BANK OF UGANDA

PRIVATE CAPITAL FLOWS SURVEY 2001 REPORT

(FOR PUBLIC USE)

19th July, 2002

FOREWORD

In 1997, Uganda fully liberalised the capital account of the Balance of payments (BOP) allowing free movement of capital in and out of the country. The magnitudes of capital flows of a long-term and short-term nature are not fully known as mechanisms for recording and monitoring such flows were either non-existent or inadequate. To overcome this, the Bank deemed it necessary to institute a system of recording and monitoring these flows through the Private Capital Flows project.

The success of this system depends on the cooperation and active participation of all stakeholders and the public in general. It is anticipated that with this system in place, Bank of Uganda will be in a position to monitor the flows and report a reliable BOP and International Investment Position (IIP) for Uganda. The system will involve better recording of capital flows through the authorised foreign exchange dealers and regular surveys, and it is hoped that the system will serve as an effective Early Warning System for the financial and external sectors in pre-empting possible future turbulence.

This report contains results of the first Private capital Flows survey, which was carried out in 2001 for data relating to the years 1999 and 2000. The survey was conducted by the Bank of Uganda, in conjunction with the Uganda Bureau of Statistics and the Uganda Investment Authority.

Bank of Uganda is grateful to the Government of Switzerland (State Secretariat for Economic Affairs - SECO) and United Kingdom (Department for International Development – DFID) for funding the project in general and the survey in particular, and Development Finance International (DFI) and the Macro Economic Financial Management Institute for Eastern and Southern Africa (MEFMI) for technical assistance.

The survey would not have been successful without the participation of the various stakeholders in the Private Sector Foundation, then Economic Policy and Research Center, Uganda Manufacturers' Association, Uganda Investment Authority and Uganda Bankers Association, which formed part of the Working Group.

The experiences of the European Central Bank (ECB) and the central banks of Indonesia, Namibia, Zambia, South Africa, South Korea, Germany, Mauritius and United Kingdom helped us in the formulation of the questionnaire, survey design and methodology.

Finally, I wish to thank the respondents of the survey and follow-up surveys for their continued cooperation in building up a strong and timely database on private sector capital flows.

I am sure that the findings of this Report will be useful in formulating appropriate and timely external sector policies.

Emmanuel Tumusiime-Mutebile
Governor, Bank of Uganda

ACRONYMS

BOP	Balance of Payments
BOU	Bank of Uganda
CREFSA	Center for Research into Economics and Finance in Southern Africa
DFI	Development Finance International
DFID	Department For International Development
DMFAS	Debt Management Financial and Accounting System
DSA	Debt Sustainability Analysis
EADB	East African Development Bank
EFA	External Finance for Africa
EPRC	Economic Policy Research Centre
FDEI	Foreign Direct Equity Investment
FDI	Foreign Direct Investment
FPEI	Foreign Portfolio Equity Investment
FAL	Foreign Assets and Liabilities
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
IIP	International Investment Position
IO	International Organisation
MEFMI	Macroeconomic Financial Management Institute for Eastern and Southern Africa
PCF	Private Capital Flows
PSED	Private Sector External Debt
PSF	Private Sector Foundation
PUSED	Public and Publicly Guaranteed External Debt
SECO	State Secretariat for Economic Affairs
TDO	Trade Development Officer
TEDD	Trade & External Debt Department
UBA	Uganda Bankers' Association
UBOS	Uganda Bureau of Statistics

UIA	Uganda Investment Authority
UMA	Uganda Manufacturers' Association
USAID	United States Agency for International Development
WG	Working Group

DEFINITIONS

Book Value	Comprises of authorised and issued share capital at historical cost plus any share premium reserves, retained earnings, and any other reserves. Referred to as Shareholder funds by financial managers and accountants.
Branch profits	Profits of wholly unincorporated branches without share capital. These are the earnings allocated to direct investor.
Dividends	Income on equity in incorporated entity based on equity participation.
Entity	Is a company or an enterprise.
Equity	Shares in entities, and equivalent ownership interest in an incorporated entity (branches).
FDEI	Is where a non-resident entity has a 10% or more of the ordinary shares in an entity or an entity has a 10% or more ordinary shares in a non-resident entity.
FDI	Reflects the objective on a lasting interest by a resident entity in one economy (direct investor) in an entity resident in another economy (the direct investment entity). It comprises of three components; New equity investment, Re-invested earnings and inter-company loans.
Foreign Debt Transactions	Comprise of external debt disbursements, principal re-payments and payments of interest and fees.
Foreign Investment	Comprises of investment from non-resident into resident entities or vice versa. It comprises of direct, portfolio and other investments.
FPEI	Is where a non-resident entity has less than 10% ordinary shares in your entity or your entity has a less than 10% shares in a non-resident entity.
Governor	The Governor, Bank of Uganda.
Inter-company borrowing	Also referred to as shareholder borrowing and lending is borrowing or lending between an entity and a related non-resident entity.

Market value	Is the amount of money that a willing buyer pays to acquire something from a willing seller based on commercial considerations only.
Non-equity	Refers to all other financial instruments including loans, trade and suppliers credit (for goods and services), bonds, debentures, notes, money market instruments, shareholder and inter-company loans, arrears of debt or interest and deposits.
Non-Resident	A non-resident is any individual or entity that has lived or operated (or intends to live or operate) outside Uganda for a year or more (even if they are Ugandans). International Organisations such as the EADB, PTA, ADB, BADEA, IFC, CDC, DEG, EIB, etc that have shareholders who are governments are considered non-residents irrespective of the country in which they are located.
Other investments	All other types of foreign investment and includes trade credits, loans (lending and borrowing), currency and currency deposits and other assets and liabilities.
PCF	Is foreign investment (Direct, Portfolio and Other investments).
Portfolio Investment	Is investment in tradable debt (bonds and bills) or equity (shares on stock exchange).
Resident	A resident is any individual or entity ordinarily living or operating (or intends to live or operate in Uganda for one year or more). In other words, its centre of economic activity is Uganda regardless of the nationality.
Retained Earnings	It is direct investor income on equity net of taxes that is not distributed.
Shareholder/intercompany (Loans / borrowings)	This is borrowing or lending of funds between direct investor (resident in Uganda) and the direct investment entity (resident in another economy).
Stakeholders	Potential respondents, implementing agencies, donors, researchers, information users (for private capital flows).

SYMBOLS

The following conventions used in this report have the following interpretation:

-	data not available or not applicable; and
--	values less than US$100,000;
0	zero or no value.

EXECUTIVE SUMMARY

Policy reforms carried out in the 1990s have attracted foreign investment in Uganda. However, the foreign exchange liberalization measures which culminated in the lifting of controls on current and capital accounts in 1993 and 1997 respectively, has made compilation of information required for appropriate policy formulation, balance of payments and international investment positions difficult since the flow of information from the administrative system ceased to become available. Due to the increasing nature of transactions, the quality of data has suffered necessitating the need to establish a system for monitoring the country's private capital flows. Bank of Uganda, in conjunction with Uganda Investment Authority, Uganda Bureau of Statistics and the Private Sector set up the Private Capital Flows (PCF) project with the objective of monitoring private flows and establishing a private capital flows database in conformity with international codes and standards.

A survey to collect data from private sector entities with foreign assets and liabilities the years 1999 and 2000 was conducted, between the 4th June 2001 and 15th March 2002, using a questionnaire. Out of the 467 entities targeted, 326 responded representing a response rate of 69.0 per cent.

In general, findings reveal that gross private capital stocks are greater than previously thought, although on a net basis flows are roughly the same as earlier estimated. The volumes of inflows and outflows have actual and potential impact on the balance of payment, the exchange rate and the wider economy, especially in the event of volatility.

Foreign Liabilities stocks collected increased by 19% from US$903m (16% of GDP) to US$1,072m (23% of GDP) in 1999 and 2000 respectively. Previously, it was believed that most of the inflows were equity from foreign direct investors, the survey has made known that most was in fact not equity, but rather debt from related (FDI) or unrelated entities amplifying the need to seriously monitor PCF, and PSED in particular. The bulk of total foreign liabilities were long-term in nature.

Entities themselves provided most capital, as direct equity or debt from related sources. Foreign Direct Investment (FDI) related stocks accounted for US$723m or 80% of the total Foreign Liabilities stocks in 1999 and increased to US$885m or 83% in 2000.

Both book value and market value information was required for equity. However, consistent with other developing country and OECD experience, most entities had difficulty in reporting market values as required for best practices, and data had to be up-rated using a factor of 1.4302.

Direct equity stocks increased from US$584 (or 81% of total FDI stock) in 1999 to US$702m (or 79%) in 2000 in market value terms. Equity related FDI stocks recorded a 20% increase in 2000. Major source countries were UK, Bermuda, South Africa and Kenya, representing two-thirds of FDI, with African countries (South Africa, Kenya, Mauritius) making up 25%.

Portfolio equity investment, recorded in international data sets as zero, was captured for the first time, although low at US$9m and US$8m in 1999 and 2000 respectively.

Net new equity recorded amounted to US$56m originating from Bermuda (54%) and South Africa (22%). Though often underreported in the BOP estimates, reinvested earnings, remittances of capital and dividends are also much higher, offsetting a large proportion of inflows. Reinvested earnings attributed to foreign direct equity during 2000 amounted to US$13.0 million. Dividends remitted amounted to US$37m and the bulk was externalised to U.K. US$21m (56%). Financing, insurance and business sector had US$16m remitted as dividends or 44%. Reinvested earnings also tended to be under-reported.

Non Equity Liabilities or total Private Sector External Debt (PSED) to related and unrelated entities, at 31st December 2000 amounted to US$362m (7.9% of GDP), representing a 17% increase from US$309m at 31st December 1999. By source, non-equity liabilities from International Organisations were significant at US$83m (23%). By recipient sector, manufacturing accounts for US$203m, mining and quarrying for US$42m (12%) followed by wholesale, retail and catering US$37 (10%). The FDI component of PSED stock in 1999 was US$138m (or 19% of FDI stock) and increased to US$182m (or 21% of total FDI stock), an increase of US$ 44m or 32%. Borrowing from related companies recorded higher growth (32%) than equity (20%).

Borrowing from related sources is growing faster than other sources, which could imply that local interest rates are higher than external rates, or that investors are not committed and hence, are not capitalising their entities or avoiding stamp duty. Debt terms are highly variable, with borrowing from related sources having cheaper and more flexible terms depending on ability to pay, but borrowings from unrelated sources have high interest rates. The total debt service during the year 2000 amounted to US$117m of which US$97m was principal repayment and US$20m interest repayments. The total PSED service was much larger than for public debt.

Short-term debt was under reported because respondents did not submit data on trade and suppliers credits, largely as they thought it inapplicable.

Investment is coming from a wide variety of countries, including “traditional” sources as U.K. as well as new sources like South Africa. Intra-regional investment continues to grow fast. Key source countries include South Africa, Kenya, and Mauritius. However, it is difficult to track the “true” source of an investment, notably Bermuda, and other tax havens.

In terms of capital outflows or Foreign Assets very little information was collected on the asset side because very few entities reported having investments abroad and this could be partially attributed to the sampling frame.

During the survey exercise, a number of problems were encountered which included outright refusal by respondents to fill the questionnaire, questionable legal mandate to collect such data, survey fatigue coupled with a lengthy and technical questionnaire.

FDI forms an important part of Uganda’s development, totaling US$0.9bn (19% of GDP) as at end 2000. This necessitates permanent monitoring of its impact on the economy. It is therefore recommended that a census be carried out to cover all entities with foreign assets and liabilities. This should be in conjunction with Uganda Investment

Authority to cover actual investment (foreign and local) and investor perceptions as well. Awareness campaign to sensitize the public, in general and the private sector in particular, on the data requirements be enhanced together with enforcement of proper accounting standards. The private sector borrowers need to be advised on issues like hedging of risk and debt terms

A stakeholder public sector institutions setting which comprises of a top tier made up of top executives be formed to coordinate efforts of information gathering, sharing and dissemination while the second tier comprising of the working group members be formalized in order to operationalise joint activities.

CONTENTS

Page

Tables

Figures

CHAPTER 1

INTRODUCTION

1.1 Background

Uganda is one of the developing countries at the forefront of liberalizing their economies. Since 1987, government continues to implement economic reforms that can be broadly categorized in three phases. The first phase was the stabilization and rehabilitation of the economy (Economic Recovery Programs – ERP). The major focus in this phase was instituting fiscal discipline, promoting macroeconomic stability and rehabilitation of productive enterprises.

The second phase comprised of reforms to remove structural distortions in the economy. Reform programs were designed and implemented in the financial sector, expenditure and tax administration, public enterprises, public external debt, civil service, trade and public-private sector partnership. The third phase comprises of policies and programs aimed at improving service delivery and enhancing private sector participation in economic management.

The combined outcome of the measures above is that the size of the economy has more than doubled over the past decade. Real Gross Domestic Product (GDP) per capita growth has averaged 2.2 per cent since 1985. The economy has recorded average real GDP growth rates of 6 per cent per annum. Inflation has been running in single digit for the last decade down from three digits during the late 1980s.

The challenge after liberisation is to record and monitor Private Capital Flows (PCF) for compilation of accurate Balance of Payments (BOP) and International Investment Position (IIP), and for better macro economic policy management in general and price stability in particular. PCF has been estimated to contribute to economic growth at an average rate of 6.3 per cent per annum during the last decade. The country has benefited from technology and human capital that has in turn boosted domestic savings.

Recognising the importance of monitoring PCF, the Bank of Uganda (BOU) embarked on developing a system to measure and monitor capital flows. As part of the process the

Bank, in conjunction with Uganda Bureau of Statistics (UBOS) and Uganda Investment Authority (UIA), carried out the PCF Survey 2001, which collected data on PCF for the years 1999 and 2000.

1.2 Statement of Problem

In 1987, the Government of Uganda embarked on an economic liberalisation program which included, among others, liberalization of the foreign exchange system; Current Account in June 1993 and the Capital Account in July 1997.

Prior to the liberalisation process, there were foreign exchange controls instituted by the Foreign Exchange Control Act 1964. The Act provided for surrender requirements for all inflows and outflows. All remittances were effected with prior sanctioning by Bank of Uganda (BOU). Most of the required information on Export Proceeds, Import Payments, Service Payments, Foreign Direct Investment, Portfolio Investments and Private Sector External Debt was available through the Foreign Exchange Control System.

These policy reforms have attracted foreign capital flows in Uganda which are diverse in nature and have made compilation of balance of payments difficult.. In the absence of data on capital flows BOU has resorted to estimates and this ended up being a residual item in the balance of payments.

Given the importance of such data in policy decision making , it has become necessary to establish a system to monitor and record the country's private capital flows

1.3 The Private Capital Flows (PCF) Project

BOU is in the process of developing a system of monitoring PCF. The system is being developed through a project in the Trade and External Debt Department (TEDD) of the Bank. The project aims at building institutional capacity and developing best practices to meet regional and international standards and has two major components namely: reviewing and redesigning reporting formats and PCF surveys. The project activities are overseen by a Working Group (WG) set up in 1999, to spearhead the development of a sustainable, comprehensive and consistent framework for data collection and reporting. This would minimise overlaps, fatigue and inconsistencies in data collection.

The project has received financial assistance from the Governments of the Swiss Confederation through the Secretariat for Economic Affairs (SECO) and technical assistance from Development Finance International (DFI) financed by the United Kingdom Department for International Development (DFID) and Macroeconomic Financial Management Institute (MEFMI).

As a major component of the project, a survey was designed to collect basic information on all PCF, during the years 1999 and 2000.

1.4 Objectives of the Survey

The PCF survey was conducted between 4th June 2001 and 15th March 2002 with the following objectives:

a) To provide baseline data on PCF for compilation of Uganda's BOP statistics and IIP; and

b) more specifically, to provide data for establishment of a PCF database.

1.5 Scope and Coverage

The survey aimed to cover resident entities with FAL during the years 1999 and 2000. FAL constitutes the following:

i) Foreign Direct Investment.

Information was sought on foreign direct equity investments (10% or more of total equity) and foreign portfolio equity investment (less than 10% of total equity) in entities in terms of both book (nominal) and market valuation. In addition, information on reinvested earnings attributable to Foreign Direct Equity Investment (FDEI) and Foreign Portfolio Equity Investment (FPEI) and dividends or profits paid to non-resident shareholders was collected.

ii) Foreign non-equity liabilities in resident entities

These were mainly classified into two categories; consisting of the long-term borrowings (borrowings with maturities longer than 12 months); and short term borrowings (borrowing with maturities equivalent to 12 months or less). Information was sought on loan details and terms under both categories.

iii) Investments in non-resident entities

Data was collected on foreign direct equity investments (10% or more of total equity) and foreign portfolio equity investment (less than 10% of total equity) in non-resident entities in terms of both book (nominal) and market valuation.

iv) Foreign non-equity assets (claims on non-residents)

Details on both long and short-term external loans to non-residents were sought together with information on investments in debt securities.

1.6 Organisation of the survey

The organisation of the survey consisted of several activities which included institutional coordination, capacity building, study tours, information gathering, training of field staff, missions and sensitisation as described in the following sub-sections.

i) Institutional Coordination

In order to coordinate the PCF activities, a Working Group (WG) was formed with representatives from institutions with a stake in the project namely BOU (Governor's Office, Trade and External Debt, Research, Domestic Financial Markets and Commercial Banking Departments); Uganda Bureau of Statistics (UBOS); Uganda Investment Authority (UIA); Economic Policy Research Center (EPRC); Private Sector Foundation (PSF); Uganda Bankers' Association (UBA); and Uganda Manufacturers' Association (UMA).

The WG had Terms of Reference (TOR) as shown in Appendix 1. Initially, the project was intended to cover Private Sector External Debt (PSED) but with time it was extended to cover PCF in general because of the need to satisfy BOP and IIP requirements. In addition, it was cost effective to cover both equity and non equity simultaneously. The initial TOR presented in Appendix 1 were therefore adjusted to cater for Development Finance International (DFI) as consultants facilitating expansion of the project and building capacity in international standards and codes.

The Director TEDD serves as the chairman of the WG, coordinates and oversees the whole survey exercise while the Department provides the secretariat.

ii) Capacity Building

Building capacity involved study tours to two central banks, collection and studying information from other central banks, training of field staff and technical assistance missions. Relevant ideas from other central banks were incorporated in the survey. Field staff were trained in survey methodology, BOP and IIP concepts and the questionnaire.

A sensitization campaign was also embarked on which was in form of workshops for the media and stakeholders, press releases, discourses and brochures.

1.7 Organisation of the report

This report on PCF Survey 2001 is divided into five chapters. The first chapter has presented the introduction, background and organisation of the survey. The rest of the document is organised as follows: Chapter two presents the methodology while Chapter three presents the findings and analysis of the survey results. Chapter four presents problems encountered during the survey, implications and recommendations.

CHAPTER 2

METHODOLOGY

This chapter presents the methodology which includes sampling, survey instruments of data collection, data processing and analysis techniques adopted and the limitations of the survey.

2.1 Sampling

Initially the sampling frame was constructed from the Uganda Investment Authority Investor Survey 2000 list of 995 entities. From this list, entities with investments worth US$100,000 or more were extracted.

The total number of entities identified from the Investment Survey 2000 was 330. An additional 146 entities were identified during fieldwork, bringing the final number to 476 entities.

2.2 Survey Tools and Techniques

The survey tools included a questionnaire, an enumerator's manual and operational guidelines. A pilot survey was carried out and special arrangements were made to collect data from commercial banks. A follow-up of non-responding cases was made and in some instances office estimates were made.

2.2.1 Questionnaire, Enumerators Manual and Pilot survey

This sub-section presents the survey tools namely, the survey questionnaire, the enumerator manual and the pilot survey.

i) Survey Questionnaire and Enumerators Manual

Using information generated through various sources, a survey questionnaire was designed with the objective of collecting basic data on private capital flows. The questionnaire was reviewed by the WG and presented and discussed at various workshops in order to incorporate views from all stakeholders and to ensure thorough understanding of the content.

In addition to the questionnaire, an enumerator's manual was developed in order to guide and ensure that enumerators were conversant with basic concepts. The manual specifically contained:

a) Background to the Survey;

b) Organization of the Survey;

c) Roles of Supervisors and Enumerators;

d) Concepts and Definitions of the Questionnaire;

e) Description of Questions and Data Checking Procedure;

f) Implementation Schedule; and

g) Initial Survey List.

Both self-enumeration and interviewing methods were used concurrently in most cases. Where the respondents were conversant with the concepts and terms used, self-enumeration was employed. For respondents where the concepts were unfamiliar, interviewing was employed. This involved providing explanations and filling of the questionnaire together with the enumerator.

Field activities commenced with a refresher workshop for the field staff. This was followed by press releases aimed at drawing the public's attention to the impending survey and specifically called for cooperation from the private sector. A copy of the questionnaire is attached as Appendix 2.

ii) Pilot Survey (October –November 2000)

The pilot survey covered a sample of 20 entities [located in Kampala and neighbouring Mpigi districts (the present Wakiso)] selected from the UIA database. Out of the 20 (twenty) questionnaires distributed, 10 (ten) were filled and returned by 24th November 2000 representing a 50% response. The pilot survey revealed the following:

a) The questionnaire was long (9 pages), detailed and too technical. Hence it required a lot of time, accounting and finance skills to complete and necessitated the use of several financial statements.

b) The legal mandate for Bank of Uganda to carry out this type of survey appeared unsatisfactory since the questionnaire was issued under the authority of the UBOS Act 1998. Despite the claim that this was a joint exercise with UIA, UBOS and BOU, the background information clearly indicated that the survey was basically a Bank of Uganda exercise aimed at collecting data on Private Sector External Debt (PSED) and for BOP statistics. It was largely conducted by BOU staff and therefore enforcing compliance was not easy.

c) The questionnaire did not spell out the benefits that would accrue to the respondents. Since the benefits of filling the questionnaires were not indicated and the exercise appeared to be voluntary, there was neither motivation nor penalties for compliance and non-compliance, respectively.

d) Similar surveys had been carried out by other institutions, for example UIA/BOU/EFA and EPRC. Clearly, there was survey fatigue and duplication, depicting poor coordination among relevant institutions.

e) During the exercise, it was only middle and junior officers of the Bank who interacted with chief executives of these entities. The exercise lacked the involvement of senior level officers during the interviewing process and follow-up on entities that did not respond.

f) The officers who were deployed for the exercise were doing it on a part-time basis despite the fact that the pilot survey needed full time staff, on call, to define and interpret the terminology used in the questionnaire.

g) The survey required intensive follow up yet the deployed manpower lacked basic logistics like transport.

h) The exercise lasted longer than anticipated, therefore, the budget was insufficient.

The pilot survey findings were used to formulate better strategies on how to conduct the main survey.

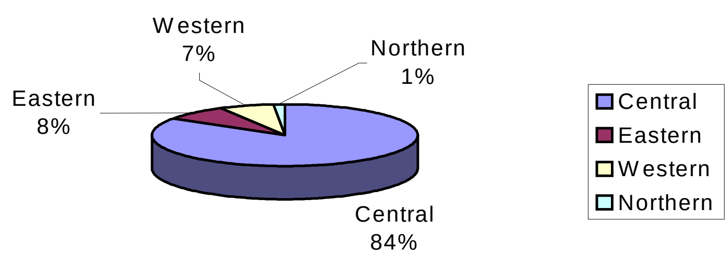
2.2.2 Fieldwork activity

Under fieldwork activities included questionnaire distribution and collection and follow-up on non-responding entities.

i) Questionnaire distribution

A total of 476 questionnaires were physically delivered to various listed entities as follows: Central region 401, Eastern region 37, Western region 32 and Northern region 6. Figure 3.1 shows the percentage questionnaire distribution by region.

Figure 3.1: Questionnaire Distribution



ii) Data collection

Six field teams and one office team carried out the data collection for a period of seven months. Each field team consisted of a supervisor and three enumerators. Enumerators and supervisors administered survey questionnaires to the respondents identified or believed to have FAL. For located entities, questionnaires were physically delivered by enumerators and supervisors in the areas of Kampala, Entebbe, Jinja, Mbale, Arua, Mbarara, Kabale, Lira, Tororo, Masindi, Kasese, and Fort Portal. The strategy to involve Trade Development Officers (TDOs) in administering the questionnaires in up country districts did not yield satisfactory results.

Most of the questionnaires were delivered with prior appointments with either the chief executives or finance executives of the entities. This category of staff were deemed to be better equipped to furnish the information requested. The executives were briefed about the survey and received detailed explanations on how to fill the questionnaires.

iii) Follow up

Follow up visits were carried out for various reasons including:-

a) Late return of the questionnaire and non response;

b) Incomplete and unclear information and further clarification on some aspects of the questionnaire;

c) To obtain additional loan information that included the stocks and transactions which was not initially provided for in the questionnaire; and

d) To obtain information from the Commercial Banks which were omitted from the sample.

In addition administrative circulars were sent out to those entities which had not submitted the completed questionnaire by the deadline.

2.3 Data Processing

Data processing included development of the software, editing, entry and analysis.

2.3.1 Development of software

A Microsoft- Access software program and a user guide were developed in-house to capture and process data, with interfaces similar to the layout of the questionnaire.

Data collected from the survey was captured into the program and the preliminary result tables generated. During the initial stages of data capturing the in-house program was undergoing further development. However, before completion of the software development process DFI introduced an alternative program during the software mission in Malawi. The DFI software was not fully developed at the time, and was still at the testing stage in the development cycle. In addition to the incomplete status of the program, the software screen interface were not similar to the layout of the questionnaire and some functions were lacking.

During the mission, the data previously captured in the in-house program was converted into the DFI software formats with the exception of PSED data.

2.3.2 Manual editing and entry

The process of data entry started when the dully-filled questionnaires were received from the field and edited by the respective supervisors. Manual editing involved checking the data values for omissions, errors, inconsistencies and selecting proxies and making office estimates where necessary.

2.3.3 Data analysis

Two methods were used to calculate the flows namely; stock approach which took the changes in stocks between 1999 and 2000 and the transaction approach which took the sum of the values of all transactions during the year 2000 in terms of both book and market valuation.

The DFI software and MS-Excel were used to analyse data and results presented in tabular, graphical and diagrammatic forms. The analysis involved consolidation and grouping the data under various criteria as described below:-

i) Foreign Equity

Market value and book value were summed up and grouped by sector, country of origin, region and year. New investments received and paid out were totaled and grouped by country and sector. Further, percentages were computed for the grouped data which was later ranked in descending order of percentages. In addition, cross comparisons were made across the two years and percentage changes computed.

Earnings were categorised and totaled into net profits/losses, dividends paid to residents and non residents and retained earnings. Dividends paid and profits remitted were also categorised by country and sector.

ii) Foreign Non Equity

Foreign Non Equity data was analysed in MS-Excel worksheet where stocks and transaction (principal, interest, charges and disbursements) data were totaled and grouped by BOP and IIP classifications, country, maturity and region.

2.4 Limitations

The data used for the analysis had the following limitations:

i) The survey did not cover the entire population of all entities with FAL. Indeed, this population is not known.

ii) The survey did not cover individual persons with FAL.

iii) In some cases the market values were omitted.

The following measures were taken to address the above limitations:

a) Data up-rating.

b) Where market values were missing, office estimates and book values were used as proxies.

CHAPTER 3

FINDINGS AND ANALYSIS

This chapter presents, discusses and analyses the findings. A total of 476 questionnaires were delivered to various entities, of which 326 were returned representing a response rate of 69.0 per cent. A total of 235 entities reported having Foreign Assets and Liabilities (FAL) accounting for 73.0 per cent of the returned questionnaires.

3.1 Presentation of Findings

The findings are presented in five sections namely:- General Information, Foreign Investment, Foreign non-equity Liabilities, Investment in non-resident entities and Foreign non-equity assets in accordance with the sequence of the questionnaire used in the survey. This section presents the findings under these sub-divisions in the various sub-sections.

3.1.1. General Information

In this section information on the location, group reporting and industrial classification of reporting entities is covered.

i) Location of entities

Out of the 326 entities that responded 84.0 per cent were located in the Central region, 9.0 per cent in Eastern, 6.0 per cent in Western and 1.0 per cent in the Northern region. Table 3.1 shows the number of questionnaires delivered, returned and the percentage response by region.

Table 3.1: Location of delivered & returned questionnaires

Region	No. of questionnaires delivered	No. of questionnaire returned	Per cent Returned per region
Central	401	273	68
Western	32	19	59
Eastern	37	30	81
Northern	6	4	67
Total	**476**	**326**	**69**

The Eastern region recorded the highest response rate of 81.0 per cent, followed by Central region with 68.0 per cent while Northern and Western regions recorded 67.0 and 59.0 per cent, respectively as shown in Table 3.1.

ii) Group of Companies.

Out of the 326 entities, 24 (7.0%) were group of companies while 302 (93.0%) were individual entities. The group reporting distorted the sectoral analysis because only the leading sector was picked for the group.

iii) Industrial Classification

Table 3.2 groups the responding entities under their respective industrial classification.

Table 3.2: Industrial Classification

No.	Industrial Classification	Number Responding	Percent
1	Agriculture, hunting, forestry and fishing	9	3
2	Mining and quarrying	3	1
3	Manufacturing	109	33
4	Electricity, gas and water	3	1
5	Construction	25	8
6	Wholesale & retail trade, &catering &accommodation services	77	24
7	Transport, storage & communication	19	6
8	Finance, insurance, real estates & business services	45	14
9	Community, social and personal services	10	3
10	Activities not covered above	26	8
	Total	**326**	**100**

The results of the survey indicate that there are more entities engaged in manufacturing to the tune of 33.0 per cent than in any other activity. Wholesale and retail trade and the finance sectors followed with 24.0 per cent and 14.0 per cent, respectively. The rest of the respondents in the other sectors accounted for less than 10.0 per cent.

3.1.2 Foreign Investment.

This section gives information on the distribution of Foreign Direct Equity Investment (FDEI), Foreign Portfolio Equity Investment (FPEI), New Equity, Retained Earnings, and Dividends in relation to location, source and sector for the period 1999 and 2000. The entities provided both the book and market values of equity. The presentation is based on market value in order to comply with international standards. This part was filled in by 204 entities or 86.0 per cent of those reporting FAL. The book values are in many case given in the appendices as indicated in the following text.

i) Foreign Direct Equity Investment (FDEI)

This sub-section covers ownership of entities of 10.0 per cent or more of total equity in an entity by non-residents. Table 3.3 below shows the total value of FDEI captured for the two periods.

Table 3.3: Book Value and Market Value of FDEI
(in US$ Million)

Year	Book Value	Market Value
1999	434.0	584.3
2000	494.0	702.3

The market value of FDEI amounted to US$584.3 million and US$702.3 million in 1999 and 2000, respectively. This represents a growth rate of 20.0 per cent as at 31st December 2000 compared to 1999. Details indicating both book value and market value for FDEI are attached in appendix 3.

a) Location of FDEI

Most of the FDEI in the two reporting periods was concentrated in the central region, followed by Eastern and Western regions. The regional distribution of FDEI is shown in Table 4.4.

Table 3.4: Market Value of FDEI by Region
(in US$ million)

	1999		2000	
Region	**Market value**	**Per cent**	**Market value**	**Per cent**
Central	411.8	71	490.0	70
Eastern	129.3	22	162.0	23
Western	43.2	7	50.0	7
Total	**584.3**	**100**	**702.3**	**100**

From the market values of FDEI shown in the above table, there was no significant change in the location of FDEI in 2000 compared to 1999. Details indicating both book value and market value by location are attached in appendix 4.

b) Sectoral Distribution of FDEI.

There were no major changes in the distribution of FDEI in various sectors during the two reporting periods. Most of the FDEI was in the manufacturing sector and it amounted to 57.0 per cent and 54.0 per cent for the periods 1999 and 2000, respectively. Wholesale, retail and catering sector was the second major recipient of FDEI followed by the finance and insurance sector. The respective values for the two periods are presented in the Table 3.5.

Table 3.5: Distribution of FDEI by Sector
(in US$ million)

		1999		2000	
No.	**Industrial Classification**	**Market Value**	**Per cent**	**Market Value**	**Per cent**
1	Agriculture, hunting, forestry and fishing	--	-	0.40	0.06
2	Mining and quarrying	28.20	4.82	28.20	4.02
3	Manufacturing	334.30	57.22	377.00	53.67
4	Electricity, gas and water	5.10	0.87	9.40	1.34
5	Construction	7.80	1.33	11.40	1.62
6	Wholesale, retail and catering, Accommodation and tourism	73.60	12.60	91.90	13.08
7	Transport, storage and communication	63.30	10.84	85.50	12.18
8a	Financing, insurance, business services	67.20	11.50	84.70	12.06
8b	Real estate	0.90	0.15	4.30	0.62
9	Community, social and personal services	3.20	0.55	8.60	1.22
10	Activities not covered above	0.70	0.12	0.90	0.13
	Total	**584.30**	**100.00**	**702.30**	**100.00**

Note: -- less than US$100,000

The results show that there was insignificant FDEI in agriculture yet the agriculture sector is the leading sector in Uganda. It accounted for 42.0 per cent of GDP in the year 2000 and is estimated to employ 80.0 per cent of the population. Details indicating both book value and market value by industrial classification are attached in appendix 5.

c) Sources of FDEI.

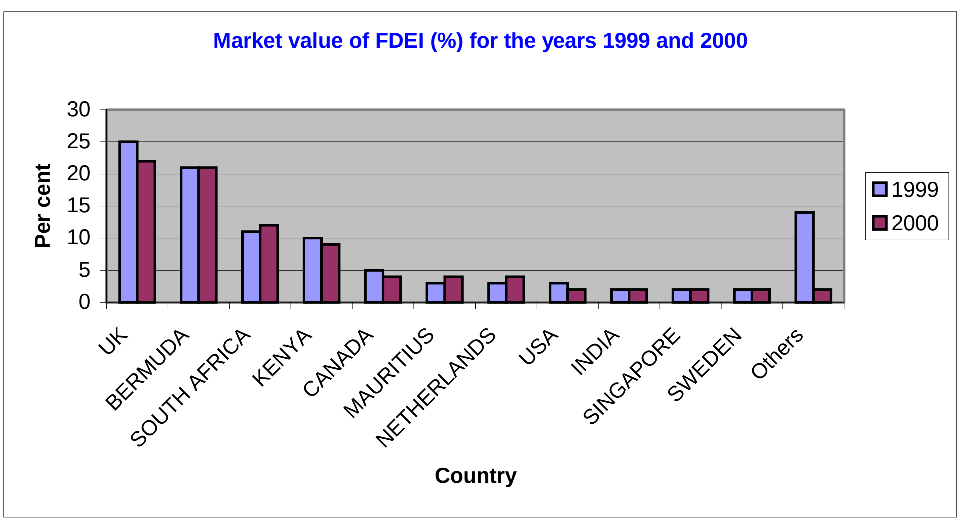
During the periods 1999 and 2000, UK. Bermuda, South Africa and Kenya ranked as the leading four sources of FDEI. Out of the total reported stocks of FDEI as at 31st December 1999 and 2000, the shares from the above countries were 67.0 per cent and 64.0 per cent respectively. Twenty four percent of the FDEI stocks in 1999 were from three African countries and these include South Africa, Kenya and Mauritius and in the year 2000 they contributed 25.0 per cent of the reported FDEI. Table 3.6 shows the detail about the source of FDEI.

Table 3.6: Market Value of FDEI by Residence
(in US$ million)

	1999		2000	
Country	**Market Value**	**Per cent**	**Market Value**	**Per cent**
UK	148.8	25	153.4	22
Bermuda	122.4	21	148.1	21
South Africa	64.4	11	86.7	12
Kenya	58.9	10	65.0	9
Canada	30.9	5	31.2	4
Netherlands	16.0	3	30.3	4
Mauritius	16.4	3	30.0	4
Belgium	0	-	17.3	2
France	0	-	16.7	2
USA	15.4	3	15.6	2
Sweden	9.0	2	13.4	2
Singapore	10.1	2	10.9	2
India	10.4	2	10.6	2
Others	81.5	14	73.0	10
Total	**584.3**	**100**	**702.3**	**100**

Details indicating both the book value and market value by country of residence are attached in appendix 6 while Figure 3.1 presents percentage share of FDEI (market value) per country for the years 1999 and 2000.

Figure 3.1: Market value of FDEI (%) for the year 1999 and 2000



ii) Foreign Portfolio Equity Investment (FPEI)

This sub-section covers ownership of equity of less than 10.0 per cent of total equity in an entity by non-resident entities. Table 3.7 below shows the total value of FPEI captured for the two periods.

Table 3.7: Book and Market Values of FPEI
(in US$ millions)

Year	Book Value	Market Value
1999	9.2	9.5
2000	7.9	8.3

Twenty-nine entities reported FPEI, representing 12.0 per cent of the total number of entities reporting FAL. There was a drop in FPEI by 12.0 per cent from US$9.5 million to US$8.3 million in market value terms from 1999 to 2000.

a) Regional Distribution of FPEI

Most of the FPEI in the two reporting periods was concentrated in the Western region, followed by Central and Eastern regions The Western region accounted for 56.0 per cent and 64.0 per cent of total FPEI in 1999 and 2000 respectively. The regional distribution of FPEI is shown in the Table 3.8.

Table 3.8 Distribution of FPEI by Region
(in US$ million)

	1999		2000	
Region	**Market Value**	**Per cent**	**Market Value**	**Per cent**
Central	3.5	37	2.3	28
Eastern	0.7	8.0	0.7	8.0
Western	5.3	56	5.3	64
Total	**9.5**	**100**	**8.3**	**100**

From the values of FPEI shown in the above table, there was no significant change in the location of FPEI in 1999 and 2000.

b) Sectoral Distribution of FPEI.

There were no major changes in the distribution of FPEI in various sectors during the two reporting periods. Most of the FPEI was attracted to the mining and quarrying sector, which accounted for 56.0 per cent and 64.0 per cent for the period 1999 and 2000, respectively. The manufacturing sector was the second major recipient of FPEI followed by the transport, storage and communication sectors. The respective values for the two periods are presented in the Table 3.9.

Table 3.9: Distribution of FPEI by Sector

(in US$ million)

		1999		2000	
No.	**Industrial Classification**	**Market Value**	**Per cent**	**Market Value**	**Per cent**
1	Accommodation and tourism, Wholesale, retail	0.3	3	0.3	3
2	Community, social and personal services	--	-	--	-
3	Construction	--	1	--	1
4	Financing, insurance, business services	--	-	--	-
5	Mining and quarrying	5.3	56	5.3	64
6	Manufacturing	3.3	35	2.1	25
7	Real estate	--	-	--	-
8	Transport and storage, communication	0.5	5	0.5	6
9	Wholesale, retail and catering	--	-	--	-
	Total	**9.5**	**100**	**8.3**	**100**

c) Source of FPEI.

During the periods 1999 and 2000 France, USA, and Kenya were the leading sources of FPEI. Out of the stock of FPEI as at 31st December 1999 and 2000, the shares from the above countries were 69.0 per cent and 72.0 per cent respectively. Twenty one percent of the FPEI stocks in 1999 were from three African countries and these include Kenya, Egypt and Tunisia, while in the year 2000, these countries contributed 16.0 per cent of the FPEI. Table 3.10 shows the details.

Table 3.10: FPEI by Source Country

(in US$ million)

	1999		2000	
Country	**Market Value**	**Per cent**	**Market Value**	**Per cent**
France	3.5	37	3.5	42
USA	1.8	19	1.9	23
Kenya	1.2	13	0.6	7
Egypt	0.5	5	0.5	6
UK	0.3	3	0.3	3
Tunisia	0.3	3	0.3	3
Belgium	-	-	0.3	3
Portugal	0.1	1	0.2	2
Others	1.6	18	0.8	10
Total	**9.5**	**100**	**8.3**	**100**

iii) New Foreign Direct Equity Investment (NFDEI) by Non-Residents in the year 2000

This sub-section covers new equity or shares in resident entities from non-residents. During the year 2000, New Foreign Direct Equity investment received amounted to US$57.6 million while US$1.1 million was paid.

a) Regional Distribution of NFDEI

Most of the NFDEI in the year 2000 was concentrated in the Eastern region, followed by Central and Western regions. The Eastern region attracted 53.0 per cent of the total NFDEI. The regional distribution of FDEI is shown in Table 3.11.

Table 3.11: NFPEI by region in 2000
(in US$ million)

Region	Amount Received	Per cent	Amount Paid	Per cent
Central	25.9	45	1.1	100
Eastern	30.7	53	0	-
Western	1.0	2	0	-
Total	**57.6**	**100**	**1.1**	**100**

The two regions, Eastern and Central accounted for 98.0 per cent of the new foreign direct equity investment.

b) Sectoral Distribution of NFDEI

Most of the NFDEI was attracted in the manufacturing sector followed by the finance, insurance and business sector receiving 78.0 per cent and 13.0 per cent respectively. The respective sector values for the period are presented in Table 3.12.

Table 3.12: NFDEI by non-residents by sector
(in US$ million)

No.	Industrial classification	Amount Received	Per cent	Amount Paid	Per cent
1	Manufacturing: Food and beverages	42.2	73	0	-
2	Financing, insurance, business services	7.4	13	--	-
3	Communication	2.1	4	0	-
4	Community, social and personal services	1.8	3	0	-
5	Manufacturing: Agro-industry	1.6	3	0.5	43
6	Real estate	0.7	1	0.3	26
7	Transport and storage	0.4	1	0	-
8	Manufacturing: Chemicals and petroleum	0.4	1	--	9
9	Other manufacturing	0.4	1	0.3	23
10	Activities not covered above	0.2	-	0	-
11	Wholesale, retail and catering	0.1	-	0	-
12	Electricity, gas and water	0.1	-	0	-
13	Accommodation and tourism	--	-	0	-
	Total	**57.6**	**100**	**1.1**	**100**

c) Source of NFDEI.

During the period ended 31st December 2000, Bermuda and South Africa ranked as the first and second major sources of NFDEI, respectively. The two countries brought in 75.0 per cent of the total NFDEI. Thirty two per cent of the NFDEI in 2000 was from five African countries and these included South Africa, Kenya, Mauritius, Egypt and Rwanda. Table 3.13 shows the details of sources of NFDEI.

Table 3.13: NFDEI by non-residents by Country in 2000
(in US$ million)

Country	Amount Received	Amount Paid
Bermuda	30.6	-
South Africa	12.6	-
Kenya	2,.2	-
UK	2.1	0.4
IO/CDC	1.5	-
USA	1.5	--
Belgium	1.3	-
Austria	1.1	-
Mauritius	1.1	-
Egypt	0.8	-
Sweden	0.7	-
Denmark	0.4	-
Rwanda	0.3	-
Canada	0.3	-
China	0.3	0.2
IO/EADB	0.2	-
British Virgin Isl.	0.1	-
Norway	0.1	-
India	--	0.5
Netherlands	--	-
Australia	--	-
Total	**57.6**	**1.1**

A total of US$1.1 million was paid out of which 43.0 per cent went to India, while 34.0 per cent and 23.0 per cent went to UK, and China respectively.

iv) Reinvested Earnings Attributed to FDEI and FPEI

Eighty four percent of the 189 entities, which reported equity, filled in this sub-section. A lot of inconsistencies were noted in the returns which, revealed that some entities did not provide accurate information. Some entities partially filled the section and from the information provided, office estimates were made where possible. A total of 82 entities reported profits while 78 reported losses. The total profits and losses amounted to US$84.13 million and US$25.64 million, respectively. The net profit position for all entities combined were US$58.49 million. Retained earnings during the year 2000 were US$21.1 million of which 63.0 per cent was attributed to FDEI only.

Table 3.14: Retained Earnings during 2000
(in US$ million)

Category	Amount
Net profit/loss	58.5
Dividends paid to non-residents	36.7
Dividends paid to residents	0.8
Total retained earnings	21.1
Retained earnings attributable to FDEI only	13.4

v) Dividends paid or profits remitted to non-residents

A total of US$ 36.7 million was remitted to non-residents as dividends, while US$0.8 million was paid to residents.

a) Dividends by Country of Destination

In 2000, a total of US$36.7 million was paid as dividends to non-residents. The shares were 56.0 per cent, 14.0 per cent and 9.0 per cent to UK, Kenya and South Africa, respectively. Details on the above are presented in Table 3.15.

Table 3.15: Destination of dividends paid / profits remitted in 2000
(in US$ million)

Country	Amount	Per cent
UK	20.5	56.0
Kenya	5.0	13.6
South Africa	3.3	8.9
USA	3.0	7.9
Singapore	2.1	5.7
France	2.0	5.5
IO	0.8	2.3
Others	--	0.2
Total	**36.7**	**100.0**

b) Dividends paid or profits remitted to non-residents by sector

Investors in the financing, insurance, business services reported dividends remitted during the year 2000 accounting for 43.8 per cent. Respondents in this sector are likely to have reported accurately because their activities are regulated and financial statements published. The manufacturing and wholesale, retail and catering contributed 36.9 per cent and 18.9 per cent, respectively. The three sectors contributed about 99.6 per cent to the total dividends paid to non-residents.

Table 3.16: Dividends paid or profits remitted to non-residents by sector in 2000
(in US$ million)

No.	Industrial Classification	Amount Paid	Per Cent
1	Community, Social and Personal Services	--	-
2	Financing, Insurance, Business Services	16.1	43.9
3	Manufacturing	13.6	36.9
4	Real Estate	0.1	0.3
5	Wholesale, Retail and Catering	6.9	18.9
	Total	**36.7**	**100.0**

4.1.3 Non-Equity Liabilities (PSED)

In this section, data on foreign debt stocks of the private sector as at 31st December 1999, 31st December 2000 and foreign debt transactions (disbursements, principal re-payments, interest and fees) during 2000 was collected. A total of 118 respondents filled in this section, representing 50.0 per cent of those reporting FAL. A total of 227 loans were reported, of which 181 or 80.0 per cent are long term and 46 are short-term loans. The following sub-sections present the respective regional, sectoral and source distribution of the foreign borrowings.

i) Foreign Debt Stock

The debt stock as at 31st December 1999 and 31st December 2000 was US$ 309.0 million and US$361.7 million, respectively, representing an increment of 17.1 per cent.

a) Regional Distribution of non-equity liabilities

Most of the non-equity liabilities were in the Central region accounting for 76.0 per cent, while Central and Western regions combined accounted for 96.4 per cent by 31st December, 1999 and 93.1 per cent by 31st December, 2000.Table 3.17 shows the details.

Table 3.17: Regional Distribution of Non-Equity Liabilities
(in US$ million)

	31st December, 1999		31st December 2000	
Region	**Stocks**	**Per cent**	**Stocks**	**Per cent**
Central	234.9	76.0	284.9	78.8
Eastern	10.9	3.5	24.8	6.8
Northern	--	-	0.3	0.1
Western.	63.2	20.4	51.7	14.3
Total	**309.0**	**100.0**	**361.7**	**100.0**

Debt stock in the Western region decreased significantly from US$63.2 million to US$51.7 million. In the other regions the stocks increased as indicated in the Table 3.17 above, with Eastern having the highest growth.

b) Sectoral Distribution of Non-Equity Liabilities

Most of the non-equity liabilities were attracted in the manufacturing sector followed by the mining and quarrying sector receiving 60.6 per cent and 20.4 per cent respectively in 1999 while in 2000, they attracted 56.3 per cent and 14.3 per cent, respectively. The respective sector values for the period are presented in Table 3.18.

Table 3.18: Sector Distribution of Stock of Non-Equity Liabilities
(in US$ million)

		31st December, 1999		31st December, 2000	
No.	**Sector**	**Stocks**	**Per cent**	**Stocks**	**Per cent**
1	Wholesale, retail And catering	16.5	5.3	37.1	10.2
2	Transport , storage And Communication	7.8	2.5	26.6	7.4
3	Real estate	6.8	2.2	6.4	1.8
4	Mining and Quarrying	63.1	20.4	51.6	14.3
5	Manufacturing:	187.3	60.6	203.4	56.3
6	Financing, insurance and, Business services	20.3	6.6	24.0	6.6
7	Electricity, gas and water	1.3	0.4	4.7	1.3
8	Construction	2.1	0.7	2.8	0.8
9	Community, social And personal services	1.3	0.4	2.1	0.6
10	Agriculture, hunting, Forestry and fishing	1.7	0.5	1.6	0.5
11	Activities not covered above	-	-	0	0.0
12	Accommodation and tourism	0.9	0.3	1.2	0.3
	Total	**309.0**	**100.0**	**361.7**	**100.0**

c) Source of non-equity liabilities

During 1999 and 2000, IOs were the leading sources of non-equity liabilities contributing 25.7 per cent and 22.9 per cent respectively followed by UK and Channel Islands. Table 3.19 shows the various sources of non-equity liabilities contributing at least 1.0 per cent of the debt stock recorded.

Table 3.19: Source of Non-Equity Liabilities
(in US$ millions)

	31st December, 1999		31st December, 2000	
Country /IO	**Stocks**	**Per cent**	**Stocks**	**Per cent**
IO	79.4	25.7	82.8	22.9
UK	54.0	17.5	68.2	18.9
Channel Is	46.6	15.1	42.9	11.9
Bermuda	26.4	8.5	36.9	10.2
Germany	21.4	6.9	22.5	6.2
Switzerland	14.1	4.6	14.6	4.0
South Africa	12.8	4.1	14.1	3.9
Netherlands	4.5	1.4	14.1	3.9
France	8.2	2.6	13.1	3.6
Kenya	6.6	2.1	11.0	3.1
Canada	15.9	5.1	8.2	2.3
Mauritius	-	-	7.5	2.1
Virgin Island	5.4	1.7	4.2	1.2
China	-	-	4.1	1.1
Sweden	-	-	4.0	1.1
Luxembourg	5.0	1.6	3.8	1.0
Other	8.7	3.0	9.6	3.0
Total	**309.0**	**100**	**361.7**	**100**

ii) Disbursements

Disbursements during 2000 amounted to US$149.0 million and its distribution is presented.

a) Regional Distribution of Disbursements

Out of the total disbursements of US$149.0 million, the Central region accounted for 87.3 per cent. The Central and Eastern combined accounted for 99.5 per cent, while Northern and Western regions combined accounted for only 0.5 per cent as shown in Table 3.20.

Table 3.20: Regional Distribution of Disbursements in 2000
(in US$ million)

Region	Disbursements	Per cent
Central	130.0	87.3
Eastern	18.3	12.2
Northern	0.3	0.2
Western.	0.4	0.3
Total	**149.0**	**100**

b) Sectoral Distribution of Disbursements

Most of the disbursements were attracted in the wholesale, retail and catering sector followed by manufacturing sector receiving 53.1 per cent and 24.0 per cent, respectively in 2000. The respective sector values for the period are presented in Table 3.21.

Table 3.21: Sectoral Distribution of Disbursements
(in US$ million)

No.	Industrial Classification	Disbursements	Per cent
1	Wholesale, retail and catering	79.1	53.1
2	Manufacturing:	35.8	24.0
3	Transport , storage and Communication	22.9	15.3
4	Financing, insurance, business services	5.7	3.8
5	Electricity, gas and water	2.1	1.4
6	Construction	1.6	1.1
7	Community, social and personal services	1.1	0.7
8	Mining and Quarrying	0.4	0.3
9	Accommodation and tourism	0.2	0.2
10	Agriculture, hunting, forestry and fishing	0.1	0.1
11	Activities not covered above	--	-
12	Real estate	0	-
	Total	**149.0**	**100.0**

a) Source of Disbursements

In the year 2000, UK and IOs were the leading sources of disbursements with each contributing 47.3 per cent and 14.5 per cent, respectively. Kenya and Netherlands followed with 7.3 per cent and 6.8 per cent, respectively and the details are presented in Table 3.22.

Table 3.22: Sources of Disbursements
(in US$ million)

Creditor country/IO	Disbursements	Per cent
UK	70.5	47.3
IO	21.6	14.5
Kenya	10.9	7.3
Netherlands	10.2	6.8
Bermuda	9.4	6.3
Mauritius	7.6	5.1
Sweden	4.0	2.7
China	3.6	2.4
USA	3.1	2.1
Germany	3.1	2.1
Others	5.0	3.4
Total	**149.0**	**100.0**

iii) Principal Re-payments During 2000.

Principal re-payments amounted to US$97.2 million and its distribution is presented.

a) Destination of Principal re-payments

UK and IOs were the leading destinations of principal paid with each receiving US$57.7 million or 59.3 per cent and US$16.7 million or 17.2 per cent, respectively. Kenya and USA followed with US$6.6 million and US$4.1 million, respectively. Table 3.23 below shows the details.

Table 3.23: Principal re-payment during 2000
(in US$ million)

Country/IO	Principal Paid	Per cent
UK	57.7	59.3
IO	16.7	17.2
Kenya	6.6	6.7
USA	4.1	4.2
Channel Is	4.0	4.1
Canada	2.8	2.9
Germany	1.8	1.8
Luxembourg	1.3	1.3
Virgin Island	1.1	1.2
Others	1.3	1.3
Total	**97.2**	**100.0**

b) Sectoral Distribution of Principal Paid

Most of the principal paid was from the wholesale, retail and catering sector followed by manufacturing sector with each accounting for 60.4 per cent and 19.5 per cent, respectively out of the total amount of US$97.2 million during the period ended 31st December 2000. The respective sector values for the period are presented in Table 3.24.

Table 3.24: Sectoral Distribution of Principal Paid during 2000
(in US$ million)

No.	Industrial Classification	Principal Paid	Per cent
1	Wholesale, retail and catering	58.7	60.4
2	Manufacturing:	19.0	19.5
3	Mining and Quarrying	11.9	12.2
4	Transport , storage & Communication	3.7	3.8
5	Financing, insurance, business services	2.6	2.7
6	Construction	0.8	0.9
7	Real estate	0.3	0.3
8	Community, social and personal services	0.2	0.2
	Total	**97.2**	**100.0**

iv) Interest and Fees Paid During the year 2000.

A total of US$20.4 million was paid out as interest and fees during the above period. This sub-section presents their distribution.

a) Destination of Interest and Fees

During the year 2000, IOs and Channel Islands were the leading recipients of interest and fees payments accounting for US$9.7 million or 48.0 per cent and US$3.6 million or 17.7 per cent, respectively. UK and Canada followed with US$2.2 million and US$1.3 million, respectively. Table 3.25 shows the details.

Table 3.25 Interest and Fees Paid During the year 2000
(in US$ millions)

Creditor country/IO	Interest & Fees Paid	Per cent
IO	9.8	48.0
Channel Is	3.6	17.7
UK	2.2	10.9
Canada	1.3	6.3
France	0.9	4.4
USA	0.6	2.9
Kenya	0.4	2.1
Luxembourg	0.4	1.9
Germany	0.3	1.6
Bermuda	0.2	1.1
Others	0.7	3.3
Total	**20.4**	**100.0**

b) Sectoral Distribution of Interest and Fees Paid

The manufacturing sector contributed US$11.9 million or 58.4 per cent of the interest and fees paid and it was followed by the mining and quarrying sector accounting for US$4.4 million or 21.7 per cent. The respective sector values for the period are presented in Table 3.26.

Table 3.26: Sectoral Distribution of Interest Paid During 2000
(in US$ million)

No.	Industrial Classification	Interest & Fees Paid	Per cent
1	Manufacturing:	11.9	58.4
2	Mining and Quarrying	4.4	21.7
3	Transport , storage and Communication	2.3	11.4
4	Financing, insurance, business services	0.6	2.7
5	Real estate	0.5	2.3
6	Wholesale, retail and catering	0.2	1.2
7	Community, social and personal services	0.2	1.1
8	Construction	0.1	0.7
9	Accommodation and tourism	--	0.5
	Total	**20.4**	**100.0**

3.1.4 Equity Investment in Non-Resident Entities

Data was collected on FDEI, FPEI, NFEI and earnings in non-resident entities. Eight entities reported equity investment in non-resident entities, representing 3.0 per cent of the total respondents with FAL and the results are presented.

i) Foreign Direct Equity Investment

In 1999, FDEI in non-resident entities amounted to US$3.9 million while in 2000, it was US$4.5 million in terms of market value. This represents an increase of US$0.54 million or 14.0 per cent in the period ended 31st December 2000. In all the two periods most equity investment was in Kenya and this amounted to 77.5 per cent and 71.1 per cent of the total equity in 1999 and 2000, respectively. Table 3.27 presents the details.

Table 3.27: FDEI in Non-Resident Entities by Country
(in US$ million)

	1999		2000	
Country	**Market Value**	**Book Value**	**Market Value**	**Book Value**
Kenya	3.1	1.1	3.2	1.6
Lebanon	0.2	0.1	0.3	0.2
Rwanda	0.2	0.1	0.3	0.3
Tanzania	-	-	0.4	0.4
UK	0.6	0.6	0.4	0.4
Total	**3.9**	**1.9**	**4.5**	**2.8**

ii) Foreign Portfolio Equity Investment

The amount of FPEI in non-resident entities amounted to US$0.3 million in 1999 in terms of market value while in 2000, there was a negligible increase of US$0.002 million or 6 per cent.

iii) New Equity Investment in Non-Resident Entities

The new equity investment in non-resident entities paid was US$0.05 million and US$0.1 million was received in the year 2000 and its distribution by country of origin is as shown in Table 3.28.

Table 3.28: New Equity investment in non-resident entities by country
(in US$ million)

Country	**Amount Paid**	**Amount Received**
Kenya	0.05	0.00
Lebanon	0.00	0.10
Total	**0.05**	**0.10**

iv) Re-Invested Earnings

A total of US$0.1 million was profits from non-resident entities while retained earnings attributed to non-residents were US$0.3 million and details are presented in Table 3.29.

Table 3.29: Reinvested Earnings in 2000 (in US$ million).

Profits / Retained earnings	Amount
Profits from non-residents	0.1
Retained earnings attributed to non-residents	0.3

v) Profits and Dividends Received

A total of US$0.1 million was reported as dividends received from non-resident entities during the year 2000.

3.1.5 Foreign Non-Equity Assets

This section presents short- and long-term loans extended to non- residents entities. The reporting entities were five representing about two percent of those reporting FAL. Table 3.30 presents the details.

i) Long-term External Loans

The stock of long-term loans extended to non-residents stood at US$2.3 million and US$7.1 million as at 31st December, 1999 and 31st December 2000, respectively showing an increment of 209 per cent. Disbursements during the period ended 31st December 2000 amounted to US$4.6 million while a total of US$0.67 million was principal re-payment and US$0.03 was payment for interest and fees. Table 3.30 below shows details.

Table 3.30: Long Term External Loans to Non- Residents
(in US$ million)

Credit Type	Stock as at 31st December, 1999	Disbursement in 2000	Principal Paid in 2000	Interest & Fees Paid in 2000	Stock as at 31st December, 2000
Shareholder/ Inter-company	0.8	3.8	-	--	4.7
Suppliers' credit	1.5	0.8	0.3	-	2.0
Other loans	-	-	0.4	-	0.4
Total	**2.3**	**4.6**	**0.7**	**--**	**7.1**

ii) Short-term External Loans

The stock of short -term debt extended to non- residents stood at US$1.8 million and US$6.8 million as at 31st December, 1999 and 31st December 2000 respectively, an increment of US$5.0 million or 277.9 per cent. Disbursements during the year 2000 amounted to US$14.4 million while a total of US$9.4 million was principal re-payment. The details are presented in Table 3.31.

Table 3.31: Short-term External Loans to Non-residents
(in US$ million)

Credit Type	Stock as at 31st December, 1999	Disbursement in 2000	Principal Paid in 2000	Interest & Fees Paid in 2000	Stock as at 31st December, 2000
Shareholder/ Inter-company	1.5	13.5	8.5	-	6.7
Suppliers' credit	0.3	0.9	0.9	-	0.1
Working capital	-	-	-	-	-
Other loans	-	-	-	-	-
Total	**1.8**	**14.4**	**9.4**	**-**	**6.8**

3.2 Analysis of Findings

This part analyses the findings obtained from the PCF Survey 2001 and compares them with existing estimates. It should be noted, however, that the PCF survey findings are not exhaustive as the survey did not cover all entities with FAL. The response rate was 69.0 per cent and some of the information collected was understated. The findings obtained, therefore, constitute a floor of the actual stocks (IIP) for 1999 and 2000 and flows (BOP) for 2000 and should be up rated before they can serve as proper estimates of the relevant stocks and flows. The survey identified a larger fraction of foreign liabilities than foreign assets.

3.2.1 Theoretical considerations

To measure the value of the total stock of foreign investment, one would ideally require the market value of all entities that are at least partially foreign owned. However, in practice market valuation is difficult:-

i) When shares are not traded and no intentions of buying or selling a company exist, in which case estimation of the value would be subjective.

ii) For companies that are “the only one of its kind" and which have no clear reference point for valuation.

iii) Whereas expected future earnings and profits should provide some guidance in the estimation of the market value, entities were unable to provide the necessary information.

In anticipation of this, the questionnaire also sought to establish the book value of the surveyed entities. The book value of a company may be a very poor proxy for its market value because:-

i) When large initial investments are required and no profits are made in the first few years of operation, the book value may be very low or even negative, yet based on the future expected cash flow and profits the market value may well be much higher.

ii) If a company has sunk a lot of capital in equipment that has low or even no resale of scrap value, and cannot find a ready market for its products, the book value of this particular company may be large and positive, but the market value would be close to zero since no one would be willing to buy a company that cannot make any profits.

iii) A number of entities do not seem to be keeping proper books of accounts, with the book value of the entities somehow not affected by new disbursements of equity capital, retained earnings, or accrued profits or losses, which makes the matter complicated.

Factors affecting valuation changes

1) The change in book and market value over the reporting period is attributable to mainly three factors namely, disbursements of new equity, reinvested earnings, and valuation changes. In case of a loss, reinvested earnings would be negative. The first two factors are straight forward: if additional money is invested into the company, its value is likely to go up accordingly, irrespective of whether these funds come from outside (disbursements of new equity) or are generated from the operating profits of the company itself (reinvested earnings).

2) Valuation changes mainly consist of exchange rate and price adjustments. Most companies keep their books of accounts in Uganda Shillings, while the questionnaire sought information denominated in US dollars. Therefore, even if the book value remains unchanged in Uganda Shillings, when measured in US dollars its value is subject to changes in the Uganda Shilling against the US dollar exchange rate. As an illustration, the Uganda Shilling depreciated by about 17.5 per cent against the US dollar over the reporting period. This depreciation will necessarily lower the dollar value of the reporting company to the same extent. This means that for some companies, that keep their books of account in US dollars, their book value would not be affected by changes in the exchange rate.

3) Other factors that affect the future expected earnings of a company, e.g. lower/higher taxes or increased/decreased demand for the companies products, will lead to similar revaluation effects on the market value, while having no impact on the book value of an entity.

4) A company may also undertake a revaluation of its assets or liabilities in its book of accounts. While writing off assets may be reflected in the reported profit and could thus be included through the reinvested earnings, increase in the value of assets is not included in the profit and loss account and would therefore be captured under valuation changes.

Following is the analysis of findings based on the theoretical considerations mentioned above.

i) Comparison of the FAL related lines in the BOP with the survey results

Table 3.32 below shows the comparison between FAL related lines in the BOP estimates for the year 2000 and the PCF survey and up-rated results for the same period.

Table 3.32: BOP Position After Up-rating Survey Results

(in US$ million)

		BOP 2000	Survey 2000	Up-rated 2000
Income Account				
	Outflows			
	Investment Income	-14.4	-70.5	-100.78
	i) Interest on private sector debt	-0.2	-20.4	-29.18
	Ii) Dividends & distributed earnings	-11.2	-36.7	-52.49
	Iii) Re-invested earnings	-3.0	-13.4	-19.11
Financial Account				
	a) Direct Investment	254.4	111.3	169.4
	(I) In Uganda			
	Inflows	254.39	178.0	246.3
	i) Equity Capital	251.4	57.6	82.39
	ii) Re-invested earnings	3.0	13.4	19.2
	iii) Loan disbursements	0.0	107.0	152.89
	Outflows		-66.7	-95.28
	i) Equity Capital		-1.2	-1.6
	ii) Loan Repayments		-65.5	-93.68
	(II) Abroad			
	Inflows			
	Outflows			
	b) Portfolio Investment	0.0	0.0	
	Inflows			
	Outflows			
	c) Other Liabilities/other Investment			
	Medium and Long-term			
	Inflows			
	Private debt (Loan disbursements)	45.3	42.0	46.2
	Outflows			
	Private debt (Loan repayment)	-39.5	-31.7	-36.5
	Short-term			
	Inflows	80.5	84.13	96.7
	i) Trade Credit	80.5	83.5	96.0
	ii) other		.62	.70
	Outflows	-80.5	-61.7	-71
	i) Trade Credit	-80.5	-61.5	-70.7
	ii) other		-0.2	-0.3

From the table, the following observations can be made:

a) Income outflows, such as interest payments on PSED; dividends externalised, and reinvested earnings are understated in BOP estimates. While the BOP estimates the total income related foreign exchange outflows (excluding re-invested earnings) at US$11.4 million, the survey results indicate that these factors account for at least US$57.1 million (note that reinvested earnings do not constitute an actual cash flow).

b) In the BOP, all foreign direct investment had been assumed to consist of equity, however the survey results revealed that not all FDI is equity, about 60.0 per cent of FDI inflows is in the form of loans.

c) The survey results indicate further that repayment of FDI loans is generating substantial foreign exchange outflows. The identified loan repayments attributed to FDI amounted to US$65.5 million in 2000.

d) Apart from loan repayments, the survey indicates outflows of US$1.2 million generated through the sales of equity stakes by foreign investors. Before the survey this information was not available.

e) Similarly, the survey was able to capture information on portfolio investment inflows amounting to US$8.3 million which were not in the BOP estimates.

f) Other investment inflows (short-term and long-term loans) amounted to US$126.1 million which was almost the same as the BOP estimate of US$125.8 million. Nevertheless, the survey was not able to capture short-term loans transactions adequately due to the questionnaire which targeted only information on end of year basis.

While the BOP columns give population estimates, the figures of the survey results are only those that were obtained from entities that completed the questionnaires. Nevertheless, the survey results appear to indicate a general underestimation of private sector capital outflows in the balance of payments. Also, BOP estimates have major problems and therefore can not be taken to be correct.

ii) Foreign Equity Investment

Foreign equity investment is made up of FDEI and FPEI and in this section the changes in FDEI and FPEI are analysed following the stock and the transactions approach.

a) Changes in FDEI

Table 3.33 shows the changes in both the book and market value during 1999 and 2000.

Table 3.33: Composition of changes in book and market value (in US$ million)

Value	1999	New equity	Reinvested Earnings	Valuation Changes	2000
Book	434.5	56.5	13.4	- 10	494.4
Market	584.9	56.5	13.4	48	702.8

The book value increased by US$59.9 million or 13.8 per cent, from US$434.5 million to US$494.4 million. The negative valuation changes could be explained by the depreciation of the shilling for those entities keeping books of accounts in shillings. Otherwise, most entities reported the same book value in both years in dollar terms.

Between December 1999 and December 2000, the reported market value of the FDEI of the surveyed entities increased by US$117.9 million or 20.0 per cent, from US$584.9 million to US$702.8 million. The increase in the market value of the total stock of FDEI is more pronounced, and despite the depreciation of the exchange rate the total valuation changes amount to a positive US$48 million. These findings reveal improving business conditions in the country, as the future potential earnings of the reporting companies seems to have improved.

Over the same period, there was new net equity to the tune of US$56.5 million, while retained earnings attributed to FDEI only were US$13.4 million, summing to a total of US$69.9 million.

b) Changes in FPEI

Table 3.34 below shows the changes between book value and market value during the year 1999 and 2000.

Table 3.34: Changes in FPEI (in US$ million)

Value	1999	2000	PercentageChange
Book	9.2	7.9	13.5
Market	9.5	8.3	12.5

The stock of FPEI declined both in market and book value terms. The market value declined by 12.5 per cent from US$ 9.5 million in 1999 to US$ 8.3 million in 2000. Over the same period, the reported book value decreased by 13.5 per cent from US$ 9.19 million to US$ 7.95 million. Minimal response was recorded because the financial and capital markets are not developed and only few entities have raised equity from the stock exchange.

iii) Foreign Investment-Non-Equity Liabilities (PSED)

Table 3.35 below shows a summary of PSED stock and transactions for the period 1999 and 2000.

Table 3.35: Summary for PSED (in US$ millions)

Credit Type	Stock as at 31st December, 1999	Disbursement in 2000	Principal Paid in 2000	Interest & Fees Paid in 2000	Stock as at 31st December, 2000
Shareholder and inter-company loans-FDI	138.3	106.9	65.5	4.5	182.4
Portfolio Debt	170.8	42.0	31.7	15.9	179.1
Total	**309.0**	**148.9**	**97.2**	**20.4**	**361.5**

The survey findings indicate an increase in the PSED stock from US$309 million to US$ 361.5 million, between 1999 and 2000, an increase of US$52.5 million or 17 per cent. While US$148.9 million was disbursed over the year 2000, US$97.2 million was repaid hence a net inflow of US$51.7 million. A total of US$20.4 million was paid in interest, which represents about 6.0 per cent interest rate per annum overall. Interest payments to shareholder and inter-company are much lower at 2.8 per cent than those under portfolio debt at 9.1 per cent. Debt servicing for PSED was US$117.6 million (repayment of principal and interest) or 26 per cent of total export earnings during the year 2000. In comparison, debt servicing on public debt amounted to US$ 75.9 million, which is far below the PSED servicing level.[1]

PSED stocks from FDI sources increased by US$44.1 million or 32 per cent from US$138.3 million to US$182.4 million in 1999 and 2000, respectively when compared to the portfolio sources which increased by US$8.3 million or 2.8 per cent from US$170.8 million to US$179.1 million during the same period. This is explained by major factors: relatively lower cost of borrowing and/or flexibility from shareholders and related companies. The FDI sources of debt financing minimizes the risks faced by the entities in the event that their investments perform poorly. In addition, debt servicing if treated as expenses reduces taxable profits.

Short-term trade credits are massively under-covered because of the methodology used. Short-term trade credit is composed of liabilities arising from the direct extension of credit suppliers for transaction in goods and services with an original maturity of one year or less. Short-term loans that were outstanding as at end-December 2000 were reported.

iv) Comparison of IIP estimates and survey findings using the stock approach

In this sub-section, attempts are made to measure the stocks of external liabilities, including FDI, portfolio investment and debt liabilities for the years 1999 and 2000 using PCF survey findings. These are then compared to the existing estimates.

[1] It should, however, be kept in mind that government borrows on concessional terms and that many loans are very long-term. In contrast, the private sector can be expected to be borrowing on commercial terms and for shorter periods.

Table 3.36: Comparison of IIP estimates and survey findings

(in US$ million)

	Survey Results		Existing Estimates	
	1999	**2000**	**1999**	**2000**
FDI Components				
FDEI (Direct Equity-MV)	584.3	702.3	1,000	1,255
Loans from Related Companies	136.6	180.8	-	-
Suppliers Credit from Related Companies	1.6	1.6	-	-
Sub-Total [FDI Stocks]	722.5	884.7	1,000	1,255
Other Liabilities				
FPEI (Portfolio Equity-MV)	9.5	8.2	-	-
Loans from Unrelated Companies	170.2	178.3	-	-
Suppliers Credit from Unrelated Companies	0.4	0.7	-	-
Sub-Total [Other Liabilities]	180.1	187.2	-	-
Total Stocks of Liabilities (IIP)	**902.6**	**1071.9**	**1,000**	**1,255**

There are no estimates for FPEI, loans from related and unrelated companies, supplier credit and other liabilities. Earlier estimates assumed that foreign investment was composed of only equity. Survey results reveal that foreign investments in Uganda are made up of FDI stocks and other liabilities. Furthermore, the FDI stocks and other liabilities are split between equity and non-equity as indicated in the table above. The PCF survey results indicate that FDI stocks increased by US$162.2 million between 1999 and 2000 representing an increase of 22 per cent. Estimates indicate an increase of 26.0 per cent or US$255 million. Other liabilities increased slightly by US$7.0 million or 4 per cent. Information collected in the survey indicates that a big proportion of foreign investment originates from FDI related sources. FDI sources accounted for 80.0 per cent in 1999 increasing to 83.0 per cent in 2000 of the total stock of foreign investment indicating that financing of investment from FDI related sources is normally preferred to others sources in event of crises. FDEI accounted for 65.0 per cent of foreign investment during 1999 and 2000 and about 80.0 per cent of FDI.

The findings indicate a debt/equity ratio of 35:65 in both years which is a normal pattern in financing investment.

Debt financing sourced from related companies drastically increased from US$138.3 million to US$182.4 million in the year 2000. This implies that investors rely more on shareholders and inter-company borrowing relative to other sources of borrowing. Borrowing from other sources increased from US$170.8 million to US$179.1 million.

From the survey findings, details of stocks can be analyzed by sector, location, loan terms and sources as indicated in Appendix 7.

vi) BOP and IIP Estimates using Up-rated Survey Data

The survey results were adjusted in order to cover for incomplete coverage and the criterion used is as discussed below and the up-rated results used to obtain new positions for BOP and IIP.

a) Criteria for Up-rating the Survey Data

Firstly, the survey targeted only those enterprises that were expected to have total investments of at least US$ 100,000, based on information obtained from UIA. Therefore, an adjustment is necessary for the smaller enterprises that were deliberately left out from the sample. Despite numerous additions, it cannot be assumed that all companies with potential FAL were identified. Finally, the survey registered a response rate of about 69 per cent, while even part of the 69 per cent may in fact have been underreporting their FAL. Although a lot of effort was directed at getting a response of all large companies, a few of the non-respondents are known to have substantial FAL.

It is therefore not clear what proportion of total private sector capital flows were actually captured in the survey. Comparing the current balance of payments estimates on FDI inflows with the survey results indicates that the former exceed the latter by about 43.02 per cent. Put differently, if the current balance of payments estimate was correct, the survey identified about 69.9 per cent of the actual FDI flows. Since the coverage of the survey cannot be assessed at this moment without a major degree of speculation, it is proposed to maintain the overall level of foreign direct investment inflows as they are currently reported in the balance of payments. Even if the figure in the balance of payments were adjusted for CY 2000, the question would remain of how to change the preceding years. Therefore, before altering already published figures, it may be better to await the survey results for subsequent years, which may not only be of better quality, but could also reveal information about a possible trend that could be used to extrapolate backwards.

Nevertheless, the composition of FDI in the BOP may be changed based on the ratios obtained in the PCF survey. Accordingly, whereas before, all FDI was assumed to be in the form of new equity disbursements as well as reinvested earnings, a substantial fraction should be allocated to loan disbursements by related companies. Therefore, total FDI inflows are allocated 32.4 per cent to equity, 7.5 per cent to reinvested earnings, and 60.1 per cent to loan disbursements. In other words, the survey results for FDI inflows / outflows and the income outflows are up-rated by a factor of 1.4302.

Since other long and medium term loan disbursements and repayments in the balance of payments are comparable to the PCF results, these are left unaltered. Short-term capital flows are underestimated due to the nature of the questionnaire and are not actually comparable and therefore these figures are not up-rated. These changes imply that the up-rated income outflows (excluding re-invested earnings) sum to US$81.67 million, compared to the survey finding of US$57.1 million. FDI inflows are up-rated to US$254.39 million as in the BOP compared to the survey result of US$177.87 million, while FDI outflows (loan re-payments) stand at of US$93.7 million compared to the survey result of US$ 65.5 million. Tables 3.37 and 3.38 below are the positions of IIP and BOP after up-rating.

Table 3.37: IIP Position After Up-rating Survey Results
(in US$ million)

	Amount
FDI Components	
FDEI (Direct Equity-MV)	962
Loans from Related Companies	208
Suppliers Credit from Related Companies	1.8
Sub-Total [FDI Stocks]	1,171.8
Other Liabilities	
FPEI (Portfolio Equity-MV)	8.2
Loans from Unrelated Companies	205
Suppliers Credit from Unrelated Companies	0.8
Sub-Total [Other Liabilities]	214
Total Stocks of Liabilities (IIP)	**1,385.8**

CHAPTER 4

IMPLICATIONS, PROBLEMS AND RECOMMENDATIONS

This chapter presents implications of findings, problems encountered during the survey, and recommendations.

4.1 Implications of Findings

Policy and administrative reforms being carried out in the country have attracted increased PCF. This section relates survey findings to certain areas of action. The survey findings have implications in a number of areas as categorised below.

i) Coverage of Total Investment

The survey highlighted the need to cover total investments. This would call for a joint FAL and investor perception survey that would help in strengthening and formulating policies aimed at attracting more investment and retaining both foreign and local investors.

iii) Institutional Coordination

There is need to:

a) formalise and implement institutional coordination in order to improve the quality of information through liaison with private sector associations that will in turn sensitise their respective members on the importance of monitoring PCF.

b) Improve the sampling frame through sharing information and insertion of filtering questions in other surveys.

iii) Legal Mandate

The foreign exchange statute which specifically requires disclosure of information on foreign exchange transaction including FAL should be enacted. This will compel entities to provide accurate data and ensure confidentiality of information given. The draft statute also provides for sanctions and penalties.

iv) Accounting Standards

The survey established that there is need to enforce proper accounting standards for improved quality and reliability of data given by the respondents. The level of book-keeping and accounting is below international standards and most of the entities in the unregulated industries could neither produce audited accounts nor estimate market value.

v) Low Investment in Agricultural Sector

The survey revealed low foreign investment in the agriculture sector implying that the sector has to be made more attractive for investors.

vi) Concentration of Investment Sources.

The survey results show that foreign investment mainly comes from three countries which accounted for over 55% of FDEI during the period under review. There is need to diversify sources of foreign investment.

vii) Interest Rates on External Borrowing

The results indicated that borrowing from related companies was substantial and growing and such facilities were found to have no specified terms. It was therefore not easy to assess their potential values or dangers. Interest rates charged on FDI at (3%) p.a is lower than from non-FDI (9%). Compared with the average banking lending rate (16%) on foreign exchange loans in Uganda during the period May – December 2000 it maybe concluded that it is cheaper to source external funding than borrowing locally.

viii) Foreign Direct Investment

The results of the survey shows FDI flows account for bulk of non-equity liabilities while further analysis revealed that dividends were understated which could imply avoidance of taxes both on equity and corporation tax. Enterprises could also be avoiding capitalising their companies which raises the issue of commitment and sustainability of these flows.

ix) Private Sector External Debt

The survey results, in spite of some limitations, have revealed interesting information regarding Uganda's external indebtedness. While the public and publicly guaranteed stock of debt as at end June 2000 was US$3.6 billion, that for private sector slightly above 10% of the PUSED at US$362 million by end December 2000. In terms of debt service however, government was supposed to pay US$133 million (although they much less due to debt relief), the private sector paid out almost a similar amount of US$118million over a period of one year.

Therefore, PSED needs to be recorded and refined more regularly so as to act as an early warning system. Assessing the volatility in the short-term PCF has a bearing on the exchange rate movement and the departure of the actual Real Exchange Rate path from the equilibrium path – ERER. Secondly, refined PSED data can be useful in designing a credit rating system. Thirdly, PSED data can supplement available data on domestic debt and public and publicly guaranteed external debt (PUSED) leading to comprehensive Debt Sustainability Analysis (DSA).

x) Foreign Assets

The data on foreign assets was inadequate therefore in order to monitor enterprises with foreign assets, a different sampling frame should be devised.

4.2 Problems Encountered

This section presents the problems encountered during the survey namely, the general, the methodological, the organisational and those of a technical nature.

i) General Problems

Under the general problems was non-response, incomplete information provided and data that was outside the scope of the survey.

a) Non-Responsiveness

In some case there was outright refusal by the respondents to accept and/or to complete the questionnaire for the following reasons:

- lack of legal mandate to conduct the survey.
- the questionnaire was too technical and complicated.
- lack of the culture of providing data.
- timing of the survey which coincided with the 2000/01 budget and parliamentary elections.
- some respondents felt that there was no proper justification for the survey.
- lack of direct benefit of the survey to the respondents.
- some respondents doubted the confidentiality of the information they would provide.
- due to poor book keeping, use of different accounting periods and lack of confidence in the collecting organisation.

b) Incomplete Information

The information provided by some entities was not complete. For example:

- some entities declared dividends without reporting the profits made.

- some entities did not provide the market value.
- some entities provided incomplete loan details, and
- loan stocks without loan transactions and vice versa.

c) Obsolete information

There was a case of obsolete data where an entity provided data covering the period 1997 which was outside the survey scope.

ii) Methodological Problems

In this sub-section problems relating to sampling and the questionnaire are discussed.

a) Sampling frame

The population of entities with FAL was not known and it was therefore not possible to obtain a scientifically representative sample. In view of this limitation, the UIA Investor Survey list used during the Investor Survey 2000, was adopted and augmented to ensure a wider coverage and to limit anticipated sampling errors.

The sampling method used to select a sample from the UIA had limitations in that only entities with a foreign element worth US$100,000 and above were selected which meant that entities below the threshold were left out. The threshold itself was arbitrarily selected.

b) Questionnaire

The way the questionnaire was designed, requiring only information on year-end closing stocks, it was not possible to capture short term loans, trade credits and debits contracted and maturing within the period under study.

Where entities opted to provide information as a group, it was not possible to desegregate the data received, by sector.

iii) Technical Problems

In this sub-section technical problem like the need to use proxies and to make office estimates are discussed.

In order to measure the value of the total stock of foreign direct investment, one would ideally require the market value of all companies that are at least partially foreign owned. However, in practice when shares are not traded and no intentions of buying or selling a company exist, it may be difficult to estimate or it would rely on a large subjective component. In anticipation of this, the questionnaire also sought to establish the book value of the surveyed companies. However, the book value of a company may be a very poor proxy for its market value.

4.3 Recommendations

Arising from the survey the following recommendations are made:-

i) Improve the sampling frame and the sampling procedure to cater for data on foreign assets or direct investment abroad.

ii) Increase public awareness through sensitisation on the use of the information collected. UBOS should sensitize the private sector on the legal requirement to provide accurate information as and when required by a government institution. Regulatory organs to sensitise their respective members.

iii) Strengthen coordination within BOU and all stakeholder institutions so as to reduce on the survey fatigue through combined efforts.

iv) Improve the quality of enumerators by training them on the BOP/IIP/PSED and accounting concepts so as to ably administer the questionnaire and to improve on data quality.

v) Improve DFI-PCF survey software used and this should address areas of data entry, editing and report generation.

vi) Include forex bureaux and micro finance institutions with foreign shareholders in the survey.

vii) In order to verify the information provided by entities, an entity should provide its financial statements as a means of cross-checking. Financial and accounting data should be extracted from the statements in order to reduce on the details in the questionnaire.

viii) When the entities provide data, they should indicate the percentage contribution apportioned to each of the sectors in which they fall.

ix) Work at the legal mandate to ensure compliance with the provision of foreign exchange-related data.

APPENDICES

Appendix 1: Terms of Reference of the WG

Co-ordination of the collection of data on Capital Flows in general with special focus on Private Sector External Debt.

a) Assist in the review of the current system including documentation.

   i. Establish how external debts are contracted, recorded and terms of repayment.

   ii. Establish the most common channels of external debt contraction.

   iii. Establish problems involved.

   iv. Produce a review report highlighting issues.

b) Review the design for a survey to establish baseline information on private sector non-guaranteed external debt.

c) Oversee the designing of a system for monitoring, recording and reporting of both short and long-term private sector non-guaranteed external debt covering all major transactions.

d) Decide on the need for any external consultants according to the following principles:-

   i. External consultants would be used only if corresponding capacity was not available within MEFMI.

   ii. Preference would be given to local experts within the region.

   iii. Precise terms of reference and short lists of candidates would be drawn up and agreed upon with SECO.

Appendix 2: The PCF Survey Questionnaire

BANK OF UGANDA

QUESTIONNAIRE FOR SURVEY OF PRIVATE CAPITAL FLOWS
(FOR CALENDAR YEARS 1999-2000)

Issued under authority of Uganda Bureau of Statistics Act (1998) Section 16

PART 1

GENERAL INFORMATION

All respondents must complete this **PART.**

For Official Use Only

CODE: - | | | | | | |

1.1 Name and address of reporting entity:

1.1a Entity Name: ______________________________

1.1b Contact Person: ______________________________

1.1c Position (Chairman, MD, GM, Director etc.): ______________________________

1.1d Location: ______________________________

1.1e Postal Address: ______________________________

1.1f Tel: ______________ Fax: ______________ E-mail ______________

1.2 Group of companies:

1.2 a Do you belong to a group of companies in Uganda? YES [ ] NO [ ]

If NO, please proceed to question 1.3.
If YES, please give name and address of the holding company in Uganda.

____

1.2 b Can you provide consolidated data for the holding company? YES [ ] NO [ ]

If YES please list the companies for which you are providing consolidated data

1.	4.
2.	5.
3.	6.

If NO, please provide data for your entity ONLY.

1.3 Entity's principal activities:

Please tick against the principal activities of your entity in Uganda.

Table 1.3 **Industrial Classification.**

Industrial Classification	***Tick activities relevant for your company***
1. Agriculture, hunting, forestry and fishing	
2. Mining and quarrying	
3. Manufacturing	
3a. Agro-industry	
3b. Food and beverages	
3c. Machinery, motors & equipment	
3d. Chemicals and petroleum	
3e. Other manufacturing (specify)	
4. Electricity, gas and water	
5. Construction	
6. Wholesale & retail trade, & catering & accommodation services	
6a. Accommodation and tourism	
6b. Wholesale, retail and catering	
7.Transport, storage & communication	
7a. Transport and storage	
7b. Communication	
8. Financing, insurance, real estate, & business services	
8a. Financing, insurance, business services	
8b. Real estate	
9. Community, social and personal services	
0. Activities not covered above (please specify)	

Please list briefly the major product(s) or service(s) produced by your entity in Uganda in ***declining*** *order of their importance on the basis of their gross contribution to your turnover.*

1.3a Product(s):

____

1.3b Service(s): ____

PART 2

FOREIGN INVESTMENT IN THIS ENTITY

Complete this **PART** *if your entity in Uganda had non-resident shareholders during 1999 and 2000.* **Report all values in units and in United States Dollars (USD)[2].** *Please see item 3 of the Guidelines.*

2.1 Foreign Direct Equity Investment (FDEI) in this entity

Please list the country of residence and ownership stake of each non-resident entity, owning **10% or more** *of the total equity in your company.*

Report Market values AND Book values*. For guidance see items 1, 2,4 and 5 of the Definitions***.**

Table 2.1 **Composition of FDEI as at 31 December 1999 and 31 December 2000**

Give country of residence of FDEI or International Organisation	**31 December 1999**			**31 December 2000**		
	Estimated market value in US$	Book value in US$	% of total equity	Estimated market value in US$	Book value in US$	% of total equity
1.						
2.						
3.						
4.						
5.						
6. All other non resident investors						

2.2 **Foreign Portfolio Equity Investment (FPEI) in your entity**

For equity holdings by non-resident, entities **of less than 10%** *of the total equity in your entity please group by investors' country of residence.* ***Report Market and Book values****. For guidance see items 1,3,4 and 5 of the Definitions.*

Table 2.2 Composition of FPEI as at 31 December 1999 and 31 December 2000

Give country of residence, of FDEI or International Organisation	**31 December 1999**			**31 December 2000**		
	Estimated market value in US$	Book value In US$	% of total equity	Estimated market value in US$	Book value in US$	% of total equity
1.						
2.						
3.						
4.						
5.						
6. All other non-resident investors						

[2] Please use the **year-end exchange rates** for 1999 and 2000 respectively, as provided in Appendix 1

2.3 New Foreign Direct Equity Investment (NFDEI) by non-residents

Please complete this section if you issued new shares or equivalent during the year 2000. For guidance see items 1 and 2 of the Definitions.

Table 2.3 **Composition of NFDEI by non-residents during the year 2000**

Give country of residence, or International Organisation	Amounts received in US$	Amounts Paid in US$
1.		
2.		
3.		
4.		
5.		
6. All other non-resident investors		

2.4 Reinvested Earnings attributable to FDEI and FPEI

Please calculate total retained earnings attributable to **FDEI and FPEI (Foreign Direct Investment (FDI)**) *during the January to December calendar year 2000 for your entity/entities in Uganda, by working through the following table.* ***For guidance see*** *items 1* ***and 6 of the*** *Definitions.*

Table 2.4 Reinvested Earnings attributable to FDEI

Item		Amount in US$
1. 2.	Net profit/loss[3]	
2(a).	Dividends paid or profits remitted to **non-residents** (FDEI and FPEI combined)	
2(b).	Dividends paid or profits remitted to **residents.**	
3.	Total retained earnings *Please calculate as: Item 1 –2(a) –2(b)*	
4.	Retained earnings attributable to FDEI only	

2.5 **Dividends paid or profits remitted to non-residents**

Please state total profits or dividends remitted or paid to non-resident entities during the year 2000. For guidance see items 1 and 7 of the Definitions.

Table 2.5 **Destination of dividends paid or profits remitted to non-residents**

Give Country of residence or International Organisation	Dividends paid or Profits remitted during 2000 in US$
1.	
2.	
3.	
4.	
5.	
6. All other non-resident investors	

[3] For loss indicate figures in brackets.

PART 3

FOREIGN NON-EQUITY LIABILITIES TO NON-RESIDENTS

Complete this Part if your entity borrowed from non-residents. ***Report all values in the currency they were contracted in****. Please refer to the box on page 6 for the explanatory notes relating to the terminology and technical words used in this part.*

3.1 **Long-term Borrowings (**Maturity of greater than 12 Months**)**

Please provide details of long-term liabilities to non-resident entities based on the format presented in table 3.1 below. DO NOT include domestic resident-to-resident borrowing in foreign currency or Uganda Shillings.

Table 3.1 **Terms and Characteristics of the Loans**[4]

No.	**Particulars**	Example	**Loan No.1**	**Loan No.2**	**Loan No.3**
1.	Your Reference Number	Ln. 0001			
2.	BOU Ref. No.	(Official Use Only)			
3.	Creditor Institution Group***	Parent Company			
4.	Credit Type***	Suppliers Credit			
5.	Guarantee Status***	Private Comm. Bank			
6.	Creditor Country/International Organisation	USA			
7.	Purpose of Borrowing***	Import of Raw Materials			
8.	Loan Currency	Swiss Francs (CHF)			
9.	Total Loan Amount	562,121.00			
10.	Date of Agreement	May 5, 1996			
11.	Date of First Draw down	June 1,1996			
12.	Date of Last Draw down	Dec. 31, 1998			
13.	First Principal Payment Date	June 30, 1999			
14.	Last Principal Payment Date	Dec. 31, 2003			
15.	Payment Installments Yearly	2			
16.	Principal Payment Method***	Equal Payments			
17.	Interest Terms***	Fixed			
18.	Interest Rate	3.5% p.a.			
19.	Days in Interest Year***	360			
20.	Other Fees*** • Commitment Fees • Mobilasation Fees • Penalty Interest	 0.5%, after 120 days N/A 2% above rate of interest after 30 days			

***** See Notes on Page 6**

[4] In case you have contracted more than three (3) loans, please give similar information on a separate sheet.

3.2 **Total Short-term External Debt** (Maturity of 12 months or less)

Please provide details of short-term liabilities contracted and outstanding as at the end of December 2000 to non-resident entities based on the format presented in table 3.2 below. ***DO NOT include domestic resident-to-resident borrowing in foreign currency or Uganda Shillings.***

Table 3.2 Short-term foreign loans as at 31-12-2000

No.	Particulars	Example	Loan No.1	Loan No.2	Loan No.3	Loan No.4
1	Creditor Institution/Group	Bank /Company				
2	Creditor Country	USA				
3	Date of Agreement	May 5, 2000				
4	Total Loan Amount	359,286				
5	Loan Currency	US dollars				
6	Duration of loan in months	12				
7	Maturity Date	July 2001				
8	Purpose of Borrowing	Working capital				
9	Projected date(s) of repayment	Jan. & July 2001				
10	Est. Int. repayment during 2001	Jan. & July 2001				
11	Est. Pr. Repayment during 2001	Jan. & July 2001				

EXPLANATORY NOTES FOR PART 3[5]: FOREIGN NON-EQUITY LIABILITIES

3. CREDITOR INSTITUTION GROUP a) Commercial Banks b) Other Financial Institutions. c) Parent Company/Inter Company d) Suppliers e) International Organisations (IO)	**4. CREDIT TYPE** a) Suppliers Credit b) Buyer Credit c) Financial Lease d) Deferred L/C e) Bonds
5. GUARANTEE STATUS a) State-Owned Overseas Commercial Bank b) State-Owned Local Commercial Bank c) Parent Company d) Local Private Comm. Bank e) Overseas Private Comm. Bank f) Government g) International Organisations (IO)	**7. PURPOSE** a) Financing of Project b) Other Imports c) On-lending d) Services e) Multiple Purpose f) Leasing g) Import of Raw Materials h) Import of Machinery i) Working Capital/Bridging Finance j) Capital Increase or Contribution
16. METHOD OF PRINCIPAL PAYMENT a) Equal Principal Payment (monthly or half-yearly or yearly) b) Annuity c) Proportional d) Unequal Payments (please provide details separately, stating dates and amount)	**17. INTEREST TERMS** a) Fixed e.g. 5%, 7%, etc b) Floating, i.e., Swiss Franc Libor – 6 months + 1% **c)** Variable – where interest rate varies over different periods of the loan term (please provide details separately)
19. DAYS IN INTEREST YEAR Please indicate whether interest computation is based on: a) 360 days per annum or b) Actual (365) days per annum	**20. FEES AND OTHER CHARGES** Please provide data relating to the following if provided for in the loan terms: a) Commitment charge on un-disbursed balance – Grace period and Rate b) Penalty interest on delayed service – Grace period and Rate c) Mobilisation Charge – Amount payable if you decide to repay the entire loan earlier than scheduled

[5] Please note that explanatory notes may not be exhaustive, if that is the case, specify your particular case or occurrence.

PART 4

INVESTMENT IN NON RESIDENT ENTITIES

Please complete this Part if you hold shares or equivalent in non-resident entities.

4.1 **Foreign Direct Equity Investment (FDEI) in Non-Resident Entities.**
*Please give total ownership stake in non-resident entities (including non-resident branches of your entity) in which your entity owns **10% or more** of the equity. **Give Market AND Book value**. For guidance see items 1, 2, 4 and 5 of the Definitions.*

Table 4.1 **Foreign Direct Equity Investment (FDEI) in Non-Resident Entities**

Ownership Stake	31st December 1999			31st December 2000		
	Market Value in US$	Book Value in US$	% of total equity	Market Value in US$	Book Value in US$	% of total equity
Total Value of **FDEI** in non-resident enterprises						

Please list countries in which your enterprise invests: ___________________________________

4.2 **Foreign Portfolio Equity Investment (FPEI) in Non-Resident Entities**
Please give total ownership stake in non-resident entities (including non-resident branches of your entity) which your entity owns **less than 10%** *of the equity*. **Give Market AND Book value**. ***For guidance see items 1, 3, 4 and 5 in the** Definitions.*

Table 4.2 **Foreign Portfolio Equity Investment (FPEI) in Non-Resident Entities**

Ownership Stake	31st December 1999			31st December 2000		
	Market Value in US$	Book Value in US	% of total equity	Market Value in US$	Book Value in US$	% of total equity
Total Value of **FPEI** in non-resident enterprises						

Please list countries in which your enterprise invests: ___________________________________

4.3 **New Equity Investment (Both FDEI and FPEI) in Non-Resident Entities**
***Complete this section if you purchased shares during the year 2000 from non-residents**.*

Table 4.3 **New Equity Investment into Non-Resident Entities 2000.**

Amounts paid to non-residents in US$	Amounts received from non-residents in US$

Please list countries in which your enterprise invests: ___________________________________

4.4 **Reinvested Earnings from your Non-Resident Entities.**

Please calculate total retained earnings for your non-resident branches and subsidiaries for the calendar year 2000, in the following table:

Table 4.4 **Reinvested Earnings of your Non-Resident Entities.**

ITEM	Amount in US$
1. Profits and/or dividends received from your entities non – residents	
2. Retained earnings attributable to your non -residents entities	

4.5 **Profits and Dividends Received from Non-Resident**

Please state total profits and dividends received from your non-resident entities for the year 2000.

Table 4.5 Profits and Dividends Received from Non-Residents

Branch profits and dividends received from non-residents during 2000

PART 5

FOREIGN NON-EQUITY ASSETS (CLAIMS ON NON-RESIDENTS)

Complete this Part if your entity lends to non-residents.

*Report all values in **UNITED STATES DOLLARS and** in UNITS.*
***DO NOT** include domestic resident-to-resident borrowing in foreign currency or Uganda Shillings.*

5.1 **Long-Term External Loans to Non-Resident** (Maturity of greater than 12 months)
Please provide information on lending exceeding 12 months duration to non-residents in the format presented in table 5.1 below indicating total stocks by category of facility extended, for year end 1999 and 2000, to non-resident entities or individuals and transactions during the year 2000.

Table 5.1 Long-term Credit Facilities Extended to Non-Residents (US$/Units)

CREDITOR INSTITUTION GROUP	OUTSTANDING (31/12/1999) *	TRANSACTIONS (1st Jan. to 31st Dec. 2000)			OUTSTANDING (31/12/2000) **
		DISBURSEMENTS	PRINCIPAL PAID	INTEREST AND FEES	
Shareholder and Inter-Company Loans					
Supplier Credits with Unrelated Companies					
All Other Loans					

5.2 **Short-Term External Loans to Non-Residents (**Maturity of 12 months or less)
*Please provide information on lending **NOT** exceeding 12 months duration to non-residents in the format presented in table 5.2 below indicating total stocks by category of facility extended, for year ending 1999 and 2000, to non-residents.*

Table 5.2 Short-term Credit Facilities Extended to Non-Residents (USD$/Units)

CREDITOR INSTITUTION GROUP	OUTSTANDING (1999)	TRANSACTIONS (2000)			OUTSTANDING (2000) **
		DISBURSEMENTS	PRINCIPAL PAID	INTEREST AND FEES	
Shareholder and Inter-Company Loans					
Supplier Credits with Unrelated Companies					
Working Capital					
All Other Loans					

* Exchange rates as at 31/12/1999 – see Appendix 1.
** Exchange rates as at 31/12/2000 – see Appendix 1.

5.3 Investments in Debt Securities

Debtor Institution	Type of Security	Outstanding amount at end-1999	Investments in year 2000	Income earned in year 2000	Outstanding amount at end-2000

Please give your comments on this questionnaire or survey in general in the space provided below.

____

____

____

____

Once again we wish to assure you that the information you have provided will be treated with uttermost confidence.

Kindly certify this report

Name: ________________________________

Address: ________________________________

Signature: ………………………. Date …………………… Stamp ……………………..

Please return the completed form to the Director Trade and External Debt Department, Bank of Uganda, Plot 37/42 Kampala Road or call help line provided in the guidelines for our officers to collect it.

THANK YOU FOR YOUR COOPERATION.

Annex 1.

CROSS EXCHANGE RATES FROM 31ST DECEMBER 1999 TO 31ST DECEMBER 2000													
Currency	**31/12/99**	**31/01/00**	**29/02/00**	**31/03/00**	**27/04/00**	**31/05/00**	**30/06/00**	**31/07/00**	**31/08/00**	**29/09/00**	**31/10/00**	**29/11/00**	**28/12/00**
US$/US Dollar	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
US$/Pound Sterling	0.61755	0.61091	0.62668	0.63056	0.63333	0.67173	0.66689	0.65965	0.68308	0.68213	0.69730	0.71212	0.67838
US$/Deutschemark	1.93790	1.95465	1.98010	2.04415	2.08265	2.10950	2.07945	2.08075	2.17245	2.20685	2.34920	2.32365	2.13090
US$/French Franc	6.49945	6.55560	6.64090	6.85575	6.98495	7.07500	6.97415	6.97975	7.28600	7.40150	7.87900	7.79325	7.14665
US$/Swiss Franc	1.59350	1.61005	1.62875	1.66075	1.67310	1.69130	1.64695	1.65315	1.71575	1.72130	1.81705	1.80140	1.66390
US$/Japanese Yen	102.40000	105.68500	110.93500	105.28000	105.31000	107.23000	105.69500	108.90000	106.59500	107.66500	108.39500	111.01000	112.47000
US$/Dutch Guilder	2.18415	2.20235	2.23105	2.30320	2.34665	2.37685	2.34300	2.34485	2.44775	2.48660	2.64695	2.61820	2.40185
US$/Belgian Franc	39.97000	40.31600	40.84050	42.16100	42.95550	43.50950	42.88950	42.92350	44.80700	45.51750	48.45350	47.92650	43.95000
US$/Italian Lira	1,919.09500	1,935.11000	1,960.28500	2,023.69500	2,061.84000	2,088.41000	2,058.65500	2,060.30000	2,150.69500	2,184.79000	2,325.71000	2,300.42500	2,110.38000
US$/Swedish Krone	8.48700	8.53900	8.63800	8.61100	8.79600	9.07100	8.89940	8.95300	9.36800	9.58900	10.20800	10.31100	9.51060
US$/Norwegian Krone	7.98400	8.09100	9.23450	8.41150	8.68550	8.96950	8.71250	8.71600	8.97575	9.08550	9.53170	9.52650	8.92340
US$/Belgian Franc	39.97000	40.31600	40.84050	42.16100	42.95550	43.50950	42.88950	42.92350	44.80700	45.51750	48.45350	47.92650	43.95000
US$/Danish Krone	7.37700	7.43850	7.54005	7.78450	7.94150	8.04650	7.92805	7.93060	8.28300	8.42290	8.94015	8.8605	8.12860
US$/Kenya Shilling	72.90000	69.42500	73.20830	74.93890	73.73500	76.69000	77.97220	74.56440	78.05000	78.92500	79.40000	78.20000	78.75000
US$/Tanzania Shilling	797.00000	799.95000	800.50000	800.58000	799.47000	799.00000	799.54000	799.45000	800.00000	799.37000	803.20000	801.00000	802.00000
US$/Uganda Shilling	1,505.36000	1,544.45000	1,509.36000	1,518.85000	1,529.43000	1,513.97000	1,571.65000	1,618.40000	1,729.79000	1,813.48000	1,842.15000	1,854.61000	1,768.70000
US$/S.A. Rand	6.15750	6.16650	6.33750	6.51000	6.63600	6.98510	6.82350	6.94600	6.93200	7.18700	7.6425	7.768	7.61000

Source: Bank of Uganda

Note: Unit of currency per one US Dollar except for UK Pound Sterling

** *END OF QUESTIONNAIRE*

Appendix 3: Details of Book and Market value for 1999 and 2000

2.1 Foreign Direct Equity Investment (FDEI) Summary in US$

1999		2000	
Market Value	Book Value	Market Value	Book Value
584,264,869.77	434,020,064.71	702,321,187.81	494,028,914.08

Appendix 4: Book and Market value by location

2.1 Foreign Direct Equity Investment (FDEI) by region in US$

	1999		2000	
Region	Market value	Book value	Market value	Book value
Central	412,352,350.75	317,243,527.98	490,281,310.81	357,660,369.44
Eastern	129,264,550.02	71,256,072.73	161,927,459.00	88,589,232.64
Western	43,247,969.00	45,960,464.00	50,612,418.00	48,179,312.00
Totals	**584,864,869.77**	**434,460,064.71**	**702,821,187.81**	**494,428,914.08**

Appendix 5: Book and Market value by industrial classification

2.1 Foreign Direct Equity Investment (FDEI) by Sector in US$

	1999		2000	
Industrial classification	Market Value	Book Value	Market Value	Book Value
Agriculture, hunting, forestry and fishing	6,576.50	6,576.50	406,548.00	406,548.00
Mining and quarrying	28,170,000.00	27,857,600.00	28,240,000.00	27,892,000.00
Manufacturing: Agro-industry	73,571,090.00	50,497,736.55	81,295,930.00	50,482,891.65
Manufacturing: Food and beverages	191,277,233.00	09,764,698.00	20,860,242.00	31,032,031.00
Manufacturing: Machinery, motors & equipment	457,434.89	457,434.89	71,996.24	71,996.24
Manufacturing: Chemicals and petroleum	4,513,680.00	4,253,890.00	5,034,229.00	4,696,029.00
Other manufacturing	65,100,953.02	52,109,154.07	70,196,951.37	48,243,718.63
Electricity, gas and water	5,100,000.00	1,035,013.00	9,400,000.00	1,135,683.00
Construction	7,788,540.95	13,712,253.05	11,361,144.95	11,105,506.65
Accomodation and tourism	958,998.00	214,160.00	1,208,909.00	236,423.00
Wholesale, retail and catering	72,686,903.70	61,231,747.26	90,666,919.69	70,296,180.93
Transport and storage	17,428,611.00	16,868,741.94	21,427,888.00	12,212,054.50
Communication	45,879,718.00	31,637,008.00	64,104,107.75	46,812,838.00
Financing, insurance, business services	67,203,837.08	62,780,939.04	84,717,854.65	81,797,609.65
Real estate	853,901.48	7,411.26	4,333,949.06	2,696,769.73
Community, social and personal services	3,189,715.15	1,935,894.15	8,603,421.10	5,028,255.10
Activities not covered above	677,677.00	89,807.00	891,097.00	282,379.00
TOTALS	**584,864,869.77**	**434,460,064.71**	**702,821,187.81**	**494,428,914.08**

Appendix 6: Book and Market Value by Country of Residence

2.1 Foreign Direct Equity Investment (FDEI) by Country in US$

	1999		2000	
Country	**Market Value**	**Book Value**	**Market Value**	**Book Value**
Australia	0	0	50,000.00	20,000.00
Austria	0	0	1,601,600.00	1,127,947.00
Belgium	8,724,306.59	8,149,479.59	17,259,196.27	13,557,477.27
Bermuda	122,436,207.74	74,401,818.74	148,103,110.94	90,665,842.94
British Virgin Isl.	591,148.00	256,791.00	802,350.00	429,382.00
Burkina Faso	13,333.00	13,333.00	12,400.00	12,400.00
Canada	30,912,360.00	30,776,962.50	31,234,120.00	31,081,173.84
Channel Islands	1,232,903.00	1,232,903.00	896,139.00	896,139.00
China	5,153,005.75	5,172,301.75	8,785,890.75	8,825,984.75
Cyprus	37,550.00	37,550.00	34,059.00	34,059.00
Denmark	466,992.62	466,992.62	852,976.75	852,976.75
Egypt	6,022,382.00	4,946,461.00	7,123,481.00	5,883,208.00
France	6,559,899.00	5,397,318.00	16,737,201.00	13,949,039.00
Germany	3,387,852.00	1,838,627.00	6,566,429.00	1,741,828.00
Gibralter	400,000.00	30,000.00	450,000.00	30,000.00
India	10,424,835.96	10,161,776.78	10,593,415.67	10,322,854.34
IO/CDC	5,006,186.00	3,646,186.00	4,133,499.00	4,133,499.00
IO/DEG	2,696,324.00	2,696,324.00	2,895,538.00	2,895,538.00
IO/EADB	170,000.00	170,000.00	226,155.00	226,155.00
IO/IFC	4,343,832.00	2,983,832.00	4,517,350.00	3,157,350.00
Isle Of Man	342,569.62	342,569.62	293,644.49	291,564.39
Israel	2,477,296.00	2,477,296.00	1,890,855.00	1,890,855.00
Italy	5,096,421.00	5,096,421.00	0	0
Jamaica	855,000.00	855,000.00	950,000.00	950,000.00
Kenya	59,493,795.11	66,689,072.53	65,529,504.58	56,096,882.74
Libya	3,055,129.00	3,055,129.00	2,348,267.00	2,348,267.00
Mauritius	16,438,063.00	15,820,340.00	30,046,284.00	21,920,240.00
Mozambique	53,310.00	664.00	45,200.00	565.00
Netherlands	16,007,640.50	3,299,685.50	30,267,079.70	8,710,562.90
Newzealand	20,000.00	10,000.00	20,000.00	10,000.00
Norway	3,300,000.00	1,155,000.00	3,600,000.00	1,255,000.00
Others	1,354,417.00	1,324,067.00	683,849.00	692,278.00
Pakistan	8,850.00	8,850.00	8,850.00	8,850.00
Panama	548,040.00	548,040.00	706,734.00	706,734.00
Portugal	550,000.00	550,000.00	166,000.00	166,000.00
Rwanda	3,115,278.00	3,115,278.00	5,974,626.00	5,974,626.00
Saudi Arabia	2,000,000.00	1,023,025.00	2,000,000.00	1,023,025.00
Singapore	10,075,000.00	(39,386.00)	10,912,500.00	310,600.00
South Africa	64,398,694.45	37,297,183.45	86,741,280.37	58,449,246.62
Sweden	8,970,958.00	8,970,958.00	13,430,224.00	13,430,224.00
Switzerland	4,991,103.94	1,232,063.83	5,232,912.53	1,110,101.02
Taiwan	592,500.00	362,300.00	704,000.00	403,000.00
Tanzania	435,000.00	418,879.00	35,000.00	28,269.00
UAE	172,312.00	152,817.42	169,635.00	136,584.39
UK	148,817,169.34	113,592,052.10	153,364,828.76	114,207,578.71
USA	15,427,205.15	14,697,075.08	15,605,002.00	14,442,004.00
West Indies	7,650,000.00	455.20	9,180,000.00	387.42
Yugoslavia	40,000.00	26,572.00	40,000.00	22,615.00
Totals	**584,864,869.77**	**434,460,064.71**	**702,821,187.81**	**494,428,914.08**

Appendix 7: PSED Distribution

TABLE 3.1/3.2 Summary for PSED (in US$)

Terms	Opening stock 1-Jan-2000	Disbursement	Principal Paid	Interest & Fees Paid	Closing stock 31-12-2000
FDI					
LT-RC	129,749,531.00	40,445,867.00	6,938,843.00	4,392,356.00	166,019,609.00
LT-SCRC	1,468,314.00	-	-	39,117.00	1,468,314.00
ST-RC	6,864,227.00	66,420,612.00	58,407,679.00	60,000.00	14,877,159.00
ST-SCRC	168,275.00	158,840.00	168,275.00	-	158,840.00
Total	**138,250,347.00**	**107,025,319.00**	**65,514,797.00**	**4,491,473.00**	**182,523,922.00**
NON-FDI					
LT-SCUC	427,000.00	-	85,400.00	51,240.00	341,600.00
LT-URC	170,273,374.62	24,433,322.77	28,487,107.26	15,337,242.74	164,307,917.62
ST-SCUC	13,554.00	462,295.00	15,689.00	-	460,190.00
ST-URC	44,914.00	17,111,646.00	3,134,914.00	557,388.00	14,021,645.00
Total	**170,758,842.62**	**42,007,263.77**	**31,723,110.26**	**15,945,870.74**	**179,131,352.62**
GRAND	**309,009,189.62**	**149,032,582.77**	**97,237,907.26**	**20,437,343.74**	**361,655,274.62**