UGANDA

Uganda’s economic freedom score is 54.2, making its economy the 127th freest in the 2022 Index. Uganda is ranked 24th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The Ugandan economy has experienced modest growth over the past five years except in 2020 when it contracted. Economic freedom has declined over the same period. Dragged down by lower scores for fiscal health, labor freedom, and trade freedom, Uganda has recorded a 6.7-point overall loss of economic freedom since 2017 and has fallen to the bottom half of the “Mostly Unfree” category. Weaknesses in rule of law and business freedom urgently need attention.

IMPACT OF COVID-19: As of December 1, 2021, 3,252 deaths had been attributed to the pandemic in Uganda, and the government’s response to the crisis ranked 10th among the countries included in this Index in terms of its stringency. The economy contracted by 2.1 percent in 2020.

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 2021, Museveni won a sixth five-year term in elections that were tainted by government intimidation and the arrest of the principal opposition leader. Harassment of 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.
Customary land tenure is widespread in northern Uganda, and land disputes are common and sometimes violent. Property rights are enforced by the courts, but judgments are often influenced by corruption. Endemic corruption, significant backlogs, inefficiency, lack of funding and technical capacity, and heavy political and military interference undermine the judiciary’s impartiality and efficacy. Corruption is 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 11.8 percent of total domestic income. Government spending has amounted to 18.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.1 percent of GDP. Public debt is equivalent to 45.7 percent of GDP.

Business regulations are generally transparent on paper but not in practice. The president rejected a minimum wage bill in 2019 and sent it back to parliament for review. Most workers, who are engaged in subsistence agriculture, would not have been affected. According to the World Bank, subsidies and transfers consumed almost 29 percent of Uganda’s 2019 budget.

Uganda has two preferential trade agreements in force. The trade-weighted average tariff rate is 13.6 percent, and 22 nontariff measures are in effect. Other barriers to trade persist. The investment regime is complex and nontransparent, although foreign investment is allowed in most sectors. The financial sector is dominated by banking. Access to financial services has expanded gradually across the country.