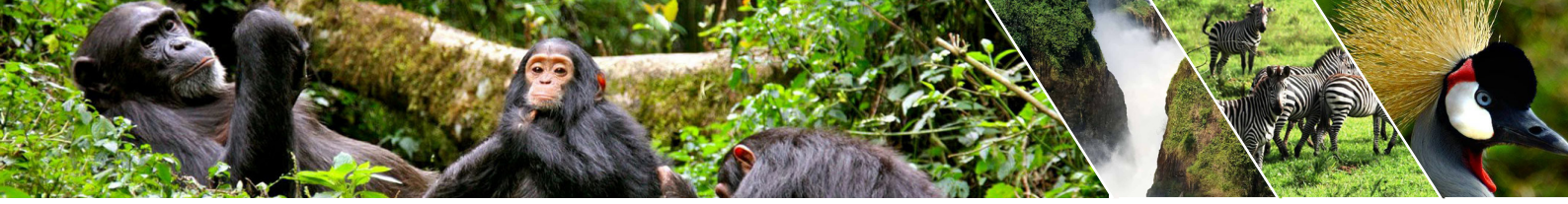




# Rwenzori Region

## Tourism Sector Investment Profile



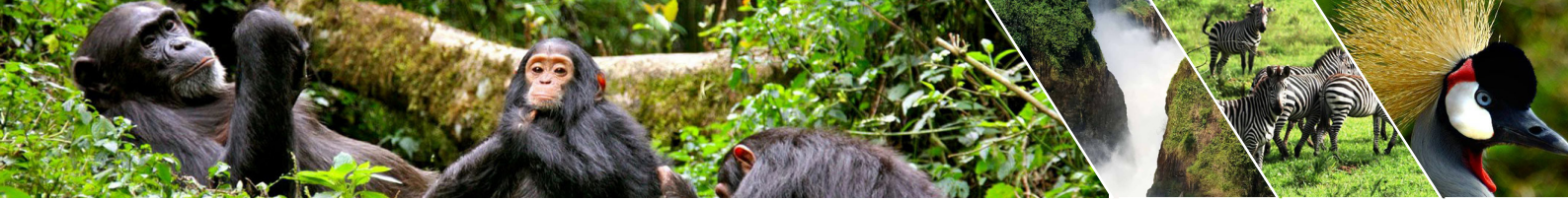


# Rwenzori Region Tourism Sector Investment Profile

2020





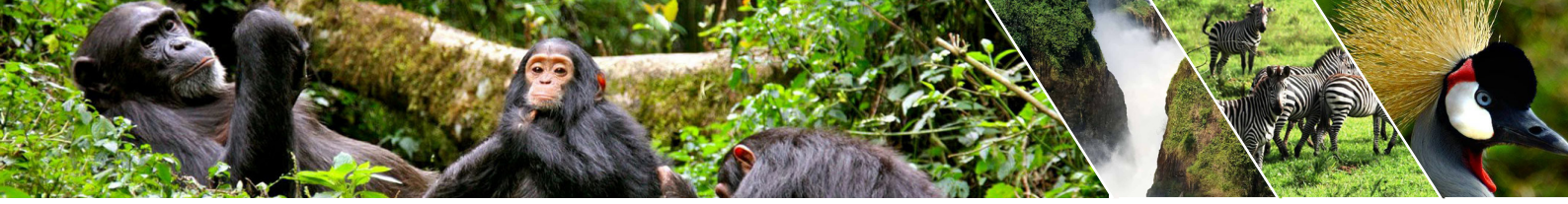


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# Acronyms

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4WD	-	Four Wheel Drive
AUTO	-	Association of Uganda Tour Operators
AWPs	-	Annual Work Plans
B & B	-	Bed and Breakfast
CAA	-	Civil Aviation Authority
COGS	-	Cost of Goods Sold
CBO	-	Community Based Organisations
CREFAA	-	Convention on the Recognition and Enforcement of Foreign Arbitral Award
CNDPF	-	Comprehensive National Development Planning Framework
CBST	-	Community Based Sustainable Tourism
DRC	-	Democratic Republic of Congo
EAC	-	East African Community
EBITDA	-	Earnings Before Interest, Taxes, Depreciation and Amortization
ESG	-	Environmental, Social, and Governance
DSCR	-	Debt Service Coverage Ratio
EIA	-	Environmental Impact Assessment
FDI	-	Foreign Direct Investment
GATS	-	General Agreement on Trade in Services
GDP	-	Gross Domestic Product
HTTI	-	Hotel and Tourism Training Institute
HRD	-	Human Resource Department
IBA	-	Important Bird Area
IGAD	-	Intergovernmental Authority on Development
ICT	-	Information and Communication Technologies
ICSID	-	International Centre for Settlement of Investment Disputes
IT	-	Information Technology
IRR	-	Internal Rate of Return
LGDP	-	Local Government Development Plans
M&E	-	Monitoring and Evaluation
MDA	-	Ministries, Departments and Agencies
MFPED	-	Ministry of Finance, Planning and Economic Development
MICE	-	Meetings, Incentives, Conventions and Exhibitions
MoIA	-	Ministry of Internal Affairs
MoLG	-	Ministry of Local Government



MIGA	-	Multilateral Investment Guarantee Agency
MTWA	-	Ministry of Tourism, Wildlife and Antiquities
MOES	-	Ministry of Education and Sports
NCHE	-	National Council for Higher Education
NDP	-	National Development Plans
NEMA	-	National Environment Management Authority
NFA	-	National Forestry Authority
NGO	-	Non-government Organisation
NPA	-	National Planning Authority
OPM	-	Office of the Prime Minister
OPIC	-	Overseas Private Investment Corporation
PA	-	Protected Areas
ROE	-	Return on Equity
RRGEA	-	Rwenzori Ranges Guides and Escorts Association
SIP	-	Sector Investment Plans
SME	-	Small and Medium Size Enterprises
SWOT	-	Strengths, Weaknesses, Opportunities, and Threats
TOT	-	Trainers of Trainers
TRIPS	-	Trade-Related Aspects of Intellectual Property Rights
TSDP	-	Tourism Sector Development Plan
TRIMS	-	Trade-Related Investment Measures
TUGATA	-	The Uganda Air Travel Agents Association
UBOS	-	Uganda Bureau of Statistics
UGX	-	Uganda Shilling
UHOA	-	Uganda Hotel Owners Association
UNRA	-	Uganda National Roads Authority
UIA	-	Uganda Investment Authority
UICTHP	-	Uganda Institute of Certified Tourism and Hospitality Professionals
UK	-	United Kingdom
UMA	-	Uganda Manufacturers Association
UNESCO	-	United Nations Educational, Scientific and Cultural Organization
UNAA	-	Ugandan North American Association
UCOTA	-	Uganda Community Tourism Association
UNWTO	-	United Nations World Tourism Organisation
USA	-	United States of America
USAGA	-	Uganda Safari Guides Association
UWTI	-	Uganda Wildlife Training Institute

<b>UWA</b>	-	Uganda Wildlife Authority
<b>UWEC</b>	-	Uganda Wildlife Education Centre
<b>USD</b>	-	United States Dollars
<b>UTB</b>	-	Uganda Tourism Board
<b>UTA</b>	-	Uganda Tourism Association
<b>VAT</b>	-	Value Added Tax
<b>WHS</b>	-	World Heritage Site
<b>WTM</b>	-	World Travel Market





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## Executive Summary



# Executive summary

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Tourism within the Rwenzori Region is a major foreign exchange earner and contributes towards revenue growth, job creation and a reduction in the vulnerability of the poor by increasing a range of economic opportunities available to individuals and households<sup>1</sup>.

The Rwenzori region's potential lies in nature-based tourism with a variety of flora and fauna and beautiful sceneries. There is a growing need to harness the region's tourism potential through diversification and development of various tourism products, engaging in creative marketing, expansion of tourism source markets beyond the traditional ones, improving infrastructure, skilling manpower/personnel, and strengthening the institutional, policy and regulatory framework.

It is on this basis that the Uganda Investment Authority (UIA) together with United Nations Resident Coordinator's Office have led the development of the Tourism Sector investment profile. The Investment profile will inform potential investors of the available sustainable investment opportunities in order to fully exploit the region's potential and promote socio-economic transformation. This is in support of the Country's strategy of implementing private sector-led economic interventions, address unemployment and pave way for Local Governments to generate their own revenue in order to deliver

This Investment Profile draws on extensive literature review as well as qualitative interviews with key informants within the region to describe the investment opportunities in tourism within the Rwenzori region. The three investment opportunities identified as part of the detailed consultation processes within the regions coupled with the review of secondary data are three:

1. Establishment of luxury accommodation;
2. Establishment of cable cars; and,
3. Conservation of Heritage sites.

For each of the investment opportunities identified above, financial models developed as part of this profile showing the cashflows, rate of return for investments, break-even and sensitivity analysis, and the internal rate of return for an investor looking to invest in tourism in the region. The returns derived from the finance analysis are considered acceptable to attract both local and foreign investors into the region. Moreover, additional government incentives will be important to accelerate foreign direct investments within this sector.

The profile also details some of the environmental and social considerations, policy legal and institutional framework that needs to be taken into account. The profile also provides details on the enabling environment and market across the different investment ventures.



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Introduction

# Introduction

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## 2.1 Background to the assignment

The Rwenzori region is a border region with the Democratic Republic of Congo found in mid-Western Uganda and it comprises of eight districts, namely, Kabarole, Kasese, Bundibugyo, Ntoroko, Kyenjojo, Kyegegwa, Bunyangabu, Kamwenge and Fort portal municipality. It has a population growth rate of 3% with approximately three million people and over 320,000 households. The Rwenzori region is endowed with diversified riches in natural resources (fertile land, minerals, forestry, wildlife, and energy) as well as being contiguous to 5 countries of the Great Lakes region (Democratic Republic of Congo, Rwanda, Burundi, Tanzania and Zambia), thus providing significant potential for development, regional cooperation and economic integration. This potential remains under-exploited due to several factors including, but not limited to, poor physical and economic infrastructure, persistent insecurity exacerbated by the presence of armed groups and transnational organized crime, and insufficient levels of foreign and domestic private investment in the region.

The government of Uganda is resolved to transform the region from one inflicted with conflict to an economic zone by fully exploiting the region's economic potential in order to improve the quality of life of its people. UN in Uganda seeks to support the government of Uganda to prepare evidence-informed promotional materials for investment in Rwenzori region. It is envisaged that this will contribute to the attraction of sustainable investments in support of the Country's strategy of implementing private sector-led economic interventions, tackling unemployment and paving the way for Local Governments to generate their own revenue in order to deliver decentralized services to the people.

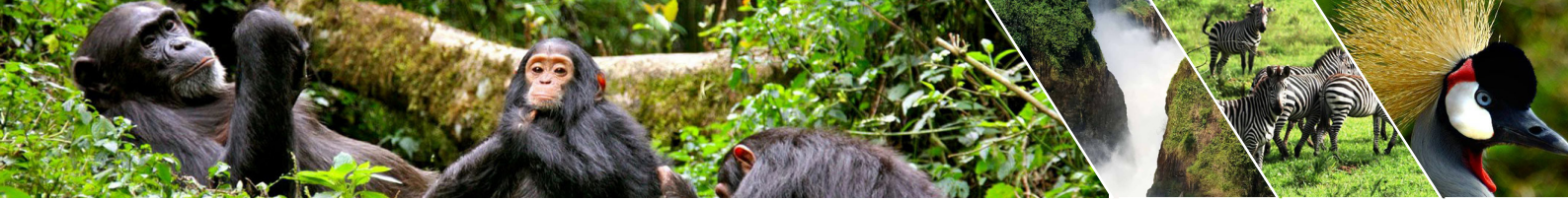
## 2.2 Objectives and scope

The overall objective of the assignment is to generate evidence-informed and well-packaged investment profiles/bankable investment projects (including short videos) that will attract the interest of foreign and local private sector investors and stimulate private investment in Rwenzori region.

The specific objectives will include, inter alia, the following;

- To document the socio-economic characteristics of the region, including Government/Local Government investments such as infrastructure;
- To document investment opportunities and the level of investment that would be required for successful business at each level and return on investment, including capital investment requirements, source and supply of equipment and raw materials, demand and market analysis, break-even analysis, by sector;
- Detailed financial models outlining the cash flows, profit and loss and balance sheet for at least five years with internal rate of return, return on investment and all indicators given for each project. To carry out an actor mapping, including on-going and planned major investments (both public and private), bearing in mind their linkage to potential investments;
- To document the enabling environment and incentives (political, legal, institutional, Economic, and social);
- To document the necessary policy, legal and institutional support services that Government will need to put in place to fully exploit the potential;
- To document major strengths, weaknesses, opportunities and threats for each of the proposed projects and risk mitigation strategies.





- To carry out a sensitivity analysis on business case scenario (worst, normal and best-case) with respect to changes in macroeconomic variables/ environment;
- To document the available financing options for the projects and the costs for such financing;
- To document the human resource options, including whether or not there is local expertise to supervise and manage the identified projects;
- To propose tools to be used to monitor the returns on each investment project and suggestions on the most appropriate tools with reasons fully explained.

## 2.3 Methodology and approach

The approach was tailored to ensure appropriate coverage of scope of work outlined in the Terms of Reference and is comprised of the three phases below:

- Inception/planning phase mainly characterised by understanding the business environment, and documentary review;
- Execution and fieldwork characterised by field visits and consultations within the Rwenzori region, document review, detailed financial modelling and environmental and stakeholder analysis; and,
- Reporting involving summarisation and compilation of the report.

The approach was consultative in nature to complement the document review and data analytics. Extensive field visits were conducted with various district leaders and investors within the Rwenzori region. The inception phase involved working closely

with the Uganda Investment Authority (UIA), agri-LED program and other pro-poor projects currently being implemented in the region.

The subsequent development of the investment profile for tourism, including detailed finance models to support the investment profiles commenced.

## 2.4 Report format

The report is structured as follows:

**Section 1:** Executive summary

**Section 2:** Introduction and Background to the Assignment

**Section 3:** Social and Economic Characteristics

**Section 4:** Situational Analysis

**Section 5:** Investment Memoranda

**Section 6:** Stakeholder Mapping

**Section 7:** Financing Options

**Section 8:** Personnel Planning

**Section 9:** Social, Economic and Environmental Sustainability

**Section 10:** Pre+ and Post-investment support

**Section 11:** Risk Assessment

**Section 12:** Appendices

The report also includes appendices to provide more information on the content.



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Social and economic  
characteristics





# Social and economic characteristics

## 3.1 Social factors

### Population growth



Rwenzori is a border region with the Democratic Republic of Congo found in mid-Western Uganda. The region comprises of eight districts, namely Kabarole, Kasese, Bundibugyo, Ntoroko, Kyenjojo, Kyegegwa, Bunyangabu, Kamwenge and Fort Portal Municipality.

The region has a population of approximately 3 million people and the population is expected to grow at a rate of approximately 3%.<sup>2</sup> The high population growth rate in the region might put pressure on wild life resource, either directly through poaching or killing outside park boundaries, or indirectly through habitat destruction. In addition, invasive species of vegetation further complicate the situation where inedible grasses and shrubs are pushing animals beyond the protection of park boundaries. Managing the tension and reducing the conflict between animals and humans therefore becomes a priority and requires enforcement and animal control measures such as digging trenches, electric fencing as well as engaging the surrounding communities in various awareness and restoration services.

**Table 2.1 Population Projections for 2019 for each district within the region**

Rwenzori Region	Census Population Year	Mid-Year Population Projections				
	2019	2020	2021	2022	2023	2024
Bundibugyo	256,800	263,800	270,800	278,924	287,292	295,910
Kabarole	331,100	337,800	344,500	354,835	365,480	376,444
Kasese	776,100	793,200	810,400	834,712	859,753	885,546
Kamwenge	323,600	335,200	347,400	357,822	368,557	379,613
Kyenjojo	506,500	525,400	544,800	561,144	577,978	595,318
Kyegegwa	408,700	441,000	475,600	489,868	504,564	519,701
Ntoroko	74,500	76,000	77,700	80,031	82,432	84,905
Bunyangabu	190,700	195,100	199,500	205,485	211,650	217,999
<b>Total</b>	<b>2,868,000</b>	<b>2,967,500</b>	<b>3,070,700</b>	<b>3,162,821</b>	<b>3,257,706</b>	<b>3,355,437</b>

Source: Uganda Bureau of Statistics 2019 Statistical Abstract

### Age distribution



Approximately 51.3 % of the region's population are individuals aged between 14- 64 years<sup>3</sup>. The region is endowed with an abundant and cheap labour force which can be tapped in to increase productivity within the region. The young population within the region presents an opportunity for innovation and digitalisation, which can help to accelerate socioeconomic transformation within the Rwenzori region.

<sup>2</sup> Uganda Bureau of Statistics 2019 Statistical Abstract page 188  
<sup>3</sup> 2016/2017 Uganda National Household Survey page 12

## Ethnicity



The Rwenzori region is multi-ethnic and comprises of the Bakiga, Basongora, Bafumbira, Indigenous Batooro, Batagwenda, Banyarwanda, Bakonzo, Bamba, Banyabindi.<sup>4</sup>

## Education



The net enrollment ratio for Primary Schools in the region for the period 2016/17 was 73.4%, the net enrollment ratio for Secondary Schools was 23.8%. There are about 67.8% people aged 18 years and above who are literate within the region.<sup>5</sup> The region also has two universities, namely Mountains of the Moon and Uganda Pentecostal University, as well as a number of learning centres for other leading universities. Education is vital for ensuring a full and productive life to all individuals and to the realization of sustainable development.

## 3.2 Economic factors

### Tourism resource-based factors



The region is endowed with a unique biodiversity it has a variety of rare animals — like the Mountain Gorillas, tree-climbing lions, 217 bird species, and various plant species. The region's snow-capped Rwenzori Mountains — which are suited for year-round hiking and mountaineering — boast a game reserve, namely Semuliki Wildlife reserve located in the rift valley in western Uganda between the Rwenzori Mountains and Lake Albert. It covers an area of 542km<sup>2</sup> within Ntoroko and Kabarole districts. Katonga game reserve, which covers an area of 207km<sup>2</sup> in Kamwenge district, Semuliki National Park located in Bwamba county, a remote part of Bundibugyo district.

### Land use



In the Rwenzori region, there are varied forms of land use, namely cash crop farming, subsistence crop farming and cattle

rearing. In regards to cash crop farming, all the districts within the region grow Robusta Coffee with the exception of Ntoroko and Bundibugyo — which grow Arabica Coffee. Bundibugyo grows Cocoa; Kyenjonjo and Kabarole, Tea; Kasese grows cotton and coffee. The Basongora of Kasese and Batuku of Ntoroko and Bundibugyo are mainly cattle-keepers. These are economically-viable undertakings that can be developed through agro-industrialisation as well as promote trade for both local and external markets.<sup>6</sup>

### Natural resources



Rwenzori region has a variety of natural resources such as fertile volcanic soils, ample and reliable rainfall, water bodies, rich forest cover, mineral deposits ranging from copper and cobalt in Kasese, limestone in Kamwenge and Oil deposits in the Albertine region around Lake Albert. The discovery of oil and drilling has potential to stimulate infrastructure development and increase business volume in the region. The region also has a huge tourism potential with some of the leading tourist destinations such as Queen Elizabeth, Mountain Rwenzori and various other national parks. The Rwenzori region is contiguous to five countries of the Great Lakes Region (Democratic Republic of Congo, Rwanda, Burundi, Tanzania and Zambia), providing significant potential for development, regional cooperation and intergration.<sup>7</sup>

### Existing infrastructure

#### Electricity/Power generation potential

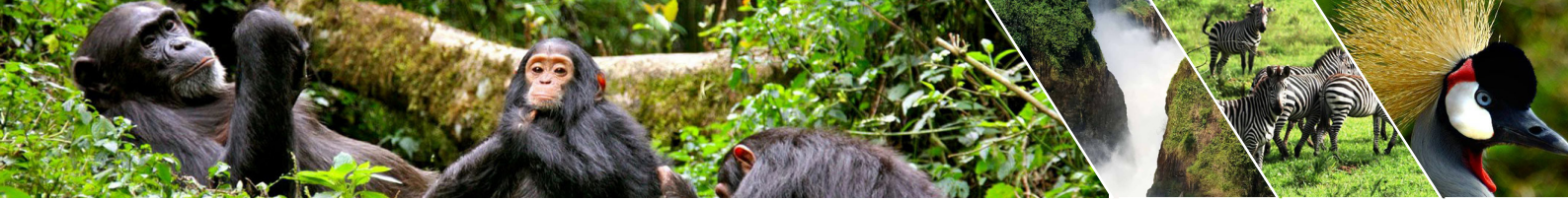


The region has great potential for developing electricity (power) given that Kasese district is the second largest supplier of hydro electric energy in Uganda after river Nile in Jinja with five hydroelectric power plants on rivers Mubuku, Nyamwamba, Nyamughasani and Lhubiriha with a combined production capacity of at least 30 megawatts, as well as the Mpanga Power Station, the 18 megawatts (24,000hp) mini hydroelectric power project. The production of hydroelectricity within the region has the potential to spur sustainable

4 Environment & Development Series 15 Third World Network page 5  
5 2016/2017 Uganda National Household Survey pages 31- 35

6 Contextual Analysis of conflicts in the Rwenzori Region report page 19  
7 Joint MFS II Evaluation; Civil Society Strengthening page 2





economic development as well as an increasing supply of electricity for agro-processing, industrialization and other development programs.<sup>8</sup>

## Road network



The region can be accessed through the various districts by road, for instance, Kamwenge District can be accessed by road from Kampala via Masaka-Nyakaitana-Kazo-Ibanda-Fort Portal Road or via Mityana-Mubende-Kyenjonjo-Rwamanja Refugee Settlement. The region can also be accessed through use of helicopters. The railway line through Kamwenge district is no longer functional but under consideration in Uganda vision 2040. Water transport can be introduced on Lake George connecting to Rubirizi and Kasese districts.<sup>9</sup>



8 2015/16-2019/2020 Kasese District Development Plan page 48  
9 2015/16-2019/2020 Kamwenge District Development Plan page 24



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## Situational analysis



# Situational analysis

## 4.1 SWOT analysis

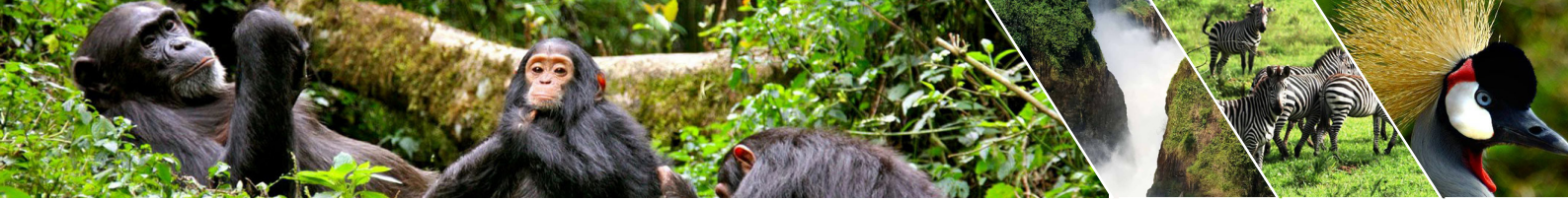
The SWOT analysis is based on the Tourism sector in the Rwenzori region as detailed in the table below.

SWOT Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Rich, diverse and unique wildlife diversity (unique savannah and tropical forest conservation areas – 10 national parks, 2 UNESCO natural world Heritage sites, Ramsar sites, Important Bird Areas, Mountain Gorillas);</li> <li>• Rich, diverse and unique cultural heritage – cuisine, arts, architecture, craft, fashion, dance, faith based attractions (One UNESCO world heritage site);</li> <li>• Year-round pleasant tropical climate;</li> <li>• Abundant water resources and attractions – Lakes, rivers (Source of the Nile) waterfalls, rapids;</li> <li>• Scenic landscapes- mountains, rift valley, forest landscapes, beaches;</li> <li>• Naturally-hospitable people;</li> <li>• Liberalized and macro-economically stable economy – with investment incentives;</li> <li>• Enthusiastic, nascent and self-motivated private sector</li> <li>• Elaborate institutional tourism development framework – autonomous Ministry of Tourism;</li> <li>• Diverse range of tourism infrastructure and facilities –accommodation (budget, mid-range and high end), MICE) Meetings, incentives, conferences and exhibitions;</li> <li>• Vibrant entertainment industry;</li> <li>• Government support to investment in tourism;</li> <li>• Special incentives for companies engaged in tourism;</li> <li>• Renowned for unique archaeological and historical places;</li> <li>• Positive attitude of government to promote tourism</li> <li>• Unique traditional handicrafts and handlooms;</li> <li>• Abundant young labor force supply.</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate funded/resourced tourism institutions;</li> <li>• Lack of a strategic tourism investment plan from the GOU;</li> <li>• Infrastructure and facilities bottle necks – limited: road access; public transport; air transport infrastructure; quality accommodation facilities; signage, water, energy);</li> <li>• Weak resource human base (quantity and quality) – insufficient skills, inadequate tourism training capacity and quality infrastructure;</li> <li>• Limited tourism marketing – underfunded &amp; unsustained marketing initiatives, weak brand image in key international markets, untapped domestic market, insufficient PR/communication and emergence response;</li> <li>• High costs of doing business – high cost of power, credit access &amp; multiple licence/fees/tax limited economic benefit of community &amp; youth from tourism</li> <li>• Weak and fragmented private sector;</li> <li>• Limited product range – narrow product diversity, over reliance on few products (gorilla tourism, big 5) limited event tourism, poor craft and souvenir;</li> <li>• Limited research and development – lack of reliable up-to-date tourism statistics and data;</li> <li>• Limited capacity in tourism planning and development at national and local government level;</li> <li>• Limited tourism mainstreaming and integration across various government sector;</li> <li>• Limited awareness of tourism potential as a growth driver;</li> <li>• Limited IT adoption and usage in tourism business – limited ecommerce options;</li> <li>• Inadequate protection of environmental and cultural resources;</li> <li>• Unfavourable image of the tourism profession;</li> <li>• Poor road infrastructure in the region resulting in high transaction costs;</li> </ul>

## SWOT Analysis

	<ul style="list-style-type: none"> <li>• Tourism marketing and supply chain is not well developed;</li> <li>• Absence of community representation in tourism-related decision-making;</li> <li>• Shorter length of stay at destination due to inadequate management of tourist spots and hotels;</li> <li>• Highly profit-motivated attitude of tourism related business professionals;</li> <li>• Poor infrastructure and weak investment base;</li> <li>• Inadequate funding for conservation of natural and cultural heritages.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• High economic growth rate — regionally and on the African continent;</li> <li>• Regional tourism integration – free movement of member country citizens, single visa, joint regional marketing;</li> <li>• Increasing and growing global market – increasing global travel (1 billion international travels per year);</li> <li>• Increasing foreign investment (FDI) Foreign Direct Investment in the tourism sector;</li> <li>• Increasing regional and international airlines flying to Uganda;</li> <li>• Increasing interest from development partners to support tourism sector development;</li> <li>• New emerging domestic, regional, international markets;</li> <li>• Presence of foreign embassies in key source markets;</li> <li>• Niche market product development – astro-tourism, agro-tourism, butterfly watching, experiential tourism, thematic-based products (explorer trail, Amin), faith-based tourism, volunteer tourism, education/training tourism, (MICE) Meetings, incentives, conferences and exhibitions;</li> <li>• Available tourism online e-business/e-solutions options;</li> <li>• Increased environmental awareness by international travelers – growth of responsible travel, ecotourism;</li> <li>• Conservation areas with potential for elevation to international recognition status (such as UNESCO world Heritage sites);</li> <li>• Develop nature tourism;</li> <li>• Conservation of natural ecosystem and developing efforts to minimize adverse environmental impact;</li> <li>• Increased interest of local citizens in domestic tourism.</li> </ul>	<ul style="list-style-type: none"> <li>• Unpredictable global economic situation;</li> <li>• Increased competition from lower cost regional and international destinations;</li> <li>• Oil and gas mineral exploration and production in ecologically-sensitive conservation areas;</li> <li>• Global Climate change – floods, droughts;</li> <li>• Epidemics - Ebola, avian flu;</li> <li>• Trans-boundary and international illegal trade in wildlife and wildlife products;</li> <li>• Natural disasters – Earth quakes, landslides;</li> <li>• Terrorist incidences and threats;</li> <li>• Political instability/regional armed conflicts in neighbouring countries;</li> <li>• Negative international media publicity/negative travel advisories;</li> <li>• Excessive natural resources extraction to meet the demand of tourists;</li> <li>• Fragile natural environment and recurrent natural disasters;</li> <li>• Conversion and degradations of natural landscapes and land use changes through executing mega tourism projects;</li> <li>• Political instability and other externalities</li> <li>• Tourists transport demand mismanagement;</li> <li>• Destroy ethnic and grassroots culture;</li> <li>• Lack of awareness among mass people to reap the benefits from developing sustainable tourism;</li> <li>• Huge investment may fail optimum return;</li> <li>• Competition from human habitation;</li> <li>• Political instability in the region because of armed groups and transnational organised crime.</li> </ul>





### SWOT Analysis

- Develop explicit marketing strategies to sell the tourist product for both local and foreigners;
- Conducive business environment enhanced by supportive policy and legal frameworks at the national, regional and international level;
- Pilgrim and festival tourism;
- Favourable government policies to promote tourism industry;
- Employment generation and direct benefit for local community through developing community level entrepreneurship;
- Large emerging local market and readily available labour force within the region;
- Increasing population if leveraged could provide significant opportunities for growth;
- Increasing disposable income among the locals.

## Conclusion

The SWOT analysis provides an overview of strengths, weaknesses, opportunities and threats of tourism industry in Uganda. The present tourism activities in the Rwenzori region are unsustainable. The existing weaknesses and threats of tourism industry were critically analyzed and based on these a list of strategies were suggested for the future development of tourism industry in sustainable way. The current weaknesses such as safety and security, high profit motive business design, shorter length of stay due to improper management of tourist destinations, poor infrastructure, weak investment, lack of local community participation in tourism development and improper marketing strategies, and threats such as Political instability, fragile natural ecosystems, uncertainty of return from investment, lack of awareness, degradation of natural environment, mismanagement in tourist demand management and entry alien culture that can be materialized through ensuring highest level of security for tourists, appropriate planning so that all tourism related stakeholders will get optimum economic benefits from tourism, strict environmental policy to ensure sustainability of nature, and educate people on sustainable tourism development and infrastructure development to attract tourists.

## 4.2 Response to the SWOT

In response to the SWOT analysis, the following broad objectives and strategies have been developed. These are aligned with the Tourism Sector Development Plan<sup>10</sup>.

Tourism marketing and promotion objective focuses on core international, regional and domestic markets; and improving destination experience. The main focus is on leisure and business segments, two markets that are most important to Uganda but where the country has consistently lost market share to the regional competitors. Leisure and business segments involve active choices that can be influenced through marketing, and have a higher economic impact on the economy. The core markets are Europe (UK and Germany) and North America (USA and Canada) because these markets generate the biggest volume of leisure and business tourists to Uganda. The East African region generates more than half of the tourists to Uganda, and segmenting it to target the leisure travelers also remains a priority for Uganda. Finally, the domestic market is a core segment which is growing exponentially and has the ability to sustain the sector when there are contractions in the international and regional markets.

Uganda should move to consolidate its position in the core markets. The core marketing objectives are to:

- Undertake targeted marketing in the core markets and attain annual growth of 10% in arrivals of leisure and business tourists by 2019/20 in these markets;
- Develop the domestic market in Uganda by promoting events, festivals, day trips and weekend breaks;
- Promote and attain a 15% annual increase in regional leisure and MICE travellers to Uganda's key attraction sites and facilities by 2019/20.

Tourism Skills Development; The diversity of tourism activities is indicative of the range of knowledge, skills, and attributes needed by tourism workers and employees of tourism-related industries, professions, and government agencies. The workforce and human resource development for the tourism industry is placed at the centre of the Tourism Sector Development Plan (TSDP) because competitiveness comes through the people who deliver the tourist services and products.

Tourism education and training shall not be built on the basis of a consultative model only but more on an engaged and participative stakeholder model, involving multi-ministry, industry associations, the private sector and international donor agencies. The approach will ensure partnership engagement in all facets of tourism education — policy, planning, resourcing, design and delivery — in order to meet industry and societal needs. There is also an urgent need to up-skill the officials in the various government agencies and institutions and to fulfil vacant posts. The core human resource development objectives are to:

- Streamline tourism and hospitality training in Uganda to ensure an improvement in technical training contents and delivery;
- Enhance the capacity and skills of in-service personnel in the tourism and hospitality industry;
- Increase demand for tourism-related job opportunities by highly-skilled individuals.

Natural and Cultural Resource Conservation Tourism development in Uganda can only be sustainable to the extent that the natural, historical and cultural heritage resources are conserved. These resources form the

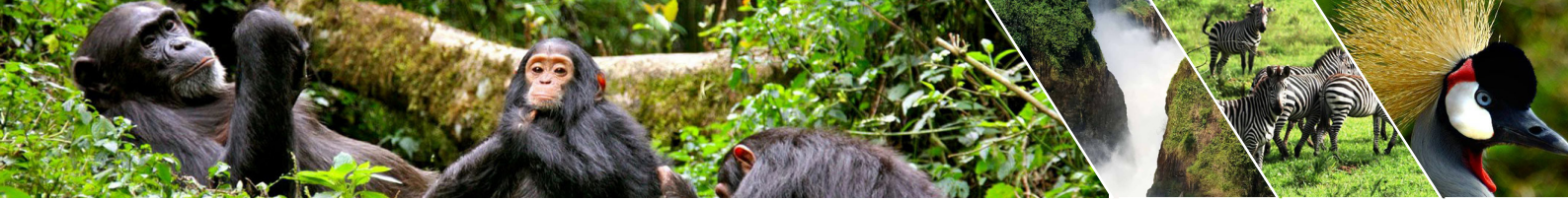
bedrock for the sector development and thus must be protected. However, given the current pressures from population growth, alternative economic activities, illicit trade, global warming and other exogenous factors, these resources are significantly affected. Efforts are being made to ensure that on-going efforts to conserve these resources are strengthened, building on partnerships, synergies and strategic alliances with key players. The two main objectives for natural and cultural resource conservation are to:

- Strengthen the boundaries of protected areas and improve stakeholder engagement to reduce poaching, encroachment and environmental degradation in protected areas;
- Enhance Uganda's cultural heritage conservation and improve its contribution to tourism

Tourism Management and Regulation; The tourism sector is multifaceted involving a number of actors that play different roles. This diversity calls for effective coordination, management and regulation in order to attain sustainability. Since there is a common vision for the sector, there is need for government, private sector and civil society associations to pay attention for regionalization of the sector development, establishment of an efficient tourism information management system, enforcement of quality standards, development of private sector capacity to become competitive, development of appropriate infrastructure and finding sustainable funding mechanisms for the sector. These are among others, the core areas of focus in this tourism sector development plan and the specific objectives are to:

- Improve tourism sector coordination and management;
- Develop a sustainable tourism development information management system;
- Improve tourism and hospitality service delivery for industry competitiveness;
- Improve tourism infrastructure (roads, air access, electricity, stopovers, water, internet [fiber cables and Wi-Fi blankets], and signage);
- Implement a sustainable source of funding for the tourism sector.





Tourism Product Development; products are the very basis for the existence of tourism and it is recognized that Uganda has a lot of potential for improvement, and development of new tourism products. A tourism product is typically an amalgam of many tourist experiences but in this plan, a product is limited to the things visitors to Uganda can see and do. The objectives of product development are to:

- Upgrade and redevelop existing tourism products to enhance tourist experience and economic impact;
- Develop new tourism products to enhance tourist experience and economic impact







# Investment memoranda



## Investment memoranda

There are several investment opportunities within the tourism sector in the region. These include: 1) Water based activities such as sport fishing, boat riding, rafting, 2) Lodges and other accommodation, 3) Tented camps and cottages around Mpanga Gorge, 4) Tourism Promotion Centre to promote, advertise and market tourism; 5) Transport and guide services; 6) Mountaineering, viewpoints, shoebill bird sanctuary and tourism center, 7) Establish tourism information Centre, 8) Develop religious tourism site and Eco-tourism site; 9) Development of tourist sites on the 11 crater lakes and restocking them with fish fingerings to boost tourism; 10) Upgrading tourism sites and developing Sports Tourism; 11) Develop tourism infrastructure including: stadium, tourism mall, hotels; 12) Establish a modern museum and cultural heritage site; 13) Tourist camping site at Bwenda and Queen Elizabeth Park; 14) Regional museum; 15) Tourism sites including cultural sites; 16) New mountain trails and rehabilitate the old one; Cable cars / chain lifts; and 17) Engage in high level marketing/advertising of the tourism potential including in the international media platforms.

### 5.1 Establishment of a cable car system and ancillary facilities

<b>Location:</b> Rwenzori region	<b>Applicable districts:</b> Kasese, Bundibugyo and Kabarole
<b>Sector:</b> Tourism	<b>Investment category:</b> Establishment of a cable car system and ancillary facilities
<b>Area:</b> Total 99,600 ha; Land: 197,100KM2; Water 43,938KM2	<b>Climate:</b> tropical; generally rainy with two dry seasons (December to February, June to August).
<b>Terrain:</b> Mostly plateau with rim of mountains	<b>Investment instrument:</b> Mezzanine Debt
<b>Land tenure:</b> Government owned through the Uganda Wildlife Authority (UWA)	<b>Targeted investor:</b> All
<b>Total revenue:</b> N/A	<b>EBITDA:</b> N/A
<b>Enterprise value:</b> N/A	<b>EBITDA multiple:</b> N/A

#### 4.1.1.1 Background

4.1.1.2 The proposed cable car system and ancillary facilities in the Rwenzori Mountains National Park will unlock the tourism potential of the Rwenzori and Queen Elizabeth National Parks. Also, known as mountains of the moon, Mount Rwenzori is situated in Kasese district in the borders of Uganda and the Democratic Republic of Congo. The Rwenzori Mountains are a UNESCO (United Nations Educational, Scientific and Cultural Organization) World Heritage site, with snow-capped peaks at the equator endowed with rich and unique flora and fauna as well as outstanding scenic beauty. Among these are the 994 recorded plant species, 217 bird species, and animal species such as the Rwenzori duiker, Chimpanzee and the African Elephant.<sup>1</sup> Mount Rwenzori stands at 4,500m above sea level and is the second highest peak in Africa after Mount Kilimanjaro in Tanzania. The high altitude has been a great challenge for travellers taking 5-6 full days to reach Margherita, the highest peak of Mount Rwenzori at 5,119m above sea-level making it quite hard, deterring many tourists from visiting it to explore its uniqueness. The installation of cable cars will not only ease movement for mountain climbers, who take approximately five days to reach the mountain top, but will also provide easy and controlled access to showcase the region's rich, natural and historical heritage.

### **Product/Service description**

Cable cars ferry passengers on a rope high above the ground in 8 to 15-seater cabins. They will glide in the air at speeds of up to 5 metres per second. The cabins are weatherproof and shelter passengers from wind and rain. Passengers have 360-degree views of their surroundings and even below into the ground in glass-bottomed cabins. In the case of the Rwenzori cable car, they should be able to glide above the forest and have a bird's eye view of the surroundings. The boarding of the cabins is done at a flat level, thereby allowing handicapped people on wheelchairs to board and get up to the top. This is one of the unique features of a cable car system. Cable car systems are considered one of the most environmentally-friendly modes of transportation; the system is powered by clean energy electricity and does not pollute its environment. The buildings and towers supporting the cables have very small footprints on the ground; construction of these facilities does not degrade the surrounding environment and new technologies do not require roads to be built to service the top stations.

The mono-cable gondola system like the one in Langkawi, Malaysia can be used for the Rwenzori Cable Car installation with an initial capacity of 500 passengers per hour and final capacity of 1,000 passengers. The mono-cable gondola system has expansion capabilities and therefore final capacity can be achieved just by adding extra gondola cabins.

### **Market analysis**

The Primary market available to the Rwenzori Cable Car is defined as those people normally residing within a distance who do not require an overnight stay to visit the cable car. The propensity to visit leisure or tourist attractions normally decreases in inverse proportion to the distance between places of residence and the site. In this respect the resident market should be segmented into sub-markets according to the distance from the Cable Car.

A key guide in deriving visitor projection for the cable car is the existing visitor numbers to the Queen Elizabeth National Park and Kilembe Mines. The primary market population has been defined as those people residing in the immediate area of Kasese or within a one-hour drive. The nearly 100,000 visitors to the Queen Elizabeth and Rwenzori National Parks, together with the visitors to the Kilembe mines have to be taken into account as the primary market. The resident population within this area is approximately 3 million as it extends up to Kampala in the Central region and in the south. The secondary market, is comprised of areas within a two-hour drive and the population within this area is projected at 6 Million.

Therefore, the potential resident market will include:

- Primary market (1-hour drive) 2 million;
- Secondary market (2 hour) 3 million;
- Total market 5 million;

Visitors beyond a 2-hour drive would normally be considered in the tourist category as it would involve an overnight stay.

### **Visitor statistics for the Rwenzori National Park**

In the year ending December 2018, the park received a cumulative total of **4,839** tourists the number is increasing. However, tourist numbers are still lower than those of other similar sites in the region such as Mt. Kilimanjaro. This is because Rwenzori is more difficult to climb than other mountains in the region. The climbing requires young, strong and energetic trekkers.





Month	2014	2015	2016	2017	2018
January	188	226	206	185	319
February	158	179	142	193	203
March	220	243	109	128	108
April	709	613	108	226	636
May	43	54	49	168	541
June	271	433	125	187	193
July	193	324	456	542	542
August	455	454	493	807	807
September	140	127	943	566	564
October	114	142	223	146	100
November	117	411	97	128	241
December	159	137	181	356	585
<b>Total</b>	<b>2,767</b>	<b>3,343</b>	<b>3,132</b>	<b>3,632</b>	<b>4,839</b>

The above statistics make the introduction of a cable car an appropriate and investment grade opportunity for the Rwenzori region.

### Investor business model

The key to success in the operation of the cable car and ancillary facilities on the Rwenzori Mountains is:

1. Access to stable electricity to operate the cable car. This can be achieved through meaningful partnership with government to ensure stable supply of the power.
2. Ability to partner with government and other private sector investors within the region to develop tourist attractions in the neighbourhood of the Rwenzori Mountains National Park in order for the cable cars and other surrounding facilities to attract sustainable numbers of cultural, business and eco-tourists.
3. The internet can also be used as a strong marketing tool to provide a preview of the service offered as tourists can learn directly about tourist attractions from websites and internet communications across the globe.

### An operationally and commercially successful ropeway system requires the following:

- High standards of service availability. Before commencement of operations to the public, the cable car system and operators must undergo an inspection and tests by an internationally -certified inspector who has to verify that the system is safe for public use. These tests are carried out according to the manufacturer and inspectors code. All operators and personnel running the cable car system should undergo rigorous training on the operations and maintenance of the system and must adhere strictly to the operation manuals drawn up for each system. These operating and maintenance standards must comply with international standards. The operators must conduct daily, weekly, monthly, quarterly, bi-annual and annual checks on the system as drawn up in the operating manuals. The system will have to be inspected by internationally certified cable car inspectors at least once a year. These inspectors will confirm that the system is safe for operations. The operators will also have to replace wear and tear parts of the system according to the designated usage. A list of spare parts will also have to be kept ready at all times to replace any defective parts immediately.
- Client-oriented cable cars should be of good quality, take into account innovative designs, priced realistically and professionally managed;

- Designed to provide highest degree of safety. Cable car systems are built to transport people and the safety of the passengers is of the utmost importance. Safety features should be incorporated in the design, construction and operations of the system to ensure that the system is failsafe and rescue of passengers can be achieved safely and expeditiously. All cable car systems should be designed according to international standards of safety. In order to ensure failsafe operations, there should be 2 motors to drive the system, an operating and a standby system.
- The power supply system should also be double, with a power grid supply and a standby generator set supply. All controls and sensors in the system should have back up units. Rescue and evacuation devices are standard equipment in all cable car systems. All cable car operating personnel should be trained together with local authorities in rescue and evacuation. An (Emergency Response Plan) ERP has to be drawn up for all operators.

### Financial analysis

*Appendix 15.1* – Establishment of a cable car system and ancillary facilities sets out the financial statements for the cable car business that focuses primarily on additional tourist experience. The projections indicate that with minimal investment, the returns are attractive for an investor. The table below summarises the average returns across the sector. The table summarises the ratio analysis for this opportunity.

	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit ratio	-3%	3%	11%	16%	21%
Return on capital employed	-1%	1%	3%	5%	7%
Leverage ratio	0	0	0	0	0
Free cash flows to firm (USD'000)	5,559	6,356	7,311	8,090	9,055
Free cash flows to equity (USD'000)	1,272	2,069	(663)	423	1,693
Project IRR	24%	-	-	-	-
Payback period (years)	4	-	-	-	-
EBITDA margin	56%	57%	57%	57%	58%
Gross margin	70%	70%	70%	70%	70%
DSCR	0.10	0.11			
Interest coverage	1.33	1.53	1.91	2.39	3.02
Asset Turnover	0.19	0.21	0.27	0.31	0.36
Debt/EBITDA multiple	9.39	8.19	6.28	5.01	3.94
WCR/Sales	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)



## 5.2 Establishment of luxury accommodation

<b>Location:</b> Rwenzori region	<b>Applicable districts:</b> all
<b>Sector:</b> Tourism	<b>Investment Category:</b> Establishment of Luxury Accommodation
<b>Area:</b> Total 99,600 ha; <b>Land:</b> 197,100KM <sup>2</sup> ; <b>Water:</b> 43,938KM <sup>2</sup>	<b>Climate: Tropical:</b> generally rainy with two dry seasons (December to February, June to August).
<b>Terrain:</b> Mostly plateau with rim of mountains	<b>Investment instrument:</b> Mezzanine Debt
<b>Land Tenure:</b> Government-owned through the Uganda Wildlife Authority (UWA)	<b>Targeted Investor:</b> All
<b>Total Revenue:</b> N/A	<b>EBITDA:</b> N/A
<b>Enterprise Value:</b> N/A	<b>EBITDA Multiple:</b> N/A
<b>Background</b>	
<p>Tourists within the Rwenzori region consume a number of goods and services such as transportation, hotel and restaurant services, crafts and communication services. Accommodation &amp; Food Service accounted for 3.9% and 6.3% of the total GDP at market prices in Quarter 1 and Quarter 2 of the financial year 2019/20.<sup>2</sup> However, our field visits, consultations and the review of secondary data has revealed shortages in accommodation facilities for tourists within the region, especially in Kabarole and Kasese districts. Therefore, an international and local investor looking for an investment grade opportunity with acceptable returns will look to invest in a chain of luxury accommodation within the region. Tourists find acceptable quality accommodation scarce across several districts within the region.</p>	
<b>Investor business model</b>	
<p>The key to success in the tourism hospitality industry is the ability to provide accommodation and restaurant services to the tourists arriving within the region. This requires the investor to work through various tour operators who provide tourists with information on tour package options. Tour operators usually provide marketing services to hotels, if they are in agreement, on charging tour operator's clients a lower rate than the rack rates charged to any other customer. Other tour operators may only request commission for recommending and delivering clients to hotels. Travel agents, on the other hand, ensure that the tourists arrive at their destinations by providing logistics for tourists in Uganda in air travel, accommodation and itinerary.</p> <p>The internet can also be used as a strong marketing tool to provide a preview of the service offerings using the website of the hotel, allowing for direct communication to facilitate the process of making accommodation reservations.</p> <p>Location of the luxury accommodation facility regarding the aspect of proximity to the tourist attraction such as the national parks within the regions is key. Hotels in the environmental adventure areas— usually referred to as lodges — provide tour packages and are in a better position to compete with the tour operators.</p> <p>Opening up travel desks is also essential and enables the hotel to execute successful tours to the wilderness. The hotel's front desk can provide travel information and services. This could be used as a diversification strategy by the investor from business and professional accommodation provision to environmental adventure tourism services.</p>	
<b>Market analysis</b>	
<p>The accommodation subsector in the western region where the Rwenzori region is situated is approximately 23% of the total 3,876 establishments countrywide and majority of this accommodation is not part of the conventional tourism accommodation market/mainstream tourism provision.<sup>3</sup> On the basis of face-to-face interviews with hotel staff, the bed occupancy rates are 4 months full capacity and the rest of the months 20%-30%. There is almost a 50% bed capacity deficit and a supply response is needed in order to harness this market.</p>	
<b>Demand drivers</b>	
<ul style="list-style-type: none"> <li>• Tourist arrivals</li> </ul>	

## Finance analysis

*Appendix 15.2* – Establishment of Luxury Accommodation sets out the financial statements for the accommodation business that focuses primarily on additional tourist experience. The projections indicate that with minimal investment, the returns are attractive for an investor. The table below summarises the average returns across the sector.

## Investment incentives

The Government of Uganda offers the following investment incentives:

- 100% repatriation of capital, capital gains, dividends and profits are allowed;
- 100% foreign ownership of investment is permitted;
- Free land can be provided within the protected areas (Concession is subject to franchise fees);
- Foreign investor security is guaranteed under the Constitution and the Investment Code 1991;
- Uganda is a signatory to the Multilateral Investment Guarantee Agency (MIGA), the Overseas Private Investment Corporation (OPIC) of the US, and the Convention on the Recognition and Enforcement of Foreign Arbitral Award (CREFAA), the ICSID, the TRIMS, the GATS, and the TRIPS;
- Special equipment for adventure tourism activities like water sports, hang-gliding, golf, indoor sports equipment, power boats, water rafts, canoes, and water-skiing equipment is allowed to be imported at 5% customs duty;
- First Arrival Privileges in the form of duty exemptions for personal effects and motor vehicles to all investors and expatriates arriving in Uganda;
- Import duty and VAT (18%) exemption on importation of construction materials for hotels (VAT exemption for hotels and lodges outside of the Kampala district will no longer apply from July, 2013);
- Stamp duty exemption and exemption of withholding tax on interest on external loans;
- Import Duty exemption on specially designed 4X4 tourist vehicles imported through and/ or by licensed tour operators (not really effective);
- Foreigner, local and overseas investors can open foreign exchange accounts;
- Helicopter chartered flight services are allowed anywhere in Uganda; and,
- Work visas are granted to foreign technical (not available in Uganda) and managerial personnel for the purpose of transferring skills and know-how. The work visas can be issued for a period up to 5 years. The representative of the Immigration Department in the Ministry of Internal Affairs is a member of the team that issues work visas.

## Investment opportunity

In the situational analysis, it's noted that although Uganda is relatively well-endowed with a range of accommodation facilities, bed numbers are limited and occupancy rates are low at the high-end facilities, especially in national parks and mid-market accommodation options are limited; few are considered good value-for-money. At the budget end, although high occupancy rates are reported, there is demand for more good quality accommodation. A number of strategic interventions are suggested and they include:

- Encourage and support investment in accommodation sector (especially in the midrange and budget) in key tourism areas;
- Encourage establishment of homestays and hostels as alternative accommodation options;
- Enforce service and accommodation standards regulations;
- Attract and ensure well planned accommodation facilities near tourism destinations such as national parks;
- Ensure building standards are followed to ensure safety of the tourists;
- Promote use of unique and indigenous building materials and interior designs;
- Identify potential locations and construct modern conference and exhibition facilities within six tourism development zones.





### 5.3 Investment in water transport services

Water transport offers great potential linkages that could connect between different tourist areas and form part of the tourist circuit. The following strategic actions need to be addressed to improve water-based services within Uganda and to tourist sites in particular:

- Identify and map all navigable water bodies;
- Investigate the potential for water-based tourism activities, tourist circuits and strategic linkages;
- Improve on frequency, quality and speed of passenger and vehicle ferry services across short distances;
- Monitor and regulate water transport providers to enhance tourists' safety;
- Make water transport attractive for private investment

There is a general need to enhance the frequency, quality and safety speed of water transport services.

Western Uganda is home to a variety of water bodies; Lake George, Lake Albert, Lake Mburo and the Kazinga Channel, however, these have not been harnessed to give Uganda an edge in tourism.

The available tourist services in Uganda include:

- Entebbe - Ngamba Island (chimpanzee sanctuary);
- Murchison Falls National Park – from Paraa up the Nile to the falls;
- Jinja – boat trips to the source of the Nile;
- North of Jinja – Nile cruises;
- Queen Elizabeth National Park – launch trips along the Kazinga Channel.

We believe that if water transport is developed to give tourists an experience, these water bodies will make Rwenzori and western Uganda a more attractive tourism destination.

River and Lake cruises are currently the biggest growth areas in the tourism sector, growing at an average 9% per annum worldwide. Uganda, with its numerous water bodies stands in an excellent position to tap into this growing trend by fully exploiting its vast navigable rivers and lakes. This together with the 'traditional' wildlife safaris is bound to attract more tourists.

### The opportunity



We propose the establishment of world class water transport facilities including lake and river cruises which are standalone but could connect to the roads, airports and lodges in or around major tourist sites.

### Benefits



This project would enable Uganda as a country and the western region to attract more tourists and increase the tourism revenue and through consumption of more tourism products, thus improving Uganda's rating as a first-class tourism destination. The foreign currency inflows would increase, and provide more livelihood through creation of more jobs, and impact the country's taxation and training in tourism.

### Financial analysis



Appendix 15.3 – Water transport services sets out the financial statements for the water transport business that focuses primarily on additional travellers experience.

The projections indicate that with minimal investment, the returns are attractive for an investor. The table below summarises the average returns across the sector.

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year average
Net profit ratio	7%	13%	19%	24%	27%	18%
Return on capital employed	2%	4%	6%	9%	12%	6%
Leverage ratio	24.74	12.75	6.22	3.31	1.86	9.77
Free cash flows to firm (USD'000)	4,856	5,839	6,762	7,517	8,458	6,686
Free cash flows to equity (USD'000)	1,609	2,592	(829)	287	1,588	1,049
Project IRR	29%					
Equity IRR	155%					
Debt IRR	127%					
Payback period (years)	3					
EBITDA Margin	56%	57%	57%	57%	58%	57%
Gross Margin	70%	70%	70%	70%	70%	70%
DSCR	0.12	0.15	0.20	0.27	0.36	22%
Interest Coverage	1.28	1.68	2.22	2.96	4.05	2.44
Asset Turnover	0.22	0.26	0.33	0.38	0.44	0.32
Debt/EBITDA Multiple	7.80	6.25	4.59	3.47	2.55	4.93
WCR/Sales	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

## 5.4 Key enablers for the tourism sector

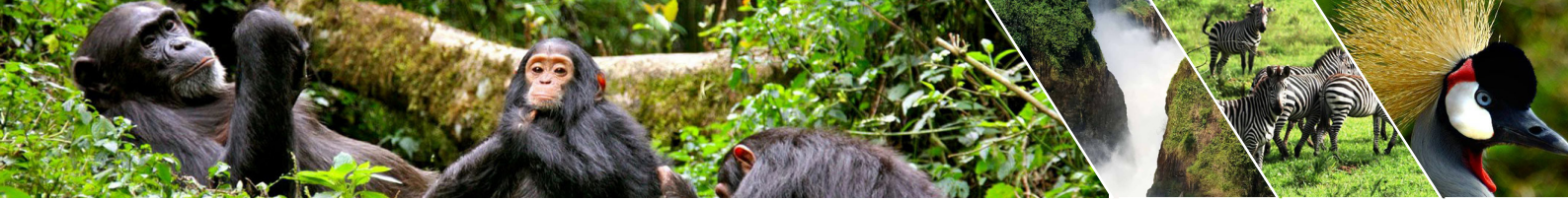
Establish and renovate key infrastructure particularly:

- Renovating the Fort Portal — Kasese Road to improve access to the tourist destinations in Kasese and beyond;
- Renovating and upgrading the Kasese airstrip to ease air access to Rwenzori;
- Upgrading/tarmacking the 17 kms of the road to the Rwenzori park gate to ease access;
- Upgrading/tarmacking the road connecting Kasenda crater lakes to Rwimi for easy linking to Fort Portal-Kasese Road

In partnership with the private sector (for market access and investment), undertake development of tourism products in the mountains:

- Central Circuit Mountaineering Experience, a 7-day trek from Nyakalengija, Kasese District to the Margharita Peak;
- Improve quality of accommodation, sanitary conditions, tourist standard infrastructure, communication systems, rescue services, guide professionalism, congestion in the huts and governance system. Also fix the bridges on the trail (John Maate; Bujuku- 3 bridges; Mubuku upper – 2 bridges; Mubuku near Kicuucu – 2 bridges; and Mahoma -1 bridge;
- Western Circuit Mountaineering Experience, a trail already piloted by UWA and RRGEA starting from Katebwa in Kabarole District to Margherita peak. Undertake development of tourist infrastructure (water supply, accommodation units, toilet facilities, zip lining routes etc); trail mapping and development; market linkages to tour operators and accommodation facilities; rescue services and facilities; and modern communication systems;
- Rwenzori Cultural Heritage trail, a proposed product taking a visitor through historical, cultural sites and monuments related or linked to Rwenzori region;





- The Karangura Trekking Experience, a well-developed trekking route to Portal Peak from Kabarole side of the Rwenzoris. The trail offers a good view of the Tooro plains, DRC (Democratic Republic of Congo), and Margherita peak. Set up tourist infrastructure (visitor information center, craft center at start point of the trail; toilet facilities, etc.); undertake skills development (e.g. training guides in product interpretation, guiding skills, presentation etc.); improve visitor management; facilitate trail development, profiling/ packaging and mapping;
- The Bularo Recreation Route, a one-day route within the existing central circuit, starting from Mihonge gate. Key attractions along the trail include; diversity of bird species, a number of hot springs, lakes and cultural sites. It is a viable route for tourist activities like birding, water based tourism (boating, fishing etc) on lakes especially on Lake Mahoma, canopy walk as well as cultural tourism;
- Construct accommodation facilities at the foothills of the mountain, in Kasese and Fort portal towns to accommodate the expected increased visitor traffic;
- Undertake capacity building for the local communities, including entrepreneurs and local governments to be able to deliver high quality services to tourists;
- Engage into partnerships with good quality local health facilities to provide technical services during emergencies/accidents and provide training to all staff in charge of leading clients into the mountains;
- Organise exposure/FAM visits to Kilimanjaro, Tanzania for the affected stakeholders for lessons on how to develop the Rwenzori Mountains;
- Strengthen the security infrastructure in the mountains;
- Develop a strategic plan for development of a regional tourism City (Fort Portal);
- Encourage/promote private sector investment in a spa/hotel and other wellness facilities around the proposed sites;
- Develop a cable car system in the mountain;
- Develop rescue infrastructure and set up safety equipment.

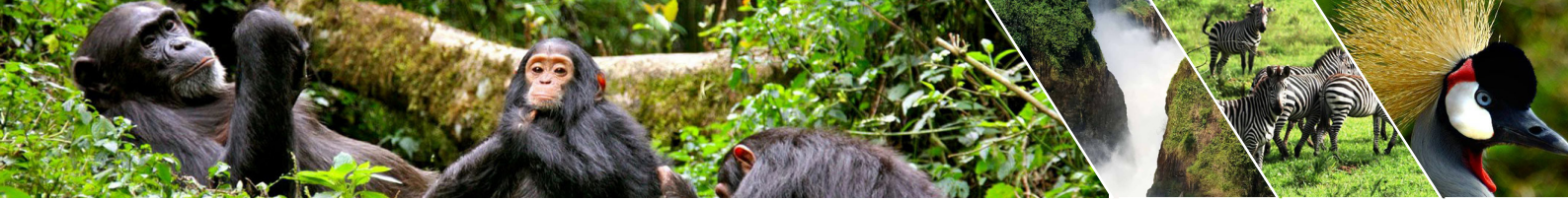


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## Stakeholder mapping





# Stakeholder mapping

## 6.1 Stakeholders

The tourism sector in Uganda is mainly public sector-led and private sector-driven. The public sector includes

The government of Uganda — through Ministry of Tourism, Wildlife and Antiquities (MoTWA) as the lead public sector organ — is responsible for formulation of tourism policies to guide the development of the sector. The ministry is also responsible for the supervision, monitoring and coordination of the sector. In the execution of its mandate, the MoTWA works through a number of departments, institutes and agencies. The departments include:

- Tourism Development, Wildlife Conservation, Museums, Monuments and Antiquities.
- The institutes are Hotel and Tourism Training Institute (HTTI) and Uganda Wildlife Training Institute (UWTI) responsible for the human resource development.
- The agencies are Uganda Tourism Board (UTB), Uganda Wildlife Authority (UWA) and Uganda Wildlife Education Centre (UWEC).

MoTWA also collaborates with other ministries, departments and agencies in the promotion and development of tourism.

The other partners include association as mentioned below;

- Uganda Wildlife Authority is a director in the Tourism Value chain and a key stakeholder in the tourism sector. It is a statutory body which was established by the:
- Uganda Hotel Owners Association (UHOA);
- Association of Uganda Tour Operators (AUTO);
- Uganda Travel Agents Association (TUGATA);
- Uganda Safari Guides association (USAGA);
- Uganda Community Tourism Association (UCOTA);
- Uganda Tourism Association (UTA).

These stakeholders work together to strengthen advocacy and support of common developmental aspirations of the tourism sector in Uganda.

## 6.2 Policy documents

The Rwenzori region Tourism sector investment profile should be closely aligned with the national priorities and the Country's strategic direction. Therefore, the profile has been designed to ensure alignment with the following key strategic and policy documents:

- Vision 2040;
- United Nations Sustainable Development Goals;
- National Development Plan III;
- Tourism Sector Development Plan;
- Operation Wealth Creation;
- District Local Government Development Plans 2015/16 – 2019/20.

## 6.3 Policy, legal and institutional framework

In executing its mandate, the ministry is guided and regulated by a number of policies, laws, regulations and guidelines. The most notable of these are; Constitution of the Republic of Uganda (1995), Tourism policy (2014), Tourism Act (2008), Uganda Wildlife Act (2000), Historical Monuments Act (1967) as well as the Universities and other Tertiary Institutions Act (2001). All these policies and Acts mandate the Ministry of Tourism, Wildlife and Antiquities (MTWA) in conjunction with the sector Agencies to set policy, oversee, monitor and coordinate the tourism sector development.

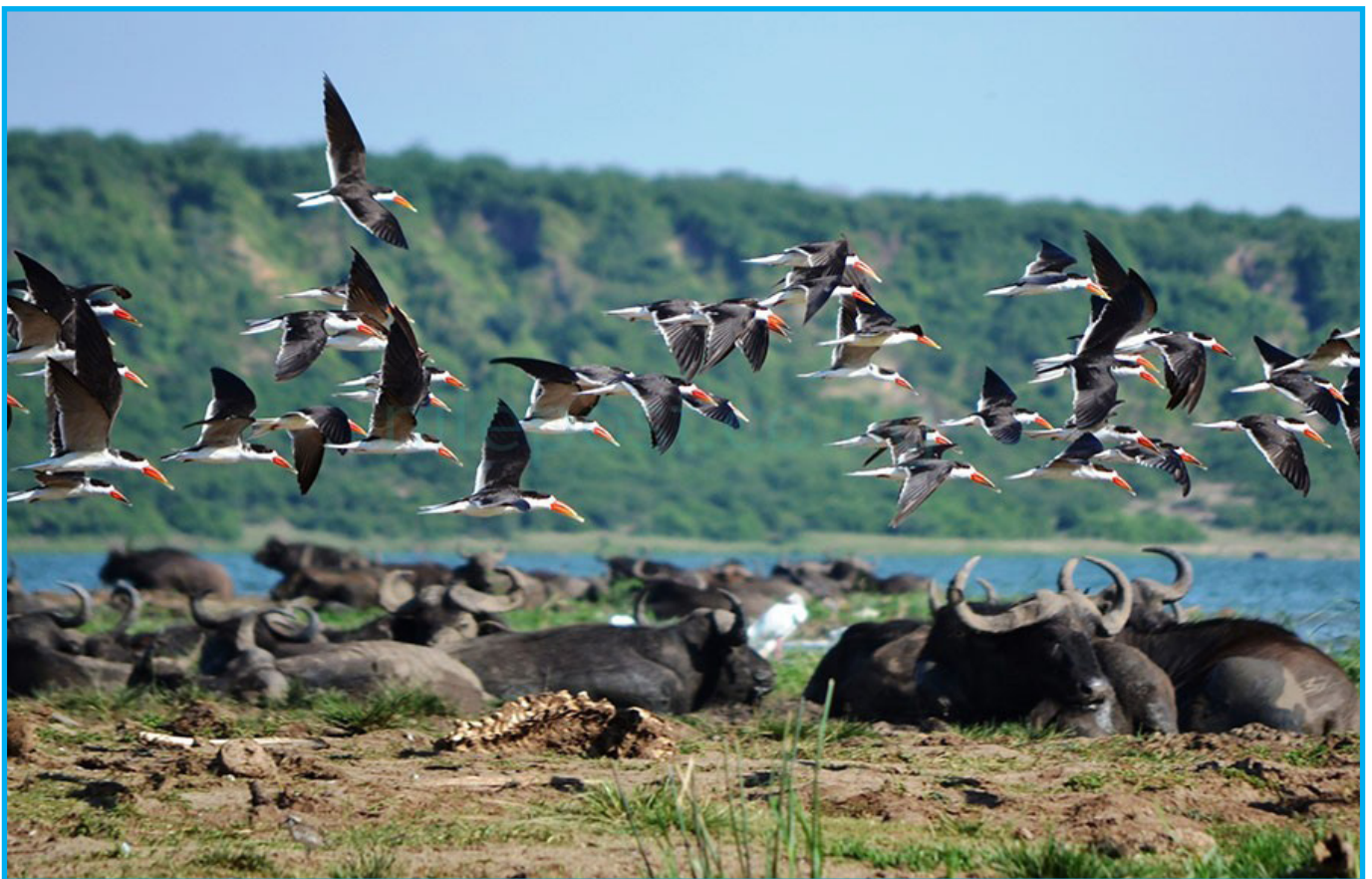
Specifically the government's roles are to: i) formulate medium to long-term tourism policy, plan for tourism development, and regulate tourism activities through legislation, licensing and classification; ii) monitor performance on quality, safety and targets; iii) facilitate tourism development by providing the infrastructure,

economic, regulatory, fiscal and political environment that encourages investment and orderly growth; and (iv) ensure adequate funding for the marketing of Uganda as an attractive tourist destination.

The tourism sector is guided and supervised by at least seven Government institutions that work closely with a number of private sector institutions spread across the country. The mainstream government institutions in charge of tourism are: Ministry of Tourism, Wildlife and Antiquities, Uganda Tourism Board (UTB), and Uganda Wildlife Authority (UWA). Other government institutions that support tourism are the Uganda Investment

Authority (UIA– for investment promotion, Ministry of Education and Sports (MOES – for tourism-related training, Ministry of Works and Civil Aviation Authority — for Airline development and regulation, Ministry of Health, Ministry of Works and UNRA (Uganda National Roads Authority) — for Tourism Roads.

At the local government level, all district governments are mandated to offer front-end service delivery in all sectors including tourism, however the sector continues to lack effective representation within the local government structures.





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## Financing options

# Financing options

**There are various financing options for both local and foreign investors for the tourism sector in Uganda. These include debt, equity or mezzanine (a combination of both debt and equity), grants. The following subsections analyse each of the options in the context of the Ugandan tourism sector.**

## 7.1 Debt

Investors in the tourism sector in the Rwenzori Region may obtain funding from locally- based financial institutions or foreign-based financial institutions. The average local interest rates range from 16% to 30% per annum for loans obtained in local currency. The current Central Bank Lending Rate is 7%. This makes sourcing for capital in Uganda more expensive compared to international markets.

Foreign investors may opt to obtain loans from more efficient international markets at LIBOR+1%.

Debt as a means of financing is recommended if obtained at affordable rates to finance interest payments. The projected finance models indicate a Debt Service Coverage Ratio (DSCR averaging 1.16 to 4.52 times indicating the ability to finance loans at a cost of 8% per annum.

## 7.2 Equity

The average projected Return on Equity (ROE) is estimated to range from 17% to 25% on capital invested. This creates opportunity for both local and foreign investors to obtain maximum returns on their investments in the Rwenzori region. Moreover, tourism within the Rwenzori region is under-exploited which presents an opportunity to fully develop and exploit that potential for both local and foreign investors looking to invest equity at above average returns.

## 7.3 Mezzanine

Investors can opt for a combination of both debt and equity to maximise the benefits of debt while also benefiting from equity from investors. The different scenarios of financing modelled yield a positive project internal rate of return.

## 7.4 Grant/Aid

There are several financing options from donors, development partners and multi-lateral organisations and social impact investors with the intention of having a positive impact in the lives of vulnerable poor in Uganda.

## 7.5 Government guarantees

The government guarantee in the form of a commitment to have a number of projects referred to financing partner banks to build closely on the banking ties between partners at agreed terms of operations. The government guarantee arrangement would de-risk the challenges that surround the sectors and enable proper and consistent operations of the private sector to spur growth in the region.



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## Personnel planning

# Personnel planning

## 8.1 Skills level

The skills level in Rwenzori region is analysed in the context of Uganda's Human Development Index (HDI). Uganda's HDI value for 2018 is 0.528 — which put the country in the low human development category— positioning it at 159 out of 189 countries and territories.<sup>11</sup> By extension, the level of availability of skilled manpower in the Rwenzori region is low since majority of the population does not possess the skillsets needed to manage and operate complex tourism projects. Management roles requiring specialised skills could be obtained from elsewhere and deployed in the region.

## 8.2 Human resource plan

To operate a successful project, the staffing requirements vary depending on the calibre of staff. The table below summarises the proposed personnel plan.

### Resort

Salaries and wages	Annual — USD	Monthly
Waiter	35,000	729
Administrator	50,000	4,167
Cleaner	35,000	2,917
Cook	50,000	2,083
Chef	70,000	5,833
Accountant	35,000	2,917

### Cruise transport

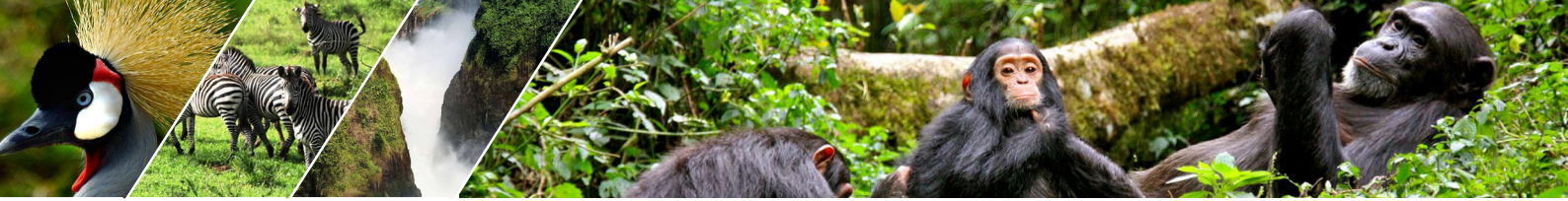
Position	Number	Gross Estimate	Net Pay	Pension	Net Pay
Chief Executive Officer	1	8,000,000	5,723,000	400,000	5,323,000
Chief Finance Officer	1	7,500,000	5,373,000	375,000	4,998,000
Head of Operations	1	7,500,000	5,373,000	375,000	4,998,000
Cruise Captain		7,500,000	5,373,000	375,000	4,998,000
Accountant	1	5,000,000	3,623,000	250,000	3,373,000
Marketing Manager	1	5,000,000	3,623,000	250,000	3,373,000
Head of Security	1	5,000,000	3,623,000	250,000	3,373,000
Game Rangers	5	1,500,000	1,173,000	75,000	1,098,000
Casuals	Various	1,000,000	823,000	50,000	773,000
Ship Stewards	30	900,000	753,000	45,000	708,000
Accounts Assistants	Various	900,000	753,000	45,000	708,000
Inspection Assistants	Various	700,000	613,000	35,000	578,000
Drivers	Various	600,000	543,000	30,000	513,000



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Social, economic and  
environmental sustainability



# Social, economic and environmental sustainability

## Sustainable Development Goals and 2030 Agenda

In 2015, the United Nations (UN) approved the 2030 Agenda for Sustainable Development, which set in motion the Sustainable Development Goals (SDGs). The 17 goals are designed to take a holistic approach to address the social, economic and environmental aspects of sustainable development. Investment in Uganda's Tourism sector is one of the gateways through which the SDGs will be attained. Establishment of cable car system, construction of luxury accommodation and conservation of natural resources helps to achieve the SDGs to increase the quality of life of the population within the region.

Achieving the social goal of reduced social inequality — especially gender inequality — is dependent on improving access to economic resources such as land, natural resources, financial services and technology for women and marginalised groups. Investors should focus on emancipating these groups to improve access to markets, reduce regional inequalities, and also achieve sustainable incomes. Environmental goals including climate action, sustainable production and consumption as well as management and preservation of natural resources and biodiversity are integral to investment in the tourism sector.

“ Investment in Uganda's Tourism sector is one of the gateways through which the SDGs will be attained. Establishment of cablecar system, construction of luxury accommodation and conservation of natural resources helps to achieve the SDGs to increase the quality of life of the population within the region.

### 9.1 Social sustainability



The tourism sector investment profile has generated various investment opportunities. These proposed projects focus on the concept of social accountability with emphasis on the betterment of the lives of people within the Rwenzori region. This has broadly focused on issues like environmental law, human rights, and public involvement and participation in all projects that are proposed. Putting an emphasis on social sustainability in implementing the proposed projects should strengthen other spheres of sustainability. The following text discusses the concept of social accountability as it relates to the respective opportunities that have been identified.

There will be need to promote sustainable tourism practices surrounding the management of tourist locations by locals or the community. This form of

tourism is based on the premise that the people living next to a resource are the ones best-suited to protecting it. This means that the tourism activities and businesses are developed and operated by local community members, and certainly with their consent and support. Sustainable tourism typically involves the conservation of resources that are capitalized upon for tourism purposes. Locals run the businesses and are responsible for promoting the conservation messages to protect their environment.

Community-based sustainable tourism (CBST) associates the success of the sustainability of the ecotourism location to the management practices of the communities who are directly or indirectly dependent on the location for their livelihoods. A salient feature of CBST is that local knowledge is usually utilised alongside wide, general frameworks of ecotourism





business models. This allows the participation of locals at the management level and typically allows a more intimate understanding of the environment.

The use of local knowledge also means an easier entry level into a tourism industry for locals whose jobs or livelihoods are affected by the use of their environment as tourism locations. Environmentally- sustainable development crucially depends on the presence of local support for a project. It has also been noted that in order to be considered a success, projects must provide direct benefits for the local community.

Social sustainability includes giving appropriate respect and care to workers and families involved in tourism and the supply chain. A sustainable tourism business should have the support and approval of its employee's stakeholders and the community it operates in. Approaches to securing and maintaining social sustainability are various, but it comes down to treating employees fairly and being a good neighbour and community member, both locally and globally.

As a rule of thumb, all children should go to school. Outside school hours, the children may be involved in household and community chores under adult supervision. This helps the children to learn about their community.

On the employee side, the projects should focus on retention and engagement strategies, including more responsive benefits such as better maternity and paternity benefits, flexible scheduling and learning and development opportunities. For community engagement, the project management should come up with many ways to give back, including fundraising, sponsorship, scholarships and investment in local public projects.

All workers should be treated with respect. A fair rate for jobs should be agreed and paid when work is completed or as agreed. All payments should be recorded. Workers should have access to clean and safe drinking water, clean toilets and protective gear.

## 9.2 Economic sustainability



Economic Sustainability is a critical pillar in developing the Tourism Sector Investment Profiles. The proposed projects were made with the understanding that they are the most equitable and fiscally-sound projects considering all other aspects of sustainability especially betterment of society with long-term benefits within the Rwenzori region. A blend of good business practices with social and environmental aspects of sustainability to ensure positive results through large-scale employment, education and betterment of communities was subsequently proposed.

The inherent complexity of tourism also requires that its development be accompanied by efficient planning and management processes that are based on the fundamental principles of sustainability. Discrepancies between national government structures and local government perspectives often tend to create a space for the dominance of local, private interests rather than on strategies that lead to socially-fair development which takes into account the needs of local residents. To address the challenge of effective management, frequent institutional, economic and social changes were added, which make cooperation and governance difficult, in an environment of shifting governance modes. These shifts in modes are a recent focus of the tourism governance, along with some key concerns related to mobility.

Economic sustainability of the tourism projects will involve an increasingly networked set of inter-relationships between actors in the public, private and third sectors, and should bring together tourists, host communities, businesses and the traditional institutions of the state with an interest in tourism, in order to achieve the sustainable management of tourism within and between destinations. With this in mind, a broad range of tourism governance-related issues, including tourism policy, over-tourism, risk management, capacity studies, the quality of services and satisfaction of tourists, competitiveness, environmental impacts, and digitalization will be considered while setting up these projects.

## 1.3 Environmental sustainability



The environmental pillar ensures that adequate attention is given to the protection of the natural environment. Tourism has a special, two-way relationship with the environment. On the one hand, the quality of the environment is essential to tourism's success, as this is very often what attracts people to visit a place, and persuades them to go back. On the other hand, tourism can become the vector of significant pressures and impacts on the environment. Potential adverse effects of tourism development relate to three main areas: strain on natural resources; pollution; and physical impacts, typically involving the degradation of ecosystems. Climate change and tourism are closely interlinked. While the tourism sector contributes to greenhouse gas emissions, for the most part derived from the transport of tourists, it also faces profound impacts from global warming. Here are some methods to address said impact that will be deployed;

1. Include sustainable tourism alternatives in your trip;
2. Go green at your hotel;
3. Reduce your carbon footprint;
4. Say NO to illegal trade;
5. Support sustainable options in island destinations;
6. Take care of heritage places;
7. Challenge yourself to step outside of your comfort zone;
8. Support community-based tourism and initiatives;
9. Respect the practices of local people;
10. Use reusable bags.





|10



Support pre-/post-investment

# Support pre-/post-investment

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## 10.1 Pre-investment

The support needed for pre- and post- investment for the tourism sector include the following:

### Community sensitisation

The community will need to be sensitised about the projects objectives and its impact on the community lives to improve on the success of the projects.

### Advocacy and lobbying

Advocacy and Lobbying support is important to ensure tourism-related policies and procedures that promote economic development and empowerment within the Rwenzori region. This will ensure an increase in government spending on tourism, ease importation and handle tax related issues for the investor.

## Taxation

One of the critical aspects of investment in the Rwenzori region are aspects of taxation of imports, exports, and licencing. There are tax waivers for investors within the region that can be utilised for investment in the region.

## 10.2 Post-investment

In addition to the pre-investment factors where support will be needed, establishment of a mechanism to track performance through a Monitoring and Evaluation System. This will help monitor returns in a timely manner.



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# Risk Assessment



## 11. Risk assessment

The table below summarised the risk identification, quantification and management strategies for the tourism sector:

Types of risk	Risk consideration	Possibles scenario	Likelihood (High, Med, Low)	Impact level (fatal, manageable)	Mitigating action taken by the firm NOW	Recommended actions	Priority (high, med, low)
Inherent	Drop in tourism due to the global COVID – 19 Pandemic	Skies remain closed due to global limitations on travel	High	Manageable	Develop and encourage locals i.e. Ugandan nationals to tour local sites	<ul style="list-style-type: none"> <li>Government shall enhance the marketing of tourist sites to locals</li> <li>Lobby government to open the skies so that international travellers can return to boost tourism</li> </ul>	High
Inherent	Poor infrastructure (like roads) to some tourist sites	Tourists may fail to access some tourist destinations due to poor roads	Medium	Manageable	Lobby the local government to ensure that roads are repaired	<ul style="list-style-type: none"> <li>Lobby local government to repair and construct roads to major tourist sites</li> </ul>	Med
Inherent	Poor power supply for the cable car business	Power outages may disrupt the functioning of the cable car and other proposed tourist investments	High	Manageable	Lobby the local government to ensure that sufficient power is available to sustain the demand.	<ul style="list-style-type: none"> <li>Have power back-up plans in case of power outages</li> </ul>	Med

*Additional risks may be identified by individual investors to facilitate the proper management and control of these risks.*

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Appendices

# Appendices

## 12.1 Establishment of a cable car system and ancillary facilities

### Projected financial performance

The table below shows the projected income statement.

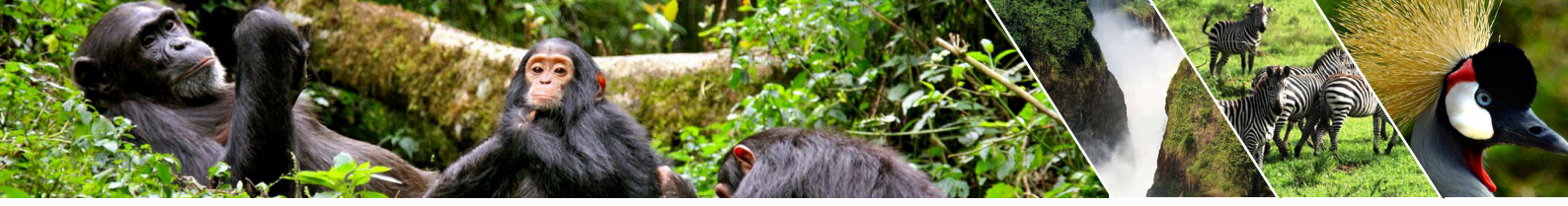
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	9,692,446	11,702,557	13,842,440	16,076,886	19,052,820
COGS	(1,507,867)	(1,286,256)	(1,528,244)	(1,781,689)	(2,097,282)
<b>GROSS MARGIN</b>	<b>8,184,579</b>	<b>10,416,301</b>	<b>12,314,196</b>	<b>14,295,197</b>	<b>16,955,538</b>
GROSS MARGIN %	84%	89%	89%	89%	89%
Salaries & wages	(275,000)	(288,750)	(303,188)	(318,347)	(334,264)
Variable expenses	(969,245)	(1,170,256)	(1,384,244)	(1,607,689)	(1,905,282)
Fixed expenditure	(90,600)	(90,600)	(90,600)	(90,600)	(90,600)
<b>NET MARGIN</b>	<b>6,849,735</b>	<b>8,866,696</b>	<b>10,536,165</b>	<b>12,278,562</b>	<b>14,625,392</b>
NET MARGIN %	71%	76%	76%	76%	77%
<b>EBITDA</b>	<b>6,849,735</b>	<b>8,866,696</b>	<b>10,536,165</b>	<b>12,278,562</b>	<b>14,625,392</b>
EBITDA %	71%	76%	76%	76%	77%
Depreciation & amortization	(2,210,000)	(2,210,000)	(2,210,000)	(2,210,000)	(2,210,000)
<b>EBIT</b>	<b>4,639,735</b>	<b>6,656,696</b>	<b>8,326,165</b>	<b>10,068,562</b>	<b>12,415,392</b>
Net Interest expense	(5,632,800)	(5,632,800)	(5,448,393)	(5,046,050)	(4,643,707)
<b>Net profit before tax</b>	<b>(993,066)</b>	<b>1,023,896</b>	<b>2,877,772</b>	<b>5,022,512</b>	<b>7,771,685</b>
Tax expense	-	(323,741)	(863,331)	(1,506,754)	(2,331,505)
<b>Net profit after tax</b>	<b>(993,066)</b>	<b>700,154</b>	<b>2,014,440</b>	<b>3,515,758</b>	<b>5,440,179</b>



## Projected Balance Sheet

The table below shows the projected balance sheet:

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	68,200,000	65,990,000	63,780,000	61,570,000	59,360,000
<b>CURRENT ASSETS</b>					
Trade and other receivables	225,567	270,311	317,953	367,045	435,567
Cash and bank balances	1,446,584	4,354,553	3,564,423	4,276,617	6,915,483
<b>TOTAL ASSETS</b>	<b>1,672,150</b>	<b>4,624,864</b>	<b>3,882,376</b>	<b>4,643,662</b>	<b>7,351,050</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	400,000	400,000	400,000	400,000	400,000
Retained earnings	(993,066)	(292,911)	1,721,529	5,237,287	10,677,467
<b>Shareholder's funds</b>	<b>(593,066)</b>	<b>107,089</b>	<b>2,121,529</b>	<b>5,637,287</b>	<b>11,077,467</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	70,410,000	70,410,000	65,380,714	60,351,429	55,322,143
<b>Current liabilities</b>					
Trade and other payables	55,216	45,570	53,752	62,207	73,531
Taxation	-	52,205	106,380	162,739	237,910
	55,216	97,775	160,132	224,946	311,441
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>69,872,150</b>	<b>70,614,864</b>	<b>67,662,376</b>	<b>66,213,662</b>	<b>66,711,050</b>



## Projected Cash Flow Statement

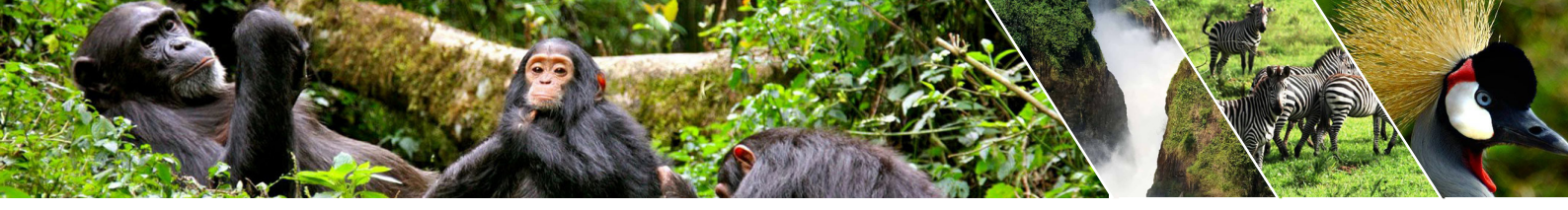
The table below shows the projected cash flow:

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net /Profit before taxation	- 993,066	1,023,896	2,877,772	5,022,512	7,771,685
Adjustments for:					
Interest	5,632,800	5,632,800	5,448,393	5,046,050	4,643,707
Depreciation	2,210,000	2,210,000	2,210,000	2,210,000	2,210,000
<b>Operating (loss)/profit before working capital changes</b>					
Decrease/(Increase) in trade and other receivables	(225,567)	(44,745)	(47,641)	(49,093)	(68,522)
(Decrease)/Increase in trade and other payables	55,216	(9,646)	8,183	8,455	11,323
<b>Net cash from operating activities</b>	<b>(170,351)</b>	<b>(54,391)</b>	<b>(39,459)</b>	<b>(40,638)</b>	<b>(57,198)</b>
Corporation tax paid	0	(271,536)	(809,156)	(1,450,395)	(2,256,334)
<b>Net cash generated/(used) by operating activities</b>	<b>0</b>	<b>(271,536)</b>	<b>(809,156)</b>	<b>(1,450,395)</b>	<b>(2,256,334)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	(70,410,000)				
<b>Net cash used by investing activities</b>	<b>(70,410,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Share capital	400,000				
Loan receipts and payment	70,410,000		(5,029,286)	(5,029,286)	(5,029,286)
Interest payment	(5,632,800)	(5,632,800)	(5,448,393)	(5,046,050)	(4,643,707)
<b>Net cash from financing activities</b>	<b>65,177,200</b>	<b>(5,632,800)</b>	<b>(10,477,679)</b>	<b>(10,075,336)</b>	<b>(9,672,993)</b>
<b>Net (decrease)/increase in cash and equivalents</b>	<b>1,446,584</b>	<b>2,907,969</b>	<b>(790,129)</b>	<b>712,193</b>	<b>2,638,867</b>
Cash and cash equivalents at the beginning of year	-	1,446,584	4,354,553	3,564,423	4,276,617
<b>Cash and cash equivalents at the end of the year</b>	<b>1,446,584</b>	<b>4,354,553</b>	<b>3,564,423</b>	<b>4,276,617</b>	<b>6,915,483</b>

## Ratio Analysis

The table below shows the ratio analysis:

	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit ratio	-10%	6%	15%	22%	29%
Return on capital employed	-1%	1%	3%	5%	8%
Leverage ratio	(119)	657	31	11	5
Free cash flows to firm (USD'000)	6,679	8,541	9,688	10,788	12,312
Free cash flows to equity	1,047	2,908	(790)	712	2,639
Project IRR	26%				
Equity IRR	307%				
Debt IRR	282%				
Payback period (years)	4				
EBITDA margin	71%	76%	76%	76%	77%
Gross margin	84%	89%	89%	89%	89%
DSCR	0.09	0.12	0.15	0.19	0.24
Interest coverage	0.82	1.18	1.53	2.00	2.67
Asset turnover	0.14	0.17	0.20	0.24	0.29
Debt/EBITDA multiple	10.28	7.94	6.21	4.92	3.78
WCR/Sales	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)





## 12.2 Establishment of luxury accommodation

### Projected financial performance

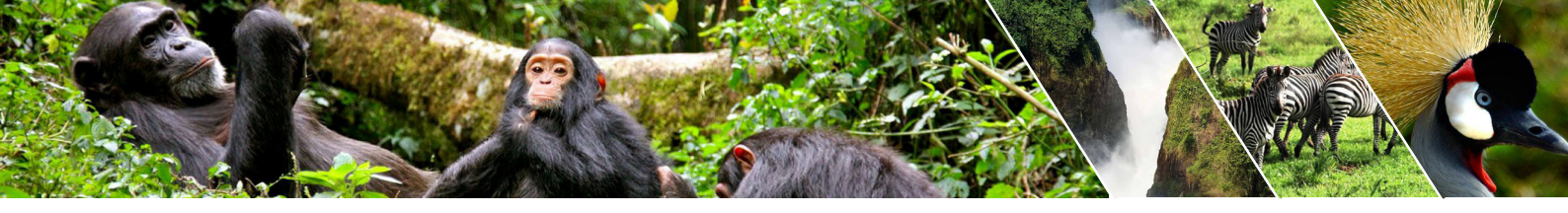
The table below shows the projected income statement:

USD	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	10,123,525	11,543,574	13,881,970	15,985,313	18,523,400
COGS	(3,041,058)	(3,469,072)	(4,171,591)	(4,803,594)	(5,566,020)
<b>Gross margin</b>	<b>7,082,468</b>	<b>8,074,502</b>	<b>9,710,379</b>	<b>11,181,719</b>	<b>12,957,380</b>
Salaries & wages	(275,000)	(288,750)	(303,188)	(318,347)	(334,264)
Variable expenses	(1,012,353)	(1,154,357)	(1,388,197)	(1,598,531)	(1,852,340)
Fixed expenditure	(90,600)	(90,600)	(90,600)	(90,600)	(90,600)
<b>Net margin</b>	<b>5,704,515</b>	<b>6,540,794</b>	<b>7,928,395</b>	<b>9,174,241</b>	<b>10,680,176</b>
<b>EBITDA</b>	<b>5,704,515</b>	<b>6,540,794</b>	<b>7,928,395</b>	<b>9,174,241</b>	<b>10,680,176</b>
Depreciation & amortization	(1,665,125)	(1,665,125)	(1,665,125)	(1,665,125)	(1,665,125)
EBIT	4,039,390	4,875,669	6,263,270	7,509,116	9,015,051
Net interest expense	(4,286,800)	(4,286,800)	(4,146,458)	(3,840,258)	(3,534,058)
<b>Net profit before tax</b>	<b>(247,410)</b>	<b>588,869</b>	<b>2,116,811</b>	<b>3,668,857</b>	<b>5,480,992</b>
Tax expense	(36,536)	(191,180)	(635,043)	(1,100,657)	(1,644,298)
<b>Net profit after tax</b>	<b>(283,946)</b>	<b>397,689</b>	<b>1,481,768</b>	<b>2,568,200</b>	<b>3,836,695</b>

## Projected balance sheet

The table below shows the projected balance sheet:

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	51,919,875	50,254,750	48,589,625	46,924,500	45,259,375
<b>Current assets</b>					
Trade and other receivables	242,694	276,065	330,682	378,672	437,278
Cash and bank balances	2,056,799	4,125,954	3,462,931	3,885,635	5,578,938
<b>Total assets</b>	<b>2,299,493</b>	<b>4,402,019</b>	<b>3,793,613</b>	<b>4,264,307</b>	<b>6,016,216</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	785,000	785,000	785,000	785,000	785,000
Retained earnings	(283,946)	113,743	1,595,510	4,163,710	8,000,405
<b>Share holders' funds</b>	<b>501,054</b>	<b>898,743</b>	<b>2,380,510</b>	<b>4,948,710</b>	<b>8,785,405</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	53,585,000	53,585,000	49,757,500	45,930,000	42,102,500
<b>Current liabilities</b>					
Trade payables	116,573	132,631	158,867	181,923	210,073
Taxation	16,741	40,395	86,360	128,174	177,612
<b>Total equity and liabilities</b>	<b>54,219,368</b>	<b>54,656,769</b>	<b>52,383,238</b>	<b>51,188,807</b>	<b>51,275,591</b>



## Projected cash flow statement

The table below shows the projected cash flow.

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Cash flows from operating activities</b>					
Net (loss)/Profit before taxation	(247,410)	588,869	2,116,811	3,668,857	5,480,992
Adjustments for:-					
Interest	4,286,800	4,286,800	4,146,458	3,840,258	3,534,058
Depreciation	1,665,125	1,665,125	1,665,125	1,665,125	1,665,125
<b>Operating profit before working capital changes</b>					
Decrease/(Increase) in trade and other receivables	(242,694)	(33,372)	(54,617)	(47,990)	(58,606)
(Decrease)/Increase in trade and other payables	116,573	16,058	26,236	23,055	28,151
<b>Net cash from operating activities</b>	<b>(126,121)</b>	<b>(17,313)</b>	<b>(28,381)</b>	<b>(24,935)</b>	<b>(30,455)</b>
Corporation tax paid	5,578,394	6,523,481	7,900,014	9,149,306	10,649,721
<b>Net cash generated/(used) by operating activities</b>	<b>5,558,599</b>	<b>6,355,955</b>	<b>7,310,936</b>	<b>8,090,463</b>	<b>9,054,861</b>
<b>Cash flows from investing activities</b>					
Disposals					
Purchase of property, plant and equipment	(53,585,000)				
<b>Net cash used by investing activities</b>	<b>(53,585,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>					
Share capital	785,000				
Loan receipts and payment	53,585,000		(3,827,500)	(3,827,500)	(3,827,500)
Interest payment	(4,286,800)	(4,286,800)	(4,146,458)	(3,840,258)	(3,534,058)
<b>Net cash from financing activities</b>	<b>50,083,200</b>	<b>(4,286,800)</b>	<b>(7,973,958)</b>	<b>(7,667,758)</b>	<b>(7,361,558)</b>
<b>Net (decrease)/increase in cash and equivalents</b>	<b>2,056,799</b>	<b>2,069,155</b>	<b>(663,023)</b>	<b>422,704</b>	<b>1,693,303</b>
Cash and cash equivalents at the beginning of year	-	2,056,799	4,125,954	3,462,931	3,885,635
<b>Cash and cash equivalents at the end of the year</b>	<b>2,056,799</b>	<b>4,125,954</b>	<b>3,462,931</b>	<b>3,885,635</b>	<b>5,578,938</b>



## Investment and financing

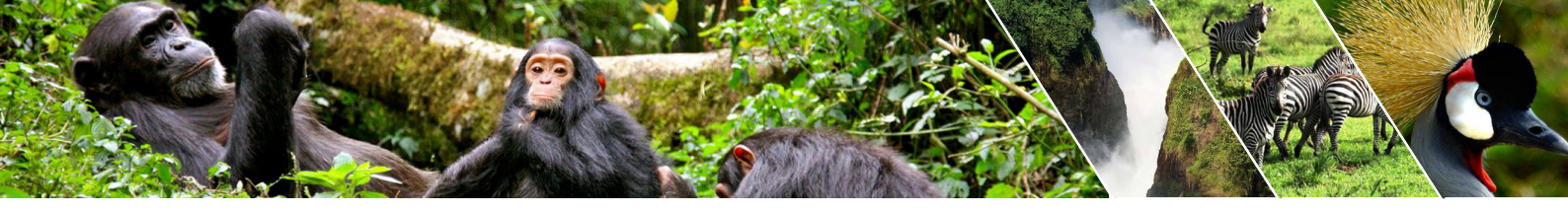
The table below shows the nature of investment and the financing:

Asset	Description	Budget
Buildings	Construct 5 hostels of 200 rooms each in different location.	50,000,000
Furniture and fittings		1,000,000
Plant and machinery		2,000,000
Motor vehicles	2 vehicles for each location	500,000
Computer		60,000
Computer software		25,000
<b>Financing</b>		<b>53,585,000</b>
Debt		53,000,000
Share capital		785,000
		<b>53,785,000</b>

## Ratio analysis

The table below shows the ratio analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit ratio	-3%	3%	11%	16%	21%
Return on capital employed	-1%	1%	3%	5%	7%
Leverage ratio	0	0	0	0	0
Free cash flows to firm (USD'000)	5,559	6,356	7,311	8,090	9,055
Free cash flows to equity (USD'000)	1,272	2,069	(663)	423	1,693
Project IRR	24%				
Payback period (years)	4				



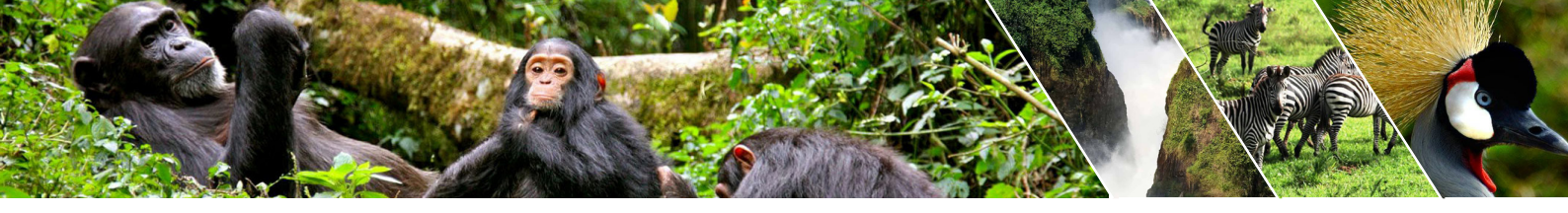
	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA margin	56%	57%	57%	57%	58%
Gross margin	70%	70%	70%	70%	70%
DSCR	0.10	0.11	0.15	0.18	0.23
Interest coverage	1.33	1.53	1.91	2.39	3.02
Asset turnover	0.19	0.21	0.27	0.31	0.36
Debt/EBITDA multiple	9.39	8.19	6.28	5.01	3.94
WCR/Sales	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

## 12.3 Investment in water transportation services

### Projected performance

The table below shows the projected income statement:

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	9,279,893	11,448,574	13,766,970	15,850,313	18,368,400
Cost of goods sold	(2,783,968)	(3,434,572)	(4,130,091)	(4,755,094)	(5,510,520)
<b>Gross margin</b>	<b>6,495,925</b>	<b>8,014,002</b>	<b>9,636,879</b>	<b>11,095,219</b>	<b>12,857,880</b>
Salaries & wages	(275,000)	(288,750)	(303,188)	(318,347)	(334,264)
Variable expenses	(927,989)	(1,144,857)	(1,376,697)	(1,585,031)	(1,836,840)
Fixed expenditure	(90,600)	(90,600)	(90,600)	(90,600)	(90,600)
<b>Net margin</b>	<b>5,202,336</b>	<b>6,489,794</b>	<b>7,866,395</b>	<b>9,101,241</b>	<b>10,596,176</b>
<b>EBITDA</b>	<b>5,202,336</b>	<b>6,489,794</b>	<b>7,866,395</b>	<b>9,101,241</b>	<b>10,596,176</b>
Depreciation & amortization	(1,040,125)	(1,040,125)	(1,040,125)	(1,040,125)	(1,040,125)
<b>EBIT</b>	<b>4,162,211</b>	<b>5,449,669</b>	<b>6,826,270</b>	<b>8,061,116</b>	<b>9,556,051</b>
Net interest expense	(3,246,800)	(3,246,800)	(3,081,454)	(2,720,698)	(2,359,943)
<b>Net profit before tax</b>	<b>915,411</b>	<b>2,202,869</b>	<b>3,744,816</b>	<b>5,340,417</b>	<b>7,196,108</b>
Tax expense	(275,036)	(660,861)	(1,123,445)	(1,602,125)	(2,158,832)
<b>Net profit after tax</b>	<b>640,374</b>	<b>1,542,008</b>	<b>2,621,371</b>	<b>3,738,292</b>	<b>5,037,276</b>





## Projected balance sheet

The table below shows the projected balance sheet:

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	39,544,875	38,504,750	37,464,625	36,424,500	35,384,375
<b>Current assets</b>					
Inventory					
Trade and other receivables	223,976	274,878	329,244	376,985	435,340
Cash and bank balances	2,608,982	5,200,952	4,371,783	4,658,944	6,247,192
<b>Total assets</b>	<b>2,832,958</b>	<b>5,475,829</b>	<b>4,701,027</b>	<b>5,035,928</b>	<b>6,682,532</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings	640,374	2,182,383	4,803,754	8,542,046	13,579,322
<b>Share holders' funds</b>	<b>1,640,374</b>	<b>3,182,383</b>	<b>5,803,754</b>	<b>9,542,046</b>	<b>14,579,322</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	40,585,000	40,585,000	36,075,556	31,566,111	27,056,667
<b>Current liabilities</b>					
Trade and other payables	107,509	131,941	158,037	180,953	208,963
Taxation	44,950	81,255	128,305	171,318	221,955
	152,458	213,197	286,343	352,271	430,919
<b>Total equity and liabilities</b>	<b>42,377,833</b>	<b>43,980,579</b>	<b>42,165,652</b>	<b>41,460,428</b>	<b>42,066,907</b>

## Projected cash flow statement

The table below shows the projected cash flow:

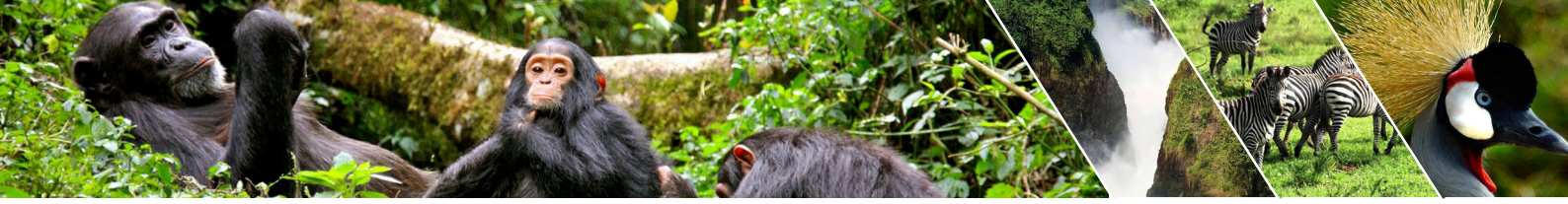
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Cash flows from operating activities</b>					
Net /Profit before taxation	915,411	2,202,869	3,744,816	5,340,417	7,196,108
Adjustments for:-					
Interest	3,246,800	3,246,800	3,081,454	2,720,698	2,359,943
Depreciation	1,040,125	1,040,125	1,040,125	1,040,125	1,040,125
<b>Operating (loss)/profit before working capital changes</b>					
Decrease/(Increase) in trade and other receivables	(223,976)	(50,902)	(54,367)	(47,740)	(58,356)
(Decrease)/Increase in trade and other payables	107,509	24,433	26,096	22,915	28,011
	(116,468)	(26,469)	(28,271)	(24,825)	(30,345)
<b>Net cash from operating activities</b>	<b>5,085,868</b>	<b>6,463,325</b>	<b>7,838,124</b>	<b>9,076,416</b>	<b>10,565,831</b>
Corporation tax paid	(230,086)	(624,555)	(1,076,394)	(1,559,112)	(2,108,195)
<b>Net cash generated/(used) by operating activities</b>	<b>4,855,782</b>	<b>5,838,770</b>	<b>6,761,729</b>	<b>7,517,303</b>	<b>8,457,635</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(40,585,000)				
<b>Net cash used by investing activities</b>	<b>(40,585,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>					
Share capital	1,000,000				
Loan receipts and payment	40,585,000		(4,509,444)	(4,509,444)	(4,509,444)
Interest payment	(3,246,800)	(3,246,800)	(3,081,454)	(2,720,698)	(2,359,943)
<b>Net cash from financing activities</b>	<b>38,338,200</b>	<b>(3,246,800)</b>	<b>(7,590,898)</b>	<b>(7,230,143)</b>	<b>(6,869,387)</b>
<b>Net (decrease)/increase in cash and equivalents</b>	<b>2,608,982</b>	<b>2,591,970</b>	<b>(829,169)</b>	<b>287,161</b>	<b>1,588,248</b>
Cash and cash equivalents at the beginning of year	-	2,608,982	5,200,952	4,371,783	4,658,944
<b>Cash and cash equivalents at the end of the year</b>	<b>2,608,982</b>	<b>5,200,952</b>	<b>4,371,783</b>	<b>4,658,944</b>	<b>6,247,192</b>

## Ratio analysis

The table below shows the ratio analysis:

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year average
Net profit ratio	7%	13%	19%	24%	27%	18%
Return on capital employed	2%	4%	6%	9%	12%	6%
Leverage ratio	24.74	12.75	6.22	3.31	1.86	9.77
Free cash flows to firm (USD'000)	4,856	5,839	6,762	7,517	8,458	6,686
Free cash flows to equity (USD'000)	1,609	2,592	(829)	287	1,588	1,049
Project IRR	29%					
Equity IRR	155%					
Debt IRR	127%					
Payback period (years)	3					
EBITDA margin	56%	57%	57%	57%	58%	57%
Gross margin	70%	70%	70%	70%	70%	70%
DSCR	0.12	0.15	0.20	0.27	0.36	22%
Interest coverage	1.28	1.68	2.22	2.96	4.05	2.44
Asset Turnover	0.22	0.26	0.33	0.38	0.44	0.32
Debt/EBITDA multiple	7.80	6.25	4.59	3.47	2.55	4.93
WCR/Sales	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)





## (Footnotes)

- 1 World Wide Fund Uganda Country Office (WWF UCO website).
- 2 Key Economic Indicators 116th Issue Quarter Two 2019/20 Uganda Bureau of Statistics
- 3 Uganda Tourism Master Development Plan. 2014-2024



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