THE REPUBLIC OF UGANDA

INVESTOR SURVEY 2011 REPORT

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Uganda Bureau of Statistics
Statistics House
Plot 9, Colville Street
P.O Box 7186
Kampala, Uganda
Tel: **+ (256) 414 706000**
Fax: **+ (256) 414 237553**
E-mail: **ubos@ubos.org**
Website: **www.ubos.org**

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PREFACE

The Government Uganda has continued to promote the private sector as the engine of economic growth, employment creation and socio-economic transformation for prosperity. To achieve this goal, Government and the public require statistical information for proper planning and addressing the challenges pertaining to the private sector. Several Private Sector Investment Studies have been conducted in the past by UIA in collaboration with Uganda Bureau of Statistics (UBOS), and Bank of Uganda (BOU) to ascertain the actual investments realised by some licensed projects. The Investor Survey 2011 is one of such studies that were intended to generate adequate statistical information to update the investor database. This survey targeted all domestic and foreign licensed projects from 1991 to 2010 whose status was not established by the previous surveys. The overall objective of the Investor Survey 2011 was to establish the actual value of investment and employment generated by surveyed projects since the establishment of Uganda Investment Authority (UIA) in 1991.

The Investor Survey 2011 Report provides useful statistical information to policy makers on the performance of the investment sector and the impediments that inhibit the sector's growth. The report provides information on the nature, distribution and source of private investment by country, investment flows and employment, investor's participation in international trade, as well as barriers to investment financing and expansion faced by the surveyed firms. The report also discusses the perceptions of investors on the impact of Government participation in private sector affairs. Finally, the report highlights the future prospects on investment and policy recommendations for a more conducive investment climate.

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Ben Paul Mungyereza

EXECUTIVE DIRECTOR

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LIST OF ACRONYMS

AGOA	African Growth Opportunities Act
BOU	Bank of Uganda
CBR	Central Bank Rate
CICS	Competitiveness and Investment Climate Strategy
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EACCU	East African Community Customs Union
EBA	Everything But Arms
EDF	European Development Fund
EPA	Economic Partnerships Agreement
ERA	Electricity Regulatory Authority
EU	European Union
GOU	Government of Uganda
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IS2011	Investor Survey 2011
KCCA	Kampala Capital City Authority
MFPED	Ministry of Finance, Planning and Economic Development
MSME	Micro, Small and Medium Enterprises
PIRT	Presidential Investors' Round Table
PSFU	Private Sector Foundation Uganda
PSIS	Private Sector Investment Survey
SACU	Southern African Customs Union
SADC	Southern African Development Community
SME	Small and Medium Sized Enterprises
SPSS	Sanitary and Phyto Sanitary Standards
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UIA	Uganda Investment Authority
UNBS	Uganda National Bureau of Standards
UNCCI	Uganda National Chamber of Commerce & Industry
UNIDO	United Nations Industrial Development Organization
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
VAT	Value Added Tax
ISIC	International Standard Industrial Classification.

EXECUTIVE SUMMARY

This report presents the findings of the Investor Survey 2011 conducted by the Uganda Bureau of Statistics (UBOS) in Collaboration with Uganda Investment Authority (UIA) and the Ministry of Finance, Planning and Economic Development (MoFPED). The Survey targeted all domestic and foreign projects licensed by UIA between 1991 and 2010, but whose operational status had not been established during the previous Private Sector Investment Surveys. These were in total 3,153 projects. The overall objective of this survey was to establish the actual value of investment and employment generated by licensed projects. In particular, the Investor Survey 2011 (IS2011) collected information on the nature, distribution and sources of private investment, investment stocks and flows and employment, investors' participation in international trade, and constraints to investment financing by the surveyed firms. In addition, the survey collected investors' perceptions on the impact of Government participation in private sector affairs.

Key Findings

Survival Rate of Licensed Projects

The proportion of licensed projects covered under the survey which actually started operations and continued in existence was estimated at 46 percent. Of these, 60.8 percent were green fields (new projects) that commenced operations in less than 12 months or within a year, 21.9 percent commenced after one year, 8.8 percent commenced after 2 years, whereas the rest started after a period of over 3 years. The logistical, structural and bureaucratic barriers were the major causes of delayed commencement.

Investment Flows

The survey findings show that 888 projects attracted actual investment worth US$2,861.2 million at implementation time compared to planned investment of US$3,256.3 million at licensing. The overall average actual investment per project was estimated at $3.2 million compared to the average planned value of US$3.7 million. The domestic investors had 375 licensed projects, attracting a total value of US$1,283.7 million with an average investment portfolio per project estimated at US$3.4 million. This is compared to an average value of US$2.1 million per project for joint ventures and US$3.2 million for foreign projects, which was far above the required threshold of US$0.1 million and US$0.05 million for foreign and domestic investors respectively. The overall investment conversion rate was estimated at 87.8 percent, a higher rate than the 65 percent previously used by UIA.

Employment Creation

The results indicate that domestic investors created more jobs compared to their foreign counterparts. In particular, domestic investors employed 38,491 persons in 375 surveyed projects at implementation with each project employing nearly 103 persons on average. This compares with 33,373 employees in the 475 projects with average employment per project of 70 persons in foreign-owned investments and 1,917 jobs in 38 joint venture projects with average employment per project of 50 employees. In addition, domestic projects invested 94.4 percent of what they planned to invest compared to their foreign counterparts who invested 81.5 percent and joint venture projects 126.6 percent of what they planned to invest.

The findings further revealed that for the total planned employment of 123,144 jobs in the 888 surveyed projects, the casual/unskilled labourers constituted about 66.6 percent (81,991) of the total workforce. It is worth noting, however, that at implementation, 73,782 jobs were realized, representing a 59.9 percent employment conversion rate. Of these, the unskilled employees accounted for 63.5 percent; Managers/Supervisors accounted for 10.2 percent and Administrators/Accountants accounted for 7.0 percent of the workforce. Foreign workers in the surveyed projects were 5 percent of the total workforce at both licensing and implementation periods.

Employment by gender and nationality revealed that, the Male employees were the majority for both local and foreign employees during 2010. For the total workforce of 69,207 local employees, 47,295 (68.3 percent) were Male while 21,572 (31.7 percent) were Female employees. For the foreign employees, 4,661 (83.6 percent) employees were Male compared to 915 (16.4 percent) Female. Overall, 51,957 employees were Male and 22,827 were Female in 2010. The total employment in 2010 stood at 74,784 employees as

compared to 73,782 employees during implementation, leading to a marginal increase of 1.4 percent in jobs.
The findings indicate that although Micro-Small and Medium Scale enterprises (MSMEs) form the majority of the projects and contributed significantly to investment flows, their job creation level was far much lower than that of the large scale projects. As an example, the combined total of 653 surveyed MSMEs invested US$ 1,404.0 million and employed only 12,713 persons compared to 235 Large Scale Enterprises whose investment portfolio was worth US$ 1,457.2 million employing 61,069 employees at project implementation.

Sources of Private Investment

The findings revealed that, the majority of the surveyed projects originated from the Asian continent with 214 projects (45.7 percent) attracting actual investment at implementation worth US$ 749.9 million. This was followed by European Union (EU) with 102 projects (21.8 percent) accounting for actual investment estimated at US$ 307.6 million, then EAC and COMESA regions had 66 projects and 20 projects valued at US$ 151.2 million and 156.4 million respectively. Meanwhile, the Middle East, North America and Other Africa had a combined number of 62 projects with investment portfolio worth US$ 90.5 million. The three leading source countries for FDI were India (US$ 332.5 million), followed by Singapore (US$ 331.8 million) and Great Britain (US$ 198.2 million).

Regional Distribution of Private Investment

Most of the private investments were concentrated in the Central region with 692 projects (77.9 percent), followed by the Eastern region (13.6 percent), then Western region (6.0 percent) and Northern region (2.5 percent) attracting the least number of projects. Furthermore, the investors' projects in the central region were mainly in Kampala Capital City accounting for 63.4 percent, followed by Wakiso district with 7.9 percent and Mukono district with 3.5 percent. For Eastern region, most investments were concentrated in Jinja district, accounting for 10.4 percent. This portrays the disparity in regional investment distribution.

Sectoral Distribution of Private Investment

The manufacturing sector accounted for the highest number of projects with 259 licensed projects (29.2 percent), attracting the highest actual investment value of US$590.6 million. This was followed by the Wholesale and retail trade with 157 projects with an actual value of investment worth US$368.6 million(17.7 percent), whereas Accommodation and food service activities had 81 projects with actual investment worth US$310.7 million(9.1 percent). The strategic sectors which attracted the least number of projects were Electricity, gas, steam and air conditioning supply sectors (5 projects) and Water supply, sewerage, waste management and remediation activities (7 projects).

Factors that Influenced Investors Decision to Invest in Uganda

The survey findings suggest that the favourable macroeconomic and political stability (74 percent); access to domestic and regional markets (65 percent) and affordable labour (56 percent) were the major factors that influenced the investors' decision to invest in Uganda.

Private Investment Financing

The findings show that most firms finance their investment needs through retained earnings and equity financing (70.6 percent). This is followed by local commercial bank borrowing (37.1 percent). The major bottleneck to investment financing was identified as high interest rates which make acquisition of credit very difficult and bank bureaucracy including paperwork needed to process credit and other financial services.

Investors Involved in International Trade

55.1 percent of the investors were involved in the importation of products compared to only 21.5 percent engaged in export of merchandise. The projects interviewed exported and imported mostly finished/consumer products, with a share of 32.1 percent in exports and 33.5 percent in imports. The local market had the largest share for the marketed products accounting for 42.5 percent, whereas the regional market's share was 21.6 percent and the international markets' share was 35.8 percent.

At regional level, the main export destination for investor's products was Rwanda (22.6 percent), followed by Sudan (15.1 percent) then Kenya (14.2 percent). On the other hand, the United Kingdom was the major international export market with a share of 15.4 percent, followed by Italy and United States of America, each with 7.6 percent. On the other hand, China is the major source of imports used by the investors representing 20.0 percent, then India (15.8 percent), Kenya (11.8 percent) and United Arab Emirates (7.4 percent).

Clearance of exports by Customs authorities in the original three East African Community countries takes on average 3.7 days for Uganda, 3.4 days in Kenya and 2.9 days in Tanzania. However, pre-shipment inspection for exports and imports takes on average 11.2 days and 29.5 days respectively depending on the product involved.

Government Participation in Private Sector Affairs

The majority of the businesses indicated that there was limited government interference in their business decisions in all aspects but was helpful in doing their business. 65.2 percent of the respondents viewed government as being helpful, while only 9.4 percent perceived government as unhelpful.

The majority of investors indicated to never have had influence on legislative process on national laws, regulations or degrees at Executive, and Legislative/Parliamentary and Regulatory Agency levels. However, only 26.3 percent of the respondents had influenced decisions at Regulatory Agency level compared to other forms of government.

Impartiality of the Court System in Handling Business Disputes

Overall, the majority of the investors perceived the court system to be largely fair and impartial in handling business disputes despite delays in execution of judgements. Approximately 90 percent of the business entities surveyed perceive the Court System to be fair and impartial in handling their business disputes. Besides, 82 percent of the business entities considered the court system to be honest, while 76.7 percent reported that the Court System was affordable although 46.4 percent perceived the court system as slow in executing judgement.

Constraints to Business operations and Growth

The survey findings reveal that, of the businesses involved in production, approximately 31.6 percent of them operated within the installed capacity utilisation levels, whereas the majority of the businesses (68.4 percent) operated below installed production capacity. The constraints that led to low capacity utilisation were reported as low demand (40.4 percent), followed by unreliable supply of production inputs (19.1 percent) and lack of working capital (13.0 percent).

The findings further show that the high cost of credit (83.3 percent), coupled with poor infrastructure (78.9 percent) and limited access to credit (77.0 percent) were considered as main non-regulatory factors which constrained business operations and growth. The high cost of credit could be associated with the high interest charged by financial institutions.

Among the economic and financial factors, inflation rate (69.9 percent), interest rate (55.5 percent) and the exchange rate (60.3 percent) were perceived to have had a high negative effect on the business operations in 2010. The respondents noted that high inflation rate led to currency depreciation, high cost of running businesses, reduced value of signed contracts, reduced purchasing power, discouraged borrowing and local raw materials became expensive. The high interest rate made borrowing expensive, increased the cost of production and reduced profits. The volatility of the exchange rate resulted into delays in payments by entities that had been affected by exchange losses, fluctuations and unpredictable prices of raw materials which had a negative effect on the working capital and business management.

Service Delivery and Associated Costs

Regarding service delivery, the findings indicate that electricity (76.6 percent), railway transport (73.3 percent) and public health care (50.1 percent) were the most poorly delivered services. The most effectively delivered services in the economy were rated as banking services (77.8 percent), Air transport (77.3 percent), Insurance services (69.2 percent), Telecommunication services (68.1 percent), Postal services

(67.6 percent) and Military/Armed forces services rated at 65.0 percent. The poor services provision for electricity was linked to frequent load shedding, high power tariffs, and the unfair billing which is often based on estimates other than actual consumption. The poor service for railway transport was attributed to non-functional and undeveloped railway system.

The Investors rate the following services to be expensive: electricity (89.7 percent), air transport (77.0 percent), banking (61.9 percent) and road transport (60.8 percent). They attributed the high cost of electricity to high power tariffs, frequent load shedding and unreliable power supply. The high cost for air transport was attributed to very high freight charges. The banking service cost was also rated high due to high and hidden bank charges, high interest on loans and long queues resulting in time wasting. The high cost for road transport was attributed to high fuel prices, heavy traffic jam, inaccessible, poor and potholed roads which requires repairing and regular maintenance of the roads.

Future Investment Prospects

The results from the survey indicate that a significant number of business entities (80.9 percent) plan to expand their business operations. A majority of them wish to expand in areas like staff training (56.9 percent), recruitment of nationals (56.6 percent), improvement of existing facilities (54.8 percent), investment in technology (54.1 percent) and construction of new structures (52.3 percent). A third of the entities (31.4 percent) plan to venture into export trade while more than a third (40.2 percent) plans to establish branches in other EAC countries.

On perceived UIA operations and efficiency, 42 percent of the respondents commended the institution for improvement in service delivery. This compares with 11 percent of the respondents who rated it as being ineffective citing the institution being invisible on the ground to monitor investment activities and offering no tangible assistance to investors. About one in four (25 percent) of the respondents gave no comment while 22 percent had negative perception about the institution of being uncoordinated with other agencies and is politically driven.

Policy Recommendations

The investors indicated that poor infrastructure in the energy and transport sectors were the major constraints to business expansion. Therefore, acceleration in improving infrastructural network within the country should be accorded high priority to reduce the cost of doing business.

In addition, the findings showed that macroeconomic and political stability was the main factor that attracted investors to invest in the country, with high inflation and exchange rate volatilities having a strong negative impact on business expansion and operations. Hence, maintaining economic and political stability would promote investors' confidence in the economy.

The statistical data indicate that most businesses are not formally registered due to cumbersome bureaucratic procedures. Government should therefore continue to deepen the on-going business/investors' licensing reforms under Uganda Registration Services Bureau (URSB) and UIA. In addition, the government should design deliberate policies that would attract distribution of private investment to lagging regions. Currently, most investments are concentrated in the Central region due to better socioeconomic infrastructure. Hence, the Government should identify other potential business clusters countrywide to address the geographical disparities in investment and provide adequate social and economic infrastructure including incentives

Government should promote investment partnerships in order to boost investment and exports, with agencies targeting regional blocs where the country has attracted most private investment and at the same time, acted as investors' market destination. In particular, the government should tap opportunities offered under existing quota free and market access in EU bloc, and also expedite the completion of the Economic Partnership Agreement (EPA) negotiations. The EAC and COMESA regional blocs equally offered great investment and exports opportunities to boost the country's foreign exchange inflows by survey information. Furthermore, Government investment policy should encourage and promote joint-venture enterprises whose investment yield was higher at implementation compared to planned investment and could guarantee technical skills transfer to the locals.

Lastly, UIA should strengthen her sensitisation; monitoring and promotional activities to attract high value investments and provide expeditiously solutions to challenges faced by investors.

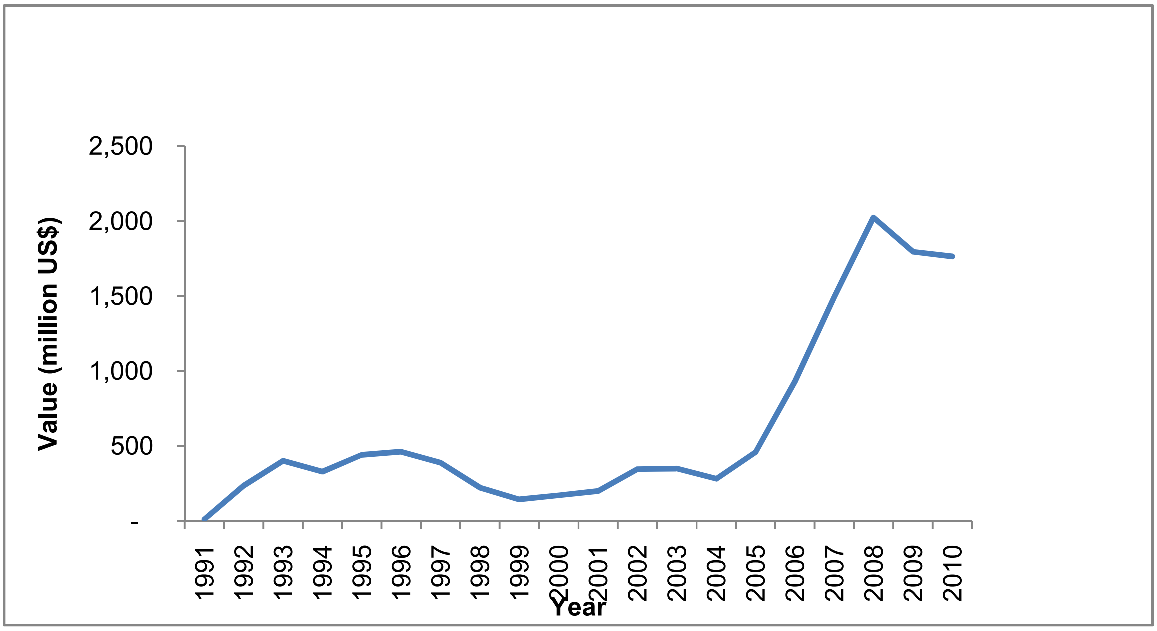
CHAPTER ONE

INTRODUCTION

1.0 Background

Since the launch of the Economic Recovery Program (ERP) in 1987, followed by a sequence of Structural Adjustment Programs (SAPs), the government of Uganda has continued to implement structural reforms to ensure that the investment environment remains competitive in order to attract both foreign and domestic investments. The Investment Code (1991) established the Uganda Investment Authority (UIA) as an agency responsible for promotion and facilitation of investment in Uganda. Over the years, a number of investment policy actions have been implemented since creation of the institution. UIA is now a "one-stop shop" with Technical Officers from responsible government institutions handling issues related to taxation, immigration, business registration and land under one roof. In addition, UIA is mandated to acquire large pieces of land for the development of industrial parks to support private investment in specific sectors such as agriculture, infrastructure, manufacturing, health and education. Other new mandates include the promotion of Small and Medium Sized enterprises.

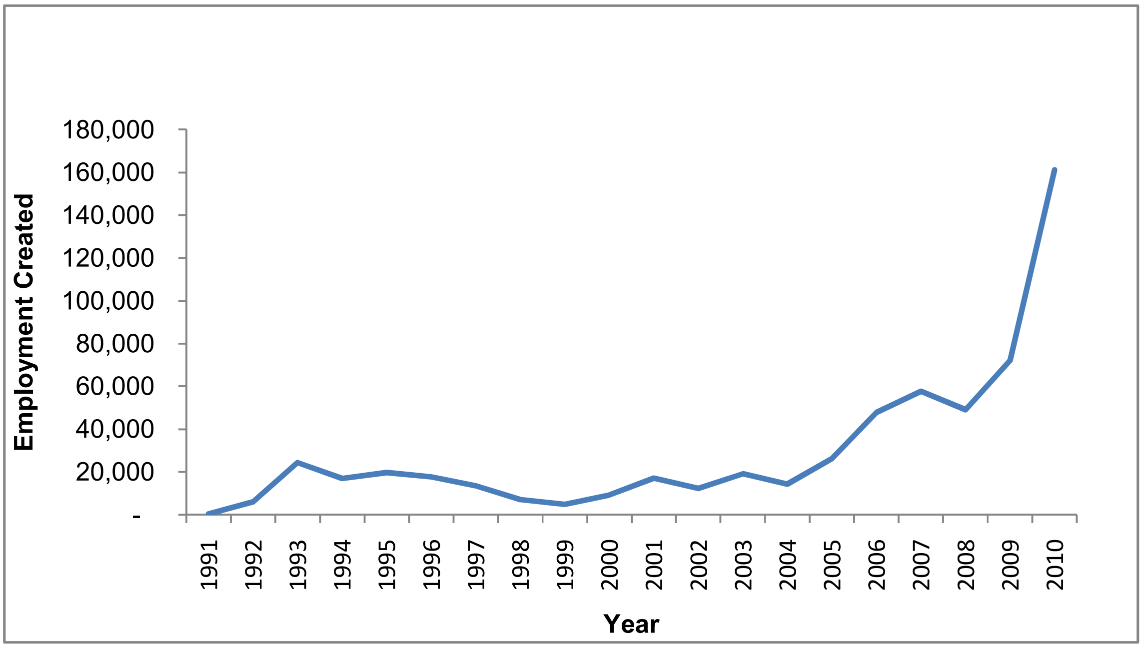
Figure 1.1: Trends of Planned Private Investment Flows (Million US$) from 1991-2010



Source: UIA Database

The current investment regime permits local and foreign investors to own 100 percent of investments in their companies and foreigners can repatriate 100 percent of their profits. Several tax and non-tax incentives such as import duty concessions and accelerated depreciation for plant and machinery, as well as VAT deferral have been implemented to support investors. The investment licensing requirements include a minimum capital of US$100,000 for foreigners and US$50,000 for Ugandans. In line with its mandate, UIA licenses foreign and local investors who are operational, implementing or intend to start business operations in the country. Until December 2010, the number of licensed projects stood at 4,303 with nominal value of investment estimated at $12.4 billion and 600,471 in planned jobs to be created. The investment flows peaked in 2008 (Figure 1.1 above), while employment peaked in 2010 as shown in Figure 1.2 below

Figure 1.2: Trends of Planned Employment from 1991-2010.



Source: UIA Database

UIA operates within a framework of inter-ministerial coordination. The Ministry of Finance, Planning and Economic Development (MFPED) together with the Ministry of Tourism, Trade and Industry oversee the formulation and implementation of the Investment Policy and trade and industrialization related policies. These polices have an impact on the overall investment climate. Whereas at regional level, Uganda's investment initiatives are being pursued under the Common Market for Eastern and southern Africa (COMESA) and East African Community (EAC) regional blocs, whose cardinal objective is to promote trade and investment among the member states. Since the establishment of COMESA, the region has setup a fully functional free trade area comprising of 14 Member States excluding Uganda. The establishment of EAC Customs Union has facilitated further free movement of goods and capital among the partner states. The member states have continued to market the region collectively as an investment destination and pursued reforms in investment procedures, regulatory and facilitation. Trade with COMESA Members States especially Sudan increased to high levels since 2007 after the signing of the signing of the Comprehensive Peace Agreement between Sudan and now the new South Sudan.

1.1 Survey Objectives

The overall of objective of the Investor Survey 2011 was to establish the actual value of investment and employment generated by the licensed projects since the establishment of Uganda Investment Authority (UIA) in 1991.

The specific objectives of the survey were:

i. To find out the operational status of licensed projects in order to update the UIA database, isolate traders and abandoned/closed projects;
ii. To determine the main sources of investment and employment by sector to guide planning and inform decision making at the national level;
iii. To assess the individual and sectoral problems with the view to provide the necessary policy interventions to resolve them;
iv. To determine the geographical distribution of investments to facilitate decision making processes of resource redistribution;
v. Examine factors affecting business operations of the entities to enhance policy formulation reformation;

vi. Estimate the investment conversion rate for both Domestic and Foreign Investments.

1.2 Scope and Coverage

The Investment Survey 2011 targeted domestic and foreign licensed projects from 1991 to 2010 whose status has not been established by the previous Private Sector Surveys undertaken by UIA in collaboration with UBOS and BOU. Over the years, UIA conducted similar surveys to ascertain actual investment generated by some of the licensed projects. In 1997, UIA undertook a comprehensive pilot investor survey of 1,881 entities. The pilot survey covered projects licensed between 1991 and 1996. Following that survey, Private Sector Investor Surveys were conducted in 2001, 2003, 2004, 2005, 2007, 2008, 2009 and 2010 but covered only 20 percent of the total licensed projects. In addition, UIA in partnership with United Nations Industrial Development Organization undertook two Africa Foreign Investor Surveys in 2005 and recently in 2010, the latter covering only 656 entities.

The Investor Survey 2011 covered projects drawn from all the sectors spread across the four regions of Uganda. About 3,153 licensed projects were targeted for the survey.

1.3 Data collection instruments

The survey tools were designed in accordance to the survey objectives and anticipated parameters for estimation in order to generate the required information. The survey instruments were designed by the technical team in consultation with key stakeholders to take into account their specific concerns. The questionnaire was thus developed under the following main thematic areas: Particulars of the business entity, value of planned and actual investment, Jobs created, product market, barriers to business expansion in Uganda, Corporate social responsibility, Plant utilisation and investor's perception, government participation in private sector affairs and future investment prospects. Relevant questions were constructed to collect the data in accordance to the survey objectives.

In addition, the field instructions manual was developed to provide guidelines during data collection. The manual explains further the purpose of the survey, the different roles played by each survey staff, and provides technical and operational guidelines during fieldwork. The manual provides also detailed information to field workers on how to fill in the questionnaire and approach the respondents. The questionnaire was administered by field interviewers through face to face interviews with the chief executives/respondents to collect the required information.

1.3.1 Pre-test of Data Collection Instruments

The data collection instruments were pre-tested to establish their validity and completeness, including the questionnaire flow. Each field interviewer visited at least one project and tested the survey tools. This ensured the removal of ambiguous questions and dodged questions while finalizing the survey instruments. During the pre-test, a number of challenges were encountered and lessons learned which shaped the final survey implementation strategy.

1.4 Survey Design

The sample frame for the Investor Survey 2011 (IS2011) was obtained from the database of licensed projects compiled by UIA. This consisted of a list of local and foreign enterprises/projects licensed by UIA from 1991 to 2010. The projects were purposively selected and had not been monitored under previous Private Sector Investment Survey (PSIS) conducted earlier. In particular, 3,153 projects were selected from the 4,303 licensed projects between 1991 and 2010. The information from UBOS Business Register complimented the details of the current locations and the associated economic activities engaged in by the projects/enterprises.

The sampling units (projects) were grouped under broad economic sectors/activities the projects are engaged in according to International Standard Industrial Classification (ISIC) codes as follows:

01. Agriculture Hunting and Forestry,
02. Mining and Quarrying
03. Manufacturing
04. Electricity, Gas and Air condition supply
05. Water supply, sewerage, waste management and remediation activities
06. Construction
07. Wholesale and Retail trade, repair of motor vehicles
08. Transport, Storage and Communication
09. Accommodation and food services activities
10. Information and Communication
11. Finance and Insurance Activities
12. Real Estate Activities
13. Professional, scientific and technical activities
14. Administration and support services activities
15. Education
16. Human health and social work activities
17. Arts, Entertainment and Recreation

1.5 Survey Organisation and funding arrangement

The Investor Survey 2011 was conducted by UBOS in collaboration with UIA and MFPED. The three institutions provided technical officers who formed the national technical team that oversaw fieldwork activities during the survey. The technical team comprised of one National Coordinator, two Deputies, and six Supervisors (four for field work, two for data processing) provided by the collaborating institutions. In addition, the field team comprised of four team leaders with each team having five field interviewers. The data collection was conducted by four field teams each comprising of one team leader and five field interviewers, who visited the business premises to administer the questionnaire and carried out follow-up visits. In addition, the office team consisted of six data entrants, two data coders/editors, and two data processing supervisors.

The Investor Survey received funding from the EU under the 10th European Development Fund following the request from UIA and the MFPED to support this important survey. The GOU provided additional funding through the MFPED.

1.6 Data Processing and Quality Control

The technical team ensured collection of accurate, consistent and reliable data to achieve intended survey objectives. Hence, a number of deliberate measures were instituted to minimize errors at data collection and processing level in order to produce high quality statistics. In particular, the team developed a list of data validation rules to fieldworkers and data processing team to ensure that the data collected and processed is free from errors. The data validation rules were also incorporated into the data capture program to isolate common errors.

The editing and coding process was elaborate: it involved field editing and office editing before and after data has been captured. The online editing was also undertaken during data processing using automated validation checks. Thus, the data editing processes detected and isolated errors at various stages which improved the data quality.

1.7 Technical and National Steering Committee Consultative Meetings

The IS2011 Technical Team held weekly consultative meetings to take stock of the achievements and challenges experienced by the fieldworkers. These meetings brought together field interviewers, team leaders, supervisors and coordinators engaged in the survey. Individual fieldwork reports were discussed and new strategies were designed for reaching out the enterprises. Besides, the National Steering Committee, which comprised of senior officials from UBOS, UIA, MFPED and EU held quarterly meetings to review survey progress and provide guidance to fieldworkers and data processing staff.

1.8 Challenges

The technical team encountered field operations, administrative and other challenges that affected the smooth running of the survey. Amongst them were;

i. Some projects had re-located to new locations which made it difficult to trace them. This increased the cost of enumeration in terms of time and money. In addition, some projects had changed their business names but maintained the same management structure and physical addresses.
ii. The field interviewers experienced a language barrier problem for projects managed by mostly Chinese investors. This somehow affected the quality of the information collected as attempts were made to translate the questionnaire to the respondent in a manner that may have not brought out the issues clearly.
iii. Some respondents provided partial information to interviewers especially on critical fields like employment and investment, hence making the some returns incomplete.
iv. For most licensed projects that were not located, it was established that the telephone contacts were non-functional or not existing on the network, hence tracing the projects became difficult.
v. Some company employees who acted as respondents did not have readily available information to complete the questionnaire, while others sought clearance from the parent enterprises abroad before releasing the data. The respondents kept on postponing questionnaire retrieval in anticipation of obtaining information to complete it, hence leaving some questionnaires in the field un-retrieved.
vi. In an attempt to conceal identity and project information, some investors refused to acknowledge registering with UIA.
vii. Rescheduling the interviews to near dates with the chief executives was rather difficult since investors claimed to be too busy. This seriously affected questionnaire administration and retrieval.
viii. There was general increase in the cost of living which affected fieldworkers’ expenditure on transport allowances and lunch.

CHAPTER TWO

NATURE, DISTRIBUTION AND SOURCES OF PRIVATE INVESTMENT

2.0 Introduction

This chapter presents the general findings regarding the nature, distribution and sources of investments. It is crucial that the source of foreign investment is known for purposes of laying strategies for promoting the country as an investment hub in the global context. Understanding the distribution of private investment regionally and per sector, and the associated factors, is important for identifying vulnerable sectors that requires government intervention. This would enable policy makers to design appropriate policies and provide incentives that could promote fair distribution of private investment.

2.1 Response and Survival Rates of licensed Projects

This survey targeted 3,153 licensed projects that were not covered in the previous surveys undertaken. Of these, the survey was able to establish the status of 2,623 projects while 530 projects could be covered for logistical constraints. From Table 2.1 below, 1,197 of the licensed projects were found in existence, of these, 888 projects returned completed questionnaires, representing a response rate of 74 percent. Of the existing projects, 107 refused to complete the questionnaire, 132 did not return the questionnaires for one reason or another. Meanwhile, 1,426 of the licensed projects were non-operational, of these, 160 projects closed down and 17 projects had not commenced operations. Based on the projects whose status was established, the survival rate stood at 46 percent. This implies that, nearly half of licensed projects started operations and remained in existence.

Table 2.1: Status of Operational and Non-operational Licensed Projects

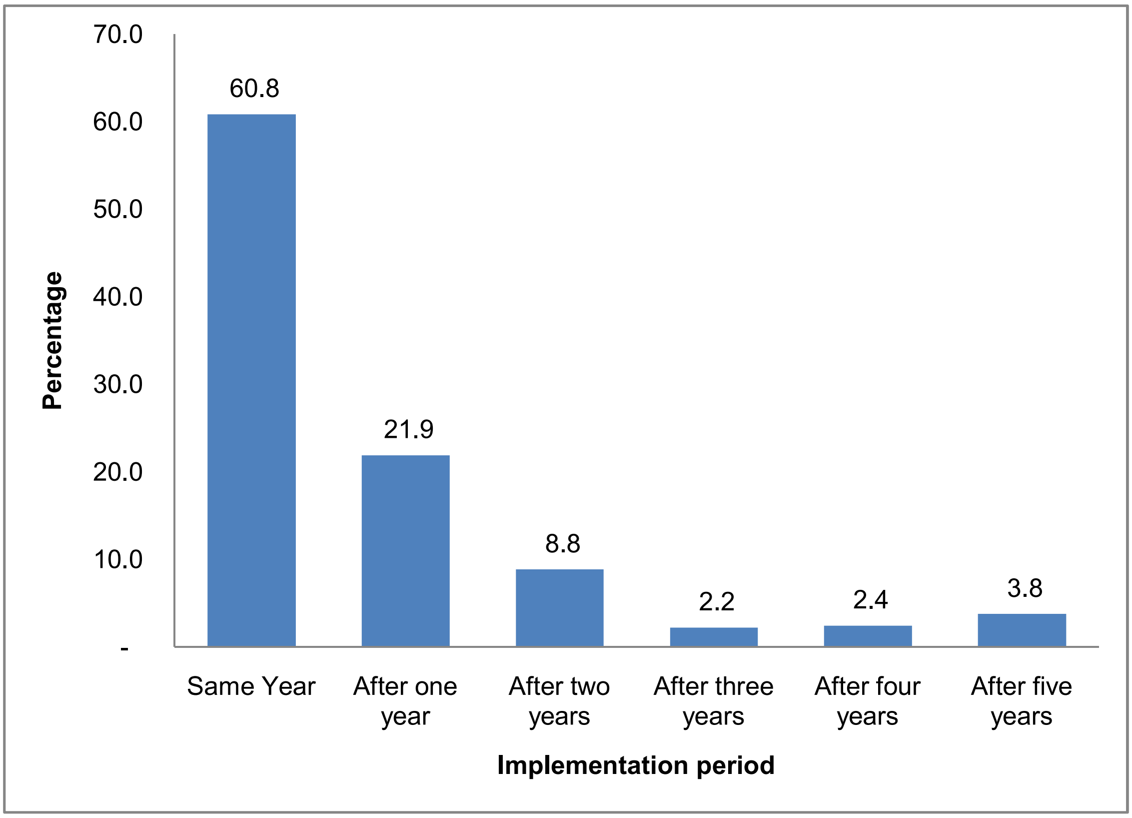
Project Status	*No*
Total Licensed projects targeted	**3,153**
Total projects reached out/Covered	2,623
Project not covered	530
Operational projects	**1,197**
o/w Questionnaires Retrieved	*888*
Refusals	*107*
Not retrieved	*132*
Changed Location [1]	*69*
Non-Operational projects	**1,426**
o/w Not Located	*1,240*
Changed name	*3*
Closed down	*160*
Not yet started	*17*
Duplicates/wrongly included	*6*
Survival Rate	46 percent
Response rate	74 percent

[1] Changed location projects assumed to be operational based on field information

2.2 Start-up period for the licensed projects

Figure 2.1 below shows the period taken for licensed projects to start or commence business operations. The results revealed that of the licensed projects which were of Greenfield nature (new projects) and operational, 60.8 percent commenced operations in less than 12 months or within a year, while 21.9 percent commenced after one year, 8.8 percent after 2 years, while the rest took off after a period of over 3 years. The reasons advanced for delayed take off relate mainly to logistical, structural and bureaucratic, lack of start-up capital, delays associated with construction of business premises, clearing of capital equipment and processing of requisite documentation.

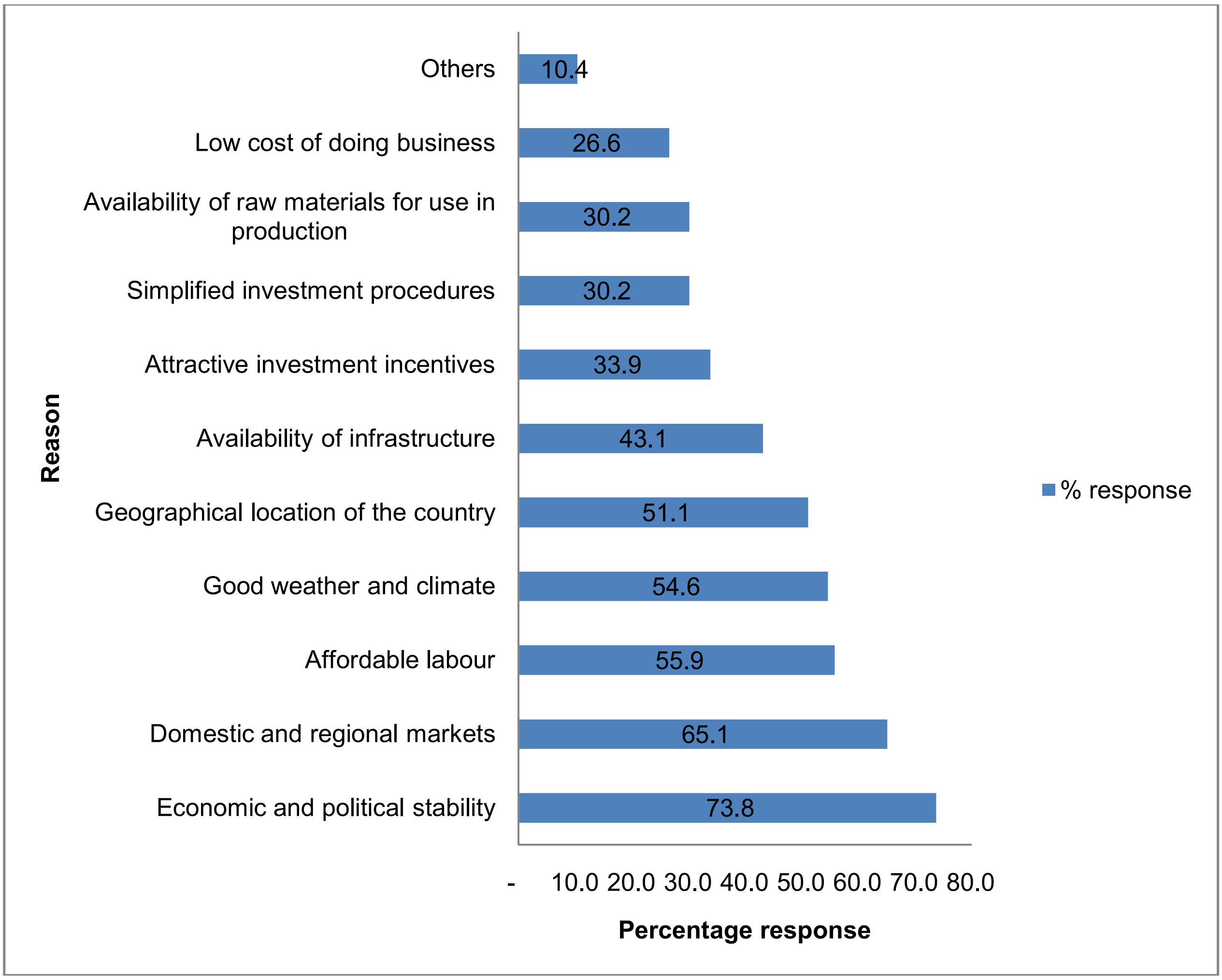
Figure 2.1: Implementation period of licensed projects



2.3 Factors that Influenced Investors Decision to Invest in Uganda

The survey results indicate that the most important factor that influences the choice of Uganda, as an investment destination, is the macroeconomic and political environment. When firms were asked to name the most important factor that influenced their investment decisions, 73.8 percent said it was the macroeconomic and political stability (see Figure2.2below). The next most important factor was the domestic and regional markets which accounted for 65.1 percent of the responses. This was followed by affordable labour (55.9 percent), good weather and climate (54.6 percent) and geographical location of the country with 51.1 percent responses. These results are consistent with the findings of the earlier PSI Surveys conducted earlier which indicated that investments increase under more stable macroeconomic and political stability.

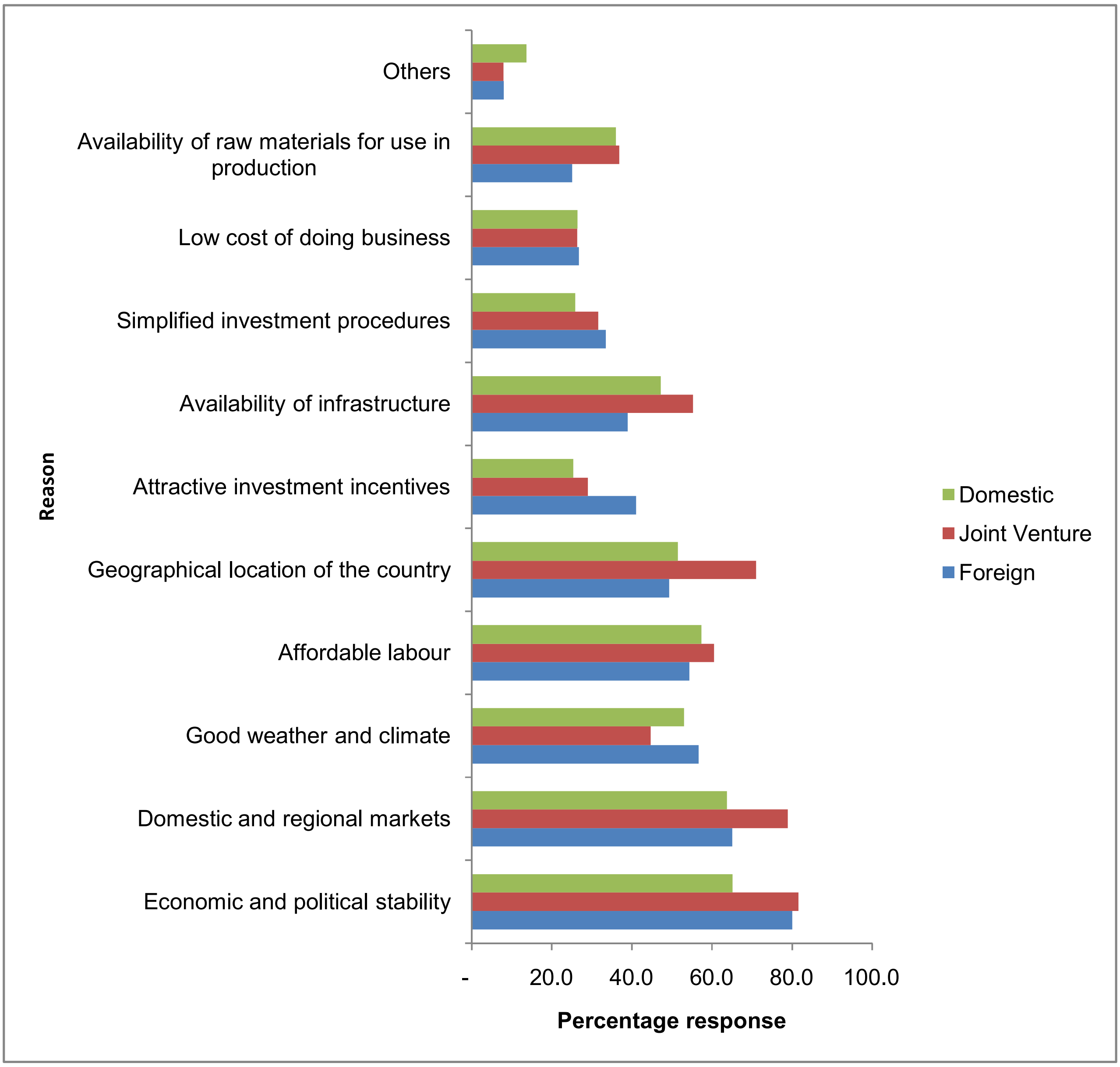
Figure 2.2: Reasons for Investing in Uganda



2.4 Factors that influenced investors decision to invest in Uganda by type of investment ownership

Analysis from Figure 2.3 below revealed that foreign investors were particularly attracted by economic and political stability (80.0 percent), followed by domestic and regional markets (65.1 percent) then good weather and climate (56.6 percent). Similarly, the domestic investors indicated economic and political stability (65.1 percent) followed by domestic and regional markets (63.7 percent), and ranked affordable labour at 57.3 percent. Although the joint venture projects mentioned similar factors to the ones mentioned by foreign and domestic investors as being crucial in their decisions, geographical location of the country (71.1 percent) was ranked among the highest. Most importantly, foreign investors found government investment incentives more attractive than their domestic and joint venture counterparts.

Figure 2.3: Reasons for investing in Uganda by Type of ownership

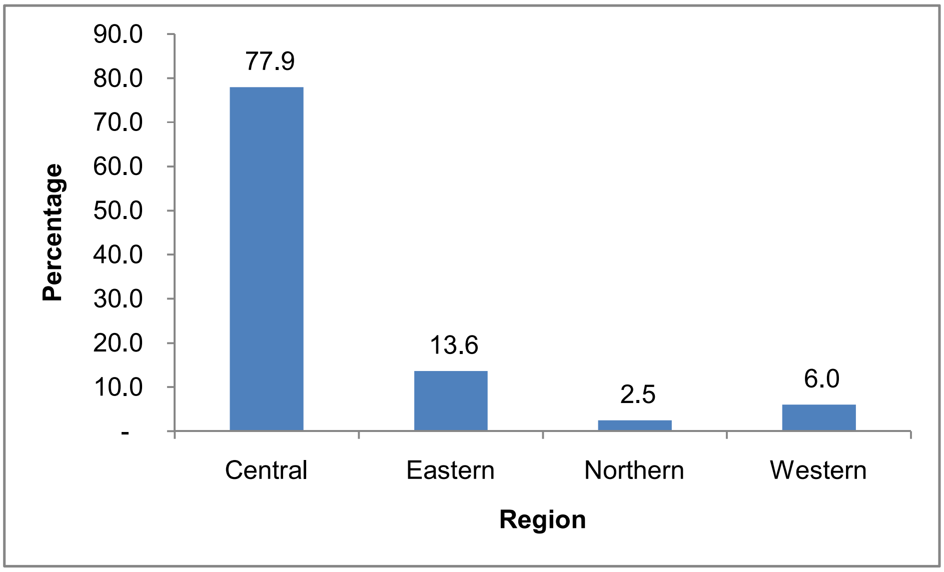


2.5 Regional Distribution of Private Investment

Figure 2.4 below shows that most private investments were concentrated in the central region with 692 projects (77.9 percent), followed by the Eastern (13.6 percent), then Western (6.0 percent) and Northern region (2.5 percent) attracting the least number of projects.

Furthermore, the investments in the Central region were mainly in Kampala City, accounting for 63.4 percent, followed by Wakiso with 7.9 percent and Mukono had 3.5 percent. For Eastern region, most private investment projects were concentrated in Jinja accounting for 10.4 percent. The concentration of investments in the Central region is attributed to historical disparities associated with better infrastructural development, availability of a bigger market of high and middle income earners, better financial, insurance, and education services compared to other regions. On the other hand, the Northern region attracted the least investments due to insecurity that prevailed for nearly two decades. These findings confirm what earlier PSIS studies have found out in relation to regional private investment distribution.

Figure 2.4: Regional Distribution of private investment projects

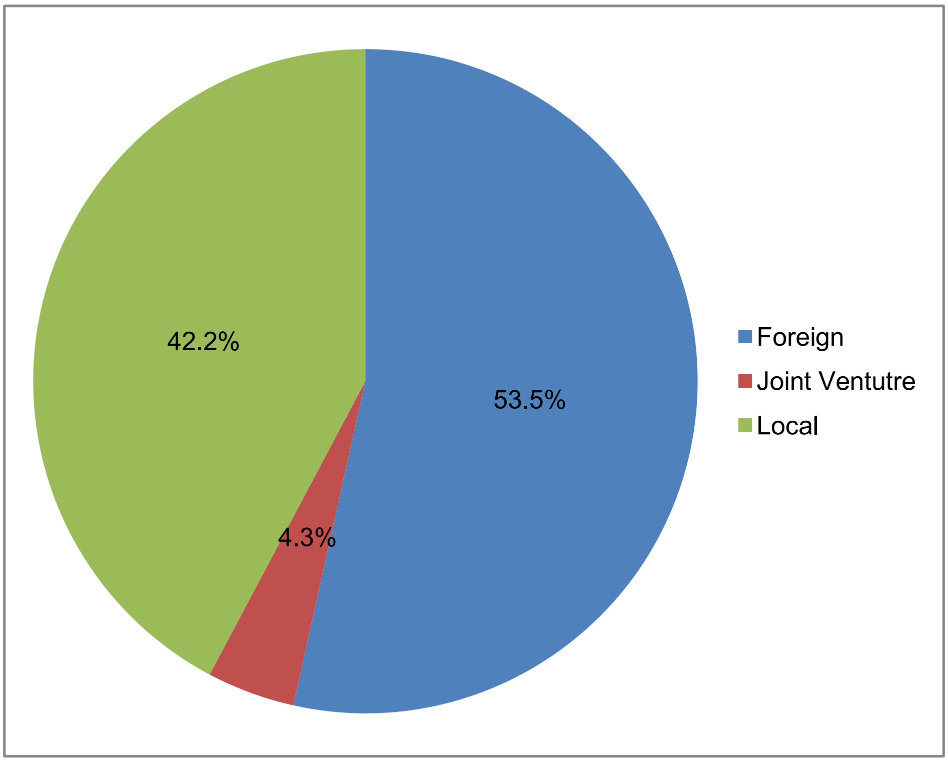


In terms of investment flows, the findings further revealed that, the central attracted the highest actual investment worth US$ 2,403.5 million (84.0 percent), followed by the Eastern region with US$ 346.7 million (12.1 percent), then the Northern region with US$ 69.4 million (2.4 percent) and Western region had US$ 41.6 million of the projects covered under the survey.

2.6 Distribution of Private Investment Projects by Type of Ownership

Figure 2.5 below shows that a majority of the projects were of foreign origin, constituting 53.5 percent of licensed projects. 42.2 percent were domestic projects while only 4.3 percent were joint ventures. In terms of investment flows, foreign projects attracted actual investment at implementation estimated at US$ 1,493.1 million, followed by domestic projects worth US$ 1,283.7 million and joint venture projects realised only US$ 66.6 million.

Figure 2.5: Distribution of Private Investment projects by Type of Ownership

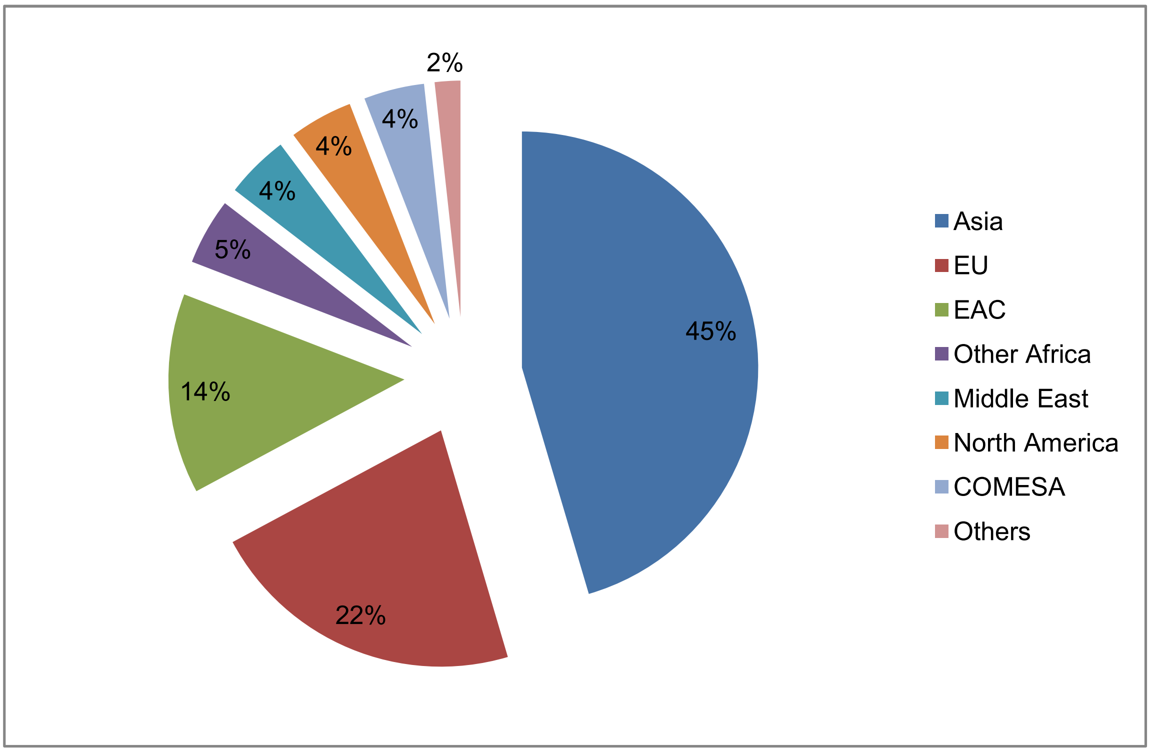


2.7 Sources of Foreign Direct Investment by Continent/Regional bloc

As shown in Figures 2.6 and 2.7 below, the majority of the investors originated from the Asian continent with 214 projects (45.7 percent) attracting actual investment at implementation worth US$ 749.9 million. This was followed by European Union (EU) with 102 projects (21.8 percent) accounting for actual investment estimated at US$ 307.6 million, then EAC and COMESA regions had 66 projects and 20 projects valued at US$ 151.2 million and 156.4 million respectively. Meanwhile, the Middle East, North America and Other Africa had a combined number of 62 projects with investment portfolio worth US$ 90.5 million.

In the Asian continent, the main source country of foreign direct investment was India with 154 projects accounting for US$ 332.5 million. This was followed by China with 44 projects with actual investment worth US$ 115.3 million and Singapore with 2 projects valued at US$ 331.8 million. In the EU bloc, Great Britain and the Netherlands were main source of investments with each having 51 projects and 17 projects and actual investment at implementation valued at US$ 198.2 million and US$ 50.6 million respectively. Meanwhile, within the EAC regional bloc, Kenya took the lead with 55 projects estimated at US$ 102.0 million followed by Tanzania with 6 projects worth US$ 36.4 million. Meanwhile the leading investors in the COMESA region were Sudan/South Sudan and Libya whose actual investment portfolio was valued at US$ 124.7 million and US$ 11.1 million respectively.

Figure 2.6: Distribution of Licensed Projects by Continent/Regional Bloc

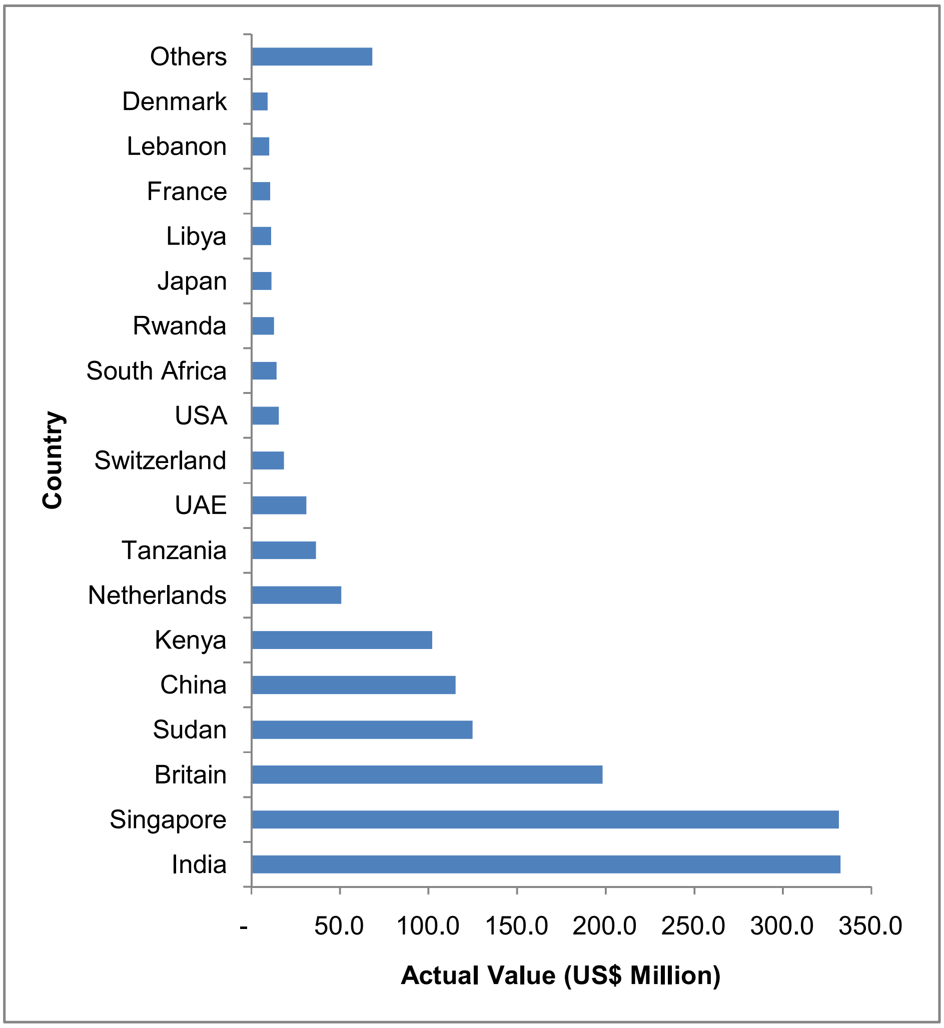


The two countries, India and Britain, have previous historical and colonial ties which could be among the main driving factors for investing in Uganda. On the other hand, Kenya is one of the leading trading partners in the EAC bloc which has been the key source of investment within the region owing to her strong industrial base. China, being one of the fastest growing economies of the world, is the most recent country whose investment portfolio has grown in leaps and bound in Uganda. It is important also to note that, the leading investment source countries are also among Uganda's major international trade partners.

2.8 Foreign Direct Investment (FDI) Flows by Source Country

The Figure 2.7 below shows the main source country of FDI based on surveyed companies information. The results indicate that India was the leading source of FDI, followed by Singapore, Britain, Sudan, and China.

Figure 2.7: FDI Flows by Source Country (US$ Million)



2.9 Sectoral Distribution of Private Investment

From Table 2.2, the manufacturing sector dominated in the number of projects licensed accounting for 256 projects (29.2 percent). This attracted the highest actual investment value at implementation of US$590.6 million. Manufacturing was followed by the Wholesale and retail trade, which had 157 projects (17.7 percent) with a value of US$368.6 million, then Accommodation and food service activities with 81 projects (9.1 percent) and actual investment worth US$310.8 million. The Agriculture, forestry and fishing had actual investment value estimated at US$171.0 million.

In terms of average actual investment per project, Information and Communication Sector posted the highest value of US$8.5 million. Mining and Quarrying Sector which had 16 projects, ranked second with an average investment value per project of US$6.4million. This was followed by the Construction Sector with an average actual investment value per project of US$ 4.9 million for the 53 licensed projects, then Education Sector which on average invested US$4.3 million per project. Other Services Activities registered the least value of US$0.07 million.

Table 2.2: Sectoral Distribution of Private Investment and average Actual value Invested per Project by Sector (US$).

Sector	No. Projects	Planned Investment	Actual Investment	% No. of Projects	Average Actual Investment Per project
Accommodation and food service activities	81	162,129,892	310,754,481	9.1	3,836,475
Administrative and support service activities	45	182,143,208	162,683,125	5.1	3,615,181
Agriculture, forestry and fishing	61	231,891,035	171,031,383	6.9	2,803,793
Arts, entertainment and recreation	8	16,431,000	14,561,161	0.9	1,820,145
Construction	53	350,032,376	261,396,229	6.0	4,932,004
Education	24	104,347,477	103,744,099	2.7	4,322,671
Electricity, gas, steam and air conditioning supply	5	19,792,000	8,740,869	0.6	1,748,174
Financial and insurance activities	22	64,512,866	45,834,200	2.5	2,083,373
Human health and social work activities	10	109,670,000	34,005,737	1.1	3,400,574
Information and communication	56	658,795,032	476,991,930	6.3	8,517,713
Manufacturing	259	670,963,490	590,562,035	29.2	2,280,162
Mining and quarrying	16	51,033,500	102,737,348	1.8	6,421,084
Not Specified	2	1,182,000	10,403,424	0.2	5,201,712
Other service activities	3	350,000	205,120	0.3	68,373
Professional, scientific and technical activities	1	500,000	110,810	0.1	110,810
Public administration and defence; compulsory social security	3	3,023,000	2,092,457	0.3	697,486
Real estate activities	48	283,346,445	167,247,724	5.4	3,484,328
Transportation and storage	27	62,046,000	21,719,468	3.0	804,425
Water supply; sewerage, waste management and remediation activities	7	7,326,923	7,742,558	0.8	1,106,080
Wholesale and retail trade; repair of motor vehicles and motorcycles	157	278,734,994	368,619,928	17.7	2,347,898
Grand Total	**888**	**3,258,251,238**	**2,861,184,085**	**100.0**	**3,222,054**

2.10 Summary of Findings

The finding indicates that the proportion of licensed projects which actually took off and remained operational (survival rate) stood at 46 percent. Of these, 60.8 percent Greenfield (new) projects commenced operations in less than 12 months or within a year, while 22.0 percent commenced after one year, 8.8 percent after 2 years, while the rest took off after a period of over 3 years. The reasons advanced for delayed take off were mainly of logistical, structural and bureaucratic nature.

The most important factors that influenced investor's decisions to invest in Uganda were macroeconomic and political stability (73.8 percent), followed by domestic and regional markets (65.1 percent) and affordable labour (55.9 percent).

Regional distribution of private investments revealed that most investments were concentrated in the central region with 692 projects (77.9 percent), followed by Eastern (13.6 percent), then Western (6.0 percent) and Northern region (2.5 percent) attracting the least number of projects. Meanwhile, 63.4 percent of the projects in the Central region were mainly in Kampala City, followed by Wakiso district with 7.9 percent and Mukono had 3.5 percent. For Eastern region, most investments were concentrated in Jinja district, accounting for 10.4 percent of the projects.

Regarding ownership, 53.5 percent of the projects were owned by foreign investors, 42.2 percent were domestic investors, while only 4.3 percent were joint ventures.

The Asian continent was the main source of FDI accounting for US$ 749.9 million (27.8 percent),followed by the EU with US$307.6 million, and then COMESA and EAC with actual investment estimated at US$ 156.4 million and US$151.2 million. In the Asian continent, the main source country of foreign investors was Indian, while in EU was Great Britain and in COMESA/EAC region was Kenya.

Manufacturing sub-sector accounted for the highest number of projects with 259 licensed projects (29.2 percent) attracting the highest actual investment value of US$590.6 million. This was followed by Wholesale and retail trade with 157 projects (17.7 percent) worth US$368.6 million. Accommodation and food service activities had 81projects (9.1 percent) with actual investment estimated at US$310.7 million. The strategic sectors which attracted the least number of projects were Electricity, gas, steam and air conditioning supply (5 projects) and Water supply; sewerage, waste management and remediation activities (7 projects).

CHAPTER THREE

INVESTMENT FLOWS AND EMPLOYMENT

3.0 Introduction

Private investment plays an important role in job creation in an economy. The benefits of job creation to the citizens include; getting employment incomes that translates to better standards of living, economic growth and social stability. Moreover, private investment is associated with improved technology (diffusion), innovations and capital necessary for economic development in a country. The survey sought to establish the actual jobs created at implementation of the projects compared to planned jobs to be created at registration. The survey also sought to establish the value of investment. The findings are summarised below in Table 3.1.

3.1 Private Investment and Employment by type of Ownership

Table 3.1: Value of Investment (US$) and Employment by type of ownership.

Item Description	*Type of Ownership* Foreign	Joint Venture	Domestic	Total
Number of projects	475	38	375	888
Planned Investment at Licensing (US$)	1,832,185,282	66,584,517	1,359,481,439	3,258,251,238
Actual value invested (US$)	1,493,148,976	84,307,878	1,283,727,231	2,861,184,085
Investment conversion rate/ratio (percent)	81.5	126.6	94.4	87.8
Planned jobs at licensing (Number)	59,001	2,446	61,697	123,144
Actual jobs at implementation	33,373	1,917	38,491	73,782
Employment (Job) Conversion rate (percent)	56.6	78.4	62.4	59.9
Average actual invested value per project	3,143,472	2,218,628	3,423,273	3,222,054
Average actual jobs per project	70	50	103	83

The findings show that the 888 surveyed projects attracted actual investment worth US$2,861.2 million at implementation, compared to planned investment of US$3,258.3 million at registration/licensing. The overall average actual investment per project was estimated at $3.2 million compared to the planned US$3.7 million. Domestic investors had 375 licensed projects attracting a total value of US$1,283.7 million, with an average investment portfolio per project of US$3.4 million. This compares with an average value of US$2.2 million per project for joint ventures and US$3.1 million for foreign projects. It is important to note that the realised average value per project is far above the required threshold of US$0.1 million and US$0.05million for foreign and domestic investors respectively.

Overall, domestic investors created more jobs compared to their foreign counterparts. In particular, domestic investors employed 38,491 workers with each project employing about 103 persons on average, compared to 33,373 jobs created by foreign investment (with an average employment per project of 70 employees) and 1,917 jobs joint venture projects with average employment per project of 50 workers.

The findings further indicate that domestic owned projects invested 94.4 percent of what was earlier planned compared to their foreign counterparts who invested 81.5 percent of the planned investments. On the other hand, the joint venture projects were found to have invested more (by 26.6 percent) above the planned investment at licensing. This brings the overall investment conversion rate to be 87.8 percent, a higher rate than the 65 percent previously used by UIA. The investment conversion rate measures how much was actually invested compared to what was planned. This suggests that a given project invested 87.8 percent of what had been planned at licensing time. The findings further show that the employment conversion rate for foreign owned projects was 56.6 percent, a lower rate compared to their domestic counterparts whose conversion rate was 62.4 percent. The above investments yielded an overall employment conversion rate of 59.9 percent.

3.2 Actual Investment by Employment Size

Table 3.2 below shows the distribution of projects by employment size, number of employees and the actual value invested. For purposes of analysis in reference to this survey, projects which employ 1-4 persons are referred to as “Micro-Enterprises”, 5-10 persons as “Small Scale Enterprises”, 11-49 persons as “Medium Enterprises” and Over 50 persons as “Large Scale Enterprises (LSEs)”. The findings show that, micro enterprises which employ 1-4 persons had the least number of projects (41) employing only 131 workers, while the medium enterprises attracted the highest number of projects (471 projects) by employing 11,558 workers. The combined number of enterprises for Micro, Small and Medium enterprises (MSMEs) was 653 projects with total employment of 12,712 workers. Although the LSEs which employed over 50 workers had only 235 projects, they employed 61,069 workers (82.8 percent). In terms of actual value invested, the LSEs took the highest value of US$ 1,457.2 million, nearly half of the total investment. This was followed by Medium Scale Enterprises (MSEs) with US$1,207.0 million (42.2 percent) and the Small Scale Enterprises (SSEs) with only US$ 155.6 million. This implies that in terms of job creation, LSEs are critical in addressing the unemployment problem. For example, LSEs employed 260 workers per project compared to Small and Medium enterprises (MEs) who employed 7 employees and 25 employees per project respectively. On the other hand, the Micro-Enterprises on average employed 3 employees per project.

Table 3.2: Actual investment (US$) by Employment size

Employment size	No. of projects	Employees	Actual investment	Average Employment per project
1-4'	41	131	41,430,021	3
5-10'	141	1,024	155,559,833	7
11-49'	471	11,558	1,207,009,514	25
50+	235	61,069	1,457,184,717	260
Total	**888**	**73,782**	**2,861,184,085**	**83**

In terms of average actual value invested per project, the LSEs posted the highest value of US$ 6.2 million compared to US$ 2.6 million for MSEs. Meanwhile, the actual Investment value per project for the SSE and MEs stood at US$ 1.1 million and 1.0 million respectively.

3.3 Distribution of projects by Sector and Employment size

From Table 3.3 below, most medium and large scale enterprises were dominated by the manufacturing sector, accounting for 143 and 84 projects respectively. Nearly 70 percent of the enterprises in the accommodation and food services activities were medium scale enterprises. On the other hand, the Wholesale and retail activity had the highest number of both Micro and Small Scale Enterprises followed by manufacturing sector.

Table 3.3: Distribution of Projects by Sector and Employment Size

Sector	Employment Size				
	1-4	5-10	11-49	50+	Total
Accommodation and food service activities	2	9	56	14	81
Administrative and support service activities	2	11	25	7	45
Agriculture, forestry and fishing	3	6	20	32	61
Arts, entertainment and recreation			5	3	8
Construction	3	4	19	27	53
Education	1	4	14	5	24
Electricity, gas, steam and air conditioning supply		1	2	2	5
Financial and insurance activities	3	4	11	4	22
Human health and social work activities	1		8	1	10
Information and communication	2	18	32	4	56
Manufacturing	5	27	143	84	259
Mining and quarrying	1	1	9	5	16
Not Specified			1	1	2
Other service activities	1	2			3
Professional, scientific and technical activities		1			1
Public administration and defence; compulsory social security			3		3
Real estate activities	7	7	20	14	48
Transportation and storage	1	8	12	6	27
Water supply; sewerage, waste management			5	2	7
Wholesale and retail trade; repair of motor vehicles and motorcycles	9	38	86	24	157
Total	**41**	**141**	**471**	**235**	**888**

3.4 Comparison of Planned Employment and Actual Employment

The results of the survey indicate that for the 888 licensed projects, the surveyed projects planned to create 123,144 jobs, with casual/unskilled workers (81,991) constituting 66.5 percent of the total workforce. However, at implementation, 73,782 jobs were created, representing an employment conversion rate of 59.9 percent. Of these, the unskilled workers accounted for 63.5 percent of the total workforce. The Managers/Supervisors and Administrators/Accountants were only 10.2 percent and 7.0 percent of the workforce respectively. The proportion of foreign workers remained at about 5 percent compared to the 95 percent for the locals at both licensing and implementation

Table 3.4: Distribution of Planned and Actual Employment by Jobs Description.

Job Description	Planned Employment Foreign	Local	Total	Actual Employment Foreign	Local	Total	Percentage of actual
Managers/ Supervisors	2,339	9,349	11,688	1,746	5,750	7,496	**10.2**
Administrators/ Accountants	1,036	6,069	7,106	756	4,430	5,186	**7.0**
Skilled technicians	1,833	20,526	22,359	1,055	13,194	14,249	**19.3**
Casual/Unskilled labourers	913	81,078	81,991	313	46,538	46,850	**63.5**
Total	**6,122**	**117,023**	**123,144**	**3,871**	**69,911**	**73,782**	**100.0**
Percentage	5.0	95.0	100.0	5.2	94.8	100.0	

3.5 Distribution of Investment Projects by Employment Size and nationality

The findings in Table 3.5 indicate that on average, four foreign workers were employed per project, with the Large Scale Enterprises taking on 11 foreign employees per project. Meanwhile, the Medium Enterprises employed 2 foreign workers while the Small and Micro Enterprises employed on average 1 foreign worker per project. This compares with the overall average of 79 local employees per project, with the Large Scale Enterprises employing 249 workers on average. The Medium Enterprises on average employed 22 local workers per project, whereas the Micro and Small scale Enterprises employed on average 6 and 2 workers respectively.

Table 3.5: Distribution of investment projects by employment size, nationality and average employment.

Employment size	No. of Projects	Foreign Employees	Local Employees	Average Foreign Employees per Project	Average Local Employees per Project
1-4	41	42	89	1	2
5-10	141	154	870	1	6
11-49	471	1,131	10,426	2	22
50+	235	2,544	58,526	11	249
Total	**888**	**3,871**	**69,911**	**4**	**79**

3.6 Distribution of Jobs by Gender and Nationality in 2010

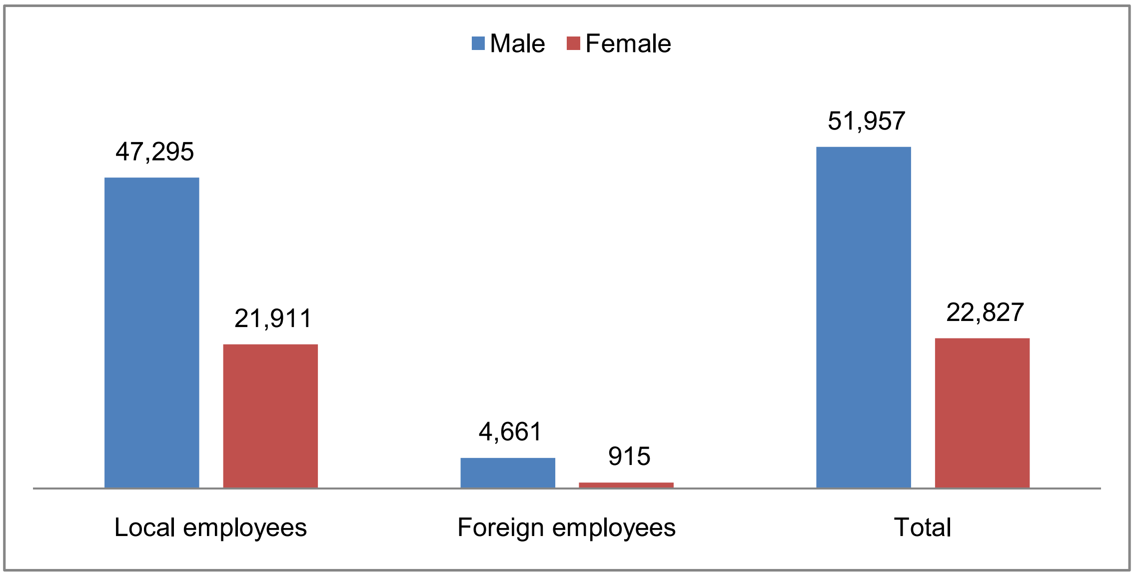
Table 3.6 below shows the distribution of employees by gender and nationality during 2010 in the enterprises that were surveyed. The findings revealed that 69.5 percent of the employees were Male while 30.5 percent were Female. Of 74,784 employees, only 8.8 percent and 8.3 percent were at Administrative and Managerial rank respectively. The Casual workers constituted the biggest portion of employees accounting for 56.2 percent of the workforce. The foreign employees on short term employment were 887 (1.2 percent of the total workforce) and those on long term employment terms were 4,689 (6.3 percent of the total workforce). Meanwhile, the Female foreign employees were only 1.2 percent of the total workforce compared to 29.3 percent for the local Female workers. Although the skilled technicians were only 26.7 percent of the total workforce, a big portion were locals (92.4 percent) compared to the foreign technicians (7.6 percent).

Table 3.6: 2010 Distribution of Jobs by Gender and Nationality.

Job Description	Local			Foreign Short term			Foreign Long term				
	Male	Female	Total	Male	Female	Total	Male	Female	Total	G/Total	percentShar
Managers/Supervisors	3,237	1,427	**4,665**	259	38	**297**	1,379	266	**1,645**	**6,607**	8.8
Administrators/accountants	3,274	2,051	**5,325**	72	11	**83**	597	226	**823**	**6,230**	8.3
Skilled technicians	13,237	5,184	**18,422**	325	10	**335**	1,098	90	**1,188**	**19,945**	26.7
Casual/Unskilled labours	27,547	13,249	**40,796**	151	21	**172**	780	253	1,033	**42,001**	56.2
Total	**47,295**	**21,911**	**69,207**	**807**	**80**	**887**	**3,854**	**835**	**4,689**	**74,784**	100.0
percent Share	63.2	29.3	92.5	1.1	0.1	1.2	5.2	1.1	6.3	100.0	

3.7 Employment by Gender and Nationality in 2010

Figure 3.1: 2010 Employment by Gender and Nationality



Employment by gender and nationality revealed that, the Male employees were the majority for both local and foreign employees. For the total workforce of 69,207 local employees, 47,295 (68.3 percent) were Male while 21,572 (31.7 percent) were Female employees. For the foreign employees, 4,661 (83.6 percent) employees were Males compared to 915 (16.4 percent) Female. Overall, 51,957 employees were Male and 22,827 were Female in 2010. The total employment in 2010 stood at 74,784 employees as compared to 73,782 employees during implementation, leading to a marginal increase of 1.4 percent in jobs. The above findings indicate gender disparity in employment in the surveyed entities.

3.8 Summary of Findings

The survey findings revealed that, the 888 projects attracted actual investment worth US$2,861.2 million at implementation compared to planned investment of US$3,258.3 million at registration/licensing. The overall average actual investment per project was estimated at $3.2 million compared to US$3.7 million as planned. The domestic investors had 375 licensed projects attracting a total actual investment value of US$1,283.7 million (44.9 percent) with an average investment portfolio per project of US$3.4 million. This compares with the actual value invested of US$ 1,493.1 million (52.2 percent) and US$ 84.3 million (2.9 percent) for foreign and joint venture projects respectively.

The Domestic investors employed 38,491 employees with each project employing on average about 103 persons compared to 33,373 jobs and 1,917 jobs created by foreign and joint venture projects with average employment per project of 70 employees and 50 employees respectively. The high employees per project for domestic firms could be attributed to use of more labour intensive techniques of production.

The findings further indicated that, domestic investors invested 94.4 percent of what they planned to invest compared to their foreign counterparts who only invested 81.5 percent of what they planned to invest. On the other hand, the joint venture projects invested more by 26.6 percent of what they planned to invest at licensing. The overall, investment conversion rate is thus estimated at 87.8 percent, which is higher than the previous rate used by UIA of 65 percent.

Domestic investors converted 62.4 percent into actual jobs at implementation compared to their foreign counterparts who converted only 56.6 percent, leading to overall employment conversion rate of 59.9 percent

Micro enterprises which employ 1-4 persons, had the least number of projects (41) employing only 131 employees, while the medium enterprises had the highest number of projects (471 projects) by employing 11,558 employees. Although the large scale enterprises had only 235 projects, they employed 61,069 employees accounting for 82.8 percent of the total workforce. The large scale enterprise had the highest employee ratio per project of 260 employees compared to small and medium enterprises which had 7 employees and 25 employees per project respectively. This implies that although Micro, Small and Medium enterprises are many in number and crucial in terms of investment flows, their total combined number of jobs created was lower compared to large enterprises for the surveyed enterprises.

The total planned employment for the 888 licensed projects was 123,144 jobs with casual/unskilled labourers constituting about 66.6 percent (81,991) of the overall workforce. However, at implementation 73,782 jobs were realized, representing an employment conversion rate of 59.9 percent. Of these, the unskilled employees accounted for 63.5 percent, while Managers/Supervisors and Administrators/Accountants were only 10.2 percent and 7.0 percent of the workforce respectively. The proportion of foreign workers in the entire workforce was only 5 percent compared to the 95 percent for the locals at both licensing and implementation.

Employment by gender and nationality revealed that, the Male employees were the majority for both local and foreign employees in 2010. For the total workforce of 69,207 local employees, 47,295 (68.3 percent) were Male while 21,572 (31.7 percent) were Female employees. For the foreign employees, 4,661 (83.6 percent) employees were Males compared to 915 (16.4 percent) Female. Overall, 51,957 employees were Male and 22,827 were Female in 2010. The total employment in 2010 stood at 74,784 employees as compared to 73,782 employees during implementation, leading to a marginal increase of 1.4 percent in jobs. The above findings indicate gender disparity in employment in the surveyed entities.

CHAPTER FOUR

FINANCING OF PRIVATE INVESTMENT

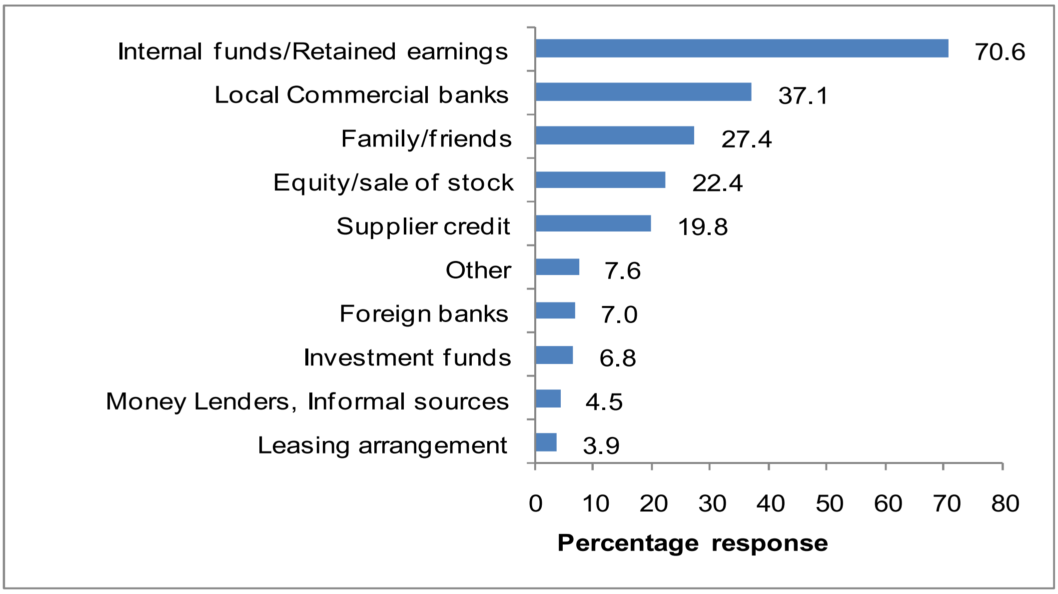
4.0 Introduction

This Chapter presents the financing modalities, accounting standards and bottlenecks to accessing finances by the projects surveyed. Availability of and access to financial services is an important factor for investment expansion. Non-availability of financial services is characterised by inadequate financial services infrastructure required to deliver appropriate financial services to businesses across the country. Non-availability and inaccessibility of the financial services, therefore, could be a major constraint to investment growth. . Under Financial Market Development, the 8th Pillar of the Global Competitiveness Index (GCI) 2011-2012, Uganda is ranked 78th out of 142 countries on availability of financial and affordability of financial services. The GCI also ranks Uganda 76th on Ease of access to loans and 71st on Soundness of commercial banks out of 142 countries.

4.1 Sources of Financing Utilised by Private Investments

As shown in Figure 4.1 below, the main source of investment financing utilised by the business enterprises was internally generated funds including retained earnings, where 70.6 percent of the businesses utilised this as part of their financing mechanism for their business. The other sources of finance include local commercial bank credit (37.1 percent), credit or coupons from family and friends (27.4 percent), Equity/sale of stock (22.4 percent) and supplier credit (19.8 percent). However, only 3.9 percent of the business entities utilised leasing arrangements for their business financing while 7.0 percent obtained credit from foreign banks to finance their businesses, which implies that the private sector relies on internally generated funds compared to other financing facilities.

Figure 4.1: Sources of Private Investment Financing.

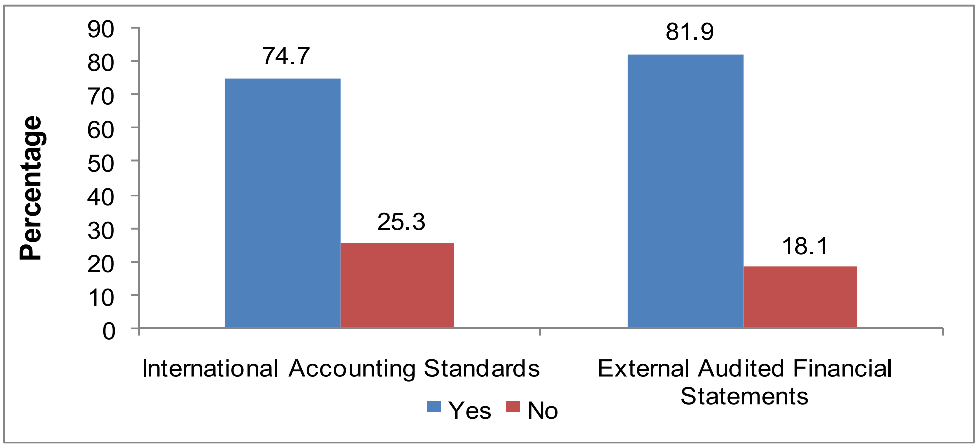


4.2 Financial Information Accounting and Management

The Investor Survey sought to identify the financial and accounting practices of business enterprises in Uganda. The practice to utilise International Accounting Standards (IAS) also known as International Financial Reporting Standards (IFRS) is underpinned by the global nature and impact of virtually all business transactions. Investors from different business environments need a standardised form of reporting business transactions to ensure a fair and equitable analysis of businesses, and proper comparison of businesses operating in different legal jurisdictions.

The Figure 4.2 presents the level of utilisation of financial accounting best practices. A financial statement reflects the true and fair view of the business affairs of the business enterprise and reflects the true view of the financial position of the enterprise. The survey findings show that 74.7 percent of the business enterprises followed the practice of International Accounting Standards (IAS), while 81.9 percent of the enterprises shared information on external audited financial statements with their stakeholders. This implies that financial statements of the businesses are comparable on many variables at national and international level.

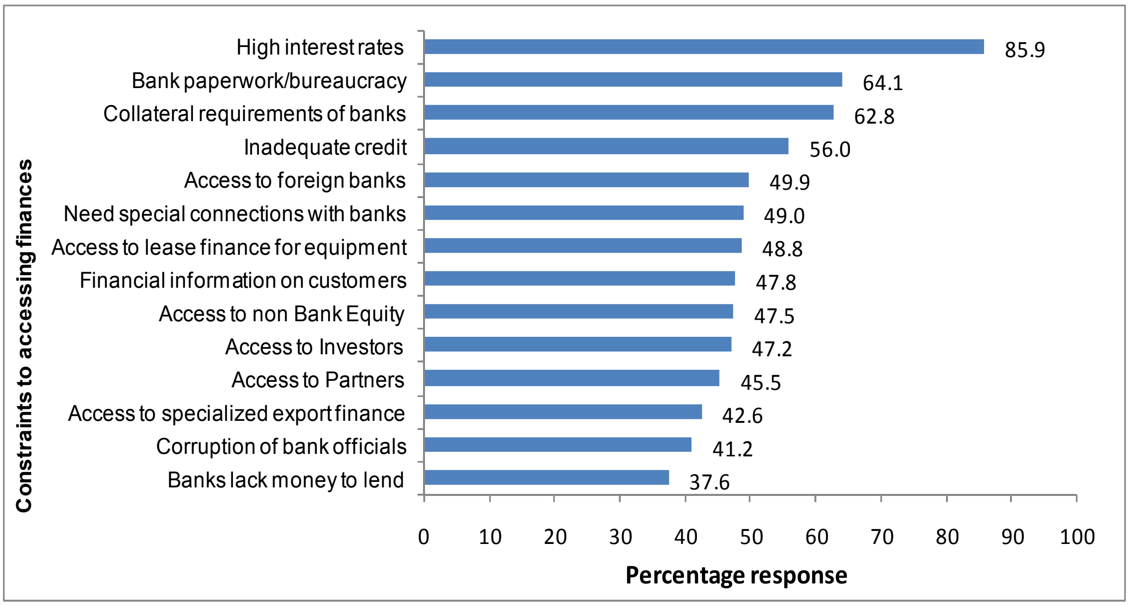
Figure 4.2 Utilisation of Financial Accounting Best Practices.



4.3 Challenges to Private Investment Financing

From Figure 4.3 below, the major obstacle impeding access to investment finance is the high interest rate charged by lending institutions as reported by 85.9 percent projects surveyed. The other second major obstacles to investment financing sited by the investors included the tedious commercial bank bureaucracy and paper work (64.1 percent), high collateral requirement by lending institutions (62.8 percent) and inadequate credit facilities offered by the financial institutions (56.0 percent).

Figure 4.3: Major Challenges of Investment Financing.



The impediments to private investment affect the competitiveness of the economy, with the main issues being access to finance, infrastructure, tax administration, and bureaucracy.

4.4 Summary of Findings

The survey findings show that most firms finance their investment needs through retained earnings and internal funds. In addition, the findings reveal that a major bottleneck to investment financing is the high interest rates which make acquisition of credit very difficult, followed by commercial banking bureaucracy and cumbersome paperwork that delay processing of credit and other financial services.

CHAPTER FIVE

INTERNATIONAL TRADE

5.0 Introduction

This Chapter describes the extent of participation in international trade by the surveyed projects. Specific areas of participation include the nature and level of exports and imports, market competition and marketing of the products, pre-shipment inspections, time taken by Customs authorities to clear and release the goods, and awareness of regional and international trade agreements and opportunities.

Customs offices are at the forefront of monitoring and facilitating international trade. The manner in which Customs Department operates affects international trade. Basing on the internationally accepted norms, standards and best practices of the General Agreement on Trade and Tariffs (GATT 1994), five partner countries in East African Community have continuously embraced trade facilitation with an objective to reduce the time and costs of doing business by operating a 24-hour clearance at main borders. In addition, the EAC partner countries have to greater extent harmonized customs procedures and formalities.

During the survey, investors were asked whether they are involved in international trade as exporters or importers. From the total number of the investors who responded, only 21.5 percent of the respondents were involved in export trade, while 55.1 percent were involved in import trade as indicated in Figure 5.1 below. Of those who involved in exportation, 86.9 percent export merchandise compared to the 13.1 percent who export services. The Services exported include; Consultancy, construction, communication and health services. The goods exported by the investors were mainly manufactured agricultural products.

Figure 5.1: Investors' involvement in International Trade

Among investors involved in the importation of goods and services, most of them are in the manufacturing sector (35.0 percent), followed by wholesale and retail trade; repair of motor vehicles and motorcycles (25.2 percent), Agriculture, forestry and fishing, and Information and communication both with 6.5 percent of the total respondents as indicated in Table 5.1 below. Of those importing, 97.5 percent are involved in importation of merchandise while only 2.5 percent do import services.

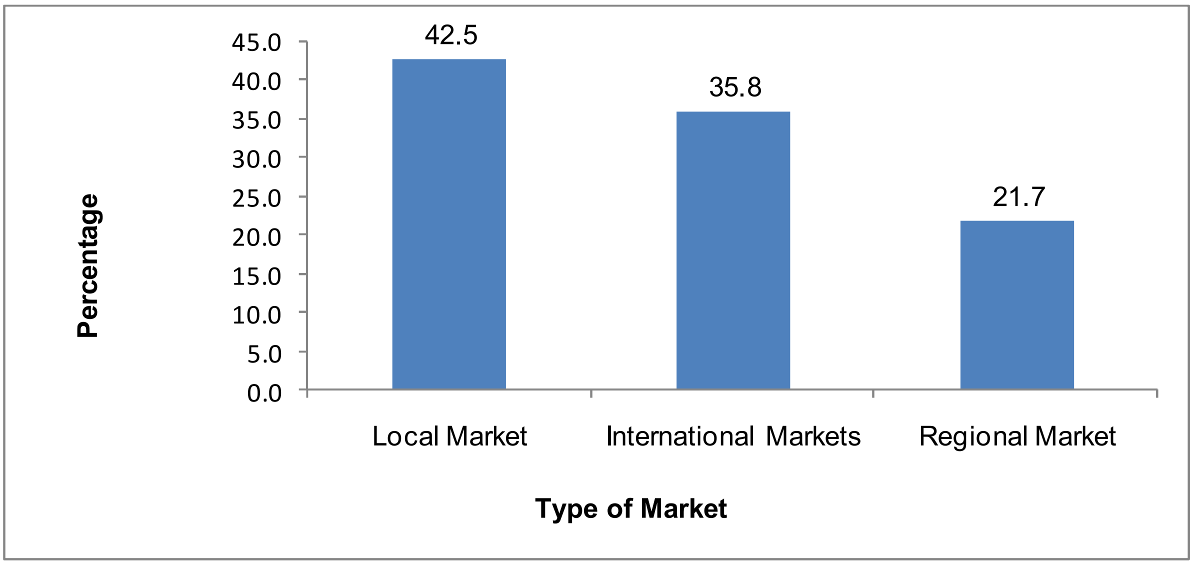
Table 5.1: Distribution of Projects' involved in International Trade by Sector, in percentages

Sector	Importing goods
Manufacturing	35.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	25.2
Agriculture, forestry and fishing	6.5
Information and communication	6.5
Construction	5.5
Accommodation and food service activities	4.7
Real estate activities	3.7
Administrative and support service activities	2.9
Mining and quarrying	2.3
Transportation and storage	1.8
Financial and insurance activities	1.2
Human health and social work activities	1.2
Education	0.8
Water supply; sewerage, waste management and remediation activities	0.8
Arts, entertainment and recreation	0.4
Electricity, gas, steam and air conditioning supply	0.4
NOT ABLE TO SPECIFY	0.4
Public administration and defence; compulsory social security	0.4
Other service activities	0.2
Professional, scientific and technical activities	0.2
GRAND TOTAL	**100.0**

5.1 Markets for investors products

From Figure 5.2 below, the biggest market for the goods produced by the investors is the Local Market with an average share of 42.5 percent, followed by international markets and regional markets with 35.8 percent and 21.7 percent respectively. This implies that a greater part of the investors' merchandise is marketed outside the country

Figure 5.2: Product Market Share

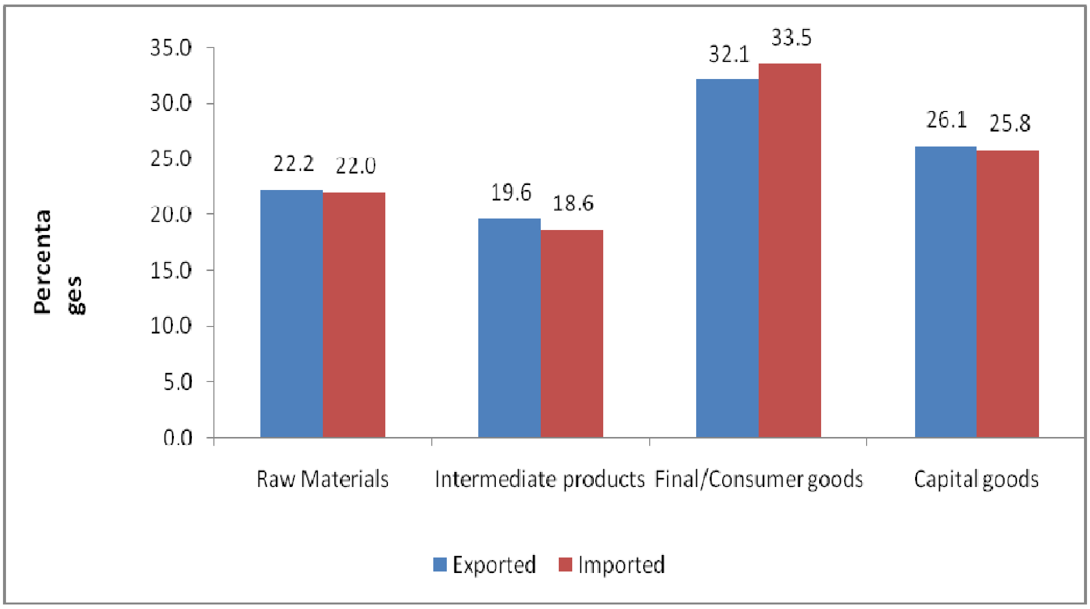


5.2 Nature of Products Exported and Imported during 2010

Investors were asked to mention the nature of the products exported or imported by their companies. The products were categorized into four groups; Raw materials, Intermediate Products, Final/Consumer goods, and Capital goods. From Figure 5.3 below, the findings revealed that most of the investors exported finished/Consumer goods taking 32.1 percent share as compared to Capital goods with a share of 26.1 percent, Raw materials (22.2 percent) and Intermediate products with shares of 19.6 percent.

Similarly, most of the products imported were Final/Consumer goods with an average share of 33.5 percent, followed by Raw materials with a share of 25.8 percent, Capital goods (22.0 percent) and Intermediate products with shares of 18.6 percent.

Figure 5.3: Nature of exported and imported Products

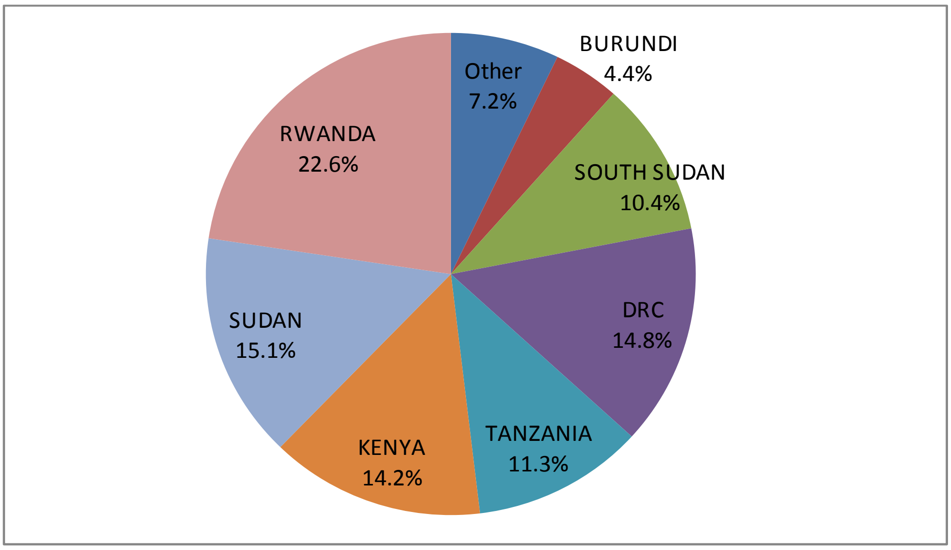


It is important to note that some of the imported raw materials, intermediate and capital goods are used in production process by investors firms.

5.3 Major Regional Export Markets

Figure 5.4 presents the major regional export markets for the surveyed enterprises. The major regional export destination was Rwanda representing 22.6 percent, followed by Sudan (15.1 percent), DRC (14.8 percent), Kenya (14.2 percent), Tanzania (11.3 percent) and Southern Sudan, 10.4 percent. The increase in trade flows with neighbouring countries namely Rwanda, Sudan and South Sudan could be attributed to the elimination of internal tariffs and a stable external tariff regime with in the country. This implies that Uganda trades more with her neighbours mainly in the EAC and COMESA regional blocs.

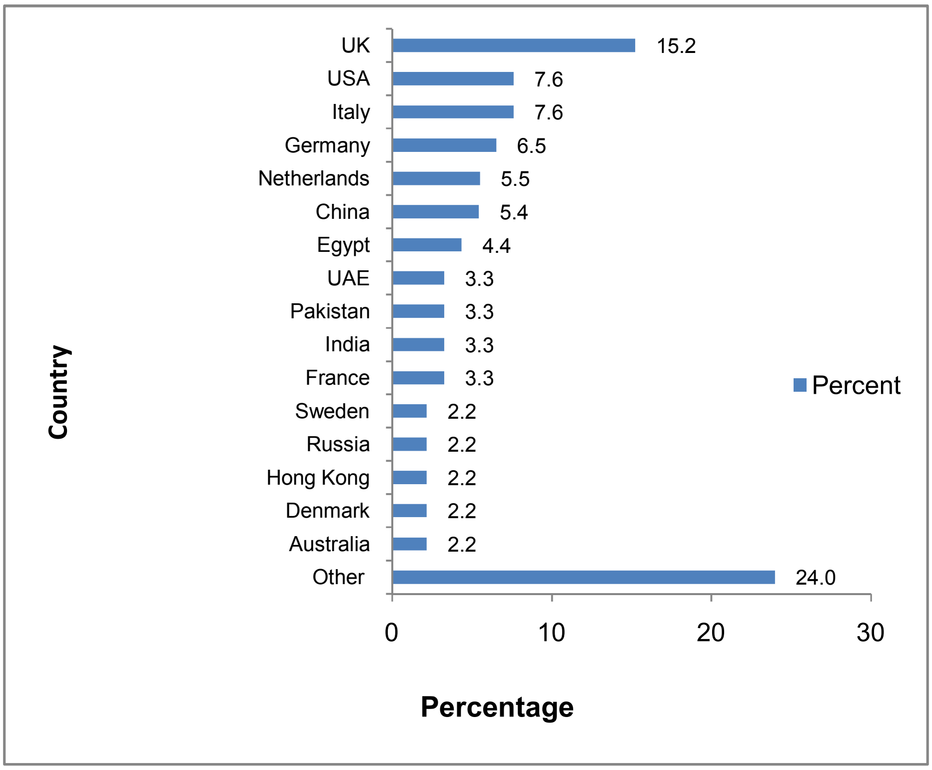
Figure 5.4: Major Regional Export Partners.



5.4 Major International Export Markets

From Figure 5.5 below, the major international export destination for the products produced by the investors was United Kingdom taking 15.2 percent of the exports followed by USA (7.6 percent), Italy (7.6 percent), Germany (6.5 percent), China (5.4 percent) and Egypt (4.4 percent). Others export destinations mentioned included France, India, Netherlands, Pakistan, UAE, Australia, Denmark, Hong Kong, and Russia. The EU alone took the largest export share of over 52 percent.

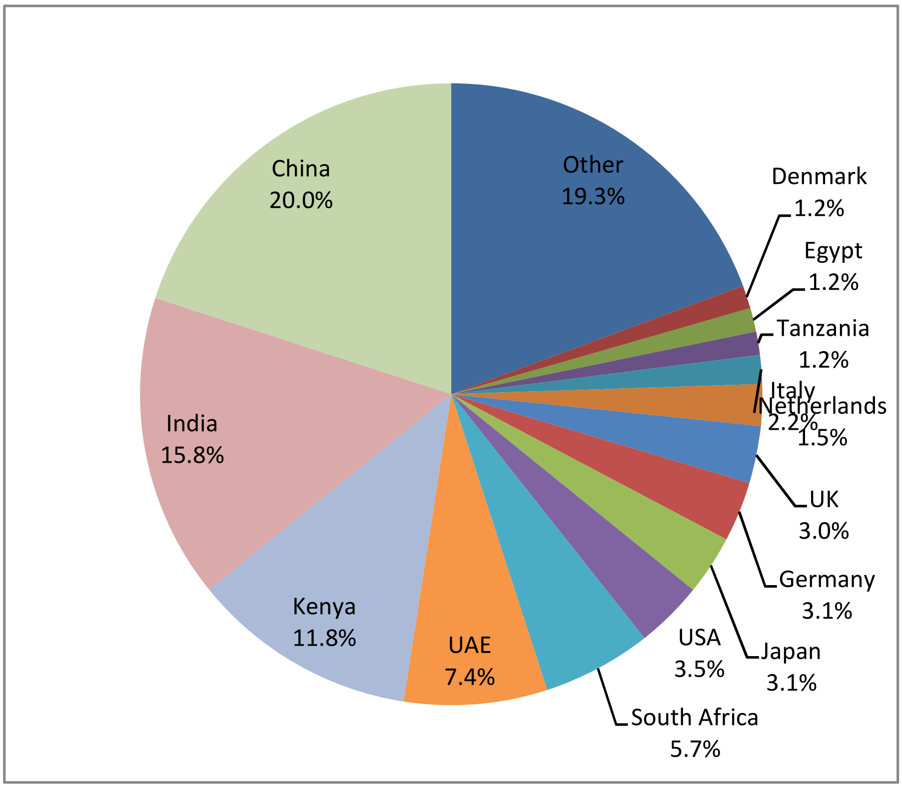
Figure 5.5: Major International Export Partners.



5.5 Major Sources of Imports

From Figure 5.6 below, the major source of imports for the products used by the firms surveyed was China accounting for 20.0 percent of materials purchased. Other sources included India (15.8 percent), Kenya (11.8 percent), United Arab Estimates (7.4 percent), South Africa (5.7 percent), USA (3.5 percent), Japan (3.1 percent), Germany 3.1 percent) and United Kingdom (3.0 percent). This implies that much as most products were imported from the Asian continent and European Union countries.

Figure 5.6: Major Sources of Imports.

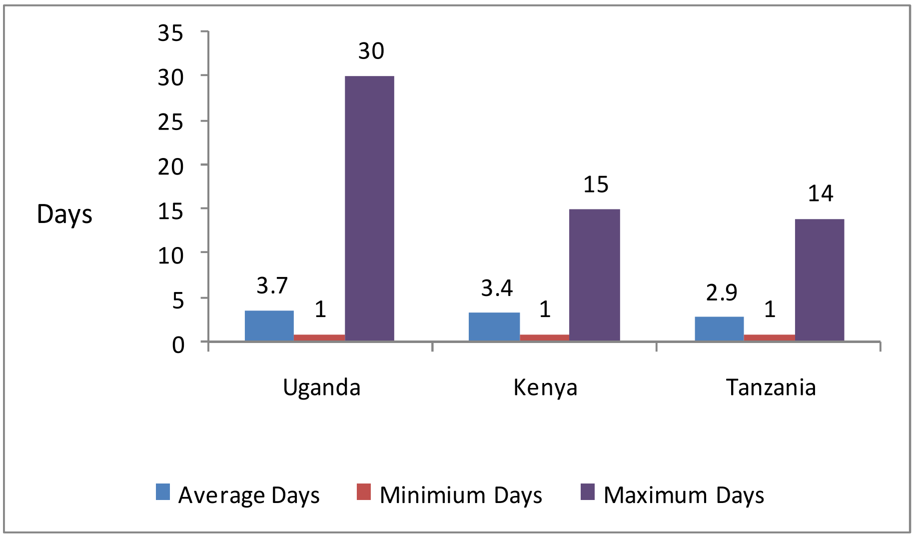


5.6 Clearance and Release of Exports by Customs

During the survey investors were asked to estimate on the number of days taken for their exports to be cleared and released by customs in the three countries of; Uganda, Kenya and Tanzania. Uganda being a land locked country, the major exit port for her exports is Kenya through Mombasa where most of the exports use road transport. In the EAC region, the time required for one to be cleared and released by Customs is 21 days. Therefore, the survey intended to establish the time taken for investors to clear with customs within the EAC region particularly in the three countries.

From the survey results, on average investors reported to take 3.7 days to be cleared in Uganda, 3.4 days in Kenya, 2.9 Days in Tanzania and 6.4 days in any other country other than those three as shown in Figure 5.7 below . Over 70 percent of the respondents reported that clearance and release of the exports takes less than 4 days in all the three countries with a minimum of 1 day and a maximum of 30, 15 and 14 days in Uganda, Kenya and Tanzania respectively. However, in Tanzania investors take the least days to be cleared by customs compared to Uganda and Kenya. The reduced number of days could be attributed to the efforts by the East African Community (EAC) towards reducing tariff and non-tariff barriers and improving the business environment.

Figure 5.7: Time Taken to Clear and Release Export Goods.

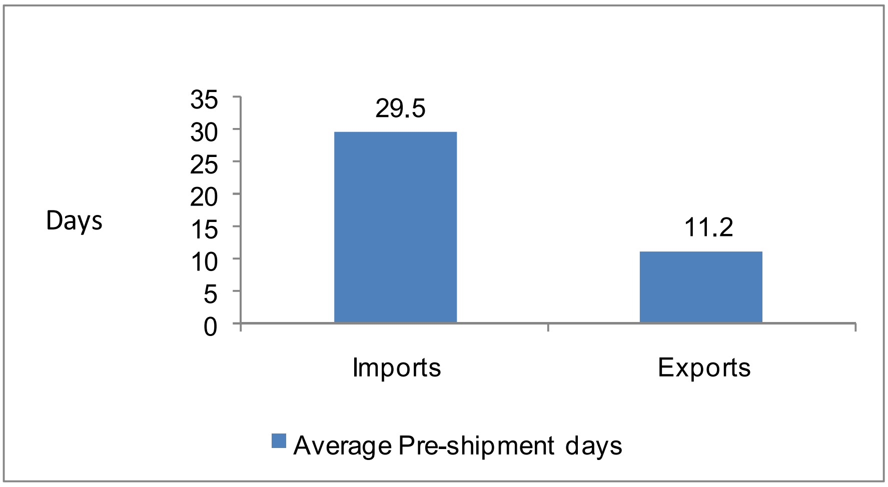


5.7 Pre-shipment inspection of exports and imports

Pre-shipment inspection is done by countries to ascertain the quality, quantity, values and compliance with the required standards of the respective countries. In the EAC region, the standards vary from country to country. However, a lot of effort is being made to harmonise the dimensions to be satisfied before insurance of the pre-shipment certificate. Figure 5.8 below indicates the pattern of pre-shipment inspection of exports and imports by the customs authorities for the surveyed enterprises. From the findings, investors reported that they take on average 11.2 days and 29.5 days for pre-shipment inspection of exports and imports respectively. The process can take a minimum of 1 day for both exports and imports and a maximum of 122 days for exports and 365 days for imports depending on the products or commodities involved.

Over 80 percent of the respondents noted that it takes them less than 10 days for pre-shipment inspection of exports as compared to only 39.3 percent in the case of pre-shipment inspection of imports. This implies that there exists serious trade barrier which increase the cost of doing business, create supply shocks for critical production inputs and raw materials and hence create volatility in exchange rates and price levels in the economy.

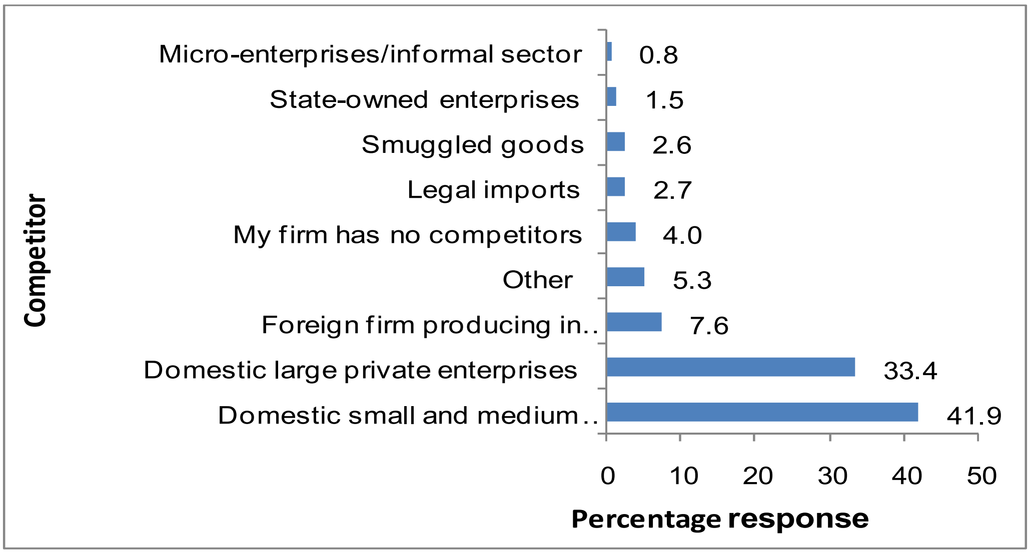
Figure 5.8: Duration of Pre-shipment Inspection of Imports and Exports.



5.8 Market Competition

The investors were asked to name the main competitors for the products they produce. From the findings in Figure 5.9 below, the main source of competition faced by the investors was domestic small and medium enterprises, representing a share of 41.9 percent of the responses. This was followed by the large domestic private enterprises (33.4 percent) and foreign firms producing in domestic market (7.6 percent).

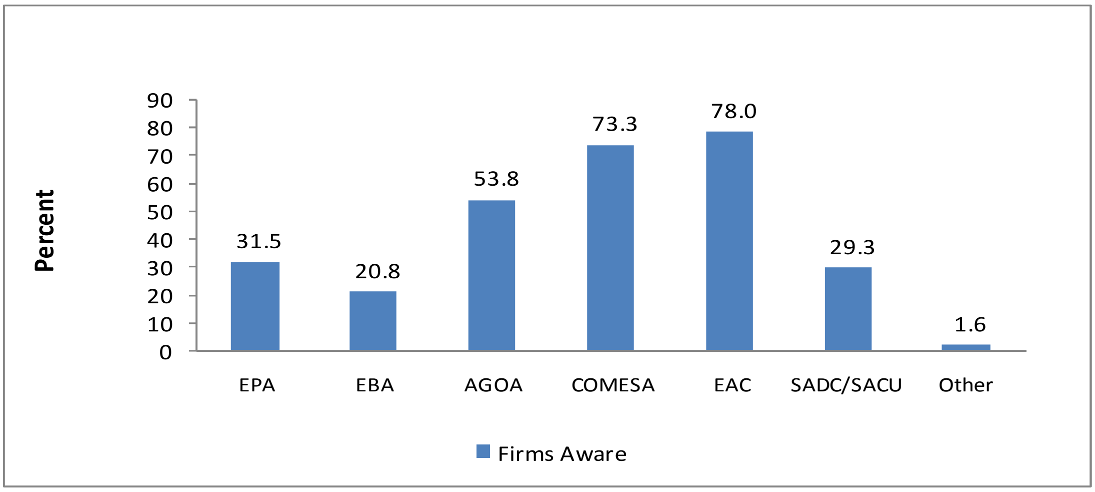
Figures 5.9: Main Competitors for Investors' Products



5.9 Awareness of International Trade Agreements and regional markets

During the survey, investors were asked about the level of awareness of various trade agreements and regional markets as shown in Figure 5.10 below. The highest proportion of respondents mentioned three markets mainly EAC (78.0 percent), COMESA (73.3 percent) and USA under AGOA (53.8 percent) was aware of the markets. About one third of the investors knew about EPA and SADC/SACU markets, and only one in five were aware of Everything But Arms (EBA) initiative under the EU. This indicates that the EAC and COMESA regional blocs are widely known by the investors.

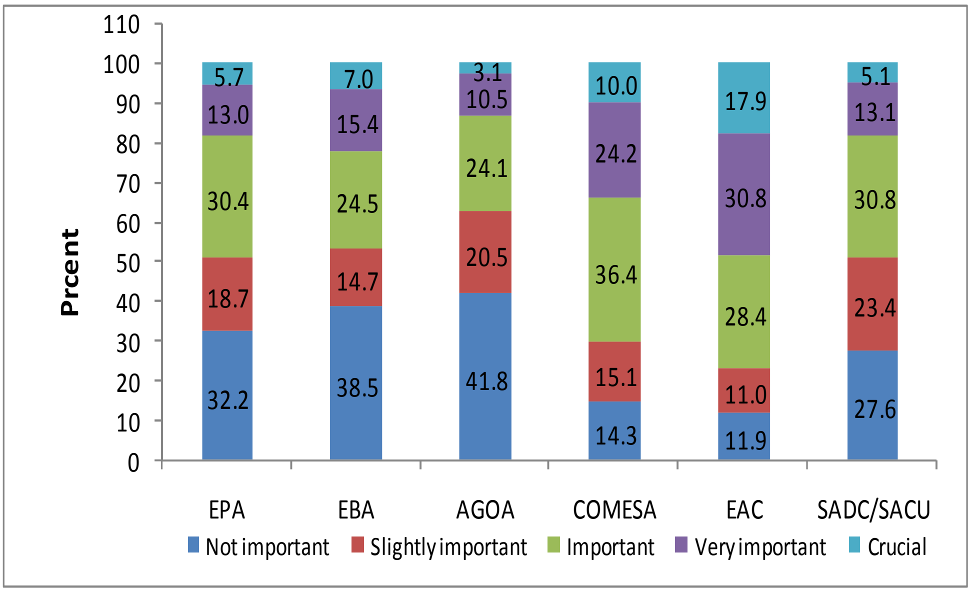
Figure 5.10: Firms' Awareness of International Trade Agreements and Opportunities



5.10 Investors rating of relative Importance of regional and international Markets

On the overall, investors who were aware of the above markets rated them on the scale of crucial, very important, important, slightly important and not important as shown in Figure 5.11 below. For purposes of this survey, the rating for crucial, very important, important have been consolidated into one variable as important to understand the relative importance of markets. Accordingly, 77.1 percent of the respondents indicated EAC as an important market, followed by COMESA (70.6 percent) and then SACU (49.0 percent). On the other hand, a high proportion of 41.8 percent of the respondents found AGOA, followed by EBA (48.5 percent) and EPA (32.2 percent) not important. The above finding underscores the relative importance of the regional markets to investors compared to international markets.

Figure 5.11: Rating Importance of Markets by Investors



5.11 Corporate Social Responsibility

This subsection describes the involvement of surveyed business enterprises in Corporate Social Responsibility (CSR). CSR is viewed as a set of policies, practices and programmes that are integrated into business operations, supply chains and decision making processes of firms. CSR provides a direct marketing benefit, enables firms to induce customers to switch from rival firms, boosts employee morale, community relations, and generally improves customer loyalty. The data collected by this survey maps out the relationship CSR has with the operations of the business enterprises.

The survey findings indicate that the firms contribute most towards safety and security (Shs. 25.6 billion), followed by health and welfare (Shs.23.9 billion), and then education with Shs13.9 billion. The total expenditure on CSR during 2010 was estimated at Shs 76.5 Billion. The Safety and security sector attracted the highest average annual expenditure of Shs 254 million per firm, while the lowest average contribution of Shs 4.1 million went in the environmental preservation and protection campaigns as shown in Table 5.2 below.

The survey findings further established that the highest number of 187 enterprises was engaged in donations to charity, followed by Health and Welfare with 161 enterprises and then Education had 156 enterprises. The above findings show that the security sector is paramount to the survival and operations of business entities, hence the need for government intervention.

Table 5.2: Firms' Involvement in Corporate Social Responsibility during 2010.

	Education	Health and Welfare	Safety and Security	Arts and Culture	Sports Development	Environment	Water	Road	Religious	Donation Charity
Number of Firms spending on CSR	156	161	101	46	73	62	72	61	103	187
Total Expenditure (Million UGX)	13,939	23,944	25,650	274	1,059	257	1,935	864	1,844	6,702
Average Expenditure (Million UGX)	89.4	148.7	254.0	5.2	14.5	4.1	26.9	14.2	17.9	35.8
percent share Spend on CSR	18.2	31.3	33.5	0.4	1.4	0.3	2.5	1.1	2.4	8.8

5.12 Summary of Findings

Over 55 percent of the investors are involved in the importation of products, only 21.5 percent are engaged in export of merchandise. Most of the investors interviewed export and import mostly finished/consumer products taking a share of 32.1 percent and 33.5 percent respectively. Of those who import goods, 35.1 percent are involved in the manufacturing sector. Among those exporting, 34 percent are in the agricultural sector as compared to 29 percent and 25 percent involved in the manufacturing, and whole sale and retail trade respectively.

The Local Market is the biggest market for the products produced by the investors accounting for 42.5 percent of the total market share compared to regional and international markets whose shares were 21.7 percent and 35.8 percent respectively.

Rwanda was the major regional export market destination accounting for 22.6 percent total merchandise exported in the region, followed by Sudan (15.1 percent) and Kenya (14.2 percent). Whereas, United Kingdom is the major international export market standing at 15.2 percent, followed by Italy and United States of America at 7.6 percent. On the other hand, China is the major source of imports used by the investors representing 20.0 percent, then India (15.8 percent), Kenya (11.8 percent) and United Arab Emirates (7.4 percent).

Clearance and release of exports by customs in the three countries of Uganda, Kenya and Tanzania takes on average 3.7 days, 3.4 days and 2.9 days respectively. On the Other hand, pre-shipment inspection for exports and imports takes on average 11.2 days and 29.5 days respectively depending on the product involved. This therefore implies that clearance takes shorter in Tanzania than in any of the other EAC partner states

CHAPTER SIX

GOVERNMENT PARTICIPATION IN PRIVATE SECTOR AFFAIRS

6.0 Introduction

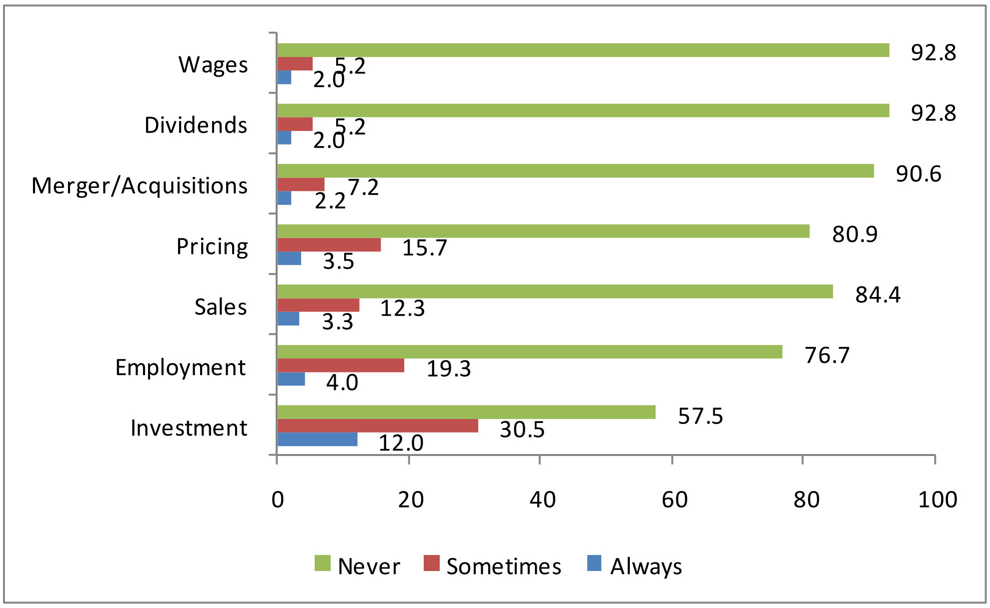
This Chapter describes the extent of Government of Uganda participation in private sector affairs. The private sector is an engine of economic growth, employment creation and socio-economic transformation for prosperity. The private sector largely comprises of Micro, Small and Medium Enterprises (MSME).

Government intervenes in private sector affairs through taxes, subsidies, tax breaks and legal regulations. Without government regulation of business, smaller players would be squeezed out of the market, leading to monopolies that could exploit the consumers. All businesses are required by law to pay taxes on their income. In exchange for these taxes, both businesses and individuals are supplied with various public goods such as roads, utilities, security services and fire protection. Many of the taxes that are collected from businesses by the government are then returned to businesses in the form of subsidies. Subsidies are given to businesses based on a number of factors, including the importance of the service the business provides to society at large, economic threats to the business and various aspects of international trade and protectionism. In general, the Government has a role to play to encourage private sector growth and attract more investment for socio-economic development.

6.1 Government intervention in Business decisions

The Survey sought to establish the level of Government intervention in private sector affairs. The responses on the influence of Government decisions and activities on the business entities' investment, employment, pricing and wage determination among others were obtained from the Survey. The majority of the businesses indicated limited government interference in their business decisions in all aspects. About 93 percent of firms indicated that determination of wages and sharing of dividends was never interfered with by government, followed by mergers and acquisitions (90.6 percent), sales (84.4 percent), Pricing (80.9 percent), employment (76.7 percent) and finally investment decisions with 57.5 percent. Meanwhile, a small proportion of the businesses reported interference in the investment decisions stood at 30.5 percent, followed by employment with 19.3 percent. The above finding reinforces the government policy of economic liberalisation and pursuing a laissez faire market approach of management of the private sector affairs.

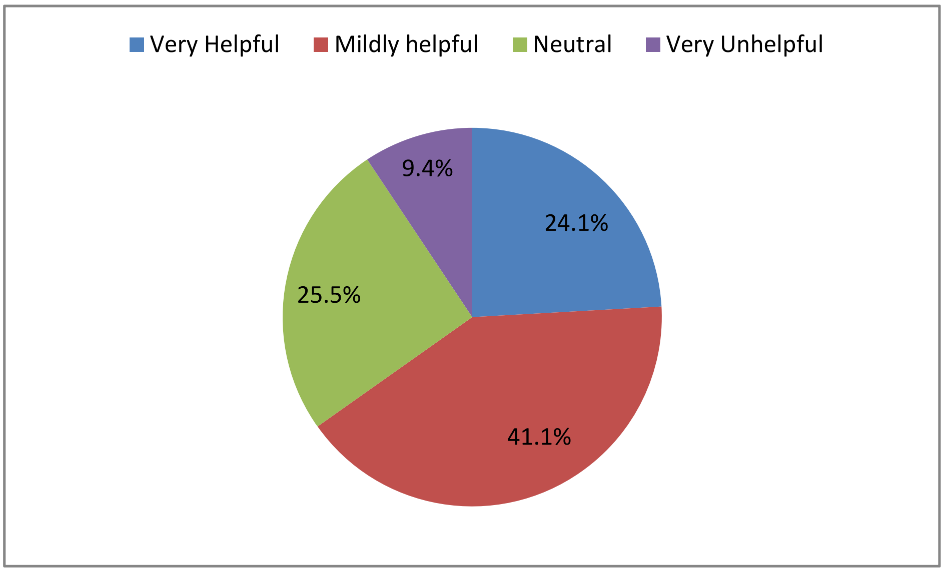
Figure 6.1 Level of Government Intervention in Influencing Firms' Business Decisions



6.2 Investor's Perception of Government Assistance to private sector

On how investors view government assistance to their business operation, respondents were asked to rate government whether it was very helpful, mildly helpful, neutral or very unhelpful. From Figure 6.2 below, the findings indicate that a combined 65.2 percent of the respondents viewed government as helpful in doing business be it mildly helpful, while only 9.4 percent perceived government as being very unhelpful. The above findings indicate that despite government running a liberalised economy, its influence is felt by the private sector in a positive manner through various policy interventions.

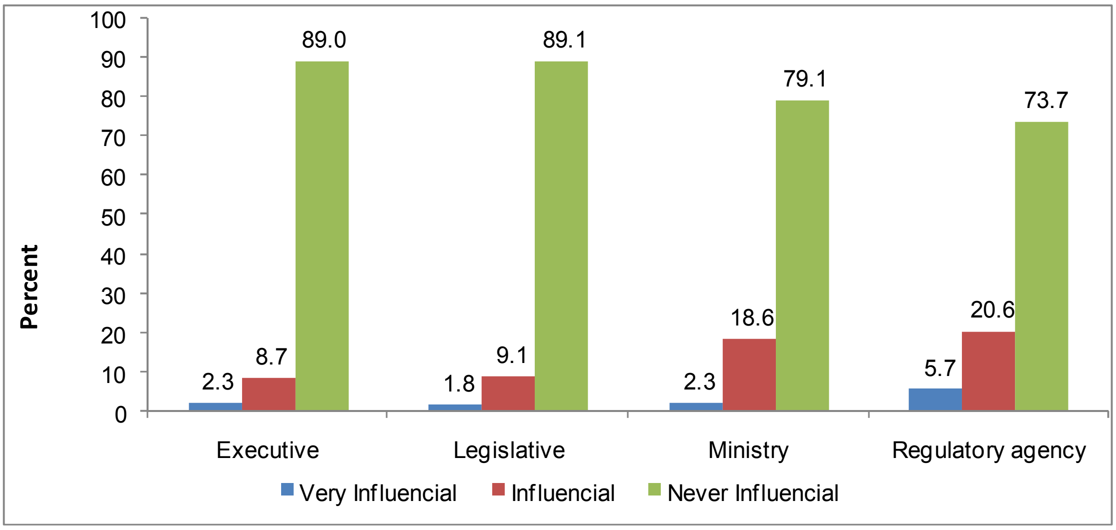
Figure 6.2: Perception of government assistance to private firms



6.3 Influence of Business Entities on National Legislations

When asked about the level of influence by investors firms at national level on new laws, regulations or decree, nearly 90 percent of the respondents reported that their firms never have influence at Executive and Legislative level, while 79.1 percent had no influence at Ministerial and 73.7 percent at Regulatory agency levels. However, 20.6 percent of the respondents had influenced decisions at Regulatory Agency level compared to other levels of government as shown in Figure 6.3 below. This implies that regulatory agencies of Government deal with investors on business affairs than any other form of government.

Figure 6.3: Level of Investor firms influence at national level



6.4 Assistance Offered by Government Officials to Investors

During the survey, investors were asked to rate their perception on the assistance received from government officials for the last 3 years on the four scale rate of increased, remained about the same, decreased and don't know. From the findings, 38.2 percent of the respondents revealed that assistance received from the government officials remained about the same, 19.8 percent said it increased and about 10.3 percent reported a decrease in the assistance as indicated in Table 6.1 below.

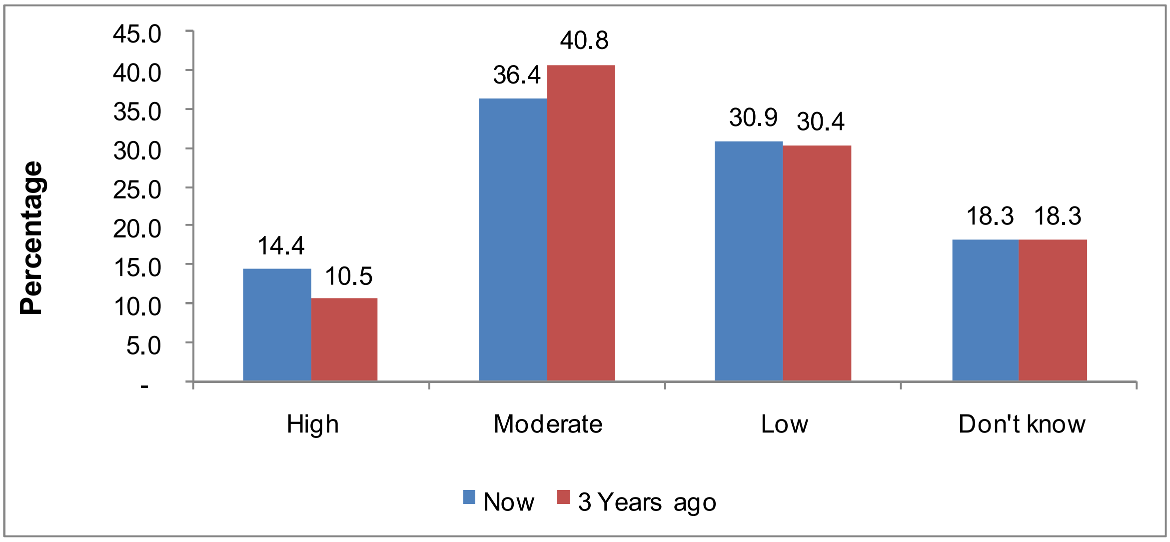
Table 6.1: Investors' Rating of the Level of Assistance from Government Officials

Response	Percentage
Increased	19.8
Remained about the same	38.2
Decreased	10.3
Don't Know	31.4
Total	**100**

6.5 Level of Investor's Confidence in the Country's Financial System

Furthermore, respondents were requested to rate their confidence in the country's financial systems' ability to provide financial services to the private sector. On the average, findings revealed that 14.4 of the respondents have high confidence in the country's' financial systems' in providing financing to private firms compared to 24.5 percent whose confidence was low. However, their level has relatively improved as of now compared to that of 3 year ago as shown in Figure 6.4 below. Overall, the level of confidence in the financial sector is better now compared to three years ago.

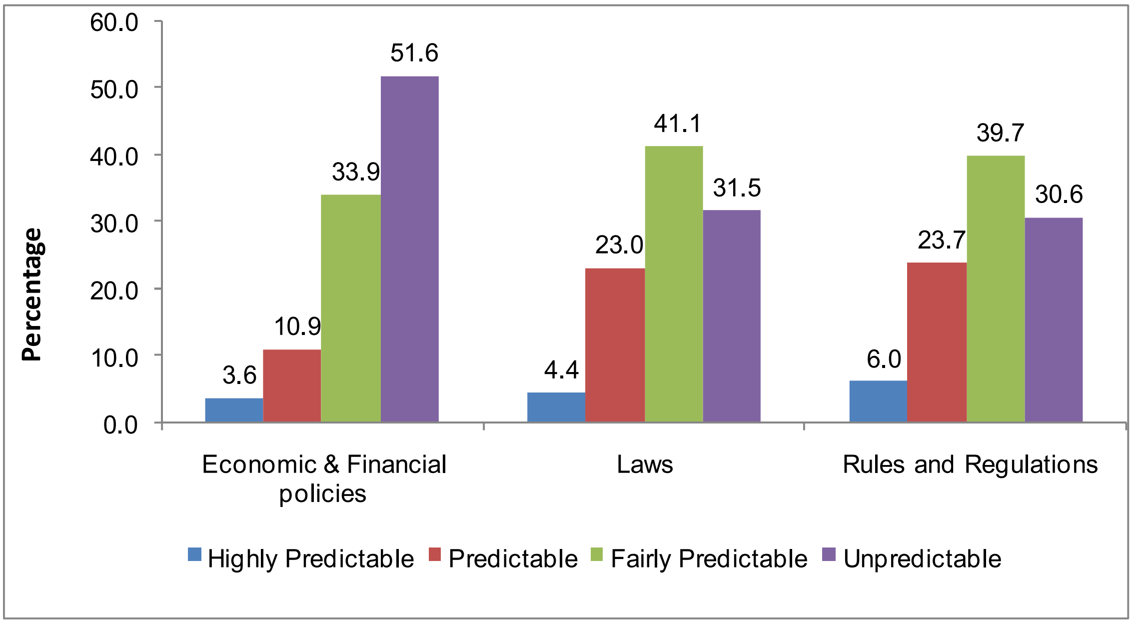
Figure 6.4: Level of confidence in the country's financial systems in providing financial services.



6.6 Predictability of Government Policies and Regulations

From Figure 6.5 below, the survey findings revealed that 51.6 percent of the firms considered economic and financial regulations unpredictable while a combined 48.4 percent found them largely predictable. On the other hand, 68.5 percent of the respondents indicated that business laws were predictable with only 31.5 percent who said the laws were unpredictable. Similarly, 69.5 percent of respondents indicated that the rules and regulations were unpredictable. Overall, the government policies and regulations were found to be predictable, to some extent, which is good for investment climate.

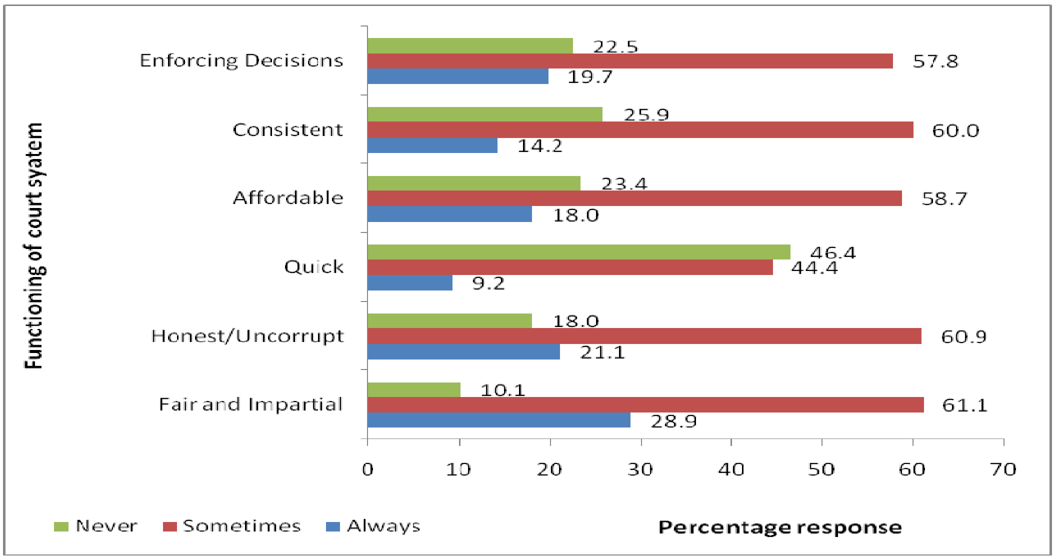
Figure 6.5: Predictability of Government Policies and Regulations



6.7 Perceptions of the Court System in Handling Business Disputes

The majority of the firms surveyed indicated that court system was largely fair and impartial in handling business disputes. Approximately, 90 percent of the business entities surveyed perceive the Court System to be fair and impartial in handling their business disputes. Furthermore, 82 percent of the business entities considered the court system to be an honest, while 76.6 percent reported that the Court System was affordable. Meanwhile, 74.2 percent of the firms considered the judgement of Court cases consistent and 77.5 percent indicated that the system was well facilitated to enforce court ruling and decisions. However, 46.4 percent of firms maintained that the Court system is slow in execution of judgement on court cases. Overall, the investors revealed that the court system was functionally efficient and impartial despite delays in execution of judgements.

Figure 6.6: Investors' Perceptions of the Court System



6.8 Summary of Findings

The majority of the businesses indicated government limited interference in their business decisions in all aspects. Over 92 percent of firms indicated that determination of wages and sharing of dividends was never interfered with by government, followed by mergers and acquisitions (90.6 percent), sales (84.4 percent), pricing (80.9 percent), employment (76.7 percent) and finally investment decisions with 57.5 percent. The above finding reinforces the government policy of economic liberalisation and pursuing a laissez faire market approach of management of economic affairs

The findings indicate that a combined 65.2 percent of the respondents view government as helpful in doing their business, while only 9.4 percent perceived government as unhelpful. The findings show that, the government continues to play a leading role in guiding the private sector through relevant policies and institutions.

The majority of the investors have never had influence on legislative process on national laws, regulations or degrees at Executive, Ministerial, and Legislative/Parliamentary and Regulatory Agency levels. However, only 20.6 percent of the respondents had influenced decisions at Regulatory Agency level compared to other forms of government.

The majority of the investors indicated that court system was largely fair and impartial in handling business disputes. Approximately, 90 percent of the business entities surveyed perceive the Court System to be fair and impartial in handling their business disputes. Furthermore, 82 percent of the business entities considered the court system to be an honest, while 76.6 percent reported that the Court System was affordable. Meanwhile, 74.2 percent of the firms considered the judgement of Court cases consistent and 77.5 percent indicated that the system was well facilitated to enforce court ruling and decisions.

CHAPTER SEVEN

BARRIERS TO BUSINESS OPERATIONS AND EXPANSION

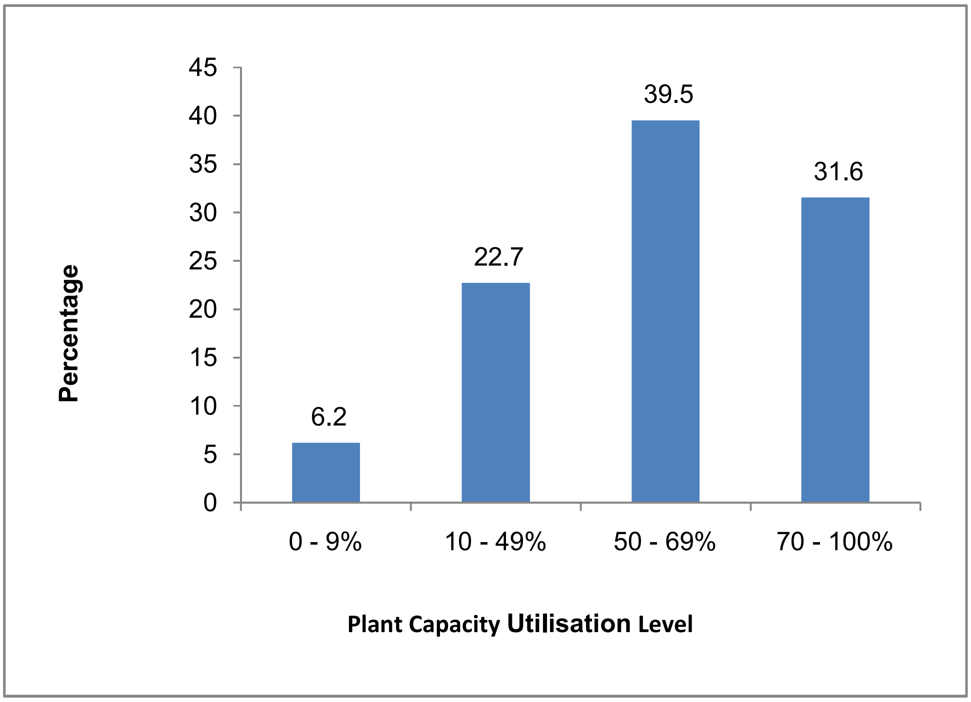
7.0 Introduction

This chapter gives an overview of barriers to business expansion in Uganda. It provides information on capacity utilisation levels of investor's plants that were involved in production in 2010. It also covers the economic, social and financial factors affecting the investors' operations, how efficient and costly the services delivered by different agencies are rated, as well as the impact of the regulatory and other government agencies' activities had on investor's business operations.

7.1 Plant Capacity Utilisation

The survey considered a plant to be underutilised if its capacity utilisation was below 70 percent. The survey findings revealed that approximately 31.6 percent of businesses operated within the installed capacity utilisation levels. This implies that the majority of the businesses (68.4 percent) operated below their plant installed capacity levels in 2010 as shown in Figure 7.1 below.

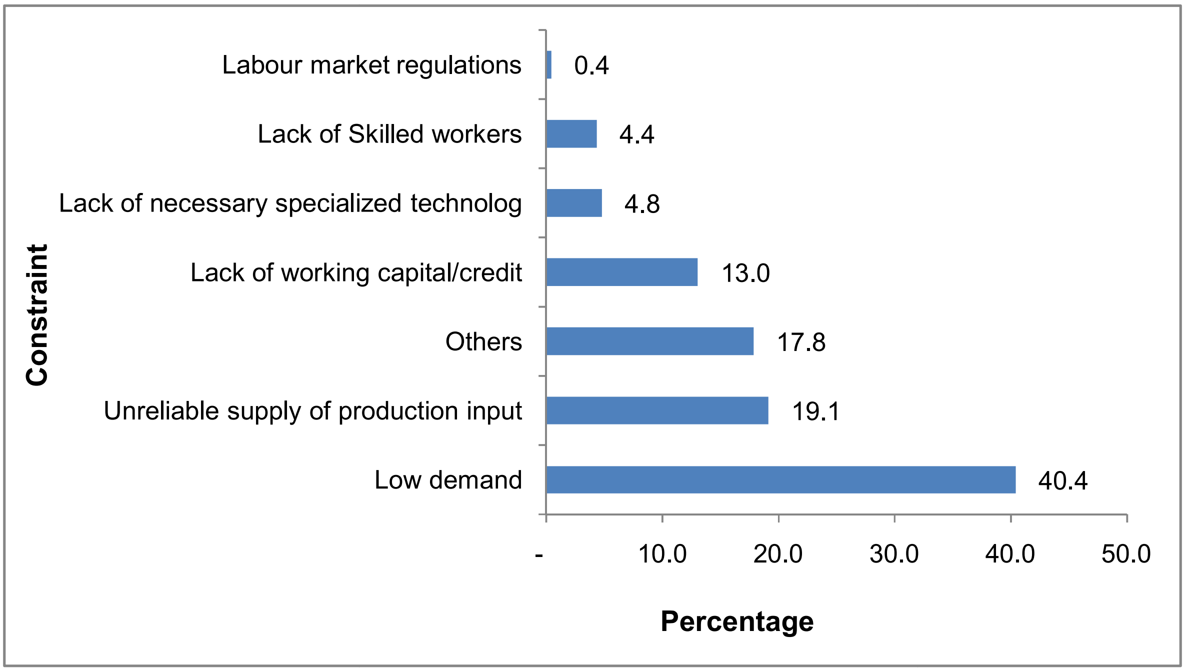
Figure 7.1: Investor's Plant Capacity Utilisation Level in 2010



7.2 Reasons for Low Plant Capacity Utilisation

The survey results in Figure 7.2 below shows the constraints that led to the capacity plant utilisation to be below 70 percent. During 2010, the low demand which accounted for 40.4 percent of the responses was mentioned as the main constraint the led to down scaling of production activities in most entities. This was followed by unreliable supply of production inputs (19.1 percent) and lack of working capital (13.0 percent). Lack of skilled workers (4.4 percent) and labour market regulations (0.4 percent) were considered as least constraints. The low demand could have been attributed to inflationary pressures and high oil prices that sky rocketed prices of most merchandise thereby reducing the consumers demand.

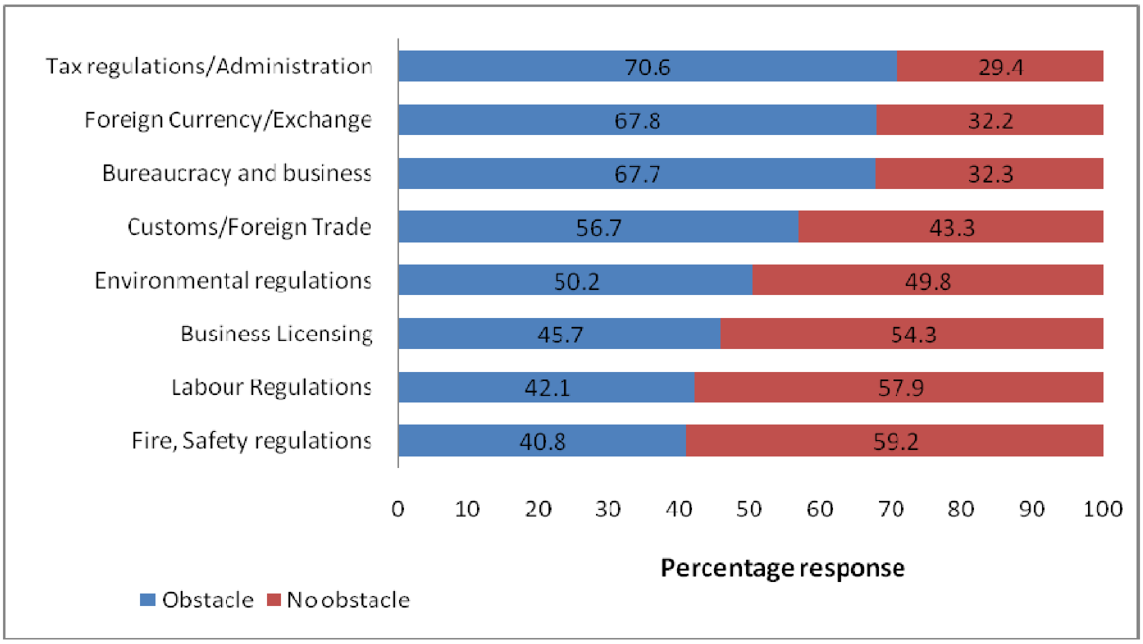
Figure 7.2: Reasons for Low Plant Capacity Utilisation



7.3 Regulatory Barriers to Business Expansion

Among the major regulatory impediments to business expansion considered by investors were tax regulations and administration (70.6 percent), followed by foreign currency and exchange regulations (67.8 percent) and bureaucracy and business regulations (67.7 percent) as shown in Figure 7.3 below. The findings further show that more than half of the respondents indicated that fire safety (59.2 percent) regulations, labour laws (57.9 percent) and business licenses (54.3 percent) were considered the least obstacles towards business expansion.

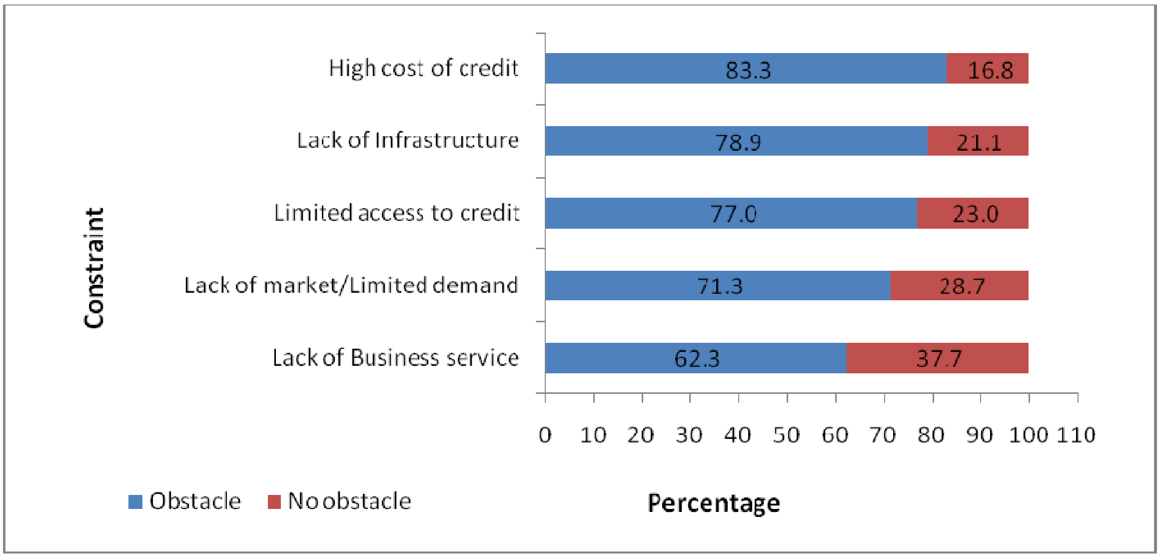
Figure 7.3: Regulatory barriers to Business expansion in Uganda



7.4 Non Regulatory Barriers to Business Expansion

The survey results revealed that high cost of credit (83.3 percent) coupled with poor infrastructure(78.9 percent) and limited access to credit (77.0 percent) were considered the main non-regulatory factors which obstructed the operations and growth of investors businesses. The high cost of credit could be associated with the high interest charged by financial institutions.

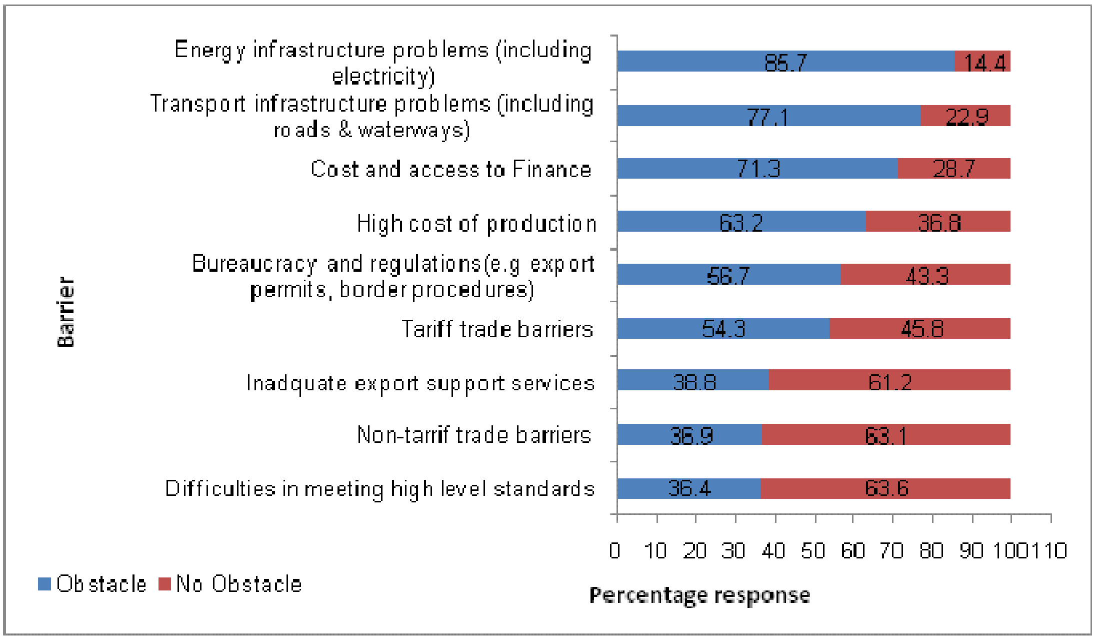
Figure 7.4: Non Regulatory Barriers to Business Expansion



7.5 Barriers to Expanding Business at Local Level

The survey collected information from surveyed firms on barriers to expanding business locally as shown below in Figure 7.5. From the finding, the main obstacles to expanding business locally were energy infrastructure problems (85.7 percent), followed by transport infrastructure including roads and railways (77.1 percent), cost and access to finance (71.3 percent) and high cost of production (63.2 percent). Meanwhile, respondents reported Non-tariff barriers (36.4 percent) as the least obstacle locally.

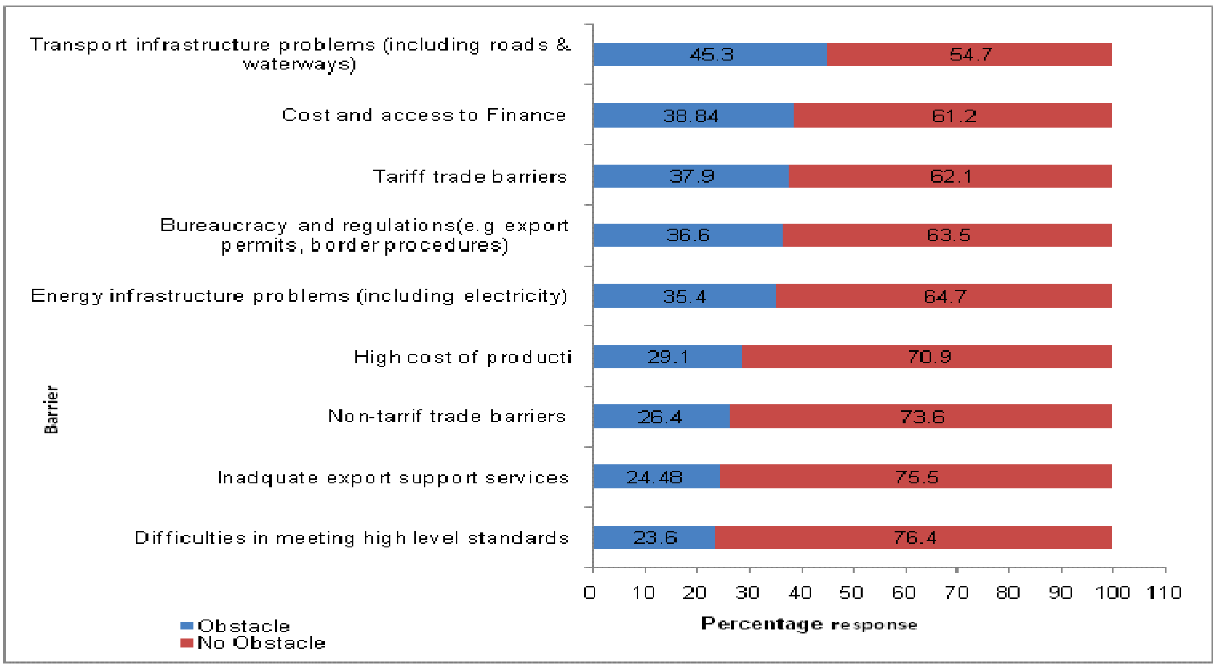
Figure 7.5: Barriers to expanding business locally



7.6 Barriers to Expanding Business at Regional level

Similarly, at regional level, transport infrastructural problems were singled out by 45.3 percent of the respondents as the main barrier to expanding their businesses. In addition, cost and access to financial services (38.8 percent) and trade tariff barriers were mentioned as other obstacles that hindered business expansion at regional level. In general, most investors saw no obstacles in expanding their businesses.

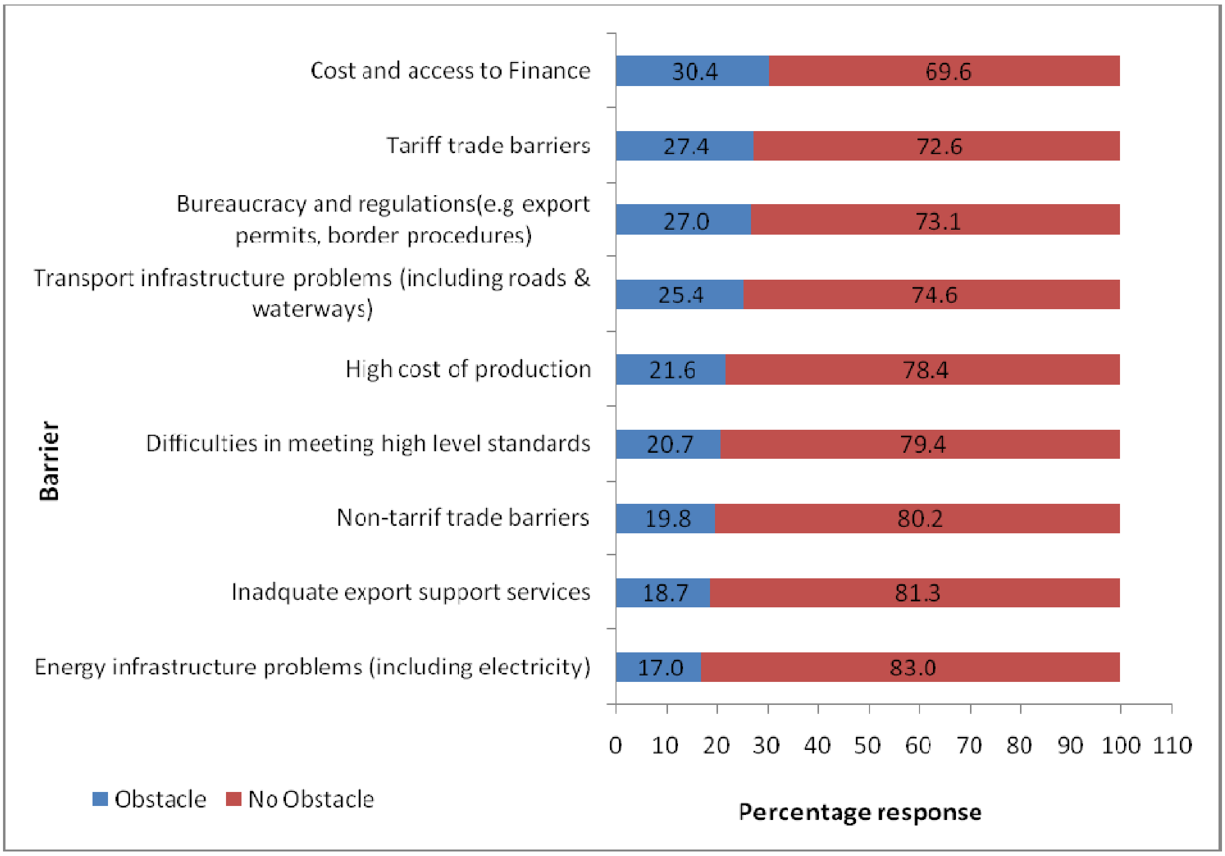
Figure 7.6: Barriers to expanding business at Regional Level



7.7 Barriers to Expanding Business at International Level

Figure7.7 shows barriers experienced by investors in expanding their business at International level. The findings show that a majority of respondents indicated that there were no barriers to expanding their businesses. It also reveals that close to a quarter of businesses found the following barriers as obstacles to expanding business at this level: cost and access to finance (30.4 percent), tariffs on trade (27.4 percent), bureaucracy and regulations (27.0 percent) and transport infrastructure problems (25.4 percent).

Figure 7.7: Barriers to Expanding Business at International Level



7.8 Effect of Economic and Financial Factors to the Business Entity in 2009

The respondents were asked to rate the effect of economic and financial factors on their businesses operations in 2009. The findings revealed that, the three major factors: inflation rate (49.2 percent), interest rate (45.4 percent) and the exchange rate (44.6 percent) were perceived to have had a high negative effect on their business operations. The respondents commented that inflation rate was high and therefore led to: currency depreciation, high cost of running businesses, reduced value of signed contracts, reduced purchasing power, discouraged borrowing and local raw materials became expensive. They also commented that the interest rate was high and hence loan acquisition was expensive, increased the cost of production and reduced profits. The respondents comments on the exchange rate was that, it was usually high and volatile which resulted into delays in payments by entities that had been affected by exchange losses, fluctuations and unpredictable prices of raw materials which had a negative effect on the working capital and business management.

Table 7.1: Economic and Financial Factors that Affected Business Operations in 2009 (percent)

Factors	*High positive effect*	*High negative effect*	*Moderate effect*	*Low effect*	*No effect*
Domestic market size	30.6	14.8	30.1	9.3	15.2
Smuggling	1.6	14.7	7.9	12.8	63.0
Corruption	4.7	23.6	14.6	19.8	37.4
Competition of imports	3.8	20.7	18.0	12.4	45.1
Access to international markets	6.7	11.7	21.6	11.2	48.8
Corporate tax	3.3	14.0	29.8	19.8	33.2
Customs and excise duty	3.8	15.5	28.4	18.5	33.8
Interest rate	9.1	45.4	23.4	7.4	14.8
Exchange rate	10.0	44.6	28.6	8.0	8.8
Inflation rate	9.3	49.2	28.3	8.0	5.3
Access to local business finance/credit	9.7	23.8	27.1	12.5	26.8
Access to regional business finance	5.9	19.2	13.4	11.2	50.3
Access to international finance	7.5	18.6	8.5	10.9	54.5

7.9 Effect of Economic and Financial factors to the Business entity in 2010

Table 7.2 shows the factors that affected business operations both economically and financially in 2010. The findings show that the factors that affected business operations are similar to what was observed in the previous year. Inflation rate (69.9 percent), exchange rate (60.34) and interest rate (55.8 percent) were the three major factors that had a high negative effect on business operations. This, therefore, suggests that maintaining the stability of the three leading economic indicators would highly impact on the business operations and boost the investors' confidence. Moreover, this would have a direct impact on the cost of credit which investors perceive to be high and critical impediment to business expansion.

Table 7.2: Economic and Financial Factors that Affected Business Operations in 2010 (percent)

Factors	*High positive effect*	*High negative effect*	*Moderate effect*	*Low effect*	*No effect*
Domestic market size	32.4	15.1	28.3	7.9	16.3
Smuggling	1.4	13.5	8.1	13.1	63.8
Corruption	4.9	23.8	14.6	19.5	37.2
Competition of imports	4.4	21.6	17.6	11.8	44.7
Access to international markets	7.4	12.0	21.2	10.8	48.7
Corporate tax	3.4	15.1	28.9	18.4	34.2
Customs and excise duty	3.9	15.9	28.6	17.4	34.3
Interest rate	10.4	55.8	14.3	5.5	14.0
Exchange rate	11.6	60.4	16.3	4.6	7.1
Inflation rate	10.5	69.9	13.2	2.4	4.1
Access to local business finance/credit	8.4	29.4	23.2	11.0	28.0
Access to regional business finance	4.9	22.2	13.0	10.0	49.9
Access to international finance	7.0	20.9	8.5	9.4	54.2

7.10 The Overall Efficiency of Services by the Respective Agencies in 2010

During the survey, the respondents were asked to rate the overall efficiency of services as delivered by the respective agencies in 2010 as presented in Table 7.3 below. For the purpose of this survey, the rating for "Excellent, Very Good and Good" were all considered as efficiency for the service being delivered to be generally good. Meanwhile services perceived to be "Very poor and Poorly" delivered were all considered as poor services. The findings indicate that, electricity (76.6 percent), railway transport (73.3 percent) and public health care (50.1 percent) were the most poorly delivered services. The most efficiently delivered services in the economy were rated as banking services (77.8 percent), Air transport (77.3 percent), Insurance services (69.2 percent), Telecommunication services (68.1 percent), Postal services (67.6 percent) and Military/Armed forces services rated at 65.0 percent. The poor services provided for electricity was linked to frequent load shedding, high power tariffs, irregular power supply and the unfair billing which is often based on estimates other than actual consumption. The poor service for railway transport was attributed to: non-functional, undeveloped railway system with poor rails. The respondents further indicated that this means of transport seemed to have been abandoned and requested government to revive the railway system. In regard to the poor public health care services provided, the investors pointed out: lack of medicine/drugs in hospitals and health centres, inadequate medical personnel, insufficiently facilitated and is in a sorry state.

Table 7.3: Rating Overall Efficiency of Services as Delivered by the Respective Agencies in 2010 (%)

Factors	*Good*	*Fair*	*Poor*
Regulatory/Judicial			
Customs services	56.3	35.1	8.6
Immigration services/work permits	41.7	34.0	24.3
Legal services	51.0	39.7	9.3
Licenses/permit fees	51.9	38.7	9.4
Infrastructure			
Electricity	9.1	14.3	76.6
Road transport	19.7	43.9	36.4
Railway transport	8.4	18.4	73.3
Water transport	27.8	43.9	28.2
Air transport	77.3	16.2	6.5
Postal services	67.6	23.9	8.5
Telecommunication	68.1	23.1	8.8
Internet	56.3	31.2	12.5
Insurance services	69.2	24.6	6.3
Banking services	77.8	16.7	5.5
Water supply	61.1	31.4	7.5
Policy/Legislation			
Internal revenue services	41.4	44.5	14.1
Municipal services (garbage, sewerage, etc.)	25.7	34.7	39.6
Office of the President/PM/Cabinet	51.6	36.2	12.1
Local government	36.6	44.3	19.1
The Parliament	50.6	37.2	12.2
The Central Bank	57.7	30.9	11.5
Human Services			
Public Health Care/Hospital	22.9	27.1	50.1
Education Services	40.8	35.4	23.8
Security Services			
The Police services	39.8	38.7	21.6
Private Security Guards services	43.0	36.3	20.7
The armed forces/Military services	65.0	31.3	3.7

7.11 The Overall Cost of Services Delivered by the Respective Agencies in 2010

Table 7.4 below presents the respondent's perception about the cost of services as delivered by the respective agencies. The cost rating for "Too High and High" was considered as High; while for "Low and Too Low" were considered as the cost being generally Low. Investors rated the following services to be expensive: electricity (89.7 percent), air transport (77.1 percent), banking (61.9 percent) and road transport (60.8 percent). They attributed the high cost of electricity to: high power tariffs, frequent load shedding and unreliable power supply. The high cost for air transport was attributed to very high freight charges. The banking service cost was also rated high due to high and hidden bank charges, high interest on loans and long queues resulting in time wasting. The high cost for road transport was attributed to high fuel prices, heavy traffic jam, inaccessible, poor and potholed roads which requires repairing and regular maintenance of the roads.

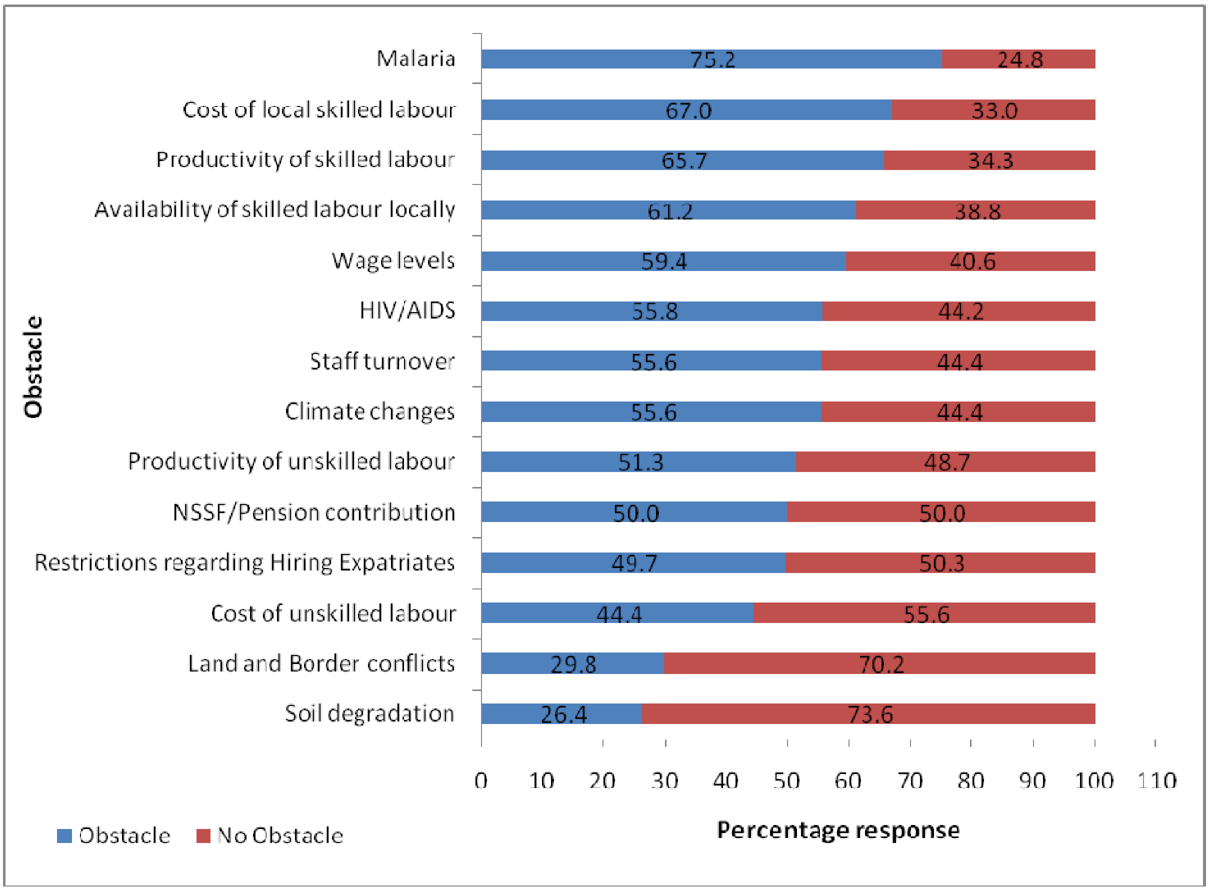
Table 7.4: Rating the Overall Cost of Services Delivered by the Respective Agencies (percent)

Factors	*High*	*Fair*	*Low*
Regulatory/Judicial			
Customs services	43.1	51.3	5.6
Immigration services/work permits	41.4	50.5	8.0
Legal services	40.4	52.0	7.6
Licenses/permit fees	33.4	58.3	8.3
Infrastructure			
Electricity	89.7	8.0	2.3
Road transport	60.8	30.8	8.5
Railway transport	34.0	40.1	25.9
Water transport	19.7	60.0	20.3
Air transport	77.0	19.1	3.9
Postal services	13.3	66.7	20.0
Telecommunication	55.4	40.0	4.7
Internet	51.8	42.6	5.7
Insurance services	47.4	48.9	3.8
Banking services	61.9	35.0	3.1
Water supply	26.0	61.0	13.0
Policy/Legislation			
Internal revenue services	39.7	53.9	6.4
Municipal services (garbage, sewerage, etc.)	28.9	58.2	12.9
Office of the President/OPM/Cabinet	25.5	59.0	15.5
Local Governments	21.9	62.0	16.1
The Parliament	27.5	55.5	17.0
The Central Bank	37.8	52.2	10.0
Human Services			
Public Health Care/Hospital	59.3	31.7	9.0
Education Services	64.5	29.6	5.9
Security Services			
The Police services	31.8	51.5	16.8
Private Security Guards services	55.5	37.2	7.3
The armed forces/Military services	18.5	55.8	25.7

7.12 The Effect of Labour, Environment and Health Factors on the Business Activities in 2010

The labour and health factors affect labour cost and productivity and are considered as important factors that affect business operations. The respondents were asked to rate the effect of labour, environment and health factors on their business activities during 2010, whose findings are presented in Figure 7.8 below. The main labour, environment and health factors that were reported to have affected business activities were: malaria (75.2 percent), cost of skilled labour (67.0 percent), productivity of skilled labour (65.7 percent), availability of skilled labour locally (61.2 percent) and wage levels (59.4 percent). It can be observed that principally all major obstacles were labour related except malaria which had a direct effect on labour productivity. The solutions to these obstacles were identified to be: distributing free mosquito nets to employees, more sensitisation on mosquito net use, improve on control and treatment and more research on malaria control. In relation to labour factors, the cost of skilled labour was reported to be high and therefore fixing a minimum wage by government was proposed; and providing workers with a top up salary. In relation to improving labour productivity, the respondents recommended in house training, upgrading technical and vocational centres to equip trainees with adequate skills, reform the education system/curriculum to provide demand driven training and courses required by employees.

Figure 7.8: Effect of Labour, Environment and Health Factors on the Business Activities in 2010 (%)



7.13 The impact of Regulatory and Other Government Agencies on Business Activities in 2010

The survey investigated the impact of regulatory and other government agencies on business operations in the year 2010.The study established that the activities/services of Electricity Regulatory Authority (74.3 percent), followed by Uganda Revenue Authority (47.2 percent) and Local Authorities like KCCA (32.7 percent) had negative effects on business operations as shown in Table 7.5 below. Load shedding, high power tariffs, irregular and limited power supply and basing bills on estimates were identified as key obstacles to their businesses. For URA, high taxes, delay in payment of VAT refund, poor tax collection methods, wrong tax assessments, delays in release of goods imported and SPRS harassment were perceived to have impacted on investors business operations. The study further established that neglect of duties by local authorities such as garbage collection; the poor road maintenance, difficultly in processing trade licence, many taxes charged in addition to over taxation were obstacles to their businesses growth and hence discourage investors from operating business in the country.

On the other hand, the study revealed that the highest number of respondents indicated Uganda Investment Authority (54.4 percent) as having the highest positive effect on their business activities. This was attributed to UIA being supportive in getting permits, provided land in the industrial park, promotes investment and recognises good investors. It was followed by Uganda Communications Commission (36.1 percent) and Uganda National Bureau of Standards (34.4 percent). These agencies were credited to have put up favourable policies, ensured orderliness in the sectors and have emphasised value addition.

Table 7.5: The Impact of Regulatory and Other Government Agencies on Business Activities (%)

Factors	*Positive Effect*	*Negative Effect*	*No Effect*
Bank of Uganda	32.4	31.3	36.3
Department of Immigration, Ministry of Internal Affairs	26.5	25.1	48.5
Electricity Regulatory Authority/UMEME	16.4	74.3	9.3
Judicial Services (e.g. Commercial Court)	20.7	13.8	65.6
Legal System (e.g. Uganda Law Reform Commission)	19.9	11.3	68.8
Local Authorities (e.g. KCCA)	28.7	32.7	38.6
National Environmental Management Authority	24.1	18.0	58.0
Parliament of the Republic of Uganda	29.9	9.9	60.3
Privatisation Unit	25.1	8.4	66.5
Private Sector Foundation Uganda (PSFU)	31.9	5.0	63.1
Uganda Revenue Authority	32.0	47.2	20.8
Uganda National Bureau of Standards	34.4	16.3	49.3
Uganda National Chamber of Commerce & Industry	25.8	6.3	67.9
Uganda Bureau of Statistics	25.2	5.5	69.3
Uganda Communications Commission	36.1	15.3	48.7
Uganda Investment Authority (UIA)	54.4	7.4	38.3
Uganda Registration Services Bureau	32.1	8.8	59.1

7.14 Summary of Findings

The survey findings revealed that approximately 28.9 percent of businesses operated within the installed capacity utilisation levels while the majority of the businesses (68.4 percent) operated below production capacity. The constraints that led to low plant utilisation were associated with low demand (40.4 percent), followed by unreliable supply of production inputs (19.1 percent) and lack of working capital (13.0 percent). The low demand could have been attributed to inflationary pressures and high oil prices that sky rocketed prices of most merchandise, thereby reducing the overall consumer's aggregate demand.

The main regulatory impediments to business expansion were perceived to be tax regulations and administration (70.6 percent), followed by foreign currency and exchange regulations (67.8 percent) and bureaucracy and business regulations (67.7 percent). The findings further revealed that high cost of credit (83.3 percent) coupled with poor infrastructure (78.9 percent) and limited access to credit (77.0 percent) were considered as main non regulatory factors which obstructed business operations and growth. The high cost of credit could be associated with the high interest charged by financial institutions.

The finding revealed that the main obstacles to expanding business locally were energy infrastructure problems (85.7 percent), followed by transport infrastructure including roads and railways (77.1 percent) and cost and access to financial services (71.3 percent). At regional level, transport infrastructural problems (45.3 percent) and the cost and access to financial services (38.8 percent) and trade tariff barriers were mentioned as other obstacles that hindered business expansion.

Among the economic and financial factors, inflation rate (69.9 percent), interest rate (55.8 percent) and the exchange rate (60.4 percent) were perceived to have had a high negative effect on their business operations in 2010. The respondents noted that high inflation rate led to currency depreciation, high cost of running businesses, reduced value of signed contracts, reduced purchasing power, discouraged borrowing and local raw materials became expensive. The high interest rate made borrowing expensive, increased the cost of production and reduced profits. The volatility of the exchange rate resulted into delays in payments by entities that had been affected by exchange losses, fluctuations and unpredictable prices of raw materials which had a negative effect on the working capital and business management.

Regarding service delivery, the findings indicate that, electricity (76.6 percent), railway transport (73.3 percent) and public health care (50.1 percent) were the most poorly delivered services. The most efficiently delivered services in the economy were rated as banking services (77.8 percent), Air transport (77.3 percent), Insurance services (69.2 percent), Telecommunication services (68.1 percent), Postal services (67.6 percent) and Military/Armed forces services rated at 65.0 percent. The poor services provided for electricity was linked to frequent load shedding, high power tariffs, irregular power supply and the unfair billing which is often based on estimates other than actual consumption. The poor service for railway transport was attributed to: non-functional and undeveloped railway system with poor rails.

The Investors rated the following services to be expensive: electricity (89.7 percent), air transport (77.0 percent), banking (61.9 percent) and road transport (60.8 percent). They attributed the high cost of electricity to: high power tariffs, frequent load shedding and unreliable power supply. The high cost for air transport was attributed to very high freight charges. The banking service cost was also rated high due to high and hidden bank charges, high interest on loans and long queues resulting in time wasting. The high cost for road transport was attributed to: high fuel prices; heavy traffic jam; inaccessible, poor and potholed roads which requires repairing and regular maintenance of the roads.

The main labour, environment and health factors that were reported to have affected business activities were: malaria (75.2 percent), cost of skilled labour (67.0 percent), productivity of skilled labour (65.7 percent), availability of skilled labour locally (61.2 percent) and wage levels (59.4 percent). These factors relate to labour except malaria which had a direct effect on labour productivity. In relation to labour factors, it was recommended that the government fixes a minimum wage to stabilise the high cost of skilled labour, encourage in house training, upgrading technical and vocational centres to equip trainees with adequate skills, reform the education system/curriculum to provide demand driven training and courses required by employees.

The study established that the activities/services of Electricity Regulatory Authority (74.3 percent), followed by Uganda Revenue Authority (47.2 percent) and Local Authorities like KCCA (32.7 percent) had negative effects on business operations. Load shedding, high power tariffs, irregular and limited power supply and basing bills on estimates were perceived as key obstacles to their businesses. For URA, high taxes, delay in payment of VAT refund, poor tax collection methods, wrong tax assessments, delays in release of goods imported and SPRS harassment were perceived to have impacted on investors business operations. For local authorities, delayed garbage collection, the poor road maintenance, difficultly in processing trade license, were obstacles to businesses growth.

Overall, Uganda Investment Authority (54.4 percent) was rated as an institution that had the highest positive effect on investor's business activities. This was attributed to UIA being supportive in getting permits, provided land in the industrial park, promotes investment and recognizes good investors. It was followed by Uganda Communications Commission (36.1 percent) and Uganda National Bureau of Standards (34.4 percent). These agencies were credited to have put up favourable policies, ensured orderliness in the sectors and have emphasized value addition.

CHAPTER EIGHT

FUTURE PROSPECTS ON INVESTMENT OPERATIONS

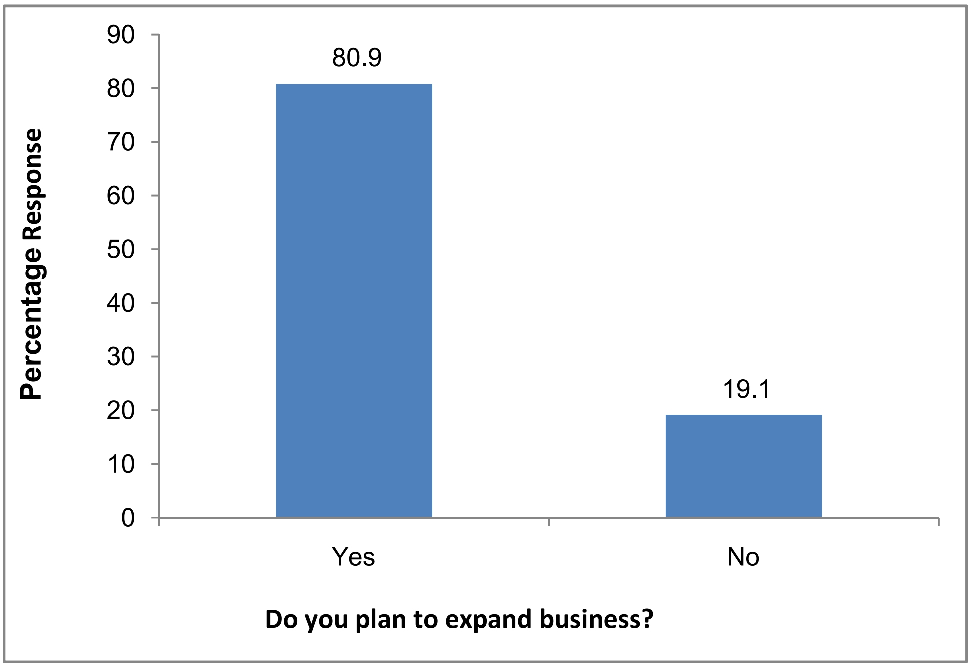
8.0 Introduction

This chapter gives an overview of the future prospects of the projects regarding expansion in the next three years, the investment direction of the expansions, and the respondents' views about the operations and efficiency of Uganda Investment Authority (UIA). It then provides the respondents' recommendations on improving the operations and efficiency of the UIA. The chapter also highlights the impact of investment policies on businesses and their operations, and the extent this has affected them.

8.1 Prospects for Business Expansion

The majority of the projects (80.9 percent) indicated that they plan to expand in the short term, while a few (19.1 percent) did not envisage expansion in this period. The directions of expansion varied from diversification into other sectors to establishment of franchises within the EAC.

Figure 8.1: Plan to Expand Business in the next 3 years

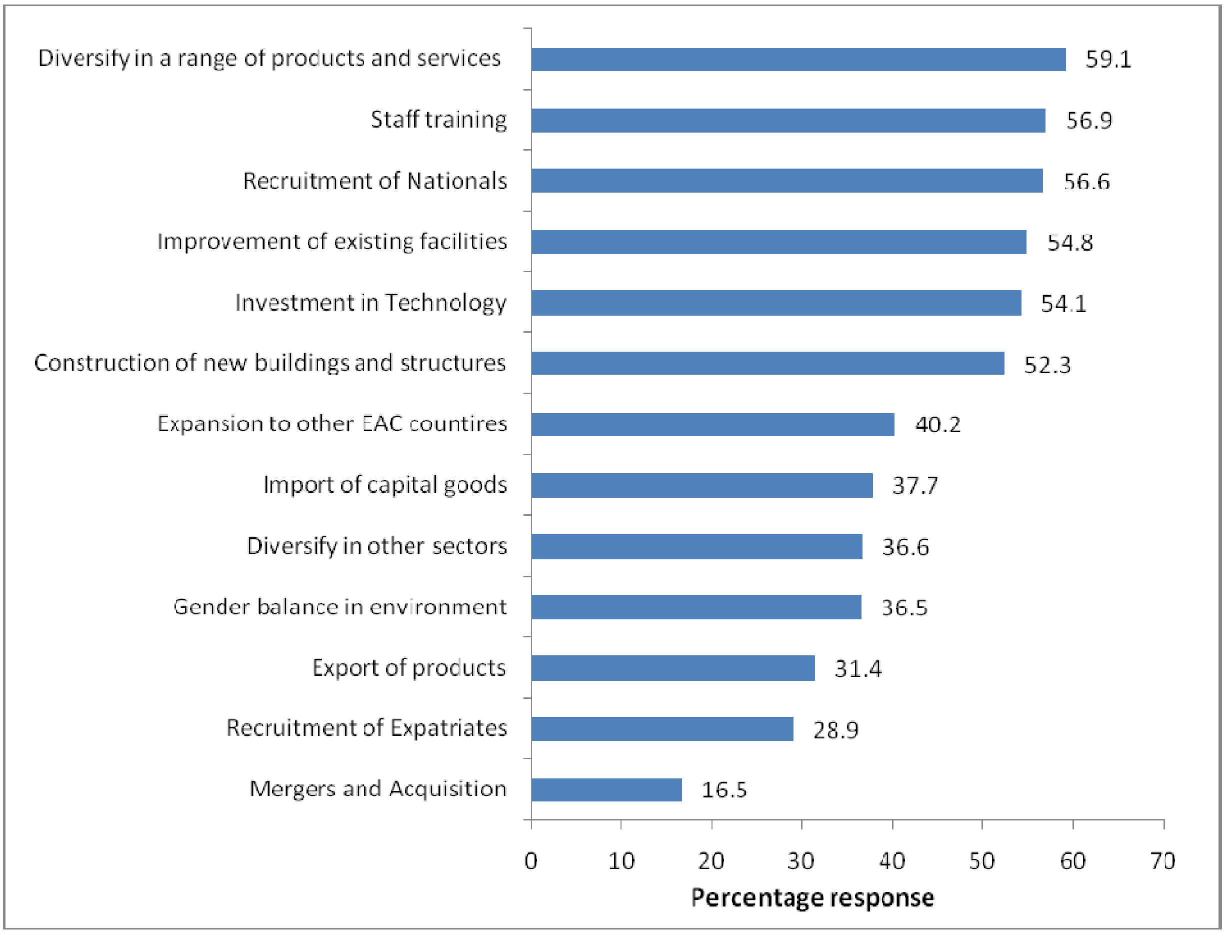


8.2 Specific Areas of Business Expansion

From Figure 8.2 below, 59.1 percent of the projects envisage to expand in the areas of diversification in a range of products and services, like staff training (56.9 percent), recruitment of nationals (56.6 percent), improvement of existing facilities (54.8 percent), investment in technology (54.1 percent) and construction of new structures (52.3 percent). A third of the entities (31.4 percent) plan to venture into export trade while more than a third (40.2 percent) plans to establish branches in other EAC countries.

The survey findings reveal that projects had least interest in going into Mergers and Acquisitions (16.5 percent), and employing expatriates (28.9 percent).

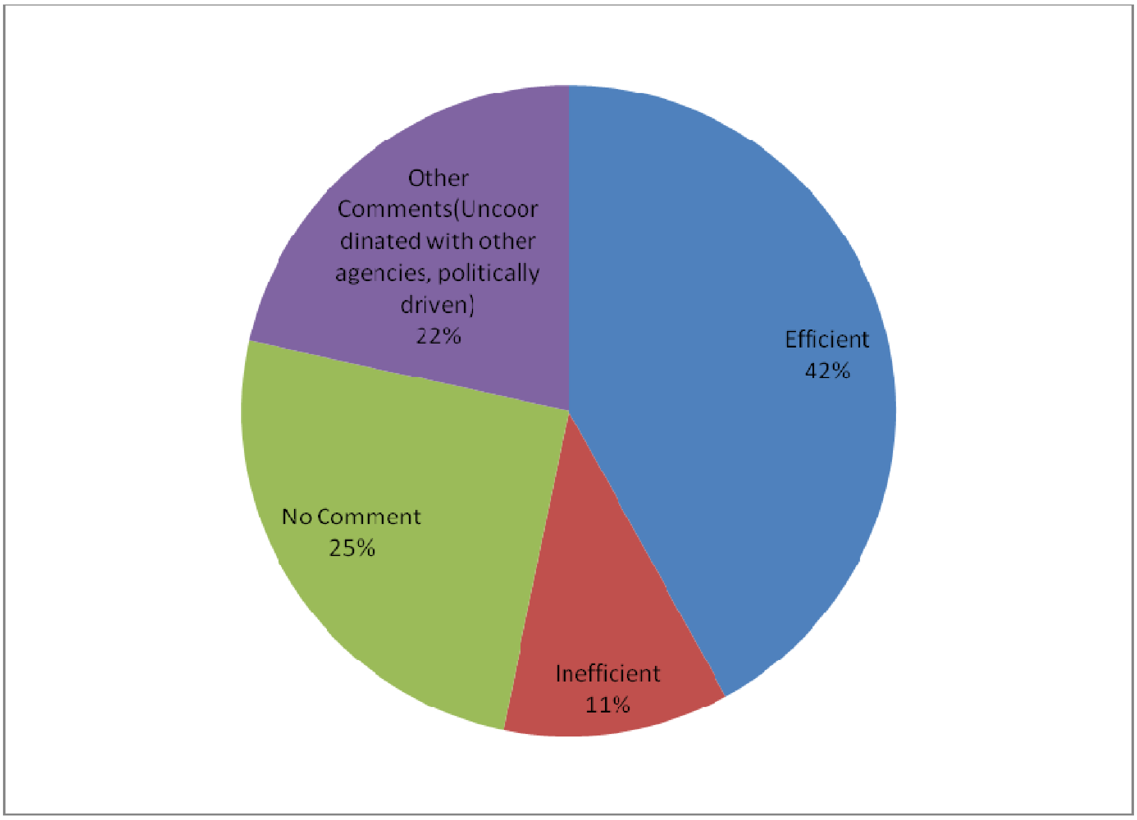
Figure 8.2: Areas of Business Expansion



8.3 Uganda Investment Authority Operations and Efficiency

The survey collected investors' perceptions about operations and efficiency of UIA in facilitating investors in their business operations. The survey findings revealed that 42 percent of the respondents perceived UIA operations to be efficient and commended the institution for improvement in their service delivery. However, 11 percent of the respondent rated the institution as being inefficient, citing her invisibility on the ground to monitor investment activities in addition to offering no tangible assistance to investors. One in four (25 percent) of the respondents gave no comment while nearly one in five (22 percent) had negative perception about the institution particularly faulted for being uncoordinated with other agencies and is politically driven.

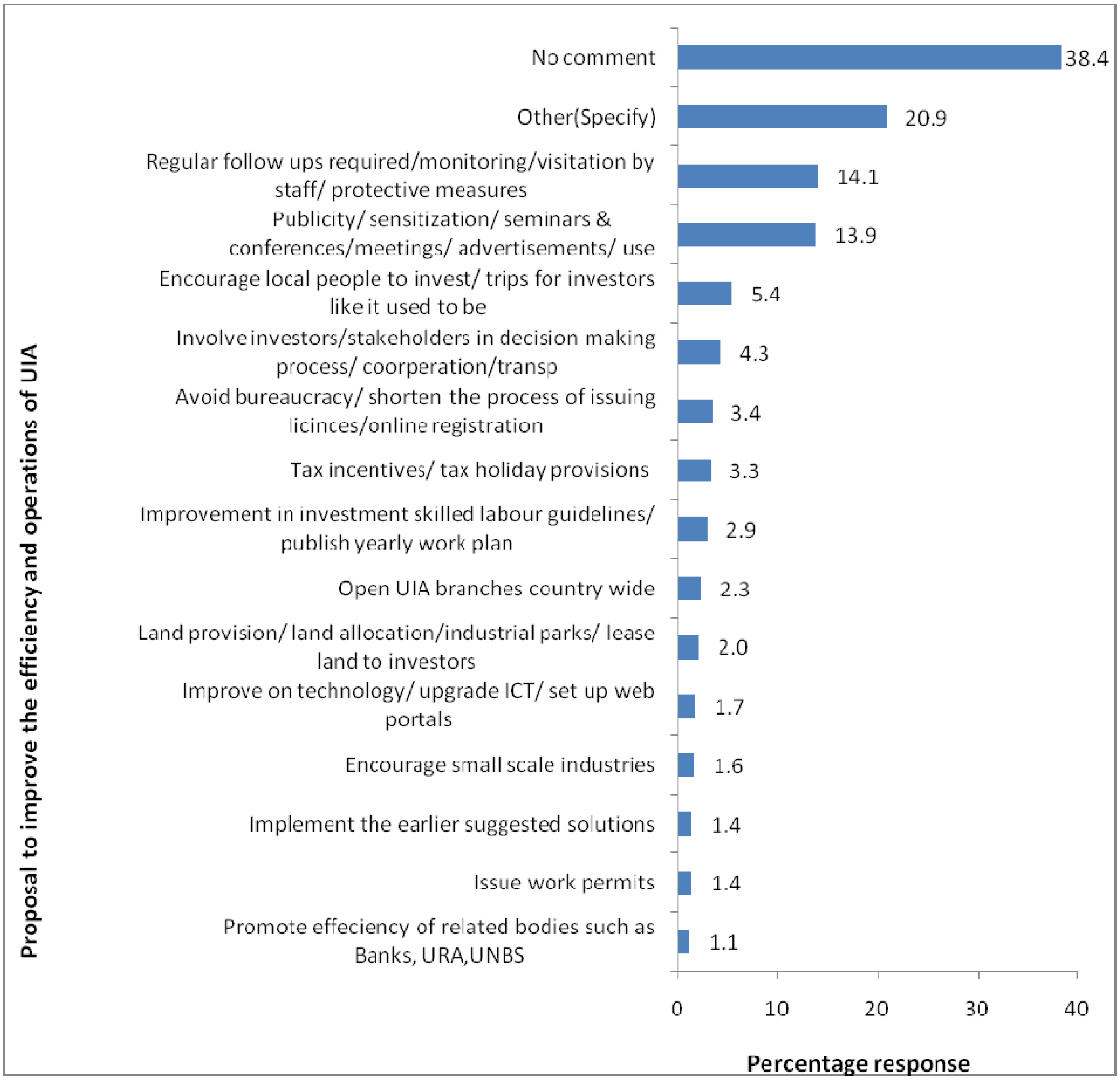
Figure 8.3: Investor Perceptions of UIA's Operations and Efficiency



8.4 Proposals of Improving the Operations and Efficiency of UIA

The survey revealed that most investors would like to see that UIA conduct regular monitoring and follow up (14.1 percent) of licensed projects as the institution's core activity. Approximately one in ten (13.9 percent) of the projects argue that UIA needs to enhance her publicity and sensitization of public and all stakeholders about its mandate and operations to improve her visibility. Some investors (4.3 percent) want UIA to involve them in decision making and that the institution should eliminate the cumbersome bureaucratic processes in allocation land in industrial park. The cross-cutting proposals were on improvement of the general investment climate and environment, which are key mandates of other line government ministries and agencies.

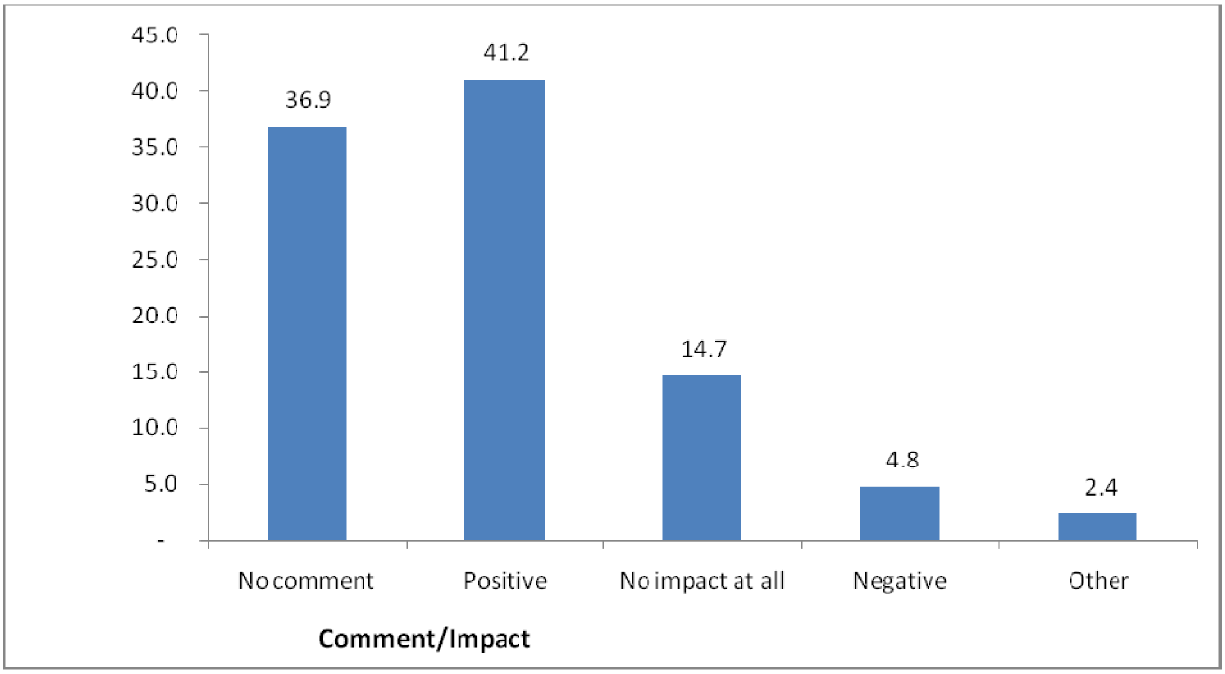
Figure 8.4: Proposals for Improving the Operations and Efficiency of UIA



8.5 Impact of Investment Policies on Businesses

The survey findings reveal that 41.2 percent of the respondents believe that the investment policies have had a positive impact on their businesses activities; whereas14.7 percent felt there was no impact of the investment policies. However, a big number of respondents (36.9 percent) expressed no opinion about the impact of the investment policies on their businesses.

Figure 8.5: Impact of Investment Policies on Businesses.



8.6 General Comments

The respondents were asked to give general comments on what they felt UIA or other government agencies wished to know in order to improve on the investment climate. The respondents wanted special considerations and support to be given to domestic investors, carry out monitoring and supervision of registered companies, maintain political and economic stability, create awareness of UIA activities to the public and existing investor support services, expand the railway system beyond the EAC region and improve on the skill of local manpower.

8.7 Summary of Findings

The results indicate that a significant number of projects (80.9 percent) plan to expand their business operations. A majority of them wish to expand specifically in areas like recruitment of nationals (59.1 percent), staff training (56.6 percent), improvement of existing facilities (54.8 percent), investment in technology (54.1 percent) and construction of new structures (52.3 percent). A third of the entities (31.4 percent) plan to venture into export trade while more than a third (40.2 percent) plan to establish branches in other EAC countries, while there is least interest shown in going into merger and acquisitions.

On perceived UIA operations and efficiency, 42.4 percent of the respondents commended the institution for improvement in service delivery. This compares with 11.0 percent of the respondent who rated it as being inefficient citing the institution being invisible on the ground to monitor investment activities and offering no tangible assistance to investors. Conversely about a quarter (25 percent) of the respondents gave no comment while 22 percent had negative perception about the institution of being uncoordinated with other agencies and is politically driven.

While a most respondents acknowledged existence and relevance of UIA, however, stakeholders and the public at large are not aware of the exact activities of UIA. It was thus recommended that UIA carries out regular follow-up and monitoring of licensed projects and enhances her publicity and sensitization to improve her visibility. The investors also urged UIA to involve them in decision making (4.3 percent) and to avoid cumbersome bureaucratic processes in allocation land in industrial park.

In general comments, domestic investors requested for special considerations and support be given to them, UIA to carry out monitoring and supervision of registered entities, maintain political and economic stability, create awareness of UIA activities to the public and existing investor support services, expand the railway system beyond the EAC region and improve on the skill of local manpower.

CHAPTER NINE

POLICY RECOMMENDATIONS AND CONCLUSION

9.0 Introduction

This chapter presents policy recommendations and conclusion based on survey findings

9.1 Policy Recommendations

i) Infrastructure Development

The survey reveals that 68.4 percent of enterprises operate below installed production capacity. While 71.3 percent of businesses report being constrained by insufficient demand and underdeveloped markets, insufficient infrastructure in both the energy (85.7 percent) and transport (77.1 percent) sectors continues to be the most cited barrier to business expansion at the local level. These findings are in line with earlier enterprise surveys such as the World Bank Enterprise Survey of 2006 and the Uganda Business Enquiry of 2002, which also identified inadequate infrastructure development as the key binding constraint to further expansion. Government thus needs to continue focusing on expanding Uganda's infrastructure stock, in order to transform the economy, address key binding constraints to production and attain middle income status in the near future. Government should explore ways to increase private sector investments in infrastructure, but also examine the extent to which borrowing limits could be revised upward, so as to accelerate infrastructure spending, while maintaining a stable macroeconomic framework.

ii) Macroeconomic Stability Measures

The survey findings show that macroeconomic stability is a key concern of businesses. High inflation and exchange rate volatilities had a strong negative impact on business operations in almost two thirds of interviewed enterprises. At the same time, however, a majority of businesses identified high cost (83.3 percent) and limited access (77.0 percent) to credit as key non-regulatory constraints to their operations. While these results partly reflect the very adverse economic conditions which were prevalent during the survey, there is plenty of international evidence showing that macroeconomic stability is a key driver to foreign direct investment.[2] In this light, Government's strong response to high inflation in the final months of 2011, through fiscal restraint and increases in Bank of Uganda's reference interest rate, appear both adequate and bold.

However, this survey also shows that these increases in interest rates impacted very negatively on businesses. When increases in interest rates displace viable and solvent businesses these consequences are surely unintended and should be averted. Government should thus assess ways to mitigate effects of high interest rates on solvent enterprises by promoting greater financial literacy among the business community and prevent the accumulation of excessive liquidity in the economy which may lead to inflationary pressures. Financial deepening and financial inclusion should be promoted for the business community to flourish through.

iii) Institutional and Regulatory Reforms

The Uganda Registration Services Bureau (URSB) has continued to register companies; however, most of the micro and small businesses are not registered. In order to improve the business environment and lower the structural and institutional barriers for the investment growth in Uganda, there is need to undertake legal, institutional and regulatory reforms.

Specifically, Government should:

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[2] See Opolot et al., 2009: "Determinant of Foreign Direct Investment: New Evidence from Sub-Saharan Africa", Bank of Uganda Staff Papers, Vol. 3 No. 2

a) Fast track business licensing and registration reforms. Government has established the business licensing reforms which have led to a reduction in business registration procedures. According to the Doing Business Report 2012, several reforms were implemented in FY2010/11 to improve the process of starting a business such as changes that added time to the process of obtaining a business license, slowing business start-up and simplified registration for a tax identification number and for value added tax through an online registration system. Uganda also increased the efficiency of property transfers by establishing performance standards and recruiting more officials at the land office. In collaboration with UIA and URSB Government should strengthen such arrangements to lower the costs of doing business.

b) Improve competitiveness environment through fast tracking enactment and implementation of commercial bills and laws. Through the Competitiveness and Investment Climate Strategy (CICS) Secretariat, the enactment and implementation of the Investment Code Bill, a One Stop Shop (OSS) at the UIA, and the Free Zones Bill should be fast-tracked to improve the business environment. In addition, the Investment Code should be reviewed to provide for express submission of annual returns of investor's investment portfolio and mandatory issuance of new licenses for investors changing names of the business entity or location address to report to UIA for a new license.

c) Strengthen efficiency of commercial courts and expand their operations in major towns countrywide to speed up the process of handling business disputes. In addition, Government should decentralise UIA services to Town Council level to improve access to services by the business community for effective monitoring of business activities and visibility.

d) Government should strengthen sensitization and promotional activities at UIA and other stakeholders involved in facilitation and support of private investors. The sensitization should focus on the support services provided by UIA together with sister agencies involved in investment promotion. The findings revealed that UIA activities are uncoordinated with other agencies and not visible on the ground for easy accessibility.

e) Provide adequate funding to Strengthen Investment Monitoring and Follow-up of new projects. The UIA After Care Unit should be strengthened to monitor closely operational and new projects for regular update of the investor's database

f) Government should conduct regular and COMPULSORY investor surveys preferably every 2-3 years and inform policy making for a good investment climate and forge a way forward toward improving the competitiveness of the Private Sector business environment in the country.

iv) Redistribution of Private Investment

The findings reveal that concentration of private investment is high with over 77.9 percent of projects being implemented in the Central region, followed by 13.6 percent in the Eastern region and 6 percent in the Western region. The Northern region attracted only 2.5 percent of investment projects.

This spatial concentration reflects the fact that enterprises benefit from agglomeration economies. Some businesses might still be interested to settle in areas where production is less concentrated if natural and geographic advantages of a region make up for the benefits of greater agglomeration. In addition rural-urban disparities are large with respect to access to basic services and infrastructure while economic opportunities continue to attract workers to more prosperous urban regions.

Therefore, Government needs to focus on increasing interaction between economically lagging and leading regions. Recent research conducted by the World Bank suggests that this is best achieved by concentrating new investment in more developed areas to reduce congestion costs, while ensuring that lagging regions are appropriately connected with their leading counterparts.[3] In addition, Government should identify other potential business clusters countrywide to address the geographical disparities and provide adequate social and economic infrastructure.

v) Skills Development

Most of the jobs created through the surveyed investment projects targeted casual/unskilled employees. Simultaneously, almost two thirds of these projects reported that cost of local skilled labour was high and not sufficiently productive. These findings contrast with higher unemployment rates amongst more educated individuals found in a recent Labour Survey of 2012 conducted by UBOS, suggesting that the current educational system is not providing the skills the labour market demands. This implies that adequate skilling of the younger cohorts of the population becomes imperative if new job entrants are to be absorbed by the labour market.

The findings indicate gender disparity in employment attributed to different gender roles and responsibilities that each plays in the enterprise. Government should therefore strengthen efforts to ensure gender equity and equality for both local employees and foreign employees.

Government has made it a priority to reduce the skills mismatch through an increased focus on vocational training. Government should thus continue to reform the education system and curricular to match the skills required by the country's job market to improve the productivity of the workforce, by fast tracking the implementation of the competency-based education and training in all education programmes and the Skilling Uganda Programme 2012.

vi) Promotion of Investment Partnerships

Collaboration with the European Union (EU) should be strengthened to promote Uganda's exports. With over 52 per cent of exports from the surveyed entities going to Europe, government should continue taking advantage of the main trading partners from the EU and boost the market for exports. Government should tap into opportunities under existing quota free and market access in EU bloc, and also expedite the completion of the Economic Partnership Agreement (EPA) negotiations. In addition, government should promote awareness of these trade agreements to the exporting enterprises. Government should also take advantage of great opportunities that exist in EAC and COMESA regional bloc to boost trade and investments.

Government should continue promoting foreign investments with these valuable partners, with long-term perspectives to tap benefits in the form of technical assistance and deepening of highly technical skills. The findings indicate that most foreign works are employed on long term contracts and have long term economic interests in Uganda. Streamlining immigration procedures and income transfers for foreigners who are usually in the country with long-term perspective should be targeted. Joint venture projects were found to have invested 126.6 percent of what they planned to invest at licensing, compared to domestic projects and foreign projects who invested 94.4 percent and 81.5 percent respectively. Government investment policy should encourage and promote joint-venture enterprises that yield the best investments compared to their initial investment plan.

9.2 Way Forward

In order to expeditiously implement the above policy recommendations, wider inter-ministerial stakeholder consultations will be held involving the Ministry of Finance, Planning and Economic Development, Ministry of Trade Industry and Cooperatives, Ministry of Works and Transport, Ministry of Energy and Mineral Development, Ministry of Internal Affairs, Ministry of Foreign Affairs, Ministry of Justice and Constitutional Affairs, Ministry of Education and Sports.

Consultations and dialogue will also be made with specific government agencies and departments to fast track the implementation of the above recommendations namely the Uganda Investment Authority (UIA),

[3] World Bank, 2012: "Uganda – Making Growth More Inclusive: Transforming Farms, Human Capital and Geography", WB Report 67377

Bank of Uganda (BOU), Competitiveness and Investment Climate Strategy (CICS) Secretariat, Uganda Registration Services Bureau (URSB) and the Private Sector Foundation Uganda.

9.3 Conclusion

The survey findings indicate disparities in investment distribution both regionally and sectorally. The uneven distribution of private investment requires government intervention to enable other regions reap from investment associated benefits like employment and economic development. Moreover strategic vulnerable sectors which attracted few investors require deliberate government policy intervention.

The major obstacles to business operations and growth are related to poor energy and transport infrastructural services and access to finance. The high inflation rates, exchange rate volatilities and high interest rate posed the high negative effect on investors' businesses which led to increased costs of production, reduced profits and made financing difficult. Hence government's intervention to improve the competitiveness of the private sector should be pursued through provision of critical infrastructure such as transport and energy infrastructure; promoting policies that will ease investment financing and ensure a stable macroeconomic environment to curb inflation and exchange rate volatilities.

The Government should institute institutional legal and regulatory reforms in order to improve the business environment and lower the cost of doing business. Government should promote greater financial literacy among the business community and prevent the accumulation of excessive liquidity in the economy which may lead to inflationary pressures.

Government should increase access to, and quality of technical skills relevant for the business environment through establishment of vocational and technical schools at district level and enforcement of skilling of indigenous workers and transfer of skills from the expatriates to the indigenous workers.

Government should streamline immigration procedures and income transfers for foreigners and also expedite the collaboration with EU countries. Government should also continue to promote, foreign investments and joint-venture enterprises for higher investment and job creation.

Lastly, UIA should strengthen her sensitisation; monitoring and promotional activities to attract high value investments and provide expeditiously solutions to challenges faced by investors. Furthermore, the government should provide funds to conduct regular investor surveys in order to understand the ever dynamic investment environment.

APPENDICES

Appendix I: Investor Survey 2011 Questionnaire

(Please Use a Blue Pen and write in CAPITAL LETTERS when completing this Questionnaire)

ID Number: ☐☐☐☐☐☐☐

Dear Sir/Madam

Purpose of the Survey

This survey will generate vital information on actual domestic and foreign investments that are operational, estimate the rate of conversion and the challenges that investors face. This will guide policy and decision makers to improve on the investment environment.

Authority

The information is collected under the provisions of the **Uganda Bureau of Statistics Act, 1998 and the Investment Code 1991.**

Confidentiality

The information provided on this form will remain strictly confidential as per the Uganda Bureau of Statistics Act.

For Assistance/Further Information

If you have any difficulties in completing this form, please contact:

Director, **Macroeconomics Statistics,** **Uganda Bureau of Statistics** **Plot 9 Colville Street, Statistics house** **P.O Box 7186, Kampala** **Telephone: 0414-706-066/0414-706-022** **Fax: +256-414-237-553** **E-mail: ubos@ubos.org** *OR*chris.mukiza@ubos.org www.ubos.org	**Director,** **Investment Facilitation,** **Uganda Investment Authority** **Plot 22B Lumumba Avenue, TWED Plaza** **P.O Box 7418, Kampala** **Telephone: +256-414-301-000/140** **Fax: +256-414-342-903** **E-mail: byensi@ugandainvest.go.ug** www.ugandainvest.com

Yours faithfully;

John B. Male-Mukasa
EXECUTIVE DIRECTOR

FOR OFFICIAL USE ONLY

Name of Field Interviewer	
Signature	
Date	

Name of Field Supervisor	
Signature	
Date	

Name of Data Entrant	
Signature	
Date	

Name of Data Coder	
Signature	
Date	

Name of Data Editing Supervisor	
Signature	
Date	

1.0 PARTICLULARS OF BUSINESS ENTITY

1.1 Name of Business Entity **(In full)**: ……………………………………………………………………

1.2 Contact Person and Position:
1.2.1 Name of contact person……………………………………………………………………...
1.2.2 Position …………………………………………………………………

1.2.3 Telephone………………………… (If different from that of the company)

1.2.4 Email address……………………………………………………………….

1.3 Physical Address of the Enterprise

1.3.1 Plot……………………………………………………………
1.3.2 Street…………………………………………………………
1.3.3 Tel: ………………………………………………………
1.3.4 Fax: …………………………………… 1.3.5 Email………………………………………..

1.4 Investor License Information

1.4.1 License Date of actual Business by Uganda Investment Authority (UIA) at first registration……………………
1.4.2 Date of Commencement of Business ………...……………………………
1.4.3 UIA Investment License Number…………………………………………….
1.4.4 Source Country of Investment …………………………………………….
1.4.4 If Date of commencement/implementation was more than one year after license date of business, give reasons for the delay.
…………………………………………………………………………………………………
…………………………………………………………………………………………………

1.5 Location of the Business

1.5.1 District………………………………………………………………………
1.5.2 County………………………………………………………………………
1.5.3 Sub-county /Division…………………………………………………………….

1.6 Give three main reasons why you decided to invest in the district above?

1……………………………………………………………………….
2……………………………………………………………………….
3……………………………………………………………………….

1.7 Give reasons for investing in Uganda. (Please tick appropriate response)

Reasons	Tick as appropriate
1.7.1 Economic and political stability	
1.7.2 Geographical location of the country	
1.7.3 Domestic and regional markets	
1.7.4 Good weather and climate	
1.7.5 Availability of infrastructure	
1.7.6 Attractive investment incentives	
1.7.8 Simplified investment procedures	
1.7.9 Availability of raw materials for use in production	
1.7.10 Low cost of doing business	
1.7.11 Affordable labour	
1.7.12 Others (Specify)	

1.8Indicate the company's current level of Shareholding as at 31st December 2010

Nationality	Shareholding (percent)

1.9 Enterprises' Business Activity

1.9.1 State the business activity of this company at the date of licensing with UIA.
……………………………………………………………………………………………………..
……………………………………………………………………………………………………

1.9.2 If your **business activity in 1.9.1** has changed, please provide in table 1 below the **current Business Activity** the enterprise is engaged in.
(Tick the current Business Activity, give reasons for deviation from activity in 1.9.1 above; and the % contribution to total turnover.)

Table 1: Current Business Activity of the Enterprise

Industrial Classification	**Current Business Activity (Tick here)**	**Reasons for deviation from activity mentioned in 1.9.1 above**	**% share contribution to entity's turnover**
1. Agriculture, forestry and fishing			
1.1. Crop and animal production, and related activities			
1.11. Growing of non-perennial crops			
1.12. Growing of perennial crops			
1.13. Plant propagation			
1.14. Animal production			
1.15. Mixed farming			
1.16. Support activities to agriculture and post Harvest			
1.2. Forestry and logging			
1.3. Fishing and aquaculture			
2. Mining and quarrying			
2.1. Mining of coal and lignite			
2.2. Extraction of crude petroleum and natural gas			
2.3. Mining of metal ores			
2.4. Other mining and quarrying			
2.5. Mining support service activities			
3. Manufacturing			
3.1. Manufacturing of food products			
3.2. Manufacture of beverages			
3.3. Manufacture of tobacco products			
3.4. Manufacture of textiles			
3.5. Manufacture of wearing apparel			
3.6. Manufacture of leather and related products			
3.7. Manufacture of wood and of products of wood and cork			
3.8. Manufacture of paper and paper products			
3.9. Manufacture of reproduction of			

Industrial Classification	Current Business Activity (Tick here)	Reasons for deviation from activity mentioned in 1.9.1 above	% share contribution to entity's turnover
recorded media			
3.10. Manufacture of coke and refined petroleum products			
3.11. Manufacture of chemical and chemical products			
3.12. Manufacture of pharmaceuticals, medicinal chemicals and botanical			
3.13. Manufacture of rubber and plastic products 3.14.			
3.15. Manufacture of other non-metallic mineral products			
3.16. Manufacture of basic metals			
3.17. Manufacture of fabricated metal products, except machinery			
3.18. Manufacture of computer, electronic and optical products			
3.19. Manufacture of electrical equipment			
3.20. Manufacture of machinery and equipment			
3.21. Manufacture of motor vehicles, trailers and semi-trailers			
3.22. Manufacture of other transport equipment			
3.23. Manufacture of furniture			
3.24. Other manufacturing			
3.25. Repairs and installation of machinery and equipment			
4. Electricity, gas and air conditioning supply			
4.1. Electric power generation, treatment and disposal activities			
4.2. Manufacture of gas; distribution of gaseous fuels through mains			
4.3. Steam and air conditioning supply			
5. Water supply; sewerage, waste			

Industrial Classification	Current Business Activity (Tick here)	Reasons for deviation from activity mentioned in 1.9.1 above	% share contribution to entity's turnover
management and remediation activities			
5.1. Water collection, treatment and supply			
5.2. Sewerage			
5.3. Waste collection, treatment and disposal			
5.4. Remediation activities and other waste management			
6. Construction			
6.1. Construction of buildings			
6.2. Civil engineering			
7. Wholesale and retail trade; repair of motor vehicles and motorcycles services			
7.1. Trade and repair of motor vehicles and motorcycles			
7.2. Wholesale trade			
7.3. Retail trade			
8. Transport and storage			
8.1. Road Transport			
8.2. Railway Transport			
8.3. Water transport			
8.4. Air transport			
8.5. Warehousing and support activities for transportation			
8.6. Postal and courier activities			
8.7. Pipeline and Other Transport			
9. Accommodation and food service activities			
9.1. Accommodation			
9.2. Food and beverage service activities			
10. Information and communication			
10.1. Publishing activities			
10.2. Motion picture, videos and television programme production, sound			
10.3. Programming and broadcasting activities			

Industrial Classification	Current Business Activity (Tick here)	Reasons for deviation from activity mentioned in 1.9.1 above	% share contribution to entity's turnover
10.4. Telecommunications activities			
10.5. Computer programming, consultancy and related activities			
10.6. Information service activities			
11. Finance and insurance activities covered above			
11.1. Financial service activities			
11.2. Insurance, reinsurance and pension funds			
11.3. Activities auxiliary to financial service and insurance			
12. Real estate activities			
12.1. Real estate activities			
13. Professional, scientific and technical activities			
13.1. Legal and accounting activities			
13.2. Activities of head office; management consultancy activities			
13.3. Architectural and market research and development			
13.4. Science research and development			
13.5. Advertising and market research			
13.6. Other professional, scientific and technical activities			
13.7. Veterinary activities			
14. Administration and support service activities			
14.1. Rental and leasing activities			
14.2. Employment activities			
14.3. Travel agency and investigation activities			
14.4. Security and investigation activities			
15. Education			
15.1. Pre-primary and primary education			
15.2. Secondary education			

Industrial Classification	Current Business Activity (Tick here)	Reasons for deviation from activity mentioned in 1.9.1 above	% share contribution to entity's turnover
15.3. Higher education			
15.4. Other education			
15.5. Educational support activities			
16. Human health and social work activities			
16.1.Human health activities			
16.2.Residential care activities			
17. Arts, Entertainment and recreation			
17.1.Creative, art and entertainment activities			
17.2.Libraries, archives, museum and other cultural activities			
17.3.Gambling and betting activities			
17.4. Sports, amusement and recreation activities			
17.5.Other (specify)			

2.0 VALUE OF PLANNED AND ACTUAL INVESTMENT

2.1 State the Planned Investment at Registration and Actual Investment at Implementation

Planned Investment at Registration (UShs Million)	Actual Investment at Implementation (UShs Million)

2.2 State the Planned/Actual Investment from 1991 to 2008, in 2009 and 2010

		Total planned Investment from 1991 to 2008 (U Shs. Million)	Planned Investment (U Shs. Million)		Actual Investment from 1991 to 2008 (U Shs. Million)	Actual Investment (U Shs. Million)	
			In 2009	in 2010		in 2009	In 2010
2.2.1	Land						
2.2.2	Building and Civil Works						
2.2.3	Plant and Machinery						
2.2.4	Motor Vehicles						
2.2.5	Furniture and office Equipments						
2.2.6	Installation Costs						
2.2.7	Intangible Assets (e.g. operations software)						
2.2.8	Working capital						
2.2.9	Research and Development						
2.2.10	Others (specify)						

3.0 JOB CREATION

3.1 Provide the number of jobs that were planned to be created **at License** and **the actual jobs** created **at implementation/commencement**.

	Planned jobs at License		Actual jobs created at implementation/commencement	
	Foreign	Local	Foreign	Local
Number of managerial/supervisory				
Number of administrative/ accounts				
Number of skilled technicians				
Number of casual/unskilled labourers				
Total				

3.2 State the Actual employment as at 31st December 2010

Nature of employment	**Local**		**Foreign**			
			Short term *(less than 12 months)*		**Long term** *(More than 12 months)*	
	Males	**Females**	**Males**	**Females**	**Males**	**Females**
Number of managerial/supervisory						
Number of administrative/ accounts						
Number of skilled technicians						
Number of casual labourers						
TOTAL						

3.3 Provide the number of disabled persons employed in your organisation.

Males	
Females	

3.4 State the Compensation of Employees value in the years 2009 and 2010.

	2009		**2010**	
Type of Compensation	**Local (U Shs. Million)**	**Foreign (U Shs. Million)**	**Local (U Shs. Million)**	**Foreign (U Shs. Million)**
Salaries and Wages				
Fringe benefits				
NSSF/Pensions				
Other specify				
Total				

4.0 PRODUCT MARKET

4.1 Does your company export?
1) Yes ☐ 2) No ☐ If No, go to 4.5 (Tick whichever is applicable)

4.2 If yes to 4.1 above, specify the type of exports

Exports	**Specify the major export goods/services**
Goods	
Services	

4.3 If you export, how long does it take for goods to be cleared and released by customs?

Country	**Days**
In Uganda	
In Kenya	
In Tanzania	
Other (Specify)	

4.4 what is your product market share?

Market Share	**%Share**	**For Regional and International Markets State 3 Major Countries**		
Local Market				
Regional Markets				
International Markets				
TOTAL	**100 %**			

Note: Regional markets refer to COMESA and EAC Regional blocs where Uganda subscribes under regional trading arrangements, while International markets includes other regional and international trading blocs not mentioned above like SACU, SADC, EU etc

4.5 Does your company import?
1) Yes ☐ 2) No ☐ If No, go to 4.9 (Tick whichever is applicable)

4.6 If yes to 4.5 above, specify the type of imports

Imports	**Specify the major imported goods/services**
Goods	
Services	

4.7 What is the proportion of the raw materials used in the production process by your company?

Source	**% Share**	**For Imported, state 3 Major Countries of Importation**			**State the 3 Main products Imported**
Local					
Imported					
TOTAL	**100 %**				

4.8 How long does pre-shipment inspection process take from the time you submit the papers until the time goods are released?

	No of Days for Pre-shipment Inspection
Imports	
Exports	
Not Applicable	

4.9 Provide Total Value of Imports and Exports during the years 2009 and 2010 (Million Shillings)

No.	Imports/Exports	2009	2010
1	**Total Imports of Goods and Services**		
a	Goods/merchandise		
b	Services		
2	**Total Exports of Goods and Services**		
a	Goods/Merchandise		
b	Services		

4.10 What was the share of the nature of the products you Exported/Imported in 2010?

Nature of Product	% Share of exported products	%Share of imported products
Raw Materials		
Intermediate Products		
Final Goods/Consumer Goods		
Capital Goods		
TOTAL	**100 %**	**100 %**

4.11 Are you aware of trade agreements/opportunities available in the following international/regional markets?

Trade Agreement/Market	**Aware** (tick as appropriate)		**Rate the relative importance of this market to you. (Use 1-5)** 1- Not Important 2- Slightly Important 3- Important 4- Very Important 5- Crucial
	Yes	**No**	
Economic Partnership Agreement (EPA) - EU			
Everything But Arms (EBA)-EU			
African Growth Opportunity (AGOA)-USA			
COMESA-Free Trade Area (FTA)			
East African Community Customs Union (EAC)			
SADC/SACU			
Other (specify)			

5. 0 BARRIERS TO BUSINESS EXPANSION IN UGANDA

5.1 Please judge how problematic are these different regulations and constraints for the operation and growth of your business. **(Tick appropriate column)**

	Barriers	**Major Obstacle**	**Moderate Obstacle**	**Minor Obstacle**	**No Obstacle**
A	**Regulations**				
1	Business Licensing				
2	Customs/Foreign Trade				
3	Labour regulations				
4	Foreign Currency/Exchange regulations				
5	Environmental Regulations				
6	Fire, Safety Regulations				
7	Tax Regulations/Administration				
8	Bureaucracy and Business Regulations				
9	Others (Specify)				
B	**Constraints**				
1	High Cost of Credit				
2	Limited access to Credit				
2	Lack of Market/Limited Demand				
3	Lack of Infrastructure				
4	Lack of Business Service				
6	Other Specify				

6.0 CORPORATE SOCIAL RESPONSIBILITY

6.1 Provide the expenses on Corporate Social Responsibility during 2010

No.	**Item**	**Amount spent (UShs. Million)**
1	Education	
2	Health and Welfare	
3	Safety and Security	
4	Arts and Culture	
5	Sports Development	
6	Environment	
7	Water	
8	Road	
9	Religious	
10	Donation to other charity	
11	Other (Specify)	
	Total	

7.0 PLANT UTILIZATION AND INVESTOR PERCEPTIONS

7.1 If you are involved in production, indicate the capacity utilization of your plant in 2010? (Please tick)

1) 0 – 9 percent ☐ 2) 10 – 49 percent ☐ 3) 50 – 69 percen ☐ 4)70 – 100 percent ☐

5) Not Applicable ☐ If Not Applicable go to Question 7.3

7.2 If the capacity utilization was below 70 percent, what was the biggest constraint?

Constraint	(Tick one only)
Low demand	
Unreliable supply of production input (raw materials)	
Lack of skilled workers	
Lack of working capital/credit	
Labour market regulations	
Lack of necessary specialized technology/machinery/spare parts	
Others (please specify)	

7.3 Rank the following barriers to expanding business at Local, Regional and International levels using the scale 1 to 4: 1= Major obstacle 2. =Moderate obstacle 3= Minor obstacle 4= No obstacle

Barrier	Local	Regional	International
Transport infrastructure problems (including roads and waterways)			
Energy infrastructure problems (including electricity)			
Tariff trade barriers			
Non-tariff trade barriers			
Cost and access to Finance			
Bureaucracy and regulations (e.g. export permits, border procedures)			
Inadequate export support services			
High cost of production			
Difficulties in meeting high level standards (e.g. Sanitary & Phyto Sanitary Standards (SPSS), etc)			
Other barriers, please specify ……………………………………….			

7.4 How did the economic and financial factors specified in Table 7.4 below affect your business operations? Indicate your rating in the space provided. Rate the effect on your business activities of each factor on a scale of 1 to 5, where: **1**=High positive Effect, **2**=High Negative Effect **3**=Moderate Effect, **4**=Low Effect and **5**=No Effect

Table 7.4 Economic and Financial factors to your business entity

	Factors	2009	2010	Give Comments
7.4.1	Domestic market size			
7.4.2	Smuggling			
7.4.3	Corruption			
7.4.4	Competition of imports			
7.4.5	Access to international markets			
7.4.6	Corporate tax			
7.4.7	Customs and excise duty			
7.4.8	Interest rate			
7.4.9	Exchange rate			
7.4.10	Inflation rate			
7.4.11	Access to local business finance/credit			
7.4.12	Access to regional business finance			
7.4.13	Access to international finance			
7.4.14	Others (specify)			

7.5 Rate the overall efficiency and cost of services as delivered by the respective agencies.

Table 7.5 Efficiency and cost of services provided by government agencies

	Factors	**Rating 2010**		**Give Comments**
		1=Excellent 2=Very Good 3=Good 4=Fair 5=Poor 6=Very Poor	1=Too High 2=High 3=Fair 4=Low 5=Very Low	
		Efficiency	**Cost**	
	Regulatory/Judicial			
7.5.1	Customs services			
7.5.2	Immigration services/work permits			
7.5.3	Legal services			
7.5.4	Licenses/permit fees			
	Infrastructure			
7.5.5	Electricity			
7.5.6	Road transport			
7.5.7	Railway transport			
7.5.8	Water transport			
7.5.9	Air transport			
7.5.10	Postal services			
7.5.11	Telecommunication			
7.5.12	Internet			
7.5.13	Insurance services			
7.5.14	Banking services			
7.5.15	Water supply			
	Policy/Legislation			
7.5.16	Internal revenue services			
7.5.17	Municipal services (garbage, sewerage, etc.)			
7.5.18	Office of the President/PM/Cabinet			
7.5.19	Local government			
7.5.20	The Parliament			
7.5.21	The Central Bank			

	Factors	Rating 2010		Give Comments
		1=Excellent 2=Very Good 3=Good 4=Fair 5=Poor 6=Very Poor	1=Too High 2=High 3=Fair 4=Low 5=Very Low	
		Efficiency	**Cost**	
	Human Services			
7.5.22	Public health Care/Hospital			
7.5.23	Education Services			
	Security Services			
7.5.24	The Police services			
7.5.25	Private Security Guards services			
7.5.26	The armed forces/Military services			
7.5.27	Others (specify)			

7.6 How did Labour, Environment and Health factors affect your business activities?

Table 7.6: Labour, Environment and Health factors effect on the business activities

	Factors	**Rating 2010** 1=Major Obstacle 2=Moderate Obstacle 3=Minor Obstacle 4=No Obstacle	**Propose Possible Solutions**
7.6.1	Restrictions regarding hiring expatriates		
7.6.2	Staff turnover		
7.6.3	Wage levels		
7.6.4	Availability of skilled labour locally		
7.6.5	Cost of local skilled labour		
7.6.6	Productivity of skilled labour		
7.6.7	Productivity of unskilled labour		
7.6.8	Cost of un skilled labour		
7.6.9	NSSF/pension contribution		
7.6.10	Malaria		
7.6.11	HIV/AIDS		
7.6.12	Climate changes		
7.6.13	Soil degradation		
7.6.14	Land and border conflicts		
7.6.15	Other (specify)		

7.7 How did the activities of Regulatory and Other government agencies impact/affect your business activities in 2010?

Table 7.7: The impact of Regulatory and Other government agencies on your business activities

	Factors	**Rating 2010** 1=Strong positive effect 2= Limited positive effect 3= No effect 4= Limited negative effect 5= Strong negative effect	**Give Reasons**
7.7.1	Bank of Uganda		
7.7.2	Department of Immigration, Ministry of Internal Affairs		
7.7.3	Electricity Regulatory Authority/UMEME		
7.7.4	Judicial Services(e.g. Commercial Court)		
7.7.5	Legal System(e.g. Uganda Law Reform Commission)		
7.7.6	Local Authorities(e.g. KCCA)		
7.7.7	National Environmental Management Authority		
7.7.8	Parliament of the Republic of Uganda		
7.7.9	Privatization Unit		
7.7.10	Private Sector Foundation Uganda(PSFU)		
7.7.11	Uganda Revenue Authority		
7.7.12	Uganda National Bureau of Standards		
7.7.13	Uganda National Chamber of Commerce & Industry		
7.7.14	Uganda Bureau of Statistics		
7.7.15	Uganda Communications Commission		
7.7.16	Uganda Investment Authority		
7.7.17	Uganda Registration Services Bureau		
7.7.18	Other(specify)		

8.0 GOVERNMENT PARTICIPATION IN PRIVATE SECTOR AFFAIRS

8.1 How often does the government intervene in the following types of decisions by your firm? **(Tick appropriate response)**

Type of Decision	Responses		
	Always	Sometimes	Never
8.1.1 Investment			
8.1.2 Employment			
8.1.3 Sales			
8.1.4 Pricing			
8.1.5 Merger/Acquisitions			
8.1.6 Dividends			
8.1.7 Wages			

8.2 How do you rate the overall perception of the relation between government and private firms on the following scale provided? "All in all, for doing business I perceive the Government as": **(Please tick only o esponse)**

1. Very helpful
2. Mildly helpful
3. Neutral
4. Very unhelpful

8.3 How much influence does your firm typically have at the national level of government on the content of a new law, regulation or decree? **(Tick as Appropriate)**

Government Organ	very influential	influential	never influential
8.3.1 Executive			
8.3.2 Legislature			
8.3.3 Ministry			
8.3.4 Regulatory agency			

8.4 In resolving business disputes, do you believe the country's court system to be:-

Country's Court System	Always	Sometimes	Never
8.4.1 Fair and Impartial			
8.4.2 Honest/Uncorrupt			
8.4.3 Quick			
8.4.4 Affordable			
8.4.5 Consistent			
8.4.6 Enforcing Decisions			

8.5 How do you rate the assistance received from government officials for the last 3 years? **(Tick as appropriate)**

1. Increased ☐
2. Remained about the same ☐
3. Decreased ☐
4. Don't know ☐

8.6 How do you rate the level of predictability of the following policies and regulations to the business environment? **(Tick whichever is appropriate)**

Policies/Regulations	**Highly predictable**	**Predictable**	**Fairly predictable**	**Unpredictable**
8.6.1 Economic and Financial policies				
8.6.2 Laws				
8.6.3 Rules and Regulation				

8.7 How do you rate your confidence in the country's financial systems' ability to provide financing to private firms? (Now and 3 years ago)

Rating	**Now**	**3Years ago**
High		
Moderate		
Low		
Don't Know		

8.8 Please provide the share (percentage) of your firm's sources of financing as of 31st December 2010.

Source of Financing	**percent Share**
8.8.1 Internal funds/Retained earnings	
8.8.2 Equity, sale of stock	
8.8.3Local commercial banks	
8.8.4 Investment Funds/Special Development Finance	
8.8.5 Foreign banks	
8.8.6 Family/friends	
8.8.7 Moneylenders, traditional or informal sources	
8.8.8 Supplier credit	
8.8.9 Leasing arrangement	
8.8.10 Other (specify):	
TOTAL	**100 percent**

8.9 How problematic are the different financing issues to the operation and growth of your business.
(Tick whichever is appropriate)

Financing issues	No Obstacle	Minor Obstacle	Moderate Obstacle	Major Obstacle
8.9.1 Collateral requirements of banks/financial institutions				
8.9.2 Bank paperwork/bureaucracy				
8.9.3 High interest rates				
8.9.4 Need special connections with banks/financial institutions				
8.9.5 Banks lack money to lend				
8.9.6 Corruption of bank officials				
8.9.7 Access to foreign banks				
8.9.8 Access to Non Bank Equity				
8.9.9 Access to Investors				
8.9.10 Access to Partners				
8.9.11 Access to specialized export finance				
8.9.12 Access to lease finance for equipment				
8.9.13 Inadequate credit				
8.9.14 Financial information on customers				

8.10 Does your firm use International Accounting Standards (IAS)?

Yes ☐ No ☐

8.11 Does your firm provide its shareholders with annual financial statements that have been reviewed by an external auditor?

Yes ☐ No ☐

8.12 Which of the following would you define as your leading competitor?

Leading Competitor	(Tick only one)
8.12.1 Domestic small and medium enterprises	
8.12.2 Domestic large private enterprises	
8.12.3 Foreign firm producing in domestic market (not imports)	
8.12.4 State-owned enterprises	
8.12.5 Micro-enterprises/informal sector	
8.12.6 Legal imports	
8.12.7 Smuggled goods	
8.12.8 My firm has no competitors	
8.12.8 Other (specify)	

8.13 How would you generally rate the efficiency of central and local governments in delivering services now and 3 years ago?

Rating	Now	3Years ago
Very efficient		
Efficient		
Inefficient		
Very inefficient		

9.0 FUTURE PROSPECTS

9.1 Is your entity planning to expand in the next 3 years?

(1) Yes ☐ (2) No ☐ (If No go to 10.1)

9.2 If yes (in question 9.1 above), please indicate the direction of your investment.

	Investment Aspect	Tick relevant item in this box
9.2.1	Diversify in other sectors	
9.2.2	Diversify in a range of products and services	
9.2.3	Staff training	
9.2.4	Recruitment of Nationals	
9.2.5	Recruitment of expatriates	
9.2.6	Gender balance in recruitment	
9.2.7	Investment in Technology	
9.2.8	Import of Capital goods	
9.2.9	Export of products	
9.2.10	Construction of New Building and Structure	
9.2.11	Improvement of existing facilities	
9.2.12	Mergers and Acquisition	
9.2.13	Expansion to the Other EAC Countries	
9.2.14	Others (specify)	

10.0 UGANDA INVESTMENT AUTHORITY OPERATIONS AND EFFICIENCY

10.1 What do you think about the operations and efficiency of Uganda Investment Authority?
....
....
....
....
....
....

10.2 Propose ways of improving the operations and efficiency of UIA.
....
....
....
....
....

10.3 To what extent have the Investment policies impacted on your business?
....
....
....
....
....

10.4 Please provide any general comments regarding the subject matter not discussed in the questionnaire.
....
....
....
....
....
....

THANK YOU.

Acknowledgement of receipt of questionnaire

I, ______________________________ of ______________________________ *(Name of recipient)* *(Name of entity)* Acknowledge receipt of the Investment Survey 2011 questionnaire	
Title:	
Signature:	
Date & Stamp of your Company: And Telephone contact	
Name of Interviewer:	
Date agreed for collection of duly filled questionnaire	
Thank you for receiving and accepting to fill the questionnaire.	

This page should be filled-in by the person who is receiving the questionnaire on behalf of the entity at the time of delivery of this questionnaire by the interviewer. After it is signed, the interviewer should retain the original copy of this page.

Appendix II: International Standards for Industrial Classifications (ISIC) of Economic Activities[4]

Industrial Classification

1. Agriculture, forestry and fishing

1.1. Crop and animal production, hunting and related activities
- 1.11 Growing of non-perennial crops
- 1.12 Growing of perennial crops
- 1.13 Plant propagation
- 1.14 Animal production
- 1.15 Mixed farming
- 1.16 Support activities to agriculture and post harvest

1.2. Forestry and logging
1.3. Fishing and aquaculture

2. Mining and quarrying

2.1. Mining of coal and lignite
2.2. Extraction of crude petroleum and natural gas
2.3. Mining of metal ores
2.4. Other mining and quarrying
2.5. Mining support service activities

3. Manufacturing

3.1. Manufacturing of food products
3.2. Manufacture of beverages
3.3. Manufacture of tobacco products
3.4 Manufacture of textiles
3.5. Manufacture of wearing apparel
3.6. Manufacture of leather and related products
3.7. Manufacture of wood and of products of wood and cork
3.8. Manufacture of paper and paper products
3.9. Printing and reproduction of recorded media
3.10. Manufacture of coke and refined petroleum products
3.11. Manufacture of chemical and chemical products
3.12. Manufacture of pharmaceuticals, medicinal chemical and botanical products
3.13. Manufacture of rubber and plastic products
3.14. Manufacture of other non-metallic mineral products
3.15. Manufacture of basic metals
3.16. Manufacture of fabricated metal products, except machinery
3.17. Manufacture of computer, electronic and optical products
3.18. Manufacture of electrical equipment
3.19. Manufacture of machinery and equipment
3.20. Manufacture of motor vehicles, trailers and semi-trailers
3.21. Manufacture of other transport equipment
3.22. Manufacture of furniture
3.23. Other manufacturing
3.24. Repairs and installation of machinery and equipment

4. Electricity, gas and air conditioning supply

4.1. Electric power generation, transmission and distribution
4.2. Manufacture of gas; distribution of gaseous fuels through mains
4.3. Steam and air conditioning supply

5. Water supply; sewerage, waste management and remediation activities

5.1. Water collection, treatment and supply
5.2. Sewerage
5.3. Waste collection, treatment and disposal activities
5.4. Remediation activities and other waste management services

6. Construction

6.1. Construction of buildings

[4] *Note that the economic Activities in the report are based on the main grouping.*

Industrial Classification

6.2. Civil engineering

6.3. Specialized construction activities Construction

7. Wholesale & retail trade; repair of motor vehicles and motorcycles services

7.1. Trade and repair of motor vehicles and motorcycles

7.2. Whole sale trade

7.3. Retail trade

7.4. Accommodation services

8. Transportation and Storage

8.1. Land transport and transport via pipeline

8.2. Water transport

8.3. Air transport

8.4. Warehousing and support activities for transportation

8.5. Postal and courier activities

9. Accommodation and food service activities services

9.1 Accommodation

9.2 Food and beverage service activities

10. Information and communication

10.1. Publishing activities

10.2. Motion picture, videos and television programme production and sound recording and music publishing activities

10.3. Programming and broadcasting activities

10.4. Telecommunications

10.5. Computer programming, consultancy and related activities

10.6. Information service activities

11. Finance and Insurance activities covered above

11.1. Financial service activities

11.2. Insurance, reinsurance and pension funds

11.3. Activities auxiliary to financial service and insurance activities

12. Real estate activities

12.1. Real estate activities

13. Professional, scientific and technical activities

13.1. Legal and accounting activities

13.2. Activities of head office; management consultancy activities

13.3. Architectural and engineering activities

13.4. Science research and development

13.5. Advertising and market research

13.6. Other professional, scientific and technical activities

13.7. Veterinary activities

14. Administrative and support service activities

14.1. Rental and leasing activities

14.2. Employment activities

14.3. Travel agency and tour operator activities

14.4. Security and investigation activities

15. Education

15.1. Education

16. Human Health and Social work activities

16.1. Human health activities

16.2. Residential care activities

17. Arts, entertainment and recreation

17.1. Creative, art and entertainment activities

17.2. Libraries, archives, museum and other cultural activities

17.3. Gambling and betting activities

17.4. Sports, amusement and recreation activities

18. Others

18.1. Others (specify)

Appendix III: Investor Survey Staff

Name	Title
1. Dr. Chris Mukiza Ndatira	Team Leader/Director Macroeconomic Statistics-UBOS
2. Mr. Byensi Lawrence	Deputy Team Leader/Director Investment Facilitation-UIA
3. Mrs. Passy Washeba	Deputy Team Leader/Assistant Commissioner-MFPED
4. Mr. Mayende John	Project Manager/Principal Statistician UBOS
5. Mrs. Wamono Rebecca	National Supervisor/Head Research-UIA
6. Mr. Kabaale Mohammed	Field Supervisor/Senior Economist-MPFED
7. Mr. Ssonko Andrew Isaac	Field Supervisor/ Economist-MPFED
8. Mr. Rwakijuma Ivan	Field Supervisor/ Economist-MPFED
9. Mrs. Mulindwa Winfred	Data Processing Supervisor /Principal Statistician-UBOS
10. Mrs. Lubega Aliziki	Data Processing Supervisor /Senior Statistician-UBOS
11. Ms. Waira Hope Nantamu	Team Leader Group 2/Investment Executive-UIA
12. Mr. Okasio Michael	Team Leader Group 1
13. Mr. Tumuhairwe Christopher	Team Leader Group 4
14. Ms. Naluwangula Daisy	Team Leader Group 3
15. Mr. Lubale Allen	Field Interview Group 1
16. Mr. Karamagi Kevin	Field Interview Group 1
17. Ms. Wabyoona Sarah	Field Interview Group 1
18. Mr. Madete Francis	Field Interview Group 1
19. Mr. Kwihangana Reuben	Field Interview Group 1
20. Mr. Wanendeya Muhammed	Field Interview Group 2
21. Mr. Kamugisha K. Justus	Field Interview Group 2
22. Mr. Okello Lamton Lawrence	Field Interview Group 2
23. Mr. Mayega Jova	Field Interview Group 2
24. Ms. Ndagire Martha Kisakye	Field Interview Group 2
25. Ms. Atieno Edna	Field Interview Group 3
26. Mr. Makkeni J Gray	Field Interview Group 3
27. Mr. Abwola Ben Franklin	Field Interview Group 3
28. Mr. Odwera Emanuel	Field Interview Group 3
29. Mr. Masembe Timothy	Field Interview Group 3
30. Mr. Lulitsa Joseph	Field Interview Group 4
31. Mr. Nuwagira Andrew	Field Interview Group 4
32. Mr. Sempijja Peter	Field Interview Group 4
33. Ms. Oroma Stella	Field Interview Group 4
34. Ms. Irene Nantalaga	Data Entry Operator
35. Ms. Prossy Nambalirwa	Data Entry Operator
36. Ms. Rachael Wambi	Data Entry Operator

37. Ms. Aisha Byogero	Data Entry Operator
38. Ms. Irene Tibanganya	Data Entry Operator
39. Ms. Winfred Nante	Data Entry Operator
40. Ms. Tushabe Faith	Data Coder/Editor
41. Ms. Byamugisha Vivien	Data Coder/Editor

Investor Survey National Steering Committee

Name	Title	Responsibility
1. Dr. Chris Mukiza Ndatira	Team Leader/Director Macroeconomic Statistics-UBOS	Chairman
2. Mr. Byensi Lawrence	Deputy Team Leader/Director Investment Facilitation-UIA	Secretary
3. Mrs. Passy Washeba	Deputy Team Leader/Principal Economist-MFPED	Member
4. Mr. Mayende John	Project Manager/Principal Statistician-UBOS	Member
5. Mrs. Wamono Rebecca	National Supervisor/Head Research-UIA	Member
6. Mrs. Celine Prud'homme Madsen	Programme Officer Trade/Private Sector Development-EU	Member

Ministry of Finance and Economic Development Coordination Team

Name	Title
1. Mr. Lawrence Kiiza	Director Economic Affairs, MFPED
2. Mr. Kalanguka Kayondho	Director Investment, MFPED
3. Mrs. Jenniffer Muwuliza	Deputy NAO/ALD
4. Mrs. Joyce Ruhweeza	Deputy NAO/ALD
5. Mr. Geoffrey Turyamuhika	Economist/ALD
6. Mrs. Ruth Mugisha	Finance and Admin. Ass/ALD

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