

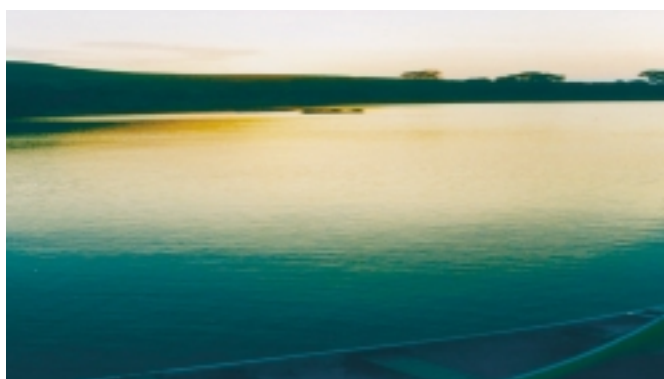
EAST AFRICAN CORPORATION: UGANDA

Few countries in Africa can rival Uganda in its economic and social achievements over the past three decades. Since the advent of democracy in 1986, the country has transformed itself into a stable political nation with one of the fastest growing economies on the continent.

Of course, Uganda is not without its problems too – not least the scourge of HIV/AIDS and malaria, but the government of President Yoweri Museveni is characterized by its determination to tackle the difficulties head-on and improve the life of its 25 million citizens.

In 1992, Uganda engaged with the IMF and the World Bank to promote stabilization of the economy, improve the agro-economic framework and control inflation. It then embarked on a program of structural reforms and economic liberalization. Growth has averaged 6% to 7% each year and inflation is around 3%.

The government has made huge strides in education and healthcare. State universal primary education has increased school enrollment from 2.7 million pupils to 7.4 million, and the HIV/AIDS infection rate is the lowest in sub-Saharan Africa. Poverty has been reduced from over 50% in 1992 to 35%. “The challenge now is how to transform the small household incomes. Poverty reduction is one of our major achievements, which we think we must follow on, to abolish total poverty,” says James Wapakhabulo, Minister for



Bulago Island in Lake Victoria

Foreign Affairs. “We are looking at how to create a modern state through industrialization. Agro-based industries are likely to be our best floor.”

Agriculture remains the backbone of the economy, with 80% of the population working on the land. The traditional crops are coffee, tea and cotton, whose prices are subject to the volatility of the commodity markets. Now the country is turning to other areas like fish farming, sesame seeds and fruit, and emphasizing its organic credentials, particularly in cotton and coffee.

Hydroelectric power is developed but still has tremendous potential, with export markets in Kenya and Tanzania. The planned \$550 million 250-megawatt Bujagali hydro project will be East Africa’s largest ever commercial investment.

Information Communications Technology (ICT) is also an area of opportunity. “The potential is there to make Uganda an efficient data processing country for the Americans and Europeans given our time differences,” says Mr Wapakhabulo.

Investors are increasingly looking at Uganda as a reliable destination for long-term prospects and profitability. Part of the attraction is the preferable terms of trade with the U.S. offered by the African Growth and Opportunity Act (AGOA). Government figures put the number of jobs created to date as a result of AGOA at 5,000, and the total is still rising. President Museveni told the BBC’s World Service: “AGOA is the biggest opportunity for Africa since independence. The future belongs to industrialization, to modernization, not in maintaining this backward raw material economy which we have.”

AGOA has revived the devastated textile industry. Sri Lankan-backed Tristar alone has exported garments worth over \$29 million since it set up in 2002, and employs 2,000 people. “We are developing more factories that can use our abundant cotton,” says Susan Muhwezi, Special Presidential Assistant on AGOA and Trade, the government’s Export-Led Strategy Unit. “We don’t only want to produce yarn but to export to other African countries like Mauritius.”

The majority of activity is small-scale farming, but the government tries to provide farmers with the right seeds and tells them what to grow, at the same time looking at ways to add value rather than export in raw form. It is also developing the Ugandan Development Bank aimed at providing low interest rate funding to local people – right now they have little access to affordable credit.

While accepting that there is still a long way to go in terms of modernizing the transport and communications infrastructure needed

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**James
Wapakhabulo,
Minister for
Foreign Affairs**



**Susan
Muhwezi,
Special
Presidential
Assistant on
AGOA and
Trade**

to facilitate global trade, Uganda sees East African integration as a way of overcoming these obstacles. Uganda is a gateway not only to other countries within the East African Corporation, Comesa (Common Market for Eastern and Southern Africa), and the EBA (Everything But Arms) but also to Rwanda, Burundi, DR Congo and Southern Sudan.



Jolly Sabune,
Managing
Director, CDO

Famously dubbed the "Pearl of Africa" by Winston Churchill, Uganda was the most popular tourist destination in Africa in the 1960s before the years of political instability. It can be so again, and is concentrating on eco-tourism, the fastest growing sector of world tourism and one that is conservation-based and sustainable. Uganda is only too aware that its natural assets, which include spectacular mountains, plains, grasslands and rain forests, Lake Victoria – the largest freshwater lake in Africa – and an awesome array of wildlife, must be preserved to guarantee a long-term future.



**Vijay
Vijaykumaar,**
CEO, Sheraton

Not one to miss out on a good opportunity, Midroc, a diversified Investor Group, which bought the Apolo Hotel Corporation, trading as Sheraton Kampala Hotel has invested €17.9 million towards the refurbishment of the prestigious establishment located in the Ugandan capital.

"Even though 90% of our clients are business executives, more and more tourists have been coming to the region since the 9/11 attacks on the U.S. We have become a destination for people who are too apprehensive to travel to the Middle East," says the Chief Executive Vijay Vijaykumaar. Satisfied with the quality of the local workforce, he explains that they took the decision to set up operations in Uganda due to the liberal laws that are in place, as well as the political stability. He states that this country is certainly one of the most welcoming in Africa and offers total security to investors. ■

Business Outlook

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Cotton Development Organisation

The Cotton Development Organisation (CDO) was created in 1994 to support the cotton industry in Uganda which had declined to a production level of just 15,000 bales a year. It came as part of the wider government agenda to free the markets and open them up to competition.

The CDO has restructured the sector, including the processing and marketing, and within three years regained the all-important premium quality status and affiliated once again to bodies like the International Cotton Advisory Committee, Liverpool Cotton Association and Bremen Cotton Exchange. For the past eight years the National Agricultural Research Organisation in collaboration with CDO has been researching into quality seeds for commercial production. During this time, new entrants have come to the market, both local and foreign, including the largest merchant in the world, Dunavant from the U.S. "They are coming due to the confidence in our political and security situation and also the premium quality of our crop," says CDO Managing Director, Jolly Sabune.

The major role of CDO today is to promote, coordinate, regulate, and give policy advice. It now deals with all players in the cotton chain, from the small-scale farmers to processors, ginners, millers, merchants and the local textile mills. Production is now over 120,000 bales a year. Over the past five years the local market has grown to take some 5% to 7%, but more than 90% is still exported raw as lint. This is where the major opportunities lie – in adding value by processing the raw lint into yarns, garments, textiles and fabrics. Organic cotton production also has vast potential, with a capacity of some 200,000 bales a year.

Markets for these products are waiting to be supplied. Uganda has an open market with the U.S under the African Growth and Opportunity Act, the E.U. through the Everything But Arms initiative, and access to the countries within the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA).



COTTON DEVELOPMENT ORGANISATION

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Getting connected

Telecommunications in Uganda have changed unrecognizably in the past five years. The sector was opened up to reform in 1998, paving the way for two fixed line operators, Ugandan Telecom Ltd (UTL) and MTN. Both companies also provide mobile services, as does Celtel. Value added services such as Internet Service Provision were opened up to unlimited competition.

At the same time, the Uganda Communications Commission (UCC) was established to oversee sector development and regulation under the leadership of Commissioner and Executive Director Patrick Masambu. Legislation was drawn up for specific development in the rural areas facilitated by the Universal Access Fund.

These developments have led to an explosion in telecoms use, with the number of customers doubling every year, while tariffs have decreased in real terms by at least 50%. Coverage now includes more than 80% of urban centers, and services to rural areas have been much improved. Internet Points of Presence are currently being established across the country.

The market will open to even greater competition in mid-2005, offering many opportunities for investment focused on infrastructure roll-out and niche markets and services, especially in e-business and e-government.

UCC and government recognize that enlarged markets with harmonised policies and regulations will attract investment and are actively working to improve regional and international co-operation, especially with EAC and COMESA partners.

Total solutions

When Uganda Telecom Limited (UTL) was privatized in February 2000, it only provided some 35,000 fixed line services. Now, it has 50,000 landline services and is the fastest growing mobile phone operator with almost 180,000 mobile customers. "More than 90% of landline customers became mobile phone customers as well, so this is a very good achievement," says Managing Director Aimable Mpore.

The company believes in serving the community, and in recent months has been deploying network service to more rural areas. It offers the very latest technology, including pre-paid roaming, and is finalising landline ADSL projects which is the latest technology being used in Europe, and allows a high speed connection to the internet. All UTL landlines are connected to the internet so there is no need for an Internet Service Provider.

Mr Mpore says that the ending of the UTL/MTN duopoly in 2005 will bring opportunities to partner with new players in specific niches, while it is unlikely any will have the capital required to rival UTL directly. UTL launched the largest bond issue in Uganda in July 2003 and is using the money raised "to develop our infrastructure and become more competitive and also enable us to serve the rural areas," says Mr Mpore. "This is the only way that we can fulfil our role of corporate citizenship."

He welcomes the government focus on e-business and e-government and has already started some projects in this field, including a project with the Minister of Finance in partnership with Hewlett Packard.