



Unlocking Business Growth through Market-Based Financing in Uganda

Introduction

The growth of Uganda's private sector (businesses) is vital, as it holds the potential to create employment opportunities for the country's growing population, boost government revenues, increase exports, and drive overall economic progress.

The Uganda government has set out ambitious goals as it seeks to diversify the sources of financing available to businesses through alternative avenues. These avenues include but not limited to private equity (PE) and venture capital (VC) funds licensed by the Capital Markets Authority (CMA), crowdfunding portals approved by the CMA, and new stock market listings.

Through the third National Development Plan (NDP III), the Uganda government aims to increase market-based financing for Ugandan business enterprises from 1.5% of GDP in 2018/19 to 3% by 2026/2027. The overarching objective is to enhance business access to finance, facilitate growth and enable enterprises to achieve their full potential.

As discussed in our previous knowledge series expanding a business's capital sources significantly enhances agility to achieve long-term goals. However, tapping into alternative financing options such as private equity and venture capital demands that businesses be "investor ready." Investor readiness builds the confidence and trust needed for investors to commit their capital to a business.

Support for Investor Readiness

While the responsibility for becoming investor-ready primarily falls on business owners, governments and private organizations have recognized the importance of businesses scaling up to economic growth. Consequently, they have established various programs to help businesses prepare for investment and secure long-term financing. These initiatives often include business incubators and accelerator programs, which provide access to financing options such as bank credit, venture capital, angel investors, and stock exchange capital.

Some notable international programs include the Ibuka program under the Nairobi Securities Exchange, the London Stock Exchange (LSE) Elite Network, the Ghana Capital SME Initiative, and the Morocco Elite Program. In this article we highlight some of the programs in Uganda that support business owners to become investor ready and expand their capital raising opportunities.

1. The Deal Flow Facility

This program is managed by FSD Uganda in partnership with Capital Market Authority and European Union with the objective of addressing the persistent capital gaps for emerging businesses. It provides technical support to established businesses to help them become investor ready and connect them to various capital sources beyond the traditional bank financing. Through this program business can accelerate growth and create employment opportunities.

2. The Stanbic Accelerator Program

Operated by Stanbic Bank Incubator Limited, a subsidiary of Stanbic Uganda Holdings Limited, this investment readiness program equips business owners with the skills needed to scale up their business. Participants are empowered to build strong, resilient, and bankable businesses that contribute to economic development and job creation.

3. Uganda Green Enterprise Finance Accelerator

This program facilitates green financing for SMEs operating in sectors such as renewable energy and waste management. It provides business and financial training, enabling companies to access funding and scale their environmental impact. They also partner with financial institutions to reduce financing risks for green enterprises.

4. The Hi-Innovator Initiative

This program empowers small and growing businesses with seed capital, technical assistance, and capacity-building support to help them unlock their potential and maximize their impact. By making businesses more competitive, the program ensures they are better positioned for long-term success. Additionally, it partners with financial institutions to provide access to affordable, patient funding which is crucial for sustainable growth.

5. Capacity-Building Programs

In addition to the initiatives mentioned, various capacity-building programs have been established by both the government and the private sector to equip business owners with the skills needed to grow and scale their businesses. These programs are often organized through business associations like the Private Sector Foundation Uganda and government entities such as the Microfinance Support Center.

Depending on their size and goals, businesses can leverage these programs to gain critical support, enhance investor readiness, and expand access to diverse funding sources to meet their capital needs.

Conclusion

Market-based financing has significant potential to bridge the capital gaps that have long constrained business growth in Uganda. To tap into this evolving market, business owners should leverage accelerator programs and capacity-building initiatives to become investor-ready, increasing their chances of accessing patient, long-term, and affordable financing. At JRK Advisory, we are dedicated to helping your business become investor-ready by offering expert legal and financial advisory services tailored to address your capital needs and unlock your full potential.

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Prior to establishing JRK Advisory Limited, Eva served as the Global Structuring Manager at MBO Partners in the United States. She also gained valuable experience as a Legal and Tax Consultant at KPMG Uganda and shared her expertise as a tutor at Uganda Christian University's School of Law.

Educational Background:

- Masters in Banking and Finance Law – Boston University, USA
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