Sweden’s economic relationships with Uganda

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The Expert Group for Aid Studies - EBA - is a Government committee analysing and evaluating Swedish international development aid. This report can be downloaded free of charge at www.eba.se

Printed by Elanders Sverige AB
Stockholm 2016

Cover design by Julia Demchenko
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1. Introduction

This explorative study aims to map commercial and other economic relations between Sweden and Uganda during the years 2000-2014. In addition, we will discuss whether and how these relations may be related to Swedish bilateral aid. We will primarily investigate trade, migration, transfers, and investments. Sweden’s bilateral aid to Uganda over the period 2000-2015 was fairly extensive, amounting to around 335 million Swedish Kronor (SEK) per year (Openaid 2016).

The study begins with a brief overview of the Swedish bilateral development cooperation with Uganda (Section 2). Thereafter the economic relations between the countries are discussed. Section 3 provides an overview of trade between Sweden and Uganda. Then we look at migration (Section 4), remittances (Section 5), portfolio investments (Section 6), and direct investments (Section 7). In the final section, we summarize the main findings and discussions.

2. Sweden's bilateral aid to Uganda

In this section we give a short overview of the bilateral aid to Uganda. Table 1 shows that the magnitude of the bilateral aid has been fairly stable over time, but there have been substantial changes in the composition. During the period 2000-2006 Sweden provided substantial general budget support, but this ended in 2007. The health sector got sector budget support until 2011, but then the sector got other types of support. Various programs focusing on population issues and reproductive health were also supported. Since budget support goes directly into national budgets, it is difficult to draw any conclusions about its effects on the economic relations between Uganda and Sweden. One might have a hypothesis that the presence of budget support is an indication that the donor country has confidence in the recipient country’s government, and that such a more trusting relationship could boost economic links between the countries. However, we cannot determine whether this is the case.

Water/sanitation and energy are sectors that received substantial resources up until 2009, while business support has been on a low but stable level. Maybe an expansion of Swedish aid flows into these areas could result in an increase in Swedish exports, even if the assistance is not formally tied. But since these sectors are getting a gradually smaller share of the overall aid portfolio, we can assume that the possible effect on the economic relations have become slightly less important at the end of the period studied. However, we cannot test this empirically.
Over time, the Swedish aid has been redirected towards softer sectors such as public administration, democracy, human rights and gender, and multi-sectoral support (mainly research support to Makerere University). It is difficult to find a direct impact of this support on the economic relations between the countries. The same applies to the humanitarian aid, which has been related to various conflicts in the region. We believe that the aid composition has changed over time in a direction that is less supportive of private economic relations between Uganda and Sweden.

Table 1. Sweden’s bilateral aid to Uganda 2000-2014 (million SEK, 2014 prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>General budget support</th>
<th>Water and sanitation</th>
<th>Health</th>
<th>Energy</th>
<th>Public administration</th>
<th>Multi-sector support</th>
<th>Humanitarian aid</th>
<th>Business</th>
<th>Population</th>
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<td>12.5</td>
<td>68.9</td>
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<td>20.2</td>
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<td>14.4</td>
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<td>168.8</td>
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<td>0.0</td>
<td>12.8</td>
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<td>195.6</td>
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</tbody>
</table>

Source: Openaid (2016)

We have also been looking for information on whether the Swedish business community is or has been directly involved in the provision of aid. We especially considered the new forms of private-public cooperation. Little was found in SIDA’s data base. However, Sida has together with USAID provided a guarantee to Ecobank Uganda (1.5 million SEK). The aim is to improve poor people's access to health services and to reduce the spread of HIV/AIDS by supporting lending to private participants in the health sector in Uganda in 2013-2020. Still, this program is not directly linked to the Swedish-Ugandan economic relations. This is a general pattern and reflects the Swedish attitude that aid should not be tied.

3. Trade

Trade between Uganda and Sweden has been regulated by the “Everything but Arms” trade agreement during most of the period investigated. The agreement from 2001 made is possible for the least developed countries to export all types of goods except weapons and ammunition duty free to the EU. Initially exemptions were made for agricultural
products as sugar, bananas and rice, but in 2008 even these products became duty free (Bahgat n.d., EC 2015). Uganda’s export might have been negatively affected by the government’s use of export taxes. These were 1% for coffee, 2% for cotton and 0.8 USD/kg for hides (WTO 2012).

In October 2014 the EU and the East African Community (EAC) agreed on an economic partnership agreement. The EAC consists of Kenya, Uganda, Tanzania, Burundi and Rwanda. The agreement implies that EAC gets access to the EU market free of duties and quotas for all goods. In turn, the EAC countries are obliged to eliminate their duties and quotas towards EU goods during a transitional period of 25 years (Kommerskollegium 2014). The agreement needs to be ratified and is expected to be in force from October 2016 (EC 2015).

The World Trade Organisation (WTO) had its tenth ministerial conference in Nairobi in December 2015. At the conference the OECD countries accepted to abolish all export subsidies in agriculture (WTO 2015). This should lead to an improvement of Uganda’s possibility to compete on the world market. Five out of Uganda’s ten most important export goods are affected by the agreement. These goods are coffee, tea, tobacco, sugar and cocoa. These goods represent a third of Uganda’s export. The production subsidies in agriculture in the OECD countries are unfortunately not included in the new agreement. This new agreement needs to be ratified as well and it is still unclear when the agreement will be in place. The WTO ministerial conference also decided that the least developed countries, such as Uganda, will get special access to OECD markets for cotton and services (WTO 2015).

The WTO has evaluated the trade policy of Uganda individually in 2001 and together with the EAC countries in 2006 and 2012. In the two latter evaluations WTO estimated that the Ugandan customs needed 2-3 days to clear an imported good, while export goods were cleared in one day in 2012 (WTO 2001, 2006, 2012). In Kenya it took as much as 8 days to clear import goods in 2012 (WTO 2012).

The WTO reports that agricultural products from Uganda at several occasions have been denied entry to the various OECD markets because they failed to reach sanitary and phytosanitary requirements. For example, fruits and vegetables to be exported to EU were stopped because they contained too much of pesticides. Flowers have also been stopped when having problems with caterpillars (WTO 2001, 2006, 2012).

Sweden provides some development assistance (26.8 million SEK 2015) to Uganda in support of trade policies and tourism (Openaid 2016), but this aid is supporting the development of the Ugandan trade regime in general and not the specific relations between Uganda and Sweden.
3.1 Merchandise trade
Merchandise trade between Sweden and Uganda still follows the classic pattern of the developing country exporting raw materials and the industrial country exporting manufactured goods. This has not changed over the time studied.

Sweden has a large trade surplus with Uganda. During the period 2000-2014 imports averaged 25 million SEK, while exports were on average 277 million SEK. Figure 1 shows that imports fluctuate over time. Maybe there is a slight tendency for the Swedish imports to increase. More detailed information is available in Appendix Tables 1 and 2. Coffee is the most important import good and in recent years. Around 95% of Sweden’s imports from Uganda were coffee. Uganda is now Africa’s largest coffee exporter (ICO 2016).

Figure 1 also shows that the Swedish exports to Uganda vary substantially between the years. The sharp export increase in 2007-2008 was due to Uganda’s expansion of their mobile network resulting in an increase in imported “devices and other equipment for telecommunications” from Sweden. The African telecom company, MTN, had in 1999 been commissioned to build a mobile network in Uganda. The company’s original investment plan was in the order of 60 million USD and Swedfund participated with loans. When MTN decided to expand its mobile network to achieve national coverage, SIDA assisted with a loan guarantee. SIDA supported part of the expansion focused on 24 rural municipalities. MTN chose to borrow 40 million USD in the bond market and SIDA guaranteed bonds to the value of 60 million SEK. MTN’s loan was fully repaid in 2009 and the guarantee was never used (SIDA 2015). Since 2014 MTN Uganda has a collaboration with Ericsson concerning payment via mobile phone (the Ericsson Converged Wallet). The project is expected to reach 7 million users (Ericsson 2015). The category of “devices and other equipment for telecommunications” has continued to be important for Swedish exports and in the period 2010-2014 it accounted for between 55% and 88% of total exports to Uganda (Kommerskollegium 2015).
Uganda is a small trading partner for Sweden. During the peak year of 2011, Sweden's exports to Uganda were only 0.05 percent of Sweden's total exports, while imports from Uganda were even less important as a share of Sweden's imports. Sweden is not a particularly important trading partner for Uganda either. During the top year of 2011, Sweden's exports to Uganda represented only 2% of Uganda's total imports that year. Uganda's exports to Sweden represent approximately 0.2% of the country's total exports.

Uganda exports hardly any manufactured goods to Sweden (Appendix Table 2). Although, the neighboring countries of Kenya and Tanzania have similar economies as Uganda, their exports of semi-finished and finished goods accounted for between 3 and 6 percent of their exports to Sweden in 2014-2015. One can also mention that these categories accounted for over half of the more developed economy South Africa's exports to Sweden the same year. Thus, Uganda still seems to have a more "colonial" trade pattern and have come less far than the neighbors Kenya and Tanzania (not to speak of South Africa) towards a diversified economy. Export diversification in Uganda has definitely not been a main objective of Swedish aid and even indirect effects on exports of processed goods from Uganda to Sweden seems to be negligible. However, there may be a certain connection between Swedish aid and Swedish export of telecommunications equipment to Uganda.

Only a limited part of the development assistance Sweden contributes to Uganda is focusing on the development of industry and agriculture. Regarding industry, the largest project supports enterprise development in Northern Uganda (13 million SEK in 2015). Moreover, small grants are given to various industry support activities. The largest project in agriculture in recent year is funding to aBI Trust Uganda (10 million SEK in 2015). The project aims to support the development of agriculture in Uganda, primarily by providing financial and technical support to develop certain value chains. Sweden's aid to Uganda is not focused on direct support to productive sectors.

3.2. Trade in services
SCB has only been able to provide quality assured statistics on trade in services for 2013 and 2014. It is currently preparing for a publication of service statistics by country, but has not yet decided how far back in time it will publish. With this limited information we cannot discuss any possible trends and we will limit the discussion to two comparisons.

Figure 2 shows that Sweden's exports of services in 2014 were around 180 million SEK, while imports were around 50 million. Sweden thus has a relatively large trade surplus in services. We believe that a significant part of the exports depends on Ericsson's presence in Uganda. Ericsson's wholly owned subsidiary in Uganda is working with various mobile operators and focuses on sales of network components for mobile networks, switches, transmissions, radio base stations, and technical services, where customers are offered help with installing equipment etc. The recent partnership with MTN is, of course, in focus for the time being. Most of this partnership consists of Converged Money cooperation (the Ericsson Converged Wallet) (Ericsson 2016). In the mid-00s, the company had 100 employees and of these 10 were non-Ugandans, thus being part of the service export (Bengtsson and Jacobsson 2009). Today, Ericsson Uganda has 54 employees and 6 of them are non-Ugandans. Around one half of Ericsson's sales are connected to services and these are produced and sold locally. The other 50 percent of sales is software, produced in Sweden and/or India. Ericsson has no direct relation to Swedish aid, although there was a certain association in connection with the mobile network rollout, in which SIDA participated as a loan guarantor (Ericsson 2016).

The imports of services from Uganda are largely related to tourist spending. UBS (2015) estimates that between 4000 and 5800 Swedes visited Uganda annually between 2009 and 2013. Overall, trade in services between the two countries is not particularly important. Sweden's exports to Uganda are equivalent to around 0.04% of Sweden's total services exports and imports are 0.01% of services imports. The trade is slightly more important for Uganda in terms of size only. Uganda's service exports to Sweden are around 1% of the country's total exports of services, while imports of services are a bit more important at 2.2%.
To a certain degree, Swedish aid is creating activities that Swedish consultants might be involved in, but we cannot determine to what extent aid affects Swedish services exports. We would believe, though, that services exports from Sweden are positively related to Sweden’s long-term assistance relations with Uganda.

4. Migration

There are almost four thousand Ugandans living in Sweden. This includes people who are registered in Sweden and are citizens of Uganda or has Uganda as country of birth. This is a stock variable. Figure 3 shows the flow of people between the countries. The flow does not take the country of citizenship or country of birth into account. Immigration from Uganda to Sweden has increased dramatically over the period and has been relatively important in the last three years.
Figure 3. Migration and emigration to and from Uganda, 2000-2014.

Uganda reinforced its laws towards homosexuality in 2013 and 2014, and this may have influenced immigration to Sweden. The number of asylum seekers from Uganda who received a residence permit in Sweden increased from around 15 people in 2009-2010 to 201 people in 2013 and 140 the following year (Delmi 2015). Development assistance might have some kind of, although limited, importance of the Ugandan migrants’ choice of destination.

5. Remittances

A consequence of the emigration from Uganda to Sweden is that money will move in the opposite direction of remittances. Statistics Sweden makes some estimates on the size of remittances, but considers that its quality is too low to be published. We therefore calculate remittances based on two reports from the Ugandan Bureau of Statistics (UBS 2010, Al-Hussainy 2014). Both reports estimate the flow of remittances to Uganda from the rest of the world based on surveys conducted by UBS.

Remittances are considered important for the Ugandan economy. UBS (2010) argues that Uganda is one of the ten most remittance dependent economies in Africa, in relation to both GDP and export earnings. UBS (2010) reports that 2.7% of the families that
received remittances from abroad in 2007 got these from Sweden. In 2010, the estimate is that 1.3% of remittances came from Sweden (Al-Hussainy 2014). Thus, Sweden is not one of the most important countries in terms of remittances to Uganda.

UBS (2010) estimates the total flow of remittance in 2006 to 406.5 million USD, which would represent about 4% of total GDP. If we assume that the size of remittances does not differ between the countries in the study, Sweden's share of 2.7% suggest that almost 11 million USD or about 90 million SEK could have been remitted from Sweden in 2006. This is, of course, only a very rough estimate. Assuming that only the four thousand registered Ugandans send money back home, our estimate indicates that they remit around 1,800 SEK per month per person. Our rough estimate of the size of remittances shows that these may be more important than Uganda's exports to Sweden.

6. Portfolio investments

Uganda’s financial markets are poorly developed. The stock exchange in Uganda (Uganda Securities Exchange) lists only 17 companies. Listed are several banks and financial companies, as well as some breweries that have traditionally been important in African stock markets. A number of companies are Kenyan, such as Kenya Airways. We do not expect to find much Swedish capital invested in the stock market in Uganda, unless it is done indirectly via the multinational firms that are represented in the stock market.

Statistics Sweden reports that no portfolio investments from Sweden to Uganda are registered at all in the period 2000-2015. Avanza Bank (2013) suggests that Swedish-based Africa Mutual Funds are not investing in Uganda. These funds invest primarily in the large and important African economies, South Africa, Nigeria and Egypt, and to some extent in Kenya, Morocco and Tunisia. Investments in other African countries such as Uganda are thus still very limited.

7. Foreign direct investments

The Ugandan Investment Authority (UIA) only provides investment licenses for foreign direct investments (FDI) if they exceed 100,000 USD. The corresponding limit for local companies/investors is 50,000 USD. Some industries are closed to foreign competition. These include wholesale and retail businesses, PR, car rental, taxi businesses, bakery businesses, clothing production, and food production intended for the Ugandan market. In addition, supply of electricity and water are monopolies in the country and thus closed to both foreign and domestic competition (WTO 2001, 2006, 2012).
UIA (2012) surveyed investing companies on the main reasons for their investments. As many as 74 percent stated that macroeconomic and political stability was important. Access to the East African market (65 percent) and cheap labor (56 percent) were also important factors. The main deterrent factor was the high interest rate on loans. More than 60% of the companies financed their investment with equity, while only 37 percent borrowed in local banks.

Uganda is considered having a relatively poor business climate, according to the World Bank's annual "Ease of Doing Business" ranking. Difficulties in starting a business, problems with construction permits, and poor access to electricity were singled out in the report. Uganda is found in place 122 out of a total of 189 countries, which can be compared with the rankings of Rwanda (62), Kenya (108), Tanzania (139) and Burundi (152) (World Bank Group 2016).

The Nordic Business Association (NBA) in Uganda reports that companies wishing to undertake business activities in Uganda face significant problems with widespread corruption and inefficiency in the public administration. For example, the process of obtaining a work permit is a major problem, particularly for small and medium-sized enterprises. A work permit might cost anywhere between 100 and 1,000 USD depending on whether you prefer to do it yourself or if you prefer to use an agent. The process usually takes several months. The importance of "knowing the right people" is far greater in Uganda than in Sweden. The time it takes to get the right contacts becomes a major obstacle for new entrants, especially if paying bribes is out of the question (which is the case for most Nordic companies). It is easier for larger companies to get appropriate contacts and relevant permits (NBA 2016).

NBA is also discussing the problem of finding good local partners and local funding. Nordic banks are reluctant to provide lending due to the financial risk and local banks often demand interest rates of 20-30 percent per year. The type of guarantee program as the MTN project received might help, but even with guarantees the terms of the loans are often prohibitive. NBA considers access to financial capital being a major obstacle also for companies wanting to increase already profitable activities (NBA 2016).

Government procurement is another area where it is difficult for Nordic companies to compete. The processes are not transparent and statutory procurement rules are often not followed. The Office of the Auditor General (2015, p. 14-15) in Uganda highlights this as a major problem. For instance, in the latest report, cost comparisons were made for major infrastructure projects in Uganda and other countries. The highway to Entebbe was found to be twice as expensive as the equivalent type of road in Kenya and Ethiopia.
Thus it is not surprising that the Swedish direct investments in Uganda are very small. Actually, in the Swedish statistics, these investments are recorded as zero during the period 2000-2014. This might be because no investments were made, but another possibility is that too few companies made investments. If fewer than four companies made investments, they are recorded as zero for confidentiality reasons (Open Trade Gate Sweden 2015, SCB 2015).

We have, however, collected information concerning investment licenses from the Uganda Investment Authority (UIA). Figure 4 and Appendix Table 3 shows that Swedish companies have not been very active in securing investment licenses. Appendix Table 4 shows the licenses granted to Swedish companies since 2010. The year 2012 was an exception. Three licenses totaling 52 million USD was approved and this corresponds to 3% of the total value of investment licenses that year. The largest project relates to an investment in forestry, while the second largest is a project in the mining industry. These three projects were expected to create 222 jobs (UIA 2015).

Figure 4. Swedish investment licenses issued by the UIA (in thousands of USD and in percentage)


There is of course no guarantee that planned investments are implemented. There are no systematic statistics available on the relation between planned and realized investments. But UIA (2012) made an attempt to trace companies that received licenses between 1991 and 2010 to examine whether the investments had taken place. The study finds an implementation rate of only 46 percent, when looking at number of projects. Most of the projects that actually took place started their business within a year (60 percent), 22 percent needed an additional year before starting, while the remaining companies got
their business going after more than two years. The implementation rate increases to 88 percent, if we look at investment value instead. Larger projects are thus more likely to actually be implemented. The implementation rate for job creation was nearly 60 percent (UIA 2012).

The study also shows that Sweden was not among the 18 largest foreign investor countries (UIA 2012, p. 13). Thus it seems clear that Sweden's direct investment in Uganda has been fairly insignificant, although there was a temporary peak in 2012. However, the foreign companies participating in the survey reported that Sweden represented 2.2 percent of their total export value, making it the sixth largest EU countries (UIA 2012). Appendix Table 5 shows the Swedish Embassy's list of Swedish companies being represented in Uganda and Ugandan businesses having different relationships to Swedish companies.

We also note that Swedfund has an indirect investment via Swedpartnership. A Swedish SME, Pallmax Sweden AB, will receive establishment support from Swedfund to start up operations in Uganda (Swedfund 2015).

8. Summary and concluding remarks

As has been shown, the Swedish-Ugandan economic relations are limited and there have not been any significant tendency towards increased economic cooperation over the period studied.

The magnitude of Swedish aid to Uganda has been stable, but the composition has changed. At the beginning of the century, the main focus was on budget support, support to the health sector, and support to infrastructure such as water and sanitation, and energy, but in recent years there has been a shift towards softer sectors such as public administration, democracy and human rights, gender equality, and research support. We believe that the latter types of development assistance are less related to commercial relationships between countries.

Merchandise trade between Sweden and Uganda still has the classic character that developing countries export raw materials and industrial countries export manufactured goods. Uganda exports coffee to Sweden and Sweden exports equipment to telecommunications to Uganda. During the period 2000-2014, Sweden's overall trade surplus was 3.3 billion SEK, or about 220 million SEK per year (in 2014 prices). Uganda's exports to Sweden have been stable but very small. Sweden’s exports fluctuated sharply, since some of the trade surplus was due to MTN Uganda's specific investment in Swedish telecommunications equipment.
Sweden has a surplus in the services balance as well. Uganda exports tourist services to Sweden, while we believe that primarily Ericsson's activities in Uganda is leading to relatively large exports of services. We only have information for two years and the surplus is around 140 million SEK annually.

Some remittances are made from Sweden to Uganda, but we can only make a very rough estimate of these. According to this estimate, remittances from Sweden to Uganda might be around 90 million SEK annually, which is significantly more than Uganda’s export of goods to Sweden.

Swedish portfolio investments in Uganda are almost negligible, because of the less developed financial market in Uganda. The licensed direct investments are few, but in recent years a few larger projects in forestry and mining received licenses. Nordic companies wanting to invest in Uganda complain about an inefficient public administration and extensive corruption. They also experience difficulties in finding suitable local partners and securing local financing.

The Swedish bilateral development assistance to Uganda is not of such a nature that it directly leads to increased trade between the countries. Maybe one can find an effect of aid on Ericsson's involvement in the expansion of the telecommunications system in Uganda, but otherwise it is difficult to show any clear effects. However, it is reasonable to assume that development cooperation builds relationships that lead to increased commercial relations between Sweden and Uganda in the long run. But, as we have shown, the flows of goods, services and production factors between the two countries are still small.
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https://www.wto.org/english/thewto_e/minist_e/mc10_e/nairobipackage_e.htm
### Appendix

**Appendix table 1. Imports from Uganda to Sweden (million SEK, 2014 prices)**

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*Source: SCB (2016).*

**Appendix table 2. Exports from Sweden to Uganda (million SEK, 2014 prices)**

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<td>0.0</td>
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<tr>
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<td>3.1</td>
<td>1.7</td>
<td>1.2</td>
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<td>8.4</td>
<td>10.6</td>
<td>8.8</td>
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<td><strong>Manufactured products</strong></td>
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<td>3.8</td>
<td>8.4</td>
<td>139.4</td>
<td>4.7</td>
<td>9.9</td>
<td>4.5</td>
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*Source: SCB (2016).*
### Appendix table 3. Swedish investments licensed by UIA 2000-2013

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</thead>
<tbody>
<tr>
<td>Total (million USD)</td>
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<td>201</td>
<td>347</td>
<td>345</td>
<td>281</td>
<td>458</td>
<td>1013</td>
<td>1488</td>
<td>n.a.</td>
<td>1801</td>
<td>1325</td>
<td>1393</td>
<td>1740</td>
<td>1418</td>
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*Source: UIA (2016).*

### Appendix table 4. Swedish investments licensed by UIA from January 2010 to February 2016

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<th>License date</th>
<th>Planned investment in USD</th>
<th>Planned employment</th>
<th>Sector</th>
<th>Sub-Sector</th>
<th>Ownership</th>
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<td>2010-08-06</td>
<td>4 951 457</td>
<td>27</td>
<td>Transport, Storage &amp; Communication</td>
<td>Communication</td>
<td>Foreign</td>
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<td>2011-10-14</td>
<td>360 539</td>
<td>11</td>
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<td>Business Services</td>
<td>Foreign</td>
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<tr>
<td>2012-01-06</td>
<td>37 000 000</td>
<td>50</td>
<td>Agriculture, Hunting, Forestry &amp; Fishing</td>
<td>Forestry</td>
<td>Foreign</td>
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<tr>
<td>2012-01-09</td>
<td>14 890 000</td>
<td>172</td>
<td>Mining &amp; Quarrying</td>
<td>Mining</td>
<td>Foreign</td>
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<tr>
<td>2013-02-07</td>
<td>102 000</td>
<td>18</td>
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<td>Foreign</td>
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<tr>
<td>2013-11-05</td>
<td>200 000</td>
<td>15</td>
<td>Construction</td>
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<td>Foreign</td>
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<td>2014-09-04</td>
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<tr>
<td>2016-01-12</td>
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<td>Wholesale &amp; Retail, Catering &amp; Accommodation Services</td>
<td>Accommodation Services/Tourism</td>
<td>Foreign</td>
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<td>Tourism</td>
<td>Joint Venture</td>
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</table>

*Source: UIA (2016)*
Appendix table 5. Swedish companies in Uganda

ABB Ltd.
Afro-Genetic Technologies Ltd.
CADMIX
Ericsson
Equatorial Real Estate Steel Team
International Auto Parts (U) Ltd.
Next Generation Broadcasting
Noremco AB
Oriflame
Skenya Motors (U) Ltd.
Sun Developments
Teleport East Afrika

Source: Swedish Embassy in Uganda (2016)