Uganda

RISK & COMPLIANCE REPORT

DATE: February 2017

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Executive Summary - Uganda	
Sanctions:	None
FAFT list of AML Deficient Countries	Yes and deemed not to be making sufficient progress
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	World Governance Indicators (Average Score) Weakness in Government Legislation to combat Money Laundering

Major Investment Areas:

Agriculture - products:

coffee, tea, cotton, tobacco, cassava (tapioca), potatoes, corn, millet, pulses, cut flowers; beef, goat meat, milk, poultry

Industries:

sugar, brewing, tobacco, cotton textiles; cement, steel production

Exports - commodities:

coffee, fish and fish products, tea, cotton, flowers, horticultural products; gold

Exports - partners:

Kenya 12.8%, Rwanda 10.7%, UAE 9.9%, Democratic Republic of the Congo 9.7%, Netherlands 5.7%, Germany 5.2%, Italy 4.1% (2012)

Imports - commodities:

capital equipment, vehicles, petroleum, medical supplies; cereals

Imports - partners:

Kenya 16.6%, UAE 14.5%, China 12.3%, India 11.3%, South Africa 4.2% (2012)

Investment Restrictions:

Under Ugandan law, foreign investors may form 100% foreign-owned limited or unlimited liability companies and majority or minority joint ventures with Ugandan partners without restrictions. The Investment Code allows foreign participation in any industrial sector except those touching on national security or requiring the ownership of land.

Foreign companies or foreign individuals may not own land. However, with UIA approval they may hold it under 49-year leases. Foreigners must seek Land Ministry approval through the UIA to lease land over 50 acres for agricultural or animal production purposes.

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Section 1 - Background

The colonial boundaries created by Britain to delimit Uganda grouped together a wide range of ethnic groups with different political systems and cultures. These differences prevented the establishment of a working political community after independence was achieved in 1962. The dictatorial regime of Idi AMIN (1971-79) was responsible for the deaths of some 300,000 opponents; guerrilla war and human rights abuses under Milton OBOTE (1980-85) claimed at least another 100,000 lives. The rule of Yoweri MUSEVENI since 1986 has brought relative stability and economic growth to Uganda. A constitutional referendum in 2005 cancelled a 19-year ban on multi-party politics.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Uganda is on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 24 February 2017

In February 2014, Uganda made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies. Uganda should continue to work on addressing the following deficiencies: (1) adequately criminalise terrorist financing; (2) implement adequate procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373, and their successor resolutions; (3) ensure that all financial institutions are subject to adequate record-keeping requirements; (4) establish a fully operational and effectively functioning financial intelligence unit; (5) introduce and implement an appropriate legal basis to permit the competent authorities to provide a wide range of mutual legal assistance; and (6) ensure that appropriate laws and procedures are in place with regard to international co-operation for the financial intelligence unit and supervisory authorities. The FATF encourages Uganda to continue implementing its action plan to address its AML/CFT deficiencies.

Update on the Public Statement in Respect of the Republic of Uganda issued by the ESAAMLG Council of Ministers at its meeting in Luanda, Angola on 5th September 2014.

At its 13th Meeting in Swakopmund, Namibia in September 2013, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Council of Ministers had raised concerns with the lack of progress by Uganda in addressing the deficiencies identified in the Mutual Evaluation Report of Uganda and the risks it posed to regional and global financial systems.

The Council of Ministers had in particular required Uganda to bring into force the Anti-Money Laundering Act, 2013 and amend the Penal Code to adequately cover the minimum list of predicate offences. The Council further required Uganda to amend the anti-terrorism law to adequately criminalise the offences of financing of terrorism in line with the FATF Standards.

At its 14th Meeting in Luanda, Angola on the 5th of September 2014, the Council of Ministers noted that the Anti-Money Laundering Act was brought into force on the 1st November 2013. The Council further notes that Uganda is in the process of amending the anti-terrorism law, and will provide a copy of the Penal Code and the relevant legislations for analysis at the March/April 2015 Task Force of Senior Officials Meeting to determine the extent to which the minimum list of predicate offences to money laundering are adequately criminalised. The Council of Ministers commends Uganda for the progress made and urges Uganda to expedite the amendments to the Anti-Terrorism law in conformity with the Financial Action

Task Force (FATF) Standards and to meet its obligations under the ESAAMLG Memorandum of Understanding.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Uganda was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Uganda was deemed Compliant for 4 and Largely Compliant for 1 of the FATF 40 Recommendations.

ML/TF Risks and Scoping of Higher-Risk Issues- Overview of ML/TF Risks

Uganda has not yet carried out a National Risk Assessment, which might have clearly provided the crimes which are most common in Uganda and the possible amounts of criminal proceeds involved. The authorities view the crimes of corruption and abuse of public resources, fraud, smuggling of wildlife products and gold, and tax evasion as most common. Uganda has a significant informal, cash based economy. Majority of the financial transactions are carried out in cash which poses a high ML/TF risk to some of the sectors, like the real estate sector. Most of these transactions cannot be easily traced and accounted for due to the absence of paper trail, which poses additional ML and TF risks. Lack of implementation of cross-border currency and BNI controls also makes the country more vulnerable to ML & TF risks.

The capital of Uganda, Kampala has had two terrorist attacks, with the most recent one being in 2010 during the World Cup Soccer Tournament. Uganda faces the risk of terrorist attacks from the Somali, terrorist group, Al-Shabaab. The risk is further increased by Uganda sharing almost a porous border with a difficult terrain with Kenya, which has also been targeted for attacks by the same group. Some of the neighbours, like South Sudan are politically unstable. Internally, Uganda has got groups like the Lord's Resistance Army (LRA) and Allied Democratic Forces (ADF) which, although situated outside Uganda, their operations are aimed at attacking Uganda. The risk of TF is therefore very high. The authorities seem to be concentrating on the terrorism risk and have organised structures starting from the village level to ensure that information on any suspicious activity which might be linked to terrorism is reported to the authorities. However, the extent to which the authorities carry out parallel financial investigations in such cases is negligible. No investigations on TF have been carried out yet by the authorities.

Uganda's AML/CFT regime is relatively young. The AMLA was only enacted in 2013, whilst the amendments to the Anti-Terrorism Act to criminalise the offence of TF among other things, were enacted in June 2015. Regulations to implement some of the provisions of the amended law such as the UN Security Council Resolutions (1267/1373) are not yet in place.

The institutional framework is generally weak, with most of the agencies lacking the expertise and resources to start implementing the requirements and obligations set out in the AMLA. In addition, although it was easy to determine that there are inadequate resources and skills to deal with ML cases for law enforcement and DPPs Office, it was not clear whether the judiciary is also affected by the same problems as no test cases of ML have yet been brought before it for trial.

Judging from the number of cases of corruption that the IG deals with, over a thousand per year, it appears the offence of ML is not being pursued compared to the predicate offence of corruption. There is a high probability that the proceeds from the offence of corruption, which is prevalent with public officials in Uganda, are being laundered with the offences going undetected. It was not clear why the IG does not refer cases which have elements of ML to the DPP's Office for further management.

Uganda does not have a proper legal framework to support AML/CFT supervision of mobile money service providers which is an area of concern and a missed financial inclusion opportunity. The stop-gap measure taken by the BoU of issuing Guidelines does not appear to be adequate as it cedes to the partner banks the responsibility to enforce compliance with AML/CFT obligations, a role which banks do not seem to be playing in practice. FIs, particularly the big banks are aware of the ML/TF risks and have taken measures to mitigate the risks but some of the smaller banks, non-banking institutions and the DNFBPs are still far off from identifying their ML/TF risks as well as implementing risk mitigating measures.

Key Findings from latest Mutual Evaluation Report (2009):

There have been some efforts, especially by the Ministry of Finance and the Bank of Uganda to facilitate putting in place an AML/CFT regime, although much more work is required to meet international standards. Uganda has been, and still is, the victim of domestic terrorism. As a result of Uganda's geographic position, it is also susceptible to being used as a transit point for funds and resourc es that may be used to destabilize central African countries and to perpetuate war in these areas. Arms trafficking involving Somalia, southern Sudan and eastern Democratic Republic of Congo (DRC) is prevalent. Human trafficking (including children) and smugglin g (including protected species) are significant components of the cross-border criminal activity, which sometimes use Uganda as a transit stage. Drug trafficking is also emerging as a major problem.

Acquisitive crime has shown a sharp rise in recent years. Duty fraud and smuggling are estimated to be of a scale that is causing serious loss of revenue to the Ugandan authorities and the size and frequency of these crimes suggest that they are undertaken by organized crime groups. Generally, the proceeds from these crimes, and corruption, are being expended on land, buildings, houses, cars, shops and other forms of businesses, which are used to disguise the origins of criminal proceeds.

Uganda is a largely cash based economy. Only a small proportion of the population has bank accounts and the percentage having insurance policies or owning securities is even lower. As a result, the absence of effective AML/CFT controls in the formal financial sector gives rise to a major vulne rability in practice. (The CFT position is harder to assess). However, there are plans for the development of the economy which would lead to more transactions being effected through the formal financial sector. The use of cash for transactions within the country and across the borders remains a significant risk area. Ugandan shillings are accepted as 'legal' tender in neighboring countries such as southern Sudan, Rwanda and easter n DRC. This encourages cross- border movement of cash and increases Uganda's vuln erability to AML/CFT.

US Department of State Money Laundering assessment (INCSR)

Uganda was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Uganda's banking and financial sectors are growing in size and sophistication. The country has a total of 25 commercial banks, 84 percent of which are foreign-owned, and more than 300 non- bank financial institutions. Only 20 percent of Ugandans have deposits in the formal banking sector, with the rest of the populace relying on cash transactions or alternative forms of banking. Money transfers and payments through mobile phones (M-payments), for instance, have become key providers of basic, if informal, financial services for low-income earners who cannot afford the charges levied by the formal banking system. M-payments provide needed financial services to Uganda's unbanked population, much of which lives in remote areas of the country. Annual remittances are one of Uganda's largest sources of foreign currency.

Uganda's cash-based informal economy provides a fertile environment for money laundering. Its lack of intellectual property rights legislation feeds a large black market for smuggled and/or counterfeit goods. Currently, most laundered money comes from domestic proceeds, much of which stems from unchecked corruption. Real estate and casino operations are of particular concern. Uganda's inability to monitor formal and informal financial transactions, particularly informal trade along porous borders with South Sudan, Kenya, Tanzania, and the Democratic Republic of Congo, could render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Uganda's black market takes advantage of these borders and the lack of customs and tax collection enforcement capacity.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, and any entity accepting deposits; legal practitioners, executors, trustees, and financial guarantors; casinos; real estate agents; dealers in precious metals and gems; insurance companies; investment brokers, dealers, and advisors; all licensing authorities and registrars of land and companies; lending, financial leasing, and money or value transfer

entities; traders of monetary instruments, foreign exchange, securities, and commodity futures; portfolio and fund managers, and entities providing safekeeping services

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 250: January – September, 2015
Number of CTRs received and time frame: Not available
STR covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, and any entity accepting deposits; legal practitioners, executors, trustees, and financial guarantors; casinos; real estate agents; dealers in precious metals and gems; insurance companies; investment brokers, dealers, and advisors; all licensing authorities and registrars of land and companies; lending, financial leasing, and money or value transfer entities; traders of monetary instruments, foreign exchange, securities, and commodity futures; portfolio and fund managers, and entities providing safekeeping services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: YES

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Uganda's Anti-Money Laundering Act of 2013 (AMLA) and Anti-Terrorism Amendment Bill of 2015 (ATB) provide a framework for AML/CFT enforcement. On June 20, 2015, Uganda's parliament adopted the ATB to revise the Anti-Terrorism Act of 2002. The amendment includes indirect involvement in terrorist activities as a covered offense and expands the definition of a terrorist act to include electronic attacks, any act against national security or public safety, committing an act of terrorism in a foreign state, and unlawful possession of materials promoting terrorism. One of the most notable provisions of the amendment gives the Inspector General of the Police (IGP) broad powers to freeze or seize assets he deems as being linked to terrorism and authorizes the IGP to order any financial institution to freeze any account the IGP believes is linked to or intended for terrorist activity. However, the authority is subject to judicial oversight, which has the potential to delay action. Upon ordering the seizure of assets, the IGP must report the order to the Directorate of Public Prosecutions (DPP). If the DPP is satisfied that the assets are linked in any way to terrorism, then the DPP must seek court approval to seize an asset within 48 hours.

The Financial Intelligence Authority (FIA) and the Financial Intelligence Board (FIB), an interagency body that coordinates efforts within the Government of Uganda to combat money laundering, ensure implementation of the AMLA. Under the AMLA, the FIA is supposed to function independently, even though it may receive "guidelines" from the minister of finance. The FIA became operational in September 2014, and the FIB in July 2015. The FIB has met six times in the past four months to discuss amendments to the AMLA that would ensure financial record-keeping obligations are in compliance with international standards and extend to all financial institutions.

The AMLA does not specifically include M-Payments within its regulatory scope even though such transfers represent a significant portion of financial transactions in Uganda. However, according to clause 14a in the AMLA, mobile money agents are considered “accountable persons” because they accept deposits from the public and are required to record and transmit to commercial banks the identities of people conducting mobile money transactions. The banks in turn are obligated to forward those reports to the FIA. Most M-Payment agents are natural persons and not corporations.

Although the exact number of currency transaction reports (CTRs) are unknown, each week the FIA receives between 5,000 and 10,000 CTRs. Commercial banks account for 95 percent of the CTRs. Two money laundering cases are with the DPP, but have not been presented to court.

In addition to those in place with over a dozen regional countries, memorandums of understanding are pending with additional countries. The AMLA provides for asset sharing and enables mutual legal assistance requests from other jurisdictions; however, the mechanism for asset sharing has not been negotiated with any other country.

The Government of Uganda should fully implement the AMLA and ABT. AML/CFT training should be a priority for concerned Ugandan law enforcement, customs, intelligence, and judicial authorities. Uganda should adopt a safe harbor provision to protect covered entities and their employees who file suspicious transaction reports (STRs) from criminal or civil liability and address the lack of tracking of real estate transactions.

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

According to the US State Department, Uganda does not conform with regard to the following government legislation: -

Egmont Financial Intelligence Units - .The jurisdiction has established an operative central, national agency responsible for receving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information concerning suspected proceeds of crime, or required by national legislation or regulation, in order to counter money launderingThese reflect those jurisdictions that are members of the Egmont Group.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a “safe harbour” defence to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

EU White list of Equivalent Jurisdictions

Uganda is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Uganda is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012:

Drug production and trafficking within Uganda remain relatively low, but Uganda's Anti-Narcotic Unit (ANU) reports that drug abuse and trafficking are increasing among Uganda's youth due to poverty, unemployment, and Uganda's high level of population growth. Domestic narcotic production is primarily limited to growing cannabis for local consumption and regional export to Rwanda, Tanzania, Kenya, Sudan, and the Democratic Republic of the Congo (DRC). Cannabis cultivation occurs throughout the country and increased during 2011 due to expanding regional demand and the lack of more profitable crops. Reports of illegal trafficking of heroin and cocaine also increased as traffickers exploited Uganda's porous borders, rising corruption, and Ugandan law enforcement's inadequate equipment and training. There are no national studies on the prevalence and type of drug usage in Uganda, but health care professionals, social workers, and NGOs report that marijuana is the most widely used drug due to its accessibility and low cost.

The absence of national crime reporting statistics and corruption within the police and the justice system prevent an accurate accounting of law enforcement efforts. Between January and October 2011, the ANU seized 14 kilograms of heroin and three kilograms of cocaine. Reported seizures of cannabis dropped to 300 kilograms in 2011 from 894 in 2010. Uganda successfully prosecuted 4,260 people for drug-related offenses in 2011 and uprooted 14 acres of cannabis plants. Traffickers sometimes use Uganda and Entebbe International Airport as a transit route to South Africa, China, the United States, and Europe. Primary sources of drugs include India, Thailand, Pakistan, Afghanistan, and Iran.

Uganda's National Drug Policy and Authority Act addresses drug possession, production, use, and trafficking, but penalties are not severe, with maximum sentences ranging from a three-year prison sentence to a fine of approximately $700. Comprehensive national drug legislation was recently taken up again by the Ugandan parliament, but no action was taken. This legislation has been pending since 2007. If approved, this legislation would strengthen criminal penalties for drug traffickers, increase the government's authority to confiscate assets, and establish a national coordination body to oversee treatment and rehabilitation of abusers and to manage regional international counternarcotics cooperation efforts. Uganda is a party to the 1988 UN Drug Convention, the 1971 UN Convention Against Psychotropic Substances, and the 1961 UN Single Convention as amended by its 1972 Protocol. Uganda is also a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption. As a matter of government policy, the Ugandan government does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances.

Resource constraints complicate Uganda's ability to combat illicit drugs. The ANU employs fewer than 100 officers but estimates that it requires 500 officers to effectively combat Uganda's illicit drug trade. The deaths of the ANU's two sniffer dogs further reduced its effectiveness. Entebbe International Airport, Uganda's only major airport, does not have a specialized x-ray machine for detecting ingested drugs, and the ANU has no reliable drug test kits to determine if suspected drugs are, in fact, prohibited substances.

The United States regularly engages with the Ugandan government and law enforcement agencies on a variety of law enforcement issues to improve Uganda's capacity to enforce its laws and investigate crime. The United States has assisted Uganda's counter-narcotics efforts with law enforcement training courses and general investigative skills training, focusing on major case management and evidence collection. The United States also established a community policing project at the National Police Training Academy.

Uganda does not have an organized campaign to sensitize the public to the dangers of drug abuse, but local government officials, religious leaders, and civil society raise awareness of the negative consequences of drug use. Ugandan law enforcement officials often link violent crimes to drug use, noting that many individuals arrested for other crimes have criminal histories of drug use or possession. The Ugandan government operates one rehabilitation centre at Butabika Referral Mental Hospital, and NGOs provide additional treatment options.

The Uganda Police Force (UPF) is a willing partner in the fight against narcotics trafficking. However, UPF officers, along with border and airport enforcement officers, are in dire need of additional training, equipment, and resources to curb the illegal drug trade. Any improvement in Uganda's capability to combat the production, trafficking, and consumption of narcotics will depend on increasing the resources and training for the ANU, reducing corruption, and passing comprehensive national drug legislation.

US State Dept Trafficking in Persons Report 2014 (introduction):

Uganda is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Uganda is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Ugandan children as young as 7-years-old are exploited in forced labor within the country in agriculture, fishing, forestry, cattle herding, mining, stone quarrying, brick making, car washing, scrap metal collection, street vending, bars, restaurants, and the domestic service sector. Prisoners in pre-trial detention engage in forced labor alongside convicts. Girls and boys are exploited in prostitution. Women and children from Uganda's remote and underdeveloped Karamoja region are particularly vulnerable to domestic servitude, commercial sexual exploitation, and forced begging. Children from the Democratic Republic of the Congo (DRC), Rwanda, Burundi, Kenya, Tanzania, and South Sudan are subjected to forced agricultural labor and prostitution in Uganda. Ugandan children are taken to other East African countries for similar purposes and forced to engage in criminal activities. South Sudanese children in refugee settlements in northern Uganda are vulnerable to trafficking, and UNHCR suspects instances of trafficking involving this population.

Licensed and unlicensed Kampala-based security companies and employment agencies continued to recruit Ugandans to work as security guards, laborers, and drivers in the Middle East. Some Ugandan migrant workers endured forced labor while in Saudi Arabia, Qatar, and Kuwait, even when recruited by licensed agencies. Despite a continued ban on recruiting domestic workers for employment overseas, licensed and unlicensed agencies developed means to circumvent this ban, recruiting for "cleaners" or other trades with the intent of employing women in domestic work. Some Ugandan women fraudulently recruited for employment in the Middle East were later exploited in forced prostitution in the United Arab Emirates (UAE), Oman, Saudi Arabia, and Qatar. Kampala-based labor recruiters and brokers also operated in Rwanda and Nairobi-based recruiters were active in Uganda, recruiting Ugandans and resident Rwandans and Kenyans through fraudulent offers of employment in the Middle East and Asia. Domestic workers en route to the Middle East attempted transit through Juba, Kigali, and Nairobi, as they could not legally depart from Kampala due to the ban.

A network of Ugandan women reportedly coordinated sending Ugandan women for exploitation in forced prostitution across East Asia, including in China, Indonesia, Singapore, Thailand, and Malaysia. Initially, the women are fraudulently recruited for work as hair dressers, nannies, and hotel staff and later forced into prostitution to repay the costs of their travel. Some of these women transit through the UAE, India, and China—where they may also be subjected to forced prostitution—en route to Malaysia, Thailand, or other destinations. Nigerian syndicates engaged in transnational organized crime in Malaysia, exploit Ugandan women in prostitution, and use voodoo rituals and violence to coerce women into trafficking schemes. During the reporting period, the government reported identification of Ugandan trafficking victims in 22 countries throughout Africa, Europe, the Middle East, and Asia. In 2013, the largest number of Ugandan victims was identified in Kuwait.

During the reporting period, several armed groups recruited men and children—at times fraudulently or by force—from within Uganda for rebel activities in eastern DRC. In 2013, the UN Group of Experts reported that the M23—a Rwandan-government supported rebel group operating in the eastern DRC—had a network in Kampala that recruited men to serve as combatants through false offers of employment and threats at gunpoint to prevent their escape; 14 former M23 combatants reported having been recruited in this manner during 2013. The Group of Experts also reported fraudulent recruitment by the Allied Defense Forces (ADF)—a largely Ugandan rebel group operating in eastern DRC—with promises of employment and schooling for men and children, respectively; this recruitment reportedly occurred among Muslim communities in Uganda and other countries. The Democratic Forces for the Liberation of Rwanda (FDLR) also actively recruited combatants, including children, in Uganda. Until August 2006, the Lord's Resistance Army (LRA) abducted children and adults in northern Uganda to serve as soldiers, sex slaves, and porters. While there have been no LRA attacks in Uganda since that time, Ugandan children and adults previously abducted remain unaccounted for, and some remain captive with LRA elements in the DRC, Central African Republic, and South Sudan.

The Government of Uganda does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the year, the counter-trafficking in persons office (CTIP)—under the strong leadership of its National Coordinator—made efforts to raise public awareness; however, senior Ugandan officials lacked political will to combat trafficking. Although the government reported that it prosecuted 56 defendants in 2013—double the number reported in 2012—at times, law enforcement officials were overly zealous in investigations, leading to their disregard for victim protection considerations. The government convicted two sex trafficking offenders in 2013. However, government efforts to prosecute internal trafficking crimes remained inadequate. It maintained strong efforts to identify trafficking victims, but failed to provide them with adequate services, instead relying on international organizations and NGOs to provide necessary care. Official corruption hindered efforts to oversee the work of labor recruitment agencies; Ugandan civil servants and members of parliament owned recruitment agencies and interfered in their certification. The government's limited allocation of resources to the CTIP Office, the Ministry of Gender, Labor, and Social Development (MGLSD), and its External Employment Unit (EEU) endangered the welfare of victims and inhibited progress overall.

US State Dept Terrorism Report 2016

Overview: In 2015, the Government of Uganda continued to be a strong advocate of cross-border solutions to regional security issues, effectively supported U.S. counterterrorism efforts, and showed strong political will to apprehend suspected terrorists and disrupt terrorist activity in its territory. Al-Shabaab continued to put pressure on Uganda's security apparatus, however, primarily due to Uganda's troop contributions to the African Union Mission in Somalia (AMISOM). Uganda's ability to respond to such threats was inconsistent, given its resource and capacity limitations, porous borders, and corruption at all levels of government.

2015 Terrorist Incidents: On March 30, Joan Kagezi, Assistant Director of Public Prosecution and Head of the International Criminal Division in Uganda's Ministry of Justice, was shot and killed while shopping at a local market. Kagezi was prosecuting individuals associated with the Lord's Resistance Army as well as suspects in the 2010 World Cup terrorist bombings in Kampala that killed 76 people, including one American. The Government of Uganda officially labeled this a "terrorist-affiliated assassination act." At year's end, no one had been charged with Kagezi's murder.

Legislation, Law Enforcement, and Border Security: Uganda's Anti-Terrorism Act of 2002, which has been Uganda's primary legal framework for deterring, detecting, and prosecuting terrorist activity and incidents, was revised in June. Parliament adopted the Anti-Terrorism (Amendment) Bill, 2015, to expand the list of terrorist acts to include indirect involvement in terrorist activities as well as: electronic attacks, acts against national security or public safety, acts of terrorism committed in a foreign state, and unlawful possession of materials promoting terrorism. At the end of 2015, the Ugandan government intended to further amend the act.

The Uganda Police Force (UPF) Directorate of Counterterrorism is the lead Ugandan law enforcement entity charged with investigating, disrupting, and responding to terrorist incidents. While Ugandan law enforcement officers assigned to this directorate were highly motivated, the UPF overall was limited in its capacity to detect, deter, and respond to terrorist incidents due to the lack of manpower, resources, basic skills, and competencies. Further hindering the UPF's ability to combat terrorism, Ugandan police officers in general were particularly susceptible to corruption due to the generally low level of pay and late disbursement of salary payments.

In the wake of increased terrorist activity and violent crime in the East Africa region, the UPF established an interagency unit to better coordinate counterterrorism efforts across Ugandan security agencies.

The bulk of the counterterrorism police and other law enforcement elements was centrally located in the capital, which limited the effectiveness of law enforcement in the border regions and other areas outside Kampala. The UPF lacked the technological resources needed to conduct comprehensive terrorism investigations in the most effective manner, although the UPF held regular interagency meetings in an attempt to ensure coordination among its security and intelligence agencies.

The United States continued to provide significant counterterrorism training assistance to the UPF, specifically through the Department of State's Antiterrorism Assistance program, which builds capacity in the areas of counterterrorism investigations, crisis response, and border security. Border security remained a persistent concern for the Ugandan government, which continued work to expand its enforcement and monitoring capacity. Notable among these activities in 2015 was the Department of State's second-annual East Africa Joint Operations capstone exercise, a month-long training series hosted in Kenya for Kenyan, Ugandan, and Tanzanian law enforcement personnel; the exercise culminated in a large-scale simulation of a response to a terrorist incident, including a cross-border pursuit, that also focused on community engagement and human rights-related issues. Uganda relied on the Terrorist Interdiction Program's Personal Identification Secure Comparison and Evaluation System (PISCES) to conduct traveler screening and watchlisting, incorporating biographic and biometric screening at the country's major points of entry.

The UPF cooperated with the United States on terrorism-related cases, and the U.S. Federal Bureau of Investigation (FBI) maintained strong relationships with the UPF. Uganda was prosecuting the 12 individuals arrested for orchestrating the July 2010 al-Shabaab bombings following the World Cup, and was working closely with the FBI since one of the victims of those attacks was an U.S. citizen. The FBI continued to work with the Ugandan government on other terrorism investigations.

The United States and UPF continued to try to operationalize a 2013 Memorandum of Cooperation to modernize the UPF's criminal records management system to replace the outdated system used to identify criminal and terrorist suspects.

Countering the Financing of Terrorism: Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force (FATF)-style regional body. In 2015, Uganda was under review by the FATF itself, due to a number of strategic deficiencies in its anti-money laundering/combating the financing of terrorism (AML/CFT) regime. In July, Uganda made further progress toward implementing the Anti-Money Laundering Act (AMLA) of 2013 when the finance minister constituted a five-member board of the Financial Intelligence Authority (FIA), which under the AMLA is responsible for monitoring and regulating remittance services and wire transfer data. However, at year's end the FIA has not become fully functional due to a lack of staffing and funding from the central government.

A significant portion of financial transactions in Uganda takes place in the form of "mobile money" payments and transfers, which could be abused by individuals and entities engaged in money laundering, terrorism financing, or other forms of financial crime. At the same time, money transfers and payments through mobile phones are a key provider of basic financial services for low-income earners who cannot afford the charges levied by banks. While the AMLA requires financial institutions to conduct comprehensive customer due diligence, it does not put the same requirements on mobile money transfers.

Uganda has made some progress toward, but still falls short of, meeting its international obligation to criminalize terrorism financing and it continues to have significant deficiencies with respect to its procedures for implementing targeted financial sanctions. Through the Ministry of Foreign Affairs, the Ministry of Finance, and the Bank of Uganda, the government routinely distributes UN lists of designated terrorists or terrorist entities to financial institutions.

Countering Violent Extremism: The Government of Uganda recognizes the importance of countering violent extremism (CVE) and has shown interest in partnering with the U.S. government and Ugandan Muslim leaders to conduct more systematic and targeted outreach to counter violent extremism. These efforts included the Ugandan government's attendance at the White House Summit on Countering Violent Extremism convened in Washington, DC, in February 2015, and follow-on regional meetings. Local NGOs were involved in counter-messaging focused on the Muslim community. While the government recognized the need for CVE programs, the success of its efforts has generally been hindered by the lack of a clearly defined programmatic response and an unorganized methodology for assigning Ugandan government offices and personnel to address CVE issues.

International and Regional Cooperation: Uganda is a strong force for regional stability, security coordination, and counterterrorism efforts, and is an active member of the AU, the Intergovernmental Authority on Development, the East African Community, the Partnership for Regional East Africa Counterterrorism, and the International Conference on the Great Lakes Region. Uganda contributed troops to AMISOM to stabilize Somalia and counter al-Shabaab. In July, Uganda signed a memorandum of understanding with Ethiopia to strengthen defense ties. The agreement focuses on the security situation in South Sudan and Somalia and terrorism in the region.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	25
World Governance Indicator – Control of Corruption	12

US State Department

Corruption is one of Ugandan's most serious problems and appears to be worsening. A December 2012 report on corruption by Uganda's Inspectorate of Government characterized corruption in Uganda as "rampant" and noted that "corruption causes distortions of great magnitude in the Ugandan economy." The report cited public procurement as the area most vulnerable to abuse, and noted that 9.4 percent of total contract values went to corrupt payments in procurements both at the local and central government levels. Throughout 2012, a series of corruption scandals involving government officials dominated the headlines.

In October, 2012, the World Bank and a number of European countries providing direct budget support to Uganda suspended nearly $300 million in aid after an investigation revealed that officials in the Office of the Prime Minister had stolen as much as $20 million in foreign aid meant for reconstruction and poverty-reduction in Northern Uganda. Uganda's rank in Transparency International's (TI) corruption perceptions index declined to 140 out of 177 countries surveyed in 2013. TI's 2013 East African Bribery Index survey ranked Uganda as the most corrupt country in East Africa, with Ugandan citizens six times more likely to be asked for a bribe than their counterparts in Rwanda.

In recent years, the Government has taken measures to tackle the problem of corruption. In 2009, Uganda passed an Anti-Corruption Act, criminalizing bribery, influence peddling, and a long list of other offenses. The Whistleblowers Protection Act of 2010 now provides some protection to citizens who report malfeasance, while the long awaited Anti-Money Laundering Bill was signed into law in 2013. Other draft legislation, including an Anti-Counterfeiting Bill, a Proceeds of Corruption Assets Recovery Bill, and a Public Finance Management Bill (PFMB) are pending in Parliament. The PFMB is particularly aimed at curbing abuse of public funds by introducing the Treasury Single Account, which is a centralized system of disbursing public funds. Uganda's High Court opened an Anti-Corruption Division (ACD) in 2009. In July, the Constitutional Court halted all ACD activity due to a petition filed that challenged the constitutionality of the ACD. In December 2013, the Constitutional Court ruled that the ACD is constitutional, paving the way for corruption cases to resume.

In spite of these measures, however, the public perception is that not enough is being done, and that high-level officials involved in corruption – especially politicians – are not seriously investigated or prosecuted. The Auditor General's annual report for the financial year 2012/2013 reveals that officials at the Finance Ministry and the Central bank had appropriated money from the Oil Tax Fund (which had been earmarked for construction of Karuma Dam) to other purposes without following proper procedure, while another $38 million in public funds had been spent on “off-budget” activities (activities unaccounted for in the national budget). The report also highlighted another $20 million of public funds had been spent on refunds to donor agencies for money stolen or misappropriated by corrupt government officials, with no effort made to recover such monies from the culprits, as had earlier been announced. As politicians began campaigning for the 2016 presidential elections in 2014, it is likely that the pattern of pre-electoral government borrowing may repeat itself.

Uganda’s small private sector is not yet robust enough to have developed compliance programs to detect and prevent bribery or to develop internal codes of conduct. 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. American firms have complained of lack of transparency in government procurement and possible collusion between competing business interests and government officials in tendering processes. Some foreign businesses have been urged to take on prominent local partners. In recent years, a number of high-profile government tenders for infrastructure projects were suspended following allegations of corruption. Some American firms, which are bound by the U.S. Foreign Corrupt Practices Act, suspect they have lost tenders to bidders from countries which have not criminalized the paying of bribes to foreign officials.

Corruption and Government Transparency - Report by Global Security

Political Climate

When the National Resistance Movement (NRM) assumed power in Uganda in 1986, it was with the promise of putting an end to the abuse and misuse of power that characterised the country at the time. The Ugandan economy has been affected by the global economic downturn with GDP growth falling from 8% in 2007 to 4.5% in 2012. However, the economy is expected to start rebounding and this has been helped by a high bout of inflation being brought under control in 2012. Despite the continued growth and Uganda's growing fiscal independence, the majority of its people continue to live in poverty. The recent discovery of oil has the potential to drag many Ugandans out of poverty but only if the proceeds are managed properly. A new Petroleum Law was finally passed in December 2012 but has been fiercely criticised by, amongst others, Global Witness, who argues that the law gives too much power to the energy minister and the proposed procedures lack transparency. A corruption scandal in 2012 involving the misappropriation of aid funds has resulted in the cutting of aid by Ireland, Norway, Sweden, the UK, Germany, and the EU, according to a December 2012 Reuters article. The coordinated action by Western donors has the potential to influence political actions as foreign aid accounts for 25% of Uganda's government budget. The current president, Yoweri Museveni (NRM), won the 2011 presidential elections, his fourth consecutive victory. According to a February 2011 article by Bloomberg, international observers have criticised the electoral process for being marred with voter intimidation, fraud and bribery claims. Corruption in Uganda remains a serious problem despite Museveni's announcement of a 'zero-tolerance' of corruption policy in 2006. In October 2011, an MP accused Kutesa, Prime Minister Amama Mbabazi and Interior Minister

Hilary Onek of taking multi-million dollar bribes from a United Kingdom-based company, Tullow Oil. In December 2011, Uganda's Constitutional Court halted the Parliament's oil bribery investigation and the UK's Serious Fraud Office dropped its investigation into the matter.

Corruption in Uganda is manifested by grand-scale theft of public funds as well as petty corruption involving public officials at all levels of society, and widespread NRM patronage systems reaching into the private sector continue to be strong. According to the US Department of State 2011, although the law penalises official corruption and the government has increasingly begun to investigate offenders, officials still continue to engage in corrupt practices with impunity. Political will to combat corruption at the highest levels of government remains weak, and corruption cases remain pending for years. In the cases where the government has launched investigations against high-level figures, these have been dragged out in court with no resolution. It is a widely held view amongst citizens that corruption is pervasive and institutionalised. According to Afrobarometer 2012, citizens consider the highest ranking politicians to be the most corrupt. Furthermore, Ugandans consider a political environment that is clean and free from corruption to be the most important characteristic of a democracy. According to Transparency International's Global Corruption Barometer 2010/2011, the police and the judiciary are perceived to be the most corruption-prone public institutions by the surveyed Ugandans. In the same report, 24% perceive the current government's efforts in fighting corruption as 'ineffective', and 67% of Ugandans perceive that the level of corruption has increased in the past three years.

Although Uganda has an extensive legal framework and a net of agencies to curb corruption, implementation and enforcement of the existing legislation is weak, and the Ugandan government's effort and ability in fighting corruption is still being questioned because it occasionally neglects recommendations given by agencies involved in fighting corruption. Additionally, insufficient funding and understaffing within these agencies have largely hindered their ability to carry out anti-corruption measures. The government has developed a long line of anti-corruption strategies as well as the Inter Agency Forum (IAF) to coordinate the activities of governmental anti-corruption institutions. Nevertheless, important government institutions, such as the Inspectorate of Government (IGG) and the judiciary, are still politically hampered and their reports and recommendations rarely heeded. The IGG has implicated anti-corruption institutions in incidences of corruption, such as the lower levels of the police and the judiciary. Moreover, critical voices highlight the lack of communication and coordination between the many anti-corruption institutions as a serious impediment, and these realities have fuelled the perception of a lack of political will in fighting corruption. Global Integrity 2011 reports that most people are losing confidence in the bodies commissioned to fight corruption and nepotism, largely due to perceived impunity. Given a political environment rife with corruption, business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 reveal that the level of public trust in politicians is very low. Despite the recent increase in focus on corruption in Uganda, several sources point to a lack of political will as the major obstacle in the fight against corruption, particularly at local government levels. Global Integrity 2011 also points out that there is still a very long way to go before the fight against corruption is won.

Business and Corruption

Uganda continues to maintain its standing as one of East Africa's relatively successful economies with some of the highest economic growth rates in the region. In a drive to increase fiscal independence, the government has been attempting to increase tax revenues by extracting more revenue from small companies and by incorporating more of Uganda's large informal sector into the formal sector. The country enjoys significant inflows of foreign direct investment and the Ugandan government remains committed to structural reforms in order to improve the investment climate and increase productivity. Overall, Uganda's business climate has improved in recent years and the gains are having positive effects on companies, especially larger ones.

In 2001, the Ugandan government established the Uganda Investment Authority to help foreign investors set up companies in the country. Nevertheless, according to the US Department of State 2012, corruption and government interference in the private sector can make Uganda a difficult place to do business. In contrast, according to Transparency International's Global Corruption Barometer 2010/2011, the private sector is perceived as less corrupt than other sectors in the country and is given a score of 2.4 on a 5-point scale (1 'not at all corrupt' and 5 'extremely corrupt'). Business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013, cite corruption as the most problematic factor for doing business in Uganda. According to the report, companies consider the occurrence of irregular payments and bribes in Uganda as common. Companies also identify the favouritism of government officials in rewarding contracts to well-connected companies and individuals, and the ethical behaviour of companies operating in Uganda as significant competitive disadvantages. Foreign-owned companies are not specifically targeted for bribes and payoffs. However, companies should note that tendering processes, in particular for defence items, are not being carried out in a transparent manner, and there is possible collusion between competing companies and government officials, as reported by the US Department of State 2011. Several sources, including UNAFEI 2007, report that government bureaucracy in providing certain services, like issuance of licences and permits, involve several approval stages that provide fertile ground for rent-extraction.

First established in 2003, the Public Procurement and Disposal of Public Assets Authority (PPDA) has been playing an active role in assuring compliance with procurement guidelines, leading to a reduction in corruption losses in procurement. However, companies should be aware that corruption and lack of transparency still prevail in public procurement processes, and officials expect under-the-table cash payments, according to US Department of State 2012. Moreover, according to a 2010 news article by AllAfrica, citing a recent report by the PPDA, corruption in public procurement has resulted in a loss of at least USD 184 million each year. In order to best reduce the risk of extortion and demands for bribes in the procurement process, foreign investors considering bidding on public tenders in Uganda are advised to use a specialised public procurement due diligence tool. Private sector development is also hampered by grand corruption, which leads to significant financial losses through mishandled procurements and outright embezzlement. According to a 2009 news article by AllAfrica, the parliament passed the Anti-Corruption Act 2009, setting a stricter punishment, including imprisonment for up to ten years for corruption in both public and private sectors. Hence, companies are strongly recommended to develop, implement and strengthen integrity systems, and to conduct extensive due diligence when planning to do or are already doing business in Uganda.

Regulatory Environment

According to the US Department of State 2012 regulation and bureaucracy in Uganda are not always transparent or consistent and are subject to corruption. According to the Bertelsmann Foundation 2012, the formerly dense bureaucratic regulations and direct state intervention have been continually and significantly reduced in recent years. However, market competition rules are yet to be consistently applied to all market participants. According to the World Economic Forum Global Competitiveness Report 2012-2013, companies identify Uganda as having a competitive advantage in relation to the burden of government regulation. Also, business executives report that government policy-making has increasingly become more transparent. According to the World Bank & IFC Doing Business 2013, it takes an average of 33 days and 15 procedures to start a company in Uganda and no minimum capital is required to do it. According to Transparency International's Global Corruption Barometer 2010/2011, almost 28% of Ugandan households perceive public officials to be 'extremely corrupt', making it one of the most corruption-prone categories in the country, preceded by the police and the judiciary.

The US Department of State 2012 reports that Uganda generally has an open climate for foreign investment and provides a level playing field for foreign and domestic investors. Nonetheless, the widespread corruption damages the Ugandan business environment, for instance, by restricting the ability of foreign investors to participate in governmental tenders on an equal basis. Moreover, foreign companies have complained that some judges delay rulings on disputes involving politically well-connected parties. The Land Registry, in particular, has been singled out as being characterised by a complex set of laws and for being non-transparent. Although property rights and rules for the acquisition of property are clearly established in principle, their implementation is not consistent. This is especially the case regarding acquisition and ownership of land. Foreign companies are supposed to share the same rights to own property as Ugandan nationals, but the judicial and administrative practices of ensuring existing property rights are often flawed. According to the US Department of State 2012, the revised Investment Code has been presented to Parliament. The revised Code will make the Ugandan Investment Authority a more effective one-stop shop for investors, by providing it with new powers to allocate government resources for investment, and to grant incentives for rural investment.

In contrast to the companies surveyed by the World Economic Forum report introduced above, several sources note that decentralisation and the vast amount of approval stages in the bureaucracy have resulted in higher costs and time-consuming procedures for companies. It is further reported that one of the problems resulting from the decentralisation of the political administrative system is continuing pervasive corruption at all levels of government, especially in the local government bodies. Court procedures are complex and administrative corruption is high, but despite a lack of capacity, the commercial courts normally dispose of disputes within seven months. However, it is estimated by the US Department of State 2012 that 80% of commercial disputes are resolved outside the court system in order to save money and time. The Centre for Arbitration and Dispute Resolution was developed in accordance with the Arbitration and Conciliation Act 2000 and can assist in commercial disputes. The latter incorporates the 1958 New York Convention, requires the Ugandan government to accept binding arbitration with foreign investors, and authorises binding arbitration between private parties. Foreign court rulings are accepted and enforced by Ugandan courts where those foreign courts accept and enforce the judgments of Ugandan courts. Companies are recommended to include provisions for alternative dispute resolution in their contracts. Access the Lexadin World Law Guide for a collection of legislation in Uganda.

Section 3 - Economy

Uganda has substantial natural resources, including fertile soils, regular rainfall, small deposits of copper, gold, and other minerals, and recently discovered oil. Uganda has never conducted a national minerals survey. Agriculture is the most important sector of the economy, employing over 80% of the work force. Coffee accounts for the bulk of export revenues. Since 1986, the government - with the support of foreign countries and international agencies - has acted to rehabilitate and stabilize the economy by undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages. The policy changes are especially aimed at dampening inflation and boosting production and export earnings. Since 1990 economic reforms ushered in an era of solid economic growth based on continued investment in infrastructure, improved incentives for production and exports, lower inflation, better domestic security, and the return of exiled Indian-Ugandan entrepreneurs. The global economic downturn hurt Uganda's exports; however, Uganda's GDP growth has largely recovered due to past reforms and sound management of the downturn. Oil revenues and taxes will become a larger source of government funding as oil comes on line in the next few years. Instability in South Sudan is a risk for the Ugandan economy because Uganda's main export partner is Sudan, and Uganda is a key destination for Sudanese refugees. Unreliable power, high energy costs, inadequate transportation infrastructure, and corruption inhibit economic development and investor confidence.

Agriculture - products:

coffee, tea, cotton, tobacco, cassava (tapioca), potatoes, corn, millet, pulses, cut flowers; beef, goat meat, milk, poultry

Industries:

sugar, brewing, tobacco, cotton textiles; cement, steel production

Exports - commodities:

coffee, fish and fish products, tea, cotton, flowers, horticultural products; gold

Exports - partners:

Kenya 12.8%, Rwanda 10.7%, UAE 9.9%, Democratic Republic of the Congo 9.7%, Netherlands 5.7%, Germany 5.2%, Italy 4.1% (2012)

Imports - commodities:

capital equipment, vehicles, petroleum, medical supplies; cereals

Imports - partners:

Kenya 16.6%, UAE 14.5%, China 12.3%, India 11.3%, South Africa 4.2% (2012)

Banking

Due to insider lending, poor supervision, and excess supply, Uganda's formal financial system underwent a significant restructuring in the 1990s, resulting in the closure of several commercial banks. Since that time, the sector has seen steady improvement and now is stable and well-capitalized. The system includes The Bank of Uganda (BOU, Uganda's central bank), 22 commercial banks, and many micro deposit institutions, credit deposit institutions, and development banks. Most of Uganda's largest commercial banks have foreign owners, including Citibank, Barclays, Stanbic and Standard Chartered. A deposit insurance fund with contributions from the GOU and banks has been put in place to protect depositors, though the fund has yet to be tested.

Stock Exchange

The Capital Markets Authority Statute of 1996 and subsidiary regulations address thelicensing of broker/dealers and of stock exchanges, and established the Capital Markets Authority (CMA) as the securities regulator in Uganda. The Kampala Securities Exchange (USE) was inaugurated in June 1997, and is now trading the stock of 11companies.

Section 4 - Investment Climate

Executive Summary

A youthful population, open markets, and abundant natural resources highlight the numerous opportunities investors can find in Uganda. While the country maintains a liberal trade and foreign exchange regime, and largely adheres to IMF/World Bank programs to fight poverty, recent developments, including the passage of the Anti-Homosexuality Act, and continuing reports of endemic corruption and financial mismanagement, have raised questions about Uganda as a destination for investment. The Government has prioritized building and improving infrastructure, including boosting energy production, lowered tariffs and trade barriers for regional trade, and generally welcomes foreign direct investment. However, sluggish bureaucracy, poor infrastructure, insufficient power supply, the low level of professional skills, slow and non-transparent decision-making processes, high energy and production costs, non-tariff barriers, corruption, and government interference in the private sector make for a challenging investment climate in Uganda. From a policy perspective, the country continues to face a number of macro-economic challenges, most notably shortfalls in revenue collection, an inability to expand its tax base, and political pressure to keep up government spending as the 2016 presidential election approaches.

Uganda has significant oil reserves - an estimated 3.5 billion barrels, including 1.8 billion that are recoverable. With only 40 percent of the oil-rich area explored, additional discoveries could boost Uganda's oil reserves. Uganda could eventually become one of the region's major oil producers with the commencement of commercial oil production, currently expected to begin in 2018. Power supply remains one of the largest obstacles to investment, and Uganda's electricity network urgently needs renovation and expansion. Access to electricity countrywide is a meager 12 percent. The Government formally broke ground on the 600-megawatt Karuma hydropower project in 2013, but the project continues to be dogged by delays, and is not expected to be commissioned until 2018. In the meantime, Uganda is working to expand its power supply by constructing a number of micro-hydro projects along the Nile River and is promoting the development of sources of renewable energy.

High transportation costs are another constraint on Uganda's economy. Uganda's dilapidated road and bridge infrastructure needs considerable investment, its railway system is in disrepair, and air freight charges are among the highest in the region A two-lane highway from Kenya remains the primary route for 80 percent of Uganda's trade, making transportation slow, costly and susceptible to disruption. Also a problem is Uganda's reliance on Kenya's Mombasa port, where chronic congestion increasingly results in costly delays. While Uganda and Kenya have worked to remove non-tariff barriers, resulting in quicker transit times, chronic congestion at the port in Mombasa results in costly delays. Uganda also hopes to shift more cargo transit from trucking to rail but extensive and expensive rehabilitation of existing rail lines is required before freight trains can service Uganda. Aviation continues to grow, and in 2013, passenger traffic through Uganda's Entebbe International Airport was up 8.5 percent from 2012, with more than 1.3 million travelers passing through Uganda's only international airport.

Uganda's social services systems are lagging behind the demand generated by economic expansion and population growth. At 3.2 percent per year, Uganda's population growth rate is one of the fastest in the world, and its current total population of 35.4 million is expected to rise to 54 million by 2025. While creating potential markets for products, the country's population growth is also increasing the strain on social services, underfunded schools and hospitals, infrastructure, forests, water, and land resources. The high level of HIV/AIDS infection in the country is also taxing social services. Uganda developed a model program to combat HIV/AIDS, and prevalence rates decreased from close to 20 percent in the 1990s to 6.4 percent in 2006. However, this trend has recently shown a troubling reversal, with HIV/AIDS prevalence rising to 7.3 percent in 2012.

Uganda's economy experienced robust growth the past decade, especially in the energy, construction, infrastructure, telecommunications and financial services sectors. After a brief slowdown, annual GDP growth is expected to approach seven percent by 2015 but there are fears that a prolonged campaign leading up to the 2016 election will lead to a lack of fiscal discipline. Inflation is creeping upwards, standing in May 2014 at about seven percent, while commercial lending rates remain well over 20 percent. Recently, GOU initiatives have focused on infrastructure investment, the promotion of Foreign Direct Investment (FDI), value-added manufacturing and increased international trade.

1. Openness to, and Restrictions upon, Foreign Investment

Attitude Toward FDI

Uganda is open to foreign investment and provides tax incentives for medium and long-term foreign investors. Based on ease of doing business, trade freedom, property rights, and fiscal and monetary policy, Uganda continued to slide in the Heritage Foundation's 2014 Index of Economic Freedom, falling to 91 out of 178 countries, with an overall score of 59.9, its second lowest economic freedom score ever. Uganda ranks as the 10th freest among the 46 sub-Saharan African countries on the index. However, Uganda ranked low at 28th of 46 sub-Saharan African countries on measures of corruption due to perceptions of widespread corruption even at the highest levels of government.

In 2012, Uganda's foreign direct investment nearly doubled to $1.7 billion, up from $900 million in 2011, an increase driven largely by increased investment in the oil sector. According to the Uganda Bureau of Statistics, Asian countries, notably China, India, and Singapore account for nearly half of all foreign direct investment in Uganda. Britain, Kenya, and Sudan are also significant investors. U.S. foreign investment in Uganda remains relatively small, with new U.S. investments in 2012 totaling nearly $20 million, making the U.S. the 11th largest investor in Uganda. The main areas of foreign investment were in manufacturing, financial services and real estate, and agriculture, forestry and fish. Other areas of significant investment were in power, oil, construction and mining.

In response to growing perceptions that foreign workers without work permits were taking local jobs, the Government began more strictly enforcing its foreign labor laws. Foreign investors in Uganda should be aware that projects that could impact the environment require an Environmental Impact Assessment (EIA) carried out by the National Environment Management Authority (NEMA). The requirement for EIAs applies to both local and foreign investors.

Other Investment Policy Reviews

The United Nations Committee on Trade and Development conducted an Investment Policy Review in 2000. More recently, the WTO carried out a Trade Policy Review for the East African Community.

Laws/Regulations of FDI

Ugandan policies, laws, and regulations are generally favorable towards foreign investors, but reforms are needed. The Investment Code allows foreign participation in any industrial sector except those touching on national security or requiring the ownership of land. Licensing from UIA requires a commitment to invest over $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 greenfield ventures. If passed, the amended Companies Act will allow for the creation of single-person companies, permit the registration of companies incorporated outside of Uganda, and provide new provisions for share capital allotments and transfers. For a full description of the type of companies foreign firms are allowed to establish, visit the UIA website at www.ugandainvest.com, or see the Business in Development Network Guide to Uganda available at www.bidnetwork.org.

In 2014, the Uganda Investment Authority (UIA) announced they would introduce an online “dedicated one-stop center” that will allow investors to:

- Apply and receive the investment license online
- Choose an investment area of interest
- Pay all the assessed fees
- Supply details of business registration to Uganda Registration Services Bureau (URSB)
- Apply for tax identification number (TIN)
- Apply for land online.

This builds on earlier efforts that placed officers from Immigration, the Uganda Revenue Authority (URA), and URSB at UIA to allow investors to register their business, get a tax ID, open a tax file, and apply for investments licenses and work permits. The URSB recently computerized its company registry, reducing the time and number of steps required to start a business, and revisions to the Investment Code now pending in Parliament would further streamline the process.

In recent years, the URA has improved its efficiency, boosted transparency, and increased tax compliance. Some foreign investors have complained that tax rules are unclear and subject to change, and a number of foreign companies have had tax disputes with URA in recent years, including one that has led to international arbitration over capital gains taxes on sales of oil assets. Individuals are taxed at rates between zero and 30 percent, corporate tax is 30 percent, the Value Added Tax (VAT) is 18 percent, and capital gains taxes on profits accrued after 1998 are 30 percent. Due to revenue shortfalls, URA has increasingly become more aggressive in corporate tax collection.

Ugandan courts generally uphold the sanctity of contracts, though judicial corruption and procedural delays caused by well-connected defendants are a serious challenge. At times, Ugandan government agencies are reluctant to honor judicial remedies issued by the courts. Courts apply the principles of English common law. Under current debt collection laws, creditors can prove their debts to a court-appointed receiver for payment. Secured debtors receive payment priority.

Industrial Strategy

In addition to tax incentives, Uganda offers investment incentives for investors in four "priority" sectors: information and communication technology, tourism, value-added agriculture, and value-added investments in mineral extraction. Uganda is also hoping to lure additional investors with several industrial parks under development in Uganda's largest urban centers, including Jinja, Kasese, Mbarara, Mbale, Gulu, and Soroti. Investors in priority sectors can get a 49-year lease in an industrial park without paying the usual $80,000 lease fee. The Namanve Industrial Park on the outskirts of Kampala has several large international companies already operating, although the development of the park has been slowed by squatters and inadequate infrastructure. The park is divided into four main industrial clusters: food processing, light industry and services, heavy industry, and another for SMEs. Other parks are planned for Jinja, Kasese, Mbarara, Mbale, Gulu, and Soroti. Investors can find information on investor incentives on the UIA website at www.ugandainvest.go.ug.

Limits on Foreign Control

Historically under Ugandan law, foreign investors could form 100 percent foreign-owned limited or unlimited liability companies and majority or minority joint ventures with Ugandan partners without restrictions. However, recently passed Petroleum Act (April 2013) calls for good and services in the **petroleum industry** that are not available in Uganda to be delivered via a joint venture with a Ugandan company (defined as at least 51 percent of the company being owned by Ugandan citizens) owning at least a 48 percent share of the company.

Privatization Program

The government began a privatization program in 1993 that has resulted in the complete or partial divestiture of the majority of Uganda's public enterprises, with just a few remaining in State hands. The program has attracted foreign investors primarily in the **agribusiness**, hotel, and **banking** industries. Though generally deemed successful, some observers have questioned the transparency of certain transactions carried out in the name of privatization, arguing that the benefits of the most lucrative sales went to insiders.

State-owned enterprises currently exist in a number of sectors, including 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. The government is open to competition from private investors in all of these sectors.

Screening of FDI

Uganda's stated process to screen, review, and approve foreign investments is straightforward. A company must first register locally with the Uganda Registration Services Bureau (URSB) and then apply for an investor license. UIA used to perform due diligence on foreign companies but the practice was dropped because it took too long and discouraged investment. The information the investor provides is used to issue the license. Greenfield proposals receive the same treatment and are not treated differently from acquisitions or takeovers. Businesses are required to file with the URSB and UIA. There is no review process or screening mechanism for foreign investments. Any information provided by companies is kept strictly confidential by UIA.

Competition Law

There is no competition law in Uganda.

Investment Trends

The telecom sector has boomed since 2006, when the Government lifted a moratorium on new mobile telephone operator licenses, and seven companies are now in the market. This has generated fierce competition, lower prices, wider coverage, and greater telephone penetration among the population and throughout the country. Uganda now has nearly a million Internet subscribers, 15.5 million cell phone users (up from 14.7 million a year ago), and some 5.7 million Internet users (up from 4.6 million a year ago). But the rapid growth has also lead to service problems, as rising demand has exceeded network capacity. In 2011, Uganda launched a $117 million national fiber-optic network to take advantage of the arrival of undersea fiber-optic cables in East Africa, and in 2012 it began the process of migrating from analogue to digital broadcasting. These projects, along with government plans to enhance cybersecurity in the country, implement e-governance initiatives, and increase technological integration with neighboring countries in the East African Community, are opening up excellent investment opportunities for international communications technology firms.

Uganda's oil and gas sector will most likely continue to drive foreign direct investment for the next several years. While the Ugandan government has taken modest steps to encourage FDI, corruption, slow and non-transparent decision-making, and poor infrastructure will likely continue to scare off risk-averse investors.

Table 1: Uganda's Rankings

Measure	**Year**	**Index or Rank**	**Website Address**
TI Corruption Perceptions index	2013	(140 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(91 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease	2013	(132 of 189)	http://doingbusiness.org/rankings

of Doing Business"			
Global Innovation Index	2013	(89 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	$480	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less.

A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards.

Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

2. Conversion and Transfer Policies

Foreign Exchange

Uganda keeps open capital accounts, and Ugandan law imposes no restrictions on capital transfers in and out of Uganda. 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 there are generally no restrictions on repatriation of funds by foreign investors, a foreign investor who benefits from incentives granted under the investment code (including concessional rates of import duty and other taxes) needs authorization from the UIA before he or she can "externalize" (repatriate) any funds. Even when such authorization is granted, it only applies to repatriation for particular purposes as specified under the "certificate of approval to externalize funds."

Remittance Policies

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 recently enacted Anti-Money Laundering Act, 2013 and the Financial Institutions (Anti-Money Laundering) Regulations, 2010 impose a number of "know your customer" requirements on entities involved in money transfer in Uganda. These various laws and regulations authorize the Central Bank and the (soon to be created) Financial Intelligence Authority to impose restrictions on remittances or other money transfers that are linked to money laundering or terrorist financing. Beyond the usual regulatory requirements however, there are no restrictions on remittances to Uganda.

3. Expropriation and Compensation

The mass expropriation of Asian properties under the Idi Amin regime in the 1970s was the largest violation of property rights in Uganda's history. With the passage of the Expropriated Properties Act of 1982, the Government began to right this historical wrong, and by 1997 approximately 4,000 properties had been returned to their owners, and 1500 others were sold off and the former owners compensated. There has been no case of expropriation since Museveni came to power in 1986.

The Ugandan Constitution states that the interests of a licensed investor may only be expropriated when it "is necessary for public use or in the interest of defense, public safety, public order, public morality or public health..." The Constitution also guarantees "prompt payment of fair and adequate compensation, prior to the taking of possession or acquisition of the property." The Constitution guarantees any person who has an interest or right over expropriated property access to a court of law. In addition, Uganda’s Investment Code states that no business enterprise registered under the code shall “be compulsorily taken possession of or acquired except in accordance with the Constitution of Uganda.”

In the event of expropriation, the Code stipulates that “compensation in respect of the fair market value of the enterprise specified in the enterprise or an interest or right over property forming that enterprise shall be paid within a period not exceeding twelve months from the date of taking possession or acquisition.” Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Uganda is reforming its commercial justice system, which now includes mandatory mediation for all commercial disputes to help reduce case backlogs. Uganda opened its first Commercial Court in 1996 to deliver an efficient, expeditious, and cost-effective mode of adjudicating commercial disputes. The court has four commercial court judges and two deputy registrars.

In 2012, the court handled nearly 1300 commercial cases, and the caseload is expected to steadily increase as investment continues to flow into Uganda's oil sector. Despite a lack of funds and space, the commercial courts dispose of disputes within about seven months, faster than civil courts have traditionally disposed of commercial cases. The court has 17 mediators, and through pre-trial conferences, approximately 80 percent of disputes are now settled out of court, saving time and money.

Because Ugandan law stipulates that the Court be "proactive," the Court engages regularly with the private sector through its 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 the number of tax cases resulting in litigation, and has persuaded banks to opt for loan restructuring in default cases that were previously ending up in court. Some investors have complained that the legal process favors local companies, that political pressures can disrupt and delay outcomes, and that government agencies can be slow or reluctant to follow rulings. The Center of Arbitration for Dispute Resolution (CADER) can assist in commercial disputes. The court has also recently increased transparency and efficiency by taking steps toward creating an "e-court environment" – a process it expects to complete by 2015. In addition to digitizing its records, the court now digitally records court proceedings, a move which will speed up processing the caseload by enabling cases to be heard from remote parts of the country.

Bankruptcy

Uganda ranks 79 out of 189 countries for resolving insolvency in the World Bank's Doing Business Report. Uganda fares better than its Sub-Saharan Africa (SSA) neighbors in the time it takes to close a business (2.2 years in Uganda, 3.1 years in SSA countries) and in the recovery rate that claimants recover from an insolvent firm (36 cents on the dollar in Uganda, 19 cents in SSA countries). Uganda has a law on Bankruptcy (The Bankruptcy Act, 1931) which 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.

Although monetary judgments and awards are made in Ugandan currency, the courts follow the constitutional requirement that payment be "fair and adequate."

Investment Disputes

In a bid to overcome the negative publicity associated with the 1972 expulsion of Asians, Uganda has made several efforts to create a legal environment conducive to foreign investment and the country has not had any major disputes involving U.S. investors. The most prominent foreign investment dispute involving Uganda in recent years is the tripartite tax battle between the government and two foreign oil companies (Tullow Oil and Heritage). The dispute arose after Heritage sold its Ugandan oil fields to Tullow and both firms disagreed over who should pay the $400 million in Capital Gains Tax to the Ugandan government. A London-based arbitrator ordered Heritage Oil to refund Tullow oil for the $400 million paid to Uganda. In a separate and pending case, Tullow also sued the Uganda government before the Investment Disputes between States and Nationals of Other States (ICSID), challenging the GoU's levying of Value Added Tax on goods and services purchased in connection with its operations in the country.

International 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.

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 UNCITRAL Model Law on International Commercial 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. Due to antiquated laws that codify penalties using specific shilling amounts, in some cases penalties are not a sufficient deterrent due to currency depreciation. However, Uganda is slowly rectifying this, modifying outdated laws, and codifying penalties in new laws using currency points. Pursuant to Section 73 of the Arbitration and Conciliation Act, the Government accepts binding arbitration with foreign investors. The act, which incorporates the 1958 New York Convention, also authorizes binding arbitration between private parties. Uganda does not yet have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with an investment chapter with the United States.

Duration of Dispute Resolution

Although Ugandan courts have a reputation for slow dispensation of justice, commercial/investment disputes at the domestic level are handled by the Commercial Court which, perhaps owing to its specialized nature, often disposes of cases within seven months (unlike ordinary courts which take longer).

5. Performance Requirements and Investment Incentives

WTO/TRIMS

On September 29, 1994, Uganda ratified the Marrakesh Agreement to become an original member of the World Trade Organization (WTO) and is thus bound by all WTO Multilateral Agreements. Uganda grants Most Favored Nation (MFN) treatment to all its trading partners and has made special effort to establish appropriate machinery to implement the WTO agreements. Despite facing difficulties in drafting and making notifications, Uganda continues to attempt to fulfill all notifications on the basis of their frequency. Uganda is currently undertaking reforms of its commercial laws to bring all its trade-related laws, regulations and procedures into conformity with WTO requirements.

There are no mandatory performance requirements in the Investment Code, but Uganda's regulatory authorities mandate standards such as staff qualifications as licensing conditions for some categories of investment. Uganda's National Environment Management Authority (NEMA) is responsible for enforcing environmental regulations. The most basic licensing condition is that investors creating 100 percent foreign-owned enterprises should commit in their proposals to invest a minimum of $100,000 to their projects over a course of three years. This amount can include pre-investment activities and the cost of land, equipment, buildings, machinery, and construction. Foreign-owned banks and insurance companies are also subject to higher paid-up capital requirements than are domestic firms. Ugandan law limits foreign ownership of land. For more information on land ownership, see "Right to Private Ownership and Establishment," below.

The 2000 Investment Code is currently under review, and once amended, request for a waiver will be submitted to the WTO. Uganda has partially used the Special and Differential Treatment (SDT) provisions of the TRIMS Agreement. Unfortunately, there seems to be no clear understanding of the provisions by key agencies involved in drafting the Investment Code. Foreign investors, applying for an investment license may sometimes be subject to staff training and localization, local procurement and environmental requirement to which national investors are not subject. Uganda has not adopted export promotion strategies such as provision of subsidies because of financial constraints.

Investment Incentives

Uganda’s fiscal incentive package for both domestic and foreign investors provides generous capital recovery terms, particularly for medium- and long-term investors whose projects entail significant plant and machinery costs and involve significant training. In Kampala, 50 percent of capital allowances for plants and machinery are deductible from a company's income on a one-time basis; elsewhere in Uganda, 75 percent of those capital allowances are deductible. 100 percent of training costs are 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.

Performance Requirements

Uganda does not follow a policy of forced localization pertaining to the use of domestic content in goods and technology. An agreement for the transfer of foreign technology does not restrict the use of other competitive technologies, source of supply of inputs or how they may be used.

Data Storage

There is no requirement for data storage in Uganda.

6. Right to Private Ownership and Establishment

Uganda's Constitution enjoins the state to "encourage private initiative and self-reliance. It also guarantees the right to own property and prohibits the compulsory taking of such property except where the taking is in the public interest, authorized by law, accompanied by prompt, fair and adequate compensation and open to legal challenge by the owner. Businesses generally deem acquisition of land with a clean title as one of their biggest challenges, and land disputes are common in Uganda. Uganda's Commercial Court has a Land Division that deals specifically with land disputes.

The Land Act of 1998 codified Uganda's land tenure system, but the system and rules are complex. Foreign companies or foreign individuals may not own land (under freehold tenure). However, with UIA approval they may hold it under 49-year leases that are renewable. Foreigners must seek Land Ministry approval through the UIA to lease land over 50 acres for agricultural or animal production purposes. Uganda has not initiated any changes to allow foreign investors to purchase freehold property. However, some foreign investors circumvent land ownership restrictions by establishing locally incorporated companies.

The issue of land and title in Uganda is complicated by the existence of four different land tenure systems: customary, mailo land, freehold, and leasehold. Customary land refers to rural land governed by the unwritten, customary rules and traditions of a specific area. Customary land is difficult to use because no titles or surveys of such land exist and contracts are difficult to enforce in courts of law. Further, banks do not accept customary land as collateral. In some instances however, this limitation may be overcome considering that Ugandan law provides for the acquisition of a "certificate of customary ownership" and for the transformation of customary ownership into freehold title. Mailo land is land that was granted to individuals and churches mostly in central Uganda during the colonial period. Mailo land cannot be owned by foreigners and the use of such land is subject to the agreement of bona fide or lawful occupants, who may not own the land but have the right to reside there. Mailo land is also problematic for foreign investors seeking secure, court-enforceable use of land. The 1998 Land Act complicated this further by giving occupants and squatters increased rights on mailo land at the expense of owner rights. Freehold land is the system in which registered land is owned permanently. It is available only to Ugandan citizens, though it can be leased to foreigners. It can be also used as collateral for bank loans. Leasehold land is land leased by freeholders and is most commonly used by foreign investors. Foreigners may obtain contracts for leases of between 49 and 99 years on leasehold. It can be used as collateral on loans, depending on the length of the lease.

7. Protection of Property Rights

Real Property

As noted, Uganda's Constitution guarantees the right to own property and requires the state to encourage private initiative. Uganda also has legislation on mortgages, trusts and liens. The Mortgage Act, 2009 and the Mortgage Regulations, 2012 also make provision for mortgages, sub-mortgages, trusts and other forms of lien. The Uganda Bureau of Statistics estimates that the informal sector accounts for 43 percent of Uganda's economy, although other estimates put it much higher—closer to 90 percent. While Uganda has four systems of land tenure, only holders of freehold, leasehold, and Mailo tenure traditionally could hold registered title, while customary landowners (who account for up to 90 percent of all landowners). Even then, the Land Act, 1998, makes provision for customary land owners 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 and addressing the fraud, corruption and incompetence within the national Land Registry. These include the computerization of land titles and other records.

Uganda fares poorly in the "registering property" section of the World Bank's Doing Business Report, ranking 126 out of 189 countries. Registering property in Uganda requires 11 different procedures that take on average 47 days, compared to 5 procedures that take 24 days in OECD countries.

Intellectual Property Rights

Uganda has made consistent efforts to address the issue of intellectual property rights, though significant gaps remain. The country has signed the World Intellectual Property Organization's Patent Law Treaty in 2000, but has not yet ratified it. On January 6, 2014, Uganda's president assented to the new Industrial Property Act, which replaced previous legislation like the Patent Act, 1993 and goes a long way towards protecting intellectual property and bringing Ugandan law into consonance with international standards on intellectual property. Along with the 2006 Copyright and Neighbouring Act and the 2010 Trademarks Act, the 2014 Industrial Property Act substantially enhances legal protection of intellectual creations in Uganda. Uganda's Commercial Court is hearing an increasing number of intellectual property and trademark cases, especially by artists and musicians in Uganda's Performing Arts Rights Society.

Few counterfeiting cases have come before the court because companies are not actively taking measures to protect their brands in Uganda. The Court has the power to impound goods and impose injunctions. It also has the power to impose financial damages on trademark and copyright violators, but rarely does so because the predominantly informal market and often undocumented business transactions make it difficult to assess actual financial damages from violations.

Uganda's efforts to address counterfeit products are less impressive. Counterfeit CDs, DVDs, and computer software are openly sold in Uganda's market places, and counterfeit pharmaceuticals and agricultural inputs are becoming an increasing problem. Most counterfeit goods entering Uganda are manufactured in China and India. American manufacturers of consumer goods, particularly of shoe polish, batteries, feminine hygiene products, ink cartridges and chemicals have complained that counterfeiters are damaging their markets as fake goods serve as a deterrent to future foreign direct investment and damage brand names.

An Anti-Counterfeiting Bill has been approved by cabinet but is still pending in Parliament and would, if passed, considerably clarify and strengthen the penalties for making and/or trading in counterfeit products. Currently, the only legal avenue for preventing counterfeit goods is through the Uganda National Bureau of Standards (UNBS) Act which authorizes the UNBS to deny sub-standard goods (but not necessarily counterfeit goods) access to the Ugandan market. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/. Please note that while some of Uganda's IP laws are listed on this website, other laws are not included such as the Industrial Property Act of 2014, the Patents Act of 1993, the Copyright and Neighbouring Right Regulations of 2010, and the Patent Regulations of 2010.

Resources for Rights Holders

Intellectual Property Issues are covered by the Economic and Commercial Officer.

- Kevin Price
- Economic and Commercial Officer
- +256 414 306 102
- pricekc@state.gov

Local attorneys list: http://kampala.usembassy.gov/attorneys.html

8. Transparency of the Regulatory System

Ugandan laws and regulations are published in the Government Gazette. The regulatory system varies substantially with each regulatory body. While some government agencies (notably URA, The Bank of Uganda and UIA) often have hearings, both public and private, where interested parties have an opportunity to comment on draft legislation and regulations, others do not always observe all legal provisions, rarely hold hearings, ignore the requirements regarding public procurement and often favor politically-connected business people.

Many Ugandan agencies require potential and current investors to cut through substantial amounts of red tape for normal business transactions. The World Bank's 2014 Doing Business report ranked Uganda 132 of 189 countries for ease of doing business and 151 out of 189 countries for speed of starting a business. The study nevertheless found that Uganda had taken steps to reduce the time taken to start a business (23 days, down from 33 days), notably by computerizing the land registry and introducing an electronic system for certifying documentation subject to Stamp duty. Starting a business in certain sectors, such as mining, may take substantially longer. General infrastructure hindrances such as poor telecommunications and limited access to electricity are also a drag on investment. The World Bank report notes, for instance, that it takes 6 procedures and 132 days to get connected to the electricity grid. Investors complain that government officials often require firms interested in government procurement contracts to provide under-the-table cash payments in person at local agency offices. Regulatory inefficiencies and corruption negatively affect foreign and domestic firms equally.

The Bank of Uganda is reasonably transparent, but the legal system is less so. Courts, particularly at the upper levels, have made independent judgments in the past, but these judgments are sometimes ignored and some parties to legal proceedings take advantage of the legal system's inherent delays and incoherence to manipulate the judicial process.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System, Hostile Takeovers

The Bank of Uganda remains one of the most respected central banks in sub-Saharan Africa for its success in pursuing open markets, a stable currency, and relatively low inflation. Increased supervision of the banking sector in recent years has helped it recover from a banking crisis in the late 1990s, when several banks failed or were closed down. In 2010, the Bank of Uganda required commercial banks to raise their capital from a minimum $4 million to $25 million, and all banks have complied, some by attracting Tier I equity capital. Commercial banking assets continue to rise, reaching $6.3 billion in 2013 according to the Bank of Uganda, up from $5.3 billion in 2011, and from $4.9 billion in 2008. Most banks are foreign owned, including by major international institutions such as Citigroup, Barclays, Stanbic, Standard Chartered, and Bank of Baroda. According to the Bank of Uganda, at the end of fiscal year 2010/2011, only 1.8 percent of assets were in non-performing loans, but after commercial interest rates skyrocketed in 2011 and remained high throughout 2013, defaults rose and the percentage of non-performing loans more than doubled, rising to 4.3 percent.

Capital markets are open to foreign investors. The Government imposes a 15 percent withholding tax on interest and dividends. Credit is allocated on market terms, and rates are high. Following the lifting of the moratorium on new banks in 2007, a number of new banks have entered the market, bringing the current total to 24. Competitiveness and innovation have also steadily increased, but lending to the private sector is still relatively low. In recent years, low rates of return on government-issued bills and bonds induced banks to begin shifting their focus to commercial lending. Today, holdings of Government Treasury bills comprise roughly a third of commercial loan portfolios. Commercial bank lending has grown considerably in recent years. According to the Bank of Uganda, during the 2011/2012 fiscal year, as commercial interest rates soared to over 30 percent, commercial bank lending to the private sector slowed drastically, growing by only 6.1 percent in 2012/2013. By early 2014, commercial rates were down slightly to 21 percent. Loan defaults remain high and banks are reluctant to lend, many preferring to lend only in U.S. dollars although the situation is slowly improving with lending in dollars declining by 25 percent and lending in Ugandan shillings increasing by 14 percent in 2012/2013.

The Capital Markets Authority, established in 1996 as the securities regulator in Uganda, is responsible for licensing brokers, dealers and overseeing the Uganda Securities Exchange, which was inaugurated in June 1997 and is now trading the stock of 15 companies. Market capitalization of the exchange rose to $6.26 billion in 2012, up from $4.7 billion in 2011, with the listing of UMEME, Uganda's power distributor, the issuance of 40 billion bonus shares by Stanbic Bank, and the issuance of bonds by the African Development Bank. 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. In 2012, Uganda also enacted new legislation – The Companies Act 2012 – which made substantial improvements to the legal framework on 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.

In 2004, the Bank of Uganda added ten-year bonds to its two-, three-, 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 capital 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, Crested Stocks and Securities. There are no restrictions prohibiting investors from pooling funds to be invested on the exchange and in government treasury bills and Treasury bonds.

In 2011, Uganda’s bond market thrived as high interest rates began to lure back some of the foreign investors who had left after the 2008 financial crisis. According to the Bank of Uganda, the percentage of foreign investors buying Ugandan bonds and Treasury bills rose from zero in July, 2011 to 12 percent in December, 2011. Predictably, falling interest rates in 2012 prompted some foreign investors to pull out, but as of December, 2012, 9.4 percent of Ugandan bonds still remained in the hands of offshore investors. In spite of the ongoing global economic slowdown, remittances remain an important source of foreign exchange for Uganda. The Bank of Uganda estimates that in 2012 Ugandans living abroad sent home $879 million in remittances, up from $729.7 million in 2011 and expected to surpass the $1 billion mark in 2014. Previously most remittances came from Europe, but now sub-Saharan African countries such as South Africa and Botswana are main sources of remittances.

10. Competition from State-Owned Enterprises

OECD Guidelines on Corporate Governance of SOEs

The Government began a privatization program in 1993 that has resulted in the complete or partial divestiture of the majority of Uganda's public enterprises, with just a few remaining in State hands. The program has attracted foreign investors primarily in the **agribusiness**, hotel, and **banking** sectors. Though generally deemed successful, some observers have questioned the transparency of certain transactions carried out in the name of privatization, arguing that the benefits of the most lucrative sales went to insiders.

State-owned enterprises currently exist in a number of sectors, including 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. The Government is open to competition from private investors in all of these sectors. Uganda is also planning to establish a National Oil Company.

Sovereign Wealth Funds

Uganda does not currently have a sovereign wealth fund.

11. Corporate Social Responsibility

Although corporate social responsibility (CSR) is not a requirement for an investor to obtain an investment license, CSR projects are expected from many of the larger foreign enterprises. This is especially true in the extractive industries and other sectors in which regular business operations do not directly benefit the community. 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. 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.

12. Political Violence

Uganda has succeeded in achieving a level of stability since President Museveni came to power in 1986. However, the regional terrorism threat remains high, and there have been periodic eruptions of political violence in recent years. Rebel groups fighting in eastern Democratic Republic of Congo and the civil conflict in South Sudan which began in December 2013 are creating instability on Uganda's borders, resulting in an inflow of thousands of refugees into Uganda and the disruption of important trade links.

Political tension has been rising within Uganda in recent years. In February 2011, Uganda held elections in which President Museveni was elected to a fourth consecutive term with 68 percent of the vote. The elections and campaign period were generally peaceful, but observers, including the United States, expressed concern about the diversion of government resources for partisan campaigning, the heavy deployment of security forces on election day, disorganization at polling stations, and the absence of many registered voters’ names from the voter rolls. In the months following the election, political tensions were exacerbated as Uganda plunged into an economic crisis. A series of "Walk-to-Work" protests against skyrocketing inflation in April and May, 2011 left at least 10 people dead, including a 2-year old child, as security forces used live ammunition, tear gas, rubber bullets, and water cannons to disrupt protestors. Members of the opposition were arrested, sometimes violently, and some political activists were charged with treason.

In 2012, as the country celebrated its 50th anniversary of independence, the country enjoyed a period of relative calm, with fewer public protests. But political fights, especially over governance of the oil sector became increasingly contentious. Prominent opposition politicians were arrested and journalists faced incidents of harassment and intimidation. In January 2013, President Museveni and top military officials prompted concerns domestically and from the international community after they were reported saying that domestic political chaos in Uganda could prompt the military to intervene. While these concerns have since subsided, political parties have already begun preparing for the February 2016 presidential elections, and some meetings and rallies planned by opposition parties have sometimes not been allowed to take place or have been disrupted by local authorities.

The threat of terrorism remains high in Uganda. On July 11, 2010, 76 people, including one American, were killed and many more injured in twin bombings in Kampala. Al-Shabaab, the Somalia-based U.S.-designated Foreign Terrorist Organization, was responsible for the attack. Information obtained from the investigation into the bombings indicated that Americans and westerners in general were among the intended targets. The State Department has issued a Worldwide Caution warning U.S. citizens to be alert to the possibility of additional terrorist attacks in Uganda. The U.S. Embassy continues to encourage U.S. citizens to carefully consider the risk of attending or being near large public gatherings, especially those with large numbers of westerners and no visible security presence, as these gatherings can be targeted by extremist or terrorist groups. Citizens are also advised that soft targets such as hotels, bars, restaurants, and places of worship are also vulnerable to attacks. High levels of criminal activity remain a problem in Uganda, and spontaneous demonstrations can sometimes occur in Kampala and other cities. Although infrequent, these demonstrations can become violent and should be avoided. U.S. citizens considering travel, employment, or investment in Uganda should read the Country Specific Information available at www.travel.state.gov for current security information.

The threat from various rebel groups in Uganda has subsided significantly in recent years. The Lord's Resistance Army (LRA) was expelled from Uganda in 2006 and is now operating in remote areas of the border region between the Democratic Republic of Congo (DRC), the Central African Republic, and South Sudan. There have been no LRA attacks in Uganda since 2006, and improved security in the region has allowed the vast majority of the 1.8 million people displaced by the conflict to return home. In December 2008, the Governments of Uganda, DRC, and Sudan began joint military operations against the LRA, and in 2011 the United States deployed some U.S. military personnel to the region to provide technical assistance and advice to African forces pursuing the LRA. The Ugandan military deployed to parts of South Sudan after conflict broke out there in December 2013.

The security situation in the remote north-eastern region of Uganda remains somewhat volatile due to armed cattle rustlers of the Karamojong and related ethnic groups raiding cattle and propagating violence.

13. Corruption

Corruption is one of Ugandan’s most serious problems and appears to be worsening. A December 2012 report on corruption by Uganda's Inspectorate of Government characterized corruption in Uganda as "rampant" and noted that "corruption causes distortions of great magnitude in the Ugandan economy." The report cited public procurement as the area most vulnerable to abuse, and noted that 9.4 percent of total contract values went to corrupt payments in procurements both at the local and central government levels. Throughout 2012, a series of corruption scandals involving government officials dominated the headlines.

In October, 2012, the World Bank and a number of European countries providing direct budget support to Uganda suspended nearly $300 million in aid after an investigation revealed that officials in the Office of the Prime Minister had stolen as much as $20 million in foreign aid meant for reconstruction and poverty-reduction in Northern Uganda. Uganda's rank in Transparency International's (TI) corruption perceptions index declined to 140 out of 177 countries surveyed in 2013. TI's 2013 East African Bribery Index survey ranked Uganda as the most corrupt country in East Africa, with Ugandan citizens six times more likely to be asked for a bribe than their counterparts in Rwanda.

In recent years, the Government has taken measures to tackle the problem of corruption. In 2009, Uganda passed an Anti-Corruption Act, criminalizing bribery, influence peddling, and a long list of other offenses. The Whistleblowers Protection Act of 2010 now provides some protection to citizens who report malfeasance, while the long awaited Anti-Money Laundering Bill was signed into law in 2013. Other draft legislation, including an Anti-Counterfeiting Bill, a Proceeds of Corruption Assets Recovery Bill, and a Public Finance Management Bill (PFMB) are pending in Parliament. The PFMB is particularly aimed at curbing abuse of public funds by introducing the Treasury Single Account, which is a centralized system of disbursing public funds. Uganda's High Court opened an Anti-Corruption Division (ACD) in 2009. In July, the Constitutional Court halted all ACD activity due to a petition filed that challenged the constitutionality of the ACD. In December 2013, the Constitutional Court ruled that the ACD is constitutional, paving the way for corruption cases to resume.

In spite of these measures, however, the public perception is that not enough is being done, and that high-level officials involved in corruption – especially politicians – are not seriously investigated or prosecuted. The Auditor General's annual report for the financial year 2012/2013 reveals that officials at the Finance Ministry and the Central bank had appropriated money from the Oil Tax Fund (which had been earmarked for construction of Karuma Dam) to other purposes without following proper procedure, while another $38 million in public funds had been spent on "off-budget" activities (activities unaccounted for in the national budget). The report also highlighted another $20 million of public funds had been spent on refunds to donor agencies for money stolen or misappropriated by corrupt government officials, with no effort made to recover such monies from the culprits, as had earlier been announced. As politicians began campaigning for the 2016 presidential elections in 2014, it is likely that the pattern of pre-electoral government borrowing may repeat itself.

Uganda's small private sector is not yet robust enough to have developed compliance programs to detect and prevent bribery or to develop internal codes of conduct. 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. American firms have complained of lack of transparency in government procurement and possible collusion between competing business interests and government officials in tendering processes. Some foreign businesses have been urged to take on prominent local partners. In recent years, a number of high-profile government tenders for infrastructure projects were suspended following allegations of corruption. Some American firms, which are bound by the U.S. Foreign Corrupt Practices Act, suspect they have lost tenders to bidders from countries which have not criminalized the paying of bribes to foreign officials.

14. Bilateral Investment Agreements

Uganda is a member of the World Trade Organization. Uganda is also a member of the East African Community (EAC), along with Kenya, Tanzania, Burundi, and Rwanda. 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. 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 countries will work to integrate financial systems and regulations, harmonize monetary and exchange rate policies, and establish common inflation and debt-to-GDP ceilings.

In recent years, a number of new agreements between the U.S. and the EAC has strengthened economic ties between the regions: in July 2008, the EAC signed a Trade Investment Framework Agreement (TIFA) with the United States; in 2012, the U.S. and EAC announced the launch of a new Trade and Investment Partnership (TIP); both parties continue to discuss the framework. The EAC also signed a letter of intent in 2012 to launch a Commercial Dialogue with the U.S. In 2012, Uganda acceded to Common Market for Eastern and Southern Africa (COMESA) Free Trade Area and assumed the chairmanship of COMESA.

Bilateral Taxation Treaties

Uganda has also negotiated bilateral tax treaties with several nations, including China and South Africa. The EAC signed an Economic Partnership Agreement with the EU in 2007. Uganda does not have a bilateral tax treaty with the U.S. Uganda has a bilateral investment treaty with the following countries: Belgium, China, Denmark, Egypt, Eritrea, France, Germany, the Netherlands, Sweden, Switzerland, and UK.

15. OPIC and Other Investment Insurance Programs

Uganda is a signatory to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and is a member of the International Center for the Settlement of Investment Disputes (ICSID). In 1965, the U.S. and Uganda signed an investment incentive agreement. Both parties signed an updated agreement in 1998, but the Ugandan Government has yet to ratify the renewed agreement.

In 2013, the government of Uganda resolved a dispute over who has signatory authority for OPIC loan guarantees. This dispute ran for two years and prevented OPIC from approving any loan guarantees or investments in Uganda during that time.

16. Labor

Education is underfunded in Uganda, and a 2011 Parliamentary report on the economy highlighted poor skills and education as one of the main obstacles to Uganda improving its competitiveness. In 2008, Uganda passed the Business, Technical, Vocational Education and Training Act to reform vocational education and skills development and make it more employment-oriented. However, a number of the reforms have yet to be implemented, and funding for the initiative remains low. In 2011, with donor support, the Uganda Petroleum Institute began teaching vocational skills needed to fill jobs in the oil sector. Uganda has about 40 Universities including the prestigious Makerere University that graduates thousands of students a year, but youth unemployment is high due to lack of jobs, providing a ready workforce for investors needing educated local employees. Most urban Ugandans speak English, though many speak it only as a second language to one of 33 local languages spoken in Uganda.

The law allows workers, except for a category of government employees which includes police, army and management-level officials, to form and join independent unions. The law does not provide for the right to collective bargaining in the public service sector. Domestic and agricultural workers as well as workers in the informal sector are excluded from the protection of the labor laws. Labor unrest is sporadic in Uganda, and labor unions are not strong.

Under the current arrangement, employers must 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, will add competition to the NSSF and liberalize the pension sector. Ugandan labor laws specify procedures for termination of employment and termination payments. Foreign nationals must have a permit to work in Uganda. Uganda has no minimum wage policy. Although there has been agitation from various circles, the President is against introducing a minimum wage arguing that it will discourage investors.

Uganda cooperates with the International Labor Organization (ILO) and has ratified all eight ILO conventions. 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. Four labor reform bills passed by the Parliament in 2006 were aimed at improving labor rights in Uganda, but some of the laws have yet to be implemented. The new laws include provisions to reduce the minimum number of workers required to establish a union from 1,000 to 20, remove the requirement that at least 15 percent of employees join a union before management is required to engage in collective bargaining, and set new timeframes for union recognition, collective bargaining and strikes.

Uganda employs 100 district-based labor officers to enforce labor standards, inspect workplaces and process worker and management complaints. This mechanism contributes to the enforcement of labor standards, but lack of staffing and resources limits its effectiveness. The Ministry of Gender, Labor, and Social Development is working to strengthen the capacity of existing labor officers.

In May 2007, Uganda launched its national child labor policy. However labor regulations regarding children are contradictory. While the law 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. Also a comprehensive anti-trafficking in persons legislation was passed in 2009, but financial constraints have prevented the policies from being fully implemented. 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 the informal sector.

17. Foreign Trade Zones/Free Ports

The Ugandan Cabinet recently approved a Free Trade Zones Bill that will be taken to Parliament for consideration and debate. If enacted, the law will authorize the development, marketing, maintenance and supervision of free trade zones in Uganda. Foreign companies will have the same opportunities as local companies.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

The investment values quoted below should not be relied upon for any investment decision. The figures provided by the UIA are highly variable and the values tracked are only for projects listed. No investors provide updates after the initial registration. FDI statistics are provided by the World Bank. Any discrepancies with previous reports are a result of updated data.

Table 2: Key macroeconomic data, U.S. FDI in Uganda

	Uganda Bureau of Statistics (UBOS)		**World Bank, IMF**		
Economic data	**Year**	**Amount**	**Year**	**Amount**	
Gross Domestic Product (GDP) (billions U.S. Dollars)	2011/2012	20.03	2012	20.3	htt://www.worldbank.org/en/country
GDP growth rate	2011/2012	3.4%	2012	3.4%	htt://www.imf.org/en/country
	2012/2013	5.1%	2013	5.8%	
Projected GDP growth rate	2013/2014	6%	2014	6.4%	
Inflation	2011/2012	14.6	2012	14.6%	htt://www.worldbank.org/en/country
	2012/2013	3.6%	2013	5.9%	htt://www.imf.org/en/country
Foreign Direct Investment (FDI). (billions U.S. Dollars)	**Uganda Investment authority (UIA)**		**World bank, IMF, BEA**		
	Year	**Amount**	**Year**	**Amount**	
	2012	1.72	2012	1.72	htt://www.worldbank.org/en/country
	2012	n.a	2012	100	htt://www.bea.gov/international/index.htm

U.S. FDI in Uganda (millions U.S. Dollar stock)	2012	n.a	2012	104	htt://www.imf.org/en/country
Uganda FDI in U.S (millions U.S Dollar stock)	2012	n.a	2012	n.a	htt://www.bea.gov/international/index.htm htt://www.imf.org/en/country
Total in bound stock of FDI as % of GDP	2012	8.5%	2012	8.5%	

Data sources for Uganda; htt://www.ubos.org, www.ugandainvest.com, www.ura.go.ug , www.bou.org

Note:

- n.a. means no data or estimates
- The variation between data presented by domestic source and international source in some cases is due to difference in the time of the presentation or estimate. International sources present end of calendar year data while domestic sources present end of financial year data.

Table 3: Sources and destination of FDI

UGANDA, 2012

Direct investment from/in counterpart economy data					
From top five sources/ to top five destination (US Dollars, millions)					
Inward direct investment			**Outward direct investment**		
Total inward	4,897	100%	n.a	n.a	n.a
Australia	1,753	36%	n.a	n.a	n.a
United Kingdom	813	17%	n.a	n.a	n.a
Netherlands	528	11%	n.a	n.a	n.a

Mauritius	471	10%	n.a	n.a	n.a
Kenya	395	8%	n.a	n.a	n.a
"0" reflects amounts rounded to +/- USD 500,000					

Source: http://cdis.imf.org

Note:

- n.a means no data.
- The sources of portfolio investment are mainly equity securities.
- Some of the result may not be consistent with domestic data because data may be suppressed by the reporting economy to preserve confidentiality.

Table 4: sources of portfolio investment

UGANDA, 2012

Portfolio investment assets								
Top five partners (millions, US Dollars)								
Total			**Equity securities**			**Total debt securities**		
All countries	4,897	100%	All countries	3,811	100%	All countries	1086	100%
Australia	1,753	36%	Australia	1,536	40%	Australia	217	20%
United Kingdom	813	17%	United Kingdom	695	18%	Netherlands	216	20%
Netherlands	528	11%	Mauritius	385	10%	United Kingdom	118	11%
Mauritius	471	10%	Netherlands	312	8%	Kenya	102	9%
Kenya	395	8%	Kenya	293	8%	Mauritius	86	8%

Source: http://cdis.imf.org

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

mixed legal system of English common law and customary law

International organization participation:

ACP, AfDB, AU, C, COMESA, EAC, EADB, FAO, G-77, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IGAD, ILO, IMF, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), MIGA, NAM, OIC, OPCW, PCA, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

There are no restrictions on foreign currency flows in and out of the country. Realised exchange gains and losses are taxable/allowable in the year of realisation.

Treaty and non-treaty withholding tax rates

Country	Dividends		Interest	Royalties	Technical/ management fees
	Individuals/ companies	Qualifying companies			
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Denmark	15	10	10	10	10
India	10	10	10	10	10
Mauritius	10	10	10	10	10
Norway	15	10	10	10	10
South Africa	15	10	10	10	10
United Kingdom	15	15	15	15	15
Italy	15	15	15	10	10
Netherlands	10	10	10	10	10

1 A company is a 'qualifying company' if it owns at least 25% of the capital of the company paying the dividend.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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