



Investing in Uganda



Packaging



The Packaging Industry

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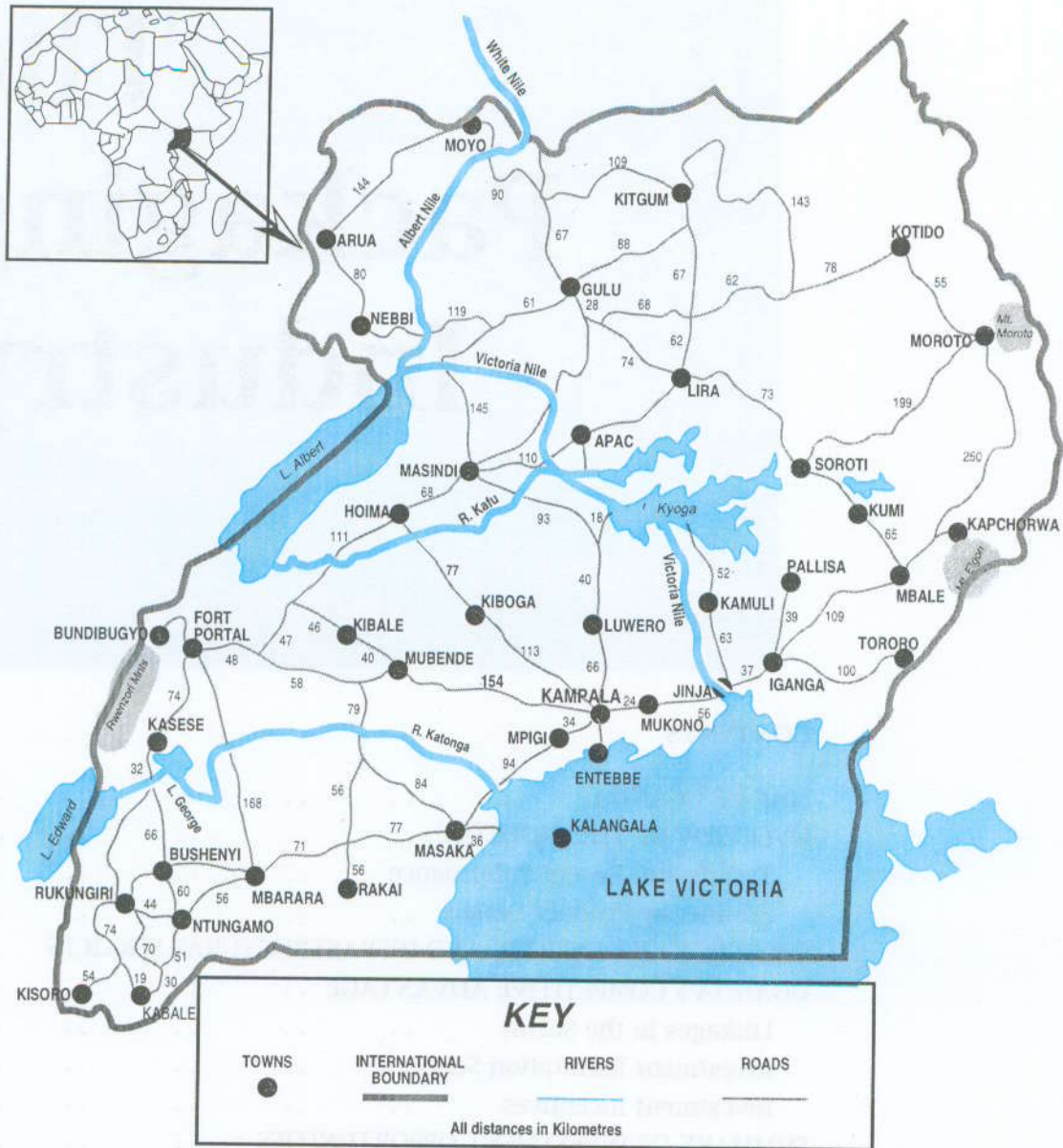


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ROUTE PLANNING GUIDE-AFRICA



Overview of the Packaging Industry

Uganda is a landlocked country surrounded by the Republic of Kenya in the East, Sudan in the North, Rwanda and Tanzania in the South and by the Democratic Republic of Congo in the West. This strategic location within the heart of Africa makes Uganda the ideal choice for many investors and other businessmen seeking to access the African market. The reform programme launched in 1987 has produced major improvements in the economy with many transnational companies investing in various sectors in the country. The economy has since been growing at an average rate of 6.3% per annum. With the growth in manufacturing and exports in particular, the potential for investment in the packaging sector still remains wide open.

OVERVIEW OF THE PACKAGING SECTOR

Packaging is a means of ensuring safe delivery of a product to the final consumer in a sound condition, at the least overall cost possible. The packaging sector includes all forms of printed paper and plastic packaging, woods, foil and glass packaging. It is a strategic sector, which co-exists with other industries and as such support one another more especially with respect to international trade. There is a close association between national economic activity and the performance of the packaging sector. The sector sells to a wide range of industrial sectors that include among many others pharmaceuticals, horticultural products (floriculture, fruits & vegetables), beverage, edible oil, fish and dairy products.



The Packaging industry is one of the priority sectors highlighted under the Investment Code of 1991. The Uganda Investment Authority has also specified the sector as one of the seven strategic areas of development identified under the Big Push Strategy being implemented in a three-year corporate plan. The government is encouraging private investment in the sector to match the growth in other sectors. At the moment, the country can only supply less than 50% of the national requirements, the balance of which still being imported.

TRENDS AND RECENT PERFORMANCE

This section presents the trends in the packaging sector in terms of the value of imports since 1993, local production since 1991 and the volume of exports by quantity since 1990.

Table 1 indicates that the value of imported packaging materials had increased from US\$ 6.97 million to US\$ 8.21 million between 1997 and 2000 respectively. The value of imports of packaging materials of plastics is seen to be moving downwards while the trend for imports of paper packaging materials is moving upwards. The general trend however is that the aggregate value of packaging materials is moving downwards. This is illustrated in Figure 1 on page 6. This downward trend is explained by the import substitution factor of the new industries being set up locally. The fact however remains that, local production is yet to substitute the imports of US\$ 8.2 million of packaging materials recorded in the year 2000.



Table 1: Imports of Packaging Materials 1997–2000

HSCode	item	1997		1998		1999		2000	
		Qty (Kg)	Value (US\$)	Qty (Kg)	Value (US\$)	Qty (Kg)	Value (US\$)	Qty (Kg)	Value (US\$)
4819.10.00	Cartons, boxes and Cases of corrugated, paper or paper board	830,145	995,577	1,267,175	1,569,191	1,255,141	1,444,935	972,956	1,490,300
4819.20.00	Folding Cartons, boxes and cases, of non-corrugated paper or paper board	1,557,701	493,496	87,566	777,588	1,982,342	517,488	928,772	1,690,508
4819.30.00	Sacks and bags, having a base of a width of >=48 cm of paper, paper board	267,772	427,073	407,387	325,562	2,028,034	1,039,288	969,671	1,008,628
4819.40.00	Sacks and bags, including cones of paper, paper board, nes	2,525,497	1,017,882	1,480,730	1,272,360	226,892	382,155	145,424	185,531
4819.50.00	Packing containers, including record sleeves, of paper..., nes	163,869	431,093	181,856	274,031	38,211	85,440	18,289	33,771
4819.60.00	Box files, letter trays, storage boxes, etc, of paper	49,063	144,656	157,301	189,678	110,730	256,847	103,256	241,373
Sub-total		5,394,047	3,509,777	4,372,015	4,408,409	5,641,350	3,726,153	3,138,368	4,650,111
B. Packaging Materials of Plastics									
3923.10.00	Boxes, cases, crates and similar articles of plastics	195,073	552,939	486,734	1,161,292	455,209	775,745	170,822	430,658
3923.21.00	Sacks, and bags of polymers of ethylene	597,236	715,673	1,737,955	1,543,159	1,311,673	1,122,416	931,983	847,836
3923.29.00	Sacks and bags of other plastics (excluding ethylene)	775,058	928,886	422,459	749,638	838,355	978,660	233,705	350,368
3923.30.00	Carboys, bottles, flasks and similar articles of plastics	1,222,017	553,281	1,975,668	1,152,868	1,081,818	1,216,904	938,667	1,097,548
3923.40.00	Spools, cops, bobbins and similar supports of plastics	3,685	1,982	1,769	5,579	492	1,222	886	3,895
3923.50.00	Stoppers, lids, caps and other closures of plastics	1,808,808	187,078	1,546,889	277,728	272,739	634,071	168,041	520,511
3923.90.00		9,976	11,916	142,921	289,196	246,037	92,439	39,759	4,841
3923.90.10	empty gelatin capsules for pharmaceutical use	6,641	88,007	43,111	241,894	26,624	144,134	52,973	221,984
3923.90.90	Other empty gelatin nes	94,794	420,928	15,998	73,611	10,612	62,370	15,232	79,865
Sub-total		4,713,288	3,460,690	6,373,504	5,494,965	4,243,559	5,027,961	2,536,836	3,557,506
TOTAL		10,107,335	6,970,467	10,745,519	9,903,373	9,884,909	8,754,113	5,675,204	8,207,616
	Annual change			6%	42%	-8%	-12%	-43%	-6%

Source: Customs Department, Uganda Revenue Authority

Figure 1: Imports of Packaging Materials

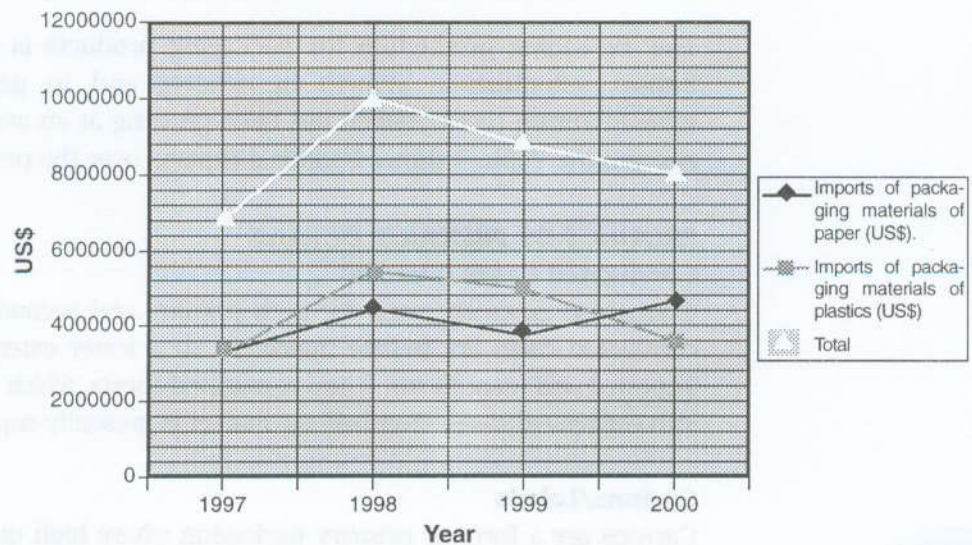


Table 2 outlines major producers of packaging materials in Uganda. Only three of the enterprises listed were operational by 1991 when the investment code was enacted into law.



Table 2: Packaging Products and Manufacturing Firms as at 1999

Packaging Product	Manufacturing Firm
Corrugated Cases	Paper Packaging Industries (U) Ltd. MAKSS Industries (U) Ltd
Low Value Flexible Packaging Products	VISA Plastics Uganda Plastics Industries BMK (U) Ltd. Barkati Trading Co. Ltd. TIC Plastics (U) Ltd.
Cardboard boxes	Mulbox (U) Ltd Print Pack
Tin Cans/Boxes	Unibilt
Labels	Graphic Systems (U) Ltd
Rigid Plastics	Nice House of Plastics (U) Ltd. Uganda Plastics Industries Ltd. Afroplast Oxy Plastics
Styrofoam boxes	Hwan Sung Industries Ltd.

The packaging industrial sub-sector in general shows an increasing trend in all aspects. The domestic industrial output has almost doubled since 1995. Table 3 below illustrates this. The national domestic demand versus domestic production remains substantially large.

Table 3: Production of Packaging Materials in Uganda: 1991 – 1999

Material	Unit	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gunny Bags & Hessian Cloth	Tonnes	205	na	na	407	652	652	120	na	na
Corrugated Cardboard boxes	'000 sq. mts	403	460	628	794	1,221	1,617	1,756	2,471	3,020
Paper Sacks	'000 pcs	1,037	323	224	535	1,225	2,367	435	na	na
Plastic Jerrycans	'000 units	609	843	859	1,720	1,957	2,045	5,587	5,197	6,561

Source: The Republic of Uganda (1998): Background to the Budget 1998/99; and Statistical Abstract 2000—Ministry of Finance, Planning and Economic Development.

The expanding production for packaging products is associated with the import substitution, growth in exports and in general the buoyant manufacturing sector, which has been growing at an average of 16 per cent per annum. Table 3 shows Uganda's exports over the period 1990–1999.

PRODUCT BY PRODUCT DETAILS

Corrugated Cases (Shuffle)

Corrugated cases are used for both primary and secondary packaging. Most corrugated cases are to-date imported. To a lesser extent, raw materials are imported and manufactured into corrugated sheets, which are in turn converted into corrugated cases. Over half the market is presently supplied by imports.

Cartons/Labels

Cartons are a form of primary packaging where high quality manufacturing with high quality print finishing is critical. The availability of cartons and labels is particularly critical to the development of higher value-added industries such as pharmaceuticals, fish and floricultural sectors. These are major growth sectors in Uganda.



Flexible Packaging: Low Value Added

Low value-added packaging products are simple to manufacture. Fifty percent of the Low-value added products, like bags, wrapping and basic paper products are manufactured locally. There is still a high level of imports and consequently investment opportunities. The current demand for a wide range of bag-type products in the country is estimated at 30 million units per annum and of these, 50% are imported and the other 50% are locally produced. Market demand for flexible packaging is estimated to be growing at a rate of 10% per annum.

Table 4 shows the trends in Uganda's exports by quantity over the period 1990-1999. Overall, over the period, the quantities of exports of both the traditional and non-traditional exports have been increasing throughout the period. Table 5 shows the export earnings over the period 1995-1999.

Table 4: Uganda Domestic Exports by Quantity 1990 – 1999

Commodity	Unit	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Coffee	Ton	141,489	127,438	119,006	114,169	194,325	168,860	278,711	209,682	197,143	23,466
Cotton	Ton	3,808	7,819	7,536	7,961	3,841	5,580	9,756	18,979	4,915	14,482
Tea	Ton	4,760	7,018	7,816	10,175	10,972	10,681	14,610	18,260	22,893	22,102
Tobacco	Ton	2,342	2,400	2,291	4,109	4,082	3,525	3,118	4,661	8,109	4714
Maize	Ton	26,733	33,070	29,623	160,438	99,511	86,149	86,552	42,345	33,164	23,163
Beans	Ton	9,278	14,419	9,327	47,532	37,477	38,758	40,308	27,094	5,875	15,829
Fish	Ton	1,664	4,687	4,851	6,138	6,564	16,046	14,075	10,430	14,688	9,628
Cattle Hides	Ton	2,660	2,750	3,561	5,259	6,737	5,090	5,017	4,936	6,487	4,666
Sesame Seeds	Ton	9,207	17,805	12,863	8,372	4,142	9,314	11,462	1,281	43	2,325
Soya beans	Ton	na	2,382	na	7,076	1,690	3,972	8,493	396	76	na
Soap	Ton	na	na	na	2,597	2,142	4,420	3,657	5,369	3,482	3,193
Electric Current	'000KWh	161,228	150,080	281,827	256,182	252,201	195,500	151,117	169,508	158,998	174,331
Cocoa Beans	Ton	1,396	492	623	1,313	623	552	1,414	1,044	1,137	1,542
Goat & Sheep skins	Ton	75,911	48,785	118,150	486	218	16	na	na	na	na
Hoes & Hand Tools	'000 pcs	54	263	362	324	476	793	267	91	171	180
Pepper	Ton	na	220	182	333	269	80	74	34	50	987
Vanilla	kgs	na	3,783	na	4,731	134,88	176	14,868	96,000	18	na
Live animals	'000	3	na	na	47	64	160	45	16	5	19
Fruits	Ton	na	na	na	2,760	169	324	48	282	46	138
Groundnuts	Ton	na	239	84	625	415	391	75	147	87	167
Bananas	Ton	951	1,814	1,952	301	2,335	1,187	2,557	2,557	765	763
Rose & Cut Flowers	kgs	na	na	na	96,941	241,292	133,378	379,504	212,868	1,522,000	1,563,000
Ginger	Ton	na	131	na	290	62	52	113	22	11	na
Gold	kgs	na	na	7,500	11,200	1,392	2,448	1,394	1,381	6,654	4

Source: Republic of Uganda (1998) & (2000): Statistical Abstract; Ministry of Finance, Planning and Economic Development.



Table 5: Uganda Domestic Exports by Value ('000 US \$): 1995–1999

Commodity	1995	1996	1997	1998	1999
Coffee	384,122	396,206	309,362	295,666	287,958
Cotton	9,697	15,330	29,197	7,691	17,408
Tea	7,143	15,305	30,483	28,181	21,425
Tobacco	7,395	7,275	12,576	22,332	14,673
Maize	23,054	18,143	15,063	9,359	5,291
Beans and other legumes	16,147	16,050	11,875	6,451	8,754
Fish and Fish products	32,262	46,251	27,864	39,879	24,837
Cattle hides	10,152	7,787	10,020	6,088	2,967
Sesame seeds	5,899	9,563	1,448	11	1,420
Soyabeans	1,826	2,913	236	29	0
Soap	2,981	2,289	2,273	1,727	1,960
Electric current	2,405	4,163	11,688	11,741	13,209
Cocoa beans	479	1,105	1,300	1,429	1,474
Goat and sheep skins	37	1	0	16	0
Hoes and hand tools	1,888	820	262	247	242
Pepper	94	73	81	117	692
Vanilla	8	809	4	1,260	0
Live animals	86	113	30	75	58
Fruits	279	36	314	386	111
Groundnuts	395	15	21	118	228
Bananas	451	908	52	257	473
Roses and Cut flowers	343	2,809	3,592	7,502	7,328
Ginger	45	61	23	21	0
Gold and gold compounds	27,240	65,066	80,615	19,493	33,485
Other precious compounds	0	0	0	0	2,682
Other products	39,838	97,564	46,249	76,673	32,075
TOTAL	57,4266	710,655	594,628	536,752	478,750

Source: Statistical Abstract 2000

Flexible Packaging: High Value Added

This covers a wide range of products from simple plastics with a print contact to more elaborate multi-layer plastics with or without print. Presently, both the demand for and supply of this family of products is limited. By its very nature, high value-added flexible packaging tends to be associated with the packaging of high value-added products.

Rigid Plastics

Rigid Plastics are solid plastic containers of various types including bottles, cans and plastic jars. Because these products are often of low value added and their shape makes them difficult to nest local manufacturers have only emerged in recent years.

Demand for rigid plastics is estimated to be growing at 20% per annum. Many of the local producers are involved in the production of jerrycans and buckets. However, there is increased demand for plastic bottles given the growing number of pharmaceutical and fruit juice processing industries plus the absence of glass bottle manufacture.



Thin Walled Plastic Packaging

The term "thin wall plastic packaging" embodies a wide range of semi-rigid plastic containers. Typical applications include part of the packaging process for biscuits, processed foods or fruits, and are used with plastic wrap to package chicken, and other meat products. A distinguishing factor of these products is that they are thermo formed rather than injection or blow moulded. Presently, local production of the product does not exist hence an opportunity for new investors to take care of the growing poultry, food and horticultural industry.

Tin cans

The market for tin cans is fast expanding given the growth in production in a number of sectors. Unibilt Ltd., a subsidiary of a Kenyan tin manufacturer and printer is the only investor in the sector in Uganda. Its main market today is the buoyant paint and related products manufacturing sector driven by the boom in the construction industry.

Glass Containers

Glass containers have wide spread use as a packaging medium. Because of the low value to weight ratio, it is preferable to have domestic production. There is no producer of glass containers in the country despite having suitable raw materials by way of silica sand and felspar. Major local users are the beverage producers that include manufacturers of beer and soda.



Resource availability and Infrastructural Services

Labour

Uganda is re-known for the abundance of well trained skilled labour. Wage rates are perhaps among the most competitive in the region. Most Ugandan workers value their jobs and are dedicated to work. Trade Unions are available but not very effective yet due to an abundance of labour. Uganda has 8 Universities and 70 Vocational Institutions together availing over 9,000 graduates annually.

Raw materials

The basic raw materials for paper and plastic manufacturing are not available locally. However, Uganda has large deposits of silica sand and felspar used in the manufacture of glass bottles. Silica sand is available along the shores of Lake Victoria. Most prominent locations include Nalumuli bay, Nyimu bay, Diimu Island and Bukakata Island. Felspar occurs in several beryl-bearing pegmatites at Mutaka, Rwenzori, Bushenyi and Lunya. According to chemical analyses by the geological survey of Finland in 1994, the felspar at Mutaka was found to be of very high purity and suitable for glass making.

Uganda has plenty of planted forests where softwoods for the manufacture of pulp can be obtained. Pulp is a raw material for the production of paper. Additionally Uganda uses thousands of tons of paper, which can be recycled for the production of clean packaging paper.

Utilities and Infrastructure

Energy—Installed electricity generation capacity increased from 180 MW to 260 MW in the year 2000. This capacity is adequate to meet current industrial need. Electricity generation is bound to double in another two years given a new electricity generation project now under way along River Nile.



Rail—Uganda has a railway network of 1240km. The line also links Uganda to the major supply seaports of Mombasa and Dar es Salaam.

Roads/Air—Much of the tarmac road network (2000km) has been rehabilitated. The international airport has been fully refurbished and several international and regional airlines are now operational.

Telecommunications—The telecommunications sector is fully liberalized. Both the land and Mobile phone services are adequately available on a competitive basis. These are further supplemented by an effective internet service network.

Industrial land—The Uganda Investment Authority has embarked on a programme to develop a range of industrial sites in various parts of the country. Namanve, currently being developed has 1000 hectares. Various districts in the country have earmarked industrial land for investors.



Uganda's Competitive Advantage

- Uganda is strategically positioned within East and Central Africa. This strategic location gives Uganda an easier access to a wide market within the Great Lakes region.
- Stable Macro-economic and political environment.
- Availability of cheap unskilled and skilled labour.
- Availability of raw materials such as the sand deposits.
- Availability of import substitution opportunities.
- Growing industrial sector.

LINKAGES IN THE SECTOR

Packaging is a strategic and important sector in the economy because it affects almost every sector. It has strong backward and forward linkages. Almost all manufacturing industries utilize packaging products. Packaging has forward linkages with flower farming, grains, fish processing, fruits packaging and in a number of manufacturing enterprises.

INVESTMENT FACILITATION SERVICES

The Uganda Investment Authority (UIA) is a Government body to promote and facilitate investment in Uganda. The UIA can help investors:

- Obtain necessary information on investment in Uganda.
- Implement their project ideas through professional advice and assistance in locating relevant project support services.
- Issue the necessary investment licence and helping investors to secure secondary licences and approvals e.g. work permits, trading licences, etc.



- Arranging contacts for an investor and organizing itineraries for visiting foreign missions within the country.
- Assisting investors in seeking joint venture partners and linking with possible funding agencies.

INVESTMENT INCENTIVES

Uganda's fiscal incentive package provides for generous capital recovery terms, particularly for investors whose projects entail significant investment in plant and machinery and whose investments are medium or long term. The incentive package includes:

Category 1

Initial Investment Allowances which are deductible once from the company's income. Initial allowances are based on the value of plant and machinery:-

● Kampala, Entebbe, Namanve, Jinja and Njeru areas.	50%
● Outside Kampala, Entebbe, Namanve and Jinja area	75%
● Start-up costs	25%
● Scientific Research expenditure	100%
● Training expenditure.	100%
● Industrial buildings	20%

Category 2 — Deductible Annual Allowances

Depreciable assets specified in 4 classes under declining balance method	
Class 1	Computers and data handling equipment 45%
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	Cars, locomotives, vessels, office furniture, fixtures, etc. 20%

Category 3 — Other Annual Depreciation Allowances

● Industrial buildings, hotels and hospitals	5%
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Assessed losses arising out of company operations including the loss from the investment allowances can be carried forward indefinitely. In addition, Uganda's corporation tax rate of 30% is one of the lowest in Africa. All plant and machinery is imported duty and tax-free. Investors who register as VAT Traders are allowed VAT refunds on all construction materials used on their projects within a period not exceeding 4 years of project implementation. Further more, there are no taxes on all exports from Uganda. Exporters are also allowed duty draw back facilities on all taxes paid on raw materials used for the manufacture of exports. Uganda also has a fully liberalized foreign exchange regime with no restrictions on the movement of capital and 100% ownership of projects by foreign investors is allowed.



Summary of Investment Opportunities

The packaging industrial sector thus offers a number of investment opportunities that include:

- Manufacture of glass containers using local raw materials as indicated above.
- Manufacture of Tin cans/Boxes.
- Manufacture of Corrugated cases (shuffle).
- Manufacture of Cartons and Total packs for milk and juices.
- Design and printing of labels.
- Flexible low value added packaging products i.e. bags and wrappings.
- Flexible high value-added packaging products i.e. multi layer plastics, simple plastics.
- Rigid plastics products such as bottles, cans and plastic jars.
- Thin walled plastics packaging products.



Some useful Contacts in Uganda

Company/Firm	Address	Telephone	Fax
Uganda Investment Authority	Plot 28, Kampala Road P.O. Box 7418, Kampala,	251562/5 234109	41-342903
Uganda Manufacturer's Association	Lugogo Show Grounds P.O. Box 6966, Kampala	41-221034/ 220831	41-220285

REFERENCES AND SOURCES OF FURTHER INFORMATION

Background to the Budget: Issues (1990/91 — 1996/97)

The Rehabilitation and Development Plan 1991/92—1994/95

Republic of Uganda, *Statistical Abstract 1997*

Investment Guide (UIA Publication); 1997

Uganda in Brief (UIA Publication); 1997



APPENDIX

Some Firms Producing Packaging Materials in Uganda

Firm	Location	Telephone	Fax
Associated Paper Industries Ltd	Plot 11/15 Miro Road Box 1375 Jinja	121307/ 120078	121306
Ugathings Packaging Supplies	Plot 122/124 7th Street Industrial Area	344081	259957
Mulbox Ltd	Plot 3 Kampala Road Box 1189 Jinja	120432/ 120134/21623	120360
BMK Industries Ltd	Plot 2-4 Wampewo Avenue Kololo Hotel Africana Building Box 5234 Kampala	255845/ 344461	242675
Nile Plastics Ltd	Plot 390/391 Masaka Road Box 3700 Kampala	270085/ 259859	259859
Visa Plastics	Plot M244 Nakawa Industrial Area Box 21150 Kampala	220084	222625
Printpak (U) Ltd	Plot 22/24 Eden Road Box 9264 Jinja	120948/ 121549	
Walco Industries Ltd	Plot 2930 Bombo Road Box 10838 Kampala	567574/ 567980	567980
Booth Manufacturing Uganda Ltd	Plot 77/79 6th Street Industrial Area Box 12133 Kampala	342891/ 342893	254242
Bugisu Industries Ltd	Plot 157 Bombo Road Kawempe Box 30663 Kampala	567083/ 567495	567482
Makss Packaging	Plot 126/128 7th Street Industrial Area Box 20141 Kampala	254105/ 344081	259957
Tororo Jute Bags & Hessian Mills	Plot 80/92 Nagongera Road Box 465 Tororo	44633/ 45101	45100
Packaging Products Ltd	Plot 258 Kyambogo Road, Ntinda Box 22763 Kampala	286116	222914
Poly Pack Ltd	Plot 14 Mackenzie Vale Box 7136 Kampala	222877/ 222876	-
Quality Services Ltd	Plot 181 Bombo Road, Lucky House Box 11099 Kampala	540291	540292



Investing in Uganda

A series of brochures produced by the Uganda Investment Authority for the information of prospective investors.

Each title in the series deals with a particular industry providing a general overview; detailing developments; and suggesting potential investment opportunities. Titles currently available are:

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