



Mozambique

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Industrial projects will be developed in tandem with plans for power generation



Uganda Page III

Economic and political reforms have opened up the country to foreign investment and aided development

Our World

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NEPAD

Looking ahead with confidence

■ AFRICA IS MOVING forward with a plan to overhaul the region's troubled and inefficient ways and lay the groundwork for future growth and prosperity.

The New Partnership for Africa's Development (NEPAD) is a vision and strategic framework for the social and economic renewal of the African continent. Set out by the leaders of the five initiating countries – Algeria, Egypt, Nigeria, Senegal, and South Africa – the blueprint offers a way forward for a region still marginalized from the rest of the world. Its agenda targets deep-rooted issues such as escalating poverty levels, debt, and chronic underdevelopment.

A measure of the new-found confidence spreading through parts of the continent, NEPAD is an attempt by African leaders to fight some of the persistent and more complex problems that blight the region. There are four main objectives: to eradicate poverty; achieve sustainable development; integrate Africa into the global economy; and accelerate the empowerment of women.

At the heart of the initiative is a partnership approach. This includes a peer review mechanism in which African countries submit themselves to voluntary evaluation by other states. The aim is for the continent to be able to help itself rather than rely on support from outside. In addition to advocating good governance, NEPAD fosters African ownership

and leadership and encourages the participation of all layers of society. It also promotes regional integration and competitiveness. The intention is to anchor the long-term development of Africa on its own natural resources and especially the unique resourcefulness of its people.

On a practical level, NEPAD seeks to promote the conditions for sustainable development through enhanced peace and security, the promotion of democracy and good governance, regional cooperation, and capacity building. It seeks policy reform and increased investment in priority areas such as agriculture, education and technology, in addition to diversification into manufacturing, processing, and other added-value techniques.

At the same time, there is a need to mobilize additional resources such as inward investment; to



improve Africa's share of global trade; to raise domestic savings and investments; and to ease the longstanding debt burden. The material benefits are obvious. Those countries that set up good governance systems, tackle corruption and other structural weaknesses are rewarded by increased inward investment. Slowly, things are changing

for many African countries. There are success stories throughout the continent.

Mozambique has emerged from the shadows of civil war to become one of southern Africa's hottest investment prospects. With close ties to regional superpower South Africa it is now home to the multi-billion dollar Mozal aluminum export plant, a flagship for industrial achievement in the country. The project would have been inconceivable a decade earlier. Improvements to the country's infrastructure

have also boosted cross-border links and facilitated intra-regional trade flows.

In eastern Africa, Uganda has transformed itself over the last two decades from the corrupt and dark days of dictator Idi Amin to become a vibrant and free economy, with appeal to international investors. The country has achieved impressive growth rates in recent years and received widespread praise from the donor community.

NEPAD calls for a new international relationship between Africa and the rest of the world. The aim is to ensure that the continent does not get left behind in the march toward globalization. Certainly, the relationship between the U.S. and many African nations has improved dramatically. Visits by President George W. Bush and his predecessor Bill Clinton have helped to open a new dialogue with the continent. The African Growth and Opportunity Act (AGOA) has improved the terms for doing business, while west African oil – from Nigeria, Angola and other smaller producers – is becoming more important too.

A pledge by African leaders based on a common vision, NEPAD is a chance for Africa to turn things around. It is a monumental task and one that will require the full support of key foreign partners such as the U.S. but a start has been made. Mozambique and Uganda show what can be done.

Mozambique

Reforms spark outstanding performance

Increasing investment and international aid are modeling fast-moving economic promise

■ MENTION Mozambique in Europe or the U.S. and most people will recall the severe flooding of 2000 and 2001. What they probably won't know is that Mozambique's economy has been one of the best performing and fastest growing in the world in recent years. International aid has played a dominant role in this growth and continues to be vital to the country's development, but its ongoing macroeconomic and structural reform policies are turning the nation into an ever more popular

destination for investors. The government is making a concerted effort to eradicate poverty and encourage economic development, and figures consistently show that Mozambique is on the right track.

The World Bank (WB) has committed more than a billion dollars to Mozambique in order to boost development in a variety of sectors, including health, education, agriculture and infrastructure. "One of the reasons we are so active in this country is the strong government leadership on



Mozambique's heritage highlights diversity

the economic reform program," says Darius Mans, the WB country director for Mozambique. "The organization is also helping the government to improve the investment climate and unlock the potential of sectors such as energy and tourism,"

says Mr. Mans. Previous obstacles to investment included excessive red tape and the perception of corruption, both of which are being tackled by the government.

Minister of Foreign Affairs and Cooperation

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Uganda

Transformation attracts global admiration

The Pearl of Africa is setting an example for its neighbors

■ NAMED the Pearl of Africa by Winston Churchill, Uganda is at last regaining its shine. The transformation of the country since 1986, when President Yoweri Museveni took office ending a prolonged era of civil strife, has been nothing short of remarkable.

Political stability has brought with it economic achievement and social advances. Difficult issues such as AIDS and education are being tackled with notable success. Growth rates have averaged 6% over the last 10 years or so. Widespread

reforms have opened up the economy to investors and promoted a free and liberalized market. Relations with the multilateral financial institutions are also strong.

Indeed, Uganda's track record over nearly two decades resulted in it being known as the darling of the donor community for many years, a tag which others have tried to emulate.

One of the few places to be located on the equator and at altitude, Uganda is a visually stunning country with a moderate climate, well suited to tourism and



Uganda's lush vegetation is one of its best assets

agriculture. It is one of the last remaining homes of the famous mountain gorillas and boasts a clutch of unique wildlife parks.

President Museveni is eager to invite Americans to visit the country and see for themselves.

He says it is the hard-working attitude of his people that has really turned the country around. "They are a cultured people with a long history. Once there is a good policy environment they will respond."

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Probably unforgettable Maputo surely amazing



Cast a glance at a booming town that is reviving its bustling splendor. Then decide amongst the exclusive range of first-class hotels and prepare to soak in the atmosphere of Maputo's distinctly Mediterranean flavor. A graceful city with Portuguese style colonial buildings, a new selection of cosmopolitan restaurants, and a nascent and vibrant nightlife, Maputo offers the visitor more than just a taste of Mozambique's charm. The city's hotels lay out the red carpet for visitors to take a true bite into a hub of culture: boulevards, beautiful beaches, museums, and nature reserves. Discover bunches of charm with tons to explore.



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Mozambique

With one of the best performing and fastest growing economies in the world, Mozambique is now rising to prominence on the regional stage

Hydroelectric power and mining pilot economy

MOZAMBIQUE is in a prime position for the development of hydroelectric power and, indeed, it is the largest producer of such energy in the entire SADC region. However, the years of civil war prior to the 1992 peace agreements meant generating capacity was under-developed. The country is now slowly beginning to fully exploit the commercial and export potential of its natural resources. Among recent projects are the new Mepende Ncuca dam and power station on the Zambezi River in Western Mozambique, and a natural gas pipeline extending to South Africa.

Key industrial projects are to be developed in conjunction with power projects under the

Key industrial projects are to be developed in conjunction with plans for power generation

trade fusion idea. "Many projects need to be packaged, because it is not easy to think of a single project as an isolated one," explains Castigo Jose Correia Langa, the Minister of Mineral Resources and Energy. He gives as an example the country's largest aluminum smelter, Mozal. "Because of Mozal we have Motraco, which is the company that owns the power lines," he says. Motraco is a joint Mozambican, South African and Swazi venture which was created specifically to provide Mozal with electricity.

Financial assistance has helped to kick-start some projects and international investors are also seeing the potential benefits of involvement in this sec-

tor. The potential returns to investors are generous. "It could be very useful for Americans to bring their experience to Mozambique as long-term partners," states Mr. Correia Langa.

Mining is another area in which Mozambique has a good head start and where foreign investment is being put to good use. Chibuto, north of the capital, contains the largest known deposit of titanium bearing sands in the world. Consumption of titanium metal is expected to increase over the next decade and a multi-national project named Corridor Sands hopes to benefit from this while making a significant addition to Mozambican exports and at the same time generating considerable employment.

Mozambique also has commercially important deposits of coal, iron ore and other minerals. Among these is bentonite, which is currently being exploited by the Mining Development Company, CDM. While the state participates in the company directly, bentonite production is not a state venture and CDM is hoping to find external partners. Company Chairman Luis Jossene believes it is an ideal opportunity, particularly for U.S. investors with the necessary experience. Dr. Jossene stresses the importance of training to boost Mozambique's industrial capacity and the development of local activities that would use bentonite. "We are prepared but the people just need the skills," he says.



CASTIGO JOSE CORREIA LANGA
Minister of Mineral Resources and Energy



LUIS JOSSENE
Chairman of CDM

AFRICAN UNION

Peace and stability remain top priorities

PERHAPS the strongest indicator that Africa today is tackling its problems with assertive commitment has been the creation of the African Union (AU), which aims to achieve greater unity among African nations and a more active role for the continent within the global economy.

Mozambican President Joaquim Chissano has held the post of Chairman of the AU since July 2003. In line with the AU's objectives, Mozambique's number one priority is to secure peace and stability throughout the continent in order to make Africa an attractive destination for investment. Mozambique has been taking part in negotiations and peace-keeping activities; ideally, it would end its mandate

with a conflict-free Africa. Second in the list of priorities is the implementation of several institutions within the AU, namely a Peace and Security Council, the Pan-African Parliament and an Economic, Social and Cultural Council, which should pave the way for an AU eco-zone.

Of equal importance is the promotion and increase of NEPAD activities in Africa and in Mozambique. President Chissano stresses that NEPAD, which aims to eradicate poverty and encourage sustainable development, is the motive and guiding force for the development of Africa, and that this vision for African renewal must remain firmly in African hands.

Reforms spark outstanding performance

Continued from page 1

Leonardo Santos Simão, who is justifiably proud of Mozambique's participation in regional initiatives, believes that the country should be seen in the wider context of African development. As well as being involved in the Southern Africa Development Community (SADC) and holding the chair of the African Union, Mozambique is supporting the New Partnership for Africa's Development (NEPAD), which aims to accelerate the integration of Africa into the global economy. "I see Mozambique playing an important role in the region," says Dr. Simão.

This view is upheld by Carlos Morgado, the Minister of Industry and Trade. He wants to encourage



LEONARDO SANTOS SIMÃO
Minister of Foreign Affairs and Cooperation

longer-term investment that visualizes Mozambique as a gateway to Southern Africa. "Our intention is to reach a market that is much broader than our own," he states. Investment and aid directed at infrastructure should help to promote this vision. The lease of Maputo Port to improve its facilities, the repair and modernization of two railway routes from the coast to the interior, and the construction of a toll road to South Africa under the government's build-operate-transfer program are among the most current projects.

Trade agreements such as the African Growth and Opportunity Act (AGOA) give Mozambique an edge in export-oriented industries, but opportunities exist across the board.



Girassol grants visitors first-class leisure choices



Vip Maputo is one of the city's most distinguished



Polana sits at the summit of Maputo's hospitality



Holiday Inn forms a cosmopolitan oasis of comfort

Excellent climate for business and leisure

TOURISM in Mozambique has suffered a severe setback during years of conflict, but the government is placing much emphasis on renewing this sector and visitor numbers are steadily climbing again. Business tourism is strong in Maputo and plans are afoot to promote eco-tourism and activity-based holidays across the country while increasing investment in infrastructure.

Thanks to African Union and NEPAD initiatives, major developments are being tackled from a regional base. In one outstanding example of cross-border resource sharing, Mozambique, South Africa and Zimbabwe have come together to create and jointly market the world's largest nature reserve and park, with animals roaming freely between the countries. Mozambique has plans for similar projects in the future, including working with Malawi in the Lake Niassa area. "Trans-frontier conservation areas are one of the ways of promoting eco-tourism," says Zacarias T. Sumbana, Chief Executive Officer of Futur, the government tourism promotion and development agency.

As for 'sea and sand', Mozambique has 1,530 miles of it. The government's tourism policy specifically aims to protect these areas through careful development. "Most of our coastline has beautiful beaches," says Minister of Tourism Fernando Sumbana Júnior. He believes that investment here can bear high returns. "Anyone coming can establish good business and, I believe, make very good profits," he states.

Maputo is the heart of the

business tourism sector. Hotels are well-equipped and can cater to the most discerning top-level visitors, with conference and internet facilities as well as luxury suites and pools, but much remains to be done. The Association of Hotels of Southern Mozambique works with the government to improve the business climate. "We feel that we need to help find the solution for certain issues, while voicing our concerns on tax policy, security and all other aspects that can affect the tourism environment," says Quessanias Matosombe, the Association's President.

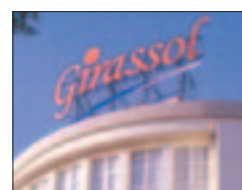
Paul Norman, General Manager of Maputo's Holiday Inn, says that Mozambique's political stability and economic improvement are two good incentives for American investors. General Manager of the Hotel

Polana, David R. Ankers, agrees. "The resources available to the foreign investor in Mozambique are extremely attractive," he notes.

But even Maputo-based businessmen realize that the industry needs to be extended throughout the whole country. "There is a lot of potential to be

developed outside the capital," says José J. A. Martins de Almeida, Deputy Manager of the Hotel VIP Maputo.

Visabeira, a multi-faceted company, also owns a hotel in Maputo, the Girassol. President Paulo Varela expects tourism to become one of the country's main industries in two or three years' time. He also hopes to see more U.S. investors in the country. "If they see stability and growth in the country, I think there will be a lot of interest," he states.



Attractive tourism facilities need to be extended across the whole country



FERNANDO SUMBANA JÚNIOR
Minister of Tourism



ZACARIAS T. SUMBANA
Chief Executive Officer of Futur

BUSINESS CONFEDERATION

Joint efforts for structural reform

THE KEY to effective development of Mozambique's industry lies in the relationship between private enterprise and the public sector. The Confederation of Business Associations (CTA) is foremost in representing private sector interests and facilitating dialogue with the government.

One of the most important achievements to date has been the creation of specific committees within government ministries. "The decision-making process has improved," says Egas Mussanhane, President of the Confederation. Meetings with the Prime Minister ensure that inter-ministerial problems are also dealt with speedily and efficiently.

The CTA is pursuing legal and fiscal reforms. Other goals include a joint economic council with the Mozambique government.

BRITISH AMERICAN TOBACCO

Reaping the country's rewards

BRITISH American Tobacco (BAT) Mozambique was created in 2001 and, like any other commercial venture, one of its primary objectives is to make a profit. In this sense, it is a clear example of the benefits foreign companies can expect to reap in the country. General Manager Luiz Ribeiro lists stability and good governance among local advantages. "We have had enough Mozambicans with the vision to establish market reform," he adds.

Mr. Ribeiro believes the company's success is based on its ability to integrate international corporate structures with local culture, and its efforts to satisfy consumers, employees, and shareholders as well as its high commitment to social responsibilities. "A company has to be a kind of corporate citizen," he says.

Living up to your expectations

MIMOC in Mozambique mines one of the world's largest Boane Bentonite deposits, and processes between 1000 and 2000 tons monthly. Export potential is on a global scale, and MIMOC plans to expand, increasing production output to 3000 tons a month, and create direct commercial links with its clientele. Shipment can be arranged to any port in the world.

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Uganda

Reforms bring renaissance

Uganda is going from strength to strength

■ ONE OF AFRICA'S star performers in recent years, Uganda continues to attract the attention of international investors from around the world. The economic and political reforms implemented by President Yoweri Museveni since he came to power in 1986 have been extensive.

The sale of numerous state-owned enterprises has opened the market to the private sector. Meanwhile deregulation and privatization in core areas such as telecom and energy have improved the overall climate for business, increasing competition and paving the way for fresh private capital inflows.

President Museveni says that the private sector is now the primary

engine for growth. The new emphasis is to add value to the country's production to enable a further leap forward in development. He says there needs to be a more direct relationship between Africa and consumer markets such as the U.S. and Europe to achieve this.

"Instead of exporting ginned cotton, we should export garments. Instead of exporting bean coffee, we should export processed coffee," he says.

In the past, Uganda – like other African countries – has been caught in a vicious circle, producing crops for other nations to exploit. "Africa produces for the middlemen," explains President Museveni. The long-term goal is to produce cotton and sell Ugan-

dan garments overseas. "We want to hear of the Rwenzori shirt being worn by an American."

Significant steps have been taken to move the country forward over the last two decades. The introduction of free primary education saw student numbers leap from 2.5 million to 7 million. Enrollment at the country's universities has also increased from approximately 7,000 in 1986, to 60,000 today. There are moves to encourage further regional integration in a bid to create a wider market, develop infrastructure, and tap possible economies of scale.

Professor Gilbert Bukenya, Uganda's Vice-President, thinks that the western world's current emphasis on trade with Africa – as opposed to aid – is part of the rejuvenation process. He talks about a "dynamic economic revolution" taking place in the continent. The African Growth and Opportunity Act (AGOA) is a key part of this process. "AGOA is in-



Uganda has the potential to become a tourist haven

credibly development-based," he says. "AGOA will be recorded in the history of our continent because it awakened Africa to produce value-added products," he adds.

In the field of textiles, African producers have realized that they can sell to the U.S. market tariff-free, even utilizing imported materials from elsewhere. Prof. Bukenya says the days of simply selling on raw materials, are gone for good.

Alongside textiles, coffee is an important export earner. Uganda now sells its own coffee brands in markets as diverse as South Africa, Denmark, and China.

The fish business has emerged from nowhere to become one of the country's most important industries. Then there are cut flowers and even the prospect of oil in the future.

Further diversification and industrial development is planned. The Vice-President thinks that Uganda could soon be well placed to take data entry and call center jobs from the U.S. and Europe. Investment in the country's human resources is expected to pay long-term dividends.

Tourism also holds potential. Uganda already has all the special characteristics to exploit the market but needs to improve its tourist infrastructure, from simple things such as more people selling local handicrafts and postcards.

Behind the scenes, Uganda has made huge strides. Restructuring the public sector meant cutting the number of government ministries from 30 to 21, at the same time, reducing the number of civil servants from 360,000 to 150,000.

Most of the state companies have been successfully hived off to the private sector. In utility sectors the government holds only a regulatory role, leaving the business side open for private operators. Tax revenues have increased from \$21.8 million in 1986, to \$94.8 million today.

Gerald Ssendaula, Minister of Finance, Planning, and Economic Development, says it is vital to make the most of these gains. "We still need people with capital and contacts to come and invest here. We want investors in agro-processing so that we can move away from traditional export crops and unpredictable prices."

AGOA AND EXPORTS

Trade is key to growth

■ EXPORT expansion through the African Growth and Opportunity Act (AGOA) and other trade initiatives play a key part in Uganda's development. It is already exporting products such as ready-made garments, vanilla, organic foods, and even fish to the U.S. market. The intention is to add value to the country's natural resources, creating jobs and generating new wealth in the process.

Geoffrey Onegi-Obel, Senior Presidential Advisor on AGOA and Trade, says the country needs triggers that will help to accelerate development and engineer further transformation. Here, the role of AGOA is crucial for bringing local manufacturing up to world-class standards. "The sub-Saharan Africa standard model is that we export coffee beans. But the AGOA model means that we export roasted and branded beans."

The presence of Ugandan Tilapia fish on the menu in Chicago restaurants shows how far Uganda has come. Mr. Onegi-Obel calls it a paradigm shift. "It is quite an accomplishment for Uganda. There are commodities processed and packaged here that go straight to the U.S. supermarkets. They do not go through another factory for processing."

The standard of quality among these export-processing facilities is as high as anywhere in the world. The requirement for supplying time-sensitive markets in the U.S. and Europe has also brought new efficiencies and disciplines to Ugandan businesses. The country is tapping into specific niches. Ugandan organic exports have been a hit across the Atlantic, says Susan K. Muhwezi, Special Presidential Assistant on AGOA and Trade.

"Our traditional exports were coffee, tea, and cotton. But now the products that are going to Asia, Europe, and the U.S. are amazing. We are now the third-largest exporter of vanilla to the U.S. after Madagascar and Indonesia."

"Our President's vision has always been trade not aid as a means to develop Uganda and Africa in general."

AGRICULTURE / Plans are in place to develop the industry and end subsistence farming

Focus on value and quality

■ AGRICULTURE remains the mainstay of the Ugandan economy, providing a living for the majority of people. The country's moderate climate and high-altitude topography allows for two to three harvests a year, a distinct competitive advantage. Cash crops include coffee, cotton, tea, sugar, maize, and tobacco.

President Yoweri Museveni wants to move away from subsistence farming to a more developed agricultural industry as part of efforts to improve the lot of his people. "We are trying to organize farmers to think commercially so that they can sell their produce as cash crops and use their money to save, buy a house, or educate their children."

The Minister of Agriculture, Animal Industry, and Fisheries

Kissamba-Mugerwa is heading the primary agency implementing the government's reform agenda. Liberalization efforts have improved the outlook for farmers with total agricultural production rising year after year.

The main emphasis now for the Minister is to raise standards and quality to promote exports and value-added production. A huge shift has already taken place. The Ministry itself has now shelved many of its former responsibilities handing them to the private sector. "The Ministry was an importer, wholesaler, and retailer. We have now moved away from that."

The results have been dramatic. "In 1992 we exported fish worth only \$1.2 million. In 2002 we exported fish worth \$80 million.



The intrinsic quality characteristics of Uganda's premium coffee are maintained by the meticulous work of close to two million women in hand-sorting the beans

In 1986, there were no fish factories. Now, there are over 10 fish-processing factories," says Mr. Kissamba-Mugerwa.

One of the biggest foreign exchange earners is coffee. Uganda consistently exports over 3.5 million 132-pound bags of coffee each year. It produces some of the finest coffee in the world and is a major force in Africa. Coffee now supports approximately one in eight Ugandans and the crop grows in 48 of the country's 56 administrative districts.

In April, Kampala hosted the third organic coffee conference for the International Federation of Organic Agriculture Movements (IFOAM). Henry Ngabirano, Managing Director of the Uganda Coffee Development Authority, says the IFOAM summit – the first ever in Africa – is a recognition of Uganda's achievements in recent years. There are ambitious

plans to tap new markets, including the U.S. in specialty

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HON. KISSAMBA-MUGERWA
Minister of Agriculture, Animal Industry, and Fisheries



HENRY NGABIRANO
Managing Director of the Uganda Coffee Development Authority

Harvest the highest returns with CDO

Cotton is one of Uganda's main cash crops, providing employment and direct income to over 2.5 million people. The high quality cotton produced in Uganda fetches a premium on world markets; the Cotton Development Organisation's strong quality assurance program constantly meets and surpasses all international quality standards. A strong government-private sector partnership has enabled the proper development of the industry, and CDO is seeking investors to explore the vast opportunities in value addition and leverage the export possibilities of the sector.

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NSSF SET TO TRANSFORM UGANDA

THE NATIONAL SOCIAL SECURITY FUND is playing a leading role in Uganda as a provider of social security and savings products. Established by an Act of Parliament in 1985, it has grown over the years and is set to become one of the most vibrant organizations in the country.

The Fund has set itself the objective of transforming the entire savings culture of the country. Through a refocusing of its investment policy and strategies, the organization intends to mobilize long term financing and investment with dependable partners. In pursuing its key function of managing and investing members' contributions, the NSSF has in the medium term, identified urban and rural housing infrastructure development (under mortgage finance schemes), and educational institutions infrastructure as some of the areas to invest in with strategic partners.

The current NSSF investment portfolio comprises of:

- REAL ESTATE
- FIXED/TIME DEPOSITS
- TREASURY BILLS
- CORPORATE LOANS/INSTITUTIONAL LENDING
- JOINT VENTURES
- EQUITY
- SHARES IN VIABLE COMPANIES ON THE UGANDA SECURITIES EXCHANGE

The Fund offers the following benefits to its members:

- OLD AGE
- INVALIDITY
- SURVIVORS
- WITHDRAWAL
- EMIGRATION

NATIONAL SOCIAL SECURITY FUND, CUSTOMER SERVICE CENTRE, Web: www.nssfug.org
Workers House, Ground Floor, Plot 1 Pilkington Road, P.O. Box 7140, Kampala, Uganda
Tel: 256-41-330755, Fax: 256-41-258646, Email: customerservice@nssfug.org

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Living in an organized environment

Akright Projects Limited is the leading private real-estate development company in Uganda, offering people of all income levels modern and well-organized housing units, addressing the fundamental issues of social well being, sustainable housing, and planned urban communities. Akright Projects Ltd.'s dynamic and successful joint venture with SHD Development LLC is a testament to Uganda's attractiveness as a destination for investment in real estate.

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Focus on value and quality

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areas like organic produce. Currently, approximately 85% of all coffee exports are destined for Europe. The premium quality of Ugandan coffee makes it well suited to the specialty market. "Not only is this segment the fastest-growing, it is also more quality-conscious."

The involvement of the private sector in taking these opportunities will be key. One of the most respected business names is the Madhvani Group, with extensive interests in sugar. The Kakira Sugar Works is undergoing an upgrade to produce 150,000 tons of sugar. Mayur M. Madhvani, Managing Director, says the aim is to realize economies of scale. "Our vision is to bring the sugar industry under one umbrella, to reduce production costs, and eventually enable the industry to compete regionally and internationally."

► **Uganda Coffee**
www.ugandacoffee.org
► **IFOAM**
www.ifoam.org

PRIVATE SECTOR DEVELOPMENT/ Entrepreneurs are developing Uganda's potential and putting it on the map

Successful business speaks for itself

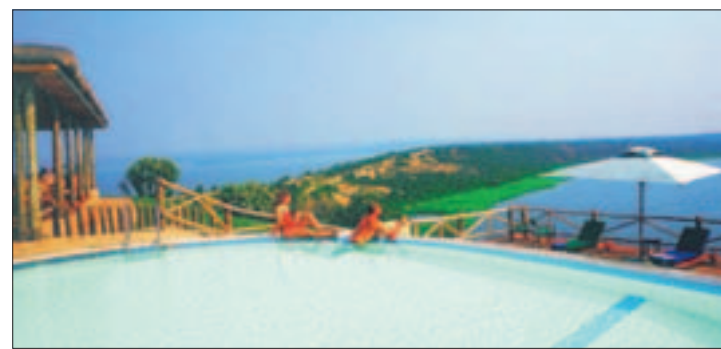
■ UGANDA is a country in determined mood. With a free market led by the private sector, it is already one of the most vibrant economies in the whole of Africa. Nurturing the growth of private enterprise over the last two decades has been one of the government's main success stories. Today, there are foreign investors committing real money to projects and local entrepreneurs thriving in new export-oriented industries.

One of the biggest mistakes of the past, according to President Yoweri Museveni, was government interference in the economy. Now in Uganda, as in many other African states, the private sector is free to engage in virtually any area of business it wishes. Liberalization was the first major stimulus for change, he says, which meant emancipating producers from government interference, licensing procedures, and allowing market forces to establish the equilibrium price. "In the past, the government used to control pricing," he says. "We stopped all that."

The privatization of state-owned enterprises has been another ma-



From sugar production at Kakira Sugar Works to tourism promotion at Mweya Lodge, the Madhvani Group is a key investor in Uganda



jour victory for the President and his team. Most of the former state companies are now in private hands and even large-scale utility sectors are opening up to private capital, notably power and telecom.

Associations such as the Private Sector Foundation have provided a platform for the private sector to liaise with government and third parties and create a better climate for investment. James Mulwana, Chairman of the Foundation and a respected local businessman, says the country is only just getting back to where it was in the 1970s before the disastrous Idi Amin era.

"We are not there yet," he says. "The achievements have been a result of the conducive investment environment, stable politics, and security." There are still major issues facing the further development of the private sector, he believes, including the need to strengthen Uganda's infrastructure – a key factor in lowering the cost of doing business, especially for a landlocked country – and access to long-term business



MAYUR M. MADHVANI
Managing Director of
the Madhvani Group

financing at realistic costs.

The reality, however, is that Uganda is home to countless private companies making a profit. The Madhvani Group is one of the most active investors in Uganda. Its core business is sugar production, although it is also concerned with community and rural development projects and tourism. It will soon be feeding

electricity into the national grid using a sugar by-product, bagasse, a sign of its own innovative commitment to development.

The Madhvani sugar empire, which dates back to the 1930s, now boasts a labor force of 6,500 employees and 3,600 farmers. It produces approximately 100,000 tons annually and has undergone various expansions supported by the World Bank and other donors. The latest upgrade will take output to 150,000 tons and generate 16 megawatts of power. Mayur M. Madhvani, Managing Director, says the number of growers will increase to 6,000 individual farmers and eventually the complex will support over 70,000 people.

As one of Uganda's true business leaders, Mr. Madhvani believes Uganda can establish itself on the international sugar market. But it is not easy for developing countries to progress in a climate dominated by protective barriers and duty tariffs. "Sugar from developing countries is not allowed into the developed world

but subsidized sugar comes to the Third World." He thinks the government is doing an important job in ensuring that foreign sugar is not dumped in Uganda. "The sensitive issue here is one of leveling the playing field."

Despite being forced to leave the country during the Amin era, the Madhvani family were eager to return to Uganda – coming back in 1985 – to help rebuild the economy. This means tapping into the country's vast agricultural potential and exploiting other new areas.

Tourism is one area that the Madhvani Group wants to develop. Mr. Madhvani believes there needs to be more awareness of the Pearl of Africa abroad, led by a more proactive promotional strategy. He would like to see Uganda take its rightful place on the international tourism map. "Uganda has the potential to be a tourist haven with its varied wildlife, scenic beauty, and gorillas, of course. There are some excellent lodges in the country that can match any high standard tourist facility on the African continent."

Housing projects create investment opportunities

Property developers are giving Ugandans the opportunity to own their own homes

■ THE REAL estate sector in Uganda is booming. With a solid economic track record there is a new breed of property investors developing. Much of the Ugandan Diaspora is now seeing the occasion as the right time to invest in their country by buying a house. It is good news for builders and materials companies, and of course, for the country. The industry is also better organized than before.



ANATOLI KAMUGISHA
CEO of Akright Projects Ltd.

Planning is a major consideration in new housing developments. Traditionally, human settlements were done in a totally disorganized way, which inevitably contributed to an unsanitary and unsafe environment. Now, new housing concepts are meticulously laid out, well-planned and considered good investments.

Lack of proper and affordable financing was a major stumbling block to the development of the housing sector in Uganda in the past. The availability of new financing options has opened the door to a whole new generation of homeowners. Crucially, housing promotes savings, a critical step in the development process.

Ugandan developer Akright Projects Limited has teamed up with a U.S. company, Sustainable Housing Development, to construct homes in an organized environment, still a fairly revolutionary concept in this part of the world. Anatoli Kamugisha, CEO of Akright Projects, says although it is a business venture there is strong social awareness too. "As much as our business has an economic bearing, much of it is linked to social factors too. We want people to live in a well-organized environment using local materials and resources. This is basically what Akright stands for."

The company wants to build homes across the spectrum, for people of all incomes. It is also hoping to take the concept beyond Uganda into other regional states, with the same problems.

Proper housing can even help reduce crime and other social problems, according to Mr. Kamugisha, with people living in civilized accommodation in proper streets. "Our projects could also help the government's management of the provision of utility services."

Since starting operations in 2000, the company has established a solid portfolio. Its project scope has increased in size over the years. "We started with the Kirinya project with 92 housing units, then we went to Kitiko with 35 units, and Namanve I and II with 81 units. Next came the Lubowa project with 127 units and Namanve III with 105 units. All of these projects are located in and around Kampala."

Mr. Kamugisha says the demand for new housing is now being driven by Ugandans from overseas returning home. "They are very interested in investing and saving money in their country. Buying a house provides an excellent opportunity for them." It has resulted in a situation familiar to many Americans. "The demand for housing right now is surging, putting a strain on the supply and financing sides of the business."

SAVINGS

Fund champions savings culture

■ IN A COUNTRY in which most people remain poor, promoting a savings culture to aid the development drive is one of the biggest challenges facing Uganda. The country's financial sector, though more advanced than many other African states, remains underdeveloped. Only in recent years have international banks been allowed to enter the market. The banking sector is deepening and product choice is expanding but there remain major weaknesses. The traditional notion of saving for most Ugandans was to buy some goats or a cow. Financing major purchases like housing was near impossible for ordinary people. However, things could be about to change.

The National Social Security

Fund (NSSF), founded in the mid 1980s, is the major thrust of the government's policy to create a savings culture. Established to collect money from private companies and individuals, the fund has grown to \$190.8 million. Membership is also rising as a result of more jobs and more companies operating in the economy and the growing proportion of average income. Traditionally a social safety net, the NSSF is now beginning to offer more financial products that promote saving and investment.

Leonard K. Mpuuma, Managing Director of the NSSF, says the organization invests in areas that have a high socio-economic impact such as housing. The ini-

tiative is a resounding success supporting around 5,000 new housing units each year and providing access to mortgage financing. He believes NSSF performs a development role helping to kick start private sector-led activity. On the investment side, the fund is prospering. "The fund is expected to grow by approximately \$49 million this financial year ending June. That tells you we are really growing exponentially and next year we will do even better."

Geoffrey Onegi-Obel, NSSF Chairman, thinks access to property finance could be a key trigger for wider development. He believes Ugandans are able to start planning for their future if



LEONARD K. MPUUMA
Managing Director of the
National Social Security Fund

they are given the chance. "You do not have to take people to school to learn how to save. All you have to do is engineer a proper savings product."

COTTON DEVELOPMENT

■ THERE ARE high hopes for the cotton industry in Uganda. Already an important cash crop for many farmers, the government is hoping to add value to the sector and encourage more spinning and associated manufacturing activities, especially textiles and clothing. Currently, all the gar-



JOLLY K. SABUNE
Managing Director of
the Cotton Development
Organization

Budding manufacturing industry set to flourish

ment-makers in Uganda import their fabrics from abroad. This is because the country does not have a developed spinning and weaving sector of its own. A major priority for the government is to remedy this situation as soon as possible.

Jolly K. Sabune, Managing Director of the Cotton Development Organization (CDO), says the current priority is simply to continue to increase production. A major transformation has already taken place since the 1980s. Since 1994, the yearly crop has increased from approximately 11,000 bales of cotton to 150,000 bales.

Despite the rise there is over capacity in the ginning sector which is only operating at about 30%. There is plenty of extra potential. "We have the capacity to process

about 800,000 bales but we are only managing to do 150,000."

Mrs. Sabune says the main challenge is to develop the industry to become vertically integrated – so that the cotton will go from the farmer, to the ginners, to the spinners, weavers and dyers, and eventually to the garment makers. Although Ugandan firms are already exporting finished clothing to the U.S. and elsewhere, their operations rely on imported materials. "I think all the factors are right in Uganda for cotton production. We have a lot of ginners – they definitely know that there is money to be made. They have invested in machinery, the land is there, the weather is good, and the farmers are on the ground. I think production will boom."

Mrs. Sabune believes that the

cotton industry requires a partnership approach between the government and the private sector. It is a major opportunity area for foreign investors. "There are strong signs of confidence coming from the big global investors interested in the ginning business. The world's largest cotton merchants are all here."

Longer term, there are even plans to brand Ugandan cotton, similar to Egyptian cotton, as a hallmark of quality. But first the industry needs to grow. "Maybe when we reach a production level of 500,000 bales it will make more sense," she adds.

Mr. Kissamba-Mugerwa, Minister of Agriculture, Animal Industry, and Fisheries, says initiatives like AGOA have paved the way for the development of the industry. "The U.S. has opened up through AGOA. Our challenge now is to encourage our people to produce sustainably and adhere to the quality requirements and safety regulations."

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