The Agency for International Development Presents

Critical Issues
For American Investors in
UGANDA

April 1992

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Executive Summary

Uganda's legacy of political upheaval and notoriety for both internal and external political turmoil has until recently undermined the nation's opportunities for economic growth and new commercial activities. However, since the mid-1980s the current government has restored peace to much of the nation and has implemented a series of policy reforms aimed at stimulating private enterprise, both domestic and foreign.

Uganda's economy boasts very favorable conditions for agricultural activities. The labor force is relatively well educated and is available at low labor costs. Attractive investment opportunities can be found in rehabilitating many industrial and agricultural enterprises previously operated as parastatals. For American investors, Uganda provides access to a relatively large domestic market, and access to the European market through incentives extended through the Lome Convention.

The government is committed to divesting itself of state-owned enterprises in the commercial sector, and realizes the importance of attracting investors to ensure the effectiveness of the privatization program. A new investment code was implemented in 1991, requiring only a single investment license and offering an attractive set of incentive measures. Incentives include a three-year income tax holiday and an import duty drawback system on imports used in the production of export products.

Investment opportunities for American investors are available across several sectors. The agricultural sector, however, has been and will continue to be the engine of economic and export growth in Uganda. Realizing country's competitive advantage in abundant and very fertile land, the government has initiated marketing and foreign exchange reforms to stimulate growth and diversification of exports. The wide variety of cash crops and staple foodstuffs provides investors with numerous investment opportunities in downstream processing. In addition, raw materials such as sugar and cotton may provide input to support small- to medium-sized integrated industries including garment manufacturing and food packaging. Opportunities in the other sectors, though not as extensive as agriculture, will continue to expand as a result of the government's measuress including market and foreign exchange reforms.

Notwithstanding these positive attributes, prospective investors must be prepared to deal with important constraints. These include infrastructure problems (regular power failures, inadequate transportation links, etc.), high costs or limited availability of local raw materials and supplies, and a confusing tariff structure and import regime.

I. Economic Performance and Overview

A. General Overview

Uganda, considered the pearl of the British African colonies, had one of the fastest growing economies in Sub-Saharan Africa in the early 1960s. Annual GDP growth averaged between 4 and 6 percent between 1963 and 1970, while relative price stability was maintained. The abundance of arable and fertile land, complemented by a favorable climate, supported strong agricultural growth. The principal cash crops were coffee and cotton. A relatively productive manufacturing sector contributed about 7 percent of GDP, mainly accounted for by the textiles and food industries. Discoveries of copper and other valuable minerals and a sound transportation system also contributed to a prosperous national economy.

Economic Decline: 1971–1986

Within a decade after Uganda's independence in 1962 Uganda's favorable position for rapid economic growth was reversed amidst the political instability and economic mismanagement under Idi Amin's regime. From Amin's rise to power in 1971 until the beginning of the National Resistance Movement's rule in 1986, the economy was devastated by tumultuous political upheavals. During that period, GDP declined approximately 20 percent.

Under Amin's rule, Uganda's economic condition deteriorated rapidly due to a lack of investment and maintenance, and pervasive managerial incompetence, which was exacerbated by the dramatic depletion of managerial and administrative talent. Many of the educated elite who were not executed fled the country, while the vast majority of Asian businessmen and professionals were expelled. By 1980, most commercial premises were abandoned, manufacturing plants were sustaining a mere 5 percent of capacity, and the physical infrastructure was not functioning.

Between 1980 and 1984, President Obote unsuccessfully attempted an economic recovery program based on an IMF stand-by arrangement which sought to float the shilling, remove price controls, increase agricultural producer prices, and restrict government expenditure. Although the recovery initiatives sustained a 4 to 5 percent increase in GDP between 1983 and 1985, growth was based on the redirection of coffee sales to official channels as opposed to more structurally sound new investment and sectoral restructuring. A critical shortage of foreign exchange and the end of IMF support precipitated by budget policy disagreement led to further economic decline and the outbreak of civil war after 1984.

Economic Recovery Plan (ERP) 1986–Present

The National Resistance Movement (NRM) headed by President Museveni gained power in 1986, inheriting an economy which had been virtually stagnant since 1984. The majority of the country's physical infrastructure was destroyed, agricultural lands lay in ruin, and most manufacturing facilities were shut down. In addition to the collapse of discipline and accountability in the public sector, the NRM was burdened with excessive external debt which was reflected in a debt-service ratio[1] of over 50 percent in 1985.

In 1987, the Economic Recovery Plan (ERP) was launched with assistance from the World Bank and the IMF. Since then, Uganda has entered into a period of slow but steady growth which is expected to continue.

The primary objectives of the ERP included:

- Bringing about financial stability and reducing the rate of inflation;
- Reducing the imbalances in the external accounts; and
- Promoting economic growth.

The ERP brought about a 77 percent devaluation of the shilling, a currency reform and a 30 percent conversion tax on all liquid assets held by the public. To restore production incentives, most price controls were abolished, the marketing monopolies were dismantled, and major increases in producer prices were introduced. Additional steps were also taken by the government to liberalize trade and foreign exchange policies, and streamline licensing requirements and other bureaucratic procedures including the Open General Licensing system and the Special Import Program.

Recent Economic Performance

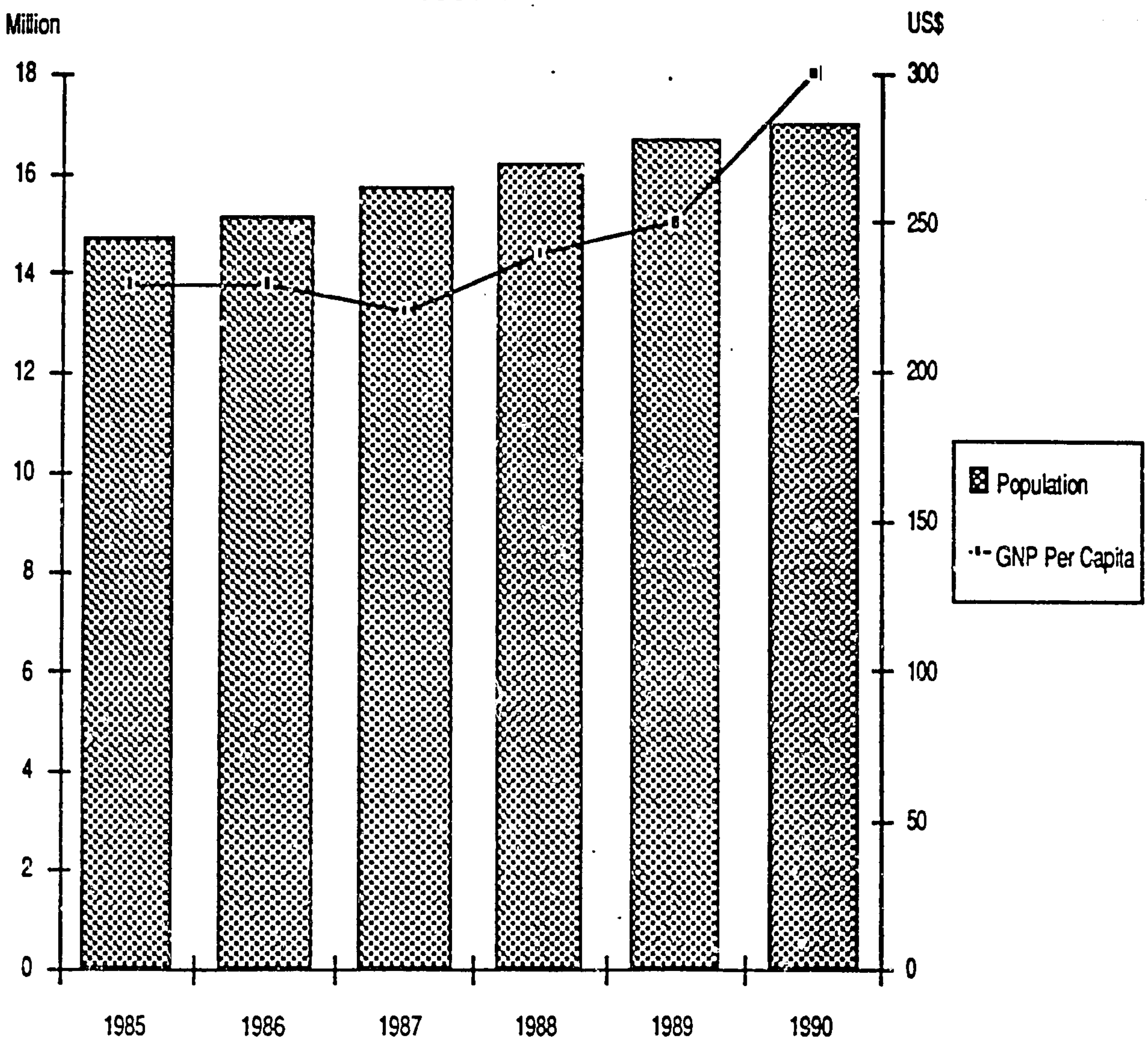
Economic indicators, based on data calculated in New Uganda Shillings for the sake of comparability, reflect encouraging real GDP growth of 6 to 7 percent from 1987 through 1989. Per capita income also increased at an annual rate of 4.2 percent between 1987 and 1990 (see Figure 1.1).

Economic performance in 1990 and 1991, however, was mixed. While the agricultural sector expanded modestly in 1990, coffee prices dropped severely following the demise of the International Coffee Agreement in 1989, reducing Uganda's coffee export earnings significantly. Economic performance was adversely affected by inadequate and poor transportation infrastructure. Furthermore, the power generating and distribution system were unable to meet existing production and commercial demand.

The situation was aggravated by rising debt payments and a steep increase in the price of imported petroleum in the wake of the Persian Gulf war. Real GDP growth was estimated to be a modest 3.4 percent in 1990. The government, however, remained committed to restraining public spending. Domestic petroleum prices were raised to match their landed prices, and the official market rate of the shilling was further devalued.

[1] The ratio of external debt repayment to export earnings.

Figure 1.1
Trend in Population and GDP Per Capita in Uganda
1985-1990



Source: World Bank, World Tables

Economic Prospects
Although the NRM government has made impressive advances in bringing about political and economic stability over the past six years, significant obstacles to recovery remain. The following priority areas were recently identified by the government for development and investment:

- Restore the transport and communications systems and utilities infrastructure;
- Rehabilitate the health services and control the spread of AIDS;
- Efficiently mobilize and allocate financial resources, including foreign exchange;

- Enhance the access of the industrial sector to managerial skills and technological know-how; and
- Reduce government expenditure on civil service.

The Rehabilitation and Development Plan 1990/91–1993/94
The 1990–1994 Rehabilitation and Development Plan (RDP) will place more emphasis on improving the social infrastructure. Social services will be allocated 35 percent of the total plan funding, of which the health sector will receive 13 percent to finance a major AIDS Control Program. Water developments will also claim 10 percent of the sector's funding.

In recognition of the importance of adequate power supplies to support domestic production and encourage foreign investment, RDP allocation for energy was increased from 3.3 percent during the previous RDP period to 7.2 percent. Tourism, the share of which was also increased from 0.8 to 3.4 percent, is being actively promoted by the government for investment.

Meanwhile, the production sectors will receive a smaller share of program funding. The total RDP expenditure shares for the agricultural and manufacturing sectors were reduced by 6 percent and 7 percent, respectively. Although the government remains committed to rehabilitating the infrastructure system, in particular the road, rail, and telecommunications network, the allocation of resources to this sector was also reduced. Thus, the delivery of inputs and goods as well as business communications are likely to remain problematic in the medium term (see Figure 1.2).

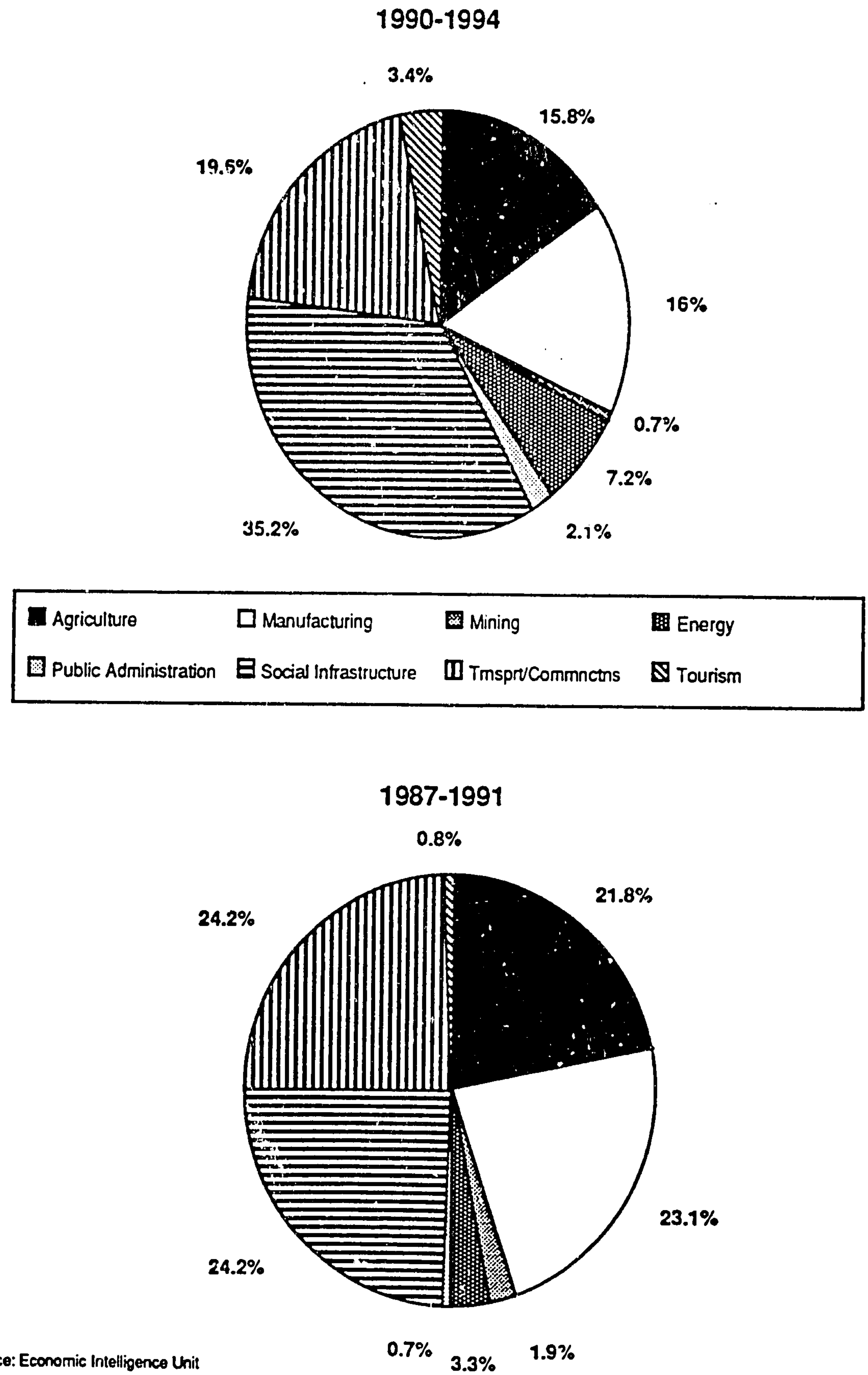
B. Sectoral Overview of the Economy

Agriculture
Agriculture is the mainstay of Uganda's economy, accounting for nearly 70 percent of GDP, 60 percent of the value added, most of the country's foreign exchange earnings, and a significant share of tax revenue. Unlike many of its neighboring countries, Uganda has ideal agricultural conditions including very fertile soil, abundant rainfall and moderate temperatures. These favorable conditions made possible the survival of subsistence farming despite the economic chaos under Amin's regime. Growth in monetary agriculture was estimated at 7.2 percent in 1989, 7.9 percent in 1990 and 7.7 percent in 1991.

Nearly 80 percent of the population is engaged in agricultural activities and over 80 percent of the households own land. Most of Uganda's farming is carried out by the 2.2 million small landholders using simple, traditional methods on small farms averaging 6.3 acres.

The major subsistence food crops are cassava, sweet potatoes, millet, sorghum, maize, beans, groundnuts and sesame. The country is generally self-sufficient in food, although shortages have occurred due to distribution and security problems. The projected population growth rates, however, have given rise to concerns about adequate food supplies in the future.

Figure 1.2
Breakdown of Sectoral Expenditure for the Uganda Rehabilation and Development Plans



Source: Economic Intelligence Unit

Principal cash crops are coffee, tea and tobacco. Coffee is the single most important export crop. Coffee has accounted for 95 percent of all commodity exports since 1985, and currently provides over 90 percent of the recorded export earnings.

Efforts to diversify exports remains a top priority of the Government of Uganda. The extension of the 100 percent retention scheme to all noncoffee exports and the legalization of the parallel market for foreign exchange have encouraged noncoffee exports as well as vertical integration in the agroprocessing and cotton industries. Preliminary World Bank estimates suggest that these measures have stimulated the production of noncoffee cash crops such as cotton and tea. In addition, exports in several nontraditional cash crops including simsim are expected to increase.

Coffee production and export were sustained during the Amin years, despite the breakdown of most of the processing plants and lack of inputs. Robusta, which accounts for about 94 percent of total production, is cultivated mainly around Lake Victoria. The arabica varieties are produced in the higher regions around Mount Elgon.

As a member of the International Coffee Organization (ICO), Uganda was assigned an initial annual export quota of about 4 percent of the global total.

Table 1.1 Coffee Deliveries and Exports ('000 tons) 1987–1990

	1987	1988	1989	1990
Deliveries	167	151	169	126
Exports	148	144	176	142

Source: Background to the Budget

Until 1990, all coffee exports were handled by the government-owned Coffee Marketing Board. The government took significant steps to liberalize the coffee export market when the international coffee market collapsed in 1989. The monopoly of the Coffee Marketing Board was effectively dismantled, and coffee export licensing was extended to four private cooperatives.

Cotton only experienced minimal recovery from the severe disruption of the 1970s, despite the rehabilitation of ginneries and increases in producer prices since 1981. The cotton growing region continues to suffer from political instability and labor shortages. In addition to exports, cotton production supports local textile mills, soap factories, and animal feed producers.

Tea production has stalled since 1978. Although 525,000 acres have been planted, only 5,000 acres are producing tea. Production and processing is shared among the estates of Agricultural Enterprises Ltd (AEL) and Uganda Tea Growers' Corporation (UTGC) which supports small producers, private companies and government joint ventures.

The **sugar** industry collapsed in 1980 and the government is planning to privatize its holdings in the industry. Rehabilitation of the Lugazi estate has been underway since

1986. The only functioning estate, the Kakira estate, is operating at 20 percent capacity. A new processing facility has been commissioned in 1988 and is expected to operate at 50 percent capacity, producing 30,000 tons/year capacity over 1991–92.

Table 1.2. Output of Selected Crops ('000 tons) 1987–1990

Crop	1987	1988	1989	1990
Plantains	7,039	7,293	7,469	7,791
Root crops	4,863	4,960	5,177	5,357
Cereals	1,220	1,398	1,619	1,577
Cotton (Lint)	3	2	3	4
Tea	4	4	5	7
Tobacco	1	3	4	3

Source: Background to the Budget

Overall, the agricultural sector has proven its resilience despite many challenges (see Figure 1.3). The current rehabilitation of the transport system, which focuses on improving the farm-processing-market link, is a significant step toward providing opportunities for sustainable growth and investment opportunities in the sector. Although the government seeks to diversify the industrial sector, Uganda will continue to depend heavily on its traditional agricultural exports.

Livestock

The natural environment provides good grazing for cattle, sheep and goats, most of which are indigenous breeds. The livestock ranches and dairies which suffered severe production losses under the Amin regime have been targeted for rehabilitation and improved disease control. Pig and poultry production, in particular, is increasing rapidly due to strong demand for pork, poultry meat and eggs. Ranching in the Karamoja region, however, has been adversely affected by instability and security problems along the border areas.

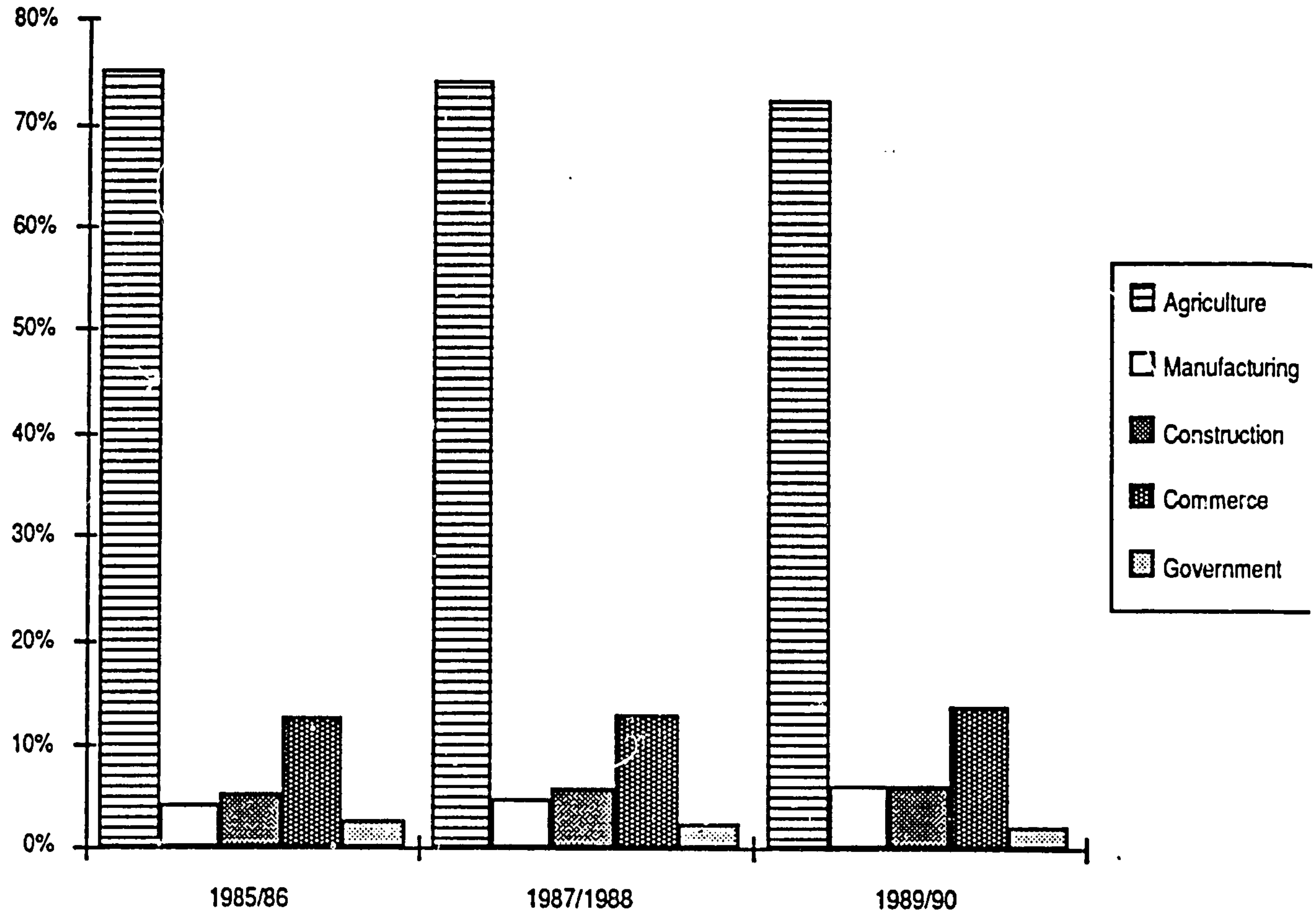
Fishing

Land-locked Uganda has highly productive lakes, rivers, reservoirs and swamps which cover about 17 percent of the country. Because fishing is an important rural industry which provides a high proportion of the country's protein needs, the sector has received substantial financial as[illegible] from the United Nations and European Community. The industry has beer [illegible] since 1983. The availability of fishing inputs and the rapid increase of the [illegible] [illegible]ock have recently led to unprecedented developments of fisheries in Lakes Victoria [illegible] Kyoga.

Mining

Although mining currently contributes less than 0.1 percent of GDP, the liberalization of marketing policies is already spurring an industry revival, particularly in gold mining. The government is currently seeking to revitalize small-scale mining because it can provide quick returns and more employment opportunities.

Figure 1.3
Sectoral Breakdown of National Accounts in Uganda
(Based on GDP Factor Cost)
1985-1990



Source: IMF

Although many important mineral deposits are found in Uganda, the extent to which they exist is not known due to the lack of comprehensive exploration surveys. Past mining operations included copper, tin, bismuth. wolfram, colombo-tantalize, phosphates, limestone and beryl. In addition to reviving former operations, possibilities exist for the recovery of cobalt from pyrite concentrates. Good quality iron ores are also known to be present at Muko in Kabale and in the Sukulu Hills in Tororo.

Table 1.3 Mineral Production 1987–1990

Mineral	1987	1988	1989	1990
Gold (grams)	—	20.5	1,700.0	72,230.0
Tin ore (tons)	9.7	63.8	45.0	24.6
Wolfram (tons)	30.2	74.9	32.2	37.1

Source: Background to Budget

Gold is found in a number of areas and offers considerable opportunities for investment. **Tin** mines were producing up to 3,000 tons of cassiterite during peak years. The average content of tin ranges between 60 and 67 percent. **Tungsten** deposits have an estimated 12 million tons of wolfram which offer a potential annual yield of approximately 7,000 tons of concentrate.

High quality **iron ore** is found in several parts of the country, the most important of which are the hematite deposits of the Kabale district in southern Uganda and the magnetic deposits associated with the carbonite complexes of eastern Uganda. Reserves at Muko in southern Uganda are estimated at over 50 million tons. The Sukul reserves in eastern Uganda are estimated to contain about 45 million tons of ore averaging 62 percent iron and 2.6 percent phosphorous. Magnetite with a high content is also found at nearby Bukusu, with reserves estimated at 23 million tons.

Manufacturing

The manufacturing sector suffered severe loss of production capacity and underutilization during the economic and political upheaval of the late 1970s and early 1980s. Industrial growth has been constrained by years of import restriction, expropriation, mismanagement, and social unrest.

The policies adopted in the Economic Recovery Plan have brought steady recovery since 1986. In particular, the recent adoption of the Open General License (OGL) and the Special Import Program (SIP) have helped to raise capacity utilization in the industrial sector by increasing access to foreign exchange for a wide range of industrial and agricultural enterprises. However, insufficient power supply, poor transportation network, limited access to inputs and a shortage of foreign exchange are expected to constrain industrial growth.

Statistics[2] indicate that annual industrial production rose 24 percent in 1988, 17 percent in 1989 and 6 percent in 1990. Despite moderate growth, however, the manufacturing sector still only accounted for approximately five percent of GDP in 1990.

Manufacturing activities in Uganda are concentrated in agroprocessing, including coffee, cotton, sugar, and food crops. Medium- to large-scale industries (those employing over 10 people) include textiles, tobacco, beverages, wood and paper products, construction

[2] Based on Index of Industrial Production figures with base year 1987.

materials and chemicals. Small-scale manufacturing is dominated by the clothing industry, but also includes sugar and maize mills and furniture making. Large scale manufacturing establishments (those employing over 100 workers) are estimated at around 300, 50 percent of which have some level of foreign ownership.

Construction
Reconstruction efforts have spurred a surge in demand for basic construction materials including cement, steel bars, galvanized sheets, angle irons, doors and windows, which is not sufficiently met by local supply. Cement is the most crucial industry for reconstruction. The government currently operates the only two cement factories though the Hima plant in the west is planning to privatize. Total cement output was only five percent of installed capacity in 1990, due in part to the power failures which interrupted production.

Tourism
Tourism was the third largest foreign exchange earner in 1970. The sector suffered a major setback throughout the 1970s amidst political instability and civil war. Tourist arrivals dwindled to almost nothing by 1980.

The current government has placed a high priority on the revival of tourism as a means of earning foreign exchange and improving its international image. Over US$40 million have been spent in the rehabilitation of hotels in Kampala, which has progressed smoothly. Key hotels such as the Sheraton and Nile Hotels have attracted a number of international conferences and seminars to Kampala since their rehabilitation.

Tourist arrivals numbered 10,000 in 1982 and increased to about 50,000 by 1990, drawing mainly from North America and Western Europe. However, sustained recovery in the tourism sector will remain uncertain until tourist services have been significantly rehabilitated and confidence about the security situation has been fully restored.

C. Public Finance

Huge public debt was built up during the years of economic mismanagement in the 1970s, primarily as a result of unrestrained government spending. Lack of budget restraint was exacerbated by falling revenue caused by declining production and trade levels, and ineffective enforcement of tax collection. Budget deficits ballooned to reach 100 percent of government revenue in 1974. The government's increasing reliance on bank borrowings fuelled a 30 percent annual expansion in money supply between 1971 and 1980.

The National Resistance Movement has recently brought government spending under control with assistance from the IMF, although budget deficits remain substantial. For 1991, government expenditure is budgeted at NUSh 258.2 billion (approximately US$350 million), accounting for 14.7 percent of GDP. Donor assistance is expected to contribute 32 percent of the budget in project and import support.

With the shift to a subsistence economy in the 1970s and early 1980s, tax revenues virtually disappeared. In 1989, total tax revenue was only 5.3 percent of GNP, a significant drop from the 13.7 percent in 1972. The government is currently restructuring its tax administration. The Uganda Revenue Authority, being formed within the Ministry of Finance, is charged with the responsibility of reinstating the tax analysis system and collection procedures.

Coffee export duties have been an important source of revenue in Uganda. While the devaluation of the shilling has increased duty collection, the fall in the world coffee prices has, however, reduced duty receipts. Overall, the share of the coffee export duty fell from 36 percent of recurrent revenue in 1978–79 to 10 percent in 1990–91. The government projects that the revenue share of coffee export tax will be gradually reduced as it increasingly draws its revenue from other sources.

Table 1.4 Central Government Finance in Uganda 1986–1990

Budget Category	1966–87	1988–89	1990–91
Recurrent budget balance	**(3,022)**	**(8,632)**	**19,511**
Revenue	5,005	49,719	127,929
Expenditure	8,027	58,351	108,418
Development budget balance	**(1,384)**	**(665)**	**(87,452)**
Revenue	853	11,408	57,520
Expenditure	2,237	12,073	144,972
Unallocated items	(1,151)	(5,140)	......
Total	**(5,557)**	**(14,436)**	**(67,940)**
Financing			
External (net)	1,362	2,912	53,371
Domestic	4,195	1,524	14,569

Source: Background to the Budget

D. Trade and Balance of Payments

Uganda has experienced serious balance of payments problems since the 1970s due to rising trade deficits and steady capital outflows. Since 1986, the sharp decline in world prices of Uganda's exports and the government's increasing dependence on external borrowing has resulted in high debt-servicing obligations. Although donor assistance has recently increased, Uganda will continue to experience balance of payments difficulties in the short to medium term.

Current Account

Uganda has experienced chronic current account deficits over the past three decades. Despite the current government's export diversification efforts, the country continues to rely excessively on coffee exports for the bulk of its foreign exchange. The collapse of world coffee prices and successive droughts have made Uganda particularly vulnerable. In 1990, total exports earnings dropped 36 percent to $177.8 million coupled with rising costs of importing petroleum contributed to a current account deficit amounting to $263 million. The current account deficit was estimated at $238 million, or 8.3 percent of GDP, in 1991.

Table 1.5 Balance of Payments 1986–1990

	1986	1988	1990
Merchandise exports	406.8	266.3	177.8
Merchandise imports	(438.2)	(658.2)	(617.6)
Trade Balance	(31.4)	(391.9)	(439.8)
Services & unrequited transfer	83.0	197.0	176.5
Current Account Balance	51.6	(194.9)	(263.3)
Official inflows	128.5	269.2	314.0
Official outflows	(47.0)	(65.8)	(96.4)
Short-term capital (net)	(85.4)	(157.7)	(40.1)
Capital Account Balance	(3.9)	45.7	177.4
Change in arrears	44.3	142.1	....
Overall Balance	92.0	(7.1)	(85.8)
Change in reserves	2.6	2.3	11.6
IMF (net)	(94.5)	5.5	40.0

Source: Background to the Budget

Exports

Uganda's principal markets are Western European countries and the United States. In 1989, Ugandan exports were fairly evenly distributed among the Netherlands, the United States, France, and the United Kingdom. Regional trade with East African countries has always been small, and virtually ceased during the late 1970s.

Imports

Uganda relies heavily on imports for several essential goods, including fuel, vehicles, machinery and medical supplies. Imports totalled $617.6 million in 1990. In 1989 Kenya supplied nearly one-quarter of Uganda's total imports, while the United Kingdom and West Germany accounted for 14 and 11 percent respectively (see Figure 1.4).

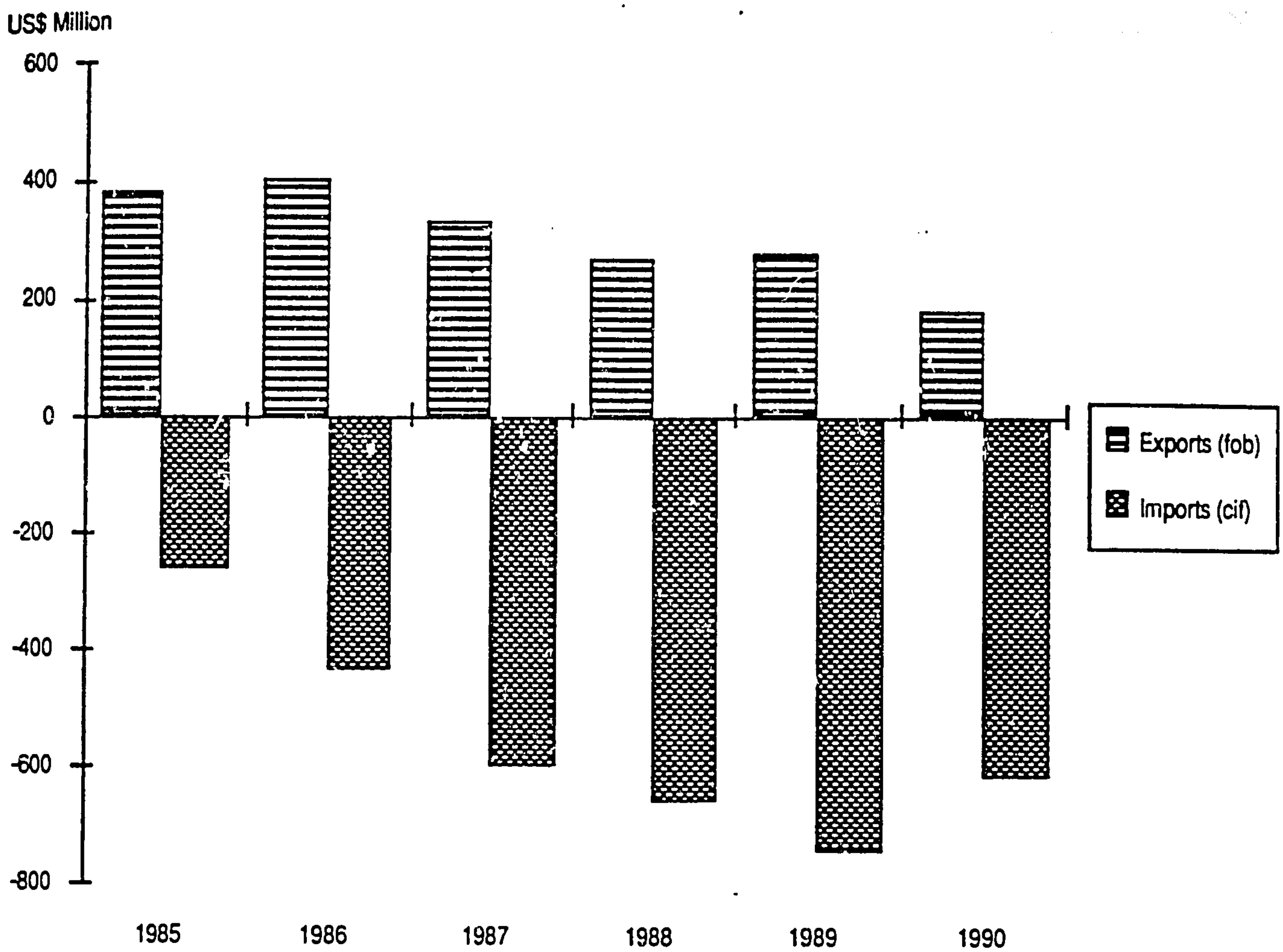
Capital Accounts

The current account deficit has been financed by steadily increasing capital transfers accumulation in external arrears. Capital transfers amounted to $318 million of net transfer in 1989 and $178 million in 1990. Meanwhile, new official capital inflows increased from $128 million in 1986 to $461 million in 1989, before falling to $314 in 1990.

Reserves

At the end of December 1990, total foreign exchange reserves minus gold totalled $44 million, which was equivalent to less than four weeks of official recorded merchandise imports. This level of reserves is very low and indicates a continued scarcity in foreign exchange in the official channels.

Figure 1.4
Trend in Ugandan Imports and Exports
1985-1990



Source: Background to the Budget

E. External Debt and Foreign Aid

Debt

At the end of 1989, Uganda's external debt totalled $1.8 billion of which 82 percent is long term. The ratio of debt service to export receipts was 81 percent in 1989, compared to 34 percent in 1987. A Paris Club rescheduling covering a reported $70 million and a 14 year rescheduling was agreed to in January 1989. Uganda's external debt service was estimated at $91.5 million in 1991.

Foreign Aid

Uganda is heavily dependent on external assistance. The level of major bilateral and multilateral donor assistance rose with the establishment of the Rehabilitation and

Development Program (RDP) in the 1987. Donor commitments rose from $285.9 million in 1987 to $410 million in 1989 (see Table 1.6).

An estimated $637 million was mobilized to support the government's RDP Plan for 1990-91. Out of this total, donors financed $245 million worth of imports, including agricultural and industrial inputs, raw materials, spare parts and petroleum imports. An additional $325 million is expected to be available for import support in 1991–92. The remaining $67 million will be spent on project and balance of payments support. For 1991–92, donor commitments increased by 33.4 percent to $850 million.

Table 1.6. Gross Official Development Assistance (US$ Million)

	1987	1988	1989
Bilateral			
UK	12.7	49.9	40.7
USA	14.0	18.0	21.0
West Germany	15.8	18.7	19.9
Italy	25.1	21.8	14.0
Other	25.3	92.9	97.1
Total	92.9	201.3	192.7
Multilateral			
IDA	111.3	68.0	92.0
EC	31.8	40.0	39.1
UNDP	8.8	12.7	15.6
WFP	14.3	15.4	15.1
Other	26.8	44.8	55.6
Total	193.0	180.9	217.4
Grand Total	285.9	382.2	410.1

II. Natural Resources and Infrastructure

A. Land, Climate and Natural Resources

Land

Uganda is a landlocked country along the equator and is bordered by five countries: Kenya, Rwanda, Sudan, Tanzania, and Zaire. The total area of the country is approximately 241,000 square kilometers, extending 787 kilometers diagonally from northeast to southwest and 486 kilometers from southeast to northwest. Total land area is nearly equivalent to the size of the state of Oregon.

Uganda has exceptionally fertile land which supports an extensive variety of tropical fruits, vegetables and other subsistence crops. Nearly one-quarter of the land area is under cultivation. Most of the cultivated land is located in the three southern regions. Land shortage is not a problem, although the supply of virgin land is becoming more restricted. The major obstacle to the extension of cultivation and herding is the prevalence of the tsetse fly which covers approximately 30 percent of the land surface. The World Bank is providing assistance to reestablish a tsetse fly control program.

The country's terrain is varied. Nearly 70 percent of the land area is covered by forest and woodland, while 12 percent is comprised of national parks and game reserves which covers the central region of the country. The remaining 18 percent consists of inland water and swamps. Lakes Kyoga and Kwania are positioned in the heart of Uganda and feed numerous smaller rivers, many of which run from Lake Victoria. Major mountain ranges delineate Uganda's northeast border with Kenya and the southwest border with Rwanda and Zaire.

Climate

In addition to having very fertile soil, Uganda's plentiful rainfall and moderate temperatures are very favorable conditions which contribute to a productive agricultural sector. Uganda has an equatorial climate. The mean annual temperature ranges between 68°F and 72°F. Throughout the country, July is the coolest month.

Over three-quarters of the country receives at least the minimum amount of rainfall required for intensive cultivation. Rainfall averages over 100 centimeters annually with the heaviest rains falling in the south. The semiarid northeast region receives approximately 20 inches annually, while the wetter regions of the southwest accumulate about 50 inches. The country has two dry seasons, both relatively short. The longer of the two seasons begins in December and ends in March. The shorter season runs from June to July.

The favorable combination of fertile lands, sufficient water supplies and moderate climate allow continuous cultivation in the south year round, while the north maintains annual cropping.

B. Human Resources

Uganda is a predominantly rural based society. Of a total population of 16.6 million, approximately 11 percent of the total population is located in the urban areas. Although Uganda has a comparatively low level of urbanization, the urban population has grown by a strong seven percent within the last decade and the trend is expected to continue.

Kampala, which has a population of 773,400, has one-third of the country's total urban population and is followed by Jinja with a population of approximately 60,000. The other urban areas are significantly smaller than Kampala and are situated along the shores of Lake Victoria along Uganda's southeast border. The population growth rate of 3 percent.

Uganda has a highly diversified ethnic population consisting of approximately 40 African tribes. The four largest categories, based on language groups, are Bantu, Eastern Nilotic, Western Nilotic and Central Sudanic. The Bantu speakers comprise two-thirds of the population.

The non-African community, though quite small, played an important commercial role prior to their expulsion by Amin in 1972. With the restoration of political stability and sound reassurances from the government, many of the Asian professionals are returning to Uganda. Their return reflects an increasing international confidence in the government's commitment to implement reforms and enlarges the available pool of skilled and management-level employees.

Uganda had one of the best educational systems in Sub-Saharan Africa by 1962. However, the system deteriorated during the political and economic turmoil. Of the population over 25 years of age, nearly 75 percent have no schooling, while nearly one-quarter have only completed the first level (elementary schooling for ages 6 to 11). The national literacy rate of 20 percent is predominantly among men. There are six institutions of higher education, five technical colleges, four commercial colleges, 52 technical schools, and 69 teacher training colleges. With the government's focus on social sector rehabilitation, funds are expected to be forthcoming to assist in improving the physical conditions and academic resources of the institutions.

C. Infrastructure

The transportation infrastructure suffered badly during the period of political trouble. Improvements to the infrastructure are slow. Transportation operations remain erratic. As a result, distributing goods to and from main centers is costly and difficult. Under the Rehabilitation and Development Plan for 1990–1994, transport sector commitments comprise 19.6 percent of total funding, a reduction from 24.2 percent in the previous plan. The government, however, acknowledges that the transportation system is one of the country's major bottlenecks to economic development and donor assistance has been allocated.

Railways

As a landlocked country, Uganda depends on Kenya and Tanzania for access to the sea. The Uganda Railways Corporation operates the railways built by the British during the colonial period and designed specifically to tap the agricultural and mineral resources for the export market. A direct rail line links Kampala with Kilindini Harbor in Mombassa, Kenya. The other major lines are those that link Kampala with the west Nile district and Gulu in the northern region. Although much of the system needs upgrading and improvements, the URC continues to operate freight and passenger services and is slowly acquiring new capital equipment.

Roads

The length of the road system is approximately 27,000 kilometers, of which 28 percent is paved. Despite generally poor road surface conditions, donor assistance is being applied to major road rehabilitation projects.

Donor assistance is also being channeled into the construction of feeder roads to link farm and market. The majority of imports and exports pass through Kenya via Port Mombasa although the government is working to open new routes through Tanzania.

Air Transport

Uganda Airlines Corporation (UAC) suffers from poor aircraft stock, mismanagement and overstaffing. Uganda Airlines flights were suspended in 1990. Although UAC does not currently operate flights, several other carriers including Kenya Airways, Sabena Belgian World Airlines and Ethiopian Airlines operate to Entebbe.

Uganda has obtained a US$35 million soft loan from the Spanish government to install a new radar system and repair runways at Entebbe airport. British Airways has concluded negotiations with the government and is considering the reestablishment of flights into the country. In addition, plans to develop a joint venture carrier with Tanzania and Zambia are underway. The slight increase in traffic at Entebbe and indications of several carriers resuming flights will facilitate a more rapid improvement in the Entebbe facilities.

Telecommunications

The telecommunications infrastructure was rendered nearly nonexistent during the early 1980s. Although more sophisticated equipment including facsimile and telex are being made available, service remains poor.

III. POLITICAL ENVIRONMENT

Uganda has endured considerable political disruption over the past twenty years which has resulted in significant socioeconomic dislocation throughout the country.

Uganda achieved independence from the United Kingdom in 1962 and established the Republic of Uganda within the Commonwealth of Nations. Benedicto Kiwanuka became the first prime minister and remained in office until 1966, when he was succeeded by Milton Obote. In 1971, Commander Idi Amin Dada led a violent military overthrow and assumed power. Over the next eight years, Idi Amin exercised oppressive rule in Uganda, committing excessive human rights violations and perpetuating economic and social disintegration. Uganda experienced a brief reprieve after the Uganda United Liberation Front (UNLF) headed by President Yusuf Lule ousted Amin and created the National Consultative Commission in 1979. By 1980, however, President Obote returned to power until he was overthrown by General Basilio Olara Okello in 1985. By January 1986, the National Resistance Movement/National Resistance Army (NRM/NRA) under the leadership of Yoweri Museveni assumed state control.

A. Political Processes

Uganda maintains a transitional military government. President Museveni, in addition to holding executive power, is also the Minister of Defense. Upon assuming power in 1986, President Museveni dissolved the Military Councils under President Obote's government, replacing it with the National Resistance Council (NRC). The NRC is comprised of senior members of the National Resistance Army (NRA) and its political wing-the National Resistance Movement (NRM). The NRM now serves as the effective ruling party in Uganda.

Legislative powers reside with the 270-person National Resistance Council (parliament). Of the 278 seats in the NRC, nearly 75 percent of the council members were elected by universal suffrage in February 1989. In March 1989, elections for Resistance Council seats were completed by an electoral college. All regions of the country including official womens', youth and worker groups were represented. Nominations were also drawn from the NRM, NRA and the president.

Resistance Councils are established at the local level and are headed by district administrators appointed by the President. The Resistance Council system has been superimposed on the traditional political structure in an effort to establish a new grassroots democracy.

The Uganda judiciary operates as an independent branch of government and consists of magistrates courts, the High Court, and the Court of Appeals.

B. Democratization

The legacy of political disruption in Uganda during its nearly 30 years of independence has inhibited the evolution of a democratic movement in the country. Since 1962 the country has been ruled by eight leaders. Of these changes in government, four of them have been achieved by military force and the level of violence against the civilian population has been some of the most severe anywhere in Africa. In general, the political upheaval can be attributed to the very ethnic and religious diversity of Ugandan society. There are 28 tribal groups in Uganda with the largest ethnic division existing between the pastoral Nilotic tribes in the north and the agricultural Bantu tribes in the south.

Divisive policies implemented by the British during their colonial rule also contributed to the vestige of political instability in Uganda. The British capitalised on the ethnic distinctions by recruiting their security forces mainly from the more warlike and aggressive Nilotic tribes. As a result, the north developed a military dominance over the south. This persisted until the predominantly Bantu-based National Resistance Army seized power in 1986.

The political turmoil in Uganda's recent history dictates that the move towards a more democratic system will be a relatively slow process. The current government is a transitional one which favors a one-party system and currently bans all political activities. But, the government has pledged to hold full-scale general elections in 1995. Recent changes in Eastern Europe and the Soviet Union have encouraged a surge in popular demand for political pluralism and have excited the debate about Uganda's constitutional future. The constitution which was suspended in 1985, is currently being drafted by a constitutional committee. Although local observers state that there is a tremendous amount of heated debate taking place, President Museveni continues to remain cautious, stating that the multi-party system issue is in danger of being oversimplified. He feels that the evolution of democracy through national and local Resistance Councils is the most applicable approach considering the present stage of Uganda's development. The momentum generated by public support for multi-party democracy is expected to increase, contributing to a more vigorous political environment.

C. Political Stability

Since the establishment of the NRM in 1986, President Museveni has restored peace to much of Uganda and is responsible for implementing reforms which have received the support of the international community as well as the majority of the local population. Although insurgents of the former regime continue to conduct armed resistance in the north, particularly along the Kenyan border, these are limited incidents and do not pose a real threat to the incumbent government's stability.

Indicative of the government's commitment to securing political and economic stability has been a recent announcement by the government to allow the return of Asian citizens who had been expelled by Amin in 1972. The government has promised to return the confiscated property of some 75,000 people of Asian decent. For those that elect not to return, they are eligible to receive compensation for lost property under the "Departed Asian Expropriation Act." A reinforcement of the stabilizing trend is the pending confirmation of political risk coverage to Uganda by the Multilateral Guarantee Investment Agency. A decision is expected within the next two to three months.

For U.S. investors, these measures signify that the environment for establishing and conducting business in Uganda is improving. Under President Museveni's secure leadership, investors can anticipate that administrative transactions will be increasingly transparent and just. The government is also committed to safeguarding the property and person of both citizens and foreigners.

D. International Relations

The government under President Museveni maintains good relations with most nations and supports an underlying policy of nonalignment. Uganda is a member of the United Nations, the Non-Aligned Movement, the Group of 77 and the Organization of the Islamic conference.

Relations with bordering countries, Kenya and Rwanda have been periodically strained because of trade problems and charges of political destabilization. There are claims by the Rwanda governments that Rwandan refugees living in Uganda have been supported by the Uganda government in their recent invasions into Rwanda. These incursions are restricted to the border regions, however, and do not jeopardize the stability of President Museveni's rule.

As a founding member of the Organization for African Unity (OAU), Uganda has strongly advocated multiracial democracy in South Africa and liberation movements in other parts of Africa. In 1990, President Museveni was elected chairman of the OAU, symbolically signalling Uganda's reentry into the international community.

Uganda's relations with the United States were strained and ultimately broken during the Idi Amin rule. The persistent security problems and increasingly difficult operating environment forced the withdrawal of the U.S. Peace Corps volunteers and the termination of bilateral U.S. economic assistance in 1973. After repeated threats in 1978, the U.S. embassy was closed and an embargo was legislated on all U.S. trade with Uganda.

Relations with the United Stated have improved considerably since the fall of Amin. Under President Obote in the early 1980s, relations were cordial although the U.S. criticized Uganda's human rights situation. President Museveni's efforts to end human rights abuses and implement solid economic reform measures has greatly improved U.S. bilateral relations with Uganda.

IV. Policy and Regulatory Framework

A. State's Role in the Economy

The government is firmly committed to divesting itself of commercially oriented state-owned enterprises (SOEs) and to ensuring improved performance in those that remain with the government. With the initiation of Uganda's privatization program, foreign investors now have the opportunity to buy outright, or through joint ventures, approximately 80 enterprises.

Based on criteria which have been developed with assistance from the World Bank, the government's plan for the new ownership structure in the commercially viable SOEs is as follow:

- 46 to be fully privately owned;
- 10 to have minority shareholding by the government;
- 24 to have majority shareholding by the government; and
- 16 enterprises in which government would retain 100 percent ownership.

The classification of these 96 SOEs is subject to revision based on the results of more technical evaluations of the enterprises.

The government of Uganda realizes the importance of attracting investors to ensure the effectiveness of the divestiture program. In addition to improving the investment climate with the enactment of the new Investment Code, the government has proposed the following policies to facilitate the divestiture process:

- Select SOEs which have good profit potential;
- Ensure investor access to medium- and long-term finance;
- Guarantee investor freedom to manage operations on a fully commercial basis;
- Encourage the return of Ugandan capital now held offshore to be invested in the enterprises to be privatized; and
- Encourage commercial banks to provide credit for rehabilitation costs.

To spur investor interest in the SOEs, the government has laid out broad guidelines for the divestiture program:

- Valuation of SOEs will be undertaken based on market value rather than book value;

- Foreign investment will be encouraged where there is an external need for equity, management and/or technology;
- All legal issues will be addressed prior to putting SOEs up for sale; and
- No undue advantage or protection will be offered to investors.

Because a significant portion of Uganda's SOEs have been beneficiaries of World Bank lending, investors can be assured that independently audited financial accounts do exist in these enterprises.

Public utilities and telecommunications are wholly government-owned and reserved for government ownership. Some industries such as textiles, brewing, animal feed manufacture, dairy and tourism are not open to private investment.

B. Taxation

The government is improving its revenue flow by reinstating tax collection. Tax revenues had virtually disappeared over the last 20 years as the country almost shifted completely to an informal economy. Currently, Uganda raises only about six percent of GDP in direct taxes.

Rather than introducing higher or new taxes, the government seeks to generate additional revenue mainly through restoring the profitability of industries.

Corporate Income Tax
All registered business organizations and corporations are required to submit an annual provisional tax return no later than June 30, or no later than six months from the commencement of the income year. Currently the corporate income tax is 55 percent which is one of the highest in all of Sub-Saharan Africa.[1]

Personal Income Tax
Individuals are required to send a provisional income tax for the year of income no later than March 31, or no later than three months from the commencement of a twelve month income year. Due to the socioeconomic dislocation of the late 1970s and early 1980s, individual income taxes have not been effectively collected and data pertaining to the rate structure are obsolete. The newly formed Uganda Tax Authority is currently deliberating on the personal income tax structure.

Export Taxes
Export taxes are currently negligible. The government has recently reduced or eliminated all export taxes in an effort to increase export incentives, especially during times of low world market prices for the commodities which Uganda produces. By contrast, export

[1]In a survey of 28 countries from Sub-Saharan Africa, Uganda was one of three countries with corporate tax rates above 50 percent (See "Tax Policy in Sub-Saharan Africa" by Shalazi and Squire, the World Bank, 1988, page 15.)

taxes, primarily levied on coffee, generated 35 percent of total government revenue during the 1980s.

Sales Tax

The sales tax applies to both locally produced inputs and finished goods. The sales tax rate for finished goods is 10 to 30 percent. Although manufacturers must contend with a sales tax on raw materials, an effort is being made to avoid double taxation by providing manufacturers with a credit from sales taxes on finished goods. This system is thus similar to a value added tax, taxing only the additional value added at each step in the production process.

Imported inputs, however, are exempt from the sales tax. Imported raw materials are stored directly in bonded warehouses. Import duties are only levied on each portion of the bonded imports as they are released to the manufacturer. Sales tax is levied on the finished product only.

Table 4.1. Sales Tax Versus Import Duty Structure for Selected Inputs

Input	Sales Tax	Import Duty
Axle	10%	nil
Tires	20%	10%
U-Sections	10%	nil
Mild Steel Plates	10%	10%
Trailer Prop Screws	30%	20%
Square Pipes	10%	10%
Braking Systems	30%	20%
Paints and Mixers	30%	30%

Source: The Manufacturer

C. Inflation and Pricing Controls

Tracking price movements is obstructed by the lack of adequate statistical indicators in Uganda. However, existing data suggests that inflation has been a serious problem. Shortages of goods and rapid increases in the money supply pushed the annual rate of inflation far above 100 percent throughout most of the 1980s. Since late 1989, however, the inflation rate has declined sharply to 30-40 percent. As of May 1991, the rate hovered at 31 percent. With the improvements in the balance of payments position, and the implementation of stricter fiscal and monetary control, inflation is forecast to dip into the 20 percent range over the next three to five years.

D. Financial Market Policies

Banks

The Bank of Uganda is the country's central bank. It controls the issuance of currency and notes, regulates the banking system, administers exchange controls and regulates bank illiquidity and interest rates. Interest rates are positive in real terms in order to promote more efficient allocation of resources, mobilize domestic financial savings, and help strengthen the balance of payments.

There are ten commercial banks falling into one of three categories:

- Wholly government owned bank: the Uganda Cooperative Bank (UCB), which maintains 50 branches throughout the country;
- Government joint ventures with multinational banks: Barclays, Grindlays Bank, Bank of Baroda, Standard Chartered Bank, and Arab-Libyan Bank; and
- Uganda-owned private commercial banks (with and without foreign participation), several of which have opened recently.

The branch network of commercial banks has increased from 98 branches in 1986 to more than 220 in 1990. The rapid growth of the branch network has facilitated some improvement in banking services. However, the handling of routine banking functions such as deposits, withdrawals, and check cashing and clearing remains inefficient according to business personnel working in Uganda.

Nonbank Financial Institutions
Several development finance institutions (DFCs) are designed to channel loans from international sources into development projects, small businesses and agriculture. Both local and foreign enterprises are eligible for such funding according to the current investment criteria.

The three major development banks in the country are the following:

- Uganda Development Bank (UDB), the largest state owned DFC which administers most of the development loans to Ugandan enterprises along with technical assistance from the World Bank;
- East African Development Bank (EADB), established in 1976, which is jointly owned by Uganda, Kenya, and Tanzania, and headquartered in Kampala, Uganda; and
- Development Finance Company of Uganda (DFCU).

In addition, eight credit institutions and several insurance companies operate in Uganda.

Interest Rates
Interest rates have been liberalized by successive structural adjustment programs supported by the IMF and the World Bank. The rate of inflation has been reduced from 259 percent to 40 percent in 1990 and is projected to remain around 22 percent throughout 1992. In 1990, interest rates on savings ranged from 20 to 37 percent, and lending rates varied between 25 and 50 percent. With a projected decline in inflation, real interest rates are expected to improve from being negative to positive, a trend which will provide an incentive to save.

Capital Market Development

A private sector committee has been formed to prepare for the establishment of a stock exchange. The government hopes that the stock exchange will stimulate private investment, both local and foreign, to participate in the privatization process and help mobilize additional capital resources.

Monetary Policy

Monetary and credit expansion has only been brought under control recently. During 1988, the money supply increased rapidly by 118 percent. This growth rate fell slightly to 93 percent in 1989, but dropped to an annual rate of 43 percent by March 1991. Similarly, domestic credit growth fell dramatically from 118 percent in 1988 to 46 percent in March 1991. Much of the money in circulation remains outside of the formal sector.

Access to Credit and Foreign Exchange

Under the Banking Act of 1969, all types of business enterprises—both foreign and local—have access to credit from the local banking system.

A licensed foreign investor may obtain credit from domestic financial institutions up to a limit set by the Bank of Uganda. Foreign investors obtaining such credit facilities must make sure that they are used solely for the purpose of carrying out the activities specified in the investment license.

The chronic shortage of foreign exchange in Uganda has significantly deterred foreigner investors over the past few years. In an effort to alleviate the constraints on demand for foreign exchange, the Bank of Uganda (the Central Bank) in conjunction with the World Bank is in the process of implementing two loans to help finance the foreign exchange requirements for private investment projects. These investment financing arrangements, announced in early 1992, are expected to improve investor access to foreign exchange and stimulate investor confidence. Financial support would be provided through the following channels:

- Investment Term Credit Refinance Fund (ITCRF)
- Technology and Management Fund (TMF)

The Investment Term Credit Refinance Fund (ITCRF) is being established to provide credit in foreign exchange to the private sector for investments in: (i) restructuring formerly state-owned enterprises (SOEs) for divestiture; and (ii) new investments for export or import substitution. With this fund, which is expected to be effective by April 1992, Ugandan partners will be able to have access to and also contribute foreign exchange to joint venture projects.

A US$25 million line of credit will be established with the Bank of Uganda. It will be responsible for operating the fund and assisting participating banks, including private commercial banks and credit institutions undertake medium and long-term foreign exchange lending to viable enterprises, both private and public. Any commercial or credit institutions registered in Uganda (including joint ventures) will be accredited and eligible to obtain refinancing based on a special review by the Banks Supervision Department of the Bank of Uganda and approval by the World Bank.

The ITCRF loans will be made available for the following purposes:

- Investment by private entrepreneurs in state-owned enterprises (SOE) being divested;
- Investment by entrepreneurs and viable SOEs for modernizing and expanding existing registered or licensed enterprises;
- Credit for incremental working capital needs associated with new fixed investment; and
- Credit for acquisition of consumable production inputs (e.g. tools, spares, equipment).

Loan amounts for eligible projects shall not exceed US$2 million, or 70 percent of the project cost. To be eligible for the financing, projects and/or enterprises must adhere to the following criteria:

- Be technically feasible and financially viable;
- Contribute to 25 percent of the cost of the project or assets acquired for new projects, or provide adequate security for the term of loans for the expansion of existing enterprises; and
- Maintain a minimum current ratio in excess of 1.00; for loans exceeding US$500,000 the project should have a financial rate of return exceeding the interest rate on the loan.

The Technology and Management Fund (TMF) is an alternative source of financing for private investors. Similar to the ITCRF, the TMF will be managed by the Bank of Uganda to ensure the availability of foreign exchange payments. The objective of this fund is to enhance the technological and management capabilities of Ugandan enterprises by facilitating payments in foreign exchange for technical assistance from technology and management contracts. This fund will not be used by the government for any other foreign exchange disbursements so that both the foreign and domestic partners of the contract are guaranteed funds for periodic payments over the period of the contract.

Under the conditions of this fund, foreign investors (including U.S. investors) are allowed to enter either an investment or contractual arrangement with a Ugandan partner for the purposes of providing management services, technology transfers, as well as taking equity positions. Because fund criteria do not require foreign investors to provide equity, both the foreign and the Ugandan partner will have the opportunity to develop a working relationship before deciding to enter a formal equity participation joint venture.

To expedite investor access to the funds, the Bank of Uganda has established a fast track approval process. For contracts below US$100,000 per year, automatic approval will be granted provided that the type of technology and management is not on the negative list (see Appendix 3), the amount payable is reasonable and the entrepreneur is bonafide. A detailed list of potential contract or investment partners is included in Appendix D.

For contracts exceeding $100,000, the Bank or a committee comprised of sectoral ministries will decide the reasonableness of payments. For proposals of $200,000 or more per year, or a contract total of US$500,000, consultation with the World Bank will be necessary before approval.

Exchange Rate Policy

The currency of Uganda is the new Uganda Shilling (NUSh). The Bank of Uganda, under the auspices of the Ministry of Finance, administers the exchange control.

Table 4.2. Trend in Foreign Exchange Rates 1985–1991

1985	1986	1987	1988	1989	1990	1991
14.0	14.0	60.0	165.0	370.0	540.0	723.0

Source: International Monetary Fund

The value of the shilling has been severely affected by the political and economic instability initiated in the Amin years. Between 1981 and 1986, the official exchange rate fell nearly 2,000 percent to USh 1,450.

A shortage of foreign currency has dictated that Uganda operate a highly restrictive external payments system. Initially, President Museveni, in 1986, abolished the auction market for foreign exchange and placed a ban on dealings. Although the ban has been lifted, the government continues to maintain tight control in order to ensure that essential imports are not preempted by luxury goods.

Limited foreign exchange, however, has spurred a thriving black market (kibanda) which generally has rates two to three times higher than the official rate. In an attempt to gain some control over the kibanda, the government legalized the foreign exchange bureaus in 1991, liberalizing the internal market for foreign exchange and constituting a legal market for exchange outside the Bank of Uganda. By April 1991, the gap between the official and parallel rates had fallen to approximately 30 percent.

Under the dual exchange system, the official market rate is determined on the basis of a trade-weighted basket of currencies; the foreign exchange bureau market rate is based on market supply and demand.

V. Investment Climate and Incentives

A. Overview of Attractions and Constraints for Foreign Investors

Overview

After undergoing a period of serious economic and political unrest during the 1960s and 1970s, Uganda has begun turning the situation around with major improvements in the political and economic fronts over the last six years.

Attractions

Over the last six years, the government of Uganda has been characterized by Western diplomats as stable, responsible, and increasingly democratic. The present government also has much greater respect for human rights than previous regimes. Furthermore, independent analysts have described the current government as being committed to sound economic management by limiting government interference in private sector activities.

In 1991 the country prepared a new Investment Code with one single investment license required and offering an attractive set of incentive measures. The Ugandan Investment Promotion Authority was also established in 1990 to become a "one-stop-shop for investment information and approval."

Other recent regulatory reforms include a liberalization of foreign exchange controls providing foreign investors with greater certainty of remitting profits and repatriating capital investments. Importing and exporting procedures have been substantially eased as well.

In addition, the economic infrastructure is becoming well-developed: extensive road network, reliable water supplies, and good telecommunications. Several projects are currently underway with funding from international donor agencies to improve and upgrade the economic infrastructure.

For American investors, Uganda offers access to a reasonably large market by Sub-Saharan African standards with a population of 17 million and Preferential Trade Agreement (PTA), a 16 member country association with a combined market of 180 million people. Uganda also enjoys favored access to the large and prosperous European market (EC) through the Lome Convention. This is particularly important as the Single European market initiative progresses and the Eastern European countries attempt to integrate into the EC.

Uganda also offers a relatively well-educated labor force coupled with very low labor costs. It also an ideal climate and agricultural activities, and highly fertile soils, contributing to Uganda's comparative advantage in the agricultural sector.

Attractive investment opportunities exist for rehabilitating numerous industrial and agricultural enterprises, especially those from the public sector which can take advantage of previous "sunk costs".

Constraints

While Uganda offers many assets as an investment site there are also a number of constraints with which American investors should become aware before investing there.

First, the infrastructure needs improving before it can be reliably counted on to serve business needs. Regular power failures by the Uganda Electricity Board currently plague manufacturers. During 1990, thousands of manhours were reportedly lost to power outages.

A second constraint reported by businesses operating in Uganda is the limited availability and/or exorbitant costs for locally available supplies and raw materials. For example, GM Company Ltd. of Uganda has not been able to readily access mild steel sheets, angle irons, glass and other parts for the production of its bus, truck and trailer bodies in Uganda.

The tariff structure has also been a source of confusion for business people as the tariff classification system is poorly defined leading to excessive delays in clearing imported goods through customs, and high administrative costs borne by the firms attempting to clear their goods in a timely way.

Regarding health conditions and quality of life matters, one of the major concerns to American investors is AIDS. Many American investors have been very concerned with the government's commitment to and effectiveness in dealing with the AIDS problem (see Table 5.1). A government source stated that the extent of the disease has not been hidden in Uganda and programs have been established to encourage the prevention of the disease. The Prime Minster is also actively involved in the program and there is a committee is being established to work on modifying behavior patterns responsible for the spread of the disease.

Table 5.1. New AIDs Cases Diagnosed 1986–1990

1986	1987	1988	1989	1990
126	3,477	3,625	6,046	8,424

Source: Economist Intelligence Unit

B. Regulation of Foreign Investment

Foreign and local investment in Uganda is regulated by the new Investment Code of 1991. (see Appendix I). The Code establishes the goals that the government of Uganda expects to achieve through foreign and local investment:

- Generate export earnings or save Uganda's foreign exchange resources;
- Utilize local materials;
- Create employment opportunities in Uganda;
- Introduce advanced technology;
- Contribute to regionally balanced socioeconomic development;

The key features of the newly created Investment Code include:

(i) the creation of the Uganda Investment Authority a "one-stop-shop" for information and investment approval; (ii) one investment license or approval to replace the various licenses previously required from various ministries; (iii) a package of incentives for all investors, foreign and local; (iv) guarantees of freedom to investors for the repatriation of foreign exchange; and (v) dispute settlement mechanisms including arbitration through the International Center for the Settlement of Investment Disputes.

The Investment Code provides for protection in the case of compulsory acquisition (expropriation). It promises compensation in respect of the fair market value of the enterprise within 12 months from the date of acquisition which shall not be subject to exchange control restrictions under the Exchange Control Act.

In addition, according to a high level World Bank source, the World Bank is expected to extend complete risk coverage through the Multilateral Investment Guarantee Agency (MIGA) within the next six months. Uganda has paid its subscription fee for membership and is pending the Bank's final evaluation of the political and investment climate. MIGA issues political risk guarantees against expropriation, breach of contract, currency transfers and political upheaval such as war to enterprises that invest in signatory countries.

The Code (Schedule C) also includes a short list of activities for which foreign investors are not eligible for the investment incentives (see Appendix C).

Code Incentives

An investor holding a certificate of incentives (Article 25) is able to take advantage of the following tax related incentives:

- Duty exemptions on new plant and equipment during establishment (see Article 22);
- Duty and sales tax drawback on imported inputs used in the production of goods used for export;
- Tax exemptions for corporate, withholding and dividend taxes are as follows:

- Three years for capital investments with values ranging from US$50,000–300,000
- Five years for investments valued greater than US$300,00
- One additional year for investment in the priority areas listed in the Investment Code (see Appendix C).

By international comparison, the investment code incentives are reasonably competitive. For example, the import duty exemption (during the establishment phase) for companies serving the local market is similar to those offered by most developing countries offering import duty exemptions. The import duty exemption in perpetuity for exporters is similar to import duty exemptions offered by most free zone or special export regimes.

The three year tax holiday is short by international comparison. For example, Thailand offers an eight year tax holiday, the Dominican Republic 15, and Puerto Rico 10 to 25. Not only is a three year tax exoneration not competitive with what other countries offer, but such a short tax holiday is not very attractive to many firms because of the very common time lag between the initiation of operations and the generation of profits. Especially for capital intensive or agricultural projects, there is likely to be gestation period of several years in which the firm is not generating profits. A three-year exoneration is likely to exonerate very little, if any, profits for a majority of the new businesses seeking incentives.

Preferential Trade Area (PTA) for East and Southern African States
The Preferential Trade Area (PTA) for East and Southern Africa is comprised of 21 member countries (see Appendix F for a complete list of member countries). The objectives of the agreement is to liberalize trade, encourage cooperation in industry and agriculture and create a regional common market. Regional commitment to the PTA, however, has been lukewarm. Dissent among many of the original drafters concerning the "rules of product origin" and the customs reduction schedule have resulted in an uneven application of the agreement conditions. By the end of 1989, approximately 42 percent of total interregional trade was being conducted through the PTA's central clearinghouse.

In order to be eligible for the preferential treatment under the PTA, enterprises in the member countries must be:

- 51 percent owned by nationals to receive 100 percent preferential treatment;
- 41 to 50 percent owned by national to receive 60 percent preferential treatment; and
- 30 to 40 percent owned by national to receive 30 percent preferential treatment.

In addition, eligible products must meet the following content requirements:

- the value of materials imported from outside PTA and used at any one stage of production should not exceed 60 percent of the total cost of the materials used in production of goods; or

- the CIF value of goods imported from outside PTA is at least 45 percent exfactory cost of the goods; or
- the goods have been substantially transformed out of materials imported from Non-PTA countries.

The PTA Clearing House, located in Harare, Zimbabwe, was established to reduce the need for foreign exchange by settling daily trade transactions among member countries in national currencies. The monetary unit called the UAPTA is similar in function and equivalent in value to the Special Drawing Right, and is the measure used for recording trade transactions. At the end of two months plus 15 days for settlement, total exports are offset against total imports and the net balance is paid for, in hard currency through the Federal Reserve Bank in New York, U.S.

In addition, the PTA payment mechanism provides importer countries with an interest-free extended credit period of up to 75 days. The payments system can be used for all authorized transactions among members. It is not restricted to goods which are accorded preferential treatment. The system provides prompt payment to exporters while the central banks wait for the delayed net settlements in convertible currency. Because the exporter invoices in his own currency or UAPTAS, he is protected from risks arising from exchange rate fluctuation.

The PTA Common List consists of selected commodities which are eligible for reduced customs duties when they are traded among PTA member countries. As of June 1989, the list contained 312 commodities. The preferential tariff reductions are as follows:

Agricultural raw materials	50%
Capital goods	70%
Consumer goods of particular importance to economic development	70%
Durable consumer goods	40%
Foodstuffs	30%
Highly competing consumer goods	30%
Intermediate goods	65%
Luxury goods	10%
Nondurable consumer goods	35%

Investors should be aware, however, of significant problems related to PTA trade. Many member countries have yet to publish the PTA tariff structure. Until they do traders can not take advantage of lower tariffs on the common list goods in those countries. Lesotho and Swaziland, for example, have been exempted from reducing their tariffs levels until 1992. The inconsistent implementation of tariff rates continues to hamper potential gains in the PTA.

C. Labor Regulations

Employment

The vast majority of the labor pool in Uganda is engaged in agriculture. Over 90 percent of the population's income is derived from agriculture.

In 1988, the government conducted a manpower study. The survey covered onl establishments with more than five employees and constituted only 19 percent of a estimated seven million work force. According to the survey, the formal sector employ 5.3 percent (378,000 people) of the work force and 13.7 percent in the informal secto In the formal sector, civil service accounts for 64 percent (244,000 people) and the privat sector for 35 percent (134,000 people).

Ugandan labor is plentiful, literate, young, mobile and English speaking. In particula the Ugandan labor forces possesses enthusiasm to become involved in the private secto Having experienced excessive economic and political deterioration, Ugandans ar generally in consensus about the positive role that the private sector can play i rejuvenating the economy. Similarly, Ugandans have the reputation for being mor disciplined and less prone to corruption than nationals from other African countries.

As a result of the grave political instability during the 1970s, a large "brain drain occurred whereby able professional and well educated persons left Uganda. Recen improvements in the economic and political situation have, however, led to a reversal i that trend; it is reported that over the past five years significant numbers of professiona and well educated Ugandans have returned from countries such as the United Kingdom the United States, Canada, Australia, and Kenya.

Regulations

The Employment Decree of 1975 and Immigration Act of 1969 are the primary law regulating the labor market in Uganda. Employers in Uganda are obliged to:

- Pay local workers in local currency and expatriates in foreign currency;
- Specify the terms and conditions of service, including housing, medical care, pensions and/or insurance and relevance allowances;
- Maintain working days of not greater than 9 hours in industry, and 10 hours in other employment;
- Contribute 50 percent of monthly deductions to the Social Security Fund, the balance being deducted from the employee's salary; and
- Provide safety for employees and compensation mechanism in case of accidents as dictated by the Factories Act.

Collective bargaining between workers and employers is regulated by the Employmen Decree. Strikes are only allowed when the negotiation procedures have been followe according to the letter of the law. Most strikes are caused by mishandling of th negotiation procedures by management rather than reckless trade union action, whic is prohibited by law. Labor Tribunals provide a mechanism for redressing disagreements unfair treatment, and other malpractice for both parties.

Wages

Uganda does maintain official minimum wages, however, inflation has eroded the wages ability to keep pace with rising costs of living. Minimum wage salaries pay only about $ dollars per day which is competitive for employers but is very low for wage earners. Mos salary earners, therefore, have had to rely very heavily on their food plots or secon incomes for survival. Many workers also derive additional income from the informal sector, in some cases reinforcing the spread of corruption.

Visas

Standard visas are issued by the Ministry of Foreign Affairs for one month and are renewable up to six months.

Entry visas are classified in the following categories:

- A Diplomats, United Nations employees and other Foreign aid technical assistants[2] seconded to Ugandan projects. There is no visa fee for this class.
- B-F Foreign employees. The initial visa fee has to be paid in foreign currency and subsequent renewals in Ugandan currency and half the initial fee.
- G Church and mosque personnel and technical consultants. The initial visa fee has to be paid in foreign currency and subsequent renewals in Ugandan currency and half the initial fee.

Multiple visas are issued to directors or key officials of a specified project or company. The duration of the visa is determined by the Articles of Association and Memorandum or by the time period proposed in the visitors application.

Reentry permits are issued to expatriate workers. Dependant passes are offered to expatriate wife and children of less than 21 years and parents of advanced age.

All visa holders, with the exception of tourists, are required to pay a bond equivalent to a one way return ticket (approximately US$2,500) or have a return ticket in their possession upon entry in the country.

Special passes are issued to investors to cover preliminary work on projects and for a grace period if their visa should expire.

Work Permits

All foreign visitors who are eligible for entry visas can be employed provided they obtain a work permit. Such permits are usually granted for foreign enterprises approved to operate in Uganda as long as the applicants are key personnel on existing or new projects. Any enterprise, whether local or foreign can recruit expatriates for any category of skilled manpower where Ugandans are not available.

Work permits applications are available through the Uganda High Commission, Ugandan Embassies overseas or the Uganda Investment Authority. Approved permits are issued for a minimum of one year and a maximum of three years. Permits are renewable for longer periods pending the review of the licensing body and other interested authorities.

[2] Expatriates are legally obliged to train Ugandan counterparts to assume technical responsibilities within the specified period, unless there is cause to apply for an extension.

VI. Business Practices and Investment Procedures

A. Business Laws and Regulations

Types of Business Organizations
The Companies Act 1969 provides for private limited and unlimited liability companies, public limited and unlimited liability companies, and nonprofit companies defines business organizations by seven categories:

1. **Sole proprietorship** is a person running the business alone as a defined entity.
2. **Partnership** applies to persons carrying on business in common with the intention of generating profits such that each receives dividends.
3. **Limited liability company** applies to a group larger than two persons forming a separate legal entity for transaction of business. The company must be distinct from the its members and have perpetual succession.
4. **Private company** must restrict the right to transfer its shares, limit the number of its members from 2 to 50 and prohibit any invitation to the public to subscribe for its shares or debentures.
5. **Public companies** must allow members of the public to subscribe to its shares or debentures, retain at least seven members and two directors (none of whom acts a secretary).
6. **Unlimited company** has no limit on the liability of its members. A company registered as unlimited may register under the Act as limited, but still the registration shall not affect the rights or liabilities of the company with regard to any debt or obligation incurred, or contract made. Investors are required to use limited liability companies only.
7. **Cooperative unions/societies** must retain a minimum of ten people who have the objective of the economic promotion of the economic interests of its members in accordance with cooperative principles, registered under the Cooperatives Act. Bylaws stipulate the mode of operation and upon their authentication a registration certificate is issued.

Procedures for Registering and Establishing a Business/Company

The steps required to start a new business in Uganda are described below. Compared with the procedures for starting a business in the United States or other developed countries, the procedures in Uganda are cumbersome and bureaucratic by comparison. However, by Sub-Saharan African standards, the procedures in Uganda are relatively straightforward.

Steps Required:

1. Prepare and file a Memorandum of Association and submit with the Article of Association and an application form to the Registrar of Companies. The memorandum of every company is printed in English and states:
   - Company name (applied "limited" where applicable)
   - Registered office of the company in Uganda
   - Company objectives
   - Other details addressed in the Companies Act
2. Hold a general meeting, referred to as the "Statutory Meeting," of the members of the company within a period of not less than one month nor more than three months prior to the start of business. The directors shall forward a "Statutory Report" to every member fourteen days prior to the meeting.
3. Upon approval of the memorandum and receipt of the "certificate of incorporation" from the Registrar, an advocate engaged in the formation of the company or a person specified as a director or secretary of the newly certified company shall submit a statutory declaration to the Registrar. Documents to be included are:
   - Certified copy of Registration of Particulars;
   - Certified copy of the Business Registration Certificate;
   - Certified copy of the business license (other licenses for specific purposes relating to the nature of the business may be obtained);
   - Memorandum and Articles of Association and bylaws booklet of the cooperative/society (applicable to limited liability companies); and
   - Public prospectus (applicable only to limited public companies).

Reporting Requirements
Businesses are required to submit financial statements covering their year of operations which can be defined as:

- the calendar year
- the government's financial year starting July 1
- the year starting October 1

The accounts shall be normally audited by an approved auditing firm. Audited accounts should include the following:

- Copy of accounts signed by an authorized signatory and by the approved audit.
- Certificate specifying the nature or facility of all payments of all kinds, benefits, advantages or facilities granted to the owners of the business, and signed by the aforementioned signatories.

Foreign enterprises approved by the Investment Promotion Authority are authorized to bring in:

- capital
- technology
- skilled manpower

and repatriate:

- dividends
- interest on loans
- management fees
- royalties
- a portion of expatriate salaries

Land Acquisition by foreigners or an agent legally representing them requires consent in writing from the relevant Ministry for their sector of activity. For all categories of landowners the Constitution, Article III ensures protection from compulsory acquisition of property, provided that the state may acquire land in the public interest and **only** after adequate compensation has been made.

The land tenure system is governed by the Public Lands Act, 1969 and the Land reform Decree, 1975. The Uganda Land Commission (ULC) and the Urban Authorities, which hold leases of on government owned land of 999 years, are authorized to grant leases of from 49 to 99 years to local and foreign companies and individuals.

B. Investment Application and Approval Process

The Uganda Investment Authority has been established to be a "one-stop-shop" service for investors. Experience from other countries indicates that a "one-stop-shop" approach, while theoretically appealing, rarely, if ever, literally empowers one institution with all the authority necessary to grant approvals for all necessary permits and licenses.

In the case of Uganda the UAI has managed to significantly streamline the approval process from the past situation and has brought the process closer to the ideal "one-stop" approval system.

Still there is a large number of licenses and approvals which the investor has to obtain to become established and to operate in Uganda, as described in the sections which follow below.

The Uganda Investment Authority is responsible for the enhancing the investment regulatory environment, actively promoting and marketing Uganda, approving applications and monitoring investments and the implementation of the Code.

Within the Uganda Investment Authority, the Investors Services Division provides information and advice about investment opportunities. The Client Services Division is the responsible for issuing all licenses, approval and permits required to enable any approval granted by the Authority to be fully effective. These include:

- Investment License
- Certificate of Incentives
- Certificate of Registration of Agreements for Transfer of Foreign Technology or Expertise
- Certificate of Approval for Externalization of Funds
- Industrial License

Investment License

Foreign investors wishing to operate an enterprise in Uganda are required to apply for an investment license with the Uganda Investment Authority. Application forms (UIA Form 1) can be collected from the Client Services Division of the Authority. Completed applications and other supporting documents should be submitted to the Authority.

The Code specifies that the evaluation of the application begins immediately after the completed application and supporting documents have been received. Clarity and completeness of the documents will expedite the evaluation process. The evaluation process is to be completed within 30 days, and the applicant is supposed to be notified within 51 days of application submission.

If the Investment Promotion Authority is able to adhere to this schedule, it would be a reasonable turnaround time for most American investors. According to many American investors in other countries, not hearing any answer from the authorities is a major source of frustration and can cause them to seriously reconsider the their decisions about the wisdom of locating in such a country.

If the application for investment is not contrary to the interests of Uganda and contribute favorably to the following objectives, the investor will be issued an investment license:

- Contribute to the net earnings or savings of foreign exchange
- Utilize local materials, supplies, and services
- Create employment
- Transfer technology or upgrade indigenous technology
- Balance regional development

Applications for the investment license, however, will be rejected, if:

- not a new investment as defined in Part III (10.2) of the Code
- the proposed investment is in a prohibited or restricted area as defined in Part III (11)

Certificate of Incentives

Investors may submit an application for Certificates of Incentives simultaneously with the Investment License application to the Uganda Investment Authority (see Investment Incentives, Chapter V for details on the incentive package). To qualify, for investment incentives, new foreign investors must make a capital investment of at least US$500,000 in equity. In addition, the proposed investment must contribute positively to at least three of the objectives stated in the investment licenses criteria.

Certificate for Approval for Externalization of Funds

The Uganda Investment Authority will issue a certificate for externalization of funds to investors holding an investment license and a certificate of incentives. The certificate for externalization, does not, however, guarantee the approval for the transfer of funds outside Uganda. Investors are required to apply to the Bank of Uganda and the certificate of approval will allow investors to receive priority treatment. For some foreign investors, being guaranteed "priority treatment" may not be sufficient enough for them or their parent country to be satisfied that they will be able to externalize funds in a timely way.

The Investment Authority will also assist investors in securing other licenses, approvals and permits.

Industrial License

Industrial licenses for investment licenses holders can be obtained with the assistance of the Uganda Investment Authority. the Industrial Licensing Board will assess the application for the following:

- Capital and technical skills;
- Location factors;
- Project viability based on projected production and demand;

Foreign Exchange Allocation

Prior to enactment of the Investment Code in 1991, the process for applying and receiving foreign exchange allocation approval from the Bank of Uganda was onerous. The system, according to government spokesmen has been made more efficient. To streamline the system, the review panel of officials has been removed and the system is now nearly automatic such that it currently takes no more than 48 hours for an investor to receive allocations after filing an application.

According to the directives of the Investment Code (1991), investors who hold a certificate of approval for externalization of funds issued by the Uganda Investment Authority (UIA) are entitled to externalize funds for the following purposes:

- Repayment of foreign loans and interest;
- Repayment of dividends of shareholders including both foreigners and Ugandan residents abroad;
- Payments of royalties or fees in respect of agreements for the transfer of foreign technology or expertise;

- Payments of emoluments and other benefits to expatriate staff employed in Uganda by the investor; and
- Externalization of capital or proceeds in disposal of assets.

In June 1990, the Bank of Uganda initiated guidelines in an attempt to liberalize foreign exchange transactions. The Bank issued a set of guidelines allowing individuals to establish a forex bureau and commercial banks to freely buy and sell foreign exchange at the prevailing market rate.

According to the guidelines, the forex bureaus are allowed to fix their rates as they please in both buying and selling foreign exchange. The minimal requirements included a $1,000 license fee and an agreement to operate in a fixed premise. Likewise, companies earning their revenue in foreign exchange may legally deposit these sums in the banks or may convert them into shillings at the forex bureau or bank of their choice.

The objectives set for the foreign exchange bureaus, however, have not been fully met. Rather, the value of the shilling has continued to fall and local businesses access to foreign currency for import purchases remains very limited even though there has been an influx of foreign currencies into the country over the past year, due to foreign loans and return of Ugandan capital.

International organizations and embassies, however, are restricted from conducting business through the forex bureaus. They are obliged to sell buy foreign exchange through the central bank at the official exchange rate.

The government, aware of foreign investors' concerns about foreign exchange, has been slowly liberalizing foreign exchange. Obstacles remain however. These constraints include the restriction on exporting foreign exchange in the form of profits and remittances and the prohibition of exporters, with excess foreign exchange, to sell it to other companies.

With the establishment of the forex bureaus, foreign exchange required for import payments may be purchased through the forex bureaus. These transactions, however, are limited to the following conditions:

(i) up to US$ 1,000 for the purchase of personal goods does not require exchange control authorization;
(ii) up to US$5,000 can be transferred through a bank by an importer after completing a Form "E" and declaring the intended imports;
(iii) a purchase exceeding US$5.000 requires a letter of credit, an import license, a pro forma invoice and a completed Form "E"; and
(iv) a purchase exceeding US$10,000 requires a preshipment inspection, and a letter of credit must be submitted to the Bank of Uganda for monitoring.

C. Import and Export Licensing Controls

To reinforce its commitment to promoting trade, the Uganda government has enlisted the services of the Societe Generale de Surveillance S.A. (SGS) to verify the quality and quantity of exports and imports. SGS is currently training local inspectors. The implications of having the SGS working with the Ugandan Customs officials is that as a result of the SGS presence, customs clearance is likely to be much more transparent and efficient than it would be in their absence. At the same time, SGS is known for being exceptionally thorough in their customs searches so that little is likely to slip through their customs duties "net," and full payment of all scheduled duties is the norm, but no unofficial "extra duties" are expected.

In August 1990, the Ministry of Commerce commented that more than 80 percent of the goods consumed in Uganda were brought in through the black market which for all purposes has been found to be highly efficient. The reasons for the heavy black market activity in the past have been that the shortage of foreign exchange in the official channels and limited import licenses (see below) have prompted businesses and entrepreneurs to seek alternative channels in the black market to obtain needed inputs and consumable goods. With the devaluation of the currency and the establishment of the forex bureaus it is expected that the percentage of goods smuggled in through the black market should decrease sharply.

Import Licenses
The import procedures by international standards remain onerous. The Ministry of Commerce is responsible for granting licenses. Imports licenses are mandatory for both imports requiring foreign exchange (FER) and those with no foreign exchange required (NFER).

FERs, which account for less than 50 percent of commercial imports, must be processed through a bank. Importers present their license applications to their bank, together with supporting documentation and a foreign exchange application form. If approval is granted, the Ministry of Commerce issues an import license which entitles the bank to open a letter of credit. These documented transactions, therefore, are also subject to SGS inspection and subject to the appropriate import duty.

NFERs in which the importer already has foreign exchange, or the goods are foreign financed also require import licenses. These are the most commonly awarded licenses. Since these licenses are awarded fairly easily, it appears that the government takes a pragmatic view towards foreign exchange Evidently the government take a flexible view about allowing businesses to acquire their foreign exchange through the forex bureaus and other sources.

There are several license schemes each with a specific foreign exchange allocation arrangement:

The import licensing options applicable to foreign and domestic investors include:

- *Open General License* where a number of large manufacturing enterprises in ten key industries (soap, tobacco, beverages, textiles, cement, mattresses, pharmaceutical, aluminum, nails, and sugar) have priority access to foreign exchange at the official exchange rate. In practice because the demand for goods at the official rate under the OGL exceeds the supply of foreign exchange made available for this purpose, eligible firms are granted approval only for specific total value of imports required during a period of one year.
- *Special Import Programme (SIP)* where under the first-come, first-serve basis, foreign exchange is sold at the official exchange rate; only a limited bank credit through Special Credit Facility is allowed for the purchase of foreign currency. This system is attractive to business people as long as there is enough foreign exchange available to allocate in this system.
- *No-Forex Import* under which everybody is allowed to import goods with foreign exchange coming from other than official sources described above.

Application Procedures

The application procedure for the OGL scheme is as follows:

1. Complete a proforma invoice (PFI) which contains the names and addresses of both the supplier and importer, the price for FOB, FOT, CIF fees, validity of the offer and delivery period.
2. Submit a completed Income Tax Clearance Certificate Trading License from the City Council, Municipal Authority or Town Board Authority, and Business License/Registration from along with the PFI to a commercial bank which forwards it to the Bank of Uganda for the foreign exchange allocation.
3. Obtain an import license from the Ministry of Commerce.
4. Open a letter of credit with the commercial bank after the Bank of Uganda has authorized its establishment.

The application procedure for the SIP scheme is as follows:

1. Obtain an import license from the Ministry of Commerce;
2. Complete and submit the Form E, the PFI and import license to the commercial bank;
3. Open a letter of credit with the commercial bank after the Bank of Uganda has authorized its establishment;

Applications for the OGL and SIP schemes must be for import values exceeding $5,000 (CIF). Importers are also required to pay fees at the rate of 1 percent of the import FOB value. The date of the presentation of the application to the Bank of Uganda determines the applicable rate of exchange.

Imports under the Non-Forex Scheme do not require SGS authorization or inspection. Imports will be subject to import duty upon arrival in the country.

In addition to the import licensing procedures described above, importers are required to submit import-related accounting statements as stated under the Exchange Control Act, (as of November 1990) to account for foreign exchange allocated for import licenses. Importers are encouraged to submit their accounting within six months of receiving the allocation or grant. These documents should be submitted to the Bank of Uganda through the importers commercial bank.

The documents include:

1. Copy of Import License
2. Copy of Form E for importers
3. Suppliers Final Invoice
4. The SGS CLean Report Findings (where applicable)
5. Bill of Lading
6. Airway Bill
7. Road or Railway Consignment notes
8. Kenya/Tanzania Customs & Excise Entry (where applicable)
9. Uganda Customs & Excise Warehousing Entry (where applicable)
10. Uganda Customs & Excise Warehouse Home Consumption entry (where applicable)
11. Uganda Customs & Excise receipts for all taxes
12. Customs Verification Certificate

These import procedures, while they are transparent, are excessively burdensome and require businesses to spend a great deal of time dealing with bureaucratic red tape and paper work, ultimately allowing them less time to focus on their real business activities.

Export Licenses

The Ministry of Commerce is responsible for issuing export licenses. In evaluating license applications, the Ministry will assess the exporters current tax obligations and price fairness. There are several license schemes each with a specific foreign exchange allocation arrangement.

The export licensing options applicable to foreign and domestic investors include:

- *Barter trade licenses* under which exporters are allowed to import goods for the same value of the export; and
- *Prepaid Export License* which enables raising foreign exchange in the domestic market before the export transaction actually takes place.

Export certificates administered by the Ministry of Commerce have been introduced as a replacement for export licenses while keeping the data collection component. Under these new streamlined procedures, (as of 11/90), exporters submit their application to a commercial bank, eliminating direct involvement with the Bank of Uganda.

Exports certificates are issued by the Minister of Commerce and may also be restricted in order to ensure sufficient supplies for consumption in the country. These restrictions are most applicable to parastatals and private sector organizations which export nontraditional commodities such as maize, beans, soybeans, other legumes, fruits and vegetables.

The export of gold and other precious metals is highly controlled. Export certificates for gold are rarely issued except for monetary authority and industrial users. Similarly, the import of jewelry, wares, bars, ingots of gold, silver, and platinum must be granted individual licenses.

Export Promotion Schemes
The government has introduced a number of export finance and insurance schemes to encourage exports:

1. *Export retention account* under which exporters are allowed to retain export earnings on a bank account abroad and use retained foreign currency to purchase inputs and other goods; In particular, exporters of nontraditional crops is that exporters are allowed to retain 100 percent of their earnings. With the introduction of the legalized forex bureaus and the narrowing of the gap between the forex and official rates exporters have an added incentive to export and bring the proceeds back into Uganda;
2. *Export finance and credit guarantee scheme* has been established by the Bank of Uganda to ensure sufficient credit resources to enable exporters to finance export activities. The scheme consists of two facilities:
3. Export Refinance which will augment the capacity of credible institutions to respond to needs of exporters.
4. Export Credit Guarantee which will reduce risk inherent in lending to the export sector.
5. Revolving Forex Fund, also administered by the Bank of Uganda, facilitates the import of inputs for the export sector. Loans granted from the fund may be in foreign exchange or in local currency and carry interest rates of 5.5 and 8.5 percent, respectively, per annum for exporters and the banks providing refinancing.

Export Accounting
The following are the accounting steps which exporters must undertake during and after the export process to ensure proper invoicing for tax purposes:

1. Exporters must obtain an Export Certificate from the Ministry of Commerce of which a copy is forwarded to the Bank of Uganda for data processing.
2. Exporters must obtain an endorsement of a complete set of CD.3 Forms for each export consignment from a commercial bank. A small fee not exceeding NUSh 150 will be charged for each set of CD.3 Forms. The CD.3 Form has 4 parts of which the commercial bank will submit Part 1 (white) to the Bank of Uganda.
3. Exporters must submit Part 2A and 2B with Customs;

4. Upon receipt of exports, the Customs will verify the shipment on Parts 2A and 2B, and submit 2A to the Ministry of COmmerce and Part 2B to the Bank of Uganda;
5. Exporters must account for the value of export receipts through the commercial bank.
6. The commercial bank will submit Part 3 with the certificate of value receipt and other supporting documents to the Bank of Uganda to verify that the proceeds from the exports have been returned to the country.
7. Export proceeds may be retained and sold in the foreign exchange bureau. All coffee export proceeds, however, must be submitted to the Bank of Uganda and are also subject to export duty. In October 1990, four cooperative unions were granted the right to export coffee, ending the export monopoly of the Coffee Marketing Board.

Trading License

Trading licenses are required for all operating businesses. Currently, businesses are required to:

1. Obtain an application form from the City Council, Municipal Authority or Town Board Authority.
2. Submit the application with supporting documents:
   - Original Income Tax Clearance Certificate
   - Original Commercial Tax Levy Certificate
   - Statement on National Social Security Fund contributions
   - Recommendation from police that business is compatible with the area is which it is located
3. Pay the requisite fee.
4. File the form and obtain a receipt for payment of fees.

The local Authority will evaluate the application in consultation with the Resistance Council, the Building Inspector who has visited the site, the Health Inspector, and the Assistant Town Clerk.

The Ministry of Commerce along with the Uganda Investment Promotion Authority are in the process of reducing the red tape license ordeal to a one-stop shop process. Under the new system, potential importers and exporters will be required only to fill in Ministry of Commerce forms to indicate what type of goods they intend to trade in, after which they are issued the certificates.

Mining License

The Ministry of Water and Mineral Resources issues the license. Investors can obtain an application from the Regional Officer of the Resistance Councils. The RC Principal Inspector endorses the application and forwards it to the Ministry of Water and Mineral Resources for final endorsement.

Forestry and Tree-Felling License
The Forestry Department issues tree-felling licenses for five year periods to investors. If saw milling or furniture making are proposed, in addition to tree felling, the applications must include a feasibility study. In reviewing applications, the District Forestry Officer would also have to approve any plan for tree felling to ensure that it is environmentally sound.

In addition, the investor is required to:

- Provide the representative office of the Forestry with a deposit or banker's guarantee of NUSh 30,000;
- Establish a timber yard and prepare for regular inspections; and
- Obtain an agreement from the relevant authorities for felling in sleeping sickness areas.

Fishing License
The Fisheries Department issues and approves applications. A feasibility study must be submitted with applications which propose to include fish processing and/or crocodile farming. Fisherman are required to cover a maximum of three districts. The Department will assess the availability of fish in the proposed area prior to approval.

Transport License
The Ministry of Transport and Communications is responsible for issuing both road transport and civil aviation licenses.

Applications for road transport licenses are reviewed by the Under-Secretary of Transport before being submitted to the Transport Board for approval. The Board evaluates the demand, supporting documents including insurance cover, and nature of the transport.

Applications for scheduled flights licenses are gazetted by the Under-Secretary for Civil Aviation. Interested/affected parties will respond directly to the Board prior its issuing the license.

Applications for chartered flights are submitted directly to the Transport Board. The application is evaluated for the proposed capacity, demand for the service, protection of existing scheduled carriers and the public's interest for chartered flights.

Banking License
The Bank of Uganda issues banking licenses. The following documents must be submitted with the application:

- Feasibility study
- Operational manual
- Minimal capital requirement of NUSh 15 million
- Senior management approval
- Premises inspection

Tourism-Related Licenses
The Ministry of Tourism and Wildlife issues application and licenses. Investors will have minimal difficulty in obtaining a license because licenses are used primarily for maintaining standards and collecting revenues.

Tourism related industries include:

- Hotels
- Restaurants
- Tour operators
- Entertainment venues such as clubs and theaters.

D. Procedures for Settling Investment Disputes

Uganda is a member of the International Center for the Settlement of Investment Disputes. Investors are, therefore, assured that any disputes with the government may be referred to this neutral organization for arbitration.

Expatriate workers holding a certificate of incentives are entitled to *First Arrival Privileges.* This incentive exempts expatriate workers from the payment of duties and sales tax on personal and household effects and a car imported within 12 months from the date of first arrival.

VII. Potential Investment Opportunities

The Uganda investment environment provides American investors with a wide variety of investment opportunities. The main investment opportunities are likely to be in the extractive sectors such as agriculture and mining. Manufacturing opportunities will most likely involve downstream processing of agricultural raw materials or mining extraction activities. The majority of investment opportunities discussed below are considered from the perspective of small to medium sized U.S. investors.

In Uganda, the current investment climate is conducive both the expansion of current production and service industries and to establishing new enterprises. One area of major opportunity (see Chapter IV) is the privatization program. Under this program, investors will be able to acquire full ownership or develop a joint venture partnership with the government in a large selection of already established key industries.

Because Uganda has a relatively narrow production and export base, the government is particularly interested in providing an investment environment which will stimulate investors to consider investing in new industries and services (e.g. marketing and packaging opportunities).

A. Agriculture, Livestock and Fishing

Agroprocessing

Uganda's high agricultural potential provides numerous investment opportunities in the agroprocessing industry, especially processed goods for the export market. In addition to production activities, the government is actively seeking foreign investment in the marketing of agricultural products. With the liberalization of the government-owned marketing boards, there are greater opportunities for investors to provide marketing expertise. Similarly, the breakup of the marketing boards monopolies and the corresponding increases in farmgate prices have stimulated farmers to increase agricultural output. These events bode well for foreign investors interested in agroprocessing opportunities.

The most profitable investments include the processing of cash crops such as tea, coffee, sugar, tobacco, wheat, barley, beans, soybean, oil seeds (groundnuts, simsim, and sunflower). For many of these crops, the government is interested in expanding the vertical integration process so that these staples can be used as inputs for higher value added food products. For example, maize may be processed for use in glucose, starch, corn oil and breakfast cereals.

The richness of the country's soil provides for abundant agricultural output without a heavy reliance on chemicals. With increasing attention and importance being attached to organic produce, particularly in the more affluent western markets, producing and marketing relatively chemical-free produce may provide Uganda with an attractive export advantage. Applicable horticultural crops include pineapples, ginger, passion fruits, mangoes, avocadoes, beans and peas, as well as the traditional beverage crops such as coffee and tea.

Nonedible produce include cut flowers for export. In addition, research suggests that mulberry trees may be cultivated for a potential commercial silk industry. Uganda's very favorable climate conditions allow for silk to be harvested more than five times a year as opposed to cotton which can be harvested only once a year.

Livestock and Fisheries
Within the livestock subsector, investment opportunities to be tapped cover production, processing, and marketing of meats, meat byproducts (e.g. skins), and dairy products.

Similarly in the fishing industry, investment opportunities cover a broad range of activities from production, marketing and packaging of fish and fish byproducts. Local sources suggest that the fishing industry, in addition to supplying basic food, may support new opportunities for tanning fish skins which can be used much like leather. Fish skins, which are classified with other exotic leathers including frog, ostrich and crocodile, have a potential niche in the export markets. In addition, the government is encouraging investment in related support industries such as boat building, and fishnet manufacturing.

There are also several constraints to processing and exporting which are applicable across the subsectors covered above. There is a general shortage of cold storage capacity, air cargo space, and onfarm storage such that fresh produce may deteriorate prior to clearance and shipment. In addition, farmers face a shortage of tractors for transporting agricultural goods to production or export facilities. Despite these constraints U.S. investors may find viable commercial opportunities in many of the above areas.

B. Manufacturing

The government has identified the following as priority manufacturing sectors:

- Beverages and spirits (beer, soft drinks, etc.)
- Textiles and garment making
- Footwear (plastic and leather)
- Paper packaging and printing industries
- Light chemical industries such as soaps, paints, foam mattresses, and tire retreading
- Clay products, ceramics, bricks, tiles, and cement and building materials
- Reinforcement steel manufacturing from scrap metal
- Machinery and truck body fabrication
- Spare parts production (e.g. parts for television, radio and consumer appliances) in smaller engineering workshops

- Pharmaceutical
- Glass
- Plastics

In many of these areas, production facilities already exist. The government has decided to privatize a large number of these facilities in order to encourage foreign participation (see Appendix E for list of SOEs being offered for joint ventures or 100 percent private ownership). Despite existing facilities, manufacturing in Uganda requires substantial foreign capital and technology to upgrade the sector.

C. Mining

Uganda has significant deposits of minerals. The mining sector, therefore, provides investors with investment opportunities in both new and rehabilitated exploitation projects. Profitable short term investment opportunities exist in small scale tin, wolfram, galena and gold mining. The country's tin resources have been known to reach over 70 percent purity. There are also large deposits of phosphates. Iron resources are also of exceptional purity and can be exploited for the longer term when the railway infrastructure permits. There is also potential for the extraction of petroleum.

In addition to extractable minerals, Uganda has several sources of very good quality glass sand (up to 98 percent silica), particularly around the shores of Lake Victoria. Local and export demand for sheet and container glass specifically are perceived to be increasing. The government's emphasis on rehabilitating industrial facilities, school buildings, and other structures which require glass, coupled with private commercial and residential demand suggests a potentially strong market for glass produced from local sand deposits.

D. Tourism

The tourism sector provides investment opportunities in both construction and service related industries. Growth rates for tourism revenues which peaked at 20 percent in the late 1960s reflect the potential for a rehabilitated tourism sector. Prior to the rule of Idi Amin, Uganda hosted more tourists than Kenya and Tanzania combined.

The natural beauty of Uganda still remains intact. Natural attractions include Lake Victoria, Ruwenzori Mountains, also known as the Mountains of the Moon, and the source of the Nile. The three national parks include Kidepo National Park in the northeast and Falls and Ruwenzori National Parks in the west. The extensive wildlife in Uganda includes lions, giraffes, zebras, buffaloes, the resurgent elephant population, crocodiles, rhinos, hippos, antelopes, leopards, birds, and fish.

At present the facilities to accommodate and transport the tourists are lacking. As a result, there are an extensive number of construction-related investments which include the establishment, as well as the restoration of tourist lodges, and national park and wildlife conservation area infrastructure. The Sheraton and Nile hotels have been constructed to meet world standards and are proving to be profitable enterprises. In addition, investment options in tourism services include the development of tour operations and the revitalization of the safari business. With the expected resurgence in tourism particularly from the western counties, there will be increasing opportunities for investors to invest in hotel management and hotel services training opportunities.

The rehabilitation and new construction plans in the tourism and hotel industry include:

• Mweya Safari Lodge	76-176 beds
• Semliki Lodge	100 beds
• Paraa Safari Lodge	146 beds
• Lake Mburo National Park Hotel	100 beds
• Murchison Falls National Park Hotel	100 beds
• Sese Islands Tourist Resort	50-100 beds

Appendix A

THE INVESTMENT CODE, 1991

THE INVESTMENT CODE, 1991.

ARRANGEMENT OF SECTIONS.

Section.

No. 1 25th January, 1991

STATUTE SUPPLEMENTS

to the Uganda Gazette No. 4 Volume LXXXIV dated 25th January, 1991

Printed by the Government Printer, Entebbe, by Order of the Government.

THE INVESTMENT CODE, 1991.

A Code to make provision in the law relating to local and foreign investments in Uganda by providing more favourable conditions for investment, to establish the Uganda Investment Authority, to repeal the Foreign Investment (Protection) Act and the Foreign Investment Decree 1977 and to provide for other related matters.

DATE OF ASSENT: 21st January, 1991.

Date of commencement: 25th January, 1991.

BE IT ENACTED by the President and the National Resistance Council as follows–

PART I—PRELIMINARY.

1. This Code may be cited as the Investment Code, 1991

2. In this Code–

"agreement" in relation to the transfer of foreign technology or expertise includes an agreement registered under this Code in respect of a licence, know-how, commercial purchase, conditional purchase, commercial franchise or hire purchase involving the importation into Uganda of technology or expertise;

"Authority" means the Uganda Investment Authority established under section 3;

"Board" means the Board of the Authority established under section 4;

"business enterprise" includes a manufacturing enterprise, a tourist enterprise and a commercial or agricultural venture;

"Executive Director" means the person appointed Executive Director under section 4;

"foreign investor" shall be construed in accordance with section 10;

"investment" means the creation of new business assets and includes the expansion, re-structuring or rehabilitation of an existing business enterprise;

"manufacture" means the transforming on a commercial scale of raw materials into finished or semi-finished products, and includes the assembling of inputs into finished or semi-finished products;

"member" means a member of the Board;

"Minister" means the Minister responsible for Planning and Economic Development.

PART II—INVESTMENT AUTHORITY.

Establishment of Uganda Investment Authority.

3. (1) There is established a body to be called the Uganda Investment Authority.

(2) The Authority shall be an agency of the Government and shall be under the general supervision of the Minister.

(3) The Authority shall be a body corporate with perpetual succession and a common seal and, in its own name, capable of—

(*a*) acquiring, and holding property;

(*b*) suing and being sued; and

(*c*) doing and suffering all acts and things as bodies corporate may lawfully do or suffer.

4. (1) The governing body of the Authority shall be the Board which shall be responsible for the discharge of the business and functions of the Authority. The Board.

(2) The Board shall consist of the following—

(a) a Chairman of the Board appointed by the Minister on such terms and conditions as the Minister may determine;

(b) an Executive Director appointed by the Board on such terms and conditions as the Board may determine;

(c) five members with sound knowledge or practical experience in investments who shall be appointed by the Minister after consultation with the relevant bodies.

(d) a representative of the Governor of the Bank of Uganda;

(e) a representative elected by the Uganda Chamber of Commerce and Industry;

(f) a representative elected by the Uganda Manufacturers' Associtiation;

(g) the Commissioner for Economic Affairs, Ministry of Finance, *ex-officio;*

(h) the Chief Government Development Economist, Ministry of Planning and Economic Development, *ex-officio;*

(i) the Commissioner for Technology, Ministry of Industry, *ex-officio;*

(j) Commissioner for External Trade, Ministry of Commerce, *ex-officio;*

(k) the Commissioner for Immigration, Ministry of Internal Affairs, *ex-officio.*

(3) All members, other than the Executive Director, appointed by the Minister shall hold office for a term of not more than three years and shall be eligible for re-appointment.

(4) A member appointed by the Minister may in writing addressed to the Minister resign his office.

Secretariat, Executive Director and other staff.

5. (1) The Authority shall be serviced by a Secretariat consisting of an Executive Director and other officers and staff.

(2) There shall be appointed to the service of the Authority an Executive Director and other officers and staff as may be required for the performance of the functions of the Secretariat of the Authority and all persons appointed under this section shall hold public office.

(3) The Executive Director shall be responsible for the supervision of the Secretariat.

Remuneration of members of Authority.

6. The Executive Director, the members, officers and other staff of the Authority shall be paid such remuneration or allowances as the Minister may determine.

Functions of the Authority.

7. The functions of the Authority are—

(*a*) to promote, facilitate and supervise investments in Uganda;

(*b*) to receive all applications for investment licences for investors intending to establish set up business enterprises in Uganda under this Code and issue licences and certificates of incentives in accordance with this Code;

(*c*) to secure all licences, authorisations, approvals and permits required to enable any approval granted by the Authority to have full effect;

(*d*) to recommend to the Government national policies and programmes designed to promote investment in Uganda;

(*e*) to provide information on matters relating to investment in Uganda;

(*f*) to assist potential investors in identifying and establishing investment projects in Uganda;

(*g*) in accordance with the provisions of this Code, to determine the terms and conditions which may be imposed in relation to the operation of a business enterprise:

(*h*) to deal with complaints received by it;

(*i*) to supervise the implementation of this Code;

(*j*) to do all other acts as are required to be done under this Code or are necessary or conducive to the performance of the functions of the Authority.

Proceedings of the Authority.

8. (1) The provisions of the First Schedule to this Code shall have effect in relation to the proceedings of the Authority.

(2) The Minister may, by statutory instrument, amend the provisions of the First Schedule.

Immunity of members and staff.

9. A member, or officer or other member of staff of the Authority shall not in his personal capacity be liable in civil or criminal proceedings, in respect of an act or omission done in good faith in the exercise of his functions under this Code.

PART III—PROCEDURES FOR INVESTORS.

Definition of foreign investor.

10. (1) In this Code, "foreign investor" means—

(*a*) a person who is not a citizen of Uganda;

(*b*) a company, other than a company referred to in subsection (2) in which more than fifty per-cent of the shares are held by a person who is not a citizen of Uganda;

(*c*) a partnership in which the majority of partners are not citizens of Uganda.

(2) The following shall be deemed not to be foreign investors—

(*a*) a company registered under the Companies Act in which the Government holds a majority of the shares, whether directly or indirectly; Cap. 85.

(*b*) a body corporate established in Uganda by law;

(*c*) an international development agency approved by the Authority for the purposes of this section;

(*d*) a co-operative society registered under the Co-operative Societies Act;

Cap. 93.
Cap. 199.

(*e*) a trade union registered under the Trade Unions Act.

(3) In any other case not expressly provided for in this section, the Authority shall determine whether or not a person is a foreign investor.

Regulation of foreign investment.

11. (1) A foreign investor shall not operate a business enterprise in Uganda otherwise than in accordance with an investment licence issued under this Code.

(2) No foreign investor shall carry on the business of crop production, animal production or acquire or be granted or lease land for the purpose of crop production or animal production:

Provided that a foreign investor may—

(*a*) provide material or other assistance to Ugandan farmers in crop production and animal production; or

(*b*) lease land for purposes of manufacturing or carrying out the activities set out in the Second Schedule and the Third Schedule.

(3) The provisions of this section shall not be construed so as to deprive a foreign investor of any land acquired by or granted to him or of any interest in land accrued to him before the commencement of this Code.

(4) The Minister may, on the advice of the Authority and with the approval of Cabinet, by statutory instrument, exempt any business enterprise or class of business activities from the provisions of this section where, in the opinion of the Minister, it is necessary that for the purpose of ensuring a regular supply of raw materials the enterprise should lease land.

Application for an investment licence.

12. (1) An application for an investment licence shall be made in writing to the Executive Director and shall contain the following information—

(*a*) the name and address of the proposed business enterprise, its legal form, its bankers, the name and address of each director or partner, as the case may be, and the name, address, nationality and shareholding of any shareholder who is not a citizen of Uganda;

(*b*) the nature of the proposed business activity and the proposed location where that activity is to be carried on;

(*c*) the proposed capital structure, amount of investments and the projected growth over the next five years or more;

(*d*) the estimated number of persons to be employed;

(*e*) the qualifications, experience, nationality and other relevant particulars of the project management and staff;

(*f*) the incentives for which the applicant expects to qualify and the details of such qualifications;

(*g*) any other information relating to the viability of the project or other matter as the applicant considers relevant to his application.

(2) Where an application under subsection (1) does not provide all the relevant information or if clarification is necessary, the applicant may be called upon to provide that information or clarification to complete the application.

Appraisal of applications.

13. The Authority shall in considering an application for an investment licence under this Code, carry out an appraisal of the capacity of the proposed business enterprise to contribute to the following objectives—

(*a*) the generation of new earnings or savings of foreign exchange through exports, resource-based import substitution or service activities;

(*b*) the utilisation of local materials, supplies and services;

(*c*) the creation of employment opportunities in Uganda;

(*d*) the introduction of advanced technology or up-grading of indigenous technology;

(*e*) the contribution to locally or regionally balanced socio-economic development; or

(*f*) any other objectives that the Authority may consider relevant for achieving the objects of this Code.

Priority areas.

14. (1) Subject to subsection (2) of section 11, an investor may engage in any type of business enterprise.

(2) The categories of business activities specified in the Second Schedule are priority areas of investment and an applicant for a licence to engage in any of those activities shall be accorded additional benefits under this Code.

(3) The Minister may, by statutory instrument, amend the Second Schedule.

Processing of application.

15. (1) The Authority shall within thirty days after receipt of an application, or of the additional information or clarification referred to in subsection (2) of section 12 investigate and prepare a detailed report in respect of each application.

(2) The Authority may for the purpose of considering and making a report on an application under this section appoint a committee of three or more members.

(3) The Authority shall within fourteen days after the period referred to in subsection (1) consider the application and the report on the application and shall approve the application if it is satisfied that—

(*a*) the application is in accordance with the provisions of the Code and should be granted; and

(*b*) the activity intended to be undertaken by the business enterprise is not unlawful or contrary to the interests of Uganda.

(4) The Authority shall within seven days after its decision under subsection (3)—

(*a*) inform the applicant of its decision; and (*b*) in the case of the Authority refusing to grant a licence, refer that application, the report on the application and the reasons for the refusal to the Minister and provide the applicant with a copy of the report and the reasons for the refusal of the application.

(5) An applicant for an investment licence who has not been notified of the decision of the Authority within ninety days from the date of submitting his application, may lodge a complaint in that behalf to the Minister who shall within thirty days, investigate the complaint and inform the complainant of the results of the investigation.

Investment licence.

16. (1) When the applicant for an investment licence and the Authority have agreed on the terms and conditions of the investment licence and the incentives, if any, the Authority shall issue to the applicant an investment licence which shall—

(*a*) authorise the holder of the licence to make all arrangements necessary for establishing the business enterprise described in the licence;

(*b*) contain the terms and conditions of the investment licence and incentives, if any;

(*c*) have a validity of not less than five years from the date of issue; and

(*d*) contain any other information or details as may be prescribed.

(2) The Executive Director shall liaise with Government Ministries and departments, local authorities and other bodies as may be necessary in order to assist an investment licence holder in complying with any formalities or requirements for obtaining any permissions, authorisations, licences, land and other things required for the purpose of the business enterprise.

Extension of validity of investment licence.

17. (1) Where the holder of an investment licence is unable to commence operating on the date of the commencement of the validity of his investment licence or within the period of validity of the licence, he may, giving reasons, apply to the Authority for the extension of the period of validity of the licence.

(2) The Authority shall, if satisfied with the reasons given under subsection (1), extend the validity of the licence by a period it considers reasonable.

(3) Where the holder of an investment licence, for any reason, ceases to operate the business enterprise to which the licence relates, he shall notify the Authority in writing and shall be entitled to all rights and be liable to all obligations accrued under this Code up to the date he ceases to operate the enterprise and his licence shall be deemed to have expired on that date.

(4) Where a holder of an investment licence does not commence operations within the period of validity of his licence and—

(*a*) no application has been made for its extension under subsection (1); and

(*b*) the licence has not been surrendered under subsection (3),

the Authority may, subject to the rights of innocent third parties, declare anything done or any benefit obtained under the licence to be void ab initio and notify the holder of the licence accordingly.

Variation of licence.

18. (1) A holder of an investment licence shall accordingly inform the Authority in writing whenever—

(*a*) a person, other than the person to whom the licence was issued has succeeded to the business enterprise;

(*b*) the name or description of the business enterprise has changed; or

(*c*) there is an enlargement of or substantial variation in the business enterprise.

(2) Notwithstanding the provisions of subsection (1) a person other than the holder of a licence who is affected by or interested in a change or variation under subsection (1) may so inform the Authority if the holder of the licence fails to inform the Authority within a reasonable time.

(3) Whenever the Authority is satisfied that a change or variation has occurred as provided in subsection (1) in

respect of a licence issued under this Code the Authority shall amend the licence to take account of the change or variation.

19. (1) An investment licence may also contain any of the following undertakings by the investor— Implied terms and conditions of investment licence.

(*a*) to maintain proper financial and accounting records, returns, samples and data relating to the operations of the business enterprise; or

(*b*) to permit the Authority or its employees or agents reasonable access to monitor the operations of the business enterprise.

(2) Subject to any agreement between the Authority and the investor, a licence may contain any of the following undertakings by the investor—

(*a*) to invest not less than a specified amount whether in cash or in relation to the value of machinery, buildings or other assets;

(*b*) to employ and train citizens of Uganda to the fullest extent possible with a view to the replacement of foreign personnel as soon as may be practicable;

(*c*) to purchase goods or services produced or available in Uganda if in terms of price, quality or availability, those goods and services are competitive with similar imported goods and services used in the business enterprise; or

(*d*) to take necessary steps to ensure that the operations of his business enterprise do not cause injury to the ecology or environment.

20. The Authority shall maintain a register of all investment licences issued under this Code. Register of investment licence.

21. (1) No investment licence shall be revoked except as provided in this section. Revocation of licence.

(2) Where an investment licence has been issued and it is subsequently found that it was issued as a result of a materially false or fraudulent representation or in consequence of incorrect information supplied to the Authority by the

investor, the Authority shall give written notice to the investor requiring him to show cause within a reasonable time why the licence should not be revoked.

(3) Where an investor is in breach of any provision of this Code or the terms and conditions of his investment licence, the Authority may give written notice to the investor requiring him to show cause within a reasonable time why the licence should not be revoked.

(4) If an investor fails to comply with a notice given under this section and the cause shown is deemed inadequate by the Authority, the Authority may, with the approval of the Minister, revoke the licence.

PART IV—FACILITIES AND INCENTIVES.

Exemption of investors from import duties and sales tax.

22. (1) An investor intending to make a new investment in Uganda and for that purpose importing any plant, machinery or construction material which is not available in Uganda shall be exempt from import duties and sales tax otherwise payable on those goods:

Provided the plant, machinery or construction material is not more than five years old.

(2) For the purpose of this section, where the new investment involves two or more phases, all those phases shall be treated as forming part of the new investment.

Enterprises which qualify for incentives.

23. (1) An investor in a business enterprise who commences operation after the coming into force of this Code shall qualify for incentives under this part if—

(*a*) he satisfies three or more of the objectives specified in section 13;

(*b*) in the case of a foreign investor, that investor makes a capital investment or an equivalent in capital goods worth at least five hundred thousand United States dollars by way of capital invested; or $500,000 (½ M.)

(*c*) in the case of an investor who is a citizen of Uganda, the value of his investment is at least

(2) A foreign investor who engages in any activity specified in the Third Schedule shall not enjoy the incentives provided for in section 25 and paragraphs (*h*) and (*e*) of subsection (1) of section 33.

(3) The Minister may, by statutory instrument amend the Third Schedule.

Certificate of incentives.

24. (1) An investor intending to avail himself of incentives under this Part may, if qualified in accordance with section 23, apply to the Authority for a certificate of incentives.

(2) A foreign investor shall not be required to make a separate application under this Part if in his application for an investment licence made under Part III he provides the relevant information relating to incentives.

(3) An application under this section shall be in the prescribed form and shall—

(*a*) state the category or categories of qualifications under which the applicant qualifies; and

(*b*) give particulars in support of those qualifications.

(4) Where an application under this section does not provide all the information required or if clarification is required on any matter, the applicant may be required to provide that further information or clarification.

(5) The Authority shall within thirty days after the receipt of a completed application, issue a certificate of incentives covering those incentives for which the applicant qualifies.

(6) Every investor who qualifies for incentives and whose application for a certificate of incentives has been approved by the Authority, shall be issued by the Authority a certificate of incentives covering those incentives for which he qualifies.

Common incentives.

25. A holder of a certificate of incentives shall be entitled to the following—

(*a*) exemption from corporation tax, withholding tax and tax on dividends—

(i) for a period of three years, in the case of an investment of a value not less than fifty thousand United States Dollars but not more than three hundred thousand United States Dollars; and

(ii) for a period of five years, in the case of an investment of a value greater than three hundred thousand United States Dollars;

(*b*) exemption from the taxes provided for under paragraph (*a*), for an additional one year respectively, in the case of an investor operating in any of the priority areas specified in the Second Schedule.

First arrival privileges.

26. A foreign investor who holds an investment licence and his expatriate staff shall be exempt from the payment of import duty and sales tax payable on the following items imported within twelve months from the date of first arrival—

(*a*) one motor vehicle for his personal use; and

(*b*) personal and household effects.

Additional incentives for certain exporters.

27. A holder of a certificate of incentives shall be entitled to a drawback of duties and sales tax payable on imported inputs used in producing goods for export as provided in any law imposing such duties or taxes.

Obtaining credit from domestic sources by foreign investors.

28. (1) A foreign investor who holds an investment licence may in relation to the business enterprises to which the licence relates, obtain credit from domestic financial institutions up to the limit established by the Bank of Uganda in consultation with the Authority, having regard to the amount of foreign capital invested in the business enterprise.

(2) A foreign investor who obtains credit in accordance with subsection (1) shall ensure that the proceeds of that credit are used solely for the purpose of carrying out the activities specified in the investment licence.

(3) The Authority may for the purposes of this section appoint its officer or agent to verify the due application of the credit obtained under subsection (1).

PART V—PROTECTION OF FOREIGN INVESTMENTS.

Protection in case of compulsory acquisition.

29. (1) The business enterprise of an investor which is licenced under this Code, or an interest or right over any property or undertaking forming part of that enterprise shall not be compulsorily taken possession of or acquired except in accordance with the provisions of the Constitution of Uganda.

(2) Where a licenced business enterprise, of an investor or an interest or right over property forming part of that enterprise is compulsorily taken possession of or acquired, compensation in respect of the fair market value of the enterprise specified in the enterprise or an interest or right over property forming that enterprise shall be paid within a period not exceeding twelve months from the date of taking of possession or acquisition.

(3) Compensation paid out to the investor under subsection (2) shall be freely transferable out of Uganda and shall not be subject to exchange control restrictions under the Exchange Control Act or any law made thereunder. Cap. 158.

Settlement of disputes.

30. (1) Where a dispute arises between a foreign investor and the Authority or the Government in respect of a licenced business enterprise, all efforts shall be made to settle the dispute through negotiations for an amicable settlement.

(2) A dispute between a foreign investor and the Authority or the Government in respect of a licenced business enterprise which is not settled through negotiations may be submitted to arbitration in accordance with the following methods as may be mutually agreed by the parties—

(*a*) in accordance with the rules of procedure for arbitration of the International Centre for the Settlement of Investment Disputes, or

(*b*) within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which the investor is a national are parties; or

(*c*) in accordance with any other international machinery for the settlement of investment disputes.

(3) The licence in respect of an enterprise may specify the particular mode of arbitration to be resorted to in the case of a dispute relating to that enterprise and that specification shall constitute the consent of the Government, the Authority or their respective agents and the investor to submit to that mode and forum of arbitration.

(4) Where the parties to a dispute do not agree on the mode or forum for arbitration, the party aggrieved by a

compulsory acquisition or possession or the amount of compensation payable, or in respect of any other matter relating to the business enterprise may apply to the High Court for the determination of any of the following—

(*a*) his interest or right;

(*b*) the legality of the taking of the possession or acquisition of the property, interest or right; or

(*c*) the amount of compensation to which he is entitled and the prompt payment of that compensation;

(*d*) any other matter in dispute relating to the business enterprise.

PART VI—AGREEMENTS FOR THE TRANSFER OF FOREIGN TECHNOLOGY AND EXTERNALISATION OF FUNDS.

Registration of agreements for the transfer of technology.

31. (1) Every agreement for the transfer of foreign technology or expertise shall be registered with the Authority by the beneficiary of that transfer as soon as it is made and it shall not be effective unless it has been registered.

(2) A person who applies for an investment licence under Part III which investment licence involves an agreement for the transfer of foreign technology or expertise shall not be required to make a separate application under this Part if he provides the relevant information relating to the regulation of agreements for the transfer of technology or expertise required under this Part.

(3) The Executive Director shall register every agreement for the transfer of foreign technology or expertise which—

(*a*) is included in an investment licence; or

(*b*) complies with section 32.

(4) The Executive Director shall maintain a register in which shall be recorded all agreements for the transfer of foreign technology or expertise.

Conditions in agreements for the transfer of foreign technology or expertise.

32. (1) Every agreement for the transfer of foreign technology or expertise shall be subject to the following conditions—

(*a*) any royalties or fees charged shall bear a reasonable relationship to the use of that technology or expertise;

(*b*) any liability to pay royalties or fees shall cease upon the lawful termination of the agreement or if that technology or expertise becomes public knowledge otherwise than through the fault of the licensee;

(*c*) there shall be a reduction in royalties or fees if a third party acquires and uses that technology or expertise otherwise than through the fault of the licensee;

(*d*) any technical assistance shall, where necessary include technical personnel as well as full instructions and practical explanations expressed in clear and comprehensive English on the operation of any equipment involved;

(*e*) the transferor shall provide technical assistance in connection with marketing programmes and purchasing equipment involving the use of that technology or expertise;

(*f*) the transferee shall acquire the right to continued use of that technology or expertise after the termination of the agreement; and

(*g*) the transferor shall, if the transferee so requires, continue to supply spare parts and raw materials for a period of up to five years following the termination of the agreement.

(2) An agreement for the transfer of foreign technology or expertise shall not contain a condition which—

(*a*) restricts the use of other competitive techniques;

(*b*) restricts the manner of sale of products or exports to any country;

(*c*) restricts the source of supply of inputs; or

(*d*) limits the ways in which any patent or other know-how may be used.

(3) The Authority may exempt an investor from any of the provisions of subsection (1) or (2).

Externalisation of funds.

33. (1) An investor in a business enterprise to which a certificate of incentives relates, is entitled to externalise his funds for the following purposes—

(*a*) repayment of foreign loans or interest on those loans;

(*b*) payment of dividends of shareholders who are not citizens of Uganda or to citizens of Uganda resident abroad;

(*c*) payment of royalities or fees in respect of an agreement for the transfer of foreign technology or expertise;

(*d*) payments of emoluments and other benefits to foreign personnel empolyed in Uganda in connection with the business enterprise; or

(*e*) externalisation of profits or proceeds on disposal of assets.

(2) A foreign investor who applies for an investment licence under Part III shall not be required to make a separate application under this section if in his application under that Part he provides the relevant information relating to externalisation of funds.

(3) An investor entitled under subsection (1) may apply to the Authority which shall, if satisfied that the application is for a *bona fide* purpose and is in compliance with this Code and any other law in force, grant the permission to externalise funds.

(4) The Executive Director shall issue a certificate of approval to externalise funds in the case of every approval to externalise funds which is—

(*a*) contained in an investment licence; or

(*b*) approved by the Authority under subsection (3).

(5) The Executive Director shall maintain a register in which shall be recorded all the certificates of approval to externalise funds together with such other particulars as the Authority may direct

Effect of certificate of approval to externalise funds.

34. A holder of a certificate of approval to externalise funds is entitled to apply to the Bank of Uganda to externalise the funds to which the certificate relates, subject to the law or procedure then prevailing.

PART VII—MISCELLANEOUS.

Service of documents.

35. A document may be served on the Authority by delivering it to the office of the Authority or by sending it by registered post to the Executive Director.

Regulations.

36. The Minister may, on the advice of the Authority, by statutory instrument make regulations for giving effect to the provisions of this Code.

Offences.

37. A person who—

(*a*) knowingly or negligently gives false or misleading information; or

(*b*) refuses or neglects to provide information which the Authority may reasonably require for the purposes of the enforcement of this Code;

(*c*) refuses without lawful excuse to admit an officer or an agent of the Authority into the premises of his business enterprise or otherwise obstructs any inspection by an officer or agent of the Authority,

commits an offence and is liable on conviction, to a fine not exceeding three million shillings or to imprisonment for a term not exceeding two years or both.

(2) Where an offence is committed by a body of persons then—

(*a*) in the case of a body corporate other than a partnership, every director or officer of the body shall be deemed also to have committed that offence; and

(*b*) in the case of a partnership, every partner or officer of that body shall be deemed to be guilty of that offence.

Repeal of Cap. 16 and Decree No. 18 of 1977 and [illegible]

38. (1) The Foreign Investment (Protection) Act and the Foreign Investment Decree, 1977 are repealed.

(2) Notwithstanding the repeal of the Foreign Invest-nents (Protection) Act and the Foreign Investments Decree, .977, on the coming into force of this Code, a certificate for

an approved business enterprise under those laws shall continue in force in accordance with its terms and conditions and may be reviewed by the Authority upon the application of the investor for that purpose.

SCHEDULES.

FIRST SCHEDULE.

PROCEEDINGS OF THE BOARD.

1.(1) The Board shall, for the transaction of its business meet at least once every month at such time or place as the Chairman may determine.

(2) There shall preside at a meeting of the Board—

(a) the Chairman; or

(b) in the absence of the Chairman, such member as the members present may elect to preside.

(3) Questions proposed at a meeting of the Board shall be determined by a simple majority of votes of the members present and in the case of equality of votes the person presiding at the meeting shall have a casting vote in addition to his deliberative vote.

(4) Where a member of the Board is for any reason unable to attend a meeting of the Board, the authority which appointed him may, in writing appoint another person to attend the meeting in his stead and that person shall be deemed to be a member for the purpose of that meeting.

(5) The Board may invite a person who is not a member to any of its meetings for consultations and that person may participate in the deliberations but shall have no right to vote.

Quorum. Eight members of the Board shall form a quorum at every meeting of the Board.

Minutes of meetings. 3. The Executive Director shall keep minutes of every meeting of the Board and every meeting of a committee established by it.

Disclosure of interest. 4. (1) If a person is present at a meeting of the Board at which a matter is the subject of consideration and in which matter that person or his spouse is directly or indirectly interested in a private capacity, he shall as soon as practicable after the commencement of the meeting disclose that interest and shall not, unless the Authority directs otherwise, take part in any consideration or discussion, or vote on any question relating to that matter.

Appendix B

PRIORITY INVESTMENT AREAS IN UGANDA

Banking
Ceramics industry
Chemical industries
Construction and building industry
Crop processing
Energy conservation industry
Fish processing
Forest products processing
Glass and plastics production industry
High technology industry
Manufacture of industrial spare parts
Manufacture of building materials industry
Manufacturing of tools, implements, equipment and machinery
Meat processing
Mining industry
Oil milling industry
Packaging industry
Paper production
Pharmaceutical industry
Real estate development industry
Steel industry
Textile and leather industry
Tourism industry
Transport industry

Appendix C

NEGATIVE LIST: ACTIVITIES NOT OPEN TO FOREIGN INVESTMENT INCENTIVES

1. Bakeries, confectioneries, and food processing for the Ugandan market only
2. Car hire services and operation of taxis
3. Personal services sector
4. Postal and telecommunications services
5. Professional services
6. Public relations business
7. Wholesale and retail commerce

Appendix D

List of Potential Joint Venture Partners in Uganda

A
Allied Farm Machinery Ltd.
P.O.Box 8785
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
Date: Feb 18 92
A
Farm Machinery Distrib (U)Ltd
P.O.Box 5463
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
Date: Feb 18 92
A
Gailey & Roberts (U) Ltd.
P.O.Box 7123
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
(W) 256-41-225156
Date: Feb 18 92
A
Industrial Agric.Chemicals Ltd
P.O.Box 8838
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
(W) 256-41-233181
Date: Feb 18 92
A
Makenzie Technical ServicesLtd
P.O.Box 7011
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
Date: Feb 18 92
A
Mitchel Cotts & Co. Ltd.
P.O.Box 7032
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
(W) 256-41-242459
(O) Tlx. No. 61003
Date: Feb 18 92
A
Toro-Mityana Tea Co.Ltd.
P.O.Box 6641
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
(W) 256-41-242459/259885
(O) Tlx. No. 61003
Date: Feb 18 92
A
Uganda Coop. Central Union
P.O.Box 3580
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
(W) 256-41-231881
Date: Feb 18 92
A
Uganda Hoes Ltd.
P.O.Box 139
Jinja
Uganda
Farm equipments & implements
Codes: A List by: 23
(W) 256-43-22142/3
Date: Feb 18 92
A
Uganda Tea Growers Corporation
P.O.Box 7157
Kampala
Uganda
Farm equipments & implements
Codes: A List by: 23
Date: Feb 18 92
B
East African Distilleries Ltd.
P.O.Box 3221
Kampala
Uganda
Breweries
Codes: B List by: 23
(W) 256-41-261111/2
Date: Feb 18 92

B
Nile Breweries
P.O.Box 762
Jinja
Uganda
Breweries
Codes: B List by: 23
(W) 256-43-20179/8
(O) Tlx.No. 64067
Date: Feb 18 92
B
Uganda Bottlers Ltd,
P.O.Box
Kampala
Uganda
Breweries
Codes: B List by: 23
(W) 256-41-242288
Date: Feb 18 92
B
Uganda Breweries Ltd.
P.O.Box 7130
Kampala
Uganda
Breweries
Codes: B List by: 23
(W) 256-41-261337
Date: Feb 18 92
C
AtlanticDecorators&GenConstrCo
P.O.Box 1588
Kampala
Uganda
Building Contractors
Codes: C List by: 23
(W) 256-41-233382
Date: Feb 18 92
C
Combined Construction Ltd.
P.O.Box 30018
Kampala
Uganda
Building Contractors
Codes: C List by: 23
(W) 256-41-241626/246197
Date: Feb 18 92

C
Coronation Builders (U) Ltd.
P.O.Box 4055
Kampala
Uganda
Building Contractors
Codes: C List by: 23
(W) 256-41-241129
Date: Feb 18 92
C
Gordon Hiller Constr. Co. Ltd.
P.O.Box 3437
Kampala
Uganda
Building contractors
Codes: C List by: 23
(W) 256-41-230521
Date: Feb 18 92
C
Kiira Construction Ltd.
P.O.Box 1540
Jinja
Uganda
Building contractors
Codes: C List by: 23
(W) 256-43-21425
Date: Feb 18 92
C
Roko Construction Co. Ltd.
P.O.Box 172
Kampala
Uganda
Building contractors
Codes: C List by: 23
(W) 256-41-267305/267331
Date: Feb 18 92
C
Sterling Astaldi Ltd.,
P.O.Box 796
Kampala
Uganda
Building contractors
Codes: C List by: 23
(W) 256-41-261321
Date: Feb 18 92

C
Tropical Construction (U) Ltd.
P.O.Box 1681
Kampala
Uganda
Building contractors
Codes: C List by: 23
(W) 256-41-243944
Date: Feb 18 92

C
Waswa C. Constructors
P.O.Box 5806
Kampala
Uganda
Building Contractors
Codes: C List by: 23
(W) 256-41-259718
Date: Feb 18 92

D
B.A.T. (U) Ltd.
P.O.Box 700
Kampala
Uganda
Commodities-tobacco
Co [illegible] D List by: 23
(W) [illegible] 41-24323[illegible]/234754
(O) Tlx. No. 61075
Date: Feb 18 92

D
General Manager
C.M.B. New York Office
127 John St. 17th Floor
New York, N.Y. 10038-36
U.S.A.
Commodities-coffee
Codes: D List by: 23
(W) 212-943-2410
(O) Tlx.No.233903/423474
Date: Feb 18 92

D
General Manager
Coffee Marketing Board
P.O.Box 7154
Kampala
Uganda
Commodities-coffee
Codes: D List by: 23
(W) 256-41-254051
Date: Feb 18 92

D
Kaawa Kawomera Ltd.
P.O.Box 4356
Kampala
Uganda
Commodities-coffee
Codes: D List by: 23
(W) 256-41-245322/230122
Date: Feb 18 92

D
General Manager
Lint Marketing Board
P.O.Box 7018
Kampala
Uganda
Commodities-cotton
Codes: D List by: 23
(W) 256-41-223660
Date: Feb 18 92

D
The Chairman
Ug.Export Promotion Council
P.O.Box 5045
Kampala
Uganda
Commodities-various
Codes: D List by: 23
(W) 256-41-541905
Date: Feb 18 92

D
Uganda Tea Authority
P.O.Box 4161
Kampala
Uganda
Commodities-tea
Codes: D List by: 23
(W) 256-41-231003/234651
(O) Tlx. No. 61120
Date: Feb 18 92

E
Agro-Indust'l&Tech.ServicesLtd
P.O.Box 2437
Kampala
Uganda
Industrial macchinery
Codes: E List by: 23
(W) 256-41-241276
(O) Tlx. No. 56681
Date: Feb 18 92

E
Machinery Requirements
Plot 3a South St.
P.O.Box 9046
Kampala
Uganda
Industrial macchinery
Codes: E List by: 23
(W) 256-41-257314
(O) Tlx. No. 61388
Date: Feb 18 92
E
Nsibirano Machine Services
Plot 34, Iganga Rd
P.O.Box 1809
Jinja
Uganda
Industrial macchinery
Codes: E List by: 23
(W) 256-43-20909
Date: Feb 18 92
E
Uganda Industrial MachineryLtd
Plot 8 Burton St
P.O.Box 1301
Kampala
Uganda
Industrial macchinery
Codes: E List by: 23
(W) 256-41-259221
(O) Tlx.No.61003
Date: Feb 18 92
E
Ugma Engeneering Corp. Ltd.
P.O.Box 1
Lugazi
Uganda
Industrial macchinery
Codes: E List by: 23
(W) 256-43-48211/3
Date: Feb 18 92
F
Alhamed Hides & Skins
101 Jinja Rd
P.O.Box 1563
Kampala
Uganda
Hides & Skins
Codes: F List by: 23
(W) 256-41-234755/242125
(O) Tlx.No.61118/61169
Date: Feb 18 92

F
Karasuku Enterprises
P.O.Box 552
Kampala
Uganda
Hides & Skins
Codes: F List by: 23
Date: Feb 18 92
F
Kasaka Footwears
P.O.Box 1179
Kampala
Uganda
Hides & Skins
Codes: F List by: 23
Date: Feb 18 92
F
Rwenzori Hides & Skins
Plot 37B Lubas Rd
P.O.Box 2032
Jinja
Uganda
Hides & Skins
Codes: F List by: 23
(W) 256-43-20895
Date: Feb 18 92
F
Shoelex (U) Ltd.
P.O.Box 4330
Kampala
Uganda
Hides & Skins
Codes: F List by: 23
Date: Feb 18 92
F
Ug.Leather&Tan'ngIndustriesLtd
P.O.Box 388
Jinja
Uganda
Hides & Skins
Codes: F List by: 23
(W) 256-43-22045/7
(O) Tlx.No.64108
Date: Feb 18 92
G
AssociatedMktng Internat'l Ltd
P.O.Box 1715
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92

G
Bauman (U) Ltd
P.O.Box 7035
Kampala
Uganda
General merchandise
Codes: G List by: 23
(W) 256-41-234263/4/5
Date: Feb 18 92
G
Bulls General Agency
P.O.Box 1989
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Crescent Trading Co. Ltd.
P.O.Box 1970
Plot 3A Lubas Rd.
Jinja
Uganda
General merchandise
Codes: G List by: 23
(W) 256-43-21322
Date: Feb 18 92
G
Davis Associated Services Ltd.
P.O.Box 1712
Mbale
Uganda
General Merchandise
Codes: G
(W) 256-45-3402
Date: Feb 18 92
G
Derie General Wholesalers
P.O.Box 1884
Jinja
Uganda
General merchandise
Codes: G List by: 23
(W) 256-43-20049
Date: Feb 18 92
G
Gomba General Agency
P.O.Box 4903
Plot 7 Luwum St.
Kampala
Uganda
General merchandise
Codes: G List by: 23
(W) 256-41-242604
Date: Feb 18 92
G
Kampala Domestic Pride
P.O.Box 1466
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Marketing Trader Promoters
P.O.Box 8219
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Morisons Jones (U) Ltd
P.O.Box 1314
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Overseas Trade Links
P.O.Box 1010
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Pearl Merchandise Co.Ltd.
P.O.Box 631
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92

G
Tradeways Ltd.
P.O.Box 3099
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Tropical Importers & Exporters
P.O.Box 4942
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Twentche OverseasTrad'g Co.Ltd
P.O.Box 6876
Kampala
Uganda
General merchandise
Codes: G List by: 23
Date: Feb 18 92
G
Ug General Merchanise Ltd
P.O.Box 7204
Kampala
Uganda
General merchandise
Codes: G List by: 23
(W) 256-41-233765/233768
(O) Tlx.No 61275
Date: Feb 18 92
H
African Ceramics Co.Ltd
P.O.Box 7204
Kampala
Uganda
Hardwares
Codes: H List by: 23
(W) 256-41-256973
Date: Feb 18 92
H
Byror Enterprises Ltd
P.O.Box 8302
Kampala
Uganda
Hardwares
Codes: H List by: 23
Date: Feb 18 92

H
Cable Corporation
P.O.Box 255
Lugazi
Uganda
Hardwares
Codes: H List by: 23
Date: Feb 18 92
H
Casements (A) Ltd.
P.O.Box 8302
Kampala
Uganda
Hardwares
Codes: H List by: 23
(W) 256-41-256253/234001
(O) Tlx.No. 61015
Date: Feb 18 92
H
FourwaysImporters&ExportersLtd
P.O.Box 20028
Kampala
Uganda
Hardwares
Codes: H List by: 23
Date: Feb 18 92
I
Afro-Motors Ltd.,
P.O.Box 6945
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256-41-258272/241908
Date: Feb 18 92
I
Cooper Motors Cpn (U) Ltd.,
P.O.Box 2169
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
Date: Feb 18 92

I
ECTA (U) Ltd.
P.O.Box 2658
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256-41-257166/7
(O) Tlx.No 62267
Date: Feb 18 92

I
Fiat (U) Ltd.
P.O.Box 3328
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
Date: Feb 18 92

I
Gomba Motors Ltd.
P.O.Box 3328
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256 41 233031/233033
(O) Tlx No 6107
Date: Feb 18 92

I
Leyland Albion (U) Ltd.
P.O.Box 3778
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
Date: Feb 18 92

I
Motor Trust Isuzu Sales(U) Ltd
P.O.Box 20109
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256 41 241420/254827
(O) Tlx No 61226
Date: Feb 18 92

Rusco Limited
P.O.Box 961
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256 41 245067/257043
(O) Tlx No 61155
Date: Feb 18 92

I
Spear Motors
P.O.Box 1350
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
Date: Feb 18 92

I
Uganda Motors Ltd.
P.O.Box 5674
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256 41 233201
(O) Tlx No 61219
Date: Feb 18 92

I
Unimotors Ltd.
P.O.Box 5930
Kampala
Uganda
MotorVehicleSpares&Accessories
Codes: I List by: 23
(W) 256 41 243676/7
Date: Feb 18 92

J
Armtrades Ltd.
2 Parl.Ave./P.O.Box 3852
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
(W) 256 41 233525
(O) Tlx 61051 ARMTRA UGA
Date: Feb 18 92

J
Associated Chemical Industries
P.O.Box 3700
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
(W) 256 41 233656
Date: Feb 18 92
J
Hoechst (EA) Ltd.
P.O.Box 2409
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
Date: Feb 18 92
J
Jos Hansen & Soehnve (U) Ltd.
P.O.Box 2333
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
Date: Feb 18 92
J
Medipharm Industries
P.O.Box 6218/Plot 5 William St
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
(W) 256 41 242848/234554
(O) Tlx No 61146 ZEBRA
Date: Feb 18 92
J
Overseas Labsoratories (U) Ltd
P.O.Box 6128
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
Date: Feb 18 92
J
Philips Harisons & Crisfield
P.O.Box 2327
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
Date: Feb 18 92
J
Science Supplies Co.Ltd.,
P.O.Box 8290
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
Date: Feb 18 92
J
Twiga Chemicals Industries Ltd
45 Kampala Rd/ P.O.Box 4800
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
(W) 256 41 257050/259881
(O) Tlx No 61288
Date: Feb 18 92
J
Uganda Pharmaceuticals Ltd.,
P.O.Box 65
Kampala
Uganda
Chemical&PharmaceuticalProdcts
Codes: J List by: 23
(W) 256 41 242911/254533
(O) Tlx 61068 Pharma UGA
Date: Feb 18 92
K
Banaku Agencies
P.O.Box 6704
Kampala
Uganda
Sports Equipment
Codes: List by: 23
Date: Feb 18 92
K
City Sports House (1973) Ltd.,
P.O.Box 2237
Kampala
Uganda
Sports Equipment
Codes: List by: 23
Date: Feb 18 92
K
Nile Sports House
P.O.Box 880
Jinja
Uganda
Sports Equipment
Codes: List by: 23
Date: Feb 18 92

L
Associated Paper Industries
P.O.Box 1375
Kampala
Uganda
Stationers/Office Equipment
Codes: List by: 23
Date: Feb 18 92
L
Business Machines (U) Ltd.,
P.O.Box 2800
Kampala
Uganda
Stationers/Office Equipment
Codes: List by: 23
(W) 256 41 241904/232603
Date: Feb 18 92
L
Business Systems Limited
P.O.Box 4059
Plot 6/6-A, Kampala Rd.
Kampala
Uganda
Computers
Codes: List by: 23
(W) 256-41-230823
(F) 256-41-235655
Date: Feb 19 92
L
Computer Applications (U) Ltd.
Plot 14 Kampala Rd
Kampala
Uganda
Computers
Codes: List by: 23
(W) 256 41 231701
(O) Insurance Hse,1stflr
Date: Feb 19 92
L
HitechComputer Training Center
8 Floor, Uganda House
Kampala
Uganda
Computers
Codes: List by: 23
(W) 256 41 255000
Date: Feb 19 92

L
International Computer Ltd.
P.O.Box 734
5 Speke Rd.
Kampala
Uganda
Computers
Codes: List by: 23
(W) 25--41-285591
(F) 256-41-255300
Date: Feb 19 92
L
Nakasero Printery Ltd.,
P.O.Box 806
Kampala
Uganda
Stationers/Office Equipment
Codes: List by: 23
(W) 256 41 241227
Date: Feb 18 92
L
New Era Printers&StationersLtd
P.O.Box 3485
Kampala
Uganda
Stationers/Office Equipment
Codes: List by: 23
Date: Feb 18 92
L
Printpak (U) Ltd.,
P.O.Box 1307
Jinja
Uganda
Stationers/Office Equipment
Codes: List by: 23
(W) 256 43 20948
Date: Feb 18 92
L
Rank Consultants (U) Ltd.,
3 Pilkington Rd/P.O.Box 4059
Kampala
Uganda
Computers
Codes: List by: 23
(O) NIC Bldg 1st floor
Date: Feb 19 92

Rank Xerox (U) Ltd.,
P.O.Box 6200
Kampala
Uganda
Stationers /Office Equipment
Codes: List by: 23
Date: Feb 19 92
L
Sapoba Bookshop Press Ltd.,
P.O.Box 15025
Kampala
Uganda
Stationers/Office Equipment
Codes: List by: 23
(W) 256 41 24624/257513
Date: Feb 18 92
L
SCI Computer Education Centre
P.O.Box 2109
Kampala
Uganda
Computers
Codes: List by: 23
(W) 256 41 241119/232145
Date: Feb 18 92
L
Stationers & Ofc Equipment Ltd
P.O.Box 1581
Kampala
Uganda
Stationers/Office Equipment
Codes: List by: 23
(W) 256 41 231866
Date: Feb 18 92
L
UCA Business Services Ltd.
P.O.Box 2215
Plot 47/49 Nkrumah Rd.
Kampala
Uganda
Computers
Codes: List by: 23
(W) 256-41-254596
(F) 256-41-244606
Date: Feb 19 92

M
African Textile Mill Ltd.
P.O.Box 242
Mbale
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-45-2545
Date: Feb 19 92
M
Associated Drapers Ltd.
P.O.Box 756
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92
M
Bipous Ltd.
Plot 62, Kampala Rd.
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-233611/243638
(O) Tlx No. 61250
Date: Feb 19 92
M
Drapers Limited
P.O.Box 7132
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-242984
Date: Feb 19 92
M
Home Garments Ltd
P.O.Box 5646
42, Kampala Rd.
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-232514
Date: Feb 19 92

M
Kampala General Agency Ltd.
P.O.Box 118
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92

M
Kiden And Brothers (U) Ltd.
P.O.Box 1295
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-231873
Date: Feb 19 92

M
Ladytex Ltd.
P.O.Box 16380
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-259870
Date: Feb 19 92

M
Lunar Fabrics
P.O.Box 1611
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92

M
Mercks (U) Ltd.
P.O.Box 8302
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92

M
Nyanza Textile Industries Ltd.
P.O.Box 408
Jinja
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-43-20207
(O) Tlx.No. 64133
Date: Feb 19 92

M
PioneerAfricanImporters&Exp'ts
P.O.Box 3308
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92

M
Ug Garment Industry Ltd.(UGIL)
P.O.Box 4378
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-256103/5
Date: Feb 19 92

M
Uganda BlanketManufacturersLtd
P.O.Box 2400
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-257538
Date: Feb 19 92

M
Uganda Sweaters Ltd.
P.O.Box 8748
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-231088
Date: Feb 19 92

M
UgandaGeneralImporters&Exp'trs
P.O.Box 1771
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92

M
UgRayonTextileManufacturersLtd
P.O.Box 4211
Kampala
Uganda
Textiles and garments
Codes: List by: 23
(W) 256-41-267011/4
Date: Feb 19 92

UnitedAfricanImporters&Exp'tr
P.O.Box 1408
Kampala
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92
M
Zziwa Drapers
P.O.Box 749
Jinja
Uganda
Textiles and garments
Codes: List by: 23
Date: Feb 19 92
N
ExportForwarders & Packers Ltd
P.O.Box 4480
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-231026/258245
(O) Tlx.No 61267
Date: Feb 19 92
N
Freight Links InternationalLtd
P.O.Box 363
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-258301/4
(O) Tlx.No 61124
Date: Feb 19 92
N
Intercontin'tl Forwarders Ltd
P.O.Box 8132
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-241771/232887
Date: Feb 19 92
N
LeopoldWalford Maritime(U)Ltd.
P.O.Box 1915
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-256630
(O) Tlx.No 61208
Date: Feb 19 92
N
Markus (U) Ltd.
P.O.Box 2308
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-241548/234365
(O) Tlx.No 61350
Date: Feb 19 92
N
Sealand Ltd.
P.O.Box 4600
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-258756/7
Date: Feb 19 92
N
Swanlinks Express (U) Ltd.
P.O.Box 30931
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-234699/241427
(O) Tlx.No 61368
Date: Feb 19 92
N
Transclear (U) Ltd.
P.O.Box 8894
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-257130/241326
(O) Tlx.No 61319
Date: Feb 19 92

Transocean (U) Ltd.
P.O.Box 4909
Kampala
Uganda
Transport/Clearing & Forwardin
Codes: List by: 23
(W) 256-41-256644
(O) Tlx.No 61032
Date: Feb 19 92

Appendix E

List of Potential Joint Venture Partners with State-Owned Enterprises (SOE) in Uganda

A. SOEs Targeted for Complete Government Divestiture

African Ceramics Company
Agricultural Enterprises Limited
Associated Match Company
Associated Paper Company
Blenders Limited
Chillington Company
Comrade Cycle Company
Development Finance Company of Uganda
Domestic Appliances
East African Aluminum Works
Edible Oil and Soap Manufacturers
Fairway Hotel
Fresh Foods Limited
General Equipment Limited
Gobbot Limited
Gomba Motors
Housing Finance Company of Uganda Limited
Jubilee Ice and Soda Works
International Television Sales
Kibimba Rice Company Limited
Kudubya Proprietors
Printpak Limited
Republic Motors
Toro and Mityana Tea Company
Uganda Metal Products and Enamelling Company
Uganda American Insurance Company
Uganda Bags and Hessian Mills Limited
Uganda Blanket Manufacturers
Uganda Clay Limited
Uganda Consolidated Properties
Uganda Crane Estimates
Uganda FIshnet Manufacturers
Uganda Garments
Uganda General Merchandise Limited
Uganda Hardware Limited
Uganda Hire Purchase Company
Uganda Hotels Limited
Uganda Leather and Tanning Industry Limited
Uganda Meat Packers Limited
Uganda Motors Limited
Uganda Oxygen Limited
Uganda Tea Corporation
Uganda Transport Corporation
United Garments Industries Limited
Winits Limited

B. SOEs Targeted for Investor Majority Shareholding

Agip Limited
British American Tobacco Company
Cable Corporation
Kakira Sugar Works Limited
Lake Victoria Bottling Company
Lake Katwe Salt Project
Shell Limited
Sugar Corporation of Uganda
Total Limited
Uganda Fisheries Limited

Appendix F

MEMBERS OF THE PREFERENTIAL TRADE AREA FOR EASTERN AND SOUTHERN AFRICAN STATES (PTA) (SEPTEMBER 1989)

Angola
Botswana
Burundi
Comoro Islands
Djibouti
Ethiopia
Kenya
Lesotho
Madagascar
Malawi
Mauritius
Mozambique
Rwanda
Somalia
Swaziland
Seychelles
Tanzania
Uganda
Zambia
Zimbabwe

Appendix G

List of Useful Government and Business Organizations

A. Government Ministries and Statutory Boards

Coffee Marketing Board
P.O. Box 7154
Kampala
Tel: 254051
Fax: 230790

Ministry of Planning and Economic Development
P.O. Box 7086
Uganda House
10 Kampala Road
Tel: 254081
Telex: 61117

Uganda Investment Authority
Executive Director, George Rubagumya
P.O. Box 7418
Kampala
Tel: 234105
Fax: 242903

Uganda Manufacturers Association
Chairman, Mr. James Malwana
Spear House
Jinja Road
P.O. Box 6966
Kampala
Tel: 245460
Fax: 242455

Uganda Tourist Development Corporation
Hotel Equatoria Building
37-79 William Street
P.O. Box 7211
Kampala
Tel: 234230
Telex: 61150 tourism

B. Banks

Bank of Uganda
P.O. Box 7120
Kampala
Republic of Uganda
Tel: 58441
Fax: 230878
Telex: 61244, 61059

East African Development Bank
4 Nile Avenue
P.O. Box 7128
Kampala
Tel: 230021 1
Telex: 61074 ugair

Uganda Commercial Bank
Plot 12 Kampala Road
P.O. Box 973
Kampala
Tel: 242544
Fax: 259012/242694
Telex: 61073

Uganda Development Bank
4 Parliament Avenue
P.O. Box 7210
Kampala
Tel: 230257
Telex: 61143

C. Hotels

Fairway Hotel
Tank HIll
P.O. Box 6968
Kampala
Tel: 268311/268314
Telex: 62078 kla

Sheraton Hotel
8/12 Nile Avenue
P.O. BOx 7041
Kampala
Tel: 244590
Telex: 61519 shert

Nile Hotel
23/29 Siad Barre Avenue
P.O. Box 7053
Tel: 258041

D. Overseas Listings

Embassy of the Republic of Uganda
5909 16th Street, NW
Washington D.C. 20011
Tel: 202 716 7100
Fax: 202 726 1727
Telex: 440

Permanent Mission for the Republic of Uganda
The United Nations
336 East 45th Street
New York, NY 1--17
Tel: 212 949 0110
Telex: 234554

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