

Business in Uganda
FIELD AFRICA



Uganda Market Overview

Uganda continues to take substantial strides to liberalize the economy, contain inflation and allow the economy to grow. Uganda's GDP grew by nearly six percent in 2003 and is expected to maintain this level of growth in 2004.

Uganda has made strong strides in reducing poverty. The percentage of Ugandans living in poverty dropped from 56 percent in 1992 to 35 percent in 2000 before spiking slightly to 38 percent in 2003. Increasing industrialization and development of cash crops has enabled rural Ugandans to move into a cash economy. While the government has increased spending on health, education, and social services, the annual budgets still reflect heavy spending on government administration and defense.

The Government of Uganda (GOU) continues to implement programs to promote foreign investment, and largely follows IMF/World Bank guidelines to maintain macroeconomic stability and restructure the economy. Uganda's privatization program recently has faltered due to Presidential interference in the process.

Uganda has experienced nearly twenty years of political stability in much of the country, though an insurgency continues to plague the north. Political stability has buttressed economic growth. The run up to general elections in 2006, in which current President Yoweri Museveni likely will seek to lift constitutionally imposed term-limits to seek a third term, may see some increase in political violence. However, few people expect a major impact on local economic development.

Good food harvests have kept inflation in check, with inflation remaining below ten percent since September 2003 (though recent dry weather impacted 2004 harvests, causing short term price spikes for some foodstuffs).

The Ugandan shilling has appreciated against the dollar and now stands at approximately 1,700 shillings to the dollar, down from 2,000 shillings per dollar in early 2004.

The banking sector has fully recovered from the shocks when the GOU was forced to close four domestic commercial banks during 1998/99 for gross mismanagement. With assistance from the U.S. Department of Treasury, the GOU has upgraded bank supervision and increased capital requirements. Parliament recently passed a financial institutions bill that puts emphasis on good commercial bank management.

Uganda has begun to actively promote the development of capital markets, with seven listings on the Uganda Securities Exchange. Uganda recently licensed the first company to operate a collective investment scheme. In 2004, the Bank of Uganda successfully launched 2, 3, 5 and 10-year government bonds.

Government revenue collection continues to lag behind that of most African nations, leading to large budget shortfalls. International donors provide crucial budgetary and project assistance amounting to around 46 percent of government expenditures in 2004/05. This budgetary support increases inflationary pressures and forces the government to frequently auction treasury bills to mop up excess liquidity. Treasury bill sales have pushed interest rates up, making it difficult for Ugandan businesses to access capital.

In April 1998, Uganda was the first country to benefit from the HIPC (Heavily Indebted Poor Countries) Initiative, receiving debt relief of USD 650 million in nominal terms, spread over 30 years, with USD 200 million made available during the first five years. After a review of the GOU's poverty reduction strategy, Uganda was once again selected as the first country to benefit from debt relief under the enhanced HIPC initiative. This initiative provided an additional (nominal) USD 1.3 billion of relief. Uganda now receives about US\$80 million per year in debt relief under the HIPC initiative. Nevertheless, continued borrowing has actually increased Uganda's foreign debt, now at over USD 4.4 billion.



Uganda has traditionally traded with nearby countries, South Africa, and Europe, especially the United Kingdom. In 2003-04, several South African firms made highprofile investments in the Ugandan retail sector. For FY 2004, Foreign Direct Investment in Uganda totaled nearly USD 196 million.

In March 2004, Uganda, Kenya, and Tanzania signed the East African Customs Union (EACU), which will remove internal tariffs and harmonize external duties. As part of the EACU, which entered into effect on January 1, 2005, Uganda will have to increase its tariffs on some finished products imported from outside the EACU.

Uganda's traditional export crops -- coffee, cotton, and tea -- have not fared well in glutted world markets. However, non-traditional goods, such as fish, flowers, and vanilla, now form a large percentage of Ugandan exports. Primary Ugandan exports to the United States include vanilla, fish, and coffee. Uganda also exports textiles to the U.S. under the African Growth and Opportunity Act (AGOA).

Ugandan attitudes toward the U.S. are favorable, as are business attitudes generally. While U.S.-Ugandan trade has increased recently, American exports to Ugandan totaled only USD 55 million for 2004, or about 5% of total imports. Major American exports included agricultural products (largely food aid), electrical machinery, used clothing, telecommunications equipment, and medical equipment and medicines.

Market Challenges

The barriers to doing business generally in Uganda include difficulty accessing financing, continued high levels of corruption, high land, air and rail transportation costs, poor infrastructure (including transportation, power, and water), inefficient government services (especially in the immigration department, customs department, land registry, and Uganda Revenue Authority), and a lack of consistency between government policies and practices.

Roadblocks particular to American companies include Uganda's traditional links to East Africa and the United Kingdom and bribery by some non-American businesses competitors to influence government action. American manufacturers wishing to export to Uganda must overcome buyers' comfort with familiar trading partners and concern about the ability of American manufacturers to provide parts and service. Additionally, most development projects are funded by outside donors who often informally link their money to purchases from companies based in their own country.

Transportation costs from the United States tend to make some U.S. goods less competitive. Also, new products often compete with used goods, especially in automobiles and clothing, though U.S. exporters of used and refurbished products will find a ready market.

Market Opportunities

To date, few U.S. companies have entered the Ugandan market with estimated total U.S. investment in the low eight figures. However, Uganda has become very attractive to South African multi-nationals in a variety of areas, including energy, retail, manufacturing, food processing, and telecommunications. Additionally, Uganda's agricultural potential and untapped mineral resources have begun to attract foreign investment.

Prospects for U.S. investment in Uganda are in the following sectors: agriculture, food processing, livestock, tourism, infrastructure, transportation, import substitution, light manufacturing, mining, and telecommunications.



Uganda's growing domestic economy and modernizing infrastructure provide opportunities for U.S. firms to market goods and services. Over the next decade, Uganda will need to dramatically upgrade its power generation capabilities, while upgrading its transportation network (air, rail, and road).

If Uganda is able to take advantage of the East African Customs Union to increase agricultural production and processed foods, American machinery and equipment manufacturers might be well positioned to make sales.

Large amounts of donor aid enable the Government of Uganda to issue tenders for large procurements of goods and services. Few U.S. firms bid on these tenders, many of which are in areas in which American businesses are competitive, including telecommunications, computer-related equipment and services, power generation and transmission equipment, and transportation infrastructure.

Though the Great Lakes region remains unstable, Uganda is well positioned to supply growing markets in southern Sudan, eastern Congo, and Rwanda.

Prospects for U.S. exports to Uganda include food processing, infrastructure development and general construction, telecommunication, light manufacturing/consumer goods, mining, fisheries, and medical equipment and supplies.

Market Entry Strategy

Ugandan markets generally are not well developed. Thus, it is important that interested exporters and investors perform due diligence, including a visit to Uganda.

Most exporters rely upon local distributors to market their products. The U.S. Embassy commercial section can help review potential distributors. Please note, however, that while partnering with a prominent or well-connected local business can provide quick access to Ugandan consumers, it may be difficult to settle disputes fairly with such an entity.

It often makes good business sense to use local agents familiar with the sometimes confusing and slow-moving Ugandan bureaucracy. As with local distributors, we advise interested businesses to thoroughly research potential agents.

Some U.S. businesses have entered the local markets by entering into joint ventures with local or regional businesses. This allows U.S. firms to take advantage of local and regional expertise while sharing some of the risks with the local firms.

Some U.S. exporters access the Ugandan market via Kenya, where they have established production facilities.

Contact Details

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