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AN INVESTMENT GUIDE TO UGANDA

Opportunities and conditions
March 2004



UNITED NATIONS
New York and Geneva, 2004

UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership comprises 192 States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

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The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping together thousands of members, companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Note

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

References to "dollars" (\$) are to United States dollars, unless otherwise indicated.

While every reasonable effort has been made to ensure that the information provided in this publication is accurate, no business or other decision should be made by the reader on the basis of this information alone, without a further independent check. Neither UNCTAD nor ICC accepts any responsibility for any such decision or its consequences.

UNCTAD/ITE/IIA/2004/3

Three good reasons to invest in Uganda

- **A stable and open economy**

Uganda has established a remarkable track record of macroeconomic stability since the launching of its economic reform programme in 1987. Growth has been strong, inflation has been low and poverty has been falling. The country has a liberal foreign exchange regime, with a stable, market-driven exchange rate and no restrictions on the movement of capital. The *Economic Freedom Index 2004*, published by the Heritage Foundation in the United States, judged Uganda to be the *second* freest economy in sub-Saharan Africa. In keeping with this openness, there is in general a very strong commitment by the Government to the private sector as the engine of growth.

- **Market access**

Uganda enjoys a geographical location at the heart of Sub-Saharan Africa. It is a member (along with Kenya and the United Republic of Tanzania) of the East African Community (EAC), which has a population of 90 million and which has just agreed to establish the East African Customs Union, with a common external tariff. Uganda is also a member of the Common Market for Eastern and Southern Africa (COMESA), an organization representing a total population of 380 million in 20 countries. In addition, Uganda enjoys preferential access to a number of foreign markets. It benefits from the African Growth and Opportunity Act (AGOA) with respect to the US market and the Everything But Arms (EBA) initiative with respect to the EU market. There are similar advantages vis-à-vis the markets of Canada, Japan and other countries.

- **Natural resources**

Uganda is richly endowed with conditions suitable for many kinds of agricultural activity: rainfall, soil and climate. It is home to the largest freshwater lake (Lake Victoria) and the second longest river (Nile) in the world. Lake Victoria is said to have 350 species of fish, including the Nile perch and tilapia. There are plenty of unexploited mineral deposits, including confirmed deposits of gold, zinc, wolfram, petroleum, diamonds, vermiculite and silica. Finally, Uganda has substantial advantages for tourism. In the words of Winston Churchill, "for magnificence, for variety of form and colour, for profusion of brilliant life – plant, bird, reptile, beast – for vast scale, Uganda is truly the Pearl of Africa".



Acknowledgements

A great many individuals and institutions contributed to the production of this guide. Although we cannot list each and every contributor, the following merit special mention: donors to the second phase of the investment guides project, specifically the Governments of Finland, Italy, Norway and Sweden; the United Nations Industrial Development Organization (UNIDO), which contributed to this revised edition; the companies that participated in the consultations and provided answers to queries; other representatives of the private sector, including in particular William Kalema and Hasmukh Dawda; public-sector officials who participated in the workshops and provided feedback on an earlier draft; and Sarah Kitakule and Evarist Mugisa, the national consultants for the first (2001) and second (2004) editions respectively.

Without the cooperation of the Uganda Investment Authority (UIA) and in particular its Executive Director, Maggie Kigozi, as well as the Permanent Mission of Uganda to the United Nations Office at Geneva, which played a facilitating role, this project could not have been implemented.

This guide was prepared, with the assistance of consultants and advisers both external and internal, by a project team led by Vishwas P. Govitrikar that included Ludger Odenthal, Torbjörn Fredriksson, Åsa Fennessy, Chantal Rakotondrainibe and Katia Vieu. The guide was designed and typeset by Nelson Vigneault. It was edited by Chris MacFarquhar. Overall guidance was provided by Karl P. Sauvant.

Note to the reader

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is *credibility*. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. “The operating environment” describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. “Areas of opportunity” offers a description of areas of potential interest to foreign investors. “The regulatory framework” focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

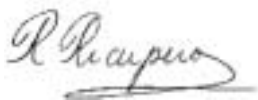
The primary source of further information for an investor wishing to explore investing in Uganda is the Uganda Investment Authority (UIA) – see box on page 52. Contact details of selected sources of further information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 50 major foreign investors in Uganda.

Preface

Foreign direct investment has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

This second edition of *An Investment Guide to Uganda* (the first appeared in 2001) is the eleventh concrete product of a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). The objective of this project is to bring together two parties with complementary interests: *companies* that seek new locations and *countries* that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD–ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing *dialogue* between investors and Governments. The guides *themselves* are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn *contribute* to the dialogue, helping to strengthen and sustain it, for we are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment.



Rubens Ricupero
Secretary-General
UNCTAD



Maria Livanos Cattai
Secretary-General
ICC

The UNCTAD–ICC series of investment guides**PUBLISHED**

An Investment Guide to Ethiopia, 1999; revised edition in new format, 2004
Guide de l'investissement au Mali, 2000; revised edition in new format, 2004
An Investment Guide to Bangladesh, 2000
An Investment Guide to Uganda, 2001; revised edition, 2004
An Investment Guide to Mozambique, 2002
An Investment Guide to Nepal, 2003
An Investment Guide to Cambodia, 2003
Guide de l'investissement en Mauritanie, 2004

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers. English versions of the Mali and Mauritania guides will soon be available on the UNCTAD website.)

FORTHCOMING

An Investment Guide to East Africa, 2005
An Investment Guide to Kenya, 2005
An Investment Guide to Tanzania, 2005

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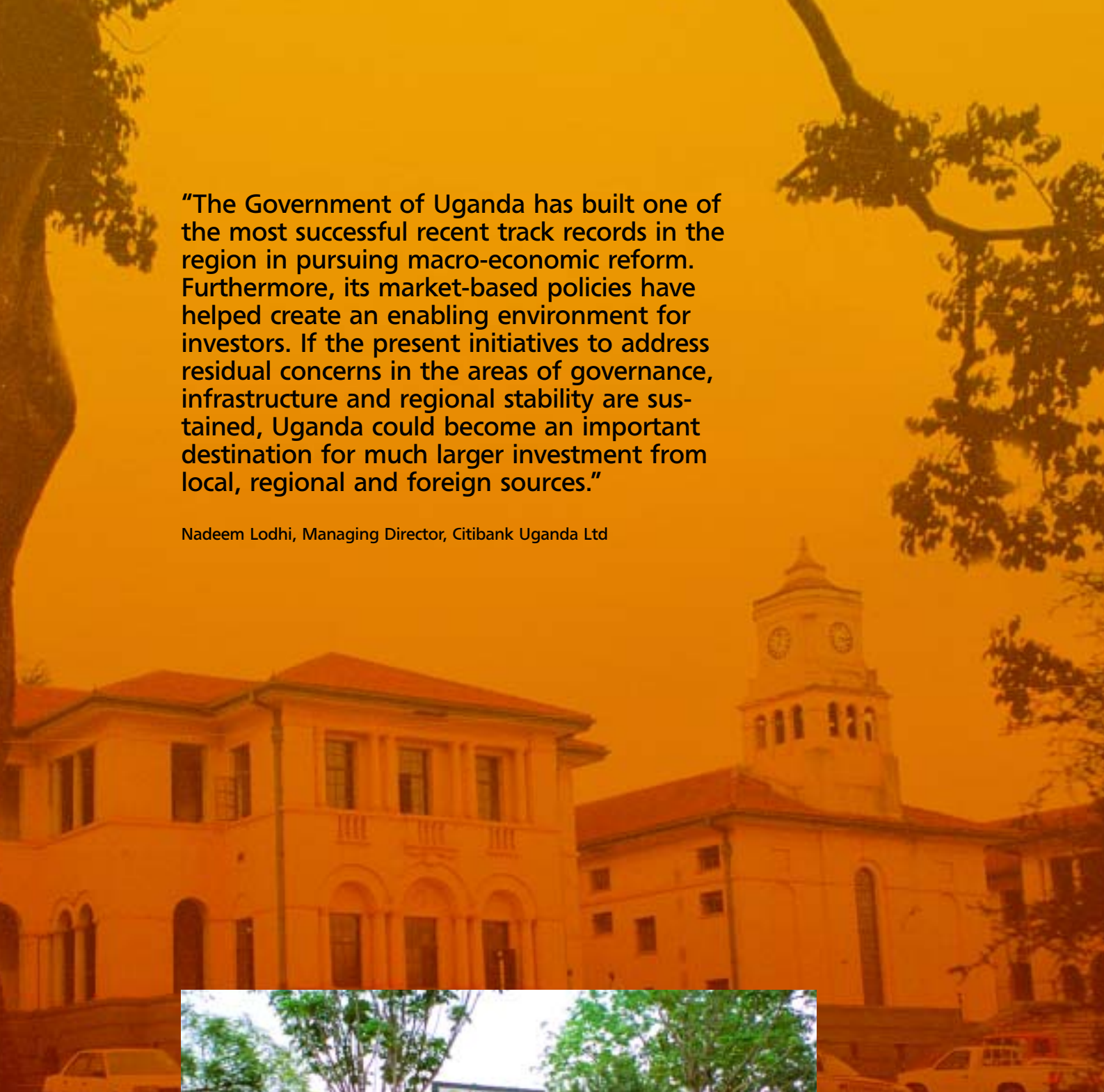
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"The Government of Uganda has built one of the most successful recent track records in the region in pursuing macro-economic reform. Furthermore, its market-based policies have helped create an enabling environment for investors. If the present initiatives to address residual concerns in the areas of governance, infrastructure and regional stability are sustained, Uganda could become an important destination for much larger investment from local, regional and foreign sources."

Nadeem Lodhi, Managing Director, Citibank Uganda Ltd



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