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AN INVESTMENT GUIDE TO UGANDA

Opportunities and conditions
March 2004

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UNCTAD

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References to "dollars" ($) are to United States dollars, unless otherwise indicated.

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Three good reasons to invest in Uganda

• A stable and open economy

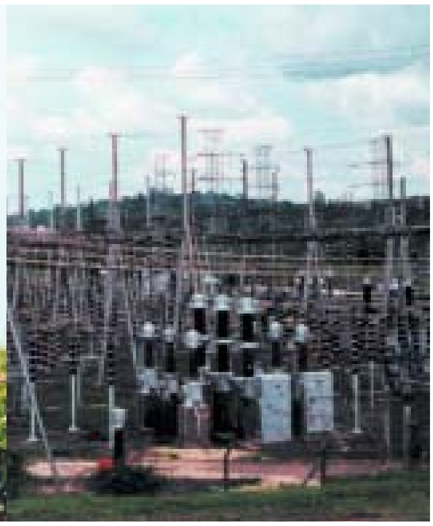
Uganda has established a remarkable track record of macroeconomic stability since the launching of its economic reform programme in 1987. Growth has been strong, inflation has been low and poverty has been falling. The country has a liberal foreign exchange regime, with a stable, market-driven exchange rate and no restrictions on the movement of capital. The *Economic Freedom Index 2004*, published by the Heritage Foundation in the United States, judged Uganda to be the *second* freest economy in sub-Saharan Africa. In keeping with this openness, there is in general a very strong commitment by the Government to the private sector as the engine of growth.

• Market access

Uganda enjoys a geographical location at the heart of Sub-Saharan Africa. It is a member (along with Kenya and the United Republic of Tanzania) of the East African Community (EAC), which has a population of 90 million and which has just agreed to establish the East African Customs Union, with a common external tariff. Uganda is also a member of the Common Market for Eastern and Southern Africa (COMESA), an organization representing a total population of 380 million in 20 countries. In addition, Uganda enjoys preferential access to a number of foreign markets. It benefits from the African Growth and Opportunity Act (AGOA) with respect to the US market and the Everything But Arms (EBA) initiative with respect to the EU market. There are similar advantages vis-à-vis the markets of Canada, Japan and other countries.

• Natural resources

Uganda is richly endowed with conditions suitable for many kinds of agricultural activity: rainfall, soil and climate. It is home to the largest freshwater lake (Lake Victoria) and the second longest river (Nile) in the world. Lake Victoria is said to have 350 species of fish, including the Nile perch and tilapia. There are plenty of unexploited mineral deposits, including confirmed deposits of gold, zinc, wolfram, petroleum, diamonds, vermiculite and silica. Finally, Uganda has substantial advantages for tourism. In the words of Winston Churchill, "for magnificence, for variety of form and colour, for profusion of brilliant life – plant, bird, reptile, beast – for vast scale, Uganda is truly the Pearl of Africa".

Acknowledgements

A great many individuals and institutions contributed to the production of this guide. Although we cannot list each and every contributor, the following merit special mention: donors to the second phase of the investment guides project, specifically the Governments of Finland, Italy, Norway and Sweden; the United Nations Industrial Development Organization (UNIDO), which contributed to this revised edition; the companies that participated in the consultations and provided answers to queries; other representatives of the private sector, including in particular William Kalema and Hasmukh Dawda; public-sector officials who participated in the workshops and provided feedback on an earlier draft; and Sarah Kitakule and Evarist Mugisa, the national consultants for the first (2001) and second (2004) editions respectively.

Without the cooperation of the Uganda Investment Authority (UIA) and in particular its Executive Director, Maggie Kigozi, as well as the Permanent Mission of Uganda to the United Nations Office at Geneva, which played a facilitating role, this project could not have been implemented.

This guide was prepared, with the assistance of consultants and advisers both external and internal, by a project team led by Vishwas P. Govitrikar that included Ludger Odenthal, Torbjörn Fredriksson, Åsa Fennessy, Chantal Rakotondrainibe and Katia Vieu. The guide was designed and typeset by Nelson Vigneault. It was edited by Chris MacFarquhar. Overall guidance was provided by Karl P. Sauvant.

Note to the reader

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is *credibility*. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. "The operating environment" describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. "Areas of opportunity" offers a description of areas of potential interest to foreign investors. "The regulatory framework" focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

The primary source of further information for an investor wishing to explore investing in Uganda is the Uganda Investment Authority (UIA) – see box on page 52. Contact details of selected sources of further information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 50 major foreign investors in Uganda.

Preface

Foreign direct investment has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

This second edition of *An Investment Guide to Uganda* (the first appeared in 2001) is the eleventh concrete product of a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). The objective of this project is to bring together two parties with complementary interests: *companies* that seek new locations and *countries* that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD–ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing *dialogue* between investors and Governments. The guides *themselves* are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn *contribute* to the dialogue, helping to strengthen and sustain it, for we are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment.

Rubens Ricupero
Secretary-General
UNCTAD

Maria Livanos Cattaui
Secretary-General
ICC

The UNCTAD–ICC series of investment guides

PUBLISHED

An Investment Guide to Ethiopia, 1999; revised edition in new format, 2004
Guide de l'investissement au Mali, 2000; revised edition in new format, 2004
An Investment Guide to Bangladesh, 2000
An Investment Guide to Uganda, 2001; revised edition, 2004
An Investment Guide to Mozambique, 2002
An Investment Guide to Nepal, 2003
An Investment Guide to Cambodia, 2003
Guide de l'investissement en Mauritanie, 2004

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers. English versions of the Mali and Mauritania guides will soon be available on the UNCTAD website.)

FORTHCOMING

An Investment Guide to East Africa, 2005
An Investment Guide to Kenya, 2005
An Investment Guide to Tanzania, 2005

Contents

"The Government of Uganda has built one of the most successful recent track records in the region in pursuing macro-economic reform. Furthermore, its market-based policies have helped create an enabling environment for investors. If the present initiatives to address residual concerns in the areas of governance, infrastructure and regional stability are sustained, Uganda could become an important destination for much larger investment from local, regional and foreign sources."

Nadeem Lodhi, Managing Director, Citibank Uganda Ltd

Executive summary

A distinctly pro-business climate

Uganda's political and economic development in the past 17 years has been remarkable. The country has risen from the ruinous regimes of Idi Amin and Milton Obote to become one of the most dynamic economies in sub-Saharan Africa (SSA). The Government of President Yoweri Museveni has made it clear that it regards the private sector as the chief agent in the recovery process. The legal and institutional framework has been appropriately adapted and foreign investment has been made welcome. In an unambiguous signal of this policy, the Government of Uganda has made successful efforts to win back the Asian investors expelled from the country during the Idi Amin regime. The country is clearly positioned to become one of the most attractive business locations in eastern and southern Africa.

Investment opportunities in a wide range of industries

Uganda is rich in natural resources and offers a wide range of investment opportunities in mining (cobalt, limestone), agriculture (coffee, tea, fruits) and fishing. The recent economic dynamism has also opened up opportunities in manufacturing and services. Linked to almost all of the primary-sector industries are opportunities in up-stream or down-stream manufacturing activities. These include, among other things, packaging and the construction of storage facilities. In addition, the extensive privatization programme of the Government has opened up industries that were formerly closed to the private sector, particularly in the infrastructure sector. Uganda was one of the first African countries to liberalize its telecommunication sector and there are now several private telecommunication companies in operation. The dire condition of many other infrastructure facilities, in particular air, road and rail transport, is an obstacle to users but an opportunity for investors.

Perhaps the biggest long-term opportunities are to be found in the tourism industry. Uganda, labelled the "Pearl of Africa" by former British Prime Minister Winston Churchill, offers a number of unique tourist attractions. These include Lake Victoria, the source of the Nile, the Murchison Falls and the Mountains of the Moon, along with a number of national parks and wildlife reserves hosting, among other fauna, half the world's mountain gorilla population. Except for Kampala and a few major towns, however, the tourism infrastructure is underdeveloped, although the number of visitors to the country has increased sharply over the past decade.

Principal advantages as an investment location

Uganda strongly encourages private investment, both foreign and domestic. The Government has pursued a steady policy of improving the investment climate by reducing bureaucracy, streamlining the legal framework, fighting corruption and stabilizing the economy. The last point in particular has become a trademark for Uganda. Few sub-Saharan economies have come close to Uganda's success in stabilizing their economies and stimulating high rates of growth. Although the country remains poor, foreign investors are unlikely to find a more dynamic economic environment in Africa.

Although small, the Ugandan market is growing. Moreover, it is centrally located in eastern and southern Africa, allowing firms to service a number of markets directly bordering the country. Some regional integration initiatives under way enhance the prospect of Uganda becoming a hub for servicing eastern and southern African markets.

Problems for investors

On the downside, the condition of much of Uganda's infrastructure is poor. Decades of negligence and even deliberate destruction have left much of it in disarray. Road and rail systems have been identified by foreign investors as major problems. Until recently, the intermittent and expensive power supply had been a severe problem. Significant recent improvements have dramatically reduced the problems in this area.

Since Uganda is a landlocked country, some problems have their roots outside the country. For example, port services in the neighbouring countries of Kenya and the United Republic of Tanzania are inadequate and cause extensive delays in the delivery of goods to and from Uganda. Although the workforce is generally well educated, there is a considerable shortage of mid-level managers and technicians in virtually all areas of the economy. In addition, despite the Government's persistent and partially successful efforts to limit the spread of malaria and HIV, poor health conditions pose significant challenges to business and the economy. Prospective investors also cite two other factors affecting their decision to invest in Uganda: corruption, which persists despite Government efforts to eradicate it, and disruptions caused by conflicts in neighbouring Sudan and the Democratic Republic of the Congo.

Economic prospects

Uganda is still a very poor country. This will not change in the near future. However, with almost unparalleled dynamism and a track record of stability, the Ugandan economy is bound to remain one of the most positive examples of successful development in Africa. Investors are confident that there are no indications of the Government reversing its distinctly pro-business policy. As this guide documents, Uganda is a land of challenges and opportunities that investors ignore to their own loss.

Uganda at a Glance

Official name	The Republic of Uganda
Political system	Directly elected President, with executive authority; Parliament elected on a non-party basis, with legislative authority
Head of state and government	Yoweri Kaguta Museveni
Form of government	Unitary, with limited devolution to regions
Next election date	2006 (last presidential election held in March 2001)
Surface area	241,000 sq km (of which 44,000 sq km are covered by freshwater bodies)
Population	24.7 million Population density 126 persons per sq km
Official language	English
Religion	66% Christian, 16% Muslim, 18% others
GDP per capita	$280 $1 250 (current international $, PPP)
Currency	Uganda Shillings (abbreviated "UShs") Exchange rates
(June 2004)	$1 = 1,815 UShs 1 = 2,224 UShs ¥100 = 1,635 Ushs
Time zone	GMT + 3 hours
Climatic conditions	Uganda lies between latitudes 1° S and 4° N and longitudes 29° E and 35° E, with temperatures ranging from 7°C in the hilly southwestern regions in July to 37°C for the northern region. Uganda is also partially covered by a strip of dry savannah, running from the southern (Mbarara) zone to the northeastern (Karamoja) zone and known as the cattle corridor. The areas around the lakes (Victoria, George and Edward) have humid tropical climates with temperatures ranging from 14°C to 29°C. The country has two rainfall seasons, from March to June (major season) and October to November (minor season), with mean rainfall ranging from 90 mm to 250 mm.
Main cities/towns and numbers of inhabitants	Kampala 1,208,544 Jinja 80,520 Mbale 70,437 Masaka 61,300

Source: UNCTAD, based on information provided by various sources.

Source: Based on the map of Uganda by the United Nation Cartographic Section, 1998.

Source: Based on the map of Africa by the United Nation Cartographic Section, 1998.

Introducting Uganda

Country and people

Uganda has a total landmass of 241,000 square kilometres, 18% of which is covered by freshwater bodies. Lying astride the equator, Uganda combines some of the best features of Africa, including the source of the River Nile (the second longest river in the world) and Lake Victoria (the second largest freshwater lake in the world). The country's geographical diversity is great: in the east, it overlaps the tropical savannah, and in the west, African rain-forest zones. There are many contrasting features, ranging from extensive plains with undulating hills to snow-capped mountains. Uganda also ranks among the top ten countries in the world in the diversity of its mammal groups.

History and government

On attaining independence from Britain in 1962, Uganda was governed by a constitution built on the Westminster model. However, this multi-party arrangement was based on tribal and religious affiliation rather than on political ideology. It collapsed when the Prime Minister, Apolo Milton Obote, abrogated the constitution in 1967.

As the Government moved steadily to the left in the late 1960s, it nationalized many businesses. This had the effect of greatly undermining investor confidence. The situation deteriorated even further following a coup in 1971, which brought to power a military government headed by Idi Amin Dada. In 1972–1973, the military government expelled the Asian community that was the mainstay of commerce and industry, throwing the economy into a tailspin.

A combined force of the Tanzanian army and Ugandan exiles overthrew the military regime in 1979. Multiparty elections were held in late 1980 (widely believed to have been rigged) and returned Milton Obote (overthrown by Idi Amin in 1971) to power. A group of young revolutionaries, led by Yoweri Kaguta Museveni, waged a bush war to overthrow Obote's second regime and succeeded in taking power in January 1986.

The new government of the National Resistance Movement (NRM) organized elections at all levels from the grassroots to the interim parliament and eventually to a constitutional assembly charged with drawing up a new constitution. Following a long and wide process of consultation, a new constitution of the Republic of Uganda was approved by the Constituent Assembly in 1995. Presidential and parliamentary elections followed in early 1996.

The constitution incorporates a Bill of Rights and guarantees all basic human rights, including the rights to life, property and the freedom of expression. The unique feature of Uganda's political dispensation is the Movement System, which bans political parties on the ground that, in the African context, parties exacerbate tribal rivalries. In a referendum held in July 2000, the electorate overwhelmingly endorsed the continuation of the Movement System.

Under this system, elections for local authorities (at village and district levels) have been held regularly since 1989. In March 2001, President Museveni was re-elected to another five-year term. Although party activities are still restricted, there has been genuine progress in ensuring freedom of expression and restoring social identities, including kingships. Under the constitution, kings have no political power or privilege, but they have an important cultural and symbolic function in society.

Market size and access

According to the provisional figures of the 2002 census, Uganda's population now stands at 24.7 million (UBOS, 2002). This makes it one of the larger countries in Africa. The purchasing power of most of the population is still low, but has been growing steadily over the last decade or so.

It is noteworthy that Uganda has per capita income levels (at PPP – last column) twice as high as those of its neighbours Malawi and the United Republic of Tanzania, and higher than those of all other countries in the region except Zimbabwe.

Uganda's upper and middle class with a purchasing power sufficient to buy more sophisticated consumer goods, is still small, although growing rapidly. For example, a growing number of Ugandans now own cars. According to the Uganda Bureau of Statistics 2002, an average of 28,500 new vehicles were registered annually between 1995 and 2001.

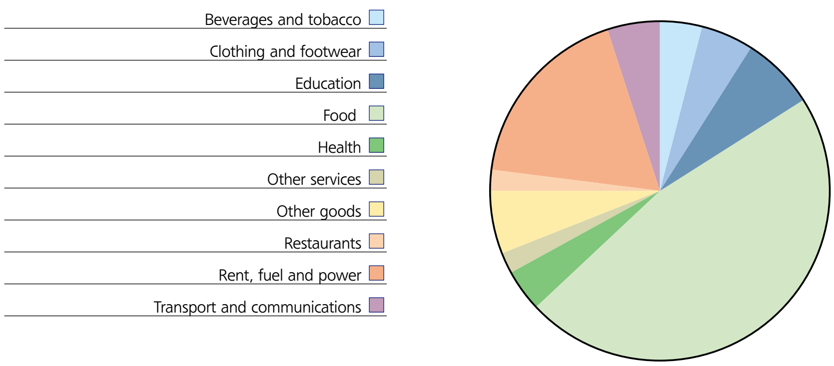
Figure I.1 shows that the largest expenditure item is food, followed by rent and fuel, and then education, transport and clothing.

ASTERN AND AFRICAN M

COUNTRY	POPULATION	GDP [a]	GDP PER CAPITA	GDP PPP [b]	GDP PER CAPITA PPP
	(Millions) 2002	($ billions) 2002	$ 2002	$ billions 2002	$ 2002
Kenya	31.3	12.1	325	31.1	992
Malawi	10.7	1.9	162	6.2	586
Mozambique	18.4	3.9	229	13.0 [c]	782 [c]
Tanzania	35.2	9.4	204	19.6	557
	23.4		*367*		*1 354*
Zambia	10.5	3.7	410	8.4	806
Zimbabwe	12.9	8.3	522	29.8 [d]	2 322
Total	142.4	45.2	..	..	..

Source: UNCTAD, based on World Bank, *World Development Report, 2003*
[a] GDP at market prices (current $).
[b] GDP at Purchasing Power Parity (current international $), preliminary estimates.
[c] Figures for 1998.
[d] Figures for 2001.

EXPENDITURE ITEMS, 2000

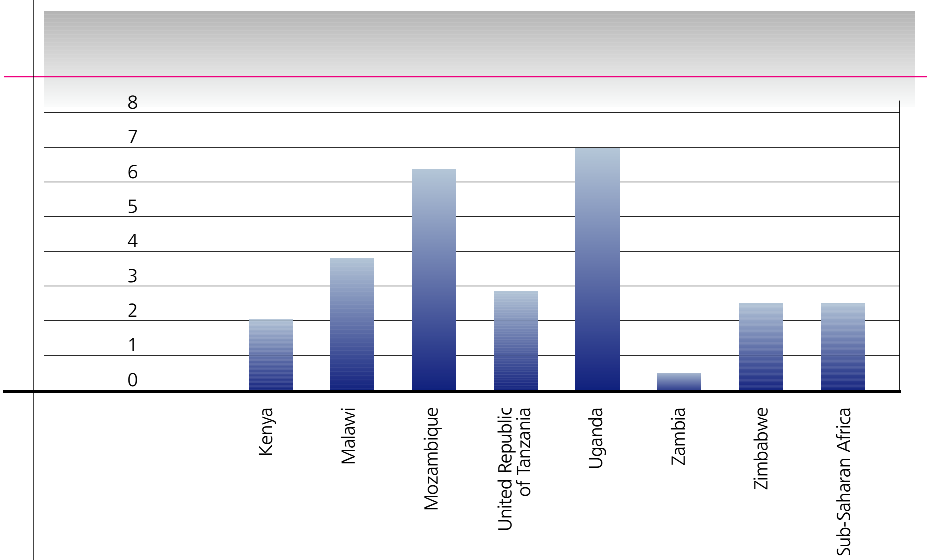


Source: UNCTAD, based on World Bank, *World Development Report, 2003*

Its small size notwithstanding, the Ugandan economy has proved to be one of the most dynamic in the whole of Africa over the past decade. As table I.2 shows, Uganda's average growth rate in the 1990s was the highest in the region and just under three times as high as the sub-Saharan average. This positive development can be expected to continue, offering investors a dynamic market to tap into.

This dynamism in the local market has been reinforced by efforts to create a regional market in eastern and southern Africa. Uganda has been active in various regional economic integration initiatives. It is a member of the Common Market for Eastern and Southern Africa (COMESA), a region with a market of about 380 million people (COMESA database, 2001). As a trading bloc of 20 member countries, COMESA imports more than $17 billion worth of goods each year and exports merchandise well in excess of $13 billion worth. Investors in COMESA countries enjoy preferential treatment for their inter-COMESA exports through reduced tariffs following the establishment of the Free Trade Area (FTA) in October 2000.[1] The process of tariff reduction is under way in all member countries that have not attained FTA status, including Uganda, which has so far achieved 80% tariff reduction. Full FTA status for all COMESA countries implies that goods produced in Uganda will attract no import duty in more than twenty countries, from Egypt to Namibia. Similarly, imports from these countries will enter Uganda duty-free.

1. Uganda has committed itself to joining the FTA by 2004, but it is undertaking a study to establish what the impact of the FTA will be on its trade with these countries.



Source: UNCTAD, based on the World Bank, *World Development Indicators, 2002.*

In addition, Uganda, Kenya and the United Republic of Tanzania form the East African Community (EAC) with a total population of about 90 million. The Presidents of the three countries signed the agreement establishing the East African Customs Union in March 2004. The customs union protocol, which proposes a three-band common external tariff, is to be implemented by July 2004. The next steps are to be a common market, followed by a monetary union and, at some point, a political federation.

As for international market access, Uganda offers a prospective investor preferential access to the European Union and the United States for a range of exports. It is one of the African countries eligible to benefit from the US initiative called the African Growth and Opportunity Act (AGOA). Under AGOA, over 1,800 products from Uganda, including textiles, arts and crafts enjoy duty- and quota-free access to the United States market. Ugandan products also enjoy similar preferential treatment under the EU's Everything But Arms (EBA) initiative and similar initiatives in Canada, Japan and other countries.[2]

2 The precise conditions for access vary and should be investigated by potential investors. In the case of AGOA, for example, the conditions for individual product groups are significantly different. For more information, see http://www.agoa.gov.

Government priorities

Government policy today is focused on the alleviation of poverty. The Poverty Eradication Action Plan (PEAP) of 2000 provides the framework to guide policy formulation. According to the PEAP, the highest priorities for medium-term expenditure are security, roads, agricultural research and extension, primary education, primary health, and water and sanitation.

With respect to macroeconomic policies, the Government's strategy is to modernize the economy by relying on markets and the efforts of private entrepreneurs, while the Government provides the necessary legal, policy and physical infrastructure for private investment to flourish. This strategy has been endorsed by donors and is already showing positive results. The central objective is to provide sustainable, rapid and broad-based growth by guaranteeing security, the rule of law and structural reform.

Box I.1. Of risks and returns: Investing in least developed countries

"Why would anyone invest in a least developed country (LDC)?" a presumably hard-headed entrepreneur might ask. "Aren't the risks sky-high and the profits precarious?"

This rather casual dismissal of a quarter of the world's nations as locations for investment might be widespread but, like much conventional wisdom, it might also be unwise. True, investing in an LDC can be a complicated business, with many bottlenecks and much frustration, but an LDC is not always riskier than other locations and frequently more profitable.

One problem with the association of high risk with LDCs is that it treats 49 countries as though they were all clones of a single national type. In reality, there is much variation. Some LDCs are riven by civil war and some destabilized by coups and counter-coups. There are others, however, that can claim a political continuity of several centuries (Nepal) or a track record of stability and growth (Uganda). When it comes to conventional risk-ratings, LDCs tend to suffer from image problems and a simple lack of information, unlike the industrialized countries in which risk-rating can be founded on a much broader and more reliable information base. "...[T]he methodology of rating depends too much on subjective perception and outdated data", says a recent study. "Together with their limited country coverage, these factors automatically bias [ratings] against most African (and other low-income) countries"(Bhinda et al., 1999). A better way to assess risk and get a feel for the *direction* of change in a country is to talk to investors already on the ground. The UNCTAD–ICC guides feature summaries of business perceptions and lists of current investors precisely to facilitate this.

When it comes to profits, the evidence is that rates of return on foreign direct investment in LDCs are much higher than on investment in developed, or even other developing, countries. Between 1995 and 1998, US companies registered returns of almost 23% on their investment in African LDCs, while for LDCs in Asia and Oceania the figure was 13% (UNCTAD, 2000). Similar findings for Japanese affiliates abroad confirm that Africa, with 33 LDCs in it, is a *very* profitable location indeed.

Is there a moral here? Yes, one that can be summed up in a single maxim: *Distinguish*. Investors need to distinguish among the 49 LDCs. Some will confirm their prejudices; yet others will shake them. One key advantage of investing in an LDC can be the relative thinness of the competition, unlike locations that everybody wants to be in, but this advantage is unavailable to investors not prepared to do their homework.

Source: UNCTAD.

An integral part of the strategy is the removal of bottlenecks to the growth of the private sector in order to raise productivity and output. Reforms in this area are being carried out through the Medium-term Competitive Strategy for the Private Sector, 2000–2005 (MTCS).

Structural reforms in the agricultural sector are being implemented through the Plan for the Modernization of Agriculture (PMA). The PMA provides the principles and guidelines upon which intervention programmes and institutions must operate to achieve agricultural transformation and poverty eradication. Its key elements are: (a) the provision of advisory services; (b) the promotion of research and technology; (c) the promotion of agro-processing; (d) ensuring access to, and availability of, financial services; (e) the promotion of agricultural skills and knowledge; (f) the promotion of the sustainable use of natural resources; and (g) the improvement of physical infrastructure.

Central to the notion of the private sector as the engine of growth and development is the privatization of public enterprises. Since 1993, the public-enterprise reform and divestiture programme has been trying to maximize the role of the private sector in the ownership, financing and management of enterprises in Uganda. The immediate goal is to improve the performance of the remaining public-sector enterprises, reduce the financial burden upon the treasury, and generate revenue from privatization. A total of 108 public enterprises had been divested by the end of 2002, including 32 liquidations. More than 30 enterprises remain to be privatized (appendix 5). Most of these are utilities, which must go through a longer preparatory process before being privatized.

The Privatization Programme has opened up to private investment a range of industries and subsectors previously reserved for (or dominated by) the State. It has attracted foreign investors to such areas as farming, hotels, marketing and banking. Privatized enterprises have recorded growth in output, incomes and productivity, as well as generating higher tax revenues.

Box I.2. The "Big Push" strategy

As part of its overall efforts to create a more business-friendly environment, Uganda is implementing the "Big Push" strategy in investment promotion. The strategy – recommended in UNCTAD's *Investment Policy Review of Uganda*, *2000* – comprises a set of measures to overcome institutional and structural bottlenecks. The major components of the "Big Push" strategy have been incorporated in the Medium-term Competitive Strategy for the Private Sector, 2000–2005 (MTCS – see below).

One of the key features of the "Big Push" strategy is the creation of an Export Processing Zone (EPZ – see chapter III) and a Free Trade Zone at Entebbe airport. The relevant feasibility study is under way and legislation to give effect to this is being drafted. In the meantime, the Government has specified the incentives that would be applicable to operators in the EPZ. The zones are intended to provide the basic infrastructure and incentives necessary for the development of investment projects in designated industrial and agricultural fields.

The MTCS focuses on reforms in infrastructure (particularly utilities), the financial sector, commercial law, public procurement, tax administration and the export sector. In addition, an MTCS Implementation Committee, chaired by the Permanent Secretary and Secretary to Treasury, Ministry of Finance, Planning and Economic Development, has been formed to expedite project-processing. The Committee coordinates the inter-ministry efforts, removes bottlenecks and gives direction to the MTCS, ensuring that all critical entities move in the same direction and with the same urgency.

Information and communication technology (ICT) was identified in the "Big Push" strategy as a promising export industry. It is now receiving special assistance to speed up its growth.

Since the bureaucracy was seen as constraining the delivery of government services to the private sector, the strategy recommended the streamlining of government machinery through the creation of a client's charter by each ministry and public agency, containing a checklist of services and the associated delivery times. A number of ministries have prepared these charters. The UIA's charter appears on page 53 below.

Source: Uganda Investment Authority.

Stable macro-economic policies have helped ensure sustained economic growth which in turn has ensured that Uganda remains an excellent destination for foreign direct investment. The privatization unit of the Finance Ministry has completed many successful disposals (for example in the banking sector) which have resulted in improved services whilst providing good returns for the investor.

Paul Mare, Managing Director, ESKOM

The operating environment II

Economic environment

Uganda has turned in an outstanding performance in macroeconomic stabilization over the past decade. Real GDP has been growing steadily, recording an average of 6% in the last seven years (1995–2002), although this rate is lower than the average of the decade as a whole (table II.1). Inflation was scaled down from more than 100% at the end of the 1980s to 2.5% in 2002. The implementation of structural adjustment programmes (in collaboration with the IMF and the World Bank) throughout the 1990s has enabled the country to achieve one of the best macroeconomic records in Africa.

The country is gradually moving away from a predominantly agricultural economy towards one emphasizing manufacturing and services, including trade, tourism and transport. Agriculture remains the dominant sector, contributing over 40% to GDP and employing 80% of the working population. In recent years, manufacturing, electricity generation, and transport and communication have recorded impressive rates of growth: 10.3, 9.2 and 10.4 % respectively in 2002. Within the manufacturing sector, the best-performing industries in 1998–2001 were food processing, beverages, chemicals and soap, bricks and cement, and leather and footwear. The industrial sector, as measured by the index of industrial production, has had an average annual growth of 14.5% per annum since 1990.

Trade and investment

Trade

Since the 1980s, the Government has taken a number of initiatives to reduce its involvement in economic activities, encourage export diversification and growth, and restore the credibility of the country's fiscal and monetary policies. These include trade and foreign-exchange liberalization, and the dismantling of the market monopolies of various parastatals. Investors seem to be generally satisfied with the Government's trade policy, in particular the import regime.

As a result of these policies, export and import growth have led Uganda's economic recovery. The annual growth of export values for non-traditional exports averaged about 30% between 1999 and 2001, although there was a decline in traditional exports. Overall, the growth of total exports peaked close to $600 million in 1997, declined till 2000, and recovered in 2001.

Historically, Uganda's exports were derived mainly from the traditional crops of coffee, tea, tobacco and cotton, accounting for over 64% in 1997. In 2001, on the other hand, non-traditional exports contributed more than 61%.

Coffee remains the main source of export revenues, although its share in total exports declined from 52% in 1997 to 21.6% in 2001. Tea exports, on the other hand, have grown substantially in recent years after the neglect of the 1970s and early 1980s. Earnings from tea exports rose from less than $1.5 million in 1985 to over $17 million in 1997 and over $30 million in 2001, or 6.6% of total exports.

	UNIT	1996	1997	1998	1999	2000	2001	2002
GDP rate	(% p.a.)	7.8	4.5	5.4	7.0	5.0	6.0	5.6
Contribution of agriculture to GDP	(%)	47.0	45.0	42.2	41.7	41.8	41.3	41.3
Contribution of manufacturing to GDP	(%)	7.0	8.0	9.1	9.7	9.5	9.8	9.7
Exchange rate	UShs/$	1 045	1 058	1 367	1 497	1 644	1 762	1 850
Inflation rate	(%)	7.5	7.7	5.8	0.2	5.8	4.5	2.5
Interest rates	(%)	22.0	21.4	20.9	21.6	22.9	22.7	17.5

Source: UNCTAD, based on MFPED (2002), Background to the Budget 2002–2003; UBOS (2002), Statistical Abstract; Bank of Uganda (2002), Financial and Economic Indicators Sept. 2002.

Another example of export growth is cut flowers. Although this is a new industry in Uganda, it has grown rapidly from a single 2-hectare indoor growing establishment in 1993 to about 200 hectares in 2002 and exports worth nearly $15 million. Other dynamically expanding export commodities are fish and fish products, vanilla and tourism.

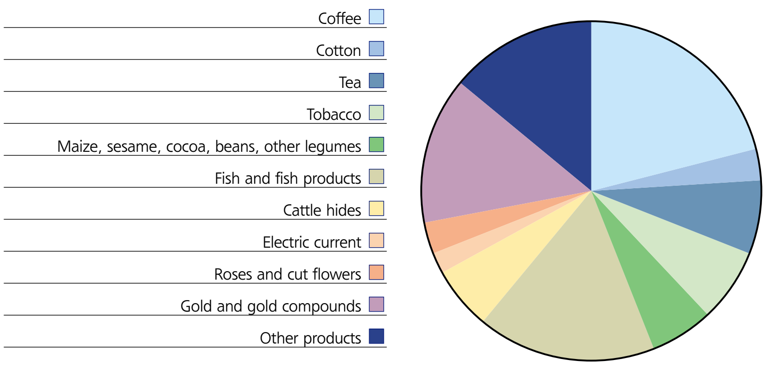
Along with the change in composition has come a change in the destinations of Ugandan exports (figure II.2). The European Union remained the leading destination for most of Uganda's exports in 2001, but there have been significant increases in exports to COMESA, non-EU Europe and Asia.

As for Uganda's imports, they range from food products and simple manufactured items to heavy machinery and equipment for industrial use. Food products account for 10% of the imports, followed by petroleum products (9%), motor vehicles and transport equipment (8%), industrial machinery and equipment (6.5%), intermediate iron and steel products (6%), and drugs and health products (4%). The upward trend in the share of petroleum products in recent years reflects the rise in the world prices of these products, while the increase in the share of chemicals is partly explained by the growing imports of medicines.

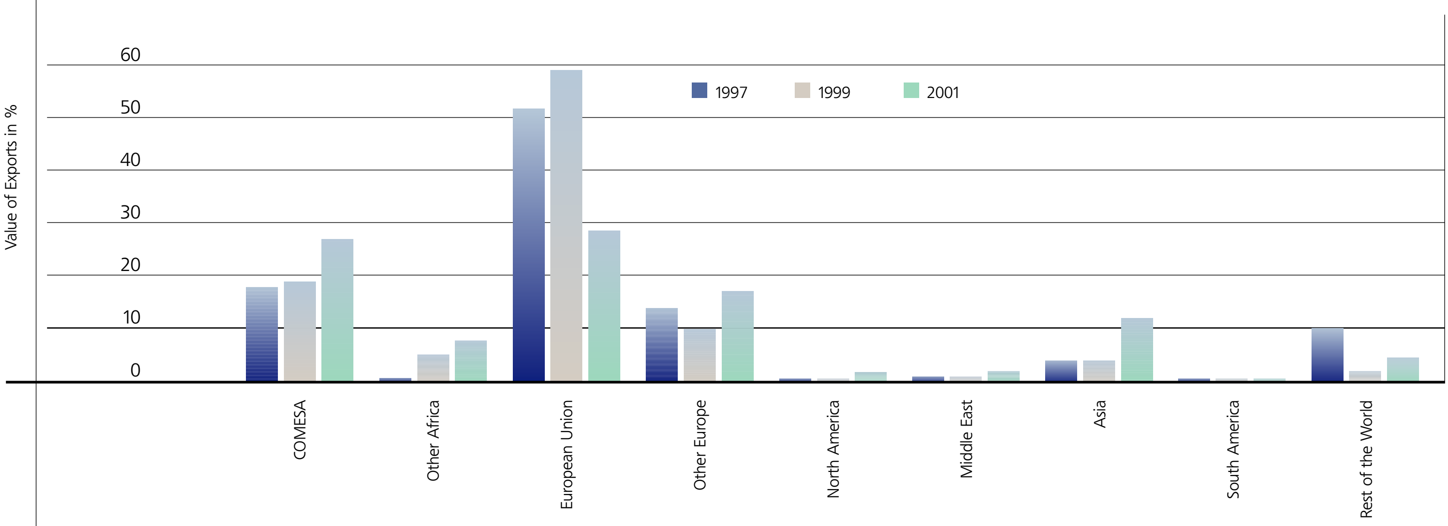
The sources of Uganda's imports are more diversified than the destinations for its exports. As a result of regional integration, Uganda's trade with sub-Saharan Africa has increased and the share of the EU in Uganda's trade has declined. In 2001, imports from Africa to Uganda stood at $378 million, 78% of which came from the COMESA countries and accounted for 29% of Uganda's total imports. The main trading partners within the region are Kenya, South Africa, Egypt, Swaziland, Zimbabwe and Mauritius.

FIGURE II.1. THE COMPOSITION OF UGANDA'S EXPORTS, 2001

(in percentages)



Source: UNCTAD, based on UBOS (2002), Statistical Abstract 2002.



Source: UNCTAD, based on UBOS Statistical Abstract 2002.

Investment

The Uganda Investment Authority (UIA) is the statutory agency responsible for promoting and facilitating investments in Uganda, both local and foreign. Over the period 1991–2002, the UIA licensed a total 2,510 projects, with planned investments of $5.9 billion (UIA, 2002). The trend appears to be steady. In 2002 alone, the UIA licensed 161 projects worth $896 million. The projects promoted by Ugandans account for 38% of the total, while those promoted by foreign companies account for 36%, and joint ventures between Ugandans and foreigners account for 26%. The leading investor countries in Uganda (as judged by planned investment) are the United Kingdom, the United States, Kenya, Canada and South Africa (table II.2).

The manufacturing sector has attracted the largest share of planned investment: 31.2% (table II.3). Investment is concentrated mainly in beverages, sugar, textiles, cement, footwear, packaging, plastics and food-processing for the local market. Investment in agriculture has gone mainly into coffee, tea and cotton plantations. Typically for a developing country, there has been a marked disparity between planned and actual investments in Uganda. However, according to the Investor Survey Reports done by the UIA, the conversion rate of projects from planned to actual investment has risen from 39% four years ago to around 50% in 2000. It is expected to improve further, in keeping with improvements in the investment climate.

ED FDI FROM … COUNTRIES:

COUNTRY	VALUE OF PLANNED INVESTMENT ($)	% OF TOTAL	NUMBER OF LICENSED PROJECTS	% OF TOTAL
United Kingdom	1 033 970 932	17.4	287	11.4
United States	589 477 380	10.1	50	2.0
Kenya	265 950 755	4.5	219	8.7
Canada	224 948 120	3.8	82	3.3
South Africa	221 606 000	3.7	31	1.2
India	138 615 329	2.3	178	7.1
Egypt	121 858 000	2.0	11	0.4
Japan	104 087 000	1.7	34	1.4
Norway	99 089 000	1.7	11	0.4
Singapore	97 034 000	1.6	5	0.2
Others	3 045 479 178	51.2	1 062	63.8
	5 952 582 694		2 510	

Source: UIA database, 2002.

VESTMENT … SECTOR: 1991–2002

SECTOR	VALUE OF PLANNED INVESTMENTS ($ million) FOREIGN	LOCAL	TOTAL $ m	TOTAL %
Agriculture, forest & fish	200	97	297	2.7
Construction	116	69	185	3.6
Financial services	1 081	542	1 623	31.2
Manufacturing	209	38	247	4.7
Mining & quarrying	123	11	134	2.6
Other business services	20	28	47	0.9
Real estate	533	176	709	13.6
Social services	58	55	112	2.2
Tourism	197	139	336	6.4
Trade	116	5	121	2.3
Transport, telecom., storage	345	112	458	8.8
Water & energy	509	251	760	14.6
Not specified	-	0	0	0.0
	3 602		5 210	100.0

Source: UIA database, 2002.

Uganda has attracted increasing amounts of foreign direct investment (FDI) since the beginning of the 1990s (table II.4). FDI flows have increased steadily since 1994 and peaked at $254 million in 2000, dropping slightly to $229 million in 2001.

While these figures are not large in themselves, Uganda has succeeded in attracting more FDI than most countries in the region in proportion to the size of its economy. The improved political and macroeconomic situation has lured back many investors that had fled or were expelled under the regimes of Idi Amin and Milton Obote. In fact, Uganda is one of a group of seven countries [3] identified by UNCTAD in 1999 as Africa's "front runners" in attracting FDI inflows. [4] Uganda has continued to perform well in its efforts to attract FDI. It is one of the least developed countries (LDCs) and, within this category, it ranked fourth in attracting FDI in 2001.

It is almost certain that Uganda will continue to attract more FDI in the future. In a survey of 300 major corporations, conducted jointly by UNCTAD and ICC in early 2000, Uganda ranked 12th out of 53 countries that were likely to make the most progress in improving the investment climate in the next three to five years (UNCTAD,2000).

3 The other six are Botswana, Equatorial Guinea, Ghana, Mozambique, Namibia and Tunisia.

4 Inflows to these countries exceeded not only the African but also the developing-country average on a number of indicators.

DI INFLOWS TO SELECTED SOUTHE RICAN COUNTRIE

COUNTRY	1987–1991		1992–1996		1997–2001		2000		2001		2002	
	PER $ 1,000 GDP	$ millions	PER $ 1,000 GDP	$ millions	PER $ 1,000 GDP	$ millions	PER $ 1,000 GDP	$ millions	PER $ 1,000 GDP	$ millions	PER $ 1,000 GDP	$ millions
	Annual Average											
Kenya	4.3	35.6	1.4	11.7	5.6	60.4	12.2	127.4	4.4	50.4	4.3	50.4
Malawi	3.6	4.3	0.1	0.7	- 1.6	- 2.0	- 19.9	-32.5	- 11.5	- 20.1	0.0	0.0
Mozambique	3.8	9.2	18.2	42.0	56.7	215.1	37.1	139.2	70.8	255.4	103.6	405.9
Tanzania	0.5	1.8	14.0	76.1	37.5	327.5	51.0	463.4	35.0	327.2	25.6	240.4
	- 0.2	*- 0.5*	*16.2*	*77.6*			*43.2*	*254.4*			*46.9*	*274.8*
Zambia	34.1	113.7	37.2	122.7	44.8	152.3	37.6	121.7	19.7	71.7	52.7	197.0
Zimbabwe	1.8	- 13.6	8.1	59.3	20.1	133.1	3.3	23.2	0.4	3.8	1.3	25.9
Total Africa [a]	7.2	3 117.9	10.2	4 903.8	21.5	11 816.9	15.2	8 489.4	33.9	18 768.7	19.7	10 997.7

Source: UNCTAD, FDI/TNC database.
[a] Total Africa also includes South Africa.

Box II.1. The return of Asian investors: An upbeat story

In explaining the relative dearth of investment in Africa, the point is often made that African countries suffer from an image problem (UNCTAD, 1999b). Sometimes the Western media are blamed for it, with their appetite for disasters in distant places. Sometimes the countries concerned acknowledge their own contribution to it.

Uganda is an exceptionally interesting case in this context, for it is a country that *did* have a serious image problem, one substantially of its own making, but it did something remarkable: it recognized the problem, addressed its causes and significantly improved its image. In consequence, Uganda has attracted foreign investment in much greater amounts over the past decade than one might have expected of a landlocked country without any significant quantities of easily exploitable natural resources (like oil or diamonds).

In 1972, the military government of Idi Amin Dada ordered the expulsion of the Asian minority, giving them just 90 days to leave the country. The Asians (mostly of South Asian ancestry) were very active in trade and industry, including agriculture-based industries like sugar production. By the early 1970s, they contributed a disproportionately large share to the country's GDP. The Asians also had strong roots in Uganda. Some had ancestors who had come to build the East African Railway at the turn of the century and about 25,000 of the 70,000-strong community had opted for Ugandan citizenship when the country became independent in 1962. The rest held British passports for the most part, with a very small number holding Indian and Pakistani passports.

Amin's order initially created some uncertainty, which he removed by, among other things, imprisoning one of the most prominent members of the community – Manubhai Madhvani. (Muljibhai Madvani, the founder of the Madhvani Group, currently the largest investor in Uganda, had arrived in the country in 1906.) Amin wanted *all* Asians out, irrespective of citizenship or economic contribution. So they left. The United Kingdom took in 30,000 of them, Canada another 15,000, while some returned to South Asia. Those who held Uganda citizenship were rendered stateless and were assisted by the United Nations High Commission for Refugees and other agencies.

After the overthrow of Amin's regime, the second government of Milton Obote passed the Expropriated Properties Act in 1982 – the properties were worth around $1 billion – but continuing instability precluded the return of all but a few of the exiles until 1986, when the Government of Yoweri Museveni took power. President Museveni actively wooed Asians abroad, declaring them the backbone of the economy, and enticing many more than his predecessor. In the end, only about 5,000 returned to stay – most had built new lives – but these included many with substantial assets. Those making up this small group have reclaimed and rehabilitated their businesses, in some cases made new investments, and are once again making a substantial contribution to the revitalized Ugandan economy.

The Madhvanis are among those who have returned. They have made substantial new investments in enterprises like the Kakira Sugar Works and Nile Breweries, and estimate their contribution to Government revenues at 80 billion Uganda Shillings per annum. The Government's commitment to creating a hospitable environment for investors has also attracted new investors such as the Dawda Group from Kenya (which has invested $10 million in a variety of businesses since 1993), South African Breweries (which now owns a 40% share in Nile Breweries), MTN Telecom, Shoprite Checkers, Metro, Kasese Cobalt and CocaCola.

The return of the Asians is a story worth telling, above all perhaps because it shows what can be done by a developing country with an unhappy recent history, given the right policies and the political will to give them effect. Attracting any investment is a feather in the host country's cap; attracting back investors with good reason to be suspicious of it is a remarkable accomplishment on any count. Not that the returnees have no concerns. They are worried, for example, about the border clashes with neighbours. But they seem to be even more worried about the protectionism of rich markets. Something like normality reigns. It's business as usual.

Source: UNCTAD, based substantially on information supplied by Mumtaz Kassam, whose Ugandan law firm has been much involved in the reclaiming of expropriated properties, as well as on discussions with Hasmukh Dawda, Mayur Madhvani, S.K. Murthy and others.

Infrastructure and utilities

Many years of civil war, mismanagement and neglect have left much of Uganda's physical infrastructure in poor shape. However, there have been encouraging developments in recent years. Despite persistent problems in some areas, Uganda has made significant progress in others, namely power supply and telecommunications. The development of the infrastructure reflects the development of Uganda as a whole.

Industrial land and land for commercial agriculture

For a long time, it had been difficult to provide land for industrial and agricultural projects. This changed around 2000. The UIA has now developed a database of land held by both the Government and private individuals so that investors are able to select such land and negotiate its acquisition. Notable among the available land is that in the Namanve, Luzira and Nalumunye Industrial Parks, all located near Kampala; industrial parks in Jinja, Mbarara and other towns; and agricultural land in Masindi, Sembabule, Nakasongola, etc.

Box II.2. The industrial park at Namanve

UNCTAD's Investment Policy Review of Uganda in 1999 cited the lack of supportive infrastructure, including serviced land, as one of the key constraints on investment. The industrial park at Namanve – some 11 kilometres east of Kampala – is intended to meet a part of the requirement. It will contain such elements as an administrative centre, large serviced sites, buildings for sale or lease, housing and recreational centres.

A feasibility study, carried out by Garland Ormond International in 2000, was followed by detailed engineering designs by Gibb (E.A.), which incorporated an environmental impact assessment (EIA) report. The Government of Uganda is now taking a lead role in providing the requisite infrastructure and may be assisted in this by the World Bank, the European Investment Bank and other development partners

The park comprises four estates: Namanve North and Namanve South A, South B and South C. Out of a total 894 hectares, approximately 190 hectares is swamp and wetland, which would be suitable as a drainage area. About 549 hectares is available for leasing for industrial (456 ha), institutional (5 ha) or residential purposes (88 ha). About 207 hectares, located in Estates South A and B and earmarked for business and industrial development, will be developed in two phases. During the first phase in 2003–2004, 98 hectares will be developed.

The park will meet international standards. Both greenfield investment and the relocation of existing businesses are expected. Among the prospective investors are firms in export-oriented sectors, services, real estate, retail business and manufacturing. The main incentives at Namanve for investors will be the quality and reliability of the infrastructure, the speed and efficiency of the administration, and the overall standard of the development.

Source: UNCTAD, based on information supplied by the Uganda Investment Authority.

Power supply and energy

Since this guide was first prepared, much has changed in Uganda's energy sector. For example, while the problems of power were among the most serious constraints on private-sector development in 2000, this is no longer the case in 2003. First, three additional generating units came on stream following the Owen Falls Dam extension, which increased total generation capacity from 180 to 300 MW. Two more units of 80 MW will be added by 2004, bringing total generating capacity to 380 MW. Secondly, there was a major reorganization of the sector with a greater emphasis on efficiency, improved performance and, where possible, the encouragement of competition. At the core of this reorganisation was the ending of the monopoly enjoyed by the Uganda Electricity Board (UEB) on the generation and distribution of electricity. To this end, in 2001 the assets of the UEB were transferred to separate liability companies for generation, transmission and distribution: the Uganda Electricity Generation Company (UEGC), the Uganda Electricity Transmission Company (UETC) and the Uganda Electricity Distribution Company (UEDC) respectively. In addition, an Electricity Regulatory Authority was created. Thirdly, the transmission and distribution losses in the grid have been reduced from 37% to 27% of output over the past year (2002) and parts of the transmission system have been upgraded.

The Government is committed to the privatization of the energy system. In November 2002, a South African power company, Eskom, was awarded a 20-year concession to operate the Jinja power stations. A similar concession for distribution will be awarded in 2003. This is expected to improve efficiency considerably.

With only 5% of the population linked to the energy supply network, most non-commercial consumers are still without power. However, with larger power plants in the pipeline or in the process of implementation, this situation is expected to improve. The electricity tariffs in Uganda have been reduced substantially following the rehabilitation and expansion of the power stations. Table II.5 shows the rates effective from September 2002.

TEMBER 2002

CODE	CATEGORY	$ PER KWH
10	Low voltage supply for small general service	0.08
20	Low voltage supply for small and medium-sized industries	0.09
30	High voltage supply for large Industrial users	0.05
32	Off peak high voltage supply for large industrial users	0.03
50	Street lighting	0.83

Source: Uganda Electricity Distribution Company, 2002.

Telecommunications

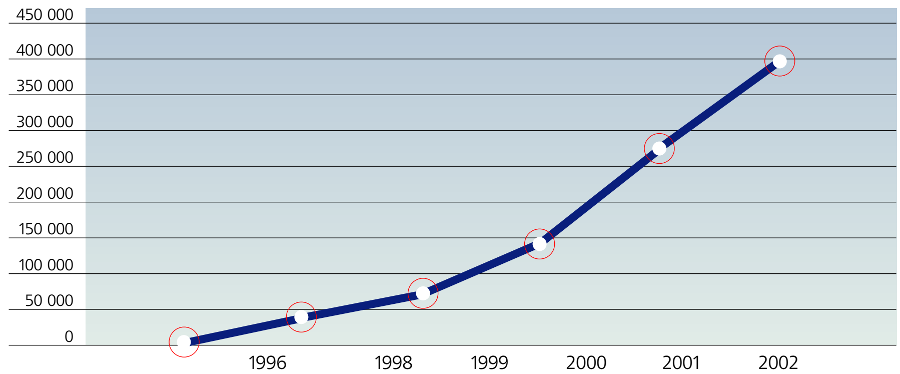
The liberalization of the telecommunication sector in Uganda has led to dramatic improvements and created a basic modern communication infrastructure to meet business needs. In particular, the country now has two national telephone operators, three mobile phone operators, eight Internet service providers, eight VSAT International Gateways, 117 radio stations and several operational television stations.

In 2001–2002 the telecommunication sector in Uganda grew by 9%, with significant expansion in the use of mobile, cellular and Internet services. In July 2002, the number of mobile cellular subscribers in the country had reached 393,310 – up from 40,000 in 1998. In December 2002, there were 40,000 Internet subscribers. With service providers rapidly expanding their services, further improvements can be expected in the near future.

LECOMMUNICATIONS

Country	Fixed telephone lines per 100 inhabitants		Average cost of a 3-minute telephone call to US $	Cellular mobile subscribers per 100 inhabitants	Cellular mobile subscribers As % of total telephone subscribers	Internet Users per 10,000 people	Internet Estimated PCs per 100 people
	1997	2002	2001	2002	2002	2002	2002
Kenya	1.0	1.0	6 [a]	4.15	80.2	125.3	0.6
Malawi	0.4	0.7	0.06	0.82	54.1	25.9	0.1
Mozambique	0.4	0.5	..	1.40	75.3	27.4	0.5
Tanzania	0.3	0.5	13 [b]	1.95	80.6	23.2	0.4
	0.4	*0.2*		*1.59*	*87.7*		
Zambia	0.3	0.8	4 [a]	1.30	61.3	48.2	0.7
Zimbabwe	1.9	2.5	4.4	3.03	55.1	429.8	5.2

Source: UNCTAD based on International Telecommunication Union, http://www.itu.int/ITU-D/ict/publications/wtdr_02/index.html; World Bank, http://publications.worldbank.org/WDI/, *World Development Indicators*, 2003; *Human Development Report,* 2003.



Source: Uganda Communications Commission, 2002.

Water, sewerage and health services

Public water supply is available mainly within urban areas and is not always reliable. Accordingly, the water and sanitation sector is one of the Government's priorities. By 2002, the sector had exceeded its service delivery targets of 1,500 water points in rural areas and 5,500 new customers in urban centres, with over 90% utilization of budgeted resources. The objective in this sector is to supply 100% of the urban population with access to safe water and appropriate sanitation in 10 years. Meanwhile, the operations of the National Water and Sewerage Corporation (NWSC) have improved markedly in the last two years, as a result of the Government's efforts to strengthen it prior to privatization. In 2002, the Government introduced a 7% discount for all water-based industries consuming over 1,500 cubic metres of water per month.

Box II.3. HIV/AIDS

HIV/AIDS is not only a public health issue but also a major development problem, in Uganda as elsewhere. It has affected nearly all households in all parts of the country and all sectors of the economy. The cumulative number of HIV-infected people in Uganda is now estimated at 1.3 million, or about 5% of the population.

As early as 1986, the Government adopted a strategy of openness about HIV/AIDS in Uganda and moved to establish the National AIDS Control Programme (NACP) in the Ministry of Health. In 1990, the Government also adopted the multi-sectoral approach to HIV/AIDS control and prevention. To date, the NACP has made major progress in providing information on the spread of HIV and its prevention, blood safety, patient care, STD and TB control, research and resource mobilization. It has also built capacity for the planning and implementation of HIV/AIDS interventions. A number of NGOs have contributed to the prevention, control and mitigation of the personal impact of HIV/AIDS, as well as promoting healthy living.

As a result of these concerted efforts, data from the HIV-infection sentinel-surveillance sites show declining trends in infection, especially in urban areas. The infection rate was reduced from 32% in 1991–1992 to an estimated 8% in the year 2000 and 6.1% in 2002. The decline is most marked among the young, and is generally attributed to the promotion of condom use through social marketing organizations, which have reached large parts of the population to promote safer sexual practices.

Source: UNCTAD.

Uganda has recorded considerable progress in a number of health indicators.

- Decline in HIV prevalence: The HIV prevalence rate fell from 6.9% in 1999–2000 to 6.1% in 2001–2003. This is a remarkable achievement and puts Uganda in a leading position in Africa in the fight against HIV/AIDS (see box II.3).

- Immunization: Immunization rates continue to rise and the sharp decline of the 1990s has stopped. DPT 3 (third immunization shot given to babies against diphtheria, pertussis (whooping cough) and tetanus) coverage rates have reached 46% and plans are under way to introduce two additional vaccines to the routine immunization programme to combat hepatitis B and haemophilias influenzae.

- Health service utilization: Health service utilization has increased, partly due to the abolition of user charges in government health units throughout the country.[5] As a result, there has been an influx of patients seeking treatment in government clinics and hospitals. A total of 210 health centres have been built since the inception of the Health Sector Strategic Plan (HSSP) in 2001.

- Skilled manpower: The share of skilled health workers increased from 33% in 1999 to 40% in 2001 and the training of more workers continued in 2002. Investment in human resources remains one of the priorities of this sector.

- Other: Considerable progress has also been registered in the Minimum Health Care Package, including the revitalization of the malaria control programme, an increase in TB treatment, and the virtual eradication of guinea worm infection. There has also been improvement in the management of epidemics, as evidenced by the lowest fatality rate in the world epidemic of Ebola in 2000–2001.

5 The Government has allowed two lines of services in government hospitals (paying and non-paying).

Road transport

The road network is in poor shape, especially feeder roads in rural areas, which is a constraint on agriculture-related activities. Over the last 10 years, the Government has invested substantial resources in the rehabilitation of the main trunk roads, and in the construction and maintenance of feeder roads to open up rural areas. Although most district feeder roads in the country are accessible, maintenance costs are high, and the growing number of vehicles on the roads every year aggravates the situation. The Government has launched the Ten-Year Road Sector Development Programme (RSDP), expected to cost $2.3 billion, to meet these challenges. Efforts are also being made to improve community access roads, village bridges, and the like.

Air transport

Investors perceive air transport in Uganda as being much less of a problem than road transport [6]. In terms of the cost and quality of air transport services in Africa, Uganda ranks in the middle.

6 At present, the Civil Aviation Statute No. 3 of 1994 governs air transport. Under this statute, the Civil Aviation Authority (CAA), a government body, is responsible for regulating civil aviation operations and the ownership and operation of airports.

Air transport revolves around Entebbe International Airport, Uganda's sole international airport. Over the past seven years, international passenger traffic has grown by 19% per annum. Currently, 10 international airlines fly into and out of Entebbe International Airport, including British Airways, Air France, Emirates, Kenya Airways, Ethiopian Airlines and Egypt Air. Internal airfields have been rehabilitated and new routes are opening up. Five domestic airports have been designated as entry and exit points for international traffic to promote tourism. At this point, however, the only airports suitable for regular commercial use are Kasese, Soroti, Jinja and Arua.

All internal commercial air travel is privately operated. The only state-owned commercial transport company, Uganda Airlines, was liquidated in 2001. The latest entrants in this market are the locally owned AfricaOne and East African Airline. Aircraft handling was a monopoly of ENHAS, a Ugandan company partly owned by SN Brussels which leases facilities from the CAA, until 2002. Since then, Das Air Services has also been allowed to provide aircraft handling at the airport.

Railways

Uganda's railway system, comprising 1,300 kilometres of track, was built 50 years ago. It is a major link to overseas markets through the port of Mombasa on the Indian Ocean. It takes 4 to 7 days to cover the 1,200 kilometres from Kampala to Mombasa port. This is a great improvement over the earlier average of 21 days, which is due to increased efficiency in management and increased competition from road and air transport. The rail network is owned and operated by the State-owned Uganda Railways Corporation (URC). Since 1996, the Government has made considerable efforts to re-equip the URC. It now has a fleet of 1,200 wagons, 54 locomotives, 2 reach stackers, 3 wagon ferries, a dry dock and a modern locomotive repair/maintenance workshop in Kampala.

Rail freight charges for the Kampala–Mombasa section are the equivalent of $40/tonne compared with $64/tonne by road. Less than 10% of domestic freight and 30% of external trade freight is carried by rail. Coffee is the main export commodity handled by the URC, followed by cotton, timber, tea, tobacco and food grains. The volume of traffic handled by the URC has increased significantly, from 549,499 tonnes in 1997 to 856,335 in 2001, reflecting an increase of 55.8%.

The Government is committed to the privatization of the URC. A study by a Canadian firm has recommended a two-tier privatization strategy involving a private operator for three to five years and a concession in the long term.

Waterways and access to sea ports

The country's waterways are underutilized. Linked to the country's tourism facilities and potential, they would offer attractive opportunities for investors. The use of cabin ferries on Lake Victoria is in the process of being revitalized. Access to the seaports on the Indian Ocean has been problematic. Services in the harbours of neighbouring countries, particularly in Mombasa, are inefficient, with frequent loss of cargo and mishandling of goods originating in or bound for Uganda. Consequently, investors rate the cost and quality of port services and inland waterways as poor. The possibility of having a Ugandan area set aside at Mombasa port under dedicated management is being explored and, if found viable, will greatly improve the flow of business to and from the port. The Mombasa port authorities have established a liaison office in Kampala to deal with problems faced by Ugandans.

The financial sector

Uganda's financial sector is dominated by urban-based commercial banks that offer a range of traditional banking products. Currently, there are 14 commercial banks (9 of them foreign), with most of them concentrated in the capital. There are 7 credit institutions, 19 insurance companies, three development finance institutions, one building society, one social security fund (the National Social Security Fund (NSSF)), and many foreign exchange bureaus and micro-finance institutions. The Bank of Uganda (BOU) is mandated to carry out regulatory and supervisory functions.

The sector is dominated by commercial banks. The major players in the market are Barclays Bank, Stanbic Bank, Bank of Baroda, Standard Chartered Bank, and Citibank [7]. There are also three publicly owned development banks, namely the East African Development Bank (EADB), the Uganda Development Bank (UDB) and the Development Finance Company of Uganda (DFCU), which provide medium- to long-term financing. The Uganda Government has shares in the UDB and the DFCU. The Governments of Uganda, the United Republic of Tanzania and Kenya jointly own the EADB.

Up until 1996, Uganda had no organized market for channelling savings into investments. In 1996, the Capital Markets Authority (CMA) was established to oversee the operations of security markets and to license brokers and investment advisers. The Uganda Securities Exchange (USE) was launched in January 1998. To date, the USE has listed five securities. It also initiated the recording of Treasury Bills, discounting information for retail investors. Although Treasury Bills are traditionally not capital market instruments, the intention was to complement the efforts of the BOU in publicizing these instruments and to involve licensed brokers.

There has been limited trading in government securities and bonds issued by the EADB, the PTA Bank and the Mobile Telecommunications Network (MTN). A few major companies have also listed on the USE. They include Uganda Clays, Kenya Airways, British-American Tobacco Uganda (BATU), East African Breweries Ltd (EABL) and the Bank of Baroda. The privatization programme is expected to result in the listing of additional equities on the USE.

7 Under the privatization programme, Stanbic Bank bought the government-owned Uganda Commercial Bank Limited along with its extensive nation-wide network.

Over the last three years, Uganda's financial sector has recovered from the disruptions caused by the bank failures of the late 1990s. This is a result of the consolidation of the banks' balance sheets and the improvement in the supervisory capacity of the Bank of Uganda. The commercial bank sub-sector has done particularly well. Some indicators help to illustrate the point:

- Deposit mobilization: Total deposits grew from UShs. 669.9 billion in 1998 to UShs. 1,364 billion in 2002. Private sector savings have maintained an upward trend, growing by 10.6% in 2000–2002.

- Bank lending: Lending to the private sector grew by 5%, while the ratio of non-performing loans dropped from 9.6 to 5.08% between 1998 and 2002. At the same time, there was an improvement in the cost of funds. The commercial banks' average rate fell from 21.7% in June 2001 to 20.2% in March 2002 and to 16% in December 2002. The base-lending rate for prime customers was 18% at the beginning of 2002, but fell to 11–14% for the greater part of the year. The highest interest rates are currently at 18%.

- Bank capitalization: Bank capitalization has improved significantly. The Financial Institutions Bill prescribes UShs. 4 billion as the minimum capital of commercial banks. By December 2002, all commercial banks had fulfilled this requirement.

- Access to capital: Access to capital for borrowers – both foreign and local – is less of an issue. Along with an increase in the range of financial products offered, investors are able to borrow as long as they meet the requirements of the markets.

- Financial Institutions Bill: A new Financial Institutions Bill (FIB) has been prepared and is ready for debate by Parliament. It rectifies existing weaknesses in the banking legislation and seeks to improve corporate governance by clarifying the roles of directors, external and internal auditors, and managers. It imposes further restrictions on insider lending and limits on large exposures and ownership concentration.

Human resources

Uganda has one of the best education systems in Africa, with well-developed schools, colleges and universities. Its literacy rate and primary-school enrolment ratios are above the sub-Saharan African average (table II.7).

The country has a total of 13,364 primary schools, 3,205 secondary schools, and 4 State [8] and 12 private [9] universities. There are a number of international schools offering to meet the needs of foreign students from countries with different educational systems, notably the British, American and French systems. Special investment allowances (100% write-offs) are given to investors for training local staff. Government funding is also heavily biased towards technical education (training for industry).

The Ugandan workforce is plentiful, well educated, English-speaking and easily trainable. There is no shortage of unskilled workers. Because there is no legislated minimum pay, wages are generally low by international standards. An employer must contribute an amount equal to 10% of an employee's gross salary to the National Social Security Fund (NSSF). A further 5% must be deducted from the employee's salary. The NSSF is a provident fund managed by the Government on behalf of the workers. Uganda does not have a history of labour disputes and industrial actions. Moreover, investors perceive the existing labour regulations as being no significant obstacle. Disputes are settled through the Labour Inspectorate and the Industrial Court.

On the downside, the lack of middle managers and technicians is seen by investors as the most severe problem, after health-related concerns (CIC, 1999). Given this shortage, managers and specialized technicians must be paid well to be retained. Despite the generally low salary levels (figure II.4), some companies have started to pay this category of workers internationally competitive salaries.

Expatriates can work in Uganda provided they obtain a work permit. Such permits are usually granted to key personnel of foreign enterprises allowed to operate in Uganda, so long as the applicants are key personnel. Enterprises can hire expatriates for any category of skilled manpower if qualified Ugandan nationals are not available.

8 Makerere University, Mbarara University of Science and Technology, Kyambogo University and Gulu University of Agriculture.

9 The major ones include Martyrs' University Nkozi, Mbale Islamic University and Kampala International University.

Taxation

As everywhere else, taxes in Uganda fall into two broad categories: direct and indirect taxes.

Direct taxes

Direct taxes are levied on corporate and individual income.

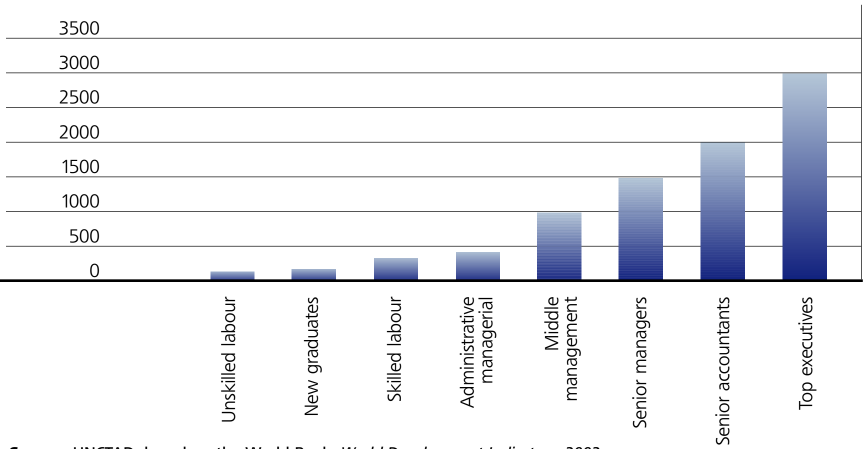
Corporate tax

This is paid on the profits made by limited liability companies and other institutions such as trusts and registered cooperative societies. The current rate is 30% irrespective of residence status. The basis for the application of the tax is the revenues earned, less expenses wholly and exclusively incurred in the production of income. Two types of deductions from the company income tax are allowed under the Income Tax Act (1997): the initial investment allowance (50% or 75% of plant and machinery, depending on the location of the project) and the annual depreciation allowance available to all taxable firms as wear and tear and industrial building deductions. The annual depreciation rate is 40, 35, 30 and 20 for four different classes of machinery and plant respectively. For industrial buildings, there is an initial allowance (of 20%) and the annual depreciation rate is much smaller (5%) than that for machinery. However, expenditures on acquiring firm structures are entitled to a higher annual depreciation allowance (20%).

CATION

	NET ENROLMENT RATIO [a]				ADULT LITERACY RATE
Primary total Country	Female % of relevant age group	Secondary Total % of relevant age group	Female % of relevant age group	% of relevant age group	% of people 15 and above
	2000–2001	2000–2001	2000–2001	2000–2001	2001
Kenya	69.0	69.0	23.0	23.0	83.3
Malawi	101.0	104.0	25.0	23.0	61.0
Mozambique	54.0	50.0	9.0	8.0	45.2
United Republic of Tanzania	47.0	48.0	5.0	5.0	76.0
	109.0	*106.0*	*12.0*	*10.0*	*68.0*
Zambia	66.0	65.0	19.0	18.0	79.0
Zimbabwe	80.0	80.0	40.0	39.0	89.3
SSA average [b]	59.0	56.0	..	..	62.4

Source: UNDP, Human Development Report 2003, based on data from UNESCO.
[a] Net enrolment ratio is the number of children of official school age enrolled in school as a percentage of the number of children of official school age in the population.
[b] On "SSA average", see footnote a to table I.2.



Source: UNCTAD, based on the World Bank, *World Development Indicators, 2002.*

Pay as you earn (PAYE)

Every employee whose employment income exceeds UShs. 1,560,000 per year (or Ushs. 130,000 per month) pays PAYE. Taxable income, in this regard, includes salary, all allowances for leave pay, payment in lieu of leave, overtime, travelling allowances, entertainment, utilities, cost of living, fees, commissions, gratuity, bonus, housing, medical expenses, compensation for the termination of a contract, and gains derived from the disposal of an option to acquire shares. PAYE is remitted by the employer to the URA every month and, on the basis of the tax return lodged by the employer with the URA, the total amount deducted from the individual employee is offset against the employee's tax liability upon lodgement of the annual tax return by the employee at the end of the tax year. Every employer must therefore register for PAYE and be familiar with the rules relating to PAYE and its computation. Computation of PAYE rates is shown in table II.8 below.

OF PAY AS YOU EARN (PAYE)

MONTHLY PAY	MONTHLY DEDUCTION
UShs. 130 000 & below	Nil
Between UShs. 130 000 & UShs 235,000	10% of the amount exceeding UShs. 130 000
Between UShs. 235 000 & UShs. 410 000	UShs. 10 500 + 20% of the amount exceeding UShs. 235 000
Over UShs. 410 000	UShs. 45 000 + 30% of the amount exceeding 410 000

Source: MFPED, Tax Policy Department (2002).

Company incorporation or increase of share capital	0.5% of share capital
Transfer of stock or marketable securities	1% of the value of stock/securities
Transfer of immovable property	1% of property value
Debenture or mortgage	0.5% of the debenture or mortgage
Lease	1% of the value of the lease

Source: MFPED, 2002.

Rental income tax (RIT)

All individuals who receive rental income in excess of UShs. 130,000 per month from renting residential or commercial property, machinery, vehicles and other real or movable property, pay RIT. It is levied at a rate of 20% of the chargeable income in excess of UShs. 130,000 per month. Institutions or individuals whose sole business is renting are excluded from this provision.

Withholding tax

A sum equivalent to 4% of the contract price is withheld by receivers (Government institutions, local authorities, companies controlled by the Government) of services provided by contractors and suppliers of goods and services. All payments exceeding one million shillings for the supply of goods, materials or services are liable to withholding tax. The taxpayer is then issued a tax credit certificate, which he/she may present for reimbursement at the end of the financial year. A withholding tax is also levied on imported goods at the same rate of 4% of the CIF value. It is considered a tax credit at the end of the financial year of the company, once the URA has completed its assessment of the corporate tax for that year.

Stamp duty

This is imposed on a wide range of legal documents and instruments. The most common ones are mortgage agreements, property transfers, hire purchase agreements and company registrations. The following common transactions attract stamp duty at rates indicated in table II.9.

Indirect taxes

The main indirect taxes are customs (or import) duties, value-added taxes (VAT) and excise taxes. These fall into two broad categories: (a) taxes on international trade transactions and (b) taxes on domestic production and consumption. International trade taxes account for about 57% of the total revenue.

Customs duty

The main component of international trade taxes is customs duty, which contributed 47.39% in FY 2001–2002 to total revenue (Background to the Budget, 2002–2003). The main sources of customs duty are petroleum products and motor vehicles. Other products on which duty is commonly charged include a range of imported goods such as foodstuffs and household items. The contribution of customs duty to total revenue has improved substantially in recent years due to the conversion of all specific rates to an *ad valorem* basis and improvements in tax administration. There are three basic tariff bands on imports: 0%, 7% and 15%. The zero rate is applied to raw materials, plant and machinery. The 7% rate is applied to intermediate goods (e.g. sugar, chemicals). The 15% is applied to final products. If the above goods originate in COMESA countries, the corresponding rates are 0, 4 and 6% respectively.

Value-added tax (VAT)

As a tax on consumption, VAT was introduced into Uganda on 1 July 1996, following the enactment of the VAT Statute (1996). The VAT replaced the Sales Tax (ST) and the Commercial Transaction Levy (CTL). Its introduction was one of the major tax reforms intended to enhance revenue collection and widen the tax base.

VAT is levied at every point of production and distribution at a rate of 17%. It is payable by both individuals and firms. The business sales turnover threshold for VAT in Uganda is UShs. 50,000,000 (or $27,027 at the current exchange rate of $1 = UShs. 1,850) per year. Irrespective of the profitability of the business, individuals and firms whose turnover is below UShs. 50 million are exempt from VAT. Individuals and firms with sales turnover exceeding UShs. 50 million must register for VAT with the URA.

Any individual or firm that has registered for VAT can charge customers VAT as an output tax. When, on the other hand, a VAT payer buys good and services he pays VAT as an input tax. When the input tax exceeds the output tax a refund can be claimed from the URA. On the other hand, when the output tax is greater than the input tax, the difference must be paid to the URA within 15 days after the end of the month in which the transaction took place. Certain goods and services (e.g. the supply of financial, educational, medical and other services) are exempt from VAT. There are also zero-rated supplies, which are exempt from VAT but in respect of which VAT is claimable. Further, all imported goods attract VAT at the zero rate if they fall into the exempt category. VAT on exports is zero-rated.[10]

Excise tax

Excise taxes are imposed on the consumption of goods and services that bear some externalities or are deemed to be luxuries (the most common ones are fuel, vehicles, tobacco and alcohol). While revenue considerations are important in levying them, excise taxes are also used to influence consumption.

Currently, all excise taxes are *ad valorem*, ranging from 5% to 100%. The highly differentiated rate structure creates administrative complications. The taxes are collected monthly by the Customs and Excise Department. The tax liability per unit of output is computed by applying the relevant excise duty rate to the ex-factory price, which is defined as the cost of production plus a mark-up. In effect the excise duty is similar to the sales tax, which was also imposed on the ex-factory price. This similarity was taken into consideration in introducing VAT to replace the sales tax and the CTL.

Uganda adopted the Harmonized System nomenclature in FY 1993–1994 and, since then, import duties and excise taxes have been applied to the HS Commodity Codes. The principle for determining what tax rates apply to a commodity is whether the good is considered to be a luxury good or an intermediate or essential one. Luxury and intermediate goods attract a higher rate of tax.

A company or person dissatisfied with an assessment may object to it by appealing within 390 days from the date of its issue, stating the precise grounds for the objection. A Tax Appeals Tribunal (TAT) has been created to deal with such cases.

10 Investors interested in export trade are, however, advised to register for VAT, as the inputs used in the production of export commodities might attract VAT.

The private sector in Uganda

The private sector in Uganda is still small and fragile. The majority of the more than 100,000 existing enterprises have been established in the last ten or so years. Most of these enterprises are very small, falling into the category of small or micro enterprises. They account for 90% of non-farm employment.

The private sector is organized under various associations. There are four apex organizations that represent the private sector in Uganda: the Private Sector Foundation Uganda (PSFU), the Uganda National Chamber of Commerce and Industry (UNCCI), the Uganda Manufacturers Association (UMA) and the Uganda National Farmers Association (UNFA) (see box II.4). The local private sector owns around 38% of the investment projects licensed by the UIA between 1991 and 2002.

Box II.4. Major private-sector associations

The Private Sector Foundation Uganda (PSFU)

The Private Sector Foundation Uganda, formerly known as PSF, was established in 1995. Its members are business associations, professional bodies, and corporate and support institutions from the public sector. Since its establishment, the institution has made significant gains in membership (from 13 to 50 members), policy research, advocacy, dialogue and enhancing the competitiveness of firms. Since its inception, the PSFU has implemented the World Bank's private sector competitiveness project (PSCP) on behalf of the Government. The components of the PSCP include investment promotion, business development services and policy advocacy.

The Uganda Manufacturers Association (UMA)

The UMA was established in the 1960s, when Uganda had a young but robust industrial sector. The political and economic turmoil of the 1970s halted the growth of the association until it was revived in 1998. Today, the UMA is one of the largest organizations representing the industrial and commercial sectors of Uganda and an important forum for the private sector in the country. Its membership consists of nearly 750 small, medium and large enterprises drawn from both the private and public sectors.

The Uganda National Farmers Federation (UNFFE)

The Federation was founded in January 1992 as the Uganda National Farmers Association (UNFA) by farmers from all over Uganda and changed to UNFFE in 2002. Its overriding objective is to mobilize the farming community under one independent umbrella organization. Other objectives are to advocate farmer-friendly agricultural policies, and improve farmers' incomes and welfare by improving the quality of their produce on a sustainable basis.

For contact details, see appendix 3.

Source: UNCTAD.

The Government views the private sector as an essential partner in the sustainable development of Uganda. The policy direction is clear: the Government will focus on establishing an enabling business environment, while the private sector will lead economic growth. In its effort to support the private sector, the Government launched the Medium Term Competitive Strategy (MTCS) in 2000. The MTCS attempts to identify and remove the major barriers to private-sector growth. Its six key priority areas for action are:

- Infrastructure (reforms in infrastructure provision);
- The financial sector (strengthening the sector and improving access);
- Commercial justice (reforms in commercial justice);
- Institutions (reforms in public institutions);
- The export sector (the removal of specific current impediments); and
- The business environment for micro and small enterprises.
- While the Government is addressing these issues in the MTCS, the Ugandan private sector is also engaged in a public-private dialogue that has yielded positive results.

Investment climate: Key factors for foreign investors

Strengths

- Strong and stable government commitment to creating a market-friendly environment
- One of the most dynamic economies in sub-Saharan Africa with an average growth rate of 6% over the past five years and access to a potentially significant regional market
- Trainable low-cost labour
- Some of the best climatic conditions in sub-Saharan Africa for agricultural production and for tourism

Opportunities

- Commercial agriculture and agro-processing
- Tourism
- Telecommunications as well as other service industries such as education (technical skills) and health services
- Infrastructure development

Weaknesses

- Inadequate physical infrastructure
- Shortage of technically and managerially skilled personnel
- Persistent though declining corruption

Threats

- Ugandan military involvement in the affairs of politically unstable neighbours (Burundi, Rwanda, the Democratic Republic of the Congo and Sudan) and consequent insecurity in parts of northern and western Uganda
- HIV/AIDS epidemic and its impact on labour resources and productivity

Source: UNCTAD.

Winston Churchill extolled Uganda early in the 20th Century with the now famous words "Uganda is from end to end one beautiful garden ... the Pearl of Africa". This remains as true today as it was then. In addition, the warmth and friendliness of Ugandans are second to none in Africa. This special combination of natural and human assets makes Uganda as appealing to investors in tourism as it is to the discerning tourist.

Roni Madhvani

Director, Madhvani Group (Mweya & Paraa Safari Lodges)

Priority areas

Uganda's economy is still young with much untapped potential and a range of investment opportunities. The country has a comparative advantage in agricultural production, forestry, mineral resources and their primary processing. There is scope too for the development and secondary processing of these resources. And there are major opportunities in tourism.

Agriculture and agro-industry

Uganda's economy is dominated by agriculture. It accounts for 41% of GDP and 85% of exports, and employs 80% of the workforce. Agriculture provides most of the raw materials for the agro-based industries (coffee hulling, cotton ginning, tea processing, grain milling, sugar production, textile factories, etc).

Agriculture is dominated by about three million smallholders. Only tea and sugar cane are grown on large estates. Food crops account for 71% of agricultural GDP, while livestock products account for 17%, export crops 5%, fisheries 4% and forestry 3%. Only one third of the food crop produced is marketed compared with two thirds of the livestock. About 42% of agricultural GDP consists of subsistence crops for domestic consumption and is non-monetized.

Uganda is endowed with a good climate and fertile soil. Temperatures range between 15 and 30 degrees centigrade and annual rainfall between 750 and 2000 millimetres. Uganda produces a wide range of agricultural products, including many types of food and cash crops (notably the traditional export commodities such as coffee, cotton, tea and tobacco), oil seeds, livestock and fish. In terms of acreage, bananas account for 28% of the total cropped area, followed by cereals (25%), root crops (16.7%), pulses (14%) and oil seeds (8%). Export crops account for 8% of the total cropped area. In recent years, largely in response to liberalization measures, new products have gained economic importance. These include cut flowers, fruits, vegetables and spices, which are increasingly being produced for export markets.

Private investment is encouraged in all areas of agricultural production and processing. Such investment can be very rewarding. First, with its natural endowments, Uganda is a low-cost producer of most agricultural products and, with improved efficiency, can become a major producer and exporter. Most of Uganda's agricultural exports to the European Union enjoy tariff-free entry. Secondly, the country has over 18 million hectares of arable land, of which only 30% is currently under cultivation. Thirdly, the Government of Uganda is committed to improving the country's agricultural potential. Under the Plan for the Modernisation of Agriculture (PMA), the Government has introduced strategies for making it profitable, dynamic and competitive. Various incentives such as credit to farmers, market assistance and export support are in place. Finally, with its relative food surpluses, Uganda is already exporting food to lucrative markets in neighbouring countries.

Investment opportunities in this sector range from forestry to food-processing and the manufacture of inputs. Specific agriculture-related industries with attractive opportunities include food products and oil seeds, fruits and vegetables, floriculture, fish and fish products, livestock and dairy products, and commercial coffee and tea farming.

Coffee farming

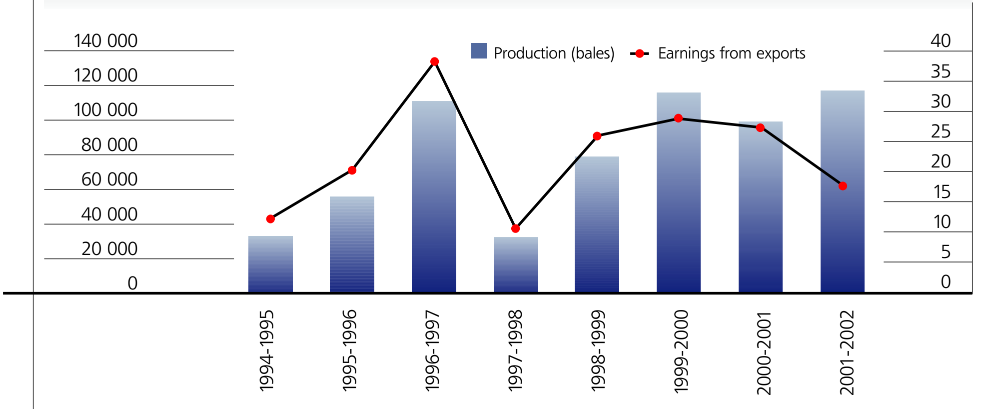
As a producer of coffee, Uganda ranks third in Africa and ninth in the world. It produces about 3.5 million bags per annum. Although robusta coffee dominates production (90%), a sizeable amount of fine arabica (10%) is produced too. Uganda's yields per hectare for robusta are approximately double those of its African competitors. Robusta coffee is grown mainly in the central districts and the low-lying areas of Western, Southern and Eastern Uganda; arabica is grown on the slopes of Mt. Elgon in Eastern Uganda and in parts of Western Uganda.

Coffee is by far the most important cash crop in Uganda and accounts for a large share of export earnings. Most of the coffee is exported raw with very little value added. In 2001–2002 Uganda exported 3.15 million 60-kg bags of coffee worth $84 million. Major export destinations include the Netherlands, Germany, Poland, the United Kingdom, Spain, Italy, Belgium, France and the United States. Opportunities in the coffee subsector include:

- Production for specialty markets: All coffee produced in Uganda is organic and some coffee-producing areas/farms have already been certified as organic by Krav Kontrol, a Swiss company. Among companies successful in producing organic coffee for specialized markets are Bugisu Cooperative Union, Kawacom, Kyagalanyi Coffee and Gumutindo Coffee.

- Production of washed robusta coffee: The reintroduction of washed robusta has potential for higher earnings than dry-processed coffee. Commercial farms can jump-start this process and small farmers can adopt it.

- Coffee roasting: This is initially tied to niche markets, but may eventually be adopted by larger ones. For example, there is a growing demand for Ugandan coffee in the Chinese market.



Source: UNCTAD, based on the Cotton Development Organization (CDO) database, 2002.

Cotton farming

Cotton was introduced into Uganda in 1903 as a cash crop. Today, Uganda grows some of the best cottons in the world, including the long-staple BPA (Bukalasa Pedigree Abler), which is grown almost organically, with minimal application of pesticides and herbicides. Total production is estimated at 120,000 bales annually.

Since 1994, the cotton sub-sector has been liberalized. All activities from primary production to export are now in the hands of the private sector. This followed the enactment of the Cotton Development Statute, 1994, which established the CDO, a body mandated to regulate and represent the industry in all aspects. The new environment has increased private-sector participation, improved farm-gate prices, increased ginning capacity, improved cotton quality and yield, and opened lucrative markets for Ugandan cotton.

It is worth noting, however, that 90% of Uganda's cotton exports are in bales of raw cotton (lint) and not yarn or textiles. The imports of significant quantities of second-hand clothing both in Uganda and in sub-Saharan Africa as a whole suggest a sizeable unmet demand for low-priced textiles and garments. Furthermore, the opportunities available in external markets, such as the United States under AGOA, have not been fully exploited. As mentioned in chapter 1, Uganda is one of the 35 African countries that can benefit from preferential access to the US market under AGOA in textiles, apparel and other products. There is also preferential access to the European market under the EU's Everything But Arms initiative. Currently, the Government is encouraging private investment in lint value addition. Other opportunities lie in commercial cotton farming, yarn-processing, mixed-fibre production and textile manufacturing.

Food products and oil seeds

Uganda produces a wide range of food crops and oil seeds, thanks to its fertile soil and favourable climate. The range of crops produced includes cereals (millet, sorghum, maize) and other grains (beans, pigeon peas, and other pulses), which can be produced several times a year. Unlike its neighbours, Uganda has suffered no droughts or food shortages and has supplied the regional markets during periods of shortfalls.

There is unexploited potential for the export of oil seeds. Uganda produces small quantities of edible oil from locally grown sesame seed, sunflower seed, groundnuts, cottonseed and other oil seeds. In 1996, the country imported about $4 million worth of edible vegetable and other oils for associated industries such as soap and animal-feeds, but recent imports are in the range of $11 million and $18 million. The domestic production of these items increased substantially from 27,532 tonnes in 1997 to 47,970 tonnes in 2001 (UBOS, 2002), while the domestic demand is estimated at 40,000–60,000 metric tonnes.

F SELEC GRICULT RODUCT –2001

(thousand tons)

PRODUCT	1995	1996	1997	1998	1999	2000	2001[a]	2002[b]
Bananas	9 012	9 144	9 303	9 318	8 949	9 428	9 732	9 888
Finger millet	632	440	502	642	606	534	584	590
Maize	913	759	740	924	1 053	1 096	1 174	1 217
Sorghum	399	298	294	420	413	361	423	427
Rice	77	82	80	90	95	109	114	120
Wheat	9	9	9	9	11	12	14	14
Root crops	N/A	1 866	2 254	2 560	2 803	2 876	3 023	3 138
Beans	39	234	221	387	558	574	665	692
Ground nuts	144	125	91	140	137	139	146	148
Soya beans	79	87	84	92	101	128	144	166
Sesame seed	71	73	73	77	93	97	102	106
Total	-	13 239	13 776	14 789	14 819	14 819	16 121	16 506

Source: Uganda Bureau of Statistics, Statistical Abstract, 2002.
[a] Estimates.
[b] Projections.

Fruits and vegetables

The commercial growing of fruits and vegetables for export has a short but successful history in Uganda. There is a wide variety of products, including pineapples, passion fruit, papaya, bananas, avocado, mangoes and oranges. The biggest export potential for fruits is in passion fruit, apples, bananas and raspberries, while beans, asparagus, snow peas and chillies are the most promising among the vegetables.

Vegetable exports are limited to a small target market in Belgium, Sweden and the United Kingdom. About $4.9 million worth of vegetable export was recorded in 2002, giving a 54% increase in the 2001 value. Fruits on the other hand recorded a negative growth rate of 25%, falling to $899,000 worth of export value in 2002 (according to ITC calculations based on COMTRADE statistics). Given that the average Ugandan spends more than 50% of his/her income on food, it is reasonable to assume a significant local market for all products, especially bananas, mangoes, pineapples, avocados and vegetables. The large variety offers many investment opportunities for the processing and canning/bottling/packaging industry.

Box III.1. Amfri Farms' African Organic project

Amfri Farms Limited, which trades as African Organic, is involved in the growing and export of organic fruits and vegetables. Formerly known as Suntrade and Consulting INT (U) Ltd, the company started in 1990 with about 25 individual out-growers and cooperative farms. It was started by a Swiss engineer with an initial investment of $20,000, using self-developed solar energy technology for processing fruits and vegetables (organically grown pineapples, bananas, chillies, ginger, beans, mangoes and okra). Today, the company has 82 out-growers. Amfri Farms has concentrated efforts in ensuring control over the products it exports. The major areas of development have been:

Certification by the Swiss Institute for Market Ecology (IMO) to process and market organic products in compliance with EU Regulation (EEC) No.2092/91;
Advising and supporting out-grower farmers with techniques in organic/sustainable farming;
Development of company-owned farm in organic production and a pack house facility;
Development and continuous improvement of solar driers to increase efficiency;
Certification (in May 2003) by USDA AMT CFR part 205, National Organic Program.

The company handles a wide range of products, both *fresh* (pineapples, apple bananas, ginger, passion fruit, baby aubergines, okra, matoke and hot pepper) and *dried* (pineapples, apple bananas, papaya, and mangoes). It owns a farm of 1,500 acres in Luwero, 450 acres of which are certified as organic. At the moment, 90% of the produce comes from the out-growers but future plans are to increase company farm production so that 40% of the export produce comes from the farm.

At present, the company has 25 permanent employees and 75 casual workers and owns 50 drying units. The project uses a vacuum-gauging machine, the only one of its kind in Uganda. The Institute for Market Ecology, Switzerland, certifies the organic quality by carrying out annual inspections of the production area (soil inspection) and the harvesting and processing operations.

Exports of 1–2 tonnes of fresh fruit started in 2000 but by the end of 2002, over 282 tonnes of fresh and dried fruits and vegetables were realized, earning about $350,000 for the company. In the past, the main market was Switzerland, but now the market has expanded to include, Canada, Germany, Norway, Sweden and the United States.

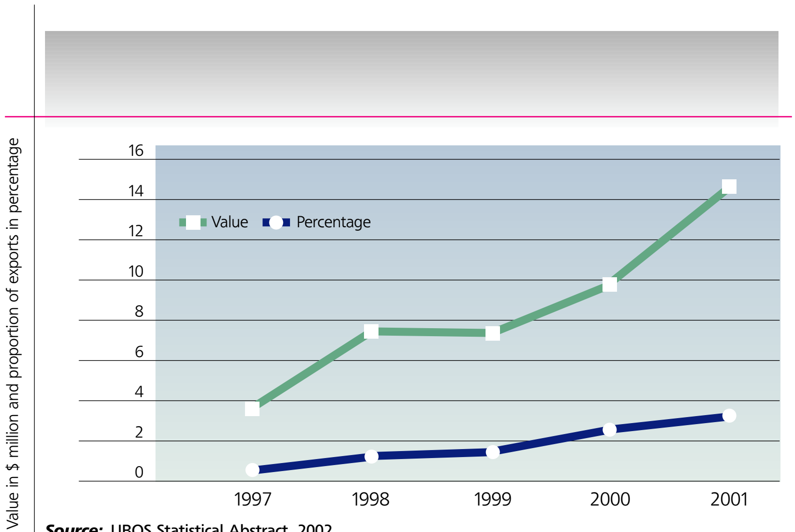
Source: UNCTAD.

Floriculture

Commercial floriculture is still new in Uganda, dating back only to 1993. The industry's main product is cut flowers, although some cut foliage and potted plants are also produced. The main flowers grown are roses. The rapid growth of this industry since 1993 has revealed Uganda's abundant comparative advantage in this area. Principal export destinations are the Netherlands and Norway. However, the quick expansion of export volumes has been accompanied also by an expansion of export markets. Today, Ugandan-grown flowers compete favourably in 10 different markets. Most of the flowers are sold to intermediaries (e.g. Dutch auction centres), although some exporters have managed to establish direct contacts with overseas customers. Revenues from the export of flowers have grown from $3.59 million (0.6% of total exports) in 1997 to $14.75 million (3.3% of total exports) in 2001.

Under Ugandan conditions roses are able to attain Dutch annual yields in 8–9 months, but with shorter stems. The popular types grown are tea hybrids (long stem, big flower head), sweethearts (short stem, small to medium head), and sprays (medium stem, minimum of 4 heads per stem). 26 varieties of roses are grown for export, including Kenneth, Nicole, Gabriella and First Red. Ugandan flowers are grown in open fields, greatly reducing the start-up costs, but irrigation is essential to ensure consistency both in supply and in quality. Investors in the sector will soon be able to access a growing pool of highly skilled workers, following the introduction by Makerere University of a training programme in technical and management skills relevant to this industry.

Investment opportunities exist in such areas as the expansion of the rose industry, the production of propagation materials, the establishment of soil-analysis services, the manufacture of green-house plastics, the production of inputs such as fertilizers, herbicides and pesticides, and the production of packaging materials.



Source: UBOS Statistical Abstract, 2002.

The dairy industry

In 2000, the dairy herd nationwide stood at 285,000 animals (both exotics and crossbreeds) compared with 209,000 in 1994. By 2002, the total cattle herd had reached 6.1 million. The exotics include the Friesian, Jersey, Guernsey, Ayrshire and Brown Swiss breeds. The leading districts for dairy farming are Bushenyi, Mpigi, Kabarole, Mbarara, Mukono, Ntungamo, Rukungiri, Jinja and Kabale.

The production of milk has been increasing. About 800 million litres of milk were produced in 2002, up from 520 million litres in 1995. Per capita milk consumption in Uganda is 36 litres, although the amount recommended by the World Health Organization (WHO) is 200 litres. 50% of the milk is marketed. Of this, 10% is packaged and 90% sold in loose form. Nine companies, whose total installed capacity is 343 million litres per year, undertake the processing of milk. However, many of these are operating at 30% of installed capacity, due to the high consumption of unprocessed milk. The Dairy Development Authority is now addressing this problem.

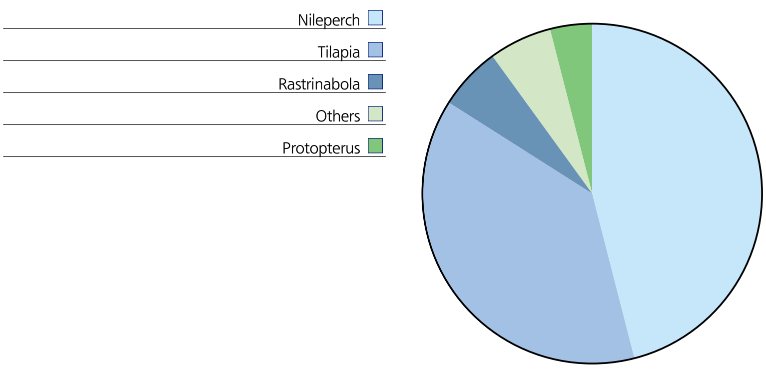
Some 365,000 litres of goat milk are also produced annually, most of which is consumed at household level. In addition to milk, other important dairy products produced include UHT milk, butter, cheese, ice cream, yoghurt and ghee (clarified butter or substitute). Most dairy products are consumed locally. Export opportunities to neighbouring countries have not been sufficiently exploited. Annual exports of these products have not exceeded $500,000 in the last five years (UBOS, 2002). In fact, they dropped from $476,000 in 1997 to $85,000 in 2001. Average annual imports, however, have been significantly higher, standing at between $1.5 and $3 million in 1998–2001, reflecting a sizeable domestic market.

One of the exciting opportunities for investors is provided by the planned divestiture of the state-owned Dairy Corporation, which at one time enjoyed a monopoly for milk processing and marketing in Uganda. It is the only unprivatized enterprise remaining for privatization in the agriculture and agro-processing area, and will soon be sold, following the passing of the law deregulating the dairy sector. Other investment opportunities include the establishment of dairy support services, the production of dairy products (such as butter, cheese, yoghurt, ice-cream, flavoured condensed milk and powdered milk), the establishment of collection centres, breeding and farming, etc.

Fish and fish farming

Uganda is endowed with vast water resources, which give the country considerable potential for the development of the fishing industry. The maximum sustainable yield of fish in Ugandan lakes and rivers is estimated at 300,000 metric tonnes a year. The average annual harvest in 1990–1997 was some 235,796 metric tonnes. Lake Victoria is believed to have 350 species of which the Nile perch and tilapia are commercially the most important. The haplochromine cichilds, estimated at about 300 species, have also gained commercial value as ornamental fish. There is therefore room for substantially increasing fish harvesting with little risk of exhausting stocks.

11 Aquaculture in Uganda is practised almost exclusively at a subsistence level. The major drawback is the lack of stocking material. The National Agricultural Research Organization (NARO) is currently addressing this problem. The Fisheries Department of the MAAIF has staff responsible for promoting aquaculture.



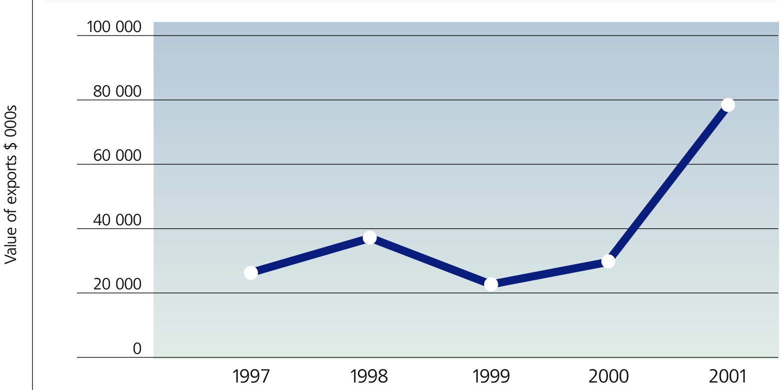
Source: UBOS, Statistical abstract, 2002.

Exports of processed fish started in 1993 and earned about $1 million. These earnings had increased significantly by 1997, reaching an equivalent of $27.8 million (or about 4.7% of total exports). Then they declined, as a result of the ban on Ugandan fish imposed by the European Union in 1998–1999 on health and sanitary grounds. The ban was lifted in 2000 after the Government and industry operators introduced major improvements, and fish exports are again playing an important role in Uganda's economy. The value of fish exports in 2001 had risen to $78.1 million and accounted for 17.3% of total exports.

This is an area in which Uganda enjoys a substantial competitive advantage, even on a global scale. In the last few years, the country has managed to increase its worldwide market share of these products. The major export markets for Ugandan fish are Australia, Belgium, Israel, Kenya, the Netherlands, the United Kingdom and Hong Kong, China (for fish maws), as well as South Africa and the United States.

Quite clearly, fish farming is one of the best investment opportunities in Uganda, especially for export markets. Areas of interest include the processing of fish into finished products (such as canned fish, fish soups and fish fingers), the establishment of storage facilities, the processing of frozen fish and fillets, and aquaculture.[11]

(in $ thousand)



Source: UBOS, Statistical Abstract, 2002.

Livestock

Livestock accounts for 12.6% of agricultural production and 5.2% of GDP (UBOS, 2002). Output in livestock is growing at 2.2% per annum (table III.2). Most of this growth has been in cattle.

Indigenous breeds of cattle account for 96% of the total stock. Pastoral communal grazers, nomadic pastoralists and small-scale farmers hold most of it. Commercial beef ranches and farms hold 9%. There are a total of 168 operational ranches with 195,000 cattle. Commercial ranching is based on extensive grazing and is the cheapest system for beef production. Most of the country's ranches, all of which are privately owned, are under-utilized. Since demand for livestock production (beef, goat, mutton, pork, poultry and eggs) continues to exceed supply by far, there are considerable opportunities for new investment in livestock in general and in meat production in particular.

In 2000, the total production of beef was estimated at 77,336 metric tonnes, goat meat and mutton at 48,600 metric tonnes (demand: 17,650), pork 16,852 metric tonnes (demand: 20,576), poultry 16,358 metric tonnes (demand: 36,951), and eggs 20,955 metric tonnes (demand: 18,023). Figures for imports indicate a limited but sizeable market. Between 1995 and 1999, Uganda's imports of beef were $290,000 to $414,000 (UBOS, 2000). In 1998, however, the figure reached $1.6 million (before declining), reflecting a much larger potential in the local market. Exports of beef to neighbouring countries are quite negligible. The recorded exports of live animals indicate some growth, rising from $30,000 in 1998 to $199,000 in 2001.

VESTOCK G 997–2001

(thousand animals)	1997	1998	1999	2000	2001
Cattle	5 460	5 651	5 820	5 966	6 144
Sheep	980	1 014	1 044	1 081	1 108
Goats	5 825	5 999	6 180	6 396	6 620
Pigs	1 425	1 475	1 520	1 573	1 644
Poultry	22 271	22 293	24 622	26 974	29 671

Source: Ministry of Agriculture, Animal Industry and Fisheries, and Uganda Bureau of Statistics.

RANCH SCHEME	NUMBER OF RANCHES	AREA (HA)
Buruli Scheme	37	29 000
Ankole Scheme	50	60 000
Masaka/Mawogola	59	83 000
Bunyoro Scheme	37	29 000
Singo Scheme	34	29 000
Acholi Scheme	2	39 000
Maruzi Scheme	5	14 000

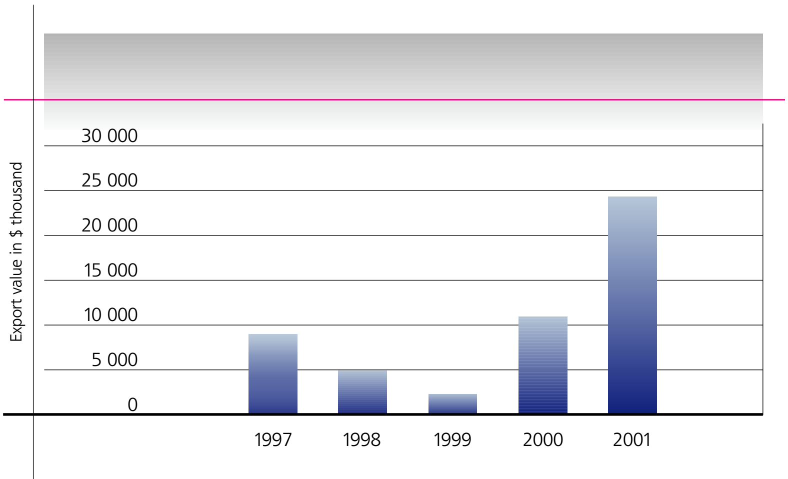
Source: Ministry of Agriculture, Animal Industry and Fisheries.

The export of hides and skins, however, was significant, accounting for $25.5 million in export revenues and contributing 5.7% of total exports in 2001. Uganda exports bovine skins (whole and raw), hides (whole, raw fresh or wet salted), bovine leather and goatskins, hides and leather. Lately, the trends for the different products have varied considerably. The most dynamic export products are whole, fresh or wet-salted bovine hides.

Investment opportunities include the provision of artificial insemination services, the production of high-yielding breeds, the provision of veterinary services, meat-processing, the development of vaccines, research and development, forage-seed production, the processing and distribution of animal feeds, integrated beef production and feedlot finishing, the establishment of modern abattoirs, the tanning of hides and skins, the tanning of high-value fish-skin, crocodile farming and ostrich-rearing.

Wood and wood products

According to the Department of Forestry, Uganda's forest reserves constitute 5 to 6% of the dry land. Of these, 700,000 hectares are tropical high forest, 632,000 hectares are savannah forest and 24,300 hectares are used for plantation, of which 10,900 hectares are in private hands and 13,400 hectares are soft woods. There are investment opportunities in the production of sawn timber for the domestic market, and high-quality furniture for both the local and export markets. Other opportunities exist in the production of veneers, sawn wood and joinery for export. There are also opportunities to invest in the production of laminated particleboard for the building and construction sector. Finally, Uganda's excellent climate provides opportunities for tree farming. In addition, donor countries have expressed their readiness to assist firms and organizations in tree farming by providing grants, which will be treated as hydrocarbon credits for Uganda. This scheme is referred to as the "Cleaner Development Mechanism", which investors in Uganda can take advantage of.



Source: Uganda Revenue Authority (Customs Statistics Section), unpublished data of February 2002.

Manufacturing

Uganda's manufacturing sector is still very small. Although it is diverse in its composition, it is characterized mainly by the processing of agricultural raw materials and the production of consumer goods. Such processing takes place at, or near, the sources of supply of these raw materials. Examples are cotton ginning, coffee hulling, tobacco handling and processing. Agro-related industries account for 39% of all manufacturing establishments (UBOS, 2002). Capital goods industries are few in number. Industrial products include simple consumer goods, including foods, tobacco and beverages, textiles and garments, leather products, soaps and detergents. Most are produced by small-scale industries. Some medium- and large-scale industries produce capital goods, but the value added is negligible, since the majority are basically assembly plants. Other products of the sector are chemicals, plastics, paints, pharmaceuticals, steel and steel products (iron sheets, metal bars, nails), and construction products (bricks and tiles, cement).

For the last ten years, the manufacturing sector has been one of the fastest-growing. It registered an impressive rate of growth in 1998–1999 when it reached 13.7%, although that declined to 8.9% in 2000–2001 and 7.4% in 2001–2002. There were substantial increases in the production of textiles and cement, soap, edible oils and soft drinks, reflecting an increased demand for these products.

Industries with attractive investment opportunities include textiles, leather products, beverages, packaging, iron and steel, metal and metal products, and chemicals and pharmaceuticals.

Beverages

The beverage sub-sector includes: (a) coffee roasting and tea processing, (b) soft drinks and (c) alcoholic beverages. Ugandans spend about 4% of their total consumption on beverages. This share has remained more or less constant since 1992 (UBOS, 2002).

Soft drinks include fruit juices, squashes and carbonated drinks. The number of major establishments producing soft drinks increased from four in 1990 to fifteen in 2002. The market leaders, however, are the producers of carbonated drinks, namely Century Bottling Company (Coca-Cola) and Crown Beverages (Pepsi), followed by Britannia Beverages. The industrial production of soft drinks grew from 65.3 million litres to 81.6 million litres between 1997 and 2002 (UBOS, 2002).

The main alcoholic beverages produced in Uganda are beer and spirits. The major producers of beer include Uganda Breweries Ltd (UBL), which is a subsidiary of Kenya Breweries Ltd, and Nile Breweries Ltd (NBL), which is a joint venture between the Madhvani Group of Companies and South African Breweries. Installed capacity for the two firms is 570,000 hl per annum. The demand for their products is growing every year. Between 1997 and 2002, beer production grew from 89.6 million to 107.9 million litres. There are also four firms producing spirits: International Distillers, 3R International, Premium Distillers and West Nile Distillers. Their combined production increased from 606,000 litres in 1997 to 990,000 litres by 2001.

The demand for beverages is growing as indicated by the upward trend in the manufacture of these products. This is an indication of increasing opportunities in the manufacture of beverages in Uganda for both the domestic and the foreign market, especially the fruit concentrates where Uganda has a comparative advantage.

Textiles and clothing

Uganda has a history of textile manufacture dating back more than 30 years. There are four major factories involved in the production of yarn, fabric, garments and blankets (table III.4). Only three of these are operational, while Goustar Lira Spinning Mill is expected to start operations soon. A number of small handicraft cooperatives also hand-spin and hand-weave fabrics, and other small units produce garments. The manufacture of apparel and clothing is still minimal and is dominated by tailoring contracts for institutions. The amount of value added ranges between 25% for spinning and weaving to 55% for knitted and crocheted fabrics (UBOS, 2002).

Uganda's textile industry depends predominantly on cotton grown by small-scale farmers. There are currently 29 ginneries – 12 privately owned, 2 leased and 12 owned by cooperative unions. Three others are under joint-venture management. Total capacity is 1,100 bales a day, although actual production is 500 bales. There are also 8 textile mills in Uganda. There are no major exports of textiles, except currently under the AGOA arrangement. One company (Tri-Star Uganda Ltd) dispatched its first consignment to the United States in December 2002. On the other hand, Uganda also imports large quantities of fabrics and garments, including second-hand (used) clothing. The value of imported second-hand clothing and other articles stood at over $10 million in 2001, reflecting a sizable domestic market for low-priced textiles. This assumption might hold for the East African region as a whole, as imports of second-hand clothes and other fabrics in the region are increasing on average by 13% annually. Investment opportunities exist in textile products such as lint and fabrics, apparel and garments, cut cloth/contract tailoring, trading in cotton and textiles, and so forth.

AND TEXTILES

FIRM	CAPACITY IN USE (BALES)	INSTALLED CAPACITY (BALES)
Phoenix Logistics (U) Ltd (UGIL)	1 200	3 600
Southern Range Nyanza (NYTIL)	9 000	23 000
Goustar Lira Spinning Mill [a]	NIL	27 000
African Textile Mill Mbale	2 000	9 000
Total	28 200	62 000

Source: CDO (2001).
[a] Goustar Lira Spinning Mill produces only yarn, while the rest spin and produce garments and apparel.

Packaging

The packing industry includes all forms of printed paper and plastic packaging, woods, foil and glass packaging. It is a strategic sub-sector as it supports other industries (pharmaceuticals, horticultural products, beverages, edible oil, fish, and dairy products) in marketing and distribution generally, but especially in international trade.

Uganda's packaging industry was one of the most vibrant sectors in the late 1960s. However, the disruption caused by the expulsion of the Asian community in 1972 led to its rapid collapse. With the restoration of political and economic stability, the sector has picked up somewhat, but 50% of domestic packaging requirements are still being met through imports. A total of 16 firms are currently operational in this sector. Local production consists of gunny bags, corrugated boxes, low-value textile packaging products, tins/cans and rigid plastics. The overall growth in non-traditional exports as well as in coffee and tea has led to a sharp increase in the demand for packaging materials. The sub-sector depends to some extent on imported raw materials. For example, the basic raw materials for paper and plastic manufacturing are not available locally. However, Uganda has large deposits of silica sand and felspar for the production of glass bottles. The country also has plenty of forests for the production of pulp. The packaging sub-sector has been cited as a strategic one under the Investment Code and as one of the seven strategic ones under the UIA's "Big Push Strategy".

The developments in the manufacturing sector, especially the production of consumer goods, explain the increased demand for plastic packaging items. Investment opportunities exist in the production of glass containers (raw material available), tin cans /boxes, corrugated cases (shuffle), cartons and labels, flexible packages, rigid plastics, and thin-walled plastics.

Leather and footwear

The footwear business is dominated by one large manufacturer, Uganda Bata Shoe Co., which employs over 100 people and produces 5 million pairs of assorted footwear. There are also about 160 small artisan enterprises, employing an average of three people (UBOS, 2002).

The tanning industry is relatively young. The first fully mechanized tannery was set up in 1997. There are currently five tanneries in the country, of which only two are operational (Uganda Leather Industries Ltd and Uganda Fish and Skin Tannery Ltd).

The industry enjoys the advantage of a local raw material base (cattle, goats, sheep and to some extent crocodiles) that provides hides and skin. However, current production is considerably higher than the requirements of the few local tanneries. Consequently, most of the raw stock is exported. In 2001 a total of 20,386 metric tonnes (worth $25.5 million) of hides and skins were exported. The existing capacity can handle only an estimated 3.1% of the available raw materials, so there is potential for establishing leather-processing facilities. Investment opportunities in the sector lie in such areas as the construction of modern slaughterhouses, the tanning of high-value skins, the production of footwear, and so forth.

Iron and steel

This sub-sector includes the production of iron and steel, structural steel and other steel products (used mainly in the construction industry), and spare parts for equipment and machinery for the manufacturing sector. There are four firms operating mini steel mills in Uganda. Their combined production capacity is about 72,000 tonnes per annum. These plants have been producing semi-finished steel products, but their current and forecast production falls below projected demand. Currently, all the steel mills produce a limited range of products, including reinforcement bars from scrap or imported billets and wire products from imported galvanized wires. There is also limited production of items such as ox-driven ploughs, wheelbarrows, hoes, tractor-trailers and water tanks. There are, in addition, 600 metal-working industries, 30 to 40 foundries and many fabrication workshops.

The supply of steel scrap is erratic and scattered all over the country. There is a stockpile of scrap of about 150,000–200,000 tonnes in the country, which is rapidly getting used up. The current demand for steel products is estimated at 80,000 metric tonnes per year, while production is estimated at 7,000 tonnes per year. It is noteworthy that Uganda has iron ore reserves in the south-western and eastern parts of the country, estimated at 80–100 million tonnes. The Muko Kabale area has the hematite ore and the Sukulu and Bukusu area the magnetite ore. Hematite ore is also to be found in Mugabuzi in Sembabule District. Thus, investment opportunities in this sector are in the mining of iron ore to supply the existing steel mills, the production of sponge iron for steel mills, the production of steel products, and so forth.

Pharmaceuticals

Uganda produces only 5% of the pharmaceuticals and health products it needs. Imports account for the remaining 95%, which is equivalent to 6% of total imports. Major sources of import are Kenya, India, the United Kingdom, France and Germany. Both domestic production and imports have quadrupled since 1989.

There are ten pharmaceutical firms in Uganda, including Kampala Pharmaceutical Industries Ltd, Uganda Pharmaceutical Industries Ltd, Medipharm, Medical Products Ltd, Karuri Pharmaceuticals Ltd and NEC. These produce a range of pharmaceutical products, including injectables, liquid mixtures, capsules, disposable syringes, surgical gauze, aspirin and paracetamol. Investment opportunities exist in the manufacture of drugs for the treatment of various tropical diseases, the provision of modern family-planning services, the manufacture of medical equipment and sundries (such as surgical cotton/gauze, sanitary pads, syringes, bandages, infusion syrups, oxygen), the processing of herbal medicine, and so forth.

The mining sector

Uganda is endowed with a wide variety of mineral resources. These include copper, cobalt, tin, iron ore, tungsten, beryllium, limestone, phosphates, salt, clays, feldspar, diatomite, silica sand, glass sand, sand gravel, and construction materials such as granites and gneisses. Although Uganda's mineral potential is not well known, the limited exploration so far has proved the existence of a variety of minerals. The Government is considering an extensive exploration of the mineral potential for further exploitation.

In the 1950s and 1960s, the mining sector accounted for up to 30% of Uganda's export revenue. Production and export were then interrupted by the political and economic instability of the 1970s, but began recovering in the mid 1980s. A number of companies were issued with mining and quarrying licences. By 2000, there were a total of 221 licences, including 136 prospecting licences, 95 location licences and 15 mining leases (UIA, 2002).

Current mineral production is still too low to meet local demand. Limestone needed for the production of cement and lime is consumed almost entirely in the domestic market. The production of aggregate gravel and sand is expanding in response to the growth in the building and construction industry. Small quantities of gold, tin and tungsten concentrates are being produced mainly for export.

The mining sector offers a wide range of opportunities for interested investors. Demand for mineral products is growing in both the domestic and the export markets. For instance, there is a high domestic demand for non-metallic minerals far exceeding domestic supply. Currently, significant quantities of cement, salt, refractory bricks, paint, glass and the like are imported. There is also great demand for aggregate and stone for the construction and building industry, phosphates for agriculture, salt for domestic and chemical uses, iron ore for the iron and steel industry, kaolin for leather tanning and pharmaceuticals, and silica sand and trona for glass manufacture. Demand for these products is growing at about 10 to 15% per annum. Investment opportunities also exist in the exploration and development of a number of mineral deposits, including gold, copper-cobalt sulphide and hematite iron. Opportunities arising from privatization include Kilembe Mines Ltd, which operates the Kilembe Copper Mines, and the Kasese Cobalt Company.

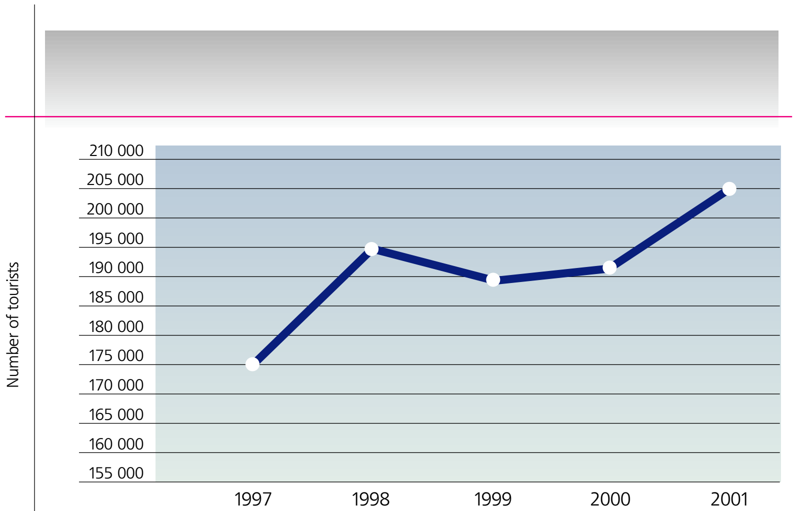
Services

Tourism

"... for magnificence, for variety of form and colour, for profusion of brilliant life – plant, bird, reptile, beast – for vast scale, Uganda is truly the pearl of Africa ..." Winston Churchill

Churchill's observation about Uganda's natural beauty and diversity remains as true today as it was when he visited the country at the beginning of the 20th century. Uganda is endowed with some of the most spectacular scenic wonders of world. Its geographical diversity and its wide range of fauna and flora make it a unique tourist destination. The country is famous particularly for its mountain gorillas, which represent about half of the world's remaining gorilla population.

Tourism is the fastest growing economic sector in Uganda. For the past seven years, it has recorded an 18% growth per annum. Visitor arrivals increased from 73,000 in 1995 to 205,000 in 2001. The sector earned $161.7 million in 2001. During the period 1991–1997, total investment in hotels, services apartments, cinemas, lodges, travel agencies, restaurants, tented camps, casinos and white-water-rafting amounted to $344 million.



Source: Immigration Department, Ministry of Internal Affairs; Civil Aviation Authority; and Uganda Bureau of Statistics.

Uganda has some of the most interesting national parks in the world. They include: (i) Bwindi Impenetrable National Park (home to some 300 mountain gorillas), (ii) Queen Elizabeth National Park, a UNESCO reserve and home to many animal and bird species, (iii) Murchison Falls National Park, a protected area of tall Savannah grass with many birds and animals, (iv) Kidepo Valley National Park, endowed with a diversified topography and vegetation and many unique animal types, and (v) Lake Mburo National Park, a small but biologically unique eco-system. Other national parks include the Semuliki, Mt. Elgon, Kibale, Rwenzori Mountains and Mgahinga Forest national parks.

While tourist facilities and services (hotels, restaurants, tour and travel agencies, auxiliary services, etc.) are available, they are not sufficient to meet growing demand. Thus, the available investment opportunities in this sector include:

- Organized tours (many opportunities for innovative tour operators and package programmes targeting national, regional and international visitors);
- Cruises on the River Nile;
- Cabin ferry services on Lake Victoria;
- Schools for the hospitality industry;
- High-quality hotel facilities; and
- National park concessions (details available from the Uganda Wildlife Authority (UWA)).

Privatization offers additional opportunities in the hotel industry. A number of hotels have already been privatized, including the Sheraton Kampala, the Grand Imperial and the Windsor Lake Victoria. The only remaining hotel to be privatized is the Nile Hotel Complex.

Health-care services and related products

Ugandans spend approximately 5% of their disposable income on health and health care products. The health care system is organized at three levels: the community, the health unit (at the sub-county level, serving about 20,000 persons), and the hospital (usually at the district level).

The health care sector in Uganda includes 102 hospital facilities with 15,567 beds, 671 health centres/dispensaries with a capacity of 7,087 beds, 848 sub-dispensaries with 2,215 beds, 16 maternity units with 702 beds and 57 aid posts. All of these include private and non-governmental as well as public institutions with a total bed capacity of 25,628 (UBOS 2002). The Government has initiated a number of reforms in the sector, including the introduction of user fees in public health units, the decentralization of service delivery, and encouraging NGOs, the private sector and communities to play an active role in the provision of health care.

The Government's promotion of a stronger role of the private sector and its declared objectives in the health sector have created a number of opportunities for foreign investors. These include the training of medical personnel in specialized medical care (in such disciplines as neurology and neuro-surgery, urology, cardiology and plastic surgery), the establishment of hospitals and other health units and modern testing facilities, and the manufacture of drugs, hospital equipment, furniture, etc.

Other areas of potential interest are as follows:

- Essential drugs: The official list of essential drugs consists of around 300 items. At the current level of consumption, estimated at $48.9 million, the locally based pharmaceuticals manufacturers, with an average turnover of $5 million, leave much room for further investment.
- Family planning: According to the Uganda health survey of 1995, knowledge of family planning methods is universal, with 94% of Ugandans aged 15-49 years familiar with at least one method of contraception. The number of women who are aware of condom use had risen from 33% in 1989 to 78% by 1995. Some 8 million Ugandans are over 15 years of

age. The manufacture of condoms is therefore one of the main investment opportunities in this sector.

- Other medical products: Selected medical equipment and products can be produced domestically. These include simple surgical instruments, disposable syringes, injectable water and hospital furniture. One local factory makes disposable syringes but supplies less than 20% of the market. Two companies produce hospital furniture but fall short of satisfying national requirements.

Uganda's bio-diversity in flora and fauna is well suited for traditional and herbal medicine and raw-material-based production. There is an abundance of fresh water, sugar, cotton and starch sources, which could be tapped to produce items such as surgical cotton and gauze, sanitary pads, bandages, glucose syrups, etc.

Education

Education is another dynamically developing service sector with good investment opportunities. The Government introduced free universal primary education in 1997. There are plans to introduce free universal secondary education in 2004. This strategy has led to the reduction of illiteracy rates and to increased enrolment in primary and secondary schools.

The Government's intention is that secondary education should be largely private-sector-driven. The introduction of the Universal Primary Education (UPE) programme in 1997 led to a rise in school enrolment from 3 million pupils in 1996 to over 6.9 million pupils by the end of 2001. The current absorption capacity of secondary schools for senior-one intake is 155,937, while the total secondary school enrolment in 2002 was 635,383. This large gap needs to be filled and constitutes a huge investment opportunity. The Government recognizes this need and plans in the medium term to increase senior-one enrolment in secondary schools from the current level of 155,000 to 260,000 by 2003 – an increase of 75%. Some investors have already started to run private schools. Examples of these are the Kabojja Secondary School (local investors), the Vienna College (foreign investors) and the Rainbow Academy (foreign investors).

Technical and vocational education and training (TVET) institutions play a vital role in the absorption of primary school graduates and the provision of skilled labour. The private sector has become very active in this area but there is still room for more secondary schools, technical colleges and tertiary institutions. In the last ten years, private universities have also been allowed to operate. The main ones include Uganda Martyrs University, Bugema University, Nkumba University, Ndejje University, Uganda Christian University and Kampala International University.

Information and communication technology

The information and communication technology (ICT) sector in Uganda is still in its infancy. However, the Government has identified it as an important sector that cuts across the entire economy. Its development is seen as being vital to the economy's growth. An ICT policy has been prepared to guide the growth of the sector in Uganda and a strategic plan is being developed.

Since ICT has a high potential for generating export earnings and creating employment, the Government has identified it as one of the eight sectors in which it will provide strategic intervention for the promotion of exports. ICT intervention will initially be confined to e-business exports on account of Uganda's strategic geographic location in Africa. It has a convenient time zone location from the major consumers of ICT – related services – +8 hours from the United States and Canada, +3 hours from the United Kingdom and -6 hours from Japan. These time zone differences provide a unique opportunity for Uganda to do business with Asia in the morning, and to transact with Europe and the Americas in the afternoon. In addition, Uganda's cheap, trainable and English-speaking workforce can be turned into a cadre of skilled ICT technocrats to provide the necessary human resources for ICT growth.

Investment opportunities in ICT-based services include:

- Data entry: There is an opportunity in processing accounting data (such as book-keeping, bank reconciliation, invoices, etc), medical records and the like for North American and European firms and organizations.

- Call centres: As many as two million people are currently employed in call centres in North America and at least 20% of these jobs, largely involving outgoing calls principally for telemarketing, are cost-sensitive and are moving off-shore to developing countries, including Uganda, where telephone costs are going down and labour is still inexpensive.

- Incipient e-business services: These services include e-tutoring, security-system monitoring, insurance-claim processing, and legal database-searching and referencing.

- Content development and services: This digital content industry includes the printing and publishing media and television.

- Logistics management: This involves facilitation services on behalf of clients with logistics needs.

Other investment opportunities in ICT include information and communication infrastructure, computer and related assembly, high-level ICT training facilities to international standards, hardware-repair training facilities, software development for export, setting up information technology virtual zones (ITVZ), setting up Internet service providers (ISP), etc.

Building, construction and housing

The liberalization of the economy since 1986 has stimulated growth in many sectors and this has led to an upswing in the building and construction industry. As a result, demand for building materials is expected to exceed local production by far for the next several years. Import supplies at current levels cannot fill this gap and, in the medium to long term, a lot of building materials can be manufactured to satisfy local demand as well as the regional market.

Investment opportunities in this sector include the provision of low-cost housing to cater to the needs of growing populations in urban and peripheral areas; the manufacture of prefabricated concrete systems and other fittings for the building industry; and the processing of non-metallic minerals to make sanitary fittings, tableware, floor and wall tiles, glass, lime, cement, glazes, etc. In addition, the National Housing and Construction Corporation (NHCC), the largest provider of residential houses, is due for privatization, as is the Housing Finance Company of Uganda (HFCU), which specializes in mortgage finance.

Energy

The total energy consumption in Uganda is estimated at over 5 million tonnes of oil equivalent (toe), of which 90% is derived from biomass (wood/charcoal and agricultural residue). The country generates its own electric power in the Nalubaale and Kiira power stations at the Owen Falls Dam in Jinja and other small thermal and mini hydro-power stations. The installed generation capacity of electricity has increased to 300MW; however, current peak demand far exceeds the level of current supply. Domestic demand is estimated to be growing dynamically at 2% per month and is expected to increase steadily over the next 20 years.

Uganda exports some of the power generated to neighbouring Kenya, Tanzania and Rwanda. Exports of power to these countries earned $11.6 million in 1997 and $13.94 million in 2001-2. Currently, Uganda exports 30 MW of electricity to Kenya (although this is not always fulfilled at peak demand), 8 MW to the Bukoba region of Tanzania, and 2MW to Rwanda (there are plans to increase this to 5 MW). Total exports of electricity to these three countries are expected to reach 130 MW by the year 2010. The restructuring of the energy sector will create many opportunities for investment.

Water and sanitation services

Only 30% of urban areas in Uganda have piped water and only 5% have access to piped sewerage. The Water Statute of 1995 governs the sector. Under the Statute, the line minister may designate either a public or a private sector operator as a water or sewerage authority and permit such an operator to enter into concession or joint-venture arrangements. The Statute provides the necessary legal framework to accommodate private investment in this sector. With minor exceptions, this has not occurred so far. Moreover, the necessary rules and capacity to provide for the regulation of private operations are still to be created.

The National Water and Sewerage Corporation (NWSC) has conducted limited experiments with contracted private management of operations in Kampala and Jinja. The Government has encouraged the NWSC to identify other forms of private-sector involvement. A major investment opportunity will be the privatization of NWSC, expected by 2004.

Special economic zones (SEZs)

In 1998 the Government considered the establishment of a traditional export-processing zone (EPZ), but decided not to create one. However, it has been considering a modified investment development concept, which would create a multi-facility economic zone rather than just an export-processing zone. The UIA, which has been spearheading this project, submitted a draft Bill on the establishment of special economic zones (SEZs) to the Government for consideration in 2002.

The SEZs will essentially be industrial zones in which cumbersome laws and regulations are replaced by "best practices" in order to attract and retain investment. It will serve both export-oriented production and production for the domestic market. All necessary infrastructure, customs and other essential services will be provided. The Bill proposes the creation of an enabling environment and a legal framework for the establishment of industrial parks, recreation parks, export processing zones, tourist parks, technology parks, and virtual zones. (In a virtual zone, companies located outside the formal physical SEZs would, on the fulfilment of certain conditions, enjoy fiscal and legal facilitation similar to that in the SEZs themselves.) The development of SEZs will mainly be undertaken by the private sector.

In its effort to assist investors, the UIA has acquired tracts of land to be developed into industrial estates. There are opportunities for private investors to develop these pieces of land jointly with the UIA, which can provide further information.

Uganda's mild climate, regular rainfall and stable political environment make it an ideal location to invest in agriculture, on both a large and a small scale. In addition, the logistics of doing business in Uganda have never been better, with more efficient and cost-effective export corridors by air, rail and road. Investors opting for the agricultural sector and thinking of export markets will not be disappointed, whether their interest is in established export items like tea, coffee, cocoa, pulses, flowers, tobacco and vanilla – or in new ones with potential, like palm oil.

David Barry, Managing Director, Kyagalanyi Coffee Ltd (Volcafe Group)

Institutional framework

The law governing investment in Uganda is the Investment Code, 1991. The agency established under the Code is the Uganda Investment Authority (UIA), which is to promote and facilitate investment in Uganda, advise the Government on policies conducive to investment, and provide information on investment issues. One of the core functions of the UIA is attracting foreign direct investment (FDI) into the country, as well as promoting domestic investment.

An investor is required to apply to the UIA for an investment license to start a business in Uganda. An investment license is issued within five working days if the application form is properly completed. The licence is normally valid for a period of not less than five years after the implementation of the project. Although there is no legal requirement in terms of a minimum investment, in practice a threshold of $100,000 has been applied to foreign investors and $50,000 to local investors.

The Code allows foreigners to invest in all activities, except those relating to national security or requiring ownership of land. Foreign investors may, however, lease land for up to 99 years. They can also participate in joint ventures, including those involving the leasing of land for agricultural purposes. In addition, Uganda imposes no limit on equity ownership. Foreign ownership of up to 100% is allowed. Investors are also free to bring in and take out their capital.

The one-stop facilitator concept

In setting up the UIA in 1991, it was expected that all investment-related issues would be handled by the UIA, as a 'one-stop shop'. This meant having all services such as immigration, customs, land, utilities, etc, under one roof: the UIA's. In practice, this has turned out not to be possible, which led to a rethinking of the approach and the adoption of a more appropriate concept. Under the new concept, the UIA created a network with all the relevant government agencies to provide services to investors. As a result, each agency today has a desk officer assigned to handle investment-related matters promptly. This approach is working well and investors seem happy with it.

In order to reinforce this 'one-stop facilitator' concept, the UIA has worked closely with the public service to introduce Client Charters in key government agencies. A Client Charter is a brief schedule of procedures, costs and time involved in securing a service from such an agency. (For an example, see the UIA charter in box IV.2 below.) The Charters are placed on public notice boards where investors and the general public can easily access them for the needed information. The intention is to reduce red tape, corruption and other malpractices in dealing with investors. The introduction of the charters has brought marked improvement in service delivery.

Box IV.1. The Uganda Investment Authority (UIA)

The UIA was established by an Act of Parliament – the Investment Code, 1991 – to contribute to the economic development of the country by promoting and facilitating private-sector initiatives. It seeks to achieve this objective by promoting Uganda as an investment location, easing constraints on investment through its one-stop service and encouraging inward investment by offering competitive incentives. The promotion and facilitation programmes were recast in 1998 to focus on selected sectors in which Uganda has a competitive advantage, so as to make the best use of limited resources.

The priorities of the UIA are policy advocacy, project facilitation, image building, and investment promotion. It also continues, as a matter of principle, to attend to the concerns of investors even after projects have started operations. The Authority was rated "one of the best investment promotion agencies in Africa" in 1995 and "the best agency in Africa and the Middle East" in 2000 by Corporate Location magazine.

The current head of the UIA is Dr Maggie Kigozi, the Executive Director. For contact details, see Appendix 3.

Source: UIA.

Box IV.2. Uganda Investment Authority: Client Charter

Our vision is to make Uganda the leading investment destination.

Our mission is to make a significant and measurable contribution to Uganda's economic development by stimulating local and foreign investment, promoting exports and creating sustainable employment in all regions of Uganda.

SERVICES	TIME	COST
1. Investment promotion		
(a) Response to investor inquiries		
(i) Email inquiries	15 minutes	Free
(ii) Faxes and letters	1 day	Free
(iii) Walk in	10 minutes	Free
(iv) Meetings	Instant	Free
(v) Business appointment	One day	Free
(b) Provision of information		
(i) Electronic	Immediate	Free
(ii) Printed	Immediate	Free
- Website update Monthly	Free	
(c) Preparation and confirmation of itinerary for potential investors	Three days	Free
2. Investment facilitation		
(a) Licensing	Three days	Less than $1
(b) Recommend to immigration for work permits	Two days	Free
(c) Facilitate investors to acquire utilities	One day	Free
(d) Recommend for secondary licenses	One day	Free
(e) Recommend for access to finance		Free
(f) Access to land		
(i) industrial	One month	Commercial rate
(ii) agriculture	One month	Commercial rate
(g) After-care services	Two days	Free
(h) Policy advocacy	Ongoing	Free

Documents required from client for investment licence

It is essential that the client provide the following information to help UIA provide high-quality service:

- Certificate of Incorporation;
- Memorandum and Articles of Association; and
- Completed Investment License Application Form.

Source: UIA.

Membership in international organizations

Apart from the relevant provisions of national legislation, Uganda is a signatory to or a member of the following:

- The Multilateral Investment Guarantee Agency (MIGA);
- The International Centre for the Settlement of Investment Disputes (ICSID);
- The Convention on the Recognition and Enforcement of Foreign Arbitration Awards;
- The Overseas Investment Insurance Corporation of the United Kingdom;
- The Overseas Private Investment Corporation of the United States;
- The Convention on the Settlement of Investment Disputes between States and Nationals of other States; and
- The African Trade Insurance Agency (ATI).

Uganda has also signed bilateral investment treaties (BITs) and double Taxation Treaties (DTTs) with a number of countries (table IV.1 below).

In addition to the countries listed in table IV.1, Uganda is negotiating agreements with Eritrea, India, Malawi, Mauritius, Mozambique, Sudan and Sweden.

AS OF DECEMBER 2002, WITH SIGNING DATES

BITS		DTTS	
Egypt	04 November 1995	Denmark	22 December 1954
France	December 2002	Italy	06 October 2000
Germany	29 November 1966	Kenya	14 April 1999
Italy	12 December 1997	Netherlands	03 May 2000
Netherlands	14 February 2000	Norway	07 September 1999
South Africa	08 May 2000	South Africa	22 May 1997
Switzerland	23 August 1971	Tanzania	14 April 1999
United Kingdom	24 April 1998	United Kingdom	23 December 1959
		Zambia	24 August 1968

Source: UIA database, 2002.

Entry and exit

Screening, registration and authorization

Investors starting a business in Uganda have to follow a number of administrative steps summarized in Figure IV.1. The time needed to set up a business depends on the precise nature of the planned investment. In some cases, an investor may start operations within a month of arrival in Uganda. However, if the investment requires the installation of additional utilities or if it is to be located in a restricted area, the process can take as long as six months or more (USAID, 1998). Still, the institutions involved are helpful and try, as much as possible, to facilitate the process.

For some sectors (such as fishing, mining, tourism, timber, coffee, air transport, commercial banks, insurance, pharmaceuticals, and broadcasting and media), secondary licenses are needed in addition to the investment licence. The process of obtaining these secondary licences and permits can sometimes be lengthy, although the UIA endeavours to assist the investor in obtaining them. The 'Big Push' strategy (see box I.2), launched in 2001, is expected to help in ensuring that delivery of services to investors is streamlined and improved.

FIGURE IV.1. STAGES OF IMPLEMENTATION OF AN INVESTMENT PROJECT

Step 1
Registrar General
Investors must have company and its name registered.
Duration: 2–14 days
Costs: Stamp duty on nominal capital 0.5%

Step 2
Uganda Investment Authority

Investors can obtain an investment license; this status eases bureaucratic procedures.
Duration: 1–5 days; Costs: None.

Step 3
(relevant for some sectors e.g. fish, finance, forestry, mining, hydro power)
Sectoral licensing authorities

Investors may have to obtain sector-specific secondary licenses. Details available from the UIA.

Step 4 (access to utilities)
Telephone (Uganda Telecom Ltd, Celtel, MTN),
Installation of telecommunication facilities.
Duration: MTN and Celtel, immediately, UTL up to 1 month for fixed lines and instantly for mobiles.

Step 4 (access to utilities)
Uganda Electricity Board

Connection to power supply network;
Duration: from 1 week up to 1-2 months (new installations).

Step 4 (access to utilities)
National Water & Sewerage Corporation

Installation of water and sewerage services.
Duration: up to 1 week.
Costs: Varying installation costs, hook up $150.

Step 5 (Immigration)
Immigration Authority

Work permits required for all foreign staff.
Duration: Two to four weeks.

Special Pass: Immediate
Costs: up to $300 (per permit per year).

Step 6 (Tax Registration)
Uganda Revenue Authority

Registration as taxpayers, receipt of tax identification number (TIN). Duration: 2 visits, 2/3 days. Costs: None.

Step 7
Full implementation of the project commences.

Source: Uganda Investment Authority.

Incorporation and related requirements

Every business in Uganda must be registered with the Registrar of Business Names/Companies in the Registrar General's office. Investors who wish to operate a business in a municipality are also required to obtain a trading licence from the local authority and to register with the Uganda Revenue Authority for income and corporate taxes and, where applicable, for VAT. Most foreign investors setting up business in Uganda tend to prefer to register as limited liability companies. These companies offer the same advantages to investors as corporate bodies in other countries. When they wind up, shareholders' liability for any deficiency is usually limited to the amount unpaid for the issued and/or called-up shares. Shares in any company may be transferred without affecting the continuity of the business. The Companies Act, 1964 (modelled on the UK Companies Act, 1948, before amendments), defines the various forms of legal incorporation.

Establishing a company of limited liability

The procedure for establishing a company in Uganda is usually simple and need not be initiated by a lawyer. To form a company, the founder members (promoters) must prepare and sign certain basic documents in the presence of witnesses, namely 'the Memorandum and Articles of Association'. These documents, together with other statutory forms, are submitted to the Registrar of Companies in Kampala in order to obtain a 'Certificate of Incorporation'. Once these steps are completed, the company is certified.

It takes about six weeks to form a company (from the time the decision to set it up is made to the time it can start operation), but the process can be speeded up. For a limited company, the law prescribes no minimum share capital. Moreover, a Ugandan company is not required to establish a legal reserve (a none distributable reserve built up from annual allocations of profit), as is the case in some other countries. Within six months of commencement of the accounting period, the company has to submit a provisional return invoice which contains an estimate of the income expected to accrue to the business during the accounting period. Detailed information on how to establish a company in Uganda is available from the UIA.

Exit

An investor is free to exit from a venture in accordance with the company law of Uganda. In practice, there are no obstacles to a company wishing to divest.

Ownership and property

Ownership

In general, there are no restrictions on the equity share that foreign nationals may hold in a locally incorporated company. Similarly, there are no rules or regulations restricting joint ventures between Ugandan and foreign investors. These issues are subject to mutual agreement between the partners. However, all such agreements must be registered with the Registrar General at a nominal fee. It should be noted that the Government is reviewing and updating the main commercial laws, including the laws regarding contracts, companies, competition, etc.

Intellectual property rights

Uganda is a member of the World Trade Organization (WTO) and the World intellectual Property Organization. (WIPO) and is bound by international agreements to respect the rights of individuals and firms with regard to intellectual property. The law governing all trademarks is the Trademarks Act of 1964, under which any mark may be registered for an initial period of seven years, renewable for subsequent 14-year periods. This law, which does not cover service marks, is under review to incorporate developments since enactment.

Literary, musical or artistic works, cinematic films, gramophone records and broadcasts are governed by the Copyright Act, 1964. The Act provides for the protection of broadcasts, published literary works, and musical or artistic works for a period of 50 years, and of published phonograph records and films for 45 years. There are concerns in particular from firms in the software industry that the law does not provide sufficient protection for more recent forms of intellectual property, such as those incorporated in software programmes. However, it is hoped that the Government will soon incorporate the WTO TRIPS agreement into the domestic legislation. All the relevant intellectual property laws are being revised in consultation with WIPO, and a law on electronic commerce, electronic evidence and computer crime is being prepared.

Patents are governed by the Patents Statute of 1991, which provides for the protection of inventions – products or processes that are either new or have an innovative component and are industrially applicable. A patent owner has the exclusive right to exploit his/her invention for 15 years and may have recourse to the courts for damages, injunctions or other measures if the right is infringed. The Statute bars holders of patent licences from engaging in anti-competitive practices.

Performance requirements

Foreign investors may be subject to a number of performance obligations that are not imposed on national investors. These obligations may include requirements as to size of investment, staff training and local employment, local procurement and environmental protection (UCTAD, 1999a). Perhaps the most common requirement relates to a minimum investment of $100,000 for foreign investors, which is intended to protect small local companies from foreign competition. However, while these requirements must be met by foreign investors in obtaining licences, the Investment Code itself does not contain any mandatory performance requirements.

Local content requirements

Investors are encouraged to make use of local materials whenever available, but there is no law restricting the use of imported materials. The Government does not get involved in assessing what raw materials investors are using as long as they are not a threat to the environment. It is also important to note that Ugandan industries are heavily dependent on imported inputs, and concessions on duties and taxes on imported raw materials are therefore available.

Technology transfer requirements

An agreement relating to technology transfer, or the provision of technical services abroad, is not effective unless it is registered. It must satisfy a number of criteria relating to its financial terms, training provisions, the continuity of access to know-how, and the avoidance of monopolistic practices (UNCTAD, 1999a). This provision may not be relevant in practice, since foreign investors are under no obligation to enter into technology transfer agreements with domestic partners.

Environmental requirements

Investors in Uganda are required to comply with environmental standards. The law governing the management of the environment is the National Environment Statute of 1995, and the principal regulatory agency for environmental matters is the National Environment Management Authority (NEMA), established in January 1996. The Statute requires all investors to carry out an environmental impact assessment (EIA) prior to the implementation of an investment project. Compliance with EIA requirements is enforced through the licensing regime. As a matter of principle, therefore, the licensing authority cannot issue a licence unless the developer of the project has produced a certificate of approval from NEMA.

Expatriate employees

Work permits are usually granted to key personnel of foreign enterprises approved to operate in Uganda. Any enterprise, whether local or foreign, can recruit expatriates for any category of skilled manpower where Ugandans are not available. In this case, however, the investor must prove the need for such employees. The UIA facilitates the acquisition of work permits for expatriates. Entry visas can be secured at a cost of $30.

Privatization, limitation and exclusion

Foreign direct investment is permitted in all industries. No general rules or regulations governing mergers and acquisitions have been formulated. The Public Enterprise Reform and Divestiture (PERD) statute regulates all acquisitions of public enterprises. In practice, the mode of privatization depends on the public enterprise involved. Foreign as well as local investors may participate in the privatization process without discrimination.

Regional or zonal restrictions

Investors are free to invest in any part of the country, as long as they observe local and environmental laws and do not construct factories in protected areas. Investors operating up-country are eligible for an initial investment allowance of 75% as an incentive.

Investment protection and standards of treatment

Expropriation

The investment code provides that the interests of a licensed investor may not be expropriated, except in accordance with the Constitution of Uganda of 1995, and that fair and adequate compensation must be paid within twelve months of any expropriation. The Constitution also provides for payment up-front. To protect foreign investment further, Uganda has signed various bilateral and multilateral agreements (mentioned earlier in this chapter).

Since the restoration of democracy in 1986, there has been no case of expropriation.

Revocation of license

An investment license may be revoked if a false statement is made in the application for the licence or if there is a breach of the provisions of the Investment Code, or of the terms and conditions of the licence. Revocation of licences is rare and the UIA relies on counselling to achieve corrective action. Since the enactment of the Investment Code in 1991, there have been no revocations involving foreign investors.

Settlement of disputes

The Investment Code permits international arbitration in a manner mutually agreed on by the parties. In addition, Uganda has entered into some investment agreements providing an automatic right to the nationals of treaty States to have recourse to international arbitration in the event of a dispute with the Government. The Centre for Arbitration and Dispute Resolution (CADER), created for the settlement of local disputes, is now operational. As already mentioned, Uganda is a signatory to the International Convention on the Settlement of Investment Disputes (ICSID).

National treatment

In general, the Investment Code 1991 and the Income Tax Act 1997 provide for benefits that accrue to all investors. However, there are exceptions. The Code and some other sectoral legislation allow for restrictions, including the recently enacted land legislation (the Land Act) that permits foreign investors to hold leasehold but not freehold land title, and the fulfilment of certain performance requirements in order to obtain an investment license.

The Investment Code may allow for other distinctions in the treatment of foreign and domestic investors. In practice, however, these have been of little relevance so far.

General standards of treatment

Uganda has made real progress in reforming key policies that affect the business climate for both foreign and local investors. To this end, it is also undertaking a comprehensive modernization of commercial law. In keeping with the overall update of the legal framework, the Uganda Law Reform Commission is spearheading a review of all major commercial laws. The review process, carried out in consultation with the private sector, has found no major gaps in the current laws, just a need to fine-tune them.

Exchanging and remitting funds

Uganda has one of the most open business environments anywhere on the African continent. All foreign-exchange controls have been abolished. In July 1997, capital-account controls were also removed. As a result, residents have access to foreign currency at market-determined exchange rates for all transactions. They may also hold bank accounts in foreign currency inside or outside Uganda. Capital flows freely in and out of the country, without restrictions.

Competition and price policies

Uganda takes a liberal stance with respect to competition and price setting. Open competition is encouraged and market forces are allowed to determine prices. There are few state monopolies and the Government does not interfere directly with the prices of commercial goods and services. There are currently no laws governing competition between firms. However, the ongoing review of commercial laws has produced a Draft Bill that has to go through the normal procedure of enactment. A comprehensive antitrust law is envisaged.

Regulations covering resale price maintenance or price differentiation have not been established yet. The new law envisaged will provide guidelines.

Fiscal and financial incentives

Tax exemptions

The Minister of Finance, under section 14 of the Finance Statute 1997, repealed section 25 of the Investment Code 1991 which provided for a 3-to-6-year tax holiday, and proposed a new incentive regime to replace the tax holiday facility. The new incentive regime is specified in the Income Tax Act, 1997, in sections 28 to 34, 36, 37 and 168. It should be noted that, under section 39 of the Income Tax Act 1997, regarding Carry Forward Losses, an assessed loss arising out of company operations, including the loss from the investment allowance, will be carried forward and allowed as a deduction in determining taxable income in the following year. The loss carry forward will continue until the company posts profits.

Financial incentives

The Bank of Uganda administers a number of credit programmes, including the European Investment Bank (EIB) – Apex Private Loan Scheme; the Bank of Uganda Export Refinance Scheme (ERS); and the Export Credit Guarantee Scheme (ECGS). More information on these schemes can be obtained from the UIA.

CATEGORY 1: Capital allowances/expenses (deductible once from a company's income)	PERCENTAGE
• Initial allowances on plant and machinery located in Kampala, Entebbe, Namanve, Jinja and Njeru	50
• Outside Kampala, Entebbe, Namanve and Jinja area	75
• Start-up costs spread over the first 4 years;	25 p.a.
• Scientific research expenditure	100
• Training expenditure	100
• Mineral exploration and exploitation expenditure	100
• Initial allowance on new industrial buildings (including tourism facilities – hotels and lodges) Effective 1 July 2000	20
CATEGORY 2: Deductible annual allowances Depreciable assets specified in 4 Classes (sixth schedule) under the declining balance method	
• Class 1: Computers and Data handling equipment	40
• Class 2: Automobiles (up to 7 tonnes), Construction and Earth moving Equipment	35
• Class 3: Buses, goods vehicles, tractors, trailers, plant and machinery for farming, manufacturing and mining	30
• Class 4: Railroad cars, locomotives, vessels, office furniture, fixtures etc.	20
CATEGORY 3: Other annual depreciation allowances	
• Industrial buildings, hotels and hospitals(using the straight line method)	5
• New commercial buildings constructed after 1 July 2000 (using the straight line method)	5
• Farming - general farm works (Class 4 assets under sixth Schedule pan 1) (declining balance depreciation)	20
• Horticulture (horticultural plant and construction of green houses) (Straight line depreciation)	20

Source: Ministry of Finance.

Trade

Uganda has an open-door policy with respect to imports. Most goods are importable into Uganda from any country in the world. Restrictions are placed only on imports of narcotic drugs, arms and ammunitions, and other dangerous substances, in keeping with international practice.

Uganda's tariff scheme is simple. Goods sourced from outside the EAC and COMESA are charged a duty of 7 or 15% depending on the category of the goods imported. On the other hand, goods sourced from within the EAC and COMESA attract import duty of 4 or 6%, again depending on the category they fall in. Most value-added goods are also subject to a VAT of 17%. A few value-added imports are also charged an average of 10% in excise duty. However, the situation is likely to change once the negotiations on the protocol for the establishment of the East African Customs Union are completed in 2004.

Real estate

The Constitution of 1995 vests the right to all land in the citizens of Uganda. Foreign nationals may own land only in a joint venture with a majority local shareholder. There are four land-tenure systems under which land may be held.

- Freehold tenure: This is the holding of registered land in perpetuity subject to statutory and common-law qualifications.
- Leasehold tenure: This is the holding of land for a given period from a specified date of commencement, on such terms and conditions as may be agreed by the lessor and lessee. The lessee enjoys exclusive possession of the land for a specified duration in consideration of a cash payment called a premium and an annual rent which is normally 10% of the premium.
- Customary tenure: This is the holding of land by an individual or community on former public land in accordance with the customs and traditions of a given community.
- Mailo tenure: This is the holding of registered land in perpetuity, having its roots in the allotment of land pursuant to the provisions of the 1900 Uganda Agreement and subject to statutory qualifications.

The land available to investors falls into three categories:

- Public land: Available through municipal councils and the District Land Commissions. Both locals and foreigners may lease public land. All municipalities apart from Kampala and Mbale have land available for leasing.
- Leased land: Available from the Buganda Land Board and other landlords.
- Freehold land: Available from private individuals for sale.

Applications for land have now been standardized under the new Land Act. All towns and municipalities are required to follow the new guidelines. Each district has a Land Board. The developer, with or without the assistance of the land supervisor, identifies the land suitable for development and completes an application form, which he submits to the District Land Board, through the Town Clerk's office, for consideration. After a decision to allocate is made, a certificate of allocation is issued. The developer can then process a lease or transfer title depending on the type of control of land acquired. This process generally takes two to three months.

"The Eastern Africa Association, which counts some 50 major foreign investors in Uganda among its 170 members, is encouraged by the efforts made by the Government to create a business-friendly environment. Not only does the country have one of the most liberal investment regimes in the region, it is also working on the other basic conditions for attracting more investment: political stability, sustainable growth, a sound financial system, an independent judiciary and efficient infrastructure. We believe that the economic prospects remain bright and that Uganda continues to offer tremendous opportunities for both local and foreign investors. "

J. C. Small, Chief Executive, The Eastern Africa Association.

Private-sector perception

V

This chapter summarizes the results of consultations with the private sector in Uganda (both foreign and domestic) carried out in late 2000. These consultations included a closed session with investors during a workshop in Kampala and the use of a brief questionnaire. Some 35 representatives of the business community participated in the workshop. The summary presented below is based on the questionnaire responses as well as on informal interviews and discussions outside the workshop. It should be regarded as no more than indicative of private-sector opinion in Uganda.

General observations

When asked to name the most attractive features of Uganda as an investment location, the following were mentioned most frequently: political stability, the Government's commitment to a business-friendly environment, and the country's fertile soil and pleasant climate. Other assets mentioned included the liberal foreign-exchange regime, the recent improvement in telecommunications and utilities generally, and the friendly, trainable and motivated people.

When asked to name the items that most needed Government attention, the following were mentioned most often: infrastructure (in particular transport), security (currently affected by cross-border conflicts and rebel movements in some areas) and a more efficient and professional tax administration. Corruption, access to capital (for local firms in particular) and red tape were also frequently mentioned.

Nonetheless, despite these and other difficulties, some of which are described in greater detail below, investors felt that the Government was making steady progress in addressing their concerns.

Specific points

The political and economic climate

Many foreign firms noted that Uganda offered a stable, coherent and predictable environment. Despite some claims that the Government had occasionally promised more than it could deliver, there was consensus that it was strongly committed to helping investors – domestic as well as foreign – make their businesses work. The Government was mostly open to dialogue with the private sector and, while problems persisted in a number of areas – for example, the lack of responsiveness in the lower echelons of Government – most participants acknowledged that there was a perceptible shift in the right direction. The liberal exchange-rate regime was seen as important evidence of the Government's liberal economic policy, while the freedom of the media testified to the open political environment.

Many investors were pleased with the dynamism of the economy. However, others noted that this growth did not necessarily translate into a growth in demand for their products. Some were unhappy about the low purchasing power of the local market and the slow pace of regional integration, which made it difficult for them to tap into the potential of neighbouring markets.

Many companies felt that Uganda's involvement in regional conflicts worsened the country's investment climate, not least in tourism. The conflict diverted resources from areas in urgent need such as infrastructure and spurred conflicts on Ugandan soil.

Taxation

Few complained about the *level* of taxation; many about the administration of taxes. The Uganda Revenue Authority (URA) was widely seen as inefficient. Some participants found the URA's tax assessments excessive and unfair. Others felt that the Authority tended to focus on the larger taxpayers in efforts to meet quotas. On the positive side, some participants noted that the recently established Tax Appeals Tribunal (TAT) was a sign of progress.

Workforce

Most investors found the Ugandan workforce trainable and motivated. Opinion was divided on the question of the shortage of skilled employees. Foreign companies, in particular, said that they had difficulties recruiting sufficient numbers of skilled employees, especially for technical and managerial posts, including those of computer specialists. Yet others complained that many candidates were over-qualified in a formal sense but lacked practical skills and experience. In general, the workforce was thought to have a relatively high level of formal education as well as the right attitude, although a number of investors expressed concern over the incidence of theft and fraud. Wage levels were competitive and there was no mention of problems in industrial relations.

Finance

High interest rates and inadequate access to working capital were seen as major obstacles, in particular for local businesses. Only a minority of companies found that there had been an improvement in this area. Some participants also noted that the financial sector was much too focussed on the capital, Kampala, with only one bank offering country-wide services through a large network of affiliates. Another, less frequently mentioned, aspect of what was seen as an under-developed capital market was the lack of financial instruments such as bank guarantees.

Infrastructure and utilities

There was consensus that Uganda had made great improvements in recent years in the areas of telecommunications and, most recently, in power generation and distribution. In telecommunications, the advent of the mobile phone represented a substantial plus. In electricity, the incidence of power failures had been substantially reduced. Although entrepreneurs wanted to see further progress in these areas, their concerns focussed mainly on transport. This included railways, waterways, and road and air traffic. Transport by rail, especially from the seaports in neighbouring Kenya, was seen as extremely slow and unreliable. Much the same was true of the administration and facilities in these ports. In land transport, many companies were basically satisfied with the quality of the main roads but identified feeder roads in rural areas as major bottlenecks, affecting agro-business in particular. Several investors felt that logistical costs were much too high in Uganda.

Red tape and corruption

Corruption was a frequently mentioned problem. There were complaints not only in relation to the executive (police, customs, etc.) but also in relation to the judicial system, which was described as cumbersome and slow-moving. However, investors noted that Uganda fared no worse in this regard than neighbouring countries and possibly better. It was also recognized that the Government had made efforts to improve the situation and that the problem was openly discussed.

Others

Most investors seemed satisfied with the assistance provided by the Uganda Investment Authority. A number of companies noted, however, that the services of the UIA needed to be extended to secure improved coverage of regions beyond the capital. Some companies mentioned illegal imports as a serious problem, which led to unfair competition for local producers. As for intellectual property rights, one firm complained that current laws in Uganda were obsolete and did not provide sufficient protection for new products such as software and videotapes. The restriction against foreigners owning land was mentioned by some as a problem, especially by companies in the agricultural sector, but others found the current legislation, which allowed foreigners to lease land for up to 99 years, quite satisfactory. Other issues mentioned included the absence of small denomination coins (e.g., Ushs 50) which in effect restricted the limited purchasing power of poor consumers even further.

Appendix 1

Priorities and restrictions

In principle, all sectors are open for FDI. However, any foreign investor who engages in any of the following activities will not be entitled to investment incentives:

- Wholesale and retail commerce
- Personal service sector
- Public relations business
- Car hire service and operation of taxis
- Bakeries, confectioneries and food processing for the Uganda market only
- Postal and telecommunication services
- Professional services

Appendix 2

Major foreign investors

	Name	Country of origin	Business	Address
1.	Allied Bank International (U) Ltd Mr Kwame Ahadzi Managing Director	Belgium	Banking services	45 Jinja Road P.O. Box 2750, Kampala Tel. 256 (41) 250821/3 Fax 256 (41) 230439 E-mail: kwane.ahadzi@alliedbank.co.ug or allied@starcom.co.ug
2.	Bakhresa Grain Milling (U) Ltd Mr Mohamed Said Salim Bakhresa Managing Director	Tanzania	Wheat milling	P.O. Box 22844, Kampala Tel. 256 (41) 223 917 Fax 256 (41) 286 333 E-mail: bakhresa@spacenet.co.ug
3.	Balton (U) Ltd Mr S. Veef Managing Director	United Kingdom	Fumigation of export products	Plot 47/51 Kabira Road P.O. Box 852, Kampala Tel. 256 (41) 255852 Fax 256 (41) 255853 E-mail: balton@balton.co.ug
4.	Barclays Bank Mr Frank Griffins Managing Director	United Kingdom	Banking services	Plot 16, Kampala Road P.O. Box 7101, Kampala Tel. 256 (41) 230972, 230976 Fax 256 (41) 259467
5.	BIDCO (U) Ltd Mr Kodey Rao Managing Director	Kenya	Growing and processing palm oil	Plot 4B, Mabuwa Road, Kololo P.O. Box 24933, Kampala Tel. 256 (31) 263925 Mob. 256 (75) 650548 Fax 256 (31) 263927 E-mail: bidco.ug@bidco-ug.com
6.	Britania Allied Industries Mr Vinay Dawda Managing Director	Libya	Cosmetics & confectionary products	P.O. Box 7518 Ntinda, Kampala Tel. 256 (41) 332000 256 (31) 260355 Fax 256 (41) 505701, 286471 E-mail: bpl@dawda.co.ug
7.	Caltex Oil Uganda Ltd Mr Alain Young Managing Director	United States	Marketing & distribution of petroleum products	Plot 7, 7th Street, Industrial Area P.O. Box 7095, Kampala Tel. 256 (41) 231661 Mob. 256 (77) 501496 Fax 256 (41) 236643, 342369 E-mail: youngat@chevrontexaco.com
8.	Canmin Resources Limited Mr Hans I.M. Hansen Managing Director	Canada	Mining of vermiculite	P.O. Box 1417, Kampala Tel/Fax 256 (41) 268 994, 268063 Mob. 257 (77) 412171, 710930 E-mail: canmin@africaonline.co.ug
9.	Celtel Uganda Limited Mr Lars Andasen Managing Director	Switzerland	Cellular telephones	Celtel House 40 Wampewo Avenue P.O. Box 6771, Kampala Tel. 256 (41) 230110 Fax 256 (41) 230106
10.	Century Bottling Company (Coca Cola) Mr David France Managing Director	South Africa	Manufacture of soft drinks	Namanve Ind. Area P.O. Box 3990, Kampala Tel. 256 (41) 221445, 222691 256 (31) 236500 Fax 256 (41) 221145, 221448 E-mail: coke@starcom.co.ug

11.	Citibank Mr Nadeem Lodhi Managing Director	United States	Banking	Center Court Building, Plot 4, Ternan Avenue P.O. Box 7505, Kampala Tel. 256 (41) 340945/9 256 (31) 262042/4 Fax 256 (41) 340624 E-mail: nadeem.lodhi@citigroup.com
12.	Concorp International Real Estates Ltd	Sudan	Property development	P.O. Box: 9010, Kampala Tel. 256 (31) 285176 Fax 256 (41) 220474 E-mail: concorp@starcom.co.ug
13.	Crown Beverages (U) Ltd (Pepsi cola) Mr Amos Nzei Chairman	United States	Manufacture of soft drinks	M214, Jinja Road Nakawa Industrial Area P.O. Box 20021, Kampala Tel. 256 (31) 343100 Fax 256 (31) 343250
14.	Development Finance Company of Uganda Mr Colin McCormack Managing Director	United Kingdom	Development finance	DFCU Group Rwenzori House 1 Lumumba Avenue P.O. 2767, Kampala Tel. 256 (41) 256125, 232212 256 (41) 234283/4 Fax 256 (41) 257684,259435 E-mail: dfcu@dfcugroup.com Website: www.dfcugroup.com
15.	Eskom Enterprises Africa Mr Paul Mare Managing Director	South Africa	Power generation	P.O. Box 28802, Kampala Tel. 256 (41) 233833 Mob. 256 (77) 516466 E-mail: eskom@africaonline.co.ug
16.	Golf Course Holdings Ltd Mr A.S. Birdee Managing Director	Kenya	Shopping centre	Plot 5 Makindu Close P.O. Box 22774, Kampala Tel. 256 (41) 258906 Fax 256 (41) 252352 E-mail: golf@africaonline.co.ug
17.	Golf Course Investment Ltd Mr A.S. Birdee Managing Director	Kenya	Serviced appartments	Plot 5 Makindu Close P.O. Box 22774, Kampala Tel. 256 (41) 342 745, 342 769 Fax 256 (41) 235 674 E-mail: golf@africaonline.co.ug
18.	Hima Cement Industries Mr Mbuvi Ngunze Managing Director	United Kingdom	Manufacture of cement & construction items	Center Court Building Plot 17/19, Ternan Avenue P.O. Box 7230, Kampala Tel. 256 (41) 345898, (31) 213100/2 Fax 256 (41) 345901 E-mail: himakla@starcom.co.ug
19.	Hwan Sung Industry Ltd Mr Hwan Sung Managing Director	Republic of Korea	Manufacture of styrofoam boxes and fish processing	P.O. Box: 7628, Kampala Tel. 256 (41) 285684, 285355 256 (41) 285357 Mob. 256 (77) 789136 Fax 256 (41) 286389 E-mail: hsltd@hwansungug.com
20.	Ibero (Uganda) Ltd (Neumann Kaffee Gruppe) Mr Andrew G. Speakman Managing Director	Germany	Coffee	7th Street, Industrial Area P.O. Box 23139, Kampala Tel. 256 (41) 342619/21/29 Fax 256 (41) 342646 E-mail: admin@ibero.co.ug
21.	Kasese Cobalt Company Ltd Mr Pradeep Gupta Managing Director	Canada	Extraction	Off Kasese – Mbarara Road P.O. Box 524, Kasese Tel. 256 (38) 412000 Fax 256 (38) 412014 E-mail: Pradeep.gupta@kccl.co.ug

22.	Kato Aromatic (U) Ltd Mr Ismail Tamale	Egypt	Real estate development	Conrad Plaza 22 Entebbe Road P.O. Box 8526, Kampala Tel. 256 (41) 230 127 Fax 256 (41) 230 142 E-mail: tmx41@hotmail.com
23.	Kaweri Coffee Plantation (Neumann Kaffee Gruppe) Mr Andrew G. Speakman Managing Director	Germany	Coffee growing & processing	P.O. Box 264, Mubende Tel. 256 (36) 600600 Fax 256 (36) 600610 E-mail: admin@kaweri.com
24.	Kuehne & Nagel (U) Ltd	Sweden	Clearing and forwarding	52 Jinja Road 1st Floor Kitgum House P.O. Box 16152, Kampala
25.	Kyagalanyi Coffee Factory Mr David Barry Managing Director	Switzerland	Coffee	Plot 8, Nakasero close Tel. 256 (41) 251447, 236943 Fax 256 (41) 230145 E-mail: kcl@kyagalanyi.com
26.	Mada Holdings (U) Ltd Mr Ole Kerore Managing Director	Kenya	Hotel & catering	Plot M130, Kimaka Road P.O. Box 1553, Kampala Tel. 256 43 122581 Fax 256 43 122190/2 E-mail: nileresort@source.co.ug
27.	MTN (Uganda) Ltd Mr Nowel Meier Chief Executive Officer	South Africa	Telecommunications	UDB Tower 22 Hannington Road P.O. Box 24624, Kampala Tel. 256 (31) 212333 Fax 256 (31) 212056 E-mail: cs@mtn.co.ug
28.	Nakasero Soap Works Ltd Mr Suresh Tunner Managing Director	United Kingdom	Manufacture of soap	P.O. Box 218, Kampala Tel. 256 (41) 220 449, 505765 Fax 256 (41) 505766 E-mail: nsw@utlonline.co.ug
29.	Nile Breweries Ltd (South Africa Breweries) Mr Davie Nemandt Managing Director	South Africa	Beer brewing	6/10 Portbell Road, Luzira P.O. Box 1345, Kampala Tel. 256 (31) 210008, 240120 Or P.O. Box 762, Kampala Tel. 256 (33) 210009, 240200 E-mail: nilebrew@nilebrew.com
30.	Petro Uganda Ltd Mr James Turner Chief Executive Officer	Kenya	Marketing & distribution of petroleum products	Petro House Plot 2, Sembule Road, Nalukolongo P.O. Box 28903, Kampala Tel. 256 (41) 270918,280980 Mob. 256 (77) 220088 E-mail: info@petrougbushnet.net
31.	Phenix Logistics Ltd Mr Yuichi Kashiwada Managing Director	Japanese	Textile	Plot 100-2, 5th Street, Industrial Area P.O. Box 4378, Kampala Tel. 256 (41) 344479 Fax 256 (41) 344162 E-mail: phenix@utlonline.co.ug
32.	PriceWaterhouseCoopers	United Kingdom	Consultancy	Communications House, Floor 10 Plot 1, Colville Street P.O. Box 882, Kampala Tel: 256 (41) 236018 Fax: 256 (41) 230153 E-mail: pwcug.general@ug.plucglobal.com
33.	Roko Construction Ltd Mr Koehler Rainer Managing Director	Switzerland	Manufacture of furniture & pre-cast concrete	Plot 160 Bombo Road Kawempe Zone P.O. Box 172, Kampala Tel: 256 (41) 567331, 567305 Fax: 256 (41) 567784 E-mail: roko@imul.com

34.	Roofings Ltd Mr Sikander Lalani Managing Director	United Kingdom	Iron sheets, steel plates, tubes, wire	Lubowa Estates Plot 126 Entebbe Road P.O. Box 7169, Kampala Tel. 256 (41) 200952, 200070 256 (31) 340100, 340123 Fax 256 (41) 346593 E-mail: roofing@roofing.com
35.	Rwenzori Courts Ltd	Uganda	Property development	Plot 1 Lumumba Avenue P.O. Box 2767, Kampala Tel. 256 (41) 235030/234898
36.	Rwenzori Highlands Tea Company Ltd Mr Laurie Davies Chief Executive Officer	United Kingdom	Various tea estates	Crusader House P.O. Box 7790, Kampala Tel. 256 (41) 251599 Fax 256 (41) 251599 Or P.O. Box 371, Fort Portal Tel. 256 (38) 420000 Fax 256 (38) 422362 E-mail: central@rhtc.co.ug
37.	Shell (U) Ltd Mr Ivan Kyayonka Country Chairman	United Kingdom	Marketing & distribution of petroleum products	7th Street Industrial Area P.O. Box 7082, Kampala Tel. 256 (41) 254060 Fax 256 (41) 256063/255560 E-mail: shell.u.customer@sul.shell.com
38.	Shoprite Checkers (U) Ltd Mr Jack Ekers Managing Director	South Africa	Supermarket	Plot 1/3/5 Ben Kiwanuka Street P.O. Box 34015, Kampala Tel. 256 (31) 228100 Fax 256 (31) 228210 E-mail: 9266@shoprite.co.za
39.	Southern Range Nyanza Ltd Mr Kishor Jobanputra Director	Singapore	Manufacture & sale of textile, fabrics, etc	P.O Box 1025, Kampala Factory based in Jinja Tel. 256 (43) 123181, 121161 Mob. 256 (71) 709524 Fax 256 (43) 123151 E-mail: info@nytil.com
40.	Speke Hotel Ltd Mr Michael Barboza Managing Director	United Kingdom	Hotel & catering	7/9 Nile Avenue P.O. Box 7036, Kampala Tel. 256 (41) 259 221/ 235 332 Fax 256 (41) 235345 E-mail: Speke@spekehotel.com
41.	Stanbic Bank (U) Ltd Mr Kitili Mbathi Managing Director	South Africa	Banking	45 Kampala Road P.O. Box 7131, Kampala Tel. 256 (41) 230 811/231152 Fax 256 (41) 231 116 E-mail: stanbic@starcom.co.ug
42.	Standard Chartered Bank Mr David Cutting Managing Director	United Kingdom	Banking	Plot 5, Speke Road, Standchart Building P.O. Box 7111, Kampala Tel. 256 (41) 258211, 258217 Fax 256 (41) 231473, 342875 E-mail: acb.Uganda@ug.standardchartered.com
43.	The Nation Group (The Monitor Newspaper) Mr Wafula Oguttu Managing Director	Kenya	Media	Plot 29-35, 8th Street Namuwongo Industrial Area P.O. Box 12141, Kampala Tel. 256 (41) 232367, (31) 260018 Fax 256 (41) 232369 E-mail: marketing@monitor.co.ug

44.	Tororo Cement Industries Mr Gagrani Financial Controller	Kenya	Manufacture of cement & construction items	P. O. Box 74 Tororo Tel. 256 (45) 44594 Fax 256 (45) 42278, 45084 Or P.O. Box 22753, Kampala Tel. 256 (41) 250065, 344578 Fax 256 (41) 344564 E-mail: tci@africaonline.co.ug
45.	Total Uganda Ltd Mr Leopold Tzeuton Managing Director	France	Sale & distribution of petroleum products	8th Street Industrial Area P.O. Box 3079, Kampala Tel. 256 (41) 23131/2/3 Fax 256 (41) 231338 E-mail: totaluganda@totaluganda.co.ug
46.	Uganda Baati Ltd Mr Paul Data Managing Director	United Kingdom	Iron sheets & roofing accessories	P.O. Box 3554, Kampala Tel. 256 (41) 254108/9 256 (31) 260962 Fax 256 (41) 344602 E-mail: ubl@imul.com
47.	Uganda Bata Shoe Co. Ltd Mr Jakubel Paul Managing Director	Canada	Footwear	P.O. Box 422, Kampala Tel. 256 (41) 234692, 233373 Mob. 256 (77) 417447 Fax 256 (41) 341380 E-mail: batakampala@imul.com
48.	Uganda Breweries (U) Ltd Mr Christopher Emptage Managing Director	Kenya	Brewing of Beer	Plot 03/17 Portbell Luzira P.O. Box 7130, Kampala Tel. 256 (41) 210011 256 (31) 223200 Fax 256 (41) 504587
49.	Uganda Telecoms Ltd Mr Mpore Managing Director	Germany, Uganda	Telecommunications	Rwenzori Courts 1 Lumumba Avenue P.O. Box 7171, Kampala Tel. 256 (41) 333202, 333430 256 (41) 333451 Fax 256 (41) 345907 E-mail: info@utl.co.ug
50.	Uganda Tobacco Processors Ltd Mr Shane De Beer Chief Executive Officer	United Kingdom	Cigarettes	Plot 69/71 Jinja Road P.O. Box 20087, Nakawa, Kampala Tel. 256 (41) 200219, 343232 Fax 256 (41) 343233/233070 E-mail: batu@starcom.co.ug
51.	Unilever (U) Ltd Mr Navin Popat Managing Director	Netherlands, United Kingdom	Food and household products	10/12 Nyondo Close P.O. Box 3515, Kampala Tel. 256 (41) 343547, 345103, 256 (41) 255256 256 (31) 226100 Fax 256 (41) 342445 256 (31) 226271 E-mail: navim.popat@unilever.com

Source: UIA, 2004.

Appendix 3

Sources of further Information

Uganda Investment Authority
Plot 28, Kampala road
P.O. Box 7418, Kampala
Tel. 256 (41) 251562/5, 251 (41) 234109
Fax 256 (41) 342903
E-mail: info@ugandainvest.com

Public sector

Capital Markets Authority (CMA)
76/78 William Street
Bank of Uganda Building
P.O. Box 24565, Kampala
Tel: 342788, Fax: 342803
E-mail: cma@starcom.co.ug

Uganda Export Promotion Board (UEPB)
5th Floor Conrad Plaza
Entebbe Road
E-mail: uepc@starcom.co.ug

Uganda National Bureau of Standards (UNBS)
Plot M127 Nakawa Industrial Area
P.O. Box 6329, Kampala
Tel: 222367/9

Uganda Securities Exchange (USE)
East African Development Bank Building
P.O.Box, Kampala
Tel: 342818, Fax: 342841
E-mail: use@infocom.co.ug

Uganda Tourist Board (UTB)
IPS Building, 14 Parliament Avenue
P.O. Box 7211, Kampala
Tel: 242196/7, Fax: 242188

Private sector

Eastern Africa Association (EAA)
Resident Representative in Uganda:
Ulrike Wilson
P.O. Box 10829, Kampala,
Tel/Fax: 222985, mobile: 077-402208
E-mail: muwilson@infocom.co.ug

Federation of Uganda Consultants (FUCO)
Plot 38 Lumumba Avenue
Kampala
Tel: 251810, Fax: 250968

Federation of Uganda Employers (FUE)
Management Training and
Advisory Campus Nakawa
P.O. Box 3820, Kampala
Tel: 220201, 220389, Fax:221257

Institute Of Certified Public Accountants
of Uganda (ICPAU)
P.O. Box 12464, Kampala
Tel: 540125/6

Private Sector Foundation of Uganda (PSFU)
Plot 43, Nakasero Road
P.O. Box 7683, Kampala
Tel. 256 (41) 230956, 342163
Fax 256 (41) 259109
E-mail: psfu@psfuganda.org

Procurement and Logistics
Management Association (PALMA)
P.O. Box 1560, Kampala
Tel: 255553, 235719

Security Commodities Exchange
Brokers & Dealers Association
P.O. Box 8109, Kampala
Tel: 285967, 235395, Fax: 258539

Uganda Coffee Trade Foundation (UCTF)
Plot 35 Jinja Road
P.O. Box 21679, Kampala
Tel: 343678, Fax: 343692

Uganda Commercial Farmers Association
P.O. Box 1367, Kampala
Tel: 344393

Uganda Flowers' Exporters' Association
Nile Hotel
P.O. Box 30848,
Tel: 258080, Fax: 257824

Uganda Grain Exporters Association
P.O. Box 1216, Kampala

Uganda Importers and Exporters Association (UGIETA)
P.O. Box 23579, Kampala
Tel: 347398

Uganda Insurers Association (UIA)
Shell House, Kampala Road
P.O. Box 8912, Kampala
Tel: 230469

Uganda Manufacturers Association (UMA)
Lugogo Show Grounds
P.O. Box 6966, Kampala
Tel: 221034, 220698, Fax: 220285

Uganda National Chamber of
Commerce and Industry (UNCCI)
Jumbo Plaza, Parliament Avenue
Tel: 256 (41) 503036
Fax: 256 (41) 230310/503036
uganda-ncci@utlonline.co.ug

Uganda Quarries Operations Association
P.O. Box 30217, Kampala
Tel: 268490, Fax: 531969

Uganda Small Scale Industries Association (USSIA)
Lugogo Show Ground
P.O. Box 7725, Kampala
Tel: 221785
E-mail: USSIA@starcom.com.ug.

Uganda Women Entrepreneurs Association
Limited (UWEAL)
P.O Box 10002, Kampala
Tel: 343952

Other

Agribusiness Development Centre (ADC)
Plot 18 Prince Charles Drive, Kololo
P.O. Box7007, Kampala
Tel: 255482/3, 255468/9, Fax: 250360
E-mail: ideaproject@usaid.gov
Adc@mail.stacom.co.ug

Danida Private Sector Development Programme
Royal Danish Embassy
P.O.Box 11243, Kampala
Tel: 256687, 250938, 250926, 256783
Fax: 254976
E-mail: danimark@imul.com

Development Finance Company of Uganda (DFCU)
Rwenzori House
P.O. Box 2767
Tel: 256126, 232212, 244059, Fax: 259435
Telex: 61196
Cable: DEVFINANCE

East African Development Bank (EADB)
4 Nile Avenue
P.O. Box 7128, Kampala
Tel: 230022/3, Fax: 259763
Telex: 61074 EADEVBANK

European Union Small Scale Enterprise
Development Programme in the Urban Sector
(SSEDP)
24 B Lumumba Avenue
P.O. Box 10790, Kampala

Uganda Development Bank (UDB)
IPS Building, 14 Parliament Avenue
P.O. Box 7210, Kampala
Tel: 230740/5, Fax: 258571
Telex: 61143, Cable: DEVBAK

Uganda Leasing Company Limited
5th Floor, Rwenzori House
Lumumba Avenue
P.O. Box 21032, Kampala
Tel: 234283/4/5, Fax: 257684
E-mail: uganda.leasing@imul.com

Relevant websites in Uganda

Uganda Investment Authority (UIA)	http://www.ugandainvest.com
Uganda Bureau of Statistics (UBOS)	http://www.ubos.org/
The New Vision (Daily Newspaper)	http://www.newvision.co.ug/
The Monitor (Daily Newspaper)	http://www.monitor.co.ug
Uganda Manufacturers Association (UMA)	http://www.uma.co.ug/
Eastern Africa Association (EEA)	http://www.eaa-Lon.co.uk/

Appendix 4

List of Public Holidays in 2004

Name of Holiday	Date
New Year's day	1 January
NRM Day	26 January
Eid-ul-hadj	5 March
Womens Day	8 March
Good Friday	13 April
Easter Monday	16 April
Labour Day	1 May
Martyrs Day	3 June
Heroes Day	9 June
Independence Day	9 October
Christmas	25 December
Eid-ul-fitr	(date not yet determined)

Appendix 5

Privatization

Public enterprises not yet privatized *(as of June 2004)*

Name of company	Sector/product of service
Uganda Railways Corporation	Railway transport
National Water & Sewerage Corporation	Water & sewerage
Kinyara Sugar Works Limited	Sugar
National Housing & Construction Corporation	Real estate
National Insurance Corporation	Insurance services
New Vision Printing & Publishing Corporation	News papers & printing services
Kilembe Mines Limited	Copper
Uganda Development Bank	Banking services
Uganda Development Corporation *(with two projects: Lake Katwe Project & Uganda Phosphates Project)*	Mining
Dairy Corporation Limited	Dairy
Mandela National Stadium	Sports complex
National Enterprise Corporation	Variety of products
Kyempisi Ranch	Livestock

Appendix 6

Major laws and regulations affecting foreign investment

NAME	AREA
(a) Investment	
Investment Code Act (Cap 92) Laws of Uganda 2000	Law governing investment
(b) Trade, Taxation, Finance and Insurance	
Companies Act (Cap 110) Laws of Uganda 2000	Law governing registration and operation of companies
Income Tax Act (Cap 340) Laws of Uganda 2000	Law governing taxation
Exchange Control Act (Cap171) Laws of Uganda 2000	Law governing foreign exchange
Financial Institutions Act (Cap 54) Laws of Uganda 2000	Law governing financial institutions
Insurance Act (Cap213) Laws of Uganda 2000	Law governing Insurance
(c) Labour, Immigration and Citizenship	
Employment Act (Cap 219) Laws of Uganda 2000	Law regulating employment
Immigration Act (Cap 63) Laws of Uganda 2000	Law governing immigration
Uganda Citizenship Act (Cap 65) Laws of Uganda 2000	Law governing citizenship
Uganda Citizenship and Immigration Control Act (Cap 66)	Law governing citizenship and laws of Uganda immigration
(d)The Environment and Land	
The National Environment Act (Cap 153) Laws of Uganda 2000	Law governing environmental protection and natural resources
The Land Act 1998	Law governing ownership of land
Registration of Titles Act (Cap 230) Laws of Uganda 2000	Law governing Registration of land
(e) Trademarks	
Trademarks Act (Cap 217) Laws of Uganda 2000	Law governing trademark protection
	Protection and regulation related to unfair business competition
(f) Contracts and Arbitration	
Contract Act (Cap 73) Laws of Uganda 2000	Law governing contracts
The Arbitration and Conciliation Act 2000	Law governing arbitration

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_____________ (1998). *World Investment Report 1998: Trends and Determinants*, United Nations publication, sales No. E.98.11.D.5.

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