

ARUA DISTRICT

Investment Profile



MAIN ECONOMIC ACTIVITY



BRIEF DISTRICT PROFILE

Geography

Location	West Nile Subregion
Neighbours	Maracha, Koboko, Yumbe, Adjumani, Nebbi, Madi-okollo
District area	4,274.13 km ²
Arable land area	3,718.86 km ²

Socio-economic characteristics

Population (estimate as of 2019)	820,500
Languages	Lugbara, English, Kiswahili, Lingala, Arabic, Luganda, Kakwa, Madi, French and Alur
Main economic activity	Agriculture, hospitality, trade, cottage industry, manufacturing, transport industry (road and air)
Major tradeable commodities	Sorghum, simsim, cassava, soya beans, groundnuts, honey, fish, mangoes, oranges, avocado and tobacco

Infrastructure and strategic positioning

Transport network	Road: There is a tarmac road connecting the two international borders in the vicinity i.e. Vurra Customs (Democratic Republic of Congo) to Oraba Customs (South Sudan) Air: Three domestic flights per day
Telecommunication network	MTN, Airtel, Africel, UTL, internet



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Geography

- Arua District is in North - western Uganda bordered by Maracha District in the north-west, Yumbe District in the north-east, the Democratic Republic of Congo in the west, Nebbi in the south, Zombo in the south-east and Amuru District in the east.
- Arua District covers a total of 4,274.13km² of which 87% is arable land for agricultural activities. It is located 520 km from Kampala and only 80 km from the South Sudan border.



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Demography

- Arua is a provincial town where English, Lugbara, Kiswahili, French, Arabic and many local dialects are widely spoken with a diverse range of cultures freely celebrated.
- The district hosts a population of 820,500. In 2016, the refugee population was at approximately 36,731 (4.5%). By 2017, Arua had a population of 151,039 refugees accounting for 18% of the district population.
- Arua District hosts refugees mainly from South Sudan with a diverse ethnicities including Dinkas, Kuku, Nuer, Kakwa, Madi and Siluk. They share close ethnicity with the locals, which helps to promote peaceful co-existence in the community.

Main economic activity

- Arua district depends mainly on agriculture, with cassava being the most tradable commodity followed by sesame; 86% of the community is engaged in the crop agriculture sector. However, farmers currently use traditional methods which affect productivity. The rest of the community is involved in animal rearing (0.6%) and 0.9% in fishing.

- The major crops cultivated include sorghum, simsim, soya beans, honey, fish, mangoes, oranges, beans, groundnuts, avocado and cassava, among others.
- Apiculture has grown extensively and is slowly replacing tobacco farming. Honey production and trade is a common income-generating activity.
- Tobacco is still a cash crop and is grown mainly in the fertile areas and riverbanks and valleys.
- Arua promotes the government's exemplary refugee settlement model that allows ref-

ugees to interact freely and set up investments, which provides an opportunity to harness their potential to accelerate local economic development. The cordial relationship between the refugees and the host communities provides a favourable environment for doing business.

- The non-agricultural activities are in the service industry such as transport, hotel management and training institutes, tour and travel agencies, vocational institutions for metal and wood fabrication, arts and crafts production.

Involvement of refugees in the local economy

47%

of refugees are actively engaged in the local economy in Arua district such as farming, retail businesses and casual labour

Why invest in Arua District?



Strategic location | Enabling environment | Abundant natural resources | Tourism potential



Administrative support | Attractive incentive regimes

Strategic location



- Arua Airstrip serves the Northern region with three domestic flights daily. It is an important centre for passenger and cargo air traffic between Uganda, DRC and South Sudan making it the second-busiest airport in Uganda after Entebbe. Arua Airport's services further strengthen the district's status as a trade and investment hub. The government has invested in the development of the road infrastructure to facilitate economic activity. The Arua-Koboko-Oraba road serves as a major interlink for traders to and from the district, especially those who require access to cross-border business. The tarmac roads are in good condition and are regularly maintained. The district has a total road network of 1,831km. Of these, 546km are trunk roads, 304km are feeder roads while 981km are community access roads. These provide quick access to raw produce and supply of finished products that have effective demand in the area.
- The completion of the Standard Gauge Railway Network will provide Arua with direct access to Mombasa.
- Arua District is a lucrative regional trade hub facilitating trade linkages among many districts in Northern Uganda and cross-border trade with South Sudan and the Democratic Republic of Congo. This is a target market of approximately 71 million people.
- There is a ferry to the Rhino Camp, a refugee settlement area, whose sole objective is to shorten the distance from Northern Uganda to Kampala.
- The Albert Nile is a host to unique tourism opportunities along its 210km course from the north end of Lake Albert through to the border with South Sudan.

Enabling environment



- Immediate access to financial services in Arua is made possible by the presence of several financial institutions with branches of high quality banks: Bank of Africa, Barclays Bank Uganda, Ltd, Centenary Bank, Ltd, Diamond Trust Bank, Ltd, Housing Finance Bank, Ltd and Stanbic Bank, Ltd.
- The government is developing the Nyagak Hydro Power Station to ensure sustainable power supply for domestic and industrial use in the district.
- Arua's location in the vicinity of three countries enables a natural concentration of a large, diverse and business-minded population who demand and supply a wide range of goods and services.
- Availability of an abundant pool of both skilled and semi-skilled labour is due to the increase of reputable technical and vocational institutions that offer training in business, accounting, catering and nursing. Arua has an industrious, technically capable, trainable and affordable workforce.

Abundant natural resources



- Arua hosts the Yikuru, Olewa, and Acaa waterfalls which provide an opportunity to Arua to exploit tourism as a potential investment opportunity.
- The high level of solar radiation (average radiation 5.0-5.6/kWh/m²) is convertible into energy for commercial use like milling, husking, fruit juice production, cooling of meat and services like hair salons and light cottage industry.
- Arua has virgin and fertile soil for agricultural processing investments that can be done in Logiri, Ajia, Etori-Pajulu.
- Arua has the availability of wind energy with wind speed ranging between 3.2-3.9 (mph). This is sufficient for small-scale electricity generation, especially for water pumping that can be used for irrigation to promote sustainable production.
- Arua has unexplored prospects for oil and gas along the Albertine Graben and Gold in Vura and Logiri.



PHOTO CREDIT: UNDP Uganda

Arua Airstrip serves the Northern region with three domestic flights daily

Tourism potential



- The Albert Nile is host to unique tourism opportunities along its 210km course from the north end of Lake Albert through to the border with South Sudan. These opportunities are explorable in the districts of Nebbi, Nwoya, Arua, Amuru, Adjumani, and Moyo through which the river flows. The interlinkages provided by the river can provide viable business for investments clustered in similar business activities like accommodation, tour expeditions, the supply of foods and beverages, transport logistics, production and sale of indigenous crafts and cultural entertainment.
- Rich wildlife reserves, waterfalls, landmark historical sites, stunning landscapes and extraordinary cultural heritage are among those that could easily become international tourism attractions. Moreover, Arua District is endowed with natural attractions: Ajayi Game Reserve, Imvepi–Enyau Valley Forest, Ambitambe Crater Lake and Olewa Falls.
- Mountain sites include Mt. Kei, Mt. Wati (home to a Lugbara ancestor), Liru Hill (ancestral home of Kakwa people).

Administrative support



- The Arua District Investment Committee (DICs) is in place to spearhead investment attraction, facilitation and aftercare in different sectors. The DIC is a 10-member task force comprising five local Government representatives: the LCV Chairman, Chief Administrative Officer, District Commercial Officer, District Planner and the Lands Officer, while the other five members are from the private sector.

Attractive incentive regimes



- Uganda's incentive package for both domestic and foreign investors provides generous terms, particularly for medium- and long-term investors who import plant and machinery for investment projects. For the current incentive structure, refer to the link: <https://www.ugandainvest.go.ug/wp-content/uploads/2019/12/Tax-Incentives-for-2019.pdf>.

Viable investment opportunities in Arua District

- **Post-harvest handling services**, including setting up large-scale agricultural commodities, storage facilities and distribution management. **There are quality control mechanisms** and equipment, packaging, and logistics centres to distribute commodity items.
 - **Establishment of a fish feed manufacturing factory** for quality feeds with the standard formulation. This would be profitable for investors and increase the viability of the fish sector for the players in the district.
 - **Development of a logistics hub**: Arua facilitates trade linkages among many districts in northern Uganda and cross-border trade with several passenger buses transporting tourists and casual labours to the north as well as neighbouring countries.
 - **Arua Special Economic Zone Limited (Arua SEZ)** was recently issued a developer's license and has launched the project to develop a USD12.7million Free Zone on a 12.274-hectare land in Arua Municipality. Arua SEZ is expected to be a key driver for exports and job creation. The investment is planned to create opportunities for exports to eastern Democratic Republic of Congo, South Sudan, and the Central African Republic. At the same time, raw materials from these countries such as timber and minerals, will be processed for export to international markets.
 - **Tourism opportunities**: Arua District is endowed with natural attractions such as Ajayi Game Reserve, Imvepi and Olewa waterfalls.
 - **Accommodation construction**
 - **Apiculture**
 - **Tourism**
 - **Solar**
 - **Value-addition chain** for cassava, sweet potatoes maize, simsim, soya beans, groundnut, beans, and in fruits like oranges, lemon and mangoes.
 - **Provision of inputs**, advisory services, financing agricultural production, promotion and training in new methods of farming and business operations.
 - **Blacksmiths industry** and moulding.
 - **Arts and crafts**
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Specific investment project

Honey wine processing



Honey wine is a liquor made from honey and its by-products after the honey has been processed. It can be made dry or sweet depending on the recipe and can be blended with other wines to add body and flavours. With the growing rate of the apiary business in Uganda, there is a need to come up with innovations that will add value to honey for purposes of marketing the product through various forms. Honey by-products such as combs can now be used as a raw material for making wine, which in previous years have been discarded after extracting honey. Many farmers do not have facilities where they can store their honey products. In this case, honey wine is a solution to that problem, and it is profitable.

Production capacity

This investment profile focuses on the production of 40,000 litres of honey wine per year. Since wine takes time to ferment and mature (approx. three months), production can be divided into batches of 10,000 litres covering four months per year. Production should increase or even double in the subsequent years from 40,000 to 80,000 litres.

Setting up

It does not require complex technology to implement this honey production business project. It only requires a wine-making machine (50l-3,000l) and storage containers.

Capital investment requirements

Capital financing can be raised through savings (equity) or through a bank loan

Capital investment item	Total cost (USD)
Wine making machine (50l-3,000l)	35,000
Storage Containers (100l)	3,000
Mixing bowls	20
Weighing scale	10
Measuring cups	3
Measuring spoons	4
Jars	3
Cheese cloth (metres)	10
Sieves	4
Vehicles	57,000
Total Investment (USD)	95,054

Source: Uganda Investment Authority's SME Business Ideas Handbook 2019/2020 (further details on setting up and the phased investment and viability can be accessed from the handbook).

Some existing successful enterprises in Arua

- Uganda BAATI – Leading manufacturer and supplier of roofing sheets
- Meridian Tobacco Company – Leading processor and exporter of tobacco
- Bee Natural Honey Ltd – Largest honey and apiary production company
- Honey Pride Ltd – Active in processing and packaging of honey
- Desert Breeze Hotel – Provides accommodation
- Gaaga Coaches – Provides daily transport domestically and regionally

Challenges

- Lack of sufficient infrastructure to link some parts of the viable market.
- Challenges for commercial production (inadequate and high cost of mechanization).
- Post-harvest facilities/handling/information.
- Low/inadequate agricultural financial opportunities.
- High-interest rates on loans for commercial farming (range 2.5%-4% pm)
- Poor attitudes of the youth towards agriculture production.
- Lack of sufficient local bridges for connections.
- Low electricity, power distribution and voltage for businesses.
- Low/inadequate water for production supply.
- Low market structure development despite the huge potentials.



Cost of doing business

- Commercial rentals: **UGX 200,000**
- Labour cost/ agricultural sector/unskilled labourer per month: **UGX 150,000**
- Commercial land – urban average plot 15 by 30m: **UGX 15,000,000**
- Rural acreage: **UGX 500,000**
- Passenger transport to and from Kampala – **UGX 50, 000;**
between Gulu and Arua - **UGX 30,000;** to Elegu - **UGX 30,000;** to Juba **UGX 80,000.**
- Cargo and product transport costs by trucks around Arua are **UGX 3,800** per km; between Pakwach and Arua costs **UGX 500,000;**
trucks with capacity from 5 to 10 tonnes between Arua and Kampala cost between **UGX 1,200,000 to 1,500,000.**
- Accommodation average costs for rooms per night: **UGX 40,000**
- Rental residential costs average per one-roomed accommodation: **UGX 100,000**
- Ploughing costs: Ox-ploughing per acre: **UGX 100,000;** opening ground using a tractor – **UGX 150,000**
- Bod boda hire per day: **UGX 30,000**
- Water transport: Ferry – free; boats per person - **UGX 5,000** and luggage average - **UGX 3,000**
- Transportation of luggage from Kampala: **UGX 15,000**
- Hard core: **UGX 50,000,** and transport **UGX 80,000**
- Cost of bricks per piece for construction is **UGX 200** and truck transporting the bricks averages **UGX 80,000** for hire
- Aggregates (2 - 4 tonnes) average **UGX 90,000** and transport **UGX 80,000**
- Labour costs in the construction sector per person, per day, averages at **UGX 15,000**
- Electricity per unit: **UGX 500**
- Water per unit: **UGX 500**
- Communication: **UGX 500**
- Cost of advertising per day on the local radios averages: **UGX 30,000**

Arua is one of the towns that were upgraded to City status.



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DISTRICT CONTACT PERSONS

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