

**Supporting Job Creation
and
Economic Growth In Africa**

JOBS AND GROWTH COMPACT FOR UGANDA

January 2019



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The overall objective of the Jobs and Growth Compact (JGC) is to support our headline commitment to the implementation of the Europe-Africa Alliance on Sustainable Investments and Jobs, including the External Investment Plan, as well as to define more precise country specific priorities. They will help ensuring coherence and focus between the EU's range of interventions and instruments, and strengthen the EU's efforts towards European Economic Diplomacy. The JGC offers an analysis of the potential of job creation and value chain development and related obstacles, and a forward-looking response strategy in line with the four strands of the Africa-Europe Alliance (i.e. investment climate, de-risking, education and skills, market building). The JGC is thus an internal operational tool that also serves as a source for the programming exercise. It also serves as a means to foster convergence towards the EU key priorities identified in a given country with EU Member States, partner Financial Institutions (FIs) and other operators as well as through structured dialogue with government and the private sector. As a living document, the JGC is reviewed and revised regularly to account for an evolving local context. The JGC is not a negotiated nor binding document and does not supersede nor replace the National Indicative Programme (NIP) but contributes to it and further articulates the priorities contained therein.

Executive summary

A number of national strategic documents are of particular relevance for the work on the Jobs and Growth Compact, and also frame Uganda-EU cooperation:

- Second National Development Plan 2015/16-2019/20*
- Uganda's commitments under the UN Paris Agreement on Climate Change (also known as the Nationally Determined Contribution),*
- Achieving Uganda's Development Ambition - The Economic Impact of Green Growth: An Agenda for Action (July 2016) and*
- Uganda Green Growth Development Strategy 2017-2030, which builds on the latter and was officially launched in November 2017.*

These documents identify the sectors with the highest potential for green job creation and low-carbon sustainable development. These strategic areas – sustainable agriculture and value chains, natural capital management, green cities, sustainable transport and renewable energy – constitute the core sectors of our Green Economy programmes to accelerate the shift towards low-carbon climate-resilient development. A recent study commissioned by the UK's Department for International Development on the economic impact of climate change in Uganda concludes that “while the cost of adaptation is high (estimated at around US\$406 million over 2015–2020), the cost of inaction would be 20 times greater”. Tackling climate change is thus a top priority for the Government of Uganda, which is determined to strengthen its climate resilience and also to follow a low-carbon climate-resilient development path linked to green economy and broader sustainable development goals.

EU-supported value-chains so far (commercial forestry, beef, aquaculture, coffee and cocoa) were selected for their high potential in terms of job creation, value-addition and/or trade export to Europe. More value-chains, respectful of Uganda's Green Economy agenda and the Paris Agreement on Climate Change, are under consideration for the period 2018-2020. The national Agriculture Sector Strategic Plan provides some guidance but it identifies a very broad set of priority commodities to be supported. To narrow down our analysis and identify the most relevant ones, use will be made of a scoping study for Northern Uganda and the Northern Corridor Logistic Master Plan. Consideration will be given to specific criteria, in particular the expected contribution to green economy, climate change mitigation and adaptation, job creation, exports, innovation, the participation of women and youth in the production process, social, environmental and fiscal standards and complementarity with other programmes.

The key constraints to target and unlock the potential are generally similar for most identified sectors/value-chains:

- limited private sector access to finance, to energy (renewable, either on- or off-grid) and to markets with affordable and clean transport facilities,*
- insufficient skills of the workforce, leading to incompatibility with the needs of the private sector,*
- issues of land acquisition, tenure rights and conservation, sluggish business environment, gaps within the regulatory framework, limited access to information and lack of comprehensiveness of policy dialogue with the Government.*

There are generic constraints common to broad groups of value chains, such as locally and regionally marketed household food crops, animal feeds, or raw materials in the local manufacturing of consumer products such as soap, flour or beverages. Other value chains are more specific, for example aquaculture, export crops such as coffee, beef, forestry, etc.

In addition, bottlenecks, specific to individual sectors/value-chains, need to be addressed on a case-by-case basis, as a result of a strengthened dialogue with the private sector.

To address these challenges, a threefold holistic approach will be adopted:

(i) targeting weak missing links of selected value-chains in backbone sectors (e.g. agriculture) whilst providing at the same time the necessary support through enabling sectors (e.g. energy, transport, trade) in an integrated multi-sector approach,

(ii) supporting simultaneously:

- access to finance, via (a) a Green Economy investment fund set up locally, (b) through blending mechanisms (mixing grants and loans) and (c) the investment windows of the Guarantee Scheme of the European External Investment Plan (EIP), to the benefit of small and medium enterprises and industries, in coherence with the country's National Determined Contributions,*
- capacity strengthening for those same companies or with incubators, business development services, skills development and mentoring for start-ups, micro and small enterprises,*
- business environment, structured dialogue with business community, policy dialogue with Government of Uganda, regulatory framework, access to market information, etc.,*

(iii) considering the geographical coherence, complementarity with existing programmes and lessons learnt from the past in well-known sectors.

To support the development of such an integrated approach, the EU Delegation will (i) help identify and address the bottlenecks and missing links to allow value-chains development, specifically targeting micro and small companies which cannot have a direct access to the tools provided by the EIP, with a particular attention to women and youth, (ii) pursue regular dialogue with the Government and structure exchanges with the private sector to understand and be able to provide the best conditions for its development and (iii) promote a broad access to and use of the different pillars of the EIP.

The EU will prioritise the Africa-EU Alliance through a comprehensive approach focused on Uganda's economic potential and the mobilisation of the private sector. In particular, the approach will include:

- 1. Boosting strategic investments to achieve job creation and strengthen the private sector*
- 2. Supporting skills development and education*
- 3. Strengthening business environment and investment climate*
- 4. Tapping the potential of economic integration and trade*

1 Framework for the development of the private sector and investments

1.1 Background

Uganda's economy is liberalised, with the country being open to foreign investors and coffee is the single largest export. As a landlocked country, Uganda depends heavily on its neighbours and imports come mostly through the Port of Mombasa in Kenya. Most of Uganda's imports originate from India or China while it exports mostly go to Kenya and South Sudan in the Common Market for East and Southern Africa (COMESA) and the European Union (EU) market.

Member of the World Trade Organisation (WTO), the Government of Uganda has pursued various efforts aimed at enhancing Uganda's access to regional and international markets. Uganda joined regional trading blocs such as the East African Community (EAC) and COMESA, in addition to seizing opportunities under the EU "Everything but Arms (EBA) scheme"¹ and the African Growth and Opportunity Act (AGOA) while concluding negotiations of the EU-EAC Economic Partnership Agreement (still to be signed by Burundi, Tanzania and Uganda).

The Government of Uganda formulated the National Trade Policy in 2007 and recently updated the National Export Development Strategy for the period 2015/16-2019/20. Despite (i) the National Trade Policy's vision aimed at transforming Uganda into a dynamic and competitive economy in which trade stimulates the productive sectors, and (ii) the Trade Sector Development Plan for 2015-2020 targeting increased (value-added) exports, improved private sector competitiveness and access to regional and international markets, Uganda's trade balance registers a structural deficit of about 2.6 billion USD according to Bank of Uganda. Essentially Uganda imports twice what it exports: USD 5.5 billion vs 2.9 in 2017-2018. The figure 1 shows a twenty-year trend: significant infrastructure and oil investments plans will likely continue to increase imports more than exports in the years to come.

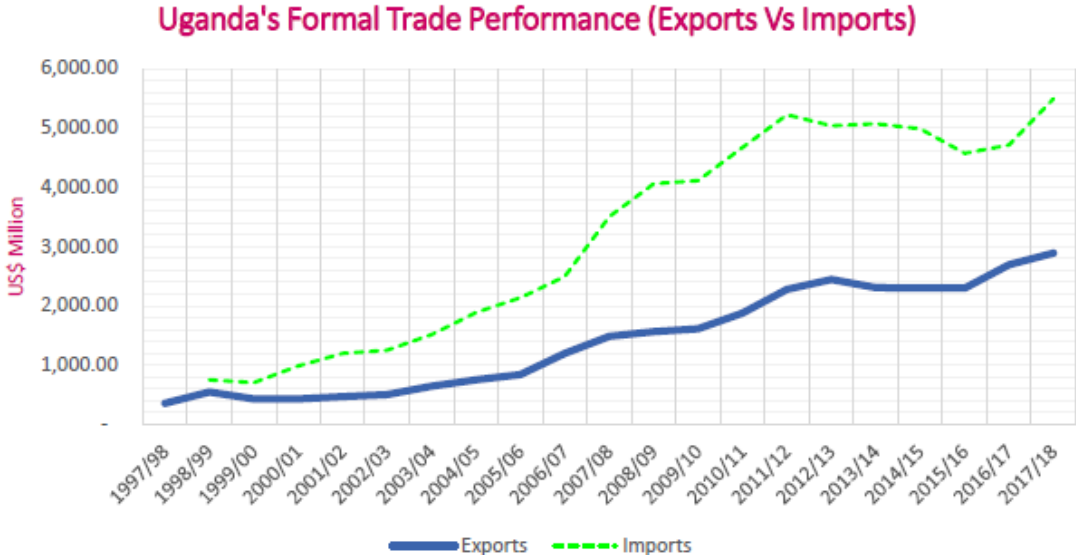
The export basket remains narrow and is dominated by primary products: in order of importance, coffee (USD 492 million), gold² (337), fish (146), petroleum oils³ (129), base metals (111), beans (105), maize (102), tea (92), sugar (85), flowers (62), cocoa (59), tobacco (54). Main imports concern: machinery equipment, vehicles & accessories (1082), petroleum oils (911), chemical and related products (550), vegetable products, animal, beverages, fats & oil (461), base metals (400), plastics, rubber and related products (328).

¹ Which allows duty-free quota-free access for all exports but arms and ammunition

² Gold exports increased by 800% compared to the previous year although Uganda does not extract much gold. Exports were mainly directed to UAE. A Belgian gold refinery (African Gold Refinery) has been operating since 2014 sourcing gold from several countries of the region.

³ Re-exports. Uganda imported EUR 680 million in 2016.

Figure 1: Uganda's formal trade performance (exports Vs imports)



Source: BOU

In terms of exports destination, Kenya and the EU represent the most important markets (22% and 20% share of total exports respectively)⁴, followed by United Arab Emirates, South Sudan, Rwanda and DRC. In terms of imports, China and India represent the main source (around 18% share each) followed by the EU (10%), Kenya, UAE.

Over the last ten years, despite the emergence of China and India, which doubled their share in Uganda's market mostly due to a surge of their exports, EU total trade with Uganda has increased in absolute terms by about a third, with a peak in 2017 when both countries traded over EUR 1 billion. Although its market share decreased from over 20% to about 13%, the EU remains the leading market for Ugandan largest export coffee (230 million, i.e. 51% of Uganda's total exports to the EU) and several large exports such as fish, cocoa and flowers. Currently being a Least Developed Country, Uganda is eligible to the EU "Everything but Arms" scheme. Should Uganda qualify to Middle Income Country status in the future (Government of Uganda plans this status by 2020), only the entry into force of the EU-East African Community Economic Partnership Agreement would provide the same regime.

In addition to merchandised trade, in 2016 Uganda exported services for a total value of USD 1.3 billion (mainly in travel, 57%), and imported services worth USD 2.2 billion (mainly in transport, 43%). However, Uganda's rank in the Doing Business Report 2019 dropped for the second consecutive year to 127 out of 190 countries compared to 122 in 2018.

⁴ See Bank of Uganda trade statistics compilation - https://www.bou.or.ug/bou/rates_statistics/statistics.html

1.2 Status of growth and jobs in Uganda

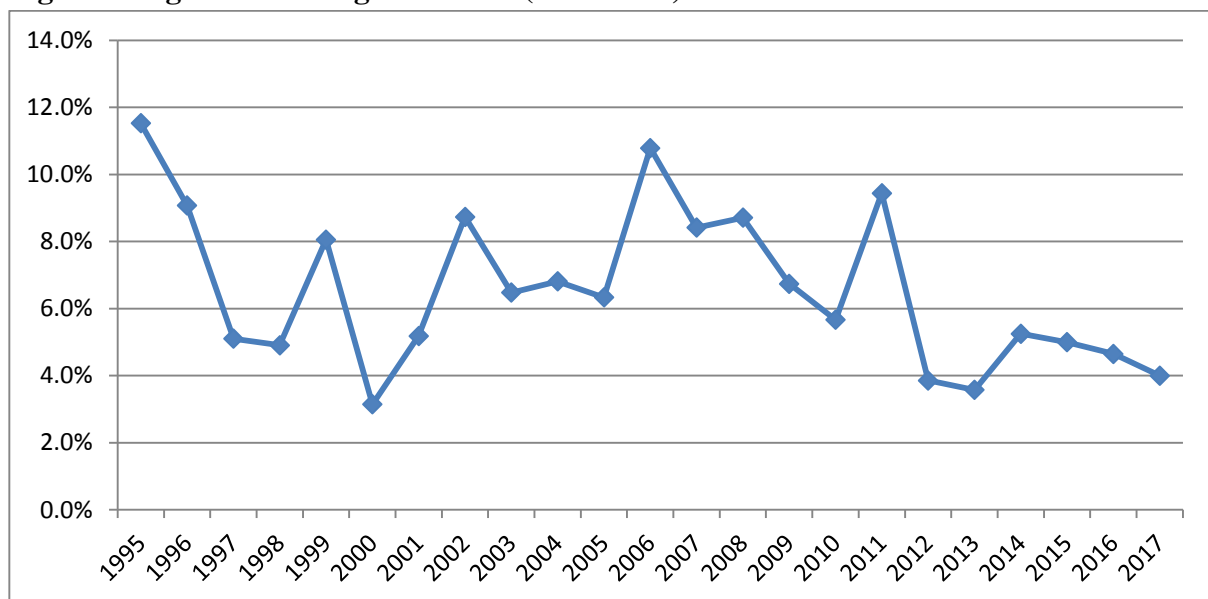
Lack of jobs and general youth unemployment in Uganda is reported to be the highest in Africa. Independent observers estimate youth unemployment at 62%, although the African Development Bank predicts that it could be as high as 83%. Uganda has the world's second largest percentage (78%) of young people less than 30 years (UN Population Fund-State of Uganda population report, 2016). Due to high fertility rates and survival rates coupled with increased life expectancy, population growth is expected to even increase further.

Additionally, about 400,000 youths enter annually into the job market to compete for approximately 9,000 available jobs⁵. About 30% of the qualified youths are unable to find jobs and the situation is even worse for semi-skilled and unskilled youths. Lack of employment has caused some young people to take risks, associated with, drug abuse, gambling, immigration and human trafficking.

Given that 72% of the labour force is still employed in the agricultural sector, the government response has been to issue soft loans and youth grants to agricultural programmes such as National Agricultural Advisory Service, Operation Wealth Creation, and youth Saving and Credit Cooperatives. Additional interventions include the Youth Livelihood Fund that was meant to support the country's youth, who are unemployed, and provide alternative employment and income.

These interventions notwithstanding, Uganda has not successfully created enough jobs for its youthful population. It was thought that increased economic growth would create the requisite jobs. However, Uganda's GDP growth has stagnated at an average of 4.4% (2011-2017) compared to an average of 7.5 in the previous decade (see figure 1).

Figure 2: Uganda's GDP growth rate (1995-2017)



Source; Based on data from WDI

⁵ ACODE Uganda: Report of Proceedings of the 49th Session of the State of the Nation Platform

The major contributors to Uganda's GDP growth are services and industry with agriculture contributing the least. However, the bulk of Uganda's youth are employed in agriculture which remains the least contributor to GDP. There is general consensus that Uganda's economic growth and jobs will be created by attracting FDI, trade partnerships, inclusive green economy and development cooperation.

1.3 Local business, EU presence and framework for their development

1.3.1 Business Climate / Policy and regulatory framework

While Uganda maintains a liberal trade and foreign exchange regime, Government of Uganda's commitment to fostering an investor-friendly environment has not yielded expected results yet. Reduced bureaucracy, increased transparency in decision-making processes and fight against corruption and mismanagement are key to attract foreign investment in Uganda.

Still, overall, the Government of Uganda maintains a favourable attitude towards foreign investment. According to Article 40 clause 2 of the Ugandan constitution, *“Every person [foreign or domestic] in Uganda has the right to practice his or her profession and to carry on any lawful occupation trade or business.”* Ugandan law allows for 100 percent foreign-owned businesses and foreign businesses are allowed to partner with Ugandans without restrictions. A number of incentives for industrial investments are offered including: a 75 percent import duty reduction on factory equipment, depreciating start-up costs over four years, and a 100 percent tax deduction on research and training costs as well as mineral exploration costs.

The main laws affecting portfolio or foreign direct investment are: the Capital Markets Authority Act of 1996 (amended in 2015), the Companies Act of 2012, and the Investment Code Act of 1991. The Investment Code Act allows foreign participation in any industrial sector except those touching on national security. There are no general restrictions imposed on foreign investors. Licensing from the Uganda Investment Authority (UIA) requires a commitment to invest at least \$100,000 over three years. Most foreign investors establish themselves as limited liability companies.

The UIA facilitates granting licenses to foreign investors. The Authority performs a range of functions including promoting, facilitating, and supervising investments in Uganda. Foreign investors often have to separately register with the Uganda Registration Services Bureau (URSB) and file taxes separately with the Uganda Revenue Authority (URA). URSB, URA, National Environment Management Authority and Directorate of Land Registration are in the process of consolidating their respective registration documents into the UIA's one-stop centre.

The Investment Code Act, however, allows the Government to impose a minimum investment requirement either in the form of cash or value of the investor's machinery, buildings or other assets. The license may also require investors to employ and train citizens of Uganda to the fullest extent possible in order to replace foreign personnel. Furthermore, the license may

require foreign investors to purchase goods or services produced or available in Uganda if those goods and services are competitive with similar imported goods and services. Finally, the license may require foreign investors to ensure their operations do not cause injury to the ecology or environment. The Act also allows the UIA to grant investment licenses requiring the foreign investor to sign an “agreement for the transfer of technology.”

Uganda is a member of the World Trade Organization. Uganda is also a member of the East African Community (EAC), along with Kenya, Tanzania, Burundi, Rwanda, and recently South Sudan. While the EAC has a Customs Union and Common Market, the slow pace of regulatory reform, lack of harmonization, the existence of non-tariff barriers, and bureaucratic inefficiencies still hamper the free movement of goods, capital, and people. In November 2013, Uganda signed a Monetary Union Protocol, which sets the country on course to form a monetary union with the other EAC members, expected to integrate financial systems and regulations, harmonize monetary and exchange rate policies, and establish common inflation and debt-to-GDP ceilings.

Uganda has bilateral investment protection treaties with the following countries: Belgium, Luxembourg, China, Cuba, Denmark, Egypt, Eritrea, France, Germany, Italy, Netherlands, Nigeria, South Africa, Switzerland, United Kingdom, Zimbabwe.

Uganda also has bilateral taxation treaties with the following countries: Denmark, India, Mauritius, Netherlands, Norway, South Africa, United Kingdom, Italy.

The Government has recently formulated the National Strategy for Private Sector Development: “Boosting investor confidence for enterprise development and industrialisation” 2017/18-2021/22. This Strategy assesses challenges currently faced by the private sector highlighting the need for improvement in a number of areas: factor productivity (labour, land), access to finance, business development services and capital, entrepreneurship and enterprise management, share of the formal economy, innovations and level of value addition in production. A Multi Stakeholder Private Sector Working Group has been recently formed under the overall coordination of Ministry of Finance, Planning and Economic Development (MFPED) and a Strategic Execution Matrix pre-defined specific structural benchmarks by sector. The EU Delegation started to participate in this Group which is still at the initial stages of its functions, and will closely monitor developments.

Table 1: Sample of Projected Benchmarks Actions

Benchmark	Required Action	Responsible MDA
Legal and Regulatory Benchmarks	i) Investment Code Amendment Act & Regulations ii) National Payment Policy & guidelines iii) Draft principles for various law amendments to streamline 198 Business licenses iv) Formulate the National Irrigation Policy and guidelines	MFPED MFPED Various MDAs MWE
Fiscal Policy Benchmarks	i) Annual Inflation at an average of 5% by 2021 ii) GDP growth of 6.7% by 2021 iii) Fiscal deficit as percentage of GDP (from 5%-3%) by 2021 iv) Reduce domestic borrowing to Ush 485bn by 2021. v) Eliminate domestic arrears by 2021	MFPED MFPED MFPED MFPED MFPED
Institutional & Administrative Reforms Benchmarks	i) Establish One Stop Center by 2022 ii) Establish 9 industrial parks by 2022 iii) Establish one EPZ Kaweweta iv) Recapitalize UDB by Shs 50bn per year v) Increase power by 1,163 MW/HR vi) Construct an oil pipeline to Tanga by 2020 vii) Construct 273km of SGR. (Eadtern route) viii) Retool 22% of the current Labs at UNBS ix) Implement NEDS strategy x) Operationalise the National Commodity Exchange Platform (UNCEX) xi) Computerize 21 land Registries. xii) Construct and rehabilitate 15,000km DUCAR roads xiii) Implement the Public Extension Service Strategy xiv) Operationalize Fertilizer Policy xv) Dispose upto 65% of case backlog in Commercial division	UIA UIA UFZA MFPED UEGC MoW&T MoW&T UNBS MTIC WHRA MoLH&UD MoLG MAAIF MAAIF MoJ&CA

Source: MFPED

Uganda trade policy aims at increasing exports, especially of manufactured goods and services, as well as to substitute imports, in order to rebalance its structural trade deficit. The recent National Export Development Strategy 2016-2020 points to take advantage of existing market preferences negotiated within the EAC (customs union) and COMESA (Free Trade Agreement) and with the EU (*still-to-be-endorsed* Economic Partnership Agreement) for the products already most exported to those markets. Most recently, in view of the expected massive investments in the oil sector, the Government of Uganda has advanced plans to "Buy and Build Uganda" and increase local contents, particularly in public procurements. In order to foster the economy and trade, Uganda has over the years put in place since ambitious public investments plans, particularly in the transport and energy sectors. These policies, however, have yet to bring their fruits, as economic growth has recently slowed down and imports are forecasted to increase more than exports in the next years, considering the vast equipment needed for oil extraction and distribution.

Table 2: Intra-regional trade among EAC countries, 2015 (US\$ Million)

Intra-regional trade	5,070
Total trade with the entire globe	55,363
Percentage of intra-regional trade	9.2%

Sources: World Integrated Trade Solution database (2015) and EAC Trade and investment report (2015)

Data available only from 2010 to 2015 indicate total EAC intra-trade increased by an impressive 53% until 2013, then decreased by 12% in two consecutive years to about USD 5,1 billion. Recent reports point to an increase of non-tariff barriers among members and little progress on the creation of the common market. Intra-EAC trade appears to only reach 10% of EAC external trade. Exports to the EU have been fluctuating and the deadlock of the EU-EAC EPA is not conducive to additional investments. In order to improve Uganda penetration of external markets supply side constraints, low levels of value addition, poor post-harvest handling, financing, market information and infrastructure for export development should be better addressed.

1.3.2 State of development of the local business

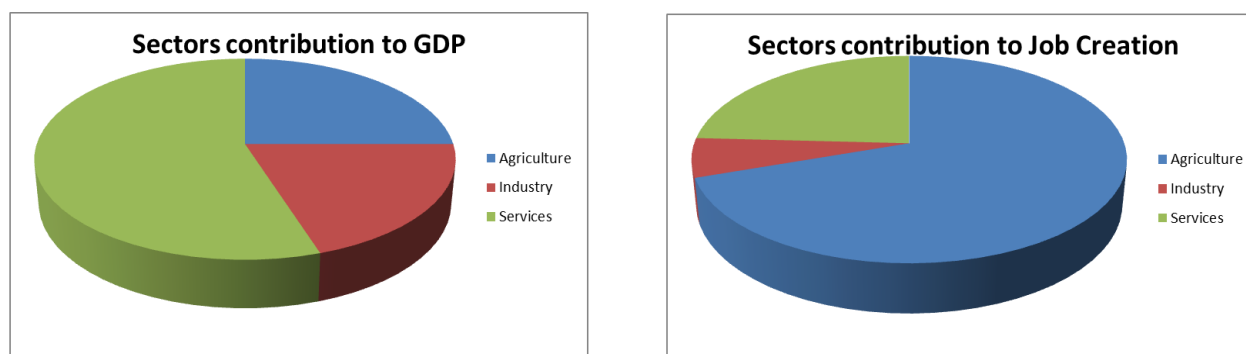
Uganda is a dual economy with the informal sector contributing a significant share to GDP (44%) in 2015 according to the Uganda Bureau of Statistics (UBOS). The size and strength of the informal sector as evidenced by its contribution to GDP poses a significant challenge to formal enterprises, as well as State income. A 2009 survey conducted by UBOS revealed that about 40% of Micro, Small and Medium-size Enterprises (MSMEs) surveyed were constrained by competition from the informal sector. The informal sector, however, remains an important source of employment, creating 19 out of 20 non-agriculture jobs with young people occupying 95% of those jobs. This is particularly important given Uganda's high population growth rate of 3 per cent per annum as well as the fact that 84% of the country's total population still lives in rural areas (2016).

According to the National Strategy for Private Sector Development (2017/18-2021/22), Uganda's Private Sector is dominated by MSMEs comprising approximately 1,100,000 enterprises, whether formal or informal, and employing approximately 2.5 million people. More than 93% are micro enterprises, engaging at most 4 persons each. The majority of these enterprises are family based, with no formal skills, no clear addresses and usually operating in an informal manner.

A close analysis of sector contribution to GDP shows that MSMEs contribute 18% to Uganda's GDP (as of 2015). This prompted Government to formulate the National MSME Policy in 2015 and the Small and Medium Enterprise Strategic Development Plan for 2016-2020 to foster MSME development. Specifically, the Policy emphasizes creating an enabling environment for MSME growth by addressing some of the underlying challenges through the promotion of research, innovation, value addition; facilitation of market access and business information; access to credit; and exploiting entrepreneurship potential. Despite Government's recognition of the informal sector in both the policy and the strategy, there is no clear strategic direction on addressing informality.

These contributions to GDP, both formal and informal, can be divided into agriculture, industry and services. This distribution is different from the job allocation between sectors:

Figure 3: Sector Contribution to GDP and Job creation



Service accounts for 55 % to GDP

Agriculture accounts for 72 % to job creation

Uganda’s rank in the Doing Business Report 2019 is 127 out of 190 countries, losing five positions compared to 2018 when Uganda registered improvement on the 4 of the 10 indicators that are assessed, 4 remained with no change and while 2 declined (see Table 2). The lowest ranks were in in getting electricity followed by starting a business.

Table 3: Doing Business Report 2018

		Uganda	Uganda	Uganda	Kenya	Rwanda	Tanzania	South Africa
		2016	2017	2018	2018	2018	2018	2018
Doing Business Index	Rank	116	115	122	80	41	137	82
Starting a Business	Rank	162	165	165	117	78	162	136
	Score	69.26	71.3	72.3	83.2	87.6	73	80
Dealing With Construction Permits	Rank	153	151	148	124	112	156	94
	Score	56.42	57.19	58.4	63.2	65.6	56.4	67.5
Getting Electricity	Rank	168	161	173	71	119	82	112
	Score	42.61	44.78	34.1	76.7	60.7	74	63.2
Registering Property	Rank	118	116	124	125	2	142	107
	Score	55.38	55.81	55.0	54.5	93.3	50.1	58.4
Getting Credit	Rank	42	44	55	29	6	55	68
	Score	65.00	65.00	65	75	90	65	60
Protecting Minority Investors	Rank	101	106	108	62	16	129	24
	Score	50.00	50.00	50	58.3	73.3	45	70
Paying taxes	Rank	76	75	84	92	31	154	46
	Score	74.18	74.71	73	71.2	84.6	55.5	80.0
Trading across borders	Rank	141	136	127	106	87	182	147
	Score	57.78	58.90	62.1	67.6	72.4	20.2	58
Enforcing contracts	Rank	63	64	64	90	85	58	115
	Score	60.60	60.60	60.6	58.3	58.6	61.7	54.1
Resolving Insolvency	Rank	104	111	113	95	78	108	55
	Score	39.80	39.40	38.9	43.1	47.8	39.5	57.6

Source: World Bank Group - Uganda country office

A recent study commissioned by the EU on the EU-Uganda economic partnership⁶ reported that the cost of doing business in Uganda is high compared to other EAC Partners States (Annex I). For example, the cost of accessing finance is a deterrent for many businesses: for the period 2005-2015, the average lending rate in Uganda was 21 percent, 5 percentage points higher than in all the other EAC countries. In addition, logistics are relatively expensive in Uganda due to its landlocked status. Generally, lengthy processes in accessing registry and licensing services, clear imports, prepare export documentation or participate in public procurement are perceived increasing the cost of doing business.

Costs of reaching and transacting in the markets are high. A transport infrastructure heavily reliant on road network is an impediment to accessing markets. It is therefore important to lower transport costs for the so-called "first mile" from production centres. The EU continues to work in this area by funding the development of a competitive multi-modal, effective and cost-efficient transport system as well as supporting the Government's work on complementary policies, such as Axle-Load Control.

Uganda has a comparative advantage for development in a number of sectors of which the main ones are agriculture (including forestry, fisheries, livestock), energy, tourism and extractive industries/mining, for which it has abundant natural resources. Because of the high percentage of rural population, historically agriculture has been and remains the dominant sector for economic engagement by the population. Uganda has adequate land and water resources for agricultural production, and high potential to improve productivity. It is a landlocked country with high export potential for agricultural products to regional (S-Sudan, Eastern Congo) and international markets, high hydropower energy export (to Kenya and Tanzania mainly), reasonably good policy and regulatory frameworks within an overall liberalised pro-private sector economy. Uganda is also strategically placed as transit country for regional trade, for both licit and – unfortunately – illicit trade.

Uganda has an ever-growing young labour force, due to the continuing high population growth. While most Ugandans are employed in agriculture (72%), many of them, particularly youth, are leaving the agricultural sector. The share of the working youth (16-25 years) engaged in agriculture is lower than the share in the general population. Apart from the urban and peri-urban population where education levels are relatively high, the labour force is generally poorly skilled.

⁶ Enhancing EU-Uganda economic and trade partnership and green economy, AESA, August 2017

1.4 Main actors from the local private sector and opportunities

1.4.1 Agriculture, Industry and Services

Agriculture⁷

Main actors: Production is dominated by **smallholder farmers** growing food and cash crops, horticulture, fishing and livestock farming. There were 8,168 agricultural businesses registered in 2010/11, which accounted for 2% of the total businesses registered.

Opportunities: Adequate land and water resources for agricultural production; high potential to improve productivity; high export potential for agricultural products to regional and international markets; support from the renewed regional and international focus on agriculture as a critical mechanism for sustainable social and economic development; reasonably good policy and regulatory framework in the agricultural sector.

Industry⁸

Main actors: The industrial sector in Uganda is mainly driven by the manufacturing and construction sector, with a large number of small scale producers (90% of establishments in the manufacturing sector) transforming goods with a high import content and low value addition. Most of manufacturing activities take place in agro-processing (39%). There are only few capital goods industries in the country, thus the level of innovation remains low.

Opportunities: Cheap workmanship makes it possible for competitive processed products to be commercialised; a growing national and regional economy may bring access to a broader market, in the East African Community with limited barriers to trade compared to other regions of the continent; oil and gas prospects may also benefit the Ugandan industry⁹.

Services¹⁰

Main actors: The sector covers a diversity of small business actors including the ones involved in trade, transport and storage, accommodation and food services, tourism, information and communications among others, with the transport sector slightly beyond average in terms of turnover.

Opportunities: *Transport:* infrastructure developments in the medium-term, notably connections to regional trade corridors supported by the EU, are also expected to bring competitiveness in the currently expensive, road dominated, freight transport sector and create additional job opportunities in the production centres. *Tourism:* Uganda has for some time been considered as an island of peace in an unstable region. The endemic fauna of its parks,

⁷ Agriculture has been and continues to be the most important sector in Uganda's economy in terms of food and nutrition security, employment, income, raw materials for industry and exports to regional and international markets. **It contributes about 25% of the GDP and employs some 72 % of the total labour.**

⁸ Industry's contribution to GDP in Uganda has not changed significantly in the last decades: **contribution to GDP stagnated at around 20%**. Uganda's priorities are to exploit and develop natural resource-based industries; promote agro-processing for value addition in niche markets; and support engineering for capital goods, agricultural equipment, construction materials, and fabrication operations. However, to date there has been little systematic effort to develop vertical supply chains. Developing competitive value chains will be one crucial area for development over the medium term.

⁹ The pumping is expected to start in 2019. At least two EU companies are currently active investors in this sector.

¹⁰ The Services sector has been growing, **currently accounting for 55% of GDP**. Services are the only sector compared to agriculture and industry which registered productivity gains in the last ten years.

the location in Uganda of one of the sources of the Nile and other assets make of Uganda one of the most attractive destinations in the region. *New technologies*: the IT boom of the last decades allows "leapfrogging" in countries such as Uganda with a powerful contribution of new technologies to information sharing and marketing, therefore creating new job opportunities, irrespective of the value chain considered.

Constraints and needs

- Access to finance (guarantees and subsidies to commercial banks would allow them to provide loans and lend at an interest rate lower than the current 20% per year),
- Development of agricultural value chains, including agro-processing value addition, which is important for job creation. The agro-processing step in the agricultural value chain is one of the most challenging stages in the chain. Many agro-processors are below capacity utilisation due mainly to the lack of consistent supply of high-quality raw materials at low prices.
- Skills development through vocational training institutions adapted to the employment market needs,
- Improved value addition to grown commodities and industrial transformation; export expansion, (fair) competition and building firm capabilities in order to increase productivity; strengthened link between domestic and international companies,
- Lower cost of doing business, by targeting issues such as tax regime, land acquisition, quality of public services, fight against corruption; improved access to energy, transport and logistics,
- Access to information (legal and administrative requirements, notably); implementation of regulatory frameworks (standards, quality control, consumer safety, environment, counterfeit products, transition from informal to formal industries (the 'missing middle'), etc.); more regular policy dialogue with the Government.
- Climate risks.

1.4.2 Possible challenges and opportunities for investors

Challenges: Insufficient investment-ready opportunities; insufficient human capital; lack of local presence of international decision makers; long diligence processes; competition with donor funding; few exit examples; difficulty accessing local currency instruments.

Opportunities: Leverage technical assistance facilities for pre-investment pipeline building; increase local decision-making; sourcing of opportunities outside Kampala.

1.4.3 Women's economic empowerment

Women represent the majority of the labour force in agriculture though their ownership of land is limited. However, Uganda has seen growth in the proportion of female workers from 18% in 2006 to 40% in 2012, largely in SMEs. Women tend to work in the service sector (accounting for almost half the labour force). To support the empowerment of women, the Ugandan government has established gender-responsive regulatory frameworks and institutionalised gender planning in all sectors, prioritising the collection of gender disaggregated data.

As a result of its efforts, Uganda has seen improved education outcomes for women and greater increased land ownership. Nevertheless, access to, control over and ownership of businesses and productive resources such as land and credit remain a challenge for improving gender equality and women are also less likely to be employed in skill-based industries.

1.4.4 Presence of European companies in the country

Businesses fully owned by EU companies or individuals and joint ventures between Ugandan and EU companies or individuals are estimated to be in the range of 400-500, including 120 companies exporting to the EU. It is evident that the Ugandan companies with full or part EU ownership are generally larger and more advanced. This means that they are considerably more developed than the majority of Ugandan companies, they are tax payers and they have in the Ugandan context a relatively high level of knowhow which will inevitably make a mark on their employees, suppliers, trading partners and other co-operation partners.

In the period 2010 until January 2016, the Uganda Investment Authority (UIA) issued investment licenses to foreign investors representing a total value of USD 5.3 billion. According to UIA the average conversion rate of the planned investments is 70%, meaning that the total value of investments in the period is approximately USD 3.7 billion¹¹.

Table 4: Value and source of Top Ten FDI licences, 2010 – Jan. 2016 in USD

Country or region	Value of investment licenses in USD
China	1,367,517,817
EU	1,141,859,698
Cayman Island	644,282,000
EAC	399,471,927
India	612,518,498
Mauritius	176,309,873
Canada	173,589,400
South Africa	107,423,836
SriLanka	77,582,346
U.S.	71,922,234
Total	4,772,477,629

Source: UIA

Following China, EU investors accounted for the second largest value of investment licenses issued.

Table 5: FDI licences issued 2010 – Jan. 2016 in USD by EU country (USD)

EU Country	Value of investment licensees in USD
United Kingdom	447,254,167
Netherlands	344,020,504
Italy	124,842,334
Sweden	59,557,293
Belgium	33,378,900
Germany	33,024,900

¹¹ Source: Enhancing trade and business opportunities in Uganda in the framework of the EAC-EU EPA, Market Study Final Report, Pohl Consulting & Associates GmbH, March 2016.

France	29,251,966
Spain	21,379,061
Denmark	17,163,294
Ireland	13,925,075
Luxembourg	4,094,000
Austria	3,356,341
Cyprus	2,743,800
Portugal	1,900,000
Greece	1,870,000
Poland	1,312,275
Lithuania	1,000,000
Hungary	585,000
Czech Republic	529,894
Finland	134,000
Total EU	1,141,859,698

Source: UIA

Investors from a total of 20 EU countries applied for investment licenses with UK and the Netherlands as the main sources of projected investments. Projected investments from half of the featured EU countries are very small with figures below 5 million USD.

Table 6: FDI licences to EU investors by sector (USD) & expected jobs 2010 – Jan. 2016

Sector	Value	Expected jobs
Transport, storage & communication	323,555,752	2,641
Agriculture, hunting, forestry & fisheries	202,241,282	10,507
Manufacturing	198,712,629	3,507
Electricity, gas and water	148,373,061	3,714
Mining & quarrying	101,317,890	1,366
Finance, insurance, real estate & business services	70,173,032	4,122
Community & social services	58,471,000	613
Wholesale, retail, catering & accommodation	30,711,083	589
Construction	7,589,075	1,113
Total	1,141,859,698	28.191

Source: UIA

Transport and communication represents the most attractive sector for EU Foreign Direct Investment (FDI) in the period with regard to investment licences issued, followed by agriculture and manufacturing which covers a wide range of sectors from textiles to electronics, beverages and pharmaceuticals.

FDI in the last fiscal year (2016-2017) amounted to 450 million. However, the trend of FDI has declined in the past years.

1.4.5 EU support to the policy and regulatory framework

Yearly political dialogue between the President of Uganda and the EU Heads of Mission has been held over the last three years and, punctually, issues regarding specific policy and regulatory frameworks have been discussed (EPA, investment climate, PPP Act, land Bill...). More regular policy dialogues also take place in most sectors of the economy (e.g. agriculture, energy, trade, transport, accountability and Public Finance Management – PFM) and need to be firmed up in some other ones (e.g. private sector development).

EU support targets policy and regulatory framework through:

- Sector dialogue, especially where EU chairs the Donor Partners group (Energy, PFM, Accountability, and Northern Uganda) or is strongly involved (justice, agriculture).
- Specific EU-funded activities, such as:
 - the Sector Reform Contract – budget support – for Justice and Accountability, setting special conditions and performance indicators aiming at structural reforms in both sectors, to the benefit of the business environment (improved tax equity and transparency, transparent management of investment and procurement, reduced case backlog, including at the commercial courts and in land tenure right related cases, curbed number of cases of public sector corruption),
 - the formulation of cocoa policy/standards (through the EU-EAC Market Access Upgrade programme, a regional project benefiting in Uganda coffee and cocoa export value-chains),
 - support to government authorities and private sector to deal with the new EU Plant Health Regulation that will come into force on 14 December 2019. The new regulation implies a major overhaul focussed on the prevention of spread of plant pests in the EU.
- The 2nd and 3rd pillars of the European External Investment Plan (EIP), where possible, making use of it as a framework for structured dialogue (thus providing a concrete basis for strengthened dialogue with Ministry of Trade, for example).
- A European Economic Diplomacy (EED) was launched in Uganda at EU Heads of Mission, Heads of Cooperation and Trade Advisers levels at the end of 2017. Overall, EU Member States expressed support to the initiative, emphasizing in particular the coordination and coherence elements and the need to bring on board the development arm of external action. Proposed priorities to be assessed are: 1- Improve the business environment in the field of Green Economy, in particular the climate-smart agriculture, renewable energy, planned green cities, natural capital management and clean transport sectors; 2- Systematically inform EU companies, particularly SMEs, already present in and prospecting for the Ugandan/East African Community markets, about funding, partnerships and investment opportunities; 3- Engage EU companies/SMEs via an informal platform to deepen collaboration in the upcoming sectors of intervention of EU Delegation and Member States. It is envisaged for the initiative to be closely linked, on the one hand, to complementary policies such as, for instance, on trade and the implementation of the Economic Partnership Agreements and, on the other hand, to delivery of development cooperation, notably through the EIP, and in particular in the Inclusive Green Economy focal sector.

- A technical assistance aimed at promoting EU and Uganda private sector investment has been recruited in September 2018 for a year to: 1- better inform private investors decisions, 2- identify main hurdles hampering the attraction of private investments, 3- formulate concrete recommendations to overcome those hurdles; 4- agree an agenda to attract private investments 5- implement initial measures for investments. Developed in close collaboration with both EU Member States and business community and the Ugandan private sector and key public institutions, this assignment promotes the Sustainable Business for Africa Platform (SB4A) launched in the framework of the EIP, which foresees to establish ad structured dialogue with domestic and European private sectors and prioritise an investment climate reform agenda.

1.4.6 Government debt's structure

Since this information keeps changing, the reader is encouraged to refer to the latest Economic report.

2 Diagnosics and opportunities in value chains and sectors creating jobs

2.1 Priority value Chains

As mentioned earlier, the highest contributor to job creation is the agricultural sector. The Agriculture Sector Strategic Plan 2015-2020 prioritizes 16 commodities (**banana, beans, maize, rice, cassava, tea, coffee, fruits and vegetables, dairy, fish, livestock, meat, cocoa, cotton, oil seeds and oil palm**). These have been selected according to various criteria assessed by the government including: *supply side potential* (land suitability, agro-ecological zones, etc.) as well as *demand side potential* (trade opportunities, markets); number of people depending on it as source of livelihoods/household income; poverty alleviation; jobs generated; multiplier effect on other sectors; nutrition; export earnings; returns on investment.

The **commercial forestry** subsector is recognized as one with high long-term economic potential considering the high local and regional demand for forest products and services as well as the climate change mitigation and adaptation perspective embedded in the intervention design and the Nationally Determined Contributions, and the subsector's potential to contribute to ensuring the health of ecosystem services. The Sawlog Production Grant Scheme, which is an EU-funded programme, is currently in its third phase.

Two other value chains that the EU is currently financing (**beef and aquaculture**) were selected with the general aim to support a competitive, job-intensive, inclusive, and environmentally sustainable and low-carbon climate resilient value chain. The final choice for these specific value chains was not only made on the basis of the above mentioned criteria (poverty alleviation, jobs, opportunities, etc.), but also on the basis of issues such as seeking synergies with other development programmes, avoiding duplication (division of labour was an important consideration), geographical focus and other considerations¹².

¹² For the aquaculture value chain for example, cold storage infrastructure was built in the past for fisheries purposes, but since fish production dropped due to overfishing, many of the cold storage infrastructures are not in use currently, some will therefore be re-used to develop the aquaculture value chain.

Agricultural Value-Chains in Northern Uganda

Within the framework of the multi-sectoral programme Development Initiative for Northern Uganda (DINU), an analysis of value chains was done on the basis of value chain characteristics such as income generation, employment, export possibilities, local marketing, processing opportunities, etc. For the selection of value chains, a cluster approach was used based on commodity profiles in three value chain groups and according to agro-ecological zones, selecting a limited number of priority value chains for each cluster. The basis for this approach is the territorial development approach that underpins DINU (not a sectoral, or commodity approach):

- **Group 1:** Commodities that are widely cultivated, produce sufficient quantities in a normal season to provide a substantial portion of the daily household (HH) food consumption, and make, in combination with other food items, an important contributing to a balanced diet. Surpluses will be sold in local markets, to cater for HH cash needs. It may have in that respect some overlap with group 2 (Sorghum, maize, millet, beans and peas, cassava, sweet potatoes, sesame, groundnuts, soya, fruits and vegetables, poultry and shoats).
- **Group 2:** Commodities that farmers produce in sufficient quantities to market a surplus for income. They are in steady demand as a (staple) food for middle class consumers, for animal feeds or for raw materials in the local manufacturing of consumer products such as soap, flour or beverages. As such they generate local revenue and employment through trade and low to medium level processing. Some commodities in this group also have an international market if they meet minimum quality standards and volumes. (apiary, maize and sorghum (beer), soy bean (food fortification and animal feed), sunflower (cooking oil, soaps), cassava (flour, chips, ethanol), rice, sesame, piggery, shoats and cattle, quality vegetables and fruits).
- **Group 3:** Commodities that are in high demand in neighbouring countries and international markets because of the quality and volumes that Uganda produces. Their markets are expanding, and their niche end products fetch good markets and high prices. Exports may still be in raw materials, but there are good prospects for in-country high-end processing. (cotton and coffee, maize, sunflower and soy bean, cassava, sesame, chilies, apiary, shea nut, fruits).

The rationale behind this cluster approach is that all three commodity groups should be part of any farming enterprise. The mix provides sufficient diversity in the cropping system to satisfy immediate HH food, nutrition and cash requirements, spread the risks related to individual commodity production and price set-backs, and exposes the farmer to modern, sustainable and climate smart farming techniques, quality standards, and advanced marketing and financing services, that would over time reduce HH vulnerability, and enhances incomes and resilience. It also produces the necessary raw materials for the development of SMEs at various levels, add value, create employment in trading centres and business hubs, and stimulates the growth of other supporting services. Commodities were also assessed on their Agri-business opportunity and technologies/practices to increase production and market development.

(Apiary, Beans, Cassava, Cattle, Coffee, Groundnuts, Maize, Millet, Rice, Sesame, Shoats, Sorghum, Soybean, Sunflower, Citrus/Fruits, Vegetables, Sweet potato).

The final choice of commodities to be supported is still to be made, taking into account that among them two, coffee and sesame, are already supported by other EU-funded projects (Market Access Upgrade project for coffee, together with cocoa, and Switch Africa Green initiative for sesame).

Value chain support programmes under DINU will be based on the selected crops/value chains. However, prices of many commodities fluctuate on the basis of local and international demands and supplies, and therefore economic opportunities increase and decrease. The final selection will be based on updated green low-carbon climate resilient economic scenarios that provide for food security, diversity and income at household level, stimulation of local trade and processing, and updated marketing prospects for international markets, in particular the EU market.

2.2 Other priority sectors

After a mid-term review of Uganda-EU cooperation for the period 2014-2020, two focal sectors of this cooperation ("Transport Infrastructure" and "Food Security and Agriculture") were merged into an "Inclusive Green Economy" focal area, in addition to the existing "Good Governance" focal sector. The substantial potential for job creation and economic growth is therefore intimately linked to the development of this new sector. On this basis, our cooperation will align to three national key strategic documents:

- ✓ Uganda's commitments under the UN Paris Agreement on Climate Change (also known as the *Nationally Determined Contribution*, NDC¹³),
- ✓ *Achieving Uganda's Development Ambition - The Economic Impact of Green Growth: An Agenda for Action* (July 2016)¹⁴ and
- ✓ the *Uganda Green Growth Development Strategy* (UGGDS¹⁵), which builds on the latter and was officially launched in November 2017.

Jobs creation and green economy potential

According to "Achieving Uganda's Development Ambition - The Economic Impact of Green Growth - An Agenda for Action", and despite the complexity and uncertainty inherent to such calculations, **agriculture**, **value chains** and **natural capital management** hold the greatest potential for job creation. This is in terms of both:

- the sheer number of jobs (not only direct ones) that could be created, should Uganda embark on an Inclusive Green Economy path; and

¹³<http://www4.unfccc.int/ndcregistry/PublishedDocuments/Uganda%20First/INDC%20Uganda%20final%20%2014%20October%20%202015.pdf>

¹⁴<http://www.greengrowthknowledge.org/resource/achieving-ugandas-development-ambition-economic-impact-green-growth-agenda-action>

¹⁵<http://www.undp.org/content/dam/LECB/docs/pubs-reports/undp-ndc-sp-uganda-ggds-green-growth-dev-strategy-20171204.pdf>

- the associated investment/job ratio – 10 times less than the ratio for energy, industry or green cities.

The UGGDS articulates green growth along 5 strategic areas: **sustainable agriculture production and value chains, natural capital management, green cities, sustainable transport and renewable energy**. It also provides an estimate of the number of direct jobs that may be created up to 2030 through implementing the strategy and the positive economic impact linked to it:

Table 7: estimated number of jobs to be created by 2030 if UGGDS is implemented

Sectors	Decent direct jobs	Economic transformative impact (billion USD)
Agriculture and value chains	155.000	1,5
Natural capital management	1.516.000 (90% temporary, 10% permanent)	11,0
Green cities	1.250.000	45,5
Sustainable transport	390.000	3,0
Renewable energy	55.000	4,0
Total	3.366.000	65

Source: UGGDS Estimates

If we consider direct, induced and indirect jobs, the combination of **sustainable agriculture, value chains** and **natural capital management** stands out. One reason for this is because the country's agricultural transformation (e.g. through the introduction of climate smart techniques, soil fertility enhancement techniques and promoting access to organic fertilisers, cash crop certification and intercropping) translates in both direct agricultural and value-chain-related jobs and upstream/downstream indirect/induced jobs in green cities (e.g. through interlinkages between rural areas and cities). Additionally, the contribution of the **natural capital management** subsectors is very significant, in order of importance: **water resources management** (825.000 new jobs), **sustainable wetlands, tourism** and **sustainable forestry management**. The sectors are all the more strategic that they already represent a very large share of the country's labour market, with close to 80% of the population engaged in agriculture, wetlands, subsistence employment, and tourism (now the leading foreign exchange earner for Uganda).

Due consideration should be given to the fact that the number of indirect/induced jobs to be created through the targeting of **green cities** (including waste and wastewater management and the greening of industries), **sustainable transport** and **sustainable energy** is difficult to assess. This is because these sectors underpin growth across the whole economy. Nonetheless, it suffices to recall that Kampala alone accounts for about 60% of Uganda's GDP (excluding agriculture) to grasp their significance in terms of job creation. Accordingly, the economic transformative impact of Green Cities dwarfs that of all other sectors identified under the UGGDS.

Main constraints:

Agriculture and national capital management: as already mentioned before, land rights, low uptake of improved seeds and crop varieties, limited road networks, poor market access, underdeveloped irrigation,

Energy: current legal and regulatory framework and process for licensing and permissions which could be strengthened to crowd in investment, limited practical experience of large and small scale renewable energy technologies, with the exception of hydropower, need for enhanced coordination and planning capacity around specific renewables, projects which struggle to be profitable, limited monitoring and reporting of energy consumption.

Industry: lack of supporting infrastructure, lack of domestic heavy transport fuels and poor road conditions, access to and affordability of finance, human capital skills gap, high degree of informality and low average size of firms,

Cities: low investment levels in transport and logistics, which struggle to keep pace with the demand from economic actors and the population, lack of clear property rights, need for enhanced capacity for managing urban planning and projects.

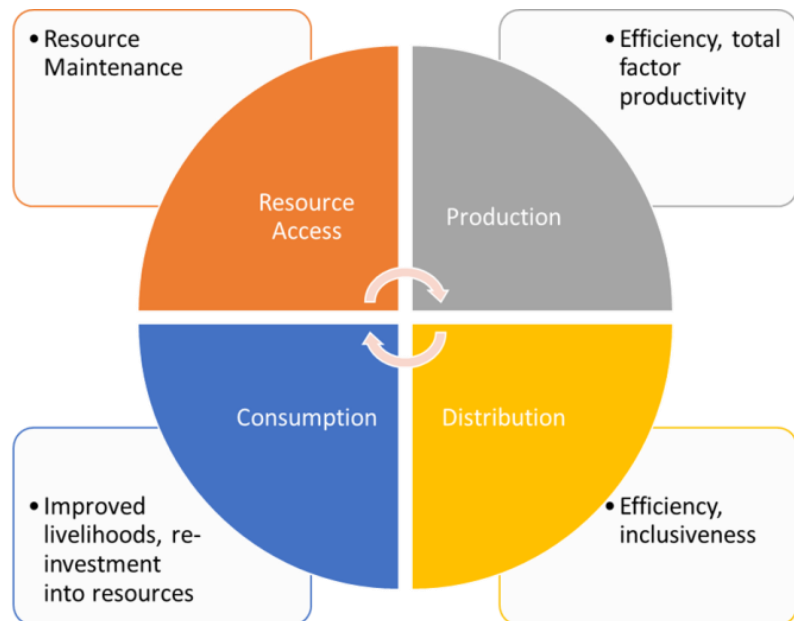
Coherence with government priorities and interests of the private sector

As the recent approval of the UGGDS illustrates, Ugandan authorities seem committed to addressing most of these issues. Testimony to such commitment are the President's personal involvement in a number of causes (e.g. land rights in relation with wetlands, cf. the issuance of the so-called "23 strategic directives" in 2016); the recent approval and upcoming launching of the *National Urban Policy* and other key policies, regulations and roadmaps; an apparent openness to discussing key sectoral reforms (e.g. net-metering in the energy sector); and the launching of a number of major infrastructure investments over the past few years. Cities are also fundamental for the implementation of the NDC. Kampala is leading by example in sustainable energy and climate action and it is part of the Covenant of Mayors of Sub-Saharan Africa (CoMSSA). Whether or not the ongoing actions will translate into actual law enforcement and effective eco-inclusiveness remains to be seen, though. Accordingly, the private sector has very much been observing a wait-and-see attitude so far.

2.3 Solutions for upgrading of identified sectors/value chains

Transition to a Climate-resilient Green Economy

An economic transformation is needed to address the fundamental challenges of employment and inject dynamism and competitiveness in the private sector while exploring new and innovative investment opportunities. Although climate change poses significant threats, the international response offers considerable opportunities to leapfrog to adopting green technologies. The potential



for green investment will therefore be prioritized across sectors: it could not only alleviate poverty pressure, but also drive new industries and innovations¹⁶. Fostering sustainable prosperity calls for a transition to a low-carbon and climate-resilient green economy, where the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste minimised. Green and circular economy are fundamental to implement Uganda's NDC, and it has the potential to transform Uganda's economy, generate new and easily-branded sustainable competitive advantages and boost competitiveness (by protecting businesses against climate change effects, scarcity of resources and volatile prices, helping to create new business opportunities and innovative, climate-friendly and more efficient ways of producing and consuming). It has the potential to create up to 4 million decent local green jobs (UGGDS) at all skills levels and opportunities for social integration and cohesion.

Foster business opportunities and innovation

The role of micro, small and medium enterprises (MSMEs) is essential to bring about an economic transformation that creates sufficient jobs, beyond primary production, in the services and manufacturing sectors. Entrepreneurship, creation and sustainability of MSME and industries, but also start-ups in innovative sectors, should be eased and supported since they are expected to provide more jobs for Ugandans, in particular women and youth. Women entrepreneurship might need specific tailored support. This support would have an incubator component for innovative start-ups and MSMEs (with strong business development services,

¹⁶ Furthermore, Green production processes have domestic benefits as well as costs. Better environmental management can reduce the loss of GDP from pollution (for example, an estimated 757,300 premature deaths from air pollution in the WHO African Region in 2012, including 176,000 from outdoor and 581,300 from household pollution) and natural resource degradation. (WHO, 2014 http://www.who.int/phe/health_topics/outdoorair/databases/FINAL_HAP_AAP_BoD_24March2014.pdf)

and financing facilities such as seed funding and/or equity schemes where investors funds can be raised and/or debt-finance via local banks which have been/would be offered sponsored credit lines, and later, when successful and sustainable, taken on board by a more classical blending mechanism, or by the EIP relevant window).

Infrastructure development and complementarity with existing programmes:

Access to energy: clean energy would be considered as an essential building block for intervention in the chosen sectors, with a focus on access and distribution (on-grid and off-grid – including in the refugees area where the pressure on natural resources (biomass) is dramatically increasing) and energy efficiency.

Affordable and clean transport facilities: clean transport (railways, waterways): building on the upcoming Tororo-Gulu railway line, together with the Gulu logistic hub (under DINU), would also promote trade and regional integration as well as the rehabilitation of Port Bell which will allow the revitalisation of the transportation on Lake Victoria and add an alternative route for exportation along the Central Corridor to the Port of Dar Es Salaam. Specific activities related to road maintenance/rehabilitation through labour-based works, notably in refugees/host community geographical areas may also provide jobs for the less qualified people and inject fresh liquidities in the local economy.

These interventions should benefit from a geographical coherence with existing/upcoming programmes e.g. Kampala (CoMSSA), the North (DINU, EUTF) and the West (MARKUP) regions.

Green cities: Amongst others, the EU plans to support the development of green urban development guidelines as well as build on ongoing interventions in the field of wetland conservation/restoration (including the KfW-EU-co-financed Nakivubo constructed wetland in Kampala) and a number of GIZ-implemented initiatives (including the Kampala Pollution Task-Force partnership). This will allow for the promotion of nature-based solutions in urban planning.

Enhanced enabling environment

Dialogue to improve business environment will require a multi-stakeholder approach, involving local and national authorities, private sector, civil society, and consumers. A coherent set of interventions should target policies and strategies that build confidence with and are favourable to the private sector as well as a conducive regulatory framework.

Coherence with EU-supported actions and policies

The solutions proposed should be aligned with the relevant Ugandan national strategies and policies (UGGDS, National Climate Change Policy, NDC) as well as with the Economic Partnership Agreement (EPA) Implementation Plan for Uganda. Formulated in April 2016, this Plan recommended Government of Uganda to take actions in four priority areas: (i) customs administration and rules of origin, (ii) sanitary and phytosanitary measures, (iii) communication of the EPA to the business community and the public sector and (iv) adequate support from the EU. This coherence, already visible in programmes such as the regional Market Access Upgrade (MARKUP), will contribute to the additionality of solutions proposed for the upgrading of the sectors and value-chains.

2.4 Financial sector and access to finance

Uganda's financial sector is small and dominated by commercial banks. It comprises 24 banks, of which 22 are foreign owned and 2 domestically owned. Financial depth in Uganda is low, as pointed out by the level of credit to the private sector which stood at 17% of GDP in 2017, significantly lower than the average for sub-Saharan Africa (54%). This feature reflects a combination of factors, including low levels of "financial literacy", poor financial infrastructures and operational deficiencies in the banking systems, such as wide interest margins and lack of competition among banks that are depressing private borrowing. Moreover, risks to the banking sector have been increasing since 2016 with a deterioration both in profitability and asset quality. In the short term, credit conditions are likely to remain tight due to the high stock of non performing loans and to the high level of government bond yields that crowd out resources to the private sector.

Unless confidence grows in the financial sector, **credit growth is likely to remain muted through the medium term** as the expansion of credit to the private sector between 2005 and 2015 was not followed by an increase in the formal sector of the economy. Moreover, in the short term, banks are also likely to keep tight credit conditions due to the high non performing loans stock, and demand would remain weak.

Financial inclusion is low and is among the biggest challenges for Uganda. The share of residents aged 15 and above with an account at a financial institution has risen from 21% in 2011 to 28% in 2014, but remains lower than the average for SSA (45%). Mobile money has significantly increased access to financial services especially in the rural areas but has been offset by the decline of access to conventional banking.

3 Dialogue with EU Member States, EU business and local private sector

3.1 Ecosystem

The Ugandan private sector is relatively young in the sense that prior to the wave of liberalising reforms of the 1990s, the state sector played a lead role in the country's economy. Consequently many of today's leading companies trace their incorporation to just a few years back.

Private Sector Foundation Uganda (PSFU): Established at the initiative of the GoU and the World Bank, the PSFU has emerged as the leading advocate for private sector concerns. It has a portfolio of donor funded programmes providing business advisory and other services and its membership mainly comprises other business groupings.

Uganda National Chamber of Commerce and Industry (UNCCI): This is one of Uganda's oldest business associations with affiliation to the International Chamber of Commerce.

Uganda Manufacturers Association (UMA): Also a member of the PSFU, it owns UMA Show Ground at Lugogo in Kampala. It has a strong advocacy role on matters affecting the manufacturing industry.

Kampala City Traders Association (KACITA): Specifically Kampala based, it is vocal about issues affecting the trading environment in the city and has been effective in mobilising the Kampala trader community.

Product/Sector Associations: There are many special interest trade groups formed around specific products. Most have a small secretariat or a coordinator to keep members informed of developments in their sector of interest. Some relevant include the Uganda Fish Producers and Exporters Association; the Uganda Flower Exporters Association; the Uganda Coffee Federation.

Public-private sector dialogue: There are at least two fora where the public and private sector come together to discuss issues of trade and investment.

Presidential Investor Round Table (PIRT): This is a semi-formal forum that brings together selected leaders of business enterprises, business associations and representatives of key GoU institutions. The PIRT is currently chaired by the Prime Minister and advises the President on matters of interest to the business community. The challenges for the PIRT include the fact that it is semi-formal and has limited status in the set-up of Government and its decisions are only advisory.

Inter-Institutional Trade Committee (IITC): With its secretariat at the Ministry of Trade, Industry and Cooperatives (MTIC), the IITC brings together GoU, private sector and civil society representatives. More especially the IITC provides the forum in which Uganda's trade negotiating positions are discussed and given some degree of national ownership.

As a direct consequence of the relatively limited Private sector credit and the slower growth of the Uganda economy during the last years, development partners have dedicated substantial resources to Private Sector Development programmes such as DFID NU-TEC, Partnering to Accelerate Entrepreneurship (PACE) – USAID, East African Trade and Investment Hub (EATIH) – USAID, Development Innovation Ventures (DIV)- USAID and a number of EU Member States programmes as well.

Given the donor appetite for Private sector development programmes, there has also been an increased number of financial intermediaries (incubators/accelerators, consultants/TA providers, investor networks, business plan competition) set up in Uganda, some of them just providing technical assistance while others combine technical assistance with other financial support.

Additionally as a number of NGOs are also jumping into the private sector arena, there are a numerous competitions and innovation labs being set up by NGOs in Uganda.

As a result, the financial intermediaries' landscape in Uganda is very crowded as it can be seen in the Uganda Entrepreneurship Ecosystem Map¹⁷ (Annex II) and Humanitarian Innovation Ecosystem map¹⁸ attached (Annex III).

In any case, majority of the Private sector credit in Uganda (3 billion USD approx in total) is provided by commercial Banks but other sources of capital such as commercial private equity fund are also relevant¹⁹. Ugandan banks remain relatively risk averse and sometimes unwilling to invest in start-up or early-stage enterprises. Moreover, when willing to lend, commercial banks loans are expensive and short-term not adapted for sectors like Agriculture and SMEs in general. Moreover, non-performing loans (NPLs) increased during last year, pushing the Uganda Bankers association to create the Assets reconstruction company to take care of Private sector bad loans²⁰.

Regarding impact investors in Uganda have increased enormously during the last years, a recent mapping of impact investors shows at least 14 impact investors active in Uganda. Some of them are based in Uganda and others manage their investments from the region or their Headquarters. Main sectors of operations are Agriculture, Energy and retail. It is relevant to note that Yield Uganda Fund funded by EU is one of the current active impact funds in Uganda²¹.

Joint implementation with EU Member-States

In a Joint Programming Document, approved in 2015, EU Delegation and Member-States have committed to work closer together for the preparation and implementation of the development actions they finance. As regards their support to their national private sector, it has mainly remained a country specific exercise. However, and in spite of the unfortunate experience of the European Business Forum a few years ago, there is a new willingness to address together issues of common interest to all European companies and/or investors.

Related to the Development Finance Institutions present in Uganda, the EU Delegation has recently embarked in a consultation process with EU Member States in relation to their respective DFIs sectors of operation in Uganda, their intention on proposing any investment programme under the EIP and their specific support to MSMEs programmes in their pipelines. The objective of the consultation process is to explore potential joint work with those DFIs, notably in the framework of the EIP.

¹⁷ Uganda Entrepreneurship Ecosystem Map carried out by Aspen Network of Development Entrepreneurs in 2017.

¹⁸ Humanitarian Innovation Ecosystem map conducted by Uganda Response Innovation Lab on behalf of Save the Children Uganda in 2018.

¹⁹ http://www.eavca.org/2017_KPMG_and_EAVCA_Private_Equity_in_East_Africa_Survey_Final.pdf

²⁰ <https://www.independent.co.ug/banks-setting-company-wipe-bad-loans-off-balance-sheets/>

²¹ <http://www.monitor.co.ug/Business/Commodities/Agri-business---Shs95b--fund--European-Union-Matia-Kasaija/688610-3787022-10rki0c/index.html>

Multi-stakeholder dialogue involving CSOs

Involvement of the civil society organisations with private sector has so far been limited and there is a potential for improvement, especially in terms of the conclusion of partnerships, as stated at the last EU-CSO Structured Dialogue²².

Public-Private Partnerships (PPPs)

The policy and legal framework for PPPs is an ongoing development effort notably through the adoption of the PPP Act 2015 but the first PPP project implemented under the Act is yet to come to fruition. Still experience can be drawn from former PPPs in the energy sector (e.g. solar plants financed with the EU-supported Get-Fit mechanism) or PPPs under preparation in the transport sector (e.g. the EU-supported Kampala-Jinja tolled expressway).

Trade development

EU Delegation supports Uganda to progress with the preparations for the African Continental Free Trade Area considering the EU-EAC EPA as a building block to regional integration and to implement the WTO Trade Facilitation Agreement (TFA), which have been both recently ratified by the Ugandan government. For example, consultations are ongoing with Ministry of Trade to use the Trade Facilitation Support Programme managed by the World Bank and funded by the EU in order to align the commitments taken by Uganda in the TFA with the interventions already being carried out and the needs for international technical assistance.

b) Synergies with EU businesses and local private sector

Companies fully owned by EU companies or individuals and joint ventures between Ugandan and EU companies or individuals are estimated to be in the range of 400-500. A large majority of these companies are members of one of the many EU business clubs or networks or registered at the EU representations²³.

Dialogue with EU Members States takes place notably through trade advisors of the MS represented in Uganda. They meet on an ad hoc basis – but not less than quarterly – to discuss issues of a common interest such as for example the Economic Partnership Agreement with the EAC and involvement of the European private sector in Uganda.

As indicated above, in September, in the framework of the EED and as part of the EIP third pillar and SB4A Platform, an initiative engaging EU companies/SMEs via a structured platform has been launched. Through these interactions the overarching objective is to

²² The EU delegation held on 15/11/2016 its bi-annual structured dialogue with civil society. Two of the meeting conclusions concern the need for a better engagement between CSOs and the private sector: (1) the role of the private sector as a central player in creating opportunities can no longer be underestimated. However, focus must be on building and supporting a domestic private sector that is competitive nationally, regionally and globally, but also (environmentally-)sustainable and (socially-)inclusive. Despite this, development is complex and the private sector on its own should not be considered the ‘magic bullet’ to the detriment of other actors; (2) CSOs realise the need to engage with the private sector. CSOs need to strengthen their accountability watchdog role vis-à-vis the private sector (and not only vis-à-vis the government), but also to engage in a constructive manner. Lessons have to be learnt from successful CSOs - Private Sector actors- Local Authorities partnerships. Development Cooperation should further seek to facilitate those partnerships.

²³ European Business Forum; British Business Club; Economic council of French Companies; Netherlands Uganda Trade and Investment Platform; Business Club Italia; Belgium Business Club; Irish Business Network Forum; Nordic Business Association; German and Dutch companies Representation lists.

identify specific issues to address so that the investment climate and business environment in Uganda is improved. The platform would also serve to provide regular information on EU/MS funding opportunities available to the European private sector (e.g. through the EIP).

4 EU ongoing support to private sector development, value chains and business environment and possible future 'EU response' to foster job creation and industrialisation

4.1 What the EU does

For years, projects in various sectors have been geographically scattered, also due to the multiplicity of financing instruments – NIP, facilities (energy, water), thematic instruments, EU Trust Fund, centralised programmes etc. To provide mutual benefit and a multiplying effect, the current and proposed actions aim to bring consistency and make use of the existing assets in a value-chain-oriented comprehensive approach. This integration process looks at the sectors already supported by the EU, complementarity with existing programmes and missing links in the identified value-chains, in particular. While ensuring this coherence, it aims at fostering sustainable investments and strengthening the private sector, with a particular focus on inclusive job creation.

Uganda and the EU have agreed to contribute to a better enabling business environment and investment climate, to align different converging orientations to the benefit of small as well as more robust companies and industries through, in particular: the Uganda Green Growth Development Strategy 2017-2030 (UGGDS), the External Investment Plan (EIP, and its Sustainable Business for Africa – SB4A), the European Economic Diplomacy and, more recently, the Africa-Europe Alliance for Sustainable Investment and Jobs. The Jobs and Growth Compact for Uganda (JGC) is therefore centered on Inclusive Green Economy with a vision to:

1. contribute to improved business environment and investment climate through a structured private-public dialogue and our cooperation in enabling sectors (e.g. justice, accountability, human rights, energy, transport, trade);
2. target the missing links and unlock bottlenecks in selected value-chains of backbone sectors (agriculture and industry);
3. strengthen the capacity of and provide access to finance to start-ups, micro, small, medium and more robust enterprises and industries, making use of the EIP or more tailored financing instruments (National Indicative Programme), depending on the profile of the company;
4. pay a particular attention to women and youth, as well as any vulnerable group (e.g. refugee population).

For instance, the EU-EAC MARKUP programme aims to (i) facilitate exports of coffee from West Nile via the Gulu Logistic Hub (DINU) and the Tororo-Gulu Railway line and (ii) integrate criteria to foster green job creation in its call for proposals to blend grants with private investments. Under DINU, five sub-regional trade hubs across Northern Uganda have been identified around which a cluster of value chain support will be developed that link up with Gulu as the main trade centre in Northern Uganda. Through the use of blending and guarantees, as well as an increased involvement of private actors, the level of investments is increasingly being leveraged, producing a substantial augmentation in the potential impact of the cooperation strategies pursued.

Under the 10th and 11th EDF, the EU already supports the commodity-based approach, to facilitate the emergence of commercial agriculture as a means to increase livelihoods of actors along the value chain.

See the below box describing relevant **programmes to promote local private sector development**.

- Construction of the Gulu Logistic Hub, NIP 5 M EUR / Northern Uganda Value Chains / Business Environment: Infrastructure
- Rehabilitation of the Tororo Gulu Railway, NIP 21.5 M EUR / Northern Uganda Value Chains / Business Environment: Infrastructure.
- Rehabilitation and extension of Port Bell, NIP 23 M EUR / Cross-cutting / Business Environment: Infrastructure.
- Justice and Accountability Sector Reform Contract, 66 M EUR / Cross-cutting / Governance
- The Kampala City Climate Action Strategy, Energy 2016/379-396, 0.9M EUR / cross-cutting / Innovation
- GCCA: scaling up agriculture adaption to climate change, DCI ENV, 8M EUR / Beef, dairy / Business environment
- GCCA plus: support Uganda in the sectoral implementation of its Nationally Determined Contribution through Climate Smart Agriculture, DCI ENV, 5M EUR / Cotton / Business Environment
- Market Access Upgrade Programme, 11th EDF RIP, 3.7M EUR / coffee and cocoa / Business environment: cross-border trade.
- EU EAC project for promoting aquaculture in the Lake Victoria Basin, 11th EDF RIP, 10M EUR / aquaculture / Business environment: access to finance, skills development.
- SE4ALL TAF, DCI ENV, 15M EUR (multi country) / cross-cutting / Business environment: energy policy, access to finance
- SPGS III / Commercial Forestry, 11th EDF, 16M EUR / Business environment: quality inputs, forest management, processing, marketing
- Beef value chain, 11th EDF, 11.25 M EUR / Beef / Business environment: legal and regulatory framework, production and marketing
- Aquaculture value chain, 11th EDF, 7.5M EUR / Aquaculture / Business environment: regulatory framework, production and marketing
- Switch Africa Green phase 2, DCI-ENV, 20 M EUR for 7 countries / cross-cutting / Business Environment: access to finance, energy, infrastructure
- Support to further development of the Northern Corridor Road axis in Uganda, NIP/RIP, 60M and 30M EUR/ cross-cutting/Business Environment

- EU-Africa Renewable Energy Cooperation Programme, GPGC, 26M EUR (multi-country) / cross-cutting / Business environment: energy policy, access to finance
- Small and Medium Agribusiness Development Fund - Contribution Agreement with IFAD, 10th EDF, 15,5 M EUR / Investment climate, access to finance, business development services. First experience in Uganda on a Blending operation initiated by the EU Delegation.

4.2 What the EU plans to do

4.2.1 Taking forward the Africa-EU Alliance

The EU will implement the Alliance priorities through a comprehensive approach focused on tapping into Uganda's economic potential and the mobilisation of the private sector.

The shifting paradigms, as proposed by the Alliance, substantially enhance the dimensions of cooperation, adding support to already existing programmes and initiatives, which importantly benefit from an expansion of the resources that are available.

1. Boosting strategic investments to achieve job creation and strengthen the private sector (de-risking)

An increasing amount of funds will be allocated to blending and guarantees in order to leverage resources from capital markets with international, European and national financial institutions, to de-risk investments (e.g. a de-risking scheme to protect exchange rate losses under the Inclusive Green Economy programme) and to facilitate access to finance, through loans but also grants, with a particular focus on innovative start-ups and MSMEs. Once strengthened, such companies could benefit from the EIP and its European Fund for Sustainable Development (EFSD). Priority has been given to value-adding sectors and value-chains as indicated in paragraph 4.2.2, with a high potential for sustainable job creation, especially for women and youth,

2. Supporting skills development and education

Insufficient skills of the workforce and the subsequent incompatibility with the needs of the private sector have been identified among the main challenges tackling investments and job creation. This is why the EU has been promoting in Uganda activities of skills development and mentoring, with a focus on start-ups, micro and small enterprises, when possible in collaboration with vocational training institutions. This will continue and will be complemented with support to incubators and business development services as from 2019.

3. Strengthening business environment and investment climate

In order to ensure an enabling business environment and investment climate in Uganda, the EU actions aim to support an enhanced public-private dialogue and concrete actions to ease business through different financing sources (e.g. in the upcoming AAP 2019). Agreed steps with Private Sector Foundation Uganda are: (i)

identification of the main hurdles hampering private investments, (ii) formulation of a roadmap to overcome them and (iii) implementation of initial measures for investments and monitoring of the roadmap. Such actions contribute to the promotion of the Sustainable Business for Africa Platform (SB4A), launched within the frame of the EIP and establishing a structured dialogue with domestic and European private sectors and prioritise an investment climate reform agenda.

4. Tapping into the potential of economic integration and trade

In order to encourage market building and to strengthen trade between EU and Uganda, as well as between Uganda and its regional partners, the EU actively supports progress with the preparations for the African Continental Free Trade Area. In this context, the EU-EAC Economic Partnership Agreement aims to become a building block to regional integration (its Implementation Plan for Uganda was formulated in April 2016). The EU is also supporting the implementation of the WTO Trade Facilitation Agreement (TFA), which has been recently ratified by the Ugandan government. Ongoing consultations with the Ministry of Trade are aimed at supporting the use of the Trade Facilitation Support Programme managed by the World Bank and funded by the EU in order to align the commitments taken by Uganda in the TFA.

4.2.2 Future orientations: scope and plan for a Jobs and Growth Compact for Uganda

1. Structured dialogue with the public and the private sectors

A technical assistance was recruited in September 2018 under EU funding to facilitate the promotion of EU and Uganda private sector investments, contribute to improving the investment climate and business environment and enhance inclusive growth and creation of decent jobs. The consultant has been tasked to organise a **series of consultations, in the form of small group informal meetings (so-called "business breakfasts"), with relevant representatives of EU and Ugandan private sectors and the Government** (including State House, Ministry of Finance and possible relevant services such as Customs, Police, etc.), the first of which took place on 11 December (see dedicated box below). **EU Member States** are associated to the exercise, they help identify relevant companies and constitute good intermediaries with their national private sector. The format of future consultations is currently being finalized but it is expected to address topics in relation with Uganda-EU cooperation, in particular the below mentioned value-chains and sectors, with a **clear link to Inclusive Green Economy**.

Bottlenecks to investment and private sector development are being identified and joint remedial measures recommended. The actions will range **from simple practical arrangements to broad reforms**. A **regular reporting mechanism to the platform of actors** will be put in place to ensure a proper follow-up of undertakings. EU

contribution to the successful implementation of the related Roadmap will be the support to a continuous dialogue as well as the financing of specific relevant actions.

The consultancy itself is planned to last a year from September 2018.

Points for follow up in future engagements:

- Prepare the Roadmap to address the identified bottlenecks;
- Capitalize on lessons learnt from the first consultation;
- Identify priority reforms that benefit the private sector in Uganda;
- Create a platform of actors involved in the consultations – to become formal or to remain flexible;
- Agree on format of the regular reporting mechanism.

A first "**Business Breakfast**" was organized on 11 December 2018 in Kampala and gathered representatives from both European and Ugandan private sector, with the objective to find together ways to make the investment and business climate in Uganda more attractive. This event, entitled "**Identifying cross cutting investment hurdles – picking the low hanging fruits**", was organised jointly with Private Sector Foundation Uganda (PSFU), the country's apex body for the private sector with over 200 business associations and single companies members. The consultation focused on 3 priority topics, based on existing experience from PSFU:

1. **Access to finance**
2. **Skills and attitudes**
3. **Corruption**

Those challenges have been acknowledged to be the major (non-sector specific) hurdles to private sector development and investment. Possible areas of engagement, which will be further elaborated in subsequent consultations in 2019, have already been identified, such as:

1. Improving and streamlining the procedures and the requirements (collaterals, repayments, grace periods, taxes and costs, corporate governance) allowing the private sector to access credit, as well as attracting new type of capital (long-term, private equity)
2. Strengthening the links between the private sector and the education system to better align curricula to prevailing skills needs, facilitate internships and training programmes, as well as easing the conditions to use foreign trainers and services not available in Uganda
3. Reviewing the fight against corruption and organising a national conference on corruption experienced by the private sector, as well as proposing innovative ways to tackle it (audit of "lifestyle" to compare revenues and assets)

The main expected deliverable of this consultation is a **Roadmap to promote private sector investments in Uganda**, with concrete actions, lead structures and deadlines.

This business consultation is the first one of a series, with expected representation of both the private and the public sectors. The objective is to go into more detail (also in terms of sectors, regulatory framework, etc.) and to **monitor progress** in implementing the roadmap.

The **added value of the EU**, major development and trade partner, is (i) to foster a **tripartite Public-Private-Development Partner dialogue** and (ii) to provide **financial support to business environment and investment climate** but also **for direct actions to implement the roadmap**.

2. Support to targeted value-chains

a) Forestry, farming and agriculture value-chains

Ongoing programmes have identified value-chains to be supported with EU funding (**forestry, beef, aquaculture, coffee, cocoa**) or will leave some flexibility for proposals to support **agro-pastoral activities, cereals, fruits**, etc.²⁴

In terms of de-risking, these and other identified value chains are supported with a dedicated access to credit by the agri-business small enterprise fund (Yield Fund), which so far benefited the following commodities: **soya, coffee, moringa and chicken eggs**.

Skills development is a priority for all those value-chains (e.g. through matching grants with private sector to train coffee and cocoa out-growers to improve post-harvest production), along with other related activities, notably in the fields of **business development services, mentoring and access to finance** for enterprises and cooperatives (grants or loans, depending on the profile of the company).

To contribute to the investment climate, **complementary activities in enabling sectors** (justice, accountability, human rights, energy, transport) are also ongoing, in particular in Northern Uganda – including in the refugees hosting districts – where the investment climate is clearly defective. **Support to regulatory framework** (e.g. land management, registration, conflict resolution, climate change), access to commodity **market information**, etc. will also be financed under the National Indicative Programme or pillar 3 of EIP. Strengthening of the general business environment and investment climate in the country, also considering the budding private sector in Northern Uganda, is an immediate and medium term priority that will **pave the way for access to loans provided under the External Investment Plan**, with in particular the roll-out of the guarantee scheme.

- Points for follow up in future engagements:

- Explore whether some crucial value-chains have been left out;
- Assess whether the identified complementary activities in enabling sectors are able to contribute to a better investment climate;
- Monitor whether the initiatives specifically targeting Northern Uganda bear fruits.

b) Industrial value-chains

²⁴ Under the Development Initiative for Northern Uganda, for which a geographical distribution in the possible value-chains has been defined in a scoping study. Consortium of NGOs will thus propose relevant actions under a soon-to-be-launched call for proposals.

Although forestry, farming and agriculture represent the most important part of EU support to value-chains, some industrial ones are also considered, given their **contribution, particularly, to the service sector**. In Uganda, two value-chains, expected to have a simultaneous positive effect on job creation, economic development and respect of social and environmental issues, will be supported by EU:

- the **plastic** value-chain, including notably **collection and recycling** steps, with the setting up of **structured public-private partnerships**. A delegation agreement was signed with the German Cooperation and follow-up discussions are taking place with concrete results expected in the months to come,
- the **iron/steel** value-chain (currently under consideration). A production of 3 million tonnes per year, three times the current capacity, would need 5 million tonnes of ore whereas Uganda's reserves are approximately 1 billion tonnes. This huge potential has been clearly identified by a number of mining companies. EU support to **greening the value-chain upstream** would avoid serious damage to the environment during mining. A feasibility study could be carried out, with the support of EU and lead to the creation of additional green jobs.
- Points for follow up in future engagements:
 - Explore whether some crucial value-chains have been left out;
 - For the identified value-chains, assess whether the complementary activities in enabling sectors (e.g. the indicator on the Extractive Industry Transparency Initiative in the Justice and Accountability Sector Reform Contract) can effectively contribute to a better investment climate;
 - Investigate whether there is scope to support reforms such as the ban of plastic bags in Uganda;
 - Seek Uganda's views on the possibility of the EU financing a feasibility study on the iron/steel value-chain;

3. Other future value-chains

Some other relevant value-chains may be financed, as long as they can prove their **potential for job creation, youth and women engagement, green economy, ethics**, etc. Two financing tools will be used to leave the door open for further support:

- **calls for proposals of NGOs consortium**, which will make use of sets of criteria to foster the creation of green jobs: under the Development Initiative for Northern Uganda - DINU (see footnote n°24) and under the EU Trust Fund in the refugees hosting areas (one call to be awarded in the coming weeks and another one to be launched beginning of 2019).
- **provision of loans (and grants under specific conditions) to the private sector**, through the agri-business fund under DINU – Support to Agricultural Revitalization and Transformation, and the above-mentioned Yield Fund (ongoing activities). Broader Green Economy financial lines for both robust enterprises and micro, small and medium enterprises will be provided under the upcoming Inclusive Green Economy programme, to start early 2019.

- Points for follow up in future engagements:
 - Identify the criteria and the rating within the set of criteria to guide the selection of a consortium or companies to benefits those financing opportunities [e.g. potential for job creation, youth and women engagement, green economy, ethics];
 - Explore how the EIP could support the private sector in Uganda and what are the necessary steps (from both the public and the private partners) to be achieved to make the instrument accessible to the micro, small and medium enterprises.

5 Annex I: Business Environment and Infrastructure of Investing and Doing Business in Uganda

5.1 Cost and process of acquiring Work Permits

The processes around the issue of work permits have been raised during dialogues with the business community, notably in 2016, as contributing to the high costs of business in Uganda. This study has made further analysis of the cost acquiring work permits and made a comparison with other EAC countries, evaluated the required documentations and the process for issuing the work permits.

Cost of Acquiring Work permits: The fee for acquiring a work permit in Uganda ranges from \$800 for a 6 month work permit, \$2,500 for a 12 month work permit, \$4,000 for a 24 month work permit and \$5,000 for a 36 month work permit. All stakeholders consulted during this study acknowledged that the fees for acquiring the work permits are high. The cost of acquiring work permits in the EAC region is summarised in table 1 below.

Table 8: Cost of Acquiring Work Permits in EAC

Work permit Class	Uganda	Kenya ²⁵	Rwanda ²⁶	Tanzania ²⁷
Class B (Agriculture)	\$ 2500	\$ 1064.36	\$120.66	\$3,000
Class C (Mining)	\$ 2500	\$ 96.76	\$120.66	\$3,000
Class D (Business)	\$ 2500	\$ 1064.36	\$120.66	\$3,000
Class E (Manufacturing)	\$ 2500	\$ 1064.36	\$120.66	\$3,000
Class F (Professional)	\$ 2500	\$ 2,031.96	\$120.66	\$3,000

Source: UIA One stop Centre, immigration desk.

Work Permits as A Source of Non-Tax Revenue: According to the 2015/16 Ministerial Policy statement for Ministry of Internal affairs, the Directorate of Citizenship and Immigration Control (DCIC) generated 59.4 billion Uganda shillings from work permit fees, out of the total non-tax revenue of 79.3 billion shillings for the financial year. In 2014/15, Uganda issued 6,719 work permits out of the 7,994 work permit applications received, generating about \$16.7 million in permit fees and \$1.9m from non-refundable fees from rejected applications. In addition, 3,395 dependants of work permit holders were granted dependant passes generating an additional \$608,700. Therefore work permits generated a total of \$19.3m, equivalent to 59.4 billion Uganda shillings. In 2016/2017, Uganda issued a total of 5,031 work permits to foreigners generating about \$ 12.5 million in non-tax revenue from work permits. In the same period, 1,509 dependants of Work Permit holders were issued Dependant Passes, generating an additional \$270,700. The other major sources of non-tax

²⁵ Converted into US\$ at 103.3486, exchange rate on 7.6.2017, <https://www.centralbank.go.ke/rates/forex-exchange-rates/>. Current charges for permits in Kenya sourced at www.immigration.go.ke/Information.html.

²⁶ Published on <https://www.migration.gov.rw/index.php?id=125>. Exchange rate of 828.757 Rwandese franc per USD as published on <https://www.bnr.rw/index.php?id=23>.

²⁷ Rates as published on <http://www.immigration.go.tz/index.php/en/services/residence-permits>, accessed on 7.6.2017.

revenue for DCIC in the same year were Passport Fees at 8.5 billion shillings and 5.4 billion from visa fees.

Process of Acquiring the Work Permits: In July 2016, Uganda launched an online application platform for visa and work permits, <https://visas.immigration.go.ug/>. This has reduced the bureaucracy and simplified the work permit application process as applicants have the option of tracking the status of their work permit applications online. The platform also enables storage and reference to standards documents like articles and memorandum of associations that no longer have to be submitted whenever an investor or employee is applying for a work permit.

Time of Acquiring the Work Permits: Despite the online platform for work permit applications, applicants receive work permits after 7-10 days. According to the 2017/18 national budget framework paper, the DCIC target is to reduce the number of days taken to issue a work permit to 8 days in 2017/18 and 5 days by 2019/20.

Required Documentation to Acquire a Work Permits: A review of the process for acquiring work permits revealed that the applicant is required to submit up to 22 documents depending on the class of permit that has been applied for. The required documents are listed in table 2.

Most importantly, applicants are required to pay the equivalent of a one way air ticket to their home country as security bond over the duration of the work permit. This further increases the cost of acquiring a work permit in Uganda.

Conclusions: The cost for acquiring work permits in Uganda is high, presenting an additional cost of doing business in Uganda. For Uganda to be regionally competitive as a destination for foreign direct investment, the country could:

- 1) First, review the work permit fees, in consultations with the investors with the aim of reaching a fee that is affordable by the investors but high enough to ensure that only key staff with qualifications and skills that are not locally available are given work permits.
- 2) Second, reform the process so that as part of the investment license, an investor is granted a number of work permits, depending of speciality of the sector, that can be filled as and when required without paying separate work permit fees. Every investor normally requires the finance and accounts manager and one technical manager to be highly specialised and highly trusted staff to guarantee the finances of the company. Therefore, the work permits for about three staff should be approved at the investment license level, without attracting extra fees.
- 3) Third, the process of acquiring work permits requires filling many documents, some of which add little value to the process. For example, instead of asking for a certificate of registration and memorandum and articles of association is not necessary, as having one implies that the other exists. Accordingly, one of these can be removed.

Table 9: Documents for issuance of work permits

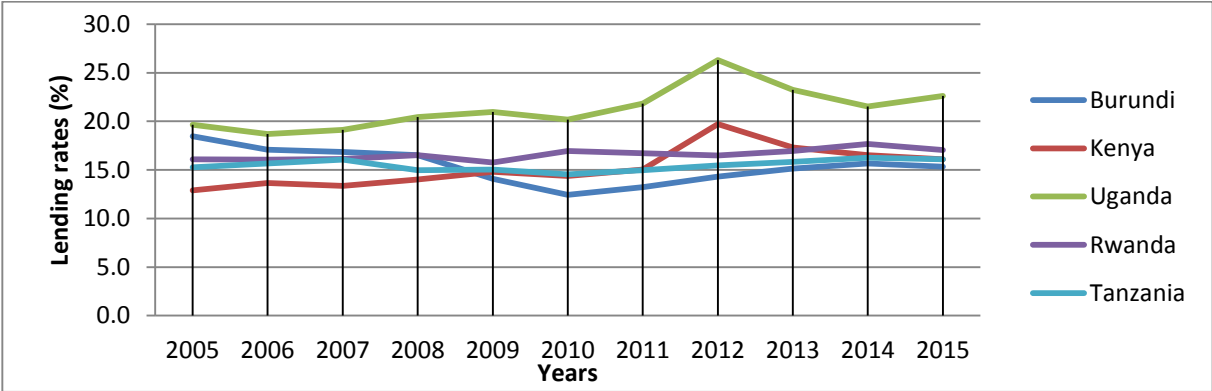
No.	Required Document	Uganda	Kenya	Rwanda	Tanzania
1	Copy of Certificate of Incorporation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2	Articles & Memorandum of Association	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
3	Filled in application form for the work permit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4	Cover letters	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5	Two passport photos	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
6	Photocopy of the passport	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
7	Bank statement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
8	Qualifications plus the Curriculum vitae of the applicant (employee)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
9	Appointment Letter from the employer	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
10	Police clearance from country of Origin	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
11	List of employees of the company (if any)	<input checked="" type="checkbox"/>			
12	Investment License (from UIA for Uganda)	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
13	Receipt of the Security Bond ²⁸ payment	<input checked="" type="checkbox"/>			
14	Project Monitoring Questionnaire	<input checked="" type="checkbox"/>			
15	Receipt to evidence payment of \$1,500 non-refundable fee	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
16	Income tax Clearance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
17	Code (issued by DCIC)	<input checked="" type="checkbox"/>			
18	Trading Licence	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
19	LC letter (for agricultural investments)	<input checked="" type="checkbox"/>			
20	RDC Letter (for agricultural investments)	<input checked="" type="checkbox"/>			
21	Land Title (for agricultural investments)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
22	Sector licenses and regulations (Mining)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
	Total	22	11	12	14

5.2 Banking, Finance and high cost of borrowing

The market study revealed that many companies in Uganda are SMEs that are unable to borrow from the two resident development banks, because of high lending thresholds. Most companies borrow from commercial banks at high interest rates raising their cost of financing and reducing their products' competitiveness in the market. This report has made comparisons of lending rates in the EAC region. For the period 2005-2015, the average lending rate in Uganda was 21.3%, with a minimum of 18.7% and a maximum of 26.3% (figure 1).

²⁸ Equivalent to one way air ticket to home country

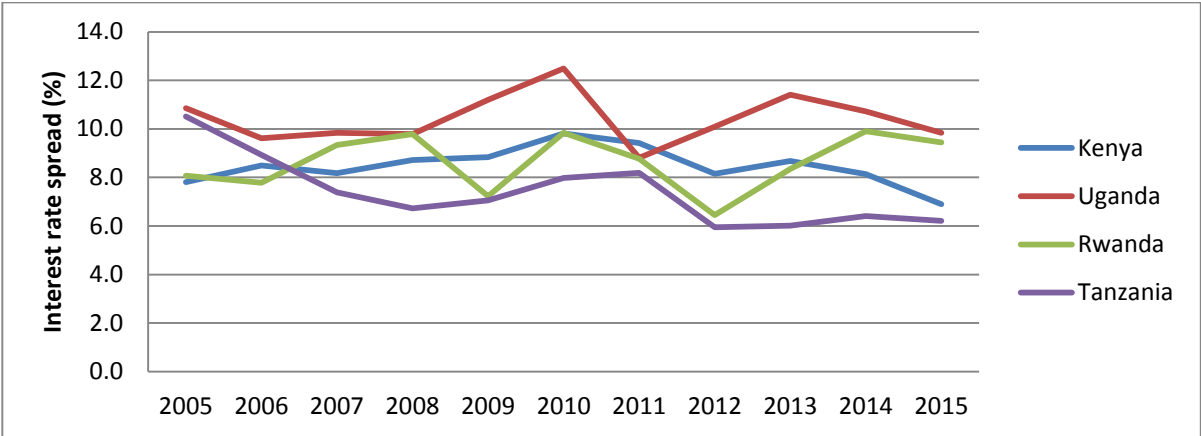
Figure 4: Lending rates in the EAC region



Source: World Development Indicators by World Bank

Furthermore, Uganda has the highest interest rate spread (lending rate minus deposit rate, %) in the region. For the period 2005-2015, the average interest rate spread in Uganda was 10.4% as shown in figure 2.

Figure 5: Interest rate spread in the EAC Countries



Source: World Development Indicators by World Bank

The high interest spread is attributed to the SME nature of Ugandan companies that are associated with higher risks and the high interest rates on treasury bills that continue to crowd on lending to the private sector. The high interest rate increases the cost of financing by investors, making Ugandan products uncompetitive and Uganda a less attractive investment destination.

5.3 Taxes and Investment Incentives

The market study raised the issue of high corporate taxes in Uganda and the need to continually review the investor incentives in order to make Uganda more attractive to FDI. As part of this study, the current tax regimes and incentives in the region were examined and it was found that Uganda’s tax rates are generally comparable to the region. Uganda’s tax regime comprises of four broad categories of taxes, namely corporation tax, income tax

(including individuals, withholding tax, transfer pricing and capital gains), value added tax and customs and exercise duty.

Corporation tax: Corporation tax rate in Uganda is 30% of the net chargeable profits for both resident and non-resident companies. This rate is similar to that charged by other EAC countries, except Kenya that charges 37.5% rate for non-resident companies. Uganda tax regime maintains three broad categories of exemptions to corporation tax and these are:

1. Aircraft operators: For domestic and international traffic or leasing of the aircraft
2. Exporters of finished consumer and capital goods: Apply to the Commissioner of Domestic Taxes to be issued with a certificate of entitlement valid for 10 years tax holiday but must export at least 80% of his/her production of goods. These are required to be located within the free export processing zones.
3. Agro-processors: Apply to the commissioner for a certificate of exemption:
 - a) Applicant or associate of applicant has not previously carried on agro processing of a similar or related agricultural product in Uganda and
 - b) Applicant must invest in plant and machinery not previously been used in Uganda by any person to process agricultural products for final consumption.
 - c) Process agricultural products grown or produced in Uganda.
 - d) Person regularly files return and fulfils all his tax obligations under the income tax act.
 - e) Certificate of exemption issued is valid for one year and may be renewed annually

Corporation tax regime also provides for capital allowance deductions for:

- a) Industrial Buildings / Hotels / Hospitals with Initial allowance of 20% and Annual write-down allowance of 5%.
- b) Plant and machinery with initial allowance of 50% or 75% depending on the location of the machinery, and annual allowances of 20% for first year, 30% for second year, 35% of third year and 40% for fourth year of investment.
- c) Mining companies are charged at income tax rates ranging from 25% to 45% depending on company's ratio of chargeable income to gross revenue in the year of income.
- d) Depreciation allowances (Capital Investment Allowances). Declared annually by investor in the return on reducing balance method, including: 1) 40% for computers and data handling equipment; 2) 35% for automobiles; buses and mini-buses (<30 passengers); goods vehicles (<7 tonnes); construction & earth moving equipment; 3) 30% for buses (>30 passengers); good vehicles (>7 tonnes); specialized trucks; tractors; plant & machinery used in farming, manufacturing or mining operations; trailers & trailer-mounted containers; 4) 20% for rail cars; locomotives & equipment; vessels, barges, tugs & similar water transportation equipment; aircraft; specialized public utility plant, equipment & machinery; office furniture, fixtures & equipment; any depreciable asset not included elsewhere and farm works.
- e) Small businesses whose gross turnover does not exceed 150 million Uganda shillings are charged corporation tax (pre-assumptive tax) of 1.5% of gross turnover.

The incentive regime also provides for other exemptions include:

- a) Exemption of Tax on International Payments for a resident company paying interest on debentures outside Uganda if a) Debentures were issued by the company outside Uganda for the purpose of raising a loan outside Uganda and b) Debentures were

widely issued for the purpose of raising funds for use by the company in a business carried on in Uganda

- b) Tax deduction for employers of Persons with Disabilities: 2% of income tax payable is allowed as a deduction for income tax purposes if 5% of their employees on full time basis are persons with disabilities.
- c) Scientific Research Expenditure: 100% scientific research expenditure allowed as a deduction for income tax purposes

Double Taxation Agreements: United Kingdom, Zambia, Denmark, Norway, South Africa, India, Italy, Netherlands and Mauritius. DTAs offer preferential rates of withholding tax on dividends, interest, royalties and management fees. With exception of the United Kingdom (UK), DTA where the rate of withholding tax is 15%, the withholding tax rates applicable to dividends, interests, royalties and management fees is 10%.

Export Based Incentives

- 1) Duty Draw Back: Investors have to prove they have exported their products and are eligible to customs refunds all or part of any import duty paid on materials inputs imported to produce for export or used in a manner or for a purpose prescribed as a condition for granting duty draw back. Duty may be refunded on raw materials imported and used on the goods locally produced for export.
- 2) Manufacturing Under Bond: Manufacturer must have licensed under sec. 160 of the EACCM by applying for a customs license to hold and use imported raw materials intended for manufacture for export in secured places without payment of taxes. It makes available working capital, which would have been tied up through paying duties immediately after importation. The annual license fee for a bonded factory is \$1,500 per calendar year or on pro rata basis if issued within a calendar year.
- 3) Duty Remission Schemes: The scheme provides for: 1) 90% remission on sugar for industrial use imported by Manufacturers, 2) 100% remission on inputs for the manufacture of exercise books and other essential goods, stranded wire used in manufacture of tyres, treads for cold retreading used in the retreading of tyres, packaging materials for use in the manufacture of goods for export and raw materials for use in manufacture of aluminum cans for the dairy industry.

Other EAC countries also offer varying incentives to companies regarding corporation tax.

Value Added Tax

The Value Added Tax (VAT) rate for Uganda is 18% and 0% for zero rated commodities with a threshold of 150 Uganda shillings annual turnover. The VAT rate is the same with most other EAC countries. **Tax on Capital Gains**

Uganda's tax rate on capital gains resulting from sale or cession of commercial immovable property is 30%. The capital gains tax rate for Uganda is the same as for Tanzania and Rwanda, while for Kenya it is 5% and there is no capital gains tax in Burundi.

5.4 Bureaucracy

The Market study reported heavy and sometimes non-transparent bureaucracy as a key issue raised by the companies during the consultations. These were reported to increase the cost and

time for accessing Government services like work permits. There are ongoing Government efforts to address the issues, including Government agencies embracing technology and online platforms in the delivery of public services that is not only reducing bureaucracy but also curtailing on corruption.

In July 2016, an online platform for issuance of work permits was launched and this has resulted into reduction of days to receive a work permit to about ten days, which is still high. Uganda investment authority has operationalised the one stop centre with KCCA, URA, URSB, Directorate of citizenship and immigration and Ministry of Lands all under one roof at UIA. The time to register a business, receive a trading license, register for taxes etc can now be concluded within 4 days if the documentation is complete. UIA has also launched an anti-corruption hotline provide a platform to raise any corruption issues with the authorities, while most government agencies have started public information on the websites on the procedures, required documents and fees for accessing the critical services like starting a business at <https://www.ebiz.go.ug/starting-a-business-in-uganda-as-a-foreign-investor/?f=foreign>; work permits at <http://www.immigration.go.ug/content/work-permits-and-other-residence-facilities>, etc.

5.5 Infrastructure Bottleneck to Investing and Doing Business in Uganda

The National Development Plan, NDPII prioritises investment in infrastructure development with the expectation that such investment (along with investments in agriculture, tourism, mineral development and human resource development) will catalyse the country's desired transition to middle income status by the year 2020. In fact, the Government sees inadequacy of physical infrastructure as a major impediment not only to trade but to overall development (NDPII).

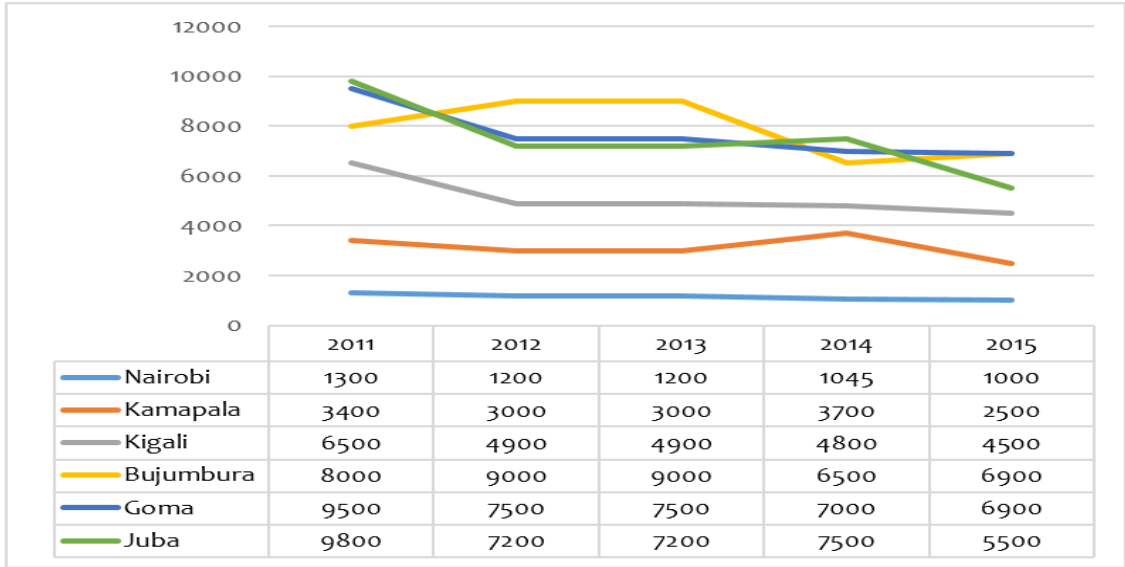
5.5.1 Roads

Roads infrastructure plays a crucial role in trade logistics. For a land locked country like Uganda, that sector assumes even more prominence for bulk cargo that has to traverse long distances to reach the ports at Mombasa and Dar-es-Salaam in Kenya and Tanzania respectively. The current combined transit and trans-shipment traffic through the Corridor is reported to have been growing at a rate of 8% annually. However, there are logistical challenges such as inadequate infrastructure, poor interconnectivity of modes, long delays of cargo at the port and border posts, and an imbalance of exports compared to imports. These challenges reportedly raise the cost of transport along the Corridor so that costs of transport account for about 30% of the value of imported goods. The high transport cost is one of the major obstructive factors that hinder economic development of the region, especially inland areas. (Ref: *Background Report – Uganda Logistics Private Sector Strategy – Final*; by the Law and Development Partnership (LDP) for TradeMark East Africa, 30th June, 2017).

The Shippers Council of Eastern Africa measures logistics performance through a Logistics Performance Survey. As can be seen from Figure 5, the costs of transport from Mombasa to Nairobi, Kampala, Kigali, Bujumbura, Goma and Juba have reduced from 2011 to 2015. The average cost per kilometre along the Northern Corridor from Mombasa has gone down, presumably because of reduced time and improved trade facilitation measures, and so it is

assumed that the measured costs per kilometre for transport from Mombasa to Kampala has also decreased.

Figure 5: Northern Corridor Transport Costs in US\$ 2011-2015 from Mombasa



Source: Collated from Shippers Council of Eastern Africa’s LPS Surveys

The GoU’s response to road sector constraints is documented in the National Development Plan – NDP II. Over the NDPII period, GoU targets to upgrade 2,205 km of gravel roads to tarmac and rehabilitate 700 km of existing paved roads. Specifically in the current financial year, the GoU target is to increase the proportion of national paved roads in “fair to good condition” from 78.5% to 80%. More specifically key “oil roads” are being prioritised in order to support investments in the oil and gas sector and for the exploitation of those resources in which EU investors are particularly strong players. Also being prioritised are “tourism roads” which are crucial for the development of the tourism sector in the expectation that more investors (and tourist arrivals) from the EU will be attracted to the sector. (Ref. MFPED: *Background to the Budget*, June 2017).

5.5.2 Air transport

All aspects of air transportation in Uganda are regulated under the Civil Aviation Authority Act (Cap. 354) of 1991. The Civil Aviation Authority (CAA) is required to draw up a scheme prescribing charges and fees payable in relation to services or facilities provided by it. In this respect, the CAA is given wide powers to impose a broad range of civil aviation charges and fees. These include charges and fees for the issuing of the various certificates prescribed under the CAA Act such as airworthiness certificates and licenses as well as provision of CAA services and facilities such as inspection of aircraft fees, aircraft landing and parking facilities, cold stores, etc.

Uganda’s only currently functioning airport for international travel and cargo evacuation is Entebbe International Airport (EBB). This is a crucial exit facility for trade in high value perishable cargoes such as fish fillets, fruits and vegetables and cut flowers the bulk of which are destined for the EU market. According to exporters contacted separately through the

Uganda Fish Processors and Exporters Association and Uganda Export Promotion Board, to evacuate a consignment from EBB costs an average of US\$1.50 per kg compared to Nairobi's Jomo Kenyatta International Airport's US\$1.30. That means that a Kenyan exporter enjoys a 15.4% advantage over their Ugandan counterpart in the EU market.

Entebbe international airport is also the main entry points for tourists visiting Uganda. According to NDP II the tourism sector is largely dominated by foreign tourists and that presently the country has one international airport that is too small to meet the growing international traffic, has limited direct flights from key source markets, and lacks a national air carrier which would be used to market the country as a tourist destination.

To respond to these constraints, GoU plans to rehabilitate Entebbe international airport and build additional international airports including in the Albertine region where oil and gas reserves are to be developed for domestic and export markets. These, it is hoped would attract more carriers to it and the resultant competition would theoretically push costs down. GoU also has plans to recreate a national airline with the intention to better market the country as a tourist destination. The Ugandan private sector for their part would rather prioritise cargo as the initial focus of any venture into a national airline.

5.5.3 Rail Transport

Uganda's internal rail transport system is virtually inexistent. The regional link to the Port of Mombasa is also rarely used for cargos reflecting the inefficiency of the system and hence the preference of road haulage by the business community. The inability of traders to use the traditionally cheaper rail mode is responsible for the high cost of transporting bulk cargo to the ports. The LDP study quoted above shows that it costs a trucker some US\$ 2,300 for a round trip to Mombasa without considering the charges for clearing cargo. The development of internal rail links would also open up investments in the exploitation of the mineral deposits including iron ore deposits in the South of the country currently not served by the railway system.

The GoU's response to this challenge has been (in partnership with the Kenya Government) to develop and invest in the Standard Gauge Railway – SGR. The first phase of the SGR from Mombasa to Nairobi has been completed and the Uganda link from Kampala to Malaba on the Uganda-Kenya border is targeted for completion by 2020 and the completion of the Kampala to Mombasa linkage is slated for 2022.

5.5.4 River and Lake Freight Transport

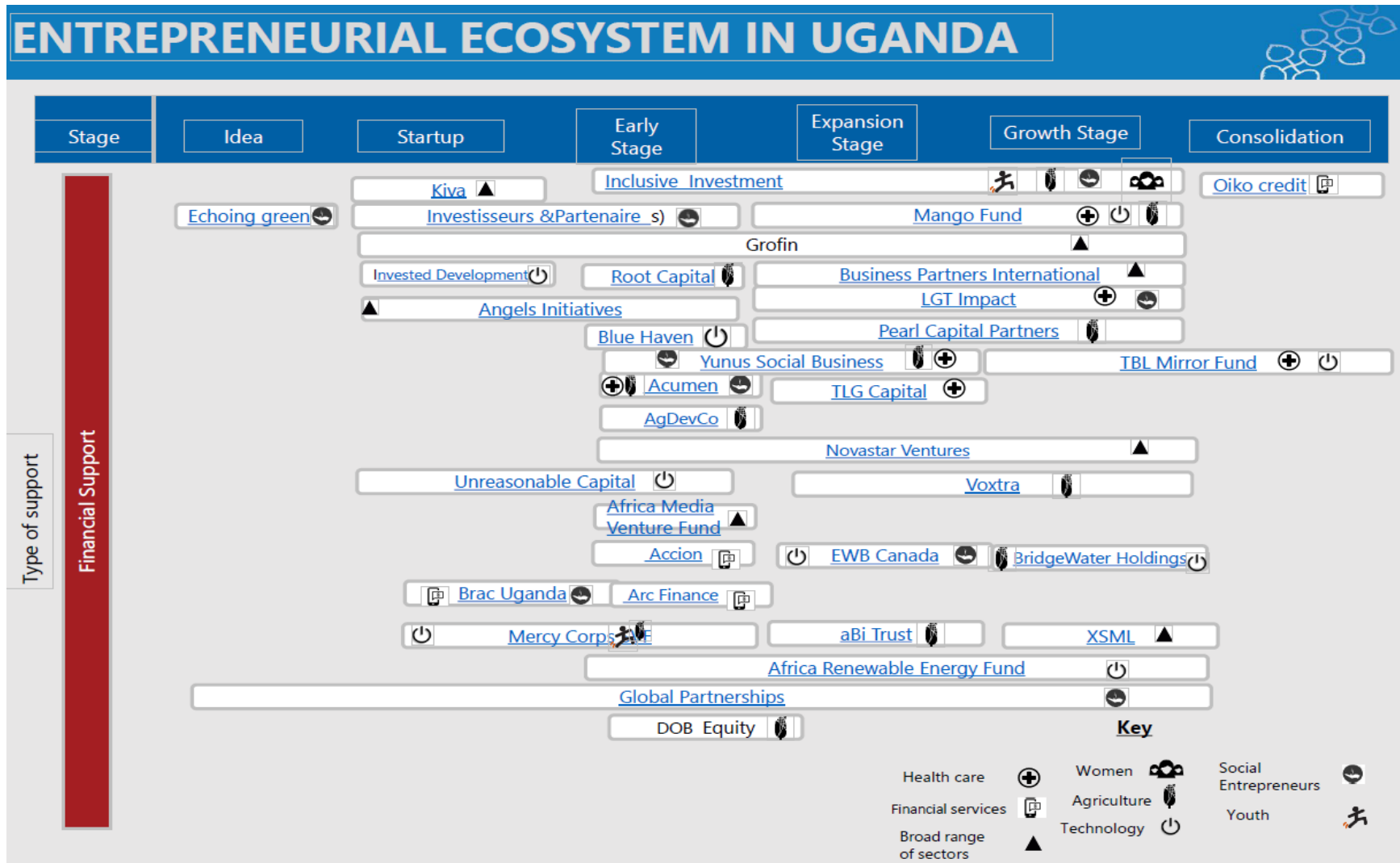
Freight services on Uganda's rivers and Lake Victoria have declined over the years to a situation where previous roll-on, roll-off (Ro-Ro) train wagon ferries operations on the lake have ceased. The only ferries operating between Port Bell and Kisumu are small load-on, load off (Lo-Lo) boats that carry general cargo. Loading and unloading of these smaller boats reportedly takes 2 days each as loading and unloading is done manually. Of the original three Ro-Ro ferries operating between the ports of Mwanza, Kisumu and Port Bell, MV Kabalega and MV Kaawa were involved in head-on accident which took them out of service and MV Pamba was also taken out of service. MV Kaawa was relaunched in 2012 and is now operational. (Ref: *Background Report – Uganda Logistics Private Sector Strategy – Final*).

The EU is supporting marine transport on Lake Victoria by financing the rehabilitation of three to six ports on Lake Victoria, with a total of Euro 122.6 million available. Much of the work will go towards improving the capacity of the ports to handle larger volumes. The GoU for its part is prioritising the following projects:

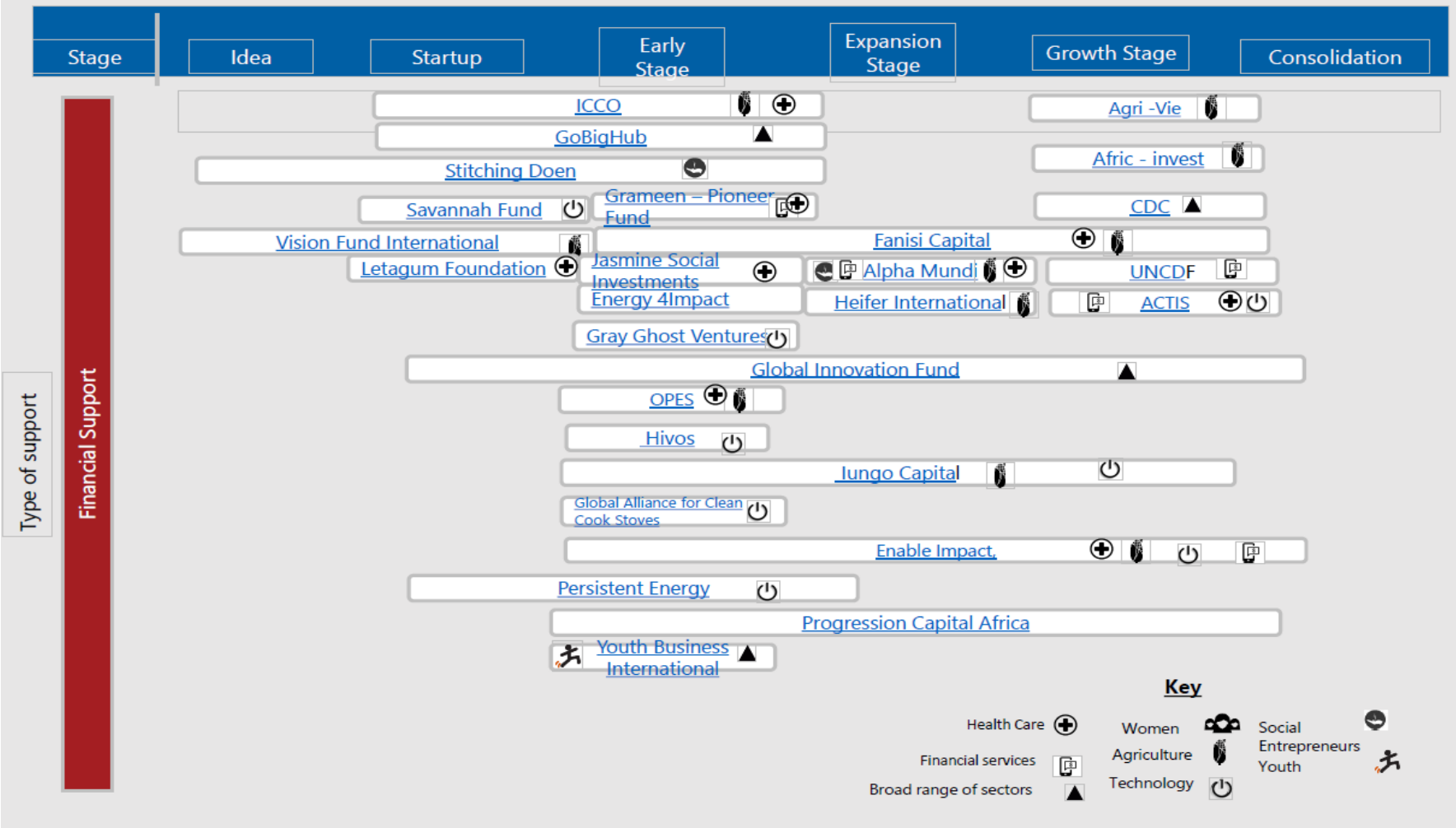
- a) Re-opening of the Southern Route (Central Corridor) through Lake Victoria to the Sea Ports of Tanga and Dar-es-Salam
- b) Development of New Kampala Port at Bukasa (Capacity 2.5mn tons-Euros 350m) – Phase 1 has commenced - Master Plan, Designs and Dredging works on-going
- c) Remodelling and expansion of Port Bell and Jinja ports (USD 100Mn) – Designs completed and Environmental studies under-way.
- d) Development of River Nile Transport Corridor Project – Prefeasibility study completed.

These developments may provide investors, importers and exporters with alternatives and it is also expected these alternatives will work to reduce the costs of transporting cargo to and from the seaports of Mombasa, Dar-es-Salaam and Tanga.

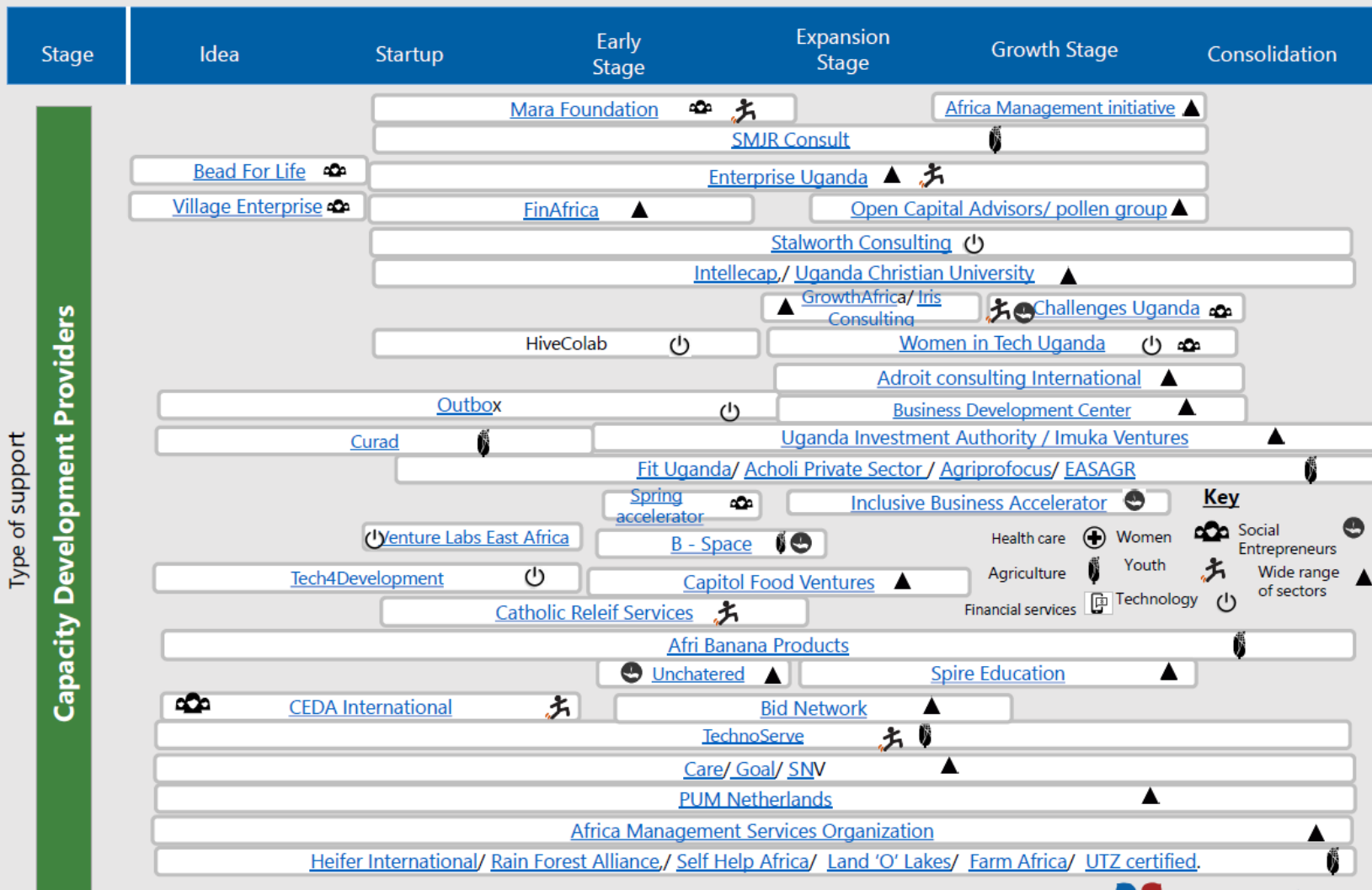
6 Annex II: Uganda Entrepreneurship Ecosystem Map



ENTREPRENEURIAL ECOSYSTEM IN UGANDA



ENTREPRENEURIAL ECOSYSTEM IN UGANDA



Type of support
Capacity Development Providers

Key

- Health care (+)
- Women (♀)
- Social Entrepreneurs (👤)
- Agriculture (🌾)
- Youth (👦)
- Wide range of sectors (📌)
- Financial services (💰)
- Technology (💻)

7 Annex III: Humanitarian Innovation Ecosystem map

Uganda Humanitarian Innovation Ecosystem Map

