

# Rwenzori Region

## Agriculture Investment Profile

### Briefing Summary

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2020





# Contents

Uganda at a glance.....	2
Rwenzori region .....	3
Investment opportunities in agriculture.....	4
Market, profitability and returns .....	4
Supply chain, infrastructure and sustainability.....	5
Risk assessment and incentives.....	5
Policy, legal and institutional framework .....	6
Additional information .....	7
Get in touch .....	7



# 1. Uganda



# at a glance



**Area**  
 Total: **241,038 km<sup>2</sup>**  
 Land: **197,100 km<sup>2</sup>**  
 Water: **43,938 km<sup>2</sup>**



**Land boundaries**  
 Total: **2,729 km** border countries (5):  
 Democratic Republic of the Congo **877 km**,  
 Kenya **814 km**, Rwanda **172 km**,  
 South Sudan **475 km**, Tanzania **391 km**



**Climate**  
**Tropical**; generally rainy with two dry seasons (December to February, June to August); semi-arid in northeast



**Land use** Agricultural land: **71.2%**; Forest: **14.5%**; Other: **14.3%** (2020 est.)



**Natural resources**  
 Copper, cobalt, hydropower, limestone, salt, arable land, gold



**Rwenzori region ethnicity**  
 Bakiga, Basongora, Bafumbira, indigenous Batooro, Batagwenda, Banyarwanda, Bakonzo, Bamba, Banyabindi.<sup>1</sup>



**Population growth rate**  
**3.24%** (2020 est.)



**Population**  
**42,009,100** (September 2020 est.)



**Gross Domestic Product**  
**USD 34 Billion**



**Terrain**  
 Mostly plateau with rim of mountains



**Foreign Direct Investment**  
**4.9%** of Gross Domestic Product



**Natural Hazards**  
 Landslides and Floods



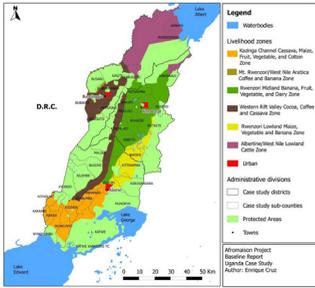
**Standard & Poor's Rating**  
**B with Stable Outlook**



**Fitch, and Moody's Rating**  
**B+ Negative**



**Number of Households**  
**320,000**- Rwenzori Region  
**9,576,000**- Uganda (UBOS 2020 est)



## 1.1 Rwenzori region

The Rwenzori region is a border region with the Democratic Republic of Congo found in mid-Western Uganda and it comprises nine districts, namely, Kabarole, Kasese, Bundibugyo, Ntoroko, Kyenjojo, Kyegegwa, Bunyanguba, Kamwenge and Fort portal municipality.

It has a population growth rate of **3%** with approximately three million people and over **320,000 households**. The Rwenzori region is endowed with diversified riches in natural resources (fertile land, minerals, forestry, wildlife, and energy) as well as being contiguous to 5 countries of the Great Lakes region (Democratic Republic of Congo, Rwanda, Burundi, Tanzania and Zambia), providing significant potential for development, regional cooperation and economic integration.



## 2. Investment opportunities in agriculture

Agriculture presents investment opportunities within the region in several value chains with a primary focus on value addition. These include: **coffee, cocoa, cotton, maize, bananas**.

These opportunities are supported by existing infrastructure in electricity, road network and a policy and institutional framework that enable investors to operate effectively in the Rwenzori region.

The financial models developed show the cashflows, rate of return for investments, break-even and sensitivity analysis, and the internal rate of return for an investor looking to invest within the respective value chains in the Rwenzori region. The returns derived are considered acceptable to attract both local and foreign investors into the region. Moreover, there are several government programs to incentivise investors within the agriculture value chain in the Rwenzori region.



### Investment opportunities

Coffee	
Cocoa	
Cotton	
Maize	
Bananas	



## 3. Market, profitability and returns

Value Chain	EBIT Margin	Pay Back period	Project IRR	Debt IRR
Coffee	33%	12	13%	3%
Cocoa	23%	8	16%	4%
Cotton	35%	3	30%	4%
Maize	30%	4	21%	6%
Bananas	29%	5	18%	5%

- Value addition for coffee like establishment of a roaster
- Value addition in cocoa
- Cotton ginning with cotton seed oil animal feed and absorbent cotton wool production
- Cotton yarn spinning
- Cotton ginning with absorbent cotton wool production

### Opportunities



Cotton ginning with cotton seed oil and animal feed production.

EBIT margin **35%**  
Payback period **3**  
Project IRR **30%**  
Debt IRR **4%**

Agricultural produce from the Rwenzori region is organic and traceable to the farmers making it marketable in Europe, Asia and the United States of America (USA). The adjacent table summarises average returns from various value chains:

Investment in agriculture in the region provides above average returns on investment. The regions production is exported to **Italy, Belgium, Spain, USA** and other countries due to the quality of produce, traceability and the aroma.



## 4. Supply chain, infrastructure and sustainability



Robusta and arabica



Seed oil, animal feed, cotton wool production



Chocolate, beverages



Organic produce/manure



Organic produce/manure

**Coffee:** The two varieties are Robusta and arabica coffee grown predominantly through a network of farmer groups. These groups provide a steady supply of coffee needed for value addition that is needed to boost employment and quality of lives of the people in the region.

Coffee opportunity relates to value addition across the different stages of the value chain.

**Cotton:** The opportunities across the cotton value chain to invest in include:

- Cotton ginning with cotton seed oil, animal feed and absorbent cotton wool production;
- Cotton yarn spinning;
- Cotton ginning with absorbent cotton wool production, and;
- Cotton ginning with cotton seed oil and animal feed production.

**Cocoa:** Cocoa is grown extensively in Bundibujo, Ntoroko and Kasese and value addition at the top of the value chain presents enormous opportunity for investment.

**Maize and banana:** These present value addition opportunities in form of processing plants due to the quality of the organic produce.



## 5. Risk assessment and incentives

### 5.1 Risks

The risks in the sector have been identified, quantified and management strategies for the agricultural sector have been developed to mitigate the impact of these risks on the sector. Some of the risks are summarised below:



**Extreme climatic conditions arising from climate change.** There are efforts to use ecologically-sound agricultural research and climate change-resilient technologies and practices across the identified priority and strategic commodities.



**Over dependence on rain-fed agriculture.** The NDP III places emphasis on Government's commitment to reduce reliance on rain-fed agriculture by extensively pursuing construction of mini-micro irrigation schemes and multi-purpose surface storage facilities/reservoirs in the NDPIII period 2020/21-2024/25.



**Limited Agriculture mechanisation thereby limiting the level of production:**

The Agriculture Sector Strategic Plan (ASSP) 2015/16-2019/20, priority 2 focuses on increasing access to critical farm inputs, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) identified promotion of agricultural mechanisation as a strategic intervention area. The various interventions planned for are being implemented by the Department of Agricultural Infrastructure, Mechanisation and Water for Agricultural Production (DAIMWAP) under the Ministry of Agriculture, Animal Industry and Fisheries.



**Difficulties in meeting sanitary and phytosanitary standards to Europe and the United States:**

The Agricultural Sector Strategic Plan acknowledges that there is inadequate capacity to both public and private sector to regulate/enforce and comply with Sanitary and Phytosanitary Standards (SPS) that guarantees health and safety of consumers, especially for commodities destined to the EU market.



**NDPIII** increased market access



**12 priority** and four strategic commodities



**USD 0.085** per KWH  
**USD 4-6** per KWH Industrial rent  
**100%** tax allowable  
**10 Year** Income Tax holiday

## Agro-industrialisation

The Agro-Industrialisation Program Interventions of the NDPIII identified increasing market access and competitiveness of agro-industry products as one of the objectives with an emphasis on strengthening enforcement and adherence to product quality requirements, training farmers and manufacturers on sanitary and phytosanitary standards, renovate, build and adequately equip certification laboratory facilities in the various strategic locations.

## Limited access to credit facilities

The Agriculture Sector Strategic Plan recognises access to credit facilities as a key barrier, the plan further highlights government commitment to increasing access to agriculture finance services by designing and implementing agricultural commodity-based development credit facilities with specific focus on the 12 priority and 4 strategic commodities.

## 5.2 Incentives

- Competitive electricity costs in the region averaging USD 0.085 per KWH;
- Industrial rent averages USD 4 – 6 per square metre;
- Agricultural equipment imported duty free;
- 100% tax allowable on training costs;
- 10 Year Income Tax holiday for exporters of finished goods .



## 6. Policy, legal and institutional framework

### 6.1 Policy framework

The main policies in Uganda's Agricultural Sector include:

- The Agriculture Sector Strategic Plan (ASSP) of 2015/16-2019/20;
- Plant Health Investment Plan for Uganda;
- The National Adaptation Plan for Agriculture Sector 2018;
- National Agricultural Extension Strategy 2016/17-2020/21;
- National Irrigation Policy and National Irrigation Master Plan for Uganda (2010-2035);
- The National Agriculture Policy 2013;
- Third National Development Plan 2020/21-2024/25 (NDP III);
- National Coffee Policy 2013, and;
- The Uganda National Land Policy 2013.

### 6.3 Institutional framework

- Uganda Investment Authority;
- Ministry of Agriculture Animal Industry and Fisheries;
- Rwenzori region District Local Governments;
- Ministry of Finance, Planning and Economic Development;
- Ministry of Water and Environment;
- National Environment Management Authority (NEMA);
- Uganda Export Promotions Board.

### 6.2 Legal framework

- The Constitution of the Republic of Uganda 1995
- The National Agricultural Research Act, 2005
- The Agricultural Chemicals (Control) Act, 2006
- The National Environment Act 2004
- The Water Act, Cap 152, 2004
- The Plant Variety Protection Act 2014
- The Plant Protection and Health Act, 2016



## 7. Additional information

### 7.1 Financing

- Debt;
- Equity;
- Mezzanine;
- Grant/Aid;
- Asset-backed securities.



### 7.2 Social, environmental and economic factors

The proposed projects have been made in the context of the Social, Environmental and Economic factors and the Sustainable Development Goals. These projects provide the highest opportunity to maximise the gains in the population within the region.



Uganda's HDI value for 2018 is

**0.528**

### 7.3 Skills level

The skills level in the Rwenzori region is analysed in the context of Uganda's Human Development Index (HDI). Uganda's HDI value for 2018 is 0.528 — which put the country in the low human development category— positioning it at 159 out of 189 countries and territories.

Management roles requiring skilled manpower can be obtained from the capital – Kampala.



## 8. Get in touch



### Uganda Investment Authority

The Investment Center  
Twed Plaza, Plot 22B, Lumumba Avenue, Nakasero, Kampala  
Main Reception: +256 414 301 000, +256 417 788 300, +256 206 300968  
Email: [info@ugandainvest.go.ug](mailto:info@ugandainvest.go.ug)  
Website: [www.ugandainvest.go.ug](http://www.ugandainvest.go.ug)



### United Nations Uganda Office

UN Resident Coordinator's Office,  
Plot 11 Yusuf Lule Road, Nakasero - Kampala, Uganda  
Phone: +256 041 7112100  
Website: [www.uganda.un.org](http://www.uganda.un.org)