

INSIDER VIEW

Uganda

THURSDAY, SEPTEMBER 19, 2002

The door to trade has opened

FROM ITS POSITION at the heart of sub-Saharan Africa, Uganda is ideally placed as a base for regional trade and investment. In recent years it has proved a sustainable growth success story, outpacing its neighbors.

This success is due in no small measure to the government of President Yoweri Museveni, the guiding hand behind Uganda's progress over the last 16 years. Under his leadership, the country has won a well-deserved reputation for macroeconomic stability and low inflation, and has worked hard to earn the confidence of the international community and foreign investors. This has been achieved through sound economic management and a steady program of structural reforms, backed by the World Bank and the International Monetary Fund (IMF).

It is a remarkable comeback from the dark decade of the 1970s when state-sponsored violence made the military dictatorship of Idi Amin notorious. Guerrilla war and human rights abuses continued into the 1980s under Amin's successor Milton Obote and until 1986 when Mr. Museveni finally seized power and government was subsequently taken over by the National Resistance Movement (NRM).

Uganda has successfully emerged from economic chaos and collapse since then and the social, political and economic transformation continues today.

GOING TO MARKET PRESIDENT MUSEVENI IS URGING HIS PEOPLE TO TAKE ADVANTAGE OF A U.S. INITIATIVE THAT GIVES UGANDA ACCESS TO AMERICAN CONSUMERS AND COULD HELP TRANSFORM THE COUNTRY'S ECONOMY



WILDLIFE is key to Uganda's tourism sector, which is open for investment

Strong central government and the creation of democratic institutions have created a politically stable society. Asked today what have been the greatest achievements of the last 16 years, President Museveni puts security of person and property at the top of the list. Uganda's human rights

record has substantially improved. The nationalization of much of the Ugandan economy in the 1960s and 70s has been reversed and companies have been returned to the private sector. The Asian-Ugandan entrepreneurs that Amin expelled from the country have been encouraged to return.

Nevertheless, Uganda remains one of the poorest countries in the world, with 85 percent of its population attempting to make a living from the land. The economy is heavily dependent on a single crop—coffee—and is therefore vulnerable to international price fluctuations.

International support remains vital, but President Museveni knows that the long-term solution to the poverty in which his people are trapped lies not in aid but in trade. The economy needs to be diversified, levels of productivity raised and exports increased. Most important of all, Uganda needs access to major foreign markets through free trade.

The U.S. has opened the door to its own vast market with the African Growth and Opportunity Act (AGOA), signed into law by President Clinton in May 2000. The Act removes tariffs and quotas for sub-Saharan African goods.

President Museveni has given AGOA his personal backing. He was the first African president to endorse the Act and plays an active role in promoting its potential benefits for Uganda, both at home and abroad.

"We are on the threshold of a strategic breakthrough," he says. "We have carried out all the reforms and what is most important for us is market access. Now we have it. In five years' time, Uganda will be a totally different story—once we can take advantage of what is in front of us."

He acknowledges that it will be "a struggle" and that there is still much to be done. High on the agenda is the need to attract outside investment.

Uganda has a subsistence

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FACTS & FIGURES

POPULATION
23 million

AREA
93,070 sq miles

CURRENCY
Ugandan shilling (UGX)

EXCHANGE
1,700 Ugandan shillings per US\$1

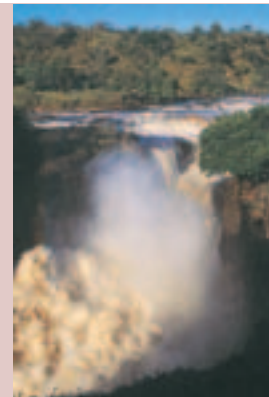
CAPITAL
Kampala

GDP
\$26.2 billion (2000)
purchasing power parity

GDP GROWTH
6% (2000)

NATURAL RESOURCES
Copper, cobalt, hydropower, limestone, salt, arable land

INDUSTRIES
Sugar, brewing, tobacco, cotton, textiles, cement



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Exports are the key to sustainable growth

EFFORTS TO produce and export more must be redoubled if Uganda is to maintain the levels of economic success it has achieved over the last ten years, according to Gerald Ssendaula, Minister of Finance, Planning and Economic Development. He has pledged that the government will significantly enhance efforts to promote higher quality production and greater competitiveness in both regional and international markets.

While not equalling the 7 percent peak of recent years, Uganda's estimated 5.6 percent rate of economic growth in 2001-02 is still high for the East African region. "Uganda has been able to sustain strong growth, despite the continued weakness in the price of our main export, coffee," says Mr. Ssendaula. His ministry is projecting gross domestic product (GDP) to increase by 6.6 percent next year. To achieve this, the government aims to maintain economic stability and accelerate reforms aimed at removing production bottlenecks.

Uganda's total exports are projected at \$450 million for 2001-02. The case for the government's drive for export diversification is vividly illustrated, however, by the decline in value of the country's coffee exports by 23 percent—despite a 6.7 percent increase in volume. This was the result of a 30 percent fall in the international price of coffee. The cost to Uganda in lost export

BUILDING ON SUCCESS SOUND ECONOMIC POLICIES AND REFORMS HAVE PRODUCED REMARKABLE RESULTS FOR UGANDA OVER THE PAST DECADE. TO PROGRESS FURTHER, ECONOMIC EXPANSION NEEDS TO BE SPED UP AND PRODUCT QUALITY IMPROVED



OPEN FOR BUSINESS The role of the Bank of Uganda is to develop a strong, viable financial sector

earnings was around \$30 million. The loss is partly offset though, by a strong performance by the country's non-coffee exports, which total \$372 million.

The government has a five-year

Strategic Export Plan to promote faster and broader economic growth based on the production, processing and marketing of important exports such as coffee, cotton, textiles, tea, fish, beef, hides

and skins. However, support from Uganda's development partners in the international community is "critical" to the export drive and Mr. Ssendaula has called for it to be "sustained and deepened."

In addition to the AGOA initiative, Ugandan exports will benefit from the European Union's 'Everything but Arms' (EBA) initiative and recent trade agreements made with Japan. But Mr. Ssendaula warns that subsidies, such as that given to U.S. cotton farmers, do not help Ugandan producers.

He says it is imperative that the government continues with the same economic policies, including disciplined fiscal policy. "The



GERALD SSENDAULA
Minister of Finance, Planning
and Economic Development

implementation of sound economic policies and reforms and the maintenance of macroeconomic stability have been key to ensuring the success we have achieved over the past decade," he says. "This success is demonstrated in the steady growth in our GDP, the low and steady inflation, the increasing per capita incomes, marked decline in the incidence of poverty and the adequate levels of foreign currency reserves."

A stable macroeconomy has existed in Uganda since 1992. Inflation has been in single figures since then and most of the time has been below 5 percent.

"The headline inflation rate has been negative for the last seven consecutive months," says Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda.

"This means that, as a whole, we are looking towards an inflationary rate of just about 2 percent per annum. This has enabled us to keep the exchange rate very stable and reduce interest rates."

A program to strengthen financial management in government is under way, ahead of the passing into law of a new Public Finance and Accountability Bill. A National Planning Authority will start work next year, guiding long-term development strategies. It will use socio-economic data col-

lected in a national census to be carried out this September.

Mr. Tumusiime-Mutebile affirms that the government is totally committed to sound fiscal and monetary management, and describes the consistency of government policy as a major asset that has lifted Uganda's stock with private investors. "Private investors now look on the government as credible. They don't expect it to change its policy overnight and they certainly don't expect it to reverse it."

Liberalization of the current and capital accounts has facilitated the free flow of capital, says Mr. Tumusiime-Mutebile. "The openness of the economy, both on current account as well as capital account, is an important signal to private investors."

He sees the role of the central bank as being facilitator of the development of a strong financial sector. He says the most important challenge facing the sector is to find viable outlets for capital project finance. "But I think, as the structural adjustments in the economy remove bottlenecks, especially in the allocation of resources, these chal-

enges will be met and viable investment projects will be created in the private sector."

An example is agro-processing. "There is very little food-processing going on, especially for the export market, and things like food concentrates or even fresh produce, such as beans. Agro-processing is a very important sector for us. That is where our competitive advantage lies."

There is also a lot of potential for foreign investment in banks, Mr. Tumusiime-Mutebile believes. "We have just sold the largest, Uganda Commercial Bank, to Standard Bank of South Africa. Our investment climate is conducive to new players coming into the financial system."

Strong performance by non-coffee exports earned the country \$372 million

Continued from page 1

economy dominated by agriculture. While it is rich in natural resources, it lacks the funds, machinery, know-how and infrastructure to take full advantage of opportunities like AGOA on its own. The President is urging American companies to invest in the country.

"The investment climate is good because we have solved the problems of convertibility of currency and inflation, and interest rates have now come down," he says. "We have potential that is not yet realized, we want U.S. companies to come and co-invest with us so that we can provide the quality of goods they desire."

"They should first invest in textiles and garments because of our high-quality cotton. We have footwear and very good leather. Wool products are plentiful here. Then there is food, especially fruit concentrates, and freshwater fish. There is coffee—we are one of the biggest producers of coffee in the world—tea and tobacco. All of these things are available."



YOWERI MUSEVENI President of Uganda

The President is personally leading the exports campaign, recently heading a 50-strong trade mission seeking U.S. partnerships and investments.

"The next stage is to link up into actual business," he says. "We want to reach the American consumer and you can only get to the consumer through the established distribution retail companies. We are getting in touch with them so that they can tell us what they want. Their customers are used to certain products. Our first task is to produce what they are used to and

to assure them that we can do it. Later, we may want to convert them to products they don't yet know."

At a White House meeting with President Bush, Mr. Museveni said moves to put an extra \$10 billion into development assistance in Africa should be used not just to reinforce good governance but also to encourage "passionate trade" with the U.S.

He called for an end to all protectionism, which he said distorts trade and impairs sustainable growth in Africa.

Tax efficiency is the target

TAX POLICY for the current year is focused on the objectives of stimulating the economy, strengthening tax administration, and raising revenue to meet rising expenditure needs and reduce the fiscal deficit.

Revenue collection was up in 2001-02—in terms of GDP from 10.7 percent to 11.3 percent. It still fell short of the approved budget estimate, but collection of income tax was better than expected and non-tax revenue collection by ministries was also up, following reforms.

"Strengthening tax administration is the main avenue open to us for mobilizing extra revenues," says Gerald Ssendaula, Minister

of Finance, Planning and Economic Development.

The Uganda Revenue Authority (URA), which is responsible for tax collection, is being reorganized and funds have been set aside to provide it with an integrated modern computer system. Firm action is also being taken to improve collection by stamping out corruption and inefficiency.

Annebritt Aslund, Commissioner-General of the URA, believes there is no reason why Uganda should not achieve tax collection equivalent to 18 percent of GDP—the average for sub-Saharan Africa. "The main problem is compliance in the community," she says. "Widening the tax base

is one of our major goals, not only for the money but because a good compliance system is the way forward. We are trying to educate the taxpayers, carrying out technical training of our staff and enhancing computerization."

A small but important area of taxation in which the government is not seeking extra revenue is VAT on computers and accessories to promote development of information technology. Mr. Ssendaula removed it in his budget this year. "Information and communications technology have become so important the world over for processing and accessing data," he says. "It is important that Uganda is not left out."

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Wake-up call to U.S. investors —you could be missing out

OPPORTUNITIES KNOCK WITH POLITICAL STABILITY, FREE-MARKET POLICIES AND A GOVERNMENT THAT IS MAKING IT EASIER FOR FOREIGN FIRMS TO DO BUSINESS, NOW IS THE TIME TO TAKE A FRESH LOOK AT UGANDA

FOREIGN DIRECT investment in Uganda has been growing steadily over the last ten years as macroeconomic stability has become firmly established and news of the country's business-friendly environment has spread.

Uganda still receives the largest amount of its FDI from the UK, its former colonial ruler and the destination of many of the Ugandan Asians who fled Idi Amin's regime. Canada is in second place, with the involvement of large investors like Kasese Cobalt, and there is increasing investment from South Africa and Kenya.

Figures from the Ministry of Finance, Planning and Economic Development show that annual FDI more than doubled between 1995 and 1999, from \$113 million to \$248 million.

American interest in Uganda—and in Africa generally outside the energy sector—has been limited, however. The U.S. currently ranks fifth among investors in Uganda, and that is mainly attributable to a single mega-investment, the \$550 million Bujagali power project.

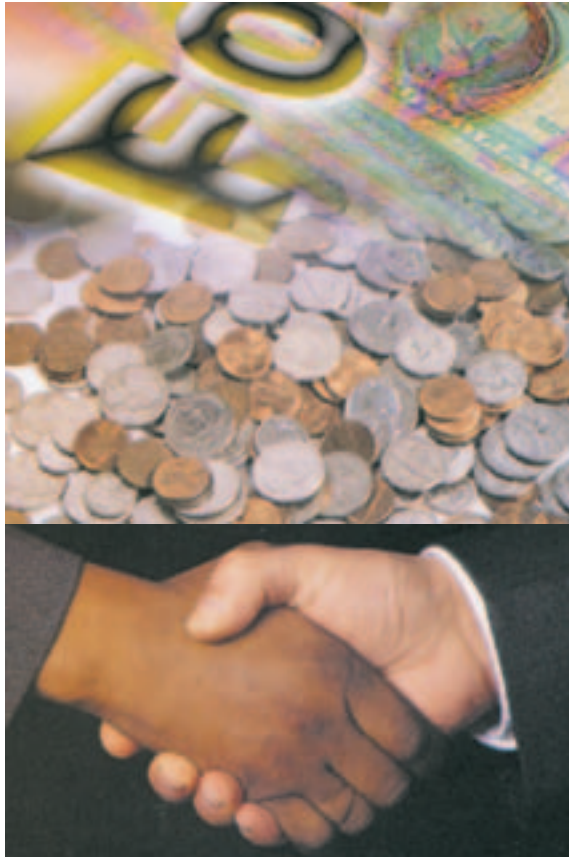
"The Americans haven't really come out to invest in Africa," says Maggie Kigozi, Executive Director of Uganda Investment Authority (UIA), established by the government to promote and facilitate

investment. "But there are a lot of opportunities here and other countries are taking them."

Multinationals that have already come to Uganda include Coca-Cola, Pepsi Cola, South African Breweries, Shell, BAT Industries and Unilever. Those U.S. firms that have shown interest, says Dr. Kigozi, have had the vision to see the potential of the country. "We have companies like Coca-Cola, for example, who have invested here because they know what is coming. They have invested on a large scale in Uganda, even though the market is not yet ready for their capacity, because they can see the future."

Uganda boasts political stability and free-market policies endorsed by the World Bank and the International Monetary Fund (IMF). The government allows 100 percent foreign ownership of investments and business taxes have been significantly reduced. The rate of corporation tax—at 30 percent—is among the lowest in Africa.

As of June this year, 110 state enterprises have been privatized, leaving a further 40 to be divested. Coming up, or already in progress, is the concessioning of Uganda Electricity Generation Company and of the rail operations of Uganda Railways Corporation to private companies, as



NEW OPENINGS Non-traditional areas that the government would like to see developed in Uganda include financial services and ICT (see article below)

well as privatization of the water systems in 33 large towns.

The UIA acts as a one-stop facilitator for investors. "We hope any investor who comes here will come to see us," says Dr. Kigozi.

"The economy is growing, we have peace and security and the quality of life is good. What I say to American investors is that there are opportunities here and they shouldn't miss out."

A wide variety of sectors await development

WITH LESS than 30 percent of the country's 44.5 million acres of arable land under cultivation and good market prospects for its produce in neighboring countries and in Europe, the agricultural sector is the leading candidate for investment. Opportunities range from agribusiness, forestry and fisheries to food processing.

Uganda's high-quality cotton makes it particularly well placed to benefit from the opening of the U.S. market to textile exports under AGOA. "Now we have an opportunity to export apparel to the U.S., but we need investment," says Maggie Kigozi, Executive Director of Uganda Investment Authority (UIA). "There is a future opportunity to supply textiles to all the countries in the region—to Kenya, Lesotho, South Africa and Tanzania—and we are marketing it."

Uganda is a member of the East African Community (EAC), together with Kenya and Tanzania, and the Common Market for Eastern and Southern African States

(Comesa), a 21-nation trading bloc of more than 385 million people. Trade within Comesa is tariff-free.

One company that has been quick to take advantage of AGOA is the Sri Lankan Tri-Star Group, which has recently established a factory near Kampala. Tri-Star is targeting the U.S. market and has already received an order for 1.6 million garments to be delivered by December.

AGOA creates opportunities for other products as well as textiles. For example, horticulture is expanding—rising in value from \$2.3 million in 1995 to \$10.9 million in 2001. "This is a sector in which Uganda can do very well and can market through AGOA," says Dr. Kigozi.

Manufacturing is one of the fastest-growing sectors, with opportunities in beverages, leather, tobacco processing, paper, textiles, pharmaceuticals and assembly of electronic goods. The UIA has been overseeing construction of an industrial and

business park at Namanve, east of the capital, Kampala, that is designed to be a center of excellence in industrial and manufacturing services.

Mining is another potentially profitable area for investment. Uganda has barely explored mineral deposits of gold, iron ore, tin and phosphates, and the search is on for petroleum and natural gas. "We already have a Canadian company exporting vermiculite, which is used as fertilizer, to the U.S. duty free," says Dr. Kigozi.

Other major areas in need of investment include infrastructure and tourism (see pages 7 and 8). Looking further ahead, information and communications technology (ICT) is a sector that is beginning to open up. ICT is already being integrated into the education system to produce a computer-literate labor force.

Another area with development prospects is services. "We hope to become a hub for financial services and we are already a hub for

education," says Dr. Kigozi. "We have many students from Kenya, Tanzania, Sudan and Rwanda because they like the traditional British education system, which we have retained."

Poverty campaign aims to increase income and access to basic services

REDUCING mass poverty is a fundamental aim of the Ugandan government. The progress made over the last five years has been described by U.S. Agency for International Development (USAID) as "admirable", but there is still a long way to go.

Despite the impressive economic growth of the last ten years, around 35 percent of the population live below the poverty line, lacking basic needs such as food, shelter, clothing, health-care, education and transport. The vast majority of the poor live in rural areas, many of them in the north of the country.

USAID attributes the successes so far to "an outstanding set of policies and programs", resulting from a genuine consultative process involving all sectors of Ugandan society and the donor community.

The foundation of the government's campaign against poverty is the Poverty Eradication Action Plan (PEAP) launched in 1997 with the aim of enabling the majority of Ugandans to have access to basic social services, and improve on their household incomes within 20 years.

The action plan has four main goals: fast and sustainable economic growth and structural transformation, good governance and security, increased ability of the poor to raise their incomes and increased quality of life for the poor.

"The strategies embedded in the PEAP are aimed at wiping out mass poverty in Uganda by 2017 by reducing the incidence of absolute poverty to 10 percent," says Gerald Ssendaula, Minister of Finance, Planning and Economic Development.

The Ministry keeps a close watch to ensure that PEAP

policies are being carried out effectively through its Poverty Monitoring and Analysis Unit.

An important part of the government's strategy is the Plan for the Modernization of Agriculture, which aims to move Uganda from subsistence farming to commercial farming. "We have chosen to eradicate poverty through modernizing agriculture because most of the people are involved in agriculture," says Dr. Kisamba Mugerwa, Minister of Agriculture, Animal Industry and Fisheries.

Given the limitations of Uganda's domestic revenue, spending on poverty-reducing activities is heavily dependent on outside help. Last year, Uganda became one of the first countries to benefit from the World Bank's Poverty Reduction Support Credit (PRSC) program, designed to assist low-income countries.

Funds provided under the Heavily Indebted Poor Countries (HIPC) initiative, sponsored by the IMF and the World Bank, are spent on education, health, water and sanitation, farm-to-market roads, agricultural extension and micro-finance by the Poverty Action Fund (PAF).

The U.S. remains one of Uganda's strongest development partners with annual grant aid disbursements exceeding \$50m towards poverty eradication and the improvement of social services.

In May, Mr. Ssendaula signed a set of agreements along with U.S. Ambassador Martin Brennan and USAID representative Dawn Liberi in Kampala under which the U.S. government will give Uganda \$290m towards poverty eradication over the next six years.

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UGANDA, AN AFRICAN SUCCESS STORY

The Ministry of Finance, overseeing the country's economy.

Our mandate is to manage and control public finances in a prudent and sensible manner, while ensuring efficiency and effectiveness in aspects of public spending. At the same time, we are responsible for the planning of national strategic development initiatives in order to facilitate economic growth, efficiency, stability, eradication of poverty, and enhancement of overall development.

Ministry of Finance, Planning & Economic Development
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The Ministry of Energy and Mineral Development, the power behind an economy

Mission statement: to establish, promote the development, strategically manage and safeguard the rational and sustainable exploitation and utilization of energy and mineral resources for social and economic development.

Ministry of Energy and Mineral Development
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Tel: 256-41-234733, Fax: 256-41-234732
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Ministry of Works, Housing and Communications, leading the country towards the future

Our mission is to promote an adequate, effective, safe, and well-maintained transport infrastructure; an efficient and effective communications system; safe housing, buildings and infrastructure, and to manage the upkeep of government buildings in order to contribute to the social-economic development and security of the country.

Ministry of Works, Housing and Communications
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The mandate of the Ministry of Agriculture is to support, promote, and guide the production of crops, livestock and fisheries so as to ensure improved quality and quantity of agricultural produce and products for domestic consumption, food security and exportation.

Ministry of Agriculture, Animal Industries and Fisheries
P.O. Box 102, Entebbe, Uganda
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The Ministry of Water, Lands and Environment, safeguarding the environment for the benefit of all

Our mission is to promote and ensure the rational and sustainable utilization and development of land and water resources, as well as the safeguarding of the environment, to the benefit of all, while ensuring economic progress for the country and the region. In addition, the ministry promotes the utilization of weather and climatic information for sustainable development.

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Help needed to make textiles a winner

ACCESS to U.S. markets under AGOA offers the opportunity for the Ugandan textile industry to take off. For that to be possible, however, participation by foreign firms is crucial. Investment is being sought in spinning, weaving and manufacturing of garments.

"With AGOA, we can benefit mainly from textiles," says Dr. Kisamba Mugerwa, Minister of Agriculture, Animal Industry and Fisheries. "Hitherto, we have been exporting raw cotton, but if we can produce yarn and clothes of good quality the sky's the limit."

Cotton has been exported from Uganda since it was introduced by the British in 1903, reaching a peak in 1969-70 before the economic decline of the Amin era. The present government has made determined efforts to revive production, which has been on an upward trend since 1995. Small-holder farmers predominate at present, but the government wants to see production boosted further with the introduction of large-scale commercial farming.

GROWING AMBITION INVESTMENT IN COMMERCIAL FARMING IS NEEDED TO INCREASE COTTON PRODUCTION. MEANWHILE, ONE COMPANY, PHENIX, IS READY TO EXPLOIT A STRONG SELLING POINT FOR ITS CLOTHING PRODUCTS

All efforts are focused on a single variety of long staples, Bukalasa Pedigree Albar (BPA), ensuring uniformity and easier quality control in the production of lint and yarn. In terms of its quality, Ugandan cotton is regarded as among the best in the world, and fertile soil and a good climate give the country natural advantages for growing it. Some areas have been certified for organic cotton production.

Government involvement in the sector ceased in 1994, when parastatals and government companies involved in ginning and fabric manufacturing were either sold or returned to their original owners. The sector is regulated by the Cotton Development Organization.

One of the first Ugandan companies to benefit from AGOA is Phenix Logistics, which produces high-quality executive white shirts, casual T-shirts, and cotton yarn.



NATURAL FIBER Phenix believes organic cotton gives its T-shirts the edge

The company has made an \$800,000 investment in buying and renovating the former Uganda Garments Industry Ltd (UGIL), which had been closed since 1994, through the government's Privatization Unit. Production recommenced last year.

For Yuichi Kashiwada, Phenix's Managing Director, the question is: what does Uganda have to offer that gives it an edge over

China, Vietnam and other countries that are already exporting clothing at very cheap costs?

The answer, he says, is organic cotton. "Anything that gives Uganda a competitive advantage is good. That is why we are pushing the organic concept."

"We make T-shirts and polo shirts that are certified organic. No chemicals are used and they

are environmentally-friendly. We want to create more and more products from organic cotton. This is just the beginning. The next step will be to produce better manufactured organic cotton fabrics for dresses, blouses and underwear. Even though production is small, we have a niche market and it makes us different from other producers."

Mr. Kashiwada, a businessman with 40 years of experience, both international and local, planned to produce for the local market first and then shift the emphasis to exports, once reasonable standards of efficiency and quality were attained.

In order to reach the standards needed to compete on the international market, he invested in a thorough program of training for his staff.

"Training really matters," he says. "Making good products is not a question of machines alone. It is manpower and the skills of each person, and to achieve an even standard you need really intensive training."

Although there are problems to be overcome, such as transport costs, progress is being made



YUICHI KASHIWADA
Managing Director of Phenix Logistics (Uganda)

towards entering the U.S. market. "One of the largest clothing apparel companies, with huge marketing chains around the world, has committed itself to buying all our organic products," says Mr. Kashiwada, "so this is a starting point."

He adds: "When I see demand increasing, I will expand, but in the cotton business you must be very careful. Demand can come down all of a sudden. This means I have to develop the local and the foreign markets together. We need to

create more and more local markets. The Comesa market, which Uganda, Kenya and Tanzania are trying to create, will be a large one with good opportunities."

Ugandan cotton is regarded as among the best in the world for quality

Private sector boosts for power and water

ELECTRICITY generation is seen as a possible growth area both for the economy and for potential investors. Uganda currently relies on imported petroleum to satisfy more than half the commercial demand for power. Successful exploitation of its hydroelectric generating potential, however, could turn the country into a power exporter to its neighbors.

The government has liberalized the power sector, ending the monopoly of the Uganda Electricity Board, unbundling it into four separate companies and earmarking the two responsible for distribution and generation for privatization via long-term concessions.

Power shortages are estimated to cost Uganda up to 2.5 percent a year in annual growth. This explains President Museveni's enthusiasm for the \$550 million, 250-megawatt Bujagali hydro station project—East Africa's largest-ever commercial investment—to be constructed 50 miles east of Kampala. The dam will make a considerable contribution towards redressing the country's energy deficit.

The owner and operator will be Virginia-based AES Corporation. The consortium building the dam for AES includes companies based in Sweden, Norway, France and the U.S. The project is sched-

uled to start in the current financial year and Gerald Ssendaula, Minister of Finance, Planning and Economic Development, recently described it as "very much on course."

Only 3 percent of the population are connected to the national grid. For Minister of Energy and Mineral Development, Syda Bbumba, bringing electricity to the Ugandan people is a priority. "We have formulated a rural electrification plan which was rated by the World Bank as the best in the developing world," she says.

Like electricity, safe drinking water is not something most Ugandans can take for granted. Only 60 percent have access to it within a reasonable distance. That's a big improvement on ten years ago when the figure was just 18 percent, but the government is looking for private sector help to make further progress.

The Ministry of Water, Lands and Environment has the task of providing safe water for all Ugandans by 2015. Minister Ruhakana Rugunda says the government is seeking experienced private companies to take charge of the operations of water services.

"We are reforming the sector so that all that remains for us as a government will be an asset holding company."

Raising standards to compete effectively

TO SUCCEED in its drive to capture a market for its exports in the U.S., Uganda needs to provide goods of quality as well as quantity to satisfy American requirements.

Dr. Kisamba Mugerwa, Minister of Agriculture, Animal Industry and Fisheries, says, "We are seeking to shift from subsistence to commercial, low yield to high yield, low productivity to high productivity, low value to high value. This is our guiding principle. Without quality, you can't compete. We need to increase the volumes but also improve standards."

Partnerships with companies from outside Uganda will be essential to provide the funds, the equipment and the know-how that Ugandan firms need if their products are to reach an internationally competitive level.

"The quickest way to do this is to attract investors here, so that we can use our raw materials to catch up quickly," says Dr. Mugerwa. "Otherwise, if we are slow, by the time we have the product the opportunity may have gone because it may not be permanent. What the Americans have done is to give us



EDWARD RUGUMAYO
Minister of Tourism, Trade and Industry

the market. Now the ball is in our court."

As the Minister of Tourism, Trade and Industry, Professor Edward Rugumayo, puts it, Uganda's business community faces "a big learning experience" over a fairly short time.

"We have to improve the quality of our products so that they coincide with U.S. standards. What we need are joint venture investments with the U.S. and other countries that will help us to reach these standards by bringing in better quality machinery that will enable us to cope with increasing demand."

Efforts to ensure that quality is maintained are already under way.

The National Bureau of Standards assesses products destined for export. "They go to the factories and sample all the products to ensure that standards are met," says Prof. Rugumayo. "We currently have over 50 companies that have acquired ISO certification, which makes them internationally competitive."

To take full advantage of AGOA, Uganda needs to give added value to its natural resource products. "We can benefit mainly from textiles," says Dr. Mugerwa. "Hitherto, we have been exporting raw cotton, but if we can produce yarn and clothes of good quality we will do better."

Susan Muhwezi, one of the special advisors on AGOA appointed by the President, quotes coffee, Uganda's biggest export, as another example. "Right now, we are exporting it as a green crop. But if we can roast it, brand it and sell it as Ugandan Coffee, we would certainly have added value. We are trying to see if we can export it to America."

An experiment is already underway to establish Ugandan-brand coffee in another major market. In April, the Sino-

Uganda Beijing Chenao Company (BCC), a joint venture between Uganda Coffee Development Authority (UCDA) and the Beijing North Star Industrial Group, opened a chain of coffee shops in China to promote Uganda's 'Crane Coffee'.

Uganda has successfully diversified its agricultural sector in recent years. Vanilla, sugar, flowers, hides and skins and fish already contribute significantly to the country's GDP and offer scope for further development.

Fish factories have been built alongside Lake Victoria. Previously, there were none, while on the Kenyan side of the lake there were 30. "Until the present government came to power, we didn't have a single fish factory," says Dr. Mugerwa. "Now we have about 17 and we have been getting about \$80 million a month from fish exports, which is a big improvement from hardly \$3 million."

"We have to ensure the quality of our fish. We are putting in place a very good quality control system at all the gazetted landing sites and processing centers. The processing factories are monitored to ensure that the fish is handled hygienically."

Uganda

7

Getting the trains back on track

ENGINES OF GROWTH IMPROVEMENTS ARE BEING MADE TO THE RAIL NETWORK TO SPEED UP THE SERVICE AND CUT TRANSPORTATION COSTS FOR BUSINESS CUSTOMERS

THE TRAINS and ferries that transport Uganda's exports on the way to their markets are run by Uganda Railways Corporation (URC). As the largest overland transportation concern, it plays a vital role in the landlocked country's economy.

URC transports around 60 per cent of all Uganda's exports and imports, carrying agricultural products such as coffee, cotton and timber out of the country and bringing in grains, sugar, machinery and petroleum products.

"We are basically an export and import railway, bringing imports from Mombasa and Dar es Salaam and sending out exports through the same routes," says Managing Director Daudi Murungi.

The network that URC oversees stretches from Kampala to Kasese in Western Uganda and to Pakwach in Northern Uganda, through the industrial towns of Jinja, Tororo, Mbale and Lira. At Tororo, it links up with the Kenya Railways network at Malaba. The corporation also runs marine freight services across Lake Victoria, linking Uganda to Mombasa in Kenya, through Kisumu Port, and Dar es Salaam in Tanzania, through Mwanza Port.

Scheduled for privatization, the corporation is currently in the process of trying to reduce transportation costs by improving the infrastructure of the network, most of which dates back a long way.

The Kampala-Malaba line, for example, was constructed in 1928 and little has been done to improve it since then. Complete overhaul of the line is estimated at \$35 million. URC has recently replaced around 20,000 sleepers

and further funding is to come from the European Union. After completion of the project, the number of derailments will be reduced and speed restrictions eliminated.

"Currently, trains go slowly because we are not very sure about the line," says Mr. Murungi. "We have been trying to remove bad spots along the line and once we are done we will be able to increase the speed and reduce transit time. If you upgrade the lines, there are some sections where you can use two locomotives instead of one, and cut the time."

The government wants to see more industrial haulage shifted from road to rail. Moves are under way to improve efficiency and URC is working with the Uganda Revenue Authority to ensure 24-hour operation at major entry points like Malaba and at the railway terminals. Staff numbers have been cut from more than 5,000 five years ago to 1,240 today.

"We are trying to improve on our operations," Mr. Murungi says. "Eventually our costs will come down and we shall pass some of the savings on to our customers."

URC is currently fully state owned. A concession is to be offered for operation and maintenance of the lines and the rolling stock, although the infrastructure will remain the responsibility of the government.

"We expect the concessionaire to bring in expertise and more capital, and to make the railway more efficient and commercially attractive," says John Nasasira, Minister of Works, Housing and Communications. He believes the railway has a good future, particularly once the instability in the region is resolved.

"We hope that Congo will settle down. We are looking at connecting the railway line from Kampala to South Africa. There is a lot to do in the whole of Eastern Congo and the private sector in South Africa is looking at another route from Kampala to Kasese through Rwanda and down to the south."

Mr. Murungi agrees that future prospects are promising. "As a landlocked country, we have done

very well in establishing a working relationship with the Kenya and Tanzania Railways, because our trains have to work through their systems on a day-to-day basis."

"The need for railway transport is growing," he says. "What we are doing is creating an efficient railway for the future of the country and anybody who will come and invest in this railway will certainly make money out of it."



DAUDI MURUNGI
Managing Director of Uganda Railways Corporation



JOHN NASASIRA
Minister of Works, Housing and Communications

Sustaining the Vision of Shelter Provision




The **NH & CC** is committed to leading Real Estate Development in Uganda in order to provide quality and affordable housing to a growing nation. Set up in 1974 to rehabilitate and expand housing of all types in Uganda, the Corporation is currently in the process of privatization. This process will add further dynamism to its activities, which already number some **highly successful key projects**:

- The superb **Crested Towers complex** in Kampala, with thousands of square metres of state of the art office space built to the highest international standards
- More than **1,700 executive dwellings** in top class residential areas like Bugolobi, Kololo, Bukoto, Nakasero and Wandegaya, along with estates in Mulago and Kiwafu.
- **Key infrastructure projects** such as Entebbe Airport Road, schools, dispensaries and kindergartens.
- Many important current **projects to construct or rehabilitate estates**, schools and health centres; and to provide infrastructure such as water supply.

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ON THE WAY Private sector involvement will give new life to the railways

Uganda

Cheaper and better housing is a priority

HOME RUN WAYS ARE BEING SOUGHT TO INCREASE CONSTRUCTION AND CUT COSTS. JOINT VENTURE PROJECTS WITH PRIVATE INVESTORS COULD BE ONE ANSWER

A CITY of 1.2 million people, the nation's capital, Kampala, has a shortage of roughly 30,000 homes. Good quality, affordable housing is in short supply in Uganda, where construction materials are expensive and mortgages high.

The government is responding to the problem by setting up a program to develop low-cost housing and encouraging private investors to take part in joint venture projects with the state-owned National Housing and Construction Corporation (NH&CC).

"There is a big housing shortage," says John Nasasira, Minister of Works, Housing and Communications. "Our policy has been to create an enabling environment. This will include having more mortgage institutions, because at present we only have one."

Martin Kasekende, General Manager of the NH&CC, says housing should be made one of the government's top five priorities. He believes new homes need to be made cheaper to build and to buy. "It is important to recognize housing as a basic human need. Once you do that, your priorities are clear and you place it alongside education and health."

Set up in 1964 to construct and increase the housing stock,



MARTIN KASEKENDE
General Manager of the National Housing and Construction Corporation

the NH&CC carries out the property management and maintenance of huge housing estates, and construction and sale of houses. It has also built office blocks, such as Crested Towers in Kampala, shopping centers and schools, and been involved in road development.

"Right now the construction industry has a problem, especially related to housing," says Mr. Kasekende. "We depend a lot on imported materials. A house could very easily be 70 percent imported if you don't make the pipes or the electricals, and all the finishing touches are brought in—everything except the bricks and mortar."



BUILDING FOR THE FUTURE NH&CC has been developing houses for sale rather than rent

"Because the industry hasn't picked up on producing high quality construction materials, the construction of houses is still very expensive, and we don't have many players in that field."

He would like to see the government take a new look at taxation on building materials and at standardization of regulations to encourage more private investment in construction and housing.

He believes the government should consider whether the rules could be relaxed to allow cheaper cement to be used for hous-

ing to lower construction costs.

A 50kg bag of Ugandan cement costs almost \$10, with cement imported from Kenya, Tanzania or South Africa selling at about the same price. Contrast this, says Mr. Kasekende, with a price of around \$3 a bag in other parts of the world, such as Ireland, and it's clear why building is expensive.

"The government should do something about taxation and about standardization, so that the requirements for constructing a house are not so stringent that an

investor will have to put in too much money simply to meet the standards," he says.

He also believes mortgage rates are too high. Until recently, the Housing Finance Company of Uganda, the country's sole mortgage institution, in which the NH&CC has a 50 percent stake, was charging an interest rate of 15 percent for a period of 15 years. "Recently, we came down to 14 percent," says Mr. Kasekende, "but that's still very high. There must be a way to inject funds into the mortgage industry."

The NH&CC has been moving away from being a landlord to a policy of facilitating home ownership. "We develop houses for sale, rather than retaining them for tenants to occupy. We think that is the best way of multiplying the housing stock," says Mr. Kasekende.

The corporation, which is undergoing privatization, already operates very much like a private company, with assets in excess of \$70 million, annual turnover of over \$6 million and a track record of profit-making. "We don't receive any money from the government. We make deals with the assets we have and the revenue we get from our completed projects," Mr. Kasekende explains.

The NH&CC would welcome approaches from companies interested in joint ventures in the production of cement, ceramics, glass, marble, granite and other related products. "Foreign investors are very welcome in Uganda and if they want to invest with us, we are ready," says Mr. Kasekende.

He agrees that privatization is the way forward. "The more players in this industry, the better. Let there be more players, so the buyers have more choice." He believes, however, that the government should retain 49 percent participation because of the strategic importance of the corporation to the country.

FAMOUSLY dubbed "the pearl of Africa" by Winston Churchill, Uganda is an ideal location for eco-tourists and lovers of wildlife.

Top of the list for many visitors are the famous mountain gorillas that live in the ancient rainforest in Bwindi Impenetrable National Park. But there is a bewildering variety of other wildlife to enjoy, from baboons and buffalos to crocodiles, elephants, giraffes, hippos, lions and zebras. For birdwatching, Uganda is unequalled, with more than 1,000 species—606 in Queen Elizabeth National Park alone.

Uganda Wildlife Authority is charged with conserving and managing the wildlife and protected areas. The authority is responsible for 10 national parks, and 17 wildlife reserves and sanctuaries.

The Ugandan landscape is spectacular, ranging from awesome, snow-topped mountains to wide plains, expansive savanna grasslands and abundant rainforests. From Lake Victoria, the biggest lake in Africa, the Nile flows north through Uganda and into Sudan.

In the late 1960's, before the

Tourism strategy will preserve Africa's pearl

years of political instability, Uganda was the most popular tourist destination in Africa. Today, it is rebuilding its tourism industry, but doing so with full awareness of the need to preserve the diverse but endangered natural resources that make it such an attractive place to visit.

The government's aim is to develop an industry that is conservation-based and sustainable. Mass tourism is not on the agenda. Eco-tourism—the fastest growing sector of the world tourism industry—and niche marketing are the way ahead.

"We want selective tourism, not mass tourism," says Professor Edward Rugumayo, Minister of Tourism, Trade and Industry. "We have a very fragile environment that we wish to preserve. If we had mass tourism, it would have a catastrophic effect. We want to target people who would enjoy hiking in our forests to see our wildlife, viewing our beautiful landmarks or even going white-water rafting."

Uganda's tourist arrival rates are higher than in other countries



MAJOR ATTRACTIONS Natural beauty and the thrill of whitewater rafting

in the region, but it still only receives around 250,000 visitors a year. "It's not a very big number by international standards, but in 1986 we had barely 10,000," says Peter Kamyra, Chairman of the Uganda Tourist Board.

"We are encouraging tour operators to bring people in groups, which is cheaper than coming on an individual basis."

"Wildlife is our centerpiece attraction. Then there are special interest groups to cater to, like those who want to come here for the mountaineering or the

fishing. We want to develop cultural tourism. People are interested in our way of life and historical background."

Big improvements have been made in tourism infrastructure over the past decade. Roads and telecommunications have been upgraded, and safari lodges built. But much more needs to be done, according to Prof. Rugumayo.

"We have insufficient accommodation in our national parks and other tourist destinations. We would like to invite foreign



investors to form joint ventures with our local companies, to come and build hotels, lodges and guest houses."

He highlights the potential for tourism investment offered by Lake Victoria, Africa's largest freshwater lake. "Lake Victoria offers lots of investment opportunities. I can't think of a decent lodge or hotel that is located on the lake."

"Egypt, which shares the Nile with Uganda, has made a fortune from water activities, yet the potential here is not exploited.

We could have cruise ships from Uganda to Kenya and Tanzania and back. We have some investors interested in doing business on the lake, but there is a lot more that could be done."

There is also potential for developing cross-border safari packages with Uganda's East African Community neighbors, Kenya and Tanzania. "We have strategies that will standardize licensing and other tourism activities in the region," says Prof. Rugumayo.

Mr. Kamyra makes the point that the kind of visitors Uganda seeks to attract are looking for "an element of adventure"

"It's part of the experience. You can't expect to travel on smooth roads in the parks. We want tourists to be able to stay in places that give a decent, clean service. We are not aiming at providing the Sheraton."

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