



Regional Commitments

- Uganda has not yet joined the COMESA FTA. Several studies have been commissioned to evaluate the possible impact of joining the FTA. Eligible goods originating in Uganda attract Customs duty of 20% in the FTA.
- Uganda has signed and ratified the following COMESA legal instruments:
 - the Customs Bond Guarantee
 - the Charter on a regime of Multinational Industrial Enterprises (MIE)
 - the Protocol on the Gradual Relaxation and eventual Elimination of visa, and
 - the Charter Establishing the Federation of National Associations of Women in Business in Eastern and Southern Africa
- Uganda has also signed the Charter for the Establishment of a Metallurgical Technology Center (MTC).
- Uganda is a member of the Eastern and Southern Africa Trade and Development (PTA) Bank www.ptabank.org and the COMESA Re-insurance Company (ZEP-RE) www.zep-re.com.
- Uganda is member of IGAD and the East African Community (EAC).
- In the East African Community (EAC)'s Customs Union, Uganda reduced its customs duty from 10% to 8% for Kenyan goods.

Investment Environment

- The Uganda Investment Authority (UIA) is responsible for approving investment projects, and aims to promote and facilitate investment by local and foreign investors in Uganda. Between 2005 and 2007, the country attracted over US\$100 million in FDI, recording USD 210 million in 2006.
- Investment opportunities exist across various sectors including agriculture (crops and livestock), information and communication technology, mining, energy, services (education, health, financial), and tourism, respectively. Investors in agribusiness are flocking to Uganda take part of the emerging economy. Israelis are building greenhouses and setting up the latest in hydroponic irrigation systems. Indians are growing rice and sunflower seeds. South Africans and Americans have invested in cotton gins. Europeans have opened fish-processing plants.
- A draft legislation has been prepared for the creation of Multi-Facility Economic Zones intended to provide investors with incentives such as tax holidays, duty drawbacks, and the removal of export taxes on goods produced within the EPZs. Namanve Industrial Park has been identified to host the EPZ, and the development of a second EPZ located at Entebbe Airport is being considered.
- Reforms being undertaken to improve the investment climate of Uganda include:
 - Strengthen Customs Department administration and management;
 - Harmonisation of tax policies in order to simplify business operations; and
 - Strengthening of overall tax reforms; and
 - Land reforms.

Investment incentives

- Allowances on capital equipment as well as various tax incentives;
 - Allowances on plant and machinery ranging from 25% to 100%;
 - Deductible annual allowances on depreciable assets ranging from 20% to 45%;
 - Annual depreciation allowances on Industrial Buildings, Hotels & Hospitals (5%), general farm works (20%), and Horticulture Plant and Construction (20%);
 - Allowance for foreign investors to have 100% share ownership;
 - Normal depreciation allowances with the addition of a special 50% initial allowance on plant and machinery resulting in the effective corporation tax rate being considerably less than the nominal 30% rate;
 - Zero rate of import duty tax on plant and machinery;
 - Uniform corporate tax rate of 30%, which is lower than in most African countries
 - Provisions for the allowance for assessed losses arising out of company operations including the loss from the investment allowance to be carried forward; and
 - Fully liberalized foreign exchange regime with no restrictions on the movement of capital in and out of a country.
 - Withholding tax on dividends reduced to 10% up from 15% for loss on stock exchange.
 - Exempt the income of the investor through the Compensation Fund.
- According to programme for elimination

Regional Interconnectivity

- Plans to create an Air Cargo Logistics Centre and Inland Port are underway. The creation of an Air Cargo Logistics Centre and Inland Port aim to facilitate the improvement of air networks and reduce the transportation costs and clearance services.

Table 7: Flights from Entebbe to the capitals of COMESA Member States

From / To	A Ababa	Antarivo	Asmara	Bujumbura	Cairo	Comoros	Djibouti	Harare	Khartoum	Kigali	Kinshasa	Lilongwe	Luanda	Lusaka	Manzini	Mauritius	Nairobi	Seychelles
Entebbe	7	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	28	-

- The Kenya/ Uganda railway was concessioned to an investor Rift Valley Railways Consortium in 2005. The concessioning of this railway link is expected to have a significantly impact the distribution of traded commodities in the region, and is expected to reduce the costs relating to this public utility. Railway operations are expected to provide a means of boosting regional trade.
- Waterways are present on Lake Victoria, Lake Albert, Lake Kyoga, and parts of Albert Nile. Ports are located at Entebbe, Jinja, and Port Bell.
- The following projects have been identified for future development:

- The joint development of the Bujagali, Karuma, Kiazeta Region.
- Strengthening of the Uganda-Rwanda (Mbarara-Kigondo-Kigali) inter-connector;
- Development of the Uganda DRC (Kasese-Beni) Inter-connector; and
- The extension of oil pipelines linking Kenya, Uganda, Rwanda, and the DRC.
- Procurement of thermal power capacity of 100 MW.

Document Version October 2007

Prepared by the Strategic Planning and Research Unit,
The Common Market for Eastern and Southern Africa (COMESA) Secretariat,
Ben Bella Road, P.O. Box 30051, Lusaka, Zambia
Tel: +260-21-1-229725/32, Fax: +260-21-1-225107
Website: www.comesa.int

Contact: rrandriamandrato@comesa.int, bmwenda@comesa.int

Key Points:

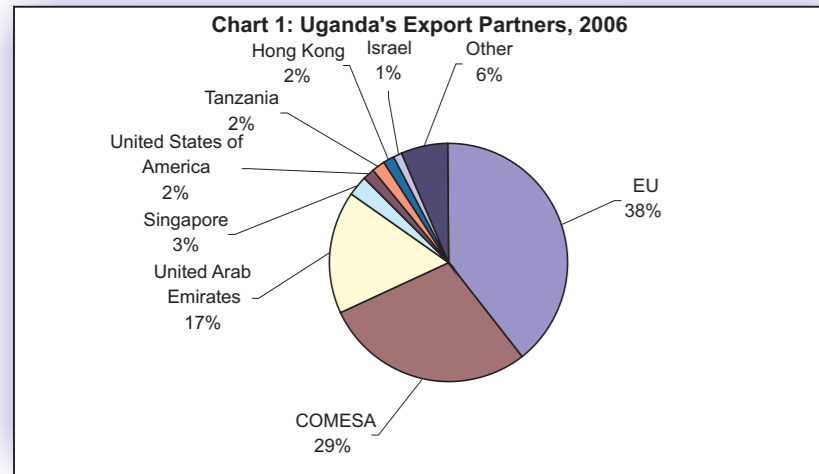
- Establishment of Multi-Facility Economic Zones, which aim to promote export-oriented private sector investment in Uganda.
- Plans to establish an Air Cargo Logistics Centre and Inland Port are underway, with the aim of facilitating trade internationally and within the region.
- Development of communication and transportation infrastructure to promote domestic and regional linkages, and the regional trade of commodities
- Rice has become one of Uganda's leading crop which production has doubled in the past five years with a projection to more than double again by 2011 because new varieties can be grown using rain-fed irrigation. New mills were opened with the latest technology in a drive to make Uganda self-sufficient in rice and an exporter to the regional.
- Discovery of oil reserves on Lake Alberta in Uganda and subsequent implications for domestic and regional oil reserves.
- Construction of a dry port in Malaba aimed at lowering transport and port costs for Uganda importers and exporters

Overall Economic Prospects

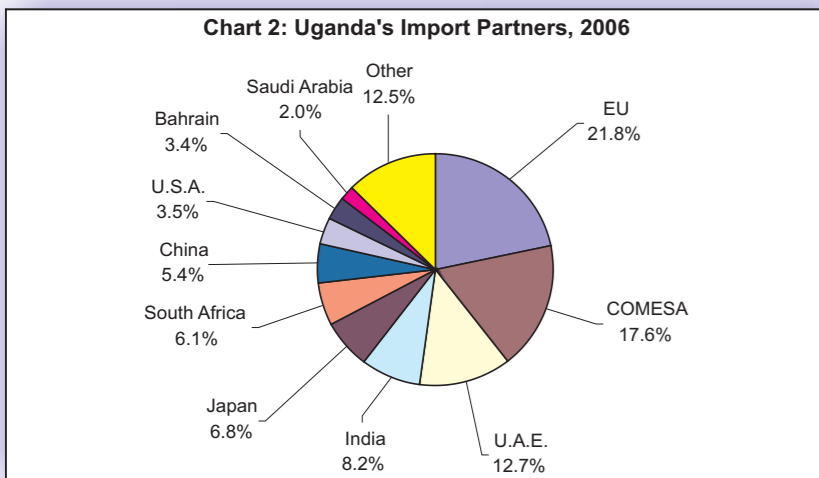
- GDP growth is expected to reach 5.9% in 2006/07 attributed to increased investment expenditure, enabling environment and political stability geared at enhancing economic growth and livelihood incomes.
- Uganda boasts two growing seasons, ample rain, rich volcanic soils which give the country the capacity to diversify production of cash crops. Almost any cash crops can grow in Ugandan land from rice, vanilla to sunflower seeds, roses to potatoes and production is soaring.
- Uganda is expected to attain a growth rate of 5.9% in 2007 as compared to 5.3% in 2006. This is on account of not suffering another drought, increased production of both food and cash crops with a projected agricultural growth of 3.4% in industry is expected to recover to 7.6% during the second half of the year when additional thermal generation comes on board. Growth in services is expected to remain strong at 7%. The road transport, telecommunications and financial services are strong as well as impressive growth in the sectors of hotels, restaurants, air and support service sectors. The telecommunication sector is expected to register a fast growth in the economy with a mobile phone subscribers' mark of over 1,5 millions.
- Investment is expected to increase above 24% of GDP. Domestic savings expected to rise over 9.1% of GDP and private construction is also projected to increase to over 15.0% of GDP. Foreign Direct Investment is expected at over US\$. 261m or 2.8% of GDP. Export earnings are expected to grow by over 10%.
- Agriculture remains one of the most dynamic sector and is expected to continue positive growth on account of continued investment in agriculture and agro processing. Rising international demand and global commodity prices for tobacco and cotton, and fish have improved Uganda's trade prospects. The country's total exports have grown by 10% and total imports by 20% respectively in the 2005/2006 period.

Trade Profile 2006-2007

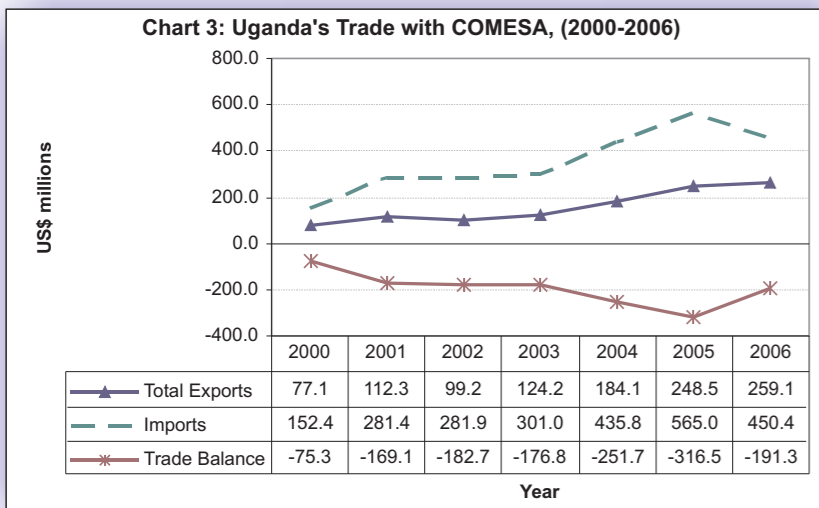
COMESA shares for both for export and import continue to grow with respectively 28.8% and 18% share in 2006. The main trading partners in COMESA are Kenya, Sudan, Congo DR, and Rwanda.



Source: COMSTAT Database



Source: COMSTAT Database



Source: COMSTAT Database

Table 1: Intra COMESA Exports

Partners	Value in US\$	%
Sudan	87,682,889	37.45%
Kenya	60,481,294	25.83%
Congo DR	37,264,893	15.91%
Rwanda	27,618,235	11.79%
Burundi	16,093,999	6.87%
Egypt	4,088,566	1.75%

Source: COMSTAT Database

Table 2: Intra COMESA Imports

Partners	Value in US\$	%
Kenya	400,934,001	89.01
Swaziland	27,919,209	6.20
Egypt	16,240,944	3.61

Source: COMSTAT Database

Uganda's exports to the COMESA region maintained an upwards trend, increasing by 4.3% to US\$ 259 million in 2006 from US\$ 249 million in 2005.

Uganda's imports from the COMESA region recorded an amount of US\$ 450.4 million in 2006.

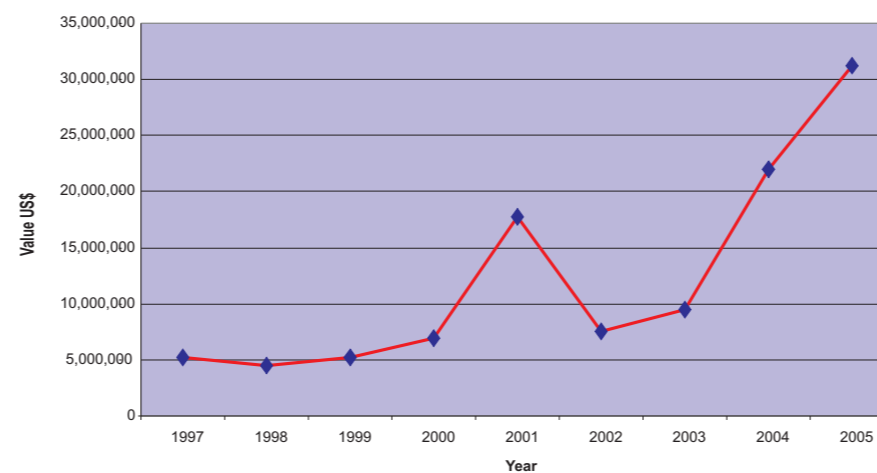
The construction of a dry port in Malaba is expected to lower transport and port costs for Uganda importers and exporters using the Kilindini port in Mombasa. The Malaba Dry Port is estimated to cost US\$150 million for the construction of an inland container depot. The Malaba port is anticipated to boost regional trade. The port is facing increasing usage and handled an approximate 2.8 million tonnes in 2006 compared to 1.7 million tonnes in 2002.

Table 3: Uganda's Top Intra COMESA Export Products, 2006

No.	HS	Product Description	Value US\$	% of Total
1	090111	Coffee (excl. roasted and decaffeinated)	35,637,645	15.2
2	090240	Black fermented tea and partly fermented tea	20,806,958	8.9
3	721041	Flat-rolled products of iron or non-alloy steel	10,638,506	4.5
4	100510	Maize seed	9,885,156	4.2
5	151620	Vegetable fats and oils and their fractions	9,569,762	4.1
6		Other Products	147,620,924	63.0
		Total Exports	234,158,952	100.0

Source: COMSTAT Database

Chart 4: Uganda's Intra-COMESA Exports of Coffee



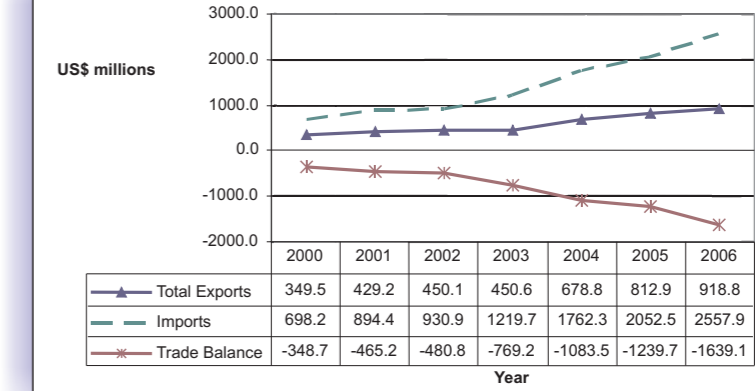
Uganda is planning to introduce processed coffee exports to Sudan by the end of 2007.

Table 4: Uganda's Top Intra Import Products, 2006

No.	HS	Product Description	Value US\$	% of Total
1	271019	Medium oils and preparations, of petroleum or bituminous materials	93,824,237	20.8
2	271011	Light oils and preparations, of petroleum or bituminous materials	27,377,093	6.1
3	252329	Portland cement	26,553,294	5.9
4	330210	Mixtures of odoriferous substances	18,764,564	4.2
5	300490	Medicaments	11,399,561	2.5
6		Other Products	272,524,344	60.5
		Total Imports	450,443,094	100.0

Source: COMSTAT Database

Chart 5: Uganda's Global Trade, (2000-2006)



Source: COMSTAT Database

Uganda's exports with the global market grew by an annual rate of 13.0% in 2006.

Uganda is a member of the WTO and the ALL-ACP. Goods from Uganda also have preferential access to EU markets.

Table 5: Uganda's Top Export Products, 2006

No.	HS	Product Description	Value US\$	% of Total
1	090111	Coffee (excl. roasted and decaffeinated)	183,838,774	22.6
2	710813	Gold	107,218,277	13.2
3	030410	Fresh or chilled fillets and other fish meat	82,805,183	10.2
4	030420	Frozen fish fillets	41,922,775	5.2
5	240120	Tobacco, partly or wholly stemmed/stripped	22,478,405	2.8
6	060240	Roses, whether or not grafted	20,854,381	2.6
7	090240	Black fermented tea and partly fermented tea,	20,851,319	2.6
8	260500	Cobalt ores and concentrates	16,159,593	2.0
9	490700	Unused postage, revenue or similar stamps	15,119,040	1.9
10	721041	Flat-rolled products of iron or non-alloy steel	13,131,727	1.6
11		Other Products	288,204,136	35.5
		Total Exports	812,581,610	100.0

Source: COMSTAT Database

Recent discoveries of three oil fields, namely Weraga 1, Weraga 2 and Mputa on Lake Albert in Uganda with reserves of approximately between 100 million and 300 million barrels of oil, provide future opportunities for trade of oil and petroleum products within the region and on a global scale. Plans are underway to commence the extraction and production of oil by 2009, with initial production of 6,000-10,000 barrels a day.

Table 6: Uganda's Top Import Products, 2006

No.	HS	Product Description	Value US\$	% of Total
1	271019	Medium oils and preparations, of petroleum	377,987,165	14.8
2	271011	Light oils and preparations, of petroleum	139,580,066	5.5
3	100190	Wheat and meslin (excl. durum wheat)	105,343,459	4.1
4	852520	Transmission apparatus	103,532,236	4.0
5	300490	Medicaments consisting	71,366,833	2.8
6	870323	Motor cars and other motor vehicles	50,613,956	2.0
7	151190	Palm oil and its fractions, whether or not refined	41,565,358	1.6
8	870421	Motor vehicles for the transport of goods	41,524,296	1.6
9	721049	Flat-rolled products of iron or non-alloy steel	34,596,359	1.4
10	252329	Portland cement	26,822,253	1.0
11		Other Products	1,565,142,189	61.2
		Total Imports	2,557,874,169	100.0

Source: COMSTAT Database