Private Sector Investment Survey 2012 Report

February 2013

TABLE OF CONTENTS

List of Tables

List of Figures

List of Appendices

Acronyms

BOP	Balance of Payments
BOU	Bank of Uganda
EPRC	Economic Policy Research Centre (Makerere University)
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IIP	International Investment Position
IMF	International Monetary Fund
PSFU	Private Sector Foundation Uganda
PSIS	Private Sector Investment Survey
Shs.	Uganda Shillings (Currency)
UBOS	Uganda Bureau of Statistics
UBA	Uganda Bankers Association
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers' Association
UNCTAD	United Nations Conference on Trade and Development
US$	United States Dollars
UWG	Uganda Working Group on Private Sector Investment Monitoring

Foreword

This report presents the findings of the Annual Private Sector Investment Survey of 2012. The survey was the eleventh in a series of annual surveys jointly conducted by the Bank of Uganda, the Uganda Bureau of Statistics and the Uganda Investment Authority. The survey measured foreign direct investment and foreign borrowing in resident enterprises and collected information on other variables pertaining to private sector investment. The information generated was used in the compilation of the country's Balance of Payments and International Investment Position statistics.

The findings of the survey revealed that foreign direct investment amounted to US$894 million in 2011. This was an increase of 67.5 percent from US$534 million in 2010, indicating that Uganda remains an attractive foreign investment destination despite the continuing effects of the global financial and economic crisis. The rise in foreign direct investment in 2011 is attributable to increased investment in the mining, manufacturing and finance sectors. However, foreign borrowing by resident enterprises declined to US$96 million in 2011 from US$269 million in 2010. Hence there was a shift in the relative composition of private capital flows, in favour of equity capital rather than loan capital.

The annual private sector investment survey would not have been successful without the involvement and cooperation of key stakeholders; the enterprises, government agencies, the media and field staff. The Bank of Uganda acknowledges and appreciates the valuable contribution of all stakeholders and the enterprises that participated in the survey.

The information provided by the respondents to the survey is used for statistical purposes only and strict confidentiality is ensured through presentation of the results in aggregate form only.

Prof. Emmanuel Tumusiime-Mutebile
Governor,
Bank of Uganda

Executive Summary

The Private Sector Investment Survey (PSIS) 2012 was the eleventh in a series of annual surveys conducted by the Bank of Uganda in collaboration with Uganda Bureau of Statistics and Uganda Investment Authority. The main objective of the survey was to collect information required for the compilation of Uganda's balance of payments and international investment position statements.

A total of 502 questionnaires were administered during the survey from which 464 enterprises responded, representing a response rate of 92.4 percent. Overall, the 464 enterprises had an estimated contribution to value added in current prices during 2011 of Shs. 2,593 billion equivalent to about 5.7 percent of GDP. In addition, the samples' contribution to fixed capital formation during 2010 was estimated at about Shs.1,660 billion representing 14.8 percent of total private fixed capital formation and 19.7 percent of total fixed capital formation.

The sample results on employment at the end of 2011 indicated that total employment by these enterprises was 56,923 employees. There was an increase in compensation of employees by 40.3 percent from Shs.1,208 billion in 2010 to Shs. 1,694.645 billion during 2011. Profitability of enterprises surveyed more than doubled from Shs. 191.53 billion in 2010 to Shs. 514.82 billion in 2011.

The survey results on Foreign Direct Investment (FDI)[1] transactions during 2011 indicated an increase of US$360 million to US$894 million from the

[1] Foreign Direct Investment (FDI) is defined as a category of cross-border investment involving residents in one economy having control or significant degree of influence on the management of an enterprise that is resident in another economy. FDI is comprised of ownership of 10 percent of more equity by a non-resident in a resident enterprise, direct investor lending, affiliated borrowings.

estimate of US$534 million in 2010. The recovery was mainly due to an increase in equity capital and borrowings from affiliated enterprises during the period. Net inflows of other capital which is comprised of debt from foreign affiliates increased by US$28 million to US$324 million during 2011 compared to US$296 million recorded in 2010. Foreign borrowing during 2011 by resident enterprises from non-affiliated enterprises declined by US$173 million to US$96 million during 2011 from US$269 million recorded in 2010. The decline was mainly due to lower disbursement during the period.

The major recipient sectors of FDI during the year were mining and quarrying including oil (38.4 percent), manufacturing (22.5 percent), finance (17.1 percent) and wholesale/retail (5.9 percent). Similarly, most of the disbursements of foreign debt were received by enterprises in mining, manufacturing, finance and wholesale/retail trade sectors. The four sectors jointly accounted for 84 percent of the total FDI during 2011. In terms of source of FDI, Australia, UK, Kenya and Netherlands were the largest sources of FDI accounting for 79.7 percent during 2011.

CHAPTER ONE

INTRODUCTION

This introductory chapter provides a brief background to the survey, methodology used and highlights global macroeconomic developments and trends in international private capital flows, during 2011. The basis for analysis of the findings and evaluation of the trends in foreign private sector investment is also discussed in this chapter.

1.1. Background

The Private Sector Investment Survey (PSIS) 2012 was the eleventh in a series of annual surveys conducted by the Uganda Working Group (UWG)[2] on private sector investment monitoring. These regular PSI surveys are intended to provide accurate information for the compilation of Uganda's Balance of Payments (BOP), International Investment Position (IIP), Coordinated Direct Investment Survey (CDIS)[3] and provide macroeconomic statistics to guide public policy decisions. The Private Sector Investment Survey 2012 collected and analysed information on the value of investment, composition, source and destination countries and sector distribution of investment stocks as at end 2010 and 2011 and flows during 2011.

The survey targeted 579 enterprises known to have large foreign liabilities and assets from previous surveys and newly licensed enterprises from the UIA's investor register. The sample size was selected purposively to achieve full coverage of all enterprises with foreign direct investment and foreign borrowing

[2] The Uganda Working Group (UWG) on private sector investment monitoring is comprised of seven (7) institutions: Bank of Uganda (BOU), Uganda Bureau of Statistics (UBOS), Uganda Investment Authority (UIA), Economic Policy Research Centre (EPRC), Private Sector Foundation Uganda (PSFU), Uganda Bankers' Association (UBA) and Uganda Manufacturers Association (UMA). The lead institutions in the organisation of the annual PSIS survey are BOU, UBOS and UIA.

[3] The Coordinated Direct Investment Survey (CDIS) is a worldwide statistical data collection effort coordinated by the International Monetary Fund (IMF), designed to improve the availability and quality of data on direct investment position statistics.

identified from the previous ten (10) surveys. In addition, all enterprises that were licensed during 2011 were also incorporated into the sample to determine whether they have foreign direct investment and foreign borrowings from affiliates. The sampling method therefore generated a total of 460 enterprises, which had reported foreign direct investment and foreign borrowing during the PSIS 2011. The 460 enterprises were supplemented with 119 newly licensed enterprises obtained from UIA's investor register.

The data collection activities involved direct administration of the questionnaires to the respondents by a team of trained enumerators. The survey was conducted between 25th June and 28th September 2011 by a team of twenty six (26) interviewers supported by five (5) members of staff from the Statistics Department of Bank of Uganda, two staff from UBOS, and two staff from UIA.

1.2. The Global Macroeconomic Environment

An overview of the global economy and trends in international private capital flows during 2011 and forecast for 2012 are presented in this section.

1.2.1. Overview

The global economic recovery was mixed in 2011 despite recovery in the US and emerging market economies mainly because of the continued sovereign debt crises in the Euro Zone. Annual global GDP growth declined to 3.9 percent in 2011, 1.4 percent lower than the 5.3 percent growth recorded in 2010. The slow down was attributed to slower growth of economic activity in most advanced economies, particularly in Europe. This trend is likely to continue and the transmission channel of downside risk for emerging and developing economies from the Euro-zone crisis is expected to manifest in the form of slower export growth and volatile capital flows as European investors become more risk averse. In addition increased bank deleveraging in some affected advanced economies may create tighter credit conditions and may negatively impact on growth.

Despite multiple shocks and uncertainty to the global economy, the Sub-Saharan African (SSA) countries continued on the recovery trajectory from the crisis-induced slowdown. According to the IMF World Economic Outlook of October 2012, SSA economies (or GDP) grew by 5.2 percent in 2011, 5.3 percent in 2010 and 2.8 percent in 2009. [4]. This implies that the SSA countries were among the fastest growing developing regions in 2011. The strong growth was attributed to: high commodity prices have supported the region's commodity exporters and boosted investment in resource extraction in addition to higher domestic demand, and increased public investments. Further, diversification of trading partners to emerging market and developing countries (namely; China, India, etc.) supported commodity export growth and reduced the exposure to slowdown in Europe. Improved policy frameworks and judicious use of policy space in responding to adverse shocks have also contributed to this improved performance.

It is important to note that, the advanced economies which annually contribute approximately 49.1 percent of total FDI inflows (or source of FDI) and 73.0 percent of the outflows continued to record slow growth in both 2010 and 2011, which impacted on future FDI flows.

1.2.2. International Private Capital Flows Development

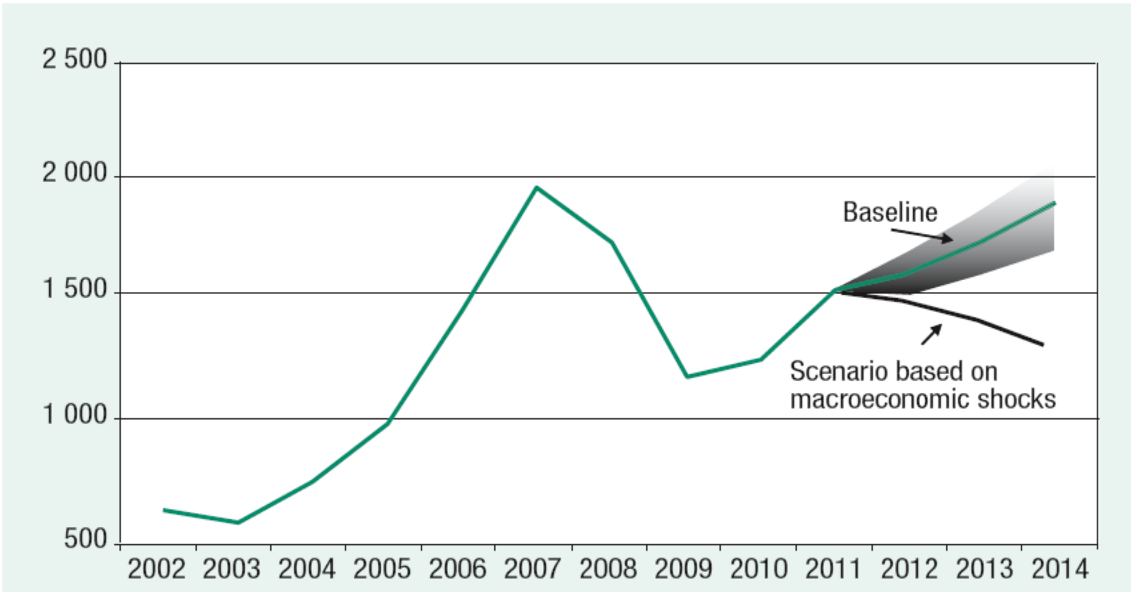
Global Foreign Direct Investment (FDI) inflows rose by 16.5 percent to US$1,524 billion in 2011 from US$1,309 billion in 2010[5]. The performance exceeded the pre-crisis average despite turmoil in the global economy but still remained 23 percent below the 2007 peak. FDI growth is however, predicted to

[4] IMF, World Economic Outlook, October 2012

[5] *See,* UNCTAD, World Investment Report 2012

moderate in 2012, with flows levelling off at about $1.6 trillion due to risk and uncertainty to GDP growth among the advance economies (*see,* Figure 1.1).

Figure 1.1: Global FDI inflows, 2002-2011 and Projection, 2012 -2014 (US$ billions)



Source: UNCTAD, World Investment Report 2012

In terms of regional distribution, FDI inflows to developed economies increased by 21.0 percent to US$748 billion in 2011 while inflows to developing economies continued on the growth trajectory and expanded by 11.2 percent to US$683 billion in 2011. Flows of FDI to developing countries were driven by the 10.3 per cent increase in Asia and 16.1 per cent increase in Latin America and the Caribbean. This growth in FDI is mainly attributed to increasing south-to-south flows, exploitation of commodities and growth of domestic demand growth for infrastructure and consumers goods among developing countries. Overall, developing and transition economies accounted for 45.4 percent and 6.2 percent of global FDI, respectively (Details are shown in Table 1.1). According to UNCTAD (2012), these economies are likely to maintain high levels of investment over the next three years.

Table 1.1: Global FDI flows, by region, 2009-2011 (US$ billions)

Region	FDI Inflows			FDI Outflows		
	2009	2010	2011	2009	2010	2011
World	**1,195.9**	**1,233.1**	**1,430.7**	**1,126.2**	**1,389.5**	**1,621.2**
a). Developed Economies	606.2	618.6	747.9	857.8	989.6	1,237.5
b). Developing Economies	517.3	614.5	682.8	268.4	399.9	383.7
Africa	*52.6*	*43.1*	*42.7*	*3.2*	*7.0*	*3.5*
East and South-East Asia	*206.6*	*294.1*	*335.5*	*176.6*	*243.0*	*239.9*
South Asia	*42.4*	*31.7*	*38.9*	*16.4*	*13.6*	*15.2*
West Asia	*66.3*	*58.2*	*48.7*	*17.9*	*16.4*	*25.4*
Latin America & Caribbean	*149.4*	*187.4*	*217.0*	*54.3*	*119.9*	*99.7*
c). Transition economies	72.4	73.8	92.2	48.8	61.6	73.1

Source: UNCTAD, *World Investment Report 2012.*

FDI inflows to Africa in 2011[6] stayed at about the same level as that in 2010 of US$43 billion. Mining and extractive industries attracted much of the increase in the value of FDI inflows. For many countries within the region, FDI in the petroleum, base metals, and minerals sectors has underpinned much of the strong GDP growth in recent years

FDI inflows to Uganda recovered from the slowdown during 2010 at US$534 million to US$894 million in 2011 as illustrated in Figure 1.2. The recovery in FDI inflows was driven in part by increased equity investment in the financial sector and reinvested earnings during the year, compared to the levels recorded in 2010. The FDI flows are expected to continue on the recovery trajectory in 2012 and 2013 due to new investments in the down-stream activities of the oil industry and the gradual recovery of the economy from the multiple shocks experienced during 2011.

[6] UNCTAD, World Investment Report 2012

Figure 1.2: FDI inflows to Uganda, 1993 - 2011 (US$ million)

Source: Computation based on BoU, BOP Statistics

1.3. Organization of the Report

This chapter has presented the background to the PSIS 2012 survey, macroeconomic developments and trends in private capital flows during 2011. The rest of the report provides the general survey findings in Chapter 2 and findings on FDI and foreign borrowing in Chapter 3.

CHAPTER TWO

GENERAL FINDINGS

This chapter presents a description of the sample and the survey results relating to the general characteristics of the enterprises surveyed. Also included is an assessment of the sampled enterprises' contribution to the economy's value added and gross fixed capital formation. The reporting currency used in presenting the survey findings is the Uganda shilling except where indicated. However, the up-rated figures used in the balance of payments are reported in US$ in chapter 3. Additional tables in US$ are provided in Appendix B.

2.1. Survey Sample and Response Rate

The survey sample was selected with the objective of covering all enterprises in Uganda with foreign direct investment and borrowing. Subsequently, the sample was comprised of some enterprises with only foreign direct investment, some with only foreign borrowing and some with both. To achieve the intended coverage, 579 enterprises were identified using previous survey results and UIA's register of licensed companies. However, the survey forms were delivered to 502 enterprises out of the 579 listed enterprises due to failure to locate some of the newly licensed enterprises. From the 502 delivered questionnaires, 464 enterprises responded resulting in a response rate of 92.4 percent. Financial statements of most of the respondents were collected and used to validate the submitted responses. In addition, comparisons were made with the information provided in the previous surveys at enterprise level as a consistency check.

The regional distribution of the enterprises that responded indicated that 434 enterprises or 95.4 percent were located in the central region followed by 16 enterprises located in the Eastern and Northern region and 14 located in the Western region.

Table 2.1: Returned questionnaires by Sector (number of entities)

Major Sector	Administered	Returned	Response Rate (percent)
Agriculture, forestry and fishing	29	26	89.7
Industry	164	143	87.2
Mining and quarrying	*9*	*6*	*66.7*
Manufacturing	*124*	*107*	*86.3*
Electricity and gas	*6*	*6*	*100.0*
Water supply	*4*	*4*	*100.0*
Construction	*21*	*20*	*95.2*
Services	309	295	95.5
Wholesale and retail trade	*99*	*96*	*97.0*
Transportation and Storage	*26*	*26*	*100.0*
Accommodation and food service	*21*	*15*	*71.4*
Information and communication	*39*	*37*	*94.9*
Finance and Insurance	*54*	*53*	*98.1*
Real estate activities	*17*	*17*	*100.0*
Professional, scientific and technical	*9*	*8*	*88.9*
Administrative and support service	*12*	*12*	*100.0*
Education	*5*	*4*	*80.0*
Human Health and Social work	*6*	*6*	*100.0*
Arts, entertainment and recreation	*2*	*2*	*100.0*
Others	*19*	*19*	*100.0*
Total	**502**	**464**	**92.4**

At sector level, the highest share of respondent enterprises (22.5 percent) was for enterprises engaged in manufacturing activities, followed by wholesale (21.4 percent), finance (11.5 percent), I.C.T (8.0 percent), transportation and storage (6.3 percent) and agriculture (5.6 percent). The distribution by sector reflected a high concentration of enterprises with foreign direct investment and borrowing in manufacturing and the services sector.

2.2. Contribution to Economic Activity

The survey results on compensation of employees (wages and salaries), taxes on production and imports less subsidies, net operating surplus (profit) and consumption of fixed capital were used to estimate the samples' contribution to output. Overall, the 464 enterprises had an estimate of value added at current prices during 2011 of Shs. 2,593 billion or about 5.7 percent of GDP. Financial services, electricity and manufacturing accounted for the largest shares of value added estimated to constitute 66.4 percent, 28.8 percent and 19.7 percent of total GDP, respectively for each sector (see details in Table 2.2). The large contributions of value added in GDP by manufacturing and financial services confirm the concentration of foreign investment in the two sectors.

Table 2.2: Value added and Fixed Capital Formation of Sampled enterprises (Shs. Billion)

Item	*Sample VA*	*GDP*	*Sample /Total (%)*
Value added	**2,593**	**45,607**	**5.7**
o/w Manufacturing	760	3,861	19.7
Financial services	884	1,331	66.4
Electricity	169	585	28.8
Construction	133	5,968	2.2
Others	647	33,862	1.9
Fixed capital formation	**1,660**	**11,251**	**14.8**
o/w Private fixed capital formation	1,660	8,440	19.7

The results on the stock of capital reported by the enterprises during 2011 were used together with the survey results for the period 2010 to get an indication of the sample's contribution to fixed capital formation. An estimate of fixed capital formation of Shs. 1,660 billion was obtained. The estimate represented about 14.8 percent of total fixed capital formation and 19.7 percent of private gross fixed capital formation estimates for 2011.

2.3. Employment

Results show that the number of employees as at 31st December 2011 for enterprises was 56,923. Domestic employees constituted about 93.7 percent while foreign short-term employees constituted 0.5 percent of total employment by these enterprises. Details are provided in Table 2.3.

Table 2.3: Distribution of Employment by Nationality

Nationality	2011	
	No. of Employees	Percentage of total
Foreign	3,581	6.3
Long term	*3,304*	*5.8*
Short term	*277*	*0.5*
Domestic *(part-time & full-time)*	53,342	93.7
Total No. of Employees	**56,923**	100.0

2.4. Compensation of Employees

Information on compensation of employees collected for both 2010 and 2011 showed an increase of 40.3 percent from Shs.1,208 billion during 2010 to Shs.1,695 billion in 2011. Domestic employees received the highest share of total employee's compensation accounting for an average of 82.1 percent of the total during the two years. Employee's compensation to short-term foreign workers which is recorded in the balance of payments as an outflow was 1.2 percent of the total or Shs.21 billion. Details are shown in Table 2.4.

Table 2.4: Compensation of Employees by Residency

Residency	**Value of Compensation (Shs. Billion)**	
	2010	**2011**
Foreign Employees	183.11	348.35
Long-term (more than 12 months)	*176.84*	*327.35*
Short-term (less than 12 months)	*6.27*	*21.00*
Domestic Employees	1,024.90	1,346.29
Total compensation	**1,208.01**	**1,694.65**

2.5. Net-Profits, Dividends and Retained Earnings

Net profits reported for 2011 increased by 88.7 percent to Shs.733 billion from Shs.388 billion during 2010, as summarized in Table 2.5. Similarly, retained earnings increased from Shs.192 billion during 2010 to Shs.515 billion in 2011.

Table 2.5: Net profits, Dividends and Retained Earnings

Item	Amounts (Shs. Billions)	
	2010	2011
Net profit/loss	388.31	732.78
Dividends declared	196.78	217.97
Dividends paid/remitted	188.24	239.85
Retained earnings	191.53	514.82

In terms of sectors, finance had the largest share of total profits reported amounting to Shs.262 billion and Shs.422 billion in 2010 and 2011, respectively. Manufacturing followed with profits of Shs.188 billion and Shs.352 billion in 2010 and 2011, respectively. A large reduction in profitability was noted in the I.C.T. and mining sectors which recorded losses of Shs.129 billion and Shs.106 billion in 2011 from a loss of Shs.73 billion and profit of Shs.5 billion in 2010, respectively.

CHAPTER THREE

FOREIGN DIRECT INVESTMENT AND FOREIGN BORROWING

A discussion of the survey findings on foreign direct investment and foreign borrowing during 2011 and the respective outstanding stocks as at end 2010 and 2011 is presented in this chapter. Section 3.1 presents the detailed findings on foreign direct investment, Section 3.2 presents the findings on foreign borrowing and Section 3.3 presents the grossed-up estimates of foreign liabilities transactions used in the BOP.

3.1. Foreign Direct Investment in Resident Enterprises

Foreign direct investment is comprised of total equity (based on the value of individual shareholding of 10 percent or more) and other capital which is comprised of debt from foreign affiliates[7]. Total equity is derived as the sum of share capital, retained earnings and revaluations. The stock of foreign direct investment from abroad amounted to Shs.10,251 billion and Shs.12,273 billion as at end 2010 and 2011, respectively. The change in the stock at the end of 2011 was attributed to new resources amounting to Shs.1,791 billion and valuation gains amounting to Shs.231 billion. The valuation gains were a result of the depreciation of the shilling against the US dollar during the year.

A total of Shs.1,146 billion of the foreign direct investment received during 2011 was on account of equity (i.e. increases in share capital and retained earnings) while other capital (affiliated debts) accounted for Shs.643 billion during the same period. The valuation gains recorded on equity accounted for Shs.5 billion of the change in equity held by non-residents in resident enterprises during the year. The detailed findings of the integrated FDI composition in terms of flows and stocks of the enterprises that responded are shown in Table 3.1.

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[7] Affiliates are enterprises in a direct investment relationship with each other through a common parent entity.

Table 3.1: Composition of Foreign Direct Investment (Shs. billions)

Components	2010	2011		
	Stocks	Net Transactions	Net Other [8]Changes	Stocks
Foreign Direct Investment (FDI)	**10,251.47**	**1,790.82**	**230.90**	**12,273.19**
Total Equity (OFBV)	7,500.28	1,147.53	225.05	8,872.86
Share capital	*5,745.34*	*794.59*	*383.53*	*6,923.56*
Retained Earnings	*1,027.28*	*348.40*	*-172.05*	*1,203.63*
Revaluation & Others	*727.66*	*4.53*	*13.57*	*745.76*
Other capital	2,751.20	643.30	5.85	3,400.34
Short-term debt from foreign affiliates	*809.69*	*25.54*	*1.75*	*836.98*
Long-term debt from foreign affiliates	*1,941.51*	*617.76*	*4.10*	*2,563.37*

The major recipient sectors of foreign direct investment during the year were Mining and quarrying (38.4 percent or Shs.687 billion), Manufacturing (22.5 percent or Shs.403 billion), Finance (17.1 percent or Shs.306 billion) and Wholesale/Retail trade (5.9 percent or Shs.106 billion). The details are shown in Table 3.2. The negative transactions in real estate, water, construction and professional services were as a result of retained losses and high affiliated debt repayment during the period.

Table 3.2: Sector Distribution of Foreign Direct Investment (Shs. billions)

Major Sector	2010	2011		
	Stocks	Net Transactions	Net Other Changes	Stocks
Agriculture	345.33	43.22	-2.37	386.18
Mining & quarrying	4,178.30	687.27	319.36	5,184.93
Manufacturing	1,302.59	403.12	-49.72	1,655.99
Electricity	708.16	97.62	24.27	830.05
Water & Sewerage	-5.23	-3.91	0.01	-9.13
Construction	360.15	-3.04	-56.50	300.61
Wholesale & retail trade	613.73	105.91	15.04	734.68
Transportation & Storage	156.52	82.32	-3.25	235.59

[8] Other changes in financial assets and liabilities show changes in financial position of the enterprise that arise for reasons other than transactions between residents and non-residents. The other changes can arise as a result of; other changes in volume, revaluation due to exchange rate movement and other price changes.

Major Sector	2010	2011		
	Stocks	Net Transactions	Net Other Changes	Stocks
Accommodation & food	255.16	0.10	3.18	258.45
ICT	1,055.52	76.97	-0.59	1,131.90
Finance & Insurance	1,204.48	306.14	-16.07	1,494.56
Real estate	34.28	-17.89	-5.56	10.83
Professional services	4.11	-0.91	0.11	3.31
Administrative services	19.44	0.67	0.01	20.12
Education	1.90	9.32	0.00	11.22
Health services	4.47	2.22	3.26	9.95
Arts	1.70	1.54	-0.23	3.01
Others	10.86	0.14	-0.04	10.96
Total	**10,251.47**	**1,790.82**	**230.90**	**12,273.19**

The top ten sources of FDI were Australia, UK, Mauritius, Kenya, Netherlands, Switzerland, USA, United Arab Emirates (UAE), Bermuda and India. These ten countries jointly accounted for 87.4 percent of total FDI stocks as at end 2011 and were also the main source countries for FDI inflows during 2011. The details are as shown in Table 3.3.

Table 3.3: Top 10 Foreign Direct Investment source countries (Shs. billions)

Countries	2010	2011		
	Stocks	Transactions	Other Changes	Stocks
Australia	4,007.30	617.46	313.24	4,938.00
United Kingdom (UK)	1,567.40	296.68	-77.07	1,787.01
Mauritius	1,050.62	158.73	24.70	1,234.05
Kenya	858.50	261.99	-2.67	1,117.82
Netherlands	172.87	249.64	5.16	427.67
Switzerland	310.65	66.45	8.19	385.28
United States USA	230.91	5.27	-7.11	229.08
UAE	58.71	165.87	-2.54	222.05
Bermuda	212.64	57.70	-52.76	217.58
India	178.02	29.08	-4.85	202.25
Others	1,603.85	-118.05	26.61	1,512.41
Total	**10,251.47**	**1,790.82**	**230.90**	**12,273.19**

3.2. Foreign borrowing by resident enterprises

For the purposes of this report, foreign borrowing by resident enterprises refers to debt comprised of loans and trade credits contracted by resident enterprises from non-affiliate enterprises abroad. The stock of foreign borrowing increased by 16.9 percent from Shs.1,888 billion as at end 2010 to Shs.2,208 billion as at end 2011. Loans accounted for 97.2 percent of the total outstanding foreign borrowings as at end 2010 or Shs.1,835 billion and 96.2 percent of the total outstanding foreign borrowing as at end 2011 or Shs.2,126 billion. The stock of trade credit increased from Shs.54 billion to Shs.82 billion at end 2010 and 2011, respectively. The overall increase in the foreign borrowing was therefore mainly due to disbursements of short-term loans received during the period, estimated at Shs.302 billion. Most of the disbursements were received by enterprises in Electricity, I.C.T., Wholesale & retail and Finance & Insurance. These four sectors jointly accounted for over 85.6 percent of the total disbursements received during 2011. The main creditors include the International Finance Corporation (IFC), Australia, China, Channel Island, Kenya, UK, Bermuda and East African Development Bank (EADB). Total principal repayments during 2011 were estimated at Shs.164 billion (see details are provided in Table 3.4).

Table 3.4: Composition of Foreign Borrowing by Resident Enterprises (Shs. billions)

Component	2010	2011			
	Stocks	Disbursements	Repayments	Other Changes	Stocks
Total Foreign borrowing	**1,888.37**	**356.25**	**(164.33)**	**127.55**	**2,207.85**
Loans	1,834.62	304.59	(140.64)	127.57	2,126.14
Long-Term Loan	10.94	2.83	(4.66)	(0.00)	9.11
Short-Term Loan	1,823.67	301.77	(135.97)	127.57	2,117.04
Trade credits	53.75	51.66	(23.69)	(0.01)	81.71
Long-Term Loan	20.76	47.15	(10.56)	(0.01)	57.34
Short-Term Loan	32.99	4.51	(13.13)	-	24.37

3.3. Incorporating the Results in the Balance of Payments

Incorporation of the survey results for transactions in the BOP involved converting the transactions into US dollars from Uganda Shillings using the annual average exchange rate of Shs.2,523 per US$ for 2011. Transactions relating to total foreign direct investment, foreign borrowing and related income in form of dividends and distributed branch profits were grossed-up using a factor of 1.26 determined as the reciprocal of the ratio of response to total entities known to have foreign liabilities (see details on the derivation of the grossing-up in Appendix A). Table 3.5 shows a comparison of the survey results with the corresponding grossed-up BOP estimates.

Table 3.5: Survey Estimates and Respective Grossed-Up Estimates of Foreign Direct Investment and Foreign Borrowing

	2010	2011			2011	
	Shs. billions				US$ millions	
	Stocks	Net Transactions	Net Other changes	Stocks	Derived net transactions	Up-rated BOP figures
Foreign Direct Investment	**10,251.47**	**1,790.82**	**230.90**	**12,273.19**	**709.86**	**894.29**
Total Equity	7,500.28	1,147.53	225.05	8,872.96	454.86	573.05
Share capital	5,745.34	794.59	383.53	6,658.56	314.97	396.80
Retained Earnings	1,027.28	348.40	-172.05	1,203.63	138.10	173.98
Other Capital	3,478.86	647.83	19.42	4,146.11	256.79	323.51
Foreign Borrowing *(Loans & Trade credit)*	**1,906.48**	**191.57**	**127.58**	**2,225.64**	**75.94**	**95.66**
Short-term	49.81	34.40	0.02	84.23	13.64	17.18
Long-term	1,856.67	157.17	127.57	2,141.41	62.30	78.49
Dividends and distributed branch profits	N/A	130.00	N/A	N/A	51.53	64.92

The survey results revealed that foreign direct investment transactions during 2011 increased to US$894 million from the estimated inflow of US$534 million during 2010 (details are provided in Appendix Table: B. 3). Specifically, equity investments increased during 2011 to US$573 million from US$ 239 million in 2010. Other capital (debt from affiliates) increased to US$324 million during

2011 compared to US$296 million recorded in 2010 mainly due to increased disbursement from affiliated entities during the year. The grossed-up net inflows (disbursement less principal repayments) of foreign non-affiliated borrowing by resident enterprises estimated at US$96 million decreased to less than half of the 2010 estimate of US$269 million. The results also indicated that the grossed-up distributed return on investment (dividends) attributable to foreign direct investors in 2011 decreased to US$64.9 million from US$65 million reported in 2010. The grossed-up flows and stocks from 2006 – 2011 by source country are presented in Appendix Table B.4 and B.5.

3.4. Conclusions

Uganda's private sector investment inflows recovered during 2011 from the slump during 2010. In terms of the balance of payments, total inward foreign direct investment increased mainly due to increase in share capital, affiliated debt and retained earnings. In contrast to FDI, private foreign borrowing decreased as a result of lower disbursements. Going forward, continuous refinement of the methodology and enhanced awareness should further improve estimations.

APPENDIX – A: Sampling and Grossing-up Methodology

Based on the information available, all enterprises with known foreign assets and liabilities from previous surveys were covered by the survey. All newly licensed enterprises by the UIA during the year were also covered. This approach was followed to ensure comprehensive coverage of enterprises with foreign direct investment and borrowing as well as to ensure consistency with previous survey estimates. The approach was also to enable comparison of estimates obtained from previous surveys.

The grossing-up methodology was done in two stages with the first stage based on office estimates for non-responding enterprises that had responded to previous surveys but did not respond during 2011. The office estimates were based on previous survey responses to derive the beginning of period stocks and sector growth factors derived from responding enterprises within the same sector to derive transactions during the year. Financial statements covering 2010 and 2011 were used to augment the estimation for enterprises that provided their statements.

The next stage involved grossing-up for non-response of newly licensed enterprises. Since there were no previous estimates for newly licensed enterprises, it was not possible to make office estimates. The grossing-up was based on their overall share in the sample frame. During 2011, non-responding newly licensed enterprises comprised 20.6 percent of the total number of enterprises sampled. Subsequently, a grossing-up factor of 1.206 was applied to all estimates to cater for the non-response by the newly licensed enterprises.

APPENDIX – B: Statistical Appendix

Table B.1: Total Employment by Economic Sectors

Major Sector	Local		Foreign		Total
	Full time	Part time	Long-Term	Short-Term	
Agriculture	3,426	347	122		3,895
Mining and quarrying	284	41	73	26	424
Manufacturing	14,403	1,307	943	130	16,783
Electricity and gas	18		21		39
Water	52	45	2	1	100
Construction	1,600	132	386	27	2,145
Wholesale & retail	3,100	390	380	15	3,885
Transportation	2,266	13	128		2,407
Accommodation	3,033	20	150	30	3,233
ICT	5,004	39	691	36	5,770
Finance and insurance	5,627	173	296	2	6,098
Real estate	378	5	23	1	407
Professional	222	3	6	5	236
Administrative	10,634		25		10,659
Education	164	103	23		290
Health	270	1	13	2	286
Arts, entertainment	184		6		190
Others	57	1	16	2	76
Total	**50,722**	**2,620**	**3,304**	**277**	**56,923**

Table B.2: Compensation of Employees by Economic Sectors (US$ millions)

Major Sector	2011			
	Local	Foreign		Total
	Permanent Residents	*Long-Term*	*Short-Term*	
Agriculture	11.89	1.14	0.00	13.03
Mining & quarrying	4.29	3.19	0.00	7.48
Manufacturing	89.53	43.10	0.68	133.31
Electricity & gas	21.16	2.74	0.13	24.03
Water supply	0.23	0.03	0.00	0.26
Construction	21.51	10.74	0.24	32.49
Wholesale & retail	42.09	16.15	0.89	59.14
Transportation	30.19	2.29	0.00	32.49
Accommodation	9.67	0.57	0.07	10.31
ICT	79.85	13.22	0.07	93.13
Finance	153.39	25.39	0.01	178.79
Real estate	0.81	0.15	0.00	0.97
Professional	10.97	0.07	0.00	11.04
Administrative	15.06	3.32	0.01	18.38
Education	1.10	0.45	0.00	1.55
Health & Social works	1.24	0.16	0.00	1.40
Arts & entertainment	0.31	0.06	0.00	0.37
Others	40.36	6.98	6.22	53.56
Grand Total	**533.65**	**129.76**	**8.32**	**671.73**

Table B.3: Grossed-up Foreign Direct Investment and Foreign Borrowing during 2010 and 2011 (US$ millions)

Components	2010		2011	
	Derived transactions	Uprated figures	Derived transactions	Up-rated BOP figures
Foreign Direct Investment	**488.7**	**534.1**	**709.86**	**894.29**
Total Equity	218.6	238.9	454.86	573.05
Share capital	124.9	136.5	314.97	396.80
Retained Earnings	93.2	101.9	138.10	173.98
Other Capital	270.5	295.7	256.79	323.51
Foreign Borrowing (Loans & Trade credit)	**245.7**	**268.6**	**75.94**	**95.66**
Short-term	4.1	4.5	13.64	17.18
Long-term	241.6	264.0	62.30	78.49
Dividends and distributed branch profits	59.7	65.3	51.53	64.92

Table B.4: Grossed-up FDI flows by source countries 2006 - 2011 (US$ millions)

	Country	2006	2007	2008	2009	2010	2011
1	Australia	2.42	178.19	163.92	189.27	120.12	201.13
2	Kenya	91.81	116.21	94.21	55.49	86.12	172.55
3	Netherlands	30.25	21.85	16.76	16.24	121.52	164.41
4	UK	244.57	262.30	249.72	227.78	126.74	115.81
5	UAE	78.70	96.78	89.03	102.80	65.24	109.24
6	Mauritius	46.93	39.99	30.91	54.01	90.56	104.54
7	Switzerland	31.53	38.77	35.67	41.18	26.14	43.76
8	Bermuda	0.51	59.66	50.36	87.41	11.62	38.00
9	Denmark	15.16	18.64	17.15	19.80	12.57	21.04
10	India	15.27	29.02	27.41	18.77	38.13	19.15
11	Nigeria	13.69	16.84	15.49	17.88	11.35	19.00
12	South Africa	12.81	66.86	51.14	89.53	16.85	14.40
13	Singapore	1.08	0.75	1.01	0.10	-1.72	9.49
14	IO	6.14	7.55	6.95	8.02	5.09	8.52
15	Egypt	5.11	6.29	5.78	6.68	4.24	7.10
16	Norway	3.84	4.72	4.35	5.02	3.18	5.33
17	Togo	2.57	3.16	2.91	3.36	2.13	3.57
18	USA	98.56	83.37	69.27	18.83	10.31	3.44
19	Canada	144.90	2.98	2.74	3.16	2.01	3.36
20	Others	-195.45	-254.08	-198.99	-115.74	-213.00	-169.56
	Total	**644.26**	**792.31**	**728.86**	**841.57**	**534.11**	**894.29**

Table B.5: Grossed-up FDI Stocks by source countries 2006 - 2011 (US$ millions)

Country	2006	2007	2008	2009	2010	2011
UK	902.19	1,164.50	1,414.22	1,642.00	1,768.73	1,884.55
Bermuda	147.84	207.50	257.86	345.27	356.89	394.89
South Africa	124.52	191.37	242.51	332.05	348.89	363.29
Kenya	351.33	467.54	561.75	617.24	703.36	875.91
Netherlands	110.94	132.79	149.56	165.79	287.31	451.72
Mauritius	170.13	210.12	241.03	295.05	385.61	490.15
Belgium	34.03	35.77	37.47	66.34	24.15	-36.55
France	94.99	126.28	148.91	151.60	156.28	152.80
USA	310.40	393.77	463.05	481.88	492.19	495.63
Sweden	67.98	91.78	106.70	84.35	86.51	87.18
Singapore	12.87	13.62	14.63	14.73	13.01	22.50
India	62.27	91.29	118.70	137.47	175.60	194.76
Others	279.13	334.59	433.40	697.60	766.93	1,082.93
Total	**2,668.63**	**3,460.93**	**4,189.79**	**5,031.37**	**5,565.48**	**6,459.77**