Uganda

RISK & COMPLIANCE REPORT

DATE: December 2018

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Executive Summary - Uganda	
Sanctions:	None
FAFT list of AML Deficient Countries	No longer on list
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	World Governance Indicators (Average Score) Weakness in Government Legislation to combat Money Laundering

Major Investment Areas:

Agriculture - products:

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

Industries:

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

Exports - commodities:

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

Exports - partners:

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

Imports - commodities:

capital equipment, vehicles, petroleum, medical supplies; cereals

Imports - partners:

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

Investment Restrictions:

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

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

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Section 1 - Background

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

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Uganda is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 3 November 2017

The FATF welcomes Uganda's significant progress in improving its AML/CFT regime and notes that Uganda has established the legal and regulatory framework to meet the commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2014. Uganda is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Uganda will work with ESAAMLG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

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

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

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

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

Compliance with FATF Recommendations

The last follow-up to the Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Uganda was undertaken in 2018. According to that Evaluation, Uganda was deemed Compliant for 12 and Largely Compliant for 1 of the FATF 40 Recommendations. It was deemed Highly Effective for 0 and Substantially Effective for 0 of the Effectiveness & Technical Compliance ratings.

Conclusion from Follow-up Report

Uganda has made progress in addressing some of the technical compliance deficiencies identified in its MER. The jurisdiction has addressed the deficiencies in respect of Recommendations 3 (initially rated PC), 5(initially rated PC), 6 (initially rated NC), 11 (initially rated NC), 16 (initially rated NC), 17 (initially rated NC), 18 (initially rated NC), 20 (initially rated NC) and it was agreed to upgrade the rating for each recommendation with Compliant (C).

Some steps have been taken to improve compliance with Recommendations 1 (initially rated NC), 12 (initially rated NC), 15 (initially rated NC), 19 (initially rated NC), 27 (initially rated NC), however, moderate shortcomings still remain. Therefore, it was agreed to re-rate them as PC.

Reviewers have also evaluated information provided in support of the request for re-rating of Recommendations 10 (initially rated PC), 26 (initially rated NC) and 29 (initially rated PC). However, while the steps taken to address the deficiencies have been noted, the information currently provided does not indicate that the country has made sufficient progress to warrant re-rating. On this basis, it was agreed that ratings for these Recommendations should remain as they are.

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

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

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

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

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

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

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

Key Findings from latest Mutual Evaluation Report (2009):

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

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

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

US Department of State Money Laundering assessment (INCSR)

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

Key Findings from the report are as follows: -

Perceived Risks:

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

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

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

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

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

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

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

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

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

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

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

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

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

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

EU White list of Equivalent Jurisdictions

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

World Governance indicators

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

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Uganda is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012:

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

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

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

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

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

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

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

US State Dept Trafficking in Persons Report 2016(introduction):

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

Uganda is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Ugandan children as young as 7 years old are exploited in forced labor in the country in agriculture, fishing, forestry, cattle herding, mining, stone quarrying, brick making, car washing, scrap metal collection, street vending, bars, restaurants, and domestic service. Prisoners in pre-trial detention engage in forced labor alongside convicts. Girls and boys are exploited in prostitution. Women and children from Uganda's remote and underdeveloped Karamoja region are particularly vulnerable to domestic servitude, commercial sexual exploitation, and forced begging. Children from the Democratic Republic of the Congo (DRC), Rwanda, Burundi, Kenya, Tanzania, and South Sudan are subjected to forced agricultural labor and prostitution in Uganda. Ugandan children are taken to other East African countries for similar purposes and forced to engage in criminal activities. Additionally, many Karamojong children in Eastern Uganda endure forced labor in grazing and domestic servitude or are taken to Kampala where they are exploited. South Sudanese children in refugee settlements in northern Uganda are vulnerable to trafficking, and UNHCR suspects instances of trafficking involving this population. Until August 2006, the Lord's Resistance Army (LRA) abducted children and adults in northern Uganda to serve as soldiers, sex slaves, and porters; Ugandan children and adults previously abducted remain unaccounted for, and some remain captive with LRA elements in the DRC, Central African Republic, and the disputed area of Kafia Kingi, which is claimed by both Sudan and South Sudan.

Licensed and unlicensed Kampala-based security companies and employment agencies continued to recruit Ugandans to work as security guards, laborers, and drivers in the Middle East. Some Ugandan migrant workers endured forced labor in South Sudan, United Arab Emirates (UAE), Saudi Arabia, Qatar, and Kuwait, even when recruited by licensed agencies. Official complicity hindered government oversight of labor recruitment agencies. Despite a ban on recruiting Ugandans for domestic work overseas, licensed and unlicensed agencies circumvented this ban, recruiting for "cleaners" or other trades with the intent of employing women in domestic work. Some Ugandan women fraudulently recruited for employment in the Middle East were exploited in forced prostitution in UAE, Oman, Saudi Arabia, and Qatar. Illegal Kampala-based labor recruiters and brokers also operated in Rwanda, and illegal Nairobi-based recruiters were active in Uganda, recruiting Ugandans and resident Rwandans and Kenyans through fraudulent offers of employment in the Middle East and Asia.
A network of Ugandans reportedly coordinated sending Ugandan women to Kuwait and UAE where they were subjected to forced labor and forced prostitution. During the reporting period, the government reported the top destination countries for Ugandan trafficking were UAE, South Sudan, and Saudi Arabia, with the largest number of Ugandan victims identified in UAE.

The Government of Uganda does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government investigated 108 trafficking cases in 2015, involving 347 victims. It reported 15 prosecutions and three convictions in 2015, in comparison with 23 prosecutions and four convictions the previous reporting period. It maintained strong efforts to identify trafficking victims and in 2015 began implementing standard procedures to identify child victims. The government did not provide victims with adequate services and relied on international organizations and NGOs to provide necessary care. The Coordination Office to Combat Trafficking in Persons (COCTIP) made efforts to raise public awareness. The government allocated funding to COCTIP for the first time. Limited funding for the Ministry of Gender, Labor, and Social Development (MGLSD), and its External Employment Unit (EEU), resulted in restricted services for victims.

US State Dept Terrorism Report 2016

Overview: The Government of Uganda continued its significant counterterrorism efforts in East Africa and the Horn of Africa in 2016 and demonstrated strong political will to apprehend suspected terrorists and disrupt terrorist activity in its territory. Uganda participated in regional efforts to neutralize al-Shabaab as the largest troop contributing country to the African Union Mission in Somalia (AMISOM).

The Government of Uganda's ability to respond to counterterrorism threats was inconsistent, however, given resource and capacity limitations, porous borders, and corruption at all levels of government. The Government of Uganda and members of the ruling National Resistance Movement at times labeled domestic political opposition as "terrorism" and individuals challenging government or party interests as "security threats," potentially diverting attention and resources from pursuing core counterterrorism goals.

Only one terrorism alert was issued in 2016. On May 2, the Ugandan Police Force (UPF) announced it had received information about a terrorist threat to airports and government installations in Entebbe and Kampala. Police increased their presence at the airport and at other government buildings in response to the threat, and no terrorist act occurred.

Legislation, Law Enforcement, and Border Security: In January, Uganda's parliament passed one amendment to the Anti-Terrorism Act of 2002, which was signed into law by President Museveni in late January. This amendment broadened the definition of terrorist acts to allow for prosecution of individuals who travel outside Uganda for the purposes of planning or being trained for a terrorist act.

The UPF Directorate of Counterterrorism is the lead law enforcement entity charged with investigating, disrupting, and responding to terrorist incidents. While highly motivated, the UPF overall was limited in its capacity to detect, deter, and respond to terrorist incidents due to a lack of human resources, funding, and training. Further, UPF officials were susceptible to corruption due to low and inconsistent pay. Although the UPF held regular interagency meetings in an attempt to ensure coordination among its security and intelligence agencies, the bulk of law enforcement elements were centrally located in Kampala, limiting their effectiveness in areas outside of Kampala.

The United States continued to provide significant capacity building assistance to the UPF, specifically through the Department of State's Antiterrorism Assistance program. Border security remained a persistent concern for the Ugandan government, with especially porous borders between Uganda and both South Sudan and the Democratic Republic of the Congo. Uganda used the U.S.-provided Personal Identification Secure Comparison and Evaluation System (PISCES) to conduct traveler screening at the country's major ports of entry. The use of PISCES led to the late-November 2016 arrest of one individual allegedly linked to the al-Shabaab bombings in Kampala in 2010; the individual was attempting to cross the border from Kenya to Uganda and was flagged by the PISCES system.

The U.S. Federal Bureau of Investigation (FBI) maintained strong relationships with the UPF and continued to work with the Ugandan government on terrorism investigations. One particular joint investigation culminated in the May 2016 Ugandan court conviction of eight individuals for orchestrating the July 2010 al-Shabaab bombings in Kampala, which resulted in 76 deaths and 70 injuries. The results of the convictions were five life sentences, two 50-year sentences, and one community service sentence. Five persons were acquitted, but remained in custody.

Countering the Financing of Terrorism: Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force (FATF)-style regional body. While Uganda remained under review by the FATF in 2016 owing to its strategic anti-money laundering/countering the financing of terrorism (AML/CFT) deficiencies, it continued to make progress towards criminalizing terrorist financing and implementing United Nations (UN)sanctions in line with international standards. This included the 2016 enactment of amendments to its regulation implementing UN Security Council (UNSC) resolution 1373 and the UNSC ISIL (Da'esh) and al-Qa'ida sanctions regime.

As noted, Uganda remained under review by the FATF due to gaps in its AML/CFT infrastructure. Specifically, the list of action items relate to the criminalization of terrorist financing, the implementation of procedures for freezing terrorist assets, provisions that

financial institutions are subject to adequate record-keeping requirements, and ensuring adequate supervision and enforcement of compliance with AML/CFT requirements.
A significant portion of financial transactions in Uganda are in the form of "mobile money" payments and transfers, which can be abused by individuals for a multitude of crimes, including terrorism. While Uganda's Anti-Money Laundering Act requires financial institutions to conduct comprehensive customer due diligence, it does not put the same requirements on mobile money transfers.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	26
World Governance Indicator – Control of Corruption	13

Corruption constitutes a major challenge for businesses operating or planning to invest in Uganda. The police, the judiciary and procurement are areas where corruption risks are very high and under-the-table cash payments are expected. The core of Uganda's legal anti-corruption framework is the Anti-Corruption Act, the Penal Code, the Inspectorate of Government Act 2002, the Public Finance Management Act 2015 and the Leadership Code Act 2002 (LCA). The Penal Code provides instruments to deal with various corruption offenses including embezzlement, causing financial loss, abuse of office and fraud. The LCA is designed to increase transparency and to curb corruption among senior public officials; it also criminalizes attempted corruption, active and passive bribery, extortion, bribery of a foreign public official and abuse of office. Under the LCA, gifts or donations must be declared if they exceed five currency points in value. Corruption challenges are exacerbated by weak law enforcement, which fuels a culture of impunity. There is no distinction between a bribe and a facilitation payment under Ugandan law. **Information provided by GAN Integrity.**

US State Department

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

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

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

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

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

Corruption and Government Transparency - Report by Global Security

Political Climate

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

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

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

Business and Corruption

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

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

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

Regulatory Environment

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

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

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

Section 3 - Economy

Uganda has substantial natural resources, including fertile soils, regular rainfall, small deposits of copper, gold, and other minerals, and recently discovered oil. Agriculture is the most important sector of the economy, employing one third of the work force. Coffee accounts for the bulk of export revenues. Uganda's economy remains predominantly agricultural with a small industrial sector that is dependent on imported inputs like oil and equipment. Overall productivity is hampered by a number of supply-side constraints, including underinvestment in an agricultural sector that continues to rely on rudimentary technology. Industrial growth is impeded by high-costs due to poor infrastructure, low levels of private investment, and the depreciation of the Ugandan shilling.

Since 1986, the government - with the support of foreign countries and international agencies - has acted to rehabilitate and stabilize the economy by undertaking currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages. The policy changes are especially aimed at dampening inflation while encouraging foreign investment to boost production and export earnings. Since 1990 economic reforms ushered in an era of solid economic growth based on continued investment in infrastructure, improved incentives for production and exports, lower inflation, better domestic security, and the return of exiled Indian-Ugandan entrepreneurs.

The global economic downturn in 2008 hurt Uganda's exports; however, Uganda's GDP growth has largely recovered due to past reforms and a rapidly growing urban consumer population. Oil revenues and taxes are expected to become a larger source of government funding as production starts in the next five to 10 years. However, lower oil prices since 2014 and protracted negotiations and legal disputes between the Ugandan government and oil companies may prove a stumbling block to further exploration and development.

Uganda faces many challenges. Instability in South Sudan has led to a sharp increase in Sudanese refugees and is disrupting Uganda's main export market. High energy costs, inadequate transportation and energy infrastructure, insufficient budgetary discipline, and corruption inhibit economic development and investor confidence. During 2015 the Uganda shilling depreciated 22% against the dollar, and inflation rose from 3% to 9%, which led to the Bank of Uganda hiking interest rates from 11% to 17%. As a result, inflation remained below double digits; however, trade and capital-intensive industries were negatively impacted.

The budget for FY 2015/16 is dominated by energy and road infrastructure spending, while relying on donor support for long-term economic drivers of growth, including agriculture, health, and education. The largest infrastructure projects are externally financed through low-interest concessional loans. As a result, debt servicing for these loans is expected to rise in 2016/2017 by 22% and consume 15% the domestic budget.

Agriculture - products:

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

Industries:

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

Exports - commodities:

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

Exports - partners:

Rwanda 10.7%, UAE 9.9%, Democratic Republic of the Congo 9.8%, Kenya 9.7%, Italy 5.8%, Netherlands 4.8%, Germany 4.7%, China 4.1% (2015)

Imports - commodities:

capital equipment, vehicles, petroleum, medical supplies; cereals

Imports - partners:

Kenya 16.4%, UAE 15.5%, India 13.4%, China 13.1% (2015)

Banking

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

Stock Exchange

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

Section 4 - Investment Climate

Executive Summary

Uganda offers investors numerous opportunities, given its youthful, English-speaking population, open markets, and abundant resources, Uganda's economy expanded six percent per year over the past decade, due to rapid growth in the energy, construction, infrastructure, telecommunications and financial services sectors. 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's commitment to fostering an investor-friendly environment. National elections held on February 18, 2016 fell short of international standards, according to most international and domestic election observer missions. Projects managed by the Government of Uganda are hampered by a sluggish bureaucracy with a non-transparent decision-making process.

Poor infrastructure, high energy and production costs, and a number of macro-economic challenges, most notably a large trade deficit, inflation, and high interest rates, dampened growth in 2015, but growth is expected to rebound to five percent in 2016, and 5.5 percent in 2017. With a trade deficit exceeding $2 billion, the Ugandan shilling remains under pressure. Uganda's Central Bank, the Bank of Uganda (BOU), is widely credited with pursuing sound monetary policy that helped arrest the shilling's rapid depreciation which totaled 30 percent in the first three quarters of 2015. The BOU targeted inflation, raising the central bank rate (CBR) to 17 percent in September 2015. The BOU recently dropped the CBR to 16 percent in a sign that it believes inflation is under control at 6.2 percent, just above the BOU's target of five percent.

Agriculture plays a dominant role in Uganda's economy, employing 72 percent of Uganda's workforce. In 2014 agriculture contributed 24.7 percent of GDP. Uganda's top agriculture exports include: coffee, tea, tobacco and cotton. Uganda is Africa's largest exporter of coffee, producing about 3.8 million bags of coffee in 2014. Other significant agricultural exports include fish, flowers and horticultural produce. Agricultural inputs such as seeds, fertilizers, herbicides, and agricultural processing equipment remain in short supply for Ugandan farmers, impeding growth in the sector.

Uganda's natural resources are plentiful, including significant oil reserves - an estimated 6.5 billion barrels, including 1.4 billion which are recoverable. With only 40 percent of the oil-rich areas explored, additional discoveries could boost Uganda's oil reserves and the Ministry of Energy plans to award additional exploration licenses in 2016. 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 Indian Ocean through Kenya or Tanzania are still being negotiated. Based on current projections, it is unlikely that any production could realistically begin before 2020 at the earliest.

Inadequate and unreliable power supply remains one of the largest obstacles to private sector investment, and Uganda's electricity network urgently needs renovation and expansion. Access to electricity countrywide is a meager 20 percent and falls to 10 percent in rural areas. The Government formally broke ground on the 600-megawatt Karuma hydropower project in 2013, but the project continues to be dogged by delays, and the first 100 megawatt turbine is not expected to be operational until 2018 at the earliest. 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 other sources of renewable energy, such as off-grid solar power systems. The government continues to explore options to develop its geothermal reserves in western 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 imports, making transportation slow, costly and susceptible to disruption. Another problem is Uganda's reliance on imports from Kenya's Mombasa seaport. While Uganda and Kenya have worked to remove non-tariff barriers, resulting in quicker transit times, chronic congestion at 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. In March 2015, the government signed a contract with China Harbor Engineering Company Ltd to build a USD 3.2 billion standard gauge railway project to improve rail infrastructure through the east-African region; it is projected for completion in December 2017. Passenger traffic through Uganda's Entebbe International Airport grew 7 percent in 2015. The government pulled privately-owned Air Uganda's license in 2014; however, the government is looking to revive another carrier as a public-private partnership.

At 3.0 percent per year, Uganda's population growth rate is one of the fastest in the world, and its current total population of 34.9 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 7.3 percent according to the 2011 AIDS Indicator Survey.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	139 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	122 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	111 of 141	globalinnovationindex.org/content.aspx?page=data-analysis

World Bank GNI per capita	2014	USD 670	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 per capita gross national income (GNI) of $4,125 or less. Uganda's score is available here https://assets.mcc.gov/documents/score-fy16-english-ug-uganda.pdf. 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.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Ugandan policies, laws, and regulations are generally favorable towards foreign investors, although poorly enforced legislation 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 government also provides generous incentives for industrial development.

However, Uganda ranked 102 out of 178 countries, in the Heritage Foundation's 2016 Index of Economic Freedom, with an overall score of 59.3, the 13th freest among the 46 sub-Saharan African countries on the index. In the World's Bank's Ease of Doing Business Report, Uganda ranks 122 out of 189 countries.

In 2009, the Uganda Revenue Authority (URA) introduced an "E-Tax" system which improved its efficiency, boosted transparency, and increased tax compliance. Individual income is taxed up to 30 percent, the 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. Tax rules remain unclear; however, and subject to arbitrary changes. A number of foreign companies were involved in tax disputes with URA in recent years. Due to revenue shortfalls from a small tax base, the URA has increasingly become more aggressive in corporate tax collection from compliant companies, which are often foreign investors.

Other Investment Policy Reviews

The government has not conducted an investment policy review (IPR) through the Organization for Economic Cooperation and Development (OECD) or the World Trade Organization (WTO). The government did complete a United Nations Conference on Trade and Development (UNCTAD) investment policy review in 2000. Uganda publishes an annual investment climate Abstract, the most recent of which is dated 2014/15 and is available at: http://www.ugandainvest.go.ug/wp-content/uploads/2016/03/UIA-Annual-Investment-Abstract-2014-15-Press-Release.pdf

In addition, the BOU publishes a Private Sector Survey, the most recent of which is dated 2014 and is available at: https://www.bou.or.ug/bou/bou-downloads/publications/PrivateSectorCapital/PSIS/2014/All/Private-Sector-Investment-Survey-2014---REPORT.pdf

Laws/Regulations on Foreign Direct Investment

Ugandan policies, laws, and regulations are generally favorable towards foreign investors, but judicial enforcement remains weak. 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 Uganda Investment Code Act of 1991. The Investment Code 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 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.

Ugandan courts generally uphold the sanctity of contracts. 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. Executive/political interference in the commercial court system could affect rulings involving FDI.

The Uganda Investment Authority's website: http://www.ugandainvest.go.ug/download-centre/ and the Business in Development Network Guide to Uganda available at: www.bidnetwork.org provide 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

Business Registration

The Uganda Investment Authority (UIA) has opened a "dedicated one-stop center" that allows investors to:

- Apply and receive an investment license online
- Choose an investment area of interest
- Pay 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

Some of these services are available online, as well at http://ursb.go.ug/. 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--still pending in Parliament--would further streamline the process.

Uganda defines micro, small and medium-sized enterprises (MSME) as “all types of enterprises irrespective of their legal form (such as family enterprises, sole proprietorships or cooperatives) or whether they are formal or informal enterprises to ensure inclusiveness.” The government policy states a number of initiatives aimed at enhancing the growth and competitiveness of MSME. Additional information can be found at: www.mtic.go.ug/index.php?/doc_download/288-msme-policy

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 urban centers, including Jinja, Kasese, Mbarara, Mbale, Gulu, and Soroti. Investors in priority sectors can get a 49-year lease in an industrial park without paying the usual $80,000 lease fee. The Namanve Industrial Park on the outskirts of Kampala has several large international companies already operating, although the development of the park has been slowed by squatters and inadequate infrastructure. The park is divided into four main industrial clusters: food processing, light industry and services, heavy industry, and another for SMEs. Investors can find information on investor incentives on the UIA website at www.ugandainvest.go.ug.

Limits on Foreign Control and Right to Private Ownership and Establishment

Ugandan law allows for 100 percent foreign-owned businesses and foreign businesses are allowed to partner with Ugandans without restrictions. The Petroleum Act of 2013, however, requires goods 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) which must have at least a 48 percent share of the company. The latest numbers on the number of FDI joint ventures in 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 resulted in the complete or partial divestiture of the majority of Uganda's public enterprises, with just a few remaining in State hands. State-owned enterprises currently exist in the following sectors: 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 insiders and politically connected individuals.

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 at the Uganda Investment Authority (UIA). The investor must submit the following: a physical address for the business; a business plan; the memorandum and articles of association; a certificate of incorporation; and regulatory approvals. The UIA performs due diligence to ensure the investment provides value addition, technology transfer and employment creation. The UIA commits to keep such info strictly confidential. Greenfield investments receive the same treatment and are not treated differently from acquisitions or takeovers.

Competition Law

There is no competition law in Uganda.

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." The Ugandan shilling 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 "grey list."

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.

3. 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 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's reputation remains scarred over the mass forced expropriation without compensation of Asian properties under the Idi Amin regime in the 1970s. 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).

4. Dispute Settlement

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

Uganda's legal system is based on English Common Law. 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. Property ownership is enforced through civil and 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.

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. Despite a lack of funds and space, the commercial courts dispose of disputes faster than civil courts. 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. The court is attempting to increase transparency and efficiency by creating an "e-court environment" – a process still ongoing in 2016. 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. Although, some foreign investors allege Uganda's commercial legal process favors well-connected companies that deploy political pressure to disrupt and delay outcomes.

Intellectual property cases are processed in commercial courts. Like civil courts, commercial courts are not directly interfered with by the government, although the judiciary is perceived to be corrupt. The following laws regulate intellectual property: the Industrial Property Act of 2014, the Trademarks Act of 2010, the Trade Secrets Protection Act of 2009, the Copyright and Neighboring Rights Act of 2006, and the Patents Act Amendment of 2002.

Bankruptcy

Uganda ranks 104 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 (39 cents on the dollar in Uganda, 28 cents in Kenya, 21 cents in Tanzania).

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's 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. 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, the government made several efforts to create a legal environment conducive to foreign investment. Uganda has not had any major disputes involving U.S. investors.

The most prominent foreign investment dispute involving Uganda in recent years is a tax battle between the government and several foreign oil companies over payment of $400 million in Capital Gains Tax to the Ugandan government after one company bought assets from the other. One of the companies also challenged the government's levying of Value Added Tax on goods and services purchased in connection with its operations in the country, though that dispute was resolved in June 2015, when the company reached an out-of-court settlement of its tax liability to the government of Uganda.

International Arbitration

The government is a signatory to the Convention on the Recognition and Enforcement of Foreign Judgments in which binding international arbitration of investment disputes is recognized. 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. Mediation and arbitration are the alternative dispute resolution mechanisms in Uganda and the Center of Arbitration for Dispute Resolution (CADER) can assist in commercial disputes.

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 earlier, 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, although in some cases penalties are not a sufficient deterrent due to currency depreciation. However, Uganda is slowly rectifying this. 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 – Local Courts

Ugandan courts have a reputation for slow dispensation of justice. Commercial/investment disputes at the domestic level are handled by the Commercial Court where resolutions can take up to several months and in some cases years due to insufficient manpower and skillset to handle complex commercial cases.

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. The government is still reforming its commercial laws to bring its regulations and procedures into conformity with WTO requirements.

Under the Uganda Investment Code Act of 1991, there are no mandatory performance requirements for licensing; however, Uganda's regulatory authorities require minimum staff qualifications, and the use of local materials, supplies, and services. Uganda’s regulatory authorities also encourage foreign investors to upgrade local technology, promote socioeconomic development, and promote local job growth. Proposals from 100 percent foreign-owned enterprises are required to commit to investing a minimum of $100,000 to their projects over a course of three years. This amount can include pre-investment activities and the cost of land, equipment, buildings, machinery, and construction. Foreign-owned banks and insurance companies are also subject to higher paid-up capital requirements than are domestic firms. Uganda's National Environment Management Authority (NEMA) is responsible for enforcing environmental regulations. Ugandan law prohibits foreign ownership of land. For more information on land ownership, see "Right to Private Ownership and Establishment," below.

The government is reviewing the 2000 Investment Code. The WTO grants Uganda Special and Differential Treatment (SDT) provisions of the Trade-Related Investment Measures (TRIMS) agreement to give Uganda’s government a more gradual path towards adopting WTO standards. 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 run counter to the country's obligations under the East African Common Market protocol. The government has not notified the WTO of any measures that are inconsistent with the requirements of the WTO's Trade Related Investment Measures (TRIMs) obligations.

The National Oil and Gas Policy of 2008 is an example of trade protection. Two oil laws, The Petroleum (Exploration, Development and Production) Act of 2013, and the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act of 2013, impose obligations on investors in the oil industry to favor local content, industries, and employment. The local content particularly relates to the use of local raw materials, the creation of a local skilled Ugandan workforce and sourcing of goods and services locally.

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. According to the Uganda Investment 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. 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

The Uganda Investment Act requires investors to contribute to local employment without specifying mandatory numbers. The act also does not specify mandatory numbers for local employment in management positions. There are no government/authority-imposed conditions to receive permission for investing. 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 law requiring data to be stored in Uganda.

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.

Uganda has four systems of land tenure: freehold, traditional freehold land referred as “Mailo,” leasehold, and customary. The Land Act, 1998, restricts foreign investors to leasing land. Only holders of freehold, leasehold, and Mailo tenure hold registered titles, while customary or indigenous communal landowners (who account for up to 90 percent of all landowners) do not. The Land Act 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 adopted a National Land Policy aimed at promoting optimal use of land.

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 for investors to enforce their rights through the court system, enforcement remains weak.

Uganda 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 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 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.

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 becoming an increasing problem. 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. After six years, the Anti-Counterfeiting Bill 2010, remains stuck in Parliament and would, if passed, considerably clarify and strengthen the penalties for making and/or trading in counterfeit products.

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/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 Neighboring 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 legal assistance providers in Uganda, please go to:

https://ug.usembassy.gov/u-s-citizen-services/local-resources-of-u-s-citizens/attorneys/

7. Transparency of the Regulatory System

The Uganda Investment Authority (UIA) establishes clear parameters for a competitive and fair market. The Act provides transparent accounting, legal, and regulatory procedures. Draft bills presented to parliament are available for public comment and consultation on an ad-hoc basis. Regulations are handled exclusively by the government. There are no known private sector and/or government/authority efforts to restrict foreign participation in industry standards-setting consortia or organizations.

Ugandan laws and regulations are published in the Government Gazette. The regulatory system varies substantially with each regulatory body. The Uganda Revenue Authority, The Bank of Uganda and the UIA often have hearings, both public and private, where interested parties have an opportunity to comment on draft legislation and regulations.

The Bank of Uganda produces publicly available reports on its website (https://www.bou.or.ug/). The legal system is not as transparent. Courts, particularly at higher levels, make independent judgments, which parties may ignore and take advantage of an overburdened legal system to manipulate the judicial process.

8. Efficient Capital Markets and Portfolio Investment

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.

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.

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 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 Ugandan-owned Crane 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. Competitiveness and innovation are steadily increasing, 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. According to the Bank of Uganda, the non-performing loan rate stood at 3.9 percent at the end of 2015.

9. Competition from 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. No information on the assets, income and number of employees is publicly available.

While Uganda has successfully privatized most of its state owned enterprises (SOEs), some observers question the transparency of the process, arguing that the benefits of the most lucrative sales went to government insiders.

The Ugandan government devotes little expenditures to research and development, government-wide. Kawanda Research Station is publically owned, although no figures exist for public or private sector investment in research and development in Uganda.

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. However, well-connected individuals are able to access land at below-market rates.

OECD Guidelines on Corporate Governance of SOEs

The Uganda Development Corporation Bill of 2014 lays out the scope of government investment in SOEs; however, parliament has not enacted it. A SOE senior manager directly reports to a line minister. Each SOE is governed by its own legislation specifically enacted by parliament. The corporate governance structure in each SOE generally revolves around a Board of Directors chaired by an individual appointed by the Minister, an Executive Director answerable to the Board of Directors, and support staff answerable to the Executive Director. The accounts of the SOE are audited annually by the Auditor General whose report is presented to parliament. Parliament's Public Accounts Committee then scrutinizes the Auditor General's report and calls on the Executive Director and other officials of the SOE to answer any questions and provide information regarding accountability. The law governing each SOE generally stipulates that appointments to the Board will be made by the line Minister. In practice, the appointments are politically influenced and are regarded as little more than patronage. SOEs do not receive preferential treatment in the court system.

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. The PFMA also allows the creation of other "special funds" for the investment of oil revenue and implemented regulations are expected to be released by June 2016. With little development in the petroleum sector, the Petroleum Fund has no funds outside of initial tax receipts from capital gains tax on oil discoveries which were spent on the purchase of Russian fighter jets in 2011. The Petroleum Fund does not follow any known code of good practices. The PFMA establishes measures to ensure that the Petroleum Fund is consistent with industrial policies or in government-designated projects, but enforcement appears unlikely.

10. 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.

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. The government does not maintain a national point of contact for OECD multi-national enterprise guidelines. 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.

11. Political Violence

Uganda has succeeded in achieving a level of stability since President Museveni came to power in 1986. However, regional terrorism remains a threat, and there have been isolated incidents of political violence in recent years. Rebel groups fighting in eastern Democratic Republic of Congo and the protracted conflict in South Sudan create instability on 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. On February 18, 2016, President Museveni was re-elected to a fifth term in office during an election that was characterized by a closing of political space and infringements on people's rights of assembly and speech. Supporters of the losing opposition candidate Kizza Besigye have vowed not to accept Museveni's reelection, but it remains unclear if such threats will lead to widespread violence.

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 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.

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.

12. Corruption

Corruption remains endemic in Uganda. Transparency International's 2015 report ranks Uganda at 139 out of 175 countries in its 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 2015, parliament passed the Public Finance Management Act (PFMA) that promised to 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.

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 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.

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

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

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.

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

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 it is a member of the Africa Growth and Opportunity Act, which allows duty-free imports of manufactured goods to the United States.

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.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The Parliament of the Republic of Uganda passed a "Free Trade Zones Act" in January 2014. The law is meant 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.

15. 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)	2015	$25 billion	2014	$27 billion	www.worldbank.org/en/country www.ubos.org
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	$35.4 million (planned)	2014	$71 million	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm www.ugandainvest.go.ug
Host country's FDI in the United States ($M USD, stock positions)	2015	N/A	2014	N/A	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	$35.4 million	2014	$71 million	N/A

Table 3: Sources and Destination of FDI

Outward Direct Investment is not available

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	10,278	100%	Total Outward	Amount	N/A
Netherlands	4,861	47%	N/A	N/A	N/A
United Kingdom	1,011	10%	N/A	N/A	N/A
Mauritius	585	6%	N/A	N/A	N/A
Kenya	580	6%	N/A	N/A	N/A
India	334	3%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Data not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

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

Legal system:

mixed legal system of English common law and customary law

International organization participation:

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

Exchange control

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

Treaty and non-treaty withholding tax rates

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

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

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

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

Section 3 - Economy

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

(Source: CIA World Factbook)

Section 4 - Foreign Investment

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

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

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

Section 6 - Tax

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

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

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