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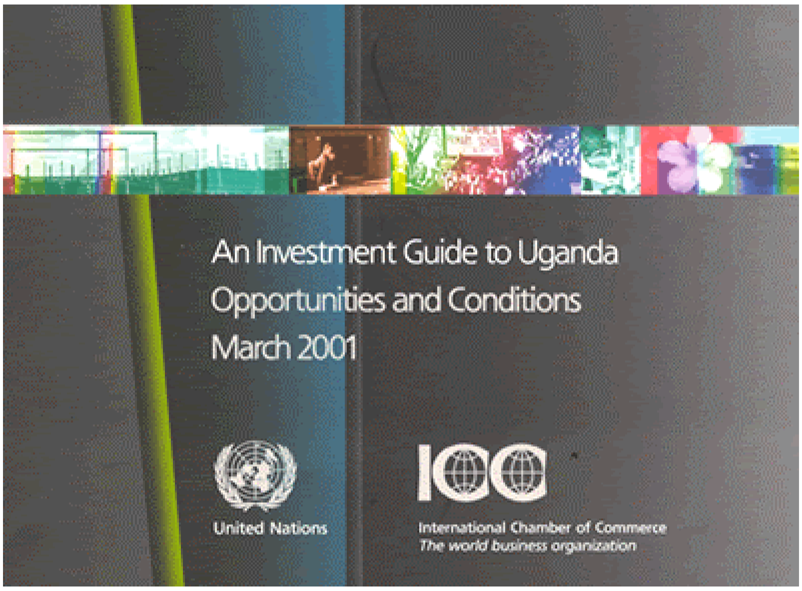
Internet Edition

Uganda



UNITED NATIONS
New York and Geneva,2001

The UNCTAD-ICC Series of Investment Guides

PUBLISHED

- *An Investment Guide to Ethiopia**
- *Guide d'investissement au Mali**
- *An Investment Guide to Bangladesh*
- *An Investment Guide to Uganda*

*In co-operation with PricewaterhouseCoopers. *An Investment Guide to Mali,* the English translation of the *Guide d'investissement au Mali,* is expected to be published in 2001.

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AN INVESTMENT GUIDE TO UGANDA

Opportunities and Conditions
March 2001

UNITED NATIONS
New York and Geneva, 2001

UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the investment, trade and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership currently includes 190 member States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

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The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping thousands of member companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Note

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

Reference to "dollars" ($) means United States dollars, unless otherwise indicated.

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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.

The project of which this publication – *An Investment Guide to Uganda* – is the fourth concrete product is a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). Its objective is to bring together two parties with complementary interests: *firms* 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 each guide. 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 foreign investment.

Rubens Ricupero
Secretary General
UNCTAD

Maria Livanos Cattaui
Secretary General
ICC

Acknowledgements

A great many individuals and institutions have contributed to this project and to the production of this guide. Although space precludes listing all contributors, the following merit special mention: the donors whose financial contributions made the project possible, specifically the Governments of China, Finland, France, India and Norway; 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, the project consultant in Uganda.

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 advisors both internal and external, by an UNCTAD-ICC project team that included Vishwas P. Govitrikar, Ludger Odenthal, Torbjörn Fredrikson, Åsa Fennessy, Chantal Rakotondrainibe and Aleksandar Stojanoski. Overall guidance was provided by Karl P. Sauvant and Martin Wassell.

Note to the reader

This booklet 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 further 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. The next three chapters account for the bulk of the contents. 'The Investor's Environment' describes the general conditions in which investors must operate: macro-economic 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 feedback received from the private sector in the workshop that preceded the finalization of the guide.

The primary source of further information for an investor wishing to explore investing in Uganda is the Uganda Investment Authority – see Box IV.1 on page 42. Contact details of other selected sources of information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of major foreign investors in Uganda.

Executive summary

A distinctly pro-business climate

Uganda's political and economic development in the past 14 years has been remarkable. The country has risen from the ruinous regimes of Idi Amin Dada 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. Uganda 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, etc.), 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 to 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 Murchinson 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 in the 1990s. This offers plenty of opportunities for tour and hotel operators.

"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."

Sanjeev Anand, Managing Director, Citibank Uganda Limited

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 SSA 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 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 as major problems by foreign investors. 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 land-locked 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 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)
Population	20.9 million
Population density	105/sq km
Area	241,000 sq km (of which 44,000 sq km are covered by freshwater bodies)
Official language	English
Religion	89% Christian, 11% Muslim
Time zone	GMT +3
GDP per capita	US$ 334
Currency	Uganda Shillings (abbreviated 'UShs')
Exchange rates	\$1 = 1,845 UShs €1 = 1,583 UShs ¥100 = 1,664 UShs (United Nations rates as of 1 December 2000. Euro and Yen calculated on the basis of \$ equivalents.)
Largest cities	
Kampala	770,000
Jinja	65,000
Mbale	54,000
Masaka	50,000

Source: UNCTAD, based on information provided by the Uganda Investment Authority and the Economist Intelligence Unit country reports.

MAP OF UGANDA
(Not shown)

Country and People

Uganda has a total land mass of 241,000 square kilometres of which 18 per cent are freshwater bodies. Lying astride the equator, Uganda offers exceptional diversity, combining some of the best natural features of Africa, including the source of the Nile. The country's geographical diversity is great. In the east it overlaps the tropical savannah and in the west the rain-forest zones. Moreover, there are many contrasting physical features ranging from extensive plains with undulating hills to snow-capped mountains, waterfalls, meandering rivers and spectacular flora and fauna. Uganda also ranks among the top ten in the world in the diversity of its mammal groups.

History and Government

On attaining independence from the United Kingdom in 1962, Uganda was governed by a constitution fashioned on the Westminster model. However, this multi-party arrangement was grounded in tribal and religious affiliation, and not in political ideology, and collapsed when the then Prime Minister abrogated the constitution in 1967.

As the Government moved steadily leftwards, many businesses were nationalized in the late 1960s and, in consequence, investor confidence was shaken. The 1971 military coup that brought Idi Amin to power made matters worse. In 1972-1973 he expelled the Asian community that was the mainstay of commerce and industry. This expulsion propelled the economy into a rapid decline which continued for nearly twenty years.

Idi Amin's rule was overthrown in 1979 by a combined force of the Tanzanian army and Ugandan exiles. Multi-party elections, widely believed to have been rigged, were held in 1980 which returned Milton Obote (overthrown by Amin in 1971) to power. A group of young revolutionaries decided to wage a bush war to overthrow the second Obote regime and restore constitutional rule.

These revolutionaries, led by the current president, Kaguta Yoweri Museveni, took power in January 1986 and embarked on a programme to restore security, stability and good governance. Museveni's Government, under the National Resistance Movement, 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, the new constitution of the Republic of Uganda was approved by the Constituent Assembly in 1995. Presidential and parliamentary elections were held in early 1996.

The constitution incorporates a Bill of Rights and guarantees all basic human rights, including the rights to life, property and freedom of expression. The unique feature of Uganda's political arrangement is the Movement System. This system bans political parties – on the grounds that, in the African context, they would exacerbate tribal rivalries. In the July 2000 referendum, the electorate endorsed the continuation of the Movement System for the time being.

Under this system, elections for local authorities (at village and district levels) have been held regularly since 1989. In the presidential elections of March 2001 Museveni was re-elected for another five-year-term. Although political parties are still banned, genuine progress has been made in ensuring freedom of expression and restoring social identities, including kingships. Under the constitution, kings do not have political power or privilege, although they do have an important representative and symbolic function in society.

Market Size and Access

Although Uganda's population of almost 21 million makes it one of the larger countries in Africa, the purchasing power of most of the population is low. As table 1 indicates, GDP per capita was only $334 in 1998, although in purchasing power it was more than three times as large ($1,074). To the extent that purchasing power is relevant to the decisions of foreign investors, it should be noted that Uganda has income levels more than twice as high as two of its neighbours (Malawi and the United Republic of Tanzania) and higher than all other countries in the south-eastern region except Zimbabwe.

Uganda's upper and middle class, with a purchasing power sufficient to buy sophisticated consumer goods, is small. Today, only four in one thousand Ugandans own cars. However, as with other goods the car ownership market is expanding fairly rapidly. According to the Ugandan Bureau of Statistics an average of 30,000 new vehicles were registered annually between 1995 and 1999. A similar rapid increase is evident for other durable consumer goods, such as personal computers (table 2).

ST AND SO ... ICAN MARKE

COUNTRY	POPULATION	GDP *a*	GDP PER CAPITA	GDP PPP *b*	GDP PER CAPITA PPP
	(Millions) 1998	($ billions) 1998	$ 1998	$ billions 1998	$ 1998
	20.9		*334*		*1,074*
Kenya	29.3	12	410	29	980
Malawi	10.5	2	190	6	523
Mozambique	16.9	4	237	13	782
United Republic of Tanzania	32.1	8	249	15	480
Zambia	9.7	3	309	7	719
Zimbabwe	11.7	6	513	31	2,669
Total	131	42	..	123	..

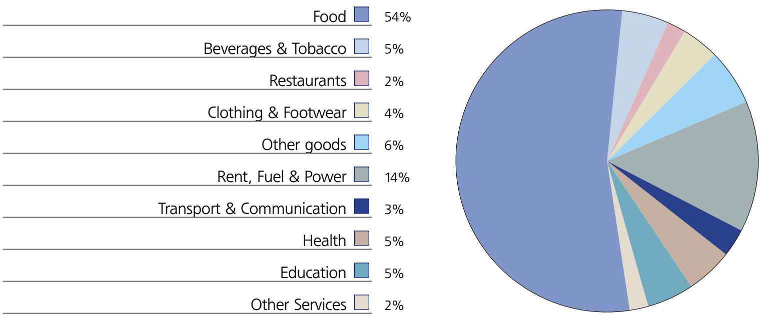
Source: UNCTAD, based on the World Bank, World Development Indicators, 2000.
a GDP at market prices (current $).
b GDP at Purchasing Power Parity (current international $).

ARKET FOR ... OMPUTERS I ... 1994-1999 (

	94	95	96	97	98	99
Estimated PC sales	9,000	7,000	7,000	8,000	15,000	30,000
Estimated stock of PCs	15,000	24,000	31,000	38,000	45,000	60,000

Source: UNCTAD, based on Uganda Bureau of Statistics (2000).

FIGURE 1: DISTRIBUTION OF TOTAL CONSUMPTION IN UGANDA BY EXPENDITURE ITEMS, 1997 (PERCENTAGES)



Source: UNCTAD, based on Uganda Bureau of Statistics, 2001

As is evident from figure 1, the largest percentage of consumption by expenditure item is food. Other major expenditure items are rent, fuel and power as well as transport and communication and beverages and tobacco.

In spite of its limited size, the Ugandan economy has shown itself to be one of the most dynamic in the whole of Africa over the past decade. GDP growth rates have consistently attained levels that rival those of the "tigers" of East and South-East Asia. As table 3, pg 9 shows, Uganda's average growth rate in the 1990s was the highest in the region, a third higher than its nearest competitor, Mozambique and more than three times higher than the sub-Saharan average. This has led to a rapid increase in GDP per capita. Provided the macro-economic and political climate remains stable, this growth rate can be expected to continue, offering investors a dynamic market to tap into.

This dynamism in the local market is reinforced by the various efforts to create a regional market in east and southern Africa. Uganda has been playing an active role in various regional integration efforts. It is a member of the Common Market for Eastern and Southern African States (COMESA), a region with a market of over 300 million people from 20 countries that imports more than $17 billion worth of goods each year and exports over $13 billion. Investors in COMESA countries enjoy preferential treatment for their inter-COMESA exports through reduced tariffs.

These tariffs are in the process of being reduced to zero, although Uganda has not yet agreed to this. Once it does, Uganda-produced goods will attract no import duty in over twenty countries, stretching from Egypt in the north to Zimbabwe in the south.[1]

Although regional integration in Africa has not yet reached levels comparable to those of other continents, (e.g. the EU, NAFTA or MERCOSUR), COMESA and the East African Cooperation (EAC) nevertheless represent two of the more dynamic integration schemes in the continent. Moreover, Uganda can reasonably be seen as part of an emerging regional market in eastern and southern Africa. Geographically, Uganda is well positioned to be the east African regional hub, a view shared by investors, although it competes with other locations with direct access to the sea.

As for international market access, Uganda – in part because of its status as a least developed country (LDC) – offers the prospective investor preferential access to the European Union and the United States for a number of exports. It is one of the African countries eligible for the benefits of the Africa Growth and Opportunity Act (AGOA). Under AGOA, products from Uganda, including textiles, have preferential access to the United States market.[2]

1 Uganda wants to carry out a study on what the impact will be when the country joins the Free Trade Area. The same date was set for eliminating import duties within the East African Cooperation (EAC) area, which includes Uganda, Kenya and the United Republic of Tanzania. This plan has also been shelved until the Government of Uganda agrees to proceed. EAC's focus – in contrast to COMESA's is – joint intra-regional infrastructure projects to enhance regional integration.

2 The conditions for individual product groups vary significantly. More information on this issue can be obtained from http://www.agoa.gov

Government Priorities

The main focus of the Government's policy is poverty alleviation. The Uganda Poverty Eradication Action Plan of 2000 provides the framework for formulating policy. According to the plan, security, roads, agricultural research and extension, primary education, primary healthcare and water and sanitation are the highest priorities for medium-term expenditures.

With respect to macro-economic policies, the Government's strategy is to modernize the economy by relying on markets and the efforts of private entrepreneurs. In the meantime, the Government provides the legal, policy and physical infrastructure necessary for private investment to flourish. This strategy, endorsed by donors, is showing positive results, although much remains to be done. The central objective is to facilitate sustainable, rapid and broad-based growth by guaranteeing security, the rule of law and structural reform.

Removing bottlenecks to the growth of the private sector in order to raise productivity and output is an integral part of the development strategy. Structural reforms in the agricultural sector will be tackled through the Plan for the Modernization of Agriculture (PMA), while other reforms will be carried out through the Medium-term Competitive Strategy for the Private Sector (2000-2005). The key elements of these strategies include reforms in the provision of infrastructure, particularly utilities; in the financial sector; in commercial law; and in areas such as public procurement, tax administration and the export sector.

Privatization is central to realizing the vision of the private sector as the engine of growth. Since 1993, the objectives of the public-enterprise reform and divestiture programme have been to reduce the role of the public sector and to promote the development of an efficient private sector. The core strategy is 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. Ninety-three public enterprises have been divested, including 31 liquidations. The sale of state-owned enterprises has yielded a total of $129 million in foreign exchange between 1990 and 1998, which emphasizes Uganda's privatization position in Africa, as few other countries have raised more foreign exchange through their privatization pro-

GROWTH RAT 98

COUNTRY	GDP AVERAGE ANNUAL GROWTH RATES (PERCENTAGES)				
	1995	1996	1997	1998	1990-98
	11.5		*4.7*		*7.3*
Kenya	4.4	4.1	2.0	1.8	2.2
Malawi	15.4	8.9	4.9	3.0	3.8
Mozambique	4.3	7.1	11.3	12.0	5.7
United Rep. of Tanzania,	2.6	4.3	4.0	3.5	3.0
Zambia	-2.3	6.5	3.4	-2.0	1.0
Zimbabwe	-0.5	8.7	3.7	2.4	2.3
Sub-Saharan Africa average [a]	..	..	..	..	2.3

Source: UNCTAD, based on the World Bank, World Development Indicators, 2000.
a "Total" or "Sub-Saharan Africa Average" (as in subsequent tables) also includes Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Guinea, Guinea-Bissau, Lesotho, Madagascar, Mali, Mauritania, Mauritius, Mayotte, Namibia, Niger, Nigeria, Rwanda, Sao Tomé and Principe, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland and Togo.

Box I.1: The "Big Push" strategy

As part of the overall efforts to create a more business-friendly environment, Uganda is in the process of implementing the "Big Push" strategy on 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, and help speed up the implementation of projects on the ground.

One of the key features of the "Big Push" programme is the creation of a Multi-facility Economic Zone (MFEZ) (see also chapter III) and legislation to give effect to this is under way. Uganda's best infrastructure will be concentrated in this zone and there will be special facilitation schemes for all targeted industrial projects in the zone. The MFEZ will operate as a virtual zone for targeted MFEZ projects, which may not necessarily be limited to one geographical area.

In addition, to expedite the processing of project approvals, a Cabinet Implementation Commitee (CIC) chaired by the President of Uganda has been recommended. The CCI will co-ordinate inter-Ministry efforts, remove bottlenecks, give directions for the "Big Push" and ensure that all critical entities move in the same direction and with the same urgency. Every Ministry will be required to issue a Client's Charter which contains its time frame for issuing approvals and providing the necessary services. The CCI will ensure speedy implementation of approved projects as a priority task. All government institutions connected with project implementation will report through the Uganda Investment Authority on project implementation efforts.

In support of the "Big Push" programme nine task forces have carried out work encompassing the following areas:

- Reviewing and streamlining Government machinery;
- Conducting a pre-feasibility study on air cargo and an inland port; and
- Reviewing investment potential, in particular, of the cotton sector, education and medical services, printing, information and communication technology, and financial services.

Source: UNCTAD

grammes (Liberatori and Pigato 2001). As of December 2000 only 46 enterprises remained to be privatized, 33 of which are listed in appendix 5.

The privatization programme has eliminated barriers to private investment in a range of industries previously reserved for (or dominated by) the state. It has successfully attracted foreign investors in many areas including farming, hotels, marketing and banking. Privatized enterprises have registered growth in output, income and productivity, as well as generated higher tax revenues.

Despite this, the programme has suffered from difficulties related to the perceived transparency of the privatization process, the utilization of divestiture proceeds and public understanding of the programme. This has been noted by foreign investors as well, in particular the lack of focus and transparency and the tendency to favour domestic over foreign buyers (CIC, 1999). The Government has taken note of these concerns and has developed a Divestiture Procedures Manual (1998) that details a step-by-step procedure for the execution of privatization transactions. The 1993 Public Enterprise Reform and Divestiture (PERD) Statute has been amended in 1997 and 2000 to address legal inconsistencies. The Government's principal objective is to privatize all remaining enterprises earmarked for privatization by the end of 2004.

Box I.2: Of Risks and Returns: Investing in Least Developed Countries

"Why would anyone invest in an LDC?" a hard-headed entrepreneur might ask.
"Aren't the risks sky-high and the profits precarious?"

True, investing in an LDC can be a complicated business, with many bottlenecks and much frustration, but it is not always riskier than investing in other locations and is 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 truth, there is much variation. Some LDCs are riven by civil war and some destabilized by coups and counter-coups. There are others, however, that have established a track record of political stability and sustained growth (Uganda and Mozambique) or shown great resilience in the face of natural calamities (Bangladesh). When it comes to conventional risk-ratings, LDCs tend to suffer from image problems and a simple lack of information, unlike industrialized countries in which risk-ratings 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 against most African (and other low-income) countries."[a] A better way to assess risk and to get a feel for the *direction* of change in a country is to talk to investors already on the ground. The UNCTAD-ICC guides contain 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, United States companies registered returns of almost 23 per cent on their investment in African LDCs, while for LDCs in Asia and Oceania the figure was 13 per cent.[b] Similar findings for Japanese affiliates abroad confirm that Africa, with 33 LDCs, is a *very* profitable location indeed.

Is there a moral here? Yes, one that can be summed up in a single maxim: *Discriminate*. Investors need to discriminate 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.

a Bhinda, et al., *Private Capital Flows to Africa: Perception and Reality* (London, FONDAD, 1999).
b UNCTAD, *The Least Developed Countries Report 2000* (Geneva and New York, United Nations , 2000).

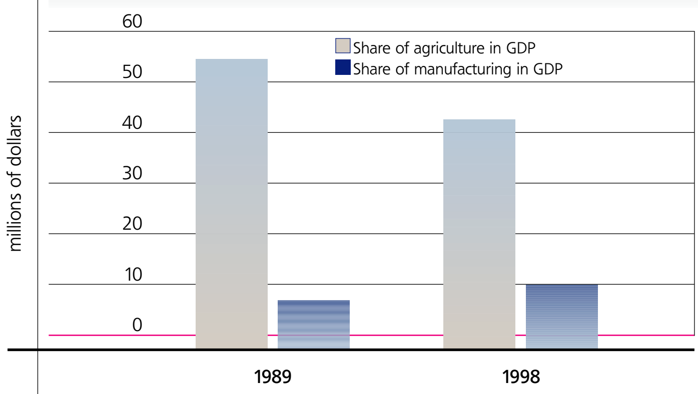
"AES Nile Power is proud to represent the largest private investment in power in East Africa and pleased to help Uganda meet its need for power in a clean, inexpensive and reliable manner. AES has only reached this point of success because of the consistent and transparent support of the Government and the people of Uganda. In particular, the Government's commitment to reforming the power sector and facilitating power generation has been and continues to be vital."

Bob Chestnutt, Managing Director, AES Nile Power Limited.

Economic Environment

Real GDP in Uganda has been growing steadily over the past decade, recording an average of 6 per cent in the past five years (1995-2000), although this rate is lower than the average of the decade as a whole (table 3, pg 9).

FIGURE 2: SHARE OF AGRICULTURE AND MANUFACTURING IN OVERALL GDP, 1989 AND 1998 (IN PER CENT)



Source: UNCTAD, based on information provided by the Ugandan Bureau of Statistics, 2000.

The country is experiencing a shift from the entrenched agricultural economy of the 1980s towards one emphasizing construction, manufacturing and regional trade and distribution (figure 2 and table 4). Agriculture remains the dominant sector, contributing over 40 per cent to GDP and employing 80 per cent of the working population. Nevertheless, other sectors, including manufacturing, mining and services are growing steadily.

Most recently, manufacturing, electricity and water supply as well as transport and communications have been doing particularly well (table 4). Within the manufacturing sector, the best-performing industries in 1998-1999 were food processing, beverages, chemicals and soap, bricks and cement, and leather and footwear (WEF, 2000).

The industrial sector, as measured by the index of industrial production, has had an average annual growth of 14.5 per cent since 1990. The pace of manufacturing growth has slowed over the past couple of years but has remained robust at 9 per cent in 1999/00.

Uganda has turned in an outstanding performance in macro-economic stabilization over the past decade. Inflation has been scaled down from a level of more than 100 per cent at the end of the 1980s to less than 10 per cent per annum for the last four years. Adhering to the IMF's structural adjustment programmes throughout the 1990s, the country has achieved one of the best macro-economic records in Africa. Some inflationary pressures re-emerged temporarily in the first half of the financial year 1999/2000 and inflation rose again to peak at 10.6 per cent in November 1999. Since then, however, tighter monetary policy together with an improvement in food supplies has led to a decline of the inflation rate to 2 per cent in April 2000.[3]

Throughout the 1990s, tight monetary policy was accompanied by an austere fiscal policy. The overall budget deficit, excluding grants, was gradually reduced from 15 per cent of GDP in 1991/92 to 9.2 per cent in 1999/00. With grants included, the deficit increased from 1.8 per cent of GDP in 1998/99 to 2.3 per cent of GDP in 1999/00. The recent increase in the deficit was partly due to the disappointing domestic revenue collection and partly due to an increase in expenditure on poverty eradication programmes. Despite this temporary setback, the Government remains firmly committed to the goal of macro-economic stability. Foreign investors appear to be confident in the ongoing success of the macro-economic stabilization programme.

In the past, debt servicing has been a constraint. However, under the Highly Indebted Poor Countries Initiative (HIPC), Uganda has been relieved of $650 million under the first HIPC and will receive debt relief worth $46 million a year under the enhanced HIPC. These "debt service savings" have been used to finance sharp increases in key social sectors such as education and health through the Poverty Action Fund (PAF). The HIPC scheme will also help solve the current account problems, since relief of a substantial amount of debt will improve the capital account by reducing debt-servicing payments. Current public-sector debt is estimated at 65 per cent of GDP.

3 At the heart of the recent, although short-lived, inflationary trend was the depreciation of the exchange rate, inducing higher import prices and increases in domestic fuel prices. (The nominal exchange rate has depreciated over the past six years from UShs968: $1 to UShs1,845: $1 in December 2000). The recent depreciation was mainly the result of the seasonal cycle of coffee exports but the effect was accentuated by the slump in coffee prices and the increase in oil prices.

NDUSTRIAL SE … -1999 (PERCE

SECTOR	1995	1996	1997	1998	1999
Agriculture	6.0	2.8	2.9	9.0	3.9
Mining and quarrying	28.2	47.7	44.2	7.0	3.8
Manufacturing	18.3	14.7	16.3	12.8	9.0
Electricity and water	9.9	11.7	8.8	4.6	7.6
Construction	19.3	12.2	9.9	6.4	6.2
Wholesale and retail trade	16.3	4.1	4.1	9.5	6.3
Hotels and restaurants	11.8	12.4	5.8	2.6	2.4
Transport and communications	13.5	9.6	11.6	7.0	9.0
Community services	6.5	6.0	6.5	5.6	4.9

Source: UNCTAD, based on Uganda, Ministry of Finance, Background to the Budget (1999/2000).

Trade and Investment

Trade

Beginning in the 1980s a variety of policy initiatives have been taken by the Government to reduce intervention in the economy, to encourage export diversification and growth and to restore the credibility of the country's fiscal and monetary policies. Trade and foreign-exchange liberalization have played a major role in this context and the dismantling of the marketing monopolies of various parastatals has been a particularly bold step. The easing of restrictive regulatory measures has consolidated the liberalization process. Although the country does not always come out on top in investor ratings in various aspects of the trade and foreign-exchange regime, according to the World Bank survey, investors seem to be generally satisfied with the Government's trade policy, in particular the import regime (CIC, 1999). Uganda's economy is, according to the Africa Competitiveness Report, "one of the most open in sub-Saharan Africa. Both current and capital account controls have been eliminated. The internal trade, foreign exchange and financial markets are already liberal".

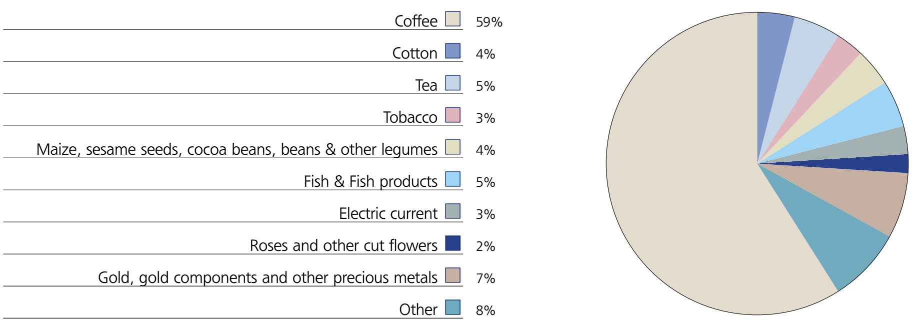
As a result of these policies, the development of exports and imports has become an excellent example of Uganda's economic recovery. The annual growth of export volumes averaged 23.3 per cent in 1990-1997 compared with an average decline of 3.1 per cent in the 1980s. Import volumes grew even more, with an annual growth of 34.2 per cent in the 1990s compared to a decline of 10.2 per cent a decade earlier. In the second half of the 1990s, exports remained volatile (table 5), due to, among other things, the fluctuations in the price of coffee – Uganda's main export product. (In 1999, the country exported coffee worth $287 million, with other big export products being gold worth $33 million, fish products worth $25 million and tea worth $21 million.) (See figure 3 below.)

OF MERCHAND ... 1999/00 (MILLI

ITEM	1996/97	1997/98	1998/99	1999/00
Total exports	683.52	458.40	549.15	450.42
Coffee	365.62	299.86	306.74	196.83
Non-coffee	317.90	158.54	242.41	253.59

Source: UNCTAD, based on Uganda, Ministry of Finance, Background to the budget 2000/2001.

BY SELECTED GOODS, 1999 (PERCENTAGES)



Source: UNCTAD based on Uganda Bureau of Statistics, 2000.

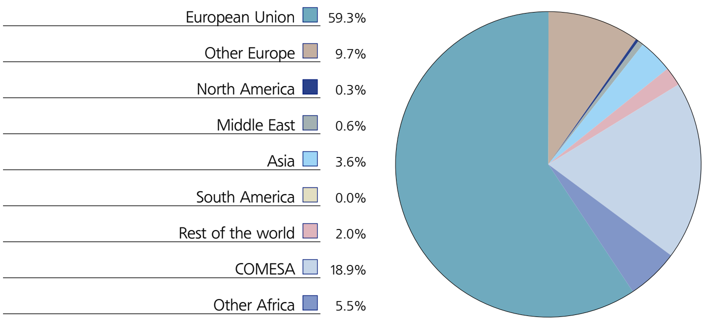
Coffee remains the main source of export revenues, although other products have recently contributed more to the country's export revenues. Tea exports have grown substantially in recent years following the neglect of the 1970s and early 1980s. The value of tea exports has increased from less than $1.5 million in 1985 to over $17 million in 1997 and over $21 million in 1999. The cut flowers industry is another area that has experienced similar growth. Although a relatively new industry dating back to July 1993, it has grown rapidly from a single 2-hectare indoor growing establishment to 14 growers covering 77 hectares by 1997 and a FOB production of some $16 million by 1997/98. By the year 2001 it is estimated that rose farms will cover 200 hectares with the potential to export (FOB) $37 million worth of stems. Other dynamically expanding sources of export revenues are fish and fish products as well as tourism. Both, however, have had to fight temporary setbacks. The former because of a (just-lifted) import ban by the European Union for sanitary reasons and the latter because of an incident involving the killing of several tourists in a national park by guerrilla fighters in the beginning of 1999.

In sum, the value of non-traditional exports has increased from $35 million in 1990/91 to $180 million in 1999/2000. The ratio of coffee receipts to non-traditional-exports receipts has been declining steadily, as a slump in coffee prices has led to a gradual diversification of the export sector.

Uganda's main export recipients are located in the European Union. Exports to neighbouring countries have been less important in the past, but have (figure 4) considerably increased in recent years. On the import side, intra-regional trade already plays an important role. In 1998, for example, 39 per cent of Uganda's total imports originated in Kenya, 9 per cent in the United Kingdom, 6 per cent in India and 4 per cent in France (WEF, 2000). The import role of Kenya may be somewhat overstated due to the fact that many imports to landlocked Uganda, have to pass through Kenya's sea-ports first. Nevertheless, integration efforts within the region are beginning to show some effects.

In 1999, exports to the European Union totalled $135 million. The United Kingdom ($39 million), France ($29 million), the Netherlands ($28 million), Belgium ($24 million) and Germany ($16 million) were major destinations for Uganda exports. Outside the EU, Switzerland imported $29 million. In COMESA, Kenya, Sudan, Rwanda and the Democratic Republic of the Congo were the biggest importers for Ugandan products. Outside COMESA, South Africa was the major recipient of Ugandan exports ($23 million).

1999 (PER CENT)



Source: UNCTAD, based on Uganda Bureau of Statistics, 2000.

Foreign direct investment

Uganda has attracted increasing amounts of foreign direct investment (FDI) since the beginning of the 1990s (table 6). Between 1987 and 1993, Uganda attracted an annual average of $9 million of FDI. These flows have increased steadily since 1994 and peaked at $210 million in 1998. Although figures for 1999 show a slight decline to $180 million, this figure is still 20 times greater than that of 10 years ago. While the absolute figures are not large, relative to the size of its economy, Uganda attracts more FDI than most other countries in the region and indeed, most developing countries. The improved political and macro-economic situation has lured back many investors who had fled or were expelled under the regimes of Idi Amin Dada and Milton Obote. In fact, Uganda is one of a group of seven African countries[4] that were identified in a recent UNCTAD report as Africa's "front runners" in attracting FDI inflows.[5]

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

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

INFLOWS TO UGA … TED SOUTHERN A … AN COUNTRIES, 1

	1986-90 FDI INFLOWS (annual average)		1991-95 FDI INFLOWS (annual average)		1996 FDI INFLOWS		1997 FDI INFLOWS		1998 FDI INFLOWS		1999 FDI INFLOWS [b]	
	$ 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	PER $ 1,000 GDP
	-0.6	*-0.3*			*120.0*	*21.6*			*210.0*	*34.7*		
Kenya	38.4	4.7	12.6	1.5	12.7	1.4	40.0	3.9	42.0	4.1	42.0	..
Malawi	9.4	5.9	13.0	7.9	43.6	19.2	22.1	8.8	70.2	41.6	60.0	..
Mozambique	5.0	2.5	32.0	17.6	72.5	25.2	64.4	18.7	212.7	55.7	384.1	..
United Rep. of Tanzania	0.3	0.1	46.5	10.3	148.5	23.0	157.8	20.7	172.2	21.3	183.4	..
Zambia	112.5	36.2	53.7	16.0	117.1	35.5	207.0	52.6	198.0	59.1	162.8	..
Zimbabwe	-12.7	-1.7	43.7	6.3	80.9	9.5	135.1	16.1	444.3	78.4	59.0	..
Total Africa [a]	2,904.4	9.2	4,193.0	13.1	5,522.1	14.3	6,895.5	17.3	7,519.3	18.8	8,949.5	..

Source: Based on the UNCTAD FDI/TNC database.
a Total Africa also includes South Africa.
b Figures not available at time of finalization (January 2001).

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.[a] 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 especially 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, it has attracted foreign investment in much greater amounts over the past decade than one might have expected of a land-locked country without any significant amounts of easily exploitable natural resources (e.g. oil or diamonds).

In 1972, then President Idi Amin Dada ordered the expulsion of a racial minority, the 'Asians', giving them just 90 days to leave the country. The Asians were persons of South Asian ancestry and mostly active in trade and industry, including agriculture-based industries like sugar production. By the early 1970s, the Asian community accounted for a disproportionately large part of the Ugandan GDP. It was also a community with 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 the 1960s. The rest held British passports for the most part, with a very small number holding Indian or Pakistani citizenship.

Amin's order initially created some uncertainty – which he soon removed, among other things by imprisoning perhaps the most prominent member of the community, Manubhai Madhvani. (Muljibhai Madhvani, 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, Canada a further 15,000. Some returned to South Asia. Those who had been Ugandan citizens were rendered stateless and were assisted by the United Nations High Commissioner for Refugees and other agencies.

After the overthrow of the Amin 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 Ugandan Asians abroad, declaring them to be the backbone of the Ugandan economy, and succeeded in enticing many more than his predecessor. In the end, only about 5,000 returned to stay – most had built new lives in Britain, Canada and elsewhere – but these included many with substantial assets. Those making up this small group have reclaimed and rehabilitated their businesses, in some cases made new investment, 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 annual contribution to the Government's coffers at something like 80 billion Ugandan shillings a year. The Government's commitment to creating a hospitable environment for investors has also attracted new Asian investers to Uganda such as the Dawda Group of Kenya, which has invested some $10 million in a variety of businesses since 1993. Nor is new investment confined to the Asian community. Other major investors include South African Breweries (which now owns a 40 per cent share in Nile Breweries), MTN Telecom, Shoprite, 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 and leadership 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 normalcy 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, et al.

a See, for example, UNCTAD, 1999b.

The leading investor countries in Uganda are the United Kingdom, Kenya, India and Canada, which together account for more than half of the foreign-owned projects (table 7). Most of the investors from these countries are returning Ugandan Asians who have regained their properties and injected new capital into rehabilitation.

Uganda has a small manufacturing base accounting for only 10 per cent of GDP. Nevertheless, this sector has attracted the largest share of investment. Most of the investment has been in the rehabilitation of old industries and not in the creation of new productive capacity. Foreign direct investment is concentrated mainly in beverages and breweries for the local market. Other industries such as sugar, textiles, cement, footwear, packaging, plastics and food-processing have also attracted FDI (table 8). In common with most developing countries, Uganda shows a marked disparity between planned and actual investments, which can be attributed to impediments within the economy, e.g. insufficient infrastructure and the unavailability of appropriate land. FDI in agriculture is predominantly in coffee, tea and cotton plantations.

It is almost certain that Uganda will continue to attract more FDI in the future. In a survey jointly conducted by UNCTAD and ICC among 300 major corporations in early 2000, Uganda ranked 12th out of 53 countries when judged as to the likelihood of making the most progress in improving the investment climate in the next 3-5 years (UNCTAD, 2000).

FDI, ACCUMUL ... S FOR 1991-19

COUNTRY	AMOUNT (THOUSANDS OF DOLLARS) FDI	NUMBER OF PROJECTS
United Kingdom	406,063	165
Kenya	176,790	117
India	109,319	62
Canada	197,888	47
United States	173,256	25
South Africa	144,931	8
Sweden	36,919	22
Korea, Republic of	16,442	12
Denmark	12,363	15
Tanzania, Republic of	..	14
Others	1,141,273	142
TOTAL	2,415,650	629

Source: UNCTAD, based on information supplied by the Uganda Investment Authority, 2000.
a FDI figures in this table represent approved amounts, only some of which have been actually invested.

N DIRECT IN ... BY SECTOR,

(MILLIONS OF DOLLARS AND PERCENTAGES)

Sector	Approved	%	Actual	%
Manufacturing	906.2	37.7	422.8	52.1
Real estate	343.3	14.3	56.7	7.0
Transport, communication & storage	291.2	12.1	70.3	8.7
Mining and quarrying	194.3	8.1	47.7	5.9
Tourism (hotels, casinos)	132.3	5.5	52.0	6.4
Agriculture, forestry and fishing	112.5	4.7	57.2	7.0
Other business services	99.1	4.1	13.6	1.7
Water and energy	74.2	3.1	0	0
Trade	69.9	30.1	..	3.7
Financial services	67.4	2.8	31.2	3.8
Construction	55.4	2.3	18.1	2.2
Social services	51.9	2.2	12.1	1.5
Total	2,397.6	100	781.7	100

Source: UNCTAD, based on information provided by the UIA, 2000.

Infrastructure and Utilities

Many infrastructure facilities are in poor shape after years of civil war, mismanagement and neglect. Investors regard poor infrastructure services as major obstacles. However, there have been some 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.

Power supply and energy

Until May 2000, insufficient and unreliable power supply was a major, if not *the* major, concern for investors. With the opening of the Owen Falls extension and the first additional power unit (40 megawatt) going on-stream since then, the frequency and length of power cuts have been dramatically reduced. Since May 2000, power is out for about one and a half hours per week, down from 20 hours a week. Further improvements can be expected, as a second 40 megawatt power unit will become operational in 2001. The cost of electricity is competitive compared to its direct neighbours (table 9). With only 5 per cent of the population linked to the energy supply network, most non-commercial consumers are still without power, despite the recent improvements. However, with larger power plants in the pipeline or in the process of implementation, this situation is likely to improve.

Telecommunication

Although Uganda's teledensity continues to be low (table 10), Government policies in the form of liberalization of the telecommunication sector, coupled with the advent of private mobile phone service providers, have led to dramatic improvements (figure 5). Today, two private mobile phone providers, South African Mobile Phone Network (MTN) and Celtel, are competing with the still public UTL in a rapidly expanding and lucrative market. The dynamic development in the mobile phone sector is about to vitalize other telecommunication sectors. Uganda features, for instance, a relatively large number of internet users by African standards: an estimated 36,000. With service providers rapidly expanding their services, further improvements can be expected in the near future.

International phone calls are relatively inexpensive when compared to the region, while charges for national calls have increased in recent years and are above average for the region. This is mainly due to the fact that Uganda was one of the first countries in the region to adapt its pricing scheme to international practices.

Water, sewerage and health services

To date, public water supply is only available within urban areas and reliability is not always guaranteed (CIC, 1999). Accordingly, the water and sanitation sector is one of the Government's priorities and seen as vital for poverty eradication and social welfare. As with other utilities, access to water supply is best in areas close to foreign missions and along Kampala Road in Kampala, which has a high concentration of businesses (CIC, 1999).

The restoration of the functional capacity of the health service continued during 1999/2000, although health-status indicators remain poor. The rehabilitation of hospitals and other health units, staffed with qualified personnel, has resulted in a significant increase in the utilization of health services. A report on "Centres of Excellence for Medical Facilities in Uganda," prepared for the Uganda Investment Authority in March 2000 observes that, although an essential health package has been developed to eliminate the bulk of the preventable infectious diseases, health-care needs beyond the essential health package are growing rapidly. Thus, there is an immediate need for the Government to implement a comprehensive health-care system.

Road transport

The transport sector in general has seen far less improvement than telecommunications and energy. The road network is in a bad shape, especially feeder roads in rural areas. Agriculture-related activities may be most affected by these problems. With the number of vehicles doubling every four years,[6] the problems are likely to worsen if counter-measures are not taken. In response to road transport problems the Government has launched a ten-year road sector development programme (RSDP) which is expected to cost $1.5 billion. The Government is also working with local authorities to ensure the opening of new rural feeder roads and the maintenance of existing ones.

6 The annual average for newly registered vehicles was around 30,000 between 1995-1999 (Uganda Bureau of Statistics, 2000).

TABLE 9: ELECTRICITY PRICES IN SOUTHERN AND EAST AFRICA, FEBRUARY 2000 (IN $US)

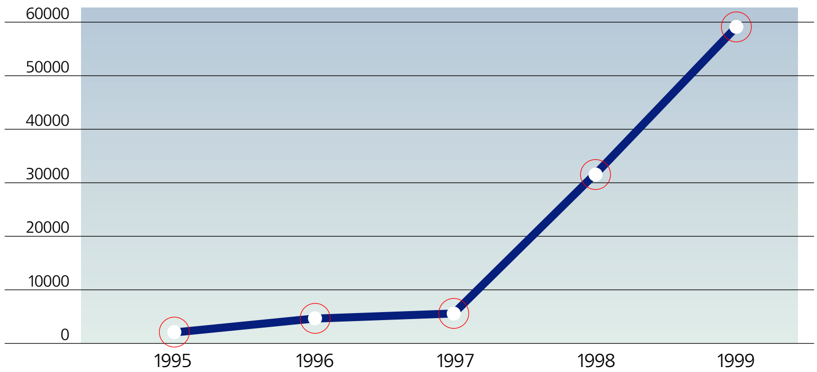
Country	GENERAL BUSINESS RATES (LOW VOLTAGE): MAXIMUM BILL FOR MONTHLY CONSUMPTION KILOWATT-HOURS				INDUSTRIAL CUSTOMERS' RATES (MAXIMUM DEMAND METERED): RATES AS PER PEAK DEMAND KVA/LOAD FACTOR					
	450	900	2500	5000	100-80% [a]	100-50%	100-30%	2,500-80%	2,500-50% [b]	2,500-30% [c]
	36.25	*69.91*			*3,466*	*2,413*			*56,584*	*40,197*
Kenya	43.80	85.52	233.88	465.68	4,689	3,045	1,949	102,207	65,216	40,555
Malawi	17.59	33.24	89.70	176.61	2,062	1,711	1,576	51,249	42,465	36,609
Mozambique	35.07	71.91	229.00	454.24	2,252	1,550	1,082	47,909	33,064	23,168
United Republic of Tanzania	20.95	69.00	246.8	765.42	5,624	3,797	2,578	140,485	94,797	64,338
Zambia	25.00	43.00	105.98	205.00	1,757	1,177	791	38,465	29,206	23,033
Zimbabwe	37.76	63.44	154.71	278.21	2,776	1,750	1,066	82,041	70,426	62,683

Source: Based on SAD-ELEC 2000, mimeo.
a 100 kw represent the typical energy demand of a small or medium-sized enterprise.
b 2500 kw represent the energy demand of large-scale industrial production sites.
c 80%, 50% and 30% are examples of varying degrees of "load factors", i.e. the utilization of the power supplied to the company.

ECOMMUNI 1998

Country	TELEPHONE MAINLINES			COST OF TELEPHONE CALLS		
	per 1,000 people	In largest City per 1,000 people	Waiting List (thousands)	Waiting time (years)	Cost of local call $ per 3 min.	Cost of call to US $ per 3 min
	3		*9*		*0.18*	
Kenya	9	71	94	5.6	0.05	11.17
Malawi	3	62	31	10	0.03	12.45
Mozambique	4	24	20	4.2	0.04	..
Tanzania, United Republic of	4	28	37	3.6	0.09	13.30
Zambia	9	23	8	10	0.06	2.60
Zimbabwe	17	75	109	4.2	0.03	2.81
Sub-Saharan Africa average [a]	14	29	..	4.2	0.09	..

Source: Based on the World Bank, World Development Indicators, 2000.
a See footnote to table 3.



Source: UNCTAD, based on ITU, 2000

Air transport

Air transport is perceived by investors as being much less of a problem than road transport.[7] In the cost and quality of air transport services in Africa, Uganda received a middling ranking in the *Africa Competitiveness Report*. In principle, private investment in ownership and operation of air transport services is possible.

[7] At present, air transport is governed by the Civil Aviation Statute N° 3 of 1994. Under this statute, the Civil Aviation Authority (CAA), a Government body, is responsible for regulating civil aviation operations and for the ownership and operations of airports.

Air transport revolves around the Entebbe International Airport, Uganda's sole international airport. Currently, 14 international airlines operate into and out of Entebbe International Airport, including British Airways, Air France, Sabena, Gulf Air and Egypt Air. Internal air transport facilities (airfields) have been rehabilitated and new routes are opening up. Five domestic airports have been designated as entry and exit points for international traffic in order to promote tourism. At this point, however, the only other airports suitable for regular commercial use are Kasese, Soroti and Jinja.

All internal commercial air travel is privately operated. The only state-owned commercial air-transport company, the Uganda Airlines Corporation, is under liquidation. Aircraft handling has been contracted out to ENHAS, an Ugandan company partially owned by Sabena, which leases facilities from the CAA. The 5-year contract for ENHAS, which has exclusive rights, expired in March 2001. A tender process will open soon for additional handling agencies to provide services.

Railways

The Ugandan railway system, comprising 1,250 kilometres of track, was built 50 years ago and has not been maintained. The key link with Mombasa, a distance of around 1,200 kilometres, averages 21 days – at worst 60 days – due principally to delays in Kenya. Rail freight charges for the Kampala-Mombasa section are the equivalent of $66 per tonne compared with $120 per tonne by road. These charges are prohibitive for the development of any low-value-to-weight agricultural or mineral export industries. Less than 10 per cent of domestic freight and 30 per cent of external trade freight is carried by rail. Rail arrivals in Mombasa are so uncertain that it is difficult to book ships. Imports are easier and Mombasa port does not charge for storage of imports booked for carriage by Kenyan railways.

The Ugandan rail network is owned and operated by the state-owned *Uganda Railways Corporation (URC)*. The URC is a company with a long tradition, but has been in financial difficulty for some time. URC's performance is characterized by declining turnover, increasing losses and inadequate maintenance. It lacks the financial and overall management capacity in its present form to run an effective railway system. This is one area in which private (especially foreign) investment could have a profound impact.

Given the economic importance of railways to Uganda, insufficient attention has been paid to creating opportunities for private investment, including FDI. The Governments of Uganda, Kenya and Tanzania need to work out a sub-regional framework within which opportunities for FDI in the railway sector could be created. In principle, the Government of Uganda is interested in privatizing its railways.

Waterways and access to sea ports

The country's waterways are underutilized. Linked to the country's tourism facilities and potential, they could offer attractive opportunities for investors.

Access to sea-port services in the harbours of neighbouring countries and in particular in Mombasa, is most inefficient. Loss of cargo and the mishandling of goods originating in or bound for Uganda is frequent. Consequently, the cost and quality of port services and inland waterways are rated poor by foreign investors.

Under present circumstances, Ugandan businesses lose control of their goods when crossing the border. The private sector would like to have a Ugandan area set aside at Mombasa port under dedicated management. This would provide greater security and efficiency in the handling of Ugandan goods. There is sufficient warehouse space at the port to be leased for this purpose. Investment would be required in cargo-handling equipment.

The Financial Sector and Business Support Services

The financial sector remains a bottleneck for development. Despite a relatively large number of banks (16) and credit institutions (7), Uganda suffers from tight credit and costly capital. Commercial lending rates have continued the upward trend of the last two years with a number of banks raising their prime rate to 24 per cent for September 2000, although individual investors can sometimes negotiate a lower rate. Even though financial sector reform has been vigorous, it would appear that commercial banks are still in a period of transition, with a high divergence between the weighted lending rates and the annual yield on the 91-day Treasury bill. The share of non-performing loans as a percentage of total lending to the private sector has declined in recent years but is still high and stood at 12.8 per cent in March 2000.

There appears to be a consensus in Uganda that there is a serious credit crunch, especially for local businesses and, in particular, for small and medium-sized firms. Several factors seem to play a causal role in this. One factor is the relatively high yields on Government paper. Another factor, cited by bankers and perhaps not entirely accepted by borrowers, is poor corporate governance and the absence of professional and credible financial statements. For foreign investors, especially the large ones, access to capital is not an issue, both because they have easy access to foreign capital in a liberal environment and because lending institutions in Uganda regard them as reliable borrowers. However, to the extent that the well-being of local investors matters to foreign investors (since the former are their partners, suppliers and customers), local firms' difficulties in accessing capital affect foreign firms indirectly.

Although the still underdeveloped financial sector suffered a set-back with the closure of four insolvent banks in 1999, conditions have, nevertheless, improved in recent years. Total deposits have grown from UShs 669.9 billion in December 1998 to UShs. 1,004 billion in March 2000. This is a result of the consolidation of balance sheets and improvements in the supervisory capacity of the Bank of Uganda. A new draft Financial Institutions Bill (FIS) 2000 rectifies existing weaknesses in the current banking legislation and seeks to improve corporate governance by clarifying the roles of the Board of Directors, the external and internal auditors and the management of financial institutions. The Bill places further restrictions on insider lending, limits on large exposures and limits on ownership concentration.

Urban-based commercial banks dominate financial services, offering a range of traditional banking products. The industry needs additional investments in new, specialized financial-service products in order to effectively mobilize savings to support growth. Currently, only 1 of the 16 commercial banks (9 of them foreign), the Uganda Commercial Bank Ltd., has an extensive nation-wide network. Commercial banking is otherwise confined mainly to the capital, Kampala. The major players in the financial-services market include Barclays, Stanbic, Baroda, Standard Chartered and Uganda Commercial Bank as well as Citibank.

In addition, there are also three publicly owned development banks which provide medium-to-long-term financing. While the Uganda Development Bank and the Development Finance Company of Uganda Ltd. (DFCU) are owned by Government institutions, the East African Development Bank is jointly owned by the Governments of Uganda, Kenya and the United Republic of Tanzania.

The Uganda Stock Exchange (USE), founded in 1998, is small. Except for two equity titles listed so far, it is trading only in government securities and bonds issued by the East African Development Bank. The privatization programme is expected to result in the listing of additional equities on the USE.

The insurance industry comprises 150 licensed operators, including 18 insurance companies, one of which is a reinsurance company, 30 insurance brokers, 7 loss assessors/adjusters and 89 insurance agents. Other financial institutions include leasing companies, building societies, foreign-exchange bureaux and micro-finance institutions.

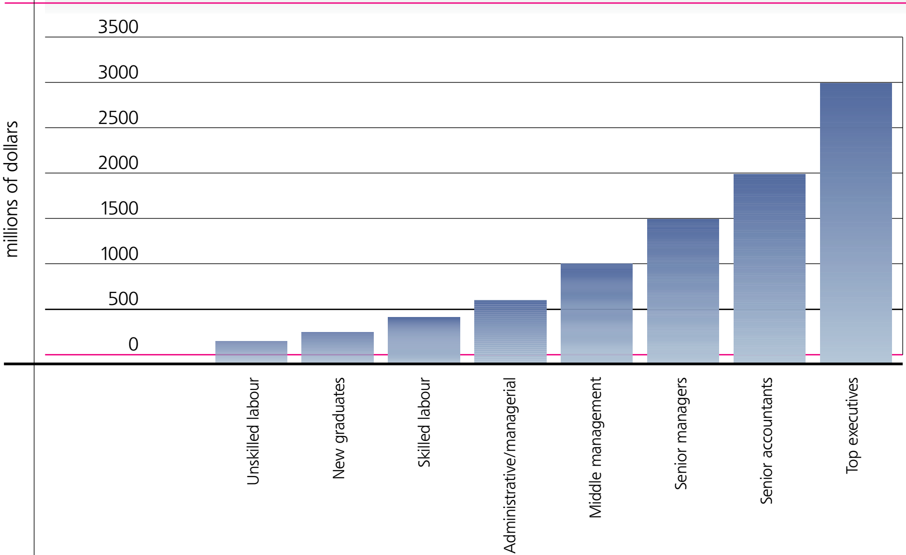
Uganda is well represented by major international business, service providers in accounting, consulting and courier services.

Human Resources

Ugandan labour is plentiful, well-educated, English-speaking and easily trainable. The literacy rate and enrolment ratios at the primary-school level are above the sub-Saharan African average (table 11). Wage costs are low by international standards (figure 6). Furthermore, Uganda does not have a history of labour disputes and industrial strike actions. Moreover, investors see existing labour regulations as favourable and unproblematic (CIC, 1999).

The Ugandan educational system is purported to be one of the best in Africa, with reasonably well-developed commercial schools and colleges. There are 10 private universities supplementing the Government's efforts in providing higher education. Special investment allowances (100 per cent write-offs) are given to investors who invest in training local staff. Government funding is also heavily biased towards technical education (training for industry).

FIGURE 6: AVERAGE MONTHLY SALARIES FOR DIFFERENT PROFESSIONAL LEVELS (ESTIMATES), 2000



Source: UNCTAD estimates

Country	NET ENROLMENT RATIO [a] Primary total % of relevant age group	Female % of relevant age group	Secondary Total % of relevant age group	Female % of relevant age group	ADULT LITERACY RATE % of people 15 and above
	1997	1997	1997	1997	1998
		..		..	*65.0*
Kenya	65.0	84.0	61.1	57.4	80.5
Malawi	98.5	99.7	72.6	53.9	58.2
Mozambique	39.6	34.3	22.4	17.1	42.3
United Republic of Tanzania	47.4	48.0	..	..	73.6
Zambia	72.4	71.7	42.2	34.9	76.3
Zimbabwe	93.1	92.2	59.2	56.3	87.2
Sub-Saharan Africa Average [b]	59.6	51.8	75.8	35.8	58.5

Source: UNCTAD, based on the UNDP, *Human Development Report 2000*.
a The 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 See footnote to table 3.

On the downside with respect to the workforce, 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, management and specialized technicians must be paid well to be retained. Despite the generally low salary levels (figure 6), some companies have started to pay this category of workers internationally competitive salaries.

There is no shortage of unskilled workers. As a legislated minimum wage is not in force, wages are low, although some investors complain that so is productivity (CIC, 1999). In the case of unskilled labour, the employer pays for medical services, daily transport and lunch, while for expatriates and top management the employer pays for housing, a company car and utility services such as telephone, electricity and water.[8]

8 The labour market is regulated by a number of laws, particularly the Employment Decree 1975, the Immigration Act 1967 and specialized laws that govern the conditions of work in various fields.

Disputes are settled through the Labour Inspectorate and the Industrial Court. An employer must contribute an amount equal to 10 per cent of an employee's gross salary to the National Social Security Fund (NSSF) and a further 5 per cent must be deducted from the employee's salary. The NSSF is a provident fund managed by the Government on behalf of workers.

Expatriates are allowed to work in Uganda provided they obtain a work permit. Such permits are usually granted to employees of foreign enterprises approved to operate in Uganda so long as the applicants are key personnel. Any enterprise, whether local or foreign, can recruit – without any difficulty – expatriates for any category of skilled manpower when Ugandans are not available.

Uganda is three hours ahead of Greenwich Mean Time. As it is located on the Equator, days are about 12-hours long year-round. Working hours for both public and private sectors are 8 a.m. to 1 p.m. and 2 p.m. to 5 p.m., Monday to Friday. Saturday is not ordinarily a working day for the Government, banks and some business establishments. However, some banks, shops and markets do remain open.

An employee is entitled to 30 days sick leave per year at full pay and 30 days at half pay. Annual leave is 21 working days in addition to all public holidays. Uganda celebrates public holidays on the day on which they fall and does not celebrate those falling on a weekend on the following week-day. There are ten public holidays observed in Uganda (appendix 4).

Uganda is a strongly knit society and the extended family is important. In consequence, cultural and social expectations sometimes adversely affect labour productivity – for example, all adults are generally expected to attend funerals of relatives and friends. Given the high incidence of HIV-related deaths this may lead to a high incidence of absenteeism.

Box II.2: HIV/AIDS

HIV/AIDS is not only a public health issue in Uganda, but also a major development problem. The problem has been confronted by almost all households, in all parts of the country and across all sectors of the economy. The cumulative number of HIV-infected people in Uganda is now estimated at 1.9 million – or nearly 10 per cent.

As early as 1986, the Government adopted a strategy of openness towards the presence of HIV/AIDS in Uganda and moved swiftly to establish the National AIDS Control Programme in the Ministry of Health. In 1990, the Government also adopted a multi-sectoral approach to HIV/AIDS control and prevention. To date, the National AIDS Control Programme has made significant strides 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 been formed and 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 HIV infection rate was reduced from 32 per cent of the total population in 1991-1992 to an estimated 8 per cent in 2000. The decline is most marked among the young. This 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. Due to these successful efforts, Uganda has received together with Senegal international praise for its commitment to fight the spread of HIV.

Source: UNCTAD.

Taxation

As elsewhere, taxes in Uganda fall into two broad categories, direct and indirect taxes.

Direct taxes

Corporate and income tax

This is paid out of profits made by limited liability companies and other institutions such as trusts and registered cooperative societies. The rate is 30 per cent of net profits and has been significantly lowered from an initial level of 60 per cent in 1989 (WEF, 2000). The law requires that companies compute estimated year end profits in the first half of the year. Half of the tax on profits is provisionally paid to the Uganda Revenue Authority (URA). The final tax installment is paid before the end of the fourth month after the end of the financial year.

Pay As You Earn (PAYE) Income Tax: Every employee whose employment income exceeds UShs 1,560,000 per year or UShs 130,000 (equivalent to $70) per month pays this tax (table 12). The tax has three bands and is remitted by the employer to the URA every month. The tax is deducted not only from the salary but also from allowances for leave pay, payment in lieu of leave, overtime, travelling allowance, entertainment, utilities, cost of living, fees, commission, gratuity, bonus, housing, medical expenses, compensation for the termination of a contract and gains derived from the disposal of an option to acquire shares. It is, however, net of the National Social Security Fund contribution. Expatriates are taxed at the same rates as other residents of Uganda. This also holds true for non- residents, who do not enjoy the tax-free threshold of 1,560,000. Expatriates pay local income tax unless they enjoy diplomatic status.

Rental Income Tax: This is paid by 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 at a rate of 20 per cent 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.

AS YOU EARN (PAYE) TAX

ANNUAL INCOME	TAX
Below UShs 1,560,000	Nil
Between UShs 1,560,000 and 2,820,000	10%
Between UShs 2,820,000 and 4,920,000	UShs126,000 plus 20% of excess over UShs 2,820,000
Over UShs 4,920,000	UShs 546,000 plus 30% of excess over UShs 4,920,000

Source: UNCTAD, based on information provided by the Uganda Revenue Authority.

Withholding Tax

A tax of 4 per cent is withheld by receivers of services provided by contractors and suppliers of goods and services and the tax payer is issued a tax credit certificate which he/she can present at the end of the financial year for reimbursement. A limited number of companies which have established a track record of payment have now been exempted from withholding tax.

A customs withholding tax is levied on imported goods at the rate of 4 per cent of the CIF value. It is reimbursable at the end of the financial year on the presentation of the customs receipt.

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 duties paid may be a fixed sum or a percentage of the contract value.

Indirect taxes

Import and excise duties and the value-added tax (VAT) are the most important indirect taxes in Uganda. Import duties come in two bands. The COMESA (Common Market for East and Central Africa) rates, which are fixed at a maximum of 6 per cent, and rates for the rest of the world, with the maximum fixed at 15 per cent. Once Uganda has ratified the COMESA Treaty (see page 8), the COMESA rates will be eliminated. Excise duty is imposed on petroleum products, tobacco products, beer, soft drinks and large-capacity vehicles. A company with a turnover of more than 50 million UShs must register for the VAT which has two bands, 17 per cent and zero per cent.[9] In addition, there are some exempted goods and services.

9 VAT is a consumer expenditure tax which in the case of Uganda replaced both the sales tax and the commercial transaction levy (CTL). This tax is paid by individuals and firms. In order for a company to register for VAT payment, business scale turnover must exceed Ushs 50,000,000 per year regardless of whether the business is profitable or not.

As for tax appeals, a company or person dissatisfied with an assessment may object to it within 390 days from the date of issue, stating the precise grounds for the objection. A Tax Appeals Tribunal is in place to deal with these objections.

For information on tax exemptions and fiscal incentives see chapter IV.

The Private Sector in Uganda

The private sector enjoys a healthy dialogue with the Government over policy through various groups such as the Private Sector Foundation, the Uganda National Chamber of Commerce and the Uganda Manufacturers Association. Above all, the Government has set up the Uganda Investment Authority to be a ‘one-stop facilitator’ for foreign and local investment. The local private sector owns 38 per cent of investment projects licensed between 1991 and 1998. According to a survey by UNCTAD, in the period 1993-1997, foreign firms reduced their use of imported inputs because of marked improvements in local supply (UNCTAD, 1999a).

The Government views the private sector as an essential partner in the sustainable development of Uganda. Despite the rapid growth of the private sector in the recent past, studies carried out by the World Bank indicate that there are still a number of constraints inhibiting private-sector growth. These include utility prices, taxes, the cost of finance, the poor quality of utilities, access to finance, tax administration and corruption. While the Government addresses these issues in the Medium-term Competitiveness Strategy, the Ugandan private sector is also engaged in a public-private dialogue that has yielded positive results. The private sector is organized under various associations.

In general, the environment for private investment has improved significantly with the formal economy growing in importance. Although Uganda is ranked only seventeenth in the World Economic Forum’s Africa Competitiveness Index 2000, it is ranked fifth on the so-called improvement index, reflecting changes that have taken place in the last three years: 1996-1999 (WEF, 2000).

Investment Climate: Key Factors for Foreign Investors

Strengths

- Strong and stable Government commitment to create a business-friendly environment;
- One of the most dynamic economies in sub-Saharan Africa with an average growth rate of 6 per cent over the past five years and access to a potentially significant regional market;
- Trainable low-cost labour; and
- One 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; and
- Infrastructure development.

Weaknesses

- Poor physical infrastructure;
- Shortage of technically and managerially skilled personnel; and
- Persistent corruption.

Threats

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

Source: UNCTAD.

Areas of Opportunity

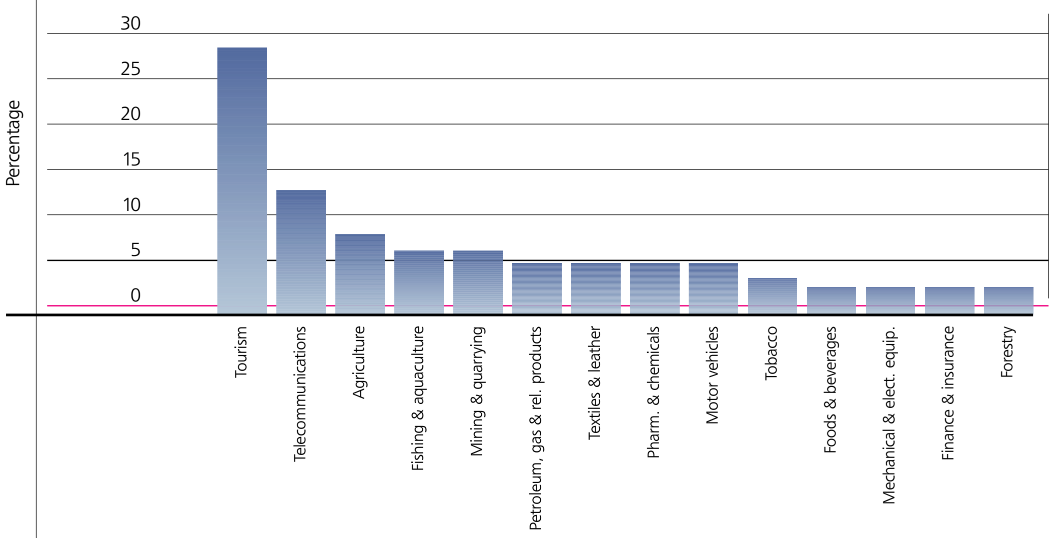
III

A recent UNCTAD-ICC survey of the world's largest transnational corporations and their investment plans for Africa in the years 2000-2003[10] yielded some interesting results regarding the most attractive investment opportunities in East Africa. In general, investors identified a relatively limited number of potential industrial sectors (figure 7). What is remarkable, though, is that the sectors most frequently mentioned by companies as having the biggest investment potential in the East African region – tourism, telecommunications, agriculture – are very much the sectors in which Uganda offers the biggest opportunities. The areas of opportunity discussed in this section should thus be looked at with not only a national but a regional market in mind.

10 The survey was undertaken between November 1999 and January 2000. It covered 296 TNCs that came from a wide range of sectors and home countries. The results of the survey are published in the UNCTAD *World Investment Report 2000: Mergers and Acquisitions and Development, 2000.*

FIGURE 7: THE MOST IMPORTANT INVESTMENT OPPORTUNITIES IN EAST AFRICA BY INDUSTRIAL SECTORS: RESULTS OF AN UNCTAD-ICC SURVEY OF TRANSNATIONAL CORPORATIONS, 2000

(PERCENTAGE OF COMPANIES RESPONDING POSITIVELY)



Source: UNCTAD/ICC.

Priority Sectors

This section focuses on agriculture and services-related industries. These industries have the most promising potential for investment opportunities in Uganda. Within these two sectors, a number of industries and the opportunities they offer are portrayed in greater detail. Beyond these, there are a number of other industries, but without the same potential, which are covered less extensively. Investors interested in these industries are advised to contact the UIA for further information. In addition, this section includes some opportunities created through the privatization programme the Government initiated in 1993. For a list of selected companies currently on the privatization list, see appendix 5. The chapter ends with a note on the 'multi-facility econimic zones', in which investors will be able to operate under particularly favourable conditions.

Agriculture, agro-processing and related industries

Uganda produces a variety of agricultural products including many types of food crops, oil seeds, livestock and fish, as well as traditional export commodities such as coffee, cotton, tea and tobacco. More recently, in response to the liberalization of the economy, newer products have acquired economic importance. These products include cut flowers, fruits and vegetables, and spices, which are increasingly being produced with export markets in view. The leading players in the various agricultural and agro-processing sub-sectors include Ugachick Poultry Breeders, Uganda Feeds, Reco Industries, Mairye Estates, Suntrade Consultants, Osu Ltd., Bwindi Passion Fruit Farmers, Ziwa Horticultural Exporters Ltd., Van Zanten (U) Ltd., Jesa Dairy Farm, GBK Dairy Ltd., Paramount Dairies, Liberty Dairy Services, Mukwano Industries, East African Oil Mill, and Kakira Oil and Soap Factory.

In general, agriculture and agro-processing suffer from under-investment. Of the 18 million hectares of available arable land, approximately 25 per cent is being utilized, leaving fully 13 million hectares idle. Private investment is welcome in all aspects of agriculture including the production of crops, beef and dairy products.

Box III.1: Britania Products' Link with Local Suppliers in Uganda

Britania Products Limited was established as a wholly owned foreign company by the Dawda Group of Kenya in 1993. It is engaged in the manufacture and distribution of confectionery products. The company has increased its variety of biscuits from 2 in 1995 to 14 in 2000. It has a total of 600 employees and a well-established Uganda-wide distribution network with 200 agents and over 600 retailers. It also exports to Rwanda, the Democratic Republic of the Congo, southern Sudan and northern Tanzania. Britania Products has recently diversified its operations and is now the largest manufacturer of fruit juices ('Splash' and 'Sunsip') and sauces ('Top Up') in Uganda.

The company has created various backward and forward linkages with the local economy. It supports the agriculture, manufacturing and trading sectors, and procures a number of inputs and materials from local suppliers. These include fruit and other agricultural produce, corrugated carton boxes, and polythene bags and labels. The company also periodically buys cooking oil and sugar from local suppliers when their prices are competitive with those of imports.

Source: UNCTAD, based on UNCTAD (1999a) and information supplied by the House of Dawda.

Opportunities in specific agriculture-related industries

Beverages

For the purposes of this guide the beverage sub-sector encompasses coffee, tea, soft drinks and alcoholic beverages.

The soft drinks sub-sector includes fruit juices, squashes and carbonated drinks. Ugandans spend about 4 per cent of their total consumption on beverages (figure 1). This share has remained more or less constant since 1992 (Uganda Bureau of Statistics 2000). On the supply side, the number of major establishments producing soft drinks increased from 4 in 1990 to 8 by the end of 1997. The market leaders are undoubtedly the carbonated drinks makers – Century Bottling Company (Coca-Cola) and Crown Beverages (Pepsi), followed by Britannia Beverages.

The alcoholic beverages sub-sector is centred on private firms, two of which produce beer. Uganda Breweries Ltd (UBL) is a subsidiary of Kenya Breweries Ltd and Nile Breweries Ltd. is a joint venture between the Madhvani Group of Companies and South Africa Breweries Ltd. UBL has been undergoing rehabilitation and has recently had a new bottling line installed. However, it has still not attained full-capacity production of 350,000 hectolitres of beer per year due to limitations in penetration capacity. Nile Breweries Ltd. (NBL) has a capacity of 220,000 hectolitres per annum and has a greater brand variety than the older and larger UBL.

The two firms have also had to respond to an increasing demand for their products and plan for expansion. Based on demand at constant prices, the high-growth scenario would put demand at 708,155 hectolitres per year by the year 2003 while the low-growth scenario would project demand at 214,567 hectolitres by the same year. Therefore, in the case of the high-growth scenario, a substantial amount of additional production capacity would be needed to satisfy local demand. There are also two companies producing spirits, International Distillers and West Nile Distillers.

Uganda ranks among Africa's top coffee producers. Although robusta coffee dominates production, a sizeable amount of fine arabica is produced too. Most coffee is exported raw with very limited local processing into value-added, ready-to-consume coffees. About sixty companies dominate the Uganda coffee trade, most of them private-sector firms. The top five exporting companies (all private) are: Kyagalanyi Coffee Factory, Nsamba Coffee Works, Uganda Growers Coffee Factory (Ugacof), Nile Commodities and Olam Ltd.

Uganda has a steadily increasing and vibrant food processing and drinks manufacturing industry. This is indicated by an average 16 per cent annual increase in imports of manufacturing machinery for these industries in the period 1994-1998. The total value of imports stood at $5 million in 1998. With 12 per cent average annual growth between 1994 and 1998, regional demand for these goods has also increased strongly (ITC, 2000).

Cotton and textiles

Ugandans spend 4 per cent of their total consumption on clothing and footwear (figure 1). Uganda's textile industry depends predominantly on cotton grown by small-scale farmers. Uganda produces two varieties of cotton: the long-staple Bukalasa Pedigree Abler (BPA) and the medium secure Type Uganda (SATU). Total production is estimated at between 18,000 and 20,000 tonnes annually.

There are currently 29 ginneries – 12 privately owned, 2 leased and 12 owned by cooperative unions. Three others are under joint-venture management. The total capacity is 1,100 bales per day though actual production is 500 bales. There are also 8 textile mills in Uganda, 6 of which are currently operational. Low capacity utilization continues to be a feature of the industry. Nytil Picfare, the country's largest textile mill, operates at barely 50 per cent capacity while some of the others at as low as 17 per cent capacity.

The country continues to import large quantities of fabrics and garments including second-hand clothing. The value of imported of second-hand clothing and other articles stood at $10 million in 1998, hinting at a sizeable local market for low-priced textiles. This assumption might hold for the East African region as a whole, as imports of second-hand clothing and other articles are increasing by an annual average of 13 per cent.

As mentioned in chapter I, Uganda is one of the African countries that will benefit from preferential market access to the United States under the African Growth and Opportunities Act (AGOA) although, in the case of textiles in particular, the preferences granted are limited in various ways. The Act could open up interesting opportunities for export-oriented textile production in Uganda.[11]

11 More details on the precise provisions of AGOA as well as information contacts can be found on the United States' Government Webpage http://www.agoa.gov.

The dairy industry

In 1995 cattle dairy farming was reported to be on the increase, with most farmers adopting "zero-grazing"[12] and small-scale dairy farming. The dairy herd nation-wide was estimated at 158,883 exotics and cross-breeds compared to 140,000 five years earlier. 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, Kampala, Rukungiri, Jinja and Kabale. There are also some 300 dairy goats mainly in the Kasese district.

12 "Zero grazing" refers to grazing cattle in a stable without taking them to the field.

Milk production continued to increase throughout the 1990s. Some 520 million litres of milk were produced in 1995. Only about 10 per cent of this is processed. Some 365,000 litres of goat milk is produced annually, most of which is consumed at the household level. In addition to milk, other important dairy products being produced include UHT milk, butter, cheese, ice cream, yoghurt and ghee (clarified butter or substitute). Most of the domestic production of dairy products is consumed locally. Export opportunities to neighbouring countries has not been given sufficient scope. Annual export values of dairy products have not exceeded $500,000 for much of the past 5 years (Uganda Bureau of Statistics, 2000). Average annual imports of dairy products were significantly higher at almost $2.3 million, hinting at an interesting domestic market potential.

A concrete opportunity for investors in this sector might be the Dairy Corporation. Once a monopoly holder for milk processing and marketing, it is now the only public enterprise remaining in the agriculture and agro-processing area. It is to undergo divestiture soon, now that the law deregulating the dairy sector has been passed.

Fish and fish farming

Fish and fish farming is one of the most interesting export-oriented investment opportunities in Uganda. 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 235,796 metric tonnes. Fish harvesting can be substantially increased with little risk of exhausting stocks. Lake Victoria is believed to have 350 species of fish of which the Nile perch and Tilapia are commercially the most important. The Haplochromine cichilds which account for about 300 species have recently acquired increased commercial value as ornamental fish.

In 1992, fish exports earned $76 million. Since then, exports in this category have gradually declined and in 1999 fell to $24 million, as a result of the ban placed by the European Union on Uganda's fish products on hygienic grounds. This ban has only recently been lifted and it is expected that the value of fish exports will increase substantially. Private fish processors and exporters have formed the Uganda Fish Exporters and Processors Association (UFPEA) as a measure to ensure self-discipline and coordination among members. Despite the temporary decline in exports, the export of fish and fish products is one area in which Uganda enjoys a substantial competitive advantage, even on a global scale. This is also evidenced by the fact that, according to United Nations statistics, these products represent champions i.e. products in which the country has managed to increase it's worldwide market share (http://www.intracen.org/mas/uga.htm).

Frozen fillets or fillet pieces account for most of the fish exports. Several investors have been licensed to export fillets, including Gomba, Uganda Fish Packers, Marine and Agro, Green Fields, Hwang Sung, Ngege (U) Ltd. and Clovergem. The major export markets for fish fillets are remarkably diversified and include Australia, Belgium, Israel, Japan, Kenya, Malaysia, the Netherlands, the United Kingdom and Hong Kong, China (for fish maws), as well as South Africa and the United States.

Aquaculture in Uganda is practised almost exclusively at a subsistence level. The lack of stocking material is the major drawback. The National Agricultural Research Organization (NARO) is currently addressing this problem and the Fisheries Department has charged staff with the responsibility to promote aquaculture. Given the vast water resources of the country, covering almost 20 per cent of the territory, investors can take advantage of a huge potential in this sector.

Food products and oil seeds

There is a steady demand for the abundance of food products and oil seeds Uganda produces, in the home market as well as on the sizeable regional one. Uganda's fertile soil and favourable climate ensure that many crops, including cereals such as maize, millet and sorghum and other grains including beans, pigeon peas and other pulses, can be produced two or even three times in the year to supply both local and regional demand. While droughts and food shortages are almost unknown in Uganda, Kenya to the east, the Democratic Republic of the Congo to the west and Sudan to the north are known to experience frequent food shortages and are particularly vulnerable to drought. These regional markets, particularly during periods of shortfalls, can be supplied from Uganda.

There is great export potential in oil seeds. Uganda has the capacity, so far not fully exploited, to produce inexpensively all the oil seeds required for the regional edible-oil-and-fats consumption. At the same time, the country itself produces a negligible amount of edible oil from locally grown sesame seed, sunflower seeds, groundnuts, cottonseed and other oil seeds, depending on imports from within and outside the immediate region for local consumption. In 1996, the country imported edible oils as well as other oils for associated industries such as soap manufacturing and animal-feed manufacturing worth almost $4 million. Domestic demand for edible oil is estimated at between 40,000 and 60,000 metric tonnes. Exports of edible oil seed reached $12 million before falling back to almost $2 million in 1999 (ITC, 2000). Despite decline, past export figures reveal the investment potential that could be exploited by export-oriented companies.

Fruits and vegetables

The commercial growing of fruits and vegetables for export has a short but successful history in Uganda. The variety of products is large, including pineapples, passion fruit, papaya, bananas, avocado, mangoes and oranges (table 13). Those with the biggest export potential are passion fruits, apples, bananas and raspberries among fruits and beans, asparagus, snow peas, and chillies among vegetables. Vegetable exports are limited to a small number of target markets including the United Kingdom, Belgium and Sweden. The total value of exports was $2 million in 1998. Despite the relatively small volume, vegetable exports have expanded rapidly over recent years, recording an average annual growth rate of 48 per cent between 1994 and 1998 (ITC, 2000). Given the fact that the average Ugandan spends more than half of his or her consumable income on food, there is high local demand for all products, especially bananas, mangoes, pineapples, avocados and vegetables generally (figure 1). The large variety of fruits and vegetables also offers many opportunities for the processing and canning/bottling industry.

LECTED AGRIC ODUCTS, 1995 SAND TONS)

PRODUCT	1995	1996	1997	1998A/	1999 [a]
Bananas	9,012	9,144	9,303	9,318	10,244
Finger millet	632	440	502	642	638
Maize	913	759	740	924	1,142
Sorghum	399	298	294	420	454
Rice	77	82	80	90	90
Wheat	9	9	9	9	9
Beans	39	234	221	387	403
Ground nuts	144	125	91	140	183
Soya beans	79	87	84	92	101
Sesame seed	71	73	73	77	93

Source: UNCTAD, based on Uganda Bureau of Statistics, Statistical Abstract 1999.
a Estimates.

Box III.2: Suntrade's Organic Dried Fruit Processing Project

This is a small-scale project with an initial investment of $20,000, started by a Swiss engineer utilizing self-developed solar energy technology for processing fruits and vegetables (organically grown pineapples, bananas, chillies, ginger, beans, mangoes and okra). The production of raw materials is organized through cooperatives/associates and could be expanded rapidly if demand increased. The investor currently sources from a 100 hectare farm located in Didda, near Kampala, and plans to double the investment in the short term.

The farm associates are trained by the owner, in production and post-harvesting techniques based on organic principles and practices. At present the company has 7 employees and owns 14 drying units. It uses a vacuum and gauging machine, the only one of its kind in Uganda. The organic quality is certified by the Institute for Market Ecology, Switzerland, which performs an inspection of the production area (soil inspection), harvesting and processing (drying and packaging) once a year.

The export of 1-2 tonnes fresh fruits per month started 6 months ago. All exported dried fruits are presently sold through organic food shops in Switzerland. The owner considers Uganda's potential to be very high due primarily to relatively inexpensive farm labour and excellent climatic and soil conditions. The owner is planning to expand operations (ideally a combination of fresh and processed fruits) and increase exports with the help of external financing and partners who will market the products.

Source: UNCTAD, 1999a.

Floriculture

Commercial floriculture is still a new industry in Uganda, dating back only to July 1993. Within this sector, cut flowers is the main product group, although some cut foliage and potted plants are also produced. Roses are the main flowers being cultivated. The rapid growth of this industry since 1993 has revealed Uganda's substantial comparative advantage in this area. Principal export destinations are the Netherlands and Norway. However, the quick expansion of export volumes has been accompanied by a considerable diversification of export markets. Today, Ugandan-grown flowers compete successfully in 10 different markets (ITC, 2000). Most of the flowers are sold to intermediaries (e.g. to Dutch auction centres), although some exporters have managed to establish direct contacts with overseas customers (UNCTAD, 1999a).

Under Ugandan conditions, roses attain Dutch annual yields in 8-9 months – but have 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 being grown for export.

The facilities required to establish summer flowers in Uganda are modest. All are grown from seeds in open fields, greatly reducing the start-up investment. Irrigation is essential to ensure continuity of supply and consistent quality. Ugandan producers might soon benefit from access to an increased pool of highly specialized workers, as Makarere University is initiating a programme for training in technical and management areas relevant to the industry (UNCTAD, 1999a).

Livestock

Livestock represents 17 per cent of agricultural production and 9 per cent of GDP. Output in livestock production, expanding steadily since 1995, is estimated to be growing at 2.2 per cent per annum. Most of this growth has been in the dairy subsector. The potential in beef, poultry, sheep, goat and pig production remains largely unexploited. The current stock (as of 1998) includes 5.6 million cattle, 1 million sheep, 6 million goats, 1.5 million pigs and 22 million chickens.

Indigenous breeds of cattle account for 96 per cent of the total stock. About 91 per cent of the cattle are held by pastoral communal grazers, nomadic pastoralists and small-scale farmers, who contribute approximately 89 per cent of the cattle slaughtered for beef. Only 9 per cent are held by commercial beef ranches and farms. There are 168 operational ranches with a total of 195,000 cattle. Commercial ranching is based on extensive grazing, which is the cheapest system for beef production. There is a growing interest in intensive and semi-intensive cattle production for beef. Most of the country's ranches, all of which are privately owned, are under-utilized (table 14). Given the fact that demand for livestock production (beef, goat, mutton, pork, poultry and eggs) continues to exceed the country's supply in many categories, considerable opportunities exist for new investment in the livestock sector in general and in meat production in particular. The annual supply of beef for 2000 was estimated at 77,336 metric tonnes, (demand: 133,021 metric tonnes), for goat and mutton at 48,600 (demand: 17,650 metric tonnes), for pork at 16,852 metric tonnes (demand: 20,576 metric tonnes), for poultry at 16,358 metric tonnes (demand: 36,951) and for eggs at 20,955 metric tonnes (demand: 18,023 metric tonnes). Figures for recent imports hint at a limited but still sizeable market. Between 1995 and 1999, import values of beef ranged between $290,000 and $414,000 (Uganda Bureau of Statistics, 2000). In 1998, however, they reached $1.6 million, hinting at a much larger potential in the local market than one would expect at first sight. Beef exports to neighbouring countries have been almost completely neglected. The highest export value was recorded in 1998: a mere $76,000 (Uganda Bureau of Statistics, 2000). This export value is disappointing given the fact that there are real possibilities for beef and other meat exports into the Great Lakes Region, North Africa and the Middle East.

The export of skins and hides, however, was significant, accounting for $4.5 million in export revenues in 1999. Uganda exports bovine skins (whole and raw), hides (whole, raw fresh or wet-salted), bovine leather and goat skins, hides and leather. As of late, the trends for the different products have varied considerably. The most dynamic export products are whole, fresh or wet-salted bovine hides. These products reached an export value of $1 million after expanding by 76 per cent a year between 1994 to 1998 (ITC, 2000).

Packaging

The packaging industry was one of the most vibrant sectors in the late 1960s. However, the disruption caused by the expulsion of the Asian community, which dominated the sector, led to its rapid collapse. With the restoration of political and economic stability, the sector has picked up somewhat, but 50 per cent of domestic packaging requirements are still being met through imports. Local production consists of gunny bags, corrugated boxes, low-value textile packaging products, tins and 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 developments in the manufacturing sector, especially consumer goods, explain most of the gains in the manufacture of plastic packaging items.

Taking into account the comparative advantage and the supply gaps, the packaging sector would appear to offer a number of investment opportunities including:

- Glass containers (raw material available)
- Tin cans and boxes
- Corrugated cases (shuffle)
- Cartons and labels
- Flexible packages
- Rigid plastics
- Thin-walled plastics
- Polystyrene boxes

H SCHEMES I … AS OF DECEM

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	14,400

Source: UNCTAD, based on information provided by the UIA.

Service industries

Tourism

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

Churchill's observation on the country's natural beauty and diversity is as true today as it was when he visited the country: Uganda is purported to be one of the scenic wonders of the world. The country's geographical diversity and its wide range of fauna and flora make Uganda a unique tourist destination. The country is famous, in particular, for its mountain gorillas which represent about half of the world's remaining gorilla population.

Tourism is one of the fastest growing economic sectors in Uganda. For the past 7 years the tourism sector has recorded 18 per cent growth per annum. Visitor arrivals have increased from 73,000 in 1995 to 227,000 in 1997. Total investment during the period 1991-1997 amounted to $344 million in hotels, service apartments, cinemas, lodges, travel agencies, restaurants, tented camps, casinos and whitewater rafting. The major national parks are:

- Bwindi Impenetrable National Park, a forest home to some 300 mountain gorillas;
- Queen Elizabeth National Park, a UNESCO reserve and home to many animal and bird species;
- Murchison Falls National Park, a protected area for tall Savannah grass with many birds and animals;
- Kidepo Valley National Park, with a diversified topography and vegetation and many unique animal types; and
- Lake Mburo National Park, small but biologically unique and rich eco-system with many bird and animal species.

Other national parks include the Semuliki, Mt. Elgon, Kibaale, Rwenzori Mountains and Mgahinga Gorilla National Parks.

Facilitating services in the form of hotel and accommodation services, tour and travel operations, auxiliary service provisions as well as air and surface transport are in place. Nevertheless, they are nowhere near sufficient to satisfy growing demand. Thus there are many investment opportunities in this sector, including the following.

- Organized tours (many opportunities for innovative tour operators and package programmes targeting national, regional and international visitors)
- Cruises on the Nile
- Cabin ferry services on Lake Victoria
- Schools for the hospitality industry
- Quality hotel facilities
- National park concessions (details available from the Uganda Wildlife Authority) and domestic as well as international air travel

Privatization offers additional opportunities. Only a small number of hotels have already been privatized or are managed by a private operator such as the Sheraton Kampala Hotel operated by the United States-based Starwood company. The most prominent privatization projects at this point are the Apollo and the Nile Hotel Complex. In addition, Uganda Hotels Ltd, which used to manage all Ugandan Hotels, is also up for privatization. Some foreign investors presently in Uganda – apart from the Sheraton – are the Grand Imperial Hotel and Associated Hotels, the Windsor Lake Victoria Hotel, the Adrift Uganda Ltd. (whitewater rafting) and Abercrombie and Kent.

Health care services and related products

Ugandans spend approximately 5 per cent of their disposable income on health and health care products (figure 1). The Government has initiated a number of reforms in the health sector including the introduction of user fees at Government health units, decentralization of the delivery of health services and encouraging NGOs, the private sector and communities to play an active role in the provision of health care.

The health care system is organized into three tiers: the community level, the health unit at the sub-county level, serving a population of roughly 20,000, and the hospital, usually at the district level. The health care sector in Uganda includes hospital facilities with 15,567 beds, 714 health centres/dispensaries with a capacity of 7,087 beds, 603 sub-dispensaries with 215 beds, 33 maternity units and 57 aid posts. All of these include private and non-governmental as well as public institutions.

The Government's promotion of a stronger role for the private sector in combination with its declared objectives in the health sector open up potential opportunities for foreign investors:

- Training medical officers, other medical personnel and auxiliaries of health-care units

- Opportunities in the area of specialized medical care, in particular in such disciplines as neurology and neuro-surgery, urology, cardiology, plastic surgery and other medical services

- Opportunities in the establishment of hospitals and other units and in the building of modern testing facilities (there are no restrictions on setting up private health facilities)

- Manufacture of drugs and hospital equipment and furniture

Uganda produces only 5 per cent of its pharmaceutical and health product requirements. Imports account for the remaining 95 per cent, which equals 10 per cent of total imports. In light of this and the fact that this sector has exhibited an upward growth trend, many potential opportunities for foreign investors exist. Domestic production has quadrupled since 1989, as has the value of imports. Between 1993 and 1996, imports more than doubled in value from $19.64 million to $46.37 million. Major exporters in descending order are India, Kenya, the United Kingdom, France and Germany. In addition to manufacturing opportunities to satisfy the local market, exports to the region might also be an unexploited opportunity. So far, leading pharmaceutical manufacturers in the country are Kampala Pharmaceutical Industries, Uganda Pharmaceutical Industries, Medipharm, Medical Products Use and NEC Industries. The following sub-sectors could be of particular interest to foreign investors:

- *Essential Drugs:* The essential drugs list of the Government consists of some 300 items. At the current level of consumption ($48.9 million), over 10 locally based pharmaceutical manufacturers with an average turnover of $5 million could be sustained.

- *Family Planning*: According to the Uganda health survey of 1995, the knowledge of family-planning methods is universal, with 94 per cent of Ugandans aged 15-49 years familiar with at least one method of contraception. The number of women who are aware of condoms has risen from 33 per cent in 1989 to 78 per cent by 1995. Some 8 million Ugandans are over 15 years of age. The local manufacture of condoms represents 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 per cent of the market. Two companies produce hospital furniture but fall short in satisfying national requirements.

Also, Uganda is well known for its bio-diversity in flora and fauna, ideally suited for traditional and herbal medicine and raw-material-based production. It is also well-endowed with freshwater, sugar, cotton and starch sources. Resource-based industries, tapping these, could seize the opportunity to produce such items as surgical cotton and gauze, sanitary pads, bandages, glucose, syrups, etc.

Education

Another dynamically developing service sector offering interesting opportunities is education. Uganda has the ability to become a regional 'centre of excellence for education'. In fact, the country has something of a tradition in this respect. The education system was credited with producing a large number of highly qualified professionals and teachers in the 1950s and 1960s. During the periods of internal turmoil, many of these well-educated Ugandans were readily accepted and hired in neighbouring countries.

Opportunities for foreign investors exist in the fields of secondary education and technical training:

- It is the Government's intention that secondary education be largely private-sector-driven. The introduction of the Universal Primary Education (UPE) Programme in 1997, resulted in school enrolment rising from 2 million pupils in 1986 to over 6 million pupils by the end of 1999. It is estimated that, by the time of the school year 2000, over 800,000 pupils would have qualified for secondary education. Currently, the absorption capacity of secondary schools is less than 350,000 students, leaving a gap of 450,000 places. This large gap needs to be filled and constitutes an investment opportunity for the private sector. The Government recognizes this need, and has targeted for the medium term to increase entry enrolment in Government-aided secondary schools from the current level of 150,000 to 260,000 by 2003, representing an increase of 75 per cent. Some investors have already started to run private schools. These schools include the Kabojja Secondary (local investors), the Vienna College (Austrian investors) and the Rainbow academy (a joint venture).

- Technical, vocational education and training (TVET) institutions play a vital role in the absorption of primary school graduates and in the provision of skilled labour. The private sector has become very active in this sector but there is still room for more secondary schools, technical colleges and tertiary institutions.

- Private universities have also been established, including Nkumba, Nkozi, Ndejje and Church of Uganda-Mukono. There is definitely more room for universities or technical colleges that provide high-quality education combined with a practical approach to education, as there is a shortage of qualified technicians and middle-managers in the private sector that also have some hands-on experience. Investors wishing to set up institutions of learning are required to apply for a licence with the Ministry of Education. The ministry has set standards that must be met by prospective investors in order to obtain such a license.

Other Investment Opportunities

Apart from the key areas discussed above, there are a number of other sectors which may be of interest to investors. In some of these, the opportunities may not be equally easy to seize but are nonetheless worth considering.

Building, construction and housing

Liberalization of the economy since 1986 has spurred development in a variety of sectors and brought with it an upswing in the building and construction industry. Domestic requirements for building materials for the period 1992-2006 are expected by far to outstrip local production. Since import supplies at current levels cannot be expected to fill this gap, there will be opportunities in the import of building materials. In the medium to long term, many building materials can be manufactured locally to satisfy local demand and also to supply the regional market. The recent upswing in construction activity has at least partially been based on a new dynamism in the housing segment, which in turn has been inspired by the Government's declared priority to improve housing conditions for a large part of the population.

Existing investment opportunities in this sector include:

- The intended or already confirmed privatization of the National Housing Corporation and Construction (the largest provider of residential houses), Consolidated Properties Ltd. and the Housing Finance Company which specializes in mortgage finance

- 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

- The processing of non-metallic minerals to make sanitary fittings, tableware, floor and wall tiles, glass, lime, cement, glazes, etc.

Energy

The total energy consumption in Uganda is estimated at over 5 million tonnes of oil equivalent (toe), of which 90 per cent is derived from biomass (wood/charcoal and agricultural residue). Given a population of almost 21 million, per capita energy consumption is 0.3 toe (which is low compared to other East African countries). Leading electricity companies are AES Nile Power, Norpak and the Uganda Electricity Board (UEB).

With the recent commissioning of units 11 and 12 of the Owen Falls Extension, Uganda has acquired an installed capacity of 283 Megawatts, while peak demand exceeds production. Domestic demand is estimated to be growing dynamically at 2 per cent per month and is expected to increase steadily over the next 20 years.

An expansion in Uganda's generation capacity and sector restructuring would allow the country to export energy to satisfy demand in neighbouring countries such as Kenya, Rwanda and the United Republic of Tanzania. Currently, Uganda exports 30 Megawatts of continuous power to Kenya though this is not always fulfilled at peak demand. The Bukoba region of Tanzania also receives 8 Megawatts from Uganda and 2 Megawatts is supplied to Rwanda with plans to increase this to 5 Megawatts. Combined power exports to Kenya, Rwanda and Tanzania may reach 130 Megawatts by the year 2010.

In a bid to liberalize the sector, the Government has started discussions with independent power producers. An example of this is the Bujagali Project involving the development of a hydropower plant to produce 290 Megawatts at Bujagali, 8 kms downstream on the Nile from Owen Falls, by AES Nile Power Ltd. Other projects under consideration include the Kingdom Project to produce 450 Megawatts by Arabian International Construction (Egypt) and the Karuma Falls Project, by Norpak of Norway.

Mining

The mining industry in Uganda in the 1950s and 1960s was based mainly on copper and accounted for up to 30 per cent of the country's export receipts. The political and economic disturbances of the 1970s resulted in such a sharp a decline that today mining contributes barely 1 per cent to GDP and 7 per cent to total export revenues. The decline is not so much a result of resource depletion as a consequence of poor policies. These policies, originating in the 1970s, have now been fully reversed. The 1990s witnessed a revival in mining activity. For example, in 1990, fewer than 50 licenses were issued for exploration and mining, while in 1997, 220 licenses were issued.

Current mineral production is still too low to meet local demand. Limestone, for the production of cement and construction lime, is consumed almost entirely in the domestic market. Aggregate gravel and sand productions are expanding in response to the growth in building and construction activity. At the same time, small quantities of gold, tin and tungsten concentrates are mined mainly for export.

Existing investment opportunities are related in particular to the privatization of state-owned companies, the most important of which is Kilembe Mines Ltd., owner of the Kilembe Copper Mines and an investor in the Kasese Cobalt Company. Although Uganda's mineral potential remains largely untested, given the limited exploration to date, a wide variety of minerals are known to exist. (For more information, contact the UIA.)

Water and sanitation services

Only 30 per cent of urban areas in Uganda have piped water and 5 per cent have access to piped sewerage. The sector is governed by the Water Statute of 1995, under which the responsible minister may designate either a public or private operator to be a water authority or a sewerage authority and permit such an authority to enter into concessional or joint-venture arrangements. The statute clearly provides the necessary legal framework to accommodate private investment in this sector, with minor exceptions. Moreover, the rules and the capacity required to regulate private operations have not yet been developed.

The National Water and Sewerage Corporation (NWSC) has conducted limited experiments with contracted private management of operations in a Kampala suburb and in Jinja. The ministry responsible for privatization has asked the corporation to consider other forms of private-sector involvement, pending a sectoral study. It is understood that privately-financed initiatives are being considered as part of such a study.

Wood and wood products

According to the Department of Forestry, the forest reserves of Uganda constitute 5-6 per cent of the dry land of which 700,000 hectares are tropical high forest (540,000 hectares of which are under production), 632,000 hectares are Savannah forest and 24,300 hectares are used for plantation. Investment opportunities are available in the production of sawn timber for the domestic market as well as for the production of high-quality furniture for the local and export markets. Other export potential is in the production of veneers, sawn wood and joinery. Wood-based opportunities in the building and construction sector include furniture and laminated particle board. The planting of trees, taking advantage of Uganda's favourable climate, is also a viable investment opportunity.

Multi-facility Economic Zones

The Government has considered the establishment of a traditional export-processing zone (EPZ) and, for various reasons including funding difficulties, decided to shelve the idea. A modified concept, the multi-facility economic zone (MFEZ), is instead being evaluated under the aegis of the UIA. According to the Government's present timetable, the MFEZs will be fully operational by 2002. As the construction of the MFEZs, will occur in phases, some MFEZs might be operational as early as 2001.

The MFEZs will essentially be industrial zones in which cumbersome laws and regulations will be replaced by 'best practices' in order to attract and retain investors. These zones will serve both export-oriented production and production for the domestic market. All necessary infrastructure will be provided, along with customs and planning services.

Also under consideration within the MFEZ concept is the *virtual zone* for private companies whereby companies located outside the formal MFEZs would, on the fulfilment of certain conditions, enjoy similar fiscal and legal privileges.

The UIA in its effort to assist investors has acquired various pieces of land to be developed into industrial estates. There are opportunities for private investors to develop these pieces of land jointly with the UIA. More information on the MFEZ programme is available from the UIA.

"Uganda's mild climate, regular rainfall and stable political environment make it an ideal location to invest in agriculture. Whether it is large-scale plantations, for which there is an ample supply of land, or smallholder-based production, leveraging the expertise and efficiency of the Ugandan farmer (as in the tobacco and coffee sectors), the investor opting for agriculture will not be disappointed."

Jan Lühmann, Managing Director, Kyagalanyi Coffee Limited.

Institutional Framework

FDI in Uganda is governed by the Investment Code enacted in 1991. There is now a debate about how best to modernize the code and to refocus the work of the UIA.

In order to facilitate the implementation process, a foreign investor may find it useful to apply for an investment license issued by the UIA.

To obtain a license, a prospective investor must submit a business plan as well as corporate details. Following the repeal of tax holidays under the revised Income Tax Act, rigorous appraisal is not required and licensing is nearly automatic.

A foreign investment license is issued for a period of not less than five years. There is no general requirement for a minimum investment. In practice a threshold of $100,000 has been applied.

The code allows foreign investors to invest in all fields except those involving national security and ownership of land. Foreign investors may, however, lease land for up to 99 years. They can also participate in joint ventures involving the outright purchase of agricultural land. In such cases, Ugandans must hold the majority stake. Aside from this, Uganda imposes no limitations on foreign investors. Foreign ownership up to 100 per cent is allowed. Investors are also free to bring in and take out capital with no restrictions.

The UIA is the statutory body responsible for investment promotion and facilitation. It provides services to investors seeking information and advice on project development, implementation or expansion, and advises the Government on investment policy issues.

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. The Authority strives to achieve this objective by promoting Uganda as an investment location, easing investment constraints 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, to make the best use of limited resources.

Policy advocacy, project facilitation and image-building remain priorities for the UIA in the foreseeable future, along with investment promotion. The Authority also puts a special emphasis on remaining attentive to investors even after the investment decision has been made. The UIA is widely regarded as one of the best investment promotion agencies on the continent and was designated the best agency in Africa and the Middle East by Corporate Location Magazine and Coopers and Lybrand (UK) in 1995.

The governing body of the UIA draws a majority of its members from the private sector and is currently chaired by William Kalema, recently elected chairman of the Uganda Manufacturers Association. The operating head of the Authority is its Executive Director, currently Maggie Kigozi, who was appointed in December 1999 and herself has a private-sector background. These facts may in part explain why even investors with serious reservations about this or that aspect of the Ugandan business environment see the UIA as being firmly on their side. For contact details, see appendix 3.

Source: UNCTAD, based on information provided by the UIA.

Membership in international organizations

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

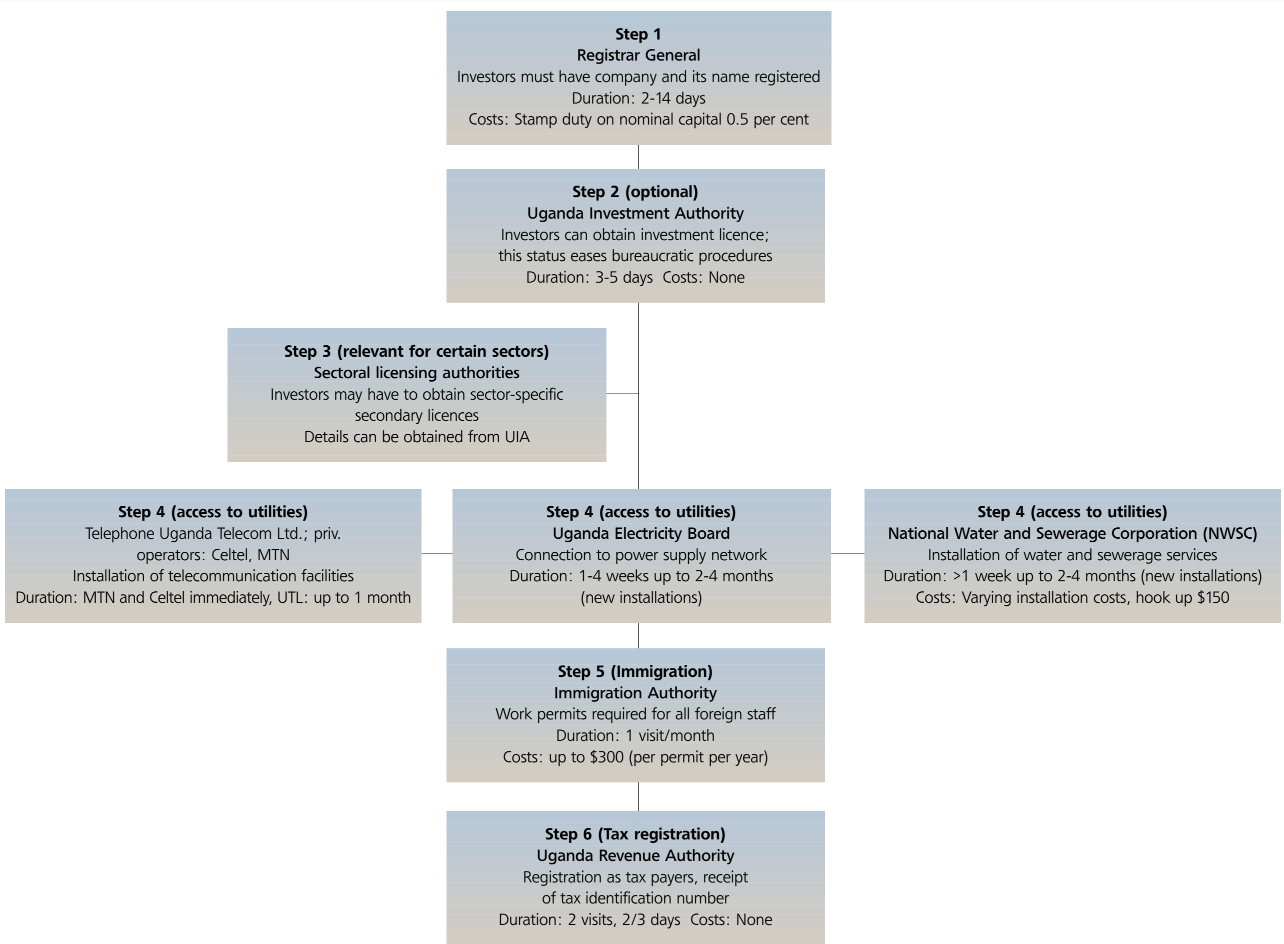
- The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group
- Overseas Investment Insurance of the United Kingdom
- The Overseas Private Investment Corporation of the United States
- The International Centre for Settlement of Investment Disputes (ICSID)
- The Convention on the Settlement of Investment Disputes between States and Nationals of other States
- The Convention on Recognition and Enforcement of Foreign Arbitration Awards

Uganda has also signed bilateral investment treaties (BITs) and double taxation treaties (DTTs) with a number of countries (table 15).

In addition to the countries listed in table 15, Uganda is embarking on the process to sign tax treaties with Italy, India, Mauritius and Egypt.

BITS	DTTS
Egypt	Denmark
Germany	Kenya
India	Norway
Italy	South Africa
Netherlands	Tanzania, United Republic of
South Africa	Zambia
Switzerland	
United Kingdom	

Source: UNCTAD, based on information provided by the UIA.



Source: UNCTAD, based on information provided by the UIA.

Entry and Exit

Screening, registration and authorization

To start a business in Uganda, investors have to follow a number of administrative steps as summarized in figure 8. The time needed to set up a business depends on the precise nature of the planned operation. In certain circumstances, an investor can start operations within a month of setting foot on Ugandan soil. However, if the investment requires the installation of additional utilities or if it is to be in a restricted area, the process can take six months or longer (USAID, 1998). Still, the institutions involved are helpful and try to facilitate the process as much as possible.

In a number of sectors, secondary licenses are needed in addition to the investment license. These sectors include fishing, mining, tourism, timber, coffee, air transport, commercial banks, insurance, pharmaceuticals and broadcasting and media.

The process of obtaining such secondary licenses and permits can cause delays and frustrations. The UIA endeavours to assist investors in obtaining these permits but the Government needs to improve service delivery to reduce the time it takes investors to access services. A recent study by the UIA showed that there was a marked improvement in the Government's delivery of services and that organizations are willing to change but are incapacitated by limited resources. The recently launched 'Big Push' strategy is expected to help ensure that the Government's service delivery to investors is streamlined and improved.

Incorporation and related requirements

Every business in Uganda must register with the Registrar of Business Names in the Registrar General's office. To operate a business in a municipality, investors are required to obtain a trading license from the local authority and register for income and corporate taxes and VAT if applicable. Limited liability companies are the types of trading entities preferred by most foreign investors setting up business in Uganda. These companies offer the same advantages to investors as corresponding corporate bodies do in other countries. A shareholder's liability for any deficiency on winding up is usually limited to the amount unpaid for the issued and called-up shares. Shares in any company may be transferred without affecting the continuity of the business.

The Companies Act, 1964, modelled closely on the United Kingdom Companies Act, 1948, before amendments, defines the various forms of legal incorporation.

Establishing a company of limited liability

Company formation need not be initiated by a lawyer and is normally a simple procedure. To form a company, the founder members (subscribers) must meet to sign the constitution documents – the memorandum and Article of Association – in the presence of a witness. These documents, together with various other statutory forms are submitted to the Registrar of Companies in Kampala in order to obtain the certificate of incorporation. Once these steps have been completed the company is certified.

It normally takes about six weeks to form a company from the time the decision is made to set up to the time the company can start to trade, although formation can be completed in a shorter period if necessary. Typical formation costs for a small private company with an authorized share capital of UShs 1,000,000 would normally be about UShs 500,000 including stamp duties and legal fees. For a limited company the law prescribes no minimum share capital. Moreover, a Ugandan company is not required to establish a legal reserve (a non-distributable reserve built up out of annual allocations of profit) as found in many countries. Within six months of the commencement of the accounting period, the company has to submit a provisional return of invoice. This contains an estimate of the income, which is expected to accrue to the business during the accounting period. For more information on how to establish a company in Uganda, contact the UIA.

Exit

A foreign investor is free to exit from a venture in accordance with the Company Law of Uganda. In practice, a company faces no obstacles when divesting from its assets in Uganda and returning to its home country.

Ownership and Property

Ownership

In general, there are no restrictions on the percentage of equity that foreign nationals may hold in a locally incorporated company. Similarly, there are no rules or regulations restricting joint-venture arrangements between locals and foreigners or prohibiting the acquisition of Ugandan firms by foreign-owned firms. These matters are subject of a mutual agreement between partners. Agreements do, however, need to be registered with the Registrar General at a nominal fee.

It should be noted that the Government is working on enacting a new law regarding contracts and especially contracts enforcement.

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 trademarks law currently in operation 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 does not cover service marks but is under review to incorporate developments since enactment.

Patents are governed by the Patents Statute, 1991, which grants protection to any inventions, be they products or processes, that are new or involve an inventive step and are industrially applicable. A patent owner has the exclusive right to exploit his/her invention over 15 years and has recourse to the High Court for damages, injunctions or other measures if the right is infringed. The statute bars holders from engaging in anti-competitive practices when licensing users of the patent.

The Copyright Act of 1964, covers literary, musical or artistic works, cinematic films, gramophone records and broadcasts. Protection is for a period of 50 years for broadcasts, published literary works, musical or artistic works and 45 years for published phonograph records and films. There are claims, in particular from firms in the software industry, that the present legislation in Uganda does not provide a sufficient protection for more recent forms of intellectual property, such as those incorporated in software programmes.

However, the Government is expected to incorporate the TRIPS agreement of the WTO into domestic law. All the relevant intellectual property laws are being revised in consultation with WIPO.

Performance Requirements

Foreign investors may be subject to a number of performance obligations which are not imposed on national investors. These obligations may include requirements as to investment size, staff training and localization, local procurement and environmental protection (UNCTAD, 1999a). Perhaps the most relevant requirement in this respect is the requirement of a minimum investment of $100,000 for foreign investors which is intended to protect small local companies from foreign competition. However, it should be noted that, while such obligations may be imposed on a foreign investor in order to obtain a license, the Investment Code as such does not contain any mandatory performance obligations.

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. For this, 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). For foreign investors, this provision may in practice not be relevant, for they are not obligated to enter into technology transfer agreements with domestic partners.

Environment-related requirements

Investors in Uganda are required to comply with environmental standards. The National Environment Statute 1995 is the principal environment protection law. The National Environment Management Authority (NEMA) was established in January 1996 under the statute as the principal regulatory agency for environmental matters. Investors are required to comply with the established environmental standards. Developers of particular projects are, therefore, required to carry out Environmental Impact Assessments (EIA) prior to project implementation. Compliance with EIA requirements is enforced through the licensing regime. Generally, for a project for which a licence is required, the licensing authority is prohibited from issuing a licence unless the developer has produced a certificate of approval from NEMA.

Expatriate employees

Expatriates are allowed to work in Uganda provided they obtain a work permit. Such permits are usually granted to foreign enterprises approved to operate in Uganda so long as the applicants are key personnel. Any enterprise, whether local or foreign, can recruit expatriates for any category of skilled manpower when Ugandans are not available.

It is not difficult to recruit expatriates, although the investor has to demonstrate the need for such employees. UIA facilitates the acquisition of work permits for expatriates. In this context, it should also be noted that foreigners can get visas on arrival at Entebbe if they have not already secured one.

Privatization, Limitation and Exclusion

Privatization

The Government is either divesting completely from the commercial sector or liberalizing it to let private-sector operators compete on an equal footing. Foreign direct investment is basically permitted in all industries. In some, however, investors may not be entitled to investment incentives (see appendix 1).

General rules and regulations governing private-sector mergers and acquisitions have not been formulated. Acquisitions of Government companies are regulated by the Public Enterprise Reform and Divestiture Statute. 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

Regional or zonal restrictions do not exist. Investors are free to invest in any part of the country. They are, however, required to observe environmental laws and not construct factories in protected areas. Some special incentives do exist for investors operating in up-country locations.

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, and that compensation at fair market value must be paid within twelve months of any expropriation. The Constitution of 1995 provides for payment up front. To further protect foreign investment, Uganda has signed the various bilateral and multilateral agreements mentioned at the beginning of this chapter. **Since the return to democracy in 1986, there has not been a single instance of expropriation.**

Revocation of license

A foreign investment license may be revoked if an untrue statement is made in the application for the license, if the provisions of the Investment Code are breached, or if there is a breach of the terms and conditions of the license. The UIA rarely revokes licenses and relies instead on counselling to achieve corrective action. Since the enactment of the Investment Code in 1991, no revocation involving a foreign investor has occurred.

Dispute settlement

The Investment Code permits international arbitration in a form mutually agreed with the investor. In addition, Uganda has entered into investment treaties providing automatic rights to the Nationals of treaty states to recourse to international arbitration in the event of a dispute with the Government (UNCTAD, 1999a). For the local settlement of disputes, the Centre for Arbitration and Dispute Resolution is now operational.

National treatment

The Investment Code does not provide general assurance of national treatment to foreign investors, and there are several instances both in the Code and in sectoral legislation allowing the country to impose restrictions on them, including

- The recently introduced land legislation that permits foreign investors to hold leasehold but not freehold land title
- The fulfilment of certain performance requirements in order to obtain an investment license (see section on **Performance Requirements**)
- The requirement of higher paid-up capital for foreign-owned banks and insurance companies

The Investment Code may allow for other distinctions in the treatment of foreign and domestic investors. In practice, however, they 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 foreign and local investors alike. To this effect, it is also undertaking a comprehensive modernization of commercial law. In keeping with the overall updating of the legal framework, the Uganda Law Reform Commission is spearheading a review of all significant commercial laws. The review process which is carried out in consultation with the private sector did not find major gaps in 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. The trade regime is extremely liberal, with hardly any restrictions on imports or exports. The Government has completely divested from trade in goods, leaving the private sector free to compete. Moreover, all foreign-exchange controls have been abolished. In July 1997, capital-account controls were also removed. As a result, residents may freely access foreign currency at market-determined exchange rates for all transactions, without prior approval of the Bank of Uganda. Indeed, they may even keep bank accounts in foreign currency inside or outside Uganda. In practice, it is no longer necessary to apply for certificates of entitlement to remit funds abroad. Capital flows freely in and out without the need for any declarations.

Competition and Price Policies

Uganda takes a liberal stance with respect to competition and price-setting. Open competition is generally encouraged and market forces allowed to determine who enters or exits any given business and what prices are charged. There are virtually no Government monopolies, and the Government does not interfere directly with the prices of commercial goods or services.

There is currently no law or set of laws that governs competition between firms and the conduct of commercial entities in the market-place. However, under the general review of commercial laws now ongoing, any loopholes or gaps in the legal framework for competition are to be identified and legislated for. At the same time, any laws currently on the statute books and deemed inconsistent with a market economy will also be identified and referred to parliament for repeal or amendment. A comprehensive antitrust law is envisaged.

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

Fiscal and Financial Incentives

Tax exemptions

The Minister of Finance, under section 14 of the Finance Statute 1997, repealed sections 25 of the Investment Code 1991 which provided for a 3-to-6-year tax holiday and proposed a new incentive regime of investment capital allowances 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. These incentives can be summarized in three categories, (Table 16).

It should be noted that, under section 39 of the Income Tax Act 1997, on Carry Forward Losses, an assessed loss arising out of company operations including the loss from the investment allowance shall be carried forward and allowed as a deduction in determining the tax payer's chargeable income in the following year of income.

"Under section 168 (23) (c) of the Income Tax Act 1997, losses incurred during the period of Tax Exemption under Certificate of Incentives may be carried into the first year of income after the expiry of the incentives".

In addition, investors may benefit from a number of tax provisions in the budgets of individual financial years.

Financial incentives

The Bank of Uganda administers a number of credit programmes. These include the following:

- The European Investment Bank (EIB) – Uganda Apex Private Loan Scheme
- The Bank of Uganda Export Refinance Scheme (ERS)
- Export Credit Guarantee Scheme (ECGS)

More information on precise conditions 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 & Njeru		50%
Outside Kampala, Entebbe, Namanve, Jinja & Njeru		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 July 1, 2000.		20%
CATEGORY 2: DEDUCTIBLE ANNUAL ALLOWANCES		
Depreciable assets specified in 4 classes (sixth schedule) under declining balance method:		
Class 1	Computers and data handling equipment	40%
Class 2	Automobiles, 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 part 1) (declining balance depreciation)		20%
Horticulture (horticultural plant and construction of green houses) (straight-line depreciation)		20%

Trade

Export-based tax credits, reductions and exemptions

Uganda offers a zero rate of import duty on plant and machinery as defined in the sixth schedule, chapters 84-85, of the HS Code. Provisions exist to allow for assessed losses arising out of company operations including the loss from the investment allowance to be carried forward. Such losses are allowed as a deduction in determining tax payers' chargeable income in the following year. It is important to note that occasionally the administration of some of these incentives may suffer from bureaucratic delays. More detailed information can be obtained from the UIA.

Tariffs and quantitative restrictions on imports

Uganda pursues an open-door policy with respect to imports. Most goods are importable into Uganda from any country in the world. The only import restrictions apply to narcotic drugs, arms and ammunitions and other dangerous substances.

Uganda's general tariff is simple. Goods are levied import duties of 0, 6 or 15 per cent, if sourced from outside the EAC and COMESA. EAC and COMESA import duty rates are 0, 4 or 6 per cent.

Real Estate

The 1995 Constitution vests the right to land ownership to the citizens of Uganda. For foreigners it is possible to own land if they form a joint-venture with a local majority shareholder. There are four land-tenure systems under which land may be held and operated:

- *Freehold tenure:* The holding of registered land in perpetuity subject to statutory and common law qualifications.

- *Leasehold tenure:* The holding of land for a given period from a specified date of commencement, on such terms and conditions as may be agreed upon by the lessor and lessee. The lessee enjoys exclusive possession of the land of the lessor for a specified duration in consideration of a cash payment called premium and an annual rent which is normally 10 per cent of the premium.

- *Customary tenure:* 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:* The holding of registered land in perpetuity, having roots in the allotment of land pursuant to the provisions of the 1900 Uganda Agreement and subject to statutory qualifications.

It should be noted that foreigners are not entitled to purchase land. However, they may lease land for up to 99 years or are able to acquire land in cooperation, for example in the form of a joint-venture, with an Ugandan partner.

Land available to investors falls in three categories:

- *Public Land:* Available through town councils and District Land Commissions. This may be leased by both locals and foreigners. 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 proposed new land bill, with all towns and municipalities following the new guidelines. Each district has a Land Board. The developer, with or without the assistance of the land supervisor, identifies land suitable for development and completes an application form, which is submitted to the Town Clerk's office. The application is then forwarded to the District Land Board for consideration. The Land Board meets once or twice a month (depending upon the district) to consider all applications. 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 between two and 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 Perceptions V

This chapter summarizes the results of consultations with the private sector in Uganda (both foreign and domestic) carried out in early November 2000. Consultations included a closed session with investors during a workshop in Kampala and the use of a brief questionnaire. Some 35 business persons participated in the workshop, 25 of whom completed the questionnaire, 17 from foreign and 8 from domestic firms. The summary presented below is based on the questionnaire responses as well as on informal interviews and discussions outside the workshop. It should only be regarded as 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 fertile soil and pleasant climate. Other mentioned assets of the country included the liberal foreign-exchange regime, recent improvements 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 these concerns.

Specific Points

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 a consensus that it was strongly committed to helping investors – domestic as well as foreign – make their business work. The Government was mostly open to dialogue with the private sector and while problems persisted in a number of areas – for example, a 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 regime was seen as important evidence of the Government's liberal economic policy, while the freedom of the media testified to the liberal political environment.

Many investors were pleased with the dynamism of the economy. However, others note, 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.

On the downside, 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 URA tended to focus on the larger tax-payers in efforts to meet quotas. On the positive side, some participants noted that the recently established tax-appeal tribunal was a sign of progress.

Workforce

Most investors found the Ugandan workforce trainable and motivated. Opinion was divided over the question of a 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 service through a large network of affiliates. Another, less frequently mentioned, aspect of what was seen as an underdeveloped capital market was the lack of financial instruments such as bank guarantees.

Infrastructure and Utilities

There was a 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 authorities, 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.

Other

Most investors seemed satisfied with the assistance of the Uganda Investment Authority (UIA). 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

This list is made available courtesy of the Eastern Africa Association (EAA), Uganda, (see appendix 3), and is not intended to be exhaustive. Some information was also supplied by the House of Dawda and the UIA. Please note that all addresses, unless otherwise specified, are in Kampala.

	Name of Company	Ownership	Business	Address
1	Achs (U) Ltd Mr. Richeliard Magezi General Manager	Germany	Trading	55 William St. Tel: 344442, 075791121 Fax: 343192 E-mail: achelis@infocom.co.ug
2	A I Records (U) Ltd Mr. Michael Nantagya General Manager	United Kingdom	Retail trading	83/85 Shop 18B / Kampala Rd Tel: 349046 E-mail: nantagya@cyberworld.co.ug
3	Allied Bank Mr. Julian Laing Managing Director	Belgium	Banking	24A Jinja Rd Tel: 24A Jinja Rd Fax: 230439 E-mail: allied@starcom.co.ug
4	Asea Brown Boveri Ltd Mr. Benjamin Kabeya Managing Director	Switzerland/ Sweden	Power Generation and distribution	15 Kyadondo Rd, Nakasero Tel: 348800, 077200105 Fax: 348799 E-mail: bkabeya@starcom.co.ug
5	Balton (U) Ltd Mr. Zeev Shiff Managing Director	United Kingdom	Manufacturing (chemicals, telecommunication)	47/51 Kibira Rd, Industrial Area Tel: 255852, 075767630 Fax: 255853 E-mail: balton@imul.com
6	Barclays Bank of Uganda Ltd Mr. Frank Griffiths Managing Director	United Kingdom	Banking	16 Kampala Rd Tel: 234197 Fax: 259467 E-mail: frank.griffiths@barclays.com
7	Berger Paints (U) Ltd. Mr. M.G. Jog Managing Director	United Kingdom	Manufacturing (Miscellaneous products)	115 Sixth St., Ind. Area Tell: 259063/4 Fax: 232510
8	Beta Healthcare (U) Ltd Mr. Daniel Kulubya Managing Director	Kenya	Chemical and pharmaceutical products	7th St Tel: 347754 Fax: 251121
9	British Airways Mr. David Henderson Managing Director	United Kingdom	Air transport	4 Ternan Ave Tel: 256695 Fax: 259181 E-mail: david.1.henderson@british-airways.com
10	BAT (U) 1984 Ltd Mr. Mike Stevens Managing Director	United Kingdom	Tobacco	69/71 Jinja Rd Tel: 259004, 343231/3 Fax: 256425 E-mail: mike_stevens@britamtob.com
11	Caltex Oil (U) Ltd Mr. J.P.L. Chilongo Managing Director	United States of America	Fuel distribution/ trading	7 Seventh St. Tel: 231661 Fax: 343281 E-mail: jplc@swiftuganda.com
12	Cargill (U) Ltd Mr. Thad Goff Chief Executive Officer	United States of America	Agricultural products	M284 Ntinda Industrial Area Tel: 286570/9, 222611/19 Fax: 222618 E-mail: Thad_Goff@Cargill.com
13	CDC EA Teas Managing Director Mr. Peter Rowland	United Kingdom	Trading	3 Crusader Hse Ann Tel: 251593/99 Fax: 251653 E-mail: cdceat@infocom.co.ug

14	China Jiefang (U) Ltd.	China	Distributor (Trucks)	Plot M287 Ntinda Road, Nakawa Industrial Area, P.O. Box 5119, Tel: 222992 Fax: 222665
15	Citibank Mr. Sanjeev Anand General Manager	United States of America	Banking	4 Centre Court, Ternan Ave, Nakasero Tel: 340945, 340951 Fax: 340624
16	Commonwealth Development Corporation (CDC) Mr. Joseph Areu	United Kingdom	Financial services	Rwenzori Hse 2nd fl., 1 Lumumba Ave. Tel: 235784 Fax: 235752 E-mail: cdcuga@infocom.co.ug
17	Cooper Motors (U) Ltd. Mr R King	United Kingdom	Motor Vehicles	P.O. Box 2169 Nakawa Tel: 235115 / 259161 Fax: 233497
18	Crown Agents Mr. Peter Jaconelli General Manager	United Kingdom	Procurement services	5 Speke Rd, Stand Chart Bldg, 2nd fl. Tel: 235312/3, 255706 Fax: 345799 E-mail: crownag@starcom.co.ug
19	Deloitte & Touche Mr. Ian Dent Managing Director	United Kingdom	Consultancy	Rwenzori Hse, 1 Lumumba Ave Tel: 257398 Fax: 343887 E-mail: dtuganda@starcom.ug
20	Genesis (U) Ltd. Mr. Devnani Managing Director	Kenya	Financial services	16/18 Luwum St. Tel: 251581, 236142 Fax: 347845 E-mail: genesis@swiftuganda.com
21	Great Lakes Cotton Co. Mr. Corin R. Jones Managing Director	United Kingdom	Trading agents	1592 Mukasa Rd Tel: 267245 Fax: ... E-mail: crwg.gt-lakes@swiftuganda.com
22	Hima Cement (1994) Ltd Mr. Mr. Shiganga Chairperson	United Kingdom	Cement	Diamond Trust Bldg, 17/19 Kampala Rd Tel: 234917, 45898 Fax: 345901 E-mail: himakla@starcom.co.ug
23	Hogg & Minet (U) Ltd Mr. Jonathan Evans Managing Director	United Kingdom	Insurance	Crusader Hse 4th fl. 3 Portal Ave Tel: 230238, 254107 Fax: 230724, 344785 E-mail: johnny_evans@aon.co.ug
24	H P Dawda Chairman House of Dawda	Kenya	Manufacturing (Biscuits) Trading/ Agro-base	P.O. Box 7518 Plot M247B Ntinda Industrial Area Tel: 222666 / 285142 Fax: 222634/286472 E-mail: bpl@dawda.co.ug
25	Ibero (U) Ltd Mr. Gregory Stough General Manager	Germany	Coffee	44/50 Seventh St. Tel: 342621/29 Fax: 342646 E-mail: ibero-ug@imul.com
26	Intertek Testing Services Mr. Graham Bourne General Manager	United Kingdom	Pre-shipment inspection	Crusader Hse 2nd fl. 3 Portal Ave Tel: 347066, 348971 Fax: 348917

27	Knight Frank — EAPA Mr. James Howell General Manager	United Kingdom	Property management services	4 Kimathi Ave Tel: 341391, 341382 Fax: 344369 E-mail: info@knightfrank..co.ug
28	KPMG Peat Marwick Mr. John Kiruthu Managing Director	United Kingdom	Consultancy	Old UCB Bldg, Nkrumah Rd Tel: 340315/7 Fax: 340318 E-mail: kpmgjk@infocom.co.ug
29	Kyagalanyi Coffee Factory Mr. Jan Luhmann Managing Director	Switzerland	Coffee	8 Nakasero Lane Tel: 251447, 236943 Fax: 230145 E-mail: jluhmann@volcafe-ug.com
30	Landis Uganda Ltd Mr. R. Patel Managing Director	India	Trading	15/17 First St. Industrial Area Tel: 230069 Fax: 230069
31	Lonrho Motors (U) Ltd Mr. Ian Walker Acting CEO	United Kingdom	Trading	45 Jinja Rd Tel: 251022/28, 344972 Fax: 254388 E-mail: walker.lmu@imul.com
32	Maersk Uganda Rep. Office Mr. Bent Anderson Managing Director	Denmark	Logistical services	Crusader Hse 1st fl. Ann, Portal Ave Tel: 348687/8 Fax: 348689 E-mail: ugatop@maersk.co.ug
33	Mitchell Cotts (U) Ltd Mr. Danny Ssemwanga Managing Director	United Kingdom	Property investment services	8 Burton St., Mitchell Cotts Bldg. Tel: 255430, 342459 Fax: 343121 E-mail: mitco@infocom.co.ug
34	Mowlem International Mr. Gordon Bell Managing Director	United Kingdom	Construction	72 Ntinda Rd, Ntinda Tel: 286492/3 Fax: 286235 E-mail: gbell@imul.com
35	Nation Media Group Ltd Mr. Patrick Rukeyra Manager	Kenya	Media services	IPS Bldg, Podium fl., Parliament Ave Tel: 232770/1/2 Fax: 232781 E-mail: eauganda@swiftuganda.com
36	Nile Breweries/Castle Mr. R. Madhvani Managing Director	South Africa	Beverages	Yusuf Lule Rd, Jinja Tel: 043-130060 Fax: 043-120759 E-mail: rmadhvani@nilebrew.com
37	P &O Nedlloyd (U) Ltd Mr. Gregory Magezi Managing Director	Netherlands	Logistical services	M257 Nakawa Industrial Estate Tel: 285535, 223824 Fax: 222631 E-mail: Greg.Magezi@ugklam.ponl.com
38	Packaging Products (U) Ltd Mr. Ernest Kaburu General Manager	United Kingdom	Packaging material	258 Kyambogo Rd, Ntinda Tel: 286116 Fax: 222914 E-mail: ppul@swiftuganda.com
39	Petro Uganda Ltd Mr. Harish Asodia Managing Director	Kenya	Fuel distribution	Communications Hse, 1 Colville St. Tel: 345324 Fax: 345326 E-mail: petroug@afsat.com
40	Picfare Industries Ltd Mr Kishore Jobanputra Managing Director	India	Manufacturing (Stationery/Textiles)	35 Yusuf Lule Road, Jinja Tel: 043-121082 Fax: 043-130151 E-mail: picfare@source.co.ug

41	PricewaterhouseCoopers Mr. John Hallows Managing Director	United Kingdom	Consultancy	Communications Hse, 1 Colville St. Tel: 236018 Fax: 230153 E-mail: john.hallows@ug.pwcglobal.com
42	Rank Xerox (U) Ltd Mr. M. Ntege Managing Director	United States of America	Printing and copying services	3 Crusader House, Portal Ave Tel: 234883/4,231724/5 Fax: 231435 E-mail: xerox@imul.com
43	Rwenzori Highlands Tea Co. Ltd Mr. Cor Roest General Manager	United Kingdom	Tea	3 Crusader House, Portal Ave
44	Shell (U) Ltd Mr. Ian Bromilow Managing Director	Netherlands/ United Kingdom	Fuel Distribution	7/11 Seventh St. Tel: 343974, 254060/9 Fax: 255560 E-mail: ian.g.bromilow@sul.simis.com
45	Stanbic Bank (U) Ltd Mr. Anton Kleinschmidt Managing Director	South Africa	Banking	45 Kampala Rd Tel: 233759 Fax: 231116 E-mail: stanbic@starcom.co.ug
46	Standard Chartered Bank (U) Ltd Mr. Richard Etemesi Managing Director	United Kingdom	Banking	5 Speke Rd Tel: 341623, 258211/3 Fax: 231473
47	Total (U) Ltd Mr. Philippe Dekoninck Managing Director	France	Fuel distribution	4 Eighth St. Tel: 232784, 257970 Fax: 231338 E-mail: totalug@starcom.co.ug
48	Twiga Chemical Industries (U) Mr. Suri Kalsi Manager	India	Chemical and pharmaceutical products	71 Seventh St Tel: 257050, 259811 Fax: 342594 E-mail: twiga@swiftuganda.com
49	Uganda Baati Ltd Mr. P.S. Datta General Managing	United Kingdom	Roofing material	14/28 Kibira Rd., Industrial Area Tel: 255658/63 Fax: 344602 E-mail: ubl@imul.com
50	Uganda Bata Shoe Co. Mr. Jaswant Singh Managing Director	Canada	Footwear	92/94 Fifth St. Tel: 233373, 235440 Fax: 341380 E-mail: batakampala@imul.com
51	Uganda Breweries Mr. Andy Jones Managing Director	South Africa	Beverages	Port Bell, Luzira Tel: 220156, 220224/5 Fax: 221587 E-mail: ajones@ugandabreweries.com
52	Unilever (U) Ltd Mr. Navin Popat Managing Director	United Kingdom/ Netherlands	Food and household products	10/12 Nyondo Clse Tel: 343547 Fax: 342445 E-mail: navin.popat@unilever.com
53	Wilken Telecomm. (U) Ltd Ms. Marion Kalibbala Managing Director	United Kingdom	Telecommunication services	35A Kitante Rd. Tel: 236934/5, 236035 Fax: 235180 E-mail: wiltel@starcom.co.ug
54	AES Nile Power Mr. Christian Wright General Manager	United States of America	Power generation	Tel: 346983, 349235 E-mail: aesnp@infocom.co.ug

Appendix 3

Sources of further Information

Uganda Investment Authority (UIA)
The Investment Centre
Plot 28 Kampala Road
P.O. Box 7418, Kampala
Tel: 251562/5, 251854/5, Fax: 342903
E-mail: uia@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 (UEPD)
Plot 17/19 Jinja Road
P.O. Box 5045, Kampala
Tel: 259779, 230233, Fax: 259779
Telex: 61391 UEPCM,
E-mail: uepc@stacom.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 (PSF)
Plot 43 Nakasero Road
P.O. Box 7683, Kampala
Tel: 342163, 230956, Fax: 259109
E-mail:prisf@stacom.co.ug

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)
P.O. Box 3809, Kampala
Tel: 258791/2, Fax: 251258

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 2001

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

Public enterprises not yet privatized
(as of January 2001)

Name of company	Sector/product of service
Uganda Electricity Board	Power generation
Uganda Railways Corporation	Railway transport
National Water and Sewerage Corporation	Water and sewerage
Uganda Prison Industries	Various consumer products
Uganda Posts Limited	Postal services
Uganda Air Cargo Corporation	Cargo transportation
Post Bank Uganda Limited	Banking services
National Enterprise Corporation	Variety of products
Dairy Corporation	Milk
Kinyara Sugar Works Ltd	Sugar
National Housing & Construction Corporation	Real estate
National Insurance Corporation	Insurance services
NewVision Printing & Publishing Corporation	News papers & printing services
Nile Hotel International Ltd.	Hotel & conference facilities
Uganda Printing & Publishing Corporation	Printing services
Uganda Airlines	Airline services
Uganda Telecom Limited (49 per cent IPO)	Telecommunications
Kilembe Mines Limited	Copper
Uganda Development Bank	Banking services
Associated Match Co. Ltd	Match boxes
Cobalt Corporation Ltd	Cables
Development Finance Co. Of Uganda Ltd	Banking services
Housing Finance Of Uganda Ltd	Banking services
Sugar Corporation Of Uganda Ltd	Sugar
UGMA Engineering Co. Ltd	Metal fabrication
Agricultural Enterprises Ltd	Agricultural implements
Uganda Livestock Industries Ltd	Commercial ranching
Uganda Consolidated Properties Ltd	Real estate
Uganda Seed Project	Seed production & distribution.
Coffee Marketing Board Ltd	Coffee processing facility
Transocean Uganda Ltd	Transport company
Uganda Spinning Mill	Spinning
Uganda Hotels Ltd	Hotel

Source: UNCTAD-ICC, based on information provided by the UIA.

Appendix 6

UNCTAD-ICC Project on
Investment Guides and Capacity-building for Least Developed Countries

Project Champions

The following twenty-eight companies have agreed to serve as 'project champions'. Their role includes participation in the substantive aspects of the project (assessments, workshops), facilitating the work of the project team in individual countries in which they have a presence, and supporting the project more generally with donors, et al.

Agip
Akzo Nobel
Anglogold
Banque Nationale de Paris (BNP)
BAT
Bata
Bayer
British Petroleum (BP)
Cargill
Coca-Cola
Commonwealth Development Corporation (CDC)
DaimlerChrysler
Eskom
Hilton Hotels International
Marubeni Corporation
Moving Water Industries (MWI)
Myungsung International Development
Nestlé SA
Novartis
Rio Tinto
Shell
Sheraton Hotels International
Siemens
Société Générale de Surveillance (SGS)
South African Breweries
Standard Chartered Bank
Unilever
Vodafone

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