The Republic of Uganda

Draft National Investment Policy (NIP)

June 2018

FOREWORD

World over, investment is a major driver of economic growth and development. Public and private investments play distinct but complementary roles in the growth and development of an economy. This is more so in a developing economy likes ours. Public investment creates an enabling environment for private investment to be able to generate a return on investment while contributing to our national development objectives.

The ease of capital flow made possible by globalization and economic integration has significantly changed the pattern and trend of global investment flows. This, in turn, has raised the level of competition for investment between countries and regions, and increased the role of the public sector in attracting private investment. Governments at national and sub-national level are increasingly required to be more proactive and strategic in ensuring that their jurisdictions become and continue to be preferred destinations for direct investment by both domestic and foreign investors.

Aware of the changing environment for investment, Government has maintained its commitment to fostering an economic and legal regime that is friendly for investment. This commitment has included public investments to lower the input and transactional costs faced by enterprises, and implementation of legal and regulatory reforms on an industrial scale. On account of these efforts, the contribution of investment to Uganda's economic growth and development has significantly increased over the past three decades.

The savings and investment rates in the economy have more than doubled over the last two decades. As a result, the annual growth rate of the economy over the last three decades has averaged over 6 percent; poverty levels in the country have more than halved since 1992; our export basket has significantly diversified; and the average annual growth rate of employment in the formal sector during the first National Development Plan (2010/11 to 2014/15) exceeded the average annual economic growth rate for the same period.

Due to on-going changes in the economic environment, a number of the above investment outcomes have recently suffered a trend reversal. In addition, the current parent investment law has been overtaken by a range of related legal reforms as well as regional and international developments. On account of these factors and the need to provide clarity on Uganda's investment agenda, Government has found it necessary to strengthen its strategic guidance on investment by way of the National Investment Policy (NIP), 2018.

I accordingly expect the NIP (2018) to significantly contribute to consolidation of the gains the country has achieved from its past investment performance, and to provide the much required strategic guidance in priority setting and programming under the subsequent National Development Plans.

On my behalf and that of Ministry of Finance, Planning and Economic Development, I thank all stakeholder's who contributed in the formulation of this National Investment Policy.

Matia Kasaija (MP)
MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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LIST OF ACRONYMS AND ABBREVIATIONS

BUBU	Buy Uganda, Build Uganda
CMA	Capital Markets Authority
COMESA	Common Market for Eastern and Southern Africa
CREFAA	Convention on the Recognition and Enforcement of Foreign Arbitral Awards
CSOs	Civil Society Organisations
DDI	Domestic Direct Investment
DFIs	Development Finance Institutions
DTT	Double Taxation Treaties
EAC	East African Community
EADB	East African Development Bank
EPZs	Export Processing Zones
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
ICT	Information, Communication and Technology
ILOSTAT	International Labour Organisation Database
IMF	International Monetary Fund
LGs	Local Governments
MDAs	Ministries, Departments and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, Small and Medium Enterprises
NDP	National Development Plan
NIP	National Investment Policy
NTP	National Trade Policy
OPIC	Overseas Private Investment Corporation
PEC	Presidential Economic Council
PIRT	Presidential Investors' Round Table
PPP	Public Private Partnerships
PSC	Private Sector Credit
PSFU	Private Sector Foundation Uganda
R&D	Research and Development
SDGs	Sustainable Development Goals
SEZs	Special Economic Zones
SMEs	Small and Medium Enterprises
TRIMs	Trade-Related Investment Measures
UBoS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UEPB	Uganda Export Promotions Board
UFZA	Uganda Free Zones Authority
UIA	Uganda Investment Authority
UMA	Uganda Manufactures Association
UNHS	Uganda National Household Survey
USE	Uganda Securities Exchange
UTB	Uganda Tourism Board

GLOSSARY

Balance of Trade	Difference between the exports and imports value of a Country over a specified period of time
Capital Market	Financial markets where securities are bought and sold
Consumption Expenditure	Refers to spending by Government or households on goods and services
Development Expenditure	Spending on activities that enhance production and productivity
Domestic Direct investment	Refers to ownership of a business entity or investments in one's native country
Economic Diversification	Process of producing a variety of economic outputs in a country that differ from domestic products
Economic Growth	Increase in the production of goods and services over a specified period of time
Economic Integration	Agreements between different countries within a defined geographical boundaries to reduce or remove both tariff and non-tariff barriers to ensure free flow of goods and services and factors of production
Economic Liberalisation	Minimization of Government regulations and restrictions to facilitate involvement and participation of the private sector
Expansionary fiscal policy	Tool where government either increases its expenditure or reduces taxes to reduce recessionary pressures
Export Finance	Financial assistance offered by financial institutions to businesses to enable them transport their products outside the country
Export Processing Zones	Areas designated to offer incentives and barrier-free environment to accelerate economic growth by luring foreign investment that are export-oriented
Export Promotion Strategy	Strategy aimed at promoting domestic production of goods and services to enhance exports
Fiscal Deficit	Occurrence where Government's revenue is less than the total expenditure

Foreign Direct Investment	Refer to investments or businesses owned in a particular country by an organisation based in another country
Green Investment	Investments that aim at environmental conservation and sustainability
Gross Domestic Product	Monetary value of all final goods and services produced in a country in a specified period of time
Import Substitution Strategy	Promotes the replacement of foreign imports with domestic production of similar or better products
Incentive	Mode of payment or any form of motivation that aims at increasing output or investment
Income Inequality	Uneven distribution of income among the population
Industrial Park	Designated area for industrial development
Industrialisation	Advancement of an economy from a traditional to a modern one, low-skilled to high-skilled, where technological transformation increases production
Infrastructure	Infrastructure refers to both Economic and Social Infrastructure; Economic Infrastructure includes; Roads, Electricity, ICT among others whereas Social includes; Schools, Hospitals, Stadiums among others
Insurance	Refers to an individual safeguarding against any financial risk
Intellectual Property	Categorization of both tangible and intangible (goods and service) items based on human intelligence (considered owned) such as copy rights, patents and trademarks and therefore giving them rights against unfair competition
Investment	Allocation of money with a view of gaining returns/benefits in the future or the purchase of goods that are consumed in the future.
Labour productivity	Amount of output produced by an employee in a given period of time
Litigation	Act of undertaking legal action
Local Content	Refers to building capacity of local skills and use of local manpower and local manufacturing to enhance supply of high quality products

Multinational Enterprises	Business entities that operate in various countries where they have subsidiaries
Per capita Income	Average income earned per individual in a given country
Remittances	Transfer of money by a foreign worker/expatriate to their country of origin
Return on Investment	Ratio of profit realized as percentage of an investment
Savings	Disposable income less consumption expenditure
Special Economic Zones	Designated areas where business and trade laws differ from those applied countrywide
Stock Market	Avenue where public listed companies are traded
Tax Base	Total amount of income or assets that can be taxed
Unemployment Rate	Total number of unemployed workers as a percentage of the labour force

EXECUTIVE SUMMARY

Vision 2040 is the overarching planning framework through which Government plans to drive Uganda's aspiration to become an upper middle income country by 2040 with a GDP per capita of USD 9,500. The building blocks of Vision 2040 consist of a combination of nine opportunities and seven fundamentals which call for both public and private investments that address the core development priorities of the country. These opportunities and fundaments require strategic public investments which will, in turn, attract the necessary private investment for attainment of the envisioned middle-income status in general, and the Key Development Results and Targets of Vision 2040.

Government of Uganda has consistently pursued a private sector–led economic development strategy for its socioeconomic transformation. This strategy is anchored around four broad economic policies: economic liberalisation; economic diversification; economic industrialisation and economic integration. This economic development strategy has delivered both economic expansion and diversification over the last two decades. This is evident in the noteworthy changes in the structure of the economy, trade and socioeconomic outcomes. As a result of these changes, the complexity and dynamism of Uganda's economy has considerably increased; and the contribution of investment to economic growth has become more critical. This calls for an enhanced ability to coordinate and organise the investment function in order to guarantee faster socioeconomic transformation and sustainable development.

Government's previous efforts to address challenges that impede investment and desired development outcomes are reflected in a range of investment related policies, laws and institutional reforms. These reforms have yielded significant investment outcomes including sustained economic growth and poverty reduction, savings and investment growth, significant transformation in the trade structure and a notable increase in the share of the development budget. With these achievements has come a more complex, dynamic and progressive economic environment to manage. This changed environment is characterized by the emergences of more modern domestic and regional legislation in areas that complement the investment function; new institutional arrangements in both the public and private sector; advancements at the EAC level to realize the promotion of the EAC as a single investment destination in accordance with provisions under the Treaty establishing the EAC; and a significantly changed macroeconomic environment characterized by a weaker shilling, easier movement of capital, and growing nationalistic tendencies in the management of global investment flows.

This changed economic environment has given rise to a reversal and sharp decline in the share of investment in GDP from 28 per cent in 2013 to 23 per cent in 2017. The composition of investment has also increasingly shifted in favour of less productive activities with the net effect of investment in non-tradable sectors crowding out investment in the tradable sectors. Furthermore, the share of public investment in GDP has remained below 5 per cent of GDP over the last 20 years despite the rise in the share of the development Budget from 42 per cent in FY 2005/06 to 52 per cent in 2016/17. In terms of inclusive development, investment has turned out to be concentrated in and around Kampala which hosts about 10 per cent of Uganda's population but accounts for more than 30 per cent of national GDP and 70 per cent of the country's manufacturing plants.

The National Investment Policy (2018) 2018 is a direct and proactive response to this changed economic context and unfavourable trend of investment outcomes. The overall goal of the NIP is to speed up investment growth and diversification for socioeconomic transformation marked by a steady increase in the share of investment in GDP from 23 in per cent in FY 2017 to 30 per cent by 2030 and 40 percent by 2040 amongst other targets. To deliver this goal, the NIP 2018 has prioritized five objectives and seven policy strategies. The objectives are to boost public and private investments in alignment with national development priorities; strengthen and streamline national investment mobilisation and management; create an enabling environment for enterprises to be able to improve their productivity and competitiveness; strengthen the investment legal and regulatory regime; and provide a governance and institutional framework for a multi-sectoral and inter-agency approach to investment. The attendant policy strategies under these objectives are strengthening public investment management for competitiveness; building a competitive incentives regime; streamlining the institutional, legal and regulatory framework; building strategic partnerships; promoting investment; strengthening the financial sector to mobilise investment finance; and facilitating MSME growth for accelerated industrialization.

The objectives and strategies of the NIP 2018 are framed around a set of guiding principles namely, policy coherence and complementarity; return on investment; risk management; balanced rights and obligations; right to regulate: equity and fairness; and sustainable development. Vision 2040; the National Industrial Development Policy 2018; the National Industrial Master Plan and the NDP revision cycles will be the primary reference frameworks to guide prioritization of sectors and industry value chains for investment.

The NIP 2018 provides for the management of the investment function through a whole-of-government approach. The requisite legal, institutional arrangements and stakeholder arrangement for the implementation of this policy need to be accordingly framed and managed. Consistent with this understanding, the NIP 2018 will be implemented through a five-tier institutional arrangement that entails policy oversight by Cabinet; regulatory oversight and dispute resolution by Parliament, the Judiciary and regulatory authorities; policy implementation by Ministries, Departments and Agencies (MDAs) together with Local Governments (LGs); policy advocacy and research by relevant MDAs, academia, Developments Partners and Civil Society; and institutional capacity development by all stakeholders to provide for technical and financial support to MDAs and the private sector.

In conclusion, the performance of the NIP will be assessed at two levels. The first level is its development impact and the second, its strategic achievements. At the level of development impact, three specific policy outcomes will be monitored: employment; export performance (growth and diversification); and structural transformation. At the level of strategic achievements, the seven policy strategies will each be monitored using specific Key Performance Indicators (KPIs) to assess the extent to which this policy's strategic objectives are being delivered.

CHAPTER ONE: OVERVIEW

1.1 Introduction

Uganda is currently implementing its second National Development Plan (NDP II) which covers the period 2015/16 to 2019/20. NDP II is the second of six 5-year National Development Plans under Vision 2040 through which Government plans to drive Uganda's aspiration to become a middle income country by 2040 with a GDP per capita of USD 9,500. NDP II specifically aims to strengthen Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth and is planned to propel the country to lower-middle income status with a per capita income level of USD 1,033 by 2020. Under Vision 2040, Uganda envisages to transform from a predominantly peasant and low income country to a competitive upper-middle income country.

Investment and its effective management is an imperative for the successful attainment of Vision 2040. GDP growth, which is a necessary condition for economic development, is derived from four components: household consumption expenditure; government consumption expenditure; net exports and investment. In the case of developing countries like Uganda with a historically large negative balance of trade (over 5 per cent of GDP) and a limited share of tax revenue in GDP to drive public spending (14 per cent), household consumption expenditure and investment are generally the two major drivers of GDP growth. The low purchasing power of households in Uganda however means that investment is the primary lever available to Government for influencing change towards the high economic growth rates and structural transformation targeted in Vision 2040. Over the eight-year period preceding 2017 (2009 to 2016), the contribution of investment to GDP growth surpassed that of other components in all but two years (2010 and 2014).

Uganda was able to attain high growth rates in the early years of its economic recovery journey through a combination of increased investment and efficiency gains from economic reform. These efficiency gains waned in the NDP era leaving investment as the primary driver of the next wave of growth. It follows therefore that Uganda needs high and sustainable investment growth rates in the run up to 2040 to realize high and sustainable GDP growth rates. This calls for a well guided, coordinated and systemic approach to investment promotion and management by public sector actors, something which has been difficult to achieve without a dedicated policy framework.

The building blocks of Vision 2040 consist of a combination of opportunities[1] and fundamentals[2] which call for both public and private investment. Under NDP I and II, Uganda has strengthened efforts to raise the profile of economic industrialisation within its overall development strategy. This has come with major public investments in infrastructure which are aimed at reducing existing infrastructure gaps and, in turn, improving the investment and business climate. These investments so far include critical projects in the Transport, Energy and the Information, Communication and Telecommunications (ICT) sector.

[1] Vision 2040 identifies the following opportunities for Uganda: Oil and Gas; Tourism; Minerals; ICT Business; An Abundant Labour Force; Geographical location and trade; Water Resources; Industrialisation; and Agriculture

[2] Fundamentals for Uganda include: Infrastructure for (energy, transport, water, oil and gas, and ICT); Science, Technology, Engineering and Innovation (STEI); Land Use and Management; Urbanisation; Human Resource; and Peace, Security and Defence and human capital development.

Vision 2040 is underpinned by Uganda's economic development strategy which is hinged mainly on four economic policies, namely: economic liberalisation; economic diversification; economic integration and economic industrialisation. This strategy has seen Uganda achieve an average growth rate of about 8 percent between 1195 and 2010; and 5 percent between 2010 and 2016. It has also supported growth in GDP per capita which stood at USD 737 in FY 2016/17, up from USD 268 in 2001. These two growth episodes of the economy reflect performance under era of Poverty Eradication Action Plan (1997 to 2009) and the NDP (2010 to 2016) respectively.

Economic liberalisation has led to increased participation of the private sector in the economy, while the economic integration agenda has seen the East African Community (EAC) and the Common Market for East and Southern Africa (COMESA) becoming Uganda's main export markets. The share of Uganda's exports to the EAC region has increased over the last decade, with the level of formal exports increasing by 49.4 percent, from $970.78 million in FY 2010/11 to $1,450.25 million in FY 2016/17.

Government's economic diversification efforts have yielded an increased transformation of the structure of Uganda's exports. For instance, export earnings from coffee have declined from a high of over 90 per cent in the early 1990s to 18 per cent in FY 2015/16. Exports earnings from manufactured exports as a percentage of merchandise exports, on the other hand, grew from 2.4% in 1994 to 24.6 percent in 2015[3]

As a result of the above sustained growth and economic openness, the complexity and dynamism of Uganda's economy has significantly increased. These economic changes call for an enhanced ability to coordinate the actions and interactions of different economic agents in line with Uganda's strategic development agenda under Vision 2040.

This National Investment Policy (NIP) accordingly responds to this new economic context and the urgency to restore the pace of Uganda's economic growth to the planned levels for the attainment of Vision 2040. It also positions Uganda to deliver on its commitments under the African Union's Agenda 2063 as well as the Global 2030 Agenda for Sustainable Development and its Seventeen Sustainable Development Goals (SDGs). The NIP particularly aims to enhance the efficiency and effectiveness of the investment function in Uganda, and ultimately boost the stimulus effect of investment on inclusive economic growth and shared prosperity.

This Policy is based on the principles that seek to achieve the highest possible levels of transparency, predictability, competitiveness and productivity. It will guide the Country in positioning Uganda as a distinct investment destination within the East African Community, capable of competing globally. Under this Policy, investments will be streamlined to ensure coherence with the national development strategy and optimum social and economic returns.

1.2 Policy Context

Over the years, Government of Uganda has put in place a number of policies to guide and facilitate investment in the country. Key among them are the National Industrial Policy (NIP)

[3] Results Framework Thematic Report (NDPI MTR), Baseline figure for NDPII & Vision 2040, Delta Partnership & REEV Consult 2013

2008; National Trade Policy (NTP), 2007; Oil and Gas and Investment Policy, 2008; Micro, Small and Medium Enterprises (MSMEs) policy 2015; National Land Policy; Education Policy; Employment Policy; and the Buy Uganda, Build Uganda (BUBU) Policy, 2014 among others. These policies have provided critical guidance for investment promotion in specific sectors or areas.

The National Industrial Policy and the National Trade Policy aim to provide a framework for building Uganda's industrial sector into a modern, competitive and dynamic sector fully integrated into the domestic, regional and global economies through stimulation of the productive sectors of the economy. Whereas these policies have guided strategic investments in productive sectors, they faced criticism for not being comprehensive enough to address the broad investment challenges pertinent to Uganda's development agenda. The challenges include a high level of informality; inadequate investment coordination and synergies across all sectors; inadequate conformity to standards and quality requirements; low value addition; limited access to credit; and limited linkages between local firms and large enterprises. Furthermore, these policies have been mainly inward looking focusing on meeting local production and demand. In recognition of this, Government is updating the National Industrial Development Policy to span the next 10 years (2018 to 2028) and putting in place an Industrial Bill. The new policy aims to achieve a more integrated, innovate and competitive industrial sector for sustainable socioeconomic transformation.

In Uganda where 69% of households rely on subsistence agriculture as their main economic activity, the sustainable management and use of land is a central aspect to consider if economic transformation is to be achieved. Furthermore, the Government in its duty to attract investment into the country is keen to ensure that investors are facilitated to access land. This requires a well-defined legal framework governing land. Uganda's Land Act of 1998 was the first attempt at putting in place a law to bring about major reforms in the land sector. However, since the Act was not backed by a policy framework, it's implementation became complex and as such, there were three subsequent amendments to this Act that finally resulted into a revised National Land Policy that was approved by Cabinet in 2013. The Land Policy has two major objectives namely: to re-orient the land sector in national development by articulating management co-ordination between the land sector and other productive sectors in the economy; and to enhance the contribution of the land sector to the social and economic development of the country. In this respect, the policy seeks to consolidate a number of scattered policies which exist on various aspects of the land question, but are diverse, sectoral and inconclusive in many aspects.

Another closely related policy to the investment function is the National Employment Policy of 2011 which was instituted to create a comprehensive and integrated framework for employment creation. This was occasioned by the growing recognition by government of the need to take lead in ensuring that the expanding labour force has access to productive employment opportunities. The policy focuses on employment-intensive growth; labour market information; labour productivity and skills; promotion of agriculture and rural employment; improving informal sector, micro and small-scale enterprises; private sector growth and employment; improving labour administration and labour standards; externalisation of labour; employment of vulnerable groups and promotion of gender equality; and promotion of youth employment. Uganda's labour force continues to grow at an average of 4.8 percent per year with an estimated 10 million people in the labourforce by 2016/17. However, despite the policy intervention, job creation has not matched the new entrants into the labour market. The investment landscape accordingly needs to be stimulated to have a greater impact on creation of jobs. This policy ties in with the National Youth Policy that was passed by Cabinet in 2016. The youth constitute 21 percent of Uganda's population and provide a large employable base. Since independence, Uganda had not had an explicit policy for the youth, making interventions scattered and incoherent. The policy therefore seeks to provide an enabling framework for youth to develop their social, economic, cultural, and political skills so as to enhance their participation in the overall development process and improve their quality of life.

Also related to the investment function is the Micro, Small and Medium Enterprises (MSMEs) policy 2015, which aims to provide a framework for stimulating growth of sustainable MSMEs through enhanced business support service provision, access to finance, technical and business skills, and the creation of a conducive policy, legal and institutional framework. MSME's account for approximately 90 percent of the entire Private Sector, generating over 80 percent of manufactured output that contributes 20 percent of the gross domestic product (GDP). Furthermore, they employ over 2.5 million Ugandans and have been critical in fostering innovation and job creation in the country.

Against this background, the National Investment Policy will provide a framework for streamlining investments in the country and spur product development and innovation to match changing industry needs.

1.3 Situational Analysis and Problem Statement

1.3.1 Trends in public and private investment

In the context of the national economy, investment consists of expenditure on goods and services that are not consumed. It is a function of the aggregate savings available in an economy. These savings come from both the public and private sector, and from domestic and foreign sources. Savings from foreign sources mostly take the form of Foreign Direct Investment (FDI) and foreign borrowing.

The share of total investment in GDP peaked at 28.3 percent in FY 2013 from a low of 8.4 per cent in 1986[4]. It has since consistently declined to 23 percent of GDP in 2016/17[5]. Private investment is the main driver of investment in the economy accounting for an average annual share of 86 per cent of total investment over the period FY 2012/13 to 2016/17.

Over the recent past, the growth rate of total investment has been lower than that of GDP. This indicates that the contribution of investment to GDP growth has been declining. From a historical perspective, private investment as a share of GDP averaged 14.2 percent between 1985 and 2017 while public investment averaged 4.9 per cent over the same period. Between 2012 and 2017, private investment averaged 22 percent of GDP. Public investment on the other hand declined to an annual average of 4.1 percent of GDP over the same period. The share of public investment in GDP has not changed significantly despite the rise in the share of the development Budget from 42 per cent in FY 2005/06 to 52 per cent in 2016/17. This is partly explained by the weak investment content of many of the projects in the Public Investment Plan (PIP) and the slow execution of recent large infrastructure projects.

The quality and composition of investment has a direct bearing on its stimulus effect on economic growth. The trend of investment in Uganda over the NDP period has increasingly been skewed in favour of the non-tradable economy and buildings in particular. The share of buildings in total investment has risen from 60.8 percent in 2012/13 to 69.1 percent in 2016/17 while that of equipment has declined from 12.3 to 7.3 percent over the same period (MFPED, 2017). Investment returns from buildings are generally known to be much lower than those from equipment and machinery. Global evidence indicates that structural transformation in developing countries is associated with a growing share of modern tradable sectors in GDP, which typically calls for more investment in capital[6]. **The trend of investment in Uganda doesn't favour the country's industrialization agenda and the much needed productivity growth because both are depended on more investment in equipment and productive assets**.

Uganda's GDP is also overly concentrated in Kampala and the surrounding areas of Greater Kampala Metropolitan Area (GKMA) which together host about 10 per cent of Uganda's population. More than 30 per cent of GDP and nearly 10 per cent of employment is accounted for by Kampala alone while the GKMA accounts for 70 per cent of the country's manufacturing plants[7] Whereas this is comparable to other EAC cities, it is nonetheless unsuitable for inclusive and sustainable urbanization and development.

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[4] WDI (2017)
[5] UBoS (2017)
[6] IMF (2017), Eighth PSI Review of Uganda
[7] NPA (2018) Greater Kampala Economic Development Plan

Economic liberalization explains a significant part of private investment growth in Uganda. The ease of market entry made possible by the openness of the economy and its membership in the EAC has seen sustained inflows of FDI into the country. FDI Inflows to Uganda have been on the rise since the early 2000s and averaged more than USD 800 million over the period 2005/06 to 2015/16. This trend peaked in 2012 at US$ 1.2 billion from a low of US$ 3 million in 1992; before steadily declining to US$ 626 million in 2016[8] and recovering to US$ 699 in 2017. The resurgence of oil related activities on account of conclusion of a series of protracted contractual agreements is however expected to trigger a reversal in this trend.

On the whole, FDI represents about 25 percent of total private investment. The accumulation of infrastructure investments over the recent past, the sustained reform of commercial laws and institutions together with the rising labour costs in major global manufacturing hubs reinforce the prospects of resurgence in FDI inflows to Uganda. These factors however need to be coupled with a coherent and stable investment policy regime and a proficient investment promotion apparatus as part of the wider investment climate.

In regard to public investment, Government is sustaining investment in a range of assets that yield social and economic returns. These assets consist of physical, human and financial capital. Public investment facilitates the delivery of key public goods such as infrastructure and social services; and it connects citizens and firms to economic opportunities which are central in ending poverty and advancing inclusive development.

Government's public investment agenda has been gaining momentum since the advent of the National Development Plan. The share of the development budget has risen from a 5-year average annual growth rate of 4.3 per cent (FY 2002/03 to FY 2007/08) to 7.6 per cent (FY 2008/09 to FY 2014/15)[9]. As a share of the national budget, the development budget has risen from 42 percent in FY 2005/06 to 52 per cent in FY 2016/17[10]. NDP I prioritized capital investments majorly in energy and transport infrastructure.

The increase in the development budget over the NDP era has however not translated into a corresponding improvement in the performance of public investment. Public investment as a share of GDP has remained low, averaging 3.7 per cent over the 5-years period ending in FY 2016/17. It has also been on a declining trend, falling by an average of 20 per cent within a four-year period (FY 2013/14 to FY 2016/17).

The stimulus effect of public investment over the NDP era has also been weak. Average GDP growth reduced from 8 per cent between 1995 and 2010 to 5 per cent between 2010 and 2016[11]. Within the last three FYs, annual GDP growth slowed to 4.0 percent in FY 2016/17 from 4.7% in FY 2015/16 and 5.2% in FY 2014/15.

The limited catalytic effect of public investment on private investment is partly explained by the long gestation period of the on-going public investments. A number of major infrastructure projects that Government embarked on under NDPI are yet to be completed. Whereas considerable progress has been registered with 18 projects ongoing at different stages of implementation, full implementation of the NDP II project portfolio of 31 projects is yet to be

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[8] WDI (2017)
[9] Uganda Economic Update April 2016, World Bank Group
[10] (Use Outturn Budget Numbers from the MTEF)
[11] IMF (2017), Uganda Growth Diagnostics

realized. Thirteen of these projects are yet to commence. Nevertheless 25 projects are expected to be finalized by 2020.

1.3.2 Enterprise Creation and Growth

Enterprise firms are responsible for combining factors of production to generate returns for investors. The configuration, growth and productivity of firms accordingly matters for the relationship between investment, economic growth and national development. In Uganda, Micro, Small and Medium Enterprises (MSMEs) are the dominant type of enterprises. MSMEs employ over 2.5 million people and contribute 18 percent of Uganda's GDP.[12] They are spread across all sectors with 49 percent in the service sector, 33 percent in commerce and trade, 10 percent in manufacturing and 8 percent in other sectors. They are highly recognized as being critical in driving Uganda's growth and development agenda through fostering innovation, wealth and job creation.

Enterprises in Uganda however suffer from a high mortality rate and the majority of them are owned and run as family businesses with limited or no formal skills[13]. They also lack formal business addresses and consequently tend to fall short of opportunities to access credit, raise capital or integrate within global investment value chains. These weaknesses notwithstanding, Uganda Investment Authority has continued to register a considerable number of licensed projects. The number of licensed projects averaged 361 between 2007/08 and 2015/16. The cumulative distribution of licensed projects over the period FY 2012/13 to 2016/17 indicates that the manufacturing sector registered the highest number of licensed projects (770) and these accounted for 42.2 per cent of all the licensed projects between 2011/12 and 2015/16. The highest number of licensed projects (114) were Ugandan owned, accounting for 32.3 percent of all the licensed projects in 2015/16. China was in the second position with 66 (19 percent), followed by India in third position with 49 projects.

1.3.3 Export Performance

Uganda has been pursuing an export oriented growth strategy since the 1980's and has so far implemented a number of policies aimed at supporting the productive sectors of the economy to trade at both domestic and international levels. Uganda's exports have increased by 51 percent between 2008 and 2017 (from US$ 2,207million to 3,339 million) compared to a 26 per cent increase in imports over the same period (from US$ 4,842 to 6,113)[14]. The country has since increased its exports into new markets with the EAC and COMESA being the dominant ones. The share of the country's exports to the EAC region has increased over the years with the level of formal exports rising by 49.4 percent between FY 2010/11 and FY 2016/17 (from US$ 970.78 million to US$ 1,450.25 million). The dominance of primary commodities in the export basket in the 1990's has diminished with the growth of export earnings from non-traditional exports. By 2015, coffee's share of merchandise exports had shrunk to about 18% compared to 23% in 2001 and over 90 per cent in the early 1990s. Furthermore, the share of non-food items has expanded with an additional sixty new products including gold, cement, metal and steel, leather and plastic products. By 2016, services made up 42% of exports compared to 15% in 1995.

While the share of manufactured exports as a percentage of merchandise exports grew from 2.4% in 1994 to 24.6% in 2015, manufacturing value-added as a share of GDP has

[12] MFPED (2017) National Strategy for Private Sector Development
[13] MFPED (2017) National Strategy for Private Sector Development
[14] BoU (2018)

stagnated between 8-10 percent of GDP. Under the National Industrial Policy (2008), Uganda had targeted to increase the share of industry in GDP from 26.4 percent in 2010 to 31.4 percent in 2040, and that of manufactured exports to 50 percent from 4.2 percent in 2010. The share of merchandise exports within the manufacturing sector has however increased much faster, rising from 13 to 26 percent between 1994 and 2015, implying a strong shift of focus from the domestic to the external market.[15] This performance resonates with the country's focus on achieving middle income status by 2040, with industrialisation taking centre stage as the impetus of the economic transformation strategy.

These improvements notwithstanding, Uganda still faces a challenging position with her trade balance. Until recently (FY2017/18), the growth rate of imports had outpaced that of exports, causing a widening trade deficit. From US$712 million in 2004/5, the country's trade deficit has since grown to US$3,462 million in 2017. The need for an appropriate balance between export promotion and import replacement strategies is therefore imperative. Uganda's exports grew from US$ 2.07million in 2007/08 to US$3.16 million in 2016/17, an increase of 53 per cent. Imports on the other hand increased from US 3.51million to US$ 5.72 million over the same period, an increase of 63 per cent.

In August 2017, Cabinet approved a new National Export Development Strategy (2017 to 2021) which aims to increase the value of Uganda's exports of specified products and services to targeted markets over the next five years. The strategy identifies low hanging fruits that have potential to narrow the trade deficit with coffee, iron/steel products, fish, cement, tobacco, sugar, flowers and tea being of highest priority. Growing the country's production base will also be a priority over the policy period. Capacity of domestic firms will be built to enable them to boost their production and output and diversify their product range in order to seize emerging opportunities.

1.3.4 Investment Finance

Domestic resource mobilization is central to investment growth. Intermediation of domestic savings is the primary mechanism through which local enterprises access credit for their capital and operation expenses. This applies especially to SMEs that have little or no access to credit from foreign financial institutions.

Uganda's savings rate is estimated at 20.4 per cent of GDP in 2017, up from the level of 4.7 percent in 1990 (IMF). This level is however still below the 29.85 per cent peak of 2005. Increasing the level of savings in the economy requires the financial sector to become more inclusive. Though increasing, Uganda's level of financial inclusion remains low to support robust mobilization of savings. As of 2013, only half of the adult population (54 percent) was able to access formal financial services, up from a quarter (28 percent) in 2009[16]. Access to foreign borrowing in international markets is expected to supplement domestic savings in filling the gap between domestic investment and national savings. Capital inflows are therefore expected to complement household savings in addition to remittances. Savings largely remain the main source of enterprise growth in Uganda accounting for 78% of sources of starting a business (UNHS, 2016/17).

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[15] IGC,2016

[16] Finscope Survey, 2013

In terms of sources of credit for private sector, commercial banks account for the largest share of lending to the private sector (95 percent as of October 2017). Distribution of PSC by sector in FY 2016/17 shows that the Building, Mortgage, Construction and Real Estate sector accounted for the largest share of lending to the private sector by commercial banks (22.3 percent) followed by trade (18.6 percent); personal and household loans (17.0 percent); Manufacturing (13.4 percent) and Agriculture (10.2 per cent). This sectoral pattern of PSC has been more or less the same over the NDP era. To increase the contribution of investment to growth, the share of PSC to manufacturing and sectors that produce tradable needs to significantly increase. **Unfortunately, the share of PSC to the manufacturing sector has recently been declining, falling from 24.6 in FY2015/16 to 8.1 in FY 2016/17**.

The growth in PSC from commercial banks does not however address Uganda's urgent need for long-term finance for sustainable investment. The gestation period for investments with sustainable impacts is typically longer than most commercial credit providers can offer. **With the exception of UDB and EADB which are both undercapitalized, Uganda currently has no reliable source of development finance to drive its agricultural transformation and industrialization agenda.** The establishment and progressive development of capital markets under the auspices of Uganda Capital Markets Authority is one of the potential solutions to the shortage of long term finance in the country. As of November 2017, Uganda's domestic market capitalization was to the tune of Ushs 4 trillion (about 5 percent of GDP). Total funds raised in 2016 through equity issuance via primary and secondary offerings stood at Ushs 536 and 387 billion respectively[17]. The capital market has a total of 16 listed securities and two stock exchanges. Under its current 10-year strategic plan (2017 to 2026), CMA is working to improve access to long term finance for the public and private sector; facilitate deepening and broadening of securities markets; improve efficiency in securities market regulation; facilitate the development of market intermediation services; and maximise supply of long term finance.

1.3.5 Legal and regulatory regime

A significant number of Uganda's laws were enacted before Uganda's economic liberalization strategy in the 1990s. In order to improve and strengthen the existing legal and regulatory framework, a number of laws have been reformed or are currently undergoing reform to cater for the modern changes relating to regulation of investments and other commercial transactions. Significant improvements have been made in this regard and the 2016 World Bank's Doing Business Report recognised Uganda as being among the top 10 global reformers. The details of the legal and regulatory regime are summarized as below.

The Investment Code Act, 1991

This Act provides for promotion and facilitation of local and foreign investments in Uganda by providing for more favorable conditions for investment, establishment of the Uganda Investment Authority among others. The process of updating this law is in advanced stages and will also benefit from this Policy.

The Companies Act, 2012

The law represents an update of the legal framework relating to the incorporation, regulation and administration of companies and makes provision for related matters. The Companies Act of

[17] CMA (2017), Capital Markets Development Masterplan (2016/17 to 2026/27)

2012 introduces the formalization of a single member company in Uganda. However, the law needs to reflect modern approaches to company regulation, and where necessary should aim to reduce the procedures and cost of starting a business and ensuring policy coherence among others. This policy seeks to guide on further simplification of procedures related to starting a business in Uganda and other regulatory compliance measures that could be hindering Uganda's competitiveness.

The Uganda Free Zones Act, 2014

The Act makes provision for the establishment, development, management, marketing, maintenance, supervision and control of free zones. It established the Uganda Free Zones Authority as a body corporate to establish, develop, manage, market, maintain, supervise and control Free Zones. Currently, the country has no legal framework for Special Economic Zones (SEZs) which allows for greater access to the local market while enjoying similar benefits under this law. As such, the current law on Free Zones requires a review to encompass this form of economic zones, for broader benefits in relation to economic growth since this will cater for investors whose enterprises promote import replacement as a complement to country's export-led growth strategy.

The Public Private Partnerships Act, 2015

The Act provides for Public Private Partnerships (PPP) agreements; to establish a Public Private Partnership Committee and a Public Private Partnership Unit; a Project Development Facilitation Fund and functions of contracting authorities, accounting officers, project officers, project teams and evaluation committees; the role of the private party in a public private partnership; the management of PPPs; project inception and feasibility studies, procurement, partnership agreements and monitoring of public private partnerships. The PPP Act is a progressive statute aimed at helping to unlock Uganda's economic potential through a combination of public and private sector efforts.

Petroleum and Minerals Legal & Regulatory Framework

It includes the Petroleum (Exploration, Development and Production) Act, 2013. The Act gives effect to article 244 of the Constitution by providing for regulation of petroleum exploration, development and production; establishment of the Petroleum Authority of Uganda; establishment of the National Oil Company; regulation of licensing and participation of commercial entities in petroleum activities; an open, transparent and competitive process of licensing; creation of a conducive environment for the promotion of exploration, development and production of Uganda's petroleum potential; efficient and safe petroleum activities; cessation of petroleum activities and decommissioning of infrastructure; payment arising from petroleum activities; conditions for the restoration of derelict lands; repeal of the Petroleum (Exploration and Production) Act, Cap 150; and related matters. The Mineral Policy, 2001 and Mining Law, 2003 are currently being revised to strengthen the Mineral Policy, Legal and Regulatory Framework in order to attract FDI and develop the industry better for economic transformation.

Public Enterprise Reform and Divestiture Act, 1993

The Act provides for the reform and divestiture of public enterprises; establishment of the Divestiture and Reform Implementation Committee charged with the implementation of the Government's programme on the matter and for other related matters. The Act further specifies the criteria for reform and restructuring of specific public enterprise and compensation of employees that would be rendered redundant during the process. The policy seeks to streamline all investments undertaken by Government with a view of achieving higher returns on investment.

Financial Sector Legal and Regulatory framework

Government has continued to reform the policy and legal environment for the financial sector to foster the optimization of private and social benefits from financial intermediation given the rapidly changing financial sector landscape. These reforms are designed to leverage the financial sector to support Uganda's economic growth and socioeconomic transformation agenda. Some of the legislative and institutional reforms that have been undertaken include the amendment of the Financial Institutions Act, 2004 to allow Banking Financial Institutions supervised by the Central Bank to provide Islamic Financial products and services, Bancassurance and Agent Banking. Independent regulatory bodies for the Non-Bank Financial Services have also been established to build consumer and investor confidence in Uganda's financial sector. There are now numerous investment opportunities for both existing and new participants in Uganda's financial sector and indeed the region's financial sector with the promise for scale through provision of financial services via digital platforms.

Uganda's financial sector is currently regulated under the following legal frameworks: the Financial Institutions Act, 2004 as amended; the Microfinance Deposit-Taking Institutions Act, 2003; the Insurance Act, 2017; the Uganda Retirement Benefits Regulatory Authority Act, 2011; the Capital Markets Authority Act, 2011 as amended; the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 and the Anti-Money Laundering Act, 2013 as amended. Currently Government is considering reforming the policy and legal environment further to respond to the rapidly changing financial landscape largely driven by new digital technological advancements and new participants to mitigate the new risks without stifling innovation.

Global and regional agreements

Uganda is a signatory to a number of global and regional agreements that impact on investment. The 2030 Agenda for Sustainable Development and its associated seventeen Sustainable Development Goals were adopted by all world leaders as the global strategy for development. The advent of sustainable development as a key guiding global development framework has introduced new considerations to policy making. The 2030 Agenda for Sustainable Development calls for adoption and implementation of investment promotion regimes for least developed countries as a way of strengthening the means of implementation for its achievement. The Agenda further emphasizes the role of private business activity, investment and innovation as major drivers of productivity, inclusive economic growth and job creation and hence calls for a dynamic and well-functioning business sector in every country. In this regard, the role of the digital economy has also become prominent in the investment arena as it has the potential to boost competitiveness and entrepreneurial activity, as well as opening up new avenues for market access and participation in global e-value chains.[18]

Uganda is also a signatory to a number of major international investment and business protocols. These include the Convention on the Recognition and Enforcement of Foreign Arbitral Award (CREFAA); Agreement on Trade Related Investment Measures (TRIMS); Overseas Private Investment Corporation (OPIC) of USA; and Multi - lateral Investment Guarantee Agency (MIGA). These various agreements require that the country's investment environment measures

[18] World Investment Report 2017

up to international standards and promotes investments that are developmentally sound and foster inclusive economic growth.

At the regional level, Uganda is a signatory to Agenda 2063 of the African Union and the EAC's Vision 2050. Both agenda underscore the need for socioeconomic transformation of the region into a prosperous and competitive one. A conducive investment environment coupled with effective institutional capacity is identified as a key propeller of this aspiration. The region therefore needs to adopt an effective investment regime in this regard. Articles 80 and 127 of the Treaty establishing the EAC provide for harmonization and rationalization of investment initiatives and incentives aimed at promoting the community as a single investment area. They further provide for the promulgation and implementation of appropriate investment policies and codes alongside protecting property rights, removal of barriers to investment and development of the private sector.

1.3.6 Implementation & Coordination Arrangements

Implementation and coordination of key stakeholders is critical for promoting investments in the country. Government has set up several investment related institutions, including Ministries, Agencies and Departments. The Ministry of Finance, Planning and Economic Development is responsible for overall policy formulation and coordination of Investment and Private Sector development policies, laws and regulations. In this regard, the Ministry works with and coordinates all efforts centered on private sector development. Investor facilitation and aftercare is spearheaded by the Uganda Investment Authority (UIA) which promotes investments by marketing investment opportunities; promoting packaged investment projects; and providing timely and accurate information to investors. UIA operates a physical one-stop-centre where investors can access all services required to start a business. Closely related to UIA is the Uganda Free Zones Authority (UFZA) which is responsible for the establishment, development, management, marketing, maintenance, supervision and control of free zones and to provide for other related matters.

The Presidential Investors' Round Table (PIRT) is a high level forum that brings together a select group of both foreign and local investors to advise Government on how to improve the investment climate in the country. The PIRT is used as a vehicle for Public Private Dialogue and in so doing, provides a platform for business – government coordination. It was instituted in 2004 and has since gone through three phases with different strategic thematic areas.

1.3.7 Rationale

It is clear from the above analysis that the national problem facing Uganda in regard to investment is the low and declining share of investment in GDP which is insufficient to accelerate and broaden economic growth. This low level of investment is compounded by the fact that it is concentrated in low productivity areas and within Greater Kampala Metropolitan Area (GKMA). As a result, the development impact of investment in Uganda in terms of employment creation, revenue generation, technology transfer and export earnings and diversity remains significantly below potential.

The rationale for this National Investment Policy accordingly includes the following:

a) Address the Savings-Investment Gap

The estimated cost of implementing the Second National Development Plan is Ushs 196.7 trillion of which 68 percent is for development expenditure. This cost is expected to be financed by both the public and private sector. However, Uganda's savings as a share of GDP remain very low averaging 18.5 percent over the last five years. Gross Capital Formation on the other hand averaged 25.5% of GDP over the same period. This represents a savings-investment gap of almost 10 percent of GDP. With FDI averaging less than 5 percent of GDP over the same period, a large part of Uganda's investment agenda is being financed through debt. This is unsustainable, and hence the need to facilitate enterprise creation and growth for more jobs and higher incomes from which savings can be increased.

b) Sustainably Increase FDI inflow to Uganda

As highlighted above, the level of FDI inflows to Uganda has been below potential and the trend has been on a decline. FDI inflows to Uganda averaged US $1,088.8 billion between 2011 and 2016, equivalent to 3.9 percent of GDP compared to 5.2 percent in 2012. Future global FDI flows are expected to be driven by improved growth forecasts of major development economies, technological changes, global urbanization, access to a skilled labour force, energy security and climate change. The most promising industries for attracting FDI in developing countries like Uganda over the medium term have been identified as agribusiness and information and communication. Position the country to take advantage of these emerging opportunities is an urgent imperative.

c) Fiscal Space Expansion

The NDP II goal of achieving lower-middle income status by 2020 and that of Vision 2040 of upper-middle income status by 2040 call for more and better public investment. More development and recurrent spending than is currently available is required to increase and maintain the critical infrastructure for unlocking bottlenecks that have impeded economic growth. Tax revenue performance has not however increased in tandem with public expenditures and remains low at about 14 percent of GDP in FY 2016/17. Given that public expenditure stands at about 19 percent of GDP, the country faces a funding gap of about 5.5 percent which is financed through borrowing. With the fiscal deficit constraint imposed by the EAC convergence criteria of 3.0 percent of GDP, expanding the tax base is the most sustainable way to be able to finance the ever growing development expenditure demands. Mobilizing and realizing enterprise creation and growth for this expansion in the economic and tax base calls for proper policy guidance and support, hence this policy framework.

d) Strengthen the Catalytic Effect of Public Investment on Private Investment

Public investment in physical infrastructure, utilities, innovative activity, education and clean energy are identified by the NDP II as fundamental enablers for socio-economic transformation of the country, in line with Uganda Vision 2040. It is however clear from the analysis above that the response of private investment to increased Government spending on infrastructure has been weak. Strengthening this response is an imperative for realizing the much needed fiscal stimulus of the expansionary fiscal policy that Government is pursing ahead of the effective date of the EAC monetary union and it is convergence criteria. Furthermore, with the Public Private Partnership Act (2015) in place, public investments involving private investors can go a long way in supporting effective management and implementation of projects for higher economic growth returns.

CHAPTER TWO: STRATEGIC FRAMEWORK

2.1 Goal

The goal of the NIP is *to speed up investment growth and diversification for socioeconomic transformation.* Overall success in attainment of this goal will be marked by the following threefold outcome:

a) A reversal in the declining trend of the share of investment in GDP by 2020; and its steady increase from 23 in per cent in FY 2017 to 30 per cent by 2030 and 40 percent by 2040
b) A sustained reversal in the declining share of equipment and machinery in total investment
c) An increase in the share of GDP accounted for by urban areas outside of GKMA in line with the principles of Vision 2040 which provide for balanced, sustainable and equitable development

2.2 Objectives

The specific objectives of the NIP are to:

1. To boost public and private investments in alignment with national development priorities

a) *Prioritization of Sectors:* In line with Vision 2040, Government will influence investments towards sectors with the highest socioeconomic returns and Uganda's unique endowments. Prioritisation of sectors will be based on the NDP revision cycle and the National Industrial Development Policy.

b) *Readiness for investment:* Government will develop and profile a bank of ready to implement projects to ease investor decision making.

c) Local content promotion: Government will prioritise the use of local inputs in its criteria for mobilising and retaining investments

2. To strengthen and streamline national investment mobilisation and management efforts

a) *Mobilization and aftercare of FDI and DDI*: Increasing the share of both FDI and DDI that the country receives is a key priority of the Government. In this regard, interventions to improve Uganda's investment climate are among the key strategies of enhancing private sector development. Government will continue to focus on attracting potential and retaining existing investors through establishment of investor facilitation services that help with information on prospective investments; offer pre-establishment and aftercare support.

b) Export diversification and sophistication: Government efforts will focus on creation of sectoral investment opportunities to enable product and market diversification, value addition and integration of the economy into global value chains. Special consideration is accorded to prospective investments with potential to improve enterprise sophistication, boost production capacities, and accelerate export-oriented industrialization as well as providing inclusive growth opportunities to Ugandans.

c) *Skills transfer and development*: In order to sustain improvements in labour productivity, Government will pursue investments that support the creation of comprehensive and integrated employment opportunities, provide skills and technology transfer, and support international and regional exposure of labour for competitiveness. Investments in human capital development including labour skilling, and training relevant to the labor market demands will be prioritized. Government will guide on performance requirements for investors on skills and technology transfer and employment of locals in the incentive framework.

3. To create an enabling environment for enterprises to be able to improve their productivity and competitiveness

The focus of attention in this regard will be on:

a) *Productivity of Public Investments*: To improve the efficiency and impact of public investments prioritised in the NDP and the Vision 2040 development agenda, prioritisation and management of public investments will be improved. Proper prioritization, sequencing and management of investments is important in order to maximise returns on public investments. Public investments should serve as a catalyst to unlock critical sectors to meet the country's industrialisation agenda and long term development objectives.

b) *Availability of affordable & diversified financing*: In order to close the financing gap, the importance of improving domestic savings for investments, and boosting financial literacy is recognised by Government. Consequently, strategies to reduce the cost of capital including pension sector reform to unlock medium to long term financing requirements; capitalisation of Development Financing Institutions (DFIs) and expansion of alternative private sector financing through capital market development among other measures will be a priority in the medium term.

c) *Firm integration and clustering*: Given the heavy presence and profile of MSME's in the country, it is critical to support them to grow into medium and large industrial and manufacturing centres in order to maximise their impact on growth. This will be done through promoting the establishment of decentralised economic zones with facilities for work spaces, incubation and other business development services.

d) *Farm productivity*: Maximising agricultural output by supporting cooperatives to provide market information, regulation and enforcement for better agricultural inputs, better farming practices, sharing of machinery, bargaining power/ organised marketing, value addition and access to affordable financing is a core focus for harnessing the gains from the agricultural sector.

e) *Research, Innovation, and Technology Adoption*: Technology plays a major role in boosting local production capacities. Government will accordingly ensure that local companies are positioned to access technology through arrangements such as franchising, sub-contracting and out-sourcing among others. Government will also support an innovation, research and development ecosystem that enables development of competitive and diversified products, systems and services.

f) *Provide an enabling environment for large investors:* Large and multinational enterprises play a critical role in not only providing employment opportunities but also creating business opportunities for start-ups and MSMEs. Government will provide an enabling environment and establish special economic zones to attract large multinational enterprises as well as supporting existing investors to grow into large manufacturing and service centres.

4. **To strengthen the investment legal and regulatory regime**.

a) *Streamline Investment law*: Government recognises gaps in the primary investment legal framework and the need to regularly update it. Investment legal reform will be guided by the principles and priorities enshrined in this policy.

b) *Policy coherence, comprehensiveness and adequacy*: Harmonization of existing policies, legal and procedural provisions that have an impact investing in Uganda is very critical. Given the largely outdated and duplicative legal regime, this policy provides for streamlining of overall investment regulatory regime to cover policy inadequacies and achieve coherence.

c) *Standardised, effective and transparent Incentives regime*: In order to ensure a streamlined incentives framework in Uganda, This policy provides for performance and evidence-based incentives to avoid unnecessary erosion of the tax base. It also provides for the periodic review of incentives to ensure standardisation and predictability of incentives.

d) *Standards and quality assurance*: compliance with minimum quality and standards requirements will be emphasised. Government places utmost importance on strengthening enforcement of laws and regulations of the standards infrastructure, input verification mechanisms and certification services among businesses.

e) *Ease compliance burden;* Uganda is committed to creating and sustaining an enabling business environment and as such, the required legal and administrative reforms including process re-engineering, reducing cost of transactions and leveraging ICT to share government data bases for improved efficiency of government to business services will be fast tracked.

5. **To provide a governance and institutional framework for a multi-sectoral and inter-agency approach to investment.**

a) *Whole-of-Government approach to Investment;* Government is cognizant of the role of national ownership and involvement in the promotion and attraction of investment in Uganda. It adopts a national wide coordination and promotion drive for investments, and encourages inclusive development that engages central government, local communities, and relevant stakeholders.

b) *Sectoral synergies*: The role of synergies among sectors is critical for fostering inter-sectoral opportunities; related projects, services or activities directed towards the attainment of similar or related sector objectives. Government will therefore prioritize joint sector coordination, planning, collaboration and efficient allocation and use of resources to achieve national development objectives.

c) *One-Stop Investment Agency;* This policy affirms the approach of a strong cross office that brings together all institutions that promote the country and facilitates investment licensing and aftercare under one roof, for effective service delivery.

d) *Enhanced Institutional Capacity;* Government will promote efficiency in all institutions involved in Investment related functions by guiding on a clear strategy for capacity building in negotiation skills, training in investment promotion, and retooling relevant institutions for investor management.

e) *Effective Decision making;* Investment promotion related decisions will be streamlined through identified institutional arrangements; limiting multiple and duplicative decision centers

2.3 Guiding Principles

The following key principles will support the achievement of the objectives of the National Investment Policy and will help transform its logical framework into practice:

A. Policy coherence and complementarity

The primary guiding principle is that all policies that influence investment must be coherent and complimentary. This requires that the investment policy is integrated into the overarching development strategy, and that there is coherence between related policies for them to effectively play a complimentary role in development. The scope of coherence also includes Uganda's international and regional commitments and obligations.

B. Return on Investment

Measures for promoting and facilitating investments to maximize the return on investment are encouraged through fiscal or financial incentives, establishment of Special Economic Zones (SEZs) or One Stop Centers (OSCs) to remove administrative hurdles. The measures should not compromise regulatory standards on social or environmental issues. Equally, offering incentives that annul a large part of the economic benefits of the investment is discouraged. In addition, the risk of harmful competition should be avoided through the investment policy design and this underlines the importance of regional integration and international coordination.

C. Risk Management

The investment policy formulation process requires flexibility given the rapid changing circumstances while bearing in mind the importance of stability and predictability for a favourable investment climate. Changes in the domestic and international investment environment are identified and factored into decision making to guard against undesirable results. For example risks associated with social pressures, environmental degradation, regional integration, technological changes cannot be ignored. This policy recommends continuous risk assessment procedures for guaranteeing the desired results in terms of economic and social development and avoids doing so at too high a cost in future. The investment policy serves to provide detailed guidance on the role that relevant MDAs can play to constantly update this and related policies with new developments.

D. Balanced rights and obligations;

Creating attractive conditions for investors through liberalization, protection, promotion, and facilitation is consistent with the demands of the overall regulatory framework. This includes maintaining a balance between the rights and obligations of the investor and the state in line with the principles of sustainable development.

E. Right to Regulate

Government retains the right to regulate investments, and enforce pre-establishment rights in a predictable and transparent manner. This entails maintaining sufficient policy space to regulate for the public good and providing a stimulus effect for investors.

F. Equity and Fairness

An important consideration for creating a welcoming investment environment is transparent and predictable entry conditions and procedures for attracting investors. This implies absence of informal investment barriers such as burdensome, unclear and non-transparent administration procedures. The overall national development strategies or national security considerations or circumstances surrounding a particular investment especially with regard to trade considerations must be straight forward for all investors. In addition, this is an important policy tool for attracting investment and emphasizes the need to put in place measures to ensure the rule of law, freedom of contract and access to courts. In addition, elements of non-discrimination, fair and reasonable treatment, protection in case of expropriation, provisions on movement of capital and effective dispute settlement must be evident in the policy framework.

G. Sustainable Development

Selection of investments and the level of their returns shall take into account the need for synergy with other development goals both in the present and in the future. Government is committed to its undertakings with regard to building an inclusive, prosperous and peaceful society. Therefore, commitment to international coordination at different levels creates synergies so as to realize investment projects that would otherwise be too complex and expensive for one country alone and should be encouraged but strategies must be designed on how to achieve the development objectives.

CHAPTER THREE: POLICY STRATEGY

An investment policy strategy is a guiding approach to national investment decisions based on national development goals, risk acceptance and future needs for capital. It provides a high-level strategic intervention plan on how to address the current constraints responsible for the suboptimal performance of the investment function.

The NIP identifies seven specific strategic intervention areas for realizing the objectives of this policy namely; strengthening economic and social infrastructure for higher productive capacities; upgrading investment promotion; building a competitive incentives framework; streamlining the institutional, legal and regulatory framework; building strategic partnerships; and strengthening the financial sector for better mobilization and intermediation of financial resources for investment. Each strategic intervention area is coupled with the types of investments and measures to be pursued under it.

3.1. Strengthening Public Investment Management for Competitiveness

Public investment is an enabler for private investment. The quality and stock of economic and social infrastructure in the country significantly impacts on the cost structure and productivity of firms. Besides market potential, the cost of production and the efficiency of the production system are the two other major factors that investors consider when making decisions on capital investments.

Availability of well developed, adequate and efficient infrastructure aids in promoting rapid industrialization which in turn creates jobs and improves the overall quality of life of people. It lowers transaction costs for enterprises enabling them to fairly compete in regional and international markets. This allows for enterprise creation and growth, and the bridging of gaps in value chains of priority products and commodities. Under this strategic intervention area, Government prioritizes:

a) Building and maintenance of proxy infrastructure for economic zones to be managed under appropriate special legal regimes. This infrastructure will include ports, roads, utilities, railway lines, airports, energy infrastructure investments, ICT and production certification laboratories and customs services. This focus will also include maintenance of the existing infrastructure
b) Building strong governance and oversight to deliver infrastructure in a manner that ensures investor-state partnerships that serve public interest.
c) Investment in human capital such as education and health for the population to acquire skills for productive purposes
d) Investments with huge potential for transfer, dissemination and adaptation of appropriate technologies and dissemination of know-how will be promoted through other related policies such as taxation and Intellectual Property (IP) by developing criteria for different sectors.
e) FDI enterprises with ability to generate business linkages and stimulate local enterprise development
f) Tourism promotion and development to attract investors into the country who will, in turn, identify investment opportunities and bring in additional FDI
g) Well informed identification, preparation, sequencing and effective implementation of public investment projects.
h) A Multi-sectoral approach to the investment function

3.2 Building a competitive incentive framework

Government offers a range of incentives to attract eligible local and foreign investors. These include fiscal incentives such as tax exemptions and waivers on eligible investments, non-tax allowances such as free land, free visa, and other discretionary incentives. However, there are no standard criteria in provision of the above incentives. Therefore, Government will implement relevant measures to realise an incentive regime that is predictable, consistent, transparent and non-discretionary with the overall objective of driving investments growth and diversification for social and economic transformation.

Incentives will be agreed upon through an adequately consultative process. All incentives (fiscal and non-fiscal) arising from various consultations will be embedded in the law to ensure equity and transparency. In exceptional cases, incentives over and above the pre-determined criteria will be subject to Cabinet and Parliamentary approval.

The nature and scope of incentives applicable to an investment will be periodically reviewed in line with the priorities of the National Development Plan, and in accordance with the following considerations:

a) Long term cost and benefits of the investment including its social and economic impacts such as employment, environment, capacity development, technology transfer, knowledge and productivity enhancement.
b) Comparability with regional peers and ability to implement the required incentive framework.
c) Alignment to priority sectors stipulated in Vision 2040, the National Development Plans and National Industrial Development policy. Incentives may be tied to a sector within which the prospective investment enhances the achievement of the objectives of this Policy.
d) The extent to which a prospective investment employs green investment technologies which are not always commercially viable, are resource intensive or attract a very high risk.
e) The extent to which planned investments promote balanced regional development
f) The extent to which an established investment has complied with its performance targets and is in alignment with (c) above.
g) Economic and financial viability of the planned investment to avoid unwarranted requests for Government subsidies
h) Existence and nature of phase-out provision built into the incentives structure;
i) The magnitude of externalities associated with the planned investment (positive or negative) and extent of the need to address them

3.3 Streamlining institutional, legal and regulatory framework

The need to build effective public institutions to implement investment policies, measure their effectiveness and utilize the lessons learned in new rounds of policy making is emphasized and considered critical for achievement of the objectives of the NIP. Improvement of public governance and regulation coherence across all levels of government, inter-agency cooperation, anti-corruption efforts and dynamic policy development are vital for this policy. As an integral part of the NIP, Government will pursue the following specific measures:

a) Promote independence of regulatory institutions and accountability

b) Provide mechanisms for identifying cross-cutting regulatory issues and developing regulatory management capacity and performance
c) Increased harmonization of regional trade and investment regulations, regional cross-border infrastructure and industrial development planning across regional value chains
d) Reinforce the approach of a One-Stop Investment Agency to play a coordination role and promote cooperation and formal communication channels with other institutions that deal with investors
e) Fostering a culture of zero tolerance for corruption
f) Periodic performance review of the NIP to assess continued coherence of the investment policy with other related national development strategies
g) Annual reporting by the ministry responsible for investment in line with the results framework of this policy

3.4 Building strategic partnerships

Building strong partnerships across different actors is vital in the management of any investment function. In implementing this policy, emphasis will be put on empowering investment arms of Government to operate independently with commercial prudence and within a multi-sectoral approach to management of investment treaties, agreements and incentives. In particular, Government will:

a) Work closely with the private sector under the auspices of the PPP Act (2015) in delivery of interventions that are associated with positive net cash flows. PPPs consider a whole lifecycle approach to service delivery and PPP provide funding for infrastructure projects that would not otherwise have been implemented due to a limited Government resource envelope. In working with the private sector, Government is committed to following due process to ensure that the risks and returns associated with any investments are fairly shared between the public and private investors.
b) Engage Development Partners within bilateral and multilateral partnership arrangements for mutual benefit and advancement of private sector interests. Uganda is currently a net recipient of FDI inflows. Government will accordingly work with official representatives of the source countries of FDI inflows to Uganda to ensure that Uganda becomes a friendlier environment to invest in. It will also support Uganda Development Cooperation to attract equity financing into strategic enterprises through its participation in PPPs and share trading in the Capital Market
c) Seek to collaborate with academia and researchers to close knowledge gaps in the policy and market arenas that impact on the performance of private investments. Research and Development is essential for the productivity improvements that firms need to stay competitive in local, regional and international markets. Government will therefore strengthen its support for R&D within the context of a national innovations system
d) Work with the media on effective publicity of Uganda as an investment destination. Investor sentiments play a major role in investment decisions. It is therefore critical that Uganda is accurately and uniquely understood for its competitive advantage. To this end, Government is committed to upgrading and protecting professionalism and independence of the media industry to offer information that aids informed decision making by investors.

3.5. Investment Promotion

In line with best practice and investment principles, Government will improve investment related policies regarding establishment and operations; treatment and protection of investments; investor responsibilities; and investment promotion and facilitation. Improvements are also required in strengthening the supportive and catalytic role of public investments on private investment. Measures to this effect will include:

a) Regular review of trade policy and trade facilitation measures such as export finance, import insurance schemes, quality assurance and standards compliance support for participation in international markets
b) Supporting business-to-business partnerships by promoting collaboration arrangements between local and foreign firms which help to close information, expertise and technology gaps
c) Strengthening the business advisory function to improve investors understanding of Uganda's local market, and requirements for entry and participation in the market opportunities available within the EAC bloc
d) Undertaking targeted investment promotion through encouraging foreign investors to invest in selected sectors where domestic enterprises have no capacity.
e) Upholding human rights, social safety guards, labour rights, consumer protection, water management efficiency and proven approaches for delivering climate resilient investments.

3.6 Strengthening the financial sector to mobilize investment finance

Closing Uganda's savings-investment gap calls for widening the coverage of the financial sector and strengthening the capacity of financial institutions to intermediate between savers and investors. To do so, Government will support strengthening of the financial sector through:

a) Fostering financial sector deepening and inclusion in a manner that is conducive with making Uganda a regional center of excellence in financial services. This is critical for domestic resource mobilization which, in turn, is necessary for investment promotion.
b) Supporting implementation of the recently launched 10-year Capital Markets Development (2016/17 to 2026/17). This will offer firms alternative sources of capital and also foster a culture of good corporate governance which is vital for improving investment returns.
c) Prudent regulation of the ICT sector to allow for the dynamism necessary to promote greater participation of Ugandans in the financial sector using digital solutions
d) Pension sector reform for improved alignment of long-term savings and long-term investments in the economy. Government will continue the on-going reform of the National Social Security Fund; the Civil Service pension system and the wider pension sector as a core part of its strategy for increasing availability long-term financing for investment
e) Speeding up the recapitalization of Uganda Development Bank and Uganda Microfinance Support Centre to crowd in private capital through the use of blended finance
f) Minimizing illicit financial flows by tightening Double Taxation Treaties (DTT) and International Investment Agreements (IIA) through ensuring a reasonable balance between the rights and obligations of prospective investors and subjecting draft agreements to inter-agency consultations.

3.7 Facilitating SME growth for accelerated industrialization

Uganda's economy is largely dominated by Micro, Small and Medium Enterprise (MSMEs). These constitute over ninety percent of all enterprises in the country. However, most of these MSMEs employ a limited number of people and find it difficult to expand and grow. To overcome these challenges, Government will:

a) Expand MSME access to Business Development Service
b) Facilitate integration of MSMES into upgraded value chain through its business linkage programme
c) Continually review and reform regulatory barriers to formalization of MSMEs

CHAPTER FOUR: INSTITUTIONAL FRAMEWORK

Efficient and effective implementation of investments requires a strong institutional framework with clear roles and responsibilities. In pursuit of the guiding core objectives and principles of this policy, a whole-of-government approach to investment will be applied in accordance with the legal provisions of the various Arms of Government namely; the Executive, Legislature and Judiciary.

Government will also work closely with all the various stakeholders, including the Private Sector, Development Partners and Civil Society Organisations (CSOs) to achieve the core objectives of the policy. This policy seeks to prescribe an institutional arrangement that will deliver efficient, productive and effective investments in the country. Government will adopt a multi sectoral approach on investment agreements, regional and economic integration. The institutional arrangement in Table 4.1 below will guide implementation of this policy.

4.1 Formulation and Oversight of Investment-Related Policies

Implementation oversight of this and other existing or future investment-related policies is critical for investment promotion. Overall policy formulation and oversight will be carried out by Cabinet as the apex decision-making organ of Government. Cabinet will carry out the oversight role to ensure that all sectors and MDAs promote an environment that is conducive for investment.

Cabinet will be advised by the respective MDAs in the performance of its oversight function. It will also take into account the outcomes of consultative fora such as the Presidential Investor Round Table (PIRT) and the Presidential Economic Council (PEC)

4.2 Regulatory Oversight and Dispute Resolution

Parliament will ensure that laws and regulations are put in place to harness benefits from both public and private investments. The laws and regulations will cover all investment related areas including trade, land, taxation, intellectual property, competition, labour market regulation, environmental policies and access to land. Also, the laws and regulations will provide for investor obligations and guide investors on how to comply with the national laws. The laws and regulations relating to all investments and investors and their implementation and enforcement will be clear, transparent, and readily accessible to all investors, and shall not impose unnecessary burdens to the investors.

Implementation of laws pertinent to investment in Uganda will be enforced by the relevant regulatory bodies of Government. Key amongst them are Uganda Investment Authority; National Environmental Management Authority; Capital Markets Authority; Uganda Revenue Authority; and Uganda Free Zones Authority.

The Judiciary on its part will be responsible for supporting contract enforcement through adjudication and other mechanisms of dispute resolution so as to resolve any critical differences relating to investment amongst different parties. Investors are required to comply with all national laws, regulations, polices and other guidelines that relate to investment including establishment, acquisition, management and operation of investments, corporate governance and environmental protection among others.

4.3 Policy Implementation

The investment function is currently implemented by many public and private sector agencies. These agencies conduct investment promotion, registration, licensing and establishment among others. They include Private Sector Foundation (PSFU), Uganda Investment Authority (UIA), Uganda Free Zones Authority (UFZA), Uganda Export Promotions Board (UEPB), Uganda Manufacturers Association (UMA), Uganda Development Corporation (UDC), Enterprise Uganda, Uganda Tourism Board (UTB), Capital Markets Authority (CMA) and Uganda Securities Exchange (USE).

The above notwithstanding, creation of many agencies has led to ambiguities and duplication of roles and delays among other challenges. Investments in the country have often been hampered by implementation and coordination challenges across Government institutions. This has sometimes resulted into delays in the delivery of projects costing the country huge sums of money.

In order to address the above challenges and ensure efficient and effective investment services in the country, Government will streamline the investment function across the public sector and establish a One-Stop Investment Agency to serve as the front office to the investment function. Government will periodically review mandates of existing investment investment-related agencies with a view to strengthening implementation and coordination arrangements. This will be done to eliminate overlapping roles, improve efficiency and promote clarity in performance management.

4.3.1 Role of MDAS and Local Governments

MDAs and Local Governments (LGs) will implement investment related activities including planning, executing, and monitoring and evaluation as guided by their respective mandates. They will advise on the economic viability of the incentive regime for supporting investors to undertake critical private investments at both national and local Government level. They will also ensure that investments are implemented in a manner that is relevant for improving the socio-economic wellbeing of the citizens of Uganda. MDAs will ensure that both new and on-going investments meet all the essential requirements as provided for by the laws of Uganda. Specifically, MDAs and LGs will be responsible for implementing the policy strategies identified in this policy namely;

a) Strengthening public investment for competitiveness;
b) Building a competitive incentive framework;
c) Streamlining institutional, legal and regulatory frameworks;
d) Building strategic partnerships;
e) Investment promotion;
f) strengthening the financial to mobilise and intermediate investment finance; and
g) Facilitating SME growth for accelerated industrialization.

The ministry responsible for investment will periodically review and evaluate the performance of the policy. The reviews will take into account the national priorities of the country as stipulated in Vision 2040 and the National Development Plan in place.

4.3.2 Policy Advocacy and Research

Government recognises the importance of the private sector, civil society, media and the academia as key stakeholders in supporting investments in the country. Private sector players under the auspices of Private Sector Foundation (PSFU) are expected to play their part in ensuring that this policy is effectively implemented. The academia, civil society and the media will closely interface with MDAs to provide evidence-based research and knowledge products for informing decision-making in regard to all investments in the country.

4.3.3 Institutional Capacity Development

Institutions consist of the structures, systems, rules and norms that govern acceptable conduct of both private and public business. Whereas Government plays a lead role in building and maintaining effective public and private sector institutions for investment promotion and growth, the collaboration and cooperation of all stakeholders in cultivating a culture of performance for results is required for the success of the NIP. Government will facilitate mobilization and deployment of financial and technical support for MDAs from the domestic and international public and private sector.

Table 4.1: Institutional Framework

Functions	Role and Responsibilities	Responsibility Centre
Policy formulation and Oversight	• Formulate complementary policies and provide policy implementation oversight • Provide timely strategic guidance to support all investments in the country	Cabinet
Regulatory oversight and Dispute Resolution	• Make investment laws and regulations that provide a conducive environment for investment	Parliament of Uganda
	• Ensure contract enforcement, litigation, dispute resolution	Judiciary (Commercial Courts)
	• Legal compliance	
	• Ensure investment protection and Guarantees	Regulatory Agencies
Investment policy Implementation	• Advise Cabinet and Parliament on Investment Policy	Ministries, Departments and Agencies
	• As stipulated under the Investment Law	One Stop Investment Agency
	• Issue work permits	Ministry of Internal Affairs
	• Facilitate Government investment in strategic sectors of the economy for industrial and economic development through PPPs or joint ventures among others	Uganda Development Corporation (UDC)

Functions	Role and Responsibilities	Responsibility Centre
	• Strengthen implementation of complementary sector policies in the country	Ministries, Departments and Agencies Local Governments
Policy Advocacy and Research	• Facilitate investor dialogue and policy engagement between the public and private sector on industry-wide priorities and issues	Private Sector Foundation (PSFU)
	• Promote respect for human and employee rights	Labour Unions, Uganda Human Rights Commission
	• Provide evidence-based research for decision making on investment related matters	MFPED, Academia, PSFU Enterprise Uganda
	• Ensure availability of adequate and appropriate financing in the economy for implementation of the strategies of the policy	MFPED; Financial Sector
Institutional Capacity Development and Support	• Provide technical and financial support for MDAs and the Private Sector	All stakeholders

CHAPTER FIVE: RESULTS FRAMEWORK

Relevant, reliable and regular data from surveys and management information systems is vital for an effective policy cycle. It allows for timely managerial action and learning for improvement. The NIP will be managed, reviewed and evaluated based on a strategic results framework that informs the operational results frameworks of the respective stakeholders involved.

Government envisions a threefold outcome in its pursuit of the goal of the NIP:

a) A reversal in the declining trend of the share of investment in GDP by 2020; and a steady increase of the same from 23 in per cent in FY 2017 to 30 per cent by 2030 and 40 percent by 2040
b) A reversal in the declining share of equipment and machinery in total investment
c) A narrowing in the geographical distribution of economic activity between Kampala and the rest of the country, in line with the principles of Vision 2040 which provide for balanced, sustainable and equitable development

The strategic results framework for the NIP consists of development impact and policy outcome measures. The development impact measures refer to *development changes* projected in Vision 2040 while policy outcome measures refer to intermediate achievements targeted in investment related sector strategic plans. Policy outcomes measure the extent to which Government is successful in achieving the overall goal and strategy of this policy. They are measured by broad aggregate indicators which are a result of a whole-of-government approach and cannot necessarily be attributed to actions of a particular sector or actor.

The strategic results matrix for the NIP is summarised in Table I and II below. Indicators for measuring the operational performance of MDAs mandated to deliver this policy are featured in the outcome statement of their respective Programme Based Budgets.

TABLE 5.1: SPECIFIC POLICY OUTCOMES

Outcomes	Indicators	Baseline 15/16	Policy Performance Targets		
			2020 (NDP II)	2030 (SDGs)	2040[1]
Employment	Per Capita Income (US$)	797[2]	1,039	1,400[3]	9,500
	Paid Employment (%)	38[4]	79	85	94
	Unemployment Rate (%)	9.0[5]	8.0	8.0	6.0
	Share of industry employment in total employment (%)	7.0[6]	8.0	20[7]	26[8]
	Income Inequality	0.42[9]	0.40[10]	0.35	0.32
Export Growth & Diversification	Export Diversification Index[11]	2.3[12]		N/A[13]	TBC[14]

Outcomes	Indicators	Baseline 15/16	Policy Performance Targets		
			2020 (NDP II)	2030 (SDGs)	2040[1]
	Share of manufactures in total exports (%)	8.5	19.0	N/A	50[15]
	Technological Achievement Index	0.15[16]	0.25*	N/A	0.5
	Export Revenue (% GDP)	12.3[17]	15*	N/A	TBC
	Balance of Trade (% GDP)	4[18]	3*	N/A	TBC
Structural Transformation	Revenue to GDP (%)	14.2[19]	16.0	20.0[20]	25.0
	Formal economy (% of GDP)	52[21]	78*[22]	N/A	
	Industrial Output (% GDP)	18.6[23]	27.9[24]	N/A	31.4[25]

Source: Vision 2040; Sector Plans

The objectives of this Policy will be realized through the policy strategies identified in Chapter Three. The performance of these strategies will be measured using the outcome measures in table 5.1 above and the interim outcomes in table 5.2 below.

A set of Key Performance Indicators has been linked to each policy strategy and aligned to the MDAs responsible for their achievement and reporting. Baseline data for some of these indicators is currently missing but will be compiled as part of the implementation strategy for the Policy.

TABLE 5.2: INTERMEDIATE POLICY OUTCOMES

Policy Strategy	Key Performance Indicator	Base 15/16	Targets			Focal MDA
			2020 NDP II	2030 (SDGs)	Vision 2040	
Strengthening public investment management for competitiveness	Labour Productivity	1,017[26]	2669.6[27]		19,770[28]	MGLSD
	Unit cost of energy for industrial use (US cents per KWH)	12	5[29]	5	5	MEMD, ERA
	Unit cost of freight by road[30]	1,950[31]	1,550*	N/A	TBC	MoWT
	EPZ Exports (% of total exports)	N/A	N/A	N/A	TBC	UEPB, UFZA
	Annual employment growth in EPZs (%)	N/A	N/A	N/A	TBC	UFZA
Building a competitive incentive framework	Serviced Industrial Park Space (%)	N/A	N/A	N/A		UIA
	Fiscal Deficit (% GDP)	3.9	3.7[32]	3[33]	3	MFPED
	Investment Guarantees (% of	N/A	N/A	N/A	N/A	MFPED

Policy Strategy	Key Performance Indicator	Base 15/16	Targets			Focal MDA
			2020 NDP II	2030 (SDGs)	Vision 2040	
	Total Budget)					
Streamlining institutional, legal and regulatory framework	Ease of Doing Business rank	122[34]	100*	N/A	N/A	MFPED
	Global Competitiveness Index	115[35]	105*	N/A	N/A	MFPED
Building strategic partnerships	Private equity issuance (% of GDP)	1.0[36]	5.0[37]	N/A	N/A	CMA, MFPED
Investment promotion	Public Investment (%GDP)	3.4[38]		N/A	N/A	MFPED
	Private Investment (%GDP)	22.7[39]	34*	N/A	N/A	MFPED
	FDI Inflows (%GDP)	2.1	4.4[40]	N/A	N/A	UIA, BoU, MFPED
	DDI (% of registered investments)	54.0[41]	60*	N/A	N/A	UIA
Strengthening the financial sector to mobilize investment finance	Stock Market Capitalization (%GDP)	5.0[42]	5*	N/A	N/A	CMA, BoU
	Savings (%GDP)	15.5[43]	20.3[44]	N/A	35[45]	BoU
	Insurance Penetration (%)	0.73[46]	1.4[47]	2.0[48]	2.5[49]	IRA
	Private Sector Credit (% GDP)	12[50]	15[51]	30[52]	40	BoU
Facilitating SME growth for accelerated industrialization	Share of formal SMEs (%)	TBE	TBC	TBC	TBC	MTIC
	Share of tax revenue from SMEs (%)	TBE	TBC	TBC	TBC	MTIC
	Share of SMEs exporting (%)	TBE	TBC	TBC	TBC	MTIC
	Share of innovations commercialized (%)	TBE	TBC	TBC	TBC	MoSTI

[1] Targets here under are from Vision 2040 unless otherwise indicated
[2] MFPED (Background to the Budget FY2018/19) Per Capita GDP at Constant Prices
[3] Annual per capita growth rate of 3 percent (2021 to 2023) and 5 per cent from 2024 to 2030
[4] UNHS 2016/17; Indicator measures the share of people in employment working for pay or profit
[5] UNHS 2016/17
[6] ILOSTAT database (2017)
[7] World Average (2017)
[8] NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)
[9] UNHS 2016/17
[10] The policy aims to return the Gini-coefficient level of 0.395 achieved in 2012/13 when it reduced from 0.426 in 2009/10.
[11] Or Export Concentration Index
[12] Figure is for 2010; DFID-IMF Diversification Toolkit (2014)
[13] N/A-The targets for the indicators are currently unavailable; these will be confirmed up completion of the first perspective plan under preparation by the National Planning Authority.
[14] TBC- To be confirmed upon update of Vision 2040 targets by the National Planning Authority.
[15]NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)

[16] NDP II (Target 1 for Science, Technology Engineering and Innovation, Page 160)
[17] FY 2016/17, MFPED
[18] FY 2016/17, MFPED (2017)
[19] FY 2016/17, Tax Policy Department, Ministry of Finance, Planning and Economic Development
[20] Bench Marked against Vietnam (2013)
[21] UBOS 2017 Statistical Abstract
[22] * Projections by MFPED based on past performance
[23] MFPED (2018)
[24] NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)
[25] NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)
[26] Annual average for the period 2002/2013 to 2012/13
[27] NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)
[28] NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)
[29] 23 Presidential Guidelines and Directives
[30] 40 Feet container
[31]Cost (US$) of transporting a 20 Feet Container from Mombasa to Kampala
[32] Accountability Sector Strategic Investment Plan 2017/18 - 2019/20
[33] Charter for Fiscal Responsibility FY 2016/17-FY2020/21
[34] Uganda Doing Business Report 2016
[35] The Global Competitiveness Report 2015-2016
[36] Capital Markets Authority (2017), As at December 2016
[37] Accountability Sector Strategic Investment Plan 2017/18 - 2019/20
[38] UBoS (Statistical Abstract, 2017)
[39] UBoS (Statistical Abstract, 2017)
[40] Accountability Sector Strategic Investment Plan 2017/18 - 2019/20
[41] UIA Annual Investment Abstract FY 2016/17
[42] CMA (2017)
[43] National Financial Inclusion Strategy 2017-2022, MFPED
[44] Accountability Sector Strategic Investment Plan 2017/18 - 2019/20
[45] NPA (Progress on Uganda Vision 2040 Targets for FY 2016/17)
[46] Key Insurance Industry Key Facts, Insurance Regulatory Authority, 2017
[47] Revised IRA Strategic Plan 2017/18 – 2021/22
[48] Estimated penetration based on historic trends & in anticipation of sustained public & private sector investment
[49] Estimated penetration based on historic trends & in anticipation of sustained public & private sector investment
[50] Accountability Sector Strategic Investment Plan 2017/18 - 2019/20
[51] Accountability Sector Strategic Investment Plan 2017/18 - 2019/20
[52] African Average