

Uganda's success fueled by Sino excellence

► China's strong relations with Uganda are helping the African nation build a future of lucrative investments and growth

With this year's discovery of the country's wealth of oil reserves, Uganda is now being widely tipped as Africa's next prime foreign direct investment (FDI) destination. The country is already one of the continent's leading producers of agricultural products — a testament to its rich terrain and diverse climate.

Fueled by healthy exports of a range of products, including tea, coffee, tobacco, sugar, maize, and flowers, Uganda's economy grew by 9 percent in 2008, and is expected to increase by 6 percent in 2009. The country's future seems bright as its political and social stability continues to attract a number of foreign investors all keen to tap into its huge potential. Part of Uganda's appeal lies in its strategic location at the heart of East Africa — this has seen the country provide lucrative opportunities across all sectors, including tourism, and, latterly, oil.

As one of Uganda's key trading partners, China has played a leading role in helping this ambitious 33 million people-strong country achieve its many socioeconomic goals. Links between the two countries stretch back decades. In recent years, construction contracts worth a staggering \$500 million have been awarded to Chinese businesses. These have largely related to major new infrastructure projects, such as roads, government offices, sports facilities and housing.

The discovery of a massive oil field at the Lake Albertine Graben, by the London-listed Tullow Oil group, has resulted in a flood of interest from foreign companies, all of them keen to exploit a field estimated as large enough to supply 100,000 barrels of oil a day for 20 years.

Investors in the oil and gas sector, as in all other sectors, are said to be guaranteed a warm welcome by the business-friendly government of President Lt. Gen. Yoweri Kaguta Museveni. Uganda now prides itself on offering all the benefits and advantages of a fast-growing free market economy. These benefits include the 100 percent repatriation of profits — Uganda claims to be the only country in Sub-Saharan Africa that allows the complete withdrawal of returns — and a liberalized financial sector.



Gilbert Bukenya,
Vice
President of
Uganda



Sam Kutesa,
Minister
of Foreign
Affairs

Explaining the strong links between China and its African trading partner, Gilbert Bukenya, Uganda's Vice President, said: "There is a very powerful relationship between Africa and China. There is a considerable need for FDI here and as we guarantee investors a complete 100 percent repatriation, they can invest confidently while their money generates jobs that improve our economy."

The Vice President is currently pushing for the development of a \$2 billion refinery with a daily capacity of 150,000 barrels and is seeking a joint venture between public and private organizations. He said: "I believe we will become Africa's second-largest producer of oil, however, for this sector to really benefit Uganda, we need to build a refinery."

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GILBERT BUKENYA
Vice President of Uganda

This will allow residues generated during the refining process to be used to start up subsidiary industries, such as plastics production. It is vital we develop the oil sector in an appropriate way."

Bukenya also sees great potential in creating "added value" in various sectors, such as Ugandan coffee, which is currently processed and packaged abroad. He emphasizes it is not just foreign investment that Uganda needs to make this happen.

Bukenya said: "We also need to attract knowledge in a number of sectors in order to be able to properly develop them. We should stop letting other countries add value to our products and add it ourselves. Uganda is ready for FDI in its value-added industries and we are providing every assistance to foreigners that want to come here."

Sam Kutesa, Minister of Foreign Affairs, has played a leading role in the strengthening of commercial ties between Uganda and China.

Addressing the possibilities for the future, he said: "We have enjoyed excellent political and trade relations with China since 1962. There have been many delegations from China to Uganda, and vice-versa, to ensure these bonds have been maintained and improved. These meetings have resulted in a great deal of investment, especially in the ICT and energy sectors. There are also more investment possibilities in the transport sector."

Kutesa highlighted the role of the Uganda Investment Authority (UIA), a one-stop support center for investors, as well as greater integration with the neighboring countries of Tanzania, Kenya, Rwanda, and Burundi, as the key factors in attracting fresh FDI.

He said: "We have established a customs union and are now negotiating a common market protocol. Our central banks are working on a monetary union. Through this integration, we have created a much larger market, which makes it more attractive for investors. There is strength in unity."

Spearheading government efforts to attract substantial private sector investment across all sectors of the economy, the UIA has been designed to provide valuable advice and support to foreign investors. Among the



Uganda's breathtaking landscape and remarkable wildlife beguile increasing numbers of tourists every year.

authority's many responsibilities are the issuing of investment licenses, advice on work permits and making policy recommendations to the government.

Assessing the outlook of the UIA, Maggie Kiogozim, its executive director, said: "Any investor that comes to Uganda and creates jobs, whilst bringing capital and new technology, as well as increasing exports, and adding value to our economy, is welcome. Large foreign companies act as a hub for economic development as they create a lot of direct and indirect employment."

Kiogozim revealed that the UIA has been in talks with a major Chinese ICT company over a deal to bring digital TV technology to Uganda as the country looks to update its key infrastructure such as telecommunications networks.

"There is a special bond between China and Africa at the moment and one of Uganda's leading competitive advantages is our well-educated workforce as we have nearly 40 universities and more than 3,000 private schools. We are a regional education hub and are searching for international universities, colleges

and schools that want to come and invest here."

Growth in double digits

The country's finance minister, Syda Bbumba, has been instrumental in helping Uganda achieve double-digit economic growth and in creating the free market policies that have attracted Chinese investment worth \$62 million in the past four years alone.

Bbumba said: "We are investing in agriculture, infrastructure, roads and energy, and are deliberately lowering the cost of doing business here. Chinese investors are very important to us. They do not have complicated procedures for their operations. They have something to offer Uganda and Uganda has something to offer them."

"We have many lucrative export opportunities and offer foreign investors generous tax incentives across all sectors, including our tourism industry, which we regard as a potential goldmine."

Bbumba points to Uganda's abundance of raw materials, rich soils, and ideal climate as its key competitive advantages as the country looks

to become the "bread basket" of the region. "We have been focusing heavily on agriculture recently as our fertile soils and weather provide the perfect growing conditions for many crops," she said. "Through agriculture we can increase our exports and improve our trade balance. We offer many incentives in this sector, with no import duties on agricultural equipment, and new processing plants exempt from corporation tax for a period of 12 years."

With so many golden investment opportunities available, Vice President Bukenya sees the wave of FDI continuing for many years to come. "China can guide us forward by sharing their entrepreneurship and experience of starting with small-scale industries that gradually develop into large-scale ones," he said.

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New roads lead to prosperity

Uganda's transport sector is a key area for government spending. The landlocked country has invested heavily in transport infrastructure in order to improve its antiquated road network and its limited rail and air links.

China is playing a major role in this strategic development plan, with Chinese construction firms taking the lion's share of contracts, the result of the quality of their workmanship and their competitive prices. So far, they have built several government buildings and a football stadium. They are now constructing many of the new housing developments in the rapidly growing residential sector.

Overseeing these transport and infrastructural developments is the Ministry of Works and Transport, headed by John Nasasira. The Minister has identified the building of new roads and railroads as the catalyst for the country's future socioeconomic growth.

He remains keen for foreign investors to play a prominent role in the sector's continued development. He said: "We are building new roads to improve our regional transport links and planning improvements to our railway system that may involve regional partnerships."

Nasasira and cabinet colleagues are exploring ways to develop the country's main international airport in the city of Entebbe, sited some 30 km from Kampala, Uganda's capital. These plans may include taking the airport out of state control and putting it in the hands of the private sector.

The government is also investing up to \$25 million in a new cargo center and related facilities at the airport, as it looks to become a global gateway for the entire region. One of the world's leading international carriers, British Airways, has already increased its flights between London and Entebbe. Nasasira is optimistic that other major carriers will soon follow suit.

He said: "We would like to see more international flights coming to Uganda, especially from the US. We also want to attract direct flights from Asia."

With responsibility for country-wide aviation operations and four major airports, Uganda's Civil Aviation

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JOHN NASASIRA
Minister of Works and Transport

tion Authority (CAA) is a key player in the sector's modernization. It is set to play a leading role in the country's bid to be the region's premier trade and tourism hub.

As the operator of Entebbe International Airport, the CAA is overseeing substantial investment in the airport's cargo facilities. It has also hired a Chinese consultancy group to advise on the best way forward for the airport.

Wenceslaus Rama Makuza, the CAA's managing director, said: "Uganda has the perfect climate for agriculture and the country could become the bread basket of the region. We can develop all sorts of products that will enhance Ugandan exports. Air cargo will play a crucial role in delivering these products."

According to the CAA, close to a million passengers used the main airport last year, with increasing numbers of business people and tourists visiting Uganda to explore investment opportunities or enjoy its stunning natural beauty.

Makuza said: "We are moving in the right direction and have a bright future. The tourism industry is very steady, thanks to our wonderful wild-

life parks, while many new hotels are being built to support growing demand. The leading tourism chains are now interested in investing here. We hope Air Uganda will continue to establish itself as a leading carrier as it increases its fleet size and expands its regional network."

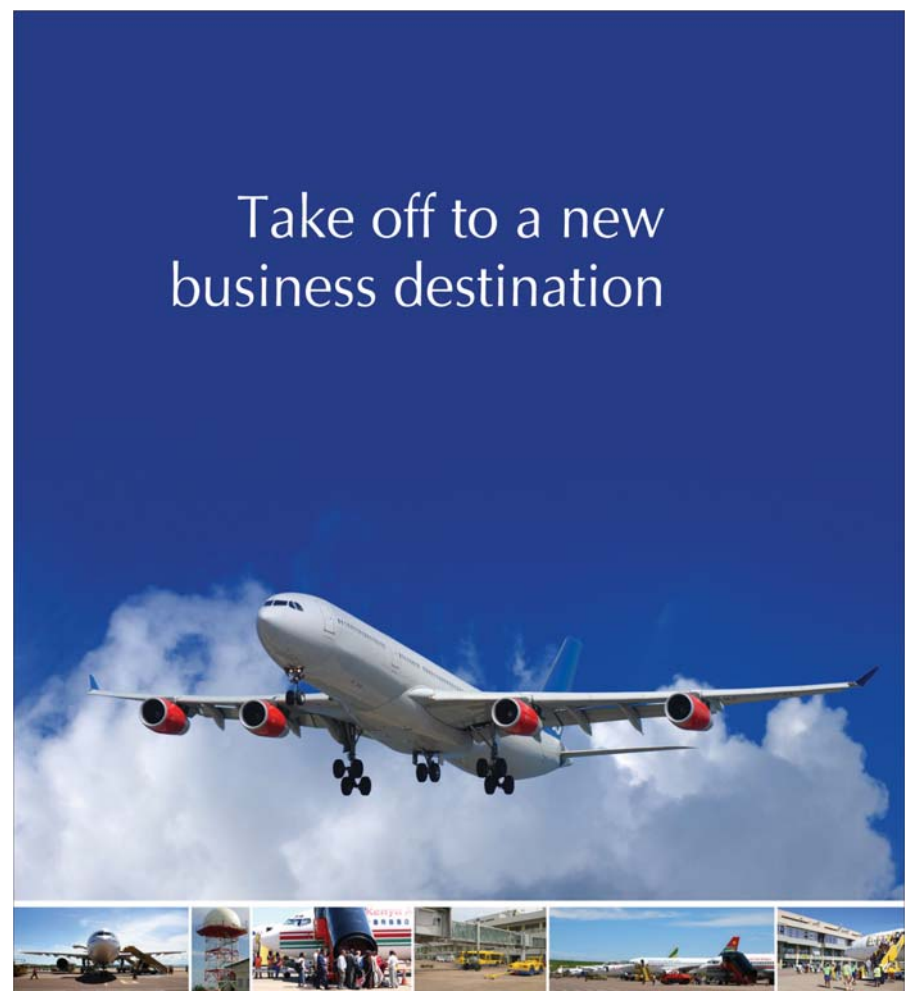
One company that relies heavily on the country's transport network to distribute its wide range of clay building materials is Uganda Clays Ltd. The firm is investing in new factories as it grows its reach in the region. The company uses Chinese equipment and is now a leading exporter.

Commenting on the future prospects for the business, John Wafula, CEO of Uganda Clays, said: "The present trend for integration among the markets of East Africa means prosperous expansion possibilities. I expect our first foreign factory to be located in Rwanda and we are now also looking into the Sudanese market."

Wafula says both his company and the country have benefited greatly from the strong relationship with China and that this bond is set to become even stronger as Uganda emerges as the region's leading FDI destination.

"The Chinese have been in Uganda for many years and in recent times they have taken on some major infrastructure projects and become very active in the housing sector," he explained. "We are more than willing to work with the Chinese as they are very dedicated, hard working, and successful business professionals."

It could be that the signs of a country firmly committed to modernization are now all in place.



Take off to a new business destination

Uganda is a landlocked country and as such attaches great importance to air transport. The Uganda Civil Aviation Authority manages Entebbe International Airport—the country's main gateway—and a number of other aerodromes spread around the Pearl of Africa. Air transport is key to Uganda's high value agro-exports, tourism and trade. Investment opportunities at Entebbe International Airport are available particularly for the development of a modern cargo center, a fuel ferry port and an export processing zone (EPZ). With exports via air growing at 27% per annum, Uganda provides a unique return-on-investment incentive. Visit our website for more details: www.caa.co.ug

Civil Aviation Authority
Entebbe International Airport, P.O. Box 5536, Kampala, Uganda
Tel: 256-312-352000, 0414-352000 Fax: 256-414-321401, 320571
E-mail: aviation@caa.co.ug



Uganda Clays Ltd
Quality. Reliability. Beauty in Use

Factories at:
14 Kms Entebbe Road and 8 Kms Mbale-Tirinyiroad
Kamukoli, Republic of Uganda
Tel: +256 414 200 255 / 261 Fax: +256 414 200 167
uclays@ugandaclays.co.ug www.ugandaclays.co.ug

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