



Uganda: Your Investment Location

Uganda, Gifted by Nature, is strategically located at the heart of Sub-Saharan Africa within the East African region. The country is bordered by Sudan in the north, Kenya in the east, the United Republic of Tanzania in the south, Rwanda and Burundi in the southwest and the Democratic Republic of Congo in the west. This location gives it a commanding base for regional trade and investment.

Uganda, home to 26.8 million, is part of the East African Community (EAC) that has a potential market of about 100 million. It is also part of Common Market of Eastern and Southern Africa, which comprises 20 member states with 380 million people and imports about US \$ 170 billion annually.

Uganda also enjoys duty and quota free access into the United States (AGOA), European Union (EBA), Japan (GSP) and China, which also granted Uganda the Approved Destination Status for tourists from China.

The last calendar year, 2006, has seen Uganda making her mark as an investment destination, with a 100% increase from 2005 in planned investment. Uganda attracted investments worth US \$ 1.67 billion (value of planned investment) up from 2005's planned investment of US \$ 878 million. The US \$ 1.67 billion comes from 424 projects licensed by the Uganda Investment Authority to create 48,098 jobs. The World Investment Report 2006 highlights Uganda's actual FDI in 2005 as US \$ 258 million, up from US \$ 222 million invested in 2004. The positive trend in FDI is attributable to the favorable macro economic environment and Government commitment to promote FDI.

The three most attractive sectors for investment last year were the Transport / Storage and Communication sector (US \$ 468.6 million), Finance / Real Estate and Business Services sector (US \$ 351.6 million), and the Trade / Catering and Accommodation Services sector (US \$ 335.3 million). All values being planned investment.

The highest source of foreign direct investment (FDI) came from United Arab Emirates, followed by India, Kenya, United Kingdom, Pakistan, Malaysia, China, Canada, Mauritius, and Iran. A number of countries in the Middle East and Asia are very fast becoming among the promising new sources of FDI. Some of the

big projects licensed in 2006 include Nokia (Finland), Alcatel (France) and Toyota (Japan).

Seven (7) Reasons Why You Should Invest in Uganda?

1. Predictable Environment:

Uganda has been able to achieve macro-economic stability when clouds of uncertainty rocked many regions of the world

- Inflation is single digit for over 10 years from a record high of 240% in 1988
- Stable annual economic growth averaging 6% per annum
- Market driven exchange rates

2. Fully Liberalized Economy:

- All sectors liberalized for investment and marketing
- Free inflow and outflow of capital
- 100% foreign ownership of investment permitted

3. Strong natural Resource Base

- Rich endowment of rainfall, soils, and favorable temperature range. A number of crops are grown organically
- Unexploited mineral deposits and tourism opportunities. Confirmed deposits include Gold, Zinc, Wolfram, Petroleum, Diamond, Vermiculite, Silica etc Uganda's scenic beauty is rich with tourist attractions like bird watching, sport fishing, Gorilla and chimpanzee tracking, white water rafting, game viewing, mountaineering, and forest trekking.

4. Government Commitment to Private Sector

- Government and private sector dialogue in policy formulation
- Continuous improvement in provision of infrastructure and other social services

5. Trainable Labour

- Uganda has about 15 Universities, which produce over 20,000 University graduates per year, as well as 10 tertiary institutions and 11 teacher training college, which further enhance the capacity of the work force
- Quality of labour is one of the biggest attractions

6. Security of Investment

- Guaranteed under the Constitution and the Investment Code 1991
- Uganda is a signatory to major international investment related institutions, conventions and agreements
 - Multi lateral Investment Guarantee Agency (MIGA)
 - Overseas Private Investment Corporation (OPIC) of US

- Islamic Cooperation for the Insurance of Investment and Export Credit (ICIEC)
 - Convention on the recognition and enforcement of foreign arbitral award (CREFAA)
 - ICSID, TRIMS, GATS, and TRIPS
- Uganda has also signed a Bilateral Investment Treaty with China in 2003, which is yet to be ratified, as well as a Double Tax Agreement with India in 2003. Some other priority countries in Asia are being targeted and pursued for the same.

7. Investment Incentives

a) Investment Capital Allowances

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| ➤ Initial Allowance on plant and machinery | 50-75% |
| ➤ Start up cost spread over 4 years | 25% p.a. |
| ➤ Scientific research expenditure | 100% |
| ➤ Training expenditure | 100% |
| ➤ Mineral exploration expenditure | 100% |

Initial Allowance on Hotel and Industrial Buildings 20%

Deductible annual Allowances (depreciable assets)

Depreciation rates of assets range 20-40%

Depreciation rate for Hotels, Industrial Buildings and Hospitals 5%

- b) Investors who register as investment traders are entitled to VAT refund on building materials for industrial/commercial buildings
- c) Duty and Tax free import of Plant & Machinery
- d) First Arrival Privileges in the form of duty exemptions for personal effects and motor vehicle (previously owned for at least 12 months) to all investors and expatriates coming to Uganda
- e) Export Zones (Provisional)
- A ten year corporation tax holiday
 - Duty exemption on raw materials, plant and machinery and other inputs
 - Stamp duty exemption
 - Duty draw back to apply on input of goods from domestic tariff area
 - No export tax
 - Exemption of withholding tax on interest on external loans
 - Dividends repatriated to get relief from double taxation

Investment Opportunities

Agribusiness

Uganda is among leading producers of coffee and bananas. It is also a major producer of tea, cotton, tobacco, cocoa, cereals, oilseeds (simsim, soya, sunflower, etc), fresh and preserved fruit, vegetables and nuts, essential oils, plants, orchids, flowers and sericulture (silk). Opportunities include commercial farming and value addition, as well as the manufacture of inputs and supply of agricultural machinery.

Fisheries

Uganda's fish processing sector has expanded greatly in recent years and current export earnings are nearly US\$100 million per year. Large fresh water expanses are home to a wide variety of fish products. Opportunities are available for fish farming and establishment of more fish processing factories on other lakes other than Lake Victoria. Uganda's fish is a delicacy in Europe and has recently penetrated the US market.

Forestry

With over 1.5 million hectares of rich forest vegetation, Uganda possesses abundant potential in areas like timber processing for export, manufacture of high quality furniture/wood products and various packaging materials.

Manufacturing

Uganda's manufacturing output has been expanding by more than 10% annually over the last eight years. Opportunities exist in virtually all areas ranging from beverages, leather, tobacco based processing, paper, textiles and garments, pharmaceuticals, fabrication, ceramics, glass, fertilizers, plastic / PVC, assembly of electronic goods, hi-tech and medical products.

Mining

Uganda is currently carrying out a survey of the potential of under exploited mineral deposits of gold, high grade tin, tungsten/wolfram, salt, beryllium, cobalt, kaolin, iron-ore, glass sand, vermiculite and phosphates (fertilizer). There are also significant quantities of clay and gypsum. Uganda provides special incentives to the mining sector with some capital expenditures being written off in full. Oil explorations have confirmed substantial amounts of oil, which brings with it numerous opportunities for investment

Infrastructure

Although significant efforts have been made to develop and rehabilitate the existing physical and non-physical infrastructure, potential investment opportunities still abound. Particularly, with the opening up of the ICT sector which had been under a duopoly arrangement, communications sector is open for investment. The energy sector, as well still requires further investment. With less than 10% of the mainstream capacity of 2,700 megawatts of power exploited.

Financial Services

Opportunities for investment exist for international multinational banking groups particularly promoting new products (i.e. Mortgage finance, venture capital, merchant banking and leasing finance) and also saving institutions, which propose to operate in rural areas. Insurance in particular is still a relatively young sector and offers several opportunities for investment.

Tourism

The distinctive attraction of Uganda as a tourist destination arises from the variety of its game stock, unspoiled scenic beauty, wide range of bird species and numerous opportunities for mountain climbing and water sports such as a white water rafting. The opportunities in tourism range from constructing high quality accommodation facilities, operating tours and travel circuits to the development of specialized eco-tourism. .

Printing and Publishing

In the printing and publishing sub-sector, opportunities exist for the printing of textbooks for schools. Currently, imports supply over 90% of Uganda's textbook requirement (estimated at over U\$7 million a year as at 2004).

Education

- Secondary Education
- Technical and Vocational Education
- In-Service Specialized Training Programmes
- Development of Computer Skills
- Support Services for the Education Sector

Information Technology/ Electronics Sector

The ICT focus is initially confined to e-business exports on account of Uganda's strategic geographic location in Africa. It has a convenient time zone location from the major consumers of ICT related services 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. In addition, Uganda's trainable, English-speaking and cheap labour force can easily be turned into a cadre of skilled ICT technocrats to provide the necessary human resources for ICT growth.

Other opportunities in ICT include information and communication infrastructure, computer and related equipment hardware assembly, high level ICT training facilities on international standards, hardware repair training facilities, software development for export, setting up information technology virtual zones (ITVZ), setting up Internet service provider facilities in other parts of Uganda, etc.

Uganda in Brief (Basic Country Data)

AREA

Land Area	194,881 Sq. Km.
Water and Swamps	46,669 Sq. Km
Total Area	241,550 Sq. Km.

LOCATION

Latitude	4 ⁰ 12'N and 1 ⁰ 29'S
Longitude	29 ⁰ 34'E and 35 ⁰ 0'W

ALTITUDE

Minimum (above sea level – Albert Nile)	620 metres
Maximum (above sea level – Mt. Rwenzori)	5,110 metres

CLIMATE

Kampala: Annual Mean Temperature	17.0°C
Kampala: Annual Rainfall	1436.0 mm

LAND USE

Arable Land	25%
Permanent Crops	9%
Permanent Pastures	9%
Forests and Woodland	28%
Other	29%

2005/6 ECONOMIC INDICATORS

Real GDP Growth	5.3%
Annual Inflation (underlying)	5.4%
Private Investments (% of GDP in US \$ m)	17.9%
Exports (\$ m)	877
Exports Growth	11.6%
Imports (\$ m)	1891
Imports Growth	16.5%
Private Sector Credit (Uganda Shillings bn)	1,317.8
FDI (US \$ m)	275.6

Source: Ministry of Finance, Planning & Economic Development, *Background to the Budget, 2006/7*

DEMOGRAPHICS

Total Population (2004)	26.8 million
Female Population (2004)	13.1 million
Male Population (2004)	13.7 million
Percentage Urban (2004)	14.6 %
Population of Kampala City (2002)	1,208,544
Working age group 10-59 years (2002 census)	14.8 million
Primary school population aged 6-12 years (2002 census)	5.4 million
Population/Aged 65+ (2002)	1.1 million
Sex ratio of total population (2002 census)	95 males per 100 females
Population Density (2002)	124 persons/km ²
Inter-Censal Annual Population Growth Rate 1991- 2002	3.4% per year
Infant Mortality Rate (2002)	83 per 1000
Life Expectancy (1991)	48.1 years
Male	45.7 years
Female	50.5 years
Population per Physician (Doctor)	18,575

MAJOR LANGUAGES

English, Luganda and Kiswahili

EDUCATION

Literacy Rate (2002 Census)	64 %	
	Male	64.3%
	Female	47.5%

RELIGIONS

Roman Catholic	33%
Protestant	33%
Muslim	16%
Indigenous Beliefs	18%

Uganda Investment Authority

UIA is the agency set up by an act of Parliament in 1991 to promote and facilitate investment in Uganda. The agency serves to:

1. Provide first hand information on investment opportunities in Uganda;
2. Issue Investment Licenses
3. Assist in securing other licenses and secondary approvals for investors
4. Help investors to implement their project ideas through assistance in locating relevant project support services;
5. Provide assistance in the acquisition of industrial land
6. Helps to obtain work permits and special passes for investors and their expatriate staff;
7. Arrange contacts for potential investors and organize itineraries for visiting foreign missions in the country;
8. Assist investors in seeking joint venture partners and funding;
9. Review and make policy recommendations to Government about investment

Getting Started – A Brief Guide

Foreign investors require a minimum of US\$100,000 in planned investment in order to secure an investment license from the Uganda Investment Authority. Traders do not license with UIA but must demonstrate operating capital of US\$ 100,000 before trading licenses and entry permits are issued by local authorities.

Steps to Register your Investment in Uganda

Step 1 – Register your company in Uganda

Register your company in Uganda at the Uganda Registration Services Bureau (URSB) and obtain the Memorandum and Articles of Association, and a Certificate of Incorporation.

Step 2 – Get your Investment License

Apply for an investment license using UIA Form 1 and attach the documents in step 1 plus a brief Business Plan. Normal processing time for an investment license is 2 – 5 days.

Step 3 – Secure necessary secondary clearances

Certain sectors require other secondary licences e.g. for mining activity, air transport, banking, forestry. UIA will assist you to secure these licences within reasonable time. UIA shall also assist you in obtaining suitable industrial land and work permits for your expatriate staff. Utilities like telephone, electricity and water can easily be secured from the relevant offices.

All under one roof – The UIA headquarters hosts liaison officers from the Uganda Revenue Authority, Immigration Department, and Lands Ministry to enable all the necessary documentation to set up a company concluded in a short time under one roof. The Business Registration Services Bureau will very soon send a liaison officer as well.

For further information, contact: -

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