The Mkutano Company

MKUTANO +

SUMMARY OF AGRI-INDUSTRIAL DEVELOPERS FORUM

09 FEBRUARY, 2024
ONOMO HOTEL, KAMPALA

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PARTNERS


Gatsby Africa
Stanbic Bank
broll
UGANDA FREE ZONES AUTHORITY

PREAMBLE

The Mkutano Company convened a special workshop "The agri-industrial developer forum" on February 9th, 2024. The forum was geared towards private sector actors currently with interests in the real estate development space. The intended outcome for the dialogue was to provide clarity on the rewards and risks that developers of industrial real estate are likely to encounter, and practical means on capitalising on a market opportunity that is a key contributor in overall economic growth in Uganda.

PARTICIPANT POOL

The participants at the forum included actors from the following sectors/institutions *(attendance list is appended)*

SEGMENT	ENTITY
1. **Fund Manager**	• UAP Old Mutual • Britam
2. **Developers**	• Broll Uganda (representing client pool)
3. **Regulator / Agency**	• Uganda Freezones Authority (UFZA) • Uganda Investment Authority (UIA)
4. **Banks**	• Stanbic Bank
5. **Development Agencies**	• Gatsby Africa (GA)
6. **Private Sector**	• Various agribusinesses covering textiles, grains, horticulture

BROAD COVERAGE

- **Uganda's attractiveness for industrial zone offtakers** – expectations from supply and demand side of industrial space
- **Unpacking industry verticals** in textile and apparels, forestry, and grains
- **The anchor offtaker perspective**: practical breakdown on standards, yield, scale, and peripherals
- **Financing options:** matching horizons, pricing, FX risk mitigation, alternative financing – PPPs & the capital market.

PRELIMINARY REMARKS

1. **Scene setting by event curator** – genesis of this discussion stemming from the 2021 Economic Mkutano

2. **Work of the Technical Working Group on Industrial Zones** – update on the visit to Jinja, Busitema, and Tororo.

3. **Gatsby Africa commentary:** Textiles and Apparels are important but the broader industrial agenda ranks high in their priorities. The outcome of jobs generated and economic development is key.

4. **Broll Commentary:** Clients are happy to deploy capital if there's predictability on returns. There's scope for private sector developers to invest in the agro-industrial real estate space

PANEL SESSION 1 HIGHLIGHTS

*(**Panelists: Richard Davies**, Textiles and Apparels Gatsby Africa & **Matthew Lorika Naburi** Grain Value Chain, **Edward Onsongo,** Forestry Specialist, Gatsby Africa)*

- Appetite for space in Uganda and in a broader sense, East Africa, is still high from the Textiles & Apparels sector.

- Purpose-built shades is what investors seek over undeveloped land.

- Comparatively speaking, there's more yield to be gained for investors

- Commitments from offtakers are long-term (under normal circumstances)

- Grain product in demand across the region and beyond. As a result, there's an opportunity for investment in silos.

- The aflatoxin issue has much to do with inadequate storage

- Global drivers – Ukraine war for example, means that alternatives are being sought.

- Forestry is a value chain of focus especially in terms of export potential

- Native incumbents will need to understand the aspect of value addition (industrial forestry)

- Uganda tree processing capacity: there are a few companies that can be identified, and most of them process on a small to medium scale capacity. They process 30,000 to 70,000 cubes a year.

- To ensure Uganda still has growers who are incentivized to regrow trees, there is a need to penetrate high value paying markets.

- How do we attract investors and get products to the right markets across the globe?

- The picture in the grain industry in Uganda and the evolving needs and market

- Investors are demanding quality from the get-go (in the agro-processing space that means no aflatoxins and they also want end-to-end monitoring)

- The market opportunity for Uganda is in organic fruits, vegetables, and grains.

- This opportunity has seen the Abu Dhabi Economic Department send teams to Uganda, and they are now establishing a framework to establish a packhouse at Entebbe International Airport to procure fruit and vegetables off the open market.

- If we don't take advantage of long-term money to put in the necessary investments, opportunities will come, and because we don't have the infrastructure, Uganda will find itself out of the market.

- In East Africa, there are no fit-for-purpose buildings for the apparel industry which means whichever country builds first will get investors.

- In the past, big apparel brands have had to raze down the buildings and put up their own that are fit for purpose

- The minimum size for an apparel manufacturing shed is 5k square meters, and investors are looking to take up whole parks like they did in Ethiopia, and there is expansion.

- What are the non-negotiables? Brands are looking for compliance with the laws of the land, buildings that have international accreditation, and ILO standards while also maintaining brand standards, and integrating green buildings.

- If the minimum investment is 3.5 million dollars for a 10k square meter space, that requires an investor to think long-term because they understand that it takes about 3-4 years to recoup investments

- When scaling up productivity, processors are looking at the EU, Chinese or the US food and safety standards which all come down to it must be non-poisonous and free from radiation.

- The dynamics of the industry vary but the commonality comes down to the shipping and handling component.
- The industry has zeroed down to less human contact in the handling process.

- We are seeing more mechanisation and increased investment in silos systems as one of the standards being adopted.

- There must be a clear process established from farm to end product.

Participants reflections

Moses Lutalo, *Managing Director Broll Uganda*

- *Real estate players are communicating investment opportunities in warehousing and fit-for-purpose buildings.*

- *There is a need to involve real estate investment analysts to run numbers and present the opportunities to the right people who can invest in them.*

- *In markets like Uganda, people are making investments without the requisite information.*

Kara Tara Komuhangi, *Investment Executive, UIA*

- *The Investment Authority offers industrial park land to investors. There are currently 10 operational parks across the country*

- *The government has acquired 16 pieces of land mostly outside the metropolitan area, the current challenge is developing basic infrastructure like roads, and telcos and ensuring that the park is fit for purpose.*

- *The Authority is happy to offer land to private investors within the PPP structure.*

- *To Gatsby, what standards should the government be looking at to ensure they are attracting the right kind of investors?*

- *The Investment Authority and the Ministry of Finance can package the plug-and-play sheds as an investment opportunity for investors*

PANEL SESSION 2 HIGHLIGHTS

*(Panelists: **Cynthia Musoke,** Legal Officer, PPP UNIT, **Peter Ssewagudde**, Stanbic Properties, **Deogratius Kyomya**, UFZA)*

- Clarification on Freezones regulation: the distinction between Export Processing Zones (EPZs) and Special Economic Zones (SEZs) articulated
- Public Private Partnerships (PPPs) as a mechanism to develop industrial space needs to be explored
- PPPs take a long time to prepare and come to fruition because there is rigorous preparation involved in ensuring the project is bankable for private investors
- The PPP unit acts in an advisory role for all ministries intending to put in place PPPs and ensure the projects are well-prepared and can be marketed.
- The ACT provides for unsolicited proposals
- Stanbic has structuring expertise given the knowledge they have in real estate
- Stanbic Properties provides additional operational insights

ACTION ITEMS AND CONCLUSION

1. Plan experiential to Ethiopia scheduled for March, 2024
2. Gatsby will share their blueprints for those interested in plug and play sheds
3. Mkutano will compile and share a report with all interested stakeholders.

The next forum will be merged with the familiarisation tour to an regional industrial zone before March 31, 2024.

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Feb 2024