UGANDA

Uganda’s economic freedom score is 59.7, making its economy the 95th freest in the 2019 Index. Its overall score has decreased by 2.3 points because of a sharp drop in fiscal health and lower scores for trade freedom, government integrity, and government spending. Uganda is ranked 8th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Although the government pressed ahead in 2018 with externally financed construction of energy-related, roadway, and other public-works infrastructure projects, its management of such large-scale endeavors has been poor. The strong commitment to economic liberalization that made Uganda one of Africa’s most rapidly developing countries during the 1980s has diminished noticeably. Bureaucracy and expensive business licensing requirements discourage development of the private sector. A weak and inefficient judicial system and pervasive corruption are serious impediments to sustainable development.

BACKGROUND: The wide range of ethnic groups with different political systems and cultures within the former British colony of Uganda complicated governance after independence in 1962. President Yoweri Museveni and his National Resistance Movement have been in power since 1986. In 2016, Museveni won a fifth five-year term in elections tainted by government intimidation and multiple arrests of the principal opposition leader. Harassment of other political opponents has intensified amid allegations of creeping authoritarianism. Parliament has amended the constitution several times to allow Museveni’s continued rule. Uganda has significant natural wealth, including gold, recently discovered oil, and rich agricultural lands from which more than two-thirds of the workforce derives employment.
Property rights are guaranteed by law, but enforcement can be inconsistent or ineffective. The judiciary is understaffed, inefficient, and subject to undue influence by the executive and military. Corruption in Uganda, one of the most corrupt countries in East Africa, is often practiced with impunity. In 2018, however, several police officers and magistrates were arrested for accepting bribes.

The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and property taxes. The overall tax burden equals 12.9 percent of total domestic income. Over the past three years, government spending has amounted to 19.4 percent of the country’s output (GDP), and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 39.0 percent of GDP.

The overall regulatory framework remains poor, discouraging development of a more vibrant private sector. Although there is no minimum capital requirement, establishing a business is costly and time-consuming. Labor regulations are relatively flexible, but a well-functioning formal labor market has not been fully developed. A hydroelectric dam financed by the World Bank is intended to facilitate elimination of electricity subsidies.

The combined value of exports and imports is equal to 44.4 percent of GDP. The average applied tariff rate is 7.3 percent. As of June 30, 2018, according to the WTO, Uganda had four nontariff measures in force, and other barriers to trade persist. Foreign and domestic investors are generally treated equally under the law. The financial sector is open to competition. About 61 percent of adult Ugandans have an account with a formal banking institution.