UGANDA

Uganda’s economic freedom score is 58.6, making its economy the 106th freest in the 2021 Index. Its overall score has decreased by 0.9 point, primarily because of a decline in trade freedom. Uganda is ranked 14th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Uganda’s economy is in the ranks of the mostly unfree for the third year in a row. The authoritarian and corrupt government is not likely to expand economic freedom enough to achieve its goal of transforming Uganda into an upper-middle-income country by 2040. Institutional capacity remains weak, as reflected by low Index indicator scores for government integrity, judicial effectiveness, and business freedom.

IMPACT OF COVID-19: As of December 1, 2020, 205 deaths had been attributed to the pandemic in Uganda, and the economy was forecast to contract by 0.3 percent for the year.

BACKGROUND: The mix of politically and culturally diverse ethnic groups 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 that were 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 to remain in power. Uganda’s significant natural wealth includes gold, recently discovered oil, and rich agricultural lands from which more than two-thirds of the workforce derives employment.

2019 data unless otherwise noted. Data compiled as of September 2020
Property rights are enforced by the courts, but judgments are often influenced by corruption. Customary land tenure is widespread in northern Uganda, and land disputes, some of which are violent, are common. The judiciary is understaffed, inefficient, and subject to undue influence by the executive and the military. Corruption is endemic and often practiced with impunity.

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 13.5 percent of total domestic income. Government spending has amounted to 16.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 40.0 percent of GDP.

Entry costs for starting a business have increased. President Museveni rejected a minimum wage bill, but most of the labor force is engaged in subsistence-type agriculture in any case. The government continues to subsidize the opaque and sometimes corrupt operations of state-owned enterprises heavily, often by borrowing from China.

Uganda has two preferential trade agreements in force. The trade-weighted average tariff rate is 11.3 percent, and 22 non-tariff measures are in effect. Other barriers to trade persist. The recently enacted investment code established a one-stop investment center, but the overall investment framework lacks efficiency and transparency. The underdeveloped financial sector remains subject to state influence, and financial-system inclusiveness is low across the country.