COTTON, TEXTILE AND APPAREL SECTOR
INVESTMENT PROFILE SUMMARY

UGANDA

Uganda Investment Authority
your investment is our business

UGANDA: AN OVERVIEW

The Republic of Uganda is advantageously situated in Sub-Saharan Africa's core within the East African region. Uganda is bordered by the Republic of South Sudan in the north, the Republic of Kenya in the east, the Democratic Republic of the Congo in the west, the United Republic of Tanzania in the south, and the Republic of Rwanda and the Republic of Burundi in the south-west. This locality gives it a strong base for regional investment and trade.

Uganda has a population of approximately 37.78 million, out of which around 15 million lies in the working age group of above 15.

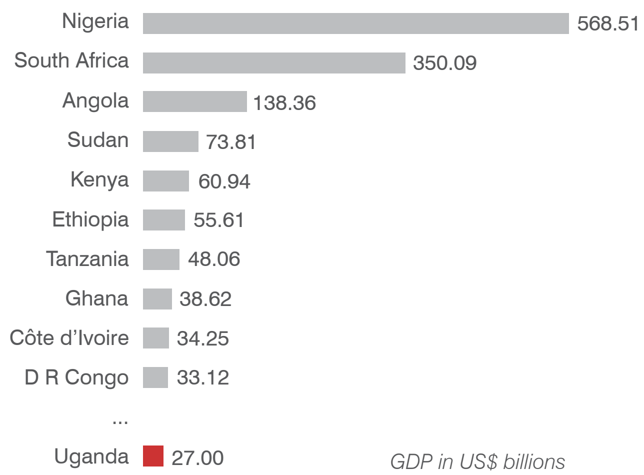
Basic Statistics: Uganda*	
Capital:	Kampala
Land area:	199,807.7 km2
Population:	37.78 mm (2014)
Labour force (over 15 years):	15.11 mm (2014)
Youth literacy rate (15–24 years):	
Male:	85.8% (2012)
Female:	81.7% (2012)
GDP (nominal):	US$ 27 bn (2014)
GDP growth:	4.8% (2014)
FDI inflow:	US$ 1.15 bn (2014)
Exports:	18.4% of GDP (2014)
Imports:	28.5% of GDP (2014)
Govt. expenditure:	US$ 4.34 bn (2015 est.)
Govt. revenue:	US$ 3.29 bn (2015 est.)
Currency:	Ugandan shillings (UGX)
Language:	English (official language), Swahili, Luganda (major)

**Source:* UIA, 2013; World Bank, 2015; CIA, 2016

Uganda has a total of 26 licenced commercial banks, ranging from national, intraregional and international banks. According to the Bank of Uganda's Financial Stability Report (2014), the total bank assets grew from UGX 15.7 trillion in June 2013 to UGX 18.6 trillion at the end of June 2014. This is an annual asset growth rate of 18.8%; more than twice the rate of growth experienced in the previous year.

In addition, commercial banks in Uganda remain well capitalized. With the exception of one bank, all banks meet the minimum capital adequacy requirements of 8% for tier one capital adequacy ratio, 12% for total capital adequacy ratio and UGX 25 billion for minimum paid-up capital.

Uganda is the 5th largest East African and 13th largest Sub-Saharan economy



**Source:* World Bank, 2015

WHY UGANDA?

The cotton, textiles and apparel (CTA) industry in Uganda is the third largest export industry after coffee and tea. It is the main income source for about 250,000 households.

Raw material scenario

- Main income source for about 250,000 households (average landholding size <1 ha);
- Thirty-nine buyers/ginners (of which 34 ginneries are privately owned and five are owned by a cooperative);
- At least 95% of lint is exported, mainly to neighbouring countries and to Asia;
- There are two operational textile firms (Southern Range Nyanza Limited; Phenix Logistics);
- Local apparel and garment production is mainly dominated by small and medium-sized enterprises.

Manufacturing value chain

- **Ginning:**
  There are 39 buyers/ginners (37 operational; two dormant) with the installed ginning capacity of 909,400 bales per annum, though most remain underutilised due to low production.

- **Textiles:**
  The local textile industry consumes less than 3%–5% of the country's total lint production. Most of the lint is exported. AGOA-related opportunities could help stimulate investment interest, but the high cost of utilities and transport, unreliable power, and import of cheap and second-hand clothing in the domestic market continues to present a barrier for many potential investors to compete sustainably.

- **Apparel:**
  There are three operational textile firms in Uganda, dominated by more than 400 micro and small-scale garment producers, with the majority of these enterprises run by women or women's groups.

Uganda's global and regional market access

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African Growth and Opportunity Act (AGOA)	United States (3rd country fabric provision)
Northern Corridor Transit and Transport Coordination Authority (NCTTCA)	Burundi, Uganda, Rwanda, the Democratic Republic of the Congo and South Sudan
Cotonou Agreement (ACP–EU)	European Union and USA
East African Community (EAC)	Burundi, Rwanda, Tanzania and Uganda
Common Market for Eastern and Southern Africa (COMESA)	Burundi, the Union of the Comoros, the Democratic Republic of the Congo, the Arab Republic of Egypt, the Republic of Djibouti, the State of Eritrea, Libya, the Republic of the Sudan, the Republic of Madagascar, the Republic of Malawi, the Republic of Mauritius, Rwanda, the Kingdom of Swaziland, Uganda, the Republic of Zambia, the Republic of Seychelles and the Republic of Zimbabwe
Tripartite Free Trade Area (TFTA) between EAC, COMESA and Southern African Development Community (SADC)	Regional markets, including the Republic of South Africa

Business environment

LEGAL AND REGULATORY FRAMEWORK

- The establishment of The Uganda Investment Authority (UIA), under the Investment Code Act, Cap 92 Revised Edition 2000 Laws of Uganda.
- Implementation of a national single-window system is on course for completion during 2016 and is expected to result in a 30% decrease in transaction costs and time related to processing documentation for key exports and imports at Uganda's trade regulatory agencies.

LOGISTICS AND CONNECTIVITY

- There are three lake ports in Uganda – Entebbe, Jinja and Port Bell (Lake Victoria).
- Uganda has one international airport – Entebbe International Airport.
- Uganda Railways has a narrow gauge rail of 1,244 km 1,000-m gauge from the Kenyan coastal town of Mombasa. A standard gauge railway is being constructed from the neighbouring Republic of Kenya, with the view of extending to Uganda, Rwanda and the Democratic Republic of the Congo.

MANPOWER SCENARIO

- There is abundant availability of relatively well-educated population.
- Wage rates: Unskilled worker – US$ 55 to US$ 105; skilled worker – US$ 100 to US$ 140.

POWER SCENARIO

- Uganda has a total installed generation capacity of 810 MW in 2014.
- Uganda is also carrying out a feasibility study to cover diverse generation technologies, namely solar photovoltaic (99 MW), hydro (73 MW), natural gas (50 MW) and wind (20 MW). The additional permits issued have brought the total number of projects under feasibility study to 29, with a combined capacity of 341 MW.
- The average power cost in Uganda is US$ 0.12/kWh.

GOVERNMENT SUPPORT FOR CTA SECTOR

- The foreign exchange regime is fully liberalized and exporters are permitted to keep 100% of their foreign exchange earnings accumulating from their export transactions.
- Exports are tax exempt (zero-rated). This is intended to cut exporters' costs and make exports from Uganda more competitive.
- The basis for duty drawback is to make it possible for manufacturers and other exporters to be competitive in foreign markets without having to incorporate costs of duty paid on imported inputs in the final export price, or imported inputs. This enables exports to draw back as much as 100% duties paid on material inputs imported to produce for export.
- All services and goods exports are zero-rated for VAT. Nevertheless, exporters must be registered for VAT. This allows them to reclaim VAT expended on inputs when processing and producing exports.
- This scheme allows manufacturers to seek a custom license to hold and utilize imported raw materials meant for manufacture for export in safe locations places without payment of taxes. It makes working capital available, which would otherwise have had to be used for paying duties right after importation.

Advantage Uganda

Cotton, textile and apparel sector investors in Uganda can access the following benefits:

- All sectors liberalized for marketing and investment;
- Free outflow and inflow of capital;
- 100% foreign ownership of investment permissible;
- Economy ranked the eighth freest out of the 46 Sub-Saharan African countries by the 2013 Index of Economic Freedom.

INVESTMENT OPPORTUNITIES

The Government of Uganda deems the textile subsector to be one of the strategic areas in the country's social and economic transformation, due to the subsector being supported by raw materials (cotton lint) that are all grown locally. Processing causes these raw materials to undergo immense transformation, thus generating opportunities for Ugandans in all areas of the value chain, from garment and fabric retailers to cotton farmers.

Currently, a wide range of investment opportunities are available across the textile value chain, including:

- **Apparel manufacturing:**
  Apparel manufacturing in Uganda is the most attractive investment option for global investors due to the duty advantage under AGOA and to other major markets. Uganda has well-developed export channels, infrastructure and linkages with large US buyers, which can prove beneficial for new investors.

- **Textile (yarns and fabrics) manufacturing:**
  The present textile manufacturing set-up in Uganda is underdeveloped and unable to meet industry demands. New investments in this segment can easily get access to ready markets, not only in Uganda, but also in other neighbouring countries where apparel exports are growing.

- **Apparel accessories:**
  East Africa's exports of apparel are increasing continuously, but there is almost nil production of apparel accessories like labels, buttons, zippers and hooks, etc. An investment targeted at manufacturing and import substitution of such items can be a good proposition.

- **Services:**
  With growing production of textile- and apparel-manufacturing factories, opportunities will arise to provide associated services like buying houses, testing houses, technical consultancy, brokerage services, export marketing, and training, etc.

KEY CONTACTS

Upon arriving in Uganda, investors are encouraged begin by visiting the Uganda Investment Authority, where they will find the most recent information and advice best suited for foreign investors.

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