

SELF EVALUATION OF THE REGULATORY FRAMEWORK FOR DIRECT INVESTMENT: UGANDA



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OECD Overview Study by OECD Secretariat on “Regulatory treatment of FDI on Uganda: Restriction on Investment”

revealed

▪ **General Restriction on Entry**

- *Entry of FDI* – *Minimum level US\$100,000*
- *Require Investment license*

▪ **Special Restrictions on Entry**

- *Sectoral limitation to FDI: Finance, Defence, Mining*
- *Acquisition of Land: Lease Hold*

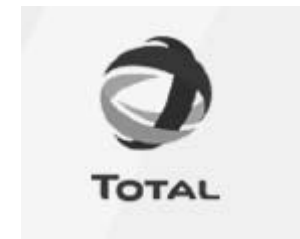
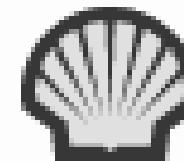
▪ **Post Entry Restrictions**

- ☒ *Performance Requirements*
- ☒ *Entry of Key Personnel*

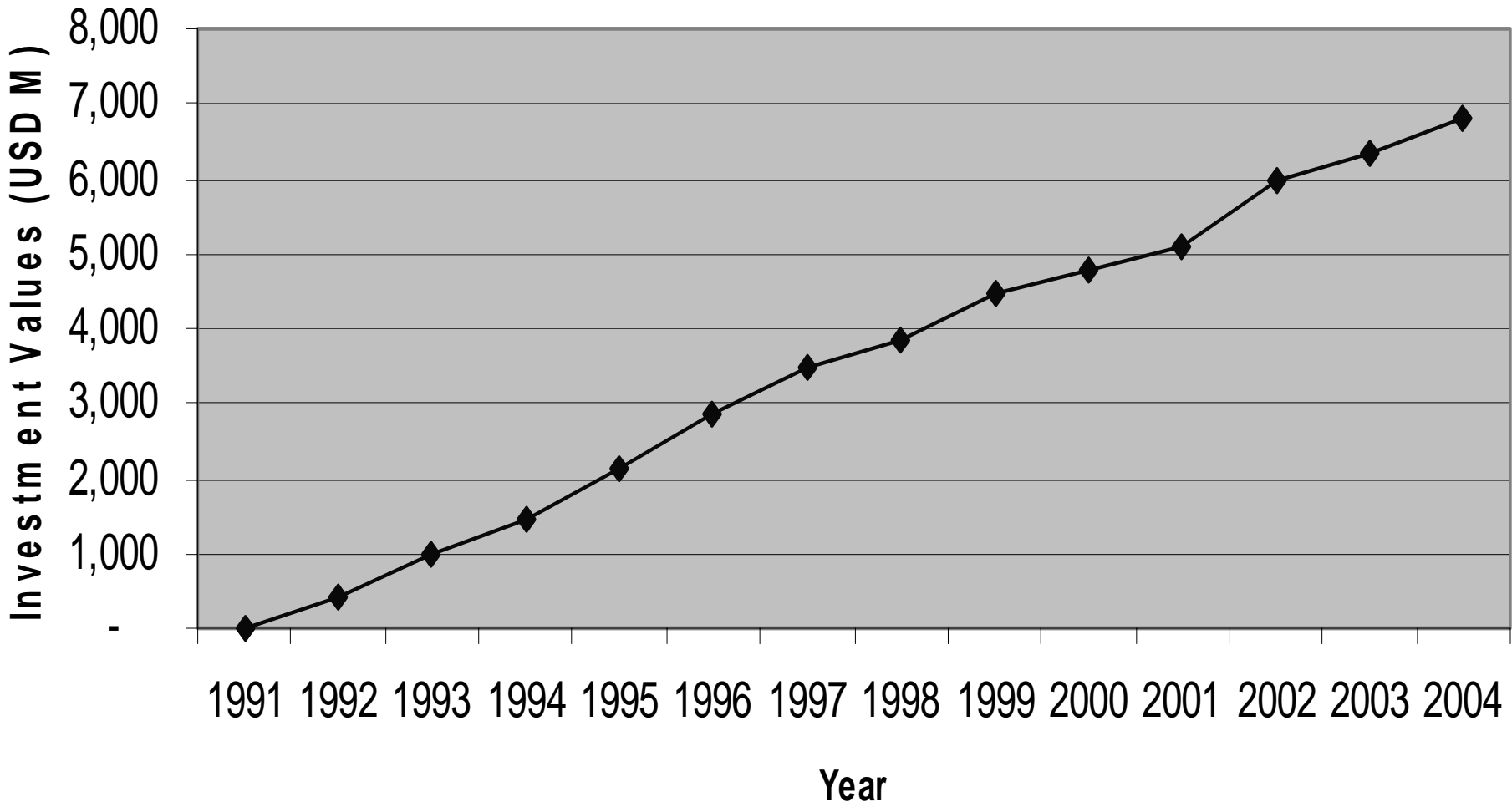


Uganda: Towards the Ideal Business Environment

1. Political Stability/ Security
2. Economic Stability
3. Good Infrastructure
4. Markets
5. Productive, competitive labour
6. Liberalised Banking and Finance
7. Streamlined Government machinery
8. Justice
9. Dialogue
10. Quality of Life
11. Incentives (Icing on the Cake!)



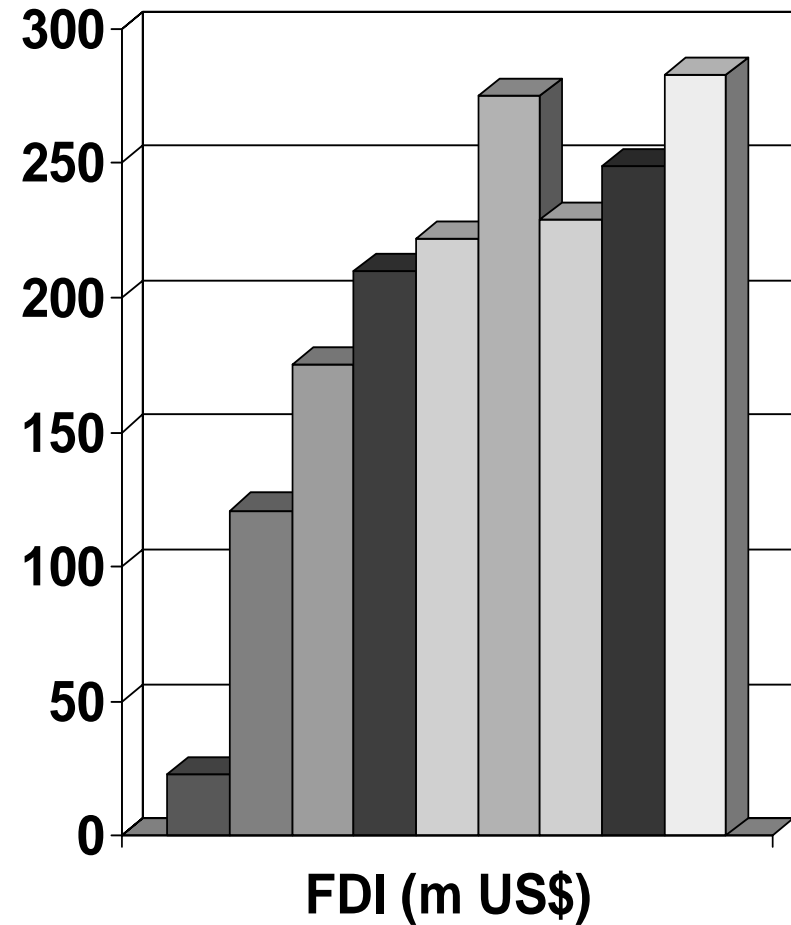
Planned Investment Values (1991 - 2004)



—◆— Cumm. Pl. Inv (USD M)

FDI inflows to Uganda (1989 – 2003)

Year	FDI m\$
1989/94 (avg)	23
1995/96	121
1997	175
1998	210
1999	222
2000	275
2001	229
2002	249
2003	283



Source: WIR 2004, UNCTAD

Uganda inward FDI position

world rank according to annual average inflows of FDI

1990-1995	1995-1999	1999	2000	2001
			Nicaragua 81	Lebanon 81
			<i>Uganda 82</i>	Brunei D. 82
			Bahamas 83	Qatar 83
		Tanzania 87	Myanmar 84	<i>Uganda 84</i>
	Tanzania 91	<i>Uganda 88</i>	Guatemala 85	Azerbaijan 85
	<i>Uganda 92</i>	Papua N.G. 89	Lesotho 86	Tanzania 86
	Uruguay 93	Zambia 90	Sri Lanka 87	Syria 87
	Zambia 94	UAE 91	Morocco 88	Latvia 88
			Zambia 89	Gabon 89
			Papua N.G. 90	Honduras 90

Armenia 159
Macao 160
Uganda 161
Somalia 162

Between the first and the second half of the 1990s, Uganda reported the fourth largest improvement in its FDI position, and the 11th largest inflows, in Africa.

Source: UNCTAD



Political Stability/ Security

■ Achievements

- Constitution
- Democracy
- Free Press
- Human rights
- Gender
- Decentralisation
- Corporate Governance
- Security

■ Challenges

- Multiparty 2006
- Constitutional Review
- Strengthening the Electoral commission
- Northern Crisis, Sudan, DRC
- Modernising Police and Army

Summary of Key Economic Indicators

	1993/4	2002/3	2003/4
GDP growth	6.4%	5.2%	6.0%
GDP shs billion	4,240	11,812	13,249
GDP US\$ million	\$3,950	\$6,273	\$6,847
Inflation	6.5%	5.7%	5.0%
Export of goods & services % GDP	8.7%	12.6%	13.5%
Export of goods & services % M	\$344	\$790	\$963
Total Investments as % GDP	15%	21%	22%
Percentage of Ugandans Living in Poverty	56%	38%	38%
Ugandan's Population	18m	25m	25m
Population growth rate p.a	3.4%	3.4%	3.4%

Source: MFPED



ECONOMIC REFORMS SINCE 1987

- Reduced inflation to single digits
- Liberalized trade Regime
- Ended Government Monopolies in Agricultural Marketing
- Liberalized interest rates
- Made Shilling fully convertible
- Liberalized Foreign Exchange Market
- Enacted New Investment Act in 1991
- Improved Regulatory environment
 - Government/private sector policy dialogue
 - Reformed commercial laws
 - Improved tax administration
- Privatization

UIA – VISION, MISSION AND ROLE

▪ VISION

“Make Uganda the leading Investment destination”.

▪ MISSION

“Make a significant and measurable contribution to Uganda’s development process by promoting private Investment”.

▪ ROLE

✉ *To promote, facilitate and monitor investment in Uganda.*

✉ *To provide advisory services to Government on policies which affect investment.*



Good Infrastructure

■ Achievements

- Telecoms
- Roads
- Electricity
- Water
- Air Transport

■ Challenges

- Broad band access
- Electricity (2004)
- Railway
- Port – Mombasa,
Dar es Salaam



Markets

■ Achievements

- Domestic
- Regional
- Global
- COMESA
- NEPAD
- EAC
 - Customs Union
 - Free movement of people/ labour
 - Common Investment Area

■ Challenges

- Negotiations
- National Identity Card
- Political Federation
- Quality & Standards of products
- Value addition to products
- AGOA



UGANDA A LEADING INVESTMENT DESTINATION

UGANDA'S STRATEGIC LOCATION IN THE HEART OF AFRICA



MARKET

Uganda - 24.7 million

East Africa - 90 million

Great Lakes Region- 159 million

COMESA

- 19 member countries

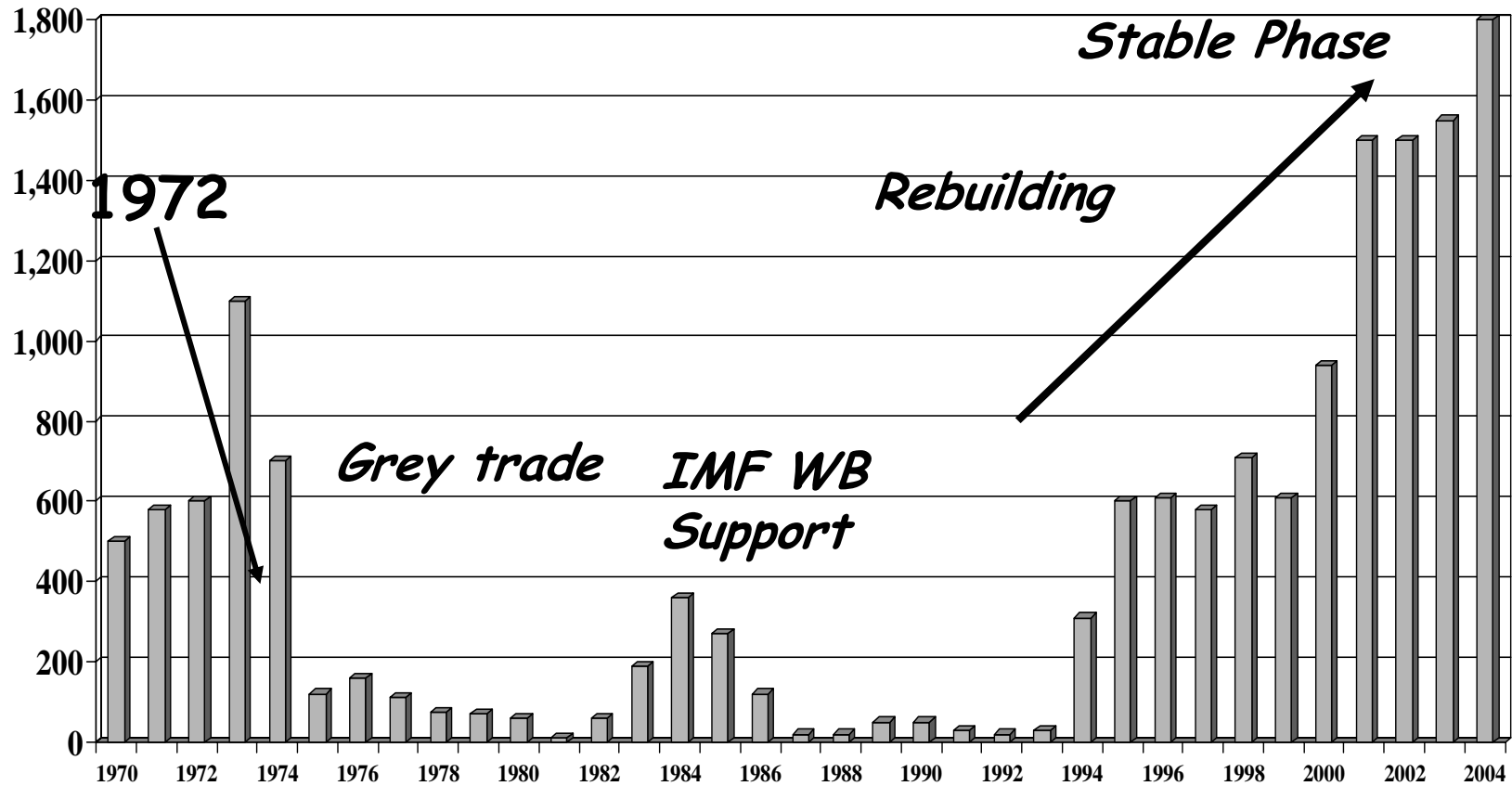
- 380 million people.

- Imports over US\$ 170 billion annually.

AGOA

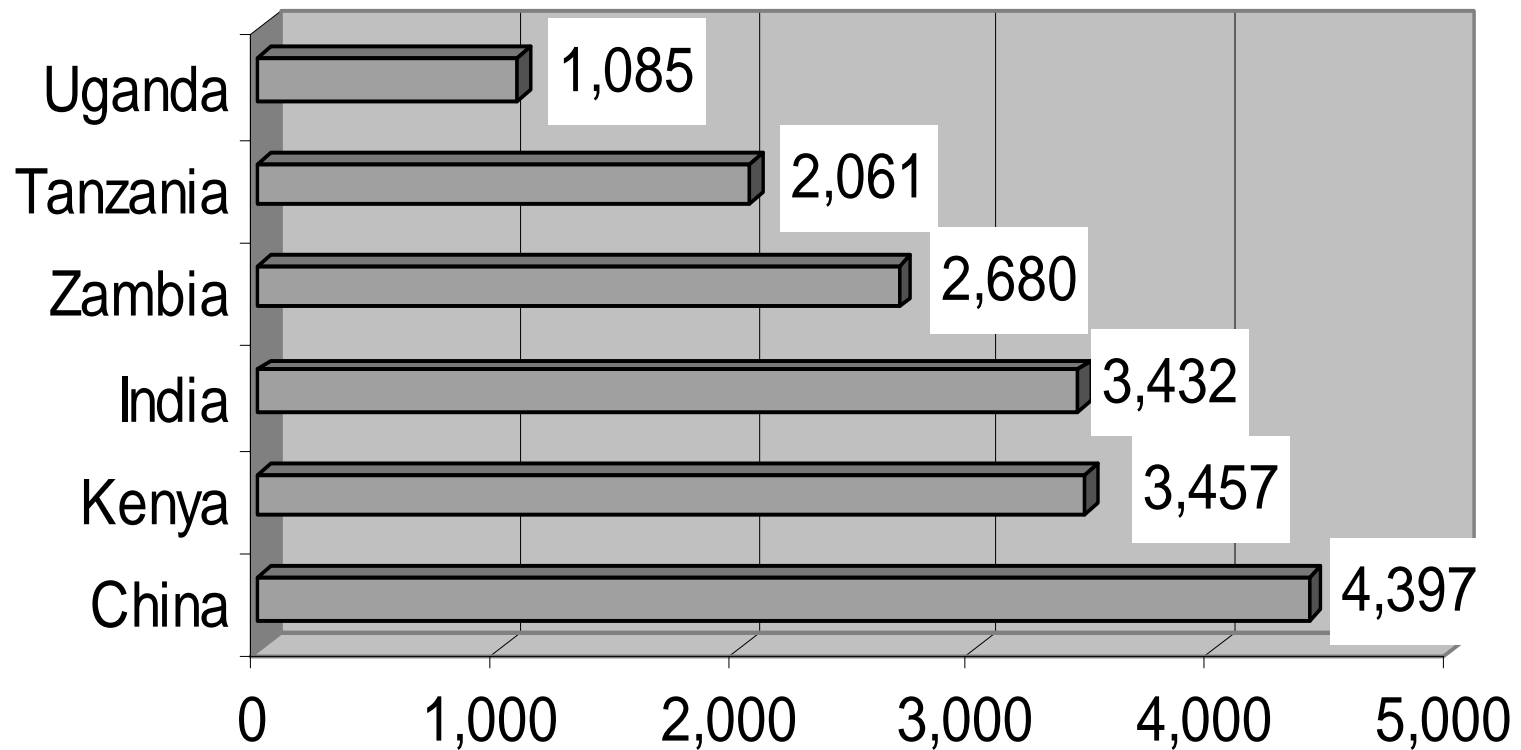
EU – Preferential Treatment of Exports

Unilever Uganda Limited Index Performance



Productive Competitive Labour

Productivity of Labour by Country: Median Value Added per worker in US\$



Source: World Bank Investment Climate Assessment



Productive Competitive Labour

■ Achievements

- Curriculum – include entrepreneurship
- ICT
- UPE
- Private Education
- Multinational CEOs
Ugandan e.g Shell,
Coca Cola

■ Challenges

- USE
- Science
- Research
- ICT at UPE
- Vocational Diploma
Courses



Liberalised Banking & Finance

■ Achievements

- Central Bank – Regulator
- Financial Institutions Bill
- Attracted Commercial Banks
- Mortgage
- Leasing
- Microfinance / Savings
- Development Banks
- CMA
- Vibrant Stock Exchange
- Unit Trust
- Credit Reference Bureau
- Insurance
- SME Banking

■ Challenges

- Interest Rates still high
- Entrepreneurs – bankable projects
- Foreign Inflows – donor, diaspora, exports
- Agricultural Banks

Streamlined Government Machinery



- **Vision 2025**
“ Prosperous People,
Harmonious Nation,
Beautiful Country.”
- **Poverty Reduction
Strategy Country Paper
(PRSCP)**
- **Poverty Eradication
Action Plan (PEAP)**
Target: By 2017 Poverty
will have been reduced to
less than 10%
- **Private Sector Led
Economy**



Streamlined Government Machinery

■ Achievements

- Team Uganda – UIA, URA, UEDCL, NWSC, KCC, Fisheries, etc
 - Customer Care
 - Produce Clients Charters e.g Vision, Mission, Services, Time, Cost
- e.g UIA

■ Challenges

- FIAS Admin Barriers-
- Individual bureaucrats
- Laws – 44 laws are outdated
- Regulatory Best Practice (Deregulation)
- E-government
- Decentralisation

UIA Clients Charter

Services	Time	Cost (Ug.Shs)
1. Investment Promotion		
(a) Response to investor inquiries		
(i) Email inquiries	15 minutes	Free
(ii) Fax and Letters	1 day	Free
(iii) Walk in	10 minutes	Free
(iv) Meetings	Instant	Free
- Business appointment	One day	Free
(b) Provision of Information		
(i) Electronic	Immediate	Free
(ii) Printed	Immediate	Free
(iii) Website update	Monthly	Free
(c) Preparation and Confirmation of Itinerary for potential investors	Three days	Free
2 Investment Facilitation		
(a) Licensing	Five days	1,500/=
(b) Recommend to immigration for work permits	Two days	Free
(c) Facilitate investors to acquire utilities	One day	Free
(d) Recommend for secondary licenses	One day	Free
(e) Recommend for access to finance		Free
(f) Access to land		
(i) Industrial	One Month	Comm. rate.
(ii) Agriculture	One Month	Comm. rate.
(g) After care services	Two days	Free
(h) Policy Advocacy	On going	Free



Administrative Barriers to Investment – FIAS 2003

- Land office
- Registrar of Companies
- Customs
- Immigration



Justice

Business depends on contracts

- Suppliers - Retailers
- Bankers - Service Providers
- Retailers - government, labour
- Must be enforceable

■ Achievements

- Commercial courts
- Tax Appeals Tribunal
- CADER
- Law Reform
- IGG
- Auditor General
- Credit Rating Bureau
- Sovereign rating BB
- APRM Transparency Int

■ Challenges

- Criminal courts
- Laws not passed
- ICT use



Dialogue

- Stakeholder National dialogue
- Government
- Private Sector
- Labour
- Media
- Civil society

-
- Achievements
 - National Dialogue
 - Smart Partnership Dialogue
 - Investor fora
 - President, Ministers supportive
 - Presidential Investor Round Table (PIRT)

- Challenges
 - Streamlining the dialogue



Quality of Life

Given climate, culture.

■ Achievements

- Private schools, hospitals, shopping malls, DSTV, hotels, creative industry, hair salons, etc

■ Challenges

- International Universities
- Specialised hospitals
- Services in rural areas

INCENTIVES

1.0 Investment Capital Allowances

1.1 Initial Allowance on plant and machinery located:

Entebbe-Kampala-Jinja Area 50%

Upcountry (other districts) 75%

Start up costs spread over the 4 years 25% p.a.

Scientific research expenditure 100%

Training expenditure 100%

Mineral exploration expenditure 100%

1.2 Initial Allowance on Hotel and Industrial buildings 20%

2.0 Deductible Annual Allowances (depreciable assets)

Depreciation rates of assets range 20-40%

Depreciation rate for Hotels, Industrial

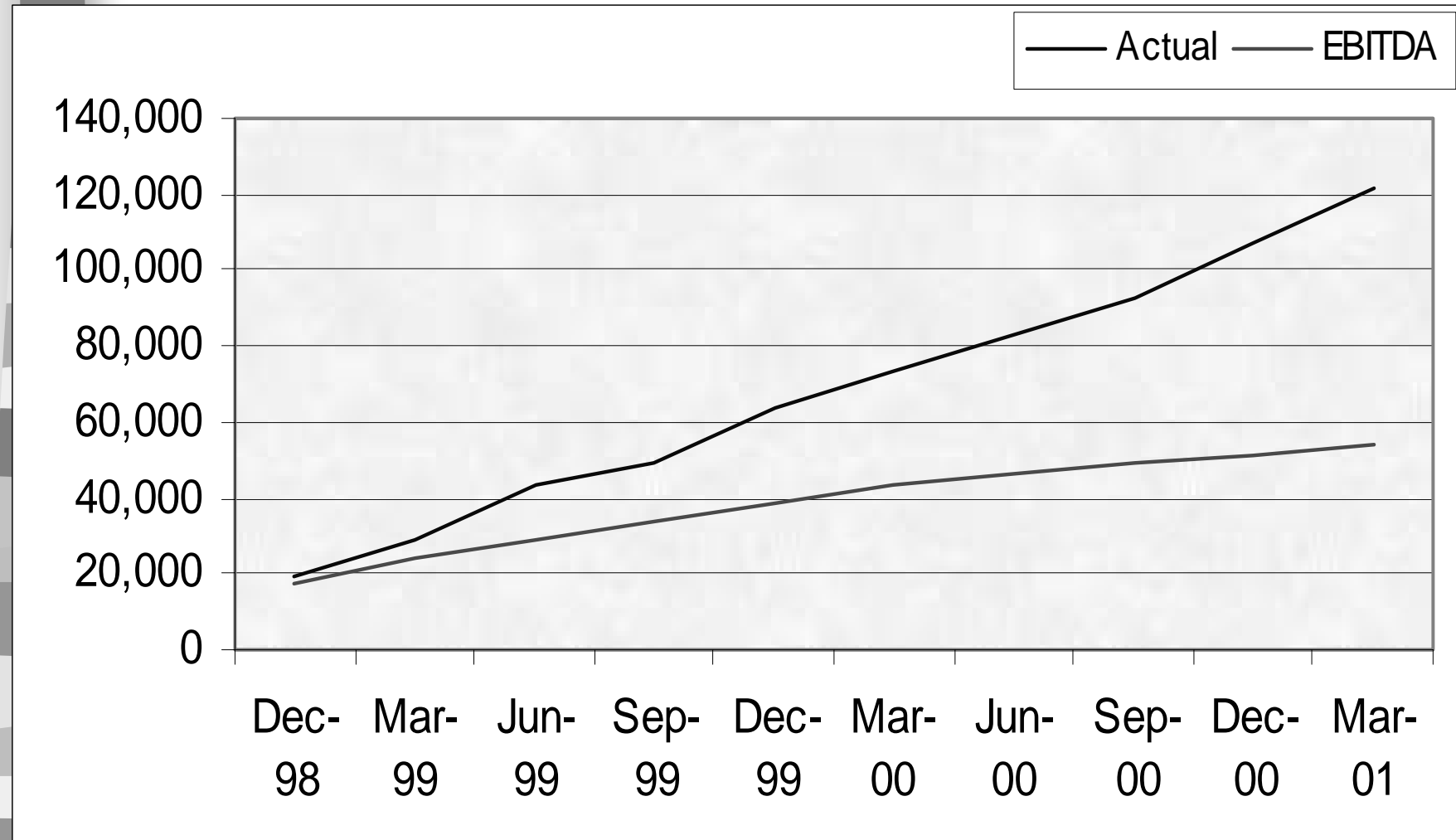
Buildings and Hospitals 5%

Example: Computer & data handling equipment 40%; Locomotives, office furniture 20%

Incentives (for industrial zones)

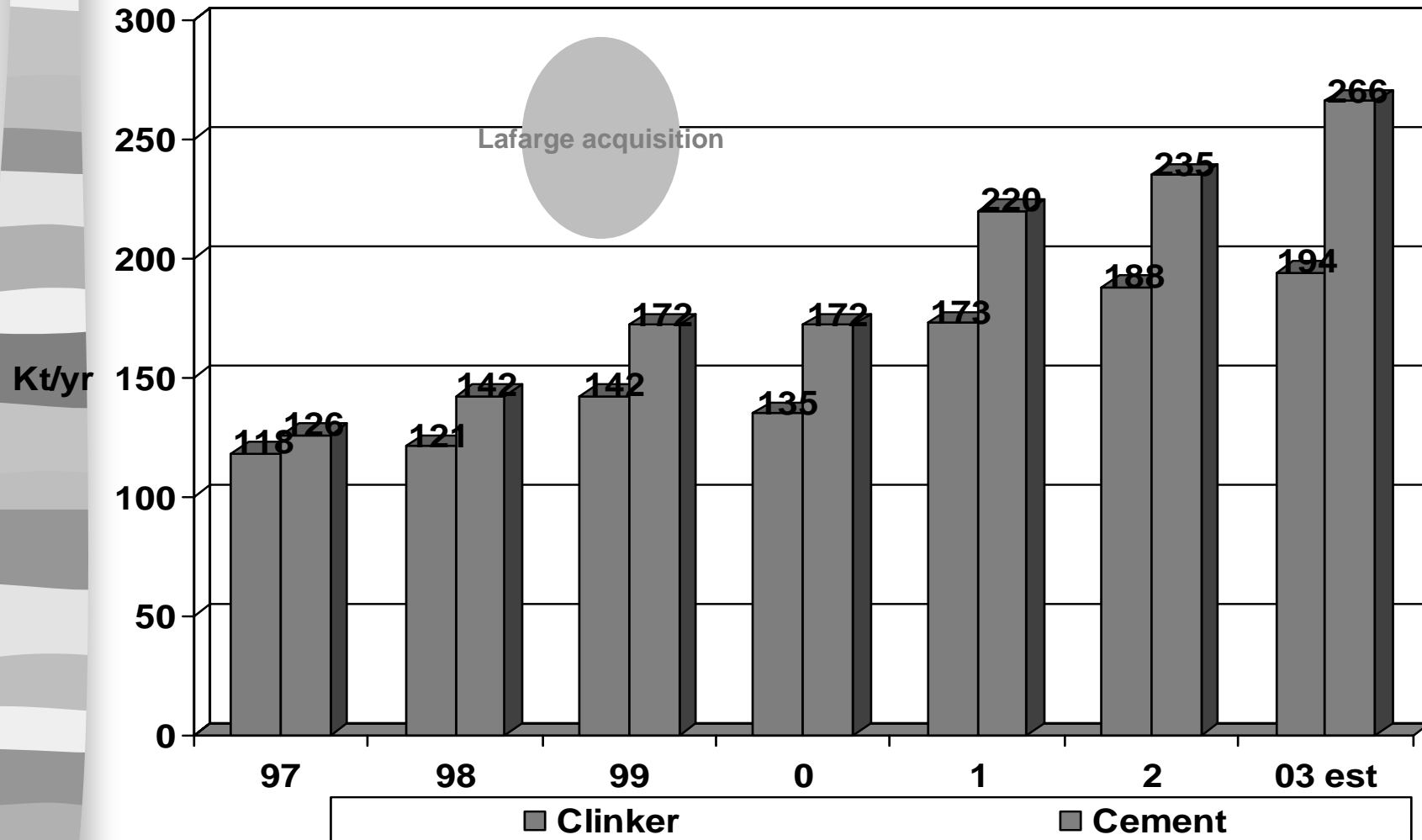
- Duty exemption on raw materials, plant & machinery and other inputs
- Stamp duty exemption
- Duty drawback to apply on import of goods from domestic tariff area
- No export tax on goods exported
- Exemption of withholding tax on interest on external loans, and
- Dividends repatriated to get relief from double taxation
- 10 year Corporation Tax holiday

MTN Uganda's Capital Expenditure



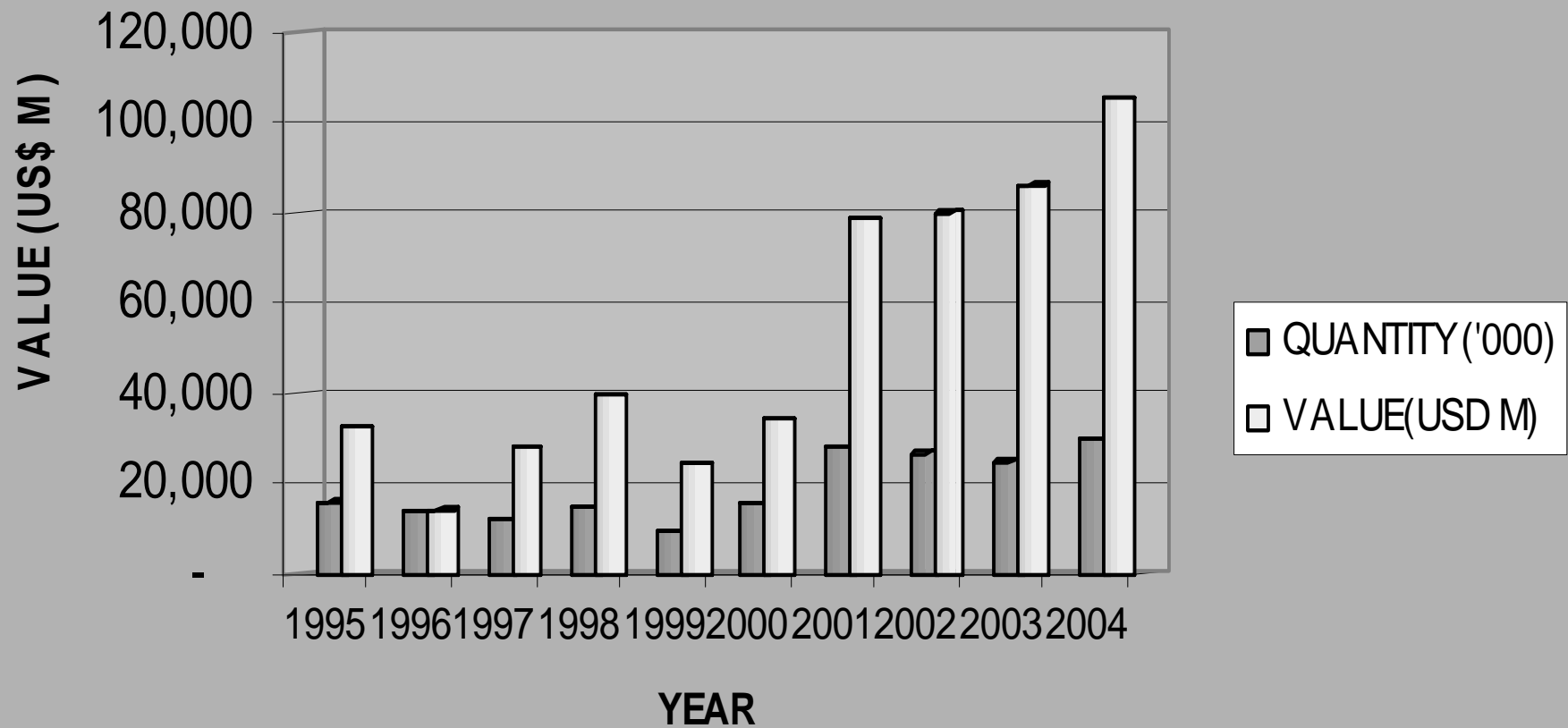
Source: MTN Information Memorandum

Hima Cement Ltd - Clinker and cement production pre and post acquisition



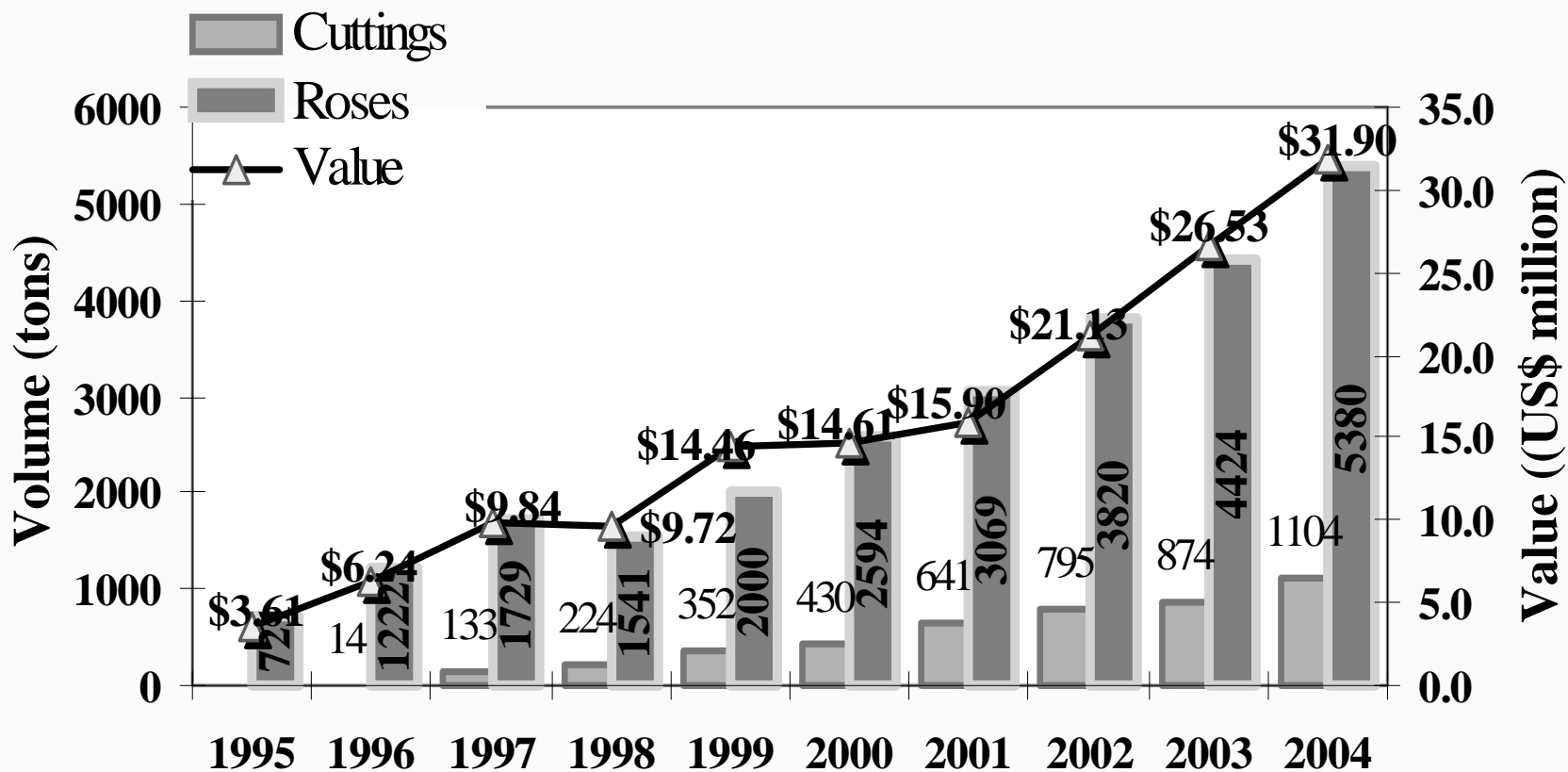
CASE STUDIES - FISH

FISH EXPORT STATISTICS 1995 - 2004



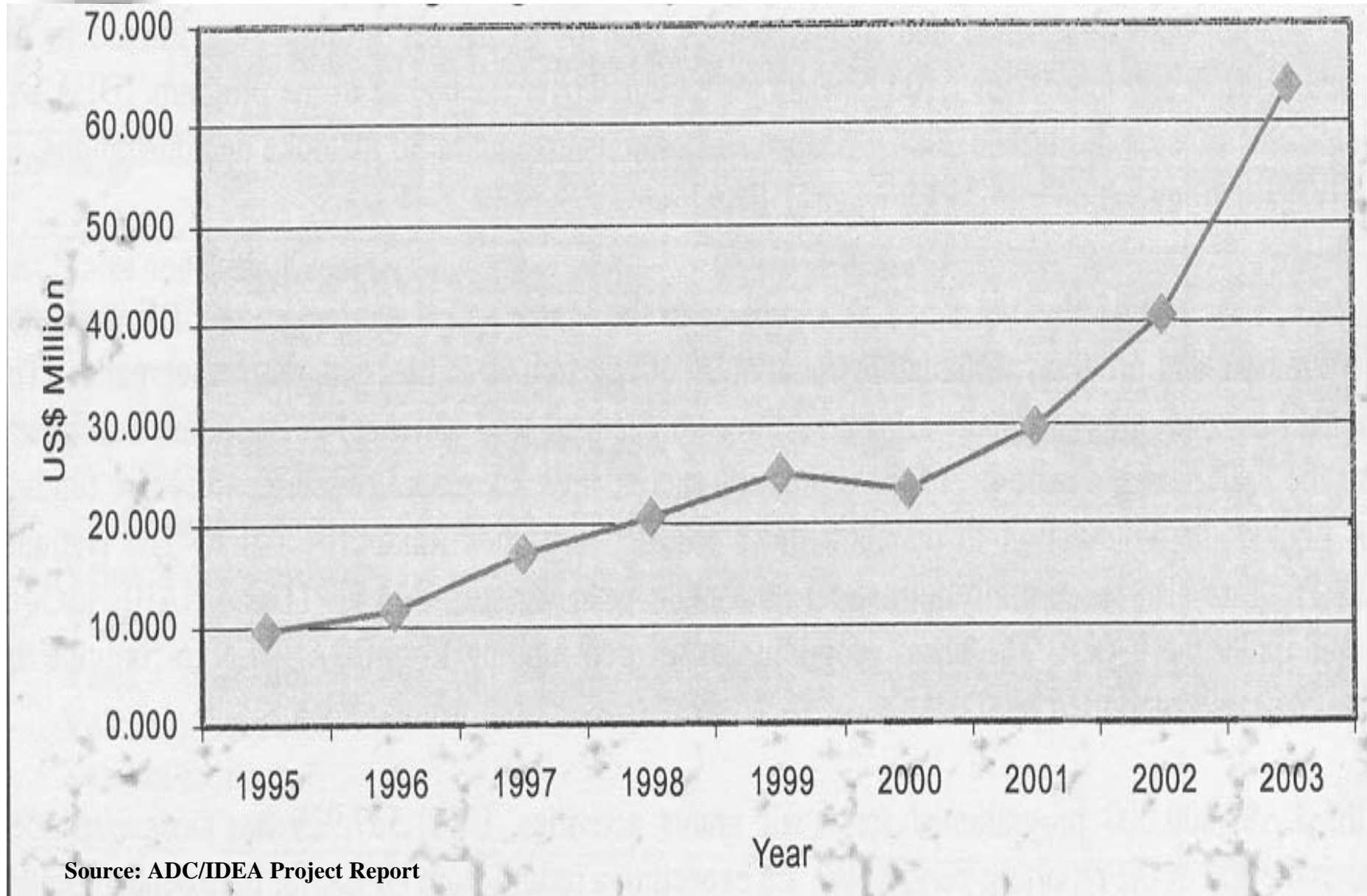
CASE STUDIES - FLOWERS

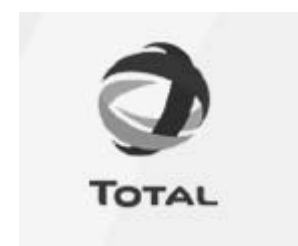
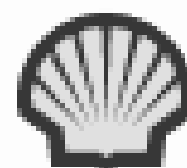
Volume and Value of Flower Exports from Uganda, 1995-2003



Source: Uganda Flower Exporters Association

High Value Export Values: 1995-2003







CONTACT INFORMATION

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