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Standards of Accounting and Reporting
(ISAR)**

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**Agenda item 5 (b). Insights from recent implementation of
the Accounting Development Tool (ADT)**

Presented by

Richard Mubiru
Manager, Enterprise Growth and Development,
Private Sector Development Unit, Ministry of Finance, Planning
and Economic Development, Uganda

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Insights from recent implementation of the Accounting Development Tool (ADT)

Experiences from Uganda's Informality Management for Compliance and Revenue Mobilization (IMCORE) Program





Outline

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Introduction of IMCORE Program

1. DRMS identified informality as one of the key constraints to domestic revenue mobilization in Uganda.
2. During consultations, it was found out that the key causes of informality include; limited knowledge of record keeping, lack of knowledge of respective laws, illiteracy, fear of payment of taxes and lack of incentives to formalize.
3. To ease formalization of SMEs, Government conceived the Informality Management for Compliance and Revenue Mobilization (IMCORE) Program.
4. The main objective of formalization is to improve compliance and expand the tax base.



Introduction of IMCORE Program

5. In addition, the program was designed to appreciate motivations and challenges of informal operations within start-ups and small informal entities.
6. The program is designed as a Long term Study of 10,000 Small informal enterprises and how they transition into formal medium complaint and competitive entities.
7. Targets to boost internal capacities of small informal businesses to ease their formalization.
8. Equips Business owners with training, ADT, Apprenticeship opportunities and provide an appropriate incentive regime for formalization.



UNCTAD Technical Assistance

1. Response to the request by the Ministry of finance in Uganda.
2. The first phase of the Technical assistance from UNCTAD focused on the accounting framework, with the specific objectives to build accounting capacity among MSMEs and ensure that accounting and reporting requirements do not create barriers to formalization.
3. UNCTAD provided two broad strands of intervention:
 - (i) provided training and tools for MSMEs to ease compliance and support internal capacities for growth of such enterprises, and
 - (ii) assessing the institutional, regulatory and administrative frameworks for accounting and reporting in order to identify potential improvements that can facilitate MSME formalization and regular accounts filing.



Uganda e-Accounting Tool

1. Conducted pilot testing with Enterprise-Uganda Empretec Centre to test the practicality and the readiness of the tool.
2. Localized e-Accounting tool for Uganda
3. Presented e-Accounting tool for the main stakeholders during the National Workshop in Uganda.
4. Customized and validated the content of the tool.
5. During the training of trainers' session on Accounting for SMEs which held from 15 to 17 June, the third day of the training was assigned for practical session on Uganda e-Accounting tool.
6. The trainees were guided on how to create an account and using the tool.
7. The trainer provided a practical example from the manual and applied the figures by using the tool in order to generate financial statements.
8. The session was followed by a discussion and Q&A session.



Relevance of e-Accounting Tool to IMCORE Program

1. **Easy to understand** instructions, Tutorials and Training manuals)
2. **Free Access to Small Informal Businesses;** its online and can be accessed from anywhere in the world. Ugandans requested for offline options
3. **Simplicity;** Simplified accounting, all purpose financial statements and comprehensive performance analysis – just in one click !
4. **Reliability;** Data is safely and confidentially kept on-line.
5. **Universality;** Tailored to Uganda's Micro – small businesses of all types, regardless of entrepreneur's financial literacy levels.

Thanks to UNCTAD, all SMEs involved in the project will access the e-accounting tool to be used for recording of transactions, reporting and producing financial statements.

This will ease their registration, filling and payment of taxes – easing their formalization, compliance and Competitiveness.



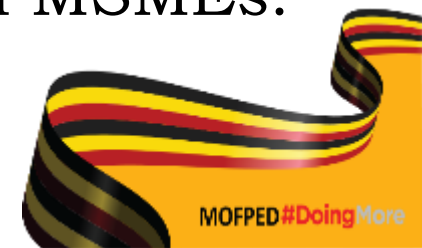
Pilot testing of Uganda e-Accounting Tool

1. UNCTAD in collaboration with Uganda Empretec Centre conducted a pilot testing with Uganda SMEs.
2. 24 participants tested the tool and provided their feedback, 18 men and 6 women.
3. Participants from different business industries, such as agriculture, manufacturing, concrete production, grocery shopping and honey supply, digital technology, healthcare, hospitality, etc.
4. Required input was Registration and filling the questionnaire (with the help of instructions, Tutorials and Training manuals)
5. Output: Financial Status summary and Detailed Financial Statements.



Feedback to the UNCTAD ADT

1. The ADT development process in Uganda was fully consultative and participatory
2. Over 80 SMEs particulated both physically and virtually training.
3. A lot of new ideas including the need for Mobile phone platform, multiple Languages and offline options were raised
4. The tool is simple, user friendly, provides reports and other useful functions.
5. The tool is expected to close the record keeping and development of financial statements within MSMEs.



Key Milestones so far

Phase One Outputs

1. A baseline study and database of 30,000 small informal businesses was produced.
2. UNCTAD TA provided a modular version with focus on ADT
3. Training of trainers and MSMEs, stakeholder Consultations etc.
4. Gap analysis and assessment of the national reporting infrastructure.
5. Increased appreciation by a number of Partners including researchers, Government entities and development partners to support this program.



Phase Two Outputs

1. National Validation of the Database (30,000 small informal businesses out of which 10,000 will be selected to participate in this program)
2. Recruitment of TOTs and 400 Apprentices to support SMEs
3. Selections of participating entities
4. Pilot phase will target sampling of 2,000 small informal businesses within Kampala and Wakiso Districts
 - Test assumptions
 - More feedback to the ADT
 - Feed into the national roll out
4. National Rollout of the program
5. Annual Reports to feed into policy and incentive regime for start-ups and small businesses.



Next Steps

Continuous working with UNCTAD;

1. Technical assistance in Phase two of the program.
 - a) Further advancement of the e-accounting platform based on country needs, identified as crucial for MSME formalization.
 - b) capacity-building and training to strengthen entrepreneurial and business management skills among the MSMEs.
2. Promotion of the program
3. Funding some program activities
4. Support in the mobilization of resources for this program.



Conclusion

1. All stakeholders have high expectations for this program
2. UNCTAD continues to provide global best practices to supplement local knowledge and expertise for the success of this program.
3. Government is committed to implement this program to;
 - a) Study and appreciating motivations for informal operations
 - b) Establishing the most appropriate incentive framework for formalising the SMEs in Uganda
 - c) Broaden the tax base to ensure equitable and fair tax system.



Thank You For Listening

