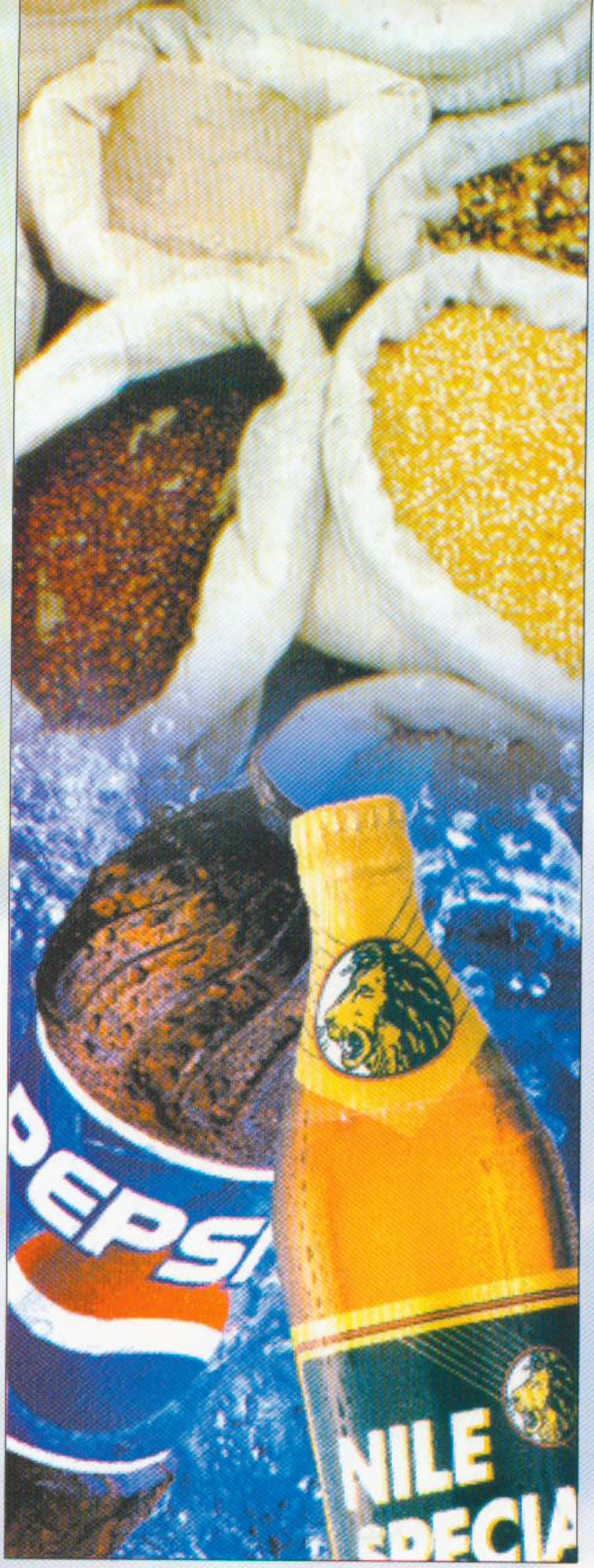
INDUSTRY PROFILE 9

Investing in Uganda



Food & Beverages

UGANDA INVESTMENT AUTHORITY

The Foods and Beverages Industry

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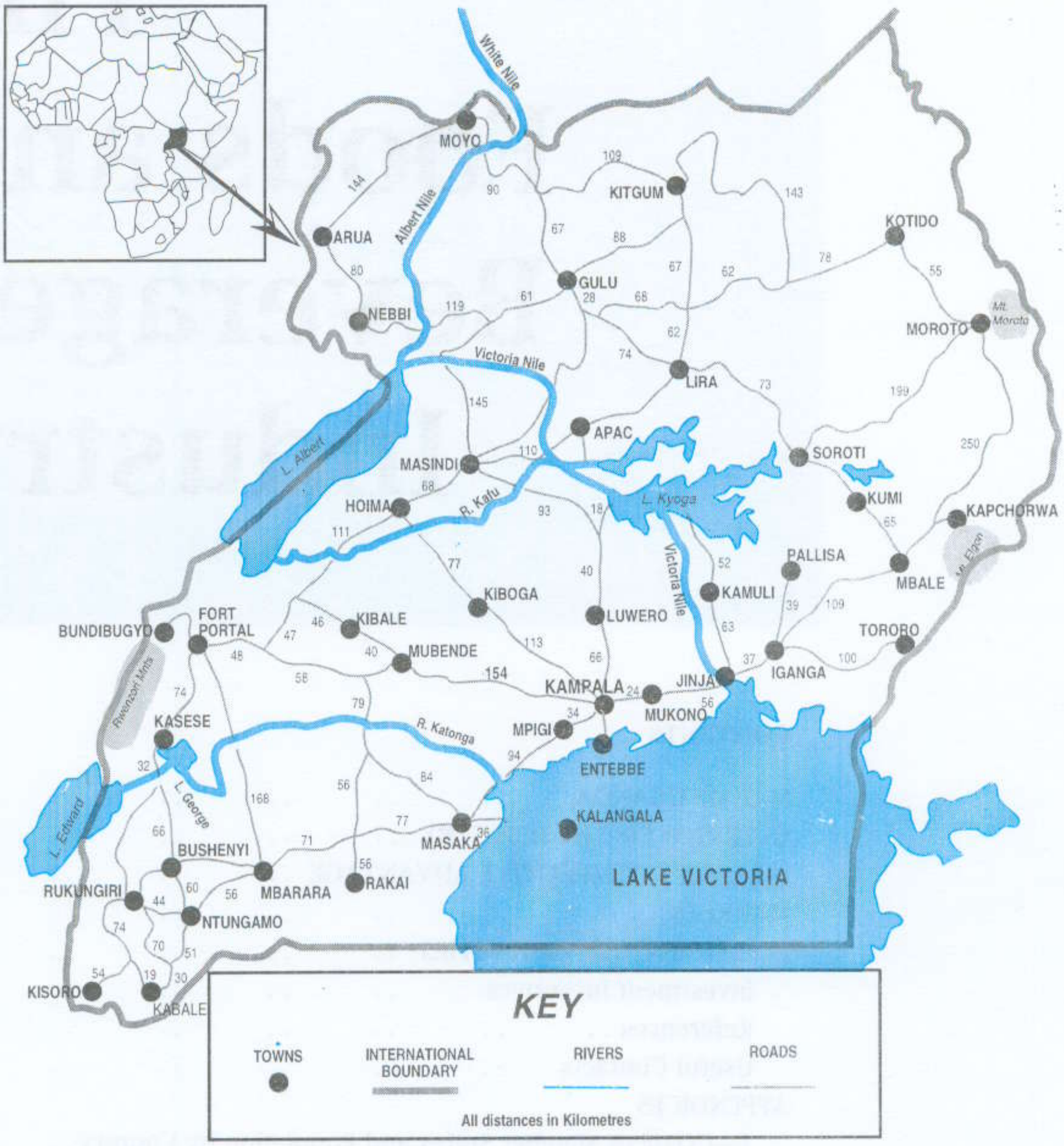
ROUTE PLANNING GUIDE-AFRICA



Overview of the Foods and Beverages Industry

Uganda is East Africa's food basket. It produces a range of food stuffs including root crops, grains and legumes, fruits and vegetables and spices. The wide range of production is made possible by a favourable climate with a temperature range of 15-30˚C and an annual rainfall of 750-2000mm, and fertile soils.

The crop products can be subdivided into three on the basis of their potential to contribute to their livelihood for the producer.

- Cash crops—produced for sale.
- Food crops—food provision to the producing household.
- Non traditional cash crops—traditional food crops but are now mostly produced for sale.

The foods and beverages sector consists of:

- The foods sub-sector covering food crops, processed food products and food ingredients.
- The beverages sub-sector covering coffee, tea and cocoa as well as manufactured alcoholic and non-alcoholic drinks.

Trends and recent performance in the foods and beverages sector

Figure 1: Volume of Imports into the EU from developing countries (1992-1996)

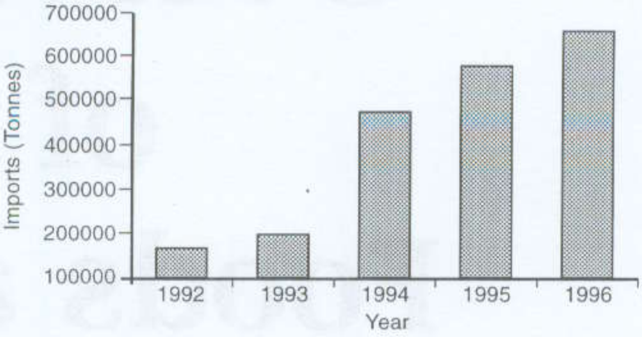


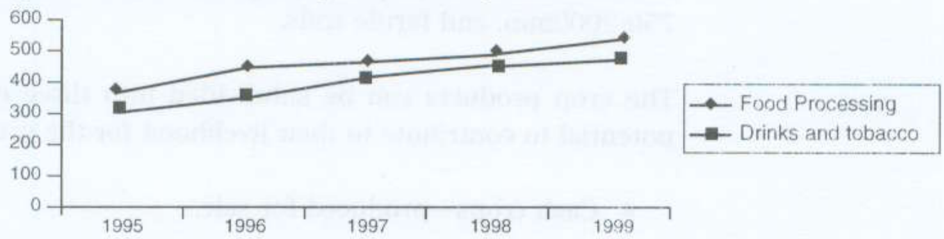
Figure 1 shows the volume of imports of foods and beverages from developing countries into the EU for 1992-1996. Imports from developing countries into the EU grew about seven-fold between 1992 and 1996. By 1998, the share of developing countries in EU food imports was 51% for coffee, tea and tobacco; 29% for fishery products; 27% for fruits and vegetables and 18% for prepared foods and beverages.

Level of exploitation in the foods and beverages sector

In the category of medium to large scale industries in the sector are sugar processing and manufacture of alcoholic and non-alcoholic beverages. The rest of the foods and beverages industries are small scale. Product groups with the highest outputs in the 1990's included drinks and tobacco (26.1%) and food processing (20.7%).

In a 1996 study of the contribution to GDP by the different economic activities agriculture and manufacturing had a total of 52% with individual contributions of 44.7% and 8.2% respectively.

Figure 2: Annual index of Industrial production



Source: Uganda Bureau of Statistics

Both the annual indices of industrial production and the volumes of products in the foods and beverages sector have been growing. Industries that showed dramatic growth between 1995-1999 include sugar, beer and soft drinks. The edible oil, wheat flour, biscuits, sweets, toffee and soya foods industries also showed considerable growth in the same period.

AN OVERVIEW OF THE SUB-SECTORS

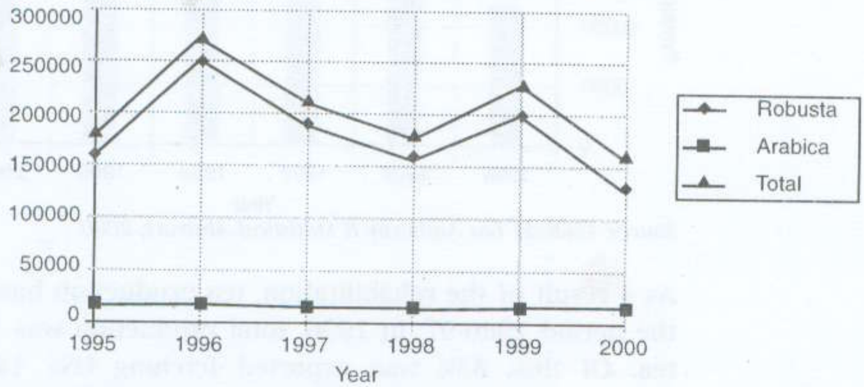
The coffee sub-sector

Coffee has been the largest single foreign exchange earner for Uganda since the 1970's to-date. Robusta coffee accounts for 94% of the total production and arabica coffee accounts for the remaining 6%.

Coffee production has fluctuated in the past 20 years reaching peak production in 1972, declining in the late 70's and early 80's and slowly increasing in the mid and late 90's but is yet to return to its former levels. Production is dominated by small holdings accounting for about 94% of the 270,000 ha planted with coffee. Two private sector organisations represent actors in single components: the Uganda Coffee Farmers Association representing mostly smallholders and the Uganda Coffee Trade Federation representing processors and exporters.

In 1995/96 and 1996/97, there was an increase in coffee production and procurement resulting from yields of new coffee plantings, improved husbandry practices and availability of crop financing which enhanced procurement of coffee by exporters. Figure 3 presents coffee production for the period 1995-2000. Over the same period, Uganda's coffee exports grew as indicated in Figure 4.

Figure 3: Coffee production (tonnes) 1995-2000

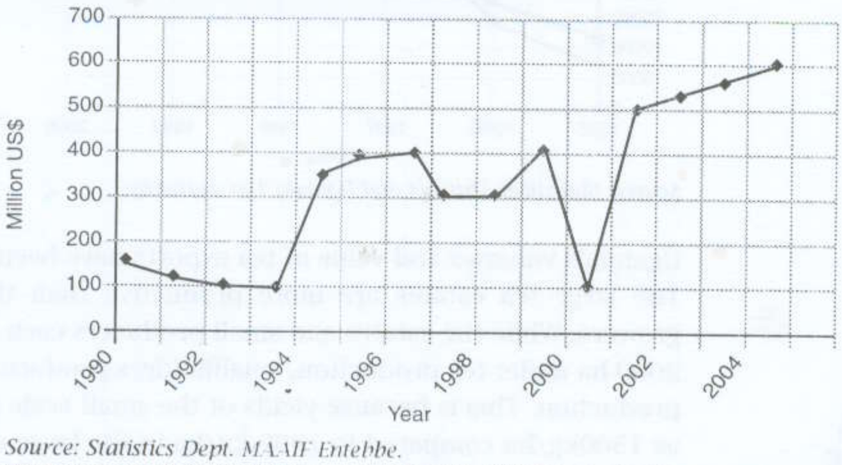


Source: Uganda Coffee Development Authority & Statistical Abstract, 2000

Markets

- Ugandan robustas, compete in a commodity segment of the world Market government by the international prices as quoted on the London international Futures Financial Auction Exchange (LIFE).
- Ugandan robustas occupy a special role in blends, soluble coffee and some niche 'stand-alone' products as substitutes for low quality arabicas. Ugandan robustas are therefore traded at premiums over LIFE.

Figure 4: Value of Uganda's Coffee exports



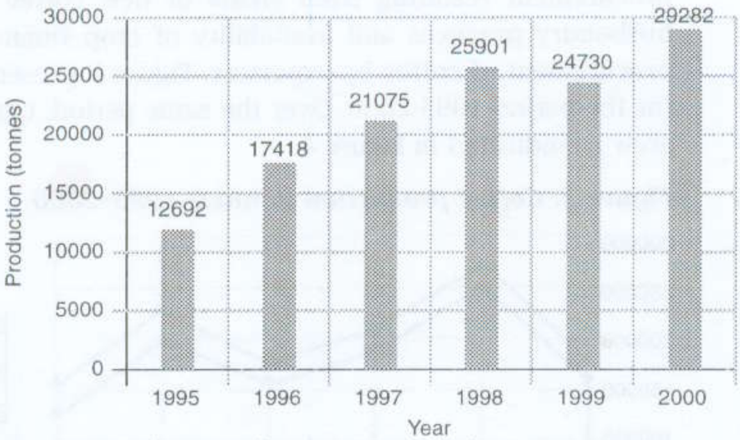
Source: Statistics Dept. MAAIF Entebbe.

Note: Figures 1990-2000 are actual and 2001-2004 are projections

Tea sub-sector

After coffee and cotton, tea is the third most important cash crop for Uganda. Before 1986, tea estates had been neglected and production was low. By 1996 more than 70% of the total area under tea had been rehabilitated. By 1998, the total area under tea was 20,500 ha equally distributed between tea estates and out growers. Figure 5 shows production levels for 1995-2000.

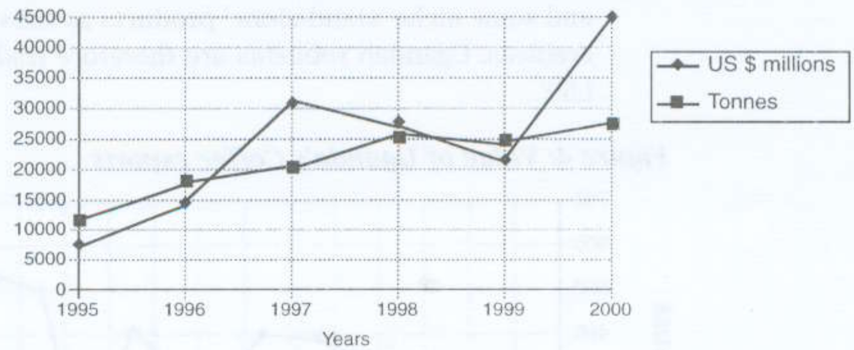
Figure 5: Tea production (tonnes) 1995-2000



Source: Uganda Tea Authority & Statistical Abstract, 2000.

As a result of the rehabilitation, tea production has increased by 84% in the period 1986-97. In 1996, total production was 17.418 tons of made tea. Of this, 83% was exported fetching US$ 14,982,000 in foreign exchange. In 1997 production reached 21,675 tons. In 1999, production was estimated to be 24.7 million kg of made tea. Of this 22.1 million-kg (89.5%) were exported fetching more than US$ 28.9 million. By March 2000, about 6.2 million kg had been produced of which 5.8 million kg (93.5%) had been exported fetching US$ 9.3 million. Figure 6 shows exports of tea for the period 1995-2000.

Figure 6: Uganda's Tea export value (US$ million) and volume (tonnes)



Source: Statistical Abstract and Uganda Tea Authority

Uganda's volumes and value of tea exports have been growing since 1991. The large tea estates are more productive than the small holder out growers. While the estates and small producers each hold 50% of the total 2000 ha under tea production, smallholders produce only 25% of the total production. This is because yields of the small scale producers are as low as 1300kg/ha compared to 1800 kg/ha in the large estates.

Cocoa sub-sector

Cocoa has been produced in Uganda for over 80 years. It is grown in 10 districts: Mukono, Jinja, Iganga, Kamuli, Bundibugyo, Hoima, Masindi, Kabale, Mpigi and Luwero. Cocoa has been identified by GoU—MAAIF as one of the crops with high potential to diversify export mix of Uganda and boost the country's export earnings. MAAIF therefore, has a "Cocoa Development Program" covering the 10 growing districts. The project is funded by USAID and GoU to the tune of US$ 1.594 millions.

Project achievements include:

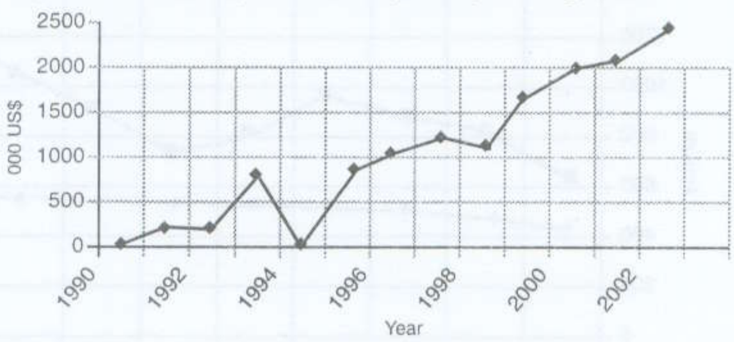
- Training for 3015 cocoa farmer and 50 extension workers.
- A total of 550 ha of planting materials were raised and issued to farmers.
- A cocoa production manual produced. The project is still ongoing with more cocoa development activities planned for the year 2000/2001.

Between 1992 and 1997, the area under cocoa production increased by almost 20% to 12,490 ha. In 1998, there was a 25% increase in earnings from cocoa exports. Further increases in production are anticipated and projections of cocoa exports are also high.

Various horticultural products

Horticultural products include high value export products fetching relatively high prices for farmers. Research is focusing on identification of suitable varieties and cultivars. Production and export of high value crops like vanilla has shown a continuous upward trend and the potential for growth is still high as shown for the case of vanilla in figure 7.

Figure 7: Value of Vanilla exports from Uganda



Source: Statistical Dept. MAAIF Entebbe.

Note: *Figures for 2000 are estimates, 2001-2002 are projections.*

Banana sub-sector

Banana is one of the major food crops grown and consumed in Uganda. For a long time it was grown based on traditional production systems and for home consumption solely as a food crop. With the move towards non traditional cash crops and exports, bananas are now grown on commercial scale, demanding higher efficiency and productivity. The traditional system of production is no longer desirable due to its low yield and poor pest and disease control systems.

In 1992, GoU commissioned a project to improve productivity of banana strains and cropping systems. This resulted in a steady increase in area under bananas and yields per hectare. Specific achievements include:

- The multiplication of 2 new exotic banana cultivars resistant to pests and diseases;
- Dissemination of improved banana production technologies e.g. the use of clean (disease/pest-free) planting materials;
- Establishment of on farm evaluation plots for multiplying disease-free planting materials;
- Production of a banana production manual;
- Conducting workshops and field days for farmers and extension workers.

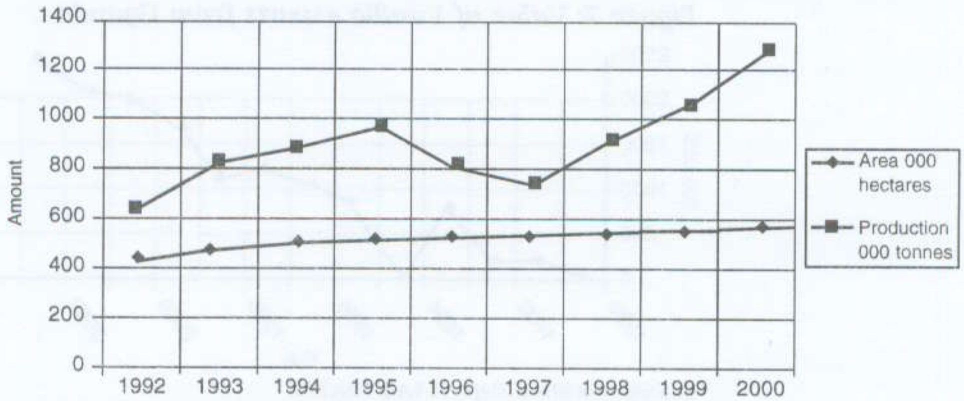
As a result of these efforts, the area planted with bananas and the total production have increased.

Cereals sub-sector

Maize

Maize is regarded as the third most important crop in Uganda. It is the most widely grown and consumed cereal in Uganda. It is also the most common staple in sub-Saharan Africa (SSA). The market for maize meal is mainly regional. Besides the regional market, there is a significant market of international relief organizations particularly World Food Program, which consumes 200,000-400,000 tonnes of maize annually depending on regional conditions. Uganda grows a drought tolerant and disease resistant variety that accounts for 60 per cent of the total area under maize.

Figure 8: Total area planted with maize and production (1992-2000)



Source: MAAIF Statistics Department.
1999 figures are estimates while 2000 figures are projections

Maize has potential for export especially within the region and SSA since it is a staple in these areas. Export earnings from maize have been unstable and are projected to increase.

Finger millet and sorghum

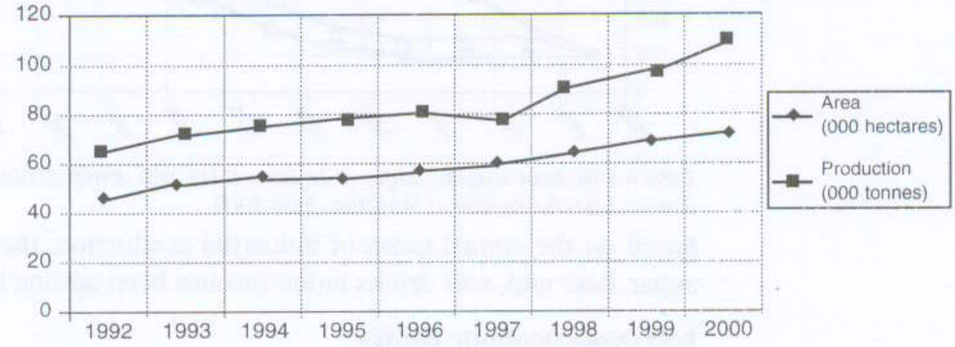
Both are widely grown especially in the semi arid areas of Eastern and Northern Uganda. They are grown as a staple but also used as ingredients for local brews and porridge. Currently most of the production is for domestic consumption.

MAAIF—National Agricultural Research Organization (NARO) is involved in research on these staples and released one improved millet variety and two sorghum varieties in 2000. As a result, there has been some increase in the area and production of finger millet and sorghum.

Rice

Most of the rice consumed in Uganda is imported from Asia due to insufficient production and poor quality of the locally grown crop. To increase production, GoU-MAAIF is implementing the "Olweny Swamp Rice Irrigation Project" (OSRIP) in Lira District. However, production remains below national demand making Uganda a net importer of rice.

Figure 9: Area under rice (000 ha) and production (000 tonnes)



Source. Uganda Bureau of Statistics and Uganda Export Promotion Board
Note: *2000 figures are projections*

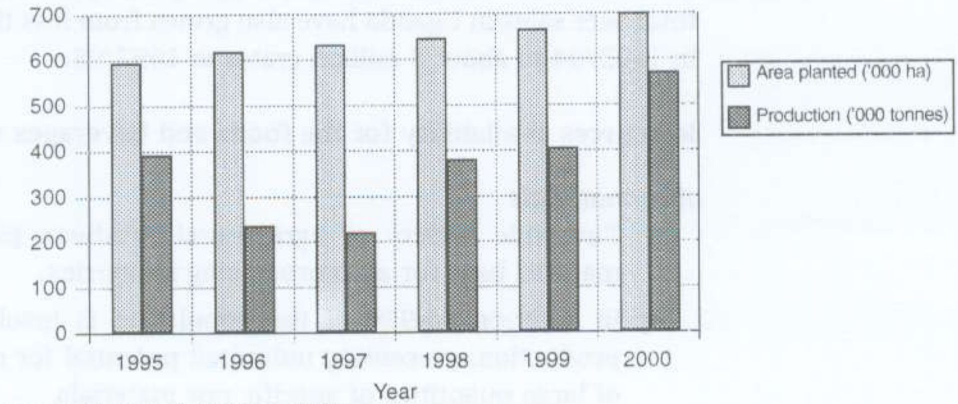
Wheat sub-sector

Wheat is mainly grown in the cool areas of Uganda with an altitude of at least 1500 meters e.g.: Kabale, the slopes of Mt. Elgon, western highlands of Fortportal, Rwenzori slopes and parts of Mbarara and Bundibugyo. Wheat production in Uganda is still low but has prospects to increase with the development of varieties with higher yields that are suitable to Uganda's growing conditions.

Beans and other legumes

Of the pulses grown in Uganda namely, beans, field peas, cow peas and pigeon peas; beans have the highest potential for investment. Like maize, beans have a potential for export especially within the sub-Saharan region. Export earnings from beans have been unstable but are projected to increase. Area planted and production levels for beans for 1995-2000 are shown in Figure 10.

Figure 10: Area planted and production of beans (1995-2000)

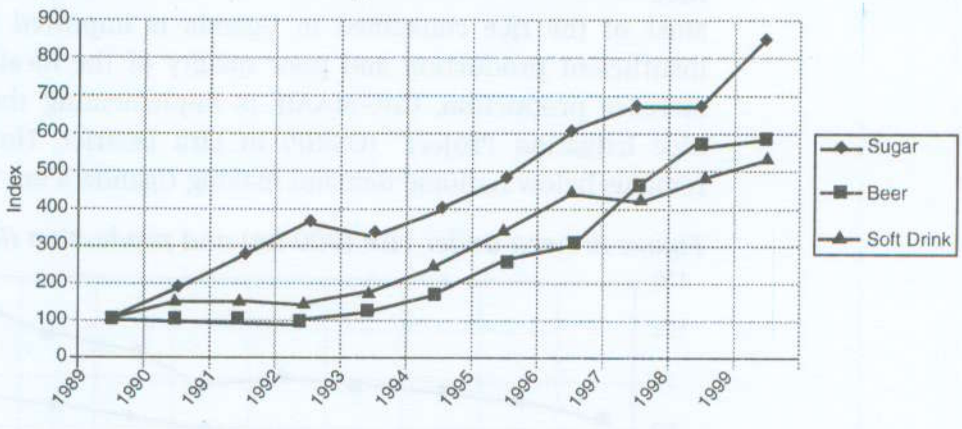


Source: Statistical Abstract, 2000.

Alcoholic and non-alcoholic beverages sub-sector

The 3 biggest foods and beverages establishments in Uganda are the beer, sugar and soft drinks industries. In a Uganda Bureau of Statistics (UBS) survey, the 7 largest industries producing a total of 9 products were analyzed for their annual and monthly performance in the period 1998 - June, 2000. Part of the findings is presented in Figure 11.

Figure 11: Annual index of Industrial Production



1989 = 100, Base weights: Sugar (0.1), Beer (0.16), Soft drinks (0.09), and all items (1.0)
Source: Uganda Bureau of Statistics, June 2000.

Based on the annual index of industrial production, the performance of the sugar, beer and, soft drinks industries has been getting better since 1990.

Soft/Non-alcoholic drinks

These include carbonated drinks, fruit juices and squashes. The number of industries producing non-alcoholic drinks has increased from 4 in 1990 to 8 by the end of 1997. There are numerous small-scale producers of fresh fruit juices packed in polyethylene pouches. The biggest soft drink producers are franchises of big international companies Pepsi Cola and Coca-Cola, producing carbonated drinks. Of late, 2 medium scale industries have emerged, producing a low cost fruit juice from imported concentrate that is very popular with school children. Another growing sector in the drink category is the mineral water.

Alcoholic drinks

The industry comprises of two beer producing companies and two spirits producing companies.

Beer sub-sector

The per capita consumption of beer has been growing over the years from about 1 litre in 1992/93 to over 4 litres in 1997/98 and is expected to grow further as people's incomes go up and poverty levels reduce. The total beer sales in Uganda have also grown from less than 2 million crates in 1993/94 to about 8 million crates in 1997/98.

Resources availability for the foods and beverages sector

Raw materials

- The wide variety of agricultural products provide a wide raw material base for agro processing industries.
- In addition 80-95% of the population is involved in agricultural production, presenting unlimited potential for contract production of large quantities of specific raw materials.
- In most parts of the country with two rain seasons, two crop harvests are possible further increasing possibilities for high production of raw materials.
- Low costs of labour and minimal requirements for irrigation, protected agriculture and fertilizers present good prospects for production of raw materials by the processing industry.

Uganda's Competitive Advantage

Good climate

Uganda's competitive advantage in the production and processing of foods and beverages is favoured by fertile solid and good climatic conditions consisting of an annual rainfall of 750-2000 mm and a temperature range of 15-30°C with a very narrow diurnal range.

Availability of a highly trained labour force

- Uganda presently produces over 10,000 University graduates annually, with varied skills.
- Training institutions in Uganda are responsive to the needs of the private sector, which has resulted in practical graduates.
- Workers with technical and vocational skills are readily available.
- Uganda has no history of labour disputes.
- Ugandan workers are proficient in English and a number are proficient in other international languages like French and Germany.

Developed Infrastructure

- Uganda has a well-connected road system linking the country to its principal trading partners and has rail links to seaports. The national airport at Entebbe has developed into a key regional facility.
- Abundance of power—Installed capacity for power generation has increased from 183 MW to 240 MW through the extension of the Owen Falls Dam.
- Telecommunication is well developed, with rural areas covered by cellular communication.

- 1,000 ha, located at Namanve, about 15 km from the city centre has been reserved for an Industrial and Business park.

Support from Government and International Development Partners

- The Government of Uganda has set up the Uganda Investment Authority, which is a one stop centre for private investors.
- Numerous International Development Agencies such as the World Bank, USAID, DFID, UNDP and ADB have invested millions of dollars in promoting the private sector in Uganda.

Security of Investment

- MIGA Coverage—Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) under which foreign investors can insure their investment in Uganda against a wide range of non-commercial risks.
- Uganda has bilateral investment protection arrangements with a number of countries.
- Uganda's Constitution guarantees the right to property.

Good quality of life

- Uganda has a wealth of natural and man made attractions that makes it one of Africa's greenest and most scenic countries.
- Has friendly people and a rich cultural climate.
- There are high quality educational and medical facilities.
- Uganda has first class hotels, restaurants and other entertainment facilities.

Policy environment

Uganda's policy environment is ahead of all regional countries in privatisation and open market economy. This allows private investors to enjoy benefits of their investments and to engage in external trade without unnecessary restrictions. Government consults private investors in developing policies.

Strategic Position

Uganda is strategically located and takes advantage of the markets in Rwanda, Democratic Republic of Congo, Northern Tanzania, Southern Sudan and Western Kenya.

Markets

Overview

Based on market prospects, foods and beverages produced in Uganda can be categorized into 3 broad categories:

- products for domestic consumption and domestic markets e.g. bananas/plantains, root crops, grains such as millet and sorghum, etc.
- those with both domestic and regional market prospects e.g. maize, beans, rice, sugar, alcoholic and non-alcoholic beverages.
- those that are tradable in the world markets besides having some limited domestic and regional potential e.g. coffee, tea, cocoa spices, horticultural crops, vegetables and nuts.

Market opportunities in Europe

Uganda has got tariff and quota free access to the EU market under the Lome Convention. Non traditional export products of high value such as spices and nuts present especially big opportunities in EU markets. A special niche exists in European markets for organic products, much of which come from developing countries. Trade in organic foods and beverages has become an important global agri-business. By 1997, there was an estimated US$ 11 billion market in Denmark, France, Germany, The Netherlands, Sweden, Switzerland and The United Kingdom. Other importing countries include: Italy, Austria, USA and, Japan.

Organic trade is of particular interest for Uganda because, in spite of the overall slow/stagnated growth in food purchases in general, the market for organic foods is growing.

The East African market

This is a market of about 85 million people covered under the East African Community (EAC). The Treaty that established the EAC is in force awaiting ratification. But, there is no consensus yet on trade. There is a High Level

Task Force (HLTF) on implementation of Article 175 which covers trade. The HLTF envisages a protocol on a Customs Union.

- There is a list of goods still being worked on to be subjected to a surcharge without reciprocity when imported from Kenya to Uganda or Tanzania.
- A list of manufactures that will attract a zero tariff rate for the tripartite trade is also being worked out.
- There has been an agreement in principle on establishing a Common External Tariff (CET) but its rate is not yet agreed upon. However at present, Uganda has the lowest customs tariff among the three countries.
- Rules of origin are not yet worked out, but it is proposed to use COMESA rules of origin.
- Unlike the defunct EAC, the current arrangement is market oriented and private sector driven.
- It has been agreed that the region has a comparative advantage in the agricultural sector and a study on the "Strategy on Agricultural Development" for the region is on-going. When ratified, the EAC and its focus on agricultural development, presents enormous chances for Uganda, because of the three countries, Uganda offers better avenues for agricultural development and agricultural related trade.

The COMESA market

The Common Market for Eastern and Southern Africa (COMESA), is a regional economic co-operation group of 20 African countries with an estimated population of 367 million people (Appendix 1).

The overall objective of COMESA is to promote regional integration through development of trade, natural and human resources. COMESA is one of the more successful regional economic groups in Africa. It has financial specialized institutions to support its activities namely:

- The Trade and Development Bank for Eastern and Southern Africa (PTA).
- The Leather and Leather Product Institute (LLPI).
- The Clearing House.
- The Re-insurance Company.

Most of the co-operation progress has been made in trade liberalization.

- Intra-COMESA trade has grown from US$ 1,624 million in 1991 to US$ 4,200 million in 1998.
- An Automated System for Customs Data and Management (ASYCUDA) is used in all COMESA member states.
- There has been tremendous tariff reductions as indicated in Appendix 2.
- Agreement has been reached to implement a Common External Tariff (CET) by the year 2004 with a proposed CET of 0%, 5%, 15% and 30% on capital goods, raw materials, intermediate goods and final goods respectively.
- Agreement has been reached to transform COMESA into a Free Trade Area (FTA) based on reciprocity and some countries are already implementing 100% tariff reduction (Appendix 2).

The CONTONOU ACP/EU Partnership Agreement

This agreement is to replace the ACP/EU relationship agreement. Under the agreement EU will be requested to establish a single regional fund for Eastern and Southern Africa region and COMESA states will adopt a common position on European Development Fund (EDF).

Investment opportunities in the Industry

Production and export of organic foods and beverages

Opportunities exist for Ugandan investors to produce and export organic products to Europe, USA and Japan. Especially advantageous are organic products e.g. coffee, tea, cocoa, spices, tropical fruits, vegetables, and citrus fruits that are not produced in the importing countries. Further opportunities exist in the production and export of off-season products such as fruits and vegetables.

Other investment opportunities:

- Establishing agro-processing industries.
- Export of non-traditional export commodities.
- Foods and beverages retail businesses e.g. supermarkets and food supply chains.
- Export of high value agricultural ingredients for food processing industries in the West.

Investment opportunities in the coffee sector

Good prospects exist in processing coffee into finished products for the local, regional and international markets. Uganda is currently importing instant and regular coffee. Export of finished regular and instant coffee will increase value and result in better returns for both the farmers and exporters. Currently only one company in Uganda is exporting small amounts of processed coffee.

Opportunities in the tea sector

Tea production can be increased by planting high yielding varieties and use of fertilizers for maintenance of soil fertility. There are currently good prospects in producing and exporting tea as shown by the continuous upward trend in tea production and exports.

Opportunities in the cocoa sub-sector

Currently, cocoa is solely exported as dry beans. Prospects exist for increased export of cocoa beans as well as opportunities for processing and adding value for the local, regional and export markets. Uganda currently has no cocoa products producing plant and is importing cocoa for beverage drinks, industrial production of sweets, confectionery and ice cream.

Investment opportunities in the cereals sub-sector

Maize

- Efficient commercial maize production since current production is mainly by small scale farmers.
- Export market potential exists in the regional markets as well as SSA.
- Maize could be used for industrial production of starch and to replace imported cereals in the brewing industries (a limited amount is currently being used in local brews).

Opportunities exist in use of sorghum and millet in industrial brewing, production of weaning foods and breakfast cereals. Being draught tolerant, they could be grown on otherwise redundant unproductive land.

Rice

The rice grown in Uganda is preferred in the Ugandan market. Compared to imported rice, it is said to have better taste/flavour. The production however, has been low and much of the rice consumed is imported. Opportunities are in increased production of rice followed by processing, packaging and branding for the local and regional markets. Then it could easily replace imports at a competitive price.

Wheat

Opportunities exist in the wheat growing industry since most of the wheat milled is imported. The demand for wheat flour has been increasing with the growth of the bakery industries.

Opportunities in beans sub-sector

Market for dry beans exist, locally, regionally and internationally. Demand exists in East and Western Uganda, across borders within the region and for the relief agencies (up to 300,000 MT per annum) with the instability in the region fueling the demand. Within the country, beans could be canned for the local, regional and export markets.

Cost indicators for investments in the foods and beverages sector

Example of large scale starch plant from cassava (maize, millet and sorghum, with variations)

Raw materials:	100t/24h cassava roots (moisture content 65% water)
Product:	25t/24h commercial starch (moisture content 12-13% water) and
	17t/24h wet fiber pig feed (moisture content 70% water)

Cost of equipment, about US$ 2 millions.

Additional requirements:

Space: 250 sq.m production area, 200 sq.m storage area, 100 sq.m. facilities—total—450 sq.m

Manpower: 5 managers, 3 engineers, 3 quality control, 6 skilled workers, 25 unskilled workers, 3 fitters, 3 electricians — a total of 48.

Power and utilities: 200 kW Electricity, 20 cu.m/h process water, 25 cu.m/h Wash water, 17t/h steam, 5 kg/h sulfur

The costs and requirements would reduce for medium and small scale factories.

Example of large scale legume processing plant

Cost of equipment = US$ 370,000-400,000 excluding packaging machinery and bulk handling equipment, silos, hoppers e.t.c.

Raw materials: about 8,000 kg lentils per 8 hrs.

Manpower: 2 shift workers , 2 store keepers

Plant site requirements: 20 x 10 m, 10 m high, 2 floors, total area of about 600m^2.

INVESTMENT INCENTIVES

Investment incentives are covered under the Income Tax Act 1997. These incentives are administered by the Uganda Revenue Authority as part of the taxation system. The investment incentives are indicated in the following tables:

Table 1: Capital allowances

• Initial allowances on plant and machinery located in Kampala, Entebbe, Namanve, Jinja and Njeru	50%
• Initial allowances on plant and machinery located outside Kampala, Entebbe, Namanve, Jinja and Njeru	75%
• Start up costs spread over the first 4 years	25%
• Scientific research expenditure	100%
• Training expenditure	100%
• Mineral exploration expenditure	100%

Table 2: Deductible annual allowances

Depreciable assets specified in 4 classes under declining balance method		
Class 1	Computers and data handling equipment	40%
Class 2	Automobiles, construction and earth moving equipment ..	35%
Class 3	Buses, goods vehicles, tractors, trailers, plant and machinery for farming, manufacturing and mining	30%
Class 4	Railroad cars, locomotives, vessels, office furniture, fixtures etc.	20%

Table 3: Other annual depreciation allowances

• Industrial buildings, hotels and hospitals	5%
• Farming general farm works (declining balance depreciation)	20%

Uganda has a priority investment areas list. Investments into priority areas indicated in Table 9 are accorded additional benefits.

Table 4: Priority Investment Areas

• Crop processing	• Storage
• Education	• Forestry and processing of forest products
• Fish processing	• Steel industry
• Electronics	• Cotton and textiles

• Floriculture	• Edible oil
• Metal and Metal products	• Mining industry
• Construction and building industry	• Ceramics industry
• Energy	• Manufacture of industrial spare-parts
• Tourism industry	• Meat processing
• Manufacture of building materials industry	• Iron and steel
• Transport and communications	• Real estate development industry
• Pharmaceutical industry	• Packaging industry
• Dairy and Dairy products	• Financial services
• High-Technology industry	• Health care
	• Fruits and vegetables

Other incentives

In addition to the incentives listed in tables 1-3, Uganda offers the following:

- **Import Duty Exemptions**. Apply to motor vehicles, personal effects and plant and machinery.
- **Duty drawback facilities.** Allows exporters to claim taxes on inputs used to manufacture exportable products.
- **Corporation tax**. With the exception of mining there is a uniform corporation tax rate of 30%, which allows the "carry forward of losses". Practically, this means, profits are not taxable until, previous years' losses are fully covered.

Investment protection

- **Investment guarantees**-Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and VAT deferred payment agreements.
- **Externalization of funds**-Foreign investors are allowed to externalize funds for:
  - Loan repayment in a foreign country.
  - Payment of financial earnings to foreign personnel.
  - Payment of royalties or fees.
  - Payment of profits or proceeds on disposal of assets.
- **Protection against compulsory acquisition**-Compulsory acquisition can only be made in accordance with the Constitution of Uganda. Should compulsory acquisition take place, the investor must be compensated within 12 months from the date of acquisition, based on fair market value of the enterprise.

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Appendix 1: COMESA member states and population by country (millions)

Member State	1991	1992	1993	1994	1995	1996	1997	1998 (Proj.)	1999 (Est.)	2000 (Est.)
Angola	9.5	9.9	10.3	10.7	11.1	11.5	11.6	11.9	12.3	12.6
Burundi	5.7	5.9	6.0	6.0	6.1	6.2	6.4	6.6	6.8	6.9
Comoro	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.72	0.74
Congo (D.R)	38.7	39.9	41.2	42.6	43.9	45.3	48.0	49.4	50.9	52.4
Djibouti	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.62	0.63
Egypt	57.7	59.0	60.3	61.6	62.9	64.2	64.5	65.8	67.1	68.4
Eritrea	..	3.3	3.4	3.4	3.5	3.6	3.8	3.9	4.0	4.1
Ethiopia	48.9	50.3	51.9	53.4	54.5	56.7	60.1	61.9	63.8	65.7
Kenya	24.5	25.9	26.4	27.3	28.3	29.1	29.9	30.6	31.4	32.1
Madagascar	13.0	13.4	13.9	14.3	14.8	15.2	15.8	16.3	16.8	17.4
Malawi	9.8	10.2	10.5	10.8	11.1	11.4	11.7	12.0	12.3	12.6
Mauritius	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.11	1.12
Namibia	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.64	1.7
Rwanda	7.2	7.4	7.6	7.8	8.0	8.2	8.4	8.7	8.9	9.2
Seychelles	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.10	0.10
Sudan	25.3	25.9	26.6	27.4	28.1	28.9	29.7	30.4	31.1	31.8
Swaziland	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.0
Tanzania	26.4	27.2	28.0	28.9	29.7	30.5	31.5	32.4	33.3	...*
Uganda	18.6	19.3	19.9	20.6	21.3	22.0	22.6	23.3	24.0	24.7
Zambia	8.4	8.7	8.9	9.2	9.5	9.7	9.9	10.1	10.4	10.6
Zimbabwe	10.1	10.5	10.7	11.0	11.3	11.5	11.7	11.9	12.1	12.4
Total	**307.96**	**321.23**	**330.28**	**339.64**	**348.70**	**358.98**	**370.70**	**380.43**	**390.39**	**366.29**

Source: COMESA Annual Report 1999.

** Tanzania pulled out of COMESA in 2000*

Appendix 2: Tariff position towards COMESA FTA (Oct 2000)

Country	Tariff Position
Egypt Madagascar Malawi Mauritius Sudan Zambia Zimbabwe	Had published the legal installment effecting 100% tariff reduction from 1st November 2000.
Seychelles	To effect 100% tariff reduction by June 2001.
Djibouti Kenya	Promised to effect 100% before end of 2000.
Comoro Eritrea Uganda	Had reduced tariffs by 80%
Congo (DR)	Promised to reduce by 70% immediately.
Burundi Rwanda	Had reduced tariffs by 60%.
Namibia Swaziland	Under a special derogation till fresh discussions in May 2001

Source: Report of the Extra-ordinary Policy Organs Meeting (Summit inclusive) of COMESA 27-31 October 2000, Lusaka-Zambia.

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