

# **PRIVATE SECTOR INVESTMENT SURVEY (PSIS) 2023 REPORT**

## Foreword

---

This report presents the findings of the annual Private Sector Investment Survey (PSIS) 2023, the twentieth in a series of annual surveys through which data on private investment for the calendar years 2021 and 2022 was collected. The main purpose of the Survey was to provide information required for the compilation of Uganda's Balance of Payments (BOP) and International Investment Position (IIP) statistics. In addition, the data collected provided relevant information for research and analysis, planning, and policy formulation.

Foreign investment in the private sector is regarded as an important source of external financing and thereby provides an important means of implementation of development goals, and growth of the private sector, and continues to be a key source of sustained economic growth. The report therefore contains comprehensive information on the distribution of foreign investment in Uganda's private sector by instrument (i.e., equity or debt), magnitude, sector, and source country.

The Survey findings revealed that the outstanding stock of private sector foreign investment liabilities rose from US\$16.3 billion in CY2021 to US\$18.0 billion in CY2022, of which FDI accounted for the largest share at 92.2 percent. The stock of FDI rose by 10.9 percent to US\$16.6 billion in CY2022, from US\$15.0 billion in CY2021, on account of increased capital inflows reflected through all components, i.e., equity, reinvested earnings, and related debt inflows. FDI inflows registered a record high growth – expanding by 79.2 percent, from net inflows of US\$1,648.2 million registered in CY2021 to US\$2,952.9 million during CY2022. The significant boost in FDI inflows during 2022 was largely attributed to the progression in activity in the Mining (oil) sector, i.e., the transition from the exploration and appraisal phase to the development phase, in preparation for targeted oil production. The bulk of FDI was primarily sourced from the Netherlands, United Kingdom, Mauritius, Kenya, and Switzerland. FDI flows continue to be an important source of external finance for Uganda, compared with other cross-border capital flows.

This survey would not have been successful without the partnership and collaborative efforts of key lead institutions, the Bank of Uganda, the Uganda Bureau of Statistics, and the Uganda Investment Authority. Furthermore, we appreciate other key stakeholders that contributed to the success of the survey including Uganda Manufacturers Association, Private Sector Foundation Uganda, Economic Policy Research Centre, Uganda Bankers Association, the surveyed enterprises, the media, and field staff. The Bank of Uganda acknowledges and appreciates the valuable contribution of the enterprises that were part of this exercise.

Management,  
**Bank of Uganda**

---

## Acronyms

---

BOP	Balance of Payments
BOU	Bank of Uganda
COVID-19	Coronavirus disease
EPRC	Economic Policy Research Centre (Makerere University)
FDI	Foreign Direct Investment
FID	Final Investment Decision
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IIP	International Investment Position
IOC	International Oil Companies
IMF	International Monetary Fund
M&As	Mergers and Acquisitions
MNE	Multinational Enterprises
PSFU	Private Sector Foundation Uganda
PSIS	Private Sector Investment Survey
Shs.	Uganda Shillings (Currency)
UBA	Uganda Bankers Association
UBOS	Uganda Bureau of Statistics
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

# Executive Summary

---

## Background

Foreign private capital flows are an important source of financing for developing economies. It is therefore of paramount importance to understand the size, type, and direction of both inward and outward investments and design interventions to attract and retain foreign private capital. The Private Sector Investment Surveys are a key source to measure the size and nature of these investments. In addition, the surveys provide a platform to collect information on international trade, employment, and actual investment.

The surveys are aligned with the recommendations of the Balance of Payments (BOP) and International Investment Position (IIP) Manual, Sixth Edition-BPM6, therefore, the Survey output is incorporated in the BOP and IIP Statistics for Uganda, and by extension, provides key input to other related macroeconomic statistics.

A total of 973 questionnaires were administered, out of 1,215 enterprises sampled. Of the 242 enterprises not administered, 83 weren't located, 60 were closed, 11 were not operational, and 88 refused to respond. Of the questionnaires administered, 797 enterprises responded, translating to a response rate of 81.9 percent. Financial statements from 532 respondents were received and utilized to ensure data quality. The survey collected data for the years CY2021, and CY2022.

## Key findings

FDI inflows registered a record high growth – expanding by 79.2 percent, from net inflows of US\$1,648.2 million registered in CY2021 to US\$2,952.9 million in CY2022. The significant boost in FDI inflows during 2022 was largely attributed to the progression in activity in the Mining (oil) sector, i.e., the transition from the exploration and appraisal phase to the development phase. This advancement followed the conclusion of the Final Investment Decision (FID) in February 2022, a significant milestone - that launched major construction works towards the development of Tilenga, Kingfisher, and the EACOP projects. Consequently, 62.4 percent of FDI inflows received in CY2022 was solely attributed to activity in the oil sector, of which 35.4 percent was channelled directly to the Mining sector, while 26.9 percent was channelled through the Transportation sector (pipeline). Notable FDI inflows were also registered through the ICT (17.6%), and Finance (7.3%) sectors. FDI inflows were largely sourced from the Netherlands, United Kingdom, Mauritius, Kenya, and Switzerland.

Attracting foreign private capital remains an important policy objective for Uganda. The Government continues to liberalize investment restrictions, eliminate regulatory barriers, nurture international relations, and improve the business environment, ensuring that Uganda remains an attractive destination for FDI.

# Table of Contents

---

ACRONYMS .....	III
EXECUTIVE SUMMARY .....	IV
TABLE OF CONTENTS .....	V
LIST OF FIGURES.....	VI
LIST OF TABLES.....	VI
CHAPTER ONE.....	1
1. INTRODUCTION.....	1
1.2. THE GLOBAL MACROECONOMIC ENVIRONMENT .....	1
1.2.1. Overview of Global Growth .....	1
1.2.3. Forecast for Global FDI .....	3
1.3. ORGANIZATION OF THE REPORT.....	3
CHAPTER TWO.....	4
2. GENERAL FINDINGS .....	4
2.1. SURVEY SAMPLE AND RESPONSE RATE .....	4
2.2. ENTITY TURNOVER .....	4
2.3. EMPLOYMENT .....	5
2.4. COMPENSATION OF EMPLOYEES .....	5
2.5. NET-PROFITS, DIVIDENDS AND RETAINED EARNINGS.....	6
CHAPTER THREE .....	8
3.0 FOREIGN DIRECT INVESTMENT (FDI).....	8
3.1. FDI STOCK.....	8
3. 2. FDI INFLOWS CY2022.....	9
3.2.1 FDI INFLOWS BY COMPONENT:.....	9
3.2.2. EQUITY CAPITAL INFLOWS: .....	9
3. 3. FDI BY SOURCE COUNTRY.....	11
CHAPTER FOUR .....	12
4.0 PORTFOLIO EQUITY AND OTHER INVESTMENT IN THE PRIVATE SECTOR.....	12
4.1 PORTFOLIO EQUITY AND OTHER INVESTMENT IN CY2022.....	12
CHAPTER FIVE.....	13
5.0 CONCLUSION.....	13
APPENDICES .....	14
TABLE A.1: FOREIGN DIRECT INVESTMENT INFLOWS DURING 2022.....	14
TABLE A.2: FOREIGN DIRECT INFLOWS BY SECTOR DURING 2022.....	14
TABLE A.3: OTHER INVESTMENT; EQUITY & FOREIGN BORROWING FROM NON- AFFILIATES DURING 2022.....	15
TABLE A.4: OTHER INVESTMENT BY SECTOR DURING 2022.....	15

## List of Figures

---

FIGURE 1: FDI INFLOWS, GLOBAL & BY ECONOMIC GROUPING 2020-2022 (US\$ BILLIONS).....	2
FIGURE 2: TURNOVER (REVENUE) BY KEY SECTORS (US\$ MILLIONS).....	5
FIGURE 3.1: TRENDS IN FDI STOCK, FDI STOCK BY COMPONENT (US\$ BILLIONS).....	8
FIGURE 3.2. FDI CY2022: SHARE OF TOTAL EQUITY CAPITAL INFLOWS (US\$2.5BN) BY MAJOR SECTOR .....	10
FIGURE 3.3. FDI CY2022: SHARE OF RETAINED EARNINGS (US\$0.3BN) BY MAJOR SECTOR. ....	10
FIGURE 3.4. FDI CY2022: SHARE OF INTRACOMPANY BORROWING (US\$0.2BN) BY MAJOR SECTOR ..	11
FIGURE 3.5. FDI CY2022 BY MAJOR SOURCE COUNTRY .....	11
FIGURE 4.1: PORTFOLIO & OTHER INVESTMENT FLOWS (US\$ MILLIONS) .....	12
FIGURE 5: TRENDS IN FDI INFLOWS (US\$ BILLIONS) .....	13

## List of Tables

---

TABLE 1: GLOBAL FDI FLOWS, BY REGION, 2020-2022 (US\$ BILLIONS) .....	3
TABLE 2: REGIONAL ADMINISTRATION & RESPONSE ( <i>NO. OF ENTITIES</i> ).....	4
TABLE 2.1: EMPLOYMENT BY RESIDENCY .....	5
TABLE 2.2: COMPENSATION OF EMPLOYEES BY RESIDENCY .....	6

# CHAPTER ONE

---

## 1. Introduction

This introductory chapter provides a brief background to the survey and highlights global macroeconomic developments and trends in international private capital flows, during 2021 and 2022.

### 1.1. Background

The Private Sector Investment Survey (PSIS) 2023 was the twentieth in a series of annual surveys conducted by the Uganda Working Group (UWG), to monitor private sector investment in the country. These regular PSI surveys are intended to provide reliable information for the compilation of Uganda's Balance of Payments (BOP), International Investment Position (IIP), Coordinated Direct Investment Survey (CDIS), and other related macroeconomic statistics to guide policy decisions. The PSIS 2023 collected information on the value, composition, source, and sector distribution of investment during 2022, and as at end-2021, and 2022.

The PSIS 2023 targeted 1,215 enterprises selected purposively to achieve full coverage of all enterprises with foreign direct investment and foreign borrowing. The data collection activities involved direct administration of the questionnaires to the respondents by a team of fifty-seven (57) trained enumerators, who were also supported by five (5) members of staff from the Statistics Department of Bank of Uganda (BOU), one (1) staff from Uganda Bureau of Statistics (UBOS), and three (3) staff from Uganda Investment Authority (UIA). The first phase of field activities was conducted from July to September 2023, after which a one-month follow-up phase was conducted (October 2023), to improve the survey response rate and enhance data completeness, consistency, and accuracy.

### 1.2. The Global Macroeconomic Environment

An overview of the global economy and trends in international private capital flows during 2021 and 2022, as well as forecasts for 2023, are presented in this section.

#### 1.2.1. Overview of Global Growth

According to the International Monetary Fund's World Economic Outlook (IMF's WEO) of October 2023, the global economy continues to recover slowly from the setbacks of the pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. However, a full recovery toward pre-pandemic trends appears increasingly out of reach, especially in emerging markets and developing economies.

Global growth is forecast to slow down from 3.5 percent in 2022 to 3.0 percent in 2023 and further to 2.9 percent in 2024. The projections remain below the historical (2000–2019) average of 3.8 percent, and the forecast for 2024 is down by 0.1 percentage points from the July 2023 update to the World Economic Outlook.

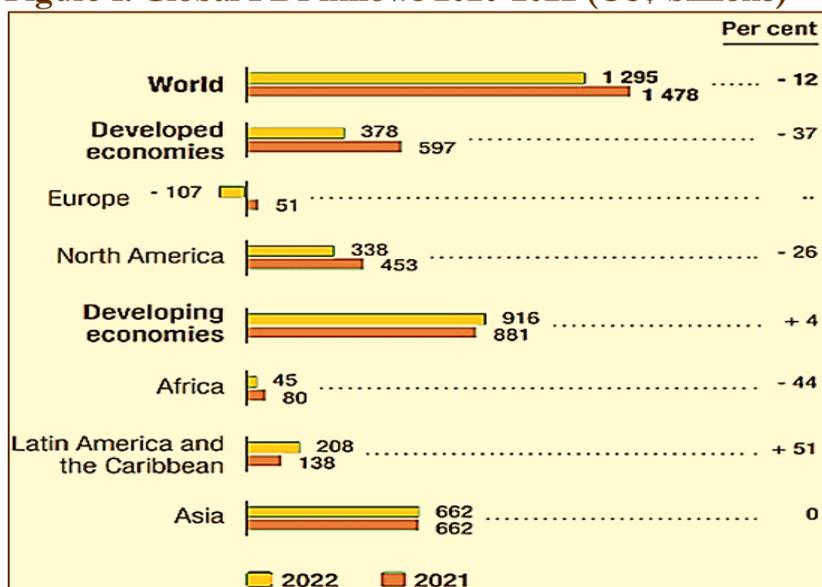
For advanced economies, the expected slowdown is from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024, amid stronger-than-expected US momentum but weaker-than-expected growth in the Euro area. Emerging markets and developing economies are projected to have growth modestly decline, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, with a downward revision of 0.1 percentage point in 2024, reflecting the property sector crisis in China. Forecasts for global growth over the next 3-5 years, stand at an average of 3.1 percent, which is their lowest in decades, and prospects for countries to catch up to higher living standards are weak.

### 1.2.2. International Private Capital Flows Development

According to the UNCTAD World Investment Report, 2023 (WIR-2023), global foreign direct investment (FDI) flows declined by 12.0 percent in 2022, to \$1.3 trillion. The decline was mainly a result of lower volumes of financial flows and transactions in developed countries. Real investment trends were more positive, with growth in new investment project announcements in most regions and sectors. FDI in developing countries increased marginally, while the inflows in many smaller developing countries were stagnant, and FDI to the least developed countries (LDCs) declined.

The 2022 decline in FDI flows was driven mostly by financial transactions of multinational enterprises (MNEs) in developed economies, where FDI flows fell by 37.0 percent to \$378 billion. In contrast, in developing countries, FDI increased by 4.0 percent to \$916 billion, the highest level ever recorded. However, this was unevenly shared as much of the growth was concentrated in a few large emerging economies. The energy sector, both extractives and energy generation, saw the biggest increase.

**Figure 1: Global FDI inflows 2020-2022 (US\$ billions)**



Source: UNCTAD-WIR 2022

Inflows to Africa fell by 44.0 percent to \$45 billion following the anomalous peak in 2021 caused by a large corporate reconfiguration in South Africa. Developing countries accounted for more than two-thirds of global FDI, up from 60.0 percent in 2021. The impacts of the

multidimensional crises, especially in food and energy, and financial and debt distress hit investment flows to the poorest countries disproportionately.

Flows to the least developed countries (LDCs) fell by 16.0 percent and they continue to account for only 2 percent of global FDI. FDI flows continue to be an important source of external finance for developing economies compared with other cross-border capital flows.

**Table 1: Global FDI Flows, by region, 2020-2022 (US\$ billions)**

Region	FDI inflows			FDI outflows		
	2020	2021	2022	2020	2021	2022
<b>World</b>	<b>962</b>	<b>1 478</b>	<b>1 295</b>	<b>732</b>	<b>1 729</b>	<b>1 490</b>
Developed economies	315	597	378	350	1 244	1 031
Europe	133	51	-107	-38	573	224
European Union	116	152	-125	64	477	96
Other Europe	17	-102	18	-102	97	128
North America	123	453	338	247	447	452
Other developed countries	60	93	147	141	224	354
Developing economies	647	881	916	382	485	459
Africa	39	80	45	1	3	6
Asia	516	662	662	383	445	396
Central Asia	7	7	10	-2	1	-2
East Asia	285	334	324	267	290	269
South Asia	71	53	57	11	18	16
South-East Asia	119	213	223	69	81	86
West Asia	35	56	48	38	55	27
Latin America and the Caribbean	90	138	208	-1.0	38	59
Oceania	1.0	1.3	1.2	-0.9	-1.6	-2.1

*Source: UNCTAD, FDI Statistics 2022.*

### 1.2.3. Forecast for Global FDI

The World Investment Report 2023 (UNCTAD) indicates that the global environment for international business and cross-border investment remains challenging in 2023. Although the economic headwinds that shaped investment trends in 2022 have somewhat subsided, they have not disappeared. Commodity prices that rose sharply after the start of the war in Ukraine have tempered, but the war continues, and geopolitical tensions are still high. In developing countries, continuing high debt levels limit fiscal space. UNCTAD expects the downward trend of global FDI to continue in 2023. Early indicators confirm the negative FDI outlook: FDI project activity in the early months of 2023 shows that investors are uncertain and risk-averse.

### 1.3. Organization of the Report

The rest of the report is structured as follows: Chapter Two provides the general survey findings, Chapter Three focuses on FDI trends and analysis for the survey coverage periods, i.e., 2021 and 2022, Chapter Four presents the analysis of both Portfolio and Other Investment inflows throughout the survey periods. The report concludes with a forward-looking assessment of FDI prospects for Uganda.

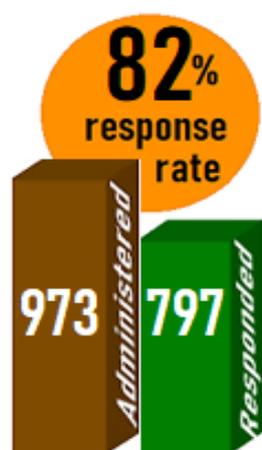
## CHAPTER TWO

### 2. General findings

This chapter presents a description of the sample and the survey results relating to the general characteristics of the enterprises surveyed. The reporting currency used throughout the report is US dollars.

#### 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 unrelated foreign borrowing from non-residents. Subsequently, the sample comprised some enterprises with only foreign direct investment or foreign borrowing and some with both.



A total of 973 questionnaires were administered, out of 1,215 enterprises sampled. Of the 242 enterprises not administered, 83 weren't located, 60 were closed, 11 were not operational, and 88 refused to respond. Of the questionnaires administered, 797 enterprises responded, translating to a response rate of 81.9 percent. Financial statements from 532 respondents were received and utilized to ensure data quality. In addition, comparisons were made with the information from previous surveys at an enterprise level to check for consistency of the information provided. The survey collected data for the years CY2021, and CY2022.

The regional distribution of the administered enterprises and response to the PSIS 2023 is shown in Table 2. The survey findings reveal that 744 enterprises or 93.5 percent of the enterprises that responded were in the central region, followed by 41, or 5.2 percent in the Eastern and Northern regions and 11, or 1.4 percent in the Western region.

**Table 2: Regional administration & response (*No. of entities*)**

Region	Administered	Returned	% of Returned questionnaires
Central <sup>1/</sup>	900	745	93.5
East and North	54	41	5.2
West	19	11	1.4
<b>Grand Total</b>	<b>973</b>	<b>797</b>	<b>100</b>

**Note**

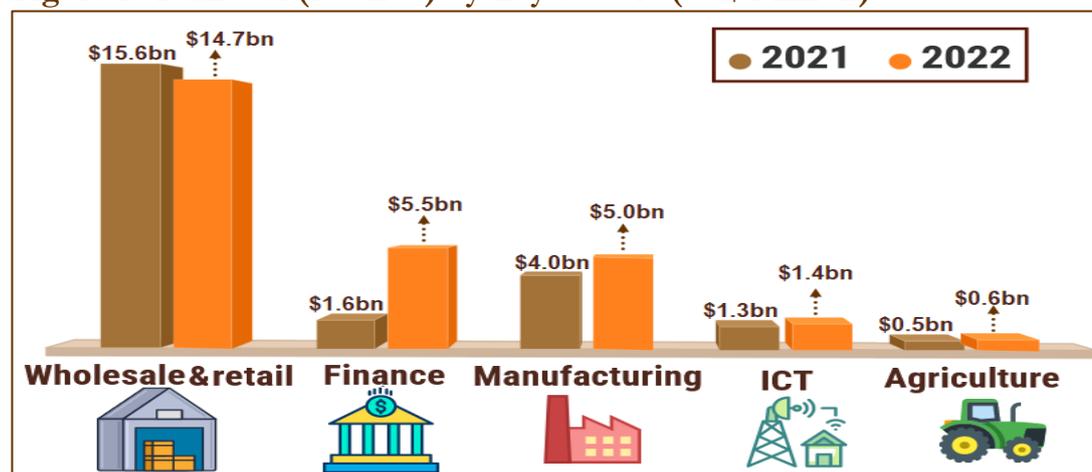
1. The large number of enterprises surveyed from the Central region is explained by the fact that most companies have their head offices located in Kampala.

#### 2.2. Entity turnover

Total turnover (sales revenue) increased by 21.8 percent to US\$29,332.2 million in 2022 compared to US\$24,826.0 million in 2021. In terms of sector contribution to total turnover, wholesale and retail trade had the highest share - estimated at an average of 50.0 percent of total

turnover across the two years. This was followed by the finance sector with a share of 18.9 percent, and manufacturing at 17.1 percent. The three sectors combined accounted for 86.0 percent of the total turnover over the two years. Despite the wholesale and retail trade sector contributing a significant share of turnover in CY2022, a 6.0 percent contraction was registered year-on-year. On the other hand, the finance sector registered a more than 3-fold increased turnover – from US\$1,575.0 million to US\$5,015.6 million, year-on-year.

**Figure 2: Turnover (revenue) by Key Sectors (US\$ Million)**



Source: PSIS 2023 findings

### 2.3. Employment



The number of employees in the enterprises that responded recorded a 1.8 percent increase from 2021 to 2022. In terms of residence of employees, nearly all employees from the enterprises that responded were residents (99%). Details are provided in Table 2.1.

**Table 2.1: Employment by Residency**

Residency of employees	No. of Employees		Growth rates (%)	% of total	
	2021	2022		2021	2022
Residents	173,197	176,315	1.8	99.95	99.95
<i>Domestic</i>	171,992	175,093	1.8	99.3	99.3
<i>Foreign (Long-term)</i>	1,205	1,222	1.4	0.7	0.7
Non-residents	80	80	0	0	0
<b>Total No. of Employees</b>	<b>173,277</b>	<b>176,395</b>	<b>1.8</b>	<b>100</b>	<b>100</b>

Source: PSIS 2023 findings

### 2.4. Compensation of Employees



The PSIS 2023 collected information on the compensation of employees during 2021 and 2022. Total compensation of employees (i.e., wages, salaries, pension contributions, fringe benefits, etc.) increased by 3.9 percent to US\$651.5 million in 2022.

This increase may be linked to the positive performance of enterprises and a consideration of the higher cost of living. Details are provided in Table 2.2.

**Table 2.2: Compensation of Employees by Residency**

Residency of Employees	Compensation of Employees (US\$ Million)		% Change
	2021	2022	
Residents	622.5	646.1	3.8
<i>Domestic</i>	560.5	585.9	4.5
<i>Foreign (Long-term)</i>	61.9	60.2	-2.7
Non-residents	4.9	5.4	10.2
<b>Total Compensation</b>	<b>627.3</b>	<b>651.5</b>	<b>3.9</b>

*Source: PSIS 2023 findings*

## 2.5. Net-Profits, Dividends and Retained Earnings



Net profits reported for 2022 increased by 35.8 percent to US\$985.7 million, up from US\$725.9 million earned during 2021, as summarized in Table 2.3. In addition, retained earnings increased to US\$471.3 million in 2022 from US\$314.8 million in 2021.

**Table 2.3: Net Profits, Dividends, and Retained Earnings**

Item	Amounts (US\$ Millions)		% Change
	2021	2022	
Net profit/loss	725.9	985.7	35.8
Dividends declared	411.1	514.5	25.1
Dividends paid/remitted	230.9	294.7	27.6
Retained earnings <sup>1</sup>	314.8	471.3	49.7

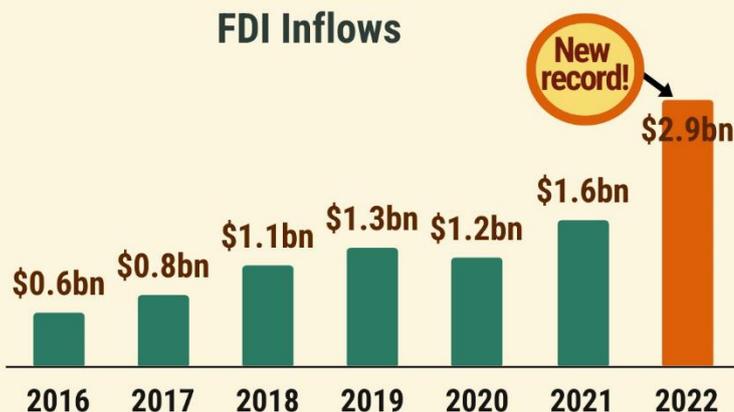
*Source: PSIS 2023 findings*

In terms of profitability by sector, Finance and Insurance earned the largest share of total profits (45.4%), which increased from US\$344.5 million registered in 2021 to US\$447.2 million in 2022—out of the 25 commercial banks in Uganda, 23 registered significant profits earned in 2022. Enterprises in the Manufacturing and ICT sectors followed, with profits of US\$193.6 million and US\$176.3 million, respectively in 2022. Together these three sectors accounted for 82.9 percent of the total net profit reported for 2022. Overall, the positive performance registered during the year may be attributed to stronger economic activity in 2022, relative to 2021.

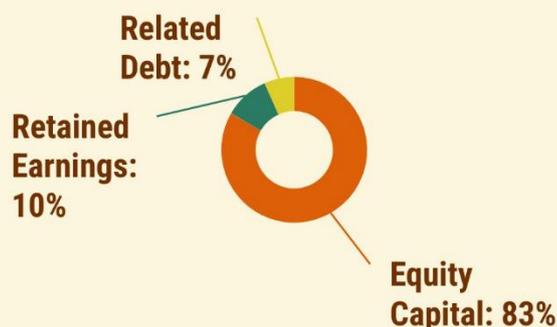
<sup>1</sup> Retained earnings = Net profit/loss – Dividends declared

# Foreign Direct Investment (FDI) in Uganda 2022

## FDI Inflows



## FDI Inflows by Component



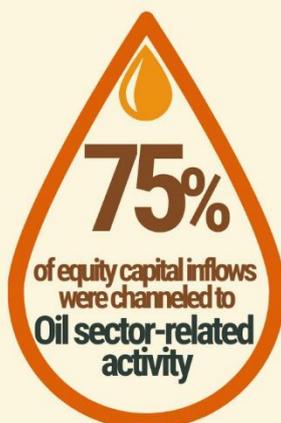
## Record growth in FDI: linked to oil sector-related developments

### FID: Concluded Feb 22

Major milestone - marked transition from appraisal phase ...



...to oil-project construction works: Kingfisher, Tilenga & EACOP

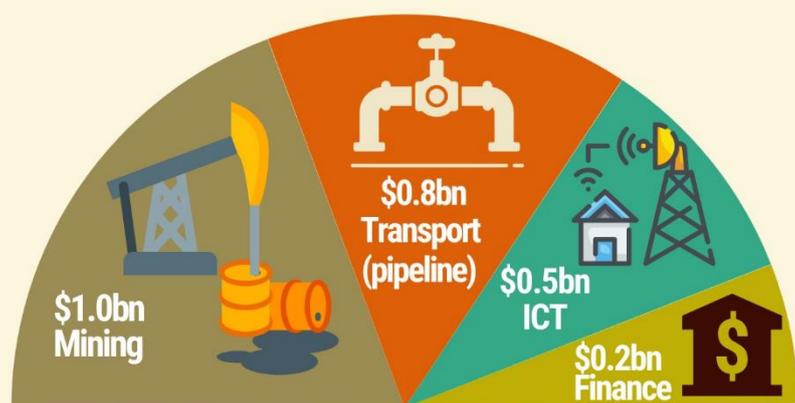


Mining sector - oil projects **42%**

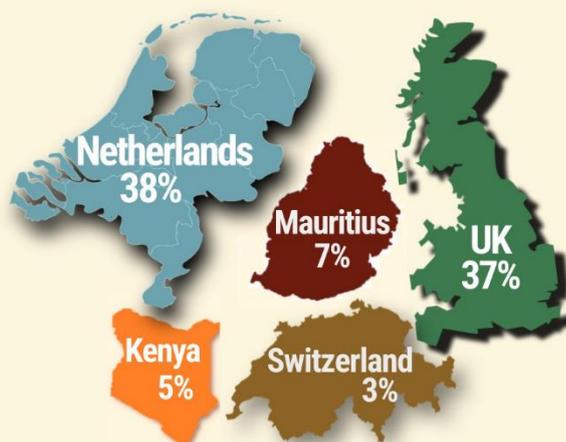


Transportation sector - pipeline **33%**

## Top Sector recipients



## Key investor countries



## FDI Watchlist



Oil sector investment to intensify as Uganda transitions to an oil producer



Foreign investment in the gold sector - recently discovered gold valued at \$13 tns



Finance: further increases in minimal capital requirement-thresholds expected ahead



## CHAPTER THREE

### 3.0 Foreign Direct Investment (FDI)

Foreign capital investment in the private sector is broadly categorized into three types of investment, i.e., Foreign Direct Investment (FDI), Portfolio Equity Investment, and Other Investments (largely foreign borrowing from non-affiliates). For Uganda, FDI primarily comprises the largest share, averaging at 98.9 percent of foreign private capital inflows over the years.

According to the IMF's BPM6, Direct Investment (FDI) relationships arise when an investor resident in one economy makes an investment that gives control of an enterprise that is resident in another economy, i.e., ownership of 10 percent or more.

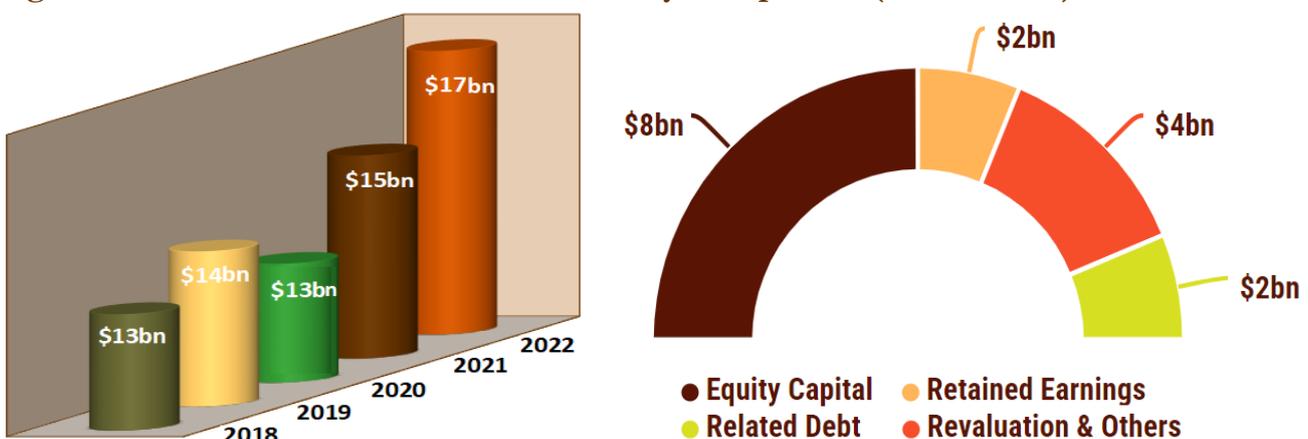


FDI inflows are crucial in support of Uganda's private sector, allowing for the transfer of technology, stimulation of economic growth, promotion of healthy competition in the domestic market, access to foreign markets with the benefit of increased production and productivity, and the overall support of human capital development. Moreover, FDI is typically less volatile than foreign portfolio investment and therefore is a more dependable and sustainable source of economic growth and development. Sustained increases in FDI inflows are often a sign of an improved investment climate.

### 3.1. FDI Stock

The stock of FDI rose by 10.9 percent to US\$16.6 billion in CY2022, from US\$15.0 billion in CY2021, on account of increased capital inflows reflected through all components, i.e., equity capital, retained earnings, and related debt inflows. FDI stock comprised of equity capital (49%), revaluation (24%), outstanding related debt (15%), and accumulated retained earnings (12%), primarily invested in the Mining, Transportation, Finance, Manufacturing, and ICT sectors.

Figure 3.1: Trends in FDI Stock, FDI Stock by Component (US\$ billions)

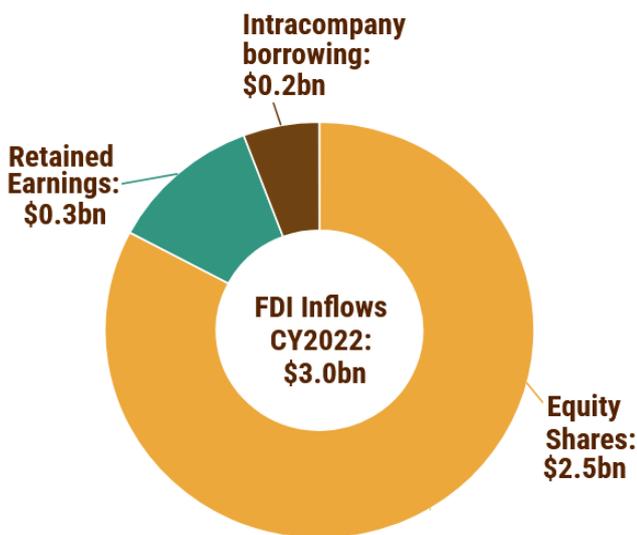


Source: PSIS 2023 findings

### 3.2. FDI Inflows CY2022

FDI inflows registered a record high growth – expanding by 79.2 percent, from net inflows of US\$1,648.2 million registered in CY2021 to US\$2,952.9 million in CY2022. The significant boost in FDI inflows during 2022 was largely attributed to the progression in activity in the Mining (oil) sector, i.e., the transition from the exploration and appraisal phase to the development phase. This advancement followed the conclusion of the Final Investment Decision (FID) in February 2022, a significant milestone - that launched major construction works towards the development of Tilenga, Kingfisher, and the EACOP projects.

#### 3.2.1 FDI Inflows by Component:



Foreign direct investment is comprised of three components: equity capital, reinvestment of earnings, and intracompany debt. Reinvestment of earnings is the portion of earnings that the non-resident parent enterprise decides to reinvest in the affiliate rather than receive as a dividend and can be an important source of financing for affiliates. Equity capital is often associated with new investments, such as greenfield or M&As, even though it can also reflect extensions of capital or financial restructuring.

Nevertheless, equity capital flows are often taken as a sign of the value of new investments related to FDI. Analysis of FDI inflows received in CY2022 by the three components, i.e., equity capital, retained earnings, and intracompany debt is further expounded on in the paragraphs that follow.

#### 3.2.2. Equity capital inflows:

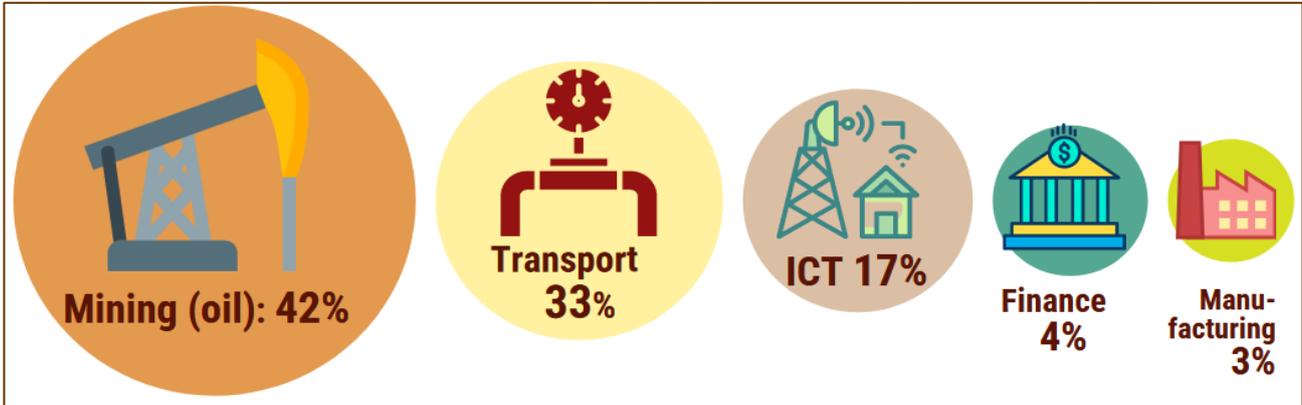


Foreign Direct Equity (FDI) inflows (are comprised of equity capital and retained earnings/losses. Equity capital inflows near-tripled during the reporting year, from US\$826.4 million in CY2021 to US\$2,450.8 million in CY2022.

This significant inflow was largely driven by ramped-up activity in the oil sector. Specifically, 75.0 percent of total equity inflows (FDI-related) were solely attributed to activity in the oil sector, of which 56.6 percent was invested directly in the mining sector, while 43.4 percent was channeled through the transportation sector (pipeline).

Equity capital inflows were also registered in the ICT (17%), Finance (4%), and Manufacturing (3%) sectors. Overall, equity capital inflows received during the reporting year were largely sourced from the Netherlands, United Kingdom, Mauritius, Kenya, and Switzerland.

**Figure 3.2. FDI CY2022: Share of total equity capital inflows (US\$2.5bn) by major Sector**



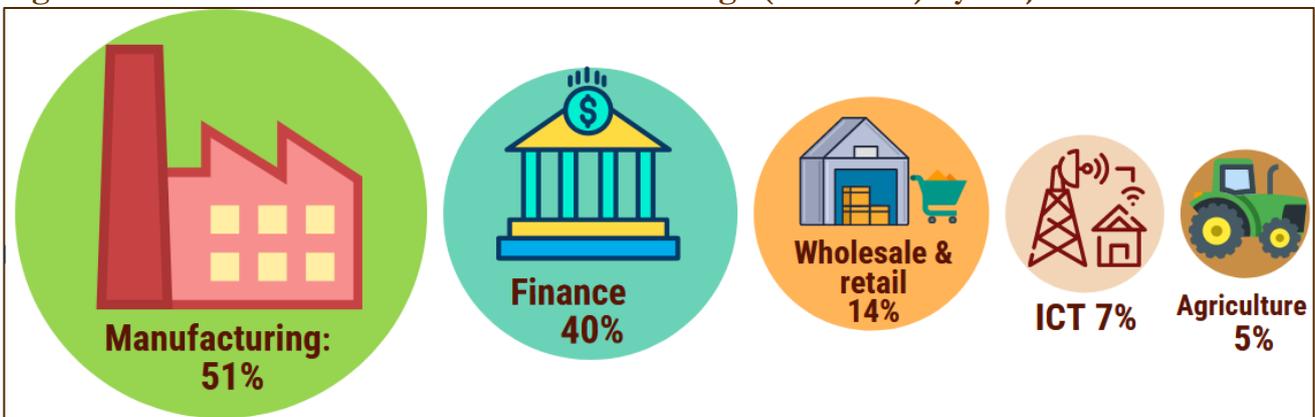
Source: PSIS 2023 findings



**3.2.3. Retained Earnings/Losses:**

In terms of performance, despite the 54.1 percent year-on-year contraction - from retained earnings of US\$0.7 billion registered in CY2021, down to US\$0.3 billion in CY2022, the overall performance of foreign-owned enterprises remained positive, supported by notable earnings registered in the Manufacturing, Finance, Wholesale & Retail trade, and ICT sectors during 2022. However, in partial moderation of this positive performance, losses were registered in the Construction and Transportation sectors during the year.

**Figure 3.3. FDI CY2022: Share of retained earnings (US\$0.3bn) by major Sector.**



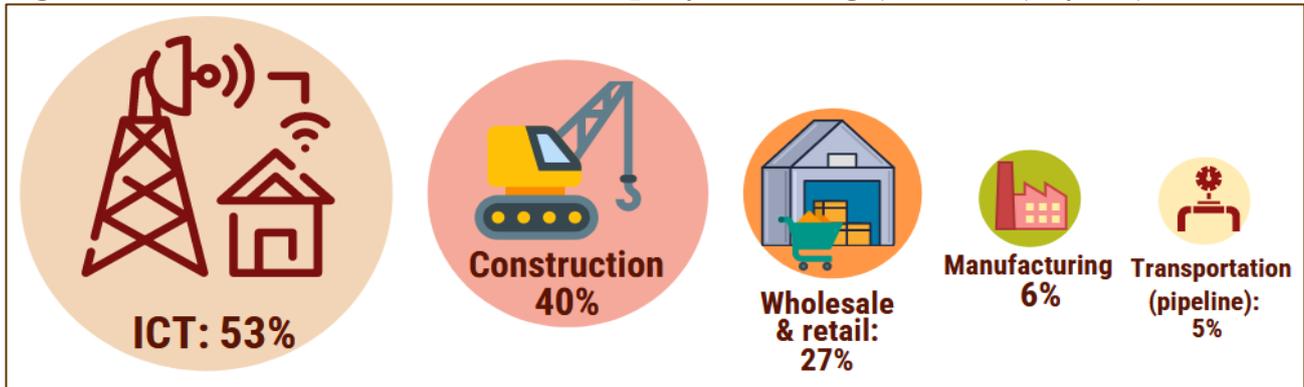
Source: PSIS 2023 findings

### 3.2.4. Intracompany borrowing (related debt)



Net intracompany debt inflows expanded by 87.5 percent in CY2022, from US\$88.0 million registered during CY2021 to US\$165.1 million in CY2022. Debt disbursements increased by 73.0 percent, year-on-year, supported by loose financing conditions in tandem with the eased global financial environment. Debt disbursements were largely received in the form of loans (54%), channeled to the ICT and construction sectors, while trade credits (46%) were disbursed to the wholesale, ICT, manufacturing, and construction sectors.

Figure 3.4. FDI CY2022: Share of intracompany borrowing (US\$0.2bn) by major Sector



Source: PSIS 2023 findings

### 3.3. FDI by Source Country

The Netherlands continued as the main source of FDI inflows, generating 38 percent of total FDI inflows in 2022, the United Kingdom followed closely, contributing 37%, while other key source countries included Mauritius (7%), Kenya (5%) and Switzerland (3%).

Figure 3.5. FDI CY2022 by major source country



Source: PSIS 2023 findings

## CHAPTER FOUR

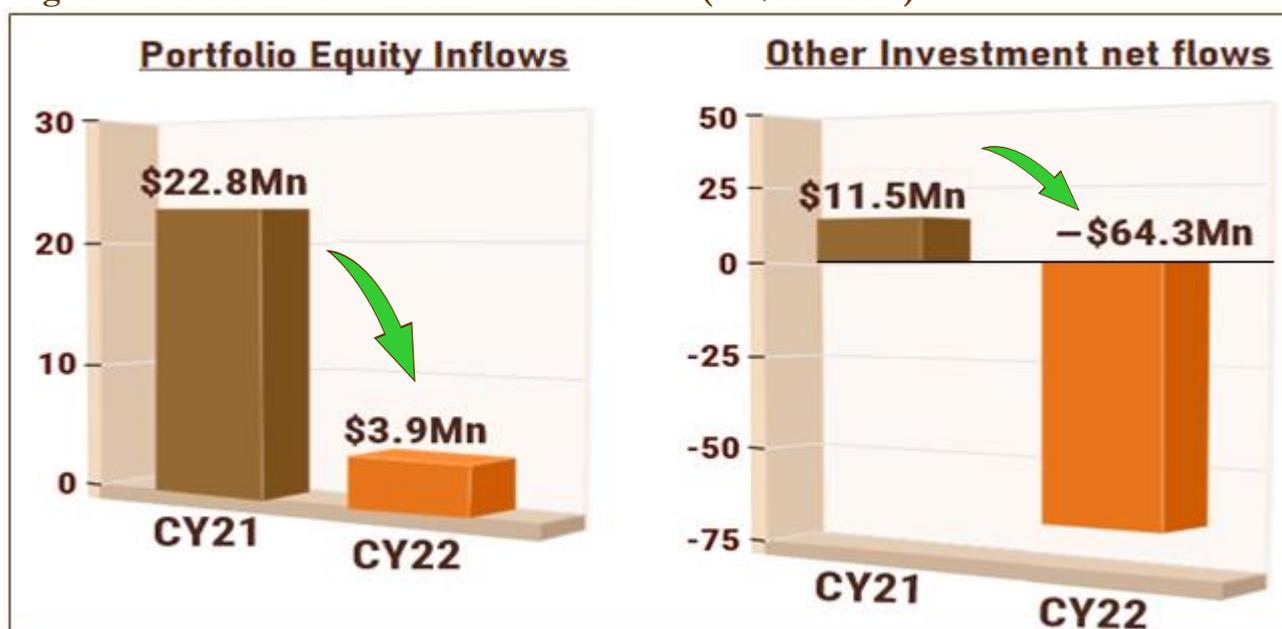
### 4.0 Portfolio Equity and Other investment in the private sector

Portfolio equity investment is defined as cross-border transactions and positions involving tradable equity securities, other than those included in direct investment, while other investment is a residual category that includes positions and transactions other than those included in direct investment, and portfolio investment. With specific reference to the private sector, other investment is channeled through borrowing (largely loans and trade credits) from unrelated foreign parties.

### 4.1 Portfolio Equity and Other Investment in CY2022

Both portfolio equity and other investment inflows to the private sector contracted year-on-year, partially moderating the impact of the increase in FDI inflows registered during the year. Portfolio equity inflows contracted by 82.9 percent to a mere US\$3.9 million (down from US\$22.8 million in 2021), reflecting investor uncertainty and risk adversity, while other investments reflected a reversal to net outflows of US\$64.3 million in CY2022, from net inflows of US\$11.5 million received during CY2021.

Figure 4.1: Portfolio & Other investment flows (US\$ Millions)



Source: PSIS 2023 findings

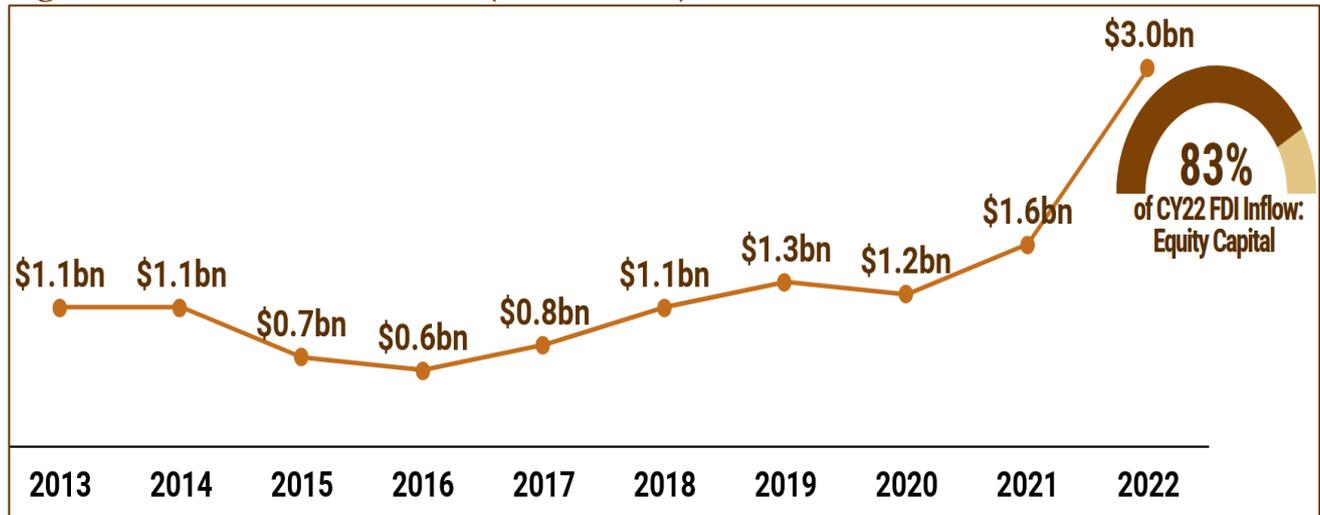
Sector-wise, other investment inflows were largely oriented to the Construction, Electricity, and Manufacturing sectors, while portfolio inflows were largely invested in the ICT, Electricity, and Finance sectors.

## CHAPTER FIVE

### 5.0 Conclusion

In CY2022, Uganda witnessed a surge in FDI inflows, propelled by the conclusion of the FID in February 2022, which not only firmed up the financial commitment from the International Oil Companies (IOCs) but in addition, launched the construction of key infrastructure required for the development of the oil sector projects. Oil sector-related FDI inflows were primarily in the form of equity capital inflows, which amounted to US\$1.8 billion, representing 62.4 percent of total FDI inflows received in 2022.

Figure 5: Trends in FDI inflows (US\$ Billions)



Source: PSIS 2023 findings



Looking ahead, progressive development in the oil sector projects in support of Uganda's transition to an oil producer will likely fuel further increases in investment in the mining, construction, transportation, and technology sectors. In addition, the recently announced new gold discoveries - valued at approximately US\$13 trillion, are expected to attract foreign investment in the sector, further supporting an upward trend in FDI inflows. Government efforts to increasingly engage in initiatives to deepen regional integration, eliminate regulatory barriers, nurture international relations, and improve the business environment will further support increased FDI to Uganda. Overall, Uganda remains an attractive FDI destination.

- END -

## APPENDICES

**Table A.1: Foreign Direct Investment inflows during 2022**

FDI Inflows in US\$ Millions	CY2022
<b>FDI Inflows</b>	<b>2,952.9</b>
<b>Total Equity</b>	<b>2,787.9</b>
Equity Capital	2,450.8
Reinvested earnings	337.1
<b>Related debt</b>	<b>165.1</b>

**Table A.2: Foreign Direct Inflows by Sector during 2022**

FDI Inflows in US\$ Millions	FDI Inflows 2022
<b>Total FDI Inflow</b>	<b>2,952.9</b>
Mining and quarrying	1,044.0
Transportation and Storage	796.3
ICT	518.4
Finance and Insurance	214.2
Manufacturing	155.6
Construction	114.4
Wholesale & retail trade; repair of motor vehicles and motorcycles services	97.9
Administrative and support service activities	13.1
Arts, entertainment and recreation	2.1
Agriculture, forestry and fishing	1.8
Real estate activities	1.7
Education	0.1
Human Health and Social work activities	-
Professional, scientific and technical activities	-
Water supply; sewerage, waste management and remediation activities	-
Electricity, gas and air conditioning supply	-
Accommodation and food service activities services	-

**Table A.3: Other Investment; Equity & Foreign borrowing from non-affiliates during 2022**

Other Investment Inflows (US\$Mns)	CY2022 Inflows
Total Other Investment inflows	-64.3
o/w Foreign Borrowing (non-affiliates)	-75.9
Disbursements	61.2
Repayments	-137.0
o/w Other Equity	11.57

**Table A.4: Other Investment by Sector during 2022**

Major Sector	CY2022 (US\$Mns)
Finance and Insurance	7.6
Manufacturing	5.9
ICT	1.7
Education	0.8
Arts, entertainment and recreation	0.4
Administrative and support service activities	0.1
Mining and quarrying	0.0
Accommodation and food service activities serv	0.0
Professional, scientific and technical activities	(0.0)
Human Health and Social work activities	(0.1)
Real estate activities	(1.9)
Wholesale & retail trade; repair of motor vehicles	(2.0)
Transportation and Storage	(2.3)
Agriculture, forestry and fishing	(3.2)
Construction	(34.5)
Electricity, gas and air conditioning supply	(36.8)
<b>Grand Total</b>	<b>(64.3)</b>