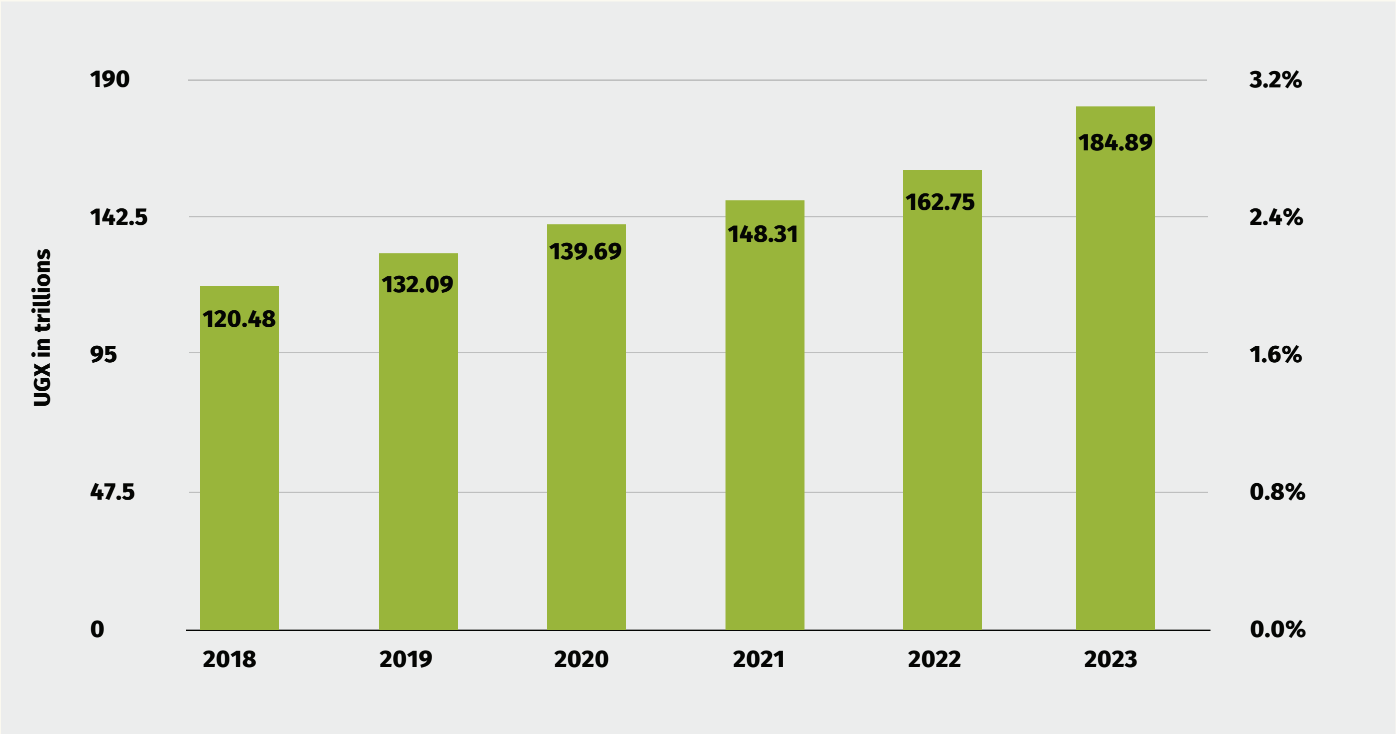
Overall, the surveyed enterprises as shown in Table 3, generated UGX5,861.15 Bn in the year 2023, equivalent to USD1.54 Bn.

Table 3: Sectoral Distribution of the Generated Revenues in 2023.

Gross Rrevenues (output) in UGX Bn				
Priority Sectors	Mainstream	Special Program	Total	(%) Contribution
Manufacturing	1,927.31	1.67	1,928.97	32.91%
Agro - processing	1,979.21	14.16	1,993.37	34.01%
Primary Agriculture	508.58	7.11	515.69	8.80%
Tourism & Hospitality	1,139.26	1.13	1,140.39	19.46%
Education	4.56	0.48	5.04	0.09%
Health	118.92	0.97	119.89	2.05%
Infrastructure	142.91	-	142.91	2.44%
Other Sector	14.40	0.49	14,89	0.25%
Grand Total	**5,835.16**	**26.01**	**5,861.16**	

The agro-processing sector posted the highest share of 34% of the total gross revenues, followed by manufacturing at 33%, and tourism at 19%, with the least contributing sectors being education at 0.09% of the total revenues generated; this follows almost the same trend as that reported in the year 2022.

Figure 10: Contribution of UDB-supported enterprises to National GDP 2018-2023



Uganda's 2023 annual GDP was computed at UGX184,895.36 Bn, equivalent to USD48.66 Bn (UBOS, 2024). This shows that UDB-supported enterprises' contribution is estimated at 3.2% to the country's GDP in 2023, which is a 1.1 percentage point increase from that posted in 2022 as shown in Figure 10.

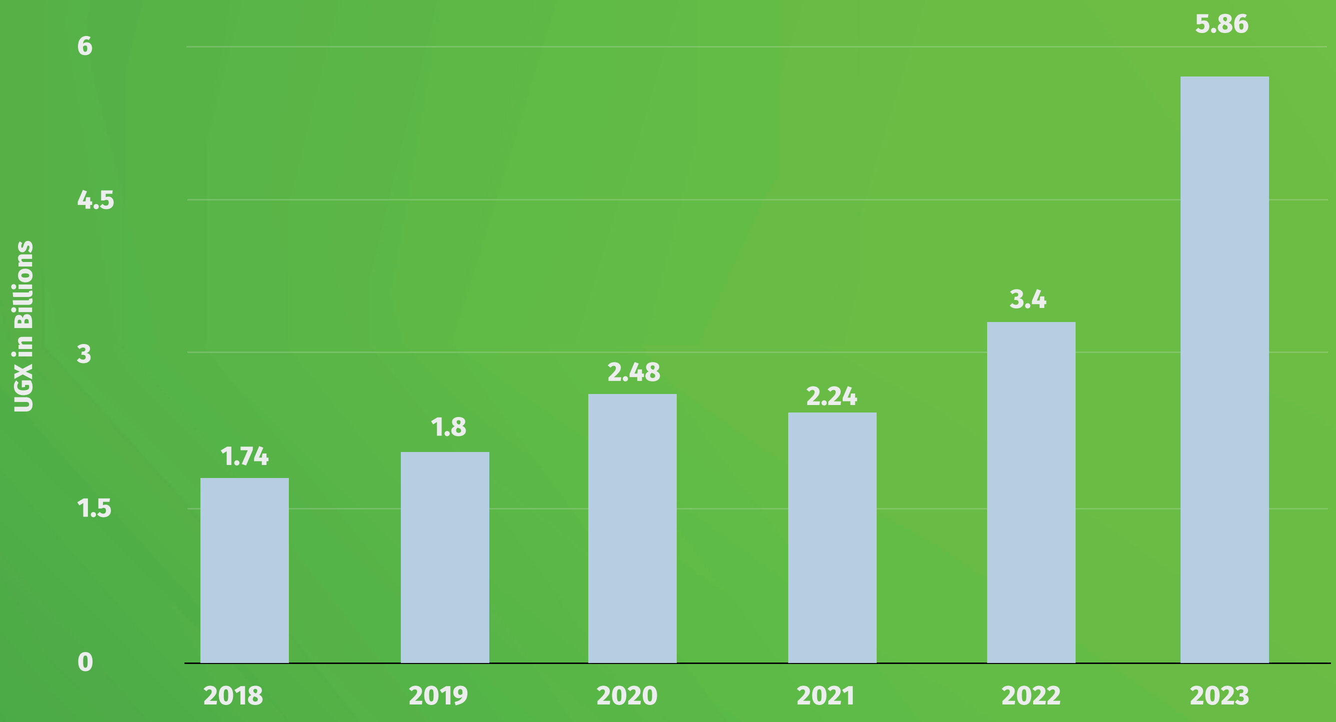
The year 2021 saw a slight decline in the contribution away from 1.8% in 2020 to 1.5% in 2021.

However, in recent years this metric has remained on a positive trajectory. This provides valuable insight into the Bank's commitment to fostering GDP growth.

3.3.3. Year-on-Year Comparison Of The Total Revenues Of UDB Funded Enterprises 2018-2023.

The trend analysis as shown in Figure 11, shows a positive trend in the total amount of annual revenue realised by UDB-funded enterprises over 6 years growing at a rate of 0.7. Further analysis showed that 2021 remains the only year that registered a 10% decline in the total annual revenues generated by UDB-supported enterprises from UGX2.48 trillion in 2020 to 2.24 trillion in 2021, this was mainly attributed to the diverse effects of the COVID-19 pandemic that brought about disruption in the global supply chains, consumer demand, financial constraints, and slow rate of economic activities in the country.

Figure 11: Trend in the annual revenues of UDB-supported enterprise 2018-2024



3.3.4. Sector-Specific Contributions

Analysing the sector-specific contributions of UDB-supported enterprises to the national sector-specific GDP is pivotal for evaluating the effectiveness of our interventions in enhancing the sector-specific development outcomes. From the 2023 ex-post assessment as summarized in Table 4, the supported enterprises in the industrial sector contributed approximately 13.5% to the industry sector's earnings, services accounted for 1.6% of the services sector, and primary agriculture contributed 1.2 % to the total earnings in the agricultural sector, with other sectors combined contributing less than 0.5%

Notably, a substantial portion of the Bank's investments is allocated to the industrial sector, underscoring our commitment to investing in projects and sectors that drive impactful outcomes such as job creation, income generation, and tax revenues, all of which fuel economic growth.

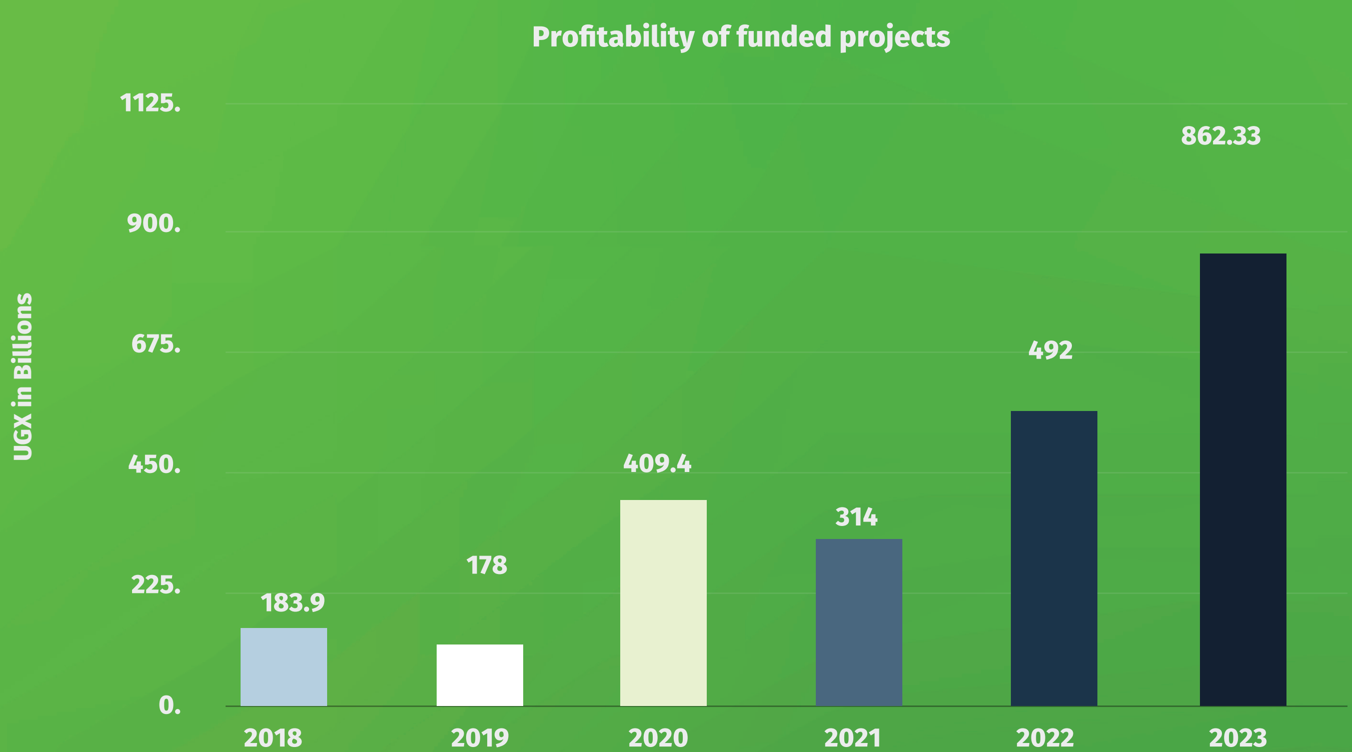
Table 4: Percentage Sectoral Contribution of UDB-supported enterprise to Gross Domestic Product (GDP).

SECTOR	National GDP data 2023 in UGX	Revenues in UGXof UDB projects 2023	% Contribution
PRIMARY AGRICULTURE (Crop and Livestock)	44,374.89	515.69	1.2%
INDUSTRY (manufacturing and agro processing)	29,028.57	3,922.35	13.5%
SERVICES (human capital and tourism)	78,765.42	1,265.32	1.6%
OTHERS	32,726.48	157.80	0.5%
TOTAL	**184,895.36**	**5,861.16**	**3.2%**

3.3.5. Profitability Of Enterprises.

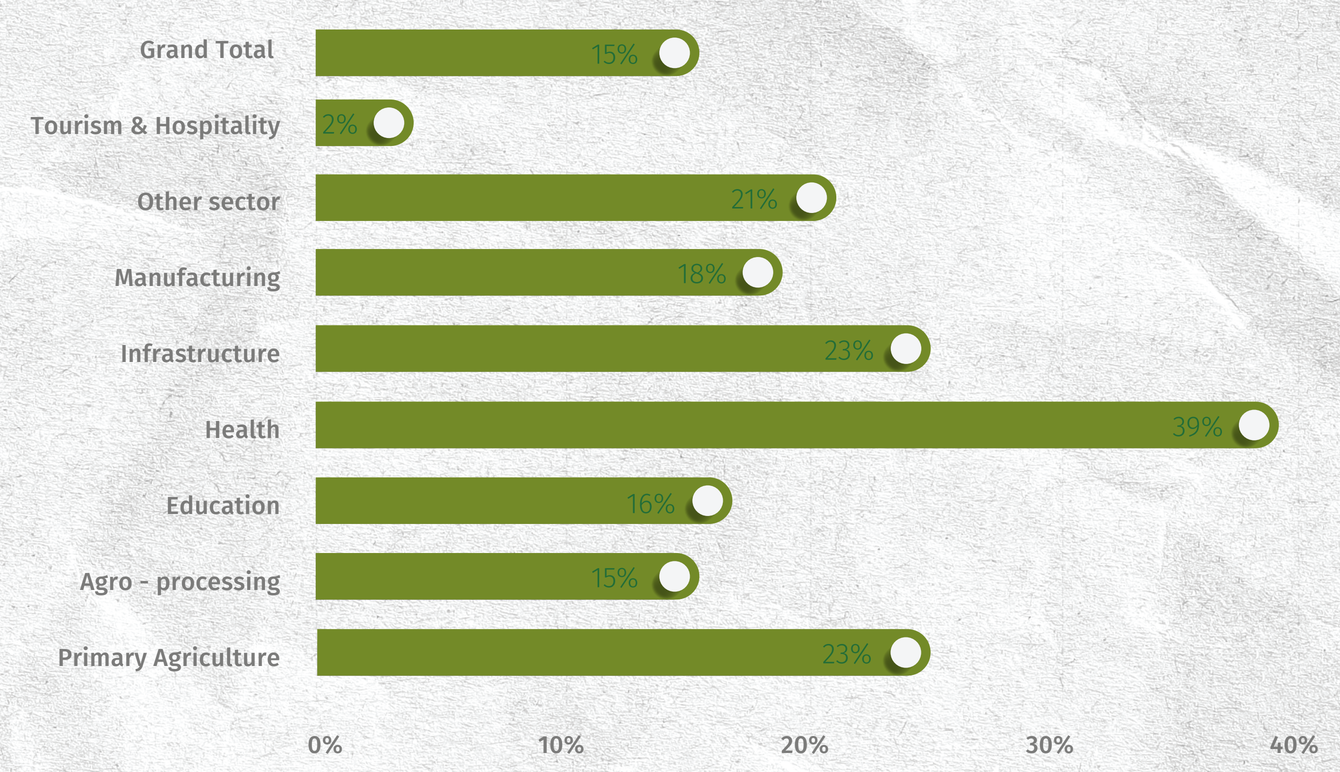
To the Bank, profitability is not an end, but a means to achieve broader development impact, such as job creation, income generation, poverty reduction, and economic growth.

Figure 12: Showing Profitability Trend of UDB-Supported Enterprises Between 2018-2023



The annual profitability trend of UDB-supported enterprises over 6 years showed a positive trend and grew at a rate of 121.1%, with the only years registering a decline in profitability being 2019 and 2021.

2023 Profit Margin by Sector.



Analysis of sectoral profit margins, revealed significant variations in the financial performance across different sectors. Sectors such as health and primary agriculture demonstrate notably high-profit margins of 39% and 23%, respectively, indicating their robust financial health and profitability. Conversely, sectors like tourism & hospitality exhibit a considerably lower profit margin of 2%, suggesting challenges in generating substantial returns.

The disparities in sectoral profit margins underscore the diverse economic landscape and the influence of various factors, including market demand, economic environment, and competitive dynamics, on the financial performance of different sectors. The Bank is faced with the challenge of allocating limited resources to projects and initiatives that have the greatest impact on economic growth, poverty reduction, and sustainable development. Analysing the net profit margin helps decision-makers prioritise investments in projects that are financially viable and have the potential to generate long-term returns in addition to the social and environmental benefits.

The computation of the sectoral profit margin serves as a critical financial indicator for the Bank as it provides valuable insights into financial health and sustainability.

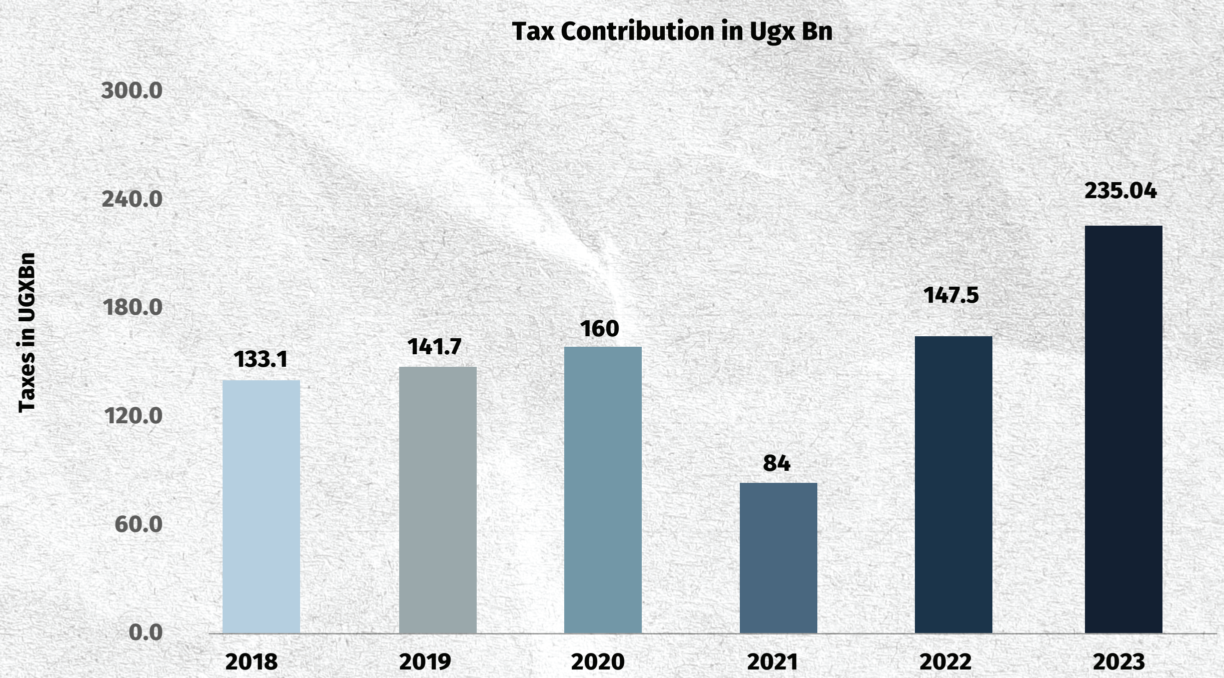
3.3.6. Contribution To Tax Revenue

Monitoring and promoting tax compliance of supported enterprises is an integral part of the Bank's mandate of fostering sustainable development. Taxes are essential for economic development as they provide government revenue, redistribute wealth and stimulate economic activity.

Table 5: Different tax revenue contributions by Sector of UDB-supported enterprise in 2023.

Sectors	Corporation Tax contribution	PAYE Tax contribution	Total Tax revenue	% contribution
Manufacturing	91.55	19.37	110.91	47.0%
Agro - processing	53.04	12.80	65.84	27.9%
Primary Agriculture	31.81	3.60	35.42	15.0%
Tourism & Hospitality	4.87	2.67	7.54	3.2%
Education	0.24	0.09	0.33	0.1%
Health	6.41	1.47	7.87	3.3%
Infrastructure	5.79	1.13	6.92	2.9%
Other	0.92	0.33	1.25	0.5%
Grand Total	**41.45**	**41.45**	**236.08**	

Trend in tax revenue of UDB-supported enterprise 2018-2023



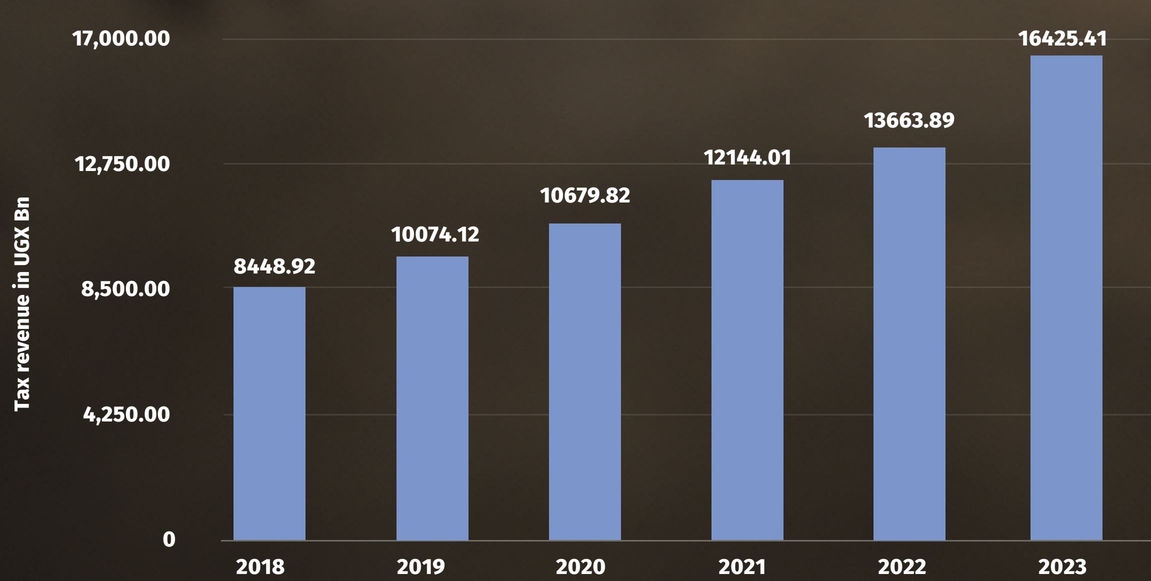
The 2023 ex-post assessment majorly focused on two direct taxes (corporation tax and pay as you earn). As summarised in Table 5, it was established that UDB-supported enterprises in 2023 contributed approximately UGX236.08 Bn in direct taxes, 82% corporation tax and 18% pay-as-you-earn. This is a significant increase in direct tax revenue from the UGX147.5 Bn contributed in 2022.

The trend analysis of tax revenue contribution as shown in Figure 14, shows a positive trend growing at a rate of 12.88 % over 6 years from 2018 to 2023.

Analysis of the sectoral contribution of taxes as summarised in Table 5 showed that the manufacturing sector had the highest contribution at 47.0% of the total tax revenue contribution, followed by Agro-processing at 27.9% and primary agriculture at 15.0%, the least contributing sectors were tourism at 3.2%, Education at 0.1% and others sectors combined at 0.5%.

The high tax revenue contribution from the industry sector may be attributed to the high revenues generated, high employment levels and use of skilled workers which translate into larger payroll taxes and the intensive industry operations that often require substantial investments in machinery, equipment, and infrastructure henceforth making it a key contributor to overall tax revenues. The overall distribution of taxes by sector is influenced by the Bank's concentration of funding where over 75% goes to agriculture, manufacturing, and agro-processing.

Figure 13: Trend in tax contribution of UDB-supported enterprise to the national domestic Tax 2018-2023



As shown in Figure 13, an oscillating trend was established in the percentage contribution of tax revenue by the supported enterprises to the total national domestic tax over the 6 years 2018 to 2023.

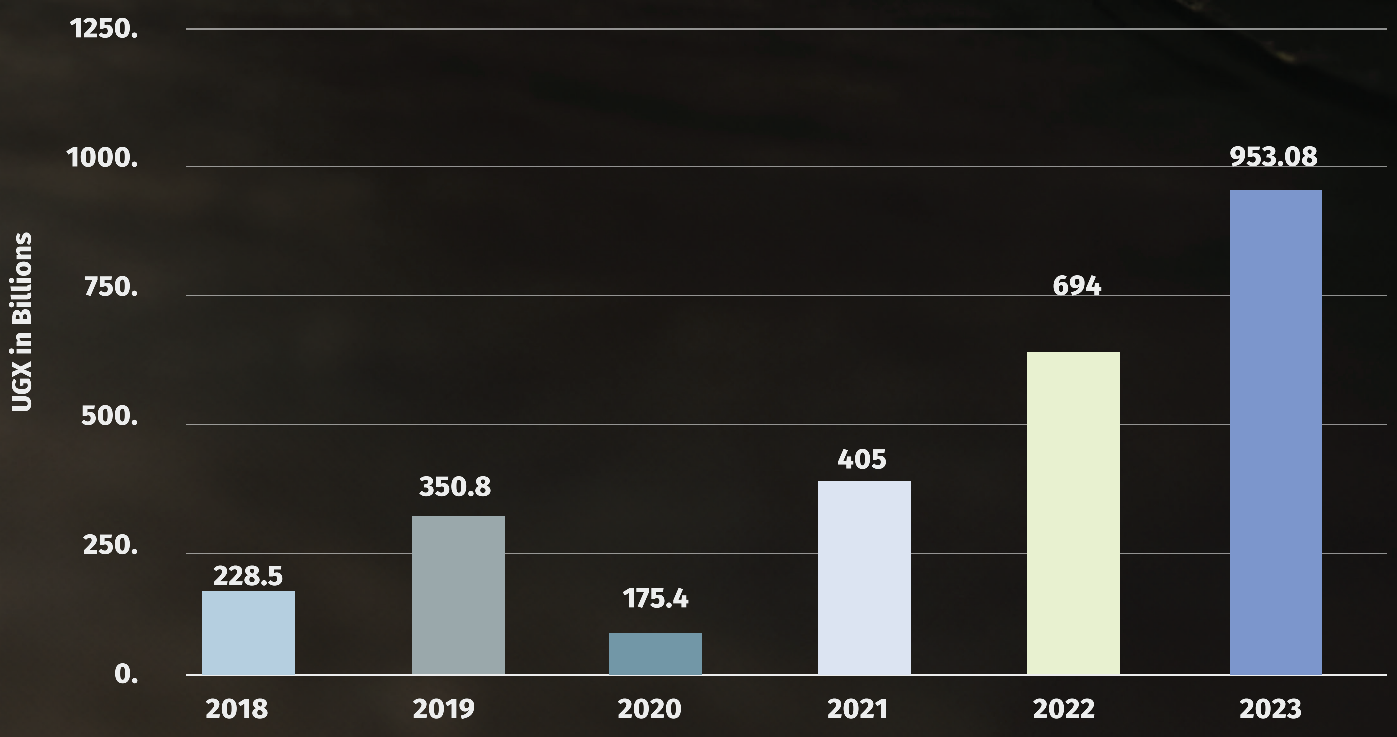
The year 2021 saw the lowest contribution in domestic taxes which was mainly attributed to the effects of COVID-19, this may imply that the annual domestic tax revenues of UDB-supported enterprises fluctuate in response to economic and business environment shocks, including phases of expansion and contraction.

However, post Covid-19 the domestic tax revenue contribution has been on a positive trajectory implying an improving business environment and expansion of the economy which may later translate into increased employment, increased revenues and higher tax revenues.

3.3.7. Contribution To Foreign Exchange Earnings.

Foreign exchange earnings are an important financial metric for Uganda Development Bank as it provides valuable insights into the international competitiveness of its supported enterprises.

Figure 14: Trend in foreign exchange of UDB-supported enterprise 2018-2023



This metric aligns with the mandate of the Bank which is to foster social economic transformation and improve the quality of life among Ugandans. From the 2023 ex-post assessment, the USD equivalent of UGX953.12 Bn was realised in forex by UDB-supported enterprises. This is a significant increase in forex earnings as compared to an equivalent of UGX694.0 Bn earned in 2022.

The trend analysis of foreign earnings as shown in Figure 14 took an upward positive trend growing at an estimated rate of 139% over 6 years from 2018-2023.

Analysis shows that in 2020, the supported enterprises of the Bank experienced a decline in foreign exchange earnings, primarily attributed to the economic downturn caused by the COVID-19 pandemic, this marked the sole year in which such a decline was observed, reflecting the significant impact of the pandemic on the economic activity.

However, post-COVID-19, the UDB-supported enterprises are posting increasing Figures of foreign exchange earnings, an indication of an increase in the export of goods and services which may be attributed to many factors including increased demand for the country's products on the international market, improved quality, value and competitiveness of products, product diversification and successful market penetration strategies, especially in the tourism sector.

3.3.8. Sectoral Contribution Of Foreign Exchange Earnings

In 2023, the sectoral analysis of foreign exchange earnings from UDB-supported enterprises as shown in Figure 17, revealed significant contributions from key sectors. Notably, the agro-processing and manufacturing sectors emerged as the primary earners, accounting for 52.2% and 27.6%, respectively.

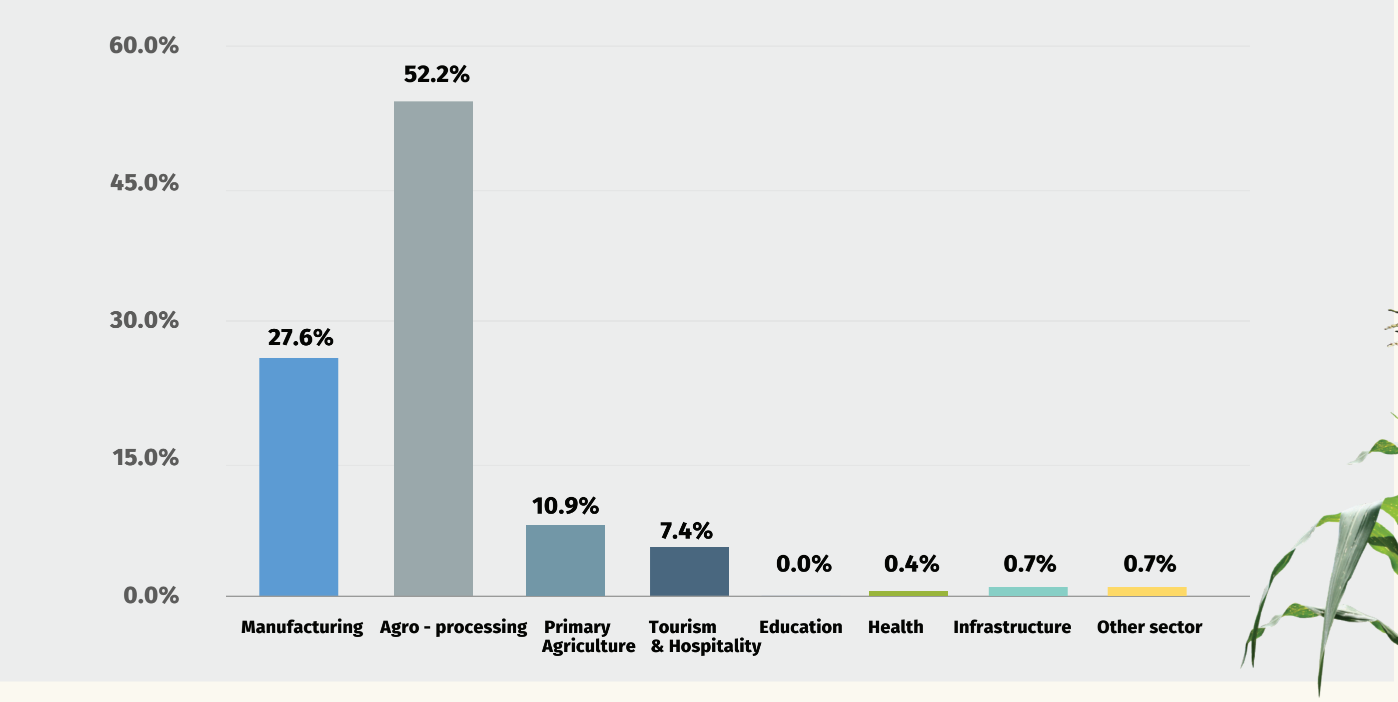
The impressive performance of these two sectors can be attributed to value addition and improved product quality which results in higher-value goods, bolstering competitiveness in global markets and enabling these sectors to command higher prices and generate increased forex earnings.

This aligns with the strategic focus of the Bank, which is to bolster these sectors, recognised as pivotal for driving export earnings and enhancing the balance of trade.

Following closely, the primary agricultural sector contributed 10.9%, while tourism accounted for 7.4% of the foreign exchange earnings. Conversely, the health sector represented a modest 0.4% share, with the education sector registering no contribution at all.

The limited contribution of the education sector to forex earnings can be attributed to the inherent nature of its services, which typically do not facilitate direct revenue generation through exports.

Figure 15: Sectoral contribution of forex earning by UDB-supported enterprises 2023.



3.3.9. Market Access

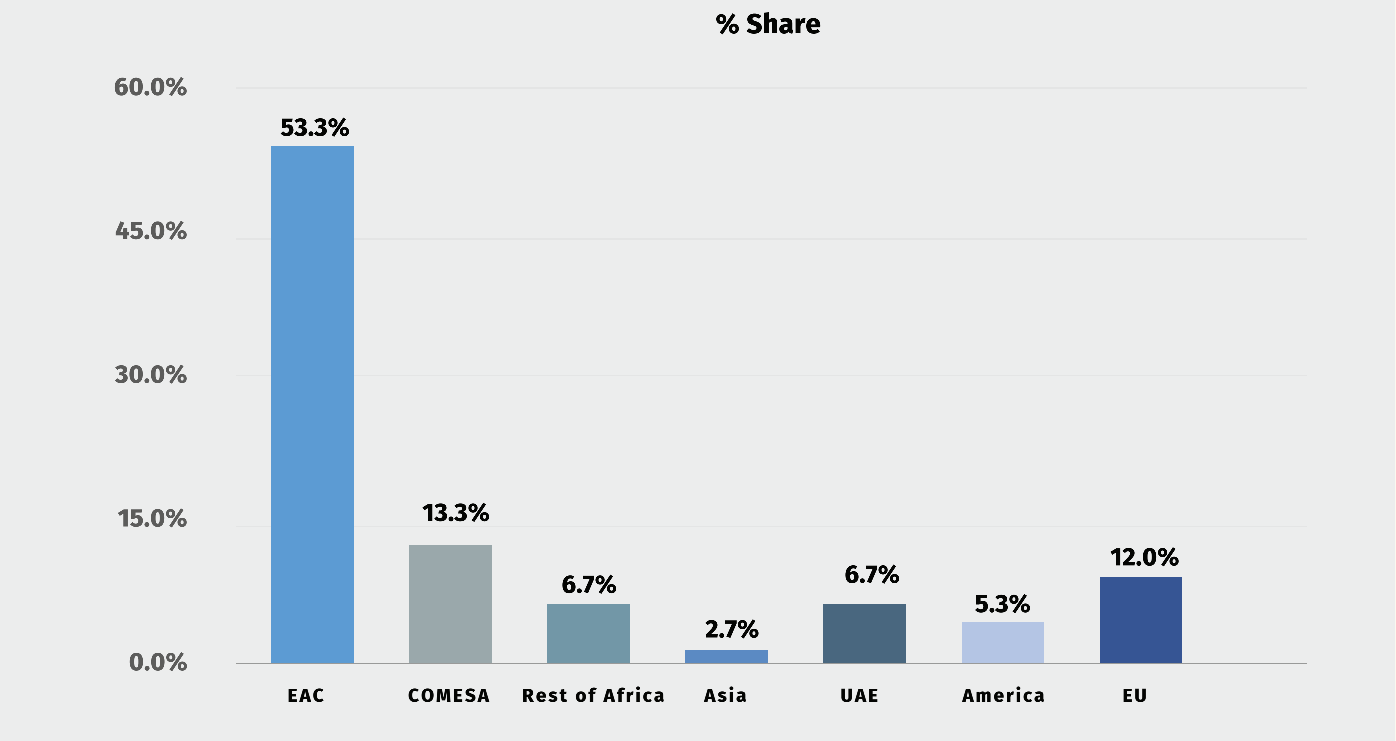
Market access may not be a traditional economic metric like GDP, taxes, or forex earnings, but extremely critical in influencing economic development.

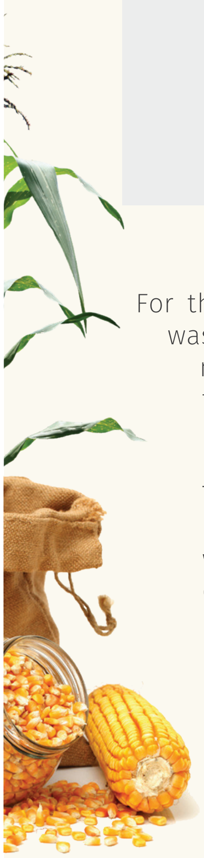
The ability of enterprises to enter and compete in domestic, regional, and international markets can result in heightened trade volumes, expanded exports, and deeper integration into the global economy, thereby fostering economic growth.

From the 2023 ex-post assessment, the analysis showed that 74% of the products are sold on the local market and 26% are exported.

On average **74%** of the products from UDB-supported enterprises is sold in the local market with only **26%** for export in the industry sector

Figure 16: Export markets for UDB-supported enterprises in 2023.





For the export destination as shown in Figure 16, it was established that the East African community market, with a share of around 53.3%, remained the biggest export destination of products for the Bank-supported enterprises.

This was followed by COMESA and the European Union with a 13.3 % and 12.0% share respectively, with UAE at 6.7%, America at 5.3 %, Rest of Africa at 6.7%, with limited export activity to Asian markets standing at 1.3%.

This suggests a significant reliance on neighbouring countries within the EAC for export opportunities, with notable export activities with the COMESA, EU, and UAE.

While the EAC market dominates, the existence of other markets signifies the potential to diversify export markets which will reduce the reliance on a single market.

For the tourism sector, it was established that the highest number of tourists to these enterprises were from the UK, USA, and Germany. These countries should potentially be the key targets for the tourism promotion efforts but also efforts should be enhanced to tap into other markets in Europe, Asia, and the Middle East. However, other factors such as economic relations, historical ties and geopolitical considerations may also influence tourism flows from these countries.

3.3.0. Sector Specific Results

Uganda Development Bank is recognised by the Government as one of the key entities identified to operationalise the Country's NDPs, particularly those that relate to the provision of affordable finance to facilitate and catalyse private sector investment and support their growth and development. The financial support is channelled through public and private sector entities mainly in the primary agriculture, industry, and services sectors. The following sections provide sector-specific analysis of the different Bank-supported enterprises.

3.3.1. Primary Agriculture.

Primary agriculture is vital to Uganda's economy, driving GDP growth and employing the majority of the labour force. The Bank supports primary agricultural enterprises by providing funding for essential inputs like seeds, fertilisers, and water, as well as technologies and mechanisation to enhance production, post-harvest processes, and storage, all while considering climate change.

The Bank's main interventions in primary agriculture were documented to have been allocated towards both crop and livestock farming. Overall, 32% of the surveyed 96 enterprises were engaged in primary agriculture, of which 50 (24 MS and 26 SP) enterprises are in crop production, 45 (18 MS and 27 SP) in livestock including cattle, apiary, Fish farming, 1 mixed farming and 3 under onward lending.

3.3.1.1. Main Activities Funded By The Bank in Primary Agriculture.

As summarised in Table 6, an analysis of funded activities in primary agriculture shows a diverse distribution of support. While investments in pesticides and fertilisers may be limited to 9%, there is substantial funding in other areas.

Notably, there is significant support for animal breeds at 34% and crop seeds at 64%, this speaks to the deliberate efforts by the Bank to enhance availability and quality, Purchase of feeds and pasture management at 14% in livestock production and land opening or cultivation at 55% signifying efforts to expand agricultural areas.

There is also a significant focus on water for production standing at 24% and 18% for livestock and crop farming respectively; these included (valley dams, irrigation infrastructure and other water-for-production initiatives), highlighting the commitment to improving water for production and access. Other initiatives in livestock farming including product storage, processing, and market access show an intent to reduce post-harvest losses and add value to agricultural products.

Furthermore, asset financing for agricultural tools and mechanisation reflects efforts to modernise the sector and in crop production, this stood at 27%. There is also support for fertilisers and pesticides which may affect yields and the use of organic alternatives or their costs being part of working capital.

Overall, the funding patterns in primary agriculture reflect a multifaceted approach aimed at enhancing agricultural productivity, resilience, and market access in Uganda's primary agricultural sector.

Table 6: Commonly funded activities in Primary Agriculture in 2023

	Activity level Indicators	Percentage	
		Mainstream	Special Program
Funded Initiatives in the Animal Husbandry	Cattle Fattening	10%	46%
	Purchase of high breed	34%	58%
	Water for production (Valley dams, etc)	24%	31%
	Livestock product processing and market	7%	0%
	Product diversification	2%	0%
	Milk coolant	7%	4%
	Pasture Management	24%	15%
	Others included (construction of structures, working capital, construction of honey house, Storage tank, Equipment (honey press) solar, purchase of feeds, and installation of cages)	17%	1%
Funded Initiatives in Crop Production	Water for production, Irrigation infrastructure and related accessorises	18%	11%
	Procurement of improved seeds	64%	19%
	Land opening/ cultivation	55%	41%
	Asset financing (Agri-tools and mechanisation)	27%	74%
	Fertilizers	36%	33%
	Pesticides or herbicides	9%	19%
	Working capital,	9%	8%

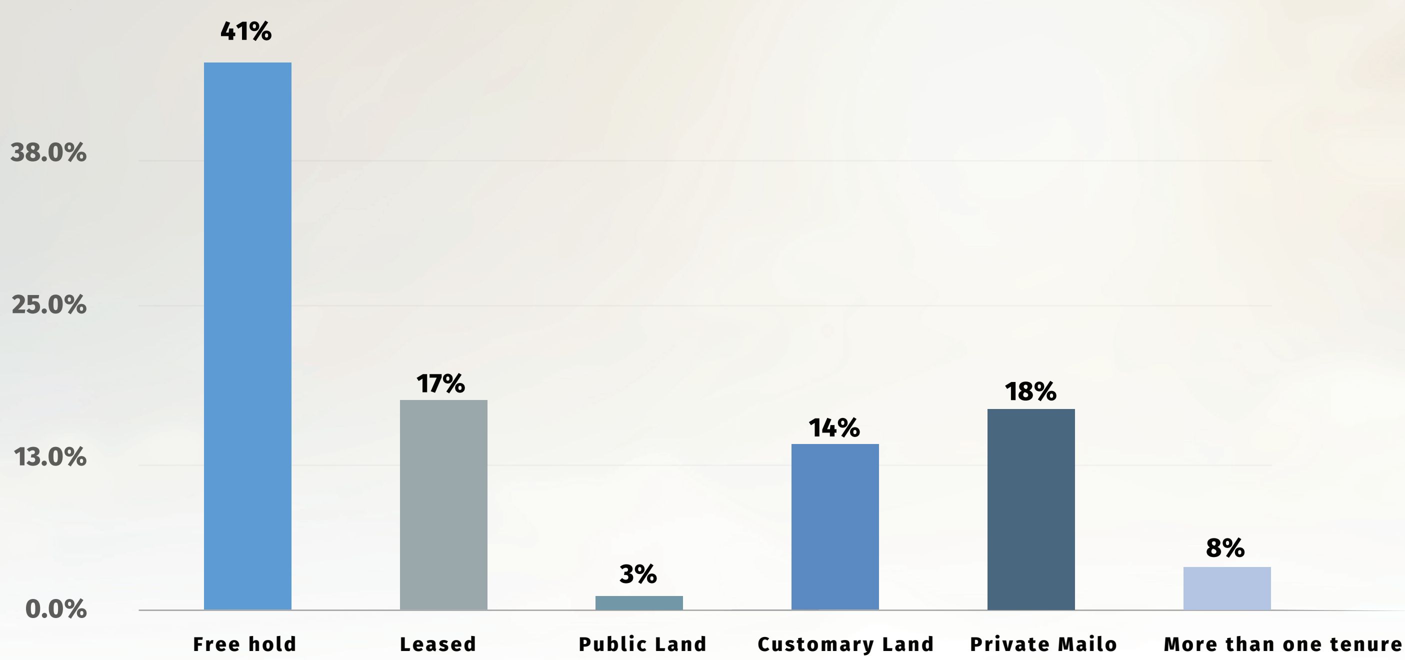
3.3.1.2. Agri-Land Access And Tenure Systems

Land access is defined as the ability of individuals, entities, or organisations to access agricultural land and efficiently utilise it for productive purposes. It encompasses aspects such as land tenure systems, land use planning, and sustainable management practices. Proper land holding encourages long-term agricultural investments, leading to increased productivity and economic growth.

In its mandate to cause transformation in the agricultural sector, the Bank has continued to support initiatives that facilitate access, efficient utilisation, and adoption of modern methods of agriculture, which are essential components of sustainable agricultural development and growth. As summarised in Figure 17, the ex-post assessment established that 41% of the reached primary agriculture enterprises are on a freehold land system, 27% have leased land ownership, 18% have private mailo ownership, 14% customary ownership, and 3% have public land ownership, 8% of the enterprises had mixed land tenure systems.

The Bank encourages enterprises to register and title their land to enhance tenure security but also to increase land value. A clear and secure land tenure systems provide investors and stakeholders confidence to invest in their land, knowing that their rights to use and benefit from it are protected. This encourages long-term agricultural investments, leading to increased productivity and economic growth.

Figure 17: Land tenure of UDB-supported enterprises in Primary Agriculture



3.3.1.3. Major Livestock And Crops Kept/Grown By Funded Enterprises Under Primary Agriculture

The analysis of the key crops grown by UDB-supported enterprises underscores the prominence of staple food crops like maize, sorghum, and beans, which comprise a significant portion of the supported crops. Additionally, there's notable cultivation of high-value cash crops such as coffee, tea, cocoa, and aloe vera, alongside endeavours in large-scale tree planting.

Staple food crops	Assumed Outcomes	High-Value cash crop	Assumed Outcomes
Corn and grains	Corn, and Beans are a staple food crop, widely consumed by both rural and urban populations. Its cultivation contributes significantly to food security and household incomes. The assessment showed that majority of enterprises focused on maize production, including Bulking and marketing.	Large scale Tea planting and processing	Tea is part of the predominant cash crop grown in the country ranking third after coffee and fish in terms of export value (UBoS, 2020). The Bank has continued to support this enterprise as it commands a lot of foreign exchange earnings for the country, the Bank support is aimed at enhancing production and quality through value addition, improve quality, expansion, and access to international markets.
Beans	The aspect of playing significantly in the value chains, enhances the potential for agribusiness development, market linkages, and value addition, create more Jobs, improvement in farmer incomes especially in rural areas.	Tree planting and Processing	3 enterprises were found in sustainable tree planting and processing. These enterprises are critical as they contribute to sustainable forestry management, wood production for infrastructure development , and environmental conservation in the form of carbon sequestration.
Other emerging crop enterprises and assumed outcomes			
Other staple crops	Other crops included soya beans which are also crucial in enhancing food security. The emergency of soya growing may be driven by the increasing demand for soya-based products and including livestock feed.	Other High Value crops	From the 2023 ex-post assessment other emerging high value crops included cocoa with one enterprise venturing in cocoa growing, and aloe vera, lemon and citric trees. These are crucial in the diversification of the sector and reduce the reliance on a few high valued crops.

The diversity of crops grown as summarised above, does not only ensure food security but also hold economic potential through value addition, diversifying the market and expansion, thereby contributing to rural development and economic growth.

Under Livestock farming, from the 2023 ex-post, the analysis of enterprises provided a critical insight into the livestock landscape. Analysis showed that significant Bank funding goes to cattle farming for both milk and meat production, and other undertakings including goat, fish, poultry, and Apiary.

Livestock enterprise	Assumed outcomes of the enterprise
Cattle Both Milk and Meat Production.	From the 2023 ex-post assessment close to 67% of the Bank funded enterprises under agriculture are info caffle farming for both milk and beef production. A total of 24,883 (21,490MS and 3,393 SP) heads of caffle were reported. Some of the enterprises go further in the value chain to bulk and market products.
Goat farming	Goats are mainly reared for their meat, integrating goat farming into agricultural systems helps in diversifying livelihoods for farmers, reducing their dependency on a single crop or source of income, a total of 180 goats were reported and from one farm which had both cattle and goats.

Other livestock enterprises and the assumed outcomes.

1. Fish Farming 2. Poultry Farming 3. Apiary	Fish, poultry, and Apiary farming are the other emerging livestock enterprises among the Bank's primary agriculture enterprises. An estimated 12,430,475 fish, 2,320 beehives and 149,500 chicken were reported from the ex-post assessment. The Bank's continued support to these enterprises is due to their socio-economic relevance like contribution to food security, inclusion, employment generation in the value chain, income generation for farmers and agricultural diversification.

3.3.1.4. Production, Productivity, And Post-Harvest Losses.

Productivity levels vary depending on factors such as climate, soil fertility, farming practices, and investment in research and technology. The Bank has continued with significant efforts to improve productivity as highlighted above in sub-section 3.3.2 including support to acquiring of improved breed and high-yielding crop varieties, adoption of modern farming techniques, mechanisation, post-harvest handling and other investment in agricultural infrastructure and initiatives.

3.3.1.4.1. Crop Productivity And Prices At Different Markets

Crop productivity is the efficiency with which crops are grown and harvested, measured by the quantity of output per unit area or plant. To the Bank, this is a crucial metric as it directly impacts the overall performance and sustainability of the supported enterprise but more so the agricultural sector.

From the 2023 ex-post assessment as summarised in Table 7, findings indicate that tea achieved the highest increase in productivity from an average yield of 280 kg to 285 kg per acre. This remains below international standards which are reported at 320 kgs per acre.

Table 7: Average yield of selected crops from UDB-supported enterprises.

s/n	Crop	Average yield in Kg per acre with UDB 2022	Average yield per acre per season with UDB project 2023	% Increase in Yield 2023 and 2022
1	Tea	720.00	729.08 kg	9.08 kg (1.3%)
2	Grains	1600	1900 kg	300 kg (18.8%)
3	Soya bean	NA	1250 kg	-
4	Cocoa	NA	14 kg	-
5	Sugarcane	20,000	21,500	1.5 (8%)
6	Corn	2000	2,100	0.1 (5%)
7	Coffee	700	703	3 (0.4%)
8	Avocado	NA	540	-
9	Lemon	NA	NA	-
10	Tree Planting	NA	NA	-

Despite grain and sugarcane farmers making up most of the debt financing support for crop farmers, it was found that they had the least increase in the average yield per acre, averagely increasing from 1.6 tons to 1.9 tons per acre and 20 to 21.5 tons per acre for grain and sugarcane respectively.

3.3.1.4.2. Post-Harvest Losses in Crop Production

Relative to 2022, the assessment also noted a 0.8 % reduction in the post-harvest loss for grains framers that they attributed to knowledge acquired about post-harvest handling, construction of storage facilities and procurement of transport for enterprises to immediately transport their produce to the market thus reducing post-harvest losses.

3.3.1.4.3. Livestock productivity and prices at different market points

As summarised in Table 9, the average milk productivity was initially at 14.6 litres per cow per day for Exotic breeds, 6.6 litres for cross breeds and 4.2 litres for local breeds. The Bank's interventions in the form of debt financing for the construction of valley dams and improving pasture have raised productivity across the different breeds.

3.3.1.4.4. Post-Harvest Losses In Livestock

In terms of post-harvest loss under livestock, looked at on milk and beef, because of the complexity of computing post-harvest beef losses which include the various stages losses can occur, the assessment took into consideration only at pre-slaughter stage. Findings showed that the average post-harvest losses in milk reported stood at 2.5%, these mainly resulted from transportation and excess milk on the market, including milk lost in periods of animal disease outbreaks. The post-harvest losses in beef mainly at the pre-slaughter considered issues that affect the weight of animals which included feed withdrawal, water restrictions and harsh transportation methods that injure the animal and reduce the value, this was reported at 8.0%.

Animal Product	Average post-harvest loss before	Average % loss current	Average post-harvest loss before
#1 Milk	-	2.5%	-
#2 Meat	-	9.0%	-
#3 Honey	-	10%	-

Overall, increasing production and productivity, including reducing post-harvest losses in the primary agricultural sector is vital for achieving social, economic, and environmental sustainability in the agricultural sector. It supports food security, poverty reduction, economic development, environmental conservation, and climate resilience, making it a cornerstone of agricultural transformation and rural development efforts.

3.3.1.5. Adopted Methods Of Farming.

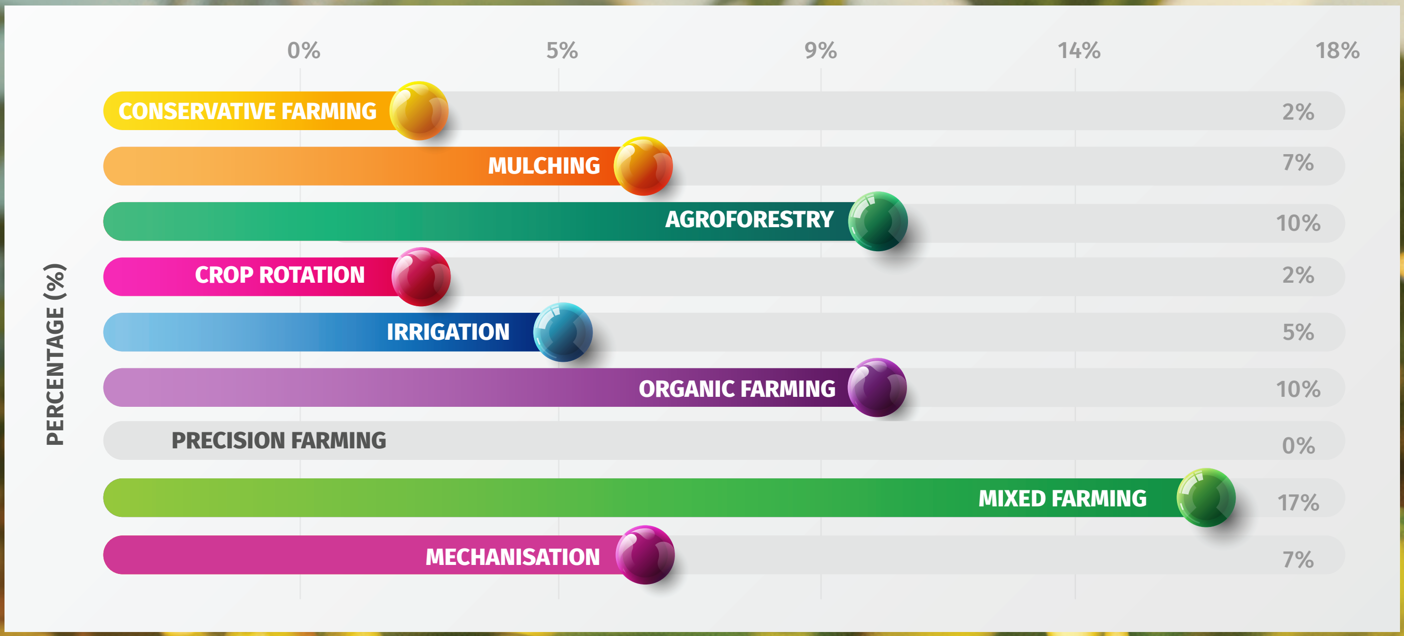
The techniques and practices used by farmers to cultivate crops and raise livestock may vary depending on several factors such as climate, soil type, available resources etc. According to the Bank, farming methods that focus on productivity enhancement, resilience promotion, quality, value addition and market access can create employment opportunities, stimulate rural economies, and contribute to poverty reduction and inclusive growth.

From the 2023 ex-post assessment as summarised in Figure 20, analysis of farming methods indicated varied levels of adoption among farmers, with mixed farming having the highest adoption rate at 17%, followed by organic farming and agroforestry at 10% each. Mechanisation has a moderate adoption rate of 7%, while irrigation and mulching stand at 5% and 7%, respectively.

Precision agriculture and crop rotation have not been widely adopted, with 0% and 2% adoption rates, respectively. Conservation farming also has a low adoption rate of 2%. This may be attributed to the fact that precision agriculture, often requires investment in specialised equipment and technology, which may be inaccessible or costly for some farmers.

The high adaptation rate of mixed and organic farming may be attributed to the intent of risk diversification, and resource optimisation; while for organic farming it may be due to the increasing consumer demand for organic produce and potential premium prices for organic products.

Figure 18: Different methods of farming adopted in Primary Agriculture



3.4.0. Industry

The objective of the Bank's support in the industry sector, that is (manufacturing and agro-processing), is to catalyse the process of industrialisation in the country with a view of transforming the economy into a modern and industrialised one. That is an economy that can sustainably generate sufficient industrial outputs, improve the value of agricultural produce, enhance Uganda's competitiveness on both domestic, regional, and foreign markets; boost foreign exchange earnings as well as improve livelihoods for Ugandans.

The finding from the ex-post assessment showed that of the 298 projects reached, 96 (80 Ms and 16 SP) were under the industry sector with 63% being agro-processing enterprises, the investment in agro-processing aims at increasing the value of agricultural produce, reducing post-harvest wastage, enhance food security and Uganda's competitiveness on international markets, boost foreign exchange earnings hence improving the quality of life among Ugandans.

In addition to the above, 63% of the enterprises were categorized under the agro-processing subsector, with these investments in agro-processing seeking to increase the value of agricultural produce, reduce postharvest losses, enhance food security and Uganda's competitiveness on international markets, boost foreign exchange earnings hence improving the quality of life among Ugandans.

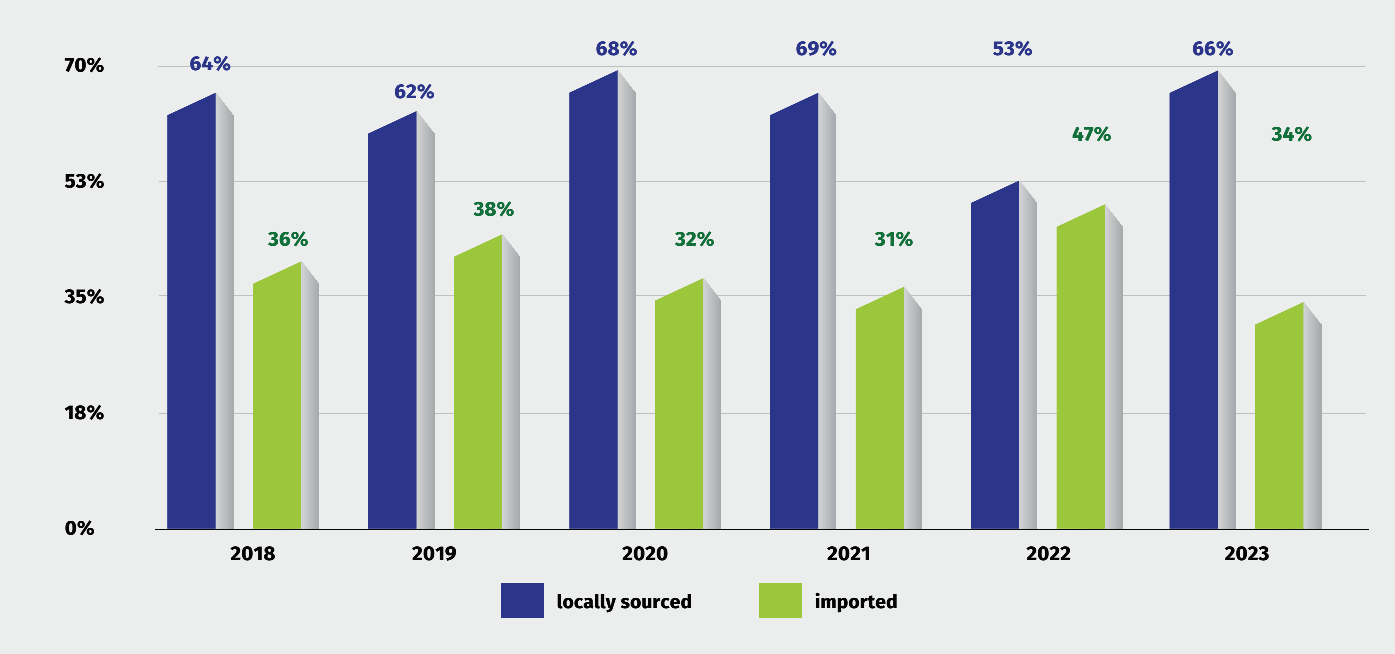
3.4.1: Major Activities Funded In The Industry Sector.

Analysing the funding allocation within the industrial sector allows the Bank to assess effectiveness, identify priorities, optimise resources, manage risks, formulate appropriate policies, and engage stakeholders effectively.

Most funded activities	Findings from the 2023 ex-post
Purchase of Equipment	Funding allocation for the purchase of industrial equipment stood at **58%,** highlighting a strategic effort to enhance productivity and efficiency within manufacturing and processing facilities. By acquiring modern machinery and technology, enterprises can improve their production processes, reduce costs, and remain competitive in the market.
Purchase of Raw Materials	**41%** of the funds goes towards the procurement of raw materials, this underscores the importance of securing essential inputs for production. This investment enables enterprises to maintain consistent manufacturing processes, meet consumer demand, and fulfil contractual obligations. Raw material access also enhances capacity utilisation of the supported industries.
Working Capital	The significant allocation of funds goes towards working capital **74%,** indicating a focus on maintaining liquidity and operational efficiency within existing enterprises. This suggests that many businesses in the industry sector require financial support to cover day-to-day operational expenses, such as wages, utilities, and inventory management.
Others (specify) Construction and civil works	
	Furthermore, the 2023 ex-post finding revealed that a small portion 8% of the Bank funding goes into other activities, such as civil works and construction. Although the fundings for this purpose may be small, it underpins the Bank's efforts and commitments in expanding the industrial infrastructure which later enables industrial enterprises to operate more efficiently and increase production.

The trend in funding allocation as summarised above reflects the critical role of access to finance in supporting the growth and sustainability of enterprises in the industry sector. Adequate working capital ensures the smooth functioning of businesses, while investments in equipment and raw materials drive innovation, productivity, and quality in the form of value addition and competitiveness.

Figure 191: Trends in raw material sourcing under Industry.



3.4.2. Raw Material and Capital Equipment Sourcing

3.4.2.1. Raw Material Sourcing

Raw material sourcing is crucial for the Bank to understand the sector's resilience, competitiveness, and contribution to economic development. It helps identify opportunities to strengthen local value chains, support domestic industries, and reduce reliance on imported inputs, thereby enhancing economic self-sufficiency and sustainability.

From the 2023 ex-post assessment as shown in Figure 21, 66% of the raw materials are sourced locally and 34% are imported for the industry sector. The level of sourcing locally may be attributed to the large number of agro-processing enterprises reached during the assessment who mainly rely on primary agricultural raw materials, which underpins the Bank's efforts of value addition of agro products. The locally sourced materials were from almost all the regions of the country, especially for agro-processing, depending on the products dealt in.

On the other hand, looking at Special program enterprises, analysis of raw material sourcing showed that all the SMEs relied on locally sourced inputs. Findings indicate that 83%, 57% and 31% of enterprises were able to get the required inputs from their district, sub-county and country boundaries respectively. This finding highlights the Bank's strategy that encourages enterprises to reduce their reliance on imported raw materials and diversify options for local alternatives.

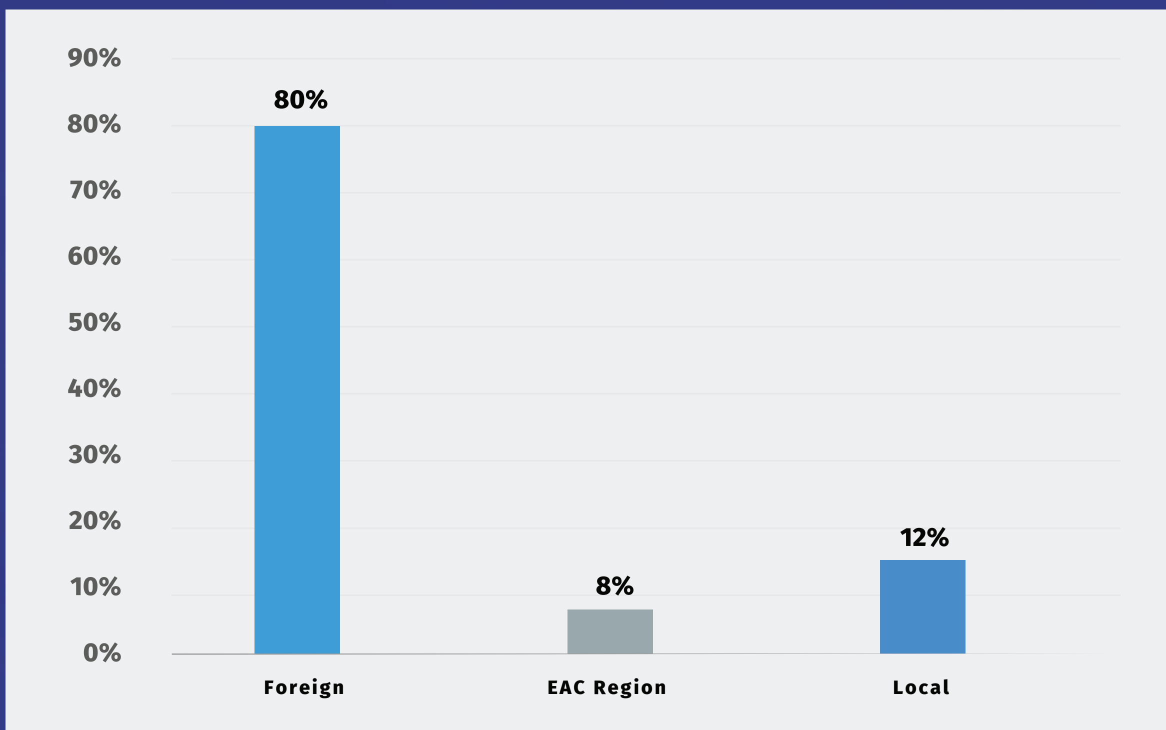
The trend in raw material sourcing within the industrial sector shows fluctuations over 6 years. While there is a general trend of sourcing raw materials locally, there has been some variability in the percentage of imported raw materials ranging from 31% to 47%, implying fluctuations in the dependence on imported inputs.

Overall, a higher proportion of locally sourced raw materials suggests potential benefits for the domestic economy, including job creation due to the widening of the value chain, income generation for local suppliers, and value addition within the country.

3.4.2.2. Capital Equipment Sourcing

The 2023 ex-post assessment revealed that 53.43%, of investment capital is allocated to the acquisition of capital equipment by the assessed industrial enterprises. Interestingly, as shown in Figure 202, the majority (80%) of this equipment is sourced from foreign markets, underscoring a heavy reliance on international suppliers. Conversely, only 12% of the capital equipment is sourced locally within the country, while a mere 8% is procured from the East African region.

Figure 202: Sources of capital equipment's for the Industrial



3.4.3. Capacity Utilisation.

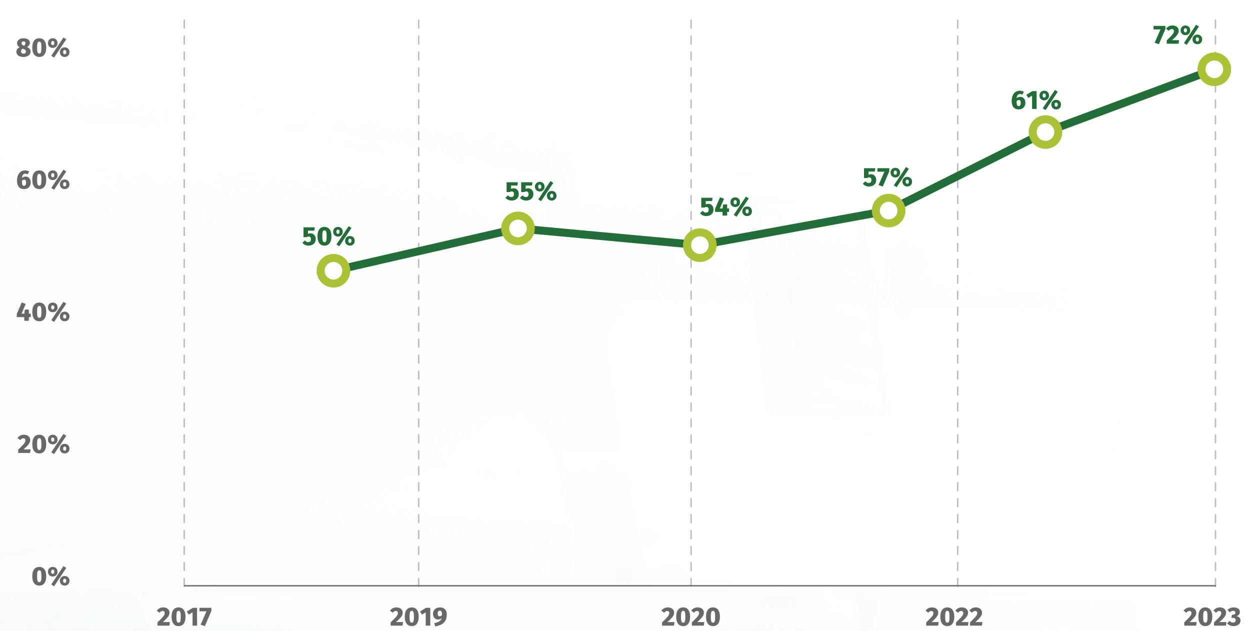
Capacity installed and utilised metrics are critical indicators for the Bank as they offer valuable insights into the efficiency, performance, and growth potential of the industrial sector.

From the 2023 ex-post assessment, comparing installed capacity before the Bank support and after, it was established that the installed capacity of the sector on average increased by almost 15% while utilization capacity increased by 34%, respectively.

The trend of average capacity utilisation as shown in Figure 213 has been on the increase for the past 6 years with the year 2023 having an improvement of close to 11.0 percentage points, from 61% in 2022 to 72% in 2023.

The growth in average capacity utilisation from 50% to 72% over 6 years signifies a positive momentum towards industrialisation and economic development which is aligned with the Bank's second high-impact goal and further aligned to the national development plan of industrialising the country. While there is still room for improvement to reach the recommended optimal range, the upward trajectory reflects positive trends within the industrial sector.

Figure 213: Trend of capacity utilisation 2017-2023



It is critical to note that capacity utilisation can vary depending on various factors such as industry type, market conditions, and specific business objectives.

Striking the right balance between capacity utilisation and costs is essential for profitability. Operating below capacity for extended periods may result in underutilisation of resources and inefficiencies.

72% Average Capacity Utilization

The average utilization capacity in the industry sector is computed at 72.0%, this falls slightly below the commonly considered optimal range of 80% to 85% for industrial facilities. The 2022 AFDB report on capacity utilization showed that average capacity Utilization for the Industry sector in Uganda's remained at 50.8% in 2021 and 2022. While the 72.0% rate of utilization may indicate a degree of underutilization, it may also represent a level of efficiency and profitability within the prevailing business environment.

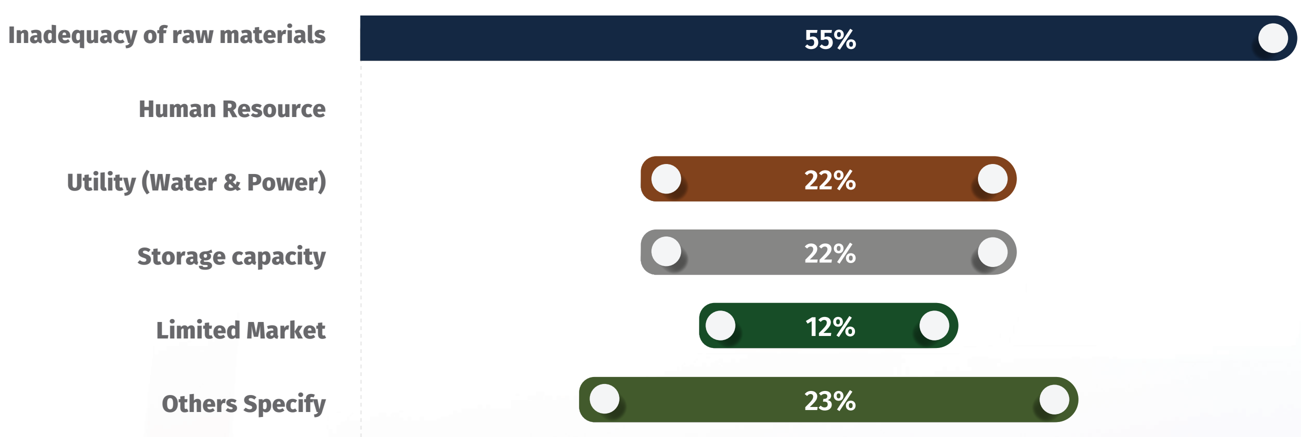
Further analysis showed that, only 15% of the assessed enterprises reported full utilization of the plants as compared to the installed capacity.

3.4.3.1. Suggested Reasons For Capacity Underutilisation.

Findings from the ex-post assessment 2023, as summarised in Figure 24, showed that a significant 55% of the underutilising industrial enterprises do not have adequate access to the required raw materials for production, 22% reported issues of lack of adequate utility(water and power) supply and lack of storage capacity,12 % reported limited market for the products which leads to underutilisation,
The other reasons raised for capacity underutilisation included the Inability to meet international packaging standards, delays in input delivery, expanded production, won out and breakdown in machinery.

The finding calls for measures and innovations to firstly ease the access to timely working capital, and improve access to required raw materials for production, including exploring partnerships with local suppliers, diversifying sourcing channels, and investing in supply chain resilience strategies.

Figure 24: Showing reasons for the capacity Under Utilization



3.4.4. Technological Transfer And Production Technology In The Sector.

3.4.4.1. Technology Transfer

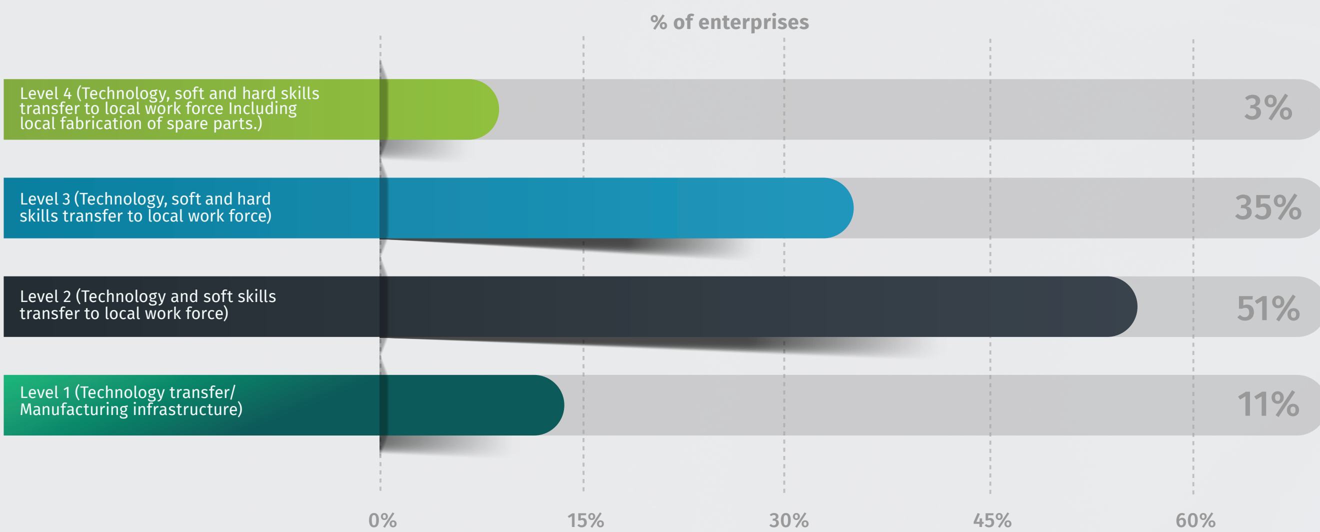
Technology transfer mostly defined as the process of sharing or disseminating technology, knowledge, skills, and innovations from one country to another is critical in the industrialisation agenda of the country. It involves the adoption, adaptation, or integration of new technologies, processes, or methods by industrial enterprises.

To the Bank, the support to acquire industrial modern equipment aims at facilitating industrial enterprises' access to cutting-edge equipment, technologies, and best practices, which leads to improvements in productivity, efficiency, and competitiveness. From the 2023 ex-post assessment as shown in Figure 22, it was established that the majority 51% of the enterprises who acquired equipment included a component of equipment and soft skills transfer to the local workforce which is the second level of tech transfer.

Further findings showed that 35% were at level 3 which included equipment, soft and hard skills transfer to the local workforce, hard skills involve repairing equipment, only 3% reported being on level 4 which level involves equipment, soft and hard skills transfer to local workforce including use of fabricated spare parts.

By facilitating the acquisition of modern production equipment which involves the transfer of technology and skills to the local workforce, countries can strengthen their industrial base, enhance competitiveness, and promote sustainable economic growth. Additionally, the utilisation of fabricated spare parts contributes to local manufacturing capabilities, reduces reliance on imports, and fosters resilience in industrial operations.

Figure 22: Different levels of technological transfer in the industry sector.



3.4.5. Value Of Export Earning And The Major Industrial Export Destination

3.4.5.1. Export Earnings

Export earning represents the monetary worth of exported goods or services. It reflects the revenue generated from exports and is often measured in terms of currency. In 2023 as per the ex-post assessment, the industry sector accounted for approximately 80% of the total export earnings generated, amounting to nearly USD equivalent of UGX760.93 billion. This is a significant expansion in export earnings, representing a growth of around 20.3% compared to 2022; it underscores the sector's improved resilience and competitiveness in global markets. The robust performance of the industrial sector highlights its vital contribution to the country's economy, emphasising the importance of continued support and investment in industrial development initiatives to sustain and further enhance export-oriented growth.

3.4.5.2. Export Destination

Export destination analysis for the industrial sector showed that the East African Community (EAC) market remains the biggest market for industrial products, same as in the year 2022, followed by COMESA, with other destinations being the European Union, America, and other new emerging markets like the UAE. The diverse nature of export destinations provides insights into emerging markets, trade patterns, and potential growth opportunities.

3.5.0. Service Sector

The service sector plays a pivotal role in driving economic growth, creating employment opportunities, fostering innovation, and improving the quality of life. The Bank's support in the service sector focuses on the following sub-sectors.

3.5.1. Human Capital Development

3.5.1.1. Education

The Bank supports players who assist with improving skills required for the labour market with particular emphasis on vocational skills where the Bank finances the acquisition of educational equipment and development of education infrastructure such as classrooms, libraries, and laboratories, including Medical and nurse training institute construction and expansion. From the ex-post assessment of the 298 projects; 8 were education projects with 2 primary schools,1 secondary school, 4 BTVETs and 1 Institution of higher learning.

3.5.1.2. Activities Funded Under Education.

As summarised in Table 8, the finding showed that the majority 70.0% of the Bank support in the education sector is allocated for the construction of learning spaces, indicating a focus on infrastructure development to accommodate growing student populations. 50.0% goes to working capital and 30.0% is allocated to the construction of the hall of residence, other areas of investment include acquisition of equipment. This suggests that there is a need for investment in expanding educational facilities to meet the demand for quality education. It should be noted that there was an intersection, some enterprises got funds for more than one purpose.

Table 8: Nature of funding under education.

Nature of Funded activities	Percentage
Construction of Learning spaces	70%
Working Capital	50%
Construction of Dormitory/Halls of Residence	30%
Others	10%

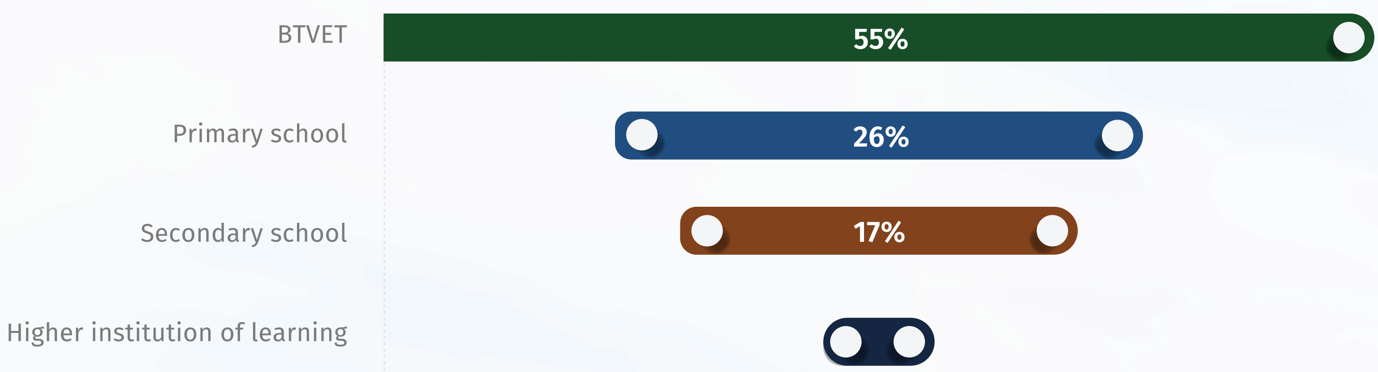
3.5.1.3. Education Enrolment

The Bank's prioritisation of skills training stems from the country's skilling gaps among the youth. As summarised in Figure 23, The five BITVET or skills training institutions enrolled 2,098 trainees representing 55% of the total enrolment, 26% were in primary level and 17% in secondary with only 2% in high institution of learning. A significant 60% of the learners enrolled were female and 40% male, 1% of the learners enrolled were those with disabilities.

The high number of learners under vocational and technical skills training programs underscores the importance of skills development in preparing students for the workforce. This is in line with the Bank's intended objective of cultivating a skilled workforce tailored to specific needs, thus propelling economic growth, and fostering improved quality of life among Ugandans.

The enrolment statistics showed that a total of 4,862 students were enrolled in 2023 with 60% female. In addition, 28 of the total enrolled students were those with a disability, highlighting a commitment to inclusive education.

Figure 23: Enrolment in different levels of learning 2023.

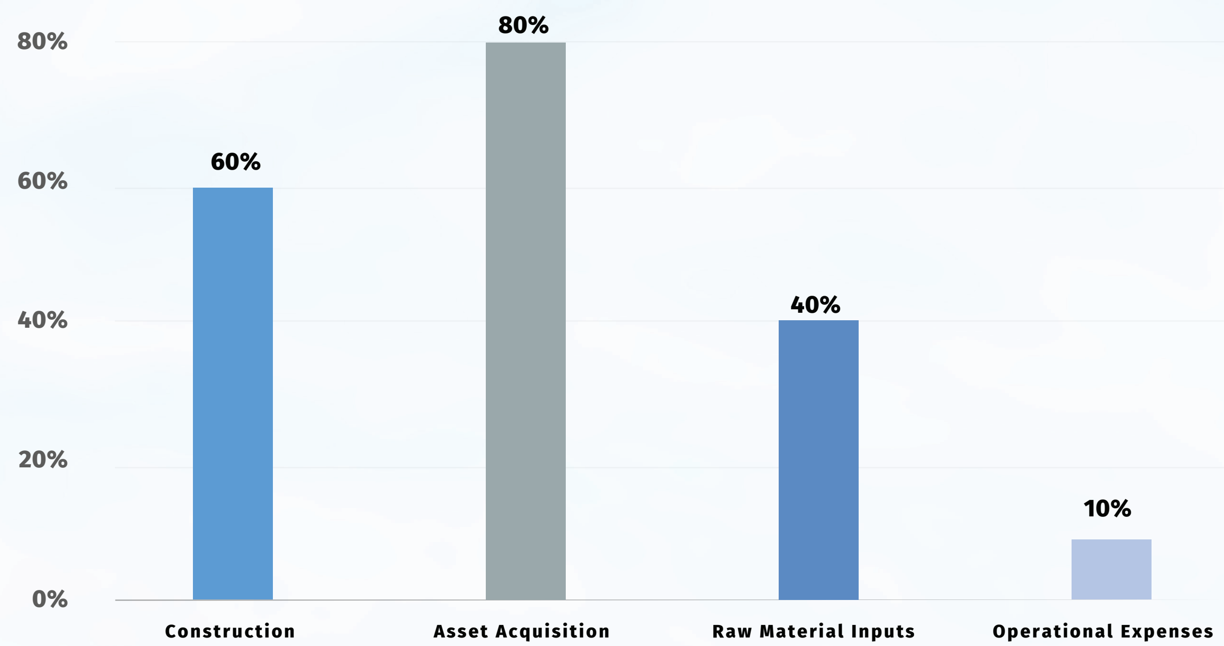


	Category	Enrolment	Percentage
Enrolment	Male	1,926	40%
	Female	2,908	60%
	PWDs	28	1%
	Total	**4,862**	

3.5.1.2. Health

The Bank complements government efforts in the health sector by supporting private sector investments in the following, Hospital and Health facility construction and expansion and acquisition of medical equipment.
As shown in Figure 24, the Bank supports private sector investments in the healthcare sector, focusing mostly (80%) on the acquisition of medical equipment, hospital construction and expansion (60%), investment into the acquisition of raw materials (40%), and 10% is working capital. This suggests a commitment to improving healthcare infrastructure and services to meet the growing demand for quality healthcare in the country.

Figure 24: Most funded initiatives in the health sector.



3.5.1.2.1. Main Health Indicators

Further analysis in the ex-post assessment as summarised in Table 9, showed the presence of 388 hospital beds and 61 ICU beds, reflecting the capacity of the supported health facilities to provide essential medical care, including critical care services.

The availability of adequate infrastructure and equipment is crucial for delivering timely and effective healthcare services to patients.

Table 9: Performance of the Key Health Indicators in 2023

Health indicators	Unit of measure	Status
#1 Total number of hospital Beds	**Beds**	**388**
#2 Total number of ICU beds	**ICU beds**	**61**
#3 Total number of patients served	**Patients**	**62,185**
#4 Number of foreign referrals handled	**Referrals**	**686**

A total of 62,185 patients were served in the year 2023 by the surveyed health facilities, highlighting the significant role played by the supported health enterprises in catering to the healthcare needs of the population. Additionally, the provision of healthcare services to 686 foreign referrals underscores the importance of these facilities in serving not only local but also regional healthcare needs, an indication of potential medical tourism in the country.

3.5.1.2.2. Trend of Key Health Indicators

Growth of the health sector is measured based on the trend and growth of such indicators including the number of hospital beds, number of medical workers and number of patients served over years, as summarised in Table 10. The total number of hospital beds within the health enterprises grew from 140 in 2020 to 338 in 2023. This expansion indicates a proactive approach to enhancing healthcare infrastructure, which is essential for meeting the growing demand for medical services.

Similarly, the number of medical workers grew from 263 in 2020 to 593 in 2023, and the total number of patients served has now reached an estimated 248,305 from 102,281 in 2020. This uptrend underscores the Bank's commitment to improving access to healthcare services and addressing the healthcare needs of the population. The increase in the number of beds and patients served may be attributed to the increased Bank investments in this sub-sector over the years.

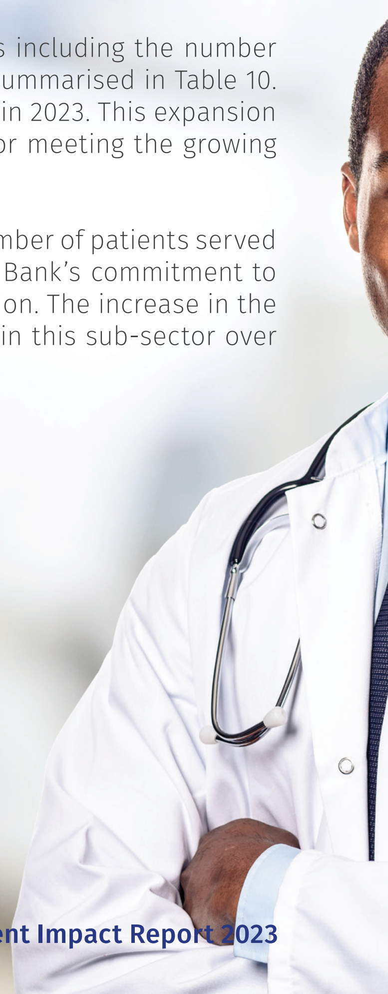


Table 10: Performance of key health indicators in 2023.

	Key indicators	2020	2021	2022	2023
#1	Number of beds	140	197	264	388
#2	Total number of ICU beds	-	-	-	61
#3	Number of medical workers	263	284	466	593
#4	Cumulative number of patients served	102,281	139,263	186,120	248,305
#5	Number of foreign referrals handled	-	-	-	686

3.5.1.2.2. Major diseases handled.

From the 2023 ex-post assessment, analysis of the major diseases handled by the health enterprises funded by the Bank provided insights into prevalent health challenges in the communities they operate. The focus on diseases such as malaria, lower respiratory infections, neonatal disorders, HIV, and diarrheal diseases reflects the burden of communicable diseases in the community. Additionally, the presence of diseases like ischaemia, heart disease, strokes, and typhoid fever indicates the need for specialised medical care and treatment for non-communicable diseases.

3.5.2. Tourism Development

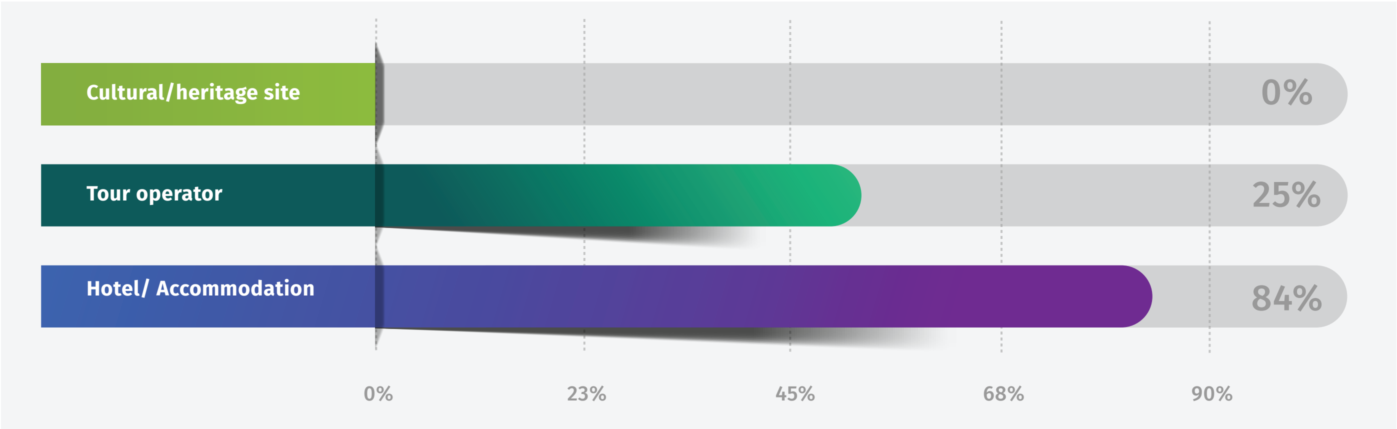
The Bank also focuses on financing Ugandan entities that provide accommodation (hotels, lodges) in tourism areas/sites, support the purchase of specialised tourist transport facilities, for example, tour vehicles and marine boats, provision of specialised equipment, development, and preservation of unique cultural/heritage sites, plus the development of tourist stopover facilities which all harness Tourism potential in the country.

3.5.2.1. Nature of Tourism Enterprises Supported

The analysis of commonly funded tourism activities reveals interesting insights into the nature of investments in this sector. As shown, the commonly funded tourism activities were hotel/accommodation infrastructure, accounting for 84%. of investments. However, it is worth noting that there is no investment allocation towards cultural/heritage sites, while tour operators receive a comparatively lower percentage of funding at 25%.

The high percentage allocated to hotel/accommodation infrastructure reflects a strategic emphasis on building the necessary facilities to accommodate tourists and provide lodging options.

Figure 25: Commonly funded activities in the Tourism sectors 2023.



This investment is essential for supporting tourism growth by ensuring visitors have access to comfortable and convenient accommodation options, thereby enhancing their overall travel experience.

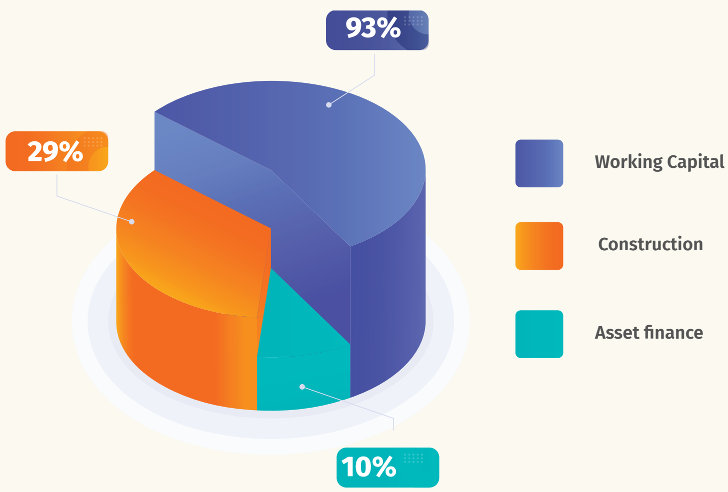
3.5.2.2. Common Funded Activities.

As summarised in Figure 26, an analysis of the commonly funded activities within the tourism sector reveals several key insights. Construction receives a significant percentage of funding at 29%, indicating a substantial investment in infrastructure development to support tourism-related projects such as hotels and eco sites. This emphasis on construction reflects commitments by the Bank to enhance destination attractiveness, accommodate growing tourist demand, and improve the overall tourism experience.

Asset finance, accounting for 10% of funding, suggests investments in acquiring and upgrading assets are essential for tourism operations, such as vehicles, equipment, kitchenware and machinery. This investment is crucial for maintaining operational efficiency, delivering quality services, and enhancing the competitiveness of tourism enterprises.

However, the most noteworthy finding is the dominance of working capital financing, representing a staggering 93% of funding. This concentration underscores the strategic focus on providing operational support and liquidity to tourism enterprises, which particularly may be attributed to the utilization of the Bank's EU grant.

Figure 26: Commonly funded intiatives in tourism sectors



As shown above in Figure 26, the overwhelming allocation towards working capital financing reflects the Bank's proactive approach to addressing the operational needs of tourism enterprises, aligning with the objectives of the EU grant to provide essential support for day-to-day operations to allow businesses to recover from the aftershocks of the covid-19 pandemic. This demonstrates a commitment to fostering the resilience and sustainability of tourism businesses, particularly in the face of economic disruptions or crises.

3.5.2.3. Progress On The Key Performance Indicators Under The Tourism Sector Of The Bank-Funded Projects

This section as summarised in Table 11, provides a comprehensive overview of key tourism indicators, including job creation, accommodation availability, diversity of activities offered, visitor demographics, average room rates, cancellation trends, hotel star ratings, and raw material sourcing, offering insights into the dynamic nature of the tourism sector.

Table 11: Performance of the key tourism indicators in 2023 of the bank's funded projects

Tourism Indicators	Assessment Outcomes
Total number of employees	• 3,248 jobs in 2023, representing 6.27% of the total number of Jobs Created and maintained in 2023. • 75% of the employees were permanent and 39% female.
Economic Contribution	• 1,140.39 bn was realized from the tourism and hospitality sector. • With EU funded projects contributing approximately 99% of the revenues.
Total Number of Expatriates	22 staffs are expatriates employed in the different tourism enterprise.
Total Number of Rooms	2,042 rooms in 2023 growing from 1,886 in 2022, and 618 in 2021.
Average Occupancy rate	78% in 2023, increasing average occupancy rate from the 70% reported in 2022.
Key amenities offered	• Accommodation, • Conference facilities, • Restaurant & bar, • Gym, sauna, and steam. • **Others include** car hire, outside catering, health club, shuttle service, gardens, ticketing, visa application and safaris (tour and travel), bird watching and game drive etc.
Top five country of origin and other for guests who mostly visit	1. UK, 2. USA, 3. Germany, 4. France, 5.Canada, **Other countries of origin include** India, China, Italy, Holland Japan, Ethiopia, China, Mexico, Poland, Switzerland, Kenya, South Sudan, and Congo.
Current average room rate in UGX	Rate / Amount in UGX **Min** 60,000 **Max** 2,220,000 **Average** 385,907
Average Permit Bookings/ Cancellations (100%) with UWA	**7.0%**
Ticket/Room cancellation/rescheduling	**4.0%**
Current quality standard rating (e.g., "star rating" for hotels)	Standard Rating / Score **Five-star hotel** 2% **Four-star hotel** 6% **Three-star hotel** 13% **Two-star hotel** 9% **Not rated** 70%
Percentage of Raw material sourcing	Average of raw material sourcing / % **Own farm** 5% **Local Market** 90% **Imported** 2%

Tourism Indicators	Assessment Outcomes
Total number of employees	Tourism & Hospitality contributed 3,248 jobs in 2023 , that is 6.27% of the total number of Jobs Created and maintained in 2023. 75% of the employees were permanent and 39% female.
Economic Contribution	The 2023 ex-post finding established that a total of UGX1,140.39 bn was realized from the tourism and hospitality sector, with EU funded projects contributing approximately 99% of the revenues.
Total Number of Expatriates	22 staffs are expatriates employed in the different tourism enterprises.
Total Number of Rooms	The total number of hotel rooms available was 2,042 rooms in 2023 growing from 1,886 in 2022, and 618 in 2021. This is a significant expansion and investment in hotel infrastructure within the tourism sector. This expansion reflects confidence in the tourism industry's growth potential and underscores efforts to enhance destination attractiveness, cater to rising tourist arrivals, and accommodate diverse travellers' preferences.
Total Number of Expatriates	The average occupancy capacity for the visited hotels under tourism was computed at 78% and increase in occupancy capacity from the 70% reported in 2022. This may be attributed to the increased investments in tourism infrastructure, such as modern hotel and transportation facilities, there was also a general improvement in consumer confidence regarding safety and security., more so the fewer travel restrictions or quarantine requirements due to improvements in handling the COVID-19 pandemic. Also, the increased marketing efforts led to increased inflow of tourists. This may have this has led to an upshot in the turnover and subsequently foreign exchange earnings.
Key amenities offered	Most tourism facilities offer accommodation, followed by conference facilities, restaurant and bar, Gym, sauna, and steam. **Others include** Hotel and apartment booking, parking, car hire, outside catering, health club, shuttle service, gardens, ticketing, visa application and safaris (tour and travel), bird watching and game drive etc. The diverse range of services offered under tourism reflects a strategic focus on meeting the evolving needs and preferences of travellers, enhancing the overall quality and competitiveness of tourism destinations, and promoting sustainable tourism development.
Top five country of origin and other for guests who mostly visit	1. UK, 2. USA, 3. Germany, 4. France, 5.Canada, **Other countries of origin include** India, Kenya, South Sudan, Congo China, Italy, Holland Japan, Ethiopia, China, Mexico, Poland, and Switzerland
Current average room rate in UGX	Rate / Amount in UGX **Min** 60,000 **Max** 2,220,000 **Average** 385,907 While the maximum room rate may cater for luxury or high-end accommodation establishments, the existence of a minimum rate as low as UGX60,000 suggests the availability of more affordable lodging options. This enhances accessibility for budget-conscious travellers, including domestic tourists and backpackers, promoting inclusivity, and broadening the tourism market base.
Average Permit Bookings/ Cancellations (100%) with UWA	**7.0%** This rate of cancellation/rescheduling indicates that most tourism transactions proceed as planned without significant alterations. This may be attributed to the fact that tourism businesses have policies
Ticket/Room cancellation/rescheduling	**4.0%** and procedures in place to handle cancellations and rescheduling effectively, including clear terms and conditions regarding refunds, penalties, and rebooking options.

Tourism Indicators	Assessment Outcomes
Current quality standard rating (e.g., “star rating” for hotels)	Standard Rating / Score: Five-star hotel 2%; Four-star hotel 6%; Three-star hotel 13%; Two-star hotel 9%; Not rated 70%. Finding showed that a significant proportion of the supported hotels were "Not rated," accounting for 70% of the total. This indicates that sizable portion of hotels have not undergone formal rating assessments or have chosen not to disclose their rating status. The prevalence of unrated hotels suggests a lack of standardized rating systems or voluntary participation in rating programs within the industry. For the rated hotels, most fell in the three-star, representing 13% of the total. This suggests that a substantial number of hotels fall into the mid-range category, offering a balance between affordability and amenities. The five-star hotels constituted the smallest percentage at 2% of the total. This distribution of hotel ratings reflects the diversity of traveller’s preferences, budget considerations, and market segmentation within the hospitality industry. By offering a range of hotel categories, from budget-friendly options to luxury accommodations, hotels can appeal to different segments of travellers and capture a broader market share.
Percentage of Raw material sourcing	Average of raw material sourcing / %: Own farm 2%; Local Market 6%; Imported 13%. Analysis of raw material sourcing within the tourism sector highlights a strong reliance on local markets, which accounts for 90%, followed by a smaller proportion sourced from own farms (5.0%) and imports (2.0%). The emphasis on local sourcing not only foster economic development by supporting local farmers, producers, and businesses but also promotes sustainability, reduces dependency on imports, and strengthens community resilience, contributing to the overall socio-economic growth.

Standard Rating	Score
Five-star hotel	2%
Four-star hotel	6%
Three-star hotel	13%
Two-star hotel	9%
Not rated	70%

Average of raw material sourcing	%
Own farm	2%
Local Market	6%
Imported	13%

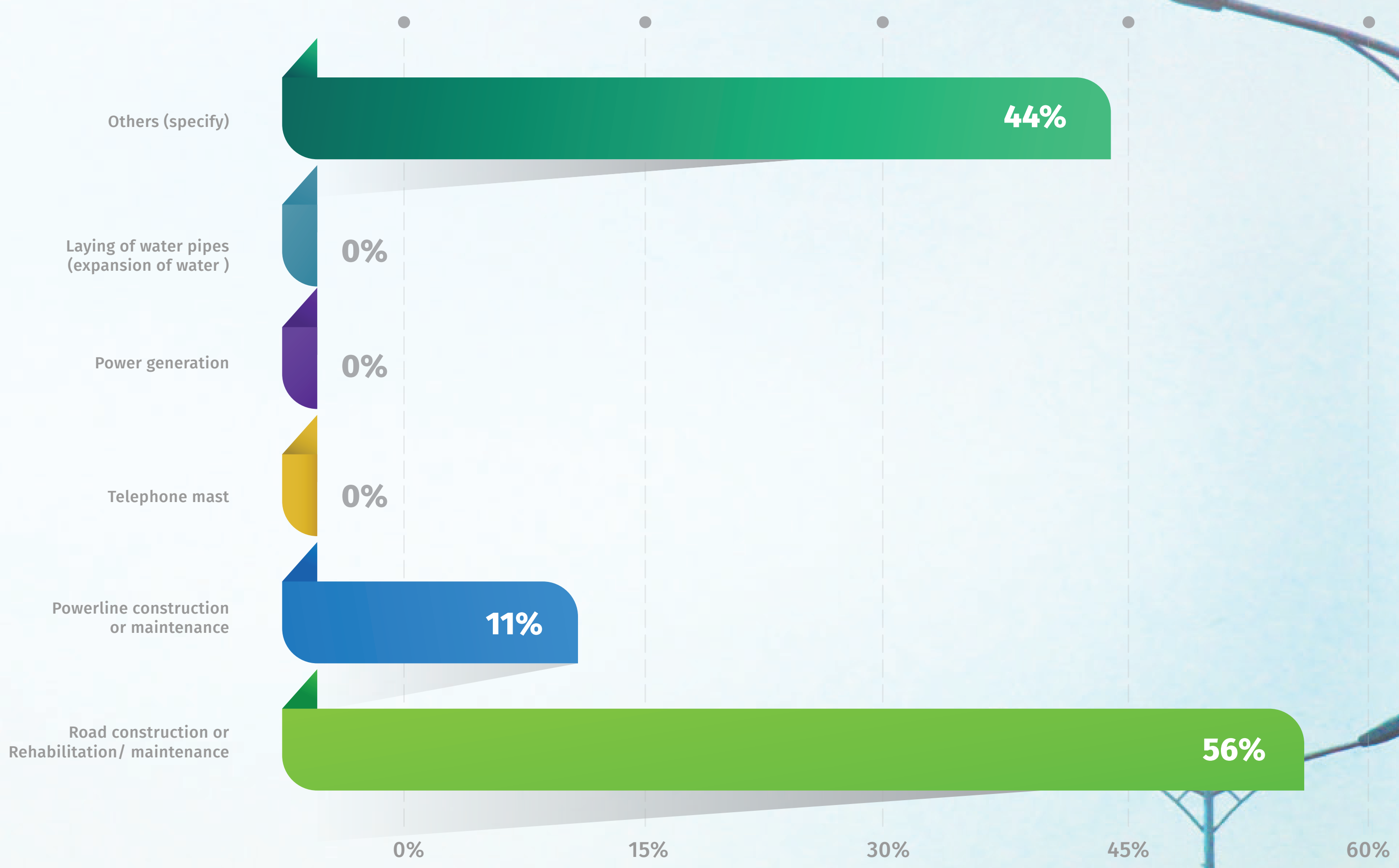
3.5.3. Infrastructure Development

The Bank's interventions in infrastructure development focus on the following, energy infrastructure (generation, transmission, and distribution), transport infrastructure, (roads and light rails), water for production infrastructure and ICT infrastructure.

By strategically allocating resources to these interventions and collaborating with relevant stakeholders, the Bank maximises its impact on economic growth, social development, regional integration, and environmental sustainability.

As shown in Figure 27, the commonly funded initiatives under infrastructure investment reveal a predominant focus on road construction or rehabilitation/maintenance, comprising 56% of investments, highlighting a strategic emphasis on improving transportation networks and connectivity.

Figure 27: Commonly funded initiatives in Infrastructure.



Additionally, while power line construction or maintenance accounts for 11% of investments, other infrastructure sectors such as electricity connection, social infrastructure, and solar lines connected to the national grid collectively constitute 44% of investments, indicating a diversified approach to infrastructure development that addresses key priorities such as energy access, social development, and renewable energy integration.

Although the finding highlights that there is no investment into the expansion of safe water, power generation and ICT projects, these findings only speak to the projects reached during the assessment in 2023. It's important to note that the Bank has invested in other infrastructure initiatives including water for production, post-harvest handling, ICT, water expansion, energy generation and related infrastructure etc.

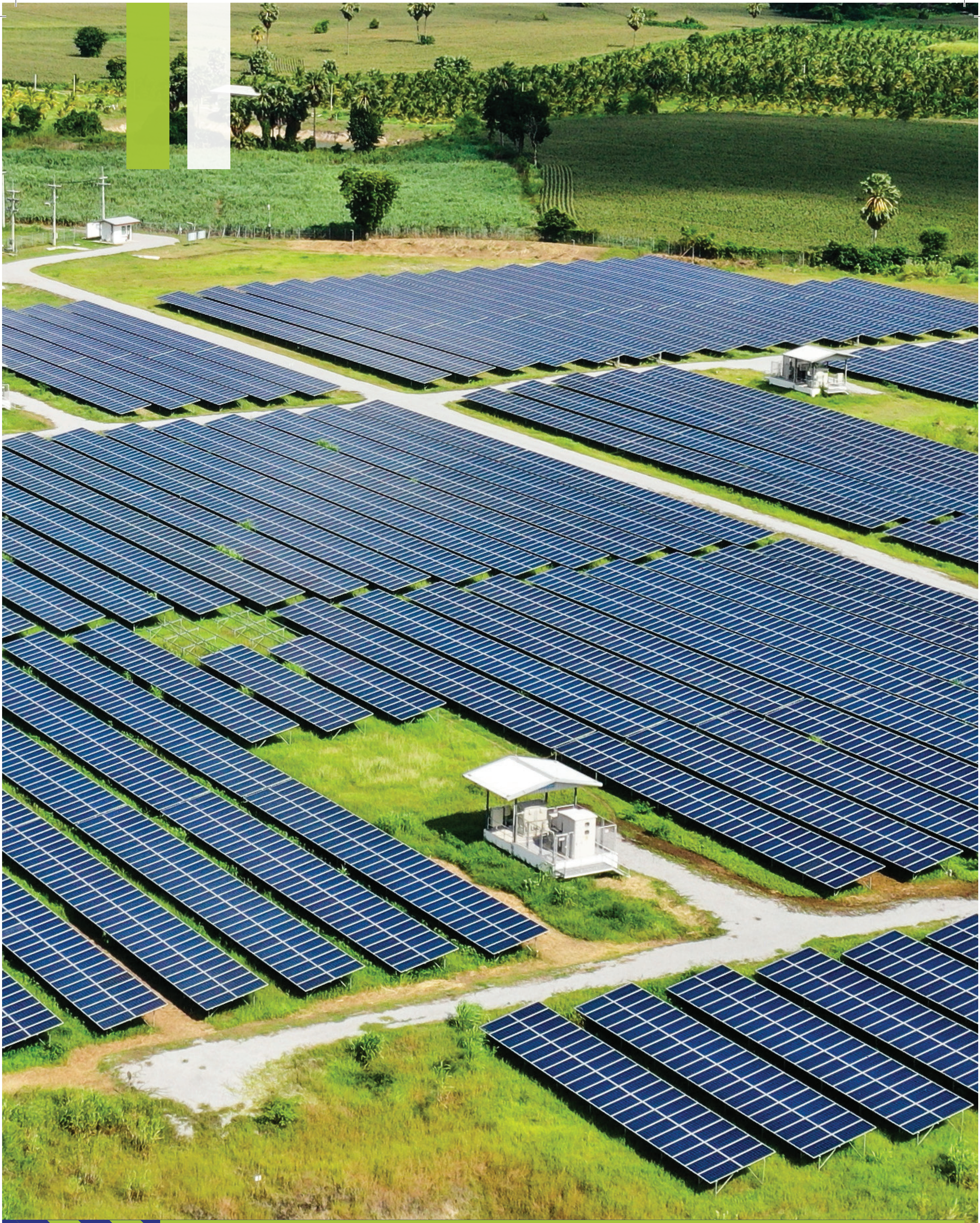
3.5.3.1. Progress On The Key Performance Indicators Under The Enabling Sector Infrastructure

As summarised in Table 12, analysis of the key infrastructure indicators revealed significant progress in road rehabilitation and grading, with 351.82 km of roads improved, accompanied by the construction of one bridge. Additionally, notable strides in extending power lines are evident, with 1000 km newly extended 210 km rehabilitated, the laid power lines aimed at connecting an estimated 58,000 households to power.

The analysis of infrastructure highlights both achievements and areas for further improvement. Significant progress has been made in road rehabilitation, bridge construction, and the extension of power lines, with a focus on enhancing connectivity and providing electricity access to households.

Table 12: Performance of the key infrastructure indicators in 2023.

	Infrastructure Key Indicators	Progress
1	No. of Km of roads. (Rehabilitated or repaired and Grading Marram (Km))	**351.82**
2	No of bridges constructed	**1**
3	Number of Km of power lines extended for Newly extended	**1000**
4	Number of Km of power lines extended for Rehabilitation of existing ones	**210**
5	Estimated number of households that will be connected to power	**58,000**
6	Number of power generation projects	**0**
7	What is the total generation capacity of the power facility	**0**



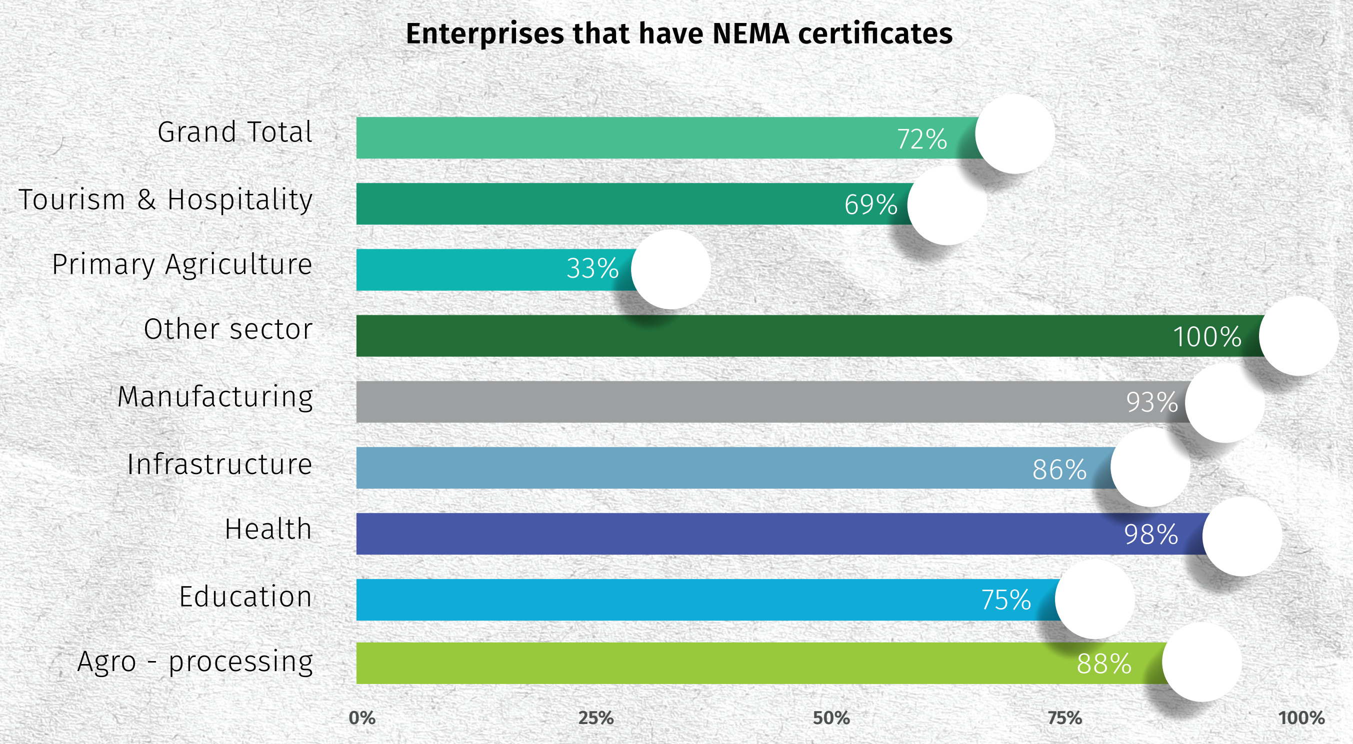
3.6.0. Environmental Sustainability

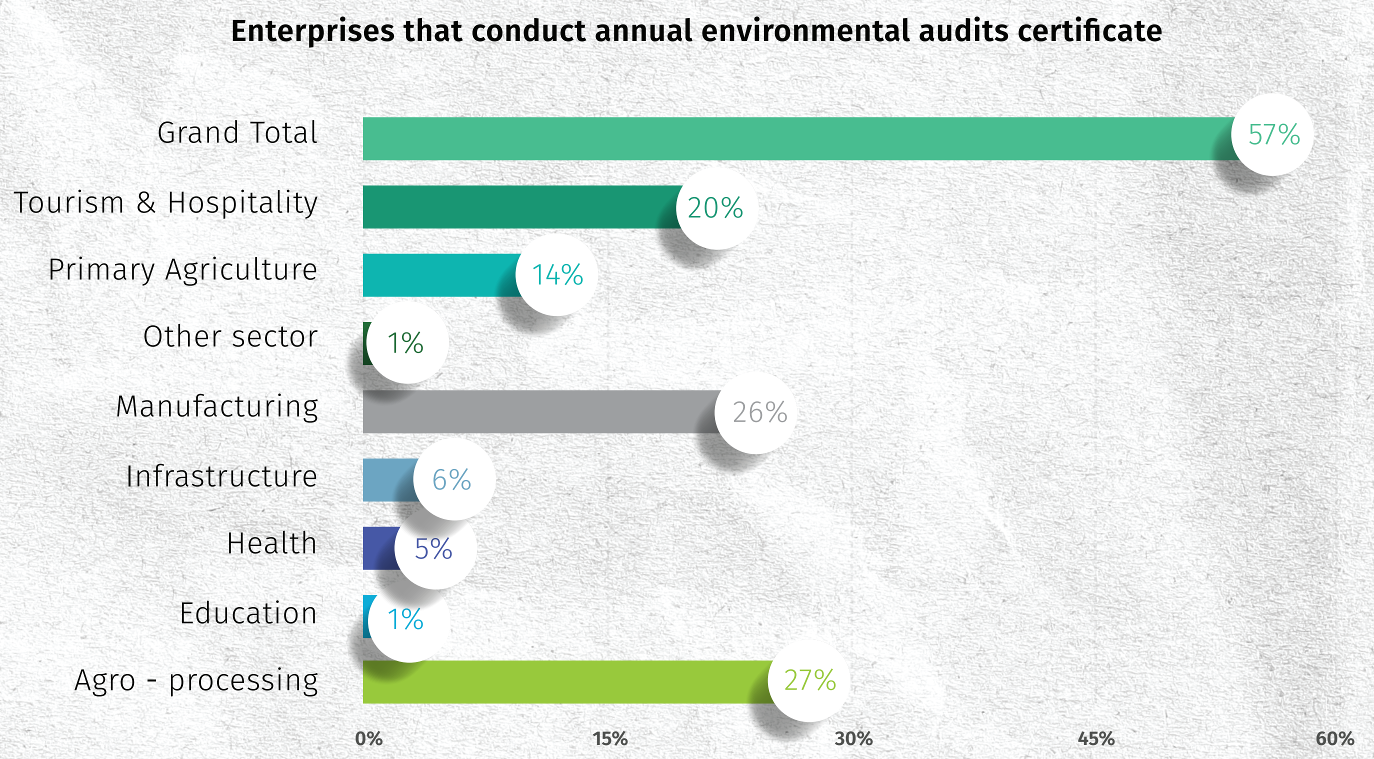
Environmental sustainability is crucial in ensuring the long-term stability and resilience of any economy. The Bank has remained steadfast in upholding environmental standards and has adopted several environmental risk management strategies and tools used in identifying, assessing, and prioritising those enterprises that demonstrate a commitment to environmental sustainability including monitoring their operations throughout the lifecycle. These include recommendations to conduct environmental impact assessments or audits, monitoring compliance with environmental regulations and standards, and support initiatives aligned to implementing mitigation measures to address adverse environmental impacts.

3.6.1. Environmental Compliance

From the 2023 ex-post assessment as shown in Figure 28, 72% of the enterprises reported being certified by the National Environment Management Authority (NEMA), indicating an improvement from the 56.5% reported in 2022. Almost all health enterprises (98%) reported that they have NEMA certificates, followed by industries at 90%, 86% of enterprises in infrastructure and 69% of tourism enterprises. Despite the growing level of compliance, only 11% of the enterprises under special programs that were assessed reported having NEMA certificates. This is because most of these businesses are small and do not require comprehensive environmental impact assessments given their minimum impact on the environment.

Figure 28: Compliance with environmental regulations and standards by priority Sector





Data Source: Ex-post primary data 2023

Further analysis concluded that those who did not have the NEMA certificate considered it “not necessary” for the nature of the business they were operating (27.3%), and others said it wasn’t “mandatory”. The same reasons were given by both mainstream businesses and enterprises under special programs.

Additionally, 57% of the assessed enterprises reported conducting annual environmental audits critical in tracking their progress over time, it also helps to identify areas for improvement and take corrective actions to continuously enhance their environmental performance. These were mainly in agro-processing, manufacturing, and tourism. Sectors like education, health and primary agriculture had less compliance with annual environment audits.

3.6.2. Emissions Assessment.

Climate action is imperative in protecting the earth’s ecosystems, biodiversity conservation, and natural resources. By curbing greenhouse gas emissions and addressing the impacts of climate change, we safeguard the health and resilience of our planet for the present and future generations.

As summarised in Table 13, the 2023 ex-post assessment showed that enterprises utilising renewable energy sources emitted a total of 5.5 MtCO2e in the year 2023, showcasing their superior emissions profile compared to counterparts relying on non-renewable sources, which emitted 5.3 MtCO2e.

Table 13: Emissions from Energy and Water use including waste management by sector.

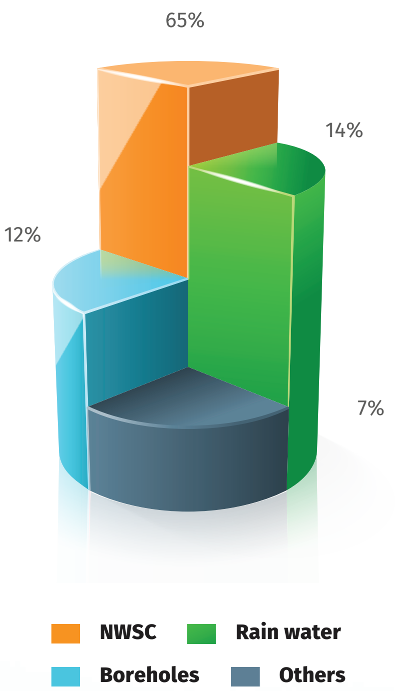
Sector	Scope for emission calculations in tCO2e			
	Energy			
	Renewables (Solar, Hydro, Biogas, Biomass)	Non-Renewables (Fossils)	Water	Waste
Tourism	383.52	443.88	302,529.96	1.32
Manufacturing	2085.48	371.88	49,243.92	1.08
Agro processing	2805.60	916.32	28,697.64	1.32
Primary Agriculture	56.40	149.28	2,562.84	0.24
Education	3.60	0	1,245.00	0
Health	99.60	57.84	5,960.04	0.12
Infrastructure	37.56	3,315.24	5,697.72	0.12
Estimated Annual Carbon Footprint (tCO_2e) for 2023	5,471.76	5,254.44	395,937.12	4.2
Number of Projects	167	76		
Annual tCO_2e per project	32.8	69.18		
Emission Factors considered	Multiple since they are different energy sources		0.149	1.24

Whereas the table shows a higher emission value from renewables, it is an important indicator showing the deliberate efforts by the different sectors to adopt renewables through an energy mix, especially in the industry sector which is the highest users of energy as compared to other sectors. The assessment highlights the urgency for transition to cleaner energy alternatives especially in the infrastructure sector where the substantial contribution of non-renewable sources underscores the persistent reliance on fossil fuels, emphasising the critical need for intensified efforts to reduce emissions from this sector.

3.6.3. Sources Of Water For Production

As shown in Figure 29, 75.9% of the total quantities of water used were reported in primary agriculture, followed by other sectors (11.8%), health (5.4%), and manufacturing (3.5%). Much of the water used (66%) was from NWSC, followed by rainwater (14%), boreholes (8%) and other sources such as open water sources, valley dams, and shallow wells constituted 12%.

Figure 29: Different sources of water for production and quantities consumed in litres by Sector.



Sectors	Quantities (ltrs)			
	NWSC	Rainwater	Boreholes	Others
Tourism	169,200,225.60	-	-	-
Manutacturlng	20.341,312.00	3.200,000.00	4.000.000.00	-
Agroproccssing	15,853,333.33	-	-	196,800.00
Primary Agriculture	74,666.67	-	54.666.67	1,304,000.00
Education	541,639.20	154,666.67	-	-
Health	3,333,333.33	-	-	-
Infrastructure	2,786,866.67	-	-	400,000.00
	212,131,176.80	3,354,666.67	4,054,666.67	1,900,800.00

3.7.1. Climate Action

Further analysis of this section will be based on the impact of the Bank's enterprises in achieving climate neutrality through, green initiatives, mitigation initiatives, resource efficiency and preserving and enriching biodiversity by funded businesses.

3.7.2. Climate Mitigation Intiative

Climate mitigation initiatives are the actions and strategies implemented to reduce or prevent the emission of greenhouse gases (GHGs) into the atmosphere and mitigate the impacts of climate change. These initiatives aim to limit the extent of global warming and its adverse effects on ecosystems, human societies, and economies. The main mitigation opportunities are within resource use efficiency considering water, energy and waste management. However, across the different sectors, tree growing is commonly understood by many developers as key to combating climate change. Given its cross-cutting potential as a mitigation strategy with adaptation co-benefits, the assessment was keen on identifying this untapped potential among many enterprises through understanding their afforestation programmes.

3.7.3.1. Energy Use Efficiency

Energy use efficiency and sustainable energy sources contribute significantly to environmental sustainability by reducing greenhouse gas emissions, air pollution, and other negative environmental impacts associated with energy production and consumption. It helps mitigate climate change, improve air quality, protect natural ecosystems and conserve biodiversity.

As summarised in Table 14, 42.9% of the projects assessed reported hydropower as their main source of energy mainly used by the industry and tourism sectors. Many project developers of project developers stated that fossil fuels still formed a large part of their energy mix at 28.8% while a few reported use of biomass and biogas among other sources. Important to note is that solar energy is growing especially in the primary agriculture and tourism sectors where much of it is used for irrigation and lighting respectively.

Further analysis shows that there are more emissions from hydropower and fossils (447.8 tCO2e and 437.1 tCO2e respectively) while biomass, solar and biogas emit the least as most enterprises use hydropower and fossils for an energy mix to run their operations.

Table 14: Energy sources use efficiency by Sector 2023

Energy Sources	Hydropower (Kwh*EF)	Biomass (KG*EF)	Fossils (Ltrs)	Biogas (Kgs*EF)	Biogas (Kgs*EF)
Tourism	28,996.54	2,065.40	36,991.87	896.54	-
Manufacturing	173,786.06	-	30,205.21	-	-
Agro - processing	231,290.50	2,306.00	76,362.30	-	201.05
Primary Agriculture	2,671.61	899.34	12,440.42	-	1,129.21
Education	298.71	-	-	-	-
Health	8,220.33	-	4,816.81	-	80.42
Infrastructure	2,557.44	576.50	276,273.24	-	-
Emissions kgCO2e	447,821.19	5,847.24	437,089.86	896.54	1,410.67
Emission Factors (EF)	0.1397	0.3459	2.3529	0.3459	0.0410

Notes: EF=Emission factor

3.7.3.2. Sustainable Waste Management

Sustainable waste management is essential for promoting environmental sustainability, upholding public health principles, resource use efficiency, and circular economy development, making it a critical component of the socio-economic transformation of the country. By adopting holistic waste management strategies and embracing the four principles of reduce, recover, reuse, and recycle, the country can achieve significant environmental, social, and economic benefits for both the present and future generations.

3.7.3.3. Type Of Waste And Expenditures.

The funded enterprises spent much more on disposing of solid and organic waste at 28% and 25% followed by recyclable, hazardous and wastewater respectively (Table 15). Much of the waste was generated from the primary agriculture, manufacturing, and tourism sectors while health, infrastructure and education generated the least. This is partly attributed to the smaller number of projects funded by the Bank within these sectors.

Table 15: Type of waste and expenditures in UGX by sector.

Sectors	Amount Spent in Uganda Shillings				
	Solid waste	Organic waste	Recyclable	Hazardous	Wastewater
Tourism	6,551,200	2,930,000	475,000	7,197,800	-
Manutacturlng	2,700,000	-	10,480,000	800,000	800,000
Agroproccssing	3,500,000	9,450,000	-	-	5,150,000
Primary Agriculture	30,000	3,550,000	-	65,000	-
Education	50,000	-	-	-	-
Health	350,000	-	500,000	500,000	800,000
Infrastructure	1,400,000	100,000	-	-	300,000
	14,581,200.00	16,030,000.00	11,455,000.00	8,562,800.00	7,050,000.00
UGX spent annually	174,974,400.00	192,360,000.00	137,460,000.00	102,753,600.00	84,600,000.00
Percentage spent on disposing off	25%	28%	20%	15%	12%

3.7.3.4. Waste Disposal Methods

The analysis revealed that 59.6% of the projects assessed reported adequate capacity to manage the waste generated. Much of the waste generated was managed by licensed authorities (27.4%), through composting (22%) and soak pits (12%). Other methods of disposal include reuse, recycling, and incineration among others (Table 16).

Much of the biodegradable waste is managed by authorities or licensed companies (30.5%), the other is left to decompose into manure (23.7%), used as animal feeds (10.2%), or dumped in pits (11.9%); while some reported to be doing recycling and energy generation.

Projects that reported wastewater generation reported the use of soak pits/ septic tanks as the main method of managing waste at 39.6%, followed by the establishment of effluent treatment plants at 5.5%, recycling at 10.3% among other strategies such as the national sewer lines, use of lagoons, conversion to energy and drainage systems.

The findings showed that much of the paper waste generated by the projects is burnt (55.6%), the glass and plastic waste is managed by licensed waste collection companies while most of the metallic waste is collected by scrap dealers and sold to recycling companies.

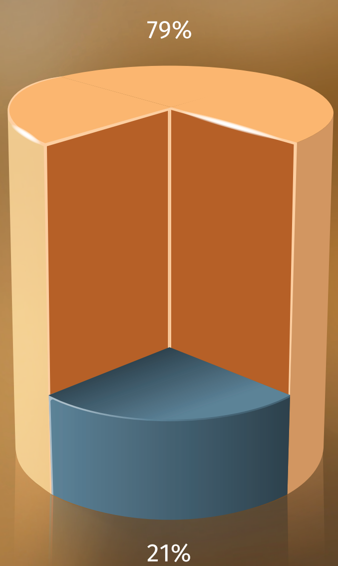
Table 16: Different waste disposal methods adopted by the enterprises in the different sectors.

Waste Disposal Methods	Licensed Companies	Incineration	Composting	Recycling	Reuse	Waste treatment	Pit and burn	Sewer lines	Soak Pits
Tourism	35.00	6.00	6.00	5.00	-	-	3.00	2.00	17.00
Manufacturing	12.00	2.00	2.00	13.00	9.00	3.00	1.00	1.00	3.00
Agro - processing	4.00	4.00	19.00	3.00	4.00	4.00	2.00	-	2.00
Primary Agriculture	-	3.00	21.00	1.00	7.00	1.00	2.00	2.00	3.00
Education	3.00	-	-	-	-	298.71	-	-	-
Health	4.00	2.00	-	-	1.00	-	1.00	1.00	1.00
Infrastructure	3.00	-	2.00	-	2.00	-	-	-	1.00
	61.00	17.00	50.00	22.00	23.00	8.00	9.00	6.00	27.00
Disposal methods (%)	**27.4%**	**7.6%**	**22.4%**	**9.9%**	**10.3%**	**3.6%**	**4.0%**	**2.7%**	**12.1%**

3.7.4. Greening Opportunities

As shown in Figure 32, only 21.0% of the supported enterprises reported planting trees. Further analysis showed that a total of 3,123 acres were planted in 2023. Much of the tree planting was under the primary agriculture and industry sectors contributing 48% and 24% respectively. This largely explains the climate-smart practices adopted by many of the enterprises through agroforestry and the sustainable forest value chains that industries are penetrating as sources of raw materials for their industries e.g., the paper and pulp industries. The trees act as carbon sinks, sequestering carbon thereby mitigating the effects of greenhouse gas emissions. Additionally, the trees and forests also provide adaptation co-benefits through fodder and feed, bioenergy woodlots for household energy needs, fruits and provide for other enterprises such as apiary. Considering implementation and capitalization phases of 8 and 12 years respectively under the EX-ACT method, these trees will sequester approximately 749 MtCO2e. Important to note is that this is not usually the case as these trees are planted for different purposes and cut at different timeframes. The assessment also noted that 1,655 acres had been cut down in 2023 thus lowering the expected carbon impact from these potential sinks.

Figure 32: Percentage of enterprises undertaking mitigation measures of tree planting and how many acres are planted in 2023



Sector	Acres of tree planted in 2023	Acres of trees cut down in 2023	% of enterprises planting trees
Primary Agriculture	1,850	1402	48%
Human capital	0	0	0%
Infrastructure	0.4	0	10%
Industry	1,233	253	24%
Tourism	40	0	19%
Total	**3,123**	**1,655**	**0**

No tree planted

Trees planted

3.7.4.1. Other Potential Greening Opportunities

Further analysis showed that 41% of the enterprises did envisage opportunities of going green including tree growing, adoption and use of clean energy, proper waste management practices including reuse, adoption of cleaner production technologies with automation, use of energy-efficient machines and environmentally friendly raw materials.

4.0 LESSONS LEARNED

In examining the outcomes of the 2023 development impact assessment, a wealth of insights emerged, shedding light on the pivotal role played by the Bank in fostering socio-economic transformation across various sectors. This section delves into the detailed lessons learned from the assessment findings, offering a comprehensive analysis of the socio-economic and environmental impacts, sector-specific outcomes, and key recommendations derived from UDB's interventions.

4.1. Lessons Learned.

The ex-post report provides key insights about the performance of the Bank's funded businesses as well as their socio-economic impact. There are also lessons learned including the following.

1. Projects in some sectors tend to generate more development outcomes than others, emanating from the magnitude of support as well as the varying multiplier effect. Cases in point are manufacturing, tourism and agriculture which created more forex than others. In addition, manufacturing generates more output value for additional money invested.
2. Supporting existing or continuing projects mostly promotes job maintenance rather than the creation of new jobs. This is because most of the funding either goes for working capital or asset financing which do not translate directly into labour additions. Indeed, some of the machinery might be labour-replacing.
3. Most supported enterprises rely on the local market and have promoted mostly import substitution rather than export expansion hence underperformance on the Bank's objectives of export and forex expansion. This suggests that the Bank has relatively performed well on import substitution compared to export promotion. This is a key achievement given that Uganda has a trade deficit because it imports more than it exports. Efforts to promote import substitution will go a long way in improving the country's trade balance position.
4. We also learn that the skilled labour force attracts higher wages and workers have a chance to bargain for better benefits. This has not been observed in agriculture-funded due to low levels of modernisation & mechanisation. As a result, there is a higher proportion of staff earning less than UGX210,000 in primary agriculture as well as in special programs compared to other sectors.
5. Employers in the agriculture sector and those in special programs are more likely to use cash payments when paying salaries to their workers and less use of Banks and mobile money. Accordingly, primary agriculture has demonstrated less impact in terms of financial inclusion, resulting in more use of cash transaction/payments, and low levels of record keeping hence difficulty in assessing their performance and growth.
6. The capacity utilisation in the Bank's supported industries has increased over time up to 72%. The existing capacity utilisation gaps especially in the manufacturing sector are caused by; a high appetite for continuous expansion and weakness in the management of working capital.
7. Farmers supported by the Bank have demonstrated a willingness to adapt to new farming methods like mixed farming, agroforestry, and others. there is a noticeable trend towards more sustainable and diversified agricultural systems.
8. Authorities and Licensed Companies play a critical role in waste management: it was established that Municipal authorities and licensed companies play a significant role in managing biodegradable waste, highlighting the importance of collaboration between public and private sectors. This partnership ensures proper disposal and utilisation of waste materials, contributing to environmental sustainability.
9. There is a need for sector-specific approaches in addressing issues of regulatory compliance: The varying levels of compliance with social protection, and the environment within different sectors indicate the importance of tailoring interventions to address sector-specific challenges and opportunities. For example, initiatives to enhance compliance in primary agriculture may need to focus on addressing barriers to formalisation, designing sector-specific tools or tools with minimum standards and increasing awareness among small-scale farmers, while efforts in manufacturing may prioritise strengthening regulatory frameworks and monitoring mechanisms.

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