EXECUTIVE SUMMARY OF FINDINGS

for

Private Sector Investment Survey (PSIS) 2009

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The Survey was jointly conducted by the Uganda Working Group on Private Sector Investment Monitoring

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1. FINDINGS

1.1 SURVEY METHODOLOGY

The Survey targeted entities drawn from the Top-1000 tax-payers, the Investor Register and previously surveyed entities selected using stratified random sampling.

The survey questionnaire was designed to meet international best practices and standards for the compilation of the BOP and IIP statistics. The survey requested for calendar years 2007, 2008 and first half of 2009.

Respondents were requested to provide the Book Value (BV) and Market Value (MV) of equity. Non-equity FAL was requested for in tranche currencies.

The submitted audited copies of financial statements covering 2007 and 2008 were used for data validation and office estimation. In absence of financials, data were mainly obtained from entity management accounts and/or estimated quarterly/semi-annual financial positions.

1.2 QUESTIONNAIRE ADMINISTRATION AND RESPONSE

Out of the 1,031 private entities targeted 878 questionnaires were returned representing a response rate of 93.8 percent. A big proportion of the returns were from the Central region (95.7%) while the highest response was from the Manufacturing sector (24.0%).

1.3 DATA PROCESSING AND ANALYSIS

Data processing and analysis was conducted using the partially-developed Foreign Private Capital Information System (FPC-IS).

1.4 TURNOVER

Overall turnover stood at UgSh10.8tn in 2007, UgSh13.4tn in 2008 and UgSh15.5tn in 2009(est.). On average Central region accounted for 92.6% of the total turnover recorded over the periods.

In terms of average percentage distribution, Manufacturing accounted for 31.6%, Wholesale 16.7%, Finance 15.1% and I.C.T 10.8% of the total turnover. The four sectors together accounted for 74.2% of the total turnover recorded.

In terms of average turnover across the periods covered, the highest entity turnover was registered in the Electricity (Shs.63.6bn) followed by Finance (Shs.34.5bn), I.C.T.(Shs.30.3bn) and Manufacturing (Shs.20,1bn) sectors.

Turnover grew by 23.8% in 2008 and further by 15.9% in 2009. Significant increase in turnover was registered in the Mining (79.8%) followed by Construction (46.6%), Agriculture (35.6%) and Wholesale (31.8%) sectors.

1.5 EMPLOYMENT

In totality, 119,791 jobs, 125,988 jobs and 127,589 jobs were recorded in 2007, 2008 and 2009, respectively. The highest employment was recorded in Manufacturing followed by Agriculture. During the period, 96.6% of the jobs were held by Ugandans with male employees accounted for 76.8% of the total employment.

In terms of growth, employment grew by 5.2% (96,565 jobs) and by 1.3% (1,601 jobs) by end 2008 and end 2009, respectively. Females accounted for the high growth of 9.2% while by Males recorded 3.9% growth during the same period. Managerial/ Supervisory category registered the highest growth in employment of 15.6% followed by Administration & Accounts with 10.0% and Skilled at 5.3%.

1.6 COMPENSATION OF EMPLOYEES

Overall compensation of employees stood at Shs.691.5bn, Shs.851.5bn and Shs.526.4bn in 2007, 2008 and 2009, respectively. Compensation by entities with Foreign Assets and Liabilities (FAL) averaged 85.6% compared to 14.4% for the non-FAL entities over the period covered.

Total compensation of employees rose by 24.9% during 2008. The highest growth in compensation was recorded in Health (48.3%) followed by Wholesale (44.4%) and Transportation (42.1%).

On average, the highest compensation per-employee was recorded in Mining (Shs.26.8m) followed by ICT. (Shs.24.9m) Finance (Shs.21.6m), Professional (Shs.14.3m), Real Estate (Shs.13.4m) and Education (Shs.12.5m) per annum.

1.7 ACTUAL INVESTMENT

Total actual investment stood at Shs.5,340.2bn, Shs. 6,349.9bn and Shs.6,970.6bn as at end 2007, 2008 and 2009, respectively. On average, the highest investment was recorded in I.C.T (Shs.31.1bn) followed by Mining (Shs.19.7bn), Electricity (Shs.18.7bn), Manufacturing (Shs.10.3bn) and Agriculture (Shs.7.5bn).

The bulk of average actual investment was registered in Plant and Machinery (29.6%) (mainly due to increased capacity & automation), followed by Building and Civil works (19.7%) and Land (3.9%).

In terms of growth, the stock of capital increased by 19.2% by end-2008 and further grew by 9.7% by mid 2009. Significant growth was recorded in Computers & Accessories (46.9%), Plant & Machinery (20.1%) and Land (19.4%).

During the period under review significant growths in actual investment were registered in provision of support services; Water (252%), Health (120.1%) and I.C.T (104.0%).

1.8 ENTITY PROFITABILITY & DIVIDENDS

Net profit earned by entities declined by 5.7% from Shs.567.1bn during 2007 to Shs.534.6bn during 2008. Retained earnings increased by 47.1% from Shs.262.4bn to Shs.386.1 during 2008. Dividends remitted by direct investors decreased by 60.9% from Shs.285.3bn during 2007 to Shs.111.3bn during 2008.

Return on equity (ROE) dropped from 32% in 2007 to 15.9% during 2008 with the highest ROE recorded in the ICT, Education and Finance sectors.

2. FINDINGS ON FOREIGN ASSETS AND LIABILITIES

2.1 Foreign Equity Liabilities

Overall, the stock of (total) foreign liability increased by 33.3% from Shs.4,013.0bn by end 2007 to Shs.5,350.3bn by end 2008 and further increased by 7.6% to Shs.5,756.3bn by mid 2009 in book value (BV) terms. On average, of the total foreign liability, over 70% was Direct Investment (FDI), 8.0% was Portfolio investment (PI), over 15.0% was Other investment (OI) and 7.6% was Other claims (OC).

Equity liability (FDEI+FPEI) rose from Shs.1,772.6bn at end 2007 to Shs.2,610.9bn at end 2008 and further to Shs.2,762.1bn by mid 2009. FDEI stocks increased from Shs.1,740.3bn as at end 2007 to Shs.2,558.7bn by end 2008 and further to Shs.2,702.7bn by mid 2009. The high FDI implies low risk of sudden capital reversal on private sector investments by non-resident investors.

Significant inflows were recorded in I.C.T., Finance, Construction, Accommodation services and Agricultural sectors while the main sources included UK, Kenya, Canada Pakistan, France and United Arab Emirates.

2.2 Foreign Non-equity Liabilities

Total stock of foreign non-equity liabilities (i.e. Private Sector External Debts (PSED) and Other claims) increased from Shs.1,904.1bn in 2007 to Shs.2,227.3bn in 2008 and further to Shs.2,533.2bn in 2009H1. *Note that this is more than half of the public external debt stock at Shs.2,754.4bn in 2007, Shs.3544.9bn in 2008 and Shs.4,228.3bn in 2009H1.* On average, 75.8% was inter-company loans whereas credits from unrelated sources & other claims accounted for 24.2% of the total non-equity stock.

In terms of sectors, the bulk of the loans stock in was recorded in I.C.T. (Shs.603.5bn), Manufacturing (Shs.491.3bn), Finance (Shs.344.6bn) and Mining (Shs.205.9bn).

The main sources of PSED stock in 2009H1 were; UK (22.2%), Kenya (10.8%), Canada (9.6%), Pakistan (6.9%), France (6.2%). The

The interest rates (cost of borrowing), on long-term inter-company loans was 2.9% compared to 7.9% from unrelated sources. It is cheaper to borrow from related sources.

The net inflows of foreign non-equity liabilities recorded during 2008 was Shs.1,132.3bn, and Shs.210.6bn as at mid 2009. The net inflows of PSED increased from Shs.384.5bn during 2007 to Shs.976.6bn during 2008 calendar year. In 2009, Shs.268.6bn net PSED inflows were recorded.

In terms of debt repayment (services), a total of Shs.165.2bn, Shs.337.7bn and Shs.183.8bn were paid-out during 2007, 2008 and 2009H1, respectively. Compare with the public debt service expenditures of; Shs.99.2bn in 2007, Shs.95.8bn in 2008 and Shs.47,3bn in 2009H1.

Conversion of Debt into Equity (Debt-Equity-Swap) during 2008 amounted Shs.216.7bn (reclassified as equity) and exchange rate valuation of Shs.80bn during 2008 account and Shs.2.5bn for other valuation changes during the same period.

3. CONCLUSIONS.

The private sector has continued to register growth in turnovers which have contributed significantly to GDP growth despite the impact of financial crisis on some entities.

Job creation by the private investors have resulted into increased employment opportunities and income among Ugandans.

There has been strong growth in the capital stock of private entities between 2007 and 2009H1 and most entities perceived that they will expand or diversify their investments into other sectors within the next three years.

Equity investment has been the major form of FDI; However, PSED was recorded to be high but concentrated in inter-company borrowings

Overall it was profitable to invest in Uganda based on profitability findings and the aggregate ROE achieved in 2007 and 2008.

South-to-South private cross border capital inflow from developing (Sub-Saharan African) countries continued grow as opposed to the traditional North-to-South FDI flows. PSED sources are dominated by industrialized economies.

There is significant concentration of FDI in Finance, Manufacturing and ICT sectors.

Thank you for your attention