PURCHASE FOR PROGRESS

WFP BUYS FOOD FROM UGANDAN FARMERS

Ugandan smallholder farmers have supplied $53 million worth of food to the United Nations World Food Program (WFP) as part of its new Purchase for Progress (P4P) initiative, designed to give poor farmers in developing countries the opportunity to move beyond subsistence agriculture into commercial production.

WFP bought maize worth $34 million and beans worth $10 million from Uganda, as well as $9 million worth of maize meal and enriched blends for children. It also paid $14 million to local truckers to transport the foodstuffs to their destination warehouses. The food is intended for use in Uganda, Burundi, Rwanda and the Democratic Republic of Congo (DRC).

The program has announced that it intends to increase its food purchases in Uganda to more than $100 million annually over the next three years and hopes to diversify its purchases to sorghum, millet, sesame and cassava products.

"Buying food locally and using local transporters boosts Uganda's economy," said WFP Country Director Stanlake Samkange. "Local purchase helps WFP reach people faster while avoiding costs of shipping food from abroad. The agency can, therefore, better utilize donor funds in an era of high prices."

P4P, a five-year pilot project, is a groundbreaking initiative to transform the way WFP buys food in developing countries. It aims to give small-scale farmers access to reliable markets and the opportunity to sell their surplus at competitive prices.

"It's a win-win situation," said WFP Executive Director Josette Sheeran. "We help our beneficiaries who have little or no food and we help local farmers who have little or no access to markets."

In addition, P4P helps the farmers to improve farming techniques, store their crops in warehouses, plant higher-yield seeds, institute quality control and transport their produce to customers. Farmers are also taught the tools to become competitive players in the agricultural marketplace.

WFP/PENNY FERGUSON

Manyakabi Cooperative members sift maize grain together to insure the strict quality standards required by WFP.

WFP/PENNY FERGUSON

Manyakabi Cooperative Manager Clare Kabakyenga looks over the co-op's stock of some 70 metric tons of maize, destined for purchase by the WFP.

"The pricing is so good. The price they are giving us, it is the price we would get in Kampala, so that means we are no longer selling to the middlemen," she said.

The cooperative also has a credit society to give members small loans. In the past, farmers used to sell half-grown crops at a fraction of their value to raise cash in an emergency.

Now, in the event of a crisis, the group advances enough money so the farmer does not have to sell his or her crops at a low price.

- World Food Program

An added benefit is that, with WFP as a guaranteed client, many poor farmers become eligible for credit with which to buy seeds and fertilizer, and perhaps employ people to help harvest the crops.

"Once a farmer's group wins a contract, they can take it to a local bank," Mr. Rajiv Shah, Director of Agricultural Programs at the Gates Foundation, told *Time* magazine. "They can show that not only do they have the means to produce, but a market to sell it."

Funded largely by the Bill and Melinda Gates Foundation and the Howard G. Buffett Foundation, founded by financier Warren Buffett's son, the pilot project also includes Burkina Faso, the DRC, Ethiopia, Kenya, Liberia, Malawi, Mali, Mozambique, Rwanda, Sierra Leone, Sudan, Tanzania and Zambia. It will also buy food in Guatemala, Nicaragua, Afghanistan and Laos.

The Gates Foundation has committed $66 million to the project, with the Buffett Foundation giving $9.1 million and the Government of Belgium $750,000. The initiative aims to buy 40,000 metric tons of food over the next five years - enough to feed 250,000 people - from at least 350,000 farmers in the pilot countries, with a view to eventually replicating the program in other countries.

Annual Investor Awards

UIA RECOGNIZES EXCELLENCE IN CORPORATE RESPONSIBILITY

The Uganda Investment Authority (UIA) named WARID Telecom Uganda's "Overall Investor of the Year" in January as part of its annual awards celebration recognizing the contributions of investors to the Ugandan economy.

WARID Telecom, a joint venture between the Middle East-based Abu Dhabi Group and Singtel Group of Singapore, won the Gold Award for the $185 million it invested over the past year, and for the direct employment it created for 463 Ugandans and indirect employment for over 10,000 people. The company was also recognized for its corporate responsibility program. WARID Telecom has sponsored numerous sports and cultural activities over the past year, as well as religious events. In addition, it was commended for its introduction of innovative and affordable services and its strong customer service component.

WARID on Wheels takes mobile services directly to customers

The theme for the 2009 awards was corporate social responsibility. Judges were drawn from government and civil society including the Uganda Bureau of Standards, the Uganda Manufacturers Association (UMA), the Uganda Export Promotion Board (UEPB), the Federation of Uganda Employers (FUE), the Uganda National Council of Science and Technology (UNCST), the National Environment Management Authority (NEMA) and the Uganda Journalists' Association.

Best Corporate Citizen

Nile Breweries received the award for Best Corporate Citizen. The Jinja-based company has a strong environmental program that emphasizes water conservation, proper waste disposal, recycling and re-use, carbon emissions reduction and energy conservation. It was also recognized for its Eagle Project, which contributes to the socio-economic development of rural Uganda by providing a guaranteed market and stable pricing to sorghum farmers. The project educates sorghum farmers on agro-forestation, and provides entrepreneurship and investment training. In addition, Nile Breweries operates an HIV/AIDS program that covers its entire value chain including sorghum farmers, employees, beer truck drivers, bar workers and consumers. In July 2008, the company launched the Green Towns Project to plant trees on the streets of Ugandan cities.

Other winners in the large-scale investor category were:

- Jomayi Property Consultants, a real estate company that specializes in providing land and planned housing developments to Ugandans living abroad, received the Silver Award. Jomayi, owned by local Ugandans, invested over $33 million in real estate development over the past year and has contributed to the construction of schools, health centers, police stations, and playgrounds, and has planted trees in new developments.
- Sameer Agriculture and Livestock Ltd., a Kenyan and Indian-owned powdered milk plant, received the Bronze Award. It has invested $13.7 million in a new factory and created employment for 317 Ugandans. Through its corporate responsibility program, Sameer has sponsored sports activities and school campaigns to encourage milk consumption, and offered business development services to dairy farmers. Its powdered milk products are sold locally and abroad in Burundi, Democratic Republic of Congo (DRC), Egypt, Kenya, Mauritius, North Sudan, Yemen, Sri Lanka and Syria.

A local woman who will benefit from the Clouds Mountain Gorilla Lodge. Only people represented by the Nkuringo Community Development Foundation will be permitted to work at the community lodge, the first of its kind in Uganda.

Other Awards

Kakira Sugar Works, owned locally by the Madhvani Group, won the top prize in the medium scale category. It provides a livelihood directly and indirectly to over 100,000 Ugandans and has a social infrastructure that includes staff housing, electrical distribution systems, roads, a hospital and 12 schools for employees' children. It is also committed to growing sugar cane in a sustainable and environmentally sound manner. Other prize winners in the category were Clouds Mountain Gorilla Lodge, located on the edge of the Bwindi Impenetrable Forest National Park, and Birunga Dairies.

The small-scale category winner was Igara Growers Tea Factory Ltd., which is owned by a cooperative of 2,859 Ugandan farmers. The company received special recognition for its contributions to the local community through the construction of classroom blocks, health centers and the planting of trees. Runners up in this category included Kings Lagoon Resort and Samona Products Ltd., a local company that makes herbal jellies and soaps.

In the special awards category, the Ugandan High Commission in India was recognized for its efforts to attract foreign direct investment to Uganda. Ms. Amina Hersi Moghe of the Oasis Group was named Best Woman Entrepreneur of 2008. She was recognized for her role in establishing real estate developments and the new Nakumatt supermarket franchise. Uganda Telecom received special recognition for technology advancement.

ECONOMY

IMF SAYS ECONOMY WILL CONTINUE TO GROW

Uganda's economy will continue to be one of Africa's fastest growing despite the worldwide economic downturn and tighter global credit conditions, the International Monetary Fund (IMF) forecast in February.

In its annual review of Uganda's economy, the IMF projected economic growth to stay in the 7% range before climbing to about 8% in the 2011/2012 and 2012/13 fiscal years.

The optimistic forecast is largely due to recent discovery of significant oil reserves in Uganda which has boosted investor interest, the report stated.

The IMF commended the Government of Uganda on its sound macroeconomic policies and its commitment to scaling up investment in infrastructure. It has recommended that the government provide some fiscal stimulus to offset tougher global conditions, including increasing tax revenues by 1% of gross domestic product annually.

"Uganda's economy has continued to thrive," said Mr. Takatoshi Kato, Deputy Managing Director and Acting Chair of the IMF Executive Board, following the IMF's review of Uganda's Policy Support Instrument (PSI) in January. "Sound macroeconomic policies underpin Uganda's good performance. Nevertheless, the global financial crisis and economic downturn pose a downside risk to Uganda's growth prospects and the authorities need to be vigilant."

Mr. Kato described Uganda's banking sector as sound, but cautioned that vulnerabilities exist in some areas, reflecting the rapid expansion in bank lending and the significant share of foreign-exchange loans in banks' portfolios.

The framework for PSIs are designed for low-income countries that may not need IMF financial assistance, but still seek close cooperation with the IMF in the preparation and implementation of their poverty reduction strategies.

ENERGY

ASIAN INVESTORS OFFER TO BUILD OIL PIPELINE

Sovereign investors from Asia have offered to fund and build an 800-mile pipeline needed to exploit the recent oil discoveries in Uganda's Lake Albert basin, the London *Financial Times* reported in January.

Interest in building the pipeline has surged in recent months with the global economic downturn because Asian governments are seeking an outlet for their surplus steel, idle engineers and uninvested cash, Mr. Paul Atherton, Finance Director for Heritage Oil told the *Financial Times.*

Canada-based Heritage Oil began exploration in the Albert Basin in 1997, and in January, Heritage and its London-based partner Tullow Oil announced they had passed the threshold of 400 million barrels of recoverable oil needed to justify such a large pipeline investment.

Analysts estimate that the basin's oil reserves could rise to two billion barrels by the time exploration is complete, potentially making Uganda one of the top 50 oil producers in the world. The Albert basin is considered the largest onshore oil discovery in sub-Saharan Africa in the past 20 years.

The exploration region is on the eastern shore of Lake Albert

Mr. Atherton said that infrastructure projects on the scale proposed for the pipeline, which will run from Uganda to the Kenyan port of Mombasa, are attractive because they are relatively scarce.

"We are being approached by consortia of engineering companies with access to soft loans from governments," Mr. Atherton told the *Financial Times*. "There is a lot of steel in these countries, and lots of engineers, and the host governments feel a need to employ their people."

While Heritage declined to identify the interested parties, it is probable they include China, Japan and South Korea, which all rely heavily on oil imports, produce steel and have the cash reserves for such a project.

REGIONAL EXPORTS

CEMENT PRODUCER TO DOUBLE CAPACITY

Regional cement producer Bamburi has announced plans to double capacity in Uganda to meet the rising demand in Rwanda, Burundi and the Democratic Republic of Congo (DRC), *East African Business Week* reported in February.

The company will bring its annual capacity up to an estimated 680,000 metric tons to meet what Bamburi's management has described as "fast growing demand." Fifty percent will be used in Uganda and 50% will be exported to neighboring countries.

Bamburi, based in Kenya, recorded a 10% increase in its operating profits to \$7.7 million in 2008, up from the \$6.96 million posted in 2007.

"Against a tough operating environment in the first half of the year due to post-election violence in Kenya and aggravated further by high inflationary pressures during the second half, the group returned impressive results in 2008," said Bamburi Group Chairman Richard Kemoli.

To support additional capacity in Uganda, the company is building a new \$8.6 million clinker and cement production line at its Kasese Plant in Uganda. Clinker is the solid material produced as a by-product on Portland cement production. It is used, once ground and mixed with other ingredients, to produce other varieties of concrete.

Bamburi Cement is the largest cement manufacturing plant in East Africa and second largest in sub-Saharan Africa.

Microfinance

MTN UGANDA PLEDGES SEED CAPITAL THROUGH MYC4

MTN Uganda has become the first African company to offer microfinancing through MYC4, the online investment site that connects people from around the world to African entrepreneurs. The telecommunications company announced in January that it would invest $250,000 as seed capital to support Ugandan small and medium-size enterprises.

Women artisans can benefit from MTN Uganda's new micro-credit program

The investment is a three-year partnership that targets rural women business owners in the areas of agriculture, artisanship and information and communications technology (ICT). It will offer credit of up to 3,000 euros (about $3,800) to small and medium-size enterprises (SMEs) that qualify for funding throughout the country. The investment, given through the MTN Foundation, will eventually become a revolving fund as businesses repay the loans.

"This is a great opportunity for us to champion the notion of an African company helping fellow Africans instead of the common perception that aid should always come from abroad," said MTN's Chief Commercial Officer Mr. Eric Van Meen. Under the agreement with MYC4, $50,000 would be invested immediately in a six-month pilot phase.

Mr. Van Meen said the funding was in line with MTN's policy of supporting interventions that create a lasting impact on the welfare of the people. "We know that the majority of our people live in rural areas and a good number of these are women who engage in small businesses. By making available this line of credit to them, we are in actual fact supporting the welfare of the whole family and by extension the community."

Inspired by the Nobel Peace Prize-winner and founder of Grameen Bank, Professor Mohammad Yunus, MYC4 was founded in 2006 as a joint venture between Danish businessmen, Mr. Mads Kjaer and Mr. Tim Vang, who were seeking to connect potential investors directly with African entrepreneurs as a way to use business to alleviate poverty. To date, 13,174 investors from 83 countries have invested almost $9 million in 3,830 businesses in seven African countries including Côte d'Ivoire, Ghana, Kenya, Rwanda, Senegal, Tanzania and Uganda. MYC4 is based in Copenhagen, Denmark, and has an IT Development Center in Kampala.

MTN Uganda's initiative was described by Mr. Kjaer, MYC4's CEO, as great recognition of MYC4 as a serious tool for poverty alleviation. "The overriding task for the international community is to generate 10 to 15 million jobs annually in Africa," he said. "MYC4 is business, not charity. In order to create long-term sustainable development in the poorest countries, it is essential to ensure access to knowledge and capital. I see Africa as a good business opportunity. Business is a crucial part of eradicating poverty, and better economic conditions will spread like rings in the water to other areas such as health, education and environment."

MYC4 is built around a network of local providers who screen entrepreneurs wanting to obtain a loan, and local lenders handling the financial transactions. All businesses interested in obtaining loans undergo a thorough investigation to ensure they provide healthy economic prospects for growth. Investors bid on loans through the MYC4 website.

Business Climate

UGANDA SCORES HIGH ON ECONOMIC FREEDOM INDEX

Uganda scored fourth out 46 sub-Saharan African (SSA) countries in the 2009 Index of Economic Freedom, published in January by the *Wall Street Journal* and the Heritage Foundation, a Washington-based think tank. The index, published annually, noted that Uganda scored well in the categories covering government size, financial freedom, labor freedom and fiscal freedom. "Total government expenditure is moderately low, and many state-owned businesses have been privatized. Price stability is largely restored, and the financial sector has become more open," the index report stated.

Included among the highlights of the report are:

- Starting a business in Uganda takes an average of 28 days, compared to the world average of 38 days.
- Government spending management is sound, accounting for 20.9% of Gross Domestic Product.
- The banking sector is "relatively open" to competition, and government influence in the sector is not heavy. Access to financial services has been gradually expanded across the country. Uganda's banking regulatory laws are in line with international financial regulatory standards.
- Uganda's flexible labor regulations enhance overall employment and productivity growth.

The index rated Mauritius as having SSA's most free economy, followed by Botswana, South Africa, Uganda, Namibia, Madagascar, Cape Verde, Burkina Faso, Swaziland and Kenya. Hong Kong was rated the most free economy globally, followed by Singapore, Australia, Ireland, New Zealand, the United States, Canada, Denmark, Switzerland and the United Kingdom.