UGANDA
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Uganda is located in Eastern Africa. 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, 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. Although national elections are scheduled for February or March 2016, we do not anticipate that these priorities will change dramatically. However, sluggish bureaucracy, poor infrastructure, insufficient power supply, a 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 6.5 billion barrels, including 1.4 billion that are recoverable. With only 40 percent of the oil-rich area explored, additional discoveries could boost Uganda’s oil reserves and the Ministry of Energy plans to award exploration licenses in six new blocks in 2015. In February 2015, the Ministry of Energy also provisionally awarded a multi-billion dollar contract to construct a refinery to Russian firm RT Global, subject to final negotiations. In spite of these developments, two of the three oil companies active in Uganda are downsizing their operations as delays in issuing production licenses mount. Moreover, details of an export pipeline from western Uganda to the Kenyan coast are yet to be finalized. Although Uganda hopes to begin active production in 2018, it is unlikely that any production could realistically begin before 2020.

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 15 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. AAE Systems, an American firm, hopes to break ground on a 150-megawatt geothermal plant in 2015 – the first in Uganda.

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. Another 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. Passenger traffic through Uganda's Entebbe International Airport grew 9.1 percent in 2013. However, passenger traffic is likely to record a fall in 2014, due to passage of the anti-homosexuality act and outbreaks of Ebola in Africa. The domestic air industry – including Air Uganda – experienced major setbacks when, in 2014, in a controversial move, the Ugandan Civil Aviation Authority de-certified Air Uganda for international flights, effectively putting the airline out of business.

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, the current published national HIV/AIDS prevalence rate is 7.4 percent according to the 2011 AIDS Indicator Survey.

Uganda’s economy experienced robust growth the past decade, especially in the energy, construction, infrastructure, telecommunications and financial services sectors. After a brief slowdown after the 2011 elections, annual GDP growth is expected to approach six percent by 2015. There are fears, however, that a prolonged campaign leading up to the 2016 election will lead to a lack of fiscal discipline. While inflation is currently under control, standing in March 2015 at about two percent, Uganda’s central bank raised near-term inflationary expectations to 8-10 percent and is pursuing monetary policy tightening. Analysts are also concerned there could be a post-election inflation spike, similar to 2011 when rates soared to more than 30 percent. 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 Foreign Direct Investment

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 2015 Index of Economic Freedom, falling to 92 out of 178 countries, with an overall score of 59.7, its second lowest economic freedom score ever. Uganda ranks as the ninth freest among the 46 sub-Saharan African countries on the index. However, Uganda ranks low, coming in 26th of 46 sub-Saharan African countries on measures of corruption due to perceptions of widespread corruption, even at the highest levels of government.

Uganda ranks 150 out of 189 countries in the Doing Business 2015 report, issued by the World Bank. Uganda ranks lower than its East African Community (EAC) neighbors, with the exception of Burundi. In 2013, Uganda’s foreign direct investment was USD 1.19 billion, slightly down from USD 1.2 billion in 2012, according to the World Bank. The Ugandan Investment Authority reports that the country's FDI was USD 1.418 billion in 2013 and USD 1.74 billion in 2012. The discrepancies are due to small variations in how FDI is calculated. According to the Uganda Investment Authority, the top FDI sources in 2013 were India (111 projects), China (62 projects), the United Kingdom (18 projects), Pakistan (16 projects), Eritrea (14 projects), Kenya (13 projects), and the United States (8 projects). Total U.S. foreign investment in Uganda for fiscal year 2013/14 was valued at USD 5 million, a substantial drop from the USD 20 million figure of 2012. The main areas of foreign investment were in manufacturing, telecommunications, 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.

The Uganda Investment Authority (UIA) has opened a "dedicated one-stop center" that aims to help investors:
• 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 titles online

Some of these services are available online, as well. 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.

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, 18 million cell phone users (up from 16.3 million a year ago). Access to internet has increased rapidly thanks to the proliferation of smartphones, with about 15 percent of the population using the internet. In spite of the increase, Uganda still lags far behind its neighbors for internet access. Rapid growth has also led to service problems, as rising demand has exceeded network capacity. In 2011, Uganda launched a USD 117 million national fiber-optic network to take advantage of the arrival of undersea fiber-optic cables in East Africa. A multi-phase project to migrate from analogue to digital broadcasting is underway. 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.

Other Investment Policy Reviews

A 2014 "Attractiveness Survey" by Ernst and Young notes that "Uganda was a new entrant into the list of the top 10 countries by FDI projects in 2013." It further observes that "solid GDP growth, a rapidly expanding population, and low per capita consumption are some of its appealing factors" and further that "one multinational that has recently increased its presence in the country is SAB Miller, which opened its second brewery in Uganda in 2013. Oil fields and the agricultural sector in Uganda are also attracting significant investor attention."

Similarly, the 2014 World Investment Report notes that Uganda was one of the countries that "maintained relatively high inward flows, thanks to the development of their gas and mineral sectors."

The 2015 World Bank's Doing Business report ranks Uganda at 150 out of 189 countries. Among the country's achievements over the year was the introduction of a new computerized property registration system that made it easier to certify documents subject to a Stamp Duty.

Laws/Regulations of Foreign Direct Investment

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 USD 100,000 over three years (See "Performance Requirements and Incentives" below). Most foreign investors establish themselves as limited liability companies. Ugandan law also permits foreign investors to acquire domestic enterprises or establish greenfield ventures. The new Companies Act, which was passed in 2012, allows 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.

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 Promotion

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 USD 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, the Petroleum Act of 2013, allows 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. The number of joint venture vehicles through which FDI has flowed into Uganda rose from 19 in fiscal year 2011/2012 to 40 in 2013/2014.

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 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 and politically connected individuals.

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

If oil production licenses are issued, and oil companies decide to pursue projects currently on hold, Uganda's oil and gas sector has the potential 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

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	142 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	150 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	91 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 600	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

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 2015 per capita gross national income (GNI) of USD 4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

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 2004 Foreign Exchange Act, 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 recently 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 1,500 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 2014, the court handled more than 220 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 in 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 98 out of 189 countries for resolving insolvency in the World Bank's Doing Business Report. Uganda fares better in the recovery rate that claimants recover from an insolvent firm (37 cents on the dollar in Uganda, 27 cents in Kenya, 21 cents in Tanzania). 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 USD 400 million in capital gains tax to the Ugandan government. A London-based arbitrator ordered Heritage Oil to refund Tullow Oil for the USD 400 million paid to Uganda Heritage then sued Uganda seeking to recover the said amount and in February 2015, an UNCITRAL arbitrator in London ruled in favor of 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. As noted, a dispute between Heritage Oil and 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. 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 USD 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 Agreement on Trade-Related Investment Measures (TRIMs). 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 partly because of financial constraints and also because such subsidies are likely to infringe on the country’s obligations under the East African Common Market protocol.

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.

Research and Development

There are no laws prohibiting U.S. or other foreign firms from participating in government financed or subsidized research and development programs.

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

Property rights are guaranteed by law and in principle the rules of acquisition of property are clearly established. Compulsory acquisition of private property by the state is prohibited by law except when in the public interest, authorized by law, and accompanied by prompt, fair and adequate compensation which can be legally challenged by the owner. However, in practice, the implementation of the existing regulations lack effectiveness and consistency and businesses generally deem acquisition of land with a clean title as one of their biggest challenges. Land disputes are common in Uganda and Uganda's Commercial Court has a Land Division that deals specifically with land disputes. Domestic private entities may own properties and businesses and dispose of them at will. The same rights apply for foreign entities, but with restrictions regarding land ownership. The registration process, however, is slow and complex. In the World Bank’s 2015 Doing Business report, Uganda ranks 125 out of 189 countries in the category “registering property” with 11 steps in the procedure and an average of 43 days required to complete the registration process.

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. Moreover, banks do not accept customary land as collateral. In some instances, however, this limitation may be overcome as 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 primarily 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.

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.

A foreign company may do business in Uganda through a branch subsidiary. A wholly owned subsidiary is also permitted. The foreign company setting up in Uganda must register the branch by submitting appropriate documents to the registrar of companies within thirty days. The documents include a certified copy of the statutory documents, the names and addresses of the directors and company secretary and the business address in Uganda. Enterprises operating in certain industries such as banking and telecommunications may also need to register with their specific governing bodies.

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 2009 Mortgage Act and the 2012 Mortgage Regulations 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) could not. 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 registration, as well as the issuance of land titles and other records. In 2013, Uganda also adopted a National Land Policy aimed at promoting optimal use of land.

Uganda has a Commercial Court with six judges, assisted by a Deputy Registrar. The court has 15 mediators, and through pre-trial conferences disputes are settled out of court, saving time and money. However, the court's effectiveness is hampered by corruption, a shortage of judges and inadequate funding.

Intellectual Property Rights

In principle, Ugandan law protects intellectual property rights, but in practice little is done to effectively prevent piracy and counterfeit distribution. Uganda 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. 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. They are constrained by inadequate resources and funding.

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 has made limited efforts to address counterfeit products. 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.
• Omar Farooq• Economic and Commercial Officer• +256 414 306 102• FarooqO@state.gov

For a list of local lawyers, see: 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 2015 Doing Business report ranked Uganda 150 of 189 countries for ease of doing business and 166 out of 189 countries for speed of starting a business, with 32 days required to get a business up and running. 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

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 26. Most banks are foreign owned, including major international institutions such as Citigroup, Barclays, Stanbic, Standard Chartered, and Bank of Baroda. Competitiveness and innovation have also steadily increased, but lending to the private sector is still relatively low, largely because of high risk (limited collateral) on the part of the latter, as well as the government's appetite for loans from commercial banks. 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 2015, commercial rates stood at 21 percent.

Between August 2014 and April 2015, the Uganda shilling lost about 24 percent of its value against the dollar, a development attributed to a decline in Uganda's exports. The depreciation of the shilling has had a severe impact on economic performance, particularly because Uganda is a net importer of both consumables and raw materials. Loan defaults remain high and banks are reluctant to lend, many preferring to lend only in U.S. dollars.

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. 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 2012 Companies Act – which makes 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 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 USD 879 million in remittances, up from USD 729.7 million in 2011. In 2013, remittances rose to USD 930 million but fell to USD 850 million in 2014, defying expectations that it would surpass the USD 1 billion mark. Previously most remittances came from Europe, but now sub-Saharan African countries such as South Africa and Botswana are key sources of remittances.

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 USD 4 million to USD 25 million, and all banks have complied, some by attracting Tier I equity capital. Total bank assets grew from UGX 15.7 trillion in June 2013 to UGX 18.6 trillion at the end of June 2014, an annual asset growth rate of 18.8 percent. Most banks are foreign owned, including major international institutions such as Citigroup, Barclays, Stanbic, Standard Chartered, and Bank of Baroda. According to the Bank of Uganda, the non-performing loan rate stood at 5.3 percent at the end of 2014.

10. Competition from State-Owned Enterprises

The Public Enterprise Reform and Divestiture Act defines an SOE as “any other body corporate, whether established under the Companies Act or under any other enactment, in which the State owns the whole or part of the proprietary interest or which is otherwise controlled directly or indirectly by the State.”

The Ugandan government devotes little expenditures to research and development, government-wide. No figures exist for public or private sector investment in research and development in Uganda.

OECD Guidelines on Corporate Governance of SOEs

Uganda operates in a relatively free-market environment after the pursuit of an economic reform agenda in the late 1980s through the 1990s to date. These reforms were aimed at boosting the national economy, reducing government involvement in business and encouraging private sector development. 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. State owned enterprises are no longer monopolies as they used to be except for the National Social Security Fund (NSSF), which is also soon to be opened up to competition. 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

The Public Finance Management Act (PFMA) which was passed in February 2015 mandates the establishment of a Petroleum Fund into which anticipated oil revenue will be deposited. The PFMA also allows the creation of other “special funds” for the investment of oil revenue.

11. Responsible Business Conduct

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.

OECD Guidelines for Multinational Enterprises

Not applicable/information not available.

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.

In recent years, the country has been relatively stable and has not seen any major political upheaval. While elections are scheduled for February or March 2016, many Ugandans expect President Museveni to be re-elected, thereby limiting the degree of political uncertainty. Political parties have already begun preparing for the 2016 presidential elections and some meetings and rallies planned by opposition parties have been disrupted occasionally 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. In September 2014, Ugandan security forces carried out a major operation, arresting several members of a suspected al-Shabaab terrorist cell in Kampala that were in the advanced stages of planning an attack. 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, where they remain.
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. Transparency International scores Uganda as the most corrupt country in East Africa, and the country fell to 142 out of 175 countries ranked in their Corruption Perception Index. 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.

In recent years, the Government has taken some 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 Anti-Money Laundering Bill was signed into law in 2013. In 2014, Parliament passed the Public Finance Management Act (PFMA) that could provide better mechanisms for the management of 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. These measures, if fully and properly implemented, could reduce some aspects of corruption. Other draft legislation, including an Anti-Counterfeiting Bill and a Proceeds of Corruption Assets Recovery Bill, are pending in Parliament. Uganda's High Court opened an Anti-Corruption Division (ACD) in 2009. Although its constitutionality was challenged, the Ugandan Constitutional Court ruled that the ACD is constitutional in late 2013, paving the way for corruption cases to resume.

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 – 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 procedures, while another USD 38 million in public funds had been spent on "off-budget" activities (activities unaccounted for in the national budget). The report also highlighted another USD 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.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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. In some cases, the Ugandan government awarded lucrative contracts for infrastructure projects without any formal procurement process. 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.

Resources to Report Corruption

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

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

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 have pledged to integrate financial systems and regulations, harmonize monetary and exchange rate policies, and establish common inflation and debt-to-GDP ceilings.

In February 2015, the U.S. and the EAC signed a Cooperation Agreement that will increase trade-related capacity in the region and deepen the economic ties between the U.S. and the EAC. The Cooperation Agreement will build capacity in three key areas: Trade Facilitation, Sanitary and Phytosanitary (SPS) Measures, and Technical Barriers to Trade (TBT). Implementing critical customs reforms, harmonizing standards, and undertaking multilateral commitments will support greater EAC regional economic integration. This agreement will complement a Trade Investment Framework Agreement (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. 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 negotiated bilateral taxation treaties with several nations, including China and South Africa. After the EAC initialed an Economic Partnership Agreement with the EU in 2007, negotiations on a formal agreement proceeded slowly and were only concluded in October 2014. The newly adopted EPA is currently undergoing legal review by the legislatures of the EAC states and is expected to be ratified soon. Details regarding its content are available at http://trade.ec.europa.eu/doclib/docs/2009/january/tradoc_142194.pdf. Uganda does not have a bilateral tax treaty with the U.S. Uganda has bilateral investment treaties 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, and renewed it in 2013.

The Overseas Private Investment Corporation (OPIC) has explored potential projects but as of early 2015, has not formally approved any projects in Uganda.

16. Labor

In Uganda, the working age population is defined as the population aged 14-64 years. 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.

Uganda has ratified all eight ILO fundamental conventions enshrining labor and other economic rights and has integrated some of these into domestic law by way of the 1995 Constitution of the Republic of Uganda, which stipulates and protects a wide range of economic rights. In 2006 a new set of labor laws were enacted to improve compliance with International Labor Organization (ILO) standards. 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. 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.
Despite the law reforms, many Ugandan workers still suffer workplace hardships due to lack of implementation of some revised laws and unfavorable work environments as enforcement and compliance to policies and legislation is lacking. 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. In 2014, the Industrial Court was operationalized; it Court arbitrates labor disputes which have not been resolved by the district labor officers and the Commissioner of Labor. It has the jurisdiction of the High Court, consists of two High Court Judges and three panelists, one of whom must be independent, one representative of the employers and another representative of the employees.

According to the U.S. Department of Labor’s 2013 Findings on the Worst Forms of Child Labor, over 30 percent of children aged five to 14 in Uganda are engaged in child labor, including the worst forms, in agriculture and in commercial sexual exploitation. 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. 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. 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.

Youth unemployment in Uganda is widespread. According to the Uganda National Household Surveys (UNHS) 2005/06 and 2009/10, 57 percent of the working youth (between 18 and 30 years) in 2011 were self-employed and 24 percent were wage earners while 5.2 percent of the youth were unemployed. Many of the employed youth are under employed. The agricultural sector is the main employer in Uganda.

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 employs fewer than 40 district-based labor officers to enforce labor standards, inspect workplaces and process worker and management complaints. This coverage is inadequate as each of Uganda’s 112 districts is supposed to have a district labor officer. , District labor officers contribute 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.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

The Parliament of the Republic of Uganda passed a "Free Trade Zones Bill" in January 2014. The law is aimed at modernizing the investment infrastructure in Uganda. The law authorizes 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

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

	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) ($M USD)	2013	21,030	2013	27,900	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013	1,410	2013	1,190	www.worldbank.org/en/country
Host country's FDI in the United States ($M USD, stock positions)	N/A		N/A		BEA
Total inbound stock of FDI as % host GDP	N/A		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	1,481	100%	Total Outward	N/A	100%
China	270	18%			
United Kingdom	146	9.9%			
Canada	143	9.6%			
India	101	6.8%			
Kenya	64	4.3%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey, 2013

Table 4: Sources of Portfolio Investment

Portfolio investment data for Uganda are unavailable.

19. Contact for More Information

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