Executive Summary
Located in the heart of East Africa, with direct access to a regional market of 150 million potential customers, abundant natural resources, and a young English-speaking population, Uganda offers investors numerous opportunities. Uganda’s gross domestic product (GDP) growth rate averaged five percent over the past decade, driven in part by publicly financed infrastructure development as well as private investments in construction and telecommunications. With an estimated 1.4 billion barrels of recoverable oil, the World Bank described Uganda as the hottest inland exploration frontier in the world in 2017, attracting investments worth USD 8 billion from the United States, France, Britain, and China. With an ideal climate and fertile soils yielding multiple crop harvests per year, Uganda’s agriculture sector also offers investors unique opportunities for profit. Agriculture plays a dominant role in Uganda’s economy, employing nearly four in five Ugandans and contributing over a fifth of GDP. Uganda is Africa’s top coffee exporter, and the eighth largest coffee producer in the world. Other significant agricultural exports include fish, flowers, and horticultural produce.

Uganda largely adheres to IMF/World Bank programs to fight poverty, and the government established the Uganda Investment Authority (UIA) as a one-stop center for foreign investors. However, pervasive corruption and a sluggish, non-transparent bureaucracy continue to hamper foreign investments in Uganda. Uganda ranked 151 out of 176 countries on Transparency International’s “Corruption Perceptions Index” and ranked 115 out of 190 economies on the 2016 World Bank Doing Business Report.

Uganda’s insufficient power transmission and distribution network is another challenge for private sector investors, with frequent power outages increasing the cost of doing business. Uganda’s electrification rate averages 22 percent, dropping to 10 percent in rural areas – one of the lowest rates in Africa. The Government of Uganda (GOU) aims to increase access to electricity in rural regions by subsidizing upfront connection costs for customers and connecting isolated mini-grid and off-grid solar home systems. The GOU is also building additional hydropower facilities, including two dams with a total capacity of 783 MW, which are expected to be completed by the end of 2018.

In spite of these challenges, foreign investors continue to see opportunities in Uganda. Notable American entries into the Ugandan market over the past year include: the U.S.-led Albertine Graben Refinery Consortium, which won the right to finance, build, and operate a USD 3 billion oil refinery and Google, which launched the USD 100 million “Project Link” initiative to increase internet connectivity.
Table 1

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1. Openness To, and Restrictions Upon, Foreign Investment

**Policies towards Foreign Direct Investment**

Ugandan law allows for 100 percent foreign-owned businesses, and foreign businesses are allowed to partner with Ugandans without restrictions. The GOU offers incentives for industrial investments, including: a 75 percent import duty reduction on factory equipment, depreciating start-up costs over four years, and a 100 percent tax deduction on research and training costs as well as mineral exploration costs. The main laws affecting portfolio or foreign direct investment are: the Income Tax Act (1997 as amended), the Investment Code Act (ICA) (1999), the Capital Markets Authority Act (1996 amended in 2015), the Employment Act (2006), the Companies Act (2012), and the Free Zones Act (2014). The ICA prevents foreigners from directly investing in crop or animal production, although foreigners can either lease land or create a Ugandan-based firm to invest in these sectors—a practice widely used by large-scale farms in northern Uganda. In addition, foreign investors engaging in certain other sectors (notably wholesale and retail commerce, personal services, public relations, car hire services, operation of taxis, bakeries, confectioneries and food processing for the Ugandan market only, as well as postal services and professional services) are ineligible for incentives granted to investors in other business undertakings. The ICA allows foreign participation in any industrial sector except crop and animal production.
The UIA facilitates granting licenses to foreign investors. The UIA performs a range of functions including promoting, facilitating, and supervising investments in Uganda. Investors can perform the following services on UIA’s website including:

- Apply and receive an investment license online
- Issue licenses and certificates of incentives
- Choose an investment area of interest
- Confirm payment of all assessed fees
- Supply details of business registration to Uganda Registration Services Bureau (URSB)
- Apply for a tax identification number (TIN)
- Apply for land titles online

The UIA also performs the function of vetting applications for the establishment of investments, granting investment licenses, managing the grant of investment incentives to foreign investors, helping investors secure other relevant authorizations, granting approvals and permits required to undertake specific investments, addressing complaints by foreign investors and dealing with any other administrative issues related to investment. Foreign investors often have to separately register with the Uganda Registration Services Bureau (URSB) and file taxes separately with the Uganda Revenue Authority (URA). The URSB, URA, National Environment Management Authority (NEMA), and the Directorate of Land Registration are in the process of consolidating their respective registration documents into the UIA’s one-stop center.


Investors can find additional legal information on the following websites as well:

Companies Act: [https://ulii.org/ug/legislation/act/2015/1-4](https://ulii.org/ug/legislation/act/2015/1-4)
Free Zones Act: [www.freezones.go.ug](http://www.freezones.go.ug)

The UIA is the formal framework for engagement between the government and investors (both foreign and local). However, bureaucratic delays, poorly enforced regulations, and corruption undermine foreign investor reliance on the UIA for facilitating new investments. As a result, foreign investors often bypass the UIA and meet with the President to receive the political support needed to overcome the challenges listed above.

Limits on Foreign Control and Right to Private Ownership and Establishment
Foreign investors have the right to establish and directly own business in any remunerative activity except crop and animal production. Uganda’s constitution protects property rights, and foreigners have the right to own property.

Although there are no general restrictions imposed on foreign investors, they cannot establish any investment unless they get a license from UIA. Licensing from the UIA requires a commitment to
invest over USD 100,000 over three years (See “Performance Requirements and Incentives” below). Most foreign investors establish themselves as limited liability companies. Ugandan law also permits foreign investors to acquire domestic enterprises or establish green field investments. The Companies Act (2010) allows for the creation of single-person companies, permits the registration of companies incorporated outside of Uganda, and regulates share capital allotments and transfers.

The ICA allows the GOU to impose a minimum investment requirement either in the form of cash or value of the investor’s machinery, buildings, or other assets. The investment license granted by government may also require investors to employ and train citizens of Uganda to the fullest extent possible in order to replace foreign personnel. Furthermore, the license may require foreign investors to purchase goods or services produced or available in Uganda if those goods and services are competitive with similar imported goods and services. Finally, the license may require foreign investors to ensure their operations do not cause injury to the ecology or environment. The ICA also allows the UIA to grant investment licenses requiring the foreign investor to sign an “agreement for the transfer of technology.” The timeframe within which such technology is transferred depends on the terms of the agreement. The ICA allows for exemptions to this restriction in which the Minister of Finance, with approval of Cabinet, exempts a class of businesses or specific businesses from the restriction.

Incoming investments are screened by UIA on the basis of a number of criteria, including their potential for: generation of new earnings or savings of foreign exchange through exports; the utilization of local materials, supplies and services; the creation of employment opportunities in Uganda; the introduction of advanced technology or upgrading of indigenous technology; and the contribution to locally or regionally balanced socioeconomic development.

The above restrictions and screening measures apply to all investors and do not specifically target or single out US investors.

Other Investment Policy Reviews


Business Facilitation
The UIA facilitates granting licenses to foreign investors and performs a range of functions including promoting, facilitating, and supervising investments in Uganda. The UIA performs the various roles outlined in UNCTAD’s Global Action Menu for Investment Facilitation (http://investmentpolicyhub.unctad.org/Publications/Details/148). For example, the UIA website provides investors with access to investment policies, regulations, and procedures. However, UIA lacks the capacity to perform all of the UNCTAD roles – e.g. strengthening investment facilitation efforts in developing-country partners through support and technical assistance and building constructive stakeholder relationships in investment policy practice effectively. The World Bank’s Investing Across Borders (IAB) indicators (http://iab.worldbank.org) measures Foreign Direct Investment (FDI) regulation in specific policy areas.

The UIA regulates FDI through the following regulations:

- Foreign companies may freely acquire local firms through private negotiation without interference from the UIA.

- The UIA, however, assists with the establishment of local subsidiaries of foreign firms by helping them register with the URSB. The URSB website is located at: http://ursb.go.ug/.

Businesses will also need to provide the details of their proposed investment with the UIA: http://www.ugandainvest.go.ug/

- Uganda’s Commercial Court handles arbitration and adjudication of commercial disputes.

- Acquisition of land is a private negotiation between the land owner and the foreign investor, and transfer/registration of title is handled by the National Land Office. While there is no formal involvement by UIA, the latter may informally help the investor in following up with the Land Office on registration processes.

Businesses are also required to obtain a TIN from the Uganda Revenue Authority URA at: https://www.ura.go.ug/myTin.do. Specialized sectors such as finance, telecoms, and petroleum will require an extra permit from the relevant Ministry in coordination with the UIA. According to the 2018 World Bank Doing Business report, business registration takes an average of 24 days.

The business facilitation mechanisms apply neutrally to both genders and all social groups. While the mechanisms do not discriminate against any group, they do not include any affirmative measures either.

**Note to Foreign Oil Firms Looking to Enter the Ugandan Market:**

Section 10 (2) (n) of the Petroleum (Exploration, Development and Production) Act, 2013 the Petroleum Authority of Uganda (PAU) must “ensure the establishment of a central database of persons involved in petroleum activities.”

As a result, the Petroleum Authority requests firms seeking to be placed on the National Supplier Database attest that their registration documents are authentic. The Petroleum Authority has notified the Embassy that notarizing this attestation at the U.S. Embassy would satisfy the Petroleum Authority’s requirement. More information is available at the Embassy’s website on this process (select – Registering a U.S. Firm on the National Supplier Database): https://ug.usembassy.gov/business/commercial-opportunities/.

Outward Investment
The GOU does not promote or incentivize outward investment, neither does it restrict domestic investors from investing abroad. The Table below shows FDI outflows (in million dollars) between 2011 and 2015.

2. Bilateral Investment Agreements and Taxation Treaties
Uganda has bilateral investment protection treaties with the following countries:

BLEU (Belgium-Luxembourg Economic Union)
China
Cuba
Denmark
Egypt
Eritrea
France
Germany
Italy
Netherlands
Nigeria
South Africa
Switzerland
United Kingdom
Zimbabwe

On October 26, 2014, the EAC finalized the negotiations for a region-to-region Economic Partnership Agreement (EPA) with the European Union (EU). The EPA establishes a free-trade agreement between the EU and developing economies in sub-Saharan Africa. To date, the EAC has not ratified the EPA, with Uganda, Tanzania, and Rwanda withholding ratification until they can further study the EPA’s potential impact on domestic industries.

Uganda does not have a bilateral investment protection treaty with the United States; however, in 2008, the United States signed a Trade and Investment Framework Agreements (TIFA) with the East African Community (EAC) and the Common Market for Eastern and Southern Africa
(COMESA), of which Uganda is a member. Uganda does not have a free trade agreement with the United States, although certain classes of Ugandan manufactured goods are eligible for duty-free exports to the United States under the Africa Growth and Opportunity Act (AGOA).

In February 2015, the U.S. and the EAC signed a Cooperation Agreement to increase trade-related capacity in the region and deepen economic ties between the U.S. and the EAC. The Cooperation Agreement builds capacity in three key areas: trade facilitation, sanitary and phytosanitary (SPS) measures, and technical barriers to trade (TBT). This agreement will complement a TIFA signed with the EAC. The EAC also signed a letter of intent in 2012 to launch a Commercial Dialogue with the U.S.

Uganda is a member of the World Trade Organization. While the EAC now has a Customs Union and Common Market, the slow pace of regulatory reform, lack of harmonization, non-tariff barriers, and bureaucratic inefficiencies still hamper the free movement of goods, capital, and people among EAC member states. In November 2013, Uganda signed a Monetary Union Protocol, which sets the country on course to form a monetary union with the other EAC members. Over the next five years, the five EAC member states (Uganda, Kenya, Tanzania, Burundi, Rwanda, and South Sudan) have pledged to integrate financial systems and regulations, harmonize monetary and exchange rate policies, and establish common inflation and debt-to-GDP ceilings. The GOU has established the following institutions aimed at facilitating establishment of the EAC Monetary Union, including the EAC Monetary Institute, the EAC Statistics Bureau, the EAC Financial Services Commission, and the EAC Surveillance, Compliance and Enforcement Commission.

In March 2018, Uganda, together with forty-three other African countries, signed the Treaty Establishing the African Continental Free Trade Area (AfCFTA) potentially creating the world’s largest single market allowing for the non-imposition of tariffs or taxes or quotas on goods and or services from one country to another.

Uganda does not have a tax treaty with the U.S., but does have bilateral taxation treaties with the following countries:

- Denmark
- India
- Mauritius
- Netherlands
- Norway
- South Africa
- United Kingdom
- Italy

Although there have been no major changes to the tax system over the past year, the GOU announced several proposals to expand the tax base and improve Uganda’s tax revenue to GDP ratio, which at 10.2 percent lags behind other EAC countries.
3. Legal Regime

**Transparency of the Regulatory System**

Uganda’s legal and regulatory systems are broadly consistent with international standards although bureaucratic hurdles hamper efficiency. The Public Procurement and Disposal Act (PPDA) (2003) and the Petroleum Exploration Development and Production Act (2013) establish a legal and institutional framework to foster competition on project tenders on a non-discriminatory basis. In practice, however, U.S. investors have alleged that endemic corruption in Uganda’s government undermines the public procurement process. While U.S. firms are subject to the Foreign Corrupt Practices Act, foreign competitors often bribe GOU officials to steer contracts towards their companies as well as engage in smear campaigns against potential U.S.-based competitors.

According to the ICA, any authorized ministry, department, or regulatory agency can make subsidiary legislation (regulations, by-laws, and standards). For instance, under the ICA, the finance minister can make regulations on investment while under the Kampala City Council Authority Act, Kampala City Council Authority (KCCA) can make regulations regarding taxes charged on businesses in Kampala. Regulations of all levels (local, national, and supra-national) affect foreign investors. For example, international EAC rules on free movement of goods and services would affect an investor planning to export to the regional market. On the other end of the spectrum, regulations issued by KCCA and other local governments regarding operational hours or the location of factories would affect an investor’s decision at a local level only. Ministries internally discuss any regulations and their revisions, outside of public review. Uganda does not have informal regulatory procedures, only the relevant GOU agency can create and revise regulations.

Uganda’s accounting procedures are broadly transparent and consistent with international norms. According to the Capital Markets Authority Act, 1996, all public listed companies are required to observe accounting standards in-line with the International Auditing and Assurance Standards Board, as well as Corporate Governance standards as stipulated in the Capital Markets Authority regulations.

Draft bills on investment undergo a consultative process led by the relevant GOU agency, which convenes stakeholder meetings with private and public interests affected by the bill. Following consultations, the ministry presents the draft bill to parliament and cabinet for approval. Draft bills presented to parliament are available online for public comment and consultation. Public commentary is generally presented in written submissions or oral presentations to the relevant parliamentary committee. Proceedings before the committee are generally covered by local media. After a successful vote, parliament enacts laws that authorize the relevant Minister (or other government official) to make regulations that are more specific. The Minister, in consultation with the Uganda Investment Authority, makes regulations, which are published in the Uganda Gazette.

Uganda does not provide a centralized online location for published regulations. However, foreign investors can access all laws and regulations by getting copies of the Uganda Gazette from the Uganda Printing and Publishing Corporation (located in Entebbe). In addition, foreign investors can get information regarding sector-specific regulations by visiting the website of the
relevant ministry. For example, an investor looking for regulations on mining or petroleum exploration would visit the website of the Ministry of Energy and Mineral Development. The Uganda Law Reform Commission (ULRC) website at www.ulrc.go.ug, makes available principal legislation (the Acts), but not the regulations.

Uganda’s court system (through litigation and judicial review of administrative action) provides the main mechanism for ensuring governmental adherence to the administrative process, although anecdotal reports from lawyers and litigants suggest that corruption undermines judicial processes. Litigants often bribe judges to rule in their favor in commercial disputes. For example, in January 2017, the judiciary announced that it was considering allegations of corruption against a High Court judge. The inquiry is still ongoing.

The courts review administrative actions and help ensure governmental adherence to the administrative process. The enforcement process is reviewable through the judicial system. The Ombudsman’s office (known in Uganda as the Inspector General of Government) also ensures compliance with the administrative process. The Inspector General is responsible for eliminating corruption and abuse of public office and authority. The inspectorate is independent when undertaking its functions and is only answerable to Parliament. There have been no changes to these enforcement mechanisms since the last Investment Climate Statement (ICS).

Proposed amendments to the Investment Code Act under the Investment Code Bill 2017 currently remain pending before parliament.

**International Regulatory Considerations**

The EAC’s regulatory systems must be “domesticated” through national legislation, after which they become part of Ugandan law.

Uganda has ratified the WTO agreement and the related sub-agreements (GATT, GATS, TRIPS, TRIMS, etc.). Uganda has also ratified the treaty establishing the East African Community (EAC) and the COMESA.

Pursuant to Uganda ratifying the Treaty for the Establishment of the East African Community, which entered into force July 2000 (and was amended 2006 and 2007), and the East African Customs Management Act, enacted by the East African Legislative Assembly, Uganda’s regulatory systems must conform to standards prescribed in the regional system. The list of supra-national organizations to which Ugandan regulations must conform include:

- African, Caribbean, and Pacific Group of States (ACP)
- African Development Bank Group (AfDB)
- African Union/United Nations Hybrid operation in Darfur (UNAMID)
- African Union (AU)
- Common Market for Eastern and Southern Africa (COMESA)
- Commonwealth of Nations
- East African Community (EAC)
- East African Development Bank (EADB)
- Food and Agriculture Organization (FAO)
The Government of Uganda notifies the WTO Committee on TBT of all draft technical regulations through the Ugandan Ministry of Trade’s National TBT/SPS Coordination Committee.

Although Uganda has not yet ratified the Trade Facilitation Agreement (TFA), it has signaled its intention to do so. Under the EAC framework, Uganda has already embarked on measures aimed at easing the flow of trade and eliminating tariff and non-tariff barriers. For example, it established one-stop-border posts, which have reduced the time to transport goods across Uganda’s land borders through speedy clearance of goods and passengers. The Ugandan ministry of trade has established a committee and guidelines to help the country comply with TFA requirements.

Legal System and Judicial Independence
Uganda's legal system is based on English Common Law and contracts are enforced in commercial courts. All commercial disputes are required to go through mediation to reduce backlogs in the court system and the Center of Arbitration for Dispute Resolution (CADER) can assist in mediating disputes. Property ownership is enforced through civil and commercial courts.

Uganda began the commercial court system in 1996 to adjudicate commercial disputes. The commercial court has four judges and two deputy registrars. The commercial court has 17 mediators, which settle 80 percent of disputes out of court through pre-trial conferences. The commercial court engages regularly with the private sector through the “Court Users Committee,” which includes representatives from banks, insurance companies and the manufacturing sector. Through this forum, the court has worked with Uganda's tax authority to reduce litigation in tax cases and has persuaded banks to opt for loan restructuring in default cases that were previously ending up in court.
Uganda’s courts are digitizing records and digitally recording court proceedings, enabling rural regions remote access to proceedings in Uganda’s judiciary. Judgments in foreign courts are recognized and enforced under Ugandan law. Disputes with foreign investments go through the same process as domestic disputes.


Uganda’s business community perceives the commercial legal process as favoring politically connected companies that deploy political pressure and bribery to disrupt and delay outcomes. For example, investigative journalistic reports feature anecdotal accounts of judges at the Commercial Court demanding bribes in order to rule favorably in some cases. Regulations and enforcement actions are appealable and adjudicated in the national court system.

**Laws and Regulations on Foreign Direct Investment**

Uganda’s legal framework on investment is encapsulated in the Constitution (specifically articles 26, 40, 123, 237, 242, and 244), and the Uganda Investment Code Act (UICA) (1991). The UICA creates an agency – the Uganda Investment Authority – which is responsible for enforcing the UICA, granting investment licenses and facilitating the establishment of investments in Uganda. The UICA also stipulates the procedure by which investors may acquire licenses as well as the rights and duties of such investors.

There have not been any new laws, regulations, or judicial decisions relating to foreign investment in the past year.

**Competition and Anti-Trust Laws**

Uganda does not review transactions for competition-related concerns.

**Expropriation and Compensation**

The Ugandan Constitution guarantees the right to property for all persons, domestic and foreign. It also prohibits the expropriation of property, except when in the “National Interest” as eminent domain, and preceded by compensation to the owner at fair market value.

However, due to the requirement of paying a land owner prior to expropriation and disputes over the value of land acquired under eminent domain, various infrastructure projects in Uganda have faced cost overruns and delays.

To address this, on July 13, 2017, the Deputy Attorney General presented a bill to parliament to amend Uganda’s constitution to allow the GOU to expropriate property before agreeing on the value of compensation for the owner.

Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).
Dispute Settlement

ICSID Convention and New York Convention

Uganda is a party to both the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. In 2000, Uganda also adopted legislation consistent with the United Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration. For example, a dispute between a U.K. firm and the Government of Uganda was resolved in February 2015 under UNCITRAL arbitration. Pursuant to the Reciprocal Enforcement of Judgment Act, judgments of foreign courts are accepted and enforced by Ugandan courts where those foreign courts accept and enforce the judgments of Ugandan courts. Monetary judgments are generally made in local currency, although in some cases penalties are not a sufficient deterrent due to currency depreciation.

Investor-State Dispute Settlement

Uganda is a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID).

Uganda does not yet have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with an investment chapter with the United States.

Uganda has not been involved in any investment disputes with a U.S person in the last 10 years; however, U.S. firms do complain about corruption on government tenders. U.S. firms allege that third country firms are willing to bribe GOU officials to steer tenders away from U.S. companies.

Pursuant to Section 73 of the Arbitration and Conciliation Act, the courts and Government accept binding arbitration with foreign investors. The Act, which incorporates the 1958 New York Convention, also authorizes binding arbitration between private parties.

As stated above, in the 1970’s, Idi Amin’s regime expropriated on a mass-scale Asian-owned and operated properties without compensation. There have been no incidents of expropriation of foreign investments without compensation or other extrajudicial action against foreign investors since President Museveni came to power in 1986.

International Commercial Arbitration and Foreign Courts

subjected to mediation (before a court-appointed mediator). Only disputes which defy resolution through such mediation will be submitted to formal adjudication by a judge.

CADER is a statutory institution that facilitates the mediation and operates on the basis of the UNCITRAL Arbitration rules.

As a party to the New York Convention, Uganda recognizes foreign arbitral awards. Most investment disputes in Uganda are resolved through unrecorded private arbitration. The Foreign Judgments Reciprocal Enforcement Act (1961) enables the recognition and enforcement of judgments and awards made by foreign courts.

Ugandan courts do not favor state-owned enterprises when arbitrating or adjudicating disputes. In February 2013, for instance, the Supreme Court overturned an earlier ruling in favor of a Kenyan construction firm following a contractual dispute with Uganda’s state-owned National Social Security Fund (NSSF). There was, however, no evidence or suggestion that the ruling was influenced by discrimination or corruption.

**Bankruptcy Regulations**

The Bankruptcy Act of 1931, the Insolvency Act of 2011, as well as the Insolvency Regulations of 2013 generally align Uganda’s legal framework on insolvency with international standards. The law and regulations largely accord to creditors, equity holders, and other claimants the same rights accorded under the laws of most countries, including rights related to creditor meetings during bankruptcy, declaration and distribution of a bankrupt estate, as well as declaration and distribution of dividends. It also provides for cross-border insolvency and entitles creditors (including foreigners) to petition court for a receiving order, which effectively declares a debtor bankrupt. The receiving order paves the way for the appointment of an official receiver who manages the debtor’s property and assets for purposes of paying off creditors. Monetary judgments and awards are made in Ugandan currency, and the courts generally follow the constitutional requirement that payment be “fair and adequate.” Ugandan law does not criminalize bankruptcy. However, Uganda ranked 113 out of 190 countries for resolving insolvency in the 2018 World Bank Doing Business Report. Uganda averages 38 cents on the dollar for recoveries—well above the sub-Saharan average of 20 cents per dollar.

While there is no statutory (national) Credit Reference Bureau (CRB), the Financial Institutions (Credit Reference Bureaus) Regulations of 2005 allow the establishment of private CRBs. The first such CRB (Compuscan International) was established in 2008 while the second (Metropol Corporation) was established in 2015.

4. Industrial Policies

**Investment Incentives**

According to the Uganda Investment Code Act and its regulations, 50 percent of capital allowances for plants and machinery are deductible from a company’s income on a one-time basis in Kampala, while 75 percent of capital allowances are deductible in the rest of the country. One hundred percent of training costs are also deductible on a one-time basis. A range of annual VAT deferments, deductions, exemptions, and depreciation allowances also exist, resulting in
investors often paying no tax at all in the first year of their investment, and usually paying substantially less than the 30 percent corporate tax rate in the subsequent years of their investment. The Government also provides a 10-year tax holiday for investors engaged in export-oriented production and, if the investment is located more than 25 kilometers away from Kampala, for agro-processing investors. Investors can find information on investor incentives and capital allowances on the UIA website at www.ugandainvest.com, and at URA's website www.ura.go.ug.

**Foreign Trade Zones/Free Ports/Trade Facilitation**
The Parliament of the Republic of Uganda passed the “Free Trade Zones Act,” 2014, to modernize investment infrastructure in Uganda. The law authorizes the development, marketing, maintenance and supervision of free trade zones in Uganda. Under the act, foreign companies have the same opportunities as local companies.

The Free Zones Act (2014) and the Uganda Free Zones Regulations (2016) regulate Uganda’s Free Trade Zones. The law establishes the Uganda Free Zones Authority, which is responsible for receiving applications for entities desiring to develop and operate in a free zone. In October 2017, the Uganda Free Zones Authority granted two licenses for establishment of free economic zones. One license was for the establishment of a mine dressing plant, phosphate fertilizer plant, and steel plant, while the second license was for establishment of a free zone for flower production and export.

**Performance and Data Localization Requirements**
The Uganda Investment Act, 1991, does not impose any direct requirements regarding local employment and does not specify mandatory numbers for local employment in management positions. However, a license granted to a local investor may carry conditions requiring the investor to generate new employment opportunities in Uganda. Similarly, under the two oil laws (The Petroleum Exploration, Development and Production Act, 2013 and the Petroleum Refining, Conversion, Transmission and Midstream Storage Act of 2013), a license granted to an investor in the oil sector may require such investor to contribute to the creation of a local skilled Ugandan workforce. Uganda does not have excessively onerous visa, residence, or work permit requirements for foreign investors and their employees. There are no general conditions to permission to invest, licenses granted to specific investors may carry particular conditions.

The two petroleum acts mentioned above allow the Government of Uganda to impose local-content conditions on investments in the petroleum sector. The Investment Code Act authorizes the Government of Uganda to subject foreign investors to conditions, which require local input procurement, provided the inputs are available domestically at an equivalent quality standard. More generally, the Local Content Bill (currently before parliament) carries provisions that will give priority to favor Ugandan goods and services in public procurement.

In 2014, the government adopted a “Buy Uganda, Build Uganda” policy aimed at extending local content provisions in the petroleum acts into other sectors of the economy. However, following concerns that the policy would result in a violation of Uganda’s legal obligations under the World Trade Organization, President Yoweri Museveni instructed the Ministry of Trade to halt the policy in March 2018.
While there are no general requirements for foreign IT providers to provide any source code or information related to encryption, the National Information Technology Authority Act (2009) allows the Minister for Information, Communication and Technology to order an IT provider to submit any information to the National Information Technology Authority (NITA). Similarly, the Computer Misuse Act (2011) allows the Government to “compel a service provider, within its existing technical capability to collect or record through the application of technical means, or to co-operate and assist the competent authorities in the collection or recording of traffic data in real time, associated with specified communication transmitted by means of a computer system.” These regulatory powers apply to all IT providers, both foreign and local. There are no measures that prevent or unduly impede companies from freely transmitting customer or other business-related data outside of Uganda. In 2017, however, the Bank of Uganda interpreted Uganda’s cyber security legislation to provide it with the mandate to require financial institutions to relocate their data centers to Uganda to provide the GOU with access to customers’ digital financial information. Citing customer privacy concerns, financial firms remain in negotiations with the Bank of Uganda over this policy.

Each foreign investor is required to apply for a license prior to setting up the investment and the license may carry specific performance conditions which may vary on a case-by-case basis as determined by the Uganda Investment Authority. Possible terms and conditions include an undertaking by the investor to maintain proper books of account, “permit the UIA or its agent reasonable access to monitor the operations of the business enterprise,” “invest not less than a specified amount whether in cash or in relation to the value of machinery, buildings or other assets,” “employ and train citizens of Uganda to the fullest extent possible with a view to the replacement of foreign personnel as soon as may be practicable,” and “purchase goods or services produced or available in Uganda if in terms of price, quality or availability, those goods and services are competitive with similar imported goods and services used in the business enterprise.” Failure to meet any such performance conditions may result in revocation of the license.

5. Protection of Property Rights

Real Property

Uganda enforces property rights and has legislation on mortgages, trusts, and liens. The Mortgage Act, 2009, and the Mortgage Regulations, 2012, also make provisions for mortgages, sub-mortgages, trusts and other forms of lien. However, due to widespread fraud practiced by land officials, investors struggle with the integrity of land transactions.

The Land Act (1998) provides for four forms of land tenure, namely freehold, customary, “Mailo” (a form of freehold) and leasehold. Freehold, leasehold, and Mailo tenure owners hold registered titles, while customary or indigenous communal landowners (who account for up to 90 percent of all landowners) do not. Foreigners may only acquire leases and these cannot exceed 99 years. The Act forbids foreigners from directly holding or acquiring land under freehold, customary or “Mailo” tenure. However, foreign investors can create a Ugandan-based firm to purchase real estate.
Ugandan law provides for the registration (formalization) of informal (unregistered) land interests, such as customary tenure. The Land Act provides for customary landowners to acquire a Customary Certificate, which serves as proof of ownership and may be used as collateral. Furthermore, the government recently introduced a number of reforms aimed at facilitating the registration of land, including digitizing land records.

The Government of Uganda has created an office within State House (State House Land Desk) with the aim of identifying ownership in cases where there is no clear title. Ugandan law provides for the acquisition of prescriptive rights by individuals who settle onto land and whose settlement on such land is unchallenged by the owner for at least twelve years. According to the World Bank’s Ease of Doing Business report for 2018, property registration in Uganda takes 42 days, and the country ranks at 122 out of 190 countries on that score. The Land Act allows squatters (“lawful occupants” and “bonafide occupants”) to acquire prescriptive rights in land if they occupy it for twelve years uninterrupted by the owner.

Ugandan law provides for the securitization of land for lending purposes and makes provision for mortgages and liens. The constitution guarantees the right to own property and requires the state to encourage private investment.

**Intellectual Property Rights**

Ugandan law protects intellectual property rights (IPR), but lacks the capacity to effectively prevent piracy and counterfeit distribution. As a result, theft and infringement of intellectual property rights is common.

The Anti-Counterfeit Bill of 2016 (currently before parliament) is aimed at establishing such legal and institutional framework and would, if passed, considerably clarify and strengthen the penalties for making and/or trading in counterfeit products. Additionally, the Uganda National Bureau of Standards Act of 1983 (as amended in 2013) allows the Uganda National Bureau of Standards (UNBS) to “protect consumers against substandard, shoddy, and hazardous products,” which UNBS has interpreted as a mandate to seize counterfeit goods.

Uganda signed the World Intellectual Property Organization's (WIPO) Patent Law Treaty in 2000, but has not ratified it to date. Domestically, Uganda has the following IPR laws: Industrial Property Act (2014), the Copyright and Neighboring Act (2006), the Trademarks Act (2010), and the Industrial Property Act (2014).

Uganda’s Customs and Immigration Department tracks seizures of counterfeit goods at Ports of Entry. Furthermore, the Ministry of Agriculture, Uganda UNBS, Uganda Seed Traders' Association (USTA), Ag Verify, and Feed the Future Uganda, are attempting to combat counterfeit inputs in agriculture through digital e-verification mechanisms. Agriculture experts estimate 20 percent of agriculture products with copyrights are counterfeited by salesmen and dealers.

Outside of agriculture, counterfeit CDs, DVDs, and computer software are openly sold in Uganda's market places, and counterfeit pharmaceuticals are widespread throughout Uganda.
Most counterfeit goods entering Uganda are manufactured in China and India. The American entertainment industries, as well as manufacturers of consumer goods, complain that counterfeiters are damaging their markets by deterring future foreign direct investment and damaging brand names.

The Uganda National Bureau of Standards Act (1983) authorizes UNBS to deny sub-standard goods (but not necessarily counterfeit goods) access to the Ugandan market. Uganda's Commercial Court is responsible for hearing intellectual property and trademark cases, including by artists and musicians in Uganda's Performing Arts Rights Society. The UNBS, the Uganda Revenue Authority (URA), and the Uganda Police Force (UPF) are responsible for enforcing IPR, but they lack the capacity to effectively do so.

Uganda is not listed on the USTR’s 2017 Out-Of-Cycle Review of Notorious Markets, or in the 2018 Special 301 Report. For additional information about national laws and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders:

U.S. Embassy Kampala, Commercial Service
CommercialKampala@state.gov

For a list of legal assistance providers in Uganda, please go to:

6. Financial Sector

**Capital Markets and Portfolio Investment**

The GOU generally welcomes foreign portfolio investment and has put in place a legal and institutional framework to manage such investments. The recently launched Barclays Africa Financial Markets Index, 2017 (which tracks transparency, accessibility and openness of markets to portfolio investment), ranks Uganda at 10th position out of 17 African countries. Uganda scored highly on “access to foreign exchange” and “macro-economic opportunity” but poorly on “legality and enforceability of financial market agreements” and “capacity of local investors”. The full report is available at https://www.barclaysafrica.com/.../barclays-africa/.../barclays-africa-financial-markets-.

The Capital Markets Authority Act of 1996 is the legislative framework governing portfolio investment and the Capital Markets Authority (CMA) is the securities regulator in Uganda. The CMA is responsible for licensing brokers, dealers, and overseeing the Uganda Securities Exchange (USE), which was inaugurated in June 1997 and is now trading the stock of 18 companies. The USE, which uses an electronic trading platform and trades are typically settled in three days. Liquidity remains constrained to enter and exit sizeable positions. Uganda enacted the Companies Act in 2012, which improves the legal framework for corporations,
notably by introducing provisions designed to ease the incorporation of companies and portfolio investment in existing companies. The new law also introduces a number of corporate governance requirements with which public companies must comply. Companies listed on the USE must also comply with the CMA’s corporate governance guidelines.

Capital markets are open to foreign investors and there are no restrictions for foreign investors to open a bank account in Uganda. The Government imposes a 15 percent withholding tax on interest and dividends. Credit is allocated on market terms, and commercially available. Foreign-owned companies are allowed to trade on the stock exchange, subject to some share issuance requirements, and the Kampala exchange contains cross-listings of seven Kenyan companies: Equity Bank Kenya Airways, East African Breweries, Jubilee Holdings, Kenya Commercial Bank, Nation Media Group, and Centum Investment.

The Government of Uganda respects IMF Article VIII and refrains from restricting payments and transfers for current international transactions.

Credit is allocated on market terms and foreign investors are able to access it. However, the private sector remains crowded out of domestic debt markets due to extensive borrowing by the Government of Uganda and transactions in government paper are much more than those on the USE. In 2004, the Bank of Uganda (BOU) added ten-year bonds to its two-, three-, and five-year offerings to facilitate its control of liquidity and inflation and to further develop the bond market. The Government hopes that by creating a benchmark yield curve it will encourage private companies to access the debt markets. Some large local businesses have been reluctant to turn to the bond markets, however, in part because strict disclosure requirements would force them to adhere to higher international auditing standards than most Ugandan businesses normally achieve. Seven companies currently provide brokerage services, including one American-owned firm. There are no restrictions prohibiting investors from pooling funds to be invested on the exchange and in government treasury bills and treasury bonds. As noted, the Barclays Financial Market Index ranks Uganda poorly with regard to capacity of local investors and this is due, in large part, due constraints in accessing credit.

**Money and Banking System**

Uganda’s banking and financial sectors are growing in size and sophistication with a total of 25 commercial banks, 84 percent of which are foreign-owned, and more than 300 non-bank financial institutions. Formal banking participation remains low, with twenty percent of Ugandans having access to deposits in bank accounts, with the remaining population relying on cash transactions or alternative forms of banking. Money transfers and payments through mobile phones (M-payments), for instance, have become a key provider of basic, if informal, financial services for low-income earners who cannot afford the charges levied by the formal banking system. M-payments also provide needed financial services to Uganda’s unbanked population, much of which lives in remote areas of the country.

Uganda’s commercial banking sector remains generally healthy and appears to have recovered from a 2016 slump. According to the BOU’s latest Financial Stability Report 2017, Uganda’s non-performing loan rate stood at 6.2 percent at the end of June 2017. Uganda’s largest bank Stanbic Uganda, had assets valued at USD 1.2 billion in 2016. Standard Chartered, the third
largest bank had assets valued at USD 744 million in the same year. Competitiveness and innovation are steadily increasing in Uganda’s banking sector, but lending to the private sector is still relatively low, largely because of perceived high risk (limited collateral) among potential borrowers, and the government crowding out the private sector in the bond market. In 2017, BOU took over the largest Ugandan-owned bank, Crane Bank, after it failed to meet minimum capitalization requirements and had a non-performing loan portfolio of 14.5 percent (well above the market average). On January 27, 2017 the BOU took over and eventually sold Crane Bank to Development Finance Company of Uganda (DFCU), now the second-largest bank in Uganda.

Total bank assets grew from USD 5.6 billion in June 2014 to USD 5.9 billion at the end of June 2015, an annual asset growth rate of 5.3 percent.

While the BOU has for long been one of the most respected central banks in sub-Saharan Africa for its success in pursuing open markets while pursuing monetary policies that control inflation, developments surrounding the takeover of Crane Bank have raised fundamental questions regarding the BOUs regulatory capacity, as well as the competence and integrity of some of its staff. Industry watchdogs cite the BOU for failing to effectively supervise and report on Crane Bank, thereby allowing its asset base to fall below the legally required threshold.

Outside of partly Ugandan-owned DFCU Bank, most of Uganda’s largest banks are foreign owned, including major international institutions such as Citigroup, Barclays, Stanbic, Standard Chartered, and Bank of Baroda. They are subject to prudential measures. Following the takeover of Crane Bank, Uganda does not have any banking relationship in jeopardy.

Uganda does not have restrictions on a foreigner’s ability to establish a bank account.

While a number of private actors have advocated the introduction of blockchain technology to the Ugandan market, the GOU has not indicated any plans to promote or regulate such technology.

“Mobile Money” transactions (telephone-based monetary transfers) were introduced in March 2009 and represent the main alternative financial service in Uganda, accounting for over 38 percent of all financial transactions. Mobile money transfer service providers are required to hold escrow accounts in formal financial institutions. The escrow accounts hold the equivalent of all the mobile money that has been issued to their customers and agents.

**Foreign Exchange and Remittances**

*Foreign Exchange Policies*

Uganda keeps open capital accounts, and Ugandan law imposes no restrictions on capital transfers in and out of Uganda, unless the investor benefited from tax incentives on the original investment, in which case the investor will need to seek a “certificate of approval to externalize funds” from the UIA. The UIA gives every foreign investor the right to “externalize” funds for any purpose.

Uganda scores strongly (3rd out of 17 African countries) on access to foreign exchange in the Barclays Financial Markets Index, 2017. Investors can obtain foreign exchange and make transfers at commercial banks without approval from the Bank of Uganda in order to repatriate profits and dividends, and make payments for imports and services. Investors have reported no problems with
their ability to perform currency transactions. While Ugandan law does not restrict foreign investors from repatriating their funds, a foreign investor who benefits from incentives granted under the Investment Code Act still needs authorization from the UIA before he or she can repatriate any funds. Even when the UIA grants authorization, it only applies to repatriation for particular purposes as specified under the “certificate of approval to externalize funds.”

The Ugandan shilling (UGX) trades on a market-based floating exchange rate.


**Remittance Policies**

Beyond the regulatory requirements below, there are no restrictions for foreign investors on remittances to and from Uganda. Foreign investors may also remit through a legal parallel market including convertible negotiable instruments. The Ugandan shilling fluctuates based on market conditions without interference from the government.

The legal regime on remittances to Uganda is based on the Foreign Exchange Act (2004), the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations (2006), and the Mobile Money Guidelines (2013). These three legal frameworks generally provide for the licensing and regulation of institutions engaging in foreign exchange transfer. In addition, the Anti-Money Laundering Act (AMLA) (amended in 2017) and the Financial Institutions (Anti-Money Laundering) Regulations (2010) impose a number of “know your customer” requirements on entities involved in money transfers in Uganda. Additionally, the 2017 AMLA amendment gave the Financial Intelligence Authority (FIA) broader powers to restrict financial transactions related to money laundering and such restrictions may include limitations on remittances. In May 2015, Uganda’s parliament amended the Anti-Terrorism Act (ATA) to improve asset confiscation procedures of suspected terrorists. These various laws and regulations authorize the Central Bank and the recently created FIA to impose restrictions on remittances or other money transfers that are linked to money laundering or terrorist financing.

**Sovereign Wealth Funds**

Uganda has a Petroleum Fund that is established under the Public Finance Management Act (PFMA), (2015) and into which all national revenue related to oil is deposited. The PFMA allows for some of the funds from the Petroleum Fund to be deposited into a “Petroleum Investment Reserve” (and be spent on oil infrastructure) while the rest are to be spent on Uganda’s industrial development priorities as articulated in the national budget. However, a June 2017 audit by Uganda’s Auditor General found that over USD 3 million in oil-related revenue was not being remitted to the Petroleum Fund as required by the PFMA. The Audit also found that government officials were taking an unduly restricted interpretation of “oil revenue” which allowed them to allocate to other purposes funds that should have been deposited into the Petroleum Fund. Furthermore, in June 2017, a parliamentary committee found that over USD 1.6 million in oil revenue was taken out of the Petroleum Fund and paid out to top government officials in violation of the PFMA.
While Uganda is a member of the International Monetary Fund, it has never formally participated in the International Working Group on Sovereign Wealth Funds or (its successor) the International Forum for Sovereign Wealth Funds. There is also no indication that Uganda follows the Santiago Principles and budget advocacy groups have concerns that the GOU is mismanaging the Petroleum Fund.

The PFMA does not specify a predetermined domestic investment level for the Petroleum Fund.

7. State-Owned Enterprises
Uganda operates in a free-market environment after the GOU began a privatization program under the Public Enterprise Reform and Divestiture Act (PERDA) in 1993, resulting in the complete or partial divestiture of the majority of Uganda's public enterprises. Thirty State Owned Enterprises (SOE) remain, of which the largest are the National Water and Sewerage Corporation, the National Social Security Fund (government pension plan), Kawanda Research Station (agricultural research), some banking and medical services, and the Uganda National Oil Company (UNOC). Ugandan SOEs are mostly service-provision or regulatory entities and are not profit-oriented. SOEs do not get special financing terms and are subject to hard budget constraints. According to the Ugandan Revenue Authority Act, they have the same tax burden as the private sector. According to the Land Act, private enterprises have the same access to land as SOEs. One notable exception is UNOC receives proprietary exploration data on new oil discoveries in Uganda. UNOC can then sell this information to the highest bidder in the private sector to generate income for its operations.

While Uganda has successfully privatized most of its SOEs, some observers questioned the transparency of the process, arguing that the benefits of the most lucrative sales went to government insiders. Uganda does not have a website with a published list of SOEs. No information on the assets, income, and number of employees is publicly available.

The Companies Act requires public companies to follow the code of corporate governance included in the Act. The code is modelled along the lines of international standards on corporate governance, including the OECD guidelines.

Privatization Program
As stated above, Uganda began a privatization program in 1993 that resulted in the complete or partial divestiture of the majority of Uganda's public enterprises. SOEs currently exist in the following sectors: finance, agriculture, water utility, mining, housing, electricity, and transport. In some of these sectors, the government is not directly involved in the running of the business, but remains a shareholder. However, the government allows competition from private investors in all of these sectors.

Foreign investors are free to participate in any privatization of a SOE. Outside of crop and animal production, foreign investments in Uganda’s privatization program are unrestricted. The program has attracted foreign investors primarily in the agribusiness, hotel, and banking industries.

According to the 2003 Public Procurement and Disposal of Assets Act, public assets should be disposed of through public bidding; however, some observers question the transparency of
certain transactions carried out in the name of privatization, arguing that the benefits of the most lucrative sales went to politically connected individuals.

The Public Procurement and Disposal of Public Assets Authority has a website https://www.ppda.go.ug that provides for all the relevant information on procurement and disposal.

8. Responsible Business Conduct (RBC)

Although corporate social responsibility (CSR) is not a requirement for an investor to obtain an investment license, businesses – especially large foreign enterprises – are expected by the Ugandan public to promote CSR projects to provide benefits for local communities. This is especially true in the extractive industries. While consumer-buying habits are rarely based on CSR, some large corporations, including foreign oil companies, have experienced community pressure and social unrest when local residents do not see any direct benefit from their presence.

CSR projects are driven by the private sector with little input from the Ugandan government, which does not factor CSR policies into procurement decisions. As such, larger enterprises have been involved in building schools and hospitals, improving roads and other social services in areas where they operate, mainly in rural areas.

In 2017, China Communications Construction Company was sued by its Ugandan employees over allegations of discrimination against HIV-positive employees. Still in 2017, Chinese investors said to be protected by powerful politicians (including the president’s brother and top military general, Salim Saleh) were accused of mining lake sand in ways that are illegal and environmentally harmful. The Chinese firm disregarded a ban on such mining by the National Environmental Management Authority and local government authorities.

While the GOU often follows due process in handling allegations of rights violations against foreign investors, enforcement is often undermined by corruption, political interference, and institutional weakness. In January 2016, following allegations of sexual abuse of local girls by Ugandan workers contracted by a Chinese construction firm, the World Bank suspended funding for three road projects, including the Kamwenge-Fort Portal road where the sexual violations occurred. In June 2017, the Uganda National Roads Authority took steps to address the World Banks’ human rights concerns, and the World Bank lifted the suspension of funding for two projects but not the Kamwenge-Fort Portal road, which the GOU funded instead.

The Companies Act requires public companies to follow the code of corporate governance included in the Act. The code is modelled along the lines of international standards on corporate governance, including the OECD guidelines.

The following organizations promote and monitor RBC:

Global Rights Alert is a local NGO that aims to promote good governance of Uganda’s natural resources (including oil, gas, metallic minerals, land, forests, water bodies, as well as flora and fauna).
Website: [http://www.globalrightsalert.org/](http://www.globalrightsalert.org/)

U.K.-based Global Witness campaigns against environmental and human rights abuses driven by the exploitation of natural resources and corruption.

Website: [https://www.globalwitness.org/en/about-us/](https://www.globalwitness.org/en/about-us/)

Partnership Africa Canada focuses on:

- Investigating and reporting on the lack of accountability, poor governance, and human rights violations associated with conflict minerals.

- Developing and implementing solutions in collaboration with local partners to improve natural resource governance, including the certification of conflict minerals and clean supply chains.

- Providing capacity-building and technical assistance to support transparency in the mining sector, including the development of industry guidelines.

- Promoting policies and programs that support gender equality and women's entrepreneurship in artisanal mining.


Although these organizations currently operate freely, some have expressed concern that the Government could take steps to undermine their work if it deemed their criticism to be excessive. In recent years, especially following the 2016 general elections, Uganda’s security forces are increasingly less tolerant of political descent and have targeted and harassed journalists, human rights activists, as well as the political opposition.

The government does not maintain a national point of contact for OECD multi-national enterprise guidelines. Uganda’s capacity to regulate mineral trade across its borders remains weak. Both Global Witness and Partnership Africa Canada allege Uganda’s mineral trade is heavily linked to conflict minerals in neighboring countries, especially in the mineral-rich regions of eastern Democratic Republic of Congo.

Although Uganda has a nascent oil industry, it has not yet joined the Extractive Industry Transparency Initiative. Uganda has also not yet formally adopted the Voluntary Principles on Security and Human Rights although civil society organizations (notably International Alert) have promoted awareness of the principles among state and non-state actors in the country.

9. Corruption

Uganda has laws and institutions to combat corruption. These include the Penal Code Act (1950) which criminalizes theft, the Leadership Code Act (2002) which criminalizes abuse of office by public officials, the Anti-Corruption Act (2009) which criminalizes bribery, influence peddling, and theft or misappropriation of public funds, the Whistleblowers’ Protection Act
(2010) which protects persons who report malfeasance, the Anti-Money Laundering Act which criminalizes money laundering and activities related to it, and the PFMA which provides for more transparent handling of public finances. The Leadership Code Act creates the institution of the Inspectorate of Government which acts as an Ombudsman while the Anti-Corruption Act creates the anti-corruption division of the High Court which specializes in prosecution of corruption.

Other draft legislation, including an Anti-Counterfeiting Bill and a Proceeds of Corruption Assets Recovery Bill, remain pending in Parliament as of 2018.

Despite the above legal and institutional framework, prosecution of corruption rarely extends to politically powerful individuals even when there appears to be evidence linking them to corruption. The public perception is that the GOU is not doing enough to fight corruption, and that high-level officials involved in corruption – especially politicians – tend to be exempt from investigation or prosecution.

While the laws theoretically cover everyone, politically powerful or connected individuals rarely get prosecuted for corruption.

The Leadership Code Act of 2002 and the Public Procurement and Disposal of Assets Act of 2003, prohibit government officials from participating or influencing the award of contracts or procurement benefits to any entities in which they have an interest.

Beyond criminalizing bribery of public officials, the government does not take any measures aimed at preventing the same and does not require companies to adopt specific internal controls, ethics or compliance programs to detect and prevent bribery of government officials. However, U.S. firms operating in Uganda are subject to the U.S. Foreign Corrupt Practices Act. More information is available here: https://www.sec.gov/spotlight/fcpa/fcpa-resource-guide.pdf.

Corruption is endemic to the point of becoming a generally accepted transaction cost. Transparency International ranked Uganda 151 out of 180 countries in its 2017 Corruption Perception Index. In a December 2012 report, Uganda's Inspectorate of Government characterized corruption in Uganda as "rampant," and noted that it "causes distortions of great magnitude in the Ugandan economy." The report cited public procurement as the area most prone to abuse, and noted that 9.4 percent of total contract values went to corrupt procurement payments at the local and central government levels.

While Uganda has signed and ratified the UN Anticorruption Convention, it is not yet party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Uganda is not a party to the WTO Agreement on Government Procurement (http://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm). The Public Procurement and Disposal of Public Assets Authority (PPDA) audits government procurements, regulates the public procurement processes, and monitors compliance by all government entities. Since 2011, GOU procurement requests must now include: a procurement schedule for every bid notice issued, standard formats for invitation of bidders (bid notices) specified time frames for all government procurement activities, and all bid evaluations must begin within 14 working days from the date of closing the bid. More information about PPDA is available at www.ppda.go.ug.
Uganda does not provide protection for NGOs investigating corruption.

U.S. firms have complained of lack of transparency in government procurement and possible collusion between competing business interests and government officials in tendering processes. Some U.S. firms have alleged that foreign businesses are “encouraged” to take on politically-connected local partners. In recent years, a number of high-profile government tenders for infrastructure projects were suspended following allegations of corruption. In some cases, the Ugandan government awarded lucrative contracts for infrastructure projects without any formal procurement process. Some U.S. firms, which are bound by the U.S. Foreign Corrupt Practices Act, have alleged that they lost tenders to bidders from countries that had not criminalized the paying of bribes to foreign officials.

There are no local or not-for-profit groups specifically involved in vetting local investment partners. However, the Anti-Corruption Coalition of Uganda (a network of civil society organizations dedicated to ensuring governmental accountability) and the Uganda Law Society (a grouping of Ugandan lawyers) often acts as an informal whistleblower that calls out corrupt tendencies on the part of public officials.

*Resources to Report Corruption*

Contact at government agency or agencies are responsible for combating corruption:

Justice Irene Mulyagonja  
Inspector General of Government  
Inspectorate of Government  
Jubilee Insurance Centre, Plot 14, Parliament Avenue, Kampala  
Telephone: +256-414-344-219  
Website: [www.igg.go.ug](http://www.igg.go.ug)

Contact at "watchdog" organization:  
Anti-Corruption Coalition Uganda  
Cissy Kagaba  
Telephone: +256-414-535-659  
Email: Kagabac@accu.or.ug  
Website: [http://accu.or.ug](http://accu.or.ug)

10. Political and Security Environment

Since independence in 1962, Uganda has experienced seven violent changes of power. Uganda has achieved a level of stability since President Museveni came to power in 1986. Regional terrorism remains a threat, and there have been isolated incidents of political violence in recent years.

Protracted conflict and instability in the eastern regions of the Democratic Republic of Congo and South Sudan create instability along Uganda's borders resulting in the flow of thousands of refugees into Uganda and the occasional disruption of important trade links.
In the past two years, Uganda has experienced a decline in public security, with a notable uptick in unsolved murders, robberies, and kidnappings.

Serious human rights concerns remain, including torture and mistreatment of detainees by security forces, and government harassment and intimidation of political opponents, civil society, and journalists.

Overall Uganda’s security situation has slightly deteriorated since last year’s report.

11. Labor Policies and Practices
The GOU defines the working age population as aged 14-64 years. In the 2017 Statistical Abstract, the Uganda Bureau of Statistics (UBOS) estimated Uganda’s working population at 13.9 million, with 7.9 million employees and 6 million subsistence farmers. The official unemployment rate (as of 2012/13) is 9.4 percent, with women experiencing higher unemployment rates (11 percent) than men (8 percent). The official national youth unemployment rate is 19.7 percent. Agriculture, forestry, and fishing sector have the highest percentage of employees, followed by vehicular and personal goods trade. Less than one third of employed persons have attained either secondary education or specialized training.

Uganda has a shortage of specialized labor skills. In 2008, Uganda passed the Business, Technical, Vocational Education, and Training (BTVET) Act to reform vocational skills. Yet, a 2011 parliamentary report on the economy highlighted poor vocational skills and education as one of the main obstacles to improving Uganda’s competitiveness. In 2012, the GOU launched a ten year BTVET Strategic Plan aimed at improving vocational skills and competencies relevant to the labor market. To implement the BTVET plan, the GOU, with support from the World Bank, launched the USD 100 million Uganda Skills Development Project (USDP) in 2015. The USDP, a five-year project that began in October 2016, is aimed at improving individuals’ vocation skills related to priority economic sectors such as agriculture, construction and manufacturing.

While there are no explicit provisions requiring the hiring of nationals, there are broad standards requiring investors to contribute to the creation of local employment. However, foreign businesses struggle to hire Ugandans due to a shortage of skilled labor. Under the Investment Code Act, a license granted to a foreign investor may carry conditions requiring the investor to create employment opportunities in Uganda. Similarly, the Petroleum Exploration, Development and Production Act (2013) and the Petroleum Refining, Conversion, Transmission and Midstream Storage Act (2013), require investors to contribute to the development of a skilled local workforce. Foreign nationals must obtain a work permit from the Ministry of Internal Affairs.

Ugandan labor laws specify procedures for termination of employment and termination payments. Depending on the employee’s duration of employment, employers are required to notify an employee two weeks to three months prior to the termination date. Employees terminated without notice are entitled to severance wages. Ugandan law only differentiates between termination with notice (or payment in lieu of notice) and summary dismissal (termination without notice). Summary dismissal applies when the employee fundamentally
violates his/her terms of employment. Uganda does not provide unemployment insurance or any other social safety net programs for terminated workers.

Current law requires employers to contribute 10 percent of an employee’s gross salary to the National Social Security Fund (NSSF). The Uganda Retirement Benefits Regulatory Authority Act 2011, which provides a framework for the establishment and management of retirement benefits schemes for both the public and private sectors has created an enabling environment for liberalization of the pension sector.

The Employment Act, 2006, does not allow waivers of labor laws for foreign investors.

Ugandan law allows workers, except members of the armed forces, to form and join independent unions, bargain collectively, and conduct legal strikes. The National Organization of Trade Unions (NOTU) has 20 member unions. Its rival, the Central Organization of Free Trade Unions (COFTU), also has 20 unions. Union officials estimate that nearly half of the two million people working in the formal sector belong to unions.

In 2014, the Government of Uganda created the Industrial Court (IC) to arbitrate labor disputes that could not be resolved by district labor officers and the Commissioner of Labor. The IC has the jurisdiction of the High Court, and each case is heard by two High Court Judges and three panelists, including one representative of the employers, one of the employees, and an individual third party panelist.

Between August and September 2017, judges and magistrates went on strike, to protest poor remuneration and working conditions. Between October and December 2017, public prosecutors went on strike for the second time in 2017, protesting poor remuneration. Prosecutors claimed that the government failed to fulfill its commitments following their four-day strike in July 2017, and resumed it in August 2017. In November 2017, medical workers at all public hospitals went on strike for the first time in over twenty years, protesting poor remuneration and working conditions. The strike, which lasted over a month, paralyzed health services around the country and contributed to the death of at least 30 people. Last minute negotiations with the government averted a planned national strike by nurses at public hospitals in December 2017.

Uganda ratified all eight ILO fundamental conventions enshrining labor and other economic rights and partially adopted these conventions into the 1995 Constitution, which stipulates and protects a wide range of economic rights. Despite the legal reforms, many Ugandans work in unsafe environments due to poor enforcement and the limited scope of the labor laws. Labor laws do not protect domestic, agricultural, and informal sector workers.

No new labor laws were enacted in 2017, and there were no known pending draft bills.

While Uganda has not recently been cited by ILO for any violations, the U.S. Department of Labor reported in 2014 that 30.9 percent of children aged five to 14 in Uganda are engaged in child labor, including its worst forms, in agriculture and in commercial sexual exploitation. The Employment Act, 2006, prohibits children under the age of 14 from being employed except for light work, and outside of school hours. The Ministry of Gender, Labor and Social Development
permits the employment of children aged between 14 and 18. There are active programs underway, with support from the ILO and the U.S. Department of Labor, to combat child labor, but the practice nevertheless remains a concern in Uganda, particularly in agriculture and the informal sector. Coffee, rice, sugarcane, tea, tobacco, vanilla, cattle, fish, bricks, sand, and charcoal are included on the U.S. Government's List of Goods Produced by Child Labor or Forced Labor.

12. OPIC and Other Investment Insurance Programs
OPIC currently has the Butama Hydro Electricity Company project in its active Uganda portfolio (having made a disbursement on the commitment). OPIC is currently working on new projects in Uganda, including a transportation company and small hydro transaction. The potential for continued OPIC participation in projects in Uganda is very good. OPIC has a bilateral agreement with the government of Uganda, which was executed in 1965 and remains in effect. A copy can be found here: https://www.opic.gov/sites/default/files/docs/africa/bL_uganda.PDF

13. Foreign Direct Investment, Foreign Portfolio Investment, and Trade Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

<table>
<thead>
<tr>
<th>Economic Data</th>
<th>Host Country Statistical source*</th>
<th>USG or International statistical source</th>
<th>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, UBOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Direct Investment</td>
<td>Host Country Statistical source*</td>
<td>USG or International statistical source</td>
<td>USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other</td>
</tr>
</tbody>
</table>
Host country’s FDI in the United States (M USD, stock positions) 2015 N/A 2015 N/A

Total inbound stock of FDI as % host GDP 2015 N/A 2015 N/A

BEA data available at [http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm](http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm)

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**Table 3: Sources and Destination of FDI**

**Direct Investment from/in Counterpart Economy Data, 2016/2017**

<table>
<thead>
<tr>
<th>From Top Five Sources</th>
<th>To Top Five Destinations (US Dollars, Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inward Direct Investment</strong></td>
<td><strong>Outward Direct Investment</strong></td>
</tr>
<tr>
<td>Total Inward</td>
<td>100%</td>
</tr>
<tr>
<td>India</td>
<td>20.3%</td>
</tr>
<tr>
<td>China</td>
<td>15.2%</td>
</tr>
<tr>
<td>Kenya</td>
<td>3.9%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.7%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

"0" reflects amounts rounded to +/- USD 500,000.

Source: Uganda Investment Authority Annual Investment Abstract 2016


In 2016/17, total flows of foreign direct investment into Uganda amounted to USD 541 million (taken from Uganda Investment Authority Annual Investment Abstract, 2016/17).

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**Table 4: Sources of Portfolio Investment**

**Portfolio Investment Assets**

<table>
<thead>
<tr>
<th>Top Five Partners (Millions, US Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>No Data Available</td>
</tr>
</tbody>
</table>
14. Contact for More Information
U.S. Embassy Kampala, Commercial Service
CommercialKampala@state.gov