



Invest In Uganda

INVESTMENT COMPENDIUM



CRANE ASSOCIATED
ADVOCATES

LAW, BUSINESS AND MORE...

Esteemed clients,

We are pleased to present this Compendium, which will provide guidance for potential foreign investment. This document has been developed to give you a definite direction and focus on a foreign investments attraction strategy.

A brief overview of the business climate in Uganda is provided with profiles of 11 key sectors and a summary of market conditions, key demand drivers, a snapshot of investment opportunities as well as over 200 business ideas. Each chapter, in this publication attempts to give information on specific aspects of investment in Uganda and provides a starting point for prospective investment.

It provides summarized information on tax regimes, incentives and regulatory aspects that have a bearing on investment inflows. It also covers some legal, administrative and compliance aspects in the larger East African Community. In addition, investment and trade procedures are simplified.

We believe that for a growing and booming economy, propelled by investment, a comprehensive guide is the core of facilitating these investment inflows successfully. Furthermore, in the past decade, there have been growing foreign direct investments, which have generated keen investment for investors to invest more.

Uganda is now a stable and secure country with a conducive environment for investment. You will therefore, be sure that your investment will be protected. We also undertake through our lobbying prowess and close connection with the government to always connect you to the people that matter both in making your investment decisions and ensuring full protection for your investment.

We hope that this compendium will be a useful guide to your decision making to invest in Uganda. In case you require clarification or more information, kindly let us know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kalule Ahmed Mukasa', is written over a large, loopy flourish.

Kalule Ahmed Mukasa Esq.
Partner
Crane Associated Advocates

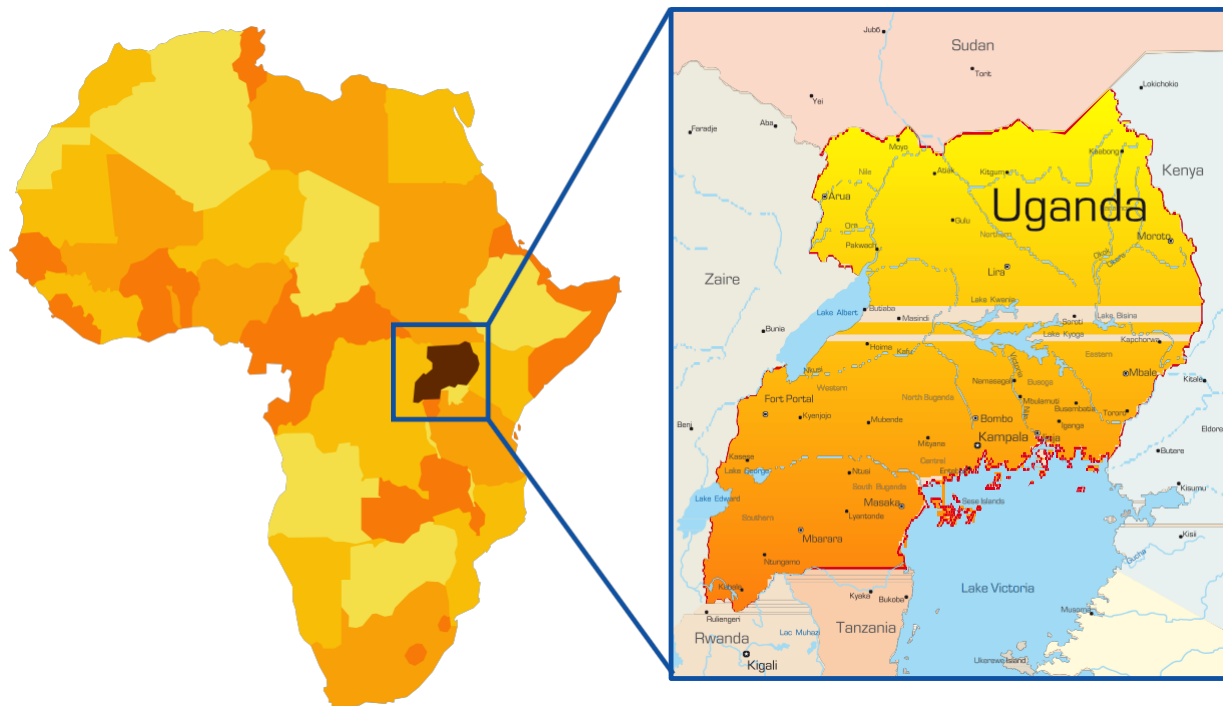
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1.1 Uganda – Key Features and their Economic Implications

Map 1: Uganda’s Geographical Position



Source: Uganda Investment Authority

1.1.1 Area

Uganda is located in the Eastern part of Africa, in the centre of the Great Lakes region, providing easy access to markets in Eastern and Southern Africa. Key information about Uganda is presented in form of geographical indicators below.

Geographical Indicators

Latitude	4°12'N & 1°29'S
Longitude	29°34'E & 35°0'E
Altitude (minimum ASL)	620 metres
(Maximum ASL)	5,110 metres
Total surface area	241,550.7 km ²
Area under water and swamps	41,743 km ²
Temperature	16-31°C
Rainfall	700 -2000 mm/year

1.1.2 Climate

Uganda's climate is mainly tropical with 2 seasons of both dry and wet weather, able to sustain 2 farming seasons in a year. The northeast of Uganda is semi- arid and therefore drier. Uganda's location astride the equator and the wonderful weather make it an all year round tourist destination.

1.1.3 Land Use

Approximately 21% of the land is under cultivation, 45% is under woodland and grassland. Approximately 13 % of the land is set aside as national parks, forests, and game reserves.

Uganda's fertile land is suited for all year round farming of agricultural crops, which can be sold both locally and to export markets.

1.1.4. Demographics

Uganda has a population of 35million (2014). It has an educated, adaptable and trainable labour force which has been growing at a rate of 2.9% per annum. The World Labour Flexibility index ranks Uganda at par with the USA - number 1, translated to mean that Uganda has the most flexible labour

market in the world. A comparative analysis of Uganda's demographic indicators with those of Sub-Saharan Africa and low income countries is highlighted in Table 1 below.

Table 1: Comparative Analysis of Uganda's Demographic Indicators with Sub-Saharan Africa and Low Income Countries

	Uganda	Sub-Saharan Africa	Low-income
Population, mid-year (millions)	35	853	796
GNI per capita (Atlas method, US\$)	500	1,176	528
Average annual growth, 2004-14			
Population (%)	3.2	2.5	2.1
Labour force (%)	2.9	2.8	2.6
Urban population (% of total population)	13	37	28

Source: World Bank

The official language is English. However, Swahili is the official language in the East African Community.



1.2 The Ugandan Economy

1.2.1 Size and Structure of the Economy

Uganda's economy is made up of Agriculture 24.2%; Industry 25.5%; and Services 50.3% sectors. The Agricultural sector includes Fisheries, Animal Husbandry, Dairy, and Crop sub-sectors. While the Industrial sector includes Manufacturing, Construction, and Electricity Supply sub-sectors; the Services sector is made up of Wholesale and Retail trade, Telecommunications, Hotels and Restaurants, Transport and Communications and Tourism sub sectors. Uganda has sustained economic growth at an average rate of 7% per annum.

1.2.2 Macro-economic Policy framework

Uganda has a good macro-economic policy framework. The key aspects of this macro-economic policy framework includes;

- (a) Foreign Exchange liberalisation
- (b) Privatisation
- (c) Public Private Partnerships

1.2.3 Medium Term Development Plan Priorities

Uganda's vision is to have "A transformed Ugandan society from a peasant to a modern and prosperous country within 30 years". This implies changing from a predominantly peasant low income to a middle income country within 30 years. It is envisaged that Uganda will graduate to the middle income segment by 2020

2.0 Regulatory Framework

2.1 Business Registration

In Uganda, a business can be set up by a sole trader / individual, in partnership, private or public limited liability companies.

Registering a Company

Companies are registered at the Uganda Registration Services Bureau (URSB). To register a Company, applicants must submit a draft Memorandum and Articles of Association to URBS. Once approved, a Certificate of Incorporation will be issued.

There is no minimum capital requirement to establish a Company. Stamp Duty of 1% is paid on the Nominal Value of the Company's Share Capital. The overall cost of registering a company is about US\$165,000 - excluding stamp duty. It takes only 4 working days to register a company.

Registering your Investment in Uganda

It is mandatory for foreign investors to obtain an investment license from Uganda Investment Authority (UIA), before setting up a business here where the investment exceeds USD 100,000. We will be ready to help you with this process

2.2 Taxation

Tax Registration

It is mandatory to register your business with Uganda Revenue Authority (URA), upon commencement of business. Unincorporated bodies and individuals are expected to file a Preliminary Enquiry Form with the nearest URA office. We can guide you through this process.

Structure

The Uganda Tax System can be summarized within Six (6) major Elements.

- Individual and Corporate income tax,
- Value added tax (VAT) on goods and services,
- Import and Excise duties, and
- Stamp duty.
- Pay As You Earn (PAYE).
- Rental Tax

The Uganda Revenue Authority is the overall Government agency mandated to assess, collect specified tax revenue, administer and enforce laws relating to such revenue.

2.3 Investment Incentive Regime

The Uganda government offers a fair incentives package that provides generous capital recovery terms, especially if your project will entail significant investment in plant and machinery and you're likely to yield profits over the longer term. Information and the details can be obtained at Uganda Investment Authority.

2.3.1 Sector Specific Incentives

Sector specific incentives are available in the following sectors: Tourism, Agriculture, ICT (Business Processing Outsourcing), Renewable Energy (Solar, Wind, Geothermal and Rural electrification), Education, Health, etc.



3.0 Sector Profiles

3.1 Agriculture

3.1.1 Sector Size and Structure

Agriculture is a core sector of Uganda's economy. It contributed about 23% of GDP at current prices in 2017. Agricultural exports accounted for 48.5% of total exports in 2017. The sector provides the basis for growth in other sectors such as manufacturing and services.

About 60 percent of Uganda's population is engaged in agriculture, forestry and fishing. Agriculture has grown at an average rate of 2.8% per year in the last 8 years. It presents immense opportunities for growth in other sectors like manufacturing especially agro-processing.

It is for these reasons that the sector has been given priority in the national development plan.

The Agricultural sector is structured along the following lines:

i. **Traditional Cash Crops:**

Include coffee, cotton, tea, cocoa, tobacco, sugarcane

ii. **Non-traditional Cash Crops:**

Include; Maize, Rice, Beans, Soya Beans, palms, and Horticultural produce. The cash crops subsector accounted for 9% of agricultural value added products and grew by 16.2 % in FY2016/17.

iii. **Livestock sub-sector:**

The Livestock Census (UBOS 2008) indicated that the national cattle herd is estimated at 11.4 million, 12.5 million goats, 3.4 million sheep, 3.2 million

pigs and 37.4 million poultry birds. The Census also showed that livestock numbers had increased across all animal types: cattle, sheep, goats, poultry and others. But livestock production levels could only meet half of the domestic and regional demand. Growth in the sector has been achieved as a result of a favourable macroeconomic environment, policy and institutional reforms including liberalisation of the sub-sector.

iv. Fishing

The fishing subsector accounted for 3.1 % of GDP at current prices in the 2016/17 financial year.. 20% of Uganda's surface area is covered by water. The country has enormous potential for fresh water fisheries and aquaculture production. Uganda's fisheries resources are diverse in aquatic ecosystems and in fish species bio-diversity.

3.1.2 Players in the Sector

The agricultural sector is fragmented and dominated by small farmers most of whom combine subsistence farming with cash crop and livestock farming. Most farmers own land individually except in parts of Northern Uganda where pastoralists land is owned communally. Farming is gradually becoming mechanised although the bulk of cultivation is still done by hand or cattle driven ox ploughs.

Large / Commercial scale farming of cash crops is found in parts of the Central, South and South Western parts of Uganda. There are commercial plantations of tea, palms, rice, and sugarcane. Coffee and banana plantations tend to be small although in some parts of the South West, there are some commercial scale banana plantations that supply produce to Kampala and other urban centers.

Livestock farming is on a small scale; by small farmers too, although of recent commercial ranches are gradually beginning to increase in parts of the South West.

Commercial fishing is still rare. Small scale fish mongers catch fish from Uganda's lakes and rivers and sell it. Increasingly, fish processing plants are

being set up to process and pack frozen fish for export. There are investment opportunities involving developing commercial fishing fleets, processing plants and fish farms.

Statutory Institutions

Ministry of Agriculture , Animal Industry and Fisheries (MAAIF). There are eight semi autonomous bodies which report to the Ministry for policy guidance. These are:

- National Agricultural Research Organization (NARO);
- National Agricultural Advisory Services (NAADS) for delivery of advisory services;
- National Animal Genetic Resource Centre and Data Bank (NAGRC&DB) for animal genetic development;
- Coordinating Office for the Control of Trypanosomiasis in Uganda (COCTU) ;
- Dairy Development Authority (DDA) for promotion of Dairy development;
- Uganda Coffee Development Authority (UCDA) for promotion of coffee development;
- Cotton Development Organisation (CDO) for promotion of cotton development;
- Plan for Modernisation of Agriculture Secretariat (PMA)

3.1.3 Demand Drivers and resource base factors

Demand drivers

Demand for agricultural produce is driven by:

- Local, Regional and Global population growth
- Urbanization
- International demand for organic agricultural commodities
- Changing dietary needs
- Demand for bio fuels
- Rise in per capita income
- Demand for ethical products
- Food purchases by humanitarian organisations like World Food Programme
- Government policy to improve the sector

Resource Base Factors

Uganda is endowed with:

- Fertile soils
- All year round sunshine with moderate temperatures
- Sufficient rainfall
- Many lakes and rivers with sizeable stocks of aquatic life and
- Its surrounded by neighboring countries that are not able to produce enough food to feed their populations.

3.1.5 Investment and Business Opportunities

Investment opportunities exist in Primary production, Value addition and Services in the agriculture sector.

Primary Production

- Commercial farming opportunities exist in traditional and non-traditional cash crops targeting local, regional and international markets; apiculture development; and sericulture development
- Horticulture
- Commercial fish farming
- Poultry farming
- Animal husbandary farming
- Green house farming for seasonal commodities like vegetables fruits and flowers so they are available all year round

Value Addition

Food Processing: Coffee roasting and grinding plants; grain processing; fish and beef canning;, tomato paste;, fruit juice extraction; Natural fibre processing; instant coffee processing. Butter and cheese production, yoghurt, milk curds, UHT milk; hides and skin processing; honey processing; bees wax; silk textiles; production of animal feeds, as well as fertilizers; making pasta out of maize; manufacture of cooking oil from nuts and maize; hatcheries

Services

- Storage facilities for grain, milk, coffee.
- Transport management and logistics.
- Packaging
- Setting up abattoirs in different parts of the country
- Commodity brokerage
- Agricultural Institutional financing
- Advisory services for both crops and animals
- Farm implements, inputs and machinery
- Irrigation
- Veterinary and plant medicine

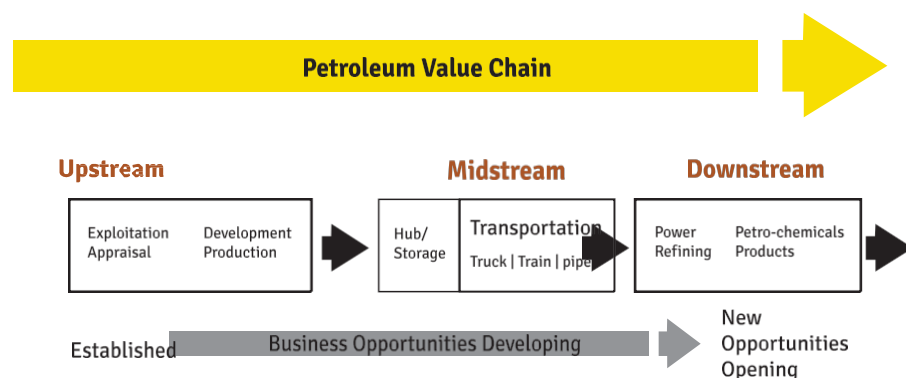


3.2 Oil and Gas Sector

3.2.1 Size and Structure

The upstream oil potential capacity defined in terms of reserves is currently estimated at 3.5 billion Barrels of Oil as of June 2012, with most of it concentrated in the Albertine Graben. The oil reserves are likely to increase since exploration is on-going.

Illustration1: Structure



Current Structure of Players In The Sector Upstream:

Government

The sector is regulated by the Petroleum Authority of Uganda which is an autonomous government parastatal

Exploration Companies

The major players: Tullow Uganda Operations Limited, TOTAL E&P and China National Oil Offshore Corporation (CNOOC) are partners in developing discovered reserves. The developments open gates for possible US \$10billion investments in the sector.

Midstream: (Transportation and refining)

The government has plans of building a refinery in a move aimed at adding value to the crude oil, boosting employment for the locals and creating opportunities for local entrepreneurs to provide services.

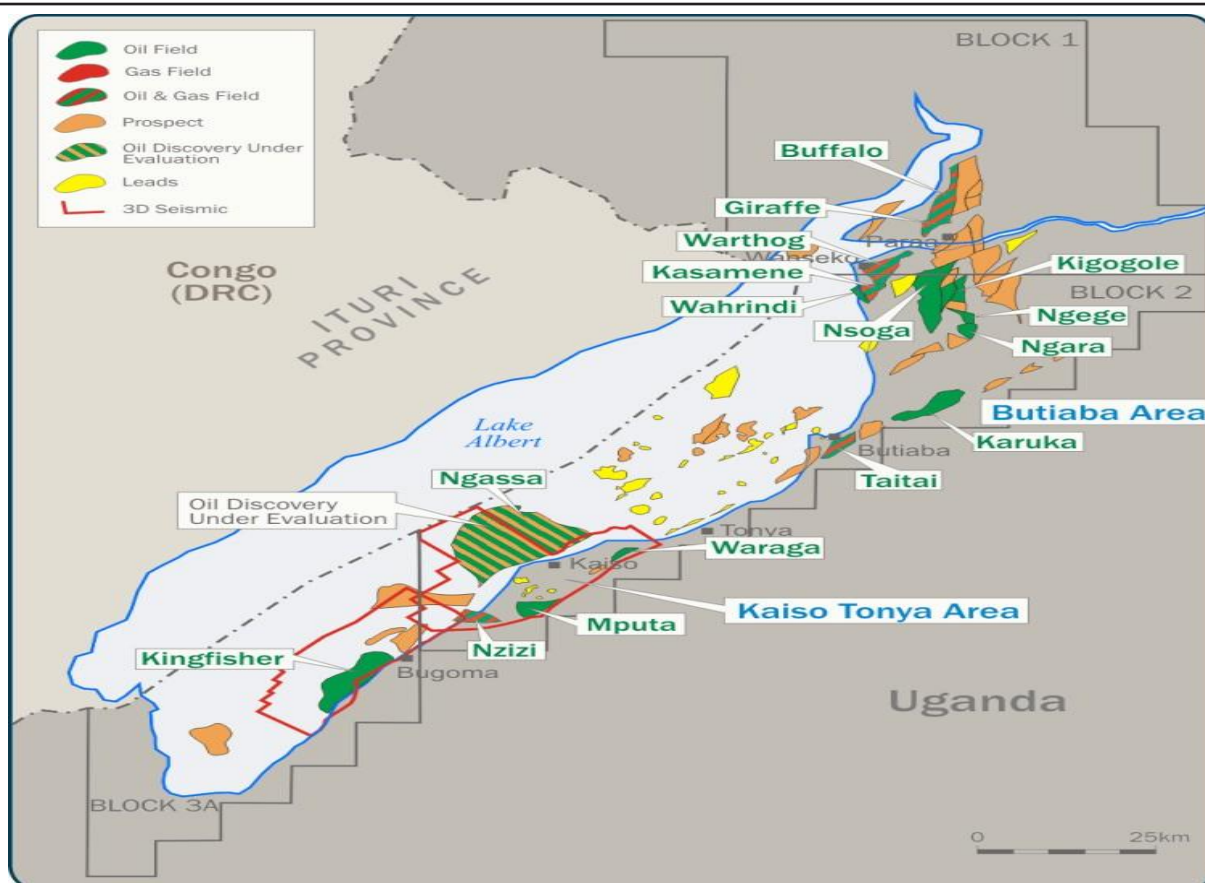
Downstream: Distribution and marketing

Currently, the nation meets all its petroleum needs with imports now standing at 847,603 cubic meters, and estimated at US\$ 320 million per annum.

This constitutes about 8 per cent of total national imports and represents slightly above 20 per cent of total export earnings.

Petroleum products include Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Bulk Illuminating Kerosene (BIK), Aviation Fuel, Fuel Oil (FO) and Liquefied Petroleum Gas (LPG) and other products including Lubricants and Bitumen are imported into the country. The average annual growth of petroleum consumption stands at about 5 per cent of GDP.

Map 2: Oil Discoveries In Uganda



Source: Uganda Investment Authority

3.2.2 Demand Drivers and Resource Based Factors

Demand Drivers

- Economic growth in Uganda
- Global economic growth
- Increased consumer incomes and affluence
- Purchase and use of individual and family cars
- Population growth
- Education and affluence

Resource Base Factors

- The discovery of oil paves way for the development of commercial oil production of Uganda.
- Uganda and the region import all its oil and petroleum products. Oil is a major economic driver.
- Population growth and urbanization.
- The need to supplement its own hydro-electric power.
- There is need for petroleum by-products like tar/bitumen road for construction, fertilizers for the agricultural sector, insecticides, Jet A1 for aviation and many others.
- Transport and Distribution

3.2.3 Key Trends

Projections

Table 2: Oil Production Projections

	2015	2020	2025	2030	2035	2040
Barrels per day('000's)	200	250	300	350	300	280
Barrels per year - 365 days ('000's)	73,000	91,250	109,500	127,750	109,500	102,200
Oil value per day('000's)						
US 80 dollars per barrel('000's)	16,000	20,000	24,000	25,000	24,000	22,400
US 60 dollars per barrel('000's)	12,000	15,000	18,000	21,000	18,000	16,800
Oil value per year ('000's)						
At US 80 dollars per barrel('000's)	5,840,000	7,300,000	8,760,000	10,220,000	8,760,000	8,176,000
At US 60 dollars per barrel('000's)	4,380,000	5,475,000	6,570,000	7,665,000	6,570,000	6,132,000
Government Revenue per day						
US 80 dollars per barrel ('000's)	6,400	8,000	9,600	11,200	9,600	8,900
US 60 dollars per barrel ('000's)	4,800	6,000	7,200	8,400	7,200	6,720
Government revenue per year						
At US 80 dollars per barrel ('000's)	2,336,000	2,920,000	3,504,000	4,088,000	3,504,000	3,270,400
At US 60 dollars per barrel ('000's)	1752000	2,190,000	2,628,000	3,066,000	2,628,000	2,175,800

Source: Economic Policy Research Center (EPRC)



3.3 Energy Sector

3.3.1 Size and Structure

The total energy consumption in Uganda is estimated at over 5 million tons of oil of which 93% is derived from biomass (wood/ charcoal and agricultural residue); electricity and oil products constitute 7%. Uganda generates its own electric power from Nalubaale, Bujjagali, Kilembe, Mpanga, Nyangaki, Bugoye hydropower stations, and thermal stations.

The energy consumption pattern shows that residential related activities account for 70.3 % of total use. The rest is accounted for by commercial use (13.6 %), Industrial use (10.7%), transport use (5%) and other uses (0.4%).

Most of the energy consumed for residential activities is woody biomass energy, which cannot be used in industries in its raw form. The low level of access to electricity energy, high tariff and low generation capacity explains why the majority of Ugandans use woody biomass energy as a source of fuel.

Although, the consumption of electricity per capita is low, Uganda has an estimated hydropower potential of (over 4,500MW), biomass co-generation (1,650 MW), geothermal (450MW), peat power (800MW), high solar power and fossil fuel thermal potential as well as a high nuclear energy potential. Exploitation of these potentials will massively reduce the deficit with time. Uganda exports some of the generated power to neighboring Kenya, Tanzania and Rwanda. The total exports to these three countries are expected to be more than 180MW in the near future.

Energy sources available in Uganda include fuel wood, charcoal, bagasse, petroleum products and electricity (hydro and thermal).

Biomass Energy

The contribution of forestry to national energy demands is mostly expressed through woody biomass use by households and institutions for heating purposes.

Petroleum Energy

Petroleum products include Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Bulk Illuminating Kerosene (BIK), Aviation Fuel, Fuel Oil (FO) and Liquefied Petroleum Gas (LPG). All these petroleum products are imported. Petroleum is also used to generate thermal energy.

Geothermal Energy

There are a number of sites identified in western Uganda with potential for generation of geothermal energy. These include; Katwe-Kikorongo, Burunga and Kibiro in the Albertine Graben in western Uganda. However, these are yet to be exploited.

Wind Energy

There are a number of sites in northern and north eastern as well as the central region of Uganda with potential for generation of wind energy. These include; Karamoja and Lake Victoria islands. However, these are yet to be exploited.

Solar Energy

Uganda's location astride the equator presents immense potential for generation of solar energy.

Hydro Energy

This is the major source of energy in Uganda. It is mainly used for industrial and commercial purposes.

The total installed capacity of electric power plants that feed into the national grid increased by 5.6 % from 539 Mega Watts (MW) in 2010 to 569MW in 2011 following the commissioning of the Bujagali Hydro power project in 2012, the capacity now stands at 819 MW.

3.3.2 Status of Economic Activities in the Sector

Biomass

The total nominal value for consumption of charcoal and firewood in 2016/17 was estimated to be Shs 409.1 billion. This source of energy is used in many households country-wide. This subsector is highly fragmented and dominated by small producers and families. Charcoal is made by individuals who sell it locally or to small traders who then move it on to towns and cities.

Petroleum and Its Products

Petroleum and petroleum products are used for transport. Products for transport include; Premium Motor Spirit (PMS), Automotive Gas Oil (AGO) and Aviation Fuel (Jet A1). Other products like Kerosene (BIK), gas, lubricants and bitumen are used for cooking, lighting, building and road construction. Currently, all petroleum products are imported into the country.

Electricity

The predominant sources of electricity are thermal and hydro. The total installed capacity of electric power plants that feed into the national grid increased by 5.6 % from 539 Mega Watts (MW) in 2010 to 569 MW in 2011 and now stands at 819MW as of 2016

Table 3: Installed Capacity and Actual Generation of Power Connected to the National Grid

Type of Power	Installed power capacity	Actual power Generation	Remarks
Hydropower	659MW	390–450MW	180MW (Nalubaale HPP)
			200MW (Kiira HPP)
			28.84MW (Mini –HPP) Bujjagali 250MW
Biomass Potential	Power 26MW(17 MW) connected to the Grid	26MW(17MW) connected to the Grid	Kakira (18MW) but to grid (12 MW), Kinyara (8MW) but to Grid 5 (MW)
Thermal power	170MW	170MW	Namanve (50MW), Kiira (50MW) & Tororo (20MW)

Source: National Development Plan 2012

3.3.3 Demand Drivers and Resource Base Factors

Demand Drivers

- Population growth and rapid urbanization
- Industrialisation.
- Power demand in the region.
- Increased wealth in the rural communities.

Resource base factors

- Natural rivers and waterfalls for hydropower generation.
- All year round sunshine, which can be harvested for solar energy.
- Oil and gas deposits.
- Geothermal resources.
- Natural forests for biomass.
- Uranium deposits.



3.4 Transport Sector

3.4.1 Size and Structure

The Transport sector is complementary to other sectors namely; Agriculture, Forestry, Tourism, Mining, Oil and Gas, Manufacturing, Housing development and Information and Communication Technology.

The sector has two subsectors, transport infrastructure and transport services. In Uganda, the existing transport services include but are not limited to road, air, railway, and water. The transport service sub sector contributed 2.5% of GDP, equivalent to Shs1, 248 billion at current prices in 2016/17 financial year.

Air transport and support services contributed 0.7% of GDP equivalent to Shs400 billion in 2016/17 financial year.

Road Transport infrastructure:

The total national road network is estimated at 78,100 km of which 4 per cent is paved. The length of paved roads increased from 3,112 kilometres in 2010 to 4,890 kilometres in 2017. The Government of Uganda has placed high priority on development and maintenance of road infrastructure in the next 10 years.

Road Transport services:

Include Passenger Service Vehicles (PSV), which consists of buses and mini buses; privately owned cars, cargo vehicles, motorcycles (Boda Boda) used to transport passengers; bicycles and to a limited extent donkeys. Government intends to put in place a high volume public transport system to manage traffic levels in the country.

Air Transport infrastructure:

Air transport is playing an increasing role in the promotion of tourism and in regional integration. In addition, since the country relies on the sea route to Mombasa for international trade, air transport is an alternative transport system especially in the transportation of perishable products.

In terms of infrastructure, Entebbe International Airport is currently the main functional entry and exit point into the country. There are also aerodromes (airfields) in Uganda namely: Arua, Gulu, Soroti, Pakuba, Kidepo Mbarara, Masindi, Jinja, Lira, Moroto, Kisoro and Kasese, which have been designated as exit points to handle cross border air traffic within the region. There are 60 licensed airfields but only 30 are in use. Government has also started the construction of the second international air port in the oil region of Hoima to among others, facilitate the development of the oil sector.

Rail Transport infrastructure: Currently, there are 321 km of functional rail network covering the main line from Malaba- Kampala route (251km), the Port Bell-Kampala link (9 km) and the Tororo-Mbale line (61km). The increasing export and import cargo volumes are creating a significant investment potential in railway transport.

Water Transport infrastructure:

18 per cent of Uganda's surface area consists of lakes, rivers or swamps. The principal lake and river system includes Lakes; Victoria, Kyoga, Albert and George, together with River Kagera, the River Nile.

Currently, both motorized and non motorized vessels ply the above lakes and rivers. Some water routes are served by wagon ferries while others are served by road bridge vehicle ferries. The wagon ferry routes are Port Bell - Mwanza and Port Bell-Kisumu, which also connect to the rail network. There are seven bridge vehicle ferries including three on Lake Victoria, two on Victoria Nile, one on Lake Albert and one on Albert Nile.

including oil that have overstretched and put pressure on the existing transport infrastructure. This has created opportunities for investment in infrastructure maintenance and development; as well as investment in new and improved fleets of vehicles, rail wagons, aircrafts and boats.

Lake Victoria the biggest water body in the region presents connectivity among the three regional countries as one market.

National Roads

The Government of Uganda plans to improve the stock and quality of road infrastructure, which involves upgrading specific national roads from gravel to class I and II bitumen standard. The target is to:

- Upgrade national roads to 6000 kms by 2020
- Reconstruct or rehabilitate sections of national roads
- create dual carriage roads in specific sections of national roads to improve their capacity
- Upgrade specific district roads to national roads
- To maintain national roads in good condition
- To meet these targets the Government intends to adopt a Public Private Partnership arrangement. .

Railways

The government of Uganda plans to increase the volume of passenger and freight cargo conveyed on the rail network. The plan involves: rehabilitating the existing rail network and to increase the haulage capacity; reconstruction of Kampala-Kasese and Tororo-Pakwach railway lines and some sections of Malaba-Kampala railway line; construction of a standard gauge rail system connecting Kampala to Malaba with future connectivity to other parts of the country. It also plans to overhaul and revitalize the operations of the national rail system to increase haulage on the existing rail system; and to procure additional passenger and cargo locomotives.. The railway system is expected to provide cost effective transport system for both passengers and cargo

3.4.2 Status of Economic Activities

Uganda has enjoyed sustained economic growth over the last ten years, rising tourist numbers, growing population and new discoveries of minerals

Air Transport

Air transport is a growing mode of transport.. Increase in economic activity has created demand for additional air transport services. Passenger traffic is overwhelmingly dominated by international passengers. In 2017, international passengers accounted for 97 per cent of total passenger traffic. The percentage is even higher for international cargo traffic, which virtually accounted for all total cargo traffic in 2017. The government has planned interventions to improve air transport, some of which include:

- Upgrading Entebbe airport to class A standards and the construction Kabale international airport.
- Completing the on-going upgrade of Arua airfield and upgrade Kasese, Soroti, Pakuba and Kidepo airfields to exit ports.
- Modernizing and expanding the meteorological services' infrastructure.
- Revising existing Public Private Partnership opportunities to allow other players on regional flight routes to and from Entebbe besides air Uganda.
- Entering into Public Private Partnerships to increase the domestic flights to various parts of the country.
- To acquire land and gazette future airfields.

Water Transport

Uganda's waterways have the potential to provide the cheapest mode of transport in comparison to road, air and rail. Government, currently, plans to increase the volume of passenger traffic and cargo freight by marine transport.

Planned interventions include:

- Conducting hydrographical surveys to map navigable routes on Lake Victoria and other lakes;
- Rehabilitating the two Ugandan wagon ferries and replace the MV Kabalega;
- Rehabilitating port infrastructure at Port Bell, Jinja and Butiaba. These activities will create investment opportunities for private investors.

3.4.3 Demand Drivers and Resource Base factors

Demand Drivers

- The increased economic activities have put pressure on existing transport infrastructure.
- Growing tourist numbers have led to an increase in demand for road, air, marine and rail transport.
- Discovery of oil and other minerals requires improved transport infrastructure to facilitate exploitation of these resources.
- Increased urbanization demands an efficient transport network.
- Increased industrialization lends to increased movement of export and import goods.
- Increased cross border trade rates call for increased demand for provision of efficient means of transport to enhance transport of people and goods.
- Regional integration.

Resource Base Factors

- Rivers and Lakes to develop waterways
- Oil refinery by product bitumen used to make roads
- Granite and other rocks used to make tarmac
- Civil Engineering Universities that churn out engineers able to build and maintain roads and other transport infrastructure

3.4.4 Opportunities

Infrastructure

1. Water transport infrastructure
2. Investment in water transport and entertainment vessels.
3. Investment in transport infrastructure bonds.

Services

4. Air transportation
5. Cargo transportation
6. Transport logistics and management firms.
7. Construction of road networks through Public Private Partnerships.
8. Public transport systems.
9. Road construction rehabilitation and maintenance services.
10. Training and Capacity building in road construction and maintenance; maintenance and handling of heavy trucks and equipment.
11. Investment in Road management systems.
12. Investment in local domestic air transport network and systems.

Sector Specific Licensing Requirements

Transport is licensed and regulated. Specific requirements vary by subsector with transport. Each sector is controlled by a government parastatal that include;

- Transport Licensing Board
- Uganda National Roads Authority (UNRA)
- Uganda Revenue Authority (URA)
- Civil Aviation Authority (CAA)
- Ministry of Works and Transport

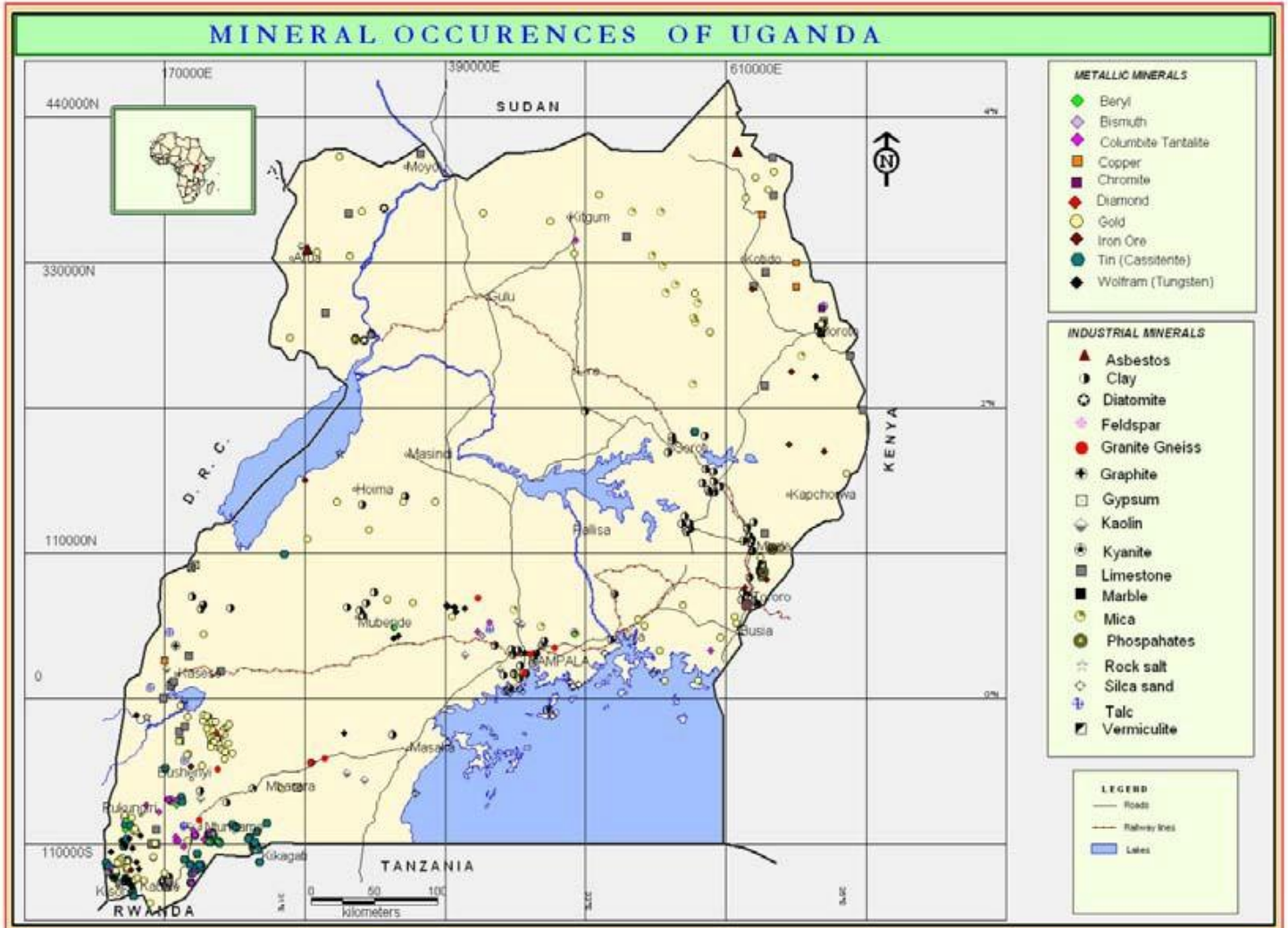


3.5 Mining Sector

3.5.1 Size and Structure

Uganda's mining sector is at an early stage of development. Uganda, currently, produces a number of minerals valued at almost Ushs.180 billion per year. In terms of output value the most produced minerals as of end of 2017 were: Limestone, Cobalt, Wolfram, Tin, Kaolin and Pozzolana. Its contribution to GDP is small but has been steadily growing such that by 2017 its contribution to GDP exceeded 300 billion shillings. The country-wide distribution of mineral deposits is presented in the Map of Uganda below.

Map 3: Distribution Of Mineral Deposits



Source: Ministry of Energy and Mineral Development

3.5.2 Status of Economic activity in the Sector

There are three main categories of activities in the mining sector:

(i) Large scale, formal mining; This is practiced by big companies like Tororo Cement Ltd, Hima Cement, Kilembe and Katwe Salt mines.. All mining activities big or small operate under leases for a specified period of time. The operations are somewhat mechanized, but also rely highly on local, manual labour.

Although companies holding mining leases may be considered “large scale” in Uganda (both in terms of the legal framework and relative scale of activities), internationally these activities are considered to be comparatively small operations. As a simple comparison of “scale”, large scale mines around the World are increasingly processing ore at rates of up to 100,000 tonnes per day, while the extraction rate on some Uganda mining leases is on the order of 1,200 tonnes per day

(ii) Exploration;

Most active exploration in Uganda involves smaller Ugandan and/or foreign venture capital funded companies that are working at a much smaller scale. Although an exploration license provides neither the right to buy or mine minerals, a number of these companies are reportedly buying from artisanal miners.

Many other companies seem to be speculators, holding exploration licenses with the intent of selling them to larger exploration investors. In addition to these companies, in Uganda (as in most countries), companies holding licenses to mine are also exploring with the intent of extending their mine life (by proving more reserves) or identifying new resources for development.

(iii) Artisanal and small scale mining (ASM);

Across Uganda, almost 200,000 Ugandan women and men use basic tools (like pick axes, hammers, shovels etc) to extract a wide range of minerals. These activities are predominantly informally organized, un-mechanized and often characterized by hazardous working conditions, lack of planning and issues related to child labour, poor health conditions and gender inequalities.

Since artisanal and small scale mining is largely informal and unlicensed (and in many cases undertaken seasonally to supplement agricultural livelihoods), contributions to mineral production and local economies are rarely captured by official statistics and men and women miners are often invisible to the mainstream or, in some cases, regarded as criminals.

Consequently, they rarely receive adequate, if any, support to formalize and improve their activities in order to realize full development potential. In most countries where ASM is taking place, miners face major challenges in formalizing and licensing their activities, largely due to challenges related to bureaucracy, cost, and literacy, among others. Exploration companies often use the presence of artisanal miners as an indication of mineral potential and, therefore, availability of “free” areas for licensing poses an additional challenge.

Each of the above groups is subject to different licensing provisions under the mining legislation.

Current Structure of players in the sector

At the beginning of 2010, a total of 611 mineral prospecting and exploration licenses were issued. Of these, 99 were Prospecting Licenses (PL), 66 Exploration Licenses (EL), 32 Location Licenses (LL), 33 Mineral Dealers Licenses (MDL), 2 Blasters Certificates (BL) and 2 Goldsmith's Licenses (GL), while 15 Exploration (ELs), and 5 Location Licenses (LLs) were renewed.

Prospecting is performed under licence by individuals, companies and sometimes government to discover minerals.

- Exploration is performed under licence to establish availability of viable quantities of minerals. This stage involves more capital to perform detailed geological surveys including diamond drilling to ascertain mineral concentration and volumes.
- Commercial mining is performed under a mining lease. At present limestone is mined on a commercial / large scale and used to make cement. The main players are Lafarge, locally known as Hima Cement and Tororo Cement Ltd. Hima Cement mines limestone mainly from Kasese and Kamwenge. Tororo Cement Ltd mines limestone from Karamoja.
- Mining leases for phosphates, gold and Iron Ore have been issued for mines at Tororo, Tira, in Busia District, Kisita in Mubende district and Ntungamo.
- Location licences are issued to mainly individuals and communities operating at a very small un mechanised scale.
- There many unlicensed individuals mining gold as artisan miners spread across several parts of the country in Karamoja, Bude – Kitodha in Namayingo, and Buhweju.

3.5.3 Demand Drivers and Resource Base Factors

Demand Drivers

- Demand for industrial minerals such as copper and Iron Ore is driven by global economic growth. Sustained growth in China and India is the main cause of increased demand for industrial minerals. Coltan, a mineral found in several locations across Uganda is used in making mobile phones and electronic devices. Demand for Coltan is fuelled by the demand for mobile phones.
- Gold is held in reserve by governments. The global economic crisis has led to an increase in demand for Gold as governments stockpile it to boost their reserves instead of holding currencies like the US \$ and Euro.
- High demand for precious stones, rare minerals including Gold and Diamonds is driven by increase in the personal wealth of individuals who use the gems as jewels.
- Cultures in some parts of the world require gifts in form of precious stones like diamonds or gold jewellery
- Uganda's conducive investment climate in terms of human resources, friendly tax regimes, physical resources like land and financial resources among others.
- Favourable export markets within and outside the East African countries.

Resource Base Factors

- Uganda has an abundant mineral resources base that has not yet been fully commercially exploited.

3.5.4 Key Trends

The Government of Uganda has identified the development of the country's mineral resources as a major economic priority and has put in place an extensive plan to bring this to fruition. Investment in mineral exploration is projected to increase from the current US\$3 million to over US\$50 million annually over the next five years. It is projected that the industry will be the major driver in employment creation and GDP growth over time. In addition, the lifeline industries will spur growth in the manufacturing, infrastructure development, agriculture and ICT industries.

3.5.5 Investment and Business Opportunities

Prospecting

- Mineral prospecting

Exploration

- Mineral exploration

Value Addition

- Production of gold, copper, Iron & steel, and fertilizers
- Production of columbium and tantalum for export
- Cement manufacturing for local consumption and export
- Mining and use of Uranium for electricity generation
- Cutting and polishing stone (like granite, marble and quartzite)
- Making ventilation bricks, tiles, charcoal stoves and other ceramics
- Carving stone (like marble) into candle holders, sculptures, ashtrays and other products.
- Jewellery production

Mine Development & exploitation

- Mechanized mining
- Establishment of mineral processing plants
- Mining of Coltan for export
- Quarry development
- Revival and operation of Kilembe Copper Mines and processing plants under Public Private Partnership

Sector Specific Licensing Requirements

These are available from the Department of Geological Surveys and Mining of the Ministry of Energy and Mineral Development.

Sector Specific Incentives for Investors

- A minimum of 25% and a maximum of 45% VRIT depending on the level of profitability.
- Duty free importation of mining plant and equipment with Value Added Tax (VAT) deferment facilities.
- Investment protection under the Multilateral Investment Guarantee Agency (MIGA)
- Mineral exploration expenditures are expensed 100%
- Import taxes such as customs duty for all mining equipment is zero-rate
- There is externalisation of dividends and profits
- Generous depreciation allowance at 30% for all depreciable mining assets



3.6 Health Sector

3.6.1 Size and Structure

Health units in Uganda are classified into hospitals, health centres IV, III and II. Their number has been increasing in recent years. By 2011, the total number of health units increased by 11.9% to 4,981.

The number of health units categorized under private for profit ownership increased by (43.9%) to 436 units.

Hospitals in Uganda are categorised as Referral, Regional and General Hospitals and were 160 in number in 2017. Of these, 2 were referral, 12 were regional and the rest general hospitals. In 2017, Government owned the highest percentage of hospitals in the entire country and its share stood at 46% followed by Private Not for Profit at 43% and 11% was Private for Profit.

The World Health Organization (WHO) observes that Uganda's doctor-to-patient ratio is low, there is high morbidity and mortality that are attributed to preventable, communicable diseases e.g. malaria, HIV/AIDS and diarrheal diseases, with women and children bearing a disproportionate amount of the burden of disease.

Figures from the ministry of Health show that malaria alone kills 320 Ugandans daily.

In addition, to healthcare units described above, Uganda has thousands of private medical clinics and pharmacies scattered across the country.

3.6.2 Demand Drivers

- Raising consumer incomes and corresponding ability to purchase healthcare.
- Inadequate health services and after care.
- Increased population.
- Low doctor to patient ratio.
- Increased need for specialized health and after care services.
- Extended life expectancy
- Emergence of advanced medical treatments and technologies.
- Changing dietary needs.
- More people seeking medical services posting an ever increasing OPD per capita utilization.
- Increased use of health insurance services.
- New innovations in the health sector including drug discoveries.
- Use of herbal remedies
- Government policies to improve the sector encouraging people to visit medical facilities
- Increasing level of public awareness of health issues

3.6.3 Investment Opportunities

1. Investment in specialized hospitals and clinics.
2. Nursing and care homes.
3. Infrastructure development
 - Under Public Private Partnerships (build own operate and transfer-BOOT and Build operate and transfer -BOT models).
 - Medical equipment leasing
 - Pharmaceutical and medical equipment research and marketing
 - Medical specialist exchange programs
 - Medical information technology
 - Tele-medicine
 - Health care financing and management
 - Medical training
 - Natural chemotherapy research
 - Clinical research
4. Processing medical sundries and surgical equipment manufacturing
5. Manufacture of diagnostic materials, reagents and equipment.
6. Manufacturing packaging materials and raw materials
7. Setting up of diagnostic equipment and materials.
8. Manufacturing of human vaccines
9. Pharmaceutical plant
10. Supply of medical, dental and other medicines.
11. Air ambulance
12. Disposal services

Sector Specific Licensing Requirements

Health is a regulated sector with all the regulations being done by the Ministry of Health.

Sector Specific Incentives for Investors

- Government provides subsidies amounting to 20% of the total revenue for the private not-for-profit practitioners.



3.7 Information, Communication and Technology Sector

3.7.1 Size and Structure

The Ugandan ICT market is growing at a cumulative annual growth rate (CAGR) of above 25%. This double digit growth has been registered over the last 10 years since 2008. The sector is mainly comprised of; provision of voice and data communication services, ICT training, website development and maintenance, business process out sourcing as well as custom software development. This upward trend is expected to continue as long as new players join the market.

The bulk of investment expenditure has been in the roll out of mobile broadband solutions and other Internet related infrastructure. Investment in the sector is expected to grow in the near future as the new service providers expand their networks coupled with the expenditure for the 3rd phase of

the national backbone infrastructure network. Due to its cross-cutting nature, the ICT sector plays a very big role in employment, job creation and quality/efficiency in other services delivery. For decades, the ICT sector in Uganda has been revolving around the Telecommunications, Postal and Broadcasting services.

The sector has now grown at a phenomenal rate especially in the areas of mobile devices, computer applications, information processing, storage and dissemination (Broadcasting and Internet Points of Presence at district levels) as well as m-finance, e-finance, global connectivity and online trade. The posts and telecommunications services activities accounts for more than 3.3 per cent of GDP.

3.7.2 Key Features of the Sector and Trends

Market penetration

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

Fixed-line and DSL penetration is low but has seen a renaissance recently on the back of wireless local loop (WLL) rollouts, prepaid services and an increasing demand for broadband access.

The cost of international bandwidth has been reduced dramatically following the landing of the first international submarine cables on the East African coast in 2009/10. Uganda is now connected. This has caused a spur in growth of capacity with the international bandwidth by 5-fold.

Economic Activities in the Sector

Revenue drivers

The mobile market accounts for 63% of the telecom revenue followed by the fixed line segment.

Telecom Revenue Distribution

Revenues as well as Value Added Services:

The entry of new operators has resulted in the emergence of a whole sale infrastructure market as new entrants adopt the infrastructure leasing approach to the market entry.

Market penetration for voice is currently at 33.5% with population coverage of close to 100%. Mobile subscriptions account for more than 90% of new connections (figure 8) whereas, fixed wireless terminals account for more than 60% of the total fixed lines.

3.7.3 Demand Drivers

- A liberalized and well regulated ICT Market, which has created a conducive environment for private sector investment
- Increased demand for banking services
- Increased literacy
- Young growing population
- Positive government policies

E-readiness of the Ugandan society allows for the development of various technology services directed to local, regional and global markets. These include investments in high bandwidth infrastructure, fibre optic connectivity, and countrywide submarine backhaul trunks.

Communications Infrastructure

The government is implementing the National Data Transmission Backbone Infrastructure and e-Government Infrastructure (NBI/EGI) project for high speed communications. This entails laying of Fiber Optic Cables and installation of related equipment, which include switches, optical transmission equipment, data communication equipment, fixed network equipment, video, equipment, computers, servers, training and services. This fiber optic cable is linked to the submarine cables at Mombasa.

Latent local market Potential:

70% of the Ugandan population is below 20 years of age.

Low cost of operational licenses:

Uganda has the lowest ICT licensing and services regimes in Africa.

A highly skilled labour force with good training background.

E-government infrastructure (EGI)

The deployment of the e-government platform increases the transparency of government activities, enables departments to share public data and enhance inter-departmental coordination, reduces government administration costs, and generally improves work efficiency.

3.7.4 Players and Key Trends in the Sector

Communications Technology

The ICT regulation policy advocates for a technology neutral approach and currently, there are many networking elements at play in Uganda

3.7.5 Investment and Business Opportunities

1. Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO)
 2. ICT Technology Parks: these will boost the development of BPO Incubation and Innovation systems.
 3. E-Commerce & M-Commerce Solutions and B2B solutions.
 4. Software Development.
 5. Software Testing & Assurance.
 6. Data Integration.
 7. Data Warehousing and Data Management.
 8. Integrated Solutions Planning
 9. Hardware Equipment Assemble.
 10. Multimedia Development and Music.
 11. Internet Applications.
 12. E-Translation Services.
 13. Rural Communications.
 14. Broadband Service Provision.
 15. Software Solutions for Financial Sector.
 16. Network Computing /Management software.
 17. Intranet Internet & Extranet Applications.
 18. Professional Solutions for Manufacturing Industry. IT Education and Specialized Training and
 19. Information Security and Management.
 20. Setting up IT virtual zones
 21. Website support and maintenance
 22. Search Engine Optimisation
 23. Uganda government through NITA-U is inviting Investors to participate in ICT projects listed under:
- Creation of a National Data Bank to collect and store government data. The project is to be funded through a Public Private Initiative (PPI).
 - Establishment and operation of an E-Government academy, which will be used to train civil servants and other public sector workers.
 - Government Inter Operability framework project to link and enable IT systems across government ministries and departments to communicate with each other. This project will be funded through PPI.
 - Set up and operationalise an E-Justice system aimed at automating the Uganda Justice system starting with the Commercial Courts. Government is looking for investment, set up and operation.
 - Establishment and operation of District Information Business Centers across Uganda. The centers will be used by members of the public providing access to Internet and document processing services.
 - Set up and operationalise an E-Cabinet system, which will serve as a database and communication portal.
 - Cabinet sensitization and ICT training. The provider will enter into a contract to supply trainers to train Cabinet, and top Government officials across all Ministries, Departments and Agencies.
 - Set up and operate a Messaging and Collaboration communication system for Government mail, Voice over Internet Protocol (VoIP) and document sharing.
 - Government IT Help Desk. The infrastructure is already set up. Contractor will supply Technical knowledge, and IT support staff.
 - Operation of a government call centre. The infrastructure has already been set up by government. The operator will supply services to government under contract.

3.7.6 Incentives

Specific Sector Related Incentives

Reduced taxes and tax waivers on computer and their accessories. Free land in UIA industrial parks



3.8 Education

3.8.1 Size and Structure

Education is a top priority sector of the Government of Uganda. It is regarded as an engine for the acquisition and development of skills required in order to promote sustainable development.

A number of policy developments have been achieved in the sector, notable among them is the liberalization of education allowing private sector participation. This has transformed education services into a regional export.

Uganda has institutionalized Universal Primary Education (UPE) and Universal Secondary Education (USE) to narrow and eventually eliminate the literacy and gender gap. This strategy has increased, the Net Enrolment Ratio (NER) to 91%.

The structure of Uganda's Education System

Uganda follows the 7-4-2-3 year education system. The structure also offers a number of options for those who find it difficult to go straight at each of these transition points.

3.8.2 Key Features of the Sector

Competitiveness of the Uganda's Education Sector

Uganda's education sector is the most competitive within the Great Lakes region. It is renowned for its:

- Quality of education: this is high at all levels and has progressively improved overtime.
- Excellent curricula and demand driven unique courses.
- Competitive and affordable maintenance and tuition fees.
- Use of English as a medium of instruction/teachings at all levels.
- A welcoming culture.
- Ugandan teachers/instructors are knowledgeable of the training needs of the region.

Workforce Skills and Availability of Special Skills

The education sector is resourced with immense skills at various levels. As of 2009, at the primary education level, there were 168,000 teachers with various qualifications: Doctorate degrees (20);

Masters' degrees (125); Postgraduate Diplomas (123); Graduates 2,496 etc.

These numbers have increased steadily from the 2006 levels to match the quality parameters. For instance, in 2006, there were 1,627 graduates teaching in primary schools and only 9 PhD and 73 masters' degree teachers respectively at this level. At the secondary level, as of 2006, there were 42,673 teachers with various qualifications but by end of 2009, the number had shot up to 65,045 teachers, an increase of almost 35% in a space of 3 years.

At the tertiary level as at end of 2009, there were over 7,000 academic staff comprising of both full-time and part-time lecturers with various skills, qualifications and disciplines.

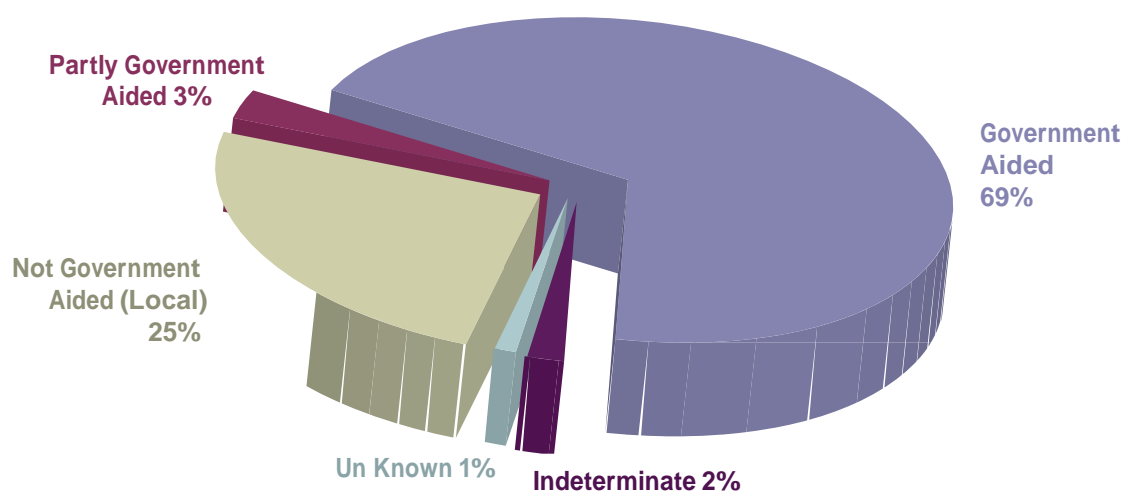
The categories of academic attainment were as follows: PhD (815); Masters degrees (2,901); Bachelors (1,240); Postgraduate Diplomas (224); Diplomas (703), among others. Most of the training institutions have own staff development programmes to cope with the ever increasing number of students so as to maintain the quality standards of student/lecturer ratios. Government also has a number of training programmes with development partners in critical areas of the economy where the various tertiary institutions can benefit from in order to upgrade their staff skills and numbers.

3.8.3 Status of the Sector at Various Educational Levels

The Universal Primary Education (UPE) Policy

Universal Primary Education (UPE) was implemented with effect from 1997, to broaden access to primary education, largely through reducing the costs involved. The primary school enrolment, which was about 3.1 million in 1996 rose to 5.2 million in 1997, an increase of about 68%. Since then, the number of schools and teachers has progressively increased over the years. Between 2005 and 2009, there was an increase of 3,551 schools representing about 21% increase or an average increase of 710 schools per year. These have progressively increased over the last 10 years.

Figure 1: Primary Schools by Funding Source



Of the 17,127 primary schools registered by the Ministry of Education as of December 2009, about 72% were owned by government, which was a drop by almost 10% from 2006 when government owned schools accounted for 81%. This is an indication that the private sector involvement since 2006 has intensified. Correspondingly, school ownership by the community has also decreased from 11% in 2006 to 5% as of 2016.

Overall, government still has greater control at this level of education owing to its policy of enabling all school going age children at this level to be in school. In terms of funding at this level, government is also shouldering a bigger percentage of schools whereby in 2016, it was providing funding to 69%

of the schools (11,800 schools) as well as partial support to another 3% of schools (i.e. 491 schools). Figure 1, gives a diagrammatic presentation of the level of government support to schools by end of year 2016.

Secondary Education

This level has witnessed unprecedented growth rates by over 19% over the last 5 years in the enrolment of students, but is yet to attain the necessary capacity to cope with the large numbers of primary school leavers. Enrolment increased from 728,393 in 2005 to 1,194,454 students at end of 2015.

The tremendous increase is attributable to the introduction of universal secondary education in 2007. As of 2010, a total of 264,635 candidates sat the Uganda Certificate of Education Examinations (UCE), with 104,000 of them registering under the Universal Secondary Education scheme. This increased by 30% in 2017.

However, it is still seen that during the academic year 2017, there were more than 600,000 pupils who sat primary seven leaving examinations vying for about 300,000 places available at the next level of senior one. This indicates that if all candidates sitting their primary leaving examinations manage to qualify for the next level of education, then only 57% of them can be absorbed for secondary education, which calls for additional investments at this level by both government and the private sector.

Of the 4210 secondary schools registered by the Ministry of Education as of December 2017, 69% were owned by others (i.e. the private sector and the community). Government owned only about 31% but in terms of funding, 24% of the schools were wholly supported by government. The introduction of Universal Secondary Education (USE) has increased the numbers of pupils leaving the primary level presenting a need for establishment of more secondary schools.

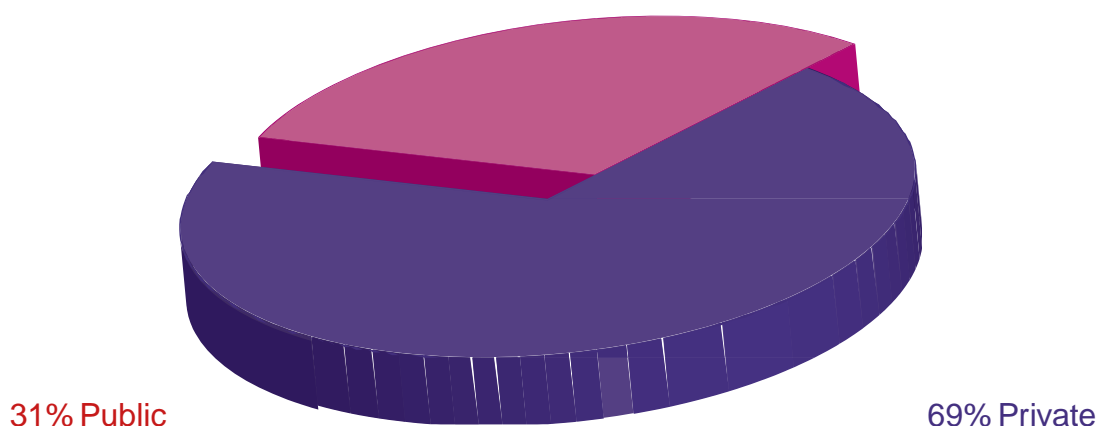
Tertiary Education

There are a number of education pathways at this level, with various categories of institutions that absorb students after senior six. These include; universities and their affiliates (currently 32 in number); teacher colleges (numbering 9); technical colleges; health colleges; management and social development institutions; business colleges; theological colleges; hotel and tourism training institutes; media and communications training centres; agricultural, forestry and fisheries colleges; meteorology; and aeronautical schools, among others.

In total, enrolment at tertiary level was 196,570 students as at 2017 with universities accounting for 71% of this total. Of the total university enrolment of 107,729, Makerere University alone accounted for 24%. It is also interesting to note that a lot of foreign students from neighbouring countries are attending tertiary education in Uganda and these accounted for 9% of total enrolment at various universities during the same period.

Figure 2 shows the share of universities by ownership type where presently the private sector owns about 69% of the total university establishments in Uganda and the public sector accounts for only 31%. This trend of private investment dominance in tertiary education is expected to grow overtime.

Figure 2: Share of Tertiary Education by Ownership



Vocational Education Training Policy

Currently, government policy on technical education and Vocational Education Training (VET) aims at:

- Introducing changes necessary to create a favourable environment for industrial training and improvement in the effectiveness and efficiency in public training
- Provision of training by employers and the private sector
- Changing negative attitudes towards technical and vocational education
- Integrating technical and business/or entrepreneurial skills to enable students to enter self-employment
- Provision of at least one vocational secondary school in every district; and Introduction of vocational curriculum in primary and secondary schools.

The Business, Technical, Vocational Education and Training (BTVET) Strategy with the theme “Skilling Uganda” has been developed and funded to support vocational education and training over a 10-year period. It has a big component of non-formal education and work-based training among others. It has a national dimension with few public institutions in place to implement it. Private sector participation will be crucial in achieving the objectives of the strategy.

- Talent schools e.g. dance and drama.
- Supplying goods and services to the education sector
- Hostels
- Management and ICT Skills Development institutions
- Investment in Centres of Excellence, specialized Academies and sports facilities

3.8.5 Sector Specific Licensing

Requirements

Licensing is needed for all subsectors below:

- Primary, Secondary Education and BTVET– Ministry of Education and Sports
- University and Tertiary Education – The National Council for Higher Education

Sector Specific Incentives for Investors

Education services are not subject to Value Added Taxes (VAT)

3.8.4 Investment Opportunities

- Investment opportunities occur at any level of the 7-4-2-3 education system
- Special needs schools
- International schools
- Technical and Vocational institutions
- In-Service Specialized Training Programmes
- Universities and tertiary institutions
- Community schools



3.9 Housing

3.9.1 Size and Structure

Uganda's current housing stock is estimated at 5.28 million housing units with an average household size of 5 persons. The national occupancy density is estimated at 1.1 households per housing unit.

The sector on average accounts for 7.5 per cent of Uganda's GDP. Its growth is attributed to rapid population growth, increase in disposable income, increase in foreign direct investment, and immigrant remittances.

Table 4: Summary of the Housing Requirements by 2020

Location	Estimated backlog 2009 Units	Estimated replacement needed Units	Estimated upgrading needed Units	Projected requirements by 2020 Units
Kampala	82, 184	26,299	32,874	750,791
Other Towns	92, 730	37,092	46,365	1, 092,318
Rural Areas	532, 468	106,494	1,064, 935	8,482,889
Nationally	707, 382	169,885	1,144,174	10, 325,990

Source: National Housing and Construction Company

3.9.2 Status of Economic Activity in the Sector

Ugandans are by nature a house owning society. 86.1% of all rural dwellings are owned by families, which reside in them. In urban areas, 57% of all dwellings are rentals. The desire to own ones dwelling, increasing urbanization and population continue to drive business activity in the housing sector. As Kampala gets more congested, there are plans to build new towns and cities to ease that

congestion. The high cost of finance is a major constraint to the sector's growth. The requirements for accessing mortgage finance are so stringent, and therefore, unaffordable by a large section of the population. High interest rates on housing loans (currently above 20%) further limit growth in the sector.

3.9.3 Current Structure of Players in the Sector

The housing sector is dominated by the private sector except for a 49% Government stake in National Housing and Construction Company Ltd, the biggest housing construction company in Uganda. There are very few Real Estate development companies. The bulk of housing is commissioned by private individuals using mainly small building firms and private builders.

Key Players in the sector

The Ministry of Lands, Housing and Urban Development

The Ministry is responsible for issuing National Physical Planning Standards and Guidelines that govern construction of commercial and residential building.

The Land Registry, a department of the Ministry, registers properties and issues land titles. Property transfers are made through the Land Registry.

Some of the Ministry's functions and services are carried out by the local authorities.

Housing Finance Bank Uganda Ltd

The Bank is a pioneer in mortgage lending. Currently it holds 90% market share of mortgaging companies.

Uganda Society of Architects

The Uganda Society of Architects (USA) brings together architects in Uganda to regulate building standards in the construction industry.

Ministry Of Works Central Materials Testing Laboratory

Private Real Estate Development Companies

Private real estate companies include Jomayi, Hossana, Canaan Sites, Heritage Sites, Sema Properties and Zion Construction

3.9.4 Demand Drivers

Demand Drivers for the Housing Sector:

- The boom in the housing sector is the driving force that has pulled many real estate developers into committing huge financial resources to this sector. The challenges in the housing sector include; absence of proper legislation, no housing policy to regulate and accelerate the construction of housing units, but the government is underway with the enactment of such regulations.
- Rapid urbanization and the setting up of new districts and town councils.
- Urban slums are gradually becoming replaced with apartments to cater from the growing urban population

- Standards of living continue to rise in both urban and rural Uganda. That is driving growth in new housing and refurbishment of old ones.
- Rising disposable incomes that have enabled Ugandans to invest in better housing.
- Increase in Foreign Direct Investment (FDI)
- Uganda Diaspora remittances (Personal Transfers)
- Increase in the number of international organisations, foreign missions, non-governmental organisations, international businesses and trade organisations resident in Uganda.

3.9.5 Investment Opportunities

- | | |
|--|---|
| • Low cost housing | • Real Estate Agencies |
| • Medium cost housing | • Development of entertainment centres |
| • Partnerships with utility companies in provision of infrastructure to real estate projects | • Partnership with local authorities in providing social infrastructure |
| • Partnerships with financial institutions to provide housing | • Partnerships with capital market resources to provide infrastructure |
| • Partnerships with landowners in providing housing estates | • Supply of building materials and equipment |
| • Commercial complexes and shopping areas | • Supply of transport and logistics |
| • Brick and tile making factories | • Architectural or engineering services |
| | • Surveying |



3.10 Tourism Sector

3.10.1 Size and Structure

Uganda is endowed with a unique Biodiversity. It has 10 national parks, with a variety of rare animals like the mountain gorillas, and tree climbing lions; shoebill birds and various plant species. Uganda's snow-capped Renior Mountains are suited for all year-round hiking and mountaineering. It also has the "Source of the Nile", which has become a hub for adventure sports mainly white water rafting, bungee jumping, angling, kayaking and sightseeing.

The most distinctive of Uganda's wildlife assets, are the endangered mountain gorillas, of which 360 out of the 600 total worldwide are in Uganda. Other distinctive tourism attractions include chimpanzees, zebras, giraffe, hot springs, and one of the richest African birding species in the world (having recorded over 1200 bird species, or one sixth of the world's 8000 or so species).

The tourist sector has enjoyed sustained growth over the last 10 years. It is estimated that the tourism sector earned Uganda US\$800 millions in FY2016/17. This is higher than the cash crops sector earnings.

A total of 1,511,356 tourists were registered in 2016 indicating an increase from 1,151,380 in 2011. There was a 36.8% increase in the number of visitors from Europe and a 29% increase in number of visitors from Africa. The majority (52 %) were in the country to visit friends and relatives, followed by those for whom the purpose of visit was not stated (20 %), on businesses (14 %) and on holiday (7 %).

A large number of tourists come by road although the growth in terms of arrivals by air appears to be picking up much faster.

Hotels and Restaurants

Tourists consume a host of goods and services including transport services, hotel, crafts and communication services. Most of the services are provided by the private sector. The hospitality industry grew by 20.6% in FY2016/17. Lonely Planet described Uganda as a world top tourist destination for 2012. Hotels and restaurants account for 5 % of the total GDP at current prices. Uganda's current tourist products are nature-based and centred on distinct geographic areas. Several of these are linked to national parks, wildlife reserves, forests reserves or specific attractions, and activities such as white water rafting. The nature of attractions include: Eco-Tourism, Cultural Heritage, Faith-Based Tourism, Community Development Tourism and Meetings, Incentives, Conferences and Events (MICE).

3.10.2 Current Structure of Players In The Sector

Tourism Services

Private sector providers of tourist services are - small and fragmented. There are approximately, 162 tour operators and 155 travel agencies operating in Uganda, of which 143 and 151, respectively, were based in Kampala. Local tour operators and travel agents play a very small role as the main distribution platform for tourism products.

Statutory Institutions:

- The Ministry of Tourism, Wildlife and Heritage
- Uganda Tourist Board (UTB)
- Uganda Wildlife Education Centre (UWEC)
- The Hotel and Tourism Training Institute (HTTI)
- Uganda Wildlife Authority (UWA)
- Hotel Owners and Operators' Association
- Association of Uganda Tour Operators (AUTO)

3.10.3 Demand Drivers and Resource Base Factors:

Demand Drivers

- Uganda is 6-7 hours away from major tourist sources in Western Europe by air
- Ugandans are friendly and welcoming to foreigners
- Uganda is enjoying an era of sustained social political and economic growth
- Uganda has a liberal economy with no currency restrictions.
- Tourists from the European Union can obtain Visas on arrival.
- Government has a proactive policy to promote tourism

Resource Base Factors

- Game reserves
- Forest reserves
- Bird sanctuaries
- Crater lakes with lots of birds
- Rivers with waterfalls
- Fresh water lakes
- Uganda's cuisine
- Uganda's rich and diverse cultures
- Unique Biodiversity
- 10 National Parks
- Snow capped mountains
- Uganda's consistent good weather all year round

3.10.4 Investment Opportunities

There are opportunities to invest in all tourism related subsectors. These include:

- Partnerships and alliances with international tour operators with access and operation in international markets to expand the network for Uganda's tourism sector and also bring best practices in this area.
- Setting up and operating franchised branded 3-4 star international tourist hotels.
- Budget 2-3 star tourist hotels
- Self Drive Car Hire services
- Construction of Time Share Holiday homes and Tourists Resorts
- Developing and running Golf Course and Beachside tourist holiday homes and apartments
- Setting up Eco Tourism sites such as hotels and camping sites.
- Tourist Services to provide travel and tour operator services
- Niche travel related websites and search engines focused on Uganda and the East Africa regional tourist market.
- Setting up and operating franchised International fast food coffee shops and restaurants brands such as Starbucks, McDonalds, Burger King, etc. Entertainment and leisure canters (theatres, cinemas and night life clubs)
- Boating, anglers and water sports on Uganda's rivers and lakes
- High end themed restaurants in Kampala.
- Boat hire services.
- Community based tourism.
- Budget airline services for the tourist sector.
- Cultural Villages.
- Wildlife farms.
- Tourism and hospitality colleges.

Sector Specific Incentives for Investors

- 20% initial allowance granted in 1st year of use of an industrial building.
- 5% industrial building allowance.
- Exemption of international trade taxes on hotel equipment.
- Supply of accommodation in tourist lodges and hotels outside Kampala district are exempt from tax.



3.11 The Banking Sector

3.11.1 Sector Size and Structure

Uganda banking industry has a combined total asset base of about USD 7 billion. The industry is composed of both formal and informal institutions. Formal institutions include; commercial banks, development banks, credit institutions and micro-finance deposit taking institutions (MDI). The informal ones include the Savings and Credit Cooperative Associations (SACCO) and the non-deposit taking microfinance institutions. Presently, there are 24 commercial banks, 3 credit institutions and 3 micro-finance deposit taking institutions in Uganda.

3.11.1.1 Commercial banks

These are the banks which are authorized to hold checking, savings and time deposit accounts for individuals and institutions in local as well as International currencies. Commercial banks are also authorized to buy and sell foreign exchange, issue letters of credit and offer loans to customers.

3.11.1.2 Credit Institutions

These include Credit and Finance companies. They are not authorized to establish checking accounts or trade in foreign currency. They are authorized to take in customer deposits and to establish savings accounts. They are also authorized to make collateralized and non-collateralized loans to customers.

3.11.1.3 Micro-finance deposit taking institutions

These are microfinance institutions which are allowed to take in deposits from customers in the form of savings accounts. Microfinance Deposit-taking Institutions are not authorized to offer checking accounts or to trade in foreign currency.

3.11.2 Players in the sector

The main players in the banking sector are the commercial banks. Table 5 below shows the distribution of assets between commercial banks, credit institutions and micro-finance deposit taking institutions

Table 5 Asset distribution and the branch network of Uganda's banking sector¹

Institution	Number	Number of branches	Total Assets (USD)
Commercial banks	24	565	6,638.52
Credit institutions	3	55	105.40
Micro-finance (MDI)	3	73	109.48
Total	30	693	6,853.4

3.11.2.1 Commercial banks, their size and market share

Industry position (2016)	Bank	2016 (Billion shillings)	Market share (%) 2016
1	Stanbic Bank	4580	20.56
2	Standard Chartered	2700	12.12
3	Centenary Bank	2310	10.37
4	Barclays	1900	8.53
5	DFCU Bank	1720	7.72
6	Bank of Baroda	1470	6.60
7	DTB Uganda	1430	6.42
8	Citibank Uganda	951.1	4.27
9	KCB Uganda	715.7	3.21
10	Bank of Africa	688.5	3.09
11	Housing Finance	680.2	3.05
12	Equity Bank	642.7	2.88
13	Orient Bank	554.1	2.49
14	Exim Bank	312.3	1.40
15	Ecobank	280.4	1.26
16	Tropical Bank	266.8	1.20
17	UBA Uganda	172.9	0.78
18	NC Bank	169.9	0.76
19	Finance Trust Bank	166.2	0.75
20	Bank of India	156	0.70
21	Guranty Trust Bank	143.16	0.64
22	Commercial bank of Africa	125.4	0.56
23	CIB Uganda	96	0.43
24	ABC	49.9	0.22
Total		22,281.26	100

3.11.3 Regulatory framework

There are various legislations governing the regulation of the financial sector. The Banking Sector regulated by Bank of Uganda is governed by the following laws:

1. Financial Institutions Act 2004
2. Micro Deposit-taking Institutions Act 2003
3. Foreign Exchange Act 2004

¹ Source: Bank of Uganda, 2015

4. Anti-Money Laundering Act 2013
5. Implementing regulations. These include;
 - licensing,
 - ownership,
 - Capital adequacy,
 - credit classification,
 - credit concentration,
 - credit reference,
 - external auditors,
 - forex,
 - insider lending,
 - liquidity,
 - corporate governance and consolidated supervision
 - Anti-Money laundering
6. Guidelines in the following areas
 - Risk management
 - Consumer protection

3.11.3.1 Strengths of the regulatory framework

- Presence of enabling legal framework which gives the regulatory bodies autonomy in the execution of their mandate and contribute to safe and sound sectors.
- Risk Based Supervision Methodology, which enable efficient allocation of supervisory resources.
- The EAC embraced consolidated Supervision and instituted measures to facilitate exchange of information (MOUs, Supervisory Colleges).

3.11.3.2 Challenges

- Financial inclusion is low. The following indicators provide a comprehensive picture:
 - ✚ At least 62% of Uganda's population has no access mainstream financial services.
 - ✚ The number of the population holding accounts in banks is 4 million or 33% of the 12 million who are bankable.
 - ✚ The savings to GDP ratio is still low at 16%.
 - ✚ In addition, financial intermediation is poor as indicated by the stock of private sector credit of 11.8% of GDP.

3.11.4 Islamic banking in Uganda

Uganda joined the rest of the world when it took the fundamental step of amending the Financial Institutions Act (2004) to allow Islamic banking to operate side by side with the conventional banking system. This amendment was passed by Parliament in 2015 and was signed into law by the President in January 2016.

The regulations for operationalization of the new law were recently gazetted (February 2018) and the central bank is now ready to license banks which may be interested in offering Islamic banking services to the public.

3.11.4.1 Uganda's competitive advantages in the area of Islamic banking

- Uganda is the only East African Country that has done a comprehensive legal and governance framework for Islamic banking. This gives leverage to Uganda over her neighbors where the system was introduced haphazardly without proper preparation.
- Uganda is the only East African country which is a member of the Organization of Islamic Cooperation (OIC). As an OIC member, Uganda participates and benefits directly in OIC initiatives aimed at facilitating the growth of Islamic Banking. For example, IDB has already provided technical support to Uganda during the processes of amending the law, and developing the regulations.
- Government of Uganda through the Microfinance Support Centre (MSC) in partnership with the Islamic Development Bank (IDB) has already launched (in 2016/17 financial year) the Islamic Microfinance system as part of the rural income and employment enhancement scheme. Training and study visits were undertaken in Sudan and Bangladesh to benchmark with Islamic projects for Uganda.

Islamic banking has the potential to improve the low financial inclusion in Uganda. This is because it will bring on board those members of society who may have chosen to stay away from the conventional banks due to the riba (interest-based) instruments used by the conventional banks.

3.11.5 Demand drivers for banking services

Demand for banking services in Uganda is mainly driven by:

- New market dynamics – Banks are aiming to achieve greater penetration by widening their branch network
- Technology –this is also drawing more and more customers for banking related products and services as they become more cost effective and customer friendly
- Increasing population – Uganda's population is growing very fast at a rate of over 3.5%. with more people engaging in economic activities, the pressure for banking services increases.
- Emergency of new domestic entrepreneurs – in recent years, more and more Ugandans have entered into expensive investments in the real sector, Health and Education.

3.11.6 Investment and business opportunities

Opportunities for investment exist for international multinational banking groups particularly promoting new or innovative financial products such as;

- Mortgage finance,
- Venture capital,
- Merchant banking
- Leasing finance
- And micro-finance saving institutions, especially to operate in rural areas.

Investing in Islamic banking is particularly important because it is a new system which requires experienced practitioners who have been successful elsewhere.