ECONOMIC POLICY RESEARCH CENTRE

POLICY NOTE

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What is holding back private health and education providers in Uganda? Evidence from the 2025 Business Climate Index.

Abstract

Understanding the business environment facing firms in the health and education sectors is essential for improving service delivery, employment creation, and human capital development in Uganda. Using firm-level data from EPRC's 2025 Business Climate Index (BCI) surveys, this policy note examines business performance and the key constraints affecting firms, applying the Diffusion Index (DI), Net Balance (NB), and Borda count weighted ranking approaches. Results show that health firms experienced relatively stable and positive business conditions, supported by sustained demand for health services, while education firms faced more volatile conditions driven largely by seasonal demand and household spending patterns. Across both sectors, electricity disruptions, rising operating costs, inflation, and tax-related burdens emerged as the most persistent constraints, with Micro and Small firms disproportionately affected. The evidence points to the need for targeted interventions to improve electricity reliability, reduce the cost of doing business, ease tax and regulatory burdens, and tailor support to the specific needs of firms across regions, sizes, and service activities.



1 Introduction

In Uganda, the services sector plays a critical role in the economy, contributing approximately 41.9 percent to Gross Domestic Product (GDP) in FY2024/25 (UBoS, 2025). It is also a major source of employment, accounting for about 33 percent of the country's total workforce (NPA, 2025). Within the sector, education and health services are particularly important for human capital development and long-term productivity. The National Human Resource Survey 2023/24 shows that the education sector accounts for about 59 percent of total employment in formal establishments (1,304,815 employees), while human health and social work activities contribute about 3.4 percent (75,347 employees).

In addition, education and health sector activities continue to contribute to economic growth, with education expanding by 5.8 percent and human health and social work activities growing by 2.3 percent in FY2024/25. The Fourth National Development Plan (NDP IV) further recognises these sectors as important drivers of employment creation and projects the creation of approximately 224,000 and 58,000 new jobs in the education and health sectors, respectively, by 2030, cumulatively over the NDP IV implementation period. This underscores the important role both sectors play in supporting economic growth, service delivery, and living standards.

Despite the importance of the health and education sectors in promoting employment growth, improving service delivery, and strengthening human capital development, firms operating within these sectors continue to face significant and varied challenges. These constraints differ across regions, firm sizes, and specific activities, suggesting that firms are not affected in the same way or to the same extent (World Bank, 2025; Kahunde *et al.,* 2026).

Policy and programmatic interventions are often designed at a broad sectoral level, which can overlook the specific needs of different categories of firms (OECD, 2021). Such generalised approaches risk masking important differences within the sectors and may leave some firms or sub-sectors inadequately supported. This limits the effectiveness of interventions aimed at improving business performance and service delivery.

In addition, despite the existence of several firm-level business environment or climate assessments in Uganda, including EPRC's Business Climate Index (BCI), the Business Health Index, and Stanbic

Bank's Purchasing Managers' Index, these assessments often report findings at an aggregate level. Although these studies provide valuable insights into Uganda's business environment, they mainly report aggregate sectoral findings that may obscure important differences across regions, firm sizes, and service activities. Consequently, the specific business environment constraints affecting firms within the health and education sectors remain less understood. This policy note addresses this gap by providing disaggregated firm-level evidence on business climate dynamics and the operational challenges affecting health and education firms across different locations, sizes, and service activities.

Worth noting, this policy note forms part of EPRC's broader study on "*Unlocking Uganda's Potential in Exporting Health and Education Services*". By identifying the specific challenges facing health and education firms, the note provides evidence on the constraints that hinder business operations, competitiveness, growth, and expansion. Addressing these constraints is crucial for strengthening the capacity of firms in these sectors to deliver quality services domestically and to participate more effectively in regional and international markets.

2 Methods and Data

This policy note makes three key contributions. Firstly, it provides a comparative assessment of the business environment conditions in the health and education sectors across all the four (4) quarters in 2025. To achieve this, the diffusion index (DI)[1] and net balance (NB) were employed as complementary approaches to show both the direction and breadth of changes in the business environment. Secondly, the analysis is disaggregated by geographic region (Central, Eastern, Northern and Western), firm size (small, medium and large), and sub-sector activity (*two-digit ISIC classifications*) to identify location-specific constraints and sectoral differences. Lastly, using the Borda count weighted ranking approach, the note identifies and ranks the most pressing operational challenges and barriers to doing business.

Diffusion Index

The Diffusion Index (DI) is widely used as a statistical measure for summarising survey-based indicators of economic activity. It captures the direction and breadth of change by showing whether business conditions have improved, deteriorated, or remained unchanged. During the BCI survey process, firm executives were asked to provide their perspectives on whether the business conditions within which they operate in; improved, declined or remained unchanged in comparison to the previous quarter. The index is denoted in Eq. (1) as follows:

$$DI = P_{increase} + \frac{1}{2}P_{no\ change} \quad (1)$$

Where: $P_{increase}$ represents the proportion of firms reporting an improvement in the business environment, and $P_{no\ change}$ the share of firms reporting no change (remained the same). The index ranges from 0 to 100, with a value above 50 indicating an improvement or expansion in business conditions, 50 reflecting no change, and a value below 50 indicating a deterioration or contraction in the business environment.

Net Balance

Relatedly, the Net Balance (NB) captures the direction and intensity of change in business conditions of firms in the health and education sector. This approach computes the difference between the proportion of firms reporting an improvement and those reporting a deterioration in the business environment, as illustrated in Eq. (2):

$$Net\ Balance = P_{improved} - P_{declined} \quad (2)$$

Where: $P_{improved}$ denotes the share of firms reporting an improvement and $P_{declined}$ the proportion reporting decline. The NB ranges between -100 and $+100$, with positive values indicating that more firms reported improvement than decline, zero (0) indicating neither an improvement nor a decline, and negative values indicating that more firms reported worsening business conditions.

Approach for Analysing Business Climate Drivers and Operational Challenges

This note adopts a Borda count weighted ranking approach (Moulin, 1991) to identify and rank the major factors shaping the business environment and the operational challenges in doing business within the health and education sectors. During the BCI survey, firms were asked to provide the top three (3) reasons for either an improvement or decline in the business operating conditions, as well as top three (3) challenges in doing business.

Following Moulin (1991), the note assigns the following scores: Rank 1 (primary reason) – 3 points; Rank 2 (secondary reason) – 2 points; and Rank 3 (tertiary reason) – 1 point. The weighted scores are normalised into a standardised index ranging between 0 and 100, as shown in Eq. (3):

$$WS = \frac{[(3P_1) + (2P_2) + (1P_3)]}{3} \times 100 \quad (3)$$

Where $P1$, $P2$, and $P3$ represent the share of firms ranking a factor/reason as first, second, or third, respectively. Variables with higher weighted scores (closer to 100) have been consistently identified (across sectors and firms) as the main drivers of the business environment variations and challenges in doing business.

1 The diffusion index, developed by the Institute for Supply Management, is widely used to compute monthly Purchasing Manager's Index (PMI). Access link: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/

Data Sources

This policy note uses data from EPRC's BCI quarterly firm surveys for the four (4) quarters in 2025 (January-March, April-June, July-September, and October-December). Table 1 shows an overview of the surveyed firms considered in the analysis.

Table 1: Distribution of firms surveyed in the health and education sector, 2025

Parameter	Sub-category	Q1 (Jan–Mar)	Q2 (Apr–Jun)	Q3 (Jul–Sep)	Q4 (Oct–Dec)
Education Sector					
Region	Central	346	303	328	198
	East	1,576	1,576	1,576	1,581
	West	97	97	95	99
	North	46	46	46	46
Firm Size	Micro and Small	119	13	41	13
	Medium	1,867	1,931	1,940	1,969
	Large	79	78	64	18
Main Business Activity	Pre-primary and primary education	1,808	1,844	1,786	1,772
	Secondary education	89	88	132	134
	Higher education and training	152	73	113	87
	Educational support activities	16	17	14	7
Health Sector					
Region	Central	508	434	435	332
	East	422	422	422	417
	West	5	5	52	5
	North	22	22	22	22
Firm Size	Micro and Small	850	394	605	312
	Medium	88	480	318	446
	Large	19	9	8	18
Main Business Activity	Hospital activities	109	132	115	187
	Medical and dental practice activities	576	551	555	441
	Other health & social work activities	272	200	261	148
Grand Total	**All Firms**	**3,022**	**2,905**	**2,976**	**2,776**

Notes: The number of firms presented in this table is weighted using UBoS weights on firms across the country to ensure country-wide representativeness; World Bank firm size classification is Micro and Small (0-19), Medium (20-99), Large (100+).

Source: Authors' construction using EPRC BCI survey data (2025).

3 Findings

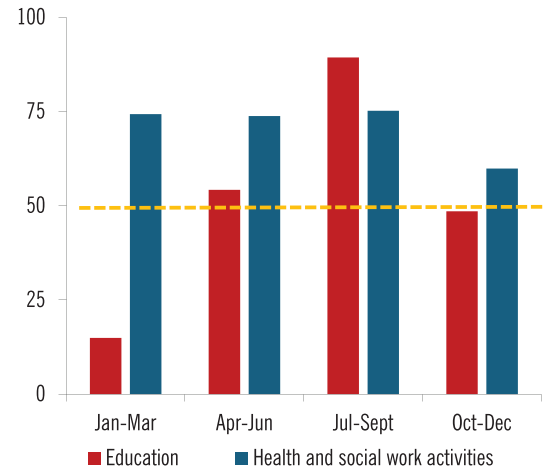
Overview of the business environment for firms in the health and education sector

Across all quarters in 2025, firms within the health sector reported a more stable and stronger business climate condition. In Figure 1 (Panel A), the DI remained consistently above the neutral threshold of 50 across all quarters in 2025, ranging from a score of 74.3 in Q1 (Jan-Mar) to 59.9 in Q4 (Oct-Dec). This implies that, overall, firms within the health sector reported generally positive business conditions in 2025. Panel B reveals that more firms reported improvement than deterioration in business conditions, with the NB remaining positive throughout the year.

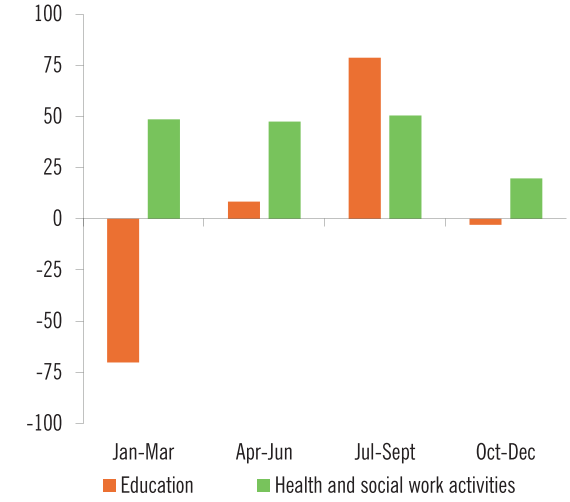
In contrast, the business climate in the education sector was highly uneven during the same period. Specifically, Figure 1 (Panel A) shows that the DI started very low (14.9) in Q1 (Jan-Mar), before peaking at 89.4 in Q3 (Jul-Sep), and slightly declining to 48.5 in the last quarter (Oct-Dec) of 2025. This suggests that while education firms reported low business conditions at the beginning of the year (2025), conditions turned positive around mid-year, and then to moderate in the final quarter. Similarly, Panel B shows the same pattern with NB strongly negative (-70.2) in Q1 (Jan-Mar), before sharply rising to 78.8 in Q3 (Jul-Sep), before weakening again to -3.0 in Q4 (Oct-Dec).

Figure 1 Quarterly business climate dynamics in the education and health sectors, 2025

Panel A: Diffusion Index (DI) comparison



Panel B: Net Balance (NB) comparison



Source: Authors' construction using EPRC's BCI survey data (2025).

The relatively stable business conditions observed in the health sector are consistent with the factors reported by firms as supporting business performance (Appendix A.1). Across the four quarters of 2025, firms consistently identified improvements in the macroeconomic environment, particularly lower inflation, stronger demand from regional markets within the East African Community (EAC), increased demand for health services, and improvements in internal business processes as the main contributors to improved business conditions.

In contrast, the more volatile business conditions observed in the education sector reflect changes in demand and operating conditions reported by firms (Appendix A.1). Periods of weaker business performance were mainly associated with reduced demand for education services, worsening electricity availability, limited access to capital and finance, and governance-related challenges, including corruption and bribery. These findings are consistent with the seasonal nature of education service demand, where enrolment and related business activity tend to fluctuate across the academic / school calendar.

Sectoral comparison of business climate variations by activity, region, and firm size

This sub-section presents disaggregated results on business conditions across activities, regions, and firm sizes. Focusing on the education sector, firms reported significant variations in business conditions across activities, as shown in Table 2. Pre-primary and primary education firms experienced the strongest recovery, shifting from very weak conditions at the beginning of the year to strong expansion by the final period of 2025. Secondary education firms also reported gradual improvement over the year, although the recovery was slower and more moderate compared to pre-primary and primary education firms. In contrast, firms in higher education and training generally maintained positive business conditions throughout the year, despite signs of weakening toward the final period, reflected in the decline of the DI from 70 to 55 index points between Q1 and Q4. Lastly, educational support activities experienced the highest volatility during the year, recording a sharp downturn mid-year before recovering strongly in the final period to 100 index points. This pattern likely reflects the irregular and highly seasonal nature of demand for support services, which tends to fluctuate more sharply in response to school calendar disruptions and operational adjustments within education institutions.

Geographically, the findings reveal significant regional disparities in business conditions. Firms in the Eastern and Western regions reported the strongest improvements during the year, with the Eastern region recovering from extremely weak conditions early in the year to very strong performance by the final period, increasing from a NB of -99 index points in Q1 to 100 in Q4. In contrast, firms in the Central region generally reported weakening conditions over time, reflecting increased operational pressures and rising business costs. Similarly, firms in the Northern region reported mixed business conditions, with modest improvements during the year but relatively weaker performance by the final period compared to other regions. This slower recovery may reflect persistent infrastructure gaps, weaker market demand, and limited business support systems within the region.

Focusing on firm size dynamics, medium and large education firms generally experienced more stable and sustained improvements

Table 2: Education sector business climate indicators by activity, region and firm size, 2025

Category	Segment	Jan-Mar		Apr-Jun		Jul-Sept		Oct-Dec		Trend (Q1 and Q4)
		NB	*DI*	*NB*	*DI*	*NB*	*DI*	*NB*	*DI*	
Activity	Pre-primary and primary educatio	-81	9	5	53	85	93	93	95	↑
	Secondary education	-57	21	53	77	25	63	37	38	↑
	Higher education and training	41	70	36	68	54	77	39	55	↓
	Educational support activities	31	66	12	56	-64	18	100	100	↑
Region	Central	27	63	37	68	25	62	30	42	↓
	East	-99	0	0	50	99	100	100	100	↑
	West	26	63	59	79	-36	32	63	81	↑
	North	-4	48	4	52	0	50	26	26	↓
Firm Size	Micro and Small	56	78	0	50	-93	4	77	77	→
	Medium	-79	10	6	53	82	91	87	89	↑
	Large	-42	29	67	83	80	90	78	89	↑

Source: Authors' construction using EPRC's BCI survey data (2025).

in business conditions throughout the year. Micro and Small firms, however, recorded greater fluctuations, including a sharp mid-year decline before recovering moderately toward the end of the year, from 4 to 77 index points (DI). These findings suggest that Micro and Small education firms are more vulnerable to short-term shocks due to limited financial buffers, weaker access to finance, and lower operational flexibility compared to larger firms.

As shown in Table 3, firms within the health sector generally reported positive and relatively stable business conditions throughout 2025. Firms offering medical and dental services consistently experienced favourable conditions, improving more towards the end of the year, with DI increasing from 86 index points in Q1 to 98 in Q4. In contrast, firms involved in hospital activities reported a gradual weakening in conditions over time, with business conditions (DI) declining by 10 index points between Q1 and Q4. This was mainly associated with reduced demand for health services, limited access to finance, and less favourable tax conditions. Similarly, firms engaged in other health and social work activities experienced a greater change, with conditions deteriorating sharply during the second quarter before recovering strongly in the final period of the year to 77 NB points and 80 DI points. This likely reflects fluctuations in service demand and operational costs affecting smaller and more specialised health-related activities.

At the regional level, health firms generally reported positive but uneven business conditions across the country. Firms operating in the Eastern region experienced relatively strong and stable conditions throughout the year, with consistently high DI scores above 96 index points, while those in the Western region recovered from weaker mid-year performance to stronger conditions by the final period. In contrast, firms in Northern Uganda reported more uneven conditions, with strong mid-year performance followed by weakening conditions toward the end of the year. Although firms in the Central region recorded an improvement in business conditions (DI) during the year, increasing by 35 index points between Q1 and Q4, performance remained relatively moderate and below that observed in the Eastern region. This was largely attributed to reduced demand for health services, limited access to finance, and increased power outages affecting operational efficiency.

Across firm sizes, the business outlook within the health sector generally remained positive. Medium-sized firms reported steady improvements in business conditions during the year, while large firms maintained relatively stable performance across the quarters. In comparison, Micro and Small firms experienced less-stable conditions, fluctuating across the year and recovering only slightly toward the final period, indicating greater exposure to short-term operational shocks and cost pressures.

Table 3: Health sector business climate indicators by activity, region and firm size, 2025

Category	Segment	Jan-Mar		Apr-Jun		Jul-Sept		Oct-Dec		Trend (Q1 and Q4)
		NB	*DI*	*NB*	*DI*	*NB*	*DI*	*NB*	*DI*	
Activity	Hospital activities	35	67	5	53	65	83	14	57	↓
	Medical and dental practice	71	86	97	98	73	86	96	98	↑
	Other health & social work activit	7	54	-61	20	-4	48	77	80	↑
Region	Central	15	58	2	51	10	55	45	68	↑
	East	92	96	94	97	97	99	99	99	↑
	West	0	50	0	50	-8	46	80	90	↑
	North	10	55	73	86	95	98	5	48	↓
Firm Size	Micro and Small	53	76	5	52	74	87	40	66	↓
	Medium	12	56	82	91	4	52	97	98	↑
	Large	37	68	67	83	75	88	56	69	→

Source: Authors' construction using EPRC's BCI survey data (2025).

Challenges and Barriers in Doing Business

This sub-section discusses the key operational challenges affecting firms in the health and education sectors during 2025. It identifies the most persistent constraints reported by firms, highlights how these evolved across the four survey periods, and compares the distinct challenges facing the two sectors.

Constraints within the Health Sector

The challenges faced by firms within the health sector varied across the quarters, reflecting a combination of structural, economic, and context-specific constraints. As shown in Table 4, increasing electricity disruptions emerged as the most persistent and binding challenge across all quarters in 2025. Unfavourable competition within the health sector also remained a pressing challenge nearly across all quarters, while poor infrastructure and tax-related burdens became more pronounced during specific quarters, implying underlying structural and regulatory bottlenecks.

Considering Q1 (Jan-Mar), businesses offering hospital services and human health and social work activities stressed that increasing power outages and high inflation significantly affected the provision of health services. These challenges were more pronounced in the Central region, while inflationary pressures were reported more strongly in the Central and Eastern regions. Competition and policy-related constraints also emerged during this period, indicating growing pressure on operational costs and business sustainability.

During Q2 (Apr-Jun), the challenge profile broadened to include environmental and security-related constraints, with unfavourable weather and increasing crime and theft emerging among the top constraints alongside persistent electricity disruptions. In Q3 (Jul-Sept), the health sector firms identified poor transport infrastructure, tax-related burdens, and governance concerns as key constraints, alongside the increasing electricity disruptions.

Within Q4 (Oct-Dec), firms reported that insecurity concerns due to an increase in crime, theft, and disorder were the most prominent challenge, with crime-related concerns more prevalent in the central region. In the same period, countrywide, firms identified increasing power outages, competition from businesses in the same sector, and a high tax burden as constraining factors in doing business.

Overall, these findings underscore the need to prioritise reliable electricity supply for health facilities and strengthen the broader business environment by addressing unfair competition, infrastructure gaps, tax-related burdens, insecurity, and region-specific constraints to enhance the resilience, affordability, and sustainability of private health service delivery.

Table 4: Highly ranked challenges in the health sector in 2025

Quarter	Challenges in Doing Business	Score (100)
January–March	Increasing power outages	97
	High inflation	93
	Competition from businesses within the same sector	72
	Unfavourable government policies	67
	Poor transport infrastructure	65
April–June	Unfavourable weather	100
	Increasing power outages	99
	Crime, theft and disorder	91
	Competition from businesses within the same sector	80
	Customs and trade regulations	67
July–September	Poor transport infrastructure	98
	Increasing power outages	98
	High tax burden/multiple taxes charged	86
	Bribery and corruption to settle tax disputes	85
	Insufficient or reduced demand for services	83
October–December	Crime, theft and disorder	97
	Increasing power outages / electricity availability	97
	Competition from businesses within the same sector	96
	Insufficient/reduced demand	69
	High tax burden/multiple taxes charged	68

Notes: The scores are weighted.

Source: Authors' construction using EPRC's BCI survey data (2025).

Constraints within the Education Sector

Similarly, firms within the education sector highlighted a combination of demand-side pressures, rising operational costs, and institutional bottlenecks, with notable differences across sub-sectors and locations. As shown in Table 5, electricity-related constraints, including power outages, delays in new connections, and reliability of supply, remained persistent across the year (2025). Alongside this, inflationary pressures and competition were consistently reported across all the quarters. There findings reveal that electricity unreliability, unfavourable macroeconomic conditions, and stiff market competition posed as significant binding constraints to education service delivery across the year.

Taking a closer look at the quarters, education-related firms noted that the most pressing challenge in Q1 (Jan-Mar) was insufficient or reduced demand for education services by learners. This change was particularly severe among pre-primary and primary education providers, and more acutely in the Eastern region. This reflects a key reality in the education sector that at the start of the year, schools face slow learner enrolment and reporting, which significantly affects performance and business operations. In addition, inflationary pressures were identified as a prominent challenge, particularly among pre-primary and higher education providers in the Central, and Western regions. Together, these constraints point to a difficult operating environment characterised by weak demand for education services and rising operational costs.

By the second quarter Q2 (Apr-Jun), the constraint profile shifted toward cost and supply-side pressures, with increasing power outages and tax-related burdens emerging as dominant constraints faced across nearly all education firms. While demand-related pressures remained relevant, the increasing prominence of electricity disruptions and taxation-related hurdles significantly affected the cost of doing business within Q2.

During Q3 (Jul-Sept), a noticeable transition towards more structural and compliance-related constraints were recorded by the firms. Competition, high tax burden, and governance-related challenges such as corruption and compliance costs emerged as the leading constraints, particularly among pre-primary, primary, and higher education providers operating mainly within urban-based settings.

In the final period Q4 (Oct-Dec), the key constraints raised by the firms included rising insecurity (specifically crime, theft and disorder) and unfavourable macroeconomic (inflation) pressures, particularly evident in secondary and urban-based education segments, notably in the Central regions. In addition, stiff competitive pressures amongst education businesses posed a significant constraint, especially among pre-primary and primary education providers in Eastern and Northern regions.

Table 5: Top ranked challenges in the education sector in 2025 (weighted scores)

Quarter	Challenges in Doing Business	Score (100)
January–March	Insufficient/reduced demand	99
	High inflation	90
	Increasing power outages	86
	High tax burden/multiple taxes charged	68
	Competition from within the sector and foreign businesses	67
April–June	Increasing power outages	99
	High tax burden/multiple taxes charged	98
	Insufficient/reduced demand	86
	High inflation	79
	Competition from within the sector and foreign businesses	67
July–September	Competition from within the sector and foreign businesses	100
	High tax burden/multiple taxes charged	95
	Bribery and corruption to settle tax disputes	94
	High inflation	90
	Difficulties in getting timely new connections	89
October–December	Crime, theft and disorder	99
	Competition from within the sector and foreign businesses	93
	High inflation	91
	Increasing power outages	90
	Corruption	83

Notes: The scores are weighted.
Source: Authors' construction using EPRC's BCI survey data (2025).

Overall, the findings reveal that businesses within the education sector were considerably constrained by fluctuating service demand by learners, electricity unreliability, unfavourable inflationary pressures, higher taxation and regulatory burdens. Unlike the health sector, these challenges are more cyclical and demand-sensitive, reinforcing the need for targeted and time-sensitive policy responses that address both structural bottlenecks and household affordability constraints to support sustained enrolment and sector performance.

4 Conclusion and Policy Implications

In conclusion, the evidence shows that while Uganda's health and education sectors remain crucial for employment creation, service delivery, and human capital development, firms operating in these sectors continue to face uneven and persistent constraints in the business environment.

The findings demonstrate that these challenges are not uniform, but differ by sector, activity, geographical location and firm size. Health firms generally reported more stable business conditions, while education firms experienced more cyclical and demand-sensitive performance. However, both sectors continue to be constrained by power outages, rising operating costs, tax-related pressures, challenges in accessing finance, crime, competition, and region-specific infrastructure gaps.

These findings therefore call for more targeted and practical policy responses that prioritise electricity reliability, reduce the cost of doing business, support Micro and Small firms with affordable working capital, and address location-specific constraints, especially in Central and Northern regions, while responding to pressures in Eastern and Western regions. Most importantly, policy support should move away from broad sector-wide interventions towards evidence-based approaches that reflect the specific realities of firms by activity, region and size. The proposed policy actions are summarised in Table 6 below:

Table 6: Policy issues and actionable recommendations

No.	Policy recommendation	Category requiring more attention	Practical actions	Target institution
1	**Improve electricity reliability for health and education service firms.** Electricity disruptions were among the most persistent constraints across both sectors. Power outages ranked highly in all quarters for health firms and repeatedly appeared among the top challenges for education firms.	**Geographical location:** Central, Eastern and Northern regions. **Size:** Micro and Small firms. **Activity:** Hospitals, human health and social work activities, secondary education, higher education, and education support activities.	Reduce frequency and duration of outages affecting schools and health facilities. Speed up timely new electricity connections, especially for education firms. Prioritise reliable power supply to service delivery facilities that operate continuously or rely on equipment.	MEMD; ERA; UEDCL.
2	**Reduce tax-related and compliance pressures on vulnerable service firms.** High tax burden, multiple taxes, customs and trade regulations, and bribery or corruption in settling tax disputes were reported among the important constraints in both sectors.	**Geographical location:** Central region. **Size:** Micro and Small firms. **Activity:** Education firms, hospitals, and other health and social work activities.	Simplify tax compliance procedures for smaller firms. Strengthen taxpayer education for health and education service providers. Improve transparency in tax dispute resolution to reduce corruption and bribery risks. Review how multiple tax charges affect smaller service firms.	URA; MoFPED.
3	**Strengthen access to affordable working capital for smaller firms.** Smaller education firms and micro health firms were more vulnerable to short-term shocks because of limited financial buffers, weaker access to finance and lower operational flexibility.	**Geographical location:** Northern region, and Central region. **Size:** Micro and Small firms. **Activity:** Smaller education providers, hospitals, and other health and social work activities.	Design flexible working-capital products for small health and education firms. Provide repayment terms that reflect seasonal demand, especially in the education sector. Support firms facing temporary demand shocks, inflationary pressures and rising operating costs.	MoFPED; BoU; UDB; UDC.
4	**Address location-specific security, infrastructure and market constraints.** Crime, theft and disorder became major challenges in the last quarter, while poor transport infrastructure was highly ranked among health-sector constraints. Northern Uganda showed weaker and more uneven performance.	**Geographical location:** Central, Northern, Eastern and Western regions. **Size:** Micro and Small firms. **Activity:** Hospital activities, medical and dental practices, education firms in urban areas, and pre-primary and primary education providers.	Improve security around schools, clinics and health facilities, especially in areas reporting crime and theft. Upgrade transport access to health and education service points. Strengthening local business support systems in weaker-performing regions. Respond to regional market pressures where competition and reduced demand are prominent.	MoWT; UPF; local governments; city and municipal authorities.
5	**Design sector, activity- and firm-size-specific support instead of broad interventions.** Education firms were more seasonal and demand-sensitive, while health firms were more stable but still constrained by power outages, infrastructure, taxation, crime and reduced demand in some activities.	**Geographical location:** Central and Northern regions. **Size:** Micro and Small firms. **Activity:** Pre-primary and primary education, educational support activities, hospitals, and other health and social work activities.	For education, align support with school calendar cycles and household affordability pressures. For health, focus on infrastructure reliability, access to finance and operational efficiency. Use disaggregated BCI evidence to design interventions by region, firm size and activity. Avoid one-size-fits-all sector interventions.	MoES; MoH; MTIC; EPRC

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Appendix

A.1: Reasons for the Improvement or Decline in the Business Climate for Firms in the Health and Education Sectors

Sector	Quarter	Top Three Drivers of Improved Business Conditions		
Education	Q1 (Jan–Mar)	Improvements in regional markets within EAC (97)	Increased services demand (92)	Improvements in international markets (78)
	Q2 (Apr–Jun)	Improvements in regional markets within EAC (100)	Increased services demand (91)	Improvements in internal business Processes (70)
	Q3 (Jul–Sep)	Improvements in regional markets within EAC (100)	More favourable service prices (98)	Improvements in international markets (83)
	Q4 (Oct–Dec)	Increased services demand (90)	Improvement in electricity availability (89)	Improvements in internal business Processes (76)
Health	Q1 (Jan–Mar)	Improved macro environment - Inflation (100)	Improvements in regional markets within EAC (100)	Improvement in electricity availability (99)
	Q2 (Apr–Jun)	Improvements in regional markets within EAC (98)	More favourable service prices (93)	Increased services demand (81)
	Q3 (Jul–Sep)	Improvements in regional markets within EAC (98)	Improvements in Internal business Processes (94)	Increased services demand (80)
	Q4 (Oct–Dec)	Improvements in international markets (100)	Increased services demand (94)	Improvements in internal business Processes (85)
Sector	**Quarter**	**Top Three Drivers of Deteriorating Business Conditions**		
Education	Q1 (Jan–Mar)	Reduced electricity availability (100)	Decline in internal business processes (100)	Reduced services demand (99)
	Q2 (Apr–Jun)	Less favourable service prices (100)	Capital/Finance constraints (67)	Worsening legal and regulatory environment (33)
	Q3 (Jul–Sep)	Reduced services demand (100)	Worsening corruption and bribery (92)	Decline in regional markets within EAC (67)
	Q4 (Oct–Dec)	Capital/Finance constraints (100)	Reduced services demand (90)	Other Factors (77)
Health	Q1 (Jan–Mar)	Reduced services demand (94)	Capital/Finance constraints (73)	Decline in physical infrastructure (67)
	Q2 (Apr–Jun)	Decline in macro environment - Inflation (100)	Reduced services demand (94)	Reduced electricity availability (89)
	Q3 (Jul–Sep)	Reduced services demand (100)	Less favourable tax rates and tax policy (73)	Decline in internal business processes (67)
	Q4 (Oct–Dec)	Reduced services demand (100)	Decline in regional markets within EAC (100)	Decline in international markets (67)

Note: Score in parenthesis ().
Source: Authors' construction using EPRC's BCI survey data (2025).

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