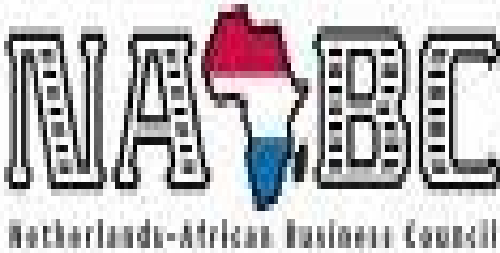


UGANDAN BUSINESS MISSION 2010-2011



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Opportunities in Uganda

- Agriculture: The performance of agriculture in Uganda has continuously improved. The **agricultural sector** of Uganda accounts for 21.5 percent of the country's GDP and also has a total of 21.5 percent of arable land. There also exist investment opportunities in the flower, fishing and forestry sector.
- In terms of **Tourism**, Uganda boasts some of the most stunning scenery on the continent from shimmering lakes, lofty mountains. National parks contain a wide range of habitats while the private sector is setting up new safari lodges built to blend with the surrounding scenery. In 2008, tourism contributed to 3.8 % of the GDP.
- Uganda is endowed with enormous potential of natural hydrological and other renewable sources of **energy**. However the **mining** industry reached its peak level in the 1950's and 1960's when the sector accounted for up to 30% of Ugandan's export earnings. There are great opportunities in wind, biogas, solar, geothermal, liquid fuels and peat.
- Uganda's **Information and Communications Technology (ICT)** sector is dynamic and vibrant. The sector has registered double digit growth since 2000 and grew by 33% in 2006/2007¹. Sectors such as tele-density (percentage of population owning fixed and mobile phones) are low. This provides a real investment opportunity.

¹ <http://www.ugandainvest.com/uia2.php?uhpl=ict&&uhpl1=ICT>

General introduction

Uganda is a landlocked country in east Africa with an estimated population of 32,369,558² people living on a total land space of 241,038 sq km. The country is bordered on the east by Kenya, north by Sudan, west by Democratic republic of Congo and on the south by Rwanda and Tanzania.

In 1860, Uganda became a British colony and only obtained independence from colonial rule in 19 62. Mr. Yoweri Kaguta Museveni has been in power since January 1986 when the National Resistance Movement/Army (NRM/NRA) overthrew the government.

In 1996, Uganda was a key supporter of the overthrow of Zairean President Mobutu Sese Seko in the First Congo War in favor of rebel leader Laurent-Désiré Kabila. Between 1998 and 2003, the Ugandan army was involved in the Second Congo War in the renamed Democratic Republic of the Congo and the government continues to support rebel groups such as the Movement for the Liberation of Congo and some factions of the Rally for Congolese Democracy.

In August 2005, Parliament voted to change the constitution to lift presidential term limits, allowing Museveni to run for a third term if he wishes to do so. In a referendum in July, 2005, 92.5% supported restoring multiparty politics, thereby scrapping the no-party or "movement" system. Kizza Besigye, Museveni's political rival, returned from exile in October 2005, and was a presidential candidate for the 2006 elections. In the same month, Milton Obote died in South Africa. Museveni won the February 2006 presidential election. The next presidential and parliamentary elections are scheduled for 2011.

The country has been relatively stable over the last two decades save for a civil war waged by Lord's Resistance Army (LRA) rebels in the northern part of the country. Relative peace has now returned to the whole country and a comprehensive Peace, Recovery and Development Plan for Northern Uganda are under implementation by the Government.

Uganda is one of the fastest growing economies in Africa with growth averaging 7.8 percent since 2000. However, this growth has to be sustained in order for per capita income to rise beyond the current US\$420.

² <https://www.cia.gov/library/publications/the-world-factbook/geos/ug.html>

Country facts

Area	Total	241,038 sq km
	Land	197,100 sq km
	Water	43,938 sq km
coastline		Landlocked
Terrain		
Land use	Arable land	21.57%
	Permanent crops	8.92%
	Other	69.51% (2005)
Irrigated land		90 sq km (2003)
Population		32,369,558
Population growth rate		2.692% (2009 est.)

Source: CIA world fact book

Economic facts

Subject	Unit	2004	2005	2006	2007	2008	2009	2010	2014
GDP Constant Price	Annual percentage change	6.8	6.3	10.8	8.4	9	7	6	7
GDP Current Price³	Billion US dollars	7.929	9.223	9.957	11.906	14.529	16.026	15.951	-
GDP per Capita, current price⁴	US dollars	284.991	320.068	333.518	384.948	453.436	482.775	463.815	-
Inflation rate, consumer price	Annual percentage change	5	8	6.6	6.8	7.3	14.2	10.8	5.7
Current account balance	Billion US dollars	-0.237	-0.590	-0.355	-0.423	-0.744	-1.273	-	-
Current account balance	Percentage of GDP	0.1	-1.4	-3.4	-3.1	-3.2	-5.5	-5.7	-4.5

³http://www.economywatch.com/economic-statistics/Uganda/GDP_Current_Prices_US_Dollars/

⁴http://www.economywatch.com/economic-statistics/Uganda/GDP_Per_Capita_Current_Prices_US_Dollars/

Economic situation

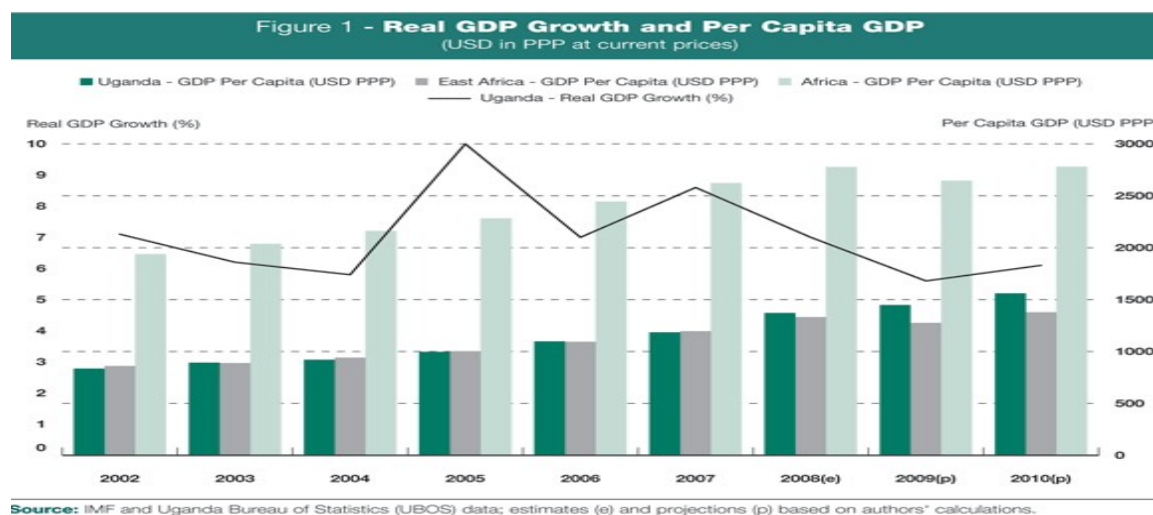
On the global competitive index, Uganda is placed 108th ⁵ and is one of the fastest growing economies in Africa with a growth rate of 7.8% since 2000⁶. According to the World Bank doing business 2010 rank, Uganda is positioned at 112th compared to the 106th position she held in 2009.

Uganda has introduced several reform measures to increase economic growth. The government is developing now a number of industrial parks to provide critical infrastructure to potential investors in central locations. This is done by land-policy reforms through which investors can get easy access to and flexible use of land.

Uganda has substantial natural resources, including fertile soils, regular rainfall, and sizable mineral deposits of copper, cobalt, gold, and other minerals. Agriculture is the most important sector of the economy, employing over 80% of the work force. Coffee accounts for the bulk of export revenues.

It should be noted that in the past, there has been some significant resource discoveries in Uganda which has boosted its economy. Oil and gas also account for a great part of Ugandan GDP and export to the Southern part of Sudan is becoming very attractive. This can be proven by the fact that in 2009, Tullow oil announced a huge oil discovery in Ngassa, Uganda. Analysts estimate the oil deposit to be as high as 600 million barrels. Tullow is seeking partners to help it to develop the finds. It is also considering selling down some of its 100 per cent stake in the Ngassa field⁷.

GDP growth, annual percentage change



⁵ <http://www.weforum.org/pdf/GCR09/GCR20092010fullrankings.pdf>

⁶ <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/UGANDAEXTN/0,,menuPK:374947~pagePK:141132~piPK:141107~theSitePK:374864,00.html>

⁷ <http://www.skyscrapercity.com/showthread.php?t=961018>

Political situation

The political situation in Uganda has been unstable since its independence in 1962 from Britain. An example of this is the death of 300 000 people during the dictatorial regime of Idi Amin between 1971-1979. Currently in Uganda there are many political organizations but they are not allowed to sponsor candidates. Currently there is only one political organization that is allowed to operate without any restrictions. President Museveni who has stated that NRM is not a political party but a movement that claims the loyalty of all Ugandans chairs the organization, the National Resistance Movement or NRM.

In August 2006, the armed group and government signed a truce aimed at ending the 19 year conflict but it should be noted that instability in the northern part however persist.

There have moreover been perceptible tensions between Uganda and the Democratic Republic of Congo over the exploitation of Lake Albert oil and the risks of destabilization remain high especially with Sudan and Chad nearby.

Foreign aid

The World Bank's country program in Uganda was the first to provide direct budget financing to the Government through a series of **Poverty Reduction Support Credits** (PRSCs) to implement a far-reaching reform agenda based on the PEAP. The first PRSC (US\$150 million) was approved in 2001 and focused on measures to improve public service delivery and address cross cutting public sector issues.

The 5th PRSCs which was approved in 2001 was meant for economic growth and the value of this stood at US\$125 million. The 7th which was US\$200 million approved in May 2008 and was meant to cover the financial years 2007/2008 and 2008/2009.

Since 2006, the World Bank's assistance to Uganda has been anchored in the Uganda Joint Assistance Strategy (UJAS), a joint development partner strategy fully aligned with the Government's PEAP. UJAS partners consist of the African Development Bank, Austria, Belgium, Denmark, the European Commission, Germany, Ireland, the Netherlands, Norway, Sweden, the UK, and the World Bank.

Foreign investment

Uganda Investment Authority (UIA) chairman Patrick Bitature told reporters the rise on the \$2.4 billion foreign direct investment (FDI) during 2008 would be largely in the mining, agro-processing, petroleum and services sectors⁸.

Western donors have praised Uganda's record on macroeconomic stability, with its average 6 percent annual economic growth in the past 20 years, relatively low inflation and stable currency. Some of the leading foreign investors, including Japan, Iran, China, Canada, Denmark, Eritrea, Zimbabwe, the United States, Sweden, and Germany, show some signs of hesitation in venturing into local investment according to the UIA quarterly performance report.

Meanwhile, the United Kingdom remains Uganda's largest source of investment, with the European nation injecting \$211 million (about Shs4.6 trillion) into finance five projects in the country in the last financial year. Uganda is in the second investment pack before India with a projected monetary expenditure in 2009/10 standing at \$99 million (Shs217 billion) for thirty-five projects and \$33 million (approximately Shs72.6 billion) in eight projects respectively.⁹ The effects of the global financial crisis are slowly penetrating the Ugandan economy, with the country registering a drop in Foreign Direct Investment (FDI) for the first time in more than 10 years. At its conclusion, 2008/09 registered a 5.5 per cent decline in FDI as investment fell to \$735.5 billion (about Shs16.1 trillion) from \$778.4 billion (about Shs17.1 trillion) in 2007/08.

⁸ <http://af.reuters.com/article/investingNews/idAFJOE5080GM20090109>

⁹ <http://allafrica.com/stories/200907081036.html>

Investment climate

In terms of investment climate, Uganda has a qualified labor force which is a product of a good education system strongly linked to the British educational system. Also a liberal economic regime is another consistent characteristic of the Uganda Economy. There is free inflow and outflow of capital (both current and capital accounts), 100% foreign ownership of investment is permitted and exchange rates are freely determined by the market.

The country's investors have complete international protection made possible by the local laws and international conventions to which the country is signatory. The Ugandan constitution (1995) and the Investment Code Act 2000, stipulate sufficient laws to protect investors rights and property. The International Conventions and institutions to which Uganda is signatory include the Multi lateral Investment Guarantee Agency (MIGA); Overseas Private Investment Corporation (OPIC) of US; Convention on the recognition and enforcement of foreign arbitral award (CREFAA) and several others.

New infrastructure developments as a result of budgetary allocations and private sector investment are welcome. As noted above, the GOU is now renovating roads along key trade corridors, including the northern trade route from Kenya. Private sector investors are also laying a new fiber-optic cable for Internet services along the eastern coast of Africa which is due to reach Uganda by the end of 2009. A 250-MW hydroelectric dam currently being constructed at Bujagali falls will come on line in January 2011.

Trade

Uganda's major trading partners are Kenya, Democratic Republic of Congo (DRC), Southern Sudan, the European Union, the United Arab Emirates, South Africa, India and China. Uganda exports to its largest trading partner, Kenya, increased to USD 88 million in 2006 from USD 59 million in 2001. Exports to eastern DRC increased nearly six- fold from USD 9 million in 2001 to USD 60 million in 2006.

The African growth and opportunity Act (AGOA) of which Uganda is a member and also is GSP eligible to receive AGOA trade benefits such as quota and duty free access to the USA.

Also, Uganda is part of COMESA which is the common market for eastern and southern Africa. This community makes sure it maintains sustainable and social progress within all members states such as duty-free trade.

The export partners of Uganda are: Belgium 11.6%, Netherlands 9.8%, Germany 8.5%, Italy 6.6%, Rwanda 5.2%, France 4.9%, US 4.7%, UAE 4% (2008).

Agriculture

Among the fastest growing sectors in Uganda is agriculture which include activities such as fishing, forestry, etc

Forestry

Uganda has excellent growing conditions to support tree growing and is the richest country in east Africa in terms of biodiversity. Timber plantations offer attractive rates of return on one's investment – in the order of 15-18% (more with well grown Eucalypts). This compares very favorably with many other countries e.g. Germany (0.5-1%); UK (3-5%); Brazil, Chile, Spain, Turkey (10-12%); and New Zealand and Australia (8 to 8.5%).

It is estimated on average to cost around Ushs1.2M per hectare (US\$700) to establish a plantation. This cost covers all expected costs up to canopy closure around 3 years with *Pinus caribaea*, 1-2 years with *E. grandis*.

Incentives in forestry sector

Among the incentives provided to investors, the government offers a license validity of 25 years for small scale private tree farming and 50 years for large scale commercial private tree farmer¹⁰.

Opportunities in the sector

- Trees for commercial planting such as *eucalyptus grandis* and *pinus caribaea*.
- Planting of soft wood plantation for pulp (paper making)
- Value added products for both hard and soft good products such as quality furniture with a high demand both national and overseas.
- Pencil and match factories
- Planting of palm trees and palm processing

Weaknesses

- Deforestation
- Illegal activities such as logging, charcoal making, firewood gathering etc
- Bribery
- Absence of planting

¹⁰ <http://www.ugandainvest.com/uia2.php?uhpl=forestry&&uhpl1=Forestry>

Useful contacts

Name	address	telephone	Fax
Ministry of water, Lands and Environment	P.O. Box 7122, Kampala	41 – 342931 41 – 342933 41 – 258191	41 – 230891
National Research Organisation (NARO), Forestry Research Institute (FORI)	P.O Box, 1752, Kampala	41 – 255163 41 – 255164	41 – 255165
Ministry of Tourism Trade and Industry	P.O. Box 7103, Kampala	41 – 343947 41 – 256395	41 – 251578
National Environment Management Authority (NEMA)	P. O. Box 22255, Kampala	41 – 251064 41 – 251065 41 – 251068	41 – 257521
Forestry Department	P.O Box 7122, Kampala	41 – 233485	41 – 251918
Uganda Wildlife Authority	P.O Box 3530 Kampala.	41 – 346287 41 – 346288 41 – 346290	
Uganda Investment Authority (UIA)	P.O Box 7418, Kampala.	41-251562/6	41-342903
Bukenya Estates Ltd,	305, Gaba Rd, Kampala	41 - 268609	-
Ama Ply Saw Mills	182, Kalitunsi Rd, Kampala	41- 341099	-
Kapkwata Saw mills	99/101, Seventh St, Kampala	41 – 232196 41-233411 41-254705	-

The floriculture sector

The Floriculture sector is one of Uganda's top ten foreign exchange earners contributing close to \$ 30 million in export revenue. The sector has grown from a single 2 hectares farm in 1992 to 20 farms covering 192.1 hectares in 2009. Investment in the sector stands at over US \$ 54 million employing more than 6,000 people (UIA, 2009). While neighboring Kenya's horticultural sector is one of the fastest growing sectors in the economy and is the second largest foreign exchange earner after tea.

Volume & Value of Flower Exports from Uganda, 2003 - 2008

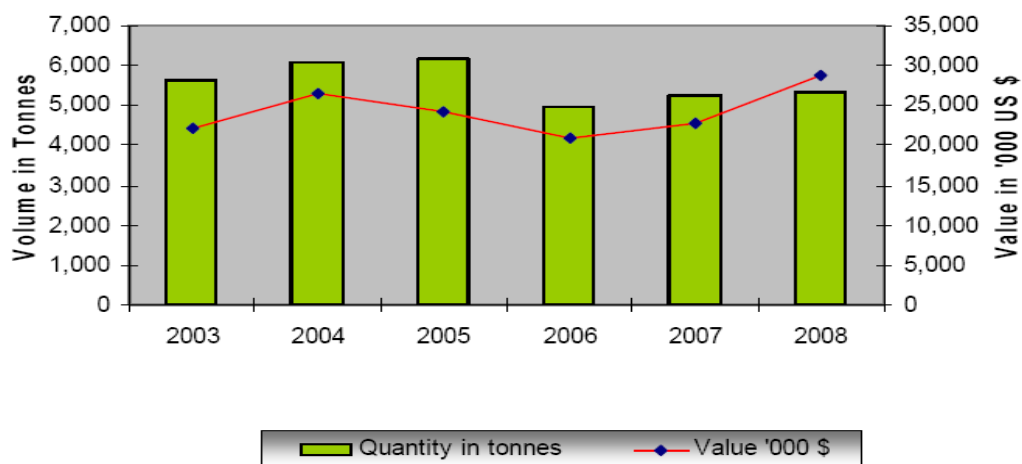


Figure 1: Volume & Value of Flower Exports from Uganda 2003 - 2008

Competitive strength in the sector

- Ideal climatic condition for flower growth and production:
- Availability of well trained workforce
- Reliable cold storage facilities
- Strong growers and export association
- Preferential market access

Specific Sector Incentives

- There is 0% Import duty on importation of a complete unit of a Green house and VAT is deferrable;
- There is 10 year tax holiday for flower exporters (Incentive awaits approval of relevant regulations).¹¹

¹¹ <http://www.ugandainvest.com/uia2.php?uhpl=flowers&&uhpl1=Flowers>

Main export destination and contacts

The Netherlands through the Dutch auction is the leading buyer of cut flowers and foliage, with 56% of all cut flowers and foliage imported from outside of the EU in terms of value, and 61% in terms of volume (2005 EST.). The Dutch auction has enabled Europe become the main source of world flower exports.

Countries	Contacts
Flora Holland (Holland): A leading internationally oriented Auction with six branches in the Netherlands	www.floraholland.nl
Tele Flower Auction (Holland): A private computerized auction focusing on flower exports from East Africa	www.tfa.nl
Aalsmeer Flower Auction (Holland)	www.vba.com
Landgard (Germany): The leading sales organization and auction in Germany	www.landgard.de
The UK Flower Industry	www.flowers.org.uk

Investment Opportunities in floriculture sector

- Investment opportunities in the flower sector include:
- Expansion of the rose industry;
- Expansion of other floricultural plants for example “summer flowers”, fresh foliage and grasses required for bouquets, bulbs, tubers and live plants;
- Production of propagation material;
- Establishment of soil analysis laboratory and services;
- Manufacture of green house plastics;
- Manufacture of packaging materials and;
- Other inputs: Fertilizers, herbicides, pesticides that are currently imported at high costs.

Weaknesses

- Climate more suitable for the growing of roses.
- Capital incentive sector which means it requires investors to invest a minimum of 1.5 to 2 million US dollars.
- Ugandan flower industries are threatened by foreign companies due to the economic partnership agreement signed with the EU. This EPA requires Uganda to offer reciprocal market access to EU trade partners.
- Harsh working conditions from practices such as chemical spraying
- Value chain: inadequate and efficient production levels to ably compete
- Unpredictable electricity supply and taxation on general diesel
- Low skilled labor (managerial and technical positions)
- High air freight charges

- Relatively high costs of production
- Grading and maintenance of roads

Threats

- Price per kilo for airfreight in Kenya (\$ 1.70) and Ethiopia (\$1.50) are lower than in Uganda which is \$ 2.40
- More attractive incentives rates from Ethiopia and Kenya
- Better growing climate for varieties like the T-hybrids in countries like Ethiopia
- Increasing requirement on the ease of traceability, the image and shelf-life by the European supermarkets have added to the sector future competitiveness challenges.

Useful contacts

Companies	Products exported
Aurum Roses +256-712-333999, +256-414-510200 kunal@aurumroses.com	Jupiter, Chelsea, red calypso, samoa, red giant, valentino, banjo, sancirre
African Agro Industries/Xpressions +256-712-160030, +256-414-256875 xpressions@utlonline.co.ug	Escrimo, lambada, first red, frisco, maxime, black beauty, tina, sacha, hocus pocus
Fiduga +256-772-722037, +256-392-722032 Fax: +256-392-280806 john@figuga.co.ug	Chrysanthemums cuttings
Jambo Roses +256-752-748077, +256-752-784551 Fax: +256-414-344532 jambo@infocom.co.ug	Escada, frisco, llambada, noblesse, tineke, sacha, valentine, odelia, inka, gotcha
Kajjansi Roses Tel: +256-752-722128, +256-414-200959 Fax: +256-414-200314 uday@kajjansi-roses.com	Red calypso, poeme, Chelsea, sunbeam, viva
Uganda flowers exporters association (UFEA) UMA show Grounds, Lugogo. PO Box 29558 Kampala	

Fishing

The Fisheries sector remains the second highest foreign exchange earner for Uganda. Investment in the sector is estimated at US\$ 200 million with employment of over 700,000 people. In 2008, 24,965 tons of fish were exported which earned Uganda an estimated \$124 million in export revenues. Over the period 2003 – 2006, Uganda doubled its fish export earnings thanks to peak demand for the Nile Perch by the EU and other international markets.

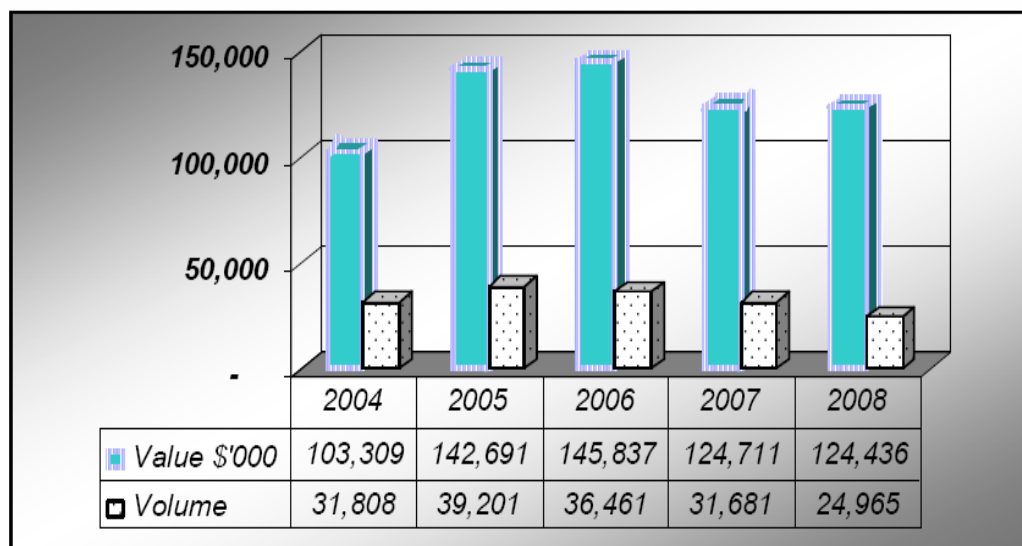


Fig. 1 Fish Exports by Value ('000) and Volume, 2004 - 2008

Top ten of Uganda's fish export

Country	2004	2005	2006	2007
France	19 876	35 219	34 584	27 634
Belgium	21 698	27 263	27 197	27 319
Netherlands	13 704	19 986	16 197	18 702
Israel	846	2 343	9 699	7 424
UAE	5 901	6 968	6 847	6 481
Spain	5 588	8 423	3 613	4 440
Hong Kong (SARC)	1 605	3 184	3 178	4 177
Egypt	1 526	3 123	4 115	2 419
Italy	1 080	1 872	5 728	2 234
Japan	2 370	658	2 161	2 223

International Quality Standards

Compliance to International Quality Standards in the sector is guaranteed by Uganda's Department of Fisheries Resources, Uganda National Bureau of Standards, Food Science and Technology Research Institute, National Environment and Management Authority and the Ministry of Health. Each processing factory is given an export quota and only the best quality fish are selected for export

Transportation to International Markets

The sector is supported by 15 international airlines which offer sufficient cargo space to enable exportation of fish to Europe. The cost of air freight to Europe currently ranges between \$1.40 – 1.45 per kilogram. Handling charges range from \$1.70 to 1.80 per kilogramme. A substantial premium is paid for fresh fillets (82% by volume), with a declared average export value of US \$ 4,210 per tonne for fresh fillets compared with US\$ 2,816 per tonne for frozen ones.

Key strengths of the fishery sub sector

- Lower labour rates
- Reliable water bodies and climate/soil
- Uganda is ranked 10th exporter of fishery products in Africa
- Cheapest cost of setting up and industrial processing land in the region
- Very competitive weekly working hours in the region 50.3 hours compared to 51 of Kenya, 47 Tanzania and 40 hours South Africa.
- *Uganda's fish is organic* by practices & could be branded for premium price.

Sector incentives

- Interest earned
- 10 years tax holiday
- Stamp duty
- *Airlines flying out of Entebbe International Airport are exempted from tax earned on income derived from Uganda in order to attract international carries flying the Entebbe route*
- *Capital allowance* for companies investing in heavy plant and machinery

Investment opportunities in this sector

- **Manufacture of Value Added Fish Products** such as canned fish, fish sausages, fish soups and breaded fish products.
- **Local and Regional Cold Distribution Chain** - Refrigeration facilities are required to enable distribution of fish to the local and regional market. Dutch companies such as Philips can provide such refrigeration facilities to the fishing sector in Uganda.
- **Dry/Smoked Fish:** Demand for dry/smoked fish is high within the region including the European Union. Equipment for hot smoking, capable of producing 200 metric tonnes per year costs about US\$ 200,000.
- **Aquaculture/Large-scale fish farming**

Useful contacts

Name	Address	Telephone	Fax	Email
Fishery research institute	P O Box 343 Jinja	+256-043-29484	+256-041-21727/22050	-
fisheries dept. ministry of agric. Animal Ind & fisheries	P O Box 102 Entebbe	+256-042-20981	+256-042-21047	-
Ugandan fish exporters association	P O Box 1931 Kampala	+256-041-221034/220285	+256-041-220285	uma@starcom.co.ug
Ugandan National chamber of commerce and Industry	P O Box 3809 Kampala	+256-041-25871	+256-041-258793	uncci@uol.co.ug

Weaknesses

- Illegal fishing by fishermen (no authorization)
- Non respect for restricted zones
- Fishing of endangered species.
- Failure in meeting the EU quota which is 600,000 metric tonnes of fish and its products.
- High taxes on inputs discourage people to get involved in fishing

Fruits

The agronomic conditions in Uganda are favorable and there is considerable scope for increased production of fruits and vegetables. The country is able to produce all year round and has plenty of land and relatively cheap labor. There is potential for production of exotic, off-season fruits and vegetables and organic products like pineapples, apple bananas and passion fruits.

Opportunities

- There are limited fruit processing industries in Uganda. Fruit processing in Uganda is limited to, mainly, extraction of fresh juice which is sold on the local market so there are opportunities in fruit juice processing, for local and export markets.
- Setting up commercial farms to produce and export apple bananas (Ndiizi) to the European market.
- Processing of jackfruit into other products and for export.

Key players

<p>Amfri Farms Limited Plot 11 Marty's Road, Ntinda Housing Estate P.O Box 29078, Kampala Tel: +256 41 286690/2 Mobile: +256-77-506644 Fax: + 256 41 286692 Email: amfri@infocom.co.ug <i>Products: Organic fresh produce; Pineapples, Apple Bananas, Ginger, Matooke, Passion Fruits</i> Contact: Mr. Amin Shiivji</p>	<p>AFI (U) Ltd Plot 21 Nambi Road Box 783 Entebbe Tel: +256 41 321419, Mobile: +256 77 402490 Fax: +256 41 321419 Email: albert@infocom.co.ug Contact: Mr. Albert Aronson Managing Director <i>Products: Fruits and Vegetables</i> Coseda Enterprises Limited</p>
<p>Plot 1073 Walimi House, Makindye, Block 7, P. O. Box 10487 Kampala, Uganda Tel: +256 41 259134/ Mobile: 256-77- 419357 Fax: +256 41 259558 E-mail: coseda@hotmail.com Contact: Mr. Lule David, Managing Director <i>Products: Hot pepper, Avocado</i></p>	<p>Eco Foods Plot 88 Kiira Road P. O. Box 24996, Kampala Tel/Fax: +256 41 530588 Mobile: +256 77 409557 Email: flona95@hotmail.com Contact: Mr. Isiko Stephen - Director <i>Products: Sun dried fruits ie pineapples, Apple bananas</i></p>

Tourism

Uganda boasts some of the most stunning scenery on the continent from shimmering lakes, lofty mountains, mysterious forests and game parks teeming with game. The National parks of Uganda contain a wide range of habitats, while the private sector is setting up new safari lodges, sympathetically built to blend in with the surrounding scenery.

The Ugandan people are traditionally known for their hospitality. The country's population is united in providing a warm welcome to foreign guests, so even in the smallest of villages local people will go out of their way to make tourists feel at home.

The most prominent sectors in this sector are hotel, wildlife parks and the reserves.

Tourist attraction

- National parks such Queen Elisabeth national park , Murchison Falls National Park, Mgahinga Gorilla.
- Ugandan wildlife education center
- Lakes and rivers
- Flora and fauna
- Ssese Islands
- Birdlife
- Waterfalls up north

Picture: Uganda safari



Transportation

Uganda is having a very sound transportation system for its tourism industry such as road, water, air and rail transport.

Investment opportunities

- **Tour Operators**

There are many opportunities for new and innovative tour operators who have international contacts and are able to market Uganda internationally as a new destination based on the special attractions currently being promoted by Uganda Tourist Board. These include: -

- Adventure Holidays
- Sport Fishing
- Eco-tourism
- Avi-Tourism (Bird Watching)
- Water Sports and other related Activities
- Accommodation such as building sophisticated hotels with good equipments.

Incentives for investors

- Zero rate of tax on imports of plant machinery and equipment.
- 7% Import duty on specialized tourist vehicles.
- VAT Deferral facility for plant, machinery and specialized tourist vehicles
- Guaranteed repatriation of profits and dividends.
- Guarantee against non-commercial risks through the multi-lateral investment guarantee agency (MIGA) of the World Bank.
- Up to 100% foreign ownership of investments allowed,
- Capital allowances of 50% on plant and machinery for projects located in Kampala, Entebbe, Namanve, Jinja and Njeru. Outside these areas the deductible allowance is 75%.
- Start up costs allowance spread over the first 4 years at 25% p.a.
- 100% allowance on scientific research expenditure and training expenditure also deductible once from the company's income.
- There is deductible annual allowance on depreciable assets, which are specified in 4 classes (sixth schedule) under declining balance method.
 - Class I: Computers and data handling equipment 40%
 - Class 2: Plant and machinery, vehicles 30%
 - Class 3: Furniture, fixture 20%
 - Class 4: Industrial buildings, hotels and hospitals 5%.
- A nominal corporate tax of 30%, which is among the lowest in Africa and the world, and
- Duties draw back/refund for exporters.

Weaknesses

- Resources constraints

Mining

In the 1950's and 1960's, mining accounted for up to 30% of Uganda's export earnings and as a result, a lot of mining companies have taken up licenses in this sector. The mining and quarrying industry is now growing at a rate of 11% per annum. Aggregate, gravel and small quantities of gold, tin and tungsten concentrates are currently produced largely for export. There are many high mineral potential areas in Uganda, which remain inadequately explored despite the country's long history of production

Legal Framework

All minerals in Uganda are owned by Government, which gives rights to individuals and companies to explore develop and exploit mineral resources under the Mining Act (1964).¹²

At the moment, the licensing regime consists of:

Prospecting License: A prospecting license is a prerequisite for any mineral exploration activities and can be granted to any individual or agent of a company. The license is granted by the Commissioner, Department of Geological Survey and Mines on the payment of a prescribed fee. The license is valid for a period of one year and can be area specific or mineral specific.

Exclusive Prospecting: An EPL can be issued with the authority of a PL, whereby an area can be pegged up to a maximum area of 20.48 square kilometers. The Minister may also grant a Special Exclusive Prospecting License (SEPL) for a minimum area of 76.8 square kilometers. Both the EPL/SEPL can be area or mineral specific and is valid for one year and is renewable upon application and subject to a performance review. There is also mining lease to enable mining operations and granted for duration ranging from 5 to 21 years; and Location License limited to 40 acres and is granted to small-scale operators for a period of 2 years, renewable.

¹² <http://www.ugandainvest.com/mining.pdf>

Products

- Beryl
- Bismuth
- Chromite
- Copper-cobalt
- Gold
- Iron ore
- Lead
- Lithium

Investment opportunities

There are many high mineral potential areas in Uganda, which remain inadequately explored despite the country's long history of mineral exploration and production.

- **Kilembe mine and its environs** - there are opportunities to discover new coppercobalt deposits in addition to finding extensions of the Kilembe deposits.
- **Mubende - Bunyoro** - the area has gold occurrences and artisanal mining has been taking place in a few areas over the last 10 years. There are indications that a large potential exists.
- **Kigezi goldfield and Ankole tinfield** - gold occurrence in this area appears to be part of the larger Kivu gold-tin-tantalum mineral province.
- **West Nile region**- traces of gold have been found in a number of streams, but the area has not been explored to see if there may be a relationship with the gold deposits of Kilo Moto in northeastern D. R. Congo¹³.

Competitive advantage

- Uganda's strategic location and favorable investment climate.
- Improved fiscal incentives
- Skills availability
- Supportive infrastructure such transportation

Incentives

Uganda government provide special incentives to the Mining & Energy Sector with some special capital expenditures being written off on full. The country has a host of confirmed mineral deposits that include the following: Gold, Petroleum, Zinc, Wolfram, Diamond, Vermiculite, Silica, Uranium, Iron ore, Tin, Beryllium, Cobalt, Salt, Kaolin, Glass Sand, Phosphates, Limestone, Platinum, and Nickel etc.

¹³ <http://www.ugandainvest.com/mining.pdf>

Energy

Uganda is endowed with an enormous potential for hydrological and other renewable sources of energy. The Government of Uganda strives to meet the unenviable challenge of expanding access to affordable, reliable and adequate energy to meet ever increasing household, commercial and industrial demands. The launch of the Bujagali project along the R. Nile is expected to add another 200 - 250 W to the national grid by 2011. The project has been repackaged for development by a Consortium with IPS as the lead developer

The power sub-sector covers electricity generation, transmission and distribution including rural electrification. The rate of Uganda's electrification is among the lowest in the world with a grid access standing at a dismal 5% in urban areas of the country and less than 2% of the rural population. In effect this translates to about 200,000 customers connected to the grid with an annual growth rate estimated at about 6%. The hydroelectric power potential of Uganda is estimated at over 2,000 MW, mainly along the River Nile. Current exploitation at the Nalubale/Kiira hydropower plants generates 380 MW at full capacity. Actual output has been stunted by recent drought conditions falling to as low as 135MW (see Figure 1 below) and slowing GDP growth from a projected 6.5% to about 4.5% in the 2005/2006 fiscal year.

Investment opportunities

- Hydro power sites such as kikagati site.
- Rural electrification
- New and renewable source of energy such as biogas, solar, geothermal, liquid fuels and peat.
- Biomass which comprises of firewood, charcoal, crop residues and livestock waste.
- Biofuels: For increased utilization of biofuels in Uganda there is need for commercial production of the crops to ascertain a steady and sustainable provision of feedstock. Opportunities exist in providing supporting technology for biofuels production
- In the long term the Government intends to develop four larger hydro power sites namely Ayago North (300MW), Ayago South (200 MW) and Kalagala (450 MW) in 2012 – 2020 and Murchison Falls (300 MW).

Incentive

- Initial Investment Allowances which are deductible once from the company's income.

Weakness

- Energy supply shortages due to drought and delay in investment in hydro plants.
- Limited public and domestic financial resources to invest in large infrastructure projects.
- Shock to the economy due to high tariffs arising from expensive emergency thermal generation.

Useful contacts

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ICT

Uganda's Information and Communications Technology (ICT) sector is dynamic and vibrant. The sector has registered double digit growth since 2000 and grew by 33% in 2006/2007. Investment inflows have been very strong and in 2006, the sector attracted in excess of US \$73 million

Sector dynamism is a result of Uganda's good ICT legal and regulatory framework, a stable micro economic environment and economic reforms pursued since the early 1990s. The telecommunications sub-sector, formerly dominated by a single national operator, has been progressively liberalized over the last 10 years.

Infrastructure capacity is rapidly improving. Most national and regional transmission links are digital. Optical fiber links connect major economic centers, with expansion in progress. There is extensive use of microwave in the backbone infrastructure and Vsat Services. International gateways are satellite based but connection to the world optic fiber network is eminent. Although still small, export of ICT services has started generating foreign exchange inflows. With virtually no earnings in 2001, the sector now earns over US \$ 10 million per annum.

For the financial year 2006/07, the combined sector contribution to GDP was 9% up from 8.2% in the previous year.

Key strengths for the ICT sector

- Geographical Location and time difference favoring BPO: Because of its has a convenient time zone location from the major consumers of ICT related services of -8 hours from USA and Canada, -3 hours from UK and +6 hours to Japan. These time zone differences provide a unique opportunity for Uganda to do business with Asia in the morning, and to transact with Europe and the Americas in the afternoon
- Latent local Market Potential: Only 10% of Ugandans have access to phones and much less percentages have radios or computers let alone Internet.
- Liberalized ICT Market: Due to the liberalized Policies pursued since the 1986, Uganda ICT Market is one of the most liberalized and best regulated with the region
- Cost of License is cheap: Uganda has the cheapest ICT licensing and services regimes in Africa
- High Production rate of skilled labor force with good training background: Each year Uganda's Universities produces more than 10,000 graduates who can productively be engaged in ICT sector
- Fluent English speaking population
- Good quality infrastructure supportive of future investments
- Young population suitable for ICT work: Uganda has 54% of its population under the age of 14. This young population can be trained into a high quality ICT labor force.

Investment opportunities¹⁴

Below is a list of opportunities that have emerged out of current ICT status in Uganda.

- IT/ICT Technology Parks. These will boost the development of BPO Incubation and Innovation systems
- Business Process Outsourcing (BPO): Recent infrastructure development, Uganda geographical and time zones location as well as the big pool of skilled but cheap labor force favor investment in the outsourcing services
- Call Centre Services and Business Support.
- E-Commerce & M-Commerce Solutions and B2B solutions. There are few companies with specialized / customerised E-Commerce M-Commerce solutions.
- Software Development and Training Opportunities
- Software Testing & Assurance
- Data Integration: Online Database Integration provides the facilities to single office to access other offices branches data spread across a territory from the same source.
- Data Warehousing and Data Management. Uganda natural location and gives it an edge in hosting data recovery centers
- Integrated Solutions Planning: In demand-driven supply chain, it is a must to right product at the right place at the right time and at the right price. There must have inventory turns and avoid stock outs while meeting business goals and objectives. And it's not enough to just react to the needs of customers and hope you have what they want— you must anticipate demand before it happens and plan for what is coming in.
- Hardware Equipment Assemble. There are no ICT manufacturing activities in the country. The best way enter this area is through assembling. A variety of resources to support equipment assemble are abundant in Uganda
- Multimedia Development and Music. The Multimedia business is still in its infancy and whatever production made here is faced with stiff global and regional competition. More investment to exploit the local talents and innovation is needed.
- Internet Applications
- E-Translation Services: The local population cannot easily access many documents and information. Currently there is a need to electronically translate those documents into local content.
- Rural Communications
- Broadband Service Provision.
- Software Solutions for Financial Sector.
- ICT Business Incubation.
- Network Computing /Management software.
- Intranet Internet &Extranet Applications.
- Professional Solutions for Manufacturing Industry.
- IT Education and Training and setting up of ICT virtual zones.

¹⁴ <http://www.ugandainvest.com/uia2.php?uhpl=ict&&uhpl1=ICT>

Weaknesses

- Unacceptably low access to basic telephony despite a perceived exemplary regulatory environment;
- Extremely low level of access to the Internet;
- Cost of access (telephony and data) far beyond the affordability level of the majority of the population;
- Marginalization of ICT, compounded by multiple and sometimes contradicting political and policy level challenges due to the splitting of its key elements among several ministries;
- Marginalization of Information Technology;
- Danger of complacency in the regulatory agency.

Conclusion

Uganda provides a very attractive terrain for foreign investors due to its fertile soil which are very suitable for agriculture. Besides its attractive soils for agriculture, investors also enjoy from the strategic location of Uganda, market accessibility, competitive cost, economic stability and government incentives to the various sectors. Beside agriculture as an interesting sector, Uganda has been also enjoying from its attractive tourism industry which still provides some investment opportunities for foreign investors and also well developed information and communication technological systems.

Appendix

Strength of Uganda

- Uganda's has remarkable economic potential (agriculture, fishing, tourism and ore).
- Exploitation of recently-discovered oil resources should enable the country to reach energy independence by 2011.
- Greater integration into EAC, the East Africa Community, constitutes an additional asset.
- With a sustained policy of structural reforms Uganda has won the backing of the international financial community.
- The country has benefited from significant foreign debt relief under the HIPC and MDRI programmes.
- The progress made on improving education, combating poverty, and improving public health conditions has been encouraging.

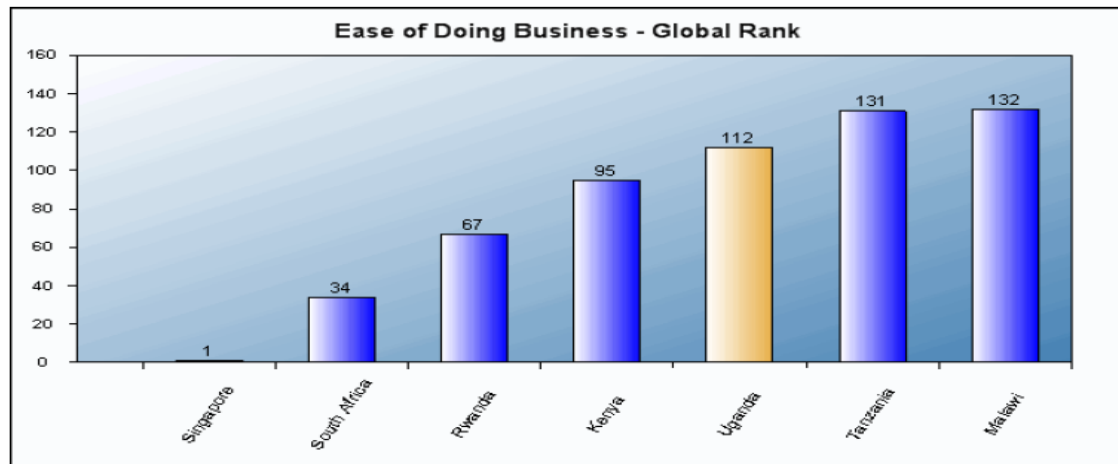
Weakness of Uganda

- GDP growth potential, underpinned by one of the world's fastest growing populations, remains limited by transport, energy, and public-service bottlenecks.
- The continuing environment of instability in the Great Lakes region and a difficult business climate limit the country's interest for investors.
- The country's development potential remains largely unrealized and, concomitantly, its economic fabric lacks diversification.
- The country's landlocked position and defective infrastructure inflate production costs.

Agriculture is still preponderant (33 per cent of GDP, 70 per cent of employment) with coffee, tea, and horticultural product exports remaining vulnerable to weather conditions and world price trends.

starting a business in Uganda

Uganda - Compared to global good practice economy as well as selected economies:



Business etiquettes in Uganda

- Ugandans tend to communicate more indirectly than directly.
- Stories, proverbs, and the like are common means of expressing a point indirectly and require the implicit knowledge of the listener.
- Greetings and a good amount of small talk almost always occur before talking about business.
- Feelings tend to not be accurately expressed between adults and sometimes one can get the feeling of being fawned upon with false happiness, or being lectured by a false sternness.
- Humor plays a big role in communicating and most Ugandans enjoy a good joke. However, it is best to avoid sarcasm as it may not translate well, if at all.