Executive Summary

Located in the heart of East Africa, offering direct access to a regional market of 150 million potential customers, a young English-speaking population, open markets, and abundant resources, Uganda offers investors numerous opportunities. Uganda's gross domestic product (GDP) growth rate averaged five percent over the past decade, due in part to the Government of Uganda's large investments in infrastructure. While Uganda maintains a liberal trade and foreign exchange regime, and largely adheres to IMF/World Bank programs to fight poverty, continuing reports of endemic corruption, financial mismanagement, and increasing political repression raise questions about the Government of Uganda's (GOU) commitment to fostering an investor-friendly environment. Furthermore, a sluggish bureaucracy with a non-transparent decision-making process hampers foreign investments in Uganda.

Uganda's natural resources are plentiful, including significant oil reserves - an estimated 6.5 billion barrels, of which 1.4 billion are recoverable. On August 30, the GOU awarded long-awaited oil production licenses to French firm Total S.A. and British firm Tullow Oil, greenlighting projects worth USD eight billion that bring Uganda closer to becoming an oil producer. On January 9, 2017 French oil firm Total S.A. announced it had selected U.S. engineering firm Gulf Interstate Engineering to perform the front end engineering design (FEED) on Uganda's export pipeline project. On February 14, Total S.A. announced three companies – including two U.S. firms – would be involved in the FEED for oil production. The FEEDs for production and transport are slated for completion by September 2017, with the final investment decision (FID) to be made by the end of 2017 – making it possible for the international oil companies to export oil in 2021.

With an ideal climate and fertile soils yielding multiple crop harvests per year, Uganda's agriculture sector offers investors unique opportunities for profit. Agriculture plays a dominant role in Uganda's economy, employing approximately 80 percent of Uganda's workforce and contributing 22.6 percent to GDP. Uganda exports the most coffee among African countries and is the eighth largest coffee producer in the world. According to the U.S. Department of Agriculture (USDA), Uganda produced 4.5 million bags of coffee in the 2015/2016 marketing year. Other significant agricultural exports include fish, flowers, and horticultural produce.

Corruption and bureaucratic delays continue to hinder foreign investment. Uganda ranked 151 out of 176 countries on Transparency International's "Corruption Perceptions Index" and ranked 115 out of 190 economies on the 2016 World Bank Doing Business Report. The Government of Uganda attempted to address corruption and bureaucratic delays by establishing the Uganda Investment Authority (UIA) as a one-stop-center for foreign investors. Although the UIA eases the paperwork for establishing a business, investors still face numerous operational challenges.

Uganda's insufficient power transmission and distribution network is another challenge for private sector investors, with frequent power outages increasing the cost of doing business. Access to electricity averages 20 percent, dropping to seven percent in rural areas; however, the GOU is focusing on increasing access to electricity in rural regions by focusing on subsidizing upfront connection costs for customers and connecting isolated mini-grid and off-grid solar home systems. The GOU also remains committed to increasing power supply, breaking ground on the 600-megawatt Karuma hydropower project in 2013, of which the first 100-megawatt turbine is expected to be operational in early 2019. Furthermore, the GOU continues to expand its power supply by constructing a number of mini-hydro projects far from the existing grid to serve rural communities and promoting private-sector investment in other renewable energy generation sources, such as biomass and utility-scale solar.

Notable entries into the Ugandan market over the past year include Pizza Hut, Uber, Gulf Interstate Engineering, Fluor, Chicago Bridge & Iron, and Avante International Technology. Within a month of opening its first store in Uganda, Pizza Hut declared the Ugandan market their fastest growing in all of sub-Saharan Africa. Uber representatives also reported growth in both drivers and passengers to be among the strongest in their overseas operations. Engineering firms Gulf Interstate Engineering, Fluor, and Chicago Bridge & Iron all saw multi-million dollar awards to design the initial stages of producing and transporting Uganda’s oil. Avante Technology completed a USD 1 million sale of biometric identification equipment that the Government of Uganda used to confirm voter identity in the 2016 national election.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions	2016	151 of 175	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business	2016	115 of 190	http://doingbusiness.org/rankings
Global Innovation Index	2016	99 of 128	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country ($M USD, stock positions)	2015	$90	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2015	$700	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment (FDI)

The Government of Uganda maintains a generally favorable attitude towards foreign investment. According to Article 40 clause 2 of the Ugandan constitution, "Every person [foreign or domestic] in Uganda has the right to practice his or her profession and to carry on any lawful occupation trade or business."

Ugandan policies, laws, and regulations are generally favorable towards foreign investors, although poorly enforced legislation, bureaucratic delays, and corruption hamper trade development. Ugandan law allows for 100 percent foreign-owned businesses and foreign businesses are allowed to partner with Ugandans without restrictions. The GOU offers incentives for industrial investments including: a 75 percent import duty reduction on factory equipment, depreciating start-up costs over four years, and a 100 percent tax deduction on research and training costs as well as mineral exploration costs.

The main laws affecting portfolio or foreign direct investment are: the Capital Markets Authority Act of 1996 (amended in 2015), the Companies Act of 2012, and the Investment Code Act of 1991. The Investment Code Act allows foreign participation in any industrial sector except those touching on national security.

The Uganda Investment Code Act prevents foreigners from investing in crop or animal production. Foreign investors can create a Ugandan-based firm to invest in crops and animal production—a practice widely used in large-scale farms in northern Uganda. In addition, foreign investors engaging in certain sectors (notably wholesale and retail commerce, personal services, public relations, car hire services, operation of taxis, bakeries, confectioneries and food processing for the Ugandan market only, as well as postal services and professional services) are ineligible for incentives granted to investors in other business undertakings.

The Uganda Investment Authority (UIA) facilitates granting licenses to foreign investors. The Authority performs a range of functions including promoting, facilitating, and supervising investments in Uganda. Investors can perform the following services on UIA's website including:

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

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

The UIA' website: http://www.ugandainvest.go.ug/download-centre/ and the Business in Development Network Guide to Uganda available at: www.bidnetwork.org provides information on the laws, and reporting requirements for foreign investors.

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

http://www.ulii.org/ug/legislation/consolidated-act/92

http://www.ulii.org/ug/legislation/consolidated-act/84 http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=94564&p_country=UGA&p_count=130

The UIA is the formal framework for engagement between the government and investors (both foreign and local). In addition, there is the Presidential Investors' Roundtable, which is an informal gathering for investors to meet with the president and articulate their views or complaints regarding investment.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign investors have the right to establish and own business in any remunerative activity except crop and animal production. As stated above, foreign investors can create a Ugandan-based firm to invest in crops and animal production—a practice widely used in large-scale farms in northern Uganda.

There are no general restrictions imposed on foreign investors. Licensing from the 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 green field investments. The 2010 Companies Act allows for the creation of single-person companies, permits the registration of companies incorporated outside of Uganda, and regulates share capital allotments and transfers.

The Investment Code Act, however, allows the Government to impose a minimum investment requirement either in the form of cash or value of the investor's machinery, buildings or other assets. The license may also require investors to employ and train citizens of Uganda to the fullest extent possible in order to replace foreign personnel. Furthermore, the license may require foreign investors to purchase goods or services produced or available in Uganda if those goods and services are competitive with similar imported goods and services. Finally, the license may require foreign investors to ensure their operations do not cause injury to the ecology or environment.

The Act also allows the UIA to grant investment licenses requiring the foreign investor to sign an "agreement for the transfer of technology." The timeframe, within which such technology is transferred, depends on the terms of the agreement.

The Investment Code Act allows for exemptions to this restriction in which the Minister of Finance with approval of Cabinet exempts a class of businesses or specific businesses from the restriction. The UIA screens incoming investments to ensure the investment contributes to economic growth.

Other Investment Policy Reviews

Uganda underwent a WTO Trade Policy Review in 2012 and the report's findings can be found here: https://www.wto.org/english/tratop_e/tpr_e/tp371_e.htm.

Uganda publishes an annual investment climate Abstract, the most recent of which is dated 2015//16 and is available at: http://www.ugandainvest.go.ug/publications/

The Bank of Uganda (BOU) published a Private Sector Survey in 2015, and is available at:

https://www.bou.or.ug/bou/download_archive.html?path=/bou/bou-downloads/publications/PrivateSectorCapital/PSIS/&title=Private%20Sector%20Capital&subtitle=Private%20Sector%20Investment%20Survey%20(PSIS)&restype=binary&secname=Private%20Sector%20Investment%20Survey%20(PSIS)%20-%202015&year=2015&month=All

Business Facilitation

The UIA facilitates granting licenses to foreign investors and performs a range of functions including promoting, facilitating, and supervising investments in Uganda.

The UIA performs the various roles outlined in UNCTAD's Global Action Menu for Investment Facilitation (http://investmentpolicyhub.unctad.org/Publications/Details/148). For example, the UIA website provides investors with access to investment policies, regulations and procedures. However, UIA lacks the capacity to perform all of the UNCTAD roles – e.g. strengthening investment facilitation efforts in developing-country partners, through support and technical assistance, and building constructive stakeholder relationships in investment policy practice effectively.

The Investing Across Borders (IAB) indicators (http://iab.worldbank.org) measure FDI regulation in specific policy areas. The UIA's role in FDI regulation is detailed below:

- Foreign companies may freely acquire local firms through private negotiation without interference from the UIA.
- The UIA, however, assists with the establishment of local subsidiaries of foreign firms by helping them register with the URSB.
- The Commercial Court handles arbitration and adjudication of commercial disputes.
- Acquisition of land is a matter for private negotiation between the land owner and the foreign investor without interference from the UIA.

Uganda's business registration website is located at: http://ursb.go.ug/. Business will also need to provide the details of their proposed investment with the UIA: http://www.ugandainvest.go.ug/. Businesses are also required to obtain a Tax Identification Number (TIN) from the URA at: https://www.ura.go.ug/myTin.do. Specialized sectors such as finance, telecoms, and petroleum will require an extra permit from the relevant Ministry in coordination with the UIA. According to the 2016 World Bank Doing Business report, business registration takes an average of 26 days.

Outward Investment

The GOU does not promote or incentivize outward investment and does not restrict domestic investors from investing abroad.

2. Bilateral Investment Agreements and Taxation Treaties

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

In February 2015, the U.S. and the EAC signed a Cooperation Agreement to increase trade-related capacity in the region and deepen economic ties between the U.S. and the EAC. The Cooperation Agreement builds capacity in three key areas: trade facilitation, sanitary and phytosanitary (SPS) measures, and technical barriers to trade (TBT). This agreement will complement a TIFA signed with the EAC in 2008. The EAC also signed a letter of intent in 2012 to launch a Commercial Dialogue with the U.S.

Uganda is a member of the World Trade Organization. Uganda is also a member of the EAC, along with Kenya, Tanzania, Burundi, Rwanda, and South Sudan. 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 have pledged to integrate financial systems and regulations, harmonize monetary and exchange rate policies, and establish common inflation and debt-to-GDP ceilings. Since then, a number of institutions aimed at facilitating establishment of the Monetary Union have been put in place. These include the EAC Monetary Institute, the EAC Statistics Bureau, the EAC Financial Services Commission and the EAC Surveillance, Compliance and Enforcement Commission.

Uganda has bilateral investment protection treaties with the following countries:

1. BLEU (Belgium-Luxembourg Economic Union)
2. China
3. Cuba
4. Denmark
5. Egypt
6. Eritrea
7. France
8. Germany
9. Italy
10. Netherlands
11. Nigeria

12. South Africa
13. Switzerland
14. United Kingdom
15. Zimbabwe

On October 26, 2014, the EAC finalized the negotiations for a region-to-region Economic Partnership Agreement (EPA) with the European Union (EU). The EPA establishes a free-trade agreement between the EU and developing economies in sub-Saharan Africa. To date, the EPA has not been ratified by the EAC, with Tanzania opposing ratification citing the need to study the EPA's impact on domestic industries.

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

1. Denmark
2. India
3. Mauritius
4. Netherlands
5. Norway
6. South Africa
7. United Kingdom
8. Italy

4. Legal Regime

Transparency of the Regulatory System

Uganda's legal and regulatory systems are broadly consistent with international standards even though bureaucratic hurdles severely affect efficiency. The Public Procurement and Disposal Act (PPDA), 2003, and the Petroleum (Exploration Development and Production) Act, 2013 establish a legal and institutional framework to foster competition on project tenders on a non-discriminatory basis.

According to the Investment Act, the national parliament enacts principal legislation on investment while the Finance minister, and as well as Kampala City Council Authority (KCCA) and other local governments, make subsidiary legislation, otherwise known as regulations. Similarly, under the KCCA Act, KCCA is authorized to make regulations regarding taxes charged on businesses in Kampala. Regulations of all levels (local, national, and supra-national) affect foreign investors. For example, supra-national EAC rules on free movement of goods and services would affect an investor planning to export to the regional market. On the other end of the spectrum, regulations issued by KCCA regarding operational hours or the location of factories would affect an investor's decision at a local level only.

Accounting procedures are broadly transparent and consistent with international norms. According to the Capital Markets Authority Act, 1996, all public listed companies are required to observe accounting standards in-line with the International Auditing and Assurance Standards Board.

Draft bills undergo a consultative process led by the relevant government ministry or agency, which convenes stakeholder meetings with private and public interests affected by the bill. Following consultations, the ministry presents the draft bill to Parliament and Cabinet for approval. Draft bills presented to parliament are available for public comment and consultation. After a successful vote, parliament enacts laws that authorize the relevant Minister (or other government official) to make regulations that are more specific. The Minister, in consultation with the Uganda Investment Authority, makes regulations, which are published in the Uganda Gazette.

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

Uganda's court system (through judicial review of administrative action) provides the main mechanism for ensuring governmental adherence to the administrative process. The courts review administrative actions and help ensure governmental adherence to the administrative process. The enforcement process is reviewable through the judicial system. The Ombudsman's office known in Uganda as the Inspector General also ensures compliance with the administrative process. The Inspector General is responsible for eliminating corruption and abuse of public office and authority. The inspectorate is independent when undertaking its functions and is only answerable to Parliament.

Although Uganda has not adopted any new investment regulations since the 2016 Investment Climate Statement, amendments to the Investment Code Act are ongoing and Cabinet recently approved the Investment Code Bill 2017. The Bill is now before Parliament, which forwarded it to the First Parliamentary Counsel at the Ministry of Justice for review before Parliament approves it as law.

International Regulatory Considerations

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

- African, Caribbean, and Pacific Group of States (ACP)
- African Development Bank Group (AfDB)
- African Union/United Nations Hybrid operation in Darfur (UNAMID)

- African Union (AU)
- Common Market for Eastern and Southern Africa (COMESA)
- Commonwealth of Nations
- East African Community (EAC)
- East African Development Bank (EADB)
- Food and Agriculture Organization (FAO)
- Group of 77 (G77)
- Inter-Governmental Authority on Development (IGAD)
- International Atomic Energy Agency (IAEA)
- International Bank for Reconstruction and Development (IBRD)
- International Civil Aviation Organization (ICAO)
- International Criminal Court (ICC)
- International Criminal Police Organization (Interpol)
- International Development Association (IDA)
- International Federation of Red Cross and Red Crescent Societies (IFRCS)
- International Finance Corporation (IFC)
- International Fund for Agricultural Development (IFAD)
- International Labor Organization (ILO)
- International Monetary Fund (IMF)
- International Olympic Committee (IOC)
- International Organization for Migration (IOM)
- International Organization for Standardization (ISO) (correspondent)
- International Red Cross and Red Crescent Movement (ICRM)
- World Trade Organization (WTO)

Uganda’s regulatory system incorporates the WTO (GATT, GATS, TRIPS, TRIMS, etc.), the World Bank/IMF, and the East African Community standards. The Government of Uganda notifies the WTO Committee on Technical Barriers to Trade (TBT) of all draft technical regulations through the Ugandan Ministry of Trade’s National TBT/SPS Coordination Committee.

Legal System and Judicial Independence

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

Uganda began the commercial court system in 1996 to adjudicate commercial disputes. The commercial court has four judges and two deputy registrars. In 2014, the commercial court handled more than 220 commercial cases. The commercial court has 17 mediators, which settle 80 percent of disputes out of court through pre-trial conferences. The commercial court engages regularly with the private sector through the “Court Users Committee,” which includes representatives from banks, insurance companies and the manufacturing sector. Through this forum, the court has worked with Uganda's tax authority to reduce litigation in tax cases and has persuaded banks to opt for loan restructuring in default cases that were previously ending up in court. The court is attempting to increase transparency and efficiency by creating an "e-court environment" – a process still ongoing in 2017. In addition to digitizing its records, the court also digitally records court proceedings, enabling cases to be heard from remote parts of the country. Judgments in foreign courts are recognized and enforced under Ugandan law. Disputes with foreign investments go through the same process as domestic disputes.

Uganda's commercial laws include: The Companies Act, The Limitations Act, The Contract Act, The Bulk Sales Act, The Sale of Goods Act, The Partnership Act, and The Business Names Registration Act.

Uganda's commercial legal process is perceived to favor politically connected companies that deploy pressure to disrupt and delay outcomes. Uganda's judiciary has been implicated in corruption. For example, investigative journalistic reports feature anecdotal accounts of judges at the Commercial Court demanding bribes in order to rule favorably in some cases. Regulations and enforcement actions are appealable and adjudicated in the national court system.

Laws and Regulations on Foreign Direct Investment

Uganda's laws affecting portfolio or foreign direct investment are the Capital Markets Authority Act, 1996 (amended in 2015), the Companies Act, 2012, and the Investment Code Act, 1991. The Investment Code Act, 1991, allows foreign participation in any industrial sector except those touching on national security or requiring the ownership of land. Licensing from the 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 green field investments.

The Companies Act allows for the creation of single-person companies, permits the registration of companies incorporated outside of Uganda, and regulates share capital allotments and transfers.

The Capital Markets Authority Act establishes the Capital Markets Authority, which is responsible for licensing brokers, dealers and overseeing the Uganda Securities Exchange. Uganda's stock exchange was inaugurated in June 1997 and contains 18 companies. Market capitalization of the exchange rose to USD 9.79 billion in 2015. Foreign-owned businesses are allowed to trade on the Ugandan stock exchange.

Uganda has four systems of land tenure: freehold, traditional freehold land referred as "mailo," leasehold, and customary. The Land Act, allows foreigners to acquire a lease not exceeding 99 years. Foreigners cannot hold or acquire mailo or freehold land. The Uganda Investment Code Act prevents foreigners from investing in crop or animal production. Foreign investors can create a Ugandan-based firm to invest in crops and animal production.

Competition and Anti-Trust Laws

Uganda does not review transactions for competition-related concerns.

Expropriation and Compensation

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..." and guarantees any person who has an interest or right over expropriated property access to a court of law.

Uganda's Investment Code Act stipulates "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."

In the 1970's, Idi Amin's regime expropriated on a mass-scale Asian-owned and operated properties without compensation. 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 1,500 others were sold off and the former owners compensated. There have been no incidents of expropriation of foreign investments without compensation since President Museveni came to power in 1986. Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

Dispute Settlement

ICSID Convention and New York Convention

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

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.

Investor-State Dispute Settlement

Uganda is a signatory to the ICSID Convention, but does not have a Bilateral Investment Treaty (BIT) with the US. Most investment disputes in Uganda are resolved through unrecorded private arbitration. Uganda has legislation providing for the recognition of foreign arbitral awards. Uganda is also a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

International Commercial Arbitration and Foreign Courts

The Judicature (Commercial Court Division) (Mediation) Rules, 2007 require that all commercial disputes be subjected to arbitration before they are listed for adjudication by the Commercial Court. CADER can assist in mediating disputes. CADER's website is available here: http://www.arbitration-adr.org/adrdir/servprov/spuganda.htm.

Uganda has legislation providing for the recognition of arbitral awards. The country is also a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Uganda also has legislation (Foreign Judgments (Reciprocal Enforcement) Act 1961) which enables the recognition and enforcement of judgments and awards made by foreign courts. For example, on February 8, 2013, the Uganda Supreme Court overturned an earlier ruling in favor of a Kenyan construction firm following a contractual dispute with Uganda's National Social Security Fund (NSSF). There was no evidence of discrimination or corruption affecting the ruling.

Bankruptcy Regulations

The Insolvency Act of 2011, as well as bankruptcy regulations, generally align Uganda's legal framework on insolvency with international standards. The law and regulations largely accord to creditors, equity holders, and other claimants the same rights accorded under the laws of most countries, including rights related to creditor meetings during bankruptcy, declaration and distribution of a bankrupt estate, as well as declaration and distribution of dividends. It also provides for cross-border insolvency and entitles creditors (including foreigners) to petition court for a receiving order, which effectively declares a debtor bankrupt. The Receiving Order paves the way for the appointment of an official receiver who manages the debtor's property and assets for purposes of paying off creditors. Monetary judgments and awards are made in Ugandan currency, and the courts generally follow the constitutional requirement that payment be "fair and adequate."

Uganda ranked 111 out of 190 countries for resolving insolvency in the 2017 World Bank Doing Business Report. Uganda averages 38 cents on the dollar for recoveries—well above the sub-Saharan average of 20 cents per dollar.

5. Industrial Policies

Investment Incentives

According to the Uganda Investment Code Act of 1991, and its regulations, 50 percent of capital allowances for plants and machinery are deductible from a company's income on a one-time basis in Kampala while 75 percent of capital allowances are deductible in the rest of the country. One hundred percent of training costs are deductible on a one-time basis. A range of annual VAT deferments, deductions, exemptions, and depreciation allowances also exist, resulting in investors often paying no tax at all in the first year of their investment, and usually paying substantially less than the 30 percent corporate tax rate in the subsequent years of their investment. The Government also provides a 10-year tax holiday for investors engaged in export-oriented production and, if the investment is located more than 25 kilometers away from Kampala, for agro-processing investors. Investors can find information on investor incentives and capital allowances on the UIA website at www.ugandainvest.com, and at URA's website www.ura.go.ug.

Foreign Trade Zones/Free Ports/Trade Facilitation

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

The Free Zones Act (2014) and the Uganda Free Zones Regulations (2016) regulate Uganda's Free Trade Zones. The law establishes the Uganda Free Zones Authority, which is responsible for receiving applications for entities desiring to develop and operate in a free zone. The Uganda Free Zones Authority recently approved the establishment of a special economic zone in Arua to support fish and fruits, gold processing, timber processing, and logistics.

Performance and Data Localization Requirements

Under the Uganda Investment Code Act, 1991, a license granted to a foreign investor may carry conditions requiring the investor to create employment opportunities in Uganda. Similarly, under the two oil laws (The Petroleum Exploration, Development and Production Act, 2013 and the Petroleum Refining, Conversion, Transmission and Midstream Storage Act of 2013), require investors to contribute to the creation of a local skilled Ugandan workforce. The Uganda Investment Act does not specify mandatory numbers for local employment in management positions.

Uganda does not have excessively onerous visa, residence, or work permit requirements for foreign investors and their employees. There are no government/authority-imposed conditions to receive permission to invest, although the two petroleum acts mentioned above allow the Government of Uganda to impose local-content conditions on investments in the petroleum sector. The Investment Code Act authorizes the Government of Uganda to subject foreign investors to conditions, which require local input procurement, provided the inputs are available domestically at an equivalent quality standard.

The Investment Code Act authorizes the government to review and revoke the investment license or other relevant permit of both domestic and foreign investors on a case-by-case basis if the investor fails to perform.

According to section 28 of the Computer Misuse Act, 2011, "An authorized officer executing a search warrant, may compel a service provider, within its existing technical capability to collect or record through the application of technical means, or to co-operate and assist the competent authorities in the collection or recording of traffic data in real time, associated with specified communication transmitted by means of a computer system." Uganda does not have measurements that prevent or unduly impede companies from freely transmitting customer or other business-related data outside of Uganda. In 2016, the Ministry of Finance issued a directive for all financial institutions to, "Establish in-country primary data centers and disaster recovery sites for all commercial banks."

6. Protection of Property Rights

Real Property

Uganda's Constitution guarantees the right to own property and requires the state to encourage private investment. Uganda also has legislation on mortgages, trusts and liens. The Mortgage Act, 2009, and the Mortgage Regulations, 2012, also make provisions for mortgages, sub-mortgages, trusts and other forms of lien. The Land Act, 1998, allows foreigners to acquire a lease not exceeding 99 years. Foreigners; however, cannot hold or acquire mailo or freehold land.

Freehold, leasehold, and mailo tenure owners hold registered titles, while customary or indigenous communal landowners (who account for up to 90 percent of all landowners) do not. The Land Act provides for customary landowners to acquire a Customary Certificate, which serves as proof of ownership and may be used as collateral. Furthermore, the government recently introduced a number of reforms aimed at facilitating the registration of land, including digitizing land records. In 2013, Uganda adopted a National Land Policy aimed at promoting optimal use of land.

The Government of Uganda has created an office within State House (State House Land Desk) with the aim of identifying ownership in cases where there is no clear title. Ugandan law provides for the acquisition of prescriptive rights by individuals who settle onto land and whose settlement on such land is unchallenged by the owner for at least twelve years.

Intellectual Property Rights

In principle, Ugandan law protects intellectual property rights, but in practice little is done to effectively prevent piracy and counterfeit distribution. While the Uganda Registration Services Bureau provides a standardized process for registering each type of intellectual property and allows investors to enforce their rights through the court system, enforcement remains weak. Uganda signed the World Intellectual Property Organization's (WIPO) Patent Law Treaty in 2000, but has not ratified it to date. On January 6, 2014, Uganda's president assented to the new Industrial Property Act, which replaced previous legislation like the Patent Act, 1993, bringing Ugandan law into consonance with international standards on intellectual property. Along with the 2006 Copyright and Neighboring 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 responsible for hearing intellectual property and trademark cases, including by artists and musicians in Uganda's Performing Arts Rights Society. The Uganda National Bureau of Standards (UNBS), the Uganda Revenue Authority (URA) and the Uganda Police Force (UPF) are responsible for enforcing the existing laws, although in practice, they are constrained by inadequate resources and funding.

The government's efforts to address the trade of counterfeit products are insufficient. Counterfeit CDs, DVDs, and computer software are openly sold in Uganda's market places, and counterfeit pharmaceuticals and agricultural inputs are widespread throughout Uganda. Most counterfeit goods entering Uganda are manufactured in China and India. The American entertainment industries, as well as manufacturers of consumer goods, complain that counterfeiters are damaging their markets by deterring future foreign direct investment and damaging brand names.

The Uganda National Bureau of Standards (UNBS) Act of 1983 authorizes UNBS to deny sub-standard goods (but not necessarily counterfeit goods) access to the Ugandan market. Uganda is not listed on the United States Trade Representative Special 301 report and it is not listed on the notorious market report.

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/wipolex/en/profile.jsp?code=UG

Resources for Rights Holders:

Omar Farooq
Economic and Commercial Officer
+256-414-306-102
Farooqo@state.gov

For a list of legal assistance providers in Uganda, please go to:
https://ug.usembassy.gov/u-s-citizen-services/local-resources-of-u-s-citizens/attorneys/

Uganda has not enacted any new IP related laws since the 2016 Investment Climate Statement. The Anti-Counterfeiting Bill 2010, remains before Parliament and would, if passed, considerably clarify and strengthen the penalties for making and/or trading in counterfeit products.

Uganda does not track seizures of counterfeit good although the Ministry of Agriculture, Uganda UNBS, Uganda Seed Traders' Association (USTA), Ag Verify, and Feed the Future Uganda, are attempting to combat counterfeit inputs in agriculture through digital e-verification mechanisms.

A conservative estimate from the Ministry of Agriculture, Animal Industry and Fisheries in 2010 put the estimate of counterfeit agricultural inputs on the market at 10-15 percent. Meanwhile, a study undertaken by Deloitte in 2014 estimated that 20 percent of counterfeit herbicide comes from manufacturers mislabeling products and intentionally selling products with lower proportions of active ingredients than advertised. In an estimated 60 percent of cases salesmen and input dealers remove labels from copyrighted products and place them on inferior products.

Finally, the remaining 20 percent of estimated counterfeits occur when distributors and input dealer replicate labels and place them on inferior products.

Uganda is not listed on the USTR's Special 301 report or the notorious market report:https://ustr.gov/sites/default/files/2016-Out-of-Cycle-Review-Notorious-Markets.pdf.

7. Financial Sector

Capital Markets and Portfolio Investment

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 18 companies. Market capitalization of the exchange rose to USD 9.79 billion in 2015. Liquidity remains constrained to enter and exit sizeable positions.

Capital markets are open to foreign investors and there are no restrictions for foreign investors to open a bank account in Uganda. The Government imposes a 15 percent withholding tax on interest and dividends. Credit is allocated on market terms, and commercially available.

Foreign-owned companies are allowed to trade on the stock exchange, subject to some share issuance requirements, and the Kampala exchange contains cross-listings of seven Kenyan companies: Equity Bank Kenya Airways, East African Breweries, Jubilee Holdings, Kenya Commercial Bank, Nation Media Group, and Centum Investment.

Uganda enacted the Companies Act, 2012, which improves the legal framework for corporations, notably by introducing provisions designed to ease the incorporation of companies and portfolio investment in existing companies. The new law also introduces a number of corporate governance requirements.

The Government of Uganda respects IMF Article VIII and refrains from restricting payments and transfers for current international transactions. Credit is allocated on market terms and foreign investors are able to access it; however, the private sector remains crowded out of domestic debt markets due to extensive borrowing by the Government of Uganda.

In 2004, the Bank of Uganda added ten-year bonds to its two-, three-, and five-year offerings to facilitate its control of liquidity and inflation and to further develop the bond market. The Government hopes that by creating a benchmark yield curve it will encourage private companies to access the debt markets. Some large local businesses have been reluctant to turn to the bond markets, however, in part because strict disclosure requirements would force them to adhere to higher international auditing standards than most Ugandan businesses normally achieve. Seven companies currently provide brokerage services, including one American-owned firm. There are no restrictions prohibiting investors from pooling funds to be invested on the exchange and in government treasury bills and treasury bonds.

Money and Banking System

Uganda's banking and financial sectors are growing in size and sophistication with a total of 25 commercial banks, 84 percent of which are foreign-owned, and more than 300 non-bank financial institutions. Only twenty 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 a key provider of basic, if informal, financial services for low-income earners who cannot afford the charges levied by the formal banking system. M-payments also provide needed financial services to Uganda's unbanked population, much of which lives in remote areas of the country. According to the World Bank, the non-performing loan rate stood at 8.2 percent at the end of 2016. Uganda's largest bank Stanbic Uganda, had assets valued at $1.2 billion in 2016. Standard Chartered, the third largest bank had assets valued at $744 million in the same year.

Competitiveness and innovation are steadily increasing in Uganda's banking sector, but lending to the private sector is still relatively low, largely because of perceived high risk (limited collateral) among potential borrowers, and the government crowding out the private sector in the bond market. In 2017, the Bank of Uganda (BOU) took over the largest Ugandan-owned bank, Crane Bank, after it failed to meet minimum capitalization requirements. On January 27, 2017 the BOU transferred Crane Bank to Development Finance Company of Uganda (DFCU), now the second-largest bank in Uganda.

The BOU 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 USD 4 million to USD 25 million, and all banks have complied, some by attracting Tier I equity capital. Total bank assets grew from USD 5.6 billion in June 2014 to USD 5.9 billion at the end of June 2015, an annual asset growth rate of 5.3 percent.

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

Foreign Exchange and Remittances

Foreign Exchange

Uganda keeps open capital accounts, and Ugandan law imposes no restrictions on capital transfers in and out of Uganda, unless the investor benefited from tax incentives on the original investment, in which case the investor will need to seek a "certificate of approval to externalize funds" from the UIA.

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

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 2013 Anti-Money Laundering Act (AMLA), and the 2010 Financial Institutions (Anti-Money Laundering) Regulations impose a number of "know your customer" requirements on entities involved in money transfers in Uganda. In May 2015, Uganda's parliament amended the Anti-Terrorism Act (ATA) to improve asset confiscation procedures of suspected terrorists. These various laws and regulations authorize the Central Bank and the recently created Financial Intelligence Authority to impose restrictions on remittances or other money transfers that are linked to money laundering or terrorist financing. Although Uganda has made strides adopting the AMLA and ATA, further amendments are required by the Financial Action Task Force to remove Uganda from its "gray list." The Anti-Money Laundering (Amendment) bill, which is aimed at meeting these requirements, is currently before parliament and is expected to be passed into law before June 2017.

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

Sovereign Wealth Funds

The Public Finance Management Act (PFMA), 2015, mandates the establishment of a Petroleum Fund into which anticipated oil revenue will be deposited. Some of the funds from the Petroleum Fund may be used to create a "Petroleum Investment Reserve" which will support the establishment of oil infrastructure. Parliament through the PFMA is required to ensure that the Petroleum Fund is consistent with the government's industrial development priorities. The PFMA does not specify a predetermined domestic investment level. Uganda's Petroleum Fund does not follow the Santiago Principles.

8. State-Owned Enterprises

Uganda operates in a free-market environment after the government began a privatization program under the Public Enterprise Reform and Divestiture Act (PERDA) in 1993, resulting in the complete or partial divestiture of the majority of Uganda's public enterprises. Thirty SOEs remain, of which the largest are a water utility, the National Social Security Fund (government pension plan), Kawanda Research Station (agricultural research), some banking and medical services, and a national oil company. SOEs do not get special financing terms and are subject to hard budget constraints. According to the Ugandan Revenue Authority Act, they have the same tax burden as the private sector. According to the Land Act, private enterprises have the same access to land as SOEs.

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

Privatization Program

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

The government reserves the right to limit foreign investment in sensitive industries, which in practice is limited to ordnance. Outside of sensitive industries, foreign investments in Uganda's privatization program are unrestricted. The program has attracted foreign investors primarily in the agribusiness, hotel, and banking industries.

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

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

9. Responsible Business Conduct

Although corporate social responsibility (CSR) is not a requirement for an investor to obtain an investment license, businesses—especially large foreign enterprises—are expected by the Ugandan public to promote CSR projects to provide benefits for local communities. This is especially true in the extractive industries. While consumer-buying habits are rarely based on CSR, some large corporations, including foreign oil companies, have experienced community pressure and social unrest when local residents do not see any direct benefit from their presence. CSR projects are driven by the private sector with little input from the Ugandan government, which does not factor CSR policies into procurement decisions. As such, larger enterprises have been involved in building schools and hospitals, improving roads and other social services in areas where they operate, mainly in rural areas.

The following organizations promote and monitor RBC:

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

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

   Website: https://www.globalwitness.org/en/about-us/

3. Partnership Africa Canada focuses on:

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

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

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

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

   Website: http://www.pacweb.org/en/about-us/pac-work

Although these organizations currently operate freely, it is possible that if the Government of Uganda sees these NGO's work as too critical of government practices, the Government may take steps to curb their ability to operate freely. In recent years, especially following the 2016 general elections, Uganda's security forces are increasingly less tolerant of political descent and have targeted and harassed journalists, human rights activists, as well as the political opposition.

In relation to human rights, labor rights, consumer protection, environmental protections, and other laws/regulations intended to protect individuals from adverse business impacts; the host government is not able to enforce domestic laws effectively. In January, there were allegations of human rights violations by Ugandan workers contracted by a Chinese firm in charge of a World Bank funded infrastructure project. The World Bank promptly suspended the project and opened investigations into a number of other projects receiving Bank support.

Per the 1998 Environmental Impact Assessment regulations, Uganda requires companies to submit Environmental Impact Assessments (EIA) for projects in sensitive areas. The government has no previous involvement with the Extractive Industries Initiative (EITI), but plans to enact EITI once it starts to develop its oil reserves.

In late December 2015, the World Bank cancelled its involvement in a major road project in western Uganda's Kamwenge District after allegations surfaced that project employees had engaged in widespread sexual abuse of local residents, especially adolescent girls. The World Bank subsequently suspended funding to two other road development projects in Uganda pending further review to ensure that proper safeguards and management practices were in place. The World Bank asserted in 2016 that new leadership at the Uganda National Roads Authority (UNRA) had "cleaned house" and welcomed bank support to help reform UNRA's project management practices and increase its sensitivity to human rights issues in local communities. The World Bank continues to review UNRA management practices and funding remains suspended.

Uganda has laws on human rights, labor rights and environmental protection but these are poorly enforced. Uganda does not have a law on consumer protection.

The Capital Markets Act includes a number of provisions aimed at ensuring better corporate governance and protection of shareholders.

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

10. Corruption

Corruption remains endemic in Uganda. Transparency International ranked Uganda 151 out of 176 countries in its 2016 Corruption Perception Index. In a December 2012 report, Uganda's Inspectorate of Government characterized corruption in Uganda as "rampant," and noted that it "causes distortions of great magnitude in the Ugandan economy." The report cited public procurement as the area most prone to abuse, and noted that 9.4 percent of total contract values went to corrupt procurement payments at the local and central government levels.

In recent years, the Government has taken some measures to tackle corruption. In 2009, Uganda passed an Anti-Corruption Act that criminalized bribery, influence peddling, and a number of other offenses. The Whistleblowers Protection Act of 2010 provides some protection to citizens who report malfeasance, while the Anti-Money Laundering Bill became law in 2013. In 2015, parliament passed the Public Financial Management Act (PFMA) that promised to improve mechanisms for managing public finances. The PFMA established a Treasury Single Account that aims to make public expenditures more transparent and less vulnerable to graft, a transparent framework for management of oil revenue, and mechanisms aimed at linking public expenditure to the broader fiscal and macro-economic framework. Other draft legislation, including an Anti-Counterfeiting Bill and a Proceeds of Corruption Assets Recovery Bill, remain pending in Parliament as of 2017. Uganda's High Court opened an Anti-Corruption Division (ACD) in 2009; however, Uganda does not provide any protections to NGOs investigating corruption.

In spite of these measures, the public perception is that the government is not doing enough to fight corruption, and that high-level officials involved in corruption – especially politicians –

tend to be exempt from investigation or prosecution. Uganda does not have anti-corruption laws extending to family members of officials or to political parties.

Uganda is not a party to the WTO Agreement on Government Procurement (http://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm). The Public Procurement and Disposal of Public Assets Authority (PPDA) audits government procurements, regulates the public procurement processes, and monitors compliance by all government entities. Since 2011, GOU procurement requests must now include: a procurement schedule for every bid notice issued, standard formats for invitation of bidders (bid notices), specified time frames for all government procurement activities, and all bid evaluations must begin within 14 working days from the date of closing the bid. More information about PPDA can be found at www.ppda.go.ug.

The government does not encourage or require private companies to establish internal codes of conduct, including a prohibition on bribery of public officials, although it is a member of the East African Court of Justice.

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

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.

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

Resources to Report Corruption

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

Justice Irene Mulyagonja
Inspector General of Government
Inspectorate of Government
Jubilee Insurance Centre, Plot 14, Parliament Avenue, Kampala
256 414344219
Website: www.igg.go.ug

Contact at "watchdog" organization:

Anti-Corruption Coalition Uganda
Cissy Kagaba
Telephone No. 0414-535659
Email: kagabac@accu.or.ug
Website: http://accu.or.ug

11. Political and Security Environment

Since independence in 1962, Uganda has experienced seven violent changes of power. Uganda has achieved a level of stability since President Museveni came to power in 1986. Regional terrorism remains a threat, and there have been isolated incidents of political violence in recent years. Protracted conflict and instability in the eastern regions of the Democratic Republic of Congo and South Sudan create instability along Uganda's borders resulting in the flow of thousands of refugees into Uganda and the occasional disruption of important trade links.

In recent years, the country has been relatively stable and has not seen any major domestic political upheaval. Uganda's border regions still suffer from occasional violent attacks by armed militia groups such as the Allied Democratic Forces (ADF) and members the March 23 Movement (M23). Expelled from Uganda in 2006, the Lord's Resistance Army (LRA) now operates in remote areas of the border region between the Democratic Republic of Congo (DRC), the Central African Republic, and South Sudan.

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, claimed responsibility for the attack. In September 2014, Ugandan security forces carried out a major counter terrorism operation, arresting several members of a suspected al-Shabaab cell in Kampala, and accused them of planning an imminent attack. The U.S. Embassy continues to encourage U.S. citizens to consider carefully the risk of attending or being near large public gatherings. Further, spontaneous demonstrations can sometimes occur in Kampala and other cities. Although infrequent, these demonstrations can become violent and should be avoided. High levels of criminal activity remain a problem in Uganda, and 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.

On February 18, 2016, President Museveni was re-elected to a fifth term in office. Most international and domestic observers found that the election fell short of international principles and obligations for democratic elections. The election was characterized by a closing of political space and infringements on people's rights of assembly and speech. Some segments of the political opposition rejected the election results and members of the opposition and civil society have accused the government of selectively enforcing the law to tamp down dissent. Uganda continues to witness occasional outbreaks of violence between local residents and security forces – mostly related to ethnic and historical grievances – in its western region along the border with the DRC.

12. Labor Policies and Practices

In Uganda, the working age population is defined as the population aged 14-64 years. According to the Uganda Bureau of Statistics (UBOS) 2015 statistical abstract, the total working population in Uganda is estimated at 13.9 million, of which 56.8 percent (7.9 million) are employed. The official unemployment rate (as of 2012/13) is 9.4 percent, with women experiencing higher unemployment rates (11 percent) than men (8 percent). The official national youth unemployment rate is 19.7 percent. Agriculture, forestry and fishing sector have the highest percentage of employees, followed by vehicular and personal goods trade. Less than one third of employed persons have attained either secondary education or specialized training.

According to the U.S. Department of Labor's 2014 Findings on the Worst Forms of Child Labor, 30.9 percent of children aged five to 14 in Uganda are engaged in child labor, including its worst forms, in agriculture and in commercial sexual exploitation. The Employment Act, 2006, prohibits children under the age of 14 from being employed except for light work, and outside of school hours. The Ministry of Gender, Labor and Social Development permits the employment of children aged between 14 and 18. There are active programs underway, with support from the ILO and the U.S. Department of Labor, to combat child labor, but the practice nevertheless remains a concern in Uganda, particularly in agriculture and the informal sector. Coffee, rice, sugarcane, tea, tobacco, vanilla, cattle, fish, bricks, and charcoal are included on the U.S. Government's List of Goods Produced by Child Labor or Forced Labor.

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. In 2015, the cabinet re-instituted the Minimum Wage Advisory Board (MWAB), tasked with investigating the viability of a minimum wage for Uganda. In 2016, the Ministry of Gender, Labor, and Social Development, which oversees MWAB, reported that the MWAB had so far submitted four reports regarding its findings.

Uganda has a shortage of specialized labor skills. A 2011 Parliamentary report on the economy highlighted poor skills and education as one of the main obstacles to improving Uganda's competitiveness. In 2008, Uganda passed the Business, Technical, Vocational Education and Training Act to reform vocational skills. Funding for the initiative remains low, however, and a number of the reforms have yet to be implemented. In 2011, with donor support, the Uganda Petroleum Institute began teaching vocational skills needed to fill jobs in the oil sector. Most urban Ugandans speak English, though many speak it only as a second language to one of 33 local languages spoken in Uganda.

While there are no explicit provisions requiring the hiring of nationals, there are broad standards requiring investors to contribute to the creation of local employment. However, foreign businesses struggle to hire Ugandans due to a shortage of skilled labor. Under the Investment Code Act, 1991, a license granted to a foreign investor may carry conditions requiring the investor to create employment opportunities in Uganda. Similarly, under the two oil laws (The

Petroleum Exploration, Development and Production Act of 2013 and the Petroleum Refining, Conversion, Transmission and Midstream Storage Act of 2013), an investor is required to contribute to the creation of a local skilled Ugandan workforce.

Employers can only terminate employment by issuing a notice two weeks to three months in advance (depending on the duration of the employment). Employees are entitled to wages if they are terminated without notice. Ugandan law only differentiates between termination with notice (or payment in lieu of notice) and summary dismissal (termination without notice). Summary dismissal applies when the employee fundamentally violates his/her terms of employment. Uganda does not provide unemployment insurance or any other social safety net programs for terminated workers. The Employment Act, 2006, does not allow waivers of labor laws for foreign investors.

The Employment Act improved Uganda's compliance with ILO standards. The law allows workers, except for a category of government employees including 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. The National Organization of Trade Unions (NOTU) has 20 member unions. Its rival, the Central Organization of Free Trade Unions (COFTU), also has 20 unions. Union officials estimate that nearly half of the two million people working in the formal sector belong to unions.

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

Labor unrest is sporadic in Uganda, although the Kampala City Traders Association held a strike in September 2015 over taxes on imported goods. The strike was short-lived, receiving a swift government response in order to minimize economic disruptions in the capital. There was no major strike affecting investors in 2016.

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

Uganda did not enact any new labor laws or regulations over the past year. Uganda does not have pending labor legislation.

13. OPIC and Other Investment Insurance Programs

OPIC currently has the Butama Hydro Electricity Company project in its active Uganda portfolio (having made a disbursement on the commitment). OPIC is currently working on new projects in Uganda, including a transportation company and small hydro transaction. The potential for continued OPIC participation in projects in Uganda is very good.

OPIC has a bilateral agreement with the government of Uganda, which was executed in 1965 and remains in effect. A copy can be found here: https://www.opic.gov/sites/default/files/docs/africa/bL_uganda.PDF

14. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy (US Dollars, Millions)

	Host Country Statistical source		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$27,500	2014	$27,800	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source**		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2015	N/A	2015	$90	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2015	N/A	2015	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	N/A	2015	N/A	

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	$8,876	100%	Total Outward	N/A	N/A
Netherlands	$3,916	44%	N/A	N/A	N/A
Australia	$1,542	17%	N/A	N/A	N/A
United Kingdom	$623	7%	N/A	N/A	N/A
Kenya	$557	6%	N/A	N/A	N/A
Mauritius	$519	5%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
N/A	N/A	N/A%	N/A	N/A	N/A%	N/A	N/A	N/A%

15. Contact for More Information

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+256-414-306-102
farooqo@state.gov