

# Developments in Business Development Services (BDS) for green SMEs in Uganda

## UGEFA CASE STUDY



Implemented by

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This publication has been developed under the Uganda Green Enterprise Finance Accelerator (UGEFA) project. UGEFA is fully funded by the European Union and implemented by adelphi research gGmbH. Please refer to the UGEFA webpage for further information: <https://ugefa.eu>

**Suggested Citation:** Blum, S. (2024). UGEFA Case Study - Developments in Business Development Services (BDS) for green SMEs in Uganda. Berlin: adelphi research gGmbH

**Publisher:**

adelphi research gemeinnützige GmbH  
Alt-Moabit 91  
10559 Berlin  
+49 (030) 8900068-0  
[office@adelphi.de](mailto:office@adelphi.de) · [www.adelphi.de](http://www.adelphi.de)

Design and Layout: Chandkachorn John Chandratat

Cover Photo Credit: webguzs @ iStockphoto

Special thanks to Christine Meyer and Camilla Shearman for contributing to this report.

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# List of Acronyms

<b>AMI</b>	African Management Institute
<b>BDS</b>	Business development support
<b>EIT</b>	European Institute of Innovation and Technology
<b>GGGI</b>	Global Green Growth Institute
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>NDP III</b>	Third National Development Plan
<b>NGOs</b>	Non-Governmental Organisations
<b>Norad</b>	Norwegian Agency for Development Cooperation
<b>PSFU</b>	Private Sector Foundation Uganda
<b>REBDA</b>	Reign Business Development Agency
<b>REBi</b>	Renewable Energy Business Incubator
<b>SMEs</b>	Small and medium-sized enterprises
<b>ToT</b>	Training of Trainers Program
<b>UGEFA</b>	Uganda Green Enterprise Finance Accelerator
<b>UNBS</b>	Uganda National Bureau of Standards
<b>UNCDF</b>	United Nations Capital Development Funds
<b>WE4D</b>	Promoting Women's Employment for Africa's Green Transformation

# 1. Introduction

Worldwide, small and medium-sized enterprises (SMEs) play a crucial role as drivers of green growth, job creation, eco-innovation and social stability. Uganda is one of the most entrepreneurial countries in the world, where SMEs provide employment to more than 2.5 million people and account for around 93% of the private sector and generate over 80% of manufactured outputs.<sup>1</sup> The *Third National Development Plan (NDP III)* of the Ugandan government, which covers the period from 2020/21 to 2024/25, identified SMEs as the most crucial contributors to economic growth and job creation.<sup>2</sup> However, the growth of SMEs is hindered by various factors, like for example lack of access to finance, business skills and insufficient management systems. These factors also threaten the survival of these companies: despite the high number of SMEs, they also have a high mortality rate.<sup>3</sup> Crucial in the success of SMEs to survive and to access financing and grow, is business development support (BDS), also called “business development services”, to guide them along each stage in their development process and help them improve their business skills, financial knowledge and management systems. Business development support can be defined as services that have the goal of enhancing the productivity and also competitiveness of SMEs through support on topics like upgrading managerial but also technical skills, appropriate management systems, new improved technologies and access to markets.<sup>4</sup> Yet, there are several challenges of the BDS ecosystem in Uganda regarding providing suitable support to SMEs, which results in many SMEs being left without fitting support.<sup>5</sup>

The BDS ecosystem in Uganda comprises a diverse set of stakeholders, including local and international private consulting enterprises, non-governmental organisations (NGOs), government agencies, international organisations and financial institutions. These entities offer a variety of services, which are designed to address the different challenges faced by SMEs, but often focus on access to markets, technical assistance, business management and financial literacy. Those activities are offered mostly through incubators, accelerators, innovation labs, business competitions or direct mentoring. There are also an increasing number of entrepreneurship hubs, which often operate as co-working spaces and help to connect like-minded entrepreneurs, but do not always offer additional services for SMEs around capacity development of business expertise. Several universities especially in Kampala, for example Makerere University, also offer degrees and training in entrepreneurship and BDS support. There are also many business associations operating country wide, which support with networking effects and policy advocacy, but in some cases also offer capacity development opportunities on business trainings for enterprises.<sup>6</sup>

The Ugandan government took on the topic of improving the quality and reliability of BDS support and recognised in its *Third National Development Plan* that BDS support is crucial for private sector development. It also identified challenges, for example that the BDS ecosystem is still fragmented and uncoordinated, which leads to the risk of duplication as different stakeholders are offering BDS support without being aware of the activities of the other. Another difficulty identified by the Ugandan government was that BDS

1 SEED & ACODE (2022). Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda, Berlin, Germany.

2 Aspen Network of Development Entrepreneurs, Uganda Entrepreneurial Ecosystem, October 2018.

3 Government of Uganda (2022) : National Business Development Services (BDS) Strategy Framework.

4 OECDiLibrary, Business development services for SMEs and entrepreneurship.

5 UGEFA, Assisting growth-oriented SMEs: Training of Trainers Program (ToT) registrations now open!.

6 Aspen Network of Development Entrepreneurs, Uganda Entrepreneurial Ecosystem, October 2018.

support often does not follow any standards. Consequently, it developed a *National Business Development Services Framework* to enable mass access of enterprises to quality BDS support across Uganda.<sup>7</sup> Also the Private Sector Foundation of Uganda (PSFU) and African Management Institute (AMI) in collaboration with the Uganda National Bureau of Standards (UNBS), created national standards to guide BDS advisors in Uganda to provide efficient support to SMEs and help them to grow.<sup>8</sup>

In comparison to conventional SMEs, green SMEs face several additional challenges. For example, their business models, which centre around environmental and often also social impacts, make them more sensitive to market challenges.<sup>9</sup> Against this background, this case study analyses the BDS support available specifically to green SMEs in Uganda. Green SMEs in Uganda can be defined as SMEs which “engage in sustainable production applying eco-innovation and innovative green business models, while maintaining the natural resource base of Uganda and providing green jobs”<sup>10</sup>. Green SMEs have the potential to drive green growth and sustainable development on the one hand through growing their economic activity, but also through ensuring that their growth is anchored in sustainable business models, practices, green products and services, as well in the creation of green employment.<sup>11</sup> Before 2020, some of the above-mentioned entities already provided BDS specifically targeted at the needs of green SMEs, but it was only a small fraction. However, between 2020 and 2024, the importance of green enterprises for Uganda received increasing attention, which also led to more BDS organisations taking on the topic.

The Uganda Green Enterprise Finance Accelerator (UGEFA) helps to improve the bankability of specifically green SMEs through working alongside banks in order to co-create tailored loans to green business models and providing capacity development workshops to SMEs conducted by well-trained BDS advisors with deep knowledge on the needs of green SMEs. Through its UGEFA Training of Trainers Programme (ToT), UGEFA trained and selected suitable BDS advisor organisations for its own capacity development workshops, and with this, also fostered enabling conditions and a supportive environment for green SMEs.

This case study looks at the development of the BDS ecosystem in Uganda before the implementation of the UGEFA project (before 2020) and between 2020 and 2024, with a specific focus on the provision of green BDS services for SMEs. Here, the focus lays especially on the UGEFA BDS advisor organisations, which implemented the UGEFA Catalyser and Accelerator workshops, and the participants of the UGEFA Training of Trainer Workshops. There are 12 BDS organisations that implemented either Catalyser, Accelerator or both workshops and additional 21 BDS organisations, which joined an UGEFA Training of Trainers workshop.

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7 Government of Uganda (2022) : National Business Development Services (BDS) Strategy Framework.

8 AMI (2024): Unlocking Africa’s Entrepreneurial Ecosystem: The Case For Business Development Services Standards.

9 SEED & ACODE (2022). Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda, Berlin, Germany.

10 adelphi (2024): Improved Access to Finance for Green Enterprises in Uganda.

11 Ibid.

## 2. Comparison of BDS provision to Green SMEs in Uganda before 2020 and between 2020 and 2024

In the last four years, the topic of green finance and the nature of green SMEs became more prominent in many countries. In 2020, green SMEs still faced many barriers and were often not understood by financial institutions. A very important component of diminishing those challenges and preparing green SMEs for growth and access to growth finance is BDS support available to green SMEs. In this context, this analysis takes a deep dive on BDS provided for green SMEs in Uganda before 2020 and between 2020 and 2024.

### 2.1. Challenges of BDS provision to green SMEs before 2020

Before UGEFA started in 2020, the following challenges of BDS to green SMEs in Uganda were identified:

**Lack of tailored BDS specifically for green SMEs:** the available BDS support lacked tailored offers to the individual needs of green SMEs. Green SMEs compared to other SMEs have unique needs due to their environmental impact and focus on sustainability. For example, it is usually more difficult for green SMEs to access financing due to often longer payback periods and also higher initial costs of green technologies. Knowledge on sustainable practices, environmental regulation, green certification and standards is also important for them. However, many BDS providers offer generic services for business support which do not address those topics. This leads to green SMEs often being unable to fully realise their potential to contribute to a green economy.<sup>12</sup>

**Focus on central region instead of rural areas:** many BDS providers focus mostly on green SMEs in Kampala and the wider central region. As the economic hub of Uganda, the central region offers greater market access, a concentration of financial institutions, capacity development programmes from international organisations and better infrastructure. Moreover, the central region has a more developed business ecosystem and a higher population density that makes BDS providers' work easier to connect SMEs with potential customers, supply chains and investors.<sup>13</sup> Especially in Gulu in the Northern region, there are very few BDS organisations to support the enterprises. Many SMEs therefore often hire accountants, tax advisors or lawyers from Kampala to support them with questions around their business. The reason why there are so few BDS for growth stage enterprises in the Northern region is strongly linked to Gulu's history of conflict and post-conflict developments. Many humanitarian support organisations and international non-profit organisations settled there, which was necessary but also led to private sector entrepreneurs benefiting from these organisations and neglecting the opportunity to build their businesses without being dependent on grants. As many enterprises are still struggling to have a steady revenue, very few BDS organisations started to work in that region.<sup>14</sup>

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12 SEED (2022) : Sustainable SME Action Agenda: Scaling Green SME Support for 2030

13 Ibid.

14 Aspen Network of Development Entrepreneurs, Uganda Entrepreneurial Ecosystem, October 2018.



**Lack of trust of SMEs that the BDS support is reliable:** some SMEs in Uganda are sceptical of the tangible benefits of BDS support and therefore do not want to use their own money to pay for it. The reason for this lies in the existing inconsistency in the quality of different BDS providers, as some ignore the specific needs and challenges of each individual SME. Another factor is that SMEs sometimes worry about potential hidden costs and unclear service agreements, which might then lead to financial strains. A frequent lack of feedback mechanisms through which SMEs can share their opinion and rate the helpfulness of the BDS organisation, might lead to a cycle of mistrusts. Many BDS providers do not offer follow-up support after the consultations, which creates the feeling of abandonment.<sup>15</sup>

**Impact Assessment support:** very few BDS organisations are trained and specialized in providing support on impact assessment tools, techniques, monitoring and evaluations. Those activities are resource intensive, and SMEs usually do not have the time, staff, and knowledge to conduct a thorough impact assessment. However, solid environmental data is crucial not just for their own assessment, but also for applying to capacity development programmes and accessing green finance. A lack of knowledge-sharing and collaboration between BDS providers, academic and research institutions increase the problem, by preventing BDS advisors from accessing tools and methodologies needed to support valid impact assessments.<sup>16</sup>

**Lack of linkage between BDS support and financing:** in Uganda, there is a gap between BDS support and financing of SMEs. It is difficult for most BDS advisors to prepare SMEs for accessing financing from commercial banks, because many do not have the insights of loan conditions and documentation requirements. Also, financial institutions are often not aware of the needs and capabilities of green SMEs, which leads to a mismatch and also misunderstandings ending in regular rejections of loan applications. Therefore, often after the capacity development trainings, many SMEs still struggle to secure funding to implement their green investments.<sup>17</sup>

**Traditional coaching approaches:** there are still many BDS advisors which use traditional coaching approaches in their trainings, which often have the characteristics of a one-way knowledge transfer from coach to enterprise, in the form of lectures or presentations. Traditional coaching can be helpful in providing general business principles and foundational knowledge, but often lacks the flexibility to meet specific needs of the enterprises and counter individual challenges. Also, from a general learning perspective, those approaches lead to lack of ownership by the participants and a difficulty to stay concentrated for a long period of time. Also, the benefit of potential peer learning mostly does not exist in traditional approaches, making the learning experience more limited.<sup>18</sup>

**Focus only on growth:** most BDS programmes only focus on supporting enterprises towards growth, instead of also integrating the aspect of resilience. Many BDS topics are helping for both objectives, as they generally work on business model improvement and financial literacy. Yet, due to their small size, SMEs are often the most vulnerable regarding external and internal factors. Internally, they often have limited financial sources, which makes it difficult for them to survive a period with cash flows disruptions, for example in a period like the Covid-19 crisis. Also, in comparison to larger enterprises, green SMEs often lack diversified streams of revenue to create a buffer against economic shocks and technological changes necessary to adapt to those disruptions are often too costly. Another aspect where SMEs are very

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15 SEED (2022) : Sustainable SME Action Agenda: Scaling Green SME Support for 2030

16 Greenomy (2023): ESG Reporting for SMEs: What to Expect and Main Challenges.

17 InclusiveBusiness.net (2016) : Inclusive BDS service provision in Uganda - Lessons Learned.

18 Springfield Center (2027) : From principles to practice: ten critical challenges for BDS market development



vulnerable is the workforce in crisis periods. Limited resources lead to the inability to offer competitive salaries, which makes it difficult to retain skilled workers. For BDS support it is necessary to not only focus on growth topics, but also improve SME resilience by assisting them in building a more secure relationship with their clients, diversifying their supply chains, elevating their participation in policy making and developing strategies for crisis management.<sup>19</sup>

## 2.2. BDS provision to Green SMEs in Uganda before 2020

In 2018, the Aspen Network of Development Entrepreneurs published an article underlining shortcomings of the business development service organisations in Uganda. The findings showed that early and growth stage enterprises faced difficulties to access affordable and quality BDS support.<sup>20</sup> Before 2020, only a few business development support organisations focused green SME support and had only a few green SMEs in their customer portfolio. There were a couple of BDS organisations that started working on the topic much earlier than 2020. Often it was also in the frame of capacity development programmes supported by international organisations. For example, **Enterprise Uganda** supports green SMEs since long before 2020. They offer entrepreneurship training, counselling services, and business linkages for SMEs in the early stage, develop and growth stage. The main focus lays on growth potential and strong attention is given to supporting female entrepreneurs. Like almost all business development service organisations, they support SMEs from various sectors and backgrounds but in comparison to many other BDS organisations, they have also a big share of green and inclusive enterprises in their support portfolio.<sup>21</sup> Since 2013, Enterprise Uganda has been facilitating workshops for green and inclusive SMEs in Uganda under the **SEED** initiative. SEED is a global partnership which focuses on sustainable development and green growth in supporting innovative green and inclusive SMEs through capacity development and financial support since 2010.<sup>22</sup> Another business development service organisation which was already offering BDS support specifically for green SMEs before 2020 is **Finding XY**. They provide business and investment advisory to enterprises and work with various stakeholders in the ecosystem to create an enabling environment. Like Enterprise Uganda, they also have a large share of green enterprises in their portfolio and support eco-inclusive SMEs under the SEED initiative. Since 2019, they also hosted the SEED Uganda Hub, which brings together eco-inclusive enterprises and ecosystem stakeholders.<sup>23</sup> In line with Enterprise Uganda and Finding XY, **Ancywax** has been supporting green SMEs already several years before 2020. Ancywax was founded in 2014 and provides consultancy, marketing and media services to enterprises.<sup>24</sup> They work with various entities in delivering tailored support and have so far supported 130 companies and established 12 partnerships.<sup>25</sup> They also trained green SMEs under the SEED initiative since 2017. With a specific focus on enterprises in the clean energy sector, the **Renewable Energy Business Incubator (REBi)** supports green SMEs since 2011. They provide services for renewable energy start-ups, consultancy for growth-oriented businesses and help enterprises to pilot renewable energy technologies. They hosted the *Climate Launchpad in Uganda*, a green business idea competition founded by the European Institute of Innovation and Technology (EIT) Climate-KIC and co-funded by the European Union, as well as supported by the Norwegian Embassy.<sup>26</sup> Another BDS organisation which is very active in the field of green SME support is **Challenges Uganda**. The Uganda-based arm of the worldwide operating Challenges Group provides direct

19 SEED (2017) : From imposing solutions to building resilient organisations.

20 Aspen Network of Development Entrepreneurs, Uganda Entrepreneurial Ecosystem, October 2018.

21 Argidius (2016): The Entrepreneurship and Enterprise Growth Landscape.

22 SEED (2024): Noah Wandera, Business Development Manager & Training Director.

23 Finding XY (2024): SEED – Promoting Entrepreneurship for Sustainable Development.

24 Ancywax (2024): What we do – We've got everything you need to launch and grow your business.

25 UGEFA (2024): Meet our Business Advisors: Ancywax.

26 UGEFA (2024): Meet our Business Advisors: Renewable Energy Business Incubator (REBi).

support to SMEs and the implementation of various further programmes. They have worked with several institutions, have a strong focus on green sectors especially in the area of productive use of energy.<sup>27</sup> Like the Challenges Group, **Growth Africa** operates in several African countries. In Uganda they started their accelerator programme in 2016 and provide business development services to startups and growth stage enterprises, with a focus on the topics of finance, marketing, sales and investment readiness. They also support green SMEs with a focus on sustainable agriculture and clean energy.<sup>28</sup>

Other business development organisations also supported green SMEs since before 2020, but most did not have a specific focus or a big share of green SMEs in their portfolio. However, international organisations started capacity development programmes for green SMEs before 2020 already. For example, in 2014, the **European Union** launched the *Switch Africa Green programme*, a regional programme developed for seven African countries, including Uganda. Amongst other activities, it supports green MSMEs through capacity development trainings with a focus on eco-innovation, sustainable trade, energy efficiency, water efficiency and labelling and standards. The target sectors are manufacturing, waste management, tourism and agriculture. Another pillar of the programme is the collaboration with partners in the private and public sector, with the aim of creating an enabling environment for green growth.<sup>29</sup> Another international organisation which provided capacity development opportunities for green SMEs in Uganda already before 2020 is the **Global Green Growth Institute (GGGI)**. In 2018, they started the *Uganda (UG3) Sustainable Energy-Water Solution for Med-Large Irrigation of Commercial Farming* project, which focuses on agriculture enterprises. They identified the optimal irrigation scheme in combination with the most appropriate renewable energy technology on the basis of sustainable water management. Agriculture enterprises were then selected and supported on further topics around business growth and financing.<sup>30</sup> Another example is the **International Labour Organization (ILO)**. They focused on green SMEs already before 2020 and provided business development support through projects like the *Green Jobs Programme*. The *Green Jobs Programme* has different pillars including green entrepreneurship, greening enterprises, social inclusion, greening sectors, climate resilience and skills development. In Uganda the specific focus is on promoting green youth entrepreneurship and the programme collaborates with several institutions and organisations.<sup>31</sup> Also a few commercial banks have launched their own capacity development programmes for SMEs in Uganda before 2020 already. One of those is **Stanbic Bank**, which created the *Stanbic Bank Business Incubator* in 2017. It provides capacity development trainings for all SMEs but has some green SMEs in their portfolio and collaborated with UGEFA to further support their green SMEs at the growth stage to access financing.<sup>32</sup> In addition to these examples, a few more organisations and banks provided capacity development to green SMEs before 2020 already. In those programmes, local business advisor organisations were mostly sub-contracted, which led to the spread of knowledge on the needs of green SMEs. Yet, only a few private business development organisations built a strong focus on green SMEs and created programmes solely for green SMEs, recognising their individual needs. One of the reasons for this was a lack of expertise and awareness by business development organisations regarding sustainable business practices and green technologies. This then made it challenging for them to effectively support green SMEs.<sup>33</sup> Other possible reasons are perceived market demand assumptions, so providing broad

27 UGEFA (2024): Meet our Business Advisors: Challenges Uganda.

28 GrowthAfrica (2024) : GrowthAfrica in Uganda.

29 Switch Africa Green (2024): About.

30 Global Green Growth Institute (2024) : Project Reference Profiles – Uganda(UG3) Sustainable Energy-Water Solution for Med-Large Irrigation of Commercial Farming.

31 International Labour organization (2015): The Green Jobs Programme of the ILO.

32 Stanbic Business Incubator (2024) : How we take your business to the next level - Cohort-based Training.

33 Fischer (2024): UGEFA Impact Assessment 2024: Greening the Ugandan Finance Ecosystem through SME Investments.

support targeting all SMEs created more business. Further reasons could be lack of policy incentives to promote green business practices and resource limitations, as a specific focus on green SMEs requires the creation of specialized trainings and tools.

### 2.3. BDS available to Green SMEs in Uganda between 2020 and 2024

From 2020 onwards, the topic of specific BDS support for green SMEs has picked up speed. Several international organisations have funded new projects focusing on green finance and business development support for green SMEs, and local business development support organisations have intensified their expertise in this topic. In March 2024, the **European Union** announced eight new projects of over €200 million to create new jobs and boost Uganda's economy. Some of these projects also have a focus on BDS support for green SMEs. For example, the *START Facility* supports sustainable agriculture enterprises with technical assistance grants, credit guarantees, concessional loans and also business development services.<sup>34</sup> Another project co-funded by the **European Union** and the **Norwegian Agency for Development Cooperation (Norad)** is the *Promoting Women's Employment for Africa's Green Transformation (WE4D)* programme. It is implemented by the **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH** and contributes to employment promotion for women, including through providing capacity development training for female entrepreneurs in the green economy. The focus sectors include clean energy, blue economy/aquaculture, circular economy/waste management, agriculture/agro-processing and ecotourism, construction, transport and logistics.<sup>35</sup> The **Global Green Growth Institute (GGGI)** launched the *UG23 Promoting Solar Powered Irrigation and Pumping in Uganda* programme, which provides business development support for enterprises in the sector of sustainable agriculture. The overall aim is to improve the resilience and increase the implementation of climate smart agricultural practices of enterprises in the agriculture sector.<sup>36</sup> GGGI also launched the *Business for Green Impact Project*, which provided capacity development to green SMEs in the waste management sector.<sup>37</sup>

Besides international organisations, many private BDS organisations in Uganda strongly increased their share of supported green SMEs between 2020-2024. According to a survey conducted in February 2024 with BDS organisations that participated in the UGEFA Training of Trainers (ToT) on BDS support for green SMEs, of 15 respondents, 14 strongly increased their share of green SMEs in their portfolio between 2020 and 2024. On average, 69% of respondents mentioned supporting green SMEs before the UGEFA ToT, which took place in the end of 2020 and during the year 2021. In comparison, in February 2024, 95% had SMEs in green sectors in their portfolio (see Figure 1 below).<sup>38</sup>

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34 European Commission (2024): Global Gateway: Over €200 million allocated to boost Uganda's economy and create new jobs.

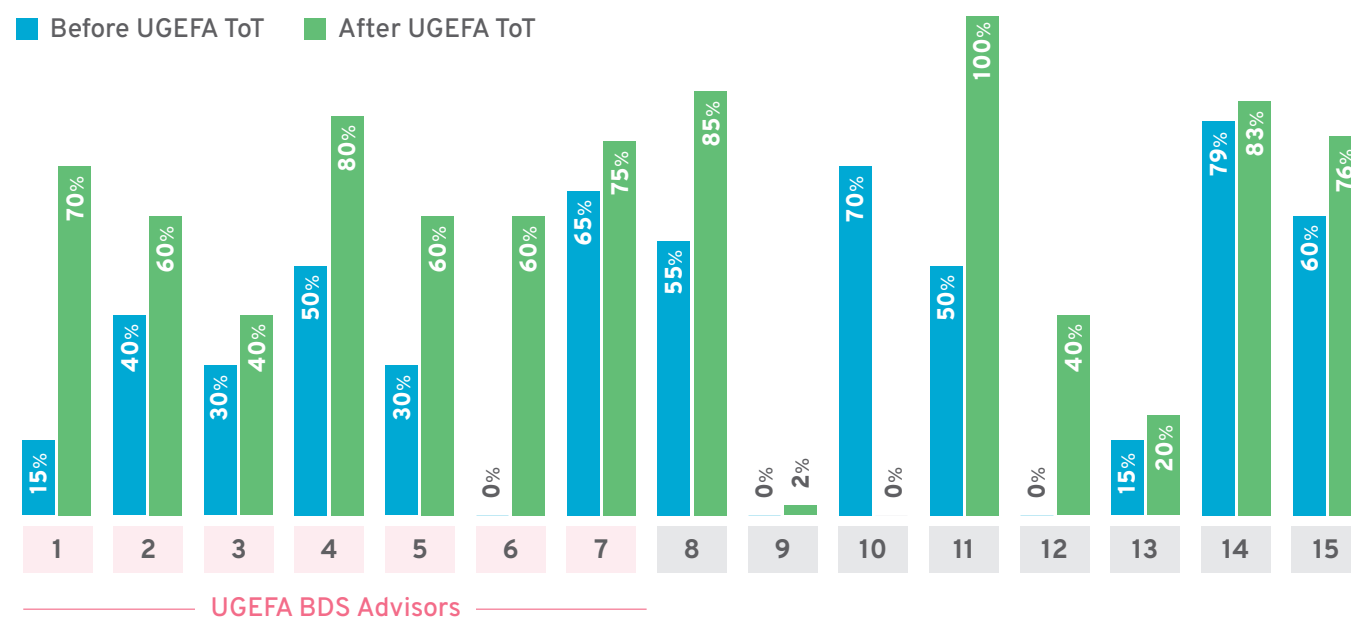
35 GIZ (2023): Promoting Women's Employment for Africa's Green Transformation (WE4D).

36 Global Green Growth Institute (2024) : UG23 Promoting Solar Powered Irrigation and Pumping in Uganda.

37 Global Green Growth Institute Uganda (2024) : Business for Green Impact Project | Call for Applications | Dead-line Extension: 31st March 2023.

38 Fischer (2024): UGEFA Impact Assessment 2024: Greening the Ugandan Finance Ecosystem through SME Investments.

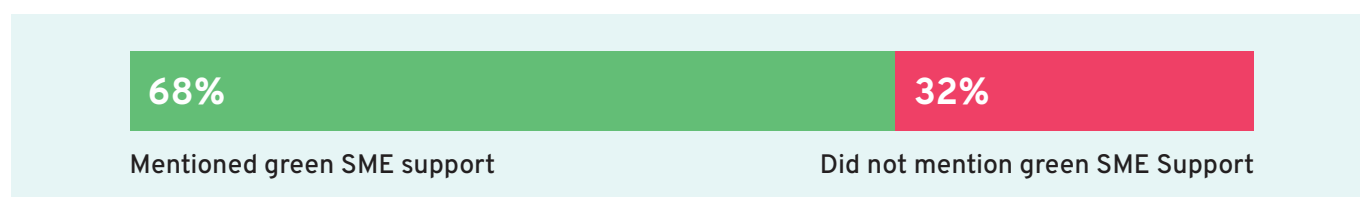
**Figure 1: Share of green SMEs in BDS organisations' portfolio before and after UGEFA ToT<sup>39</sup>**



For the BDS organisations that facilitated UGEFA workshops, this result is not very surprising as they were working with the UGEFA-selected green enterprises. But among other participants of the UGEFA ToTs, an increase was also observed.

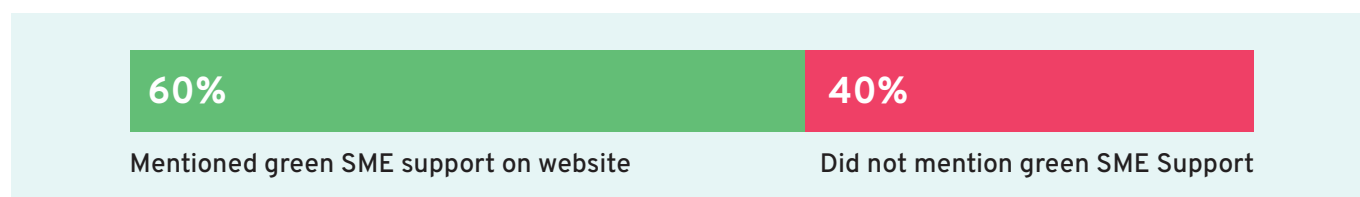
Further analysis was conducted on whether private business development support organisations in Uganda integrate BDS support for green SMEs in their activities. For this, the websites of 25 BDS organisations in Uganda were scanned on whether they mentioned green SME support or showcased green SMEs. The analysis included BDS organisations which took part in the UGEFA ToTs but also others that did not participate. The result showed, that 68% mentioned to provide green SME support and 32% did not mention the provision of BDS targeted for green SMEs (see Figure 2 below).

**Figure 2: Analysis of 25 BDS organisations' websites on green SME support.<sup>40</sup>**



This indicates that the topic of green SME support is now high on the agenda of BDS organisations in Uganda. In the second step, the websites of the BDS organisations which answered in the conducted survey in February 2024 that they are supporting green SMEs, were analysed. Here, only 60% mentioned their green SME support and 40% did not mention their offers to green SMEs (see Figure 3 below).

**Figure 3: Website analysis of BDS organisations that mentioned in survey to support green SMEs<sup>41</sup>**



<sup>39</sup> Due to data privacy, the names of the business development organisations are anonymized.

<sup>40</sup> n=25

<sup>41</sup> n=10

Important to keep in mind regarding these findings is that some BDS organisations might not have an updated website and actually they are providing offers for green SMEs. This point is reinforced by Figure 3, which shows that some BDS organisations which are supporting green SMEs, especially also through facilitating UGEFA workshops for green SMEs, did not mention their green SME support on their website. Consequently, the number of organisations which provide specific support to green SMEs and gained skills and knowledge in that area, is probably even higher. Yet also the other case might exist, that some BDS organisations may have outlined offerings for green SMEs in detail on their website but currently do not offer BDS targeted at the specific needs of green SMEs. Some might also use other channels, like WhatsApp groups or social media to share more updated information about their services to SMEs. Another point to keep in mind is that in some cases, while green entrepreneurship support may be mentioned as a buzzword on the website, the quality and depth on the environmental and sustainability component cannot be observed. Yet, the analysis shows that the topic is now very widespread among BDS organisations.

Looking closer at the specific capacity development programmes and business development services provided in the last four years, certain characteristics become apparent. Most BDS support for green SMEs is still initiated by international organisations. Often, after participating in one programme targeting green SMEs, BDS advisors are then also hired for further green SME support projects.<sup>42</sup> Through this, they quickly gain an in-depth expertise on the topics, which then also helps in their work of private consultancy services. Before 2020, the focus sectors were mostly clean energy and sustainable agriculture, but now waste management, sustainable tourism or sustainable transport are also included. Especially due to the COVID-19 pandemic, the topic of resilience has also become more present in the capacity training since 2020.<sup>43</sup> This is especially important because green SMEs often operate in sectors which are even more vulnerable to external economic shocks and therefore the integration of topics like risk management, diversification of strategies, digital technologies and sustainable resource use are very important. One example is the *Business Recovery and Resilience program* in Northern Uganda launched by Hive Colab. It was developed as a response to the challenges posed by two nationwide lockdowns during the Covid-19 pandemic, which severely impacted businesses, particularly those with limited business skills or financial literacy and helps enterprises to recover and build resilience.<sup>44</sup>

## 2.4. Changes in Challenges of BDS support available to green SMEs between 2020 and 2024

Comparing the challenges from before 2020 to the situation in 2024, it becomes clear that there were certain positive developments, which diminished some of the challenges, while other challenges still exist:

### Lack of tailored BDS specifically for green SMEs:

**Significant Improvement:** in the last four years, capacity development programmes of international organisations and of private business development service organisations specifically targeting green SMEs strongly increased. Most private business development service organisations keep their portfolio open for conventional SMEs, but the share of green SMEs in their portfolio is growing. This is also closely linked to the factor that many international organisations set up capacity development programmes specifically for green SMEs. In those programmes, private BDS organisations are contracted to implement

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42 Interviews conducted in October 2024 with UGEFA BDS advisors for video Case Study „Business Advisory for Green Enterprises.“

43 New Vision (2024): Govt adopts BDS framework to boost small business investment.

44 HiveColab (2024): Business Recovery and Resilience program.



the capacity development trainings, therefore even if most might still not offer specific support packages to green SMEs, they are gaining expertise in the needs and challenges of green SMEs.<sup>45</sup>

**UGEFA Approach:** UGEFA provides Training of Trainer workshops specifically focusing on BDS support to green SMEs, with a focus on the integration of topics like environmental, social and economic impact measurement. Moreover, only green SMEs are eligible to participate in the programme and the curricula is tailored to their specific needs. In the UGEFA Catalyser and Accelerator workshops, the SMEs receive UGEFA toolkits which are easy-to-use practical tools that help the enterprises to dig deeper into specific topics and break down complex topics to create tangible results, for example to increase their environmental impact. The BDS advisors that participate in the UGEFA Training of Trainer workshops receive those toolkits, are trained on facilitating specific topics targeted at green SME support and can then apply those skills in their daily work.

### Focus on central region instead of rural area:

**Some improvement:** certain progress has been made especially through international organisations setting up specific projects solely focusing on capacity development programmes in the Northern, Eastern and Western regions. One example is the United Nations Capital Development Funds (UNCDF)' *Consultancy for Northern Uganda* project, which focuses on providing targeted BDS support for selected SMEs in Northern Uganda.<sup>46</sup> Another example is the *Business Development Standards Program* implemented by AMI and PSFU. In 2022, the programme took place in all four regions in Uganda and focused on training BDS providers on delivering quality BDS support. An example of a private BDS organisation supporting enterprises in the Western region is the *Reign Business Development Agency (REBDA)*. They are providing BDS support for green enterprises in all four regions of Uganda but have a specific focus on the Western region and employ BDS advisors which are originally from this area.<sup>47</sup> Yet, many other private BDS organisations still focus predominately on the central region, as there, SMEs are usually more advanced and able to pay for the services by themselves.<sup>48</sup>

**UGEFA Approach:** besides the central region, capacity development trainings specifically for green SMEs were offered in the Northern and Western regions of Uganda. Also, enterprises from the East were part of the programme, but the small number was not sufficient to create a specific Eastern cohort, so they attended in the other three regions.

### Lack of trust of SMEs that the BDS support is reliable:

**Some improvement:** according to research conducted in the last years, more enterprises trust BDS support organisations and are willing to invest their own money in BDS support to grow their business. Yet, there are still several cases where BDS support is not yet tailored to the specific needs of the enterprises and BDS leads to frustration and mistrust. Therefore, the Ugandan government set up the *National Business Development Services (BDS) Strategy Framework*, which includes the implementation of a national BDS quality assurance mechanism that evaluates the competences, processes and content of BDS organisations and then leads to a certification to ensure quality BDS support.<sup>49</sup>

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45 SEED & Acode (2022) : Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda.

46 O4UG (2022) : Consultancy to provide targeted Business Development Support (BDS) for selected SME's in Northern Uganda.

47 UGEFA (2024): Meet our Business Advisors: Reign Business Development Agency (REBDA).

48 African Management Institute (2024): Transforming MSME Support in Uganda: A New Standard for Business Development Services.

49 Government of Uganda (2022) : National Business Development Services (BDS) Strategy Framework.

**UGEFA Approach:** only the most promising BDS support organisations were selected in the UGEFA Training of Trainers workshop to facilitate the UGEFA Catalyser and Accelerator workshops. Examples of the technical assessment criteria are facilitation skills for interactive workshops, in-depth understanding on processes, relevant topics and challenges of green SMEs or in-depth understanding of financial management processes of green SMEs. After the Catalyser and Accelerator workshops, an evaluation survey was shared with the participating SMEs. It showed that most participants were very satisfied with the selected UGEFA business advisors. Yet, they did not have to pay for the programme, which might lead to bias and unclear results on whether they would invest their own money for hiring BDS organisations.

### Impact Assessment support:

**Little improvement:** even though BDS support specifically for green SMEs increases, the measurement and assessment of their impacts still poses a significant challenge for many SMEs. Still very few organisations integrate this aspect in their capacity development programmes for green SMEs and therefore many enterprises still do not have skilled personnel that can create comprehensive impact assessments. It is also still very time-consuming, which takes resources away from business activities.<sup>50</sup>

**UGEFA Approach:** in the UGEFA Training of Trainers workshops, the BDS advisors learn how to facilitate impact measurement for SMEs. This is supported by the provision of an Impact Dashboard Excel during the UGEFA Catalyser workshops to participating enterprises, which helps the SMEs to accurately select suitable Key Performance Indicators (KPIs) and measure their impacts.

### Lack of linkage between BDS support and financing:

**Little improvement:** there still exists a notable lack of linkage between business development support and access to financing for SMEs. Often the support does not include direct access to financing opportunities, which hampers the possibility of growth of SMEs. While BDS support usually aims to improve overall operational efficiency, business skills and management practices, mostly these trainings are still not complemented by linking them to finance. There still is a gap of coordination between BDS providers supporting green SMEs and financial institutions.<sup>51</sup>

**UGEFA Approach:** enterprises that went through the UGEFA capacity development trainings and want to access debt financing, are directly linked with UGEFA partner banks. In the case of a loan disbursement, the enterprises are supported by a grant contribution, where UGEFA pays back one third of the loan directly. In this way, it is more likely that the SME's loan application is accepted, because the risk and collateral requirements are decreased. In the UGEFA Green Finance Academy, UGEFA also works with commercial banks and provides training on the needs of green SMEs and jointly develops suitable green finance products with the banks.

### Focus only on growth instead of resilience:

**Some improvement:** increasingly, BDS support organisations provide training on both growth topics, and on business resilience and recovery. During the COVID-19 pandemic, increasing numbers of organisations added the topic on the agenda of their training curriculum. Yet, it is still not an integral part of many capacity development trainings for SMEs.<sup>52</sup>

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50 Kabbera, Tibaingana, Kiwala and Thaddeo Mugarura, (2024) : Environmental practices and the growth of small and medium agro-processing enterprises in Uganda.

51 Government of Uganda (2022) : National Business Development Services (BDS) Strategy Framework.

52 HiveColab (2024): Business Recovery and Resilience program.



**UGEFA Approach:** the UGEFA programme integrated the topic of resilience and recovery strongly in its training curriculum. There are several sessions in the UGEFA *Business Finance Toolkit*, *Business Strategy Toolkit* or the *Accelerator Toolkit* which support enterprises in tackling times of crisis and becoming more resilient. Examples are the *Risk Management*, *Financial Risk MGMT* or *Business Analytics* tools, which help enterprises to mitigate risks and develop their resilience.

### 3. Conclusions and Recommendations

This case study showed that between 2020 and 2024, many BDS organisations and international organisations started to provide targeted support to green SMEs. Before 2020, BDS available to green SMEs in Uganda was limited and often failed to address the specific needs of environmentally focused enterprises. There were a few international organisations working on the topic, but especially amongst local private BDS organisations, the topic had not been taken up and integrated in the training curricula. However, between 2020 and 2024, there have been noticeable developments towards more tailored BDS support for green SMEs. Many BDS organisations are now aware of the specific needs of green SMEs, have been trained like for example in UGEFA Training of Trainer workshop specifically on the needs of green SMEs and mention training offers for green SMEs on their websites. This evolution reflects the increasing recognition of the importance of BDS specifically for green SMEs, enabling them to drive green economic growth and diminishing environmental challenges.

UGEFA is not the only programme which is training and working with BDS organisations to equip them with the necessary skills to support specifically green SMEs. However, unique to UGEFA is its scale, as it already provided BDS support tailored to the needs of green SMEs to 206 enterprises and trained more than 52 BDS organisations on green SME support. In this way, it strongly pushed the topic on the agenda of the BDS ecosystem and spread knowledge on how to best support green SMEs. Also, its approach to train BDS advisors from all four regions, as well as offering workshops in Western, Northern, Eastern and Central Uganda is unique. The analysis above underlines, that its efforts have borne fruits as many of the participants of the UGEFA Training of Trainer workshops now increased their share of support for green SMEs.

Besides these positive developments, there is still room for improvement regarding the provision of BDS to green SMEs. There are still only very few and weak linkages and collaborations between local private BDS organisations and financial institutions providing access to financing for green SMEs. Also, the BDS offers are very scattered and only limited coordination between different BDS entities exist. Another issue which is still very prominent is limited access to BDS support in the Northern, Eastern and Western regions and especially in rural areas. Based on the conducted analysis and insights gained through the implementation of the UGEFA programme in the last four years, recommendations for further improvements are listed below:

**Creation of BDS for green SMEs Hubs:** in order to better create linkages and coordination amongst all BDS ecosystem stakeholders supporting green SMEs, it would be helpful to establish green BDS Hubs to align on activities and spread knowledge and developments of green SME support. In these Hubs, regular Training of Trainer workshops should be held, as well as specific events and trainings on topics crucial for green SME growth, for example on impact measurement and evaluation.

**Check-in events for BDS providers and financial institutions:** to close the gap between the provision of capacity development support for SMEs and access to financing, it is recommended that financial institutions set up exchange format events where they share insights on the conditions and requirements of their financial products with the BDS advisors. In exchange, the business advisors share the needs and challenges of green SMEs. In this way, BDS organisations are better equipped to train green SMEs successfully for accessing financing and financial institutions can tailor their products to the needs

of their potential customers and therefore increase their pipeline, as well as position themselves in the market as providing support to green SMEs.

**Integration of interactive workshop formats:** many BDS support organisations still work with traditional training methods, such as lecture-based approaches. More effective would be the integration of interactive sessions which allow entrepreneurs to develop their own solutions and fosters group exchange. In this way, ownership of the participants is increased, and they are able to develop practical skills which are directly applicable to their business practices. This also helps to build networks among green SMEs, which can be very valuable for future business opportunities.

**Showcasing of specific BDS support for green SMEs in promotion material:** the analysis showed that many private local consultancies do not mention on their organisation's website that they support green SMEs (even though they have already supported various green SMEs in different projects). In order to make it easier for green SMEs to find targeted support, it would be important to include that focus in their promotional material.

**Strengthening of female BDS support and female BDS advisors:** it is important to set up capacity development programmes specifically targeting female-led green enterprises. For green SMEs it is already difficult to access financing and grow their business, but for female-led green enterprises it is even more difficult. Through the provision of specific support for female entrepreneurs, those challenges can be tackled and a peer exchange among participants encouraged. It is also helpful to have female business advisors facilitating those trainings, because there might be a more trustful environment and understanding on the topic and the difficulties.

**Focus of BDS support for green SMEs in all four regions in Uganda:** as there is still a lack of BDS available to green SMEs especially in the Northern, Eastern and Western regions, it would be helpful to set up community-based BDS centres. They would not have to provide the training themselves (if they are not equipped to do so) but they could be in charge of organizing different BDS organisations travelling for certain events to those regions. Through this, the barriers to access quality BDS support are decreased, the management of those events pooled and the knowledge spread. If internet connectivity is available, enterprises could also join in through digital platforms and online trainings, but it would be important to offer both options in case there is no good internet connectivity.

**Widening the BDS focus to all green sectors:** currently, most knowledge of BDS advisors on green SMEs is focused on clean energy and sustainable agriculture enterprises. It is important to provide Training of Trainers workshops and continued education for BDS providers on other green sectors as well, for example green manufacturing, sustainable transport, sustainable tourism and sustainable waste management. This not only helps to promote innovation and growth in different green sectors, but also strengthens the overall resilience of the Ugandan economy.

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