



# COUNTRY PROFILE

## UGANDA



<b>Full Name:</b>	<b>Republic of Uganda</b>
<b>Area:</b>	<b>241,551 km<sup>2</sup></b>
<b>Capital:</b>	<b>Kampala</b>
<b>Main Languages:</b>	<b>English (official), Swahili (official), various Luo and Bantu languages</b>
<b>Currency:</b>	<b>Ugandan shilling (UGX)</b>
<b>Head of State:</b>	<b>President Yoweri K. Museveni</b>



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*This overview of the ICT sector has been prepared by BK Consultants on behalf of the organizers. The authors accept sole responsibility for the profile which does not necessarily reflect the views of the organizers: Pro€Invest, the Centre for the Development of Enterprise (CDE), the African Union (AU) and the Common Market for Eastern and Southern Africa (COMESA).*

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## 1. BUSINESS OVERVIEW

### 1.1 Key Economic Indicators

Table 1 shows the recent trend for selected key economic indicators using the most up-to-date available information. More general country information is provided in the websites referred to in Section 4.0 at the end of this report.

**Table 1: Key Economic Indicators 2002-06**

	2002	2003	2004	2005	2006
<b>Population (mn.)</b>	25.965	26.869	27.821	28.816	29.854
<b>Population Growth (%)</b>	3.40	3.50	3.50	3.60	3.60
<b>GDP (US\$ bn. at current prices)</b>	5.835	6.243	6.824	8.729	9.403
<b>GDP per capita (US\$ at current prices)</b>	225	232	245	303	315
<b>GDP growth at constant prices (%)</b>	6.90	4.40	5.70	6.00	5.50
<b>Current account balance (US\$ mn.)</b>	(285)	(359)	(68)	(137)	(467)
<b>Inflation Rate (%)</b>	-2.00	5.70	5.00	8.00	6.70
<b>Exchange Rate: annual average Ugandan shillings to US\$</b>	1,797.6	1,963.7	1,810.3	1,780.7	1,834.9

*Sources: COMTRADE, World Development Indicators, Oanda.com*

### 1.2 Economic Context

In 2006, the total Gross Domestic Product (GDP) amounted to some US\$9.4 billion at current market prices. Over the past five years, real GDP growth has been relatively strong varying between 4.4 percent and 6.9 percent per year. Whilst GDP increased by over 60 percent at current market prices between 2002 and 2006, GDP per capita only increased by 40 percent because of the relatively high rate of population growth at around 3.2 per cent.

The GDP's composition is led by the service sector accounting for an estimated 49 percent in 2006, followed by agriculture with 29 percent and industry with 22 percent.

In late 2005, the International Monetary Fund (IMF) provided 100 percent relief on all debt incurred by Uganda to the IMF before January 2005. This totalled about \$109 million.

The international donor community has played a significant role in Uganda's development over the last twenty years. According to the OECD statistics, the country received almost \$2 billion in development assistance in both 2004 and 2005. Bilateral aid accounted for about 55 percent of total, with the US being the major contributor with \$225 million on average in each of these two years. Among the multilateral agencies, the World Bank's IDA provided an annual average of \$344 million during the same period, followed by the EU with \$103 million.

### 1.3 Population and Labour Force

The population was estimated at almost 30 million in 2006 with an overall population density of about 126 persons per km<sup>2</sup>. The total labour force was estimated at approximately 13.76 million persons in 2006, with 82 percent engaged in the agriculture, 13 per cent in services and five per cent in industry.

### 1.4 General Institutional and Regulatory Framework

In 1995, the Government restored the legal system to one based on English common law and customary law.

In addition, the Government has set up a 'one-stop shop' for investors (see Section 4.1.2 below). Fiscal incentives have been revised to attract foreign investment and new regulations allow for tax breaks and mutual agreements to avoid double taxation.

### ***Land tenure***

There are 4 major land regimes in Uganda:

- Customary Land Tenure: over 80 percent of land in Uganda is held on a customary tenure system.
- Freehold Land Tenure: very little land is held under freehold tenure in Uganda. Freehold is the premier mode of private land ownership under English law. Transactions involving freehold land are governed by the Registration of Titles Act.
- Mailo Land Tenure: land held under mailo tenure is confined to Buganda (Central Uganda). Essentially feudal in character, the mailo tenure system recognises occupancy by tenants (locally called Kibanja holders), whose relationship with their overlords is now governed by the provisions of the Land Act.
- Leasehold Tenure: the leasehold applies to every tenure regime whether customary, freehold or mailo. The leasehold transactions, being essentially contractual, allow parties to define the terms and conditions of access in such a manner as to suit their reciprocal land use needs.

According to the Land Act (1998), foreign investors (self or company) are not allowed to buy land outright, but can lease land for up to 99 years. However, companies with local shareholding participation of 50% or more can buy land outright but the transactions must follow the nature on the land tenure.

### **1.5 General educational level**

Unemployment is high in Uganda and labour is plentiful and inexpensive. However, the labour force is relatively unskilled and on-the-job training is essential.

### **1.6 Infrastructure Services**

#### **1.6.1 International access**

##### ***Air***

Entebbe International Airport (EBB) is located some 40km south-west of Kampala.

International air services are provided, amongst others, by Air Tanzania (Dar Es Salaam), British Airways (London-Heathrow), Brussels Airlines (Brussels, Nairobi), Eagle Air (Dar Es Salaam), East African Airlines (Kisangani, Kinshasa), EgyptAir (Cairo), Emirates (Dubai, Nairobi), Ethiopian Airlines (Addis Ababa, Lilongwe), Kenya Airways (Nairobi), KLM Royal Dutch Airlines (Amsterdam), Rwandair Express (Kigali), Royal Daisy Airlines (Juba), South African Airways (Johannesburg), Sudan Airways (Khartoum), Precision Air (Mwanza, Kilimanjaro/Arusha) and Victoria International Airways (Nairobi, Juba, Johannesburg).

The former national carrier, Uganda Airways, is no longer in operation.

##### ***Water***

Boat services operate on Lake Victoria between Kampala and Mwanza in Tanzania.

##### ***Land***

There are connections with all neighbouring countries, although borders are not always open. There is a daily bus service between Kampala and Arusha, Dar es Salaam and Nairobi. Uganda Railways do not operate passenger services at present.

#### **1.6.2 Internal transport**

##### ***Air***

Eagle Air and United Airlines offer flights from Entebbe to most major towns. Charter flights are also available.

##### ***Water***

Local boat services link Entebbe to the Ssesse Islands.

##### ***Road***

The road network extends over 28,332km. The roads are of variable quality and radiate from Kampala, although the network is sparse in the north. There are still some army and police check points.

## 2. ICT SECTOR

### 2.1 Overview

While the telecom sector was practically inexistent during the 1980's, the ICT sector is today amongst Africa's most dynamic, and has undergone a process of liberalizing and restructuring which began about six years ago. And while Uganda still had a very bad telecom infrastructure in the beginning of the 1990's, Uganda became the first African country with more mobile than fixed subscribers in 1999. Today, mobile coverage extends to all major cities and towns and international roaming agreements exist with international mobile phone companies. There are additionally Internet cafes in Kampala and most large towns.

### 2.2 Telecommunications

The telecommunications sector in Uganda has been growing fairly fast in the last couple of years.

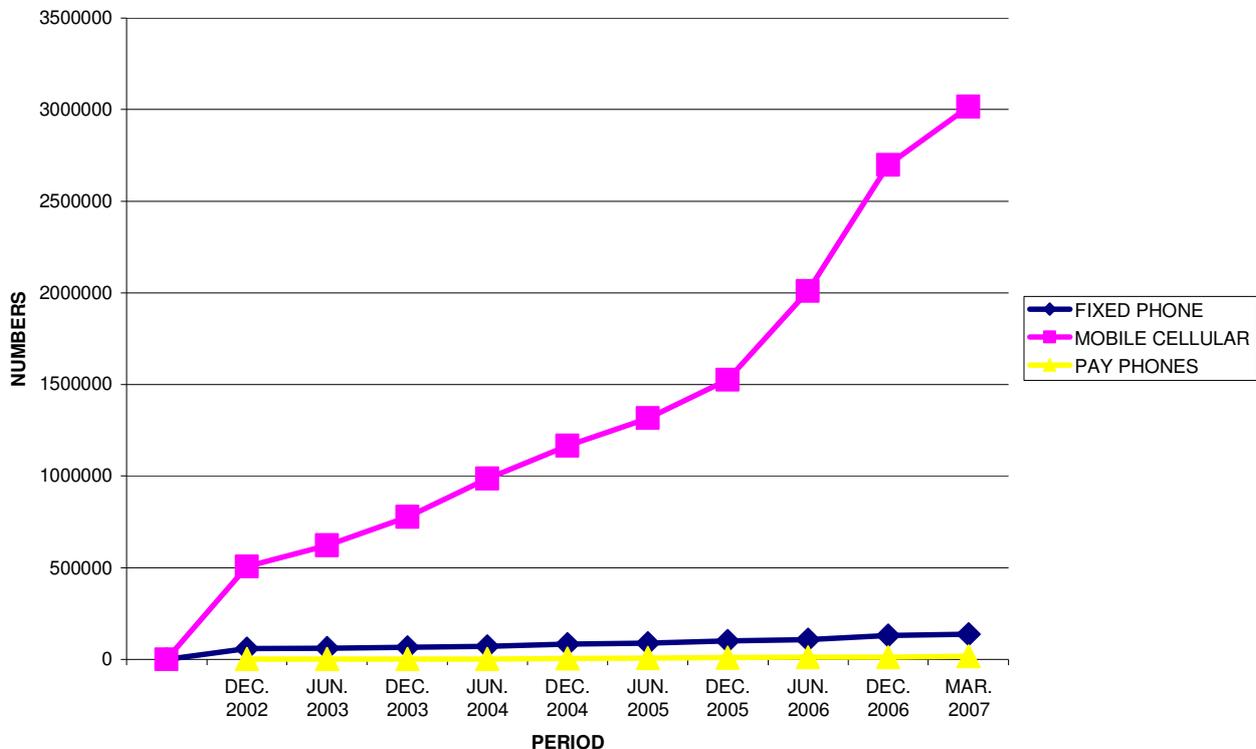
**COMMUNICATION SECTOR**  
**COMPARATIVE FIGURES FOR THE PERIOD DECEMBER 2002 TO MARCH 2007**

PERIOD	FIXED PHONE LINES	MOBILE CELLULAR SUBSCRIBERS	PAY PHONES	INTERNET SERVICE PROVIDERS	PRIVATE TELEVISION	COURIER SERVICE PROVIDERS
DEC. 2002	59,472	505,627	3,200	17	22	11
JUN. 2003	60,995	621,082	3,036	17	22	12
DEC. 2003	65,793	777,563	3,456	18	22	17
JUN. 2004	71,272	987,456	3,661	18	23	19
DEC. 2004	82,495	1,165,035	4,634	18	31	19
JUN. 2005	87,513	1,315,300	6,914	19	34	22
DEC. 2005	100,777	1,525,125	10,263	17	34	22
JUN. 2006	108,140	2,008,818	11,082	17	34	22
DEC. 2006	129,863	2,697,616	12,889	17	31	25
MAR. 2007	137,916	3,015,493	16,059	17	32	25

*Source: Uganda Communications Commission.*

As summarized in the graph below, there has been significant growth in the use of mobile cellular phone rising from 0.5 million subscribers in 2002 to over 3 million subscribers as of March 2007. Though still low, the number of subscribers to the fixed phone lines has more than doubled between 2002 and 2007. On the other hand, growth in the payphone is still very low and largely limited to major cities and towns.

**COMPARATIVE GROWTH ON PHONE SERVICES**



The UTL (Uganda Telecom Ltd) is the main operator and when MTN obtained its SNO licence in 1998, it was set up so that the market would be subject to a duopoly for five years, in the field of international gateways, fixed-line local loop access, and switched traffic between networks. Even though the contract for the selling of UTL was signed on July 25, 2000– implying a duopoly until 2005– a third mobile cellular provider (Celtel with a minor licence not including an international gateway licence) and six other VSAT International Data Gateways were however introduced on the market.

Three operators thus share the market:

- UTL (Uganda Telecom Ltd)** was incorporated in February 1998, after the separation of the postal from the telecom services. Until late-1999, UTL was only active in the area of fixed-lines and the privatisation of this formerly public operator took place on May 30<sup>th</sup> 2000. The Government sold 51% of its shares to the new consortium called UCOM (Detecon 20%, Telecel 40% and Orascom 40%). UTL is anticipating investing 80 million US\$ in fixed telephony, with the creation of 100.000 new lines, 30.000 of whom will be placed in rural areas of the country.

The company is planning to install 3000 additional payphones.

Since January 2001, UTL has opened a mobile network (**Telecel Mango**), which Counted 300.000 subscribers in 2005.

- MTN Uganda Ltd (Mobile Telephone Network).** This south-African operator entered the Ugandan Market in 1998 by introducing prepaid subscriptions and not differentiating between fixed line and wireless or between prepaid or post-paid tariffs – this resulted in the fact that by mid-1999 Uganda became the first African country with more mobile than fixed subscribers.

The company controls 55% of the mobile market, with 500.000 subscribers.

And with a total of 900.000 fixed- and mobile subscribers in 2004, MTN represented 51% of the existing lines. MTN's initial strategy was based on reaching a broader audience and has proved

to be the right way to go; its territorial coverage extends to up to 90% of the country, including more than 120 towns and villages and their immediate environments. In all covered geographical areas its operations are profitable.

MTN is expanding its fixed telephone services in Uganda, and is furthermore preparing to install 3000 payphones as well as Internet Services.

- **CelTel Uganda**, formerly owned by Vodafone, was the first private telecom operator to obtain a licence, after the decision to liberalise the sector and the operator entered the Ugandan market in 1995.

Vodafone has now sold its parts to MSI (Mobile Systems International). Celtel has broadened its network to the East and North of Uganda, and equally offers free answering-machine services. This company employs 105 persons directly and more than 100 persons indirectly.

CelTel has more than 100.000 subscribers and the numbers are steadily increasing with the introduction of new products to users.

### 2.3 Internet

- The International Telecommunication Union (ITU) estimated the number of Internet users to be about 134,039 in 2006 (The number of Internet subscribers in Uganda has however become more difficult to measure after both UTL and MTN have launched so-called FreeNet services, which means that anyone with a fixed-line subscription gets access to Internet, without a specific subscription.)
- 17 Internet Providers – with 5,999 subscribers in 2001 -, the main companies being: **MTN, Africaonline, Afsat, UTL Online, Bushnet, Infocom/CELTEL, Spacenet, One2net, etc.**

Internet has developed very quickly in Uganda due to the governmental policy that has liberalized the market for transmitting information via VSAT (Very Small Aperture Terminal). Prices however remain high, mainly due to Uganda's e-locked geographical placement.

- The first Internet café in Uganda opened in 1996. Since then the sector has experienced a tremendous growth. A cyber café is generally a much cheaper option for users than having an own subscription, which requires a personal computer (PC), fixed telephone line (or equipment for wireless access) as well as Internet subscription.

There are about half a dozen "large" software developers in Uganda, with about ten employees each. These include companies such as **Crystal Clear, Digital Solutions, Impalasoftware, Metrocomia, True African, Software Solutions and Uganda Homepages.**

### 2.4 Regulatory framework and sector regulation

The Uganda Communications Commission (UCC) is a regulatory body under the Ministry of Information, Communication and Technology and is the main organ responsible for issuing regulatory framework in terms of ICT. The board of the UCC (the commissioners) are nominated by the Uganda Institution of Professional Engineers (1 commissioner); the Uganda Law Society (1); the Broadcasting Council (1); The Minister (3, including the Chairman); the Commissioners (1, the Executive Director, who is recruited through a job-advertisement). The budget of the UCC is derived from spectrum and license fees.

Uganda has a national Information and Communication Technology Framework articulating general terms of policy.

The fundamental goals underpinning the Government's telecommunications sector policy were set out in a sector policy statement issued in January 1996. The Policy announces:

- Enabling legal framework for communications development;
- Facilitating private sector participation in overall national development;
- Separating the roles; policy, regulation, operations;
- Introducing competition through multiple operators licensing.

This new sector structure was supported and enabled through a legislation passed in 1997 in the Uganda Communications Act. The following year, the Uganda Communications Commission was established.

In 2002, the Communications statutory instrument was established, with the mandate of establishing and managing the Rural Communications Fund.

In 2004, the government decided on an ICT policy.

## **2.5 Opportunities**

Uganda offers an exceptional opportunity for investors. Located almost in the centre of the African market, it is already the preferred home of several leading global corporations and international Organisations. It is one of the fastest growing economies and one of the most liberal countries for foreign investment in Africa. Because the country's economy is still young, the potential and the choice of investment opportunities are much wider for the prospective investor than would be the case in more developed economies. One might add that cross-border marketing between the East African countries has been facilitated by the re-launched East African Community and its non-tariff barriers on cross-border trade, the harmonisation of standards and good specification within the region. These initiatives, as well as attempts to harmonise their fiscal and monetary politicise, makes East Africa an interesting region for future investments in the ICT sector.

With the upcoming participation in the EASSy cable and in the regional fibre-optic cable, Uganda is additionally hoping to affront the problem of being able to provide affordable Internet bandwidth. Other initiatives such as incubator projects led by the Government or by the USSA (Uganda Software Services Association), which is a small and dynamic organisation, promote support to small companies in the period of establishment and leave a positive image of the future of the ICT sector in Uganda.

## 3. INVESTMENT ENVIRONMENT

### 3.1 Investment Framework

#### 3.1.1 Government policy

The Uganda Government's economic strategy is to modernize the economy through relying on markets and the efforts of entrepreneurs as the basis for efficient and productive economic activity. Government's major role in Uganda's private sector driven economy is mainly to provide the necessary legal policy and physical infrastructure for private investment to flourish. This strategy, endorsed by the World Bank, other donors and the private sector, is already showing results as witnessed by the country's strong economic performance in the last ten years.

Established in 1991, the Investment Code aims at providing conditions that are favourable for investment. The Code provides for certain incentives to investors. The Code allows foreign investors to invest in all fields except those, which compromise national security and ownership of land. Foreign investors may, however, lease land for up to 99 years.

Foreign investors can also participate in joint ventures involving the outright purchase of agricultural land. In such cases, Ugandans must hold the majority of the shares. Aside from this, Uganda imposes no limitations whatsoever, on foreign investors. Full 100 percent foreign ownership of investments in the country is allowed. Foreign investors are also free to bring in and take their capital out of Uganda with no restrictions.

#### 3.1.2 Investment agencies

The Uganda Investment Authority (UIA) is a one-stop facilitator for investors, mandated by an Act of Parliament (1991) to attract, promote and facilitate investment in Uganda. UIA assists investors to expediently implement their business plans and serves as the first and most comprehensive point of contact for investors in Uganda. In addition, UIA continually advises Government on the best practice policies regarding investment in Uganda as a whole.

UIA offers the following services to investors:

- Providing first-hand information on investment opportunities in Uganda;
- Promoting Uganda as an investment location for investors;
- Helping investors to implement their project ideas through professional advice and assistance in locating relevant project support services;
- Helping investors to secure secondary licences and approvals;
- Arranging contacts for investors and organizing itineraries for visiting foreign missions within the country;
- Assisting investors in seeking joint venture partners and funding;
- Ensuring protection for intellectual property and trade secrets where technology transfer is involved; and
- Reviewing and making policy recommendations to government about investment.

#### 3.1.3 Investment guarantees

Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) which protects investors against non-commercial risks.

### 3.2 Investment Incentives

Uganda's fiscal incentive package provides for generous capital recovery terms, particularly for investors whose projects entail significant investment in plant and machinery and whose investments are medium/long term. The incentives package provides generous capital recovery terms, particularly for investors whose projects entail significant investment in plant and machinery and whose investments are likely to yield profits over the longer term.

The rights and incentives package includes:

- Zero rate of tax on imports of plant, machinery and equipment;
- 7% import duty on specialised tourist vehicles;
- VAT deferral facility for plant, machinery and specialised tourist vehicles;
- Guaranteed repatriation of profits and dividends;
- Guarantee against non-commercial risks through the Multilateral Investment Guarantee Agency (MIGA);
- Up to 100% foreign ownership of investments allowed;
- Capital allowances of 50% on plant and machinery for projects located in Kampala, Entebbe, Namanve, Jinja and Njeru. Outside these areas the deductible allowance is 75%. The initial allowance on hotel and industrial buildings is 20%;
- Start-up costs spread over the first four years at 25% per annum;
- 100% allowance on scientific research expenditure and training expenditure also deductible once from the company's income;
- A deductible annual allowance on depreciable assets under the declining balance method, varying from 40% for computers and data handling equipment to 5% for industrial buildings hotels and hospitals;
- A nominal corporate tax rate of 30% which is amongst the lowest in Africa; and
- Duty drawback/refund for exporters.

Enhanced incentives are available in Export Zones (such as the World Bank-supported Kampala Industrial and Business Park), including (provisional) a ten year corporation tax holiday; duty exemption on raw materials, plant and machinery and other inputs; stamp duty exemption; duty draw back to apply on input of goods from domestic tariff area; no export tax; exemption of withholding tax on interest on external loans; and dividends repatriated to get relief from double taxation.

### **3.3 Access to Finance**

The Bank of Uganda (BOU) is the country's central bank.

#### **3.3.1 Commercial banks**

The main commercial banks include: Bank of Africa, Bank of Baroda, Barclays Bank, Cairo International Bank, Centenary Bank, Citibank, Crane Bank, Diamond Trust Bank, Dfcu Bank, National Bank of Commerce, Nile Bank, Orient Bank, Stanbic Bank, Standard Chartered Bank and Tropical Bank.

The Development Finance Company of Uganda group is a consumer bank, mortgage bank, development finance bank and commercial bank in Uganda. The East African Development Bank (EADB) also provides development finance in Uganda, Kenya and Tanzania.

#### **3.3.2 International Financial Institutions**

Uganda, as a signatory to the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Uganda. Other potential development finance sources include the African Development Bank (AfDB), the Development Bank of Southern Africa (DBSA), the East African Development Bank (EADB), the Industrial Development Corporation of South Africa Ltd (IDC) and the New Partnership for Africa's Development (NEPAD).

### **3.3.3 Transfer of Capital and Profits**

Foreign investors with established businesses in Uganda can readily make payments overseas. Payments for imports and service related charges can also be made at the commercial banks without any prior approval. Similarly, dividend and capital payments are allowed subject to the tax laws of the country.

### **3.4 Residential and Work Visas**

All visitors require valid passports, return tickets and sufficient funds for their stay in Uganda. Countries whose nationals do not require visas include all EU countries, most Commonwealth countries and the United States. The Directorate of Immigration is responsible for issuing work permits. The Directorate's policy requires any investor seeking a key post work permit to invest at least \$100,000 before they will be considered. The UIA will always help eligible companies with a recommendation to acquire work permits for their directors and expatriate employees. However, the ultimate decision to issue the permit rests with the Directorate of Immigration.

### **3.5 Promotional Assistance**

Uganda is a member of the East African Community (EAC) which is the regional intergovernmental organisation of the Republics of Burundi, Kenya, Rwanda, Uganda and Tanzania and aims at widening and deepening co-operation among the partner states in political, economic and social fields for their mutual benefit. The regional co-operation and integration envisaged in the EAC is broad-based, covering tourism and wildlife management as well as trade, investments, industrial development, monetary and fiscal affairs, infrastructure and services, human resources, health, etc.

## 4. LIST OF KEY CONTACTS

### Ministry of ICT

NSSF building, 4<sup>th</sup> Floor  
Tel. 0414- 425897  
Tel: +256 320101/ +256-782 362601  
PA: [gloria.katuku@ict.go.ug](mailto:gloria.katuku@ict.go.ug)

### Uganda Communications Commission

12th Floor, Communications House  
Plot 1 – Colville Street P. O. Box 7376  
KAMPALA, UGANDA  
Tel: +256-31-2339000; +256-41-4339000  
Fax: +256-41-4348832  
E-mail: [ucc@ucc.co.ug](mailto:ucc@ucc.co.ug)  
Website: <http://www.ucc.co.ug>

### Uganda Investment Authority (The Investment Centre)

Plot 28 Kampala Road  
P.O. Box 7148, Kampala  
Tel: + 256 (41) 301 000  
Fax: + 256 (41) 342 903  
Email: [info@ugandainvest.com](mailto:info@ugandainvest.com)  
Website: [www.ugandainvest.com](http://www.ugandainvest.com)

### Uganda National Chamber of Commerce and Industry

Plot 2, Parliament Avenue  
First Floor, Jumbo Plaza, Box 3809, Kampala  
Tel: +256 (41) 503 024 / 36  
Fax: +256 (41) 503 036  
Email: [info@ugandachamber.com](mailto:info@ugandachamber.com)  
Website: [www.ugandachamber.com](http://www.ugandachamber.com)

### Uganda National Council of Science and Technology

Plot 3/5/7, Nasser Road  
P.O. Box 6884; KAMPALA  
Tel: 414-705500/250499;  
E-mail: [uncst@starcom.co.ug](mailto:uncst@starcom.co.ug)  
Website: [www.uncst.go.ug](http://www.uncst.go.ug)

### Useful Websites

- **East African Community:** website contains useful profiles on EAC member states: [www.eac.int](http://www.eac.int)
- **The British Broadcasting Corporation (BBC):** full profiles provide an instant guide to history, politics and economic background of countries and territories, and background on key institutions. [http://news.bbc.co.uk/2/hi/country\\_profiles/default.stm](http://news.bbc.co.uk/2/hi/country_profiles/default.stm)