As distributed with International New York Times

UGANDA

An independent feature produced by The Report Company and published with the International New York Times

PAGE 2
PRESIDENT MUSEVENI
A Calming Force

PAGE 3
SECURITY
Sentinel of Stability

PAGE 4
INFRASTRUCTURE
Building for a Brighter Future

PAGE 8
TOURISM
Land of Superlatives

AGRICULTURE

New African Breadbasket

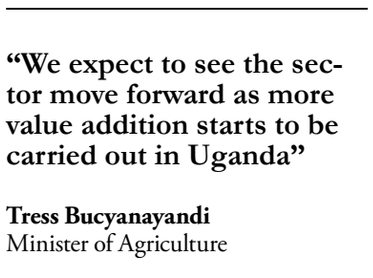
Ugandan leaders are working hard to realize their country's enormous agriculture export potential.

Uganda's rich soil and vast tracts of arable land make it ideal for agricultural development. In 2014, agriculture represented 21 percent of GDP; this figure has now reached 26 percent, notes Agriculture Minister Tress Bucyanayandi. While coffee, tea, cocoa, cotton and fruit have export potential, Bucyanayandi says, beans, rice and cassava are domestic staples. Bucyanayandi also notes how surplus crops like rice could be oriented regionally; Kenya, for example, has huge demand, but still imports Asian rice.
Certain challenges should be overcome for the sector to realize its full potential. Low capacity, funding, and know-how have obviated value-adding capacity for local producers. Big multinationals have already "set up their networks and value chains, so the real value addition is done in Europe and America," Bucyanayandi admits. Further, insufficient fertilizer, irrigation systems and quality warehouses all diminish yields. However, with investment these problems are eminently fixable.
Uganda has had great success with coffee. Robusta coffee originates in

"We expect to see the sector move forward as more value addition starts to be carried out in Uganda"

Tress Bucyanayandi
Minister of Agriculture

Uganda and accounts for 80 percent of production (Arabica, which originates in Ethiopia, makes up 20 percent). Although Uganda exports just 3.5 million bags annually, it is Africa's leading exporter. This export supremacy owes partly to low domestic consumption. Traditionally a tea-drinking people, Ugandans are evolving in their tastes, however.
"Coffee culture is starting in Uganda," says David Barry, Managing Director of Kyagalanyi Coffee Limited. "We now have 30 or 40 good coffee shops in Kampala, whereas a decade ago, there were only a couple."
One million Ugandan households depend on coffee farming. By investing in training and primary processing, Kyagalanyi is helping farmers improve yields, quality and practices.
Salim Saleh, President Museveni's brother, is helping develop agriculture as chairman of the national agricultural initiative, Operation Wealth Creation. It tests business



models for products like honey, chia seeds, maize flour and pumpkin flour. A veteran military man, Saleh cut through the bureaucracy to "integrate all the institutional powers and agencies within agriculture."
By December 2018, Saleh expects "active, complete value chains for at least 15 of our products."
Ugandan agriculture is, in some ways, surprisingly advanced. "We are already using our own scientists, doing things such as fortifying beans and extracting genes in peppers and bananas, and controlling some banana diseases," Bucyanayandi states.

MORE ON AGRICULTURE
PAGE 7

A hot air balloon floats over Queen Elizabeth National Park while a lion stands by its prey in the foreground. Uganda's unspoilt natural beauty is attracting increasing numbers of visitors.

Pearl of Africa Shines

Long-term stability and economic growth are finally unlocking the potential of one of Africa's most beautiful and evocative countries.

Uganda has long inspired some of the most romantic images of Africa: the majestic and the mystic, the exotic and the sublime. Tucked away in the heart of the continent, it has captivated visitors for decades with its lush, rolling hills, vast rivers and lakes, gentle climate, abundant wildlife and warm, friendly people.
Winston Churchill famously visited back in 1907: "For magnificence, for variety of form and color, for profusion of brilliant life – bird, insect, reptile, beast – for vast scale – Uganda is truly 'the Pearl of Africa,'" he wrote. "What message I bring back, concentrate on Uganda."
Today both tourists and investors are finally heeding Churchill's impassioned advice. After a dark and tumultuous period soon after it gained independence in 1962, Uganda has been steadily getting back on track since President Museveni took power in 1986, bringing peace and stability to its people.
The President has his detractors, but almost thirty years after inheriting a country that was devastated economically, socially and politically, he now presides over one of Africa's most economically dynamic and peaceful societies. Credit must be given for this achievement.
Blessed by some of Africa's most fertile land and with 18% of its surface area covered by fresh water, it is a major agricultural producer for the region and could become a breadbasket for the whole of Africa. Its challenge now is to add value to this produce.
It plays a leading role in regional affairs through the East African Community and the COMESA common market. Uganda has also consistently stepped up to the challenge of providing its armed forces to resolve some of Africa's most protracted conflicts.
It is witnessing a massive infrastructure push, with the Eastern Corridor project set to boost trade and integration with its neighbors, positioning itself as a regional hub of trade and logistics, opening up a market of well over 150 million to its industries and investors.
Uganda is incredibly rich in resources – both human and physical. It has a young and fast-growing population whose literacy rate has increased from 43 to 75% under President Museveni. It is also yet to exploit its estimated 6.5 billion barrels of oil, discovered less than a decade ago, and its vast mineral wealth remains largely untouched in the ground.
The rapid growth of Uganda's tourism industry, already nearly the second largest income earner, also signals a prosperous future, as visitors flock to the Source of the Nile and the thundering Murchison Falls.
Its magnificent wildlife was decimated during the 'lost decade' of the 1970s, but today Uganda can boast an expanding population of mountain gorillas, and a 600% increase in its elephant population – in stark contrast to neighboring Tanzania whose once great elephant population has declined by 60% in five years.
All of this has led to consistent economic growth averaging 7% over the last ten years, further drawing in investors who are being welcomed with open arms.
"Uganda is ready and waiting for investment from the rest of the world," enthuses Prime Minister Dr. Ruhakana Ruganda. "It's a great place to invest and to visit and I want people to take advantage of this."
Significant challenges remain – education and health need to be improved, bureaucracy tackled, industrialization cemented and greater freedom of expression allowed – but while stability persists, Uganda will remain on the radar of investors and tourists.

"Today Uganda can boast an expanding population of mountain gorillas, and a 600% increase in its elephant population."

REGIONAL AFFAIRS

Uganda Makes Its Mark on the Region

Uganda may be a relatively small country in comparison to some of its giant neighbors, but it has been playing an increasingly important role in regional affairs during Museveni's presidency, both militarily and politically, becoming a key US partner in Africa in the process.
When Museveni swept to power in 1986 he inherited a country fractured and devastated by two decades of turmoil and conflict. After succeeding in driving various rebel groups outside of its territory, Uganda's battle-hardened armed forces were soon deployed to solve some of central and eastern Africa's myriad conflicts, allowing Museveni to emerge as a guarantor of regional security.
Today Uganda has an estimated 9,000 troops stationed around the region playing a vital role in containing conflicts. Uganda is one of the key contributors of troops to the African Union's combat mission in Somalia to drive back the jihadist group al-Shabaab, while Ugandan troops are also at the forefront of

Uganda currently has an estimated 9,000 troops – a fifth of its armed forces – based in regional conflict zones.

efforts to broker a peace deal between the two warring factions in South Sudan's increasingly bitter civil war.
Uganda's troops have also for years been pursuing Joseph Kony's infamous and cult-like Lord's Resistance Army (LRA) across vast swathes of DR Congo, South Sudan and the Central African Republic.
This willingness to commit forces into regional conflicts where other African nations dare not get involved, has won Museveni and the Ugandan armed forces admiration as well as large-scale military and economic assistance from Washington, which sees it as a regional bulwark of stability.

HUMAN DEVELOPMENT

Healthy Investment in the New Ugandan Economy

The country's economic development also has a human dimension — economic success has led to milestone achievements in healthcare and social services.

Uganda has gone from being an aid-dependent country to one sustained by trade in a remarkably short time.
The transition from widespread poverty to a largely self-sustaining, if still poor country has involved a deep commitment to improving healthcare. Long-term governmental cooperation with foreign institutions and investors has led to notable successes.
For example, when Uganda was hard-hit by the 1980's AIDS epidemic, the newly-elected president, Yoweri Museveni, used media outreach, education and cooperation with international institutions to combat the disease. AIDS has declined from 15 percent in 1991 to seven percent today.
Social aspects remain a priority. President Museveni believes that foreign investment should benefit public health. Investor Tullow Oil recently co-funded a hospital in Bulisa, and Museveni stated that the hospital would "contribute towards long term improvements in the quality of life" for locals.
Further, in September, the Health Ministry and the United States Agency for International Development (USAID) started a two-month anti-malaria campaign. Uganda has long worked with USAID, which since 2006 has donated over $200 million to fighting malaria.
Prime Minister Ruhakana Rugunda, a doctor, places health care atop his agenda. Uganda has reduced infant and child mortality, he states, by "immunizing children and having health education lessons and paying attention to mother and child health issues." Wider access to safe water and new vaccines has also reduced child mortality.
Research capacity-building is also underway. The Uganda Virus Research Institute (UVRI) is considered one of the region's most advanced viral research facilities. The government's continued infrastructure improvements will help women gain better access to antenatal care, also saving lives.
Further, universal healthcare coverage is on the Ugandan government's post-2015 agenda, says Minister of Health Elioda Tumwesigye. And foreign investment in health care is encouraged too: the government "allocates money each year to support these hospitals, as a public-private partnership," Tumwesigye says.
Other public figures actively champion health care issues. The First Lady, Janet Museveni, is the public face of a campaign to eliminate the mother-child transmission of HIV.

"Universal health coverage is on the Ugandan government's post-2015 agenda."

Elioda Timwesigye
Minister of Health

Children in Uganda show off their books. Boosting literacy is a priority for the government as it seeks to reduce poverty.

A Calming Force

President Museveni has overseen years of economic growth, but bringing peace and stability to Uganda is unquestionably his greatest achievement.

President Museveni addresses the UN General Assembly in September 2014. The president spoke about economic development in Africa and called for greater international investment and collaboration. Photo: Niu Xiaolei. Corbis.

Yoweri Museveni has long put many western observers in something of a moral dilemma. On the one hand he has remained in power since 1986, backtracking on his promise to step down after the 2006 elections and in the process becoming one of Africa's longest-ruling leaders.

However on the other hand, there is little doubt that he has provided a much-needed steady hand for Uganda, a country that had endured two blood-soaked and chaotic decades before he came to power.

After all, recent examples across Africa and the Middle East demonstrate how western ideals of regular change in government don't always work so smoothly elsewhere.

"We have stability while many of our neighbors don't," he emphasizes. "That security comes from my vision."

Western donors and governments alike have at times felt uneasy over his continued presence in power, but in such a volatile region which has been witness to so many vicious tribal and sectarian conflicts, Uganda is vitally seen as a beacon of peace and dependability.

Since introducing his 'National Resistance Movement' system of politics in 1986, which rewards merit rather than tribal affiliation, Museveni has understood the importance of having a pluralistic society. Without this, he argues, "how can you build stable national institutions?"

In 2006 he allowed multi-party elections for the first time since coming to power, and again in 2011, but both times he came out the comfortable winner, buoyed by a broad sweep of support across Uganda's tribal, sectarian and regional lines. It is stability and prosperity that form the backbone of his presidency and which seem likely to propel him to victory again in 2016.

INTERVIEW

How have you gone about changing Ugandan society?

We have used several stimuli to do this. The first one is education. Let everybody go to school. For instance, if you look at the literacy rate, when we started it was around 43 percent. It is now 75 percent. Within education we are now adding another element which is skills. If a society is skilled then they can contribute competitively to whatever is going on in the country.

The second stimulus was economic liberalization. If the government is no longer interfering in the transport sector or in the supply of consumer goods, then the people in the society who are capable will come in. They will either come from the peasantry or from the bureaucratic middle class, and they can transform themselves from being just a consumer to being a producer.

But all of this cannot happen if you don't deal with infrastructure, because if I become a farmer how do I transport my goods from the village to the town? Infrastructure is crucial, so this is another stimulus. The fourth stimulus is the market. We have integrated markets in East and Central Africa. The market of Uganda is not enough to absorb all our products, so the Eastern Corridor, the common market of the East African Community and COMESA have become an important stimulus because if I produce, they buy, and I produce again and they buy, so I expand.

What opportunities are there to diversify Uganda's economy?

This will come automatically if you approach it the way we have done. We have natural resources, but we need the factors of production. We used to say that there were four: land, capital, labor and entrepreneurship. These days, a fifth one has been added: knowledge. With those, you would be able to convert all these natural resources into products and services.

> "If you look at the literacy rate, when we started it was around 43 percent. It is now 75 percent."

There are also gap fillers like foreign investment. Foreigners can come in and create wealth, create jobs and expand the tax base of the country.

How are you improving the ease of doing business in Uganda?

We are removing bureaucracy. We have created the Uganda Investment Authority as a one-stop center where you can go and get everything you need quickly.

How do you see ties between Uganda and the U.S. developing?

Demand is a crucial stimulus. When we buy what the U.S. produces, we are helping them achieve prosperity. Similarly, when they buy from us, this happens for us. We have oil and gas and minerals, but the most durable exports are are agricultural, tourism and human resources.

RURAL DEVELOPMENT

Island Transformation

READ THE FULL Q&A THE-REPORT.NET

"The UDC demonstrates that the government of Uganda intends to catalyze industrial development in this country."

Fred Ogene
CEO of Uganda Development Corporation (UDC)

In 2005, Kalangala was Uganda's second-poorest district. Today, this Lake Victoria archipelago is Uganda's fifth-richest.

The Kalangala project affirms that investment can spur local community development. Islanders who previously lacked electricity and drinking water today enjoy these essentials. Schools and hospitals are also coming.

Foreign investment made Kalangala's infrastructure development possible. When Oil Palm Plantation Investor obtained a concession to develop a $50 million oil plantation, the government agreed to upgrade infrastructure. It partnered with Infraco, an experienced and capable British infrastructure developer.

Today, Infraco subsidiary Kalangala Infrastructure Services (KIS) is overseeing projects. Managing Director John Opiro is enthusiastic about developments; by 2025, he sees "horticulture, agro-processing and fish processing springing up," along with tourism.

The Uganda Development Corporation (UDC), a private venture that bridges public policy and private-sector execution, has been KIS' steady partner. "UDC provides the compromise and the solution that the private sector needs," Opiro attests.

REGIONAL TRADE

Building a Solid Base for Trade

Political stability, international partnerships and an enviable trade-route position augur economic growth.

Being a landlocked country limited by industrial and infrastructural challenges, Uganda knows it must find creative, comprehensive economic solutions. Its trade strategy is thus based on regional trade initiatives and a better regulatory framework, one that envisions public-private partnerships and support for local producers. Uganda's improved ties with the United States will also benefit international exports.

> While Kampala recently was honored to host the first East African manufacturing business summit, protectionist fears linger.

Uganda belongs to the East African Community (EAC) customs union and the Common Market for Eastern and Southern Africa (COMESA). The former is a tariff-free trade zone encompassing Uganda, Kenya, Tanzania, Burundi and Rwanda. The latter's Free Trade Area gives Ugandan business better access to a 19-nation market, representing almost 60 percent of Uganda's total export market. The Free Trade Area eliminates tax barriers deleterious to Ugandan export competitiveness.

These regional initiatives have also their challenges. While Kampala was honored to host the first East African manufacturing business summit in September, protectionist fears linger. A 'sugar conflict' fueled by Kenyan opposition politicians caused Kenyan farmers to protest a bilateral agreement allowing more imports of Ugandan sugar. More challenging for Uganda, however, has been the instability of its top trading partner, South Sudan, which in 2013 accounted for $360 million of Ugandan exports. Uganda in 2014 increased trade with the Democratic Republic of the Congo, and this growing African economy should remain a permanent complement to the expected renewed trade with a more stable future South Sudan.

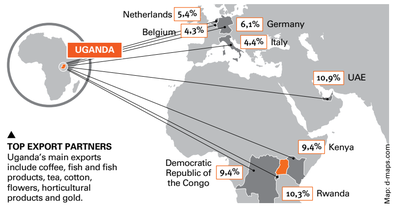
Uganda's new legislative framework regulates trade, emphasizes public-private partnerships, and targets once-neglected industries. According to Minister of Trade Amelia Anne Kyambadde, this encourages producers "to improve on their quality to make their products competitive." The National Bureau of Standards also "can impose punitive measures" on manufacturers failing to comply. Higher standards mean better products and a better country brand.

Leaders seek to add value to Uganda's export products. For example, Uganda offers high-quality leather, but it is generally sold abroad for processing — costing Uganda both profit and prestige. According to the Aga Khan Foundation, leather exports' profits could be doubled, simply through domestic processing.

"You have to have a good brand," says Elly Twineyo Kamugisha, Executive director of Uganda Export Promotion Board. "This is all about perception." Kamugisha believes Uganda must identify its most viable exports, increase non-traditional exports, and reduce the percentage of primary products exported.

Uganda's new strategic relationships may help trade. The United States considers Uganda a valued security partner. This has knock-on effects for domestic political stability, good governance and reforms — and increases investor confidence.

Ugandan exporters may benefit more from other trade deals, like the African Growth and Opportunity Act (AGOA). Although signed with much fanfare in 2000 by then-President Bill Clinton, the deal had few results. However, leaders have new hopes for AGOA. "Our challenge has been access," says Trade Minister Kyabadde. "We are already working closely with the American Chamber of Commerce to access our consumers in America," she adds.



TOP EXPORT PARTNERS
Uganda's main exports include coffee, fish and fish products, tea, cotton, flowers, horticultural products and gold.

Uganda is a member of the COMESA trade bloc, of the EAC, and a signatory to the Africa Free Trade Zone. Source: CIA World Factbook.

Q&A

Elly Twineyo Kamugisha
Executive Director of Uganda Export Promotion Board

Uganda is adding value to its exports by mixing non-traditional products in with more typical ones, says Elly Twineyo Kamugisha, Executive director of Uganda's Export Promotion Board.

How do you see the role of the Uganda Export Promotion Board (UEPB) in driving the country forward?

UEPB will have staff with the same level, or more, of knowledge and experts as staff in the private sector in export marketing. We have to support, with market information, the private sector for them to develop products and commodities and services that are exportable.

What is your current focus in boosting Uganda's exports?

We will continue to promote the traditional exports of coffee, tea and cotton. Flowers are now one of the first three non-traditional exports. We encourage fish farming and aquiculture.

Because Ugandans speak very good English, we can go into business process outsourcing (BPOs) and call centers. We are very bright people and our universities are very good.

Q&A

Amelia Anne Kyambadde
Minister of Trade, Industry and Cooperatives

Uganda's number-one business-sector problem remains a nagging trade deficit. This has been exacerbated by trade disruption in recent years with neighboring South Sudan, due to the conflict there.

However, leaders like Amelia Anne Kyambadde, Minister of Trade, Industry and Cooperatives, are looking for ways to overcome these challenges, and restore the balance.

What is being done to address Uganda's trade deficit?

In order to balance the trade deficit, we are trying to improve on industrialization by promoting cooperatives. By forming cooperatives, our producers can buy machinery for processing, they can be sensitized about quality, they can produce in bulk, and they can produce the quantities needed.

Storage is another area, because you can produce as much as possible, but if you don't have a warehouse for storage you can't take the goods to market, so we are constructing warehouses.

What impact has the current crisis in South Sudan had on Uganda's exporters, and what alternatives do you see?

It's most unfortunate because our economy had grown so quickly because of the trade that was going on between our countries. The alternative is to promote other markets now, such as the COMESA-EAC-SADC Tripartite, so by pushing trade in that direction we will be able to fill the gap left by South Sudan. And AGOA can also help us there.

> "Uganda has a lot of prospects in minerals, in oil, in agriculture and, most of all, in its people."

What is your vision for this ministry?

I would like to promote public-private partnerships. We have the Uganda Development Corporation. We would like to see a lot of projects being incubated through that program and supported by that program and I know that we will create a middle class for this country from there.

As distributed with International New York Times

INVESTMENT PROMOTION

Improved Business Climate Attracts Greater Investment

Q&A

Frank Sebbowa
Uganda Investment Authority

A former academic and businessman, Frank Sebbowa is executive director of the Uganda Investment Authority, tasked with promoting Uganda's investment opportunities. Sebbowa attests that Uganda's investment potential is being increasingly noticed by American businessmen.

How would you describe your strategy for investment promotion?

We are now targeting specific investors who are interested in Africa. The Americans have begun to take more of an interest. We recently had a delegation of potential American investors and this has not happened for a very long time. Now is the time for us to start looking in the American direction.

Why should investors choose Uganda?

Uganda is the third largest economy in the East African Community and has been the second preferred location for foreign direct investment for more than five years. Uganda is at the centre of the East African Community, making it a hub for business and a gateway into central Africa. We have identified a few key areas where we think we should focus. These include ICT, minerals, and agro-processing. Only a third of the arable land in Uganda is under cultivation. These are why investors should be interested, along with the commitment of the government to investors. We led the East African negotiation for the American protocol to protect American investments.

A newfound self-confidence and vision for international commerce is fuelling a new generation of Ugandan entrepreneurs and promoters.

Ugandans are not only showing off their country's investment opportunities — they're also steering a new surge in growth.

The Uganda Investment Authority (UIA) promotes investment opportunities, with support from the Uganda Development Corporation (UDC). While a for-profit entity, the UDC facilitates cooperation between the government and foreign investors.

According to UIA Executive Director Frank Sebbowa, the agency will in future perform the services of a 'one-stop center' for investors, paralleling those existing in other investment-hungry countries.

Sebbowa also envisions the creation of an electronic interface with the investment community: "If an investor is in New York and sees an opportunity in Uganda, he will be able to access the information he needs to make a decision from his desk. This is crucial because it will become our cheap but very effective window to the world."

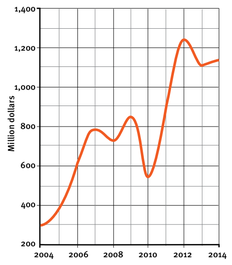
According to Mahmood Ahmed of the Aga Khan Development Network (AKDN), Uganda is raising its investment profile by adding value. After the government accepted the AKDN suggestion to process some raw leather domestically rather than export it, a whole new industry arose. These new tanneries will manufacture finished goods like shoes and boots. "If Uganda developed all its hides and skins into finished products for export," says Ahmed, "the resulting revenue stream would dwarf every other source, including tourism."

The improving conditions for business are having a rejuvenating effect on local creativity and participate in global trends. While Uganda was once a textiles powerhouse, Asian competition affected this. However, new textile company Fine Spinners expects success – as is attested by its $40 million investment in two milling factories, plus the recruitment of 6,000 cotton farmers.

According to Executive Director Jasvinder Bedi, Fine Spinners represents a concept. Unlike the Asian sweatshops decried by human-rights activists, Fine Spinners will be "a UVP, a unique value proposition," says Bedi. "We are giving our customers traceable and sustainable cotton."

The company cooperates with the Cotton made in Africa initiative, founded by Dr. Michael Otto with the Bill and Melinda Gates Foundation. The initiative aspires to keep the entire supply chain on African soil. "This is the first investment in Africa where we will capture the full value in our investment from field to fashion," enthuses Bedi. Regarding export potential, he adds, "we have the whole world as our oyster and it's looking very interesting."

FOREIGN DIRECT INVESTMENT



Top 5
FDI markets:
- Australia
- United Kingdom
- Netherlands
- Mauritius
- Kenya

FAST FACTS

10
Uganda's ranking among sub-Saharan African countries for economic freedom.

11th
The U.S. is the 11th largest investor in Uganda.

100%
Uganda allows 100% foreign-owned companies, except in the petroleum industry.

Source: EY's attractiveness survey Africa 2015, Heritage Foundation's 2014 Index of Economic Freedom,U.S. Govt 2014 Uganda Investment Climate Statement.

Q&A

Ruhakana Rugunda
Prime Minister of Uganda

Dr. Ruhakana Rugunda, Uganda's prime minister since September 2014, has long experience in governmental leadership roles. A trained physician, and keenly focused on the relationship between economy and a healthy, educated society, the prime minister takes a holistic view of Uganda's business sector and investment climate. He stresses the need for maximizing the country's known (and emerging) resources and industries. Forging relationships with a wide variety of investors, and giving the next generation of Ugandans access to the kinds of education that will make them valued members of the workforce across different industries are also important for Rugunda.

To what extent is education in Uganda adapted to the needs of the market?

There is now a focus on ensuring that those we produce in our educational institutions actually gain the skills to fill the gaps in agriculture, industry and ICT. We are working on education for transformation, education for development, education for skilling and re-skilling our people in order to meet the manpower requirements of a rapidly expanding economy.

Do the recent agreements with China indicate a shift in focus away from your traditional partners in the West?

The rest of the world is not forgotten because of our relationship with China. Our policy is to have good and mutually productive relations with all countries. Our roots have always been with Western countries.

It's also good that our roots are extending to China and other new entrants in the economic transformation of our country.

How important is ICT to the future development of the country?

ICT is a critical component of infrastructure. We have laid a backbone to ensure that the whole country is properly connected. We see ICT as becoming a major player in the transformation of Uganda's economy and enabling the other sectors to move very quickly.

Which areas would you highlight for investors?

The priority area remains infrastructure. We are inviting American and global investors to come and invest in infrastructure. The second priority is agriculture. Our agricultural potential is enormous. Tourism is another priority sector. We like to see our friends come and enjoy the unequalled beauty that Uganda has.

What would you like people to know about Uganda?

It's a great place to invest and I want people to take advantage of this. It's also a great place to visit.

> "The focus is on developing infrastructure, to ensure that the country is open and that its economic sectors can thrive."

Q&A

Aronda Nyakairima
Minister of Internal Affairs

Interior Minister General Aronda Nyakairima had a long and varied security-sector career. In one of the last interviews he gave before his passing on September 12th, he shared his views on contemporary security threats and solutions.

What is being done to ensure a safe environment in Uganda?

The people are the first line of security. We have never won a war, an insurgency, or a conflict without working with people. We need to make sure people's children are at school, because if their children are at school then they will turn into good characters.

The armed forces, the UPDF, make sure that our borders are secure. Another layer is internal security. That is the business of the intelligence services and police services. Now those ones are quite at the frontline because of what is happening globally.

What role does intelligence play and what lessons can you learn from your global partners in security?

We are investing seriously in technical intelligence. We have worked with the CIA, the FBI, Scotland Yard, MI6 and MI5, as well as the French security agencies. No one alone has the means to deal with terrorism, so a global partnership of shared intelligence is required.

> "We have learnt our lessons, and these lessons help us to continue strengthening our lines of defense."

Sentinel of Stability

An aerial view of Kampala. The city is known as one of the safest capitals in Africa.

Despite turbulence beyond its borders, Uganda has enjoyed domestic stability due to its responsible and dedicated security doctrine.

Although they enjoy political stability and peace, Ugandans know that theirs is a tough neighborhood. As major participants in African Union peacekeeping missions, Ugandan diplomatic and security forces have long confronted instability in Somalia and South Sudan. Military deployments to such places have embellished Uganda's reputation as a reliable security partner for regional and international allies.

Further, though Uganda has mostly been spared the large-scale terrorist attacks that have afflicted neighboring Kenya and Tanzania, security planners are constantly preparing preventative measures and improving capacities. The late interior minister, General Aronda Nyakairima, developed a comprehensive national security strategy in the years preceding his untimely death on September 12th. This strategy has involved increased cooperation with foreign intelligence partners, technological upgrades and, fundamentally, respect for Ugandans' civil rights.

Uganda suffered a major terrorist attack in July 2010, when the Somali Al-Shabaab group bombed two locations in Kampala, killing 74 people — reportedly, in retaliation for Uganda's participation in the Somalia peacekeeping mission. Also 93 people died in July 2014, when tribal fighters attacked Ugandan police on the country's western border. During the late 1980s, Joseph Kony's Lord's Resistance Army challenged the government, but was eventually forced to retreat across the frontier zone. Nevertheless, these collective experiences have led Ugandan security authorities to keep a close eye on what is going on beyond their borders.

This is why the government looks to the broader region as well when dealing with security. For the interior minister, the concept was simple. "Even if we are secure here, if the neighborhood is insecure, we are accordingly insecure," he stated. "If you have collective security, most likely you would have collective development. If we have collective growth, we will have collective prosperity, and then we will have a regional market that will support an internal market."

> "At one time, Uganda was synonymous with insecurity and conflict. That's over now."
>
> **Aronda Nyakairima**
> Minister of Internal Affairs

The rise of global jihadism in the post-9/11 world has dramatically increased Ugandan security cooperation with countries like the United States, France and Britain.

According to the interior minister, "These are global challenges and all of us have to deal with them. The challenge that is facing policing is quite serious, but at the same time you can't wish it away; you have to take charge of it." A grim reminder of the dangers accompanying this security commitment came on September 1st, when 19 Ugandan peacekeepers were killed and six missing following an Al-Shabaab attack in Somalia.

One totally novel aspect of Ugandan security policy is the eventual comprehensive introduction of national identity cards. The interior ministry sees this process as a way to both monitor and identify its citizens. At some point after all 16 million Ugandans are put into the system, the government will also issue ID cards to the country's resident aliens. The system "is another element to be added on to our arsenal of security weapons," said the interior ministry.

Police take a broader view of national security than just intelligence and military power, however: Nyakairima stressed education and economic development as giving young people a positive alternative to crime or terrorism. "We also need to make sure we provide an enabling environment so that development takes place and people with money come in to invest," noted Nyakairima. "If a bomb goes off or a tourist is attacked then people will not come, so that is our ultimate concern."

All Ugandan leaders are on board with this doctrine. "It's not enough for us for Uganda to be secure alone," says Prime Minister Ruhakana Rugunda. "The region must be secure. Uganda has played an important role in that respect and we are doing so because of our commitment to have peace and stability in the region in order to promote regional trade which will then benefit all of us."

Uganda is already preparing one of its most sophisticated security plans ever: the mission to protect Pope Francis, who will make a historic three-day visit in late November. With Catholics from across Africa coming to greet the wildly popular pontiff, the event is both a great honor and responsibility for Ugandans.

As distributed with International New York Times

AGA KHAN DEVELOPMENT NETWORK

Raising the Bar

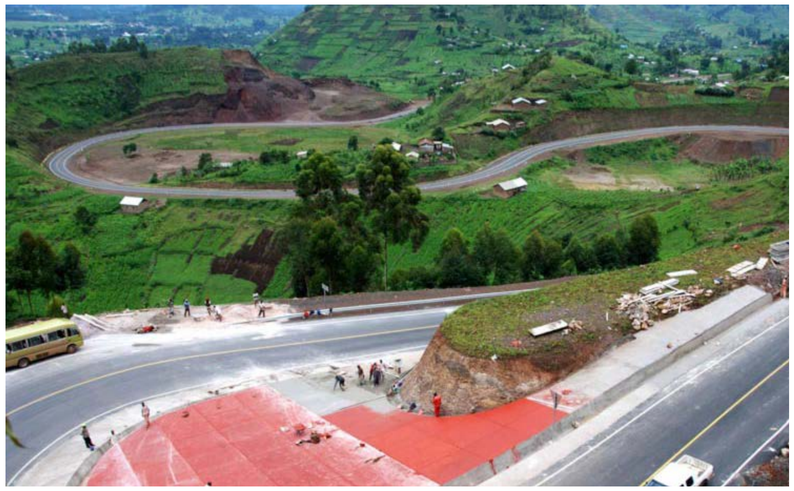
While operating in 30 countries around the world, East Africa and particularly Uganda have long held a special place in AKDN's history.
In recent years AKDN has been expanding its operations into areas such as infrastructure and industrial development, shaking off the mis-conception that it is an institution focused on aid and development.
"Many people think of us as being a funding or philanthropic organization," emphasizes Mahmood Ahmed, AKDN's resident representative in Uganda, "but we are actually an implementing organization."
Mixing non-profit with for profit, AKDN looks to add a 'development dividend' to its activities, which include job creation, value addition and capacity building. Meanwhile through the Aga Khan University, a tertiary teaching hospital is being planned, as part of the AKDN's emphasis on producing specific and relevant knowledge, training and solutions for East Africa's development needs. "These efforts will yield enormous change for the better in this part of the world in the decades ahead," highlights Ahmed.

"Many people think of us as being a funding or philanthropic organization, but we are actually an implementing organization."

Mahmood Ahmed
Country Representative of AKDN

Building for a Brighter Future

Uganda's portfolio of major transport and infrastructure projects is attracting admiring glances as it looks to unlock its growth potential.



Road construction work in a rural area of Uganda. According to the Uganda National Roads Authority, there are currently 34 major road construction and rehabilitation projects underway.

As its economy continues to post steady growth, Uganda's government has shifted its attention to the nation's infrastructure development needs, forming a key cornerstone of President Museveni's 'Vision 2040' drive to achieve middle-income status.
As Museveni noted in August at a ceremony for the rehabilitated Mbale-Tororo Road. "We have to agree on national priorities, we can't attract industries without peace, roads, the railway and electricity."
As a result the government has set about planning and commissioning a series of transport and infrastructure mega-projects across Uganda that aim to propel this nation to prosperity by 2040, and will boost regional integration and trade.
Eng. John Byabagambi, Uganda's Minister of Works and Transport, is overseeing this drive. "Without good mobility, without good roads, the economy can't grow. We have seen the economy of Uganda growing steadily for the last ten years because of improvements in infrastructure."
While the Ministry of Works and Transport has seen its budget increase from 300 billion shillings ($82 million) to 3 trillion shillings ($270 million) in just a few years in order to meet this challenge, almost all financing options are on the table attracting investors worldwide.
Tax and non-tax revenues, Public-Private Partnerships (PPPs), revenues from oil and gas, as well as domestic and international borrowing are all being utilized to transform this nation.
In August construction began on the expansion of Entebbe International Airport which will turn Uganda's principal international gateway into a world-class airport, tripling in size by the time it is completed in five years' time. Once completed the hope is to introduce direct flights to the USA.
The $200 million project is being financed through a soft loan from the Chinese government. A Chinese firm, the project's main contractor, is also constructing the $5 million Entebbe Expressway project linking the airport with Kampala and decongesting this vital artery.
Meanwhile the Kampala-Jinja Expressway, designed by the World Bank through the IFC, is attracting admiring glances from European suitors. In addition, a new cable-stayed bridge is being built across the River Nile, while a $50 million PPP project is developing infrastructure in the previously neglected Kalangala Region.
This drive will also boost regional connectivity through improved road and rail links with Uganda's neighbors. "We have beautiful roads connecting to Rwanda, the DRC, and we are starting construction of the road to South Sudan," highlights Minister Byabagambi. "The government so far has tarmacked more than 4,000 kilometers (2,485 miles) of roads."

"The economy of Uganda has grown steadily for the last ten years because of improvements in infrastructure."

John Byabagambi
Minister of Works and Transport

SGR Reliable Connectivity

Standard Gauge Railway Project

A seamless railway transport system linking Uganda and its Northern Corridor Integration Project partners, Kenya, Rwanda and South Sudan, to the international market

Crossing Uganda for a total route length of 1,003 miles, the Standard Gauge Railway Project will give Ugandans the opportunity to transport and receive goods with ease. Its impact will be felt throughout the country, with freight transport cost savings estimated at $2bn by 2040, and a total economic contribution estimated at $118bn.

Upon completion in March 2018, the Standard Gauge Railway Project will create an open door to the Ugandan economy, linking it to the port city of Mombasa and into the growing regional markets of its neighboring countries

NORTHERN LINE
Tororo - Gulu - Nimule *(Connects to South Sudan)*

EASTERN LINE
Kampala - Malaba *(Connects to Kenya)*

WESTERN LINE
Kampala - Kasese

SOUTHERN LINE
Bihanga - Mirama Hills *(Connects to Rwanda)*

VISION 2040

Prosperity Now

Having launched its second National Development Plan in June, Uganda is building the foundations for its long-term vision for development.

Approved by President Museveni's cabinet in 2007 and launched in 2010, Uganda's 'Vision 2040' is an ambitious statement of intent for the nation's long-term socio-economic development. Divided into a series of 5-year National Development Plans, the Vision ultimately aims to transform 'Ugandan society from a peasant to a modern and prosperous country within 30 years.'
Within this framework Uganda hopes to achieve middle income status by 2017, upper-middle by 2032 and will be on course to become a first world country within 50 years. To achieve this, Uganda needs to accelerate its GDP growth further, looking to grow its GDP from $17 billion in 2010 to $580.5 billion by 2040, translating into a GDP per capita of $9,500 (assuming current projections of a future population of 61.3 million).
While Uganda's economy has been showing steady growth over the past decade, the government has identified and is addressing strategic bottlenecks, such as infrastructure and energy generation, which pose an obstacle to achieving the growth necessary for its transformative Vision.
Indeed Vision 2040 has identified several 'key core projects' designed to allow the economy to expand more rapidly, including developing its industries and oil resources, four international airports, a fully developed road and rail network that is fully integrated with the region, and a series of nuclear and hydro-electric power plants. Two hydro plants, Karuna and Isimba, are already under construction.
The hope is that the completion of these projects and the transformation of Uganda's economic fundamentals, competitiveness and business environment will allow this nation to fully harness the abundant opportunities in key sectors such as oil and gas, minerals, ICT, regional trade and logistics, agriculture and industry.

1. Photo: ThamKC. Shutterstock.
2. President Museveni presenting his Vision 2040 project to the Ugandan people.

RAILWAYS

Hub of Africa's Rail Revolution

Uganda's transport links set for major overhaul with launch of key regional project.

East Africa's railroads have long been the subject of romance and intrigue. Reaching Kampala in 1903, creating a vital link to the Indian Ocean Port of Mombasa, the railroad famously carried President Theodore Roosevelt during the Smithsonian-Roosevelt African Expedition in 1909-10. It was also widely used during the filming of the 1985 movie 'Out of Africa'.
However over recent decades the rail network has seen little investment, with just 20% of Uganda's rail network operational today and just 3% of freight transported by rail.
"The current railway was built in 1900. It is a museum piece by any standards," states Uganda's Minister for Works and Transport, Eng. John Byabagambi.
Nevertheless in November 2013, the foundation stone was laid by President Kenyatta of Kenya for the first stage of a regional, multi-billion dollar standard gauge railway project linking East Africa with Uganda as its hub.
In May 2014 the Standard Gauge Railway Protocol was signed by the four nations. The project will initially link Uganda, Kenya, Rwanda and South Sudan, with extensions to DR Congo, Burundi and Ethiopia also being planned. The first phase of the project from Mombasa to Nairobi will be completed in March 2018.
"Out of the 3,000km, approximately 1,600km falls in Uganda, so Uganda has a connecting role for the entire region," highlights Dr. Augustine Mugisa, chairman of the Standard Gauge Railway Project's technical committee.
The project will have a huge impact on trade and logistics, with the maximum speed on the line raised from the current 12 mph to up to 120 mph, and it is expected to be a key driver for regional integration as well as opening Uganda and East Africa up to the global market.
"It currently takes 10 days for cargo to travel from Mombasa to Kampala," asserts Dr. Mugisa. "This will be reduced to one day with this rail link. This project is just the beginning of a revolution in connecting Africa to the world".

"This railway is just the beginning of a revolution in connecting Africa to the world."

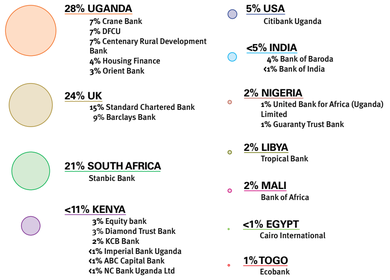
Augustine Mugisa
Chairman of the Standard Gauge Railway Project's technical committee

Financing Uganda's Economy of Tomorrow

Despite a limited budget and many needs, Uganda expects revived economic growth.

Like other African countries, Uganda has fiscal concerns. Global economic factors have restricted budgets and devalued currencies. Ugandan budget shortcomings also owe partly to debt accumulation connected with large-scale infrastructure projects vital for luring investors. Despite public-sector restrictions, however, the banking sector has launched initiatives to increase prosperity and business opportunities, especially for underserved rural Ugandans, and SMEs.
Treasury Secretary Keith Muhakanizi is unworried. Despite some macroeconomic instability which caused high inflation, he says, "we took measures to stabilize the economy, which led to an average of three to four percent GDP growth."
Muhakanizi anticipates six-percent growth in the next fiscal year.
The 2015/2016 budget (18.4 trillion Ugandan shillings, over $5 billion), sees increased funding for the security, energy and transport sectors. While the opposition argues that agriculture and tourism remain underfunded, leaders disagree. "If we invest in energy and infrastructure, it has a direct bearing on agriculture in terms of transportation and value addition," Minister for Privatization Aston Kajara said. Increases in the energy and minerals budget were connected to infrastructure needs, as higher allocations partly subsidized the 600-megawatt Karuma hydropower dam's construction costs.
Muhakanizi concurs, adding that "the first thing we need for our tourism sector is to build the airport. The first thing we need for the agricultural sector is to build the roads and water supply."
However, despite record tax income in 2014, taxation during the upcoming budget period should net only 11.1 trillion shillings ($3.04 billion); the government can thus fund only 60 percent, with external and domestic borrowing covering the remainder.
Some 1.7 trillion shillings ($465.6 million) are already budgeted for interest payment on government loans.
A general African currency decline has also hit Uganda. The shilling has depreciated 24.5 percent since March 2014. Analysts blame this on tumbling commodities prices, the dollar's rise, and lingering investor reticence regarding frontier markets. The devaluation has increased dollar borrowing costs.
In July, Bank of Uganda Governor Emmanuel Tumusiime-Mutebile called the devaluation 'unavoidable' due to weak exports. He also noted possible beneficial aspects, noting a weaker shilling makes Uganda's exports more competitive, and might encourage Ugandans "to purchase domestically produced goods rather than imports."
Tumusiime-Mutebile sees long-term stability in solidarity. The East African Community (EAC) will establish a monetary union by 2023, and Tumusiime-Mutebile hails this as "the third step in the process" of integrating EAC economies.
He adds that over "three-quarters of Uganda's capital account surplus is accounted for by foreign direct investment and borrowing from official sources, such as multilateral institutions, which are relatively stable sources of funding." Therefore, he says, Uganda can "mobilize the capital needed to finance the balance of payments."
The banking sector is also confident and will drive growth. Stanbic Bank, owned by the Standard Bank Group (SBG), is active across Africa and is Uganda's largest bank. CEO Patrick Mweheire highlights Uganda's place in Stanbic's continental portfolio as a 'top quartile contributor' within the bank's general Africa operations.
Mweheire's priorities include a redoubled focus on service, working with SMEs, and helping shape the 'mobile money' revolution in Africa. Stanbic is well-positioned already: "mobile money is regulated by the Bank of Uganda through us as a proxy," he reveals. "We are a key stakeholder in the communications with the central bank."
Diaspora remittances, which equal $1 billion annually, represent another Stanbic priority. An upcoming product running on the Visa and MasterCard system will let customers make online transfers directly to a mobile device, minimizing fees.
Another major bank, Barclays Uganda, is also developing mobile money, and taking a personalized customer approach. Noting that long-term success in a youthful, growing nation requires social engagement and innovation, CEO Rakesh Jha says that he will create "a banking opportunity for people who are absolutely marginalized, whose saving capabilities are maybe $2 per week."
To do this, Barclays Uganda is teaming up with partners in the telecom sector, directly engaging with Ugandans in the remotest of villages. "We are replacing the traditional way, where they would have community savings in paper accounts, with electronic ledgers which are available on mobile," says Jha.
Such social innovation lets villagers accrue interest for the first time, and enjoy quicker and safer access to funds. Another bank project, targeting enterprise development, will also create opportunities for rural areas.

UGANDA'S BANKING MARKET BY NATIONALITY AND MARKET SHARE



Source: Bank of Uganda

Q&A

Keith J. Muhakanizi
Permanent Secretary of the Ministry of Finance

After notable successes at the finance ministry, Keith Muhakanizi became permanent treasury secretary in 2013. Uganda's economic performance is stable, he says, with explosive growth expected in East Africa in the medium term as infrastructure development continues to support investments.

How would you assess the performance of Uganda's economy?
The economy has started recovering. We expect this year to see growth of above five percent.
Next financial year we expect to see six percent growth, so we are back on track.
Exports have grown, but we have a trade deficit and I think that is a challenge. As sub-Saharan Africa enters a new era of focusing on infrastructure investment, budgets are becoming tighter and we need to be careful to maintain stability.
Macroeconomic stability has never been a problem, and we have reduced poverty more than any other sub-Saharan country, from 56 percent in 1993 to 19 percent today.

What are your priorities in the area of taxation?
Our first priority is increasing tax revenue, but our zeal to get revenue must not kill off investment. Our priorities are investment promotion and tax revenue raising coming out of tax compliance, rather than change of policy.

What is your focus for next year's budget?
Budgets have dramatically increased, but flexibility has shrunk. Sub-Saharan Africa has shifted from consumption towards investments, so when you contract a road or a bridge or a dam, it's a minimum of five years. Over the next five years, Uganda and sub-Saharan Africa will be concentrating only on what has been contracted already, which is infrastructure.

What would you like to convey to the international community of investors?
Over the next five to 10 years, Africa will grow very quickly, and there's going to be sustained growth and stability. We are going to see explosive growth in the region and it is time for the international community to come to East Africa.

"We now have the flexibility of being a local bank which has a regional presence and a global parent."

Rakesh Jha
CEO of Barclays Bank Uganda

BANKING

Banking on Growth

Tasked with safeguarding national finances and developing long-term strategies, the Bank of Uganda is proactively tackling diverse challenges.

The Bank of Uganda, which ensures national economic stability, was formed in 1966 by Parliament. Its board of directors is overseen by a governor and vice-governor, both appointed by the Ugandan president. Along with guiding monetary policy, the bank controls nine currency centers across Uganda.
The Bank is also involved in important international policy movements. It was among the original 17 regulatory bodies to commit, in 2011, to the Maya Declaration's vision for 'financial inclusion,' during the Alliance for Financial Inclusion's Global Policy Forum.
The bank is thus committed to providing increased access to banking for the poor, improving customer protection and similar practices. The Bank of Uganda is thus taking a leadership role in developing economies.
The bank has also maintained price stability and kept the financial services sector sound, while enacting investment-friendly monetary policies such as extremely low restrictions on capital inflows and outflows. And, during the global financial crisis, it preserved a sound financial environment, insulating Ugandans from trouble.
However, Uganda, and much of Africa, is now afflicted by a challenging macroeconomic climate. The Ugandan shilling has depreciated by 24.5 percent since March 2014. Nevertheless, the bank's experienced governor is confident. Emmanuel Tumusiime-Mutebile notes that Uganda survived inflation in 2011. "We strengthened our monetary policy framework," he says, referring to Uganda's 'inflation lite' targeting framework. It allows for "adjusting interest rates on the basis of inflation forecasts."
According to Tumusiime-Mutebile, this reform became "a much more effective policy tool to dampen inflationary pressures before inflation increases too rapidly above our medium term target of five percent." Because of this new system, says the governor, "I am confident that we will not see a repeat of what happened in 2011."
If Tumusiime-Mutebile is correct and all is well by January 2016, when he will resign following a record three guberatorial terms, it will be a fittingly graceful close to a remarkable career.
Born in 1949 into a poor peasant family, the young man fled the Amin dictatorship in 1972, earning an economics degree in Britain. When the Amin regime fell, he returned, and since 1979 has held numerous high-level governmental positions, such as a stint in the finance ministry shaping economic policy. All told, Emmanuel Tumusiime-Mutebile deserves great credit for directing Uganda's evolution from an African backwater marked by poverty and violence to an emerging market with a growing middle class.

Q&A

Emmanuel Tumusiime-Mutebile
Governor of the Bank of Uganda

As his final term as central bank governor draws to a close, distinguished economist Tumusiime-Mutebile is optimistic about the future of the Ugandan economy.

How does the Bank judge the risks of economic volatility for Uganda?
An economy which is so well integrated into the global economy as that of Uganda, with open current and capital accounts of the balance of payments, unavoidably faces some risks from external shocks. However these risks can be mitigated through a combination of diversification and prudent economic management.

What would you highlight as your greatest challenge?
My greatest challenge as governor was the rapid rise in inflation which took place in 2011.

What statements about Uganda would you like to give to investors looking at your country?
Uganda offers good growth prospects, macroeconomic stability, and a predictable, market-oriented economic policy environment.

"The most important role banks and financial institutions can play to support development is channeling credit to the business sector."

Emmanuel Tumusiime-Mutebile
Governor of the Bank of Uganda

Q&A

Patrick Mweheire
CEO of Stanbic Bank Uganda

A veteran finance professional with global experience, Patrick Mweheire returned to Uganda in 2012 to join Stanbic Bank, three years later becoming Stanbic's first Ugandan CEO since Standard Bank became majority shareholder in 2001.

How important is Uganda to the group?
Uganda is consistently a top quartile contributor within the Group's Africa operations. We are a number-one player in Uganda with a PAT market share of 25 percent.

Where do you see opportunities for growth?
I'm aiming for at least 20 percent growth for the bank this year. The fact that the refinery now has a selected winner has become a catalyst.

What is your take on Uganda as a new frontier for investment?
Uganda's grown about seven percent in the last decade. It's the most liberalized country in the region, and 100 percent foreign ownership is allowed. Uganda has the fastest-growing population in Africa, and the third fastest in the world.

Working to Foster Price Stability and a Sound Financial System in Uganda

The Bank of Uganda is among the pioneers in the African region in monetary policy reforms and bank supervision. As a centre of excellence in upholding macroeconomic resilience, the Bank has successfully anchored inflation around a core medium-term target of five percent, while its risk-based regulation and supervision of financial institutions and macro-prudential surveillance have entrenched financial stability.
The Bank of Uganda currently works with other regional central banks on a progressive agenda to implement the common market in the East African Community, transcending the national aspirations that influenced its founding in August 1966.
Characterized by a spirit of pragmatism and attention to the challenges presented by the increasingly integrated global economy, the Bank of Uganda looks forward to its Golden Jubilee with steadfast commitment to economic stability.

Bank of Uganda
www.bou.or.ug

Bank of Uganda | 37-45, Kampala Road
P.O. Box 7120 | Kampala-Uganda

When Energy Attracts Investment

Uganda's rapidly expanding energy sector is being driven by ambitious infrastructure projects.

Q&A

Irene Muloni
Minister of Energy and Mineral Development

"We don't want hydrocarbons to be a curse; we want to embrace that blessing and fully benefit from it."

Uganda's minerals and hydrocarbons hold great promise, and the government seeks to exploit them transparently and professionally. Irene Muloni, Minister of Energy and Mineral Development, provides some insights.

How would you appraise Uganda's natural resources?
We have iron ore, a huge deposit of vermiculite, copper and phosphates, iron, gold, dimension stone, wolfram, silica sand and we may have platinum.

Where do you see opportunities and challenges in exploiting Uganda's natural resources?
The cost of finding crude oil in Uganda is among the cheapest, less than a dollar a barrel. The petroleum resource is in an environmentally-sensitive area, so whatever has to be done has to be done with care.

What is the government's approach to local content in the oil sector?
In the law for joint partnerships, there should be a minimum of 48 percent local content. We are trying to encourage Ugandans to take advantage of these ventures.

It is fitting that a country as larger-than-life as Uganda should be the scene for some of the world's most ambitious and expensive energy projects. Uganda's energy sector is being driven by not only oil and gas, but also by massive dams and other infrastructure projects designed to harness the country's considerable hydropower. This highlights Uganda's role as a fast-growing regional investment hub; the fact that investment has been driven by major global companies with strong presences elsewhere indicates how Uganda is entering larger portfolios.
Notable here is the Bujagali Hydropower Project, a 250MW hydroelectric facility on the Nile. It has significantly impacted Uganda's energy security and national GDP growth, which jumped by 76 percent when Bujagali opened.
The companies behind Bujagali have found it an innovative and mutually beneficial arrangement. The first is Sithe Global, an infrastructure company and subsidiary of Blackstone Group, an American private equity corporation taking a pioneering approach to contemporary African investment.
The second company, Industrial Promotion Services (IPS), is the for-profit arm of the Aga Khan Fund for Economic Development (AGFED). Through its multi-sector development facilitation network, AGFED has had a very active and positive presence in Uganda.
Sithe Global President Brian Kubeck is enthusiastic about not only the Bujagali Hydropower Project, but Sub-Saharan Africa's larger investment potential. Energy access here remains inadequate, inhibiting economic growth. However, Blackstone (which has $25 billion in worldwide greenfield investments) has created a subsidiary, Black Rhino, specifically focusing on Sub-Saharan Africa. For Kubeck, this investment is "a huge sign of how important Blackstone views this market as being."
However, he adds, potential profit was hardly the main reason that Uganda

An electricity substation in Uganda. The country is diversifying its energy mix into renewables.

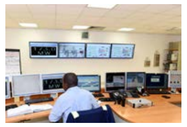
was chosen for the Bujagali project. Uganda matched their selective criteria by having "good rule of law, transparent processes and an investor-friendly environment."
Further, given the energy industry's strict conditions at a time when social responsibility and environmental concerns top the agenda, Sithe Global had other aspects to consider. "We offset 900,000 tons a year of CO2 emissions and that makes Bujagali the largest renewable clean development mechanism (CDM) project in Africa. It also makes Uganda stand out, in that 90 percent of its grid is sourced from renewable energy, which is something that not too many countries can say. At the same time, we reduced power costs in Uganda by 66 percent the day Bujagali came online."

Like many Nile countries, Uganda uses hydropower to meet some of its electricity needs.

Bujagali's success is viewed as a blueprint for the future. The energy project was completely funded by private capital, but executed as a public-private partnership model (specifically, the Build-Operate-Transfer project). In 20 years, the government will take back the dam for a symbolic $1. The extremely well-built structure will certainly last much longer, though.
The successful project proves Africa is not immune to private capital, despite a difficult track record. As Kubeck notes, Africa generally "has had access to public financing and donor financing, but not big sums of private capital."
While the Ugandan government alone certainly could not have afforded the $900 million it took to build the dam, the public-private partnership model helped make the deal attractive to both sides. "The PPP model enables you to get projects off the ground that the private sector alone would not do and that governments alone would never be able to do."
Sithe Global also set aside $14 million for projects dedicated to Ugandans living near the dam, including schools, health clinics, job training and access to safe water supply. This focus exemplifies Ugandan leaders' resolute determination to see investors pay in for improving people's standard of living.
The government is now working on similar impressive energy infrastructure projects. Two more dams (Karuma and Isimba), are underway (with Chinese investors) to further increase generation capacity. Isimba Dam, to be completed by 2017, will cost $570 million and is based on the Nile, only 40km from Bujagali. It will increase Uganda's electricity capacity by 23 percent, while creating 1,000 jobs. The Karuma Dam, located at the eponymous waterfall on the Nile, has been planned for two decades. It will become Uganda's biggest power plant when finished in 2018.

"There's the need for broad and strong support for a project from the government, which we had in Bujagali."

Brian Kubeck
Sithe Global President



A worker in the control room at Bujagali hydroelectric power station.

Investing *for Growth*

With investments of over US$ 300m in the last 10 years, Umeme has transformed the electricity distribution sector in Uganda through; doubling in number of customers, reduction in energy losses from 38% in 2005 to 21% by 2014, improved revenue collections, restoration and expansion of the distribution network.

UMEME

2nd Floor Rwenzori House, Plot No.1 Lumumba Avenue
P.O. Box 23841 Kampala, Uganda.
Tel: +256 312 360600 / 692. Email: info@umeme.co.ug
www.umeme.co.ug
Umeme limited @umemelimited

The Power to Invest

Uganda's electricity distributor has a role in energy security and investment attraction.

Uganda's major electricity distributor, Umeme is vital to the nation's energy sector. It has also prevailed over the challenges of taming a frontier market. Umeme's wide reach and ability to access capital exemplify Uganda's capacity for large energy investments.
It's been a somewhat bumpy ride since Umeme's privatization. In 2010, excessive electricity demand caused a power crisis. Higher prices spurred public complaints. Although other factors led to inadequate power supply, Umeme was blamed for blackouts.
Nevertheless, the company would prosper and today its new director, Selestino Babungi, is somewhat of a role model for his countrymen, who are happy to see a fellow Ugandan in this senior position. But Umeme has also evolved as a company, directly helping raise Uganda's investment profile.
Today, Umeme is a hot stock on Uganda's Stock Exchange and has had a big impact on regional markets like the Nairobi Stock Exchange. Umeme has showed that big local companies can drive stock market activity. Indeed, due to Umeme's success and capital-generation capacities, international investor interest in Uganda has risen.
Of course, challenges remain: for example, inflation and energy prices are interlinked. "The bulk of the investments that come into generation, transmission and distribution are in dollars, so consumers are somewhat exposed to that risk of currency volatility," notes Babungi. "In the last quarter of last year, the dollar went up and that unfortunately affects the price of electricity. The good news is that fuel prices have fallen so the fuel element of the pricing has come down."
Progress is certainly visible. Customer connections have increased from 280,000 to 650,000 through 2014. Energy losses also decreased from 38 percent to 21.3 percent during 2014. Umeme also achieved an 89 percent revenue collection rate — substantial in a country with infrastructure restrictions and difficult topography.
Another innovative success has been Umeme's introduction of pay-as-you-go meters. This solution simplifies the payment process and gives the company an advance credit stream. UMEME can deliver specifically the amounts for which it is paid.
Umeme's success also assists long-term government energy goals that will improve social welfare. In 2013, Umeme raised $190 million of external private capital in a process funded by the IFC, Stanbic Bank and Standard Chartered Bank. This fundraising endeavor, Babungi says, aids "government aspirations of increasing access to electricity to 40 percent of the population by 2025, from the current 15 percent."
Indeed, given Umeme's success, it's no wonder that the government is seeking out more investors like it.

"The government's initial target was that Umeme should invest $65 million. By end-2014, we had invested $320 million."

Selestino Babungi
Managing Director of Umeme

Electricity pylons dot the Ugandan landscape.

Q&A

Selestino Babungi
Managing Director of Umeme

"Good things are coming for Uganda. When oil becomes a reality that will also be a game-changer."

Uganda's largest electricity distribution company, Umeme has helped attract foreign capital into the sector. Now the company wants to leverage its capital and leadership to help realize the government's vision for energy and society, says Selestino Babungi, the company's managing director.

What makes Umeme so successful in terms of market share?
Umeme can mobilize capital and deploy it everywhere across the country. Because of that strength, we can deliver the government's agenda of growth, of reducing losses, and of investing.

What impact will increased electricity access have?
Healthcare will be improved, education will improve, degradation of the environment will decrease, and rural households will be able to improve their economic wellbeing.

Where do you want to take Umeme?
This year we want to build two substations and a line extension. We are looking at converting around 200,000 prepaid customers, and looking to more than 120,000 new connections. Umeme's corporate governance is a strong point. We have a very strong management team and we are now developing the next generation of leaders to move the company forward.

As distributed with International New York Times

RESOURCES

Q&A

Elly Karuhanga
Chairman of Uganda Chamber of Mines & Petroleum

"There are a lot of roads, electricity and investment needed to support mining, oil and gas and everything else in Uganda."

The first port of call for Uganda's oil and gas and mining investors.

What is the Chamber's role in Uganda's oil and gas sector?

Oil is new in Uganda and the companies who are here to exploit it are also new. For the Ugandan government, handling oil is a new challenge, so we are representing the voice of the industry. We can become a bridge for both parties and we can help with the challenges and opportunities the industry is facing and attract others to come.

What makes Uganda an attractive package?
The good thing about Uganda's oil is it is shallow. It is not very difficult to get from the ground. The cost to bring up a barrel is one dollar. Secondly, we have a good oil province with about 80-90 percent success so far. The companies who come here will find it a prosperous field. We also have great opportunities in mining. We want long-term partners with deep pockets.

Giraffes graze a few meters away from oil exploration work.

Oil Riches Put On Hold

Setbacks mean Uganda is still waiting to join East Africa's oil and gas bonanza.

East Africa has been heralded as one of the world's great new energy frontiers. Vast offshore gas fields have been discovered off Tanzania and Mozambique, while Kenya has made exciting onshore discoveries and South Sudan has long been a major oil producer.
In 2006 Australia's Hardman Resources struck oil around Uganda's Lake Albert on the border with DR Congo, which Heritage Oil labeled the 'most exciting new play in sub-Saharan Africa in the past decade.'
"We have confirmed resources of 6.5 billion barrels of crude oil and about 500 billion cubic feet of gas," states Irene Muloni, Uganda's Minister of Energy and Mineral Development. "Only 40 percent has been explored."
Although production was set to begin in 2009, Uganda's oil and gas sector – seen as a game changer for the local economy – is yet to get off the ground.
To date only one license has been issued to China's CNOOC, while the UK's Tullow and France's Total are still awaiting the granting of their first licenses after years of successful drilling and waiting.
Tax disputes, issues over the resettlement of local communities, border disputes with neighboring DR Congo over the division of the oil deposits as well as the recent drop in global oil prices are all contributing factors, and production is now not expected to begin in 2018.
The delays are an early setback for the advance of President Museveni's flagship 'Vision 2040' plan. Many key infrastructure projects are reliant on Uganda's expected oil revenues, with the added benefit of ending dependence on expensive energy imports from Mombasa.
Two further issues which are being addressed are the refining and transportation of Uganda's crude oil, which is regarded as particularly heavy. In August President Museveni with his Kenyan counterpart President Kenyatta announced the route of the pipeline connecting Uganda's Lake Albert region with Kenya's ports.
Meanwhile the selection process is in its final stages for the construction of a refinery in western Uganda.
The $2.5 billion project, which will be 40% owned by the government and 60% by private investors, is expected to be ready for operations in 2018 and will have an initial production capacity of 30,000 bpd, having a knock-on effect for local industries.
"We want to set up a petrochemical industry around the refinery," says Muloni, "so that it will become a whole center with energy-based industries."

The selection process is in its final stages for the construction of a refinery in western Uganda.

AGRICULTURE

Q&A

Tress Bucyanayandi
Minister of Agriculture

Uganda's fertile soil and favored climate has the potential to make it a breadbasket for the region.

How has the agricultural sector performed in recent years?
In terms of contribution to GDP, last year the sector contributed 21 percent. We are now at 26 percent. In terms of poverty reduction, agriculture is the lead sector. We are close to realizing an income of $7,000 per year per household.

Where do you see opportunities for investment?
I would invite international investors into agriculture in three areas. The first is wholesale production, processing and value addition as an entry point. The second area would be to set up machinery and buy the produce from the farmer and add value to that produce. The third area would be to enter into the service industry, producing fertilizer or chemicals.

"There are chunks of land just sitting there so investors can come in and go into large-scale cultivation."

AGRICULTURE

A Coffee Revolution Brewing

If you think of the world's great coffee-producing nations, Uganda might not be the first country that comes to mind, however this largely tea-obsessed African nation has played a vital role as the birthplace of the Robusta coffee variety.
Today Uganda is the world's tenth largest producer of coffee and the number one exporter in Africa, ahead of powerhouse Ethiopia. 80% of Uganda's production is Robusta while 20% is the better-known and highly-prized Arabica, but with new varieties and techniques, the sector is going from strength to strength providing a vital source of export revenue.
"Uganda is traditionally known for its Robusta coffee, but the Arabica segment is becoming increasingly important as we are getting better at producing very good Arabicas," claims David Barry, Chairman of Kyagalanyi Coffee Ltd.
Annual production of coffee has risen steadily, if unspectacularly, from an average of 2.7 million bags in the 1960s to 3.67 million bags in 2013, bringing in $424 million in export earnings, although production dipped slightly in 2014. The European Union is Uganda's biggest market while China and Korea are increasingly important.
However there is enormous potential for Uganda's coffee industry to grow exponentially over the coming years. Average yields stand at ten bags per hectare, compared to 60-70 in Brazil, but with most coffee produced by one million smallholders, the challenge is to lift industry standards and improve technology and techniques.

"Uganda is traditionally known for its Robusta coffee, but the Arabica segment is becoming increasingly important."

David Barry
Chairman of Kyagalanyi Coffee

Q&A

General Salim Saleh
Operation Wealth Creation

Operation Wealth Creation is a nationwide agricultural development initiative that will create a blueprint for best practices by addressing low yields and productivity. Following a successful pilot scheme, it is now being rolled out across the country. Currently run by the army, the program will be put back into the hands of the state once fully functional.

How will Operation Wealth Creation develop on a country-wide scale?
Operation Wealth Creation will create demand for high-quality raw material, because we are paying very good prices and adding value. If it was spread across the whole country, it would quicken the pace of modernizing our agriculture. It is transforming the raw materials through to semi-finished or finished products.

What are the next steps?
Jinja is one project, Busitema University is the second project, then the public universities, the church and the army. In Uganda, the church, the army and the universities have got a lot of land, but they are not using it. As we have success, more and more locations will follow.
By December 2018, we need to be out of agriculture. That is why we call it an operation. You mobilize, you deploy, you stabilize, you consolidate and then you exit.

In five years' time we will have active, complete value chains for at least 15 of our products. Our mangoes, peanut butter, pumpkin seeds will be on the international market, and our honey and coffee will be on sale around the world.

Bujagali ENERGY Power for Prosperity

Generating Economic Growth in Uganda

The 250 MW Bujagali Hydropower Project is catalyzing economic growth across Uganda by providing consistent, reliable power.

Bujagali represents a successful public-private partnership between the Government of Uganda (GOU), major global development finance institutions such as the World Bank, and the private investors Sithe Global, which is majority-owned by Blackstone, and Industrial Promotion Services, which is an affiliate of the Aga Khan Fund for Economic Development. This innovative project has leveraged the expertise of the private and public sectors to provide Uganda with clean energy for 70+ years as well as significant economic, environmental and social benefits.

Transformational Impacts:

Economic 76% INCREASE IN GDP GROWTH	By eliminating Uganda's power supply shortage, Bujagali played a key role in increasing GDP growth from 3.4% to 6% during the project's first year of operation.	**Fiscal** 66% POWER COST REDUCTION	Bujagali replaced thermal generation that cost in excess of $0.30/kWh, enabling the GOU to discontinue expensive subsidies to the electricity sector.
Industrial 99% AVERAGE CONTRACTUAL AVAILABILITY	Bujagali provides a highly reliable backbone for the Ugandan grid and generates nearly half of the country's peak power supply.	**Environmental** 900K ANNUAL REDUCTION IN CARBON EMISSIONS (METRIC TONS)	Bujagali is the largest renewable Clean Development Mechanism project in Africa and has increased the proportion of Uganda's electricity generated from renewable sources to 90%.

757 Third Avenue, 24th Floor
New York, NY 10017
www.sithegloal.com

SITHE GLOBAL Blackstone

As distributed with International New York Times

Land of Superlatives

With towering peaks, great waterways and incredible biodiversity, Uganda is grand-scale Africa.

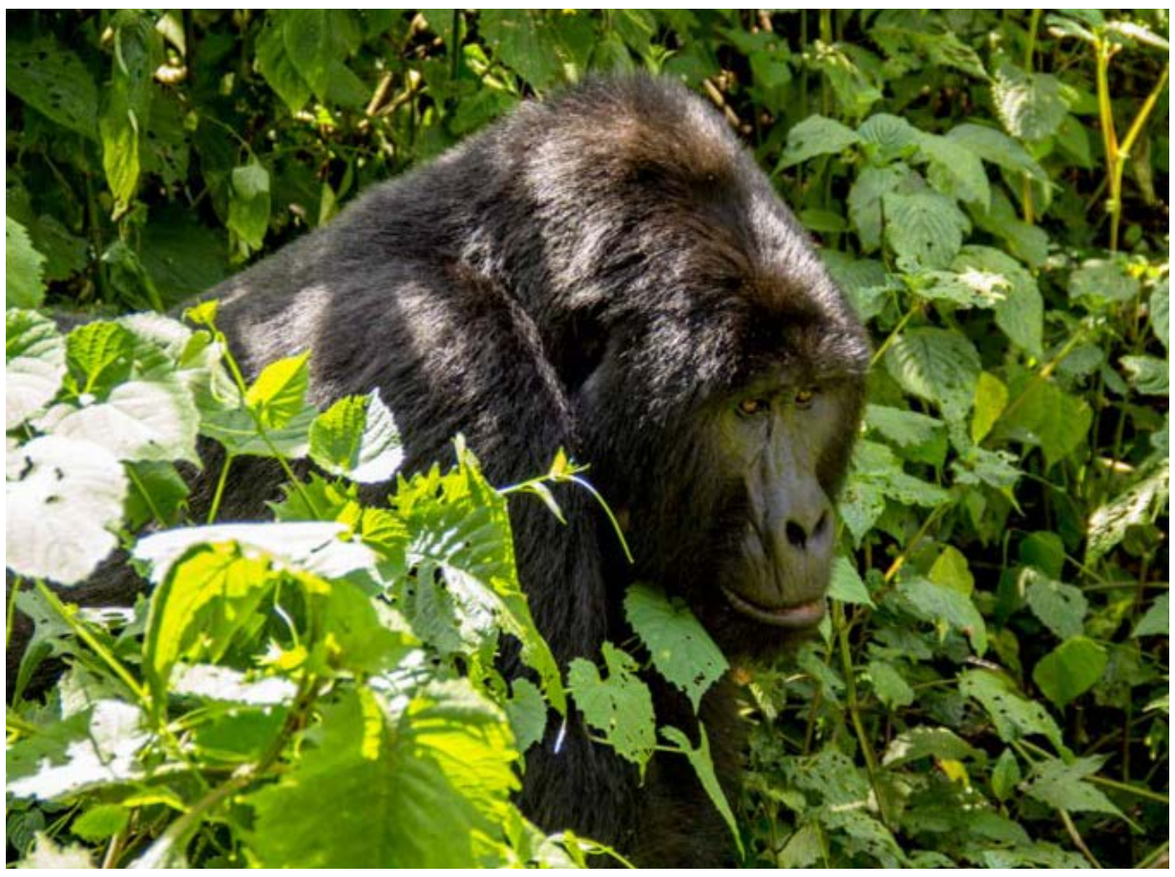
At the very heart of the epic African experience, Uganda offers a kaleidoscope of geographical contrasts. The country's natural beauty, big-ticket wildlife and welcoming people are now earning it a spot on savvy travelers' bucket lists.

Uganda overwhelms with sheer scale: in the southeastern quarter, shimmering Lake Victoria is Africa's largest by area. It's also a major source for the Nile, the world's longest river. And in Uganda's majestic west, the Rwenzori Mountains National Park boasts Africa's third-highest peak. A glacier (one of only three in Africa) is even found in surprising Uganda, which is becoming increasingly popular for outdoor sports like white-water rafting.

Uganda's vast stretches of wilderness, which include savannahs, tropical forests, estuaries and mountains, are also home to an appropriately varied wildlife population. The country hosts over half of the world's remaining mountain gorillas, unique tree-climbing lions, and many more of Africa's signature species (including elephants, zebras, giraffes, hippos, crocodiles, and over 1,000 species of birds).

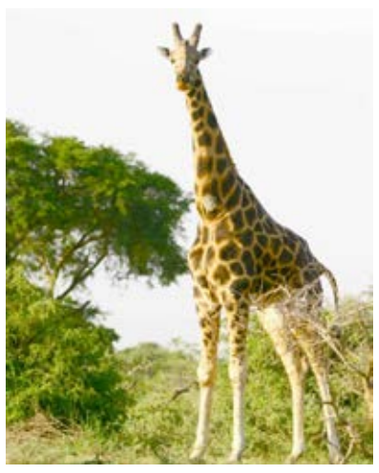
The world's largest mountain gorilla population

More than half the world's population of the critically endangered mountain gorillas resides in Uganda's Bwindi Impenetrable Forest, with the rest found in the Virunga Mountains.



The ideal safari location

With majestic lions, mighty elephants, skittish zebras and graceful giraffes, Uganda's national parks are some of the most diverse in the region, offering a truly African wildlife experience.



A birdwatcher's paradise

Uganda is home to over 1,000 bird species, such as the crested crane (left), which features on its national flag.

Lake Victoria

Named after Queen Victoria by the British explorer John Hanning Speke in 1858, Lake Victoria is considered to be the source of the Nile River. The massive lake, which covers some 26,600 square miles, is the world's second-largest, and the biggest of its kind in Africa.

The Baha'i House of Worship

Africa's only Baha'i temple, and one of only seven in the world, this serene structure sits atop Kikaaya hill, three miles north of Kampala. At the time of its construction, the building was the highest structure in East Africa. Photo: Markwaters. Dreamstime.

TRAVEL

Exploring Uganda's Wild Places

Uganda's experienced operators offer activities including encounters with mountain gorillas, high-adrenaline outdoor sports and richly rewarding cultural immersion experiences.

A member of Wild Places Africa – a company committed to wildlife conservation – Uganda Safari Company operates trips which include gorilla tracking, biking through rain forests and savannah, white-water rafting on the Nile and more.

Another leading operator, Great Lakes Safaris, offers more monkey business and innovative adventures like hot-air ballooning. Great Lakes also organizes cross-border tours and cultural safaris.

Indeed, while there are "very few places you can go on the continent and be alone, and not surrounded by other tourists," Uganda "is still unspoiled and unique; it is almost like you are discovering Africa," says Roni Madhvani, director of another leading firm, Marasa.

Marasa's historic and luxurious escapes dot Uganda's wildest places; these include Paraa Safari Lodge, built in 1954 and featuring original decor. Located in Uganda's Murchison Falls National Park, the lodge – and its sublime swimming pool – overlook the Nile, where Humphrey Bogart's classic film The African Queen was shot. Marasa's newest getaway, Silverback Lodge in the Bwindi Impenetrable Forest National Park, provides access to rare animals like mountain gorillas.

FOCUS ON KAMPALA

Building for the Future

The government's comprehensive new urban development plan means Kampala is getting a much-needed makeover.

In the not-too-distant past, Uganda's capital was considered a chaotic, ramshackle backwater. However, thanks to new laws that have been enforced by tough-minded civic officials, Kampala has made great strides towards becoming a safer, more attractive and more livable city, for both locals and visitors alike.

Kampala's transformation owes to the determination of the Kampala Capital City Authority (KCCA). This institution has cracked down on construction companies in violation of building safety, and shut down butchers' shops and supermarkets selling unhygienic meats.

The leader here has been KCCA Executive Director Jennifer Musisi. A lawyer by training, Musisi first transformed the KCCA by hiring capable new staff who shared her vision. Then she began systematically tackling the city's many challenges. First were the urgent needs: cleaning, reducing garbage, clearing drains, fixing roads and, of course, easing traffic.

The KCCA's strategic plan also encompassed related issues like welfare and job creation for low-income families, and promoted better nutrition and a youth employment services bureau. Now, Musisi's concentration is on "greening the city," with an ambitious plan for planting one million trees by 2020.

However, as a mass strike by Kampala taxi drivers in May attested, the problem of transport in a city full of overcrowded, narrow streets remains a challenge. The KCCA is currently looking for solutions in possible cable car, bus rapid transit, and even light rail systems.

"Our mandate was to transform the city and resuscitate it. We came in to put Kampala back on its feet."

Jennifer Musisi
Executive Director of KCCA

An aerial view of the city of Kampala. Photo: 360b. Shutterstock.

Shoppers outside Wandegeya Market, Kampala. The market was opened by President Museveni in 2013 and accommodates more than 1,200 vendors.

Q&A

Maria Mutagamba
Minister of Tourism

"We believe that by 2020, tourism should be able to contribute about 15 percent of GDP."

A focus on sustainable development, promoting natural grandeur and providing a truly authentic African experience based on local community partnerships have led to unprecedented tourism growth for Uganda. With revenues of $2 billion projected, tourism already accounts for nine percent of GDP, making it Uganda's second-most important industry. But with ambitious government plans for increasing tourism revenue further by highlighting Uganda's native hospitality, spirituality and magnificent nature, the future looks bright, says Tourism Minister Maria Mutagamba.

What contribution does tourism make to the Ugandan economy?
The tourism industry is the fastest growing, at an exponential rate of about 21-25 percent, and we see the potential of further growth because most of the resources are untapped and a lot more products can be created. Our people are the greatest asset and greatest resource. They are so friendly that when you come to Uganda you feel like you have already lived here for many years.

How do you balance tourism development with the need for conservation?
We have to make conservation our number one priority if we are going to maintain Uganda's beauty. We have started community management programs where the resources that we get from national park fees are shared, with 20 percent going back to the community. The communities have really appreciated this and they have become strong custodians of the animals and the environment. The global community has also come forward, especially to help us with the preservation of rare species.

How are you diversifying your tourism offering?
Uganda is a land of religious people so we have decided to also promote faith-based tourism. The idea is to make Namugongo a faith-based tourism center. We are also expecting the Pope to come here this year.

Q&A

Jennifer Musisi
Executive Director of Kampala Capital City Authority

KCCA Director Jennifer Musisi's bold vision for a modern, environmentally-friendly Kampala is gaining support, both domestically and internationally.

What has given you the courage to transform an entire city?
We've got very strong support from government, led by the president. It doesn't matter who you are, how rich you are or where you come from; everybody must comply.

You recently made a presentation at the UN in New York. What does this international exposure bring to KCCA's work?
Last year, we got four international awards for our performance and this year we have already got one from Geneva, and we will be getting one from South Africa.

The Report company

Liberty House, 222 Regent Street
London, W1B 5TR,
United Kingdom
Tel: +44 (0) 207 903 5079

Editorial Director: Rolf Hajek
Project Director: Ioana Dudas
Writers: Chris Deliso and Oliver Moss
Art Director: Joana Pessanha
Graphic Design: Carlos Robledo
Assistant Graphic Design: Lidia Chía
Photos: Ministry of Tourism Uganda, Uganda Chamber of Mines and Petroleum, State House Kampala, UCP / LS, Charles Steinberg.

For suggestions on a feature on your country or any specific theme, contact us on: features@the-report.net

For an expanded version of this feature: www.the-report.net