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**REPORT ON THE IMPLEMENTATION OF THE INVESTMENT POLICY REVIEW
UGANDA**

Note by the UNCTAD Secretariat¹

Addendum

¹ This document was submitted on the above-mentioned date as a result of processing delays.

**Table I. Summary of implementation achievements:
Investment framework**

Sector/area	IPR recommendation	Result	Comment
FDI entry & treatment	Modernize the Investment Act of 1991.	★★	Bill addressing IPR recommendations has been drafted, but remains to be adopted.
FDI entry & treatment	Remove sector restrictions for foreign investment, namely agriculture.	★★	Restriction is currently not enforced. Investment Bill would address the issue when/if adopted.
Export processing zones	Prepare and adopt the Export Processing Zone Act	★★	Bill has been prepared, but remains at the ministerial level.
Technology agreements	Remove requirement to register technology transfer agreements with UIA.	★★	Requirement currently not enforced. Investment Bill would address the issue when/if adopted.
Foreign exchange	Legislate to ensure that the removal of foreign exchange controls lasts.	★★★	The Foreign Exchange Bill was passed in 2004.
Land	Ensure smooth transition from freehold to leasehold.	★★★	No problem has been reported in the transition.
Taxation	Reform and expedite VAT refund system.	★★★	Large-scale Uganda Revenue Authority (URA) reform in 2004. General improvement and large taxpayer unit have reduced time taken for VAT refund to large firms.

Table key: ★★★★★ surpassed expectations, ★★★ fully or largely accomplished, ★★ partially accomplished, ★ no change or reversal, + different policy direction taken.

**Table II. Summary of implementation achievements:
Utilities, infrastructure and financial services**

Sector/area	IPR recommendation	Result	Comment
Power	Do not apply "UK model" to re-organize the sector and attract single strategic private investor to operate all of UEB's assets.	+	Uganda decided to apply the "UK model" and split the power sector into separate generation, transmission and distribution entities. Only transmission remains owned and operated by the public sector. Appropriate regulations and regulatory institution have been established.
Power	Bring strategic private investor into the sector.	★★	Generation and distribution were concessioned to competent private sector operators, but no single strategic investor took over all of UEB's assets.
Power	Bring new capacity on-stream.	★	Bujagali and Karuma received priority, but projects did not materialize. Effective generation capacity is well below demand, and additional hydro-capacity will not come on stream until 2010 at the earliest.
Water & sanitation	Privatize or partly privatize National Water & Sewerage Corporation through a Kampala "carve-out".	+	No private-investor interest in a Kampala "carve-out" was found. Government improved management at NWSC through a number of measures.
Air transport	Make Entebbe International Airport (EIA) a regional cargo and logistics centre.	★★	Certain incentives have been provided to promote Entebbe, but development as a hub suffers from technical limitations.
Air transport	Attract a private operator to manage Entebbe International Airport (EIA).	+	Entebbe airport remains operated by the CAA as a policy choice, but private sector runs many functions.
Railways	Put Uganda Railways Corporation (URC) up for acquisition to develop it under a regional framework.	★★★	A joint concession between Kenya and Uganda was signed in late 2006 with a South African operator that has demonstrated experience in running railways operations in Africa.
Mombasa Port	Assign an Uganda area in Mombasa port.	★	Little effort was put into this initiative, whose outcome also required cooperation beyond Uganda's control.
Commercial banking	Introduce new products and services in the commercial banking sector.	★★★★	Many new services have been introduced since 2000, including ATMs, connectivity between branches, inter-bank connectivity, salary loans, mortgages and leasing.
Commercial banking	Increase competition and strengthen financial situation of commercial banks.	★★★★	Moratorium on entry of new banks was lifted. Financial Institutions Act and BoU regulations have greatly improved the regulatory environment, promoted a stronger banking sector and fostered increased competition.
Insurance	Develop life insurance products.	★★	Insurance companies with strong experience in life insurance are present in Uganda, but demand for the product is weak.
Insurance	Consolidate insurance underwriting sector.	★★	Higher capital requirements have been put in place to encourage consolidation, but there has been no consolidation so far.
Insurance	Privatize National Insurance Corporation	★★★	60 per cent of NIC has been sold to a strategic investor, and the remaining 40 per cent should be sold on the stock exchange before the end of 2007.

Sector/area	IPR recommendation	Result	Comment
Securities market	Increase number of listed companies	★ ★	Listed companies increased from 3 to 8, but this remains a very low number.

Table key: ★★★★★ surpassed expectations, ★★★★★ fully or largely accomplished, ★★ partially accomplished, ★ no change or reversal, + different policy direction taken.

**Table III. Summary of implementation achievements:
Investment promotion**

Sector/area	IPR recommendation	Result	Comment
Big Push Measure 1	Set up a committee involving Cabinet, the President and the private sector to direct investment policy.	★★★	Presidential Investors Round Table (PIRT) was set up in 2004 and has met four times so far. Five working groups have been established to prepare action matrices and monitor implementation.
Big Push Measure 2	Develop a multi-facility economic zone	★★	The Kampala International Business Park (KIBP) is at the initial stage of development and construction has not started yet. Luzira Business Park is less advanced still.
Big Push Measure 3	Target two or three sectors for investment promotion	★★	Sectors were identified and some incentives put in place, but efforts were not as focused as recommended.
Big Push Measure 4	Sign DTTs and BITS, and promote them to increase investor confidence	★★★	Some BITS and DTTs have been ratified since 2000, but the number remains relatively low and the key DTT with the EAC has experienced delays.
Big Push Measure 5	Involved embassies in investment promotion	★★★	New ambassadors are trained by UIA, which also holds annual training sessions for diplomats.
Big Push Measure 6	Intensify promotion and facilitation role of UIA, and create a "friends of Uganda" network for investment promotion.	★★★	UIA has been refocused on investment promotion and facilitation. A network was created with current executives and former executives and foreign diplomats who have left Uganda.
Big Push Measure 7	Adopt client charters.	★★★	23 client charters have been prepared. Issue now is to put in place monitoring and benchmarking of performance vis-à-vis the objectives.
Big Push Measure 8	Set a "Vision Implementation Period" and monitor progress.	★★	No implementation period was formally set, but PIRT mechanism is effectively a progress monitoring mechanism.

Table key: ★★★ surpassed expectations, ★★★ fully or largely accomplished, ★★ partially accomplished, ★ no change or reversal, + different policy direction taken.