Uganda Investment Authority

State of Investment Memo

December 2022

Introduction

State Minister's Foreword

The information and data contained in the State of Investment Memo evidences the fact that investment in Uganda is on an upward trajectory. The investment-relevant fiscal policies and Uganda Investment Authority's, promotional and marketing efforts are reaping dividends for the country.

Hon. Evelyn Anite

State Minister of Finance (Privatization & Investment)

Chairman's Foreword

This extended Investment Memo is an extract of the planned "State of Investment Report", a publication of the Uganda Investment Authority (U.I.A).

The State of Investment Report 2022/23 is presently in production. The present memo projects the preliminary findings and analysis which includes the performance of UIA's interventions to improve overall conditions for investment for local and foreign investment as well as attract impactful Foreign Direct Investment (FDI) in accordance with its obligations under Section 6 (d,e,f) of the Investment Code Act.

Signed

Chairman of the Board

Director General's Foreword

The State of Investment Memo provides a 360-degree perspective of Uganda's investment performance and trends. It also highlights key macroeconomic issues relevant to investment promotion in Uganda, and proposes key policy interventions aimed at spurring investments and making Uganda the preferred investment destination in Africa.

Robert Mukiza

Director General

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Finance minister Matia Kasaija during a tour of the Yumbe Mango processing factory in Yumbe District.

Executive Summary

Uganda's economy has exhibited signs of resilience, evidenced by a robust recovery post-Covid-19. Despite the economic shock occasioned by the pandemic, GDP growth which had dropped from 6.4% in 2019 to 2.9% in 2020, is slowly recovering at 3.3% in 2021 and growing. According to the Bank of Uganda, the economy is forecasted to grow at 5% - 6%[1] in 2023**,** despite external shocks by the war in Ukraine and high food and energy prices globally. This investment memo, therefore, was inspired by the need to evaluate the performance of Uganda's investment landscape in the context of multiple economic shocks and the exigencies of economic volatility. The memo also highlights key sectoral performance based on the Third National Development Plan (NDP III) targets and the Presidents Manifesto (2020/21-2025/26). We glean unique insights from the latest trends that characterize investment, trade, industrial development, employment, and wealth creation in Uganda. But, more importantly, the Uganda Investment Authority (UIA) wishes to analyze the link between these four major economic thematic areas concisely and in the context of Uganda's national planning framework.

Below are the key performance metrics gleaned from the latest draft NDPIII medium-term review report.

		2021/22	2022/23	2023/24	2024/25
	Actual	Target	Target	Target	Target
Sectoral Agricultural contribution to GDP	*24.07*	20.88	20.54	20.22	19.98
Sectoral Industry contribution to GDP	*26.8*	27.81	28.05	28.31	28.56
Sectoral Services contribution to GDP	*41.8*	45.07	45.97	46.89	47.8
Manufactured exports as a % of total exports	*13.5*	14.88	16.37	18.01	19.81
Contribution of ICT to GDP	*9*	2.89	3.13	3.4	3.69
Foreign Direct Investment (% of GDP)	*2.3*	3.176	3.388	3.63	4.15
Exports as a % of GDP merchandise	*12.1*	*14.83*	*15.35*	*15.89*	*16.45*
Exports as a % of GDP goods and services	*16.7*	*29.53*	*30.41*	*31.3*	*32.26*
Energy Generation capacity (MW)	*1,352*	1,990	2,493.60	2,996.80	3,500
Cost of Electricity (US cents) Industrial large	*9.8*	*7*	*6.7*	*5.5*	*5*
Cost of Electricity (US cents) Industrial extra-large	*8*	*6.5*	*6.3*	*6*	*5*
Cost of Electricity (US cents) Commercial	*17*	*12.2*	*9.8*	*7.4*	*5*
Tax Revenue to GDP (%)	*11.4*	12.28	12.68	13.23	13.72
Electricity cost for processing & manufacturing (US cents)	*5*	5	5	5	5

Table 1 NDPIII Performance targets. Source: Draft NDPIII Medium-term Review (National Planning Authority)

The following observations stand out from Uganda's foreign and domestic direct investment stock and flow trends at the sector level.

- Uganda's manufacturing industry is steadily growing, according to the latest industrial performance figures. Uganda has *4,008 operational industries* in various sectors[2]. The industrial sector contributes 27.4% to the GDP, of which manufacturing contributes 19.9%. Manufacturing as a percentage of total exports grew from 4.2% in 2010 to 23% in 2021[3] while manufacturing value added (MVA) as a percentage of GDP stood at 16.4% in 2021[4]. In 2019, the Industry's share of employment stood at 7.4%[5] growing to 13.4% in 2021[6].

- In terms of concentration of investments, the top 5 sectors where Ugandan domestic investors have mostly planned their projects in descending order include 1) Manufacturing, 2) Agriculture forestry and fishing, 3) Real estate, 4) transport and storage, and 5) electricity (energy). However, domestic investors need to take advantage of existing broad incentives; support to access affordable and blended financing in order to actualize their planned manufacturing projects, to offset the dominance by FDI.

- Uganda has a double taxation treaty (DTA) with 3 of the top 10 investment sources, namely India, the UK, and Mauritius. The Netherlands which is reported to register the leading stock of investments in Uganda also has a DTA in place with Uganda.

- The top 5 manufacturing investment establishments created 55% of the total reported jobs (amounting to 45,745) against a total tax contribution amounting to UGX 589.5 billion (14%). The top 5 manufacturing subsectors contributed UGX 2 trillion, or 46% of total tax revenues while creating 23,089 jobs, 27.8% of the total direct jobs.

- The anticipated import-substituting effect expected from the manufacturing sector is commandingly beginning to reflect in the import statistics of the product space where manufacturing entities have concentrated their investments, led by beer beverages and sugar.

The following observations which impact investment inflows stand out from Uganda's macroeconomic performance.

- In the FY 2021/22, sectoral contribution of Agriculture to GDP reached 24.07%, against the NDP target of 20.88%, while industry's contribution to GDP reached 26.8% against the NDP target of 27.81%. Manufactured exports as a percentage of total exports reached 13.5% against the NDP target of 14.88%. Energy generation capacity in 2021/22 reached 1,352 MW against the NDP target of 1,990. ICTs contribution to GDP outperformed expectations, reaching 9% compared to the NDP target of 2.89%. This is partly due to the explosion of digital penetration during the Covid-19 pandemic. Uganda's foreign direct investment as a share of GDP reached 2.3 compared to the NDP target of 3.176. The performance of Uganda's economy is mixed but on track to achieve NDPIII targets.

- The contribution of the services sector to total employment/job creation was at its highest in 2012 at 25.9%[7], declining to 21.4% in 2019. The Services' value added per worker[8] registered a 29.7% increase over the same period on account of increased productivity in the sector. This trend is accompanied by a progressively low rate of generating new employment opportunities due to the increased use of ICTs which dilutes the labor intensiveness of services. Uganda's services external account is declining (deficit territory over the foreseeable future).

- A relative shift in energy consumption by Uganda's 4,008 industries is explained by overall growth in the number of industries in all three categories (large industrial 28% and extra-large industrial 47%). There are faster growth rates observed in the light-industrial segment (labor-intensive). Uganda has piloted a US cent 5 per kWh which is competitive but may be inadequate compared to a few other rapidly industrializing countries such as Ethiopia. To maintain the current rates of industrial growth, more investment in generation capacity is needed to limit the energy constraint.

- Regarding Uganda's social security sector, NSSF holds significant Assets under management (AUM) of UGX 13 trillion. Therefore, the NSSF can continue to expand coverage for more savers and employers while playing its crucial role as an investment market-maker to achieve more social impact.

- Mobile money's significant flows and stocks are not fully exploited for investment. Remittances from abroad should be fully directed towards key investment areas in Uganda's economy.

Below is a brief capture of the policy options to strengthen investment performance.

- Develop infrastructure to have fully serviced (plug and play) industrial parks across the Country.

- Increase Investments in skills development (to improve the stock of employable people and productivity) and expand technical and vocational education and training (TVET), skills development, and innovation framework and ecosystem.

- Design and implement strategies to promote investment in additional generation capacity and Uganda's grid development plan (UETCL)

- Reform of energy markets to be fast-tracked (bundling of energy generation, transmission, and distribution). This reform is expected to further lower the energy tariffs (below US cents 5 per kWh)

- Design an investment project for attracting digital (mobile money) and remittances into key investment sectors (underinvested). Reduce or eliminate taxes on mobile money and electronic transactions

- Write an enabling regulatory framework for the issuance and trade of diaspora bonds, infrastructure bonds, etc.

- Review the DTA regime focusing on clauses that create specific tax benefits for investments in sectors that create more jobs.

- Review tax regime and investment incentives regime to attract more labor-intensive industries. In the long run, revenues from labor-intensive industries may grow to offset the trade-off in slow job creation capital-intensive industries.

- Attract more investment in light and medium industries that substitute for the importation of intermediate inputs for the industry. The desired full substitution effect is contingent on increased investment and output in and by selected primary and tertiary industries, for example mineral extraction (limestone, iron ore, base metals), the iron and steel industry, vegetable oil extraction etc.

- Establishment of an indigenous Industrialization fund targeting domestic investors and industrialists.

Vice President Jessica Alupo (2L), flanked by State Minister of Finance (Privatisation & Investment) Hon. Evelyn Anite (centre) and Minister of State for Trade, Hon. Harriet Ntabazi, at an exhibition stall at the second Uganda-European Union Business Forum in Kampala.

Short Note

This investment memo signifies the need to glean unique insights from the latest trends that characterize investment, trade, industrial development, employment, and wealth creation in Uganda. Uganda Investment Authority (UIA) intends to through the Annual State of Investment Report and analysis to investigate the link between these four major economic thematic areas concisely to distill clear policy actions for improving the contribution of investment performance in Uganda towards sustained wealth creation over the nation's planning horizon. This memo is presented in four parts. First is a section that maps Uganda's investment sectoral performance, both foreign and domestic. The memo uses descriptive analysis to make sense of key trends impacting Uganda's sectoral investment flows. Second is key economic performance metrics with a brief commentary on emerging insights of a macroeconomic nature. The third section highlights challenges, policy options, and recommendations, touching on emerging and current bottlenecks, prescribing policy options, and actionable recommendations. The fourth and last are the investment opportunities and incentives in Uganda's Investment Sector which comprise UIA's present interventions.

Methodology

The memo was developed via a systematic review and quantitative synthesis of empirical economic evidence of Uganda's macroeconomic and sector-level performance to estimate the actual and potential impact of both foreign and domestic direct investments on Uganda's growth trajectory. The memo is a meta-analysis of information from several primary datasets from Uganda's public sector institutions, selected multilateral databases, and secondary sources of data and information, including annual reports, white papers, and economic policy papers. In addition, the authors used data from UIA's database of foreign and domestic investments, both planned and actual, and several other authoritative sources, including the Uganda Bureau of Statistics (UBOS), the Uganda Revenue Authority (URA), Uganda Electricity Regulatory Authority (ERA), Umeme, and the International Trade Centre (ITC).

1.0 State of Investment in Uganda: Investment Sector Performance

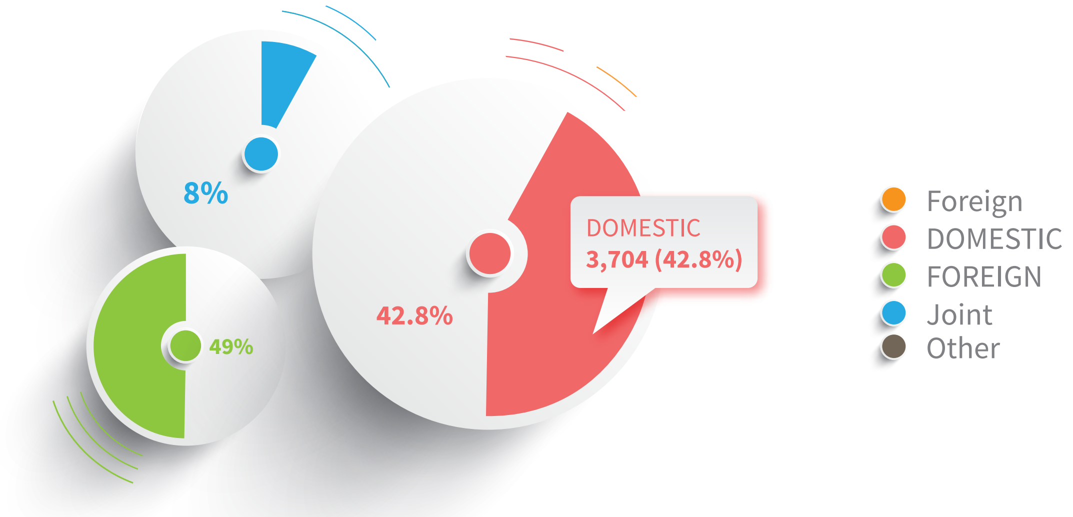

Figure 1 Licensed Projects by Ownership. Source UIA

Since 1991, Uganda Investment Authority (UIA) has licensed 8,659 projects worth US$ 34 billion with approximately 1,088,730 planned jobs. Of these projects, 3,704 (42.8%) are domestic while 4,243 (49%) are foreign, with 689 (8%) being jointly owned. Over the period 1991 to date, UIA licensed 1,171 agriculture, forestry, and fishing projects with a target of 245,530 jobs to be created. Over the period under review, foreign licensed projects outpaced domestic ones. UIA licensed an average of 320 projects per financial year, with that figure peaking at 631 for the FY 2021/22 with a planned investment of US$ 5,447,187,737. This leap in licensed investments is attributed to the impact of post-Covid-19 recovery and the planned Oil & Gas projects coming online.

1.1 Foreign Direct Investment (FDI)

Foreign direct investment into Uganda's economic sectors have performed well over the years. The performance of FDI (US$ million) into Uganda over the period 2016 to 2020 is shown in table 9 below.

Sector	2016	2017	2018	2019	2020
Total	625.7	802.64	1055.03	1273.56	873.47
Unspecified Total (merchandise & services)	24.36	9.91	38.9	56.5	41.75
Primary Sector	238.12	272.29	409.65	543.22	380.91
Agriculture, forestry and fishing	29.01	45.84	34.19	32.64	19.2
Mining and quarrying	209.11	226.45	375.47	510.57	361.71
Secondary sector	69.7	86.07	130.96	135.67	91.57
Unspecified Manufacturing	69.7	86.07	130.96	135.67	91.57
Tertiary Sector	293.52	434.37	475.51	538.18	359.24
Electricity, gas, steam, air conditioners	47.47	159.77	62.73	84.88	60.18

Construction	21.57	60.83	30.8	28.27	19.46
Wholesale &retail;	199.58	6.44	49.9	62.91	40.61
Transportation and storage	-117.45	1.06	75.51	97.22	65.03
Financial and insurance activities	149.39	198.11	248.59	253.46	165.62
Other service activities	-7.05	8.17	7.98	11.44	8.34

Table 2 Uganda Investments Inflows by Economic Activity – US$ millions (2016 – 2020) (ITC Investment Map)

The top-ranking recipient sector of FDI inflows into Uganda was the tertiary sector averaging 46% of the total FDI inflows. The biggest recipient subsector under tertiary is financial services which averaged 22% of total FDI inflows over the period under review, followed by wholesale and retail, averaging 9%, though the inflows into wholesale and retail have declined over the period under review (from 32% of total inflows in 2016 to 5% in 2020). The second ranking recipient sector of FDI is the primary sector which averaged 39% of the total inflow of FDI over the period under review. 36% of total FDI mostly went into mining and quarrying. The secondary sector (mainly manufacturing) received 11% of total FDI inflows over the period 2016 to 2020.

Uganda's investment inflows and stocks have tremendously improved over the years. FDI stocks (US$ million) and inflows (US$ Million) by partner country for the period 2016 to 2020 are shown below.

Partner Country	2016	2017	2018	2019	2020
World	10,273	11,532	13,315	14,589	15,463
Netherlands	4,574	5,167	6,385	5,668	6,319
China and Area not Elsewhere Specified[9]	2,755	2,835	3,011	3,090	3,344
United Kingdom	634	808	1,151	1,948	1,894
Kenya	841	885	922	1,218	1,251
Mauritius	434	606	742	862	904
South Africa	337	369	274	421	415
Bermuda	193	247	217	378	366
United States of America	139	136	146	383	349
India	157	224	221	291	297
France	145	179	146	202	201
Singapore	53	61	54	57	61
Sweden		2	-1	45	36
Belgium	13	13	48	27	26

Table 3: Uganda. Investment stocks (US$ Million) by partner country 2016 - 2020 (ITC investment map)

Partner Country	2016	2017	2018	2019	2020
World	625.7	802.6	1,055.03	1,273.56	873.5
Belgium	0.13	-0.62	16.21	20.2	19
Bermuda	10.69	18.04	32.38	19.25	12.84
France	44.29	22.89	21.94	25.3	17.96
Kenya	230.1	114.5	136.63	171.29	116
Mauritius	-87.75	163.2	69.24	88.36	55.17
Netherlands	278.43	227.5	313.24	480.83	337.9
India	17.5	35.38	31.3	36.97	23.06
Singapore	-1.14	9.8	1.7	2.36	1.89
South Africa	17.78	13.82	34.01	20.19	12.99
Sweden		0.38	1.83	0.27	-0.03
United Kingdom	80.94	56.22	178.04	160.75	104.2
United States of America	-3.68	5.1	21.38	6.18	3.45
China and Area not Elsewhere Specified[10]	38.41	136.5	197.14	241.63	169

Table 4: Uganda Investment inflows by partner country 2016 - 2020 (ITC investment map)

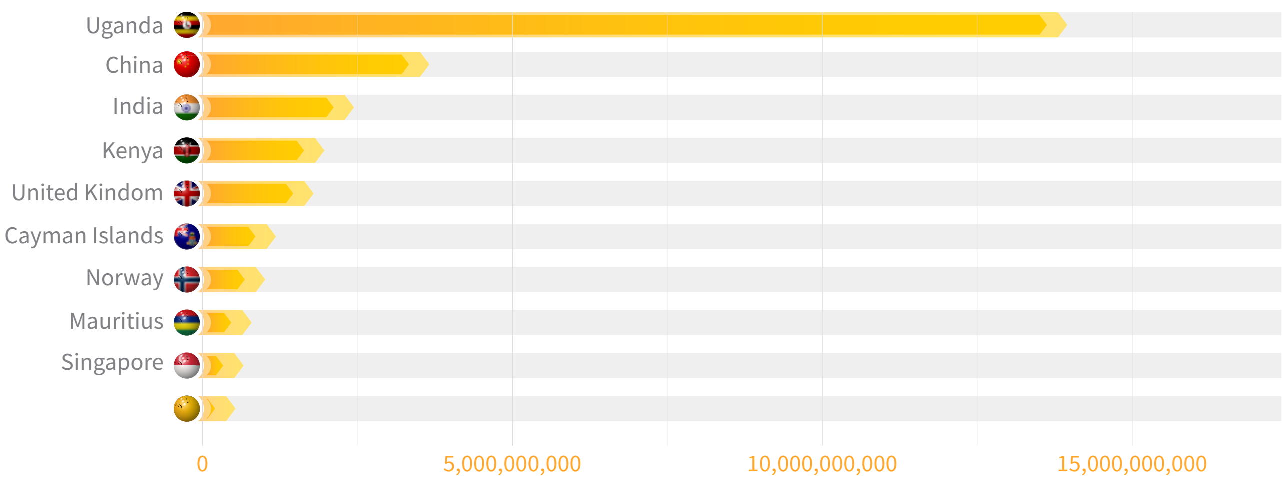

Figure 2 Top 10 Investment Source Countries. Source UIA

The countries which hold the most significant stock of investments are also the leading licensee at UIA. They include Kenya (ranked 4 in stock, and 4 in planned licenses), India (ranked 8 in stock, and 3 in planned licenses), and Mauritius (ranked 5 in stock, and 8 in planned licenses). The Netherland is the leading investor in terms of stock, but almost all its investment projects are not licensed. The major sectors where the Netherlands invests are agriculture and agro-processing (seed production, animal feeds, and agro-machinery) and renewable energy.

Uganda's Foreign Direct Investment (FDI) inflows as captured by UIA show China as the leading foreign source of investment. From 1991 to date, FDI from China totaled US$ 3,701,400,559, followed by India (US$ 2,434,959,502), Kenya (US$ 1,925,485,795), the United Kingdom (US$ 1,876,072,087), Cayman Islands (US$ 1,264,282,000), Norway (US$ 1, 073,491,642), Mauritius (US$ 806,583,662), Singapore (US$ 697,287,907), and the USA (US$ 496,750,163).

Two important insights emerge. First is that Uganda has a double taxation treaty with three of the top investment sources, namely India, the UK, and Mauritius. Investment from the Cayman Islands is significant too (a tax haven), despite Uganda not having a DTA with the Cayman Islands. The Netherlands which is reported to have the leading stock of investments in Uganda (see table 6) also has a DTA in place with Uganda. It can be surmised that the DTAs are influencing inflows of FDI into Uganda, absent a clear causal relationship.
We briefly do a short but deep dive into the texture of licensed manufacturing establishments that have been actualized, again, through an employment and tax performance lens. We find that 541 licensed foreign companies that had a planned investment of US$ 2,526,477,587 are operational, paid taxes worth UGX 4,316,436,972,857 in the FY 2021/22, and employed 82,818 people in terms of actual jobs.

Tax Contribution and Job Creation by Country

Company Country Origin	Taxes paid (UGX)	Number of Companies	Actual Jobs
Uganda	1,239,927,522,103	142	28,647
United Kingdom	991,789,283,921	13	2,380
Kenya	893,736,426,381	23	6,215
India	266,065,291,024	134	7,983
United States of America	187,812,595,955	4	1,082
Bermuda	135,728,735,209	2	10,095
Lebanon	121,875,212,341	4	7,794
Tanzania	114,612,295,114	2	3,307
Saint Lucia	109,551,193,140	1	332
China	102,632,183,959	139	2,893
France	61,678,881,585	1	1,033
Mauritius	14,766,671,086	5	957
Singapore	13,432,599,953	2	4,077
Canada	13,116,488,490	3	658
Afghanistan	11,950,445,812	2	188
India	11,939,553,159	5	552
Switzerland	7,664,453,198	1	481
Netherlands	3,848,108,099	2	155
Sri Lanka	2,852,963,142	3	53
Pakistan	2,747,037,442	13	137
South Africa	2,359,074,295	1	1
Rwanda	2,008,693,097	2	171
China	1,124,035,748	4	58
Hong Kong	933,418,551	1	22
Germany	656,921,222	1	12
Uganda	585,614,370	3	51

Korea South	552,172,806	1	249
Lebanon	462,456,975	1	2,956

Figure 3 UIA Licensed & Actualized Manufacturing Projects FY 1991/92 - 2021-22 Reference Data: URA Manufacturing Tax Payers FY 2021-22

The top 5 tax paying foreign manufacturing establishments are from the United Kingdom[11] (UGX 991 billion), Kenya (UGX 893 billion), India (UGX 266 billion), the USA (UGX 187 billion), and Bermuda (UGX 135 billion). The top 5 tax-paying foreign manufacturing establishments are not necessarily the top employers. Bermuda tops the employer's list with 10,095 actual jobs[12], followed by India with 7,983 actual jobs, and Kenya with 6,215 (note: Lebanon which isn't among the top 5 tax-paying entities employs 7,794 actual jobs).

The top 10 foreign manufacturing taxpayers are, in descending order, Uganda Breweries Ltd, Nile Breweries Ltd, BIDCO Uganda, Tororo Cement, Crown Beverages, Century Bottling Company Ltd, Kakira Sugar Ltd, Roofings Rolling Mills Ltd, HARISS International Ltd, Hima Cement Ltd, Mukwano Industries Ltd. These top 10 industries paid upwards of UGX 2.5 trillion in taxes (2021/22). **The top 10 employ 25,399 people, with Kakira employing 15,984.**

The top tax-paying manufacturing sectors are depicted in the graph below. In FY 2021/22, the top 5 employers in descending order are sugar production (15,984 jobs), food processing (12,980 jobs), other manufacturing (7,818), Manufacture of wood products (4,919), and manufacture of textiles and fabrics (4,044). They **created 55%** of the total reported jobs amounting to **45,745**. However, their **total tax contribution amounted to UGX 589.5 billion (14%).** However, in terms of tax contribution, in FY 2021/22, the top 5 tax-paying manufacturing sub-sectors in descending order are the manufacture of other non-metallic mineral products (UGX 713 billion), edible oil (UGX 337.8 billion), beer (UGX 337.7 billion), other manufacturing (UGX 286 billion), and cement and iron sheets (UGX 290 billion). Together, the top 5 manufacturing subsectors contributed **UGX 2 trillion**, or **46%** of total tax revenue. These subsectors created **23,089** jobs, **27.8**% of the total jobs created.

Sub-Sector	Tax Contribution (UGX)	Jobs Created
Sugar Production and Processing	142,481,976,871	15,984
10 - Manufacture of food products	138,627,677,942	12,980
32 - Other manufacturing	286,971,859,069	7,818
16 - Manufacture of wood and of products of wood and cork	13,922,315,439	4,919
Manuf & sale of textile, fabrics et	7,516,922,070	4,044
11- Manufacture of beverages	151,241,953,476	3,881
Food processing	114,609,779,364	3,307
22 • Manufacture of rubber and plastics products	68,224,918,457	2,114
Manufacture of edible oil & oil pal	337,892,165,396	1,987
Manufacture of rubber and plastic products	47,415,687,718	1,709
Sugarcane processing	55,757,718,278	1,642
24 • Manufacture of basic metals	52,530,605,611	1,442
Manufacturing of metal and metal products	134,110,766,548	1,330
Soap and edible oil manufacture	107,507,475,699	1,232
Sugar & allied products manufacturing	27,685,197,134	988
Steel and iron production	132,648,558,525	975

Soft drink bottling	187,586,970,703	966
Diary and dairy products	25,389,287,515	961
23 - Manufacture of other non-metallic mineral products	713,528,474,588	871
Other manufacturing	53,759,097,022	759
Beer brewing	377,739,415,291	717
Manufacture of cosmetic products	53,759,097,022	706
Manufacturing of paper and paper products	24,508,652,879	704
21- Manufacture of basic pharmaceutical products and phar	3,138,979,188	624
27 - Manufacture of electrical equipment	11,731,096,446	587
Other chemical products	7,787,786,974	581
Manufacture of plastic products	10,412,601,826	560
Manufacture of ms ingots and ms bar	37,298,484,816	518
Exercise books manufacture	10,697,310,020	512
Fish and fish farming	1,638,723,215	504
Coffee processing	7,664,453,198	481
Dairy products	14,794,595,221	452
Food and beverages	246,439,580,669	447
20 • Manufacture of chemicals and chemical products	13,683,152,375	441
17 -Manufacture of paper and paper products	12,795,855,039	387
Manufacturing of phermaceuticals	18,555,928,097	375
Confectionary	11,048,201,167	353

Figure 4 Subsector Tax Contribution and Jobs created. Source. URA data

These trends have policy implications as we show in the section on challenges, policy options, and recommendations. Lastly, we peek into the import trends of the products that these manufacturing entities produced locally. For the period 2016 to 2020, the import trends (by value) of the top 5 tax-paying manufacturing sub-sectors were analyzed.

	2016	2017	2018	2019	2020
Prod: 7216 Angles, shapes & sections of iron	6,125	7,814	7,464	14,105	11,721
Prod: 68 Articles of stone, plaster, cement	5,658	6,868	7,841	8,555	9,173
Prod: 15 Animal or vegetable fats & oils	230,788	275,492	248,426	210,725	289,812
Prod: 62 Articles of apparel & clothing accessor	22,197	27,064	35,777	35,234	36,556
Prod: 61 Articles of apparel & clothing accesso, knitted	12,794	15,405	20,513	22,058	20,939
Prod: 44 Wood and articles of wood	5,529	4,480	4,753	4,869	4,574
Prod: 1701 Cane/beet sugar & chemically pure sucrose	64,444	102,033	74,728	77,678	67,998
Prod: 22 Beverages, spirits & vinegar	58,694	39,331	35,112	34,711	31,003

Table 5 Uganda Imports by value (US$ 000) of selected products (2016 – 2020). Source ITC Trademap

The anticipated import-substituting effect has yet to fully reflect in the import statistics of the product space where manufacturing entities have concentrated their investments, except for beer beverages, and sugar. This could be because some investments require significant intermediate inputs (e.g., cement requires clinker, which is still expensive to produce domestically). In addition, iron and steel also require copious amounts of coke (as a reducing agent), which still must be imported. The importation of semi-finished (unpurified) edible oils improves the feasibility of finishing edible oils (purifying) domestically for packaging, distribution, and export. Additionally, the cost competitiveness of transforming raw materials in terms of labor and energy often tilts the decisions away from investing in tertiary industry.

1.2 Domestic Direct Investment (DDI)

Ugandan investors have licensed 3,214 projects worth US$ 14 billion, over the period 1991 to date with planned jobs estimated at 443,617. Ugandan licensed investors are considered as majority owners (>51%) in the licensed entities, therefore, some foreign investment component may exist in these entities.

Financial Year	Number of Projects	Planned Investment (US$)	Planned Jobs
1991/92	22	94,840,600	**1,735**
1992/93	95	116,225,000	**4,680**
1993/94	91	166,992,540	**9,698**
1994/95	185	292,331,596	**13,835**
1995/96	116	188,186,443	**7,914**
1996/97	90	278,696,000	**6,832**
1997/98	54	144,057,035	**3,376**
1998/99	29	39,300,000	1,772
1999/2000	28	34,305,615	3,338
2000/2001	41	68,590,804	4,577

2001/02	35	32,827,000	2,512
2002/03	67	142,135,546	7,814
2003/04	73	132,977,500	7,710
2004/05	98	138,442,642	6,949
2005/06	120	280,847,150	10,771
2006/07	140	917,867,294	13,164
2007/08	176	675,061,500	40,743
2008/09	145	559,905,200	14,257
2009/10	156	677,681,822	57,318
2010/11	153	695,300,384	31,221
2011/12	117	1,460,200,373	27,164
2012/13	91	406,023,619	15,397
2013/14	124	358,632,651	14,372
2014/15	77	467,030,194	24,918
2015/16	114	820,381,153	17,797
2016/17	138	623,749,528	21,333
2017/18	79	441,167,174	6,858
2018/19	81	328,548,087	11,537
2019/20	100	332,715,129	9,780
2020/21	157	795,360,076	20,333
2021/22	222	2,370,073,820	23,912
Grand Total	**3,214**	**14,080,453,478**	**443,617**

Figure 5 Domestic Direct Investment – Number of projects, planned investments and planned jobs. Source UIA data

In terms of concentration of investments, the top 5 sectors where domestic investors have mostly planned their projects in descending order include 1) Manufacturing, 2) Agriculture forestry and fishing, 3) Real estate, 4) transport and storage, and 5) electricity (energy). In the electricity sub-sector, the top 5 firms are Waste to Power Uganda Ltd, (with South African shareholding), Sesam Energetics Ltd, Jacobsen Uganda Power plant Ltd, NMS international, and Senok Equipment Uganda Ltd, Genmax Nyagak Ltd. Most planned investments in manufacturing by domestic investors are not actualized. This partly explains why the manufacturing sector is mostly dominated by FDI.

Investment By Sector

Sector	Planned Investment (US$) Planned Job	Planned Jobs
A - Agriculture, forestry and	1,865,013,914	114,746
B - Mining And Quarrying	538,539,947	12,042
C - Manufacturing	3,986,175,712	147,472
D - Electricity, gas, steam	943,741,377	23,791
E - Water supply; sewerage	194,519,417	5,451

F - Construction	420,288,468	8,831
G - Wholesale and retail trade	34,220,834	794
H - Transportation and stora	1,035,956,342	10,814
I- Accommodation and food	875,694,926	14,029
J - Information and communication	569,804,026	20,530
K - Financial and insurance	40,414,459	2,106
L - Real estate activities	2,087,919,497	29,261
M - Professional, scientific	369,049,773	695
N - Administrative and supp	691,598,648	37,174
P - Education	220,126,909	10,785
Q- Human health and sociall	186,577,503	4,213
R - Arts, entertainment and	12,079,000	473
S - Other service activities	8,732,726	410
Grand Total	**14,080,453,478**	**443,617**

Figure 6 Domestic Direct Investment. Planned investments and planned job by sector. Source UIA

1.3 UIA's achievements - Snapshot

Uganda Investment Authority (UIA) has scored some successes over the years. Below is a snapshot of UIA's key achievements.

1. 541 licensed foreign companies that had a planned investment of US$ 2,526,477,587 are operational, paid taxes worth UGX 4,316,436,972,857 in the FY 2021/22, and employed 82,818 people in terms of actual jobs.
2. The turnaround time of licensing investments has improved from 1 month to under 48 hours.
3. The one-stop center, physical and online, (ISO 9000 & ISO 45000 certified) has been established. Decentralization of OSC across the country is underway (starting with Mbale this FY 2021/22)
4. Automation of key business processes at UIA is ongoing. Investment licensing, company registration, tax registration, EIA, and land title verification are so far all automated and fully functional.
5. Ten (10) Industrial parks have been established and are operational.

UIA Directors of Board's visit to Soroti Fruit Factory in Soroti Industrial and Business Park.

2.0 State of Investment in Uganda. A Macroeconomic Perspective

2.1 Gross National Output

Uganda's macroeconomic performance over the last three decades (1991 to 2021) has been phenomenal. Economic growth has averaged 6% per annum over the period under review, with a slight dip to 4.4% from 2012 to 2021. The decade 2012 to 2021 is characterized by several events of significant economic impact including the Covid-19 pandemic (2020 and 2021[13]), the Uganda-Rwanda border closure (2018 onwards), and persistently high fiscal deficits since 2015[14].

	1991-2001	2002-2011	2012-2021
GDP Growth (Average)	6.43	7.63	4.47

Table 6 Source. World Bank

Below is a graph showing Uganda's composition of GDP by sector in Uganda over the period 2011 to 2021.

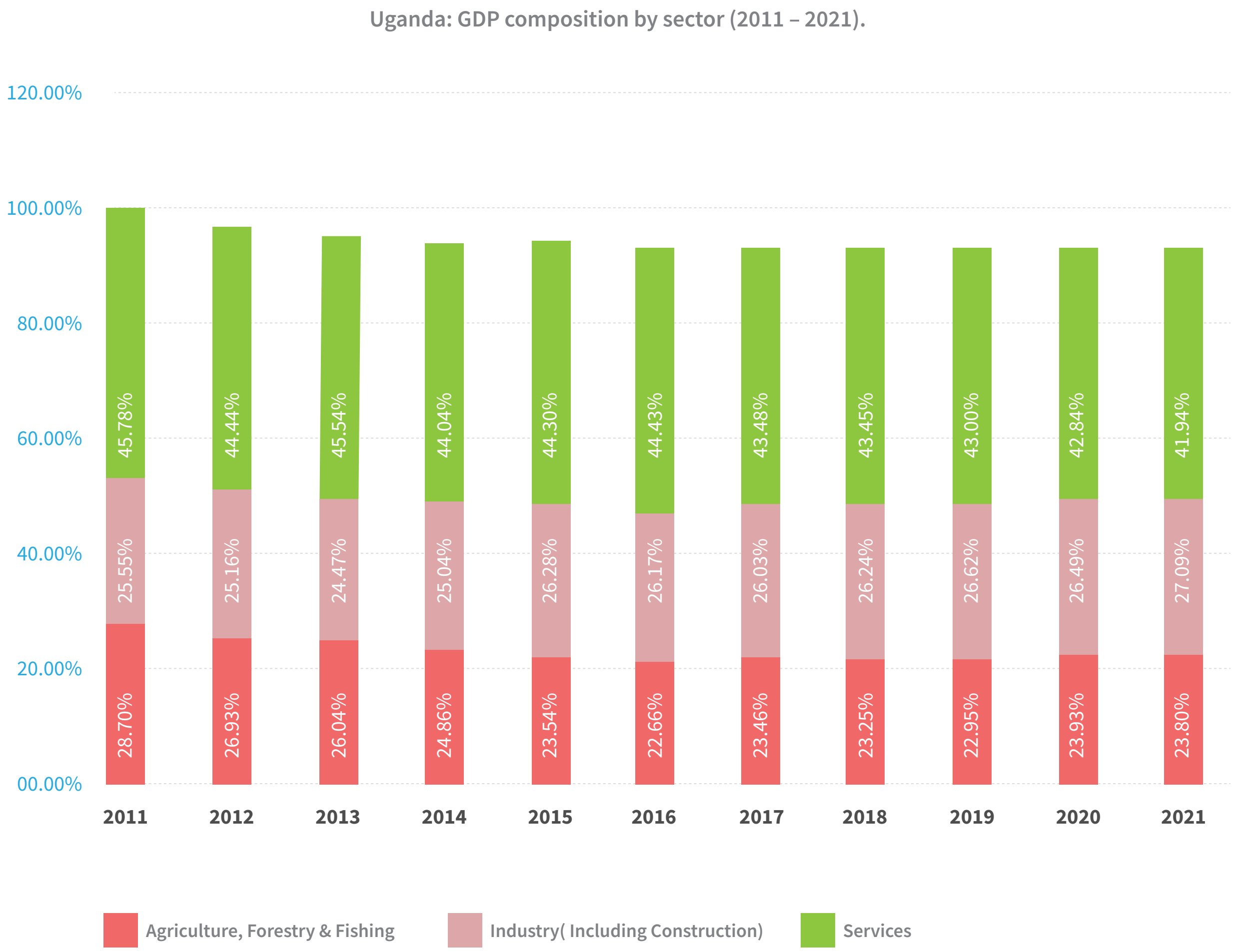

Figure 7 Uganda: GDP composition by sector (2011 – 2021). Source: UBOS Data

According to UBOS, Uganda's services output has grown at an average rate of 4.6% over the period 2012/13 to 2020/21, accounting for close to 44% of GDP[15]. Information and Communications Technology's (ICT) GDP growth reached 11% over the same period. According to the World Bank, the contribution of the services sector to total employment/job creation was at its highest in 2012 at 25.9%[16], declining to 21.4% in 2019. However, the Services' value added per worker[17] registered a 29.7% increase over the same period on account of increased productivity in the sector accompanied by a progressively low rate of generating new employment opportunities. This trend can be attributed to the increased utilization of ICTs in the services sector which dilutes the labor-intensive aspect of services.

2.2 Trade & Exports

Over the last decade, Uganda's **exports** by value have grown at an average of 6% per annum, year-on-year, peaking at 18% in 2016/17. As a result, exports by value nearly doubled from UGX 2,8 billion in 2013 to close to UGX 4.5 billion in 2021. Coffee is still the leading export earner, followed by gold exports.

Exports	2013	2014	2015	2016	2017	2018	2019	2020	2021
(US$ mill)	2,828.70	2,724.80	2,667.20	2,921.20	3,449.90	3,636.20	4,095.60	4,461.30	4,508.80

Table 7 Uganda's Goods Exports by Value – 2013 – 2021, US$ million. Source Bank of Uganda

Imports too, have grown and continue to exceed exports, over the same period, averaging 7% per annum, with year-on-year growth peaking at 18% in 2017/18. Machinery Equipment, Vehicles & Accessories are Uganda's leading import, followed by petroleum products.

Imports	2013	2014	2015	2016	2017	2018	2019	2020	2021
(US$ mill)	4,512.10	4,762.80	4,384.90	3,695.20	4,296.00	5,330.70	6,183.20	6,568.60	7,076.70

Table 8 Uganda's Goods Imports by Value – 2013 – 2021, US$ million. Source Bank of Uganda

Regarding **trade in services**, Uganda's **imports of services** grew from US$ 2 billion in 2017 to US$ 3.1 billion in 2021, mainly led by commercial services, and transport services. The import of Professional and management services almost tripled from US$ 368 million in 2017 to US$ 1.18 billion in 2020. Uganda's **services exports** grew from US$ 1.6 billion in 2017 to US$ 2.44 billion in 2018, thereafter dropping to US$ 2.2 billion (2019), and US$ 1.2 billion (2020), and slightly recovering to US$ 1.8 billion in 2021[18].

	2017	2018	2019	2020	2021
Exported Value	1,646,000	2,447,000	2,208,000	1,217,000	**1,852,000**
Imported Value	2,067,000	2,632,000	2,911,000	3,148,000	**3,211,000**
Deficit	**-421,000**	**-185,000**	**-703,000**	**-1,931,000**	**-1,359,000**

Table 9 Uganda Services Trade by Value US$ 000 (2017 – 2021). Source ITC Trademap

Below is a table showing Uganda's services exports (by value – US$ 000)

Code	Service label	2017	2018	2019	2020	2021
S	All services	1,646,000	2,447,000	2,208,000	1,217,000	1,852,000
SOX	Memo item: Commercial services	1,386,000	2,066,000	1,930,000	982,000	1,478,000
4	Travel	941,000	1,506,000	1,385,000	504,000	877,000
12	Government goods and services n.i.e.	260,000	380,000	277,000	235,000	374,000
3	Transport	162,000	190,000	176,000	158,000	173,000
10	Other business services	180,000	195,000	184,000	147,000	162,000
9	Telecommunications, computer, & information services	39,000	52,000	28,000	37,000	105,000
5	Construction	19,000	69,000	105,000	73,000	80,000
7	Financial services	31,000	32,000	34,000	44,000	45,000
8	Charges for use of intellectual property n.i.e.	2,000	10,000	8,000	4,000	19,000
6	Insurance and pension services	4,000	7,000	7,000	12,000	13,000
11	Personal, cultural, and recreational services	7,000	5,000	4,000	4,000	4,000

Table 10 Uganda's services exports (US$ 000) 2017 – 2021. Source: ITC Investment map

As the Ugandan economy expands, we expect demand growth for several services, including transportation, professional services, and management consulting services. The constraints to growth which are also opportunities are believed to be mostly investment related. For example, Uganda's long-haul trucking fleet is only about 4,500, compared to Tanzania's estimated 25,000 trucks. The major Investment in Uganda airlines (~ US$ 800 million) is expected to yield import substitution benefits. These gaps in Uganda's transportation subsector are indicators of tremendous investment potential in view of the projected growth in demand of transportation services.

2.3 Social Security Sector

Uganda's **social security sector** has also registered successes over the years. As of 2020, the National Social Security Fund (NSSF) had 2.1 million registered members, against 54,700 registered employers, with total contributions of UGX 1.271 trillion and total revenue of 1.471 trillion. Sustaining a robust investment promotion and growth regime requires the underwriting of a functional and growing social security sector to strengthen the resilience of working families and employees. Additionally, social security funds play a vital role as a market maker in Uganda, with a diverse investment and asset portfolio spanning real estate, equity, and fixed income. Therefore, improving the performance of the NSSF, which is contingent on the growing number of savers, is of great importance for Uganda's investment sector. The debate on whether to liberalize the social security sector is still underway at the policy level. The benefits of liberalization are clear and include more options and choices for savers. However, the role of the market maker of NSSF may be imperiled. For example, NSSF can be the investor of choice to address major development needs, affordable housing (Uganda suffers a housing deficit of up to 2.4 million homes, according to Habitat[19]). Traditional financial market instruments remain highly priced (investment grade) and at a premium but also continue to constrain growth into low-income ownership segments. Housing is an interesting area for policymakers, however, NSSF can be incentivized (subsidies could play a role) to invest in economic areas with a high social impact.

2.4 Agriculture, Forestry and Fishing

As economic development in Uganda remains on track, the structural changes in Agriculture, forestry and fishing (contribution to GDP, and share of employment) are evident. Agriculture which contributed 27.8% to GDP in 2011, declined to 23.8% contribution to GDP in 2021 on account of an increasing contribution to GDP and employment by services and industry. According to the National Labor force Survey (2021), the percentage share of Uganda's working population in Agriculture declined from 64.9% (2016/17), to 61.4% in 2021[20]. Agriculture, forestry and fishing remains the base for Uganda's budding agro-industrialization agenda, with the goal of transitioning employment out of primary subsistence agriculture into agro-processing industry. Agricultural exports continue to grow, contributing $1.2 billion in 2015, peaking at US$1.5 billion in 2018 before declining to US$1.3 b in 2020[21] (declining share is on account of growing share of Gold in Uganda's total export earnings).

2.4.1 Performance of the Agro- Processing Sector:

Uganda's agro-processing sector is mainly composed of small and medium-sized agro-based manufacturing enterprises, contributing thousands of jobs. Food processing accounts for approximately 40% of manufacturing subsector output[22] with soft drinks contributing 17% of total manufacturing output. The food processing subsector grew at approximately 8% per annum over the period 2017 to 2021. The meat, fish, dairy, edible oils have dominated food processing growth and continue to show promise in terms of unexploited potential[23].

2.5 Manufacturing

A worker making a flat screen television set at Hi-tech electronics factory in Kampala Industrial and Business Park, Namanve.

Uganda's manufacturing industry is steadily growing, according to the latest industrial performance figures. Uganda has *4,008 operational industries* in various sectors[24]. The industrial sector contributes 27.4% to the GDP, of which manufacturing contributes 19.9%. Manufacturers as a percentage of total exports grew from 4.2% in 2010 to 23% in 2021[25] while manufacturing value added (MVA) stood at 8.3% (2018 figure). In 2019, the industry's share of employment stood at 7.4%[26] growing to 13.4% in 2021[27]. Agribusiness continues to play a significant role in Manufacturing in Uganda, with a significant share of industrial output being in the agro-processed category[28] with the light manufacturing component continuing a growth trajectory. Plans to expand Uganda's manufacturing output are well spelt out in the third National Development Plan (NDP III) 2020/21 - 2024/25 with eighteen industrial parks envisaged as part of the "core projects" under the manufacturing program[29]. The NDP III also describes plans for the development of four fully environmentally sustainable serviced industrial parks (one per region)[30]

2.5.1 Electricity consumption

According to the Electricity Regulatory Authority (ERA), Uganda's **installed generation capacity** has grown to 1,352.52 MW[31], following the commissioning of 26 plants of varied technologies. Currently, industrial establishments in Uganda consume electricity priced at an average of **US cents 10 per kWh[32]**. However, a **pilot special tariff** of **US cents 5 per kWh** commenced in January of 2022, targeted at Uganda's Industrial parks as per His Excellency the President's directive. Below is Uganda's energy tariffs (US cents per kWh) for the industrial segments compared to those of selected regional countries.

Customer Category	UGANDA	KENYA	RWANDA	TANZANIA
Medium Industrial Consumers	0.13	0.14	0.12	0.08
Large Industrial Consumers	0.1	0.14	0.09	0.07
Extra- Large Industrial Consumers	0.09	0.14	0.09	0.07

Table 11 Industrial Electricity Tariffs for three major industrial segments for selected EAC states. Source: ERA

Uganda's **combined industrial base consumes more than 60% of generated electricity**, a total of approximately 2,387,008,291 kWh (2021 figure), with medium-industrial customers[33] consuming 14% (479 million kWh), large industrial[34] 25% (911 million kWh), and extra-large industrial[35] 28% (996 million kWh). Over the period 2016/17 to 2020/21, the relative share of electricity consumed by the extra-large industries has grown from 12% in 2016/17 to 28% in 2020/21, while the share consumed by large industries has declined to 25% in 2020/21, from 36% in 2016/17. This relative shift in energy consumption is partly explained by overall growth in the number of industries in both categories and over the period under review. Over the same period (2016/17- 2020/21), electricity consumption by the medium industrial category grew by 32% (799 industries added), large industrial by 28% (141 added), and extra-large industrial by 47% (18 extra-large industries added).

	2017-Q2	2018-Q2	2019-Q2	2020-Q2	2021-Q2	2022-Q2
Medium Industrial	2,512	2,737	2,834	2,925	3,082	3,311
Large Industrial	500	556	529	563	597	641
Extra Large Industrial	38	39	37	52	52	56

Table 12 Number of Industrial Electricity Customers (2017 – 2022). Source. Electricity Regulatory Authority

The above trends reveal rapid growth in medium (light) industrial and large industrial segments compared to extra-large, despite the disproportionate increase in energy consumption. The two segments also tend to be labor intensive with good job creation potential. This trend has policy implications as we note in the section on policy recommendations.

2.5.2 Employment & Taxes

Uganda's manufacturing entities are among the most significant taxpayers in the economy, faring well as a percentage of GDP. According to Uganda Revenue Authority (URA) data, during the financial year 2019/20, wholesale and retail trade contributed the biggest share of total revenue contribution with 28.35% (UGX 4,855.06Bn), while the **manufacturing sector contributed 20.43%** (UGX 3,498.51Bn) and the remaining 18 sectors contributed a combined 45.93% percent of the total revenue. In figure 1 below, we depict the **tax and employment performance** of a sample of manufacturing entities as taxpayers. The top 2,107 manufacturing entities reported employing a total of **150,685** Ugandans in FY2021/22[36], from **121,572**[37] in FY2018/19. The reported **income tax turnover** (tax base) was UGX 18.2 trillion[38] in FY 2018/19, UGX 19.3 trillion[39] in 2019/20, and UGX 22.1 trillion[40] in 2020/21. Uganda's marginal effective tax rate (METR) is estimated at 14%[41] to 16%, and these figures confirm this. These trends highlight the growing importance of manufacturing in the nation's tax mix and for employment creation. In the section on investments, we do a short but deep dive assessment of the texture of Uganda's manufacturing sector trends in employment and tax performance.

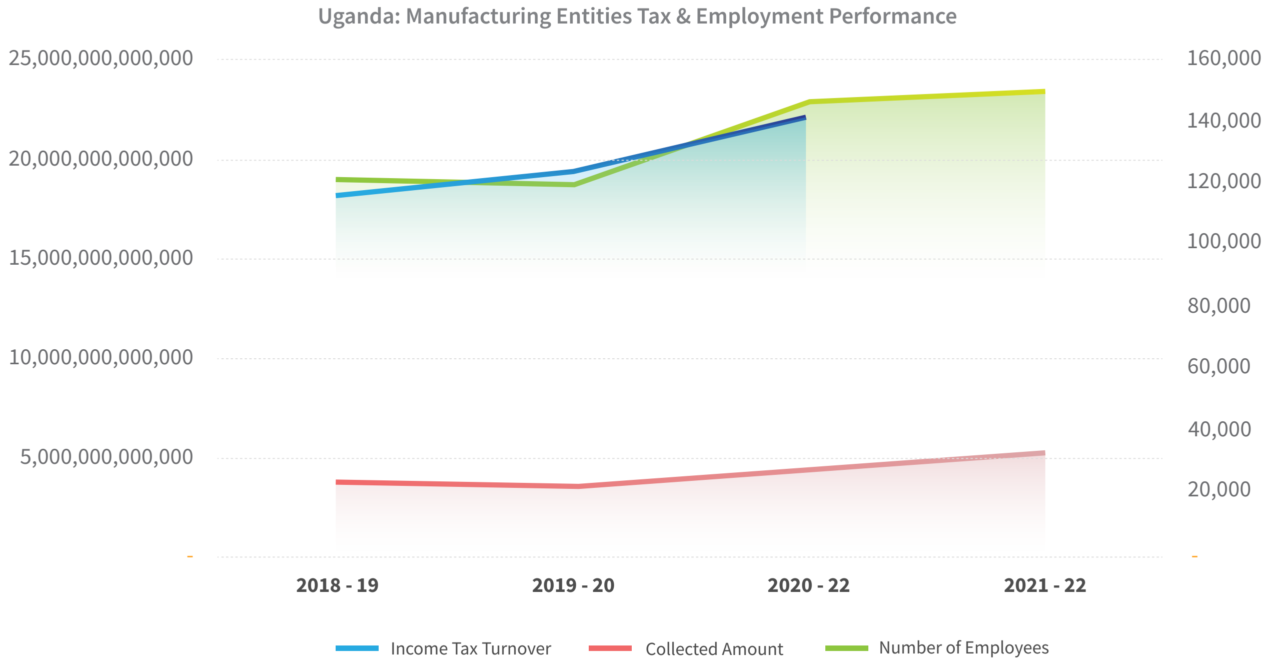

Figure 8 ***- UGX Trillion, Number (2018/19 - 2021/22)***

** Number of employees counted for 2,107 taxpayers*
*** Tax collected is reported against 5,434 taxpayers*
**** Income Tax Turnover is reported against 4,312 manufacturers. 2021/22 figures are provisional & not included*

2.6 Electronic Financial Services and Foreign Remittances

Mobile money services have signaled a paradigm shift in Uganda's financial services industry. Since its inception in 2009, mobile money services have continued to grow. According to the Bank of Uganda (BOU)[42], as of June 2022, the number of registered mobile money customers stood at **38.5 million**, served by **475,755** agents (grew from 263,698 in the last quarter of 2021 mostly due to MTNs massive registration of new agents). According to the Bank of Uganda, electronic money transaction values increased by 37.6% from **UGX 113.38 trillion** in the year ending June 2021 to **UGX 156 trillion** in the year to June 2022. Similarly, year-to-date transaction value increased by 28.2% from **UGX 60.4 trillion in 2021 to UGX 77.4 trillion in 2022**. Uganda is among the top 10 Sub-Saharan recipients of remittances from sources abroad. Remittances grew to US$ 1.4 billion in 2019, declining to US$ 1.1 billion in 2020, on account of Covid-19. Remittances are mostly viewed through the social lens of covering the daily needs of Africa's poor populations. However, a recent IFAD report estimates that about 25% of remittances are available for savings and investment[43]. Despite these significant inflows and a few efforts to leverage them for investment[44], little is understood about the impact of remittances on Uganda's investment landscape. Several actors, e.g., Chipper Cash[45], ad some banks packaging diaspora bonds, have tried to innovate investment channels for mobile money to purchase international stocks and bonds. In addition, MTN introduced the first-ever purchase of stocks using MTN mobile money[46]. Suffice it to say, enabling investment of mobile money in the real economy (stocks, bonds, real estate) could yield important dividends for Uganda's efforts to realise the full investment potential of mobile money and remittances from abroad.

3.0 Challenges, Policy Options, and Recommendations

3.1 Challenges & Policy options

Challenge	Policy Option
Access to finance; Low levels of access to finance due to information asymmetry, limited access to collateral, poor recording, high transaction costs, and limited options for accessing long-term capital	• The government should provide a policy environment for reducing collateral requirements and providing safeguards. • More incentives targeting youth should be established because they dominate the SME world and have proved to be more innovative and creative, yet lack of collateral hinders their operations
Innovation & digitization; the rate of digital options is low due to digital illiteracy, high cost of data, poor connectivity, and high costs of equipment among others.	Accelerate digital adoption by reducing the cost of the internet, extending backbone infrastructure to areas outside cities and major towns
Standards and certification; high costs and complexity of getting a product	Zero fees for startups to acquire standard mark and pay at renewal after 2 years when they have made some sales and profits
Market development includes exports; lack of distribution networks, brand visibility, resources to invest in marketing campaigns, and lack of the capacity and knowledge to effectively compete for public procurement opportunities.	Reserve a certain percentage of government and private tenders for SMEs as it is applying in the Oil and Gas sector 25% for local content. This will enhance their competitiveness against larger firms. Government to play a leading role in securing export markets
Taxation: SMEs complain about taxes and complex tax administration	Government should reduce the complexity of the tax structure that targets SMEs to encourage formalization, compliance, and growth
Inadequate workspace	Establish free workspaces for SMEs on a 3yr plan and leave when they have been fully incubated

3.2 Emerging Policy Issues and Recommendations

Observations	Policy issues	Recommendations
▪ The contribution of the services sector to total employment/job creation was at its highest in 2012 at 25.9%[47], declining to 21.4% in 2019. ▪ the Services' value added per worker[48] registered a 29.7% increase over the same period on account of increased productivity in the sector ▪ This trend is accompanied by a progressively low rate of generating new employment opportunities. ▪ Services external account worsening (deficit territory over the foreseeable future)	Uganda's growing economy is expected to experience a growth in demand for services across most if not all categories (an opportunity as well as a threat) A serious investment constraint is observable in some sectors (e.g., transport services, land, and air) Inadequate skills are a cross-cutting constraint to growth in the stock of professional services providers (even for export)	Increased Investments in skills development (to improve the stock of employable people and productivity) Implementation of services investment and export strategies
▪ Relative shift in energy consumption explained by overall growth in the number of industries in categories (large industrial 28% and extra-large industrial 47%). ▪ Faster growth levels in the light-industrial segment (labor intensive) ▪ Pilot US cents 5 per kWh is competitive (but is inadequate compared to a few other rapidly industrializing countries, the case is Ethiopia)	If the planned establishments of Industrial Parks attract more heavy industry and medium industry, then FDI and DDI may hit an energy barrier (energy shortages on account of low generation capacity) High energy prices may deter a faster rate of FDI-driven industrialization	Design and implement strategies to promote investment in more generation capacity and Uganda's grid development plan (UETCL) Reform of energy markets to be fast-tracked (bundling of energy generation, transmission, and distribution). This reform is expected to further lower the energy tariffs (below US cents 5 per kWh)
▪ NSSF has high Assets under management (AUM) of UGX 13 trillion. ▪ Mobile money flows and stocks are not fully exploited for investment ▪ Remittances from abroad are not fully directed key at investment areas in Uganda's economy	The social sector is not fully liberalized. Additionally, NSSF isn't fully exploiting it's market-maker potential. Taxes on Mobile money apply brakes (regressive) on its potential for unlocking investment potential in the economy and achieving better financial inclusion The lack of clear channels for investing remittances is a challenge	Design an investment promotion scheme leveraging NSSF investments for social impact. Design an investment project for attracting remittances into key investment sectors (underinvested) Reduce or eliminate taxes on mobile money and electronic transactions Write an enabling regulatory framework for the issuance and trade of diaspora bonds, infrastructure bonds, etc.
▪ Uganda has a double taxation treaty with 3 of the top 10 investment sources, namely India, the UK, and Mauritius. ▪ The Netherlands which is reported to have the leading stock of investments in Uganda (see table 6) also has a DTA in place with Uganda.	Double Taxation Treaties seem to have a disproportionate impact on FDI inflows in Uganda	Review the DTA regime (e.g., clauses for specific tax benefits if investments are directed at sectors that demand more investment and can create more jobs)

▪ Top manufacturing entities created 55% of the total reported jobs (amounting to 45,745) against a total tax contribution amounting to UGX 589.5 billion (14%). ▪ The top 5 manufacturing subsectors contributed UGX 2 trillion, or 46% of total tax revenues while creating only 23,089 jobs, 27.8% of the total jobs ▪ The anticipated import-substituting effect has yet to fully reflect in the import statistics of the product space where manufacturing entities have concentrated their investments, except for beer beverages.	Growing tax revenue contribution by manufacturing is concentrated in industries that are not top employment creators, defeating the objective of growth in investment and translating into more job growth. The economic benefits of import substitution, while in the take-off stages, are yet to fully manifest.	Review tax regime and investment incentives regime to attract more labor-intensive industries to create more jobs. In the long run, revenues from labor-intensive industries may grow and even offset the trade-off of slower job creation in capital-intensive industries. Attract more investment in light and medium industries that substitute for the importation of intermediate inputs for the industry.
▪ In terms of concentration of investments, the top 5 sectors where Ugandan investors have mostly planned their projects in descending order include 1) Manufacturing, 2) Agriculture forestry and fishing, 3) Real estate, 4) transport and storage, and 5) electricity (energy). ▪ Domestic investors are not actualizing their planned manufacturing projects, which partly explains why the manufacturing sector is mostly dominated by FDI.	Lack of affordable and long-term capital for domestic industrialists that offers preferential treatment to domestic investors Lack of knowledge and experience in industrial management, inadequate skills, Inadequate (expensive) electricity	Establishment of an indigenous Industrialization fund targeting domestic investors and industrialists Expansion of TVET, skills development, and innovation framework and ecosystem

President Yoweri Museveni commissions Modern Tiles factory in Njeru Municipality, Buikwe District. It is the biggest tiles factory in eastern and central Africa.

4.0 Investment Opportunities

In this section, we briefly highlight the investment opportunities by value, sector, and type, together with selected key investment incentives for consideration by the investors.

4.1 Agriculture and Agro-processing

Uganda's agriculture and agro-processing sector has 11 investible projects worth an estimated US$ 143.6 million, of which 5 are Joint Ventures (JV), 4 are private and 2 are PPPs.

4.1.1 Key sector-specific incentives

Agro-processing: investors engaged in agro-processing and fulfilling certain narrow criteria are granted an income tax exemption.

Investors who make investments of at least USD 50 million for foreigners or USD 10 million for residents are granted a 10-year corporate income tax holiday.

Manufacturing: a 10-year tax holiday is granted to exporters of finished consumer and capital goods, so long as at least 80% of produce is exported.

4.2 Mining

Uganda's mining sector has 6 investible projects worth an estimated US$ 727 million, of which 2 are Joint Ventures (JV), 3 are private.

4.2.1 Key sector-specific incentives

Petroleum and mining: special income tax deductions and exemptions are applied to companies in this sector, such as 100% depreciation of assets acquired for exploration.

4.3 Tourism

Uganda's tourism sector has 5 investible projects worth an estimated US$ 100 million, of which 1 is a Joint Venture (JV), 3 are private and 1 is PPP.

4.3.1 Key sector-specific incentives

Developer of a Hotel or Tourism facility will enjoy zero vat on supply of the feasibility study, design, and construction services: or on the supply of locally produced materials, for the duration of the development.

The hotel developer must invest at least USD 8million. The feasibility studies must be for the development of a hotel or tourism facility or the supply of machinery and equipment furnishings or fittings (not available on the market).

The hotel or tourism facility must have a room capacity exceeding 30 guests. A developer of a facility for meetings, conferences, and exhibitions whose investment capital is not less than 1 million USD

4.4 Real Estate

Uganda's Real-estate sector has 5 investible projects worth an estimated US$ 200 million, of which 3 is a Joint Venture (JV), 1 are private and 1 is PPP.

4.5 ICT

Uganda's tourism sector has 5 investible projects worth an estimated US$ 6.8 million, of which 4 are Joint Venture (JV), 1 is private.

4.5.1 Key sector-specific incentives

Inputs for the assembly/manufacture of mobile phones are granted duty remission to 0% for one year under the duty remission scheme.

4.6 Energy

Uganda's Oil & Gas sector has 2 investible projects worth an estimated US$ 37.1 million. Both are PPPs. Uganda's energy sector has 2 investible projects, both private, worth an estimated US$ 84.5 million.

1.1.1 Key sector-specific incentives

Petroleum and mining: special income tax deductions and exemptions are applied to companies in this sector, such as 100% depreciation of assets acquired for exploration.

4.7 Infrastructure

Uganda's Industrial Park and transport infrastructure sector has 5 investible projects (2 industrial parks and 3 transport infrastructure projects) worth an estimated US$ 2.488 Billion. 4 are PPPs, and 1 is a JV.

4.7.1 Key sector-specific incentives

Investors who make investments of at least USD 50 million for foreigners or USD 10 million for residents are granted a 10-year corporate income tax holiday.

Developer of an industrial park/free zone will enjoy exemption of income derived from renting out or leasing facilities established in the industrial park or free zone, for a period of 10 years. Minimum investment is US$ 50 million for foreign investors and USS$ 10 million for EAC citizens.

4.8 Manufacturing

The manufacturing sector has 1 investible project so far, worth US$ 23.7 million. It is a private project (expansion of the first medical consumables factory in the EAC currently manufacturing surgical and examination gloves).

4.8.1 Key sector-specific incentives

Manufacturing: a 10-year tax holiday is granted to exporters of finished consumer and capital goods, so long as at least 80% of produce is exported.

Raw materials used in production of goods meant for export enjoy a duty draw back i.e. customs refunds of all or part of any import duty paid on material inputs imported to produce goods for export or used in a manner for a purpose prescribed as condition for granting duty draw back.

Plant, machinery, equipment and raw materials used in production of goods for export enjoy Manufacturing under bond facility. A facility extended to manufacturers to import plant, machinery, equipment and raw materials tax free, for exclusive use in the manufacture of goods for export.
For other applicable incentives, see section 5.9

4.9 Selected cross-cutting incentives

Exporters of finished consumer and capital goods: income derived is exempt if investors export at least 80% of production.

100% deduction on scientific research

Income tax exemption for aircraft operators Applies to persons engaged in air transport for domestic and international traffic or aircraft leasing.

100% deduction on training expenditure (employers who train permanent residents or provide tertiary education not exceeding in the aggregate, 5 years.

Initial allowance and Depreciation allowance: Initial Allowance – capital deduction of 50% of qualifying Plant & machinery and 20% on Industrial building placed in the radius of 50Km outside the boundaries of Kampala. Person who places depreciable assets in service e.g., computers, automobiles, specialized trucks, tractors, plant and machinery used in farming, manufacturing or mining operations, trailers and trailer mounted containers; and Industrial building deduction of 5% on cost of construction straight line method for 20 years.
Carry forward losses: Assessed loss is carried forward as a deduction in the following year of income.

Beneficial owner of investment as defined in the Income Tax Act established with economic substance in a country with which Uganda has a DTA. Investors from countries with active DTA's with Uganda i.e., United Kingdom, Denmark, Norway, South Africa, India, Italy, Netherlands and Mauritius. Withholding tax rates applicable to dividends, interests, management fees and royalties are 10% except UK at 15%

NOTE: These incentives are not exhaustive. A comprehensive list of investments incentives for domestic investors is available on the UIA website at: https://www.ugandainvest.go.ug/incentives-for-domestic-investors-in-uganda/

Uganda Revenue Authority maintains a list of tax incentives on the URA website. Currently, the latest tax exemption list is available at: https://www.ugandainvest.go.ug/wp-content/uploads/2021/03/Tax-Incentive-Guide-2020-21-high-resolution_compressed-1.pdf

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2 Source: Electricity Regulatory Authority (ERA) head count of Industrial establishments by consumption levels.

3 UBOS (2019)
4 UBOS Statistical abstract 2021
5 UBOS (2019)
6 UBOS (2021). Uganda National Labour Force Survey – 2021. Retrieved from https://www.ubos.org/wp-content/uploads/2022/11/National_Labour_Force_Survey_NLFS_2021_Key_Findings.pdf
7 (Male=27.6% and female=24%),
8 Constant 2010 US$
9 China accounts for a significant portion of this investment stock
10 China accounts for a significant portion of this investment stock
11 Tororo Cement, National Cement Company, Britannia Allied, Roofings Rolling Mills, Label World Ltd, Kego Plastics, Hast Manufacturing, and Discovery Impex
12 SCOUL and Uganda Baati. They paid a combined UGX 135 billion (2021/22)
13 Covid-19 shock is expected to widen current account deficit and slow financial inflows (World Bank, 2020)
14 Driving public debt to about 37.3% of GDP (US$ 12.8 billion) at end FY 2019. Source (World Bank, 2020)
15 Reaching a minimum of 43.5% in 2016/17 and a maximum of 44.8% in 2015/16 (source UBOS)
16 (male=27.6% and female=24%),
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21 These are top 30 agricultural exports. Coffee is still the leading agricultural export earner
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31 ERA website
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33 Medium-industrial energy demand = Low voltage 415 Volts, with max demand up to 500kVA
34 Large-industrial energy demand = High Voltage 11,000Volts or 33,000Volts, with max demand exceeding 500kVA but up to 1,500 kVA
35 Extra-Large industrial energy demand = High Voltage 11,000V or 33,000V, with Average Demand of at least 1,500kVA and dealing in manufacturing
36 89% of the registered manufacturing taxpayers reported
37 58% of the registered manufacturing taxpayers reported
38 63% of the registered manufacturing taxpayers reported
39 66% of the registered manufacturing taxpayers reported
40 71% of the registered manufacturing taxpayers reported
41 https://ifs.org.uk/publications/effective-tax-rates-and-firm-size-case-uganda
42 BOU Financial Newsletter – August 2022
43 https://www.ifad.org/en/prime-africa
44 IFAD's Platform for Remittances, Investments, and Migrants' Entrepreneurship (PRIME) is one such project covering 5 African Countries.
45 https://nilepost.co.ug/2022/06/14/chipper-cash-not-licenced-to-offer-global-stocks-says-capital-markets-authority/
46 https://www.mtn.co.ug/investors/how-to-apply/
47 Male=27.6% and female=24%
48 Constant 2010 US$

Mr. Ramathan Ggoobi Permanent Secretary/Secretary to the Treasury touring Lugazi Sugar factory

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