

## CSOs ask Gov't to Recapitalize Uganda Development Bank



Africa Kiiza, a Program Officer- Trade and Negotiations at SEATINI, presenting the CSO position paper on Trade, Industry, and Cooperatives today at Parliament. | @CSBAG 2019

**“...the recapitalization of UDB will go a long way in helping entrepreneurs to access cheap credit for their ventures.”**

Members of the Civil Society Organizations (CSOs) have asked the government to consider recapitalizing the Uganda Development Bank (UDB) for easy access of cheap credit by Micro, Small and Medium Enterprises (MSMEs).

According to the CSOs under their umbrella, the Civil Society Budget Advocacy Group (CSBAG), there is lack of access to affordable credit facilities, especially by startup MSMEs.

They noted that the money will help support MSMEs in Primary agriculture, Agro Industrialization and Manufacturing, who find it hard to acquire high interest loans by commercial banks.

“In order to improve on their production capacities, both in volume and value, startup MSMEs require operating capital. One of the key documented challenges to start up MSMEs is lack of access to affordable finance /credit schemes,” Africa Kiiza a Program officer Trade and Negotiation, SEATINI said.

Presenting the CSOs’ position paper on the trade, industry and cooperatives sector ministerial policy statement for the FY 2019/20 before the Parliament’s committee on trade this morning, Africa said that whereas the government has put up a number of measures to provide finance to entrepreneurs, many MSMEs have not benefited. They said the recapitalization of UDB will go a long way in helping such entrepreneurs to access cheap credit for their ventures.

### National bank

However the committee chaired by Nansana Municipality MP Robert Kibirige Ssebunya, advised the CSOs to instead push for the establishment of a national agricultural bank, saying recapitalizing of UDB may take years for MSMEs to benefit.

“Your paper needed to include the revitalization of the national bank. The government will not be able to fully recapitalize UDB since it requires Sh500b and government is only committing Sh50b every financial year which will take time,” Ssebunya advised.

He noted that the government had hinted on merging banks like Pride Microfinance and Post Bank where interest rates can be controlled for the benefit of MSMEs.

In their paper, the CSOs also expressed concern over poor quality products, especially by MSMEs.

In order to increase on the share of exports both in value and volume, as envisioned in the FY2019/20, the CSOs proposed that the Uganda National Bureau of Standards (UNBS) is sufficiently facilitated to create awareness among business owners, farmers and manufacturers.

They hinted on the need to control the influx of substandard products on the market and of products which can be locally produced.

### Taxes

The CSOs further proposed that the 35% import duty on packaging materials for MSMEs is waived off in order to promote the use of good grade packaging materials.

On Market access, the CSOs urged the ministry of trade, to implement the Buy Uganda, Build Uganda (BUBU) Policy and fast track the development of the local content Bill 2017, for MSMEs competitiveness and growth.

“This will also help in prioritizing domestic trade development as spring board for Uganda based producers /traders’ participation in regional and internal export trade,” Africa told the MPs.

They noted that MSMEs are potential engines for innovation, employment creation through forward and backward linkages, social mobility and vehicles for economic growth.

According to the CSOs, apart from COMESA and the EAC where Uganda has a trade surplus, the utilization of these markets by the country is still low.

They implored the government to engage the EAC partner states in resolving the Non Trade Barriers (NTBs), and also engage the government of Rwanda to clear the continued stoppage of Ugandan goods, traders and trucks from accessing the Rwandan market.

Describing it as the trade wars and Non-Tariff Barriers, the CSOs noted that in spite of the efforts to promote intra EAC trade, the prevalence and re-occurrence of the NTBs and trade wars has made it challenging for Ugandans to maximize on the benefits of regional integration.

For sustainable economic development, the CSOs said Uganda can trade and industrialize her way out of poverty into job creation, wealth and prosperity at national and household levels.

The committee however tasked the CSOs to consider interacting with different MDAs about their proposals for consideration in their current and future Ministerial policy statements.