



# ALL ROADS TO INNOVATION LEAD TO UGANDA

POWERED BY



# THE IT SECTOR AT A GLANCE

Uganda's IT and ITES core market is broadly defined by three kinds of services, ITO, BPO and KPO, which all have a subset of different activities. The key inputs for all three services are human resources, connectivity, electricity and hardware. The supply of ITO services is highly fragmented, with numerous MSMEs and freelancers clustered in Kampala, who all offer a range of services with varying level of value addition.

The IT & ITES sector is mainly comprised of the following services.



## Technology Expertise



You should outsource your IT projects to Ugandan companies because ;



**Uganda has the fastest growing population** - Uganda's population is set to reach 45 million in 2023 making it fastest growing labour force in the region



**Has engineering expertise** -The Ugandan software outsourcing industry offers over 40,000 developers, QA specialists, UI/UX designers as well as technical and project managers.



**Has rates within your budget** - The reasonable and affordable prices of Ugandan developers make them very attractive to companies and organisation seeking to outsource their services.



**Excellency in English** - The level of English that Ugandan software developers' use is intermediate or upper-intermediate. Therefore, their communication with clients or customers will be fluent. You won't have to worry about miscommunication due to a language barrier.



**Convenient options** - The government has made things easier, just so collaboration with foreign companies is encouraged. Also, if you are a foreign company owner or representative, you can travel to Uganda without a visa and stay up to 90 days.



**Strong work ethic** - Ugandan IT companies are known for their strong work ethics and putting their clients first. Challenging tasks are only a way for Ugandan developers to show their expertise. In addition to the quality, meeting deadlines is an indicator of their professional ability to deliver right on time.



**Presence of local bodies and associations representing the IT & ITES Industry** to ensure that companies meet market standards – There are ATIS, ICTAU, NITA-U, UBPOA, UEPB, UIA



**Presence of international trade missions** – Uganda works closely with CBI and ITC to enhance the export competitiveness of the Ugandan IT and ITES sector by providing export coaching programmes, technical support, inform / influence policy makers, develop EU market information to SMEs in Uganda and other developing countries.

## Highly competitive labour costs



1

### Lowest labour costs in the region

Benefit from the lowest cost workforce in the region. The average yearly wage in Uganda for an unskilled production operative was \$440 in 2017 (excluding social security costs). (FDI Benchmark & Financial Times)

RATES	USD / HR
AVERAGE RATES	25
PROJECT MANAGER	40
SENIOR LEVEL DEVELOPER	35
MIDDLE LEVEL DEVELOPER	20
JUNIOR LEVEL DEVELOPER	10



2

### Labour costs forecast to grow more slowly

Labour costs in Uganda are also forecast to grow more slowly than other countries in East Africa, reflecting Uganda's faster growing labour force and skills availability (FDI Benchmark)



3

### Skilled Workforce

Benefit from a large and growing workforce. Uganda is very highly rated for recruitment potential, workforce trainability and women and youth engagement in the labour force. (Global Competitiveness Report, 2017/18 and WEF, 2017)

Reports from Uganda Investment Authority indicate that the Ugandan ICT market is growing at a cumulative annual growth rate (CAGR) of above **25%**. This double-digit growth has been registered over the last 5 years since 2008. The sector is mainly comprised of; provision of voice and data communication services, ICT training, website development and maintenance, business process outsourcing as well as custom software development. This upward trend is expected to continue as long as new players join the market.

A recent survey conducted by NTF IV estimates there are approximately 300 active IT companies in Uganda. This is a conservative estimate, given that many companies operate informally, with the lines blurred between companies and freelance service provision. According to the International Trade Centre, in 2016, the ICT sector employed up to one million Ugandans, contributing **7%** to Uganda's GDP, with a compounded annual growth rate of **25%**. Beyond that, it is difficult to establish the exact size of the domestic market in value terms.

Uganda's ICT sector is expanding relatively fast, compared to other services sectors. Projections from sector regulators, such as the NITA and UCC, indicate that it's expanding at about **19.7%** per annum over the last decade. Its contribution to GDP is estimated at **2.5%**, as at 2017.

This growth is predominantly driven by growing domestic consumption/usage of ICT services. Mobile and fixed telephony subscription, for example, stood at 23.9 Million subscribers and cellular penetration at **65.4%** as at June 2017. Voice traffic has grown to 7-billion-minutes mark per quarter with 117 Million minutes being international incoming traffic.

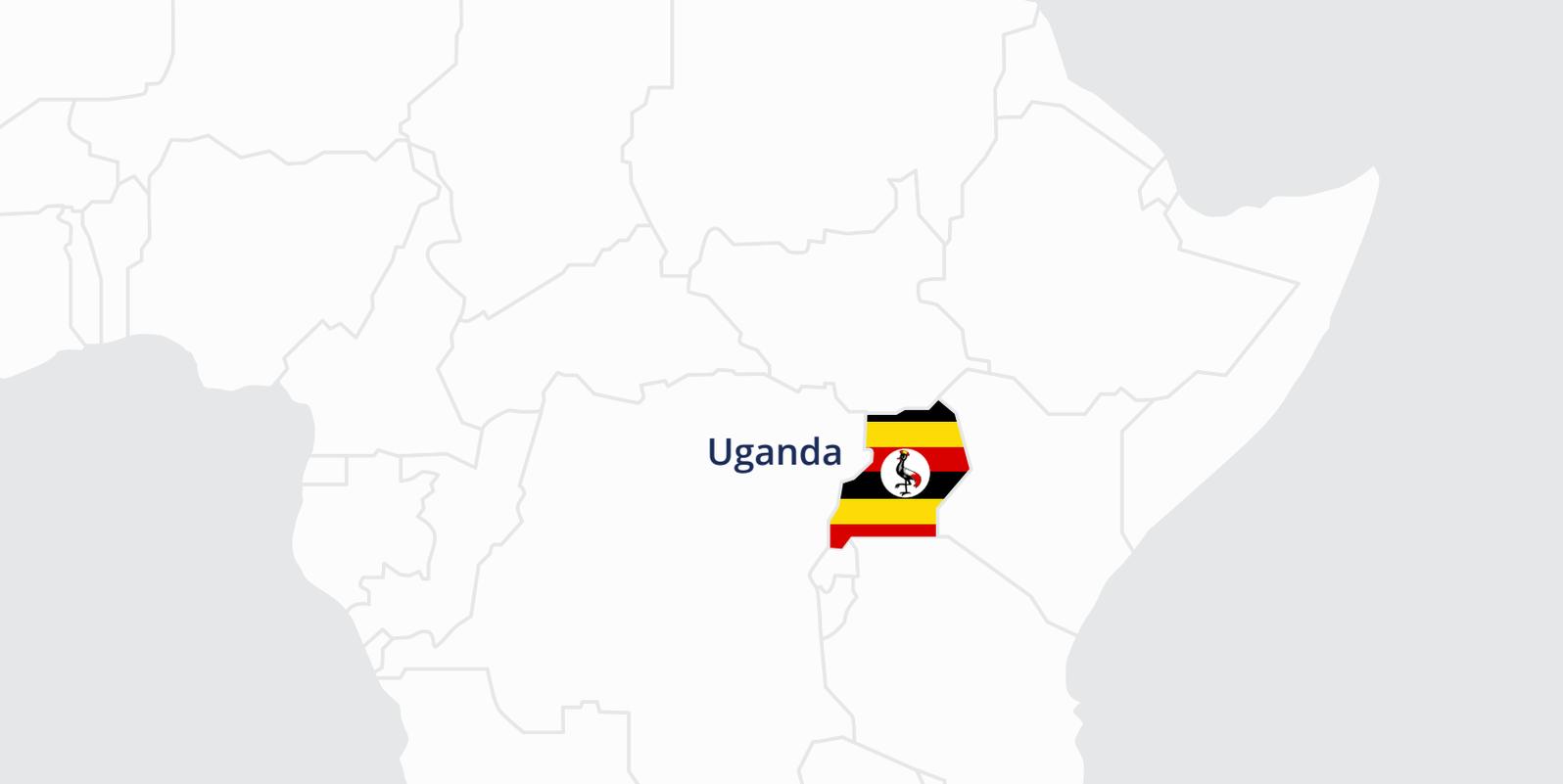
## Demand Drivers

 **E-readiness of the Ugandan society:** allows for the development of various technology services directed to local, regional and global markets. These include investments in high bandwidth infrastructure, fiber optic connectivity, and countrywide submarine backhaul trunks.

 **Communications Infrastructure:** The government is implementing the **NBI/EGI** project for high-speed communications. This entails laying of Fibre Optic Cables and installation of related equipment, which include switches, optical transmission equipment, data communication equipment, fixed network equipment, video equipment, computers, servers, training and services. This fiber optic cable is linked to the submarine cables at Mombasa.

 **E-government infrastructure (EGI):** The deployment of the e-government platform increases the transparency of government activities, enables departments to share public data and enhance inter-departmental coordination, reduces government administration costs, and generally improves work efficiency.

 **Latent local market Potential:** 70% of the Ugandan population is below 20 years of age. Low cost of operational licenses: Uganda has the lowest ICT licensing and services regimes in Africa.



## About Uganda

Uganda is a landlocked country in East Africa whose diverse landscape encompasses the snow-capped Rwenzori Mountains and immense Lake Victoria. Uganda enjoys a unique location along the equator, in the heart of Sub-Saharan Africa within the East African region. Uganda's land-linked location has positioned it strategically for regional trade and investment.

Its landscape encompasses the snowcapped Rwenzori Mountains, Lake Victoria – the largest fresh water body in the world, the western escarpments of the Great Rift Valley and it is home to the source of the Nile, which is the only river in the world that flows north. Uganda also has unique Flora and Fauna, a modified equatorial climate with warm temperatures all year round.

## Economic Overview

CAPITAL	OFFICIAL LANGUAGES	POPULATION (2020 AUGUST. WORLDOMETER)	POPULATION GROWTH (2018), %
<b>KAMPALA</b>	<b>English, Swahili</b>	<b>46,058,007</b>	<b>3.72</b>
POPULATION DENSITY (2020) KM2	COMPOUND ANNUAL (GDP) GROWTH RATE, (2015-2018), %	GDP PER CAPITA (2019), USD (CURRENT RATE)	GNI PER CAPITA, PPP CURRENT (2019), USD
<b>229</b>	<b>6.09</b>	<b>777</b>	<b>2,210</b>
URBAN POPULATION (2020), % OF TOTAL	RURAL POPULATION (2019), % OF TOTAL	EASE OF DOING BUSINESS INDEX (2020)	MEDIAN AGE OF POPULATION, YEARS (2020 EST.)
<b>25.7</b>	<b>75.64</b>	<b>124 (of 190)</b>	<b>16.7</b>
INFLATION (AUGUST 2020), %	INFLATION RATE FORECAST (2020), %	NATIONAL CURRENCY	EXCHANGE RATE TO 1 USD (AUG. 2020)
<b>4.6</b>	<b>5.22</b>	<b>Ugandan Shilling (UGX/USH)</b>	<b>3,700</b>
NET OFFICIAL DEVELOPMENT ASSISTANCE (2017) CURRENT USD MILLIONS	FOREIGN DIRECT INVESTMENT, NET INFLOWS, (2019) BOP CURRENT USD MILLIONS	TI CORRUPTION INDEX (2020)	TOTAL LAND AREA KM2
<b>827.450</b>	<b>1,266</b>	<b>137 (Rank of 180)</b>	<b>199,810 Km2</b>

## Competitive Index

Below is a look at Uganda's global competitiveness index against two nearshore destinations (Ukraine & Poland) and 2 offshore destinations (India & Philippines) and **Uganda was ranked 114th out of 137 countries** surveyed by the World Economic forum, Ukraine 81st, Poland 39th, India 40th and Philippines 56th.

Enabling Environment					Human Capital		Markets				Innovation Ecosystem	
Economy	Institutions	Infrastructure	Technological Readiness	Macro-Economic context	Health	Education and Skills	Product efficiency	Labour Market Functioning	Financial Market Development	Market Size	Business Dynamism	Innovation Capacity
Uganda	33.8	14.8	43.1	77.8	40.8	16.1	40.3	51.1	34.7	35.5	58.0	6.3
Ukraine	31.3	54.2	47.4	25.6	70.5	72.3	56.4	32.8	22.5	54.5	59.0	21.1
Poland	48.2	74.8	52.1	83.7	88.0	76.5	63.7	46.3	55.6	67.2	67.3	36.8
India	52.3	51.4	14.8	72.1	54.9	36.6	26.1	37.7	45.5	89.7	63.3	41.7
Philippines	28.2	39.7	49.1	92.3	67.7	48.2	33.7	50.6	51.2	62.9	66.2	12.9

Source: Global Competitiveness Index 4.0: 2017 notional results

## Fiscal Issues



### Visas & Work Permits

Visas are normally issued as single entry permits for potential investors investigating the possibility of establishing or carrying out any business, trade or profession in Uganda. Multiple entry visas (US\$100 valid for 12months) can be granted to business executives who expect to make numerous visits. Foreigners travelling to Uganda are required to obtain visas from Uganda's Diplomatic and Consular missions abroad prior to their travel. Visas can be obtained at the point of entry in cases where foreign nationals do not have access to Uganda's diplomatic and consular missions abroad.



### VAT

No VAT on the payment for a feasibility study and design services for any investor in Uganda. The investment must be at least US\$50 million and the development must be in an industrial park or free zone.

No VAT for a developer of an industrial park or free zone on any payment for: earth moving equipment and machinery, Construction materials.



## Double Taxation Agreement

Uganda has so far negotiated and entered into 15 Double Taxation Agreements including the with the following EU countries: Belgium, Denmark, Italy, Netherlands, Norway and United Kingdom. In addition exemption of withholding tax on interest on external loans; and on dividends repatriated, to provide relief from double taxation.



## Employee Insurance

Uganda does not require employers to contribute to employment insurance. The Employment Act of Uganda, 2006, excludes an employee's insurance from the wages an employee is entitled to for the work done or to be done under a contract of service. However, employers often offer employment insurance as an employee benefit. This insurance is handled by private service providers. Payment for these services is not subject to withholding tax.

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More and more companies in Europe are outsourcing  
**ICT and IT enabled services to Uganda.**

Hack your way into a sustainable business approach.

For further information

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