



Social Enterprise Ecosystem Country Profile UGANDA

Acknowledgments

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Overview

In Sub-Saharan Africa, with 388 million people living on less than the poverty line of USD 1.90 per day and rapid population growth, the challenge for the public sector to deliver services will only grow in the coming years.¹ So far, traditional actors, including governments, civil society, and the private sector have been unable to solve the problem of providing essential, quality services, such as access to water, energy, sanitation, education, and health care.

In this context, social enterprises (SEs) have emerged as a new type of development actor with the potential to help solve the service delivery gap. During the last decade, SEs in Africa increasingly address service delivery gaps for the poor in novel ways, with Kenya and South Africa among the leading countries in the SE sector.

SEs are privately owned organizations—either for-profit, non-profit, or a hybrid of the two—that use business methods to advance their social objectives. They focus on maximizing the social and environmental impact for their target beneficiaries in contrast of maximizing the short-term profits for their shareholders and private owners. Due to their strong presence and understanding of local communities, SEs are often able to reach underserved populations through flexible and innovative business models.

Although positive examples abound, SEs have not yet fully realized their potential in Africa. With variations across sectors, many SEs struggle to scale-up and develop sustainable models. SEs face high barriers that are often aggravated by the difficult markets they serve. Common challenges include uncondusive regulation and policy, lack of financing solutions, weak infrastructure and human capital, and a lack of information and networks. In addition, SEs are not organized as a sector and fall between traditionally recognized public and private organizations. The public sector often does not play a catalytic role.

The SE ecosystem is comprised of actors, institutions, and network that support SEs in contributing to development goals. In many developing countries, the SE sector still lacks a supportive ecosystem, or enabling environment, which would allow these organizations to thrive and grow. Four ecosystem dimensions capture the enabling environment for SEs: policy and regulation, financing solutions, infrastructure and human capital, and information and networks. Where these dimensions are improved, SEs can significantly contribute to a service delivery challenge.

In developing countries and in particular in Africa, there is limited data collected and analyzed on existing supporting factors, challenges, and opportunities for the SE sector. This report profiles how SEs across seven African countries—Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia—address service delivery gaps for poor populations and assesses the status of their SE ecosystems. The report targets development practitioners involved in policy design and implementation who are interested in new ways to address service delivery challenges. These specific examples of challenges and opportunities for SEs in Africa can highlight ways to increase the sustainability and scale of current and future SE business models.

¹ Beegle, Kathleen; Christiaensen, Luc; Dabalen, Andrew; Gaddis, Isis. 2016. Poverty in a Rising Africa. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/22575>.

Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 1). These countries represent:

- Different levels of socio-economic development.
- Different stages of SE development and ecosystem support.
- Two regional clusters to test for regional patterns and potentially allow regional knowledge sharing and learning.

Service Sectors

The report covers four basic service areas: education, energy, health, and water and sanitation. These basic services lay the foundation for alleviating poverty, reducing income inequalities, and ultimately contributing to each country's socio-economic development.

Beneficiaries

The report considers target beneficiaries for SE activities as underserved, low-income populations representing the Base of the economic Pyramid (BoP), living on less than USD 1.90 per day in 2015 (the World Bank Group's poverty line at the time of starting the research).

Analytical Framework

In this report, the ecosystem framework consists of four parts: demand, supply, SE situation, and ecosystem dimensions. SEs are at the heart of the model (Figure 2).

SE opportunities for providing services depend on the *demand* by the BoP and the existing *supply situation*. The four ecosystem dimensions influence the ability of SEs to operate effectively and scale up. The ecosystem framework guides the analysis at all levels: country, service sector, and service sub-sector. Table 1 describes each element in more detail.

Figure 1. Focus countries in this report

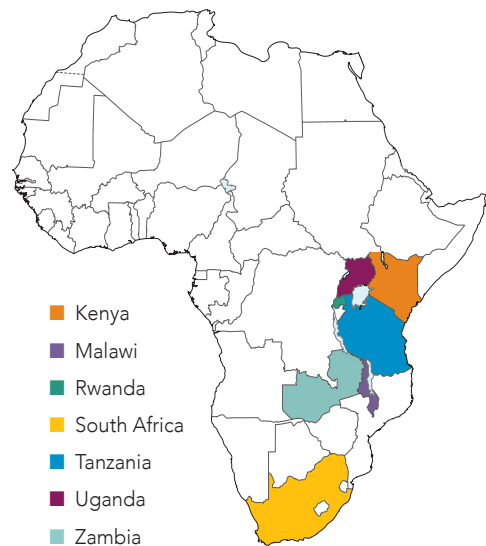


Figure 2. Ecosystem framework



Table 1. Four parts of the ecosystem framework

Demand	<ul style="list-style-type: none"> • BoP needs: What are the development challenges and unmet needs for the BoP? • BoP market: What are the volume and dynamics of the current BoP market? What are the main challenges related to the 4 A's: awareness, accessibility, affordability, and acceptance?
Supply	<ul style="list-style-type: none"> • Public supply: What is the structure and level of current public supply for the BoP? What are supply gaps and challenges? • Non-public supply: What is the structure and level of current non-public supply for the BoP? For example, from NGOs or the private sector. • Donors: What role do donors play in the sector?
SE situation	<ul style="list-style-type: none"> • SE understanding and presence: How many SEs are there? How are they perceived? • Type: How big are they? How are they organized? What is their level of maturity? • Value chain: What are typical activities in the value chain? In which service sectors and service sub-sectors are SEs active?
Ecosystem dimensions	<p>Ecosystem dimensions capture the enabling environment for SEs. This includes dimensions that are specific to SEs and dimensions that determine the viability of market-based approaches more broadly.</p> <ul style="list-style-type: none"> • Policy and regulation: What are the main policy drivers or barriers for SEs? Including policy strategy, regulation, and level of public-private collaboration. • Financing solutions: What are the sources of funding for SEs as well as for their clients? Including commercial funding, consumer finance, and grant funding. • Infrastructure and human capital: What are important infrastructure issues that affect the operations of SEs? What is the skill level available for SEs? Is the sector able to attract relevant talent? • Information and networks: What organizations, incubators, networks, training, etc. are available to build awareness, knowledge, and capacity among SEs, or advocate for SEs?

Data Collection

Endeva and BoP learning labs conducted desk and field research to map the SEs and ecosystem dimensions. They based the SE mapping on publicly available resources and desk research, which was supplemented with semi-structured interviews with SEs and local stakeholders representing different parts of the ecosystem. Accordingly, the sample size for each country varies in the report.

The information is based on:

- 59 interviews with SEs
- 140 interviews with stakeholders
- Interviews with BoP service users
- A database with 271 SE examples



Social Enterprise Ecosystem Country Profile

UGANDA

Uganda has large faith-based SEs and innovative new SEs developing business models and services for the BoP. The ecosystem for SEs is maturing from a nascent stage, despite little formal recognition of the terminology.

Policy and Regulation

- Since Uganda returned to stability in 1986 the government has become more open towards working with the private sector.
- SEs are not recognized in policy, with the exception of faith-based SEs and social marketing organizations that are mentioned in some policies.
- SEs operating as NGOs express fear

Infrastructure and Human Capital

- Access to stable electricity is a key challenge for SEs (Uganda ranks 167 of 189 on ease of accessing electricity for businesses in 2015).
- Mobile money has improved the financial services sector in Uganda, especially for BoP.
- Competition with high wages in donor organizations or NGOs is as a significant recruitment challenge for SEs.

BoP Demand

- Uganda has one of the fastest growing populations globally, but has been able to reduce poverty in recent years.
- The BoP still face challenges across the four service areas, especially in rural areas where the vast majority of the

SE Situation

- The SE term is new in Uganda and mostly newer enterprises define themselves as SE's (often with international links).
- SEs play an important role in off-grid energy sector. Faith-based SEs are strong in health sector. In education and water and sanitation SEs are present, but play a smaller role.

Supply to the BoP

- The public sector is dependent on donor funding and has significant gaps in service provision for BoP.
- Some sectors e.g. energy and rural water supply integrate private providers in public services, while faith-based are involved in health services.

Financing

- Ugandan SEs can access a number of sector specific grants. They are rarely SE specific, but easier for SEs to access due to social impact requirements.
- For SEs, especially smaller SEs commercial lending is very challenging. Alternatives are institutions like the Uganda Development Bank (UDBL) and the Micro Finance Support Centre (MFC), but these have a hard time meeting demand.

Information and Networks

- Incubators and challenge competitions have gained prominence in Uganda in the last 5 years.
- Within health the main faith-based SEs work together, which means they can collaborate on medicine, training etc. and advocate coordinated for their needs. In other sectors there are more general, but important organizations that include SEs, but rarely advocate for SE specific needs.

Study background

This profile is part of the *SE ecosystem mapping*. SEs are defined as non-public providers of services to low-income populations, based on a sustainable revenue model and a social mission. The profile maps the *ecosystem* for SEs in Uganda based on a guiding framework that identifies key elements of the SE ecosystem. The profile supplements service profiles *and a report* with cross-cutting analysis. The service areas are:

- Education
- Energy
- Health
- Water and sanitation

The profile is based on desk research and interviews with local experts and SEs conducted in summer 2015. Unless otherwise noted, information provided in the profile is based on research and interviews. The list of interviewees is provided in the annex.

Country facts²

- **Population:** 37.6 Million (2013)
- **BoP < USD 1,25 per day:** 13.7 Million (2012)
- **GDP per capita PPP:** USUSD 1674 (2013)
- **Average GDP growth, 2009-2013:** 7.9 percent

NEED AND DEMAND FOR SERVICES

With a population growth averaging 3.1 percent annually (2009-2013), Uganda is one of the fastest growing countries globally (37.6 million in 2013). Uganda has been able to reduce poverty in recent years. 20 percent lived under the national poverty line in 2012, falling from 39 percent in a decade. Despite progress many families are poor. In 2012 almost 14 million people in Uganda lived on less than USD 1.25 a day, and almost 23 million lived on less than USD 2 a day.³

The BoP face challenges across the four service areas studied, especially in rural areas where the vast majority of the population in Uganda lives (85 percent).⁴ Electricity access for example is much better in urban areas: 55 percent of the urban population and only 5 percent of rural population have access to electricity, with a national access rate of 15 percent (2010).⁵ The main BoP energy challenges are access to energy solutions (insufficient last mile distribution) and inadequate end-user financing (high product costs versus low disposable income).

Access to water is also particularly challenging in rural areas, where only 71 percent of the population has access to improved water sources, compared to 95 percent in urban areas (2015). In general access to improved water has improved, while access to improved sanitation is lagging behind. Only 19 percent use improved sanitation solutions, which is the second lowest rate among the countries studied and far behind neighbouring Kenya (30 percent) and Rwanda (62 percent). The difference between urban and rural access rates is low, but sanitation challenges differ from urban areas to congested rural settlements.

² World Bank World Development Indicators

³ Ibid

⁴ World Bank World Development Indicators

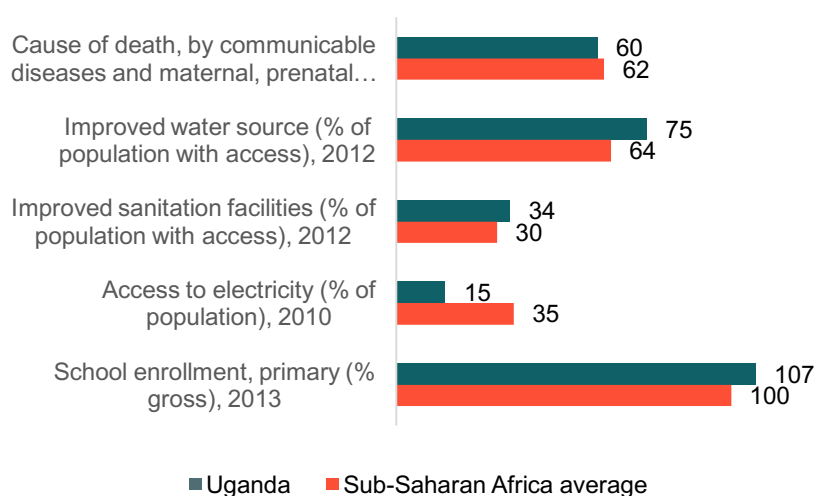
⁵ Ibid

Uganda has made substantial progress on access to education for the BoP, especially related to primary education (110 percent in 2013).⁶ Quality of education infrastructure and learning outcomes are however still low. 73 percent of the population aged 15 and over were literate in 2010.⁷ Adding to this challenge Uganda has the youngest population among the countries studied, which strains education resources and pressures job opportunities for the BoP.⁸

Health is also an areas where Uganda has seen improvements, for example related to HIV prevalence, polio, guinea worm, vaccines etc.). As a result life expectancy has risen. Despite progress and significant investments Uganda still ranks 164 of 187 countries on health indicators.⁹ Many regions in Uganda lack the infrastructure and health facilities necessary to provide adequate levels of health services for the BoP.¹⁰

The BoP demand for services varies across service areas. The private BoP market for small solar solutions is well developed, while the demand for larger energy solution and improved cooking stove solution is limited. The BoP generally value education and the market for low-cost private schools is growing. Equally, the BoP spend a considerably amount of household spending (6 percent) on health expenses despite free public services.¹¹ On the contrary, water is often seen as a public good, especially in rural areas, and willingness to invest in improved sanitation solutions is low.

Figure 3. Key indicators of access to basic services in Uganda (Source: World Bank data)



SUPPLY OF SERVICES

Supply by the Public Sector

Public service provision for the BoP varies across sectors. Uganda has been through reforms in the energy sector, which means service provision is a joint effort between public and private players. Despite public efforts focusing on rural electrification (e.g. the Rural Electrification Plan) very few public energy services reach the rural BoP. Challenges slowing previous efforts include insufficient incentives for the private operators to increase access to the rural poor, affordability constraints relating to wiring costs and service connections and confusion on roles of different stakeholders.¹²

⁶ Gross Enrolment rates can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition.

⁷ WB Education Statistics Database

⁸ World Development Indicators

⁹ <http://hdr.undp.org/en/content/health-index>

¹⁰ Ministry of Health (2014): "Annual Health Sector Performance Report for Financial Year 2013/14"

¹¹ Lowest income segment. Household spending on health % of total consumption, 2010 WB Global Consumption Database

¹² World Bank (2015): Project appraisal Energy for rural transformation project, Third Phase

The public sector has abolished most user fees at public run health institutions. The quality and equity of services in the public health sector however remains low. For example only 78.4 percent of the essential medical equipment including stethoscopes, weighing scales and thermometers were available and functional in the public health sector facilities.¹³

BoP access to primary education has been expanded through introduction of free services, but quality in public education is low in many areas. Lack of adequate infrastructure, teacher availability in rural areas, as well as teaching quality are cited as a major challenges.¹⁴ As an example one study showed that only 19 percent of public school teachers had the required knowledge of their subjects.¹⁵

The public sector provides very limited sewerage services in Uganda, and public services are pressured by increased urbanization in the bigger cities. Public water services are more developed. In large urban areas the National Water and Sewerage Corporation provides water services through a cross-subsidized system, charging higher prices to different consumer groups. Piped water coverage in urban areas is however low and most BoP purchase their water from vendors and public outlets. In small towns responsibility is regularly delegated to non-public contractors.

The Role of Donors

Donor support plays an important role funding the public sector in Uganda, but the level of funding has been falling. Funding as a percentage of the total budget decreased from 52 percent in 2003/04 to a projected 21 percent in 2013/14.¹⁶ Uganda was one of the first countries where international funding was channeled as budget support (late 1990s). This type of support has however dwindled and halted several times in recent years as response to corruption scandals and lack of alignment between donors and government.¹⁷ US AID (largest bilateral donor), and the EU institutions and UK are among large donors.

Supply by NGOs and Other Actors

The private sector and NGOs both play important roles for BoP service provision. Across the sectors studied international and local NGOs provide services subsidized or for free, for example cookstoves or solar products. Several interview respondents mentioned that the BoP (especially in some areas) meet a multitude of NGO projects and expect SE services to be free or heavily subsidized. The private sector is also involved in BoP service provision. In the energy sector the company currently responsible for the distribution and sale of electricity, Umeme Ltd, is private, while many small informal enterprises sell solar products, stoves or fuel to the BoP. In the education sector 1,4 four million students attended private primary school in 2013 (Figure 2) and the low-cost private school sector is growing, including early childhood education services. Within the water sector informal water resellers expand the water network beyond public access points, but are also procured by the government in

¹³Ministry of Health (2014): "Annual Health Sector Performance Report for Financial Year 2013/14"

Institute for Health Metrics and Evaluation (2014): "Health Service Provision in Uganda: Assessing Facility Capacity, Costs of Care, and Patient Perspectives" The World Bank (2013): "Education and Health Services in Uganda. Data for Results and Accountability"

¹⁴ For example of gap assessment see: <http://www.globalpartnership.org/country/uganda>

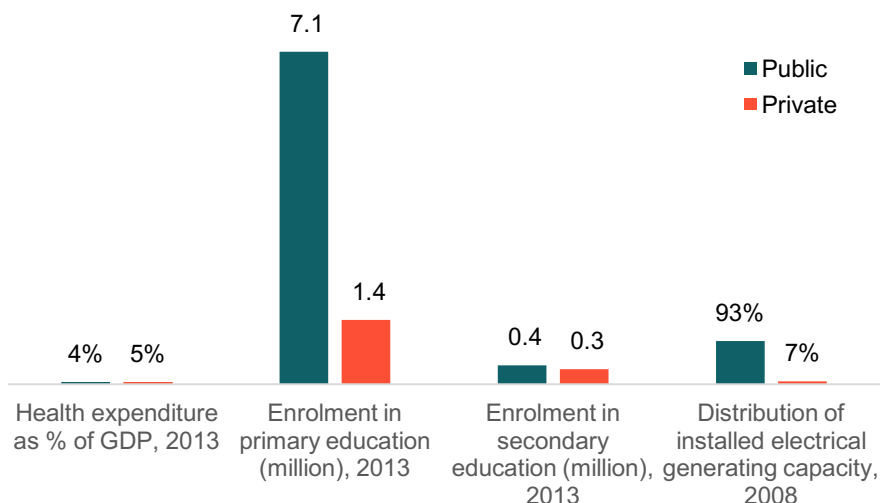
¹⁵ The World Bank (2013): "Education and Health Services in Uganda. Data for results and accountability"

¹⁶ European Commission, World Bank, Government of Uganda, DFID (2015) Joint Evaluation of Budget Support to Uganda

¹⁷ ODI (2016): Budget Support to Uganda 1998-2012 A review

some rural village (see Public Private Collaboration). BoP service provision varies considerably across Uganda. While many private enterprises have weak distribution into the remote countryside, for example in Northern Uganda, many NGOs have activities in the North.

Figure 4. Public- private sector indicators



Source: World Bank Health Nutrition and Population Statistics Database; World Bank Education Statistics Database; The International Bank for Reconstruction and Development/The World Bank (2011): "Africa's Power Infrastructure: Investment, Integration, Efficiency"

Supply by SEs

The SE term is new in Uganda and mostly recently established enterprises define themselves as SE's. Many of these have international ownerships/leadership or close international collaboration. There are however organizations that are locally developed and define themselves as SEs. For the many faith-based organizations SE thinking is not new, but few call themselves SEs. These organizations exemplify a long tradition for SEs in BoP service provision in Uganda. Faith-based SEs are most important in health and to some degree the education sector, and less apparent in energy and water and sanitation.

On the popular website UGO (Uganda Goes Online) out of over 1000 enterprises listed on the site only 13 enterprises were listed under the SE category.¹⁸ While this is a low number, it is interesting that the category exists in this type of listing.

As part of the research perceptions of the term SE were discussed during a business networking meeting for young professionals. Answers range from little recognition of the term (focus on SME or communication) to a basic understanding in line with the WB definition.¹⁹

Box 1. Examples of answers

".... a business that highly/positively impacts on welfare of the community....."

"....Solves a communal problem with financial stability....."

"..... a business venture aimed at improving the life of individuals as larger objective than profit making"

¹⁸ directory.ugo.co.ug/listing_category/social-enterprises/





¹⁹ Question: "What is your understanding of a Social Enterprise" was posed to an audience of young entrepreneurs at a monthly e-club networking event hosted by FinAfrica in June 2015. Each participant wrote an individual response and discussed answers afterwards in a small workshop. Answers likely have a business focus due to the audience.

"....a business formed by an entrepreneur for the purpose of benefiting him & society or community at large.
"..... It's based to solve community's problems....."
".....It's a businesses that try to solve social problems....."
"..... one that involves working with many people and communities to improve their livelihood...."
".....An organization set up to deal with social responsibility in a community and wellness....."
".....any enterprise which operates considering the wellbeing of the society"
".... Small scale business enterprise....."
"..... involving yourself with people whether on social media or any other communication channel....."
".....global small scale business that are aimed at connecting different individuals in communities, countries .."

While different types of SEs exists, there is an overweight of SEs registered as businesses in Uganda. A number of them have existed for 5-10 years and have moved to roll out and scale phase (several locations). This means Uganda has important experience on SE development. Many of the developed SEs have struggled to find financially sustainable models and still work with different types of hybrid models. Some large private companies operate models with SE elements as part of the CSR-efforts, but are not SEs from a narrow definition. An example are SE structured clinics at some of the large medical institutions.

There are SEs in all four sectors, with water and sanitation being least developed. In the energy sector private SEs are among the most well-known companies for BoP products and solution. In the health sector SE are present in the form of faith-based organizations. Within water and sanitation most SEs are private, small and in pilot phase. A number of NGOs working within the sector have plans to become more financially sustainable, but often do not qualify as SEs yet. In the education sector there are a few SEs in most parts of the education value chain, but they do not dominate the sector.

Table 2. SE activity level and examples in Uganda across the sectors

	Health	Water and sanitation	Energy	Education
SE activity level				
SE example	Winsenga is a Ugandan based SE developing and selling an affordable fetal heart rate monitor, which can be used by staff with low medical training. Winsenga works with BoP-focused clinics to integrate technology. Winsenga has a wide partner network	JIBU was founded in 2012 and is an SE that work with entrepreneurs to launch drinking water enterprises. They provide seed financing for business-in-a-box franchises designed to make drinking water affordable and convenient for the under-served. JIBU	M-KOPA makes solar home systems which are affordable to low-income households on a pay-per-use installment plan. In Uganda, M-KOPA was started in 2013 and currently employees 130 people. It is a for-profit enterprise	Since 2000 Mango Tree has manufactured and sold innovative and affordable educational tools for schools and health centers, and provides training on how to use them. Mango Trees sells directly to schools, but also works

	including Microsoft and Makerere University.	has + 10 franchises in Uganda and Rwanda and is expanding its network.	based on a hybrid-model.	together with public organizations and donor programs. Mango Tree employs 35 permanent staff.
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Social Enterprise Ecosystem

Ugandan SEs are diverse ranging from local entrepreneurs promoting disruptive technology to large faith-based organizations deeply entrenched in existing health infrastructure. Equally the ecosystem barriers emphasized across SEs vary. Starts-ups quote financing and demand creation as key challenges, while larger organizations discuss the general regulatory and not least practical barriers for non-public involvement. Faith-based organizations are more integrated in public services and face less structural barriers than other SEs, but are pressured by a shift in funding from donors and government. Across SEs there are challenges combining commercial and social goals within the existing regulatory frameworks and registration forms. For companies there are indications that the current openness towards PPPs and private sector is under pressure. NGOs also face pressure with increased scrutiny of activities.

POLICY AND REGULATION

Policy strategy

The SE term is relatively new in Uganda and is not covered by any specific policy or strategy. As a result there is no one specific policy recognition of SEs in legal or statutory form.²⁰ General government policy and attitude towards the private sector and NGOs however influence the space for SEs.

Since Uganda returned to stability in 1986 after three decades of political, social and economic instability, the government has increasingly become open towards working with the private sector. As a result the government has implemented a number of policies and initiatives related to private sector engagement, which also influence the space for SEs. Examples includes focus on entrepreneurs, SMEs and PPPs. Despite a generally positive attitude towards the private sector, there has recently been 'noise' from various government circles on the value of liberalization and especially privatization. In the 2015/16 Budget the government for example allocated US\$500b as recapitalization to support activities in sectors where the private sector has 'failed to deliver.'²¹ For SEs Uganda is still comparably a country with openness towards engagement of non-public actors, but there is some political uncertainty currently.

SEs operating as NGOs express fear of increased intervention and scrutiny of their activities. Government has drafted a Bill seeking to bar NGOs from engaging in political work.²² The proposed law draws sharp lines regarding the mandates of local, national and international NGOs. The Bill is intended to "enhance the operations of the NGO Board from the national level to sub- county." The proposed law is a result of recent rocky relations between government and NGOs over claims that the latter were engaged in political activism.

²⁰ Interview with Basil Ajer, Director of SME Division, Uganda Investment Authority

²¹ Ministry of Finance, Planning and Economic Development (2015): "National Budget Framework Paper FY 2015/16"

²² The Non-Governmental Organizations Registration (Amendment) Bill 2013 seeks to expand government powers to monitor NGO work.

Regulation

Since there is no legal recognition of SEs the organizations use existing legal frameworks.²³ Below the most normal registration forms are listed.

Table 3. Legal forms and relevance to SEs

Legal form	SE relevance
Company Limited by Guarantee (CLG)	<ul style="list-style-type: none">• For lack of alternative options to be legally recognized businesses with a social mission and who do not intend to pay out dividends or take profits out of their business set themselves up as CLG's• In some cases a not-for-profit organization launches a profit making CLG which is wholly owned by the parent not-for-profit. This makes it easier to operate revenue based models in parallel to NGO-structured activities.• <i>Examples: BSpace (U) Ltd. Uganda Red Cross owning Musalaba Mwekundu (U) Ltd</i>
Company Limited by Shares (CLS)	<ul style="list-style-type: none">• Some SE's have however chosen to be ordinary companies limited by (CLS) with no expected incentives.• <i>Mango Tree (U) Ltd; Green Heat (U) Ltd</i>
NGO	<ul style="list-style-type: none">• The NGO Registration Act includes in its definition of “organizations” those that provide “charitable services to the community or any part of it”, however, does not define the term “charitable services.” Nor does it otherwise confer a special status on charitable or public benefit organizations. NGO's have taken advantage of this grey area to register their organizations which are businesses in all but name.• <i>Example: Most Evangelical institutions in Uganda, Faith based & donor aided schools</i>

There are no specific SE incentives, but incentives SE can use, for example VAT exemption on solar water heaters and cookers, certain health services, water related purchases, etc.²⁴ SE owners interviewed however said that it is a hard to benefit from these incentives, since large investors are prioritized. SE which are registered as religious, charitable, or educational institutions can benefit from Income tax exemption.

Public-private collaboration

The National Development Plan defines the private sector as an ‘engine of growth and development’ and has a clear goal to ‘promote & encourage PPP's.’²⁵ To further promote working with private sector a Public Private Partnership (PPP) policy was adopted by government in 2010. The policy aims at targeting private sector resources for construction, operation and maintenance of infrastructure and development projects. A PPP bill was drafted and passed by the legislature in 2014, but the Executive arm of government declined to sign it into law in early 2015 due to political discussions on how public governance of PPP projects should be structured.²⁶

²³ [Companies Act](#) (1961); [Micro Finance Deposit-Taking Institutions \(MDI\) Regulations No. 61](#) (2004) & [Micro Finance Deposit-Taking Institutions Act No. 5](#) (2003); [Non-Governmental Organizations Registration \(Amendment\) Act](#) (2006); [Non-Governmental Organizations Registration Act \(Ch. 113\)](#) (1989) & [Non-Governmental Organizations Registration Regulations](#) (1990)

²⁴ www.ura.go.ug

²⁵ National Planning Authority: “National Development Plan (2010/11 - 2014/15)”

²⁶ Example of media coverage: www.independent.co.ug/cover-story/9770-parliament-in-trouble-with-museveni-again

Despite these current debates PPPs have been implemented in various sectors especially infrastructure, for example:

- Energy: (i) Bujagali-Hydro (ii) Eskom – Hydro (iii) Umeme – Distribution (iv) Aggreko – Thermal Plant (v) Mini-hydros- Several (vi) West Nile Power-Mini grid
- Water: (i) Small Towns Water Projects (ii) Kampala Ondeo Management Contract

Box 2. Small Towns Water Projects

The Small Towns Water Project (with World Bank involvement) is a good example of a PPP with a BOP service delivery focus, which could integrate SEs more strategically. The key project development objectives were to increase piped-water access for Ugandans living in selected small towns and rural growth centers through increased participation of local private operators. The project supported development of public/private modalities, including financing, technical and capacity building support. The project exceeded its target by 21 percent, instituting 1,671 connections in small towns and 745 in rural growth centers.²⁷

FINANCING

Grant funding

The government previously engaged in direct lending and grants, for example to kick-start entrepreneurship among the BoP.²⁸ To emphasize the importance, the schemes were managed by specifically appointed Cabinet Ministers. The results were mixed, and included large unpaid debt, which led to a shift away from direct government lending and a stronger focus on commercial funding or specialized public financial institutions.²⁹

Ugandan SEs can access a number of sector specific grants offered by foundations, donors, organizations or from corporate CSR initiatives. They are rarely SE specific, but easier for SEs to access due to requirements to document social impact and target BoP customers. Linking grant organization with SEs is however not always efficient. From a grant givers perspective lack of good projects is quoted as a problem, while SEs are not always aware of possibilities or lack resources to develop proposals. In some cases SEs also quote a miss-match between focus and structure of grants and needs of SEs.

Table 4. Examples of grant funding

Examples of grants	Focus
Renewable Energy Incubator - NORGESVEL	Supports early stage development of business ideas and business that are ready to scale with capacity building and access to grants and other equity providers.
Global Alliance for clean cooking (GACC)	The alliance provides innovation and working capital grants for clean cooking sector.
Bill and Melinda Gates Foundation	Grants for projects focusing on among themes health, financial services and sanitation as a business.
Stone Family	Supports development of sustainable WASH business models for BoP.
Coca Cola Foundation	Grants for various projects, including water focus. For example funding for prepaid water for pro-poor services in Kampala.

²⁷ GPOBA (2015) : Uganda Small Towns Water Supply Completion Report

²⁸ For example, "Entandikwa" (Start-up-capital) launched in the mid 90's and "Bonna Baggawale" ("Prosperity for All").

²⁹ The collapse of the government's Entandikwa credit program led to the government's decision to withdraw from direct lending – The Consultative Group to Assist the Poor (2004): "Uganda Microfinance Sector Effectiveness Review"

Box 3. B-SPACE

B-Space is a not for profit consultancy which supports development of sustainable business models servicing the BoP. Customers are developments organizations, as well as NGOs and private business. Activities include market research in BoP markets and different types of support activities for SEs. B-Space is developed by Oxfam, SNV Uganda, BoP Innovation Center, Venture Capital for Africa and Neyenrode Business School. B-Space illustrates how donors are partnering and funding new types of organizations to promote sustainable development. For the partners the goal is to develop B-Space into a self-sustaining SE. In 2015 B-Space has increased external funding significantly, but still has some donor support.

Commercial funding

For SEs, especially smaller SEs commercial lending is challenging. With the Bank of Uganda (Central Bank) raising the Central Bank Rate by 1.5 percentage points from 13 percent to 14.5 percent in July 2015³⁰, Commercial Bank have been announcing a hike in the lending rates to between 20 percent - 25 percent. The fallback position is the cheaper credit lines offered by government owned banks or institutions like the Uganda Development Bank (UDBL) and the Micro Finance Support Centre (MFC). This will likely make it increasingly difficult for SE's to get access to financing as more demand for MFC and UDBLs will put a pressure on available funding.

Table 5. Examples of commercial funding

Example	Focus
Micro Finance Support Centre Ltd (MSC) ³¹	Micro Finance Support Centre Ltd (MSC) is a Government owned company specifically mandated to provide affordable Micro Credit and Business Development Services to Cooperatives, Microfinance Institutions and SME's. It offers the following type of credit at less than market interest rates. The MSC has a country wide outreach with 7 offices and with beneficiaries going into hundreds of institutional organizations and by extension thousands of rural Ugandans. Focus is for example on schools and hospitals.
Uganda Development Bank UDBL ³²	Uganda Development Bank UDBL is a public enterprise wholly owned by the Government & carries on business as a Development Finance Institution. The bank's mandate is to finance enterprises in key growth sectors of the economy & has re-positioned itself as a key partner to the Government in delivering its National Development Plan.

Impact investors in Uganda include Venture capitalists (who invest for impact) and Impact Investment Funds. Most of the financing by impact investment and venture capital funds to date are directed at businesses within agricultural value chains. Most of the SE's interviewed are not financed by impact investors or venture capitalists.

The illustration below categorizes venture funds by degree or level of financing. Each fund has a threshold below which it is not willing to invest. While there are players in each category, there is a miss-match between supply and demand. Among SEs there is a disproportionately higher need for funds at the below the USD 100K (and especially between USD 20k-50k) that is not being met by the current supply of funds. Impact investors state that the investment risks and transaction costs are the

³⁰ www.bou.or.ug/bou/media/statements/Bank_of_Uganda_raises_CBR_to_14.5_percent.html

³¹ www.msc.co.ug/

³² www.udbl.co.ug/

same across all investment ranges, while returns are lower for the <USD 100,000 making this category less attractive.

Table 6. Venture funds by degree or level of financing

<=USD 100,000	USD 100k-USD 1m	USD 1m-USD 2.5m	USD 2.5m-USD 5m
<ul style="list-style-type: none"> Yunus Business Fund Mango Fund Root Capital GoU Youth Fund 	<ul style="list-style-type: none"> ICCO Investments ONII Grofin LGTVP 	<ul style="list-style-type: none"> Pearl Capital Partners ICCO Investments DOB Equity Voxtra Acumen Fund 	<ul style="list-style-type: none"> ACTIS TBL Mirror Fund

To 'recruit' SE's into main stream investment pipelines there is a need for impact funds and partners to address this issue to be more relevant to the existing needs of the market.

Micro-financing for SEs is quite prevalent within agriculture, but much less in other sectors. Uganda has recorded significant growth over the past decade, with currently 89 microfinance institutions registered under the Association of Micro Finance Institutions of Uganda (AMFIU). Many MFIs focus on the rural economy lending to enterprises like SACCO's. MFI's are however limited in their level of financing, and do often not cater to the needs of SE's.

The SE's interviewed do not use MFIs for this reason. For micro-finance to be a relevant source of funding for service SEs they would need to reach into new sectors. The experiences from agriculture however provides a good starting point. A series of impact studies conducted in Uganda in the past years have demonstrated that the provision of microfinance services contributes to reduced client vulnerability to economic risks; and the acquisition of highly needed skill sets.³³

Consumer finance

Affordability is a key challenge for SEs and options for consumer finance varies considerably across the different service areas. Within the energy sector a variety of consumer finance models have been tested and provide important tools for SEs. Some SEs have developed mechanisms in-house while others collaborate with external partners. SolarNow for example offers customers affordable payment plans via an in-house credit facility (see energy profile). Another example is Finca who (with support from USAID) is helping micro-entrepreneurs offer consumer financing to BoP customers.³⁴ In other sectors consumer finance is less developed and could benefit from the experiences from energy and from other countries (e.g. health financing for BoP).

INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure

Access to stable electricity is mentioned as a common challenge for SEs in Uganda, especially SEs operating in rural Uganda (Uganda ranks 167 of 189 on ease of accessing electricity for businesses 2015). Several large scale public investments projects have been initiated focusing on electricity and transportation infrastructure, including high-ways serving Kampala, railway connecting Kenya and airport infrastructure supported by the China. For SEs serving the BoP on oftentimes poor rural roads the major projects will have little impact. An infrastructure improvement which is increasingly impacting the SE sector is the growth of mobile money services. This development has transformed the financial services sector in Uganda, creating and extending a platform for basic payment services and savings to millions of Ugandans who were previously excluded from the formal financial services

³³ www.fsdinternational.org/country/uganda/mfissues

³⁴ <http://www.finca.org/press-release/finca-usaid-partner-solar-energy-uganda/>

industry. The number of mobile money subscribers grew from about 10,000 in 2009 to 14.2 million subscribers in 2013, representing about 80 percent of Uganda's adult population. In 2012, mobile money transactions totaled 11.7 trillion shillings.³⁵ The mobile money platform offers significant potential for SE business models as a means of collecting revenues and creating awareness.

*"Mobile money entered Uganda in 2009, and in about five years, has turned out to be the greatest enabler of financial transactions in the last decades...There are now more people registered on mobile money in three years than Ugandans with bank accounts in over five decades."*³⁶

Skilled staff

The new crop of more well-known SEs are generally run by well-qualified professionals who come from the private sector or organizations (locals, as well as diaspora and many foreigners). Several SEs expressed challenges recruiting lower level staff. Competition with high wages in donor organizations or NGOs, was consistently mentioned as a recruitment challenge. Several also mentioned that fresh graduates lack necessary skills (with the exception of technical programs like engineering, IT and medicine), but also emphasized that the challenge is non SE-specific, but more serious for SEs due to the multi-faceted skill set required. SEs are looking for business savvy employees, with a strong social understanding and motivation. As a result of the skill gap SEs are coming up with their own methods for on the job graduate training. Several SEs mentioned that they have shifted from a focus on CVs to focus on attitude and potential, since these factors were deemed more important for SE success.

Several public and private Universities have begun to offer degrees and modules in Social Entrepreneurship. The programs often have international partners and are influenced by their framing of social entrepreneurship. Examples of programs include:

- Uganda Martyrs University - Masters in Global business & Sustainable Social Entrepreneurship³⁷
- Makerere University Business School - Bachelors of Entrepreneurship & Small Business management (under IYF/MUBs-SET AFRICA Social Enterprise)³⁸

These are relatively new degree programmes which means it is too early to assess their impact on the social entrepreneurship sector. However, they clearly indicate a growing SE focus and will likely work as strong multipliers of SE awareness. Partnering with this type of programmes constitute an opportunity for the WB to share best practices.

Box 4. Uganda Martyrs University

The program is a partnership with the Catholic University of Milan and targets 'high potential' entrepreneurs. Focus is on business skills and sustainability. Core values include 'passion for social transformation, creativity and leadership'. The program puts an emphasis on linking students up with an international network of facilitators, partners and investors to support the students start their own business during and after graduation.

"The program is highly practical focusing on developing entrepreneurs who are ready to change things from within."

Nangooba B. Margaret, PRO, Uganda Martyrs University

³⁵ Ndiwalana, A., Morawczynski, O., and Popov, O. (2012): "Mobile Money Use in Uganda: A Preliminary Study"

³⁶ Ibid

³⁷ <http://www.umu.ac.ug/?q=article/mba-global-business-and-sustainability-social-entrepreneurship-track>

³⁸ <http://www.setafrica.org/page/iymub>

INFORMATION AND NETWORKS

Capacity building

Ugandan SEs can choose from a range of training programs, incubators, and challenge competitions ranging from general business skills to specialized SE support. Not surprisingly the more developed SEs have a high awareness of possibilities, while smaller less developed SEs lack awareness about options. SEs have mixed experience with relevance and impact of offerings.

There are a number of organizations, which offer generic business skill development for the private sector, often with an SME or entrepreneur angle.

Box 5. The Private Sector Foundation of Uganda

The Private Sector Foundation of Uganda has a Business & Training Unit, which offers business training to members and external clients of the institution (members include SEs). Through this training SEs can increase basic business skills, but training is not developed specifically for SEs.

There are also examples of capacity building with a specific SE focus. The ‘Impact Entrepreneurship’ MBA is offered by Uganda Martyrs University and supports active SE entrepreneurs with practical training and coaching.

Development partners often work on capacity building within specific sectors. Organizations such as USAID, Sida, GIZ, DFID, and NORVESGEL for example offer technical assistance and capacity building to the private sector to expand uptake of renewable energy among the BoP.

Incubators and challenge competitions is a new phenomenon which has gained prominence in Uganda in the last 5 years. The incubators operating in Uganda can be put into three categories: 1) University based Incubators 2) Private Sector Based Incubators and 3) Public Sector Based Incubators.³⁹ Most incubators have a broader private sector focus, but also include SEs. Innovation challenges and competitions often have goals about social impact, but seldom social mission. Challenges often focus on agri-business and product innovation and more rarely on service delivery. The experience from running this type of challenges could however be transferred to similar activities with a focus on BoP services.

³⁹ BSpace (2015): “Mapping the Impact Investment Space in Uganda”

Table 7. Examples of capacity building initiatives for SEs

Type	Examples
University-based incubators	<ul style="list-style-type: none"> • Consortium for Enhancing University Responsiveness to Agribusiness Development (CURAD): Is a public-private partnership initiatives promoted by Makerere University, the National Agricultural Research Organization's (NARO) among others. Its aim is to catalyze innovative business ideas and entrepreneurs in the agribusiness sector. • Renewable Energy Incubator: Based at the College of Engineering Design, Art and Technology at Makerere University, the incubator welcomes business ideas from local entrepreneurs and SME's in Uganda. This Incubator is supported by the Nordic Climate Facility project and includes SEs.
Private sector based incubators	<ul style="list-style-type: none"> • FinAfrica: Is a private not for profit incubation, training and advisory centre. FinAfrica works with small businesses, and provides incubation which includes office infrastructure support, mentorship, and business skills training. FinAfrica is not sector specific but caters more towards the Micro SME categories. • Mara Launch pad: Is an initiative of the Mara Foundation in partnership with Angels Finance Cooperation, and targets young entrepreneurs across Kampala. It works as a business incubation ecosystem that fosters the growth of small startups or expanding business that lack the required tools and support to achieve structured growth. Mara is a SE itself and incubates SEs, but also other types of business.
Public Sector based incubators	<ul style="list-style-type: none"> • Uganda Investment Authority: Uganda Investment Authority (UIA) in partnership with CURAD, is jointly undertaking the development of a Agribusiness Incubation facility for SME's. The centre will support a number of non-service focused sectors (e.g. agro-processing and textile) and support on issues such as company registration, taxation issues, environmental compliance etc.
Competition or challenges	<ul style="list-style-type: none"> • Agri-business Innovation challenge 2015 (CURAD) This is an annual innovation call in its second year targets innovative business ideas that can improve agriculture value chain efficiencies. • Agri-Business Innovation Challenge (ICCO): Focus on tools or technologies that have already been proven in similar contexts, but lack a sustainable business model or successful implementation in Uganda. • ACIA Awards by Uganda Communication Commission (UCC): This is an annual initiative that fosters innovation through the recognition of ICT innovations.

Research and data

As noted there are emerging academic communities focusing on SE programs, but these are still nascent and mostly focused on teaching programs. General research on SMEs and business development or the role of private sector in development often also includes important Uganda specific insights related to the ecosystem and opportunities for SEs.⁴⁰ Within each sectors there are

⁴⁰ Examples: "Business Constraints and Growth Potential of Micro and Small Manufacturing Enterprises in Uganda" (http://www.giga-hamburg.de/en/system/files/publications/wp78_ishengoma-kappel.pdf) and "Building Women's Economic and Social Empowerment Through Enterprise" (https://www.poverty-action.org/sites/default/files/wings_full_policy_report_0.pdf)

also a number of non-SE specific research communities, which provide relevant information for different types of BoP service delivery (e.g. CREEC within energy).

For SEs the level of BoP market data available is quite different in the sectors. There are relatively good statistics on water, while sanitation is less documented due to lack of public provision. Public health is challenged by lack of reporting from private and NGO facilities. Often SEs rely on their own market research.

Coordination and advocacy

There are few SE specific coordination entities or advocacy organizations. Within health the main faith-based SEs work together, which means they are able to improve their operations (collaborate on medicine, training etc.) and advocate coordinated for their needs. Within other sectors there are more general, but important organizations that include SEs, but rarely advocate for SE specific needs. There are some efforts to strengthen the role of this type of organizations. GIZ is working with the Ministry of Energy on restructuring the Renewable Energy Associations like Uganda National Association for Renewable Energy and Uganda national Alliance on clean cooking (UNACC) to coordinate activities of private sector players and enable better public-private partnerships. For SE interventions this type of organization can be important partners.

Table 8. SE coordination and advocacy examples

Sector	Example
Education Sector	<ul style="list-style-type: none"> • Uganda National Association of Private Schools and Institutions (UNAPSI) is a membership organization representing private schools, and private institutions countrywide. Its mission is provide a national unified voice for private education and as the centre for collective action on behalf of its membership. UNAPSI strives to serve and strengthen member schools, institutions and associations by articulating and promoting high standards of educational quality and ethical behaviour. It promotes and protects the interests of Private Schools and Institutions, their owners, operators, parents and students and interact with members to ensure private education sector meets the needs of Ugandans.
Health	<ul style="list-style-type: none"> • Uganda National Association of Private Hospitals (UNAPH) is an industry association that represents the collective interests of independently-owned private hospitals and clinics in Uganda. The main aim of UNAPH is to represent, promote and protect the interests of private hospitals and private clinics, their owners and operators, and to interact with members, to ensure private hospital sector continues to be dynamic in meeting the changing needs of Ugandans and protect the interests and rights of Private health consumers. • Uganda Health Care Federation (UHCF) came into being in 2010 because of the need to have an umbrella organization which represents the private health sector in Uganda. There were many associations representing various interest groups in the private health sector such as Uganda Medical Association, Uganda Medical & Dental Practitioners Association, but none of them was sector wide to represent the entire private, non-state health sector. It became increasingly apparent then that in order to foster for the interests of private healthcare sector, there was need for one a body which could speak with sufficient clout and was broad enough to represent the various interests groups and be taken seriously by the government. More to this was that, in

	the past the Ministry of Health had primarily worked with the private not-for-profit organizations while purely private ones were marginalized.
Energy	<ul style="list-style-type: none"> • Uganda National Renewable Energy Agency (UNREA) is a confederation/Association of Ugandan private companies dealing in distribution of Solar Photovoltaic (PV) and other Renewable Energy Technologies in Uganda • Uganda National Alliance on Clean Cooking(UNACC) is an alliance of institutions and individuals from the public, private, development, businesses, research and education sectors that have promotion of clean cooking solutions as a common objective.
Water and Sanitation	<ul style="list-style-type: none"> • The Association of Private Water Operators (APWO) is an umbrella organization that unites Private Water Operators (PWOs). PWOs are managing water systems in small towns and rural growth centres since 2001. Currently out of 92 small towns with established water systems (Water Authorities), 79 are managed by around 20 Private Water Operators. APWO works with other stakeholders to advocate for a better working environment to enable its members to provide best services possible and contribute to national development through access to safe and clean water and improved sanitation.
Enabling SEs Micro Finance	<ul style="list-style-type: none"> • The Association of Microfinance Institutions of Uganda (AMFIU) is the umbrella body of MFI's in Uganda. It has a membership of 90 ordinary members mainly financial institutions of all tiers with microfinance as a major business and include Banks, Credit Institutions, MDIs, NGOs, non-regulated companies and SACCOs. AMFIU also has 30 associate members – institutions and individuals supporting the development of the microfinance sector in various ways such skills development, provision of software systems, wholesale funding ,government and donor projects etc. Members benefit from our capacity building efforts, information, networking, and being part of the family of MFIs that have committed themselves to do microfinance based on professional/sound practices.

CONCLUSIONS AND RECOMMENDATIONS

Most self-identified SEs in Uganda have international links, however Uganda stands out for its locally bred SEs, which are harder to find on other countries researched. In off-grid energy SEs are important market players, while faith-based organizations reach many BoP customers with services within especially health and education. In water and sanitation SEs are present, but play a small role in the total BoP sector.

Private engagement in service delivery has been increasing and regularly questioned politically (e.g. PPP policies). From the government side, SEs are not officially recognized. Interesting exceptions include social marketing organizations and faith-based organizations that are integrated in some types of health policy (e.g. HIV). Recent efforts to support pay-as-you go consumer financing models within energy indicates interesting policy and donor focus on improving financial ecosystem for BoP in ways that could strengthen SEs. Uganda hence has a nascent ecosystem with examples of interesting developments.

The following ecosystem interventions in the short- and-medium term are recommended:

- Uganda currently integrates private enterprises in public sector delivery system as for example water provision for the BoP in small towns. Studying how SE could be encouraged to bid for

this type of contracts (or support SE type skills in existing service providers) would be beneficial as well as evaluating how the model can be scaled to other under-served areas.

- A few education programs with SE elements are emerging in Uganda. These are important to strengthen the local cohort of SEs, and supporting and scaling the next generation of SEs.
- Financing is a bottleneck for many SEs. Building capacity among current financiers or other support schemes to be able assess and support SE types ventures could be an important enabler.

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INTERVIEWS

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Additional sector interviews have been completed and feed into the country profile.